

Data: Are Businesses Prepared For The Challenges Ahead?

Data fuels machine learning, and AI is at the heart of bringing different technologies together.

Our survey reveals that executives are concerned about their level of preparedness for dealing with data, the ethical challenges it poses and potential risks such as cybersecurity breaches (See: [The Double-Edged Sword: Big Concerns About Big Data](#)). Here, more than in any other area, there is tension between maximizing profit and doing the right thing.

When the data used to feed AI is strong and free from bias, AI can perform better than humans at certain tasks. One technology company's health research unit, for example, has developed AI that outperforms radiologists at detecting breast cancer. But AI is only as good as the input information. A large social media and technology company has faced well-publicized challenges with algorithms that exhibit biases in targeting job ads at potential candidates; automated decision making for another company resulted in it offering better credit to men than to women.

With so much on the line, using data effectively and transparently is crucial. "Market power is changing," says Paul Landless, Partner and Co-Head of the Tech Group at Clifford Chance. "It is no longer simply about the data, but more the analytical capabilities to use data to identify new opportunities. But with this new power comes new responsibilities."

The Double-Edged Sword: Big Concerns About Big Data

State Of Play



are already using big data



believe they may be too bold in their approach to big data



are exploring big data

Concerns



say big data poses the biggest ethical challenge to their business



say data management and governance is their top concern relating to tech-driven growth



are concerned about cybersecurity and privacy protection implementation

Preparedness



of executives consider their businesses well equipped to deal with the legal and regulatory issues relating to big data



believe they have substantial in-house capabilities to deal with the legal and regulatory issues relating to big data



believe that big data is one of the top focuses for their senior management and board of directors

Collaboration: The Opportunities And Risks

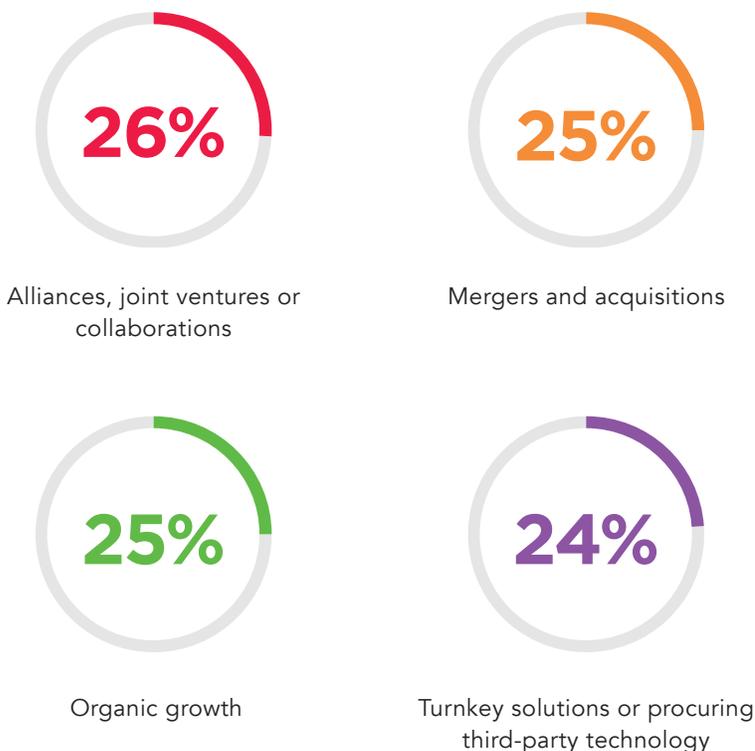
Technology is now so complex and fast moving that few companies can go it alone. When it comes to growth, three-quarters of our survey respondents are choosing to collaborate by merging with or acquiring other companies; forming joint ventures, partnerships and licensing agreements; or procuring third-party technologies. This compares with only 25% of respondents who are relying on organic growth (Figure 3).

For American Water, the largest U.S. water utility company, partnerships have helped the business grow and develop new capabilities more quickly. CEO Susan Story says that by working collaboratively with startups, American Water has built digital apps and tools that help frontline employees better serve their customers.

“The risks when dealing with startups are that they have rarely properly protected any of their intellectual property, completed Freedom to Operate searches or implemented diligent Open Source Software Compliance guidelines. This needs to be fixed as soon as the technology is to be implemented on a large-scale business model or it may turn into a significant risk later down the line,” says Claudia Milbradt, IP Partner, Clifford Chance Tech Group.

FIGURE 3

How Companies Are Pursuing Tech-Driven Growth



Paul Landless On The Risks Of Collaboration



In the belief that survival depends upon the speed of innovation, businesses are racing to collaborate to access new technologies, data and intellectual property, which is creating incredible dependencies and vulnerabilities.

As businesses collaborate, they leave behind a trail of data relating to the business model, markets and geographies. This leads to cyber, data protection or resiliency risks. In many cases, the established and slower players stake their growth on newer players who can provide superior data analytics or product innovation, and in the process, they begin to surrender customer access, integration and interactions.

Other businesses refuse to partner and collaborate so that they can keep control of their technology stack. They are highly focused with a narrower customer and product base. They will become relatively static, but they may be better able to withstand the shock of a major cyber incident or a major corporate bankruptcy of a technology player. They may be slower and may fall behind for most of the race, but they may win in the end.

Paul is a fintech expert and has extensive experience in helping companies deal with data, cyber, AI and smart contracts issues. He has a particular interest in application of DLT in financial markets trading and risk management.