

Building Strategy for Business Resilience Management

**The Institute of Internal Auditors Malaysia
(IIA Malaysia)**

9 April 2021

SESSION OUTLINE

- Types of challenges to business resilience
- Strategy building tips & techniques for organisational resiliency
- Pitfalls and things to avoid
- Organisational resiliency from internal audit and risk management perspectives

WHAT IS BUSINESS RESILIENCE?

Definition of 'Resilience'

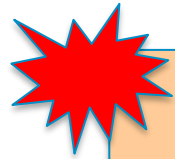
“Originally a term that defines the resistance of a body or material to shock or deformation used in physical sciences”

“In the study of human sciences, resilience means the capacity of a given system to overcome changes caused by one or more disturbing elements and to recover its initial state/ normal operations.”

Definition of 'Business Resilience'

“The ability of an organisation to quickly react & adapt to disruptions while maintaining continuous operations and safeguarding people, assets and overall reputation”

SITUATIONAL ANALYSIS: 2020 & 2021



Changes in customer demands & requirements



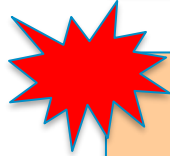
Supply Chain Disruption



Climate Change



Skill Gaps - Talent War



Regulatory & Compliance

Technology Advancement
[AI, AR, VR, Digitalisation]



Liquidity Challenge



ESG Advocation



Cybersecurity Threats



Corporate Liability

ASPECTS OF VULNERABILITIES

Business Vulnerabilities

Strategic

- Significant & group-wide impact
- Externally driven
- Reputational

Governance

- ESG advocacy
- Business integrity
- Corporate Conducts

Operational

- Customer needs not fulfilled
- Breakdown of major IT application system

Financial

- Cash reserve
- Loans & financing
- Funding

Compliance

- Stricter rules & regulations
- Higher expectations by customers & regulators

DRIVERS OF VULNERABILITIES

Strategic

- External factors
- Future trends
- Expectations & Relevance

Governance

- Increased awareness globally
- Barrier of information sharing is low

Operational

- Attitude
- Skills
- Exposure & knowledge

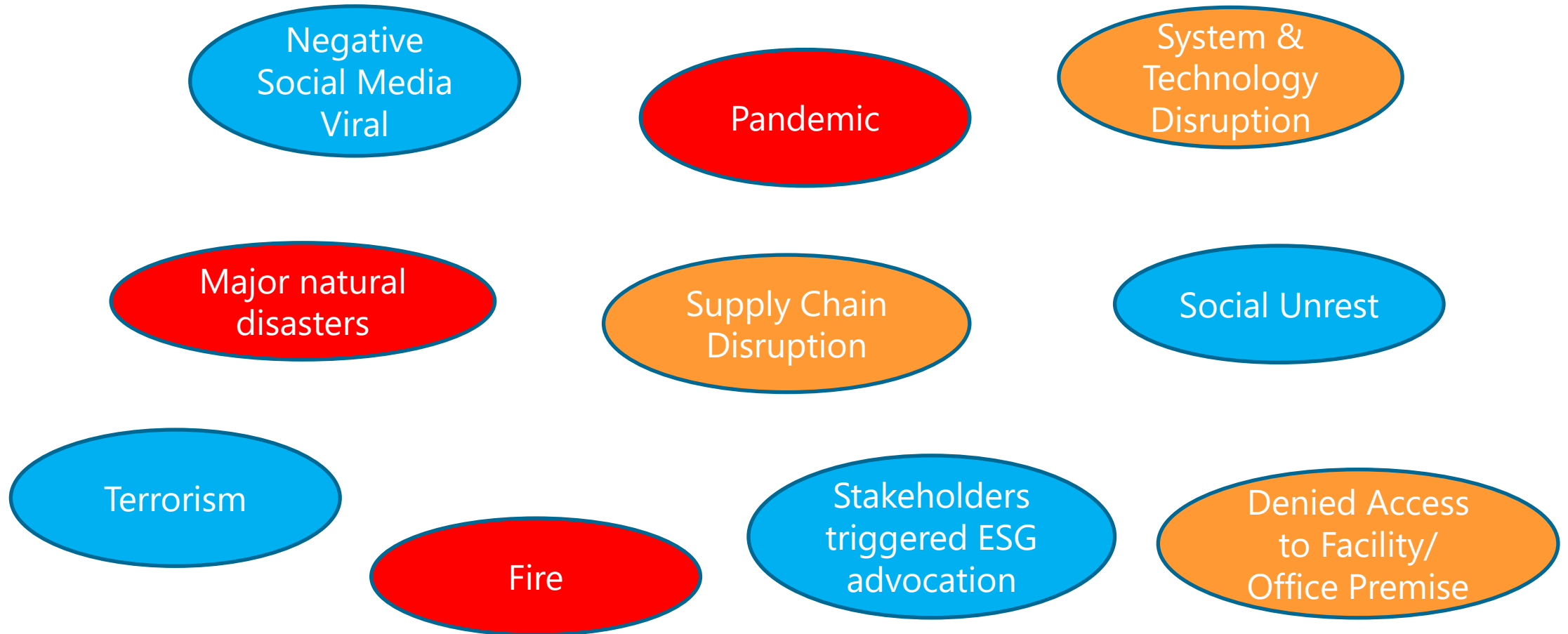
Financial

- Over expansion
- Not tracking the CASH closely

Compliance

- Unable to cope with increasing and fast changing rules & regulations
- Lack of accountability among HODs on compliance

SPECIFIC THREATS TO BUSINESS RESILIENCE



MINDSET CHANGING FOR ENTIRE ORGANISATION!

Wait and See



Do not wait too long !

We still have
time



Be proactive, be a true leader



Spend time analysing & think deeper!

Think of the worst, And prepare to deal with it!



Everything will
just be fine

Be alert of development & trends



Look beyond customer and vendor



My products/
services will still
be required

PITFALLS & CHALLENGES: FOR RESILIENT MANAGEMENT

1

Non-cohesive tone at the top

[Messages do not align with actions]

2

Lack of commitment & accountability

[Job Description & KPI]

3

Insufficient resources allocation

[Budget, Time, People]

4

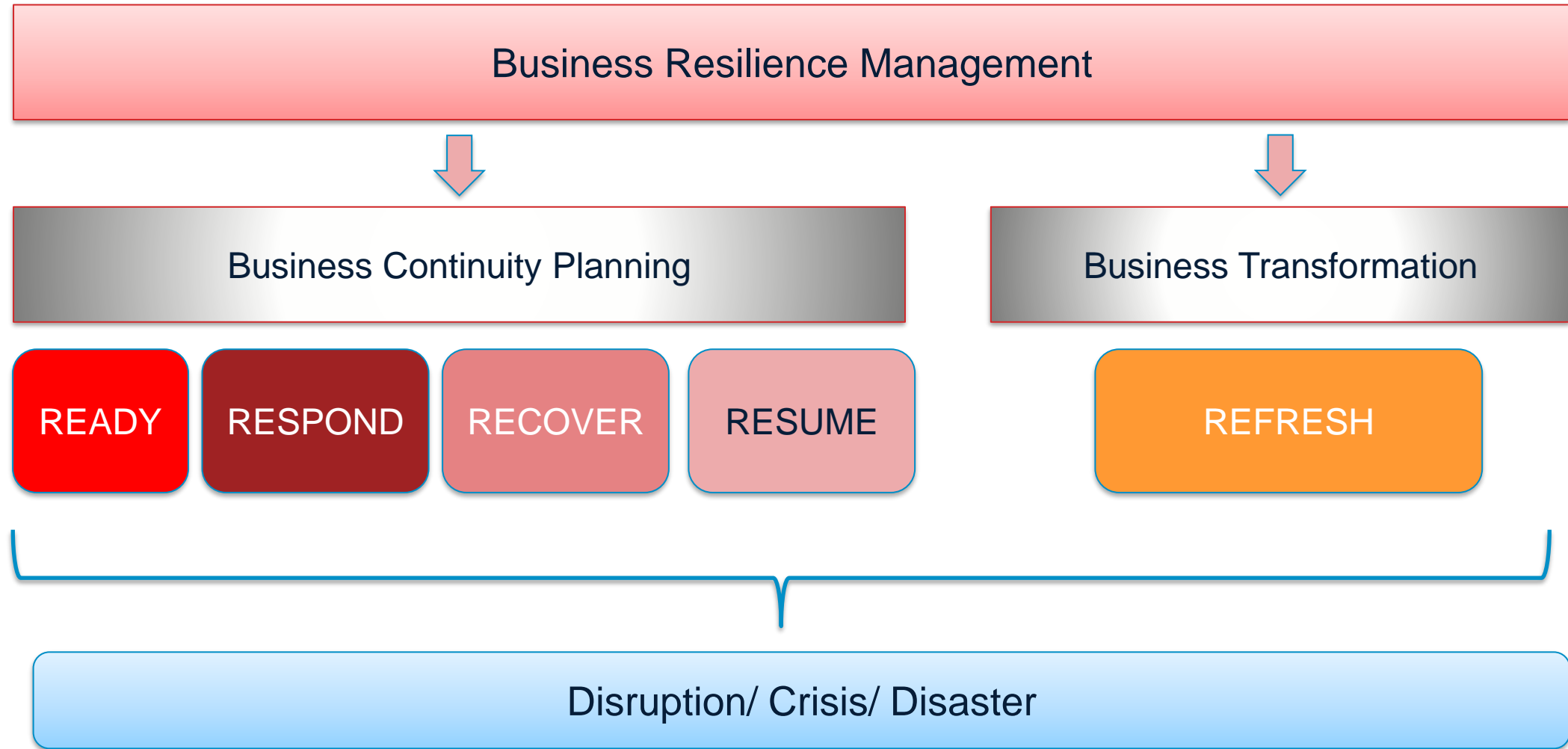
Inadequate exposure

[Knowledge, Skills, Experiences]

OVERALL STRATEGY FOR BUSINESS RESILIENT



BUSINESS RESILIENCE STRATEGY



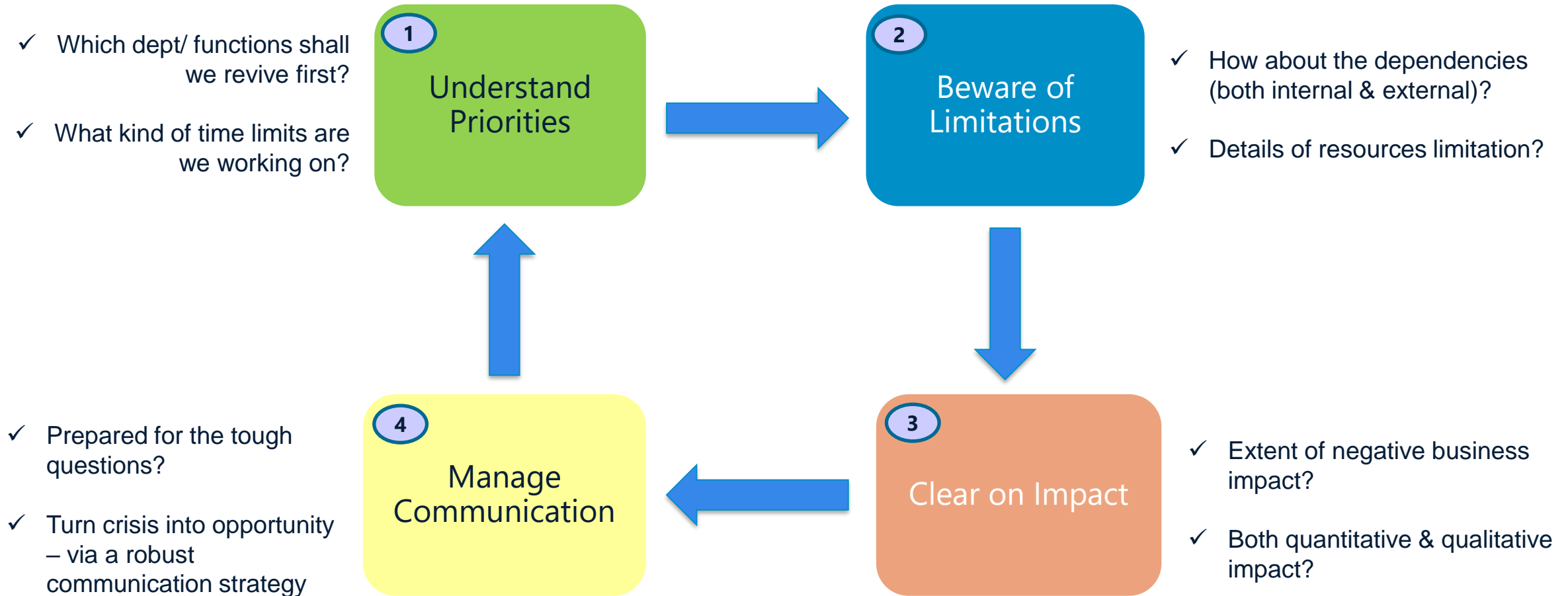
PRACTICAL TIPS FOR BUSINESS CONTINUITY PLANNING



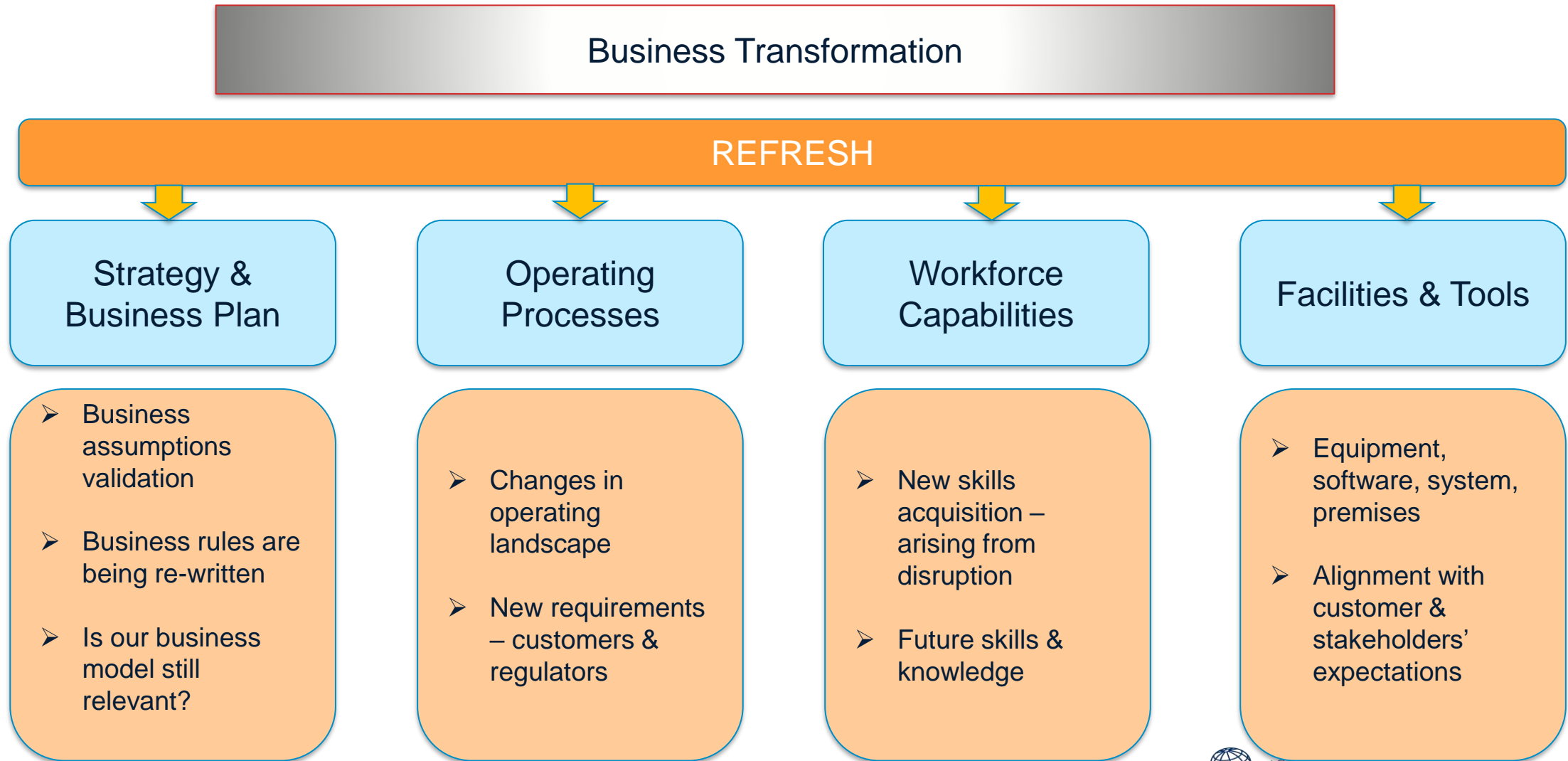
MAPPING STRATEGY WITH BC ELEMENTS



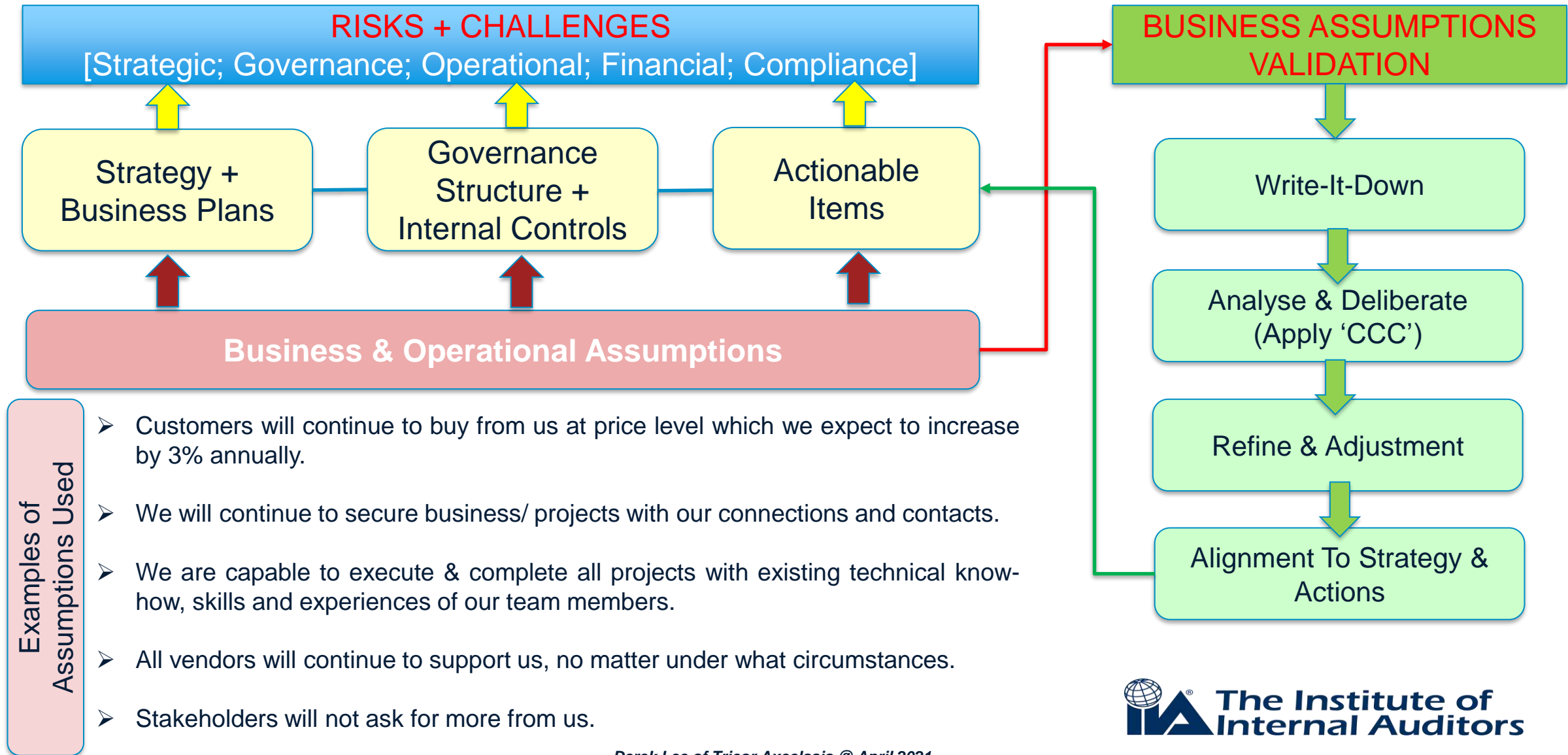
BUSINESS CONTINUITY PLANNING TECHNIQUES



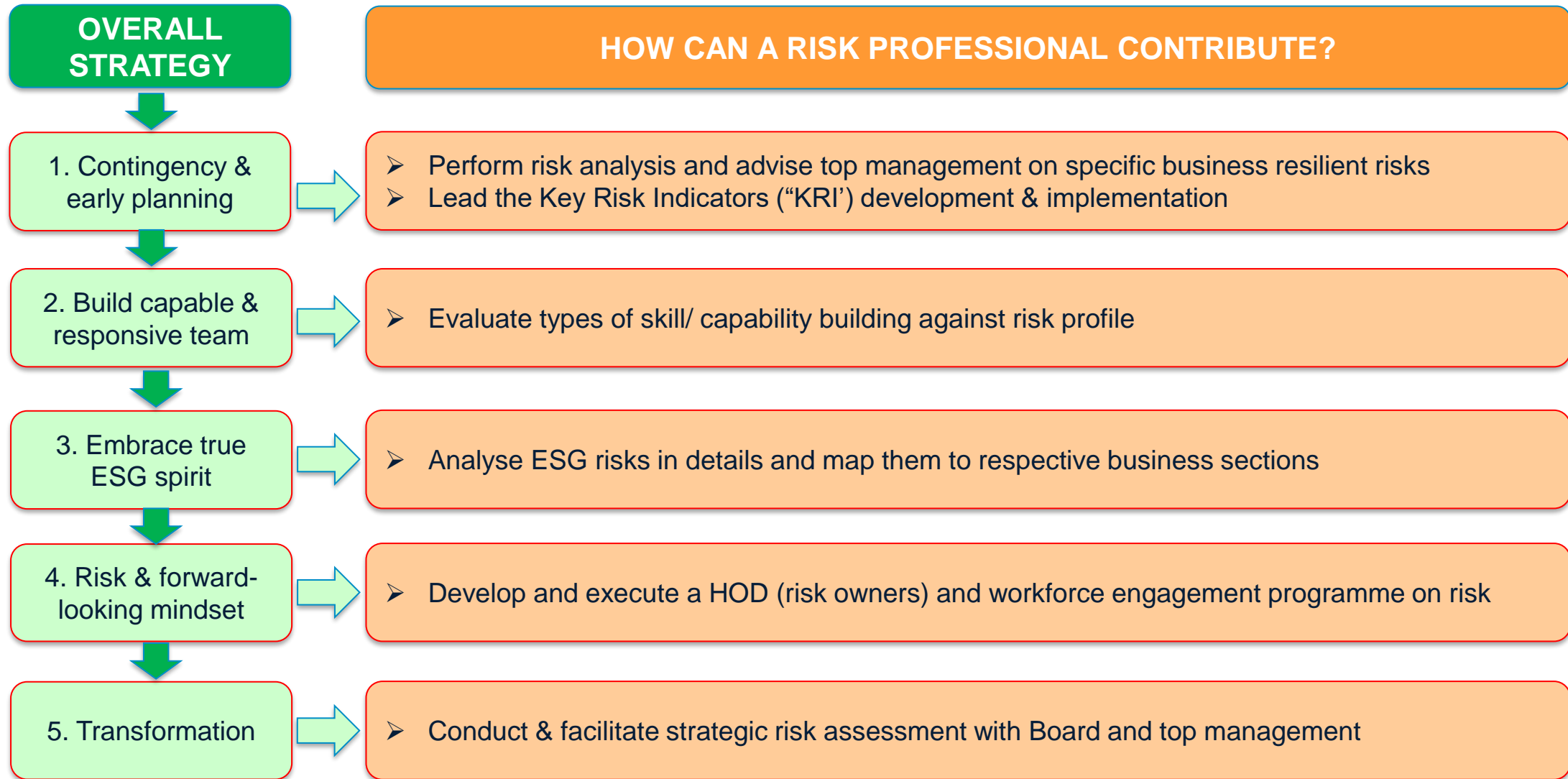
BUSINESS TRANSFORMATION STRATEGY



BUSINESS & OPERATIONAL ASSUMPTIONS VALIDATION



ROLES OF RISK PROFESSIONALS



PITFALLS TO AVOID: FOR RISK PROFESSIONALS

- Not involve timely to assess risks independently
- Lack of knowledge (industry & business operations)
- Insufficient skills and techniques on areas such as strategic risk assessment; KRI implementation; ESG; etc.
- Not having the optimum working relationship (trust, true team spirit between operations & risk management team)

ROLES OF INTERNAL AUDITORS: WHAT TO AUDIT?

1

Understand Priorities

- ✓ Assess business priority setting (Critical Business Function, 'CBF' determination)
- ✓ Verify appropriateness of basis used and approval process
- ✓ Check to confirm that $RTO < MTPD$

2

Beware of Limitations

- ✓ Assess reasonableness & adequacy of minimum recovery resources planned
- ✓ Review adequacy of inter-dependencies identified (both external & internal)

3

Clear on Impact

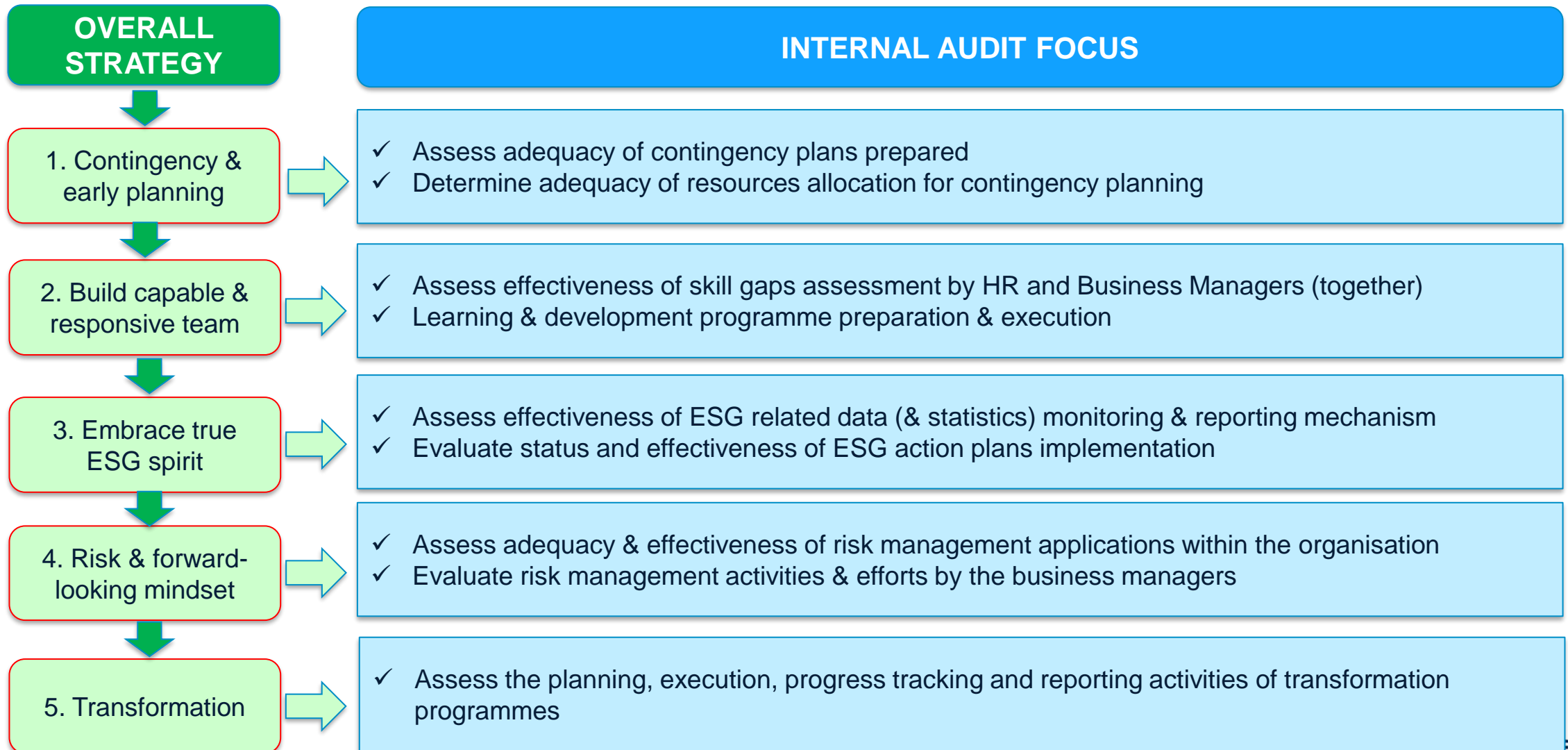
- ✓ Assess validity of crisis impact analysis & parameters setting that performed by business managers

4

Manage Communication

- ✓ Adequacy of crisis communication guide
- ✓ Comprehensiveness and relevance of crisis communication procedures

SCOPE & FOCUS OF INTERNAL AUDIT



PITFALLS TO AVOID: FOR INTERNAL AUDITORS

- Not familiar with the elements of Business Continuity Management ('BCM')
- Inadequate and untimely interaction with business managers
- Does not possess 'full picture' view on the strategic & transformation initiatives
- Lack of business acumen

TIPS FOR RISK PROFESSIONALS & INTERNAL AUDITORS

Risk Professional

- Re-position RM team as the strategic advisor, rather than purely a compliance function.
- Perform research, study, analysis to equip RM team with deep industry & business knowledge.
- Establish a schedule & programme for business leader engagement.

Internal Auditor

- Change mindset – be strategic, appreciate business sense.
- Equip IA team members with technical (IA skills, advanced advisory techniques) & business knowledge.
- Implement a client engagement plan.

THANK YOU

- Questions?
- Feedbacks?
- Comments?



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Governor – Institute of Internal Auditors Malaysia ('IIAM')

Derek Lee of Tricor Axcelasia @ April 2021