New digital defenses for new digital risks
Enterprise fraud management (EFM) innovation spots hidden dangers and delivers strategic value
As your business becomes increasingly digital, it’s essential to consider what that means to fraud and compliance management.

Your business is also relentlessly evolving: new products, new suppliers, new systems, and so on. What companies don’t often think about is how to advance their approaches for managing the new risks and issues faced by an ever-evolving data-driven organization—and the exciting possibility that an increasingly digital organization inherently provides them with the tools to do so. By embracing this complexity and the new opportunities it brings for EFM, organizations can accelerate performance and find new ways to lead, navigate, and even disrupt in their industries.

What’s changed?

**Brand and reputation risks are increasing**

Many companies have historically accepted a certain amount of fraud as a “cost of doing business.” But given heightened regulatory scrutiny—and, more important, the speed with which once-private misdeeds now become public knowledge via social media—there’s more at stake than just tolerable direct cost. Left unchecked, even small-scale misbehaviors can call an organization’s integrity or vigilance into question.

**Digital vulnerabilities have expanded**

Today’s complex digital enterprises are increasingly vulnerable to cyber frauds that are difficult to detect using conventional means. Sophisticated cyber fraud can lead to extended financial leakage, and it can cause significant brand and reputational damage. This may also have broader implications in terms of data theft and the compromise of business relationships across digital supply chains.

**Rules-based detection may be inadequate**

Because conventional fraud management depends on rules, it assumes fairly specific knowledge of previous fraudulent behaviors. It’s also labor-intensive, since it requires subject-matter experts to write, apply, and continuously modify these rules. In practice, traditional fraud management also typically “silos” business risks: a fake customer account here, a supply-chain deception there. It’s an inefficient model that’s not able to quickly counter evolving fraud schemes and behaviors. So companies keep suffering loss—and may be constantly one or two steps behind.

For these reasons and others, fraud-tolerant approaches are no longer acceptable. Innovation is essential for any company focused on limiting loss and more rigorously safeguarding organizational integrity.
What’s the EFM innovation road map?

There are very specific ways companies can initiate EFM innovation in order to more effectively mitigate risk in the near term and strategically improve business performance in the long term.

**Execute with your own technology.** Most organizations already use data mining for multiple business purposes other than fraud detection. So instead of having to acquire an entirely new set of technology solutions for EFM, they can simply leverage existing investments in analytics. This is an easy first step to start moving from a rules-driven compliance organization to one that intelligently leverages machine learning. By applying tested self-learning technologies to their existing enterprise data, EFM innovators can become dramatically better at uncovering hidden dangers to their financial performance and brand value.

**Leverage existing data.** Just about every single action that occurs in a business today leaves a digital footprint. This enterprise data—in both internal and external ecosystems—is a pervasive, rich source of insight into who’s doing what, when, and where. But few companies exploit this existing enterprise data as aggressively for EFM as they do for customer-related big data or supply-chain analytics. EFM innovators, on the other hand, can make the most of enterprise data to gain deep, actionable insight on potential areas of fraud and misuse within their organizations.
New digital defenses for new digital risks | Enterprise fraud management (EFM) innovation spots hidden dangers and delivers strategic value

Eliminate silos in risk monitoring. One key to effective EFM innovation is broad-based capture and integration of enterprise data across functional silos. This is important because anomalies are only anomalies in context. A spike in purchase activity, for example, may only be anomalous if there’s no corresponding spike in order activity. To fully process these vital context-defining correlations, self-learning heuristics should be fed as much data as possible.

Start small. While EFM innovation-leading practice suggests drawing from the broadest possible data, it also dictates starting with a modest initial scope. This disciplined scope reduces the cost and complexity of “boil the ocean” projects. That’s why successful EFM innovators start small and score early wins from the lowest-hanging fruit. They then evolve and scale their proven efforts across the broader enterprise.

Applying these four principles—execute with analytic technology already in the business, leverage existing data, capture data across silos, and narrow initial scope—can help to consistently produce results for organizations that adopt them.
How can you get started?

Business leaders who understand the rapidly changing nature of risk in today's hyper-digital, hyper-socialized marketplace know they need to begin innovating their organization's approach to fraud management as soon as possible.

Fortunately, the incentive to begin this work is quite powerful. A new approach to EFM can provide organizations with many benefits, including:

- **Substantial, concrete near-term ROI** resulting from the detection and resolution of current inappropriate business activities
- **Strategically improved ability to predictively protect the business and the brand** from a wide range of previously unidentifiable dangers—including internally and externally perpetrated fraud, non-malicious employee errors, compliance failures, cybersecurity issues, and more
- **Enhanced credibility with compliance auditors** resulting from the differentiated level of diligence, as demonstrated by the adoption of innovative self-policing
- **Better long-term business performance** resulting from reduced financial leakage, optimized brand value, and more secure lifetime relationships with customers, vendors, and other stakeholders

By taking an updated approach to discovering and preventing risk across the modern digital enterprise, as well as leveraging tools that may already be in use somewhere in the business, companies can gain high-value risk insights. They can then use those insights to dramatically improve operational and strategic decision making.

No organization should operate in a digital future with an anti-fraud strategy from the analog past. New business realities mandate change—EFM can be that essential change.
Contacts

Samir Hans  
Principal | Deloitte Risk and Financial Advisory  
Forensic  
Deloitte Transactions and Business Analytics LLP  
+1 202 220 2025  
shans@deloitte.com

Kirk Petrie  
Principal | Deloitte Risk and Financial Advisory  
Forensic  
Deloitte Transactions and Business Analytics LLP  
+1 571 882 8862  
kpetrie@deloitte.com
As used in this document, "Deloitte" means Deloitte Financial Advisory Services LLP, which provides forensic, dispute, and other consulting services, and its affiliate, Deloitte Transactions and Business Analytics LLP, which provides a wide range of advisory and analytics services. Deloitte Transactions and Business Analytics LLP is not a certified public accounting firm. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

Copyright ©2017 Deloitte Development LLC. All rights reserved.