MARKET NOTE

Observations from the PwC Risk Assurance Summit

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Key Takeaways from the PwC Risk Assurance Summit

This report provides a summary of PwC’s 2019 Risk Assurance Summit held in March 2019. The focus of the two-day event was on managing risk through digital transformation. There were more than 50 PwC clients in attendance with many of them sharing their digital transformation experiences and how PwC helped them through their it.

Key Takeaways

• The second and third lines of defense need to be aligned with the first line in the digital transformation era
• A common challenge expressed among the PwC clients is that there was no common GRC taxonomy within their organizations.
• Boardroom discussions around risk are increasingly assessing the pace at which risks can change.
• PwC is investing in its people and technology to transform itself and be better positioned to assist its clients
• All firms should establish a common, enterprise wide GRC taxonomy
• Upskill your employee base to ensure they have the right digital skills
• Strategically approach risk management innovation; ensure alignment with your organization’s digital strategy
• Ensure the C-suite is driving digital transformation as a top priority to ensure success.

Source: IDC, 2019
IN THIS MARKET NOTE

On March 27 and 28, PwC held its 2019 Risk Assurance Summit in Boston, Massachusetts. The key theme of the event was managing risk through digital transformation. The two-day event highlighted multiple customer stories and testimonials about how PwC helps clients navigate the impact of digital trends on their risk and audit functions. The event also highlighted PwC's continued transformation as an assurance, an advisory, and a tax professional services firm.

The tagline used at the outset of the summit was "Risk is to be mastered, not feared." PwC's view is that risk management should be driven to the front lines of business, allowing firms to master risk and not be captive to it. In other words, risk functions, including internal audit (Although internal audit is traditionally a third line of defense function and not considered "risk management," PwC includes internal audit under the risk umbrella.) cannot be a completely independent function in the DX era. The accelerating pace of change today necessitates that risk functions be aligned with the front lines of business. Blurring the lines between the three lines of defense helps build trust and develop proactive strategies to anticipate risks.

How does a firm become a smarter risk taker? PwC outlined six attributes of smarter risk takers developed from the company's 2019 assessment and analysis of the digital fitness of risk, compliance, and internal audit executives. According to PwC, the most digitally fit risk functions:

- Understand the organization's digital strategy and invest in ways to keep risk functions actively engaged
- Creatively source talent to build digital skills and retain digital talents
- Actively pursue innovation to expand risk coverage and create efficiency
- Remain increasingly data driven
- Participate in the earliest stages of digital transformation initiatives
- Seek out the best opportunities to share information, processes, and architectures across risk, compliance, and audit functions

From an internal, enterprise perspective, PwC clients must become more data driven in all risk functions, using shared risk taxonomies, data access methods, and infrastructure and applying advanced analytics and model sharing to derive actionable insights. Enterprise data and analytic modeling must become the core of all risk functions. At the same time, regulatory and legislative changes are occurring each day, particularly for global companies. Those external drivers must be factored into a firm's risk calculus to identify emerging risks at the line-of-business level. To achieve this, all three lines of defense must align activities and investments in technology and analytics. DX strategy planning must include all stakeholders so that risks from data privacy to workforce impact can be assessed and managed.

PwC provided a glimpse at how the firm is focused on its own digital transformation. PwC is practicing what it preaches by enabling tens of thousands of employees, to date, to upskill their digital technology capabilities. The firm is also enhancing client service delivery through data, AI, and automation. The third leg of PwC's DX is providing new services and technology to not only serve its clients but also drive company growth. Finally, the fourth leg of its DX, PwC is digitizing back-office functions to reduce time spent on back-office processes. The PwC DX strategy is comprehensive and multilayered in an effort to achieve its commitment to being "the most innovative, technology powered, and human-connected firm in the marketplace."
Over 50 clients were front and center at the Risk Assurance Summit, providing valuable perspectives to their own DX journeys and PwC's services that helped them on their way. For example:

- The number 1 DX challenge for risk functions and companies, in general, is cultural and resistance to change. Tone from the top is important, and the C-suite must drive DX as a priority or otherwise success is unlikely.
- Identify risk functions that can benefit from innovation and be strategic about the application of emerging technology. Use agile methodologies and service architectures to future-proof solutions.
- Risk discussions in the boardroom have changed as the risk universe has become more complicated. Board members must understand that the velocity at which risk can now change is a key consideration, in addition to severity of impact.

**IDC’S POINT OF VIEW**

PwC is not alone as a big four advisory firm that is remaking itself into a technology-powered and digitally transformed firm. The firm is making impressive gains in its own DX journey and applying its digital transformation invents to its service and product portfolio. The cultural shift in the thinking of its partners certainly stands out. Like any other firm embarking on a DX journey, the cultural change must be driven from the top, as is happening at PwC. I would suspect that not all partners across the firm have "bought in", but with any transformative experience in a large company, total acceptance and agreement doesn't happen overnight.

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**Synopsis**

This IDC Market Note provides a summary of the PwC 2019 Risk Assurance Summit. The event was focused on managing risk through digital transformation.

According to Steven D'Alfonso, research director, IDC Financial Insights, "Successful digital transformation starts with and is driven by the tone at the top. PwC and its 50+ customers in attendance exemplify that maxim."
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