
Threat or opportunity?

Regulation & data protection in small businesses

By Martin Atherton, June 2010

In a nutshell:

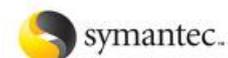
When it comes to data protection and information security regulations, the outlook for small businesses in EMEA is in the balance. On one hand, their awareness of the requirements and obligations they are under is good. However, in practice, capabilities to meet those obligations are weaker than they should be and technologies that can help are under-exploited.

Key points:

- Regulation *does* matter to smaller businesses. Many have policies in place to guide them, but policies don't always equal processes and capabilities
 - Cracks appear when we examine the ways in which small businesses 'do' compliance: Less than a third have anything formal in place to help them achieve it
 - Small businesses are taking unnecessary risks: Most have no way of managing information retention, deletion and archiving or discovery, or rely on manual techniques
 - It is possible to address these areas with relatively little effort and cost to gain significant benefits such as the protection of information assets and ultimately, the business.
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The research upon which this report is based was designed and interpreted on an independent basis by Freeform Dynamics. During the study, which was sponsored by Symantec, feedback was gathered from 700 small businesses across EMEA via in-depth telephone interviews.

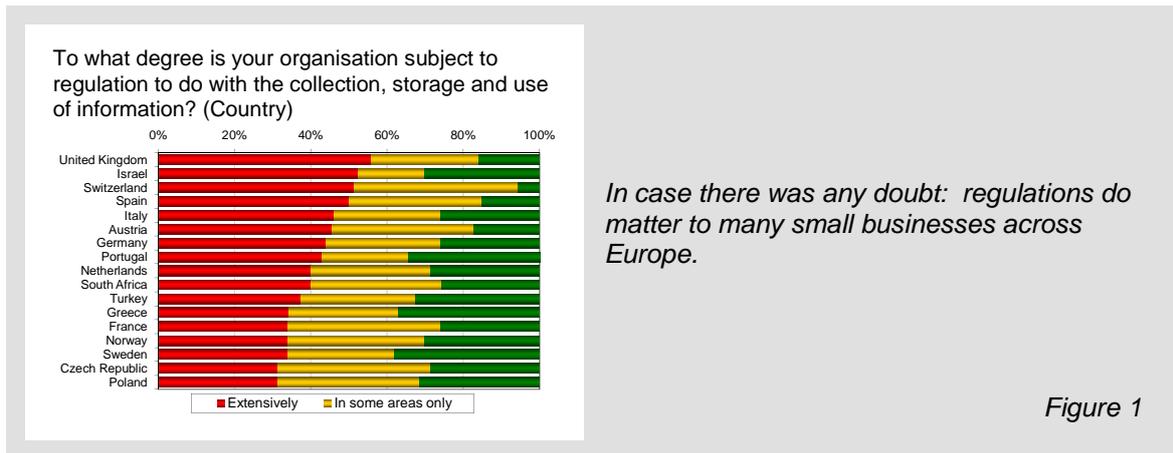
Research sponsored by



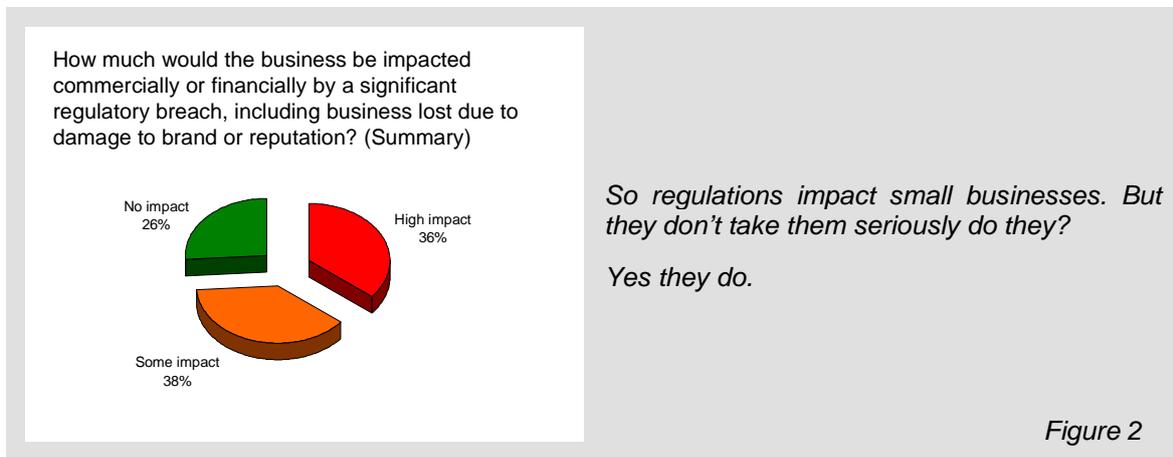
Regulations matter, and small businesses really *do* get it

Across the many research studies we undertake, we expect there to be differences in behaviour between larger and smaller organisations. However it is important not to make assumptions about what these differences might be.

In particular, when it comes to regulation governing the collection, storage and use of information we know that many smaller organisations are subject to the same regulatory pressures as their peers. In a recent research study involving 700 small businesses across Europe for example, we can see that many organisations are subject to extensive regulation with regard to the collection, storage and use of information.

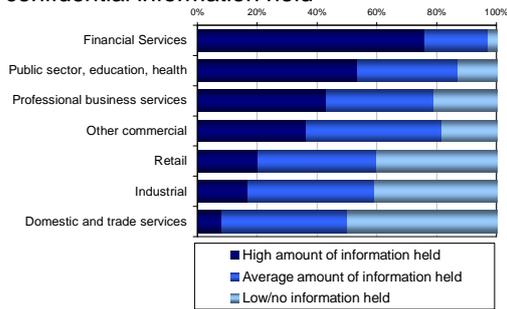


This will not be news to many small businesses, of course. Those concerned understand the importance and relevance of industry regulation and acknowledge the impact on their livelihoods should they fall foul of data protection and security regulation (Figure 2).



What kinds of organisations are concerned? It's not just large financial institutions which own, and are therefore obliged to protect, sensitive and confidential data. As we can see from Figure 3, at least a third of public sector organisations, professional services and other commercial companies also hold significant amounts of such information.

Sector/Amount of sensitive, personal & confidential information held

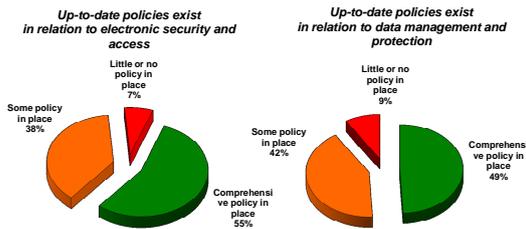


One of the many reasons small business do have to take regulation around data protection very seriously is that they look after significant quantities of sensitive data

Figure 3

However, while smaller companies may be subject to similar regulatory pressures, the similarities may end with what different organisation sizes do about the challenges. Factors such as education and prioritization of business activities, and having the right processes and tools in place – things you need in to help achieve compliance to any regulation – don't happen by accident. They have to be guided. So how do smaller businesses fare? (Figure 4).

Those with extensive regulation to do with the collection, storage and use of information/ policy in place



Taking those businesses under 'extensive' regulation as an example: things look ok but are they really?

Figure 4

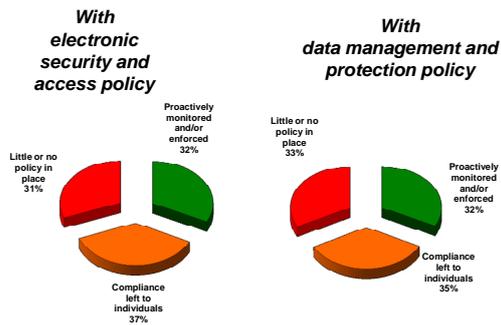
We can see that a reasonable number of businesses which consider themselves to be under extensive regulatory obligations do have policies in place with which to guide their actions. However, while policy governing electronic security and access might look 'OK', what about data management and protection? As we shall see below, this might be an area where even those with the greatest obligations may not be in as much control as they would like.

Compliance: can you follow the rules?

A picture is starting to take shape: Small businesses are exposed to regulation, and are aware of it. Many – but not all - have policies in place with which to guide them in the areas we are exploring.

However, if we look a bit further, we can see some cracks appearing. Less than a third of small businesses are doing anything formal to ensure that they are able to achieve compliance to electronic security and access and data management and protection policies (Figure 5). Around a third of businesses currently leave compliance to individuals in both areas, and the other third have nothing 'active' in place for either.

How is compliance achieved? (Summary)



Around a third of small businesses use proactive monitoring and enforcement to ensure that they remain compliant to regulations governing data security and protection.

Figure 5

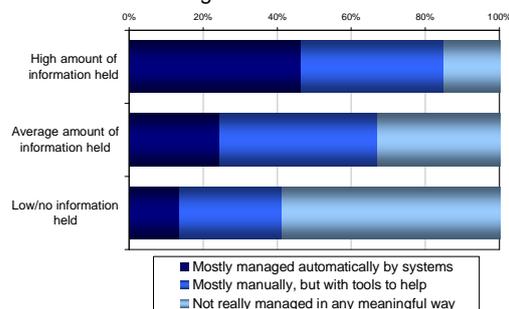
We start to get a better understanding of why there is a disjoint between the awareness of small businesses' obligations and their ability to comply with the policies in place, if we look 'one level down' and examine some of the systems and tools in place.

Are your tools helping or hindering?

If we take a look at some of the capabilities which underpin the ability to protect and manage information more efficiently, we can see why there may be an issue. The majority of small businesses are taking something of a risk. If we start with information retention, deletion and archiving we find that around a third of small businesses have nothing specific with which to manage this. Another third relies on manual techniques. There is nothing inherently wrong with this, but it does leave an organisation exposed to higher levels of risk of things being overlooked. Of course, the opportunity cost and distraction of having to deal with increasing volumes of information by hand exists also. Only 30% of small businesses were able to state they have this area 'mostly managed automatically by systems'.

However, as we mentioned previously, not all small businesses are as exposed to as much regulation as others. If we look at how organisations fare which have different volumes of sensitive information to look after (Figure 6), those with more data to look after do look to be in better shape, but perhaps by less of a margin than we might expect. What we still find that more than half of businesses with lots of sensitive information to look after rely on manual techniques, or don't have anything in place.

How is the actual retention, deletion and/or archival of information managed?



Compared to the research sample on average, small businesses with lots of sensitive information in their possession are ahead when it comes to having systems in place to help automate some elements of information management.

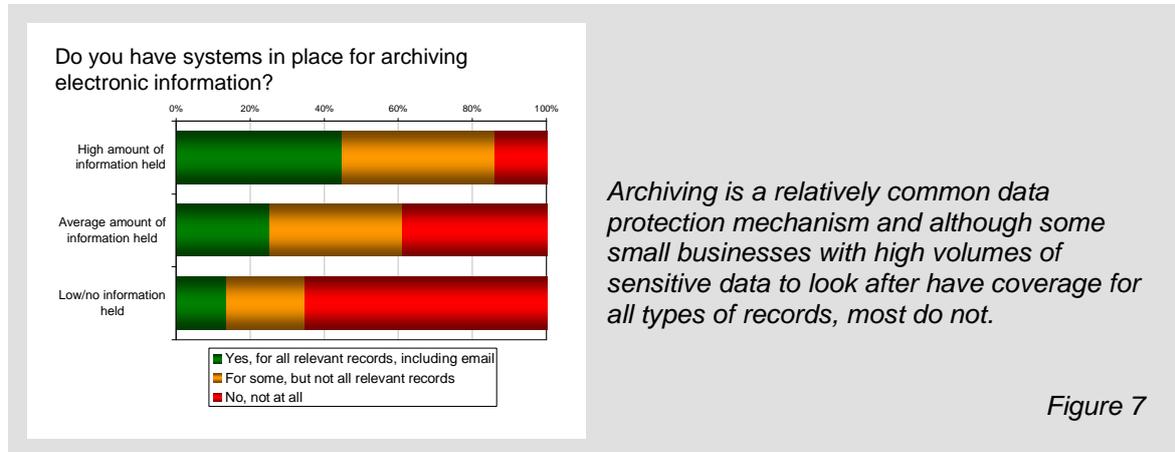
But not by as much as we might expect.

Figure 6

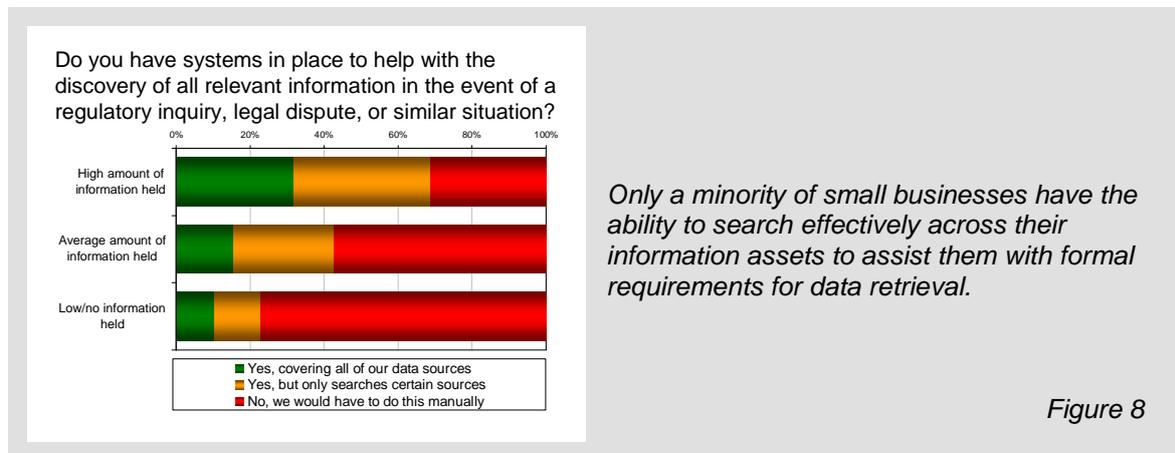
As we can also see from the graphic, businesses with less information to look after have relatively less formal/automated tools to help them do so. On the one hand this might appear to be expected. But the data is still sensitive and still needs to be treated appropriately. On the other hand then, is

there an 'easy win' going begging for those organisations by not seeking to exploit technology more than they do at the moment?

If we look at some other related areas the story doesn't change much. Archiving (Figure 7) is a technique used more broadly than others. However, even those firms with greater data protection obligations do not have what anyone could call 'comprehensive' capabilities in place.



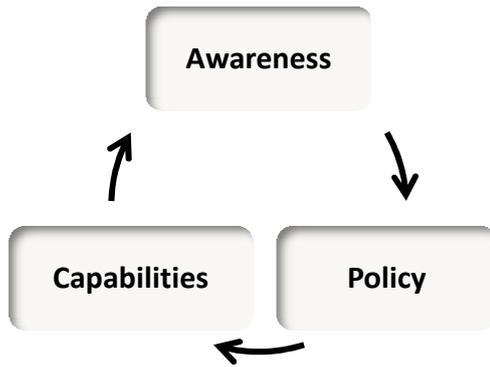
Finally, if we look at discovery – a term associated with the obligation to locate and present information in the event of a legal query – we also find that the majority of small businesses are exposed to risk. This isn't the kind of thing that small businesses have manpower resources, or financial resources (to pay lawyers to find things for example) to address manually without it becoming a potentially severe overhead or opportunity cost.



The question is then, given everything we've discussed, how can small businesses start thinking about getting into a position to make things easier on themselves and reduce some of the risks they currently take, whether deliberately or not?

Conclusion: Turning threat into opportunity

To sum up the position we find that small businesses are in: they cannot be faulted for their awareness of their obligations when it comes to security and protection of data. However, things start to fall down pretty quickly due to the lack of cohesion between overall awareness, policy development and enforcement, and between the policies they have in place and the tools, processes and systems they have to help them meet their obligations.



A simple way to pull the areas we have been discussing into something tangible to focus on is to consider them as a lifecycle. Thinking of the lifecycle elements as a 'closed loop' can help to drive continual improvements (Figure 9).

The notion of 'continual' is important. It's impractical to expect to be able to fix everything overnight. As long as there is a degree of 'joined-up-ness' to an overall strategy, then incremental improvements can be made without creating more 'fragmentation' by doing things in isolation.

Figure 9: A simple lifecycle to think about

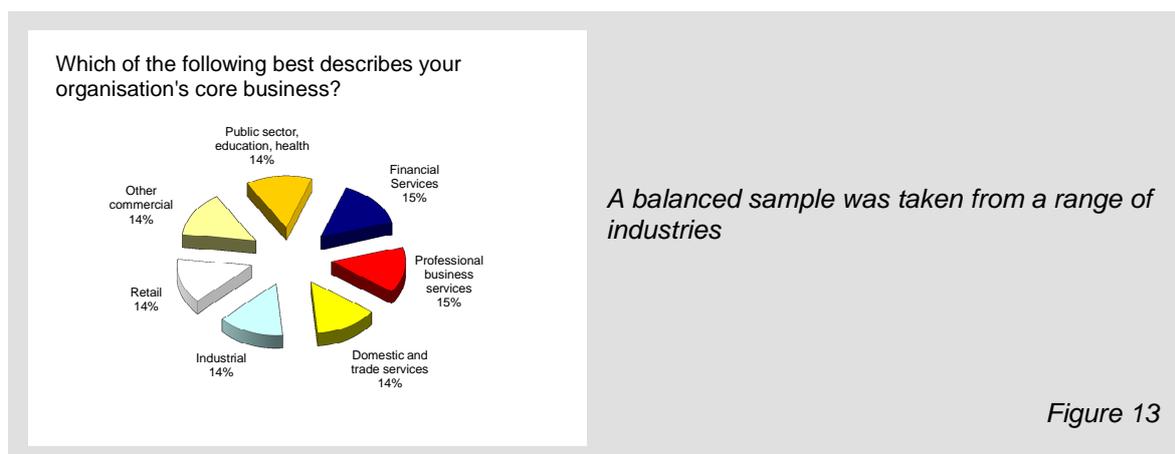
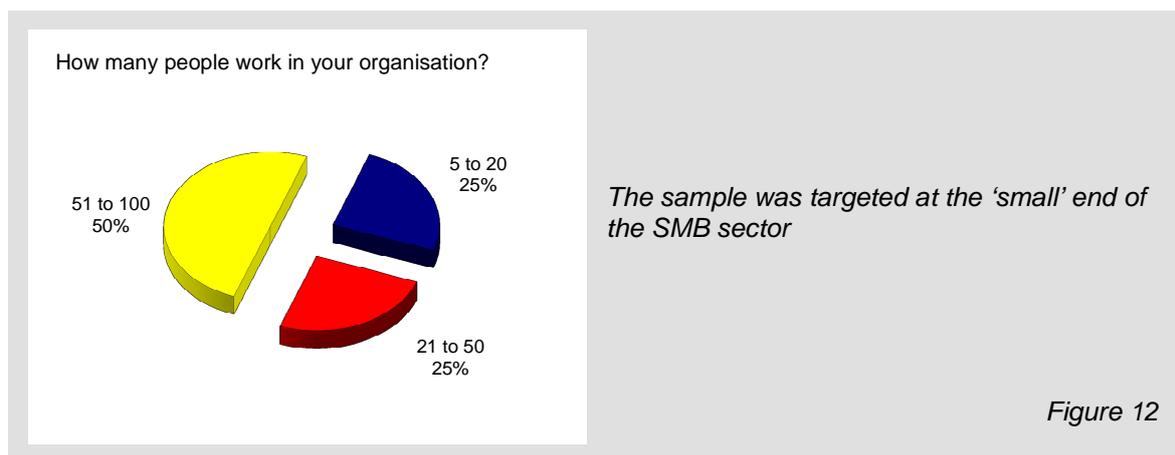
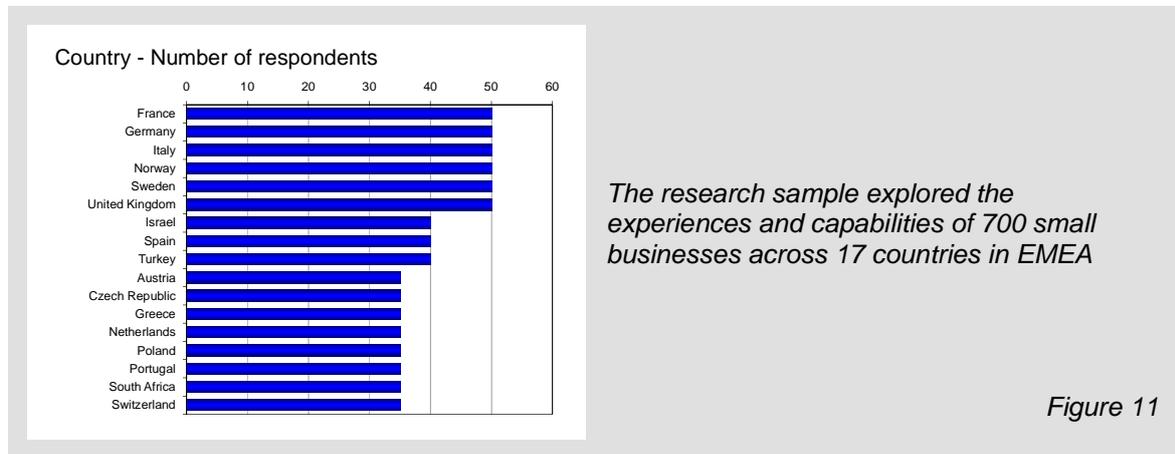
Indeed, there are lots of opportunities to drive consistency across these areas. The first is to make sure that there is somebody tasked with 'owning' the lifecycle. This does not have to be an onerous job. For many organisations, simply getting somebody 'in place' would be a great improvement over where they are today.

The second thing to think about is revisiting the technical solutions and services options available. It may have been some time since you looked at what's on offer. Capabilities that were previously only affordable to large organisations become more affordable as they hit the mainstream market. Given the increasing focus on information management in general over the last few years, this is indeed an area where taking a fresh look could prove to be of benefit to smaller businesses.

Appendix A

Research Sample

The study from which these inside tracks have been produced was designed and executed by Freeform Dynamics in Q1 and 2 2010 via a telephone survey of 700 small business in Europe.



About Freeform Dynamics

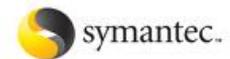


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As part of this, we use an innovative research methodology to gather feedback directly from those involved in IT strategy, planning, procurement and implementation. Our output is therefore grounded in real-world practicality for use by mainstream business and IT professionals.

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