



Privately Speaking

Insights on private company growth
from private company insiders

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Getting comfortable with cyber: The boardroom lens

For private companies, the risk of a cyber-attack has never been greater. Nor have the implications for private market executives and their boards. Many private companies are now rethinking their approach to cyber security. Investment into cyber security technology is set to skyrocket.

But – as this edition of *Privately Speaking* suggests – private market boards will want to make sure that their cyber investments are aligned to their business strategy.

A rising threat

The cyber threat is evolving. In the past, hackers tended to focus on big companies, financial records, and credit card numbers. But as security at the bigger companies improved, many hackers moved on to lower hanging fruit.

The data tells a worrying story. In 2011, just 18 percent of phishing attacks targeted small-to-medium enterprises (SMEs). But by 2015, SMEs accounted for 43 percent of all phishing attacks.¹ And now, according to Verizon's Data Breach report 2017, 61 percent of data breach victims are SMEs.

Not surprisingly, investment into cyber security technologies is on the rise. Analysis from research firm IDC suggests that global cyber-security spending will top US\$100 billion by 2020. In particular, it notes that mid-market IT customers are looking to make cyber investments in key areas, such as cloud, end point, network, data security, and more.²

A boardroom discussion

While technology investment will certainly be part of the cyber solution for private market companies, many boards are starting to recognize that the best cyber security response starts – not with technology but, rather, with the board and the business.

Yet, our research suggests that many boards are struggling to ensure that their operations, technology, and risk management controls and processes are aligned on cyber expectations and priorities. In some cases, the conversation in the boardroom is not keeping pace with the needs of the business.

A cyber maturity framework for private market boards

In a recent report, KPMG's Cyber Security professionals outlined a cyber maturity framework to help private market boards assess their organization's true cyber preparedness and capabilities.

The report outlines six key areas of board oversight and identifies important lines of inquiry and potential Key Performance Indicators (KPIs) that, taken together, could serve as a dashboard to help boards gain comfort with their cyber strategy.

According to a recent online survey of 310 directors and senior executives conducted during a webcast on cyber security by KPMG, boards are most concerned about:

- 39% Human factors
- 22% Information risk management
- 17% Leadership and governance
- 13% Operations and technology
- 6% Business continuity
- 3% Legal and compliance.

¹ <https://smallbiztrends.com/2016/04/cyber-attacks-target-small-business.html>

² <http://www.crn.com/slide-shows/security/300084048/8-security-trends-affecting-the-midmarket.htm>

Key areas of board oversight	Important lines of inquiry
Leadership and governance	Understand governance structure and meet executive leadership team. Review output of capability assessment. Review and approve strategy and funding requests. Participate in general board education. Request periodic updates of program.
Human factors	Set the tone for the culture. Review patterns/trends of personnel issues. Understand training and awareness protocols.
Information management	Understand risk management approach and linkage to enterprise risk. Review and approve risk tolerance. Understand third-party supplier program. Review and question program metrics.
Business continuity and crisis management	Understand current response capability. Review status of overall plan maturity. Meet with communications personnel. Participate in table-top exercises.
Operations and technology	Understand current maturity of control structure. Review relevancy of selected control framework. Review relevant incident trend metrics. Meet with CIO or equivalent to understand integration of cyber and information technology trends.
Legal and compliance	Cyber insurance policy benchmarking with peer organizations.

5 tips for private market boards and directors

When it comes to cyber security, private market boards and directors need to remain vigilant. But they also need to remain focused. The reality is that cyber could take significant time and energy from the board and – as the risk threat evolves – new challenges and opportunities will emerge.

- 1 Learn to live with cyber risk. Understand that it is an enterprise-wide challenge and opportunity.
- 2 Take a holistic view of the risk. Look across the entire enterprise, including strategy, operations, supply chain, regulation, reputation and more.
- 3 Ensure regular reporting and communication. Develop a dashboard and robust KPIs. Establish a rhythm, get to know the people, and become better educated.
- 4 Stay abreast of industry practices and connect with law enforcement. Make sure the board is attuned to industry trends and best practices.
- 5 Have an incident readiness and response plan. Breaches will happen. Make sure your company has a clear “table-topped” response plan that has been reviewed and tested.

Click here to read the article
The new mindset in cyber security: The board lens



“Cyber is much more about your company’s business strategy and innovation plans than it is about your technology architecture. When boards talk about cyber risk, it should be through that lens.”

— **Greg Bell**,
KPMG’s Global
Cyber Security
Coleader

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