

NBR Intelligent Special Report SMEs



Even as new technology and ideas disrupt everything, there are still core business, marketing and strategic concepts SMEs can follow. They just need to hear about them. What will develop an SME into a solid corporation is always a good mix of tried-and-true strategies mixed with the new ideas. So what are the right questions SMEs need to be asking?

With SMEs and data, start as you mean to go on



CARMEN VICELICH: Even large corporates are struggling to 'backfill their data hygiene'

Nathan Smith

Not in his wildest Harvard dorm room dreams did Facebook's Mark Zuckerberg think one day he'd be testifying in front of a US Senate judiciary committee about his use of data.

Of course, neither of the two sessions were under oath, so it's hard to take what he said about how Facebook deals with its data collection seriously. But the reality is that the innocent social networking system he built 10 years ago has gotten a little carried away from its original intentions.

Many things can be gleaned from watching Mr Zuckerberg's nervous muscle twitches as he sat surrounded by hundreds of cameras and a phalanx of judicious-looking committee members. But perhaps the most important for SMEs is that it doesn't matter when what or how much data is collected – start as you mean to go on because there's no telling where a company will end up.

And while one's ducks might be in a row today for collecting, storing and analysing data, the past 10 years has proved – at least to Mr Zuckerberg – that what might be kosher now will change radically as legislation and social expectations evolve.

Keeping an eye on these details is all part of the game but so is setting up basic, fundamental concepts or rules of thumb

about handling information. For instance, Data Insight chief executive Carmen Vicelich underlines the importance of recognising early that data isn't valueless exhaust of corporate activity but a real and valuable asset worth protecting.

"People might think it's a good idea to do a random prize draw at a roadshow, so they can build a database of customers. But the minute they do that, the company is obliged to protect that data, even if it's just an email list.

"If a competitor were to get that list of your customers, how would you feel about that? I'm sure you would care. And, even if you don't think you're going to use the data for profiling, marketing, communications and all those things, you still must have privacy-by-design," Ms Vicelich says.

Thinking ahead

SMEs must consider designing their foundations for the future today. The issue isn't isolated to the small end of town either – Ms Vicelich says even large corporates are struggling to "backfill their data hygiene." They didn't think the company would grow so large, have so many silos or that data was going to be so treasured.

"We're working with all different sizes of companies to learn how much data they have, who has access to it and where it all is. But whatever a company's stance on

happen to you, that's naïve. Why are you special?" she asks.

Thankfully, good data hygiene doesn't have to be expensive, Buddle Findlay partner Allan Yeoman says. It can be but compliance costs should be proportionate to the amount and sensitivity of the data (the level of investment a bank makes in data protection, for instance, will be different from an SME operating a modest CRM and employee payroll system.)

"For most businesses, privacy compliance isn't about spending huge amounts on legal fees or investing in bank-grade security systems – a lot can be achieved through educating management and staff and raising internal awareness on how to comply with the Privacy Act and what

data, it can't be a set-and-forget situation. "You have to push your brain to the darkest corner of the room when creating these concepts and assume the worst will happen. But you also recognise that with new technology constantly developing, if someone wants to access the data, they will find a way. If you think breaches won't



ALLAN YEOMAN: Good data hygiene doesn't have to be expensive

responsible data collection looks like."

The Marketing Association provides a data warranty register that supplies a company at little or no cost with an audit to see where the company might be weak or strong. This hallmark can help display to customers that the SME cares about data. Ms Vicelich says the expense of not performing a check-up – "and the risk to the brand" – is much higher.

Communication is key

Starting as a company means to go on also dictates the level of communication a company should have with its customers if data is to be reused for a second or third project.

Again, the controversy in the Facebook case wasn't necessarily because people's data was being used by the social network to sell advertising – most people understood this was happening. What bothered people was their data being used for undisclosed secondary purposes (in this case, by a third-party called Cambridge Analytica).

Ms Vicelich says what a company uses its data

for and how many times, depends on the type of data in question, whether that's emails, metadata (time spent on a website, IP address, etc), written content, personal details or any other type.

"That means terms and conditions are important to get correct at the beginning. Some large companies have email addresses captured 10 years ago but

employees and anyone else whose personal information is collected, with some basic information about what information is being collected, what it will be used for, who might have access to it, and what the individual's rights are.

"I think that, for the most part, SMEs are aware of how important privacy is to their customers and employees but a lot prob-

"If you think breaches won't happen to you, that's naïve. Why are you special?"
– Carmen Vicelich

there's no date or source attached to it. They're having to go out to the customer again and offer them a chance to delete it.

"Right now, for many businesses, if they are asked to delete a piece of data they probably can't do that. There are so many legacy technologies that it's tough to process. For SMEs, the best thing to do is put in the process before you get too big," she says.

Mr Yeoman confirms there is an obligation to provide customers,

ably struggle with knowing exactly where to start or how to tackle it. It's much easier to get on top of that in the early days and weave responsible privacy practices into the DNA and culture of a business," Mr Yeoman says.

"Being upfront and transparent about data collection practices and uses is really the first and most important step in privacy compliance, and everything else flows from there."

nsmith@nbr.co.nz

Cyber and SMEs: the first 'truly global exposure'

Cyber insurance only entered the Asia Pacific in 2012. Since then, insurance companies have been trying – mostly in vain – to answer the "why" for SMEs.

The questions always pull in the same direction: "Why does my small company need this cover? Why would cyber-criminals be interested in my SME? Why should I spend more of my precious capital to protect against yet another 'potential' risk?"

A recent Delta Insurance white paper shows the number of Australian and New Zealand small businesses who faced a cyber-attack were virtually identical (19% in Australia and 18% in New Zealand) but only 6% of New Zealand SMEs hold cyber insurance compared with 14% of Australian SMEs.

That attitude is changing since last year when two major ransomware cyber-attacks spread rapidly around the world infecting corporate and SME computer systems alike. Named WannaCry and NotPetty, the cuteness of their titles belies the danger of their malware.

With WannaCry, an estimated 150 countries were hit, infecting more than 300,000 computers totalling over 200,000 victims. The attack cost businesses \$US4 billion yet the hackers only made a reported \$US50,000. The attacks were, paradoxically, a boon for insurance companies tired of banging their heads against the proverbial wall.

Suddenly, SMEs could see how the cyber problem was the first truly global risk exposure. AIG head of Liabilities and financial lines in Greater China and Australasia Jason Kelly watched cyber-insurance go from lip service to the phone ringing non-stop.

"Before those two events, when meeting with clients about cyber-

insurance, we got a lot of head nodding and interest but few people knew this product was needed. After those events, submissions skyrocketed, and people were calling me back saying they wanted to buy cyber insurance.

"I usually frame the cyber conversation in two components. The first is the boring part about data breaches and legislation. The second part is sexier – cyber-crime. We'll get a yawn when talking about the former but, when talking about how easy it is for criminals to get into systems and delete data, hold it for ransom or steal money, it can be scary for listeners," he says.

Though cyber-security awareness is increasing, business owners are still failing to increase their existing security infrastructure as 88% of New Zealand companies are unaware they can buy insurance against a cyber incident, the Delta Insurance report says. The path for wider coverage of this dangerous threat is long and winding, in other words.

Changing legislation

The other piece waking SMEs up to the risks is the plethora of sobering new legislation for data protection emerging around the globe.

The European Union's General Data Protection Regulation (GDPR) is perhaps the best known of these new rules but Australia, China, Japan, the Philippines

CONTINUED ON P16

JASON KELLY: The ease with which cyber-criminals can gain access can be scary for companies



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Overcoming clickbait when upskilling in digital world

Mackenzie Smith

Every business has seen the clickbait: “How companies must adapt to the digital revolution”; “How to stay relevant in the digital world”; “Is your company adapting fast enough to thrive in an increasingly digital world?”

The internet is practically screaming at business audiences to “adapt” their practices if they are to stay profitable in the face of digital disruption.

But for small and medium-sized enterprises, the merits of upskilling demand more sacrifice than for a business with more staff and more capital.

“As an SME you’ve got to make a fairly binary decision on whether I’m going to get paid today, or am I going to continue on and upskill myself,” says Dean Minchington chief executive at ServiceIQ, a service industry training organisation. “So the challenges that an SME might face in the operationalisation of training are quite significant.”

Mr Minchington says SMEs should approach training for staff as “bite-sized packages” rather than the days-long exercise some businesses adopt.

“Depending on how successful the operator is, they may not have the infrastructure around them that a large corporate might have.”

Institute of Directors general manager Felicity Caird says another problem in SMEs is a reluctance to bring in new talent at a directorship level.

“If you, say, want to start exporting overseas into different markets, you might not have that expertise from building your company but you could

entering the service sector where school just hasn’t worked for them, where employment and family situations haven’t supported them,” Mr Minchington says.

A report released in November by Diversity Works, a not-for-profit organisation promoting diversity and inclusivity in workplaces, found a lack of awareness about the need for upskilling literacy and numeracy skills “could be preventing New Zealand businesses maximising their productivity and profit.” It found 65% of organisations it surveyed believed “addressing the literacy, language and numeracy needs of a diverse workforce is not an area of concern.”

How to stop the robots from taking our jobs

Back to the clickbait – there is also the matter of automation. “What jobs will still be around in 20 years? Read this to prepare your future”; “Automation threatens 800 million jobs but technology could save us.”

But cutting through the alarmism, Mr Minchington says businesses need to embrace upskilling to support redeployment to roles a machine can’t do.

“Who would have thought, say 10-15 years ago, that you would go to a supermarket and have to pack your own groceries? But those people who would have been packing the groceries are now going down the aisles collecting groceries for someone to put in a click-and-collect package for someone to pick up later.”

According to a PwC report released this year, nearly 25% of jobs in New Zealand will be automated in 15 years, although the country will fare relatively well globally because of a higher concentration of jobs in industries with low automation rates.

The report recommends businesses and government develop “strategies for retraining options for workers and building an education system that allows us to replace jobs that are lost through automation.”

“We know when we survey our members, half are expecting to be affected by digital disruption and major change,” Ms Caird says.

She says businesses, especially at director-level, need to upskill their digital skills to deal with increasing risks like cybersecurity. “You always used to hear about financial literacy with directors but now there’s increasing discussion about digital literacy.”

Mr Minchington gives a more hopeful assessment than humanity losing out to robots. He says the skills needed have changed “but the job is still there, and they’ve taken a number of core skills with them from what they were doing yesterday to what they’re doing tomorrow.”

mackenzie@nbr.co.nz



ServiceIQ chief executive Dean Minchington says SMEs have to make tough choices when they decide if and where to upskill

bring a director from a company who has that.”

Literacy and numeracy holding back businesses

Mr Minchington says low levels of literacy and numeracy among some New Zealanders, and a growing number of migrants who lack the skills needed to work locally, is putting more pressure on SMEs to upskill.

The OECD’s Survey of Adult Skills (PIAAC) shows nearly one million working-age New Zealanders may not have the skills to participate fully in learning, life and work.

“New Zealand probably has a normal but potentially higher level of people

Seen as ‘low-hanging’ fruit

FROM P15

and Vietnam have all updated their privacy laws as well. New Zealand is discussing whether it will copy what Australia set up for its mandatory breach notification rules earlier this year or build its own organic legislation.

“Last year, before Australia set up its mandatory breach notification, 114 companies self-reported that they had a data breach. Since the law came into force, in the first six weeks we’ve had 163 companies notify. That’s a huge number,” Mr Kelly says.

“Keep in mind that, with data breaches, there’s a huge liability from the regulators and from the individual who might bring a claim as well. But then there are the intangibles people

inevitable for companies of any size. It’s often said there are two kinds of companies: those who have been breached and those who don’t know they’ve been breached. What he looks for is a change in the company’s culture towards security and data protection.

“This can include both regularly talking about the problem, updating software, periodic training and other tasks. The culture of cyber risk and preparation is the most important part and doesn’t add much cost to the business.

“Sometimes we see people’s attitudes to cyber-risk improve once they’ve had an incident. Maybe the incident cost them nothing but it certainly exposed the problem. Changing culture toward cyber-risk can help limit a SMEs exposure,” he says.



IAN MARSHALL: Companies now want to buy cyber-insurance – and buy earlier

don’t talk about, such as the costs of forensics, restoring the data and the public relations and brand damage. And in some places like the Philippines, a breach of personal information is actually a criminal offence people could go to jail for.”

With a cyber-attack only a click of a button away, the corporate world is recognising the importance of insuring against cyber-events, Berkshire Hathaway senior underwriter of executive and professional lines Ian Marshall says.

“In the past, we may have quoted a risk annually for a few years before a business has made the decision to buy. More recently it seems companies want to buy – and buy earlier. Cyber-criminals, for want of a better name, see the SME market as low-hanging fruit because they aren’t expected to have a dedicated IT person looking after the computers,” he says.

“But brokers are saying it is easier to sell the product now as more people are becoming aware of the problem. I expect that trend will continue for the next few years at least.”

Corporate culture

Mr Marshall understands that, unlike other exposures, cyber-events are

– Nathan Smith

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