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The C-suite Agenda

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The C-suite Agenda

Distributed in THE TIMES

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POLICY

What businesses should expect from Labour

Labour's manifesto emphasises growth and innovation. The question now is whether Kier Starmer's government can deliver on the party's pre-election promises

Sam Birchall, Sam Forsdick & Tamlin Magee

The Labour Party won the UK's 4 July general election by a landslide.

While industry groups have been keen to offer their congratulations to the new prime minister, Keir Starmer, they remain eager for quick and clear policy actions from the incoming government.

Business leaders will be watching with anticipation to see which of Labour's many manifesto commitments will be delivered.

Labour plans to create a Regulatory Innovation Office to bridge existing regulatory functions across government and speed up approval timelines. This "pro-innovation body" will aim to set targets for tech regulators and end uncertainty for businesses.

Companies at the "frontier" of AI development should expect new, binding regulations on AI models.

Labour also promises to build a National Data Library to centralise government research projects and help to deliver data-driven public services. Although all the details remain unclear, the party insists this data library will have strong safeguards – and that all projects will be for the public good.

Jacob Beswick, a former AI advisor at the Department for Science Innovation and Technology (DSIT), welcomes the move. But he says clarity is needed around how the new regulatory office will "support industry with investing in and operationalising these technologies".

The new government has a "unique opportunity to take a positive view of AI," according to Rashik Parmar, CEO at BCS, the Chartered Institute for IT.

He believes Labour should back chartered status for tech professionals, which would set standards for competence and ethics, similar to the approach taken in fields such as accountancy and medicine.

Peter Kyle, secretary of state for science, innovation and technology, plans to expand DSIT to become "the digital centre for government". In a speech at London Tech Week in June, Kyle suggested DSIT would become a resource for other departments, driving their use of data and data sharing.

Ethical data sharing across departments would be a positive move according to Caroline Carruthers, author of *The Chief Data Officer's Playbook* and CEO at global data consultancy Carruthers and Jackson. She caveats, however, that the government must be clear about how personal data is being used and that data-sharing initiatives must prioritise the wellbeing of citizens.

Labour has ruled out increases on income tax, national insurance and VAT and committed to capping corporation tax at 25%. But options on capital gains tax and pension tax relief remain open.

The party's manifesto promises to tackle tax avoidance, including by closing infamous non-domicile loopholes. Labour is also proposing a wider range of tax schemes to be reported to HMRC and new powers for the revenue service to enforce tax payments.

The roadmap for business taxation is yet to be revealed, but Starmer's government promises to "level the playing field between the high street and online giants".

Labour also has ambitions to make the UK the "green-finance capital of the world". Under the party's proposals, UK-regulated financial institutions and FTSE 100 companies will need to develop credible sustainability plans that align with the goals of the Paris Agreement.

But there are lingering questions about the scope and enforcement of such sustainability mandates. For instance, the extent to which firms will be penalised for failing to meet sustainability expectations remains unclear.

The Labour victory appears to have strengthened investor confidence. Following the announcement of the election results, world equity markets hit record highs, the FTSE 100 rose 0.38% on opening and the pound made gains against the dollar.

James Igoe, head of the Manchester office at investment management firm Redmayne Bentley, is hopeful that Labour's policies will enhance liquidity in the market and make the UK economy more attractive to overseas investors.

"Foreign investors have, for some time, considered the stock market to be a function of the UK's leadership," he says. If Labour can deliver stability during its time in office, he explains, it will lower the risk premium on UK stocks and potentially nurture a stock market revival.

The Labour Party manifesto includes approximately 60 changes to employment law and regulation, which the party plans to implement in its first 100 days in office.

These changes include a ban on zero-hours contracts, an end to the practice of fire and rehire and the introduction of day-one rights for sick pay, parental leave and unfair dismissal. The party has also proposed a new enforcement body to ensure companies adhere to employment regulation.

But many of the proposed changes require clarification, according to Sarah Tahamtani, partner and head of employment at law firm Clarion. "Success in implementing this legislation quickly will ultimately hinge on businesses being aware of and prepared for these changes," she says.

Addressing the UK's skills gap is another priority for the new government. It plans to replace the apprenticeship levy with a growth and skills levy and introduce a public body, Skills England, to identify labour and skills shortages.

Chartered Institute of Professional Development CEO Peter Cheese believes these changes can help to increase apprenticeships and enable more companies to upskill their workforce. However, he says collaboration between government and industry will be crucial to ensuring these new policies are a success.

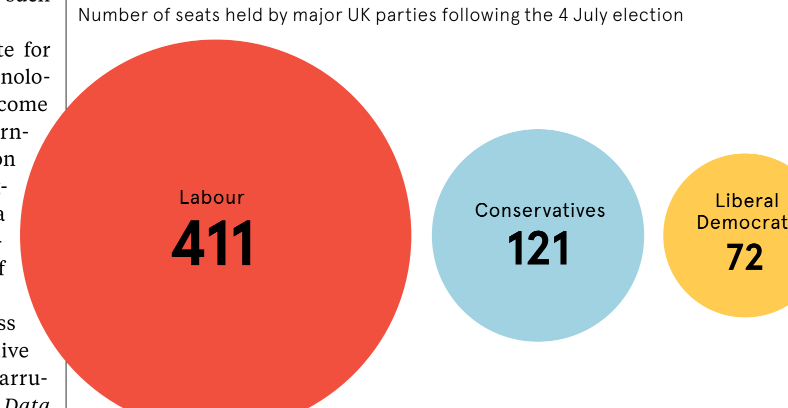
Starmer's party has also announced various plans to tackle economic inactivity. It promises to reform the points-based immigration system and link it to skills policy, for instance. But its manifesto warns that employers that flout the visa system will be barred from hiring international workers.

Other proposals include integrating Jobcentre Plus and the National Careers Service, replacing the Work Capability Assessment to help more disabled people into work and guaranteeing equal pay for Black, Asian and other ethnic minority workers.

Disability and ethnicity pay gap reporting will also be a requirement for all large employers and handled similarly to gender pay gap reporting rules. ●

LABOUR'S LANDSLIDE WIN

Number of seats held by major UK parties following the 4 July election



EDITORIAL

'Timpson's appointment could be a stroke of genius'

The public sector could learn a lot from the innovation and creativity on show in the corporate world. The appointment of James Timpson is a step in the right direction

As Keir Starmer began handing out ministerial appointments in the wake of Labour's landslide election victory, one name stood out: James Timpson. The CEO of family-owned Timpson Group and former chair of the Prison Reform Trust, Timpson will serve as the government's new prisons minister.

Despite not being a sitting MP (he was ennobled so he could be given a ministerial position), Timpson will bring a wealth of practical experience to his new role – something that is far too often missing from government appointments.

As a businessman, Timpson helped to tackle the issues he has been brought into government to solve. During a recent keynote speech at Qualtrics X4 event in London, Timpson reflected on his first prison visit in 2002. While walking the wings, he struck up a conversation with an 18-year-old, Matthew, who had been incarcerated for fighting in a nightclub. After taking a shine to the young man, Timpson offered him a job upon his release.

Fast-forward 20 years and Matthew is a branch manager at Timpson. And, he isn't the only Timpson employee with a record – one in nine are former convicts.

This strategy has proved so successful that a growing list of companies now recruit directly from prisons and, in doing so, have helped to rehabilitate ex-convicts and reduce reoffending. Timpson claims that only four of the several hundred ex-offenders he's hired have ever returned to prison – the current reoffending rate in the UK, meanwhile, is 25%.

With the UK's prisons approaching capacity, Timpson's fresh perspective may be what's required to reform the system.

And it's not just his ex-con recruitment record that the government can learn from. In the previous parliament, incidents of inappropriate behaviour were so frequent that the former chair of the House of Commons standards committee described it as "the worst parliament in history". In contrast, Timpson is known for his 'upside-down leadership', which emphasises trust and kindness to staff.

He has also shown a willingness to challenge the established rules of business. For instance, Timpson shops offer several services for free. In fact, 4% of the business's transactions are made without charge. While this may sound counterintuitive, Timpson maintains that the shops that do the most free jobs perform the best.

Staff at his stores are also given the freedom to decide what stock to order, what the opening hours will be and what discounts to offer. There are only two rules: put the money in the till and look the part. New starters are simply told: "Please ignore all memos and do what you think is right."

Explaining this policy, Timpson says: "When you trust people to be themselves and allow them to get their personality across, they will perform better."

As a reward for their hard work, Timpson staff can expect a day off for their birthday, their child's first day at school and on becoming a grandparent, as well as a week off when they get married and free use of one of 20 holiday homes.

While his unorthodox approach to leadership has proved successful in the corporate world, politics is a different beast.

As the CEO of a family-run business, Timpson has had the freedom to experiment. Innovation is rewarded and encouraged in the private sector, but the halls of Westminster could be stifling.

But if he is afforded the latitude to continue walking his own walk and to come up with innovative solutions to the many problems facing the UK's prison system, Timpson's appointment could be a stroke of genius by Labour.

Could this move pave the way for more business leaders to be appointed into government? If they're of the same calibre as Timpson, it's a prospect I wouldn't be opposed to. ●

Sam Forsdick
Senior HR writer, Raconteur

Commercial feature

Q&A

Overhyped or underused? Why AI is no longer optional

Dennis Woodside, CEO of Freshworks, says AI has shifted from an experimental tool to a key driver of enterprise productivity and competitiveness

Q With all the hype around AI, how challenging is it for businesses to identify use cases with real transformative potential?

A Since generative AI exploded into the market 18 months ago, an unprecedented hype cycle has resulted in inflated expectations that distract from the tangible benefits the technology offers.

Enterprise executives looking to successfully embed AI into their business in 2024 will need to right-size those expectations and work on separating AI hype from reality. This can be achieved through identifying truly valid use cases, building an AI culture, forming the right teams and tracking ROI.

Q What are the major drivers of AI adoption today?

A Our latest Freshworks Global AI Workplace survey found that more than a third of global workers (37%) say their companies are adopting AI software due to a fear of missing out on "the next big thing" or failing to keep up with innovation.

Similarly, more than half (53%) of workers say they are pushing AI software in their organisation to avoid falling behind competitors, and 46% of workers say any company not using AI is already behind and more likely to fail in the future.

Q How do employees view AI? Do they feel it can improve their productivity?

A Much is said of the AI 'trust gap' in consumers and employees, who share varying levels of concern over a range of complicated issues, from job replacement to AI governance, regulation and ethics. However, it's becoming clear that more and more workers trust AI to improve performance – and their careers.

Our report found that knowledge workers are achieving impressive productivity gains from using AI at work, with nearly three in four global workers (72%) trusting AI to bring value to their work processes. Furthermore, 81% of employees say they trust AI because they believe the quality of work produced is good or that it makes their team more productive.

Q How are organisations at the forefront of AI adoption measuring ROI and impact?

A As organisations shift from experimentation to execution with AI tools and initiatives, they're evaluating which performance metrics are most relevant to understand the impact and ROI. Not surprisingly, productivity has been a primary focus.

Employees surveyed estimate that AI is already cutting their workloads considerably by summarising reports, suggesting next steps, handling repetitive tasks and other efficiencies—meaning employees can take on higher-value work.

Aside from productivity, the top performance metrics for workplace AI include better quality of work, improved customer engagement, revenue increases and employee satisfaction improvement.

Q Is AI now a business necessity? And how should organisations that have yet to embrace it get started?

A AI is no longer an experimental pilot tool, but rather an active driver of substantial efficiency and productivity gains across industries. Investing in AI is not an option but a necessity for businesses wanting to keep up with competition.

> The hype cycle is passing and measurable outcomes of AI implementations are coming into focus

For those just getting started on their AI journey, business leaders should pay attention to what their customers care about most and invest in a comprehensive, value-adding generative AI partner.

Q When it comes to the business benefits of AI, do senior leaders believe the best is yet to come?

A Yes, the good news is the hype cycle is passing and measurable outcomes of AI implementations are coming into focus, making the technology difficult for IT decision-makers to ignore.

For a long time, companies have invested time and energy training humans to understand software. With generative AI in play, products are now learning to approach tasks in a similar way to humans, changing the rules of the game entirely.

To find out more about how AI is enhancing business software visit freshworks.com

freshworks

MARKETING

5 ways CMOs can do more with less

Although macroeconomic conditions are improving, marketing chiefs are still being asked to make big impacts with small budgets

Francesca Cassidy

With the cost of doing business stubbornly high, marketers are frequently being asked to do more with less.

Marketing budgets have declined 15% year on year and less than a quarter of CMOs (24%) say they have sufficient budget to execute their 2024 strategy, according to Gartner's most recent CMO spend survey. With less money available, marketers must get creative and reimagine their campaigns for the second half of the year.

Here, five business leaders share advice on how CMOs can set their departments up for success in the second half of 2024.

Build strong internal relationships

Sofia Hernandez

Global head of business marketing, TikTok

You have to build relationships with cross-functional partners, including the chief counsel, chief finance officer and chief product officer. Marketing is the only discipline that engages with every function in an organisation, it touches every aspect of a business.

For example, if your legal department is typically more cautious, engage in conversations with them and explain why you need to be a little braver with your marketing in order to reach your customer. Try to make them a partner to the marketing function and help them to understand why creative bravery is important.

Rather than just sending projects to legal when they're finished, bring the legal team into the marketer's world; treat them like real partners and act like a partner to them, too. If you do this, you will be a lot more successful.

Be bold and get creative

Matt Stone

UK and Ireland marketing director, Kimberly-Clark

When finances are tight, creative and powerful marketing activations are the best way to get an outsized impact relative to your spend.

Sometimes the instinct is to double down on churning out multiple versions of an activation or shift the focus to products instead of marketing. These are important, of course, but the best way to get cut-through and have a big impact is to connect with people on an emotional level.

So when budgets are limited, opt for greater impact, rather than relying on what's known to generate more sales. Brands can either outspend their competitors or outsmart them. Most aren't able to outspend their competitors but they can outsmart them – and they'll see the biggest impact if they use creativity to connect with their audience.

Reassess your priorities

Bhavesh Unadkat

Vice-president, brand, marketing and content services, Frog

Start by reviewing where you are with your strategy. Ask yourself: Is it on track? What is working? What's not working? Real, honest reflection is essential. There's not enough of that because people tend to get caught up in the weeds.

Then, establish what the biggest priority is for the rest of the year. The CMO is spread so thin; they can't do everything. Work out the three most important or most complicated things that you want to achieve this year and then work out how to achieve them. That will make the difference and set you up for success in 2025. All of the other noise – admin, policy and processes – can be done by someone else. Marketing leaders are doing too many things that are not marketing and that's what needs to change.

Focus on your customer

Jennifer Berry

CEO, Digitas UK

CMOs need to clearly identify their North Star and then focus on that, orienting everything around their consumer and what their consumer needs.

Be very focused on what you need to achieve. Know your customer and prioritise getting your data, consumer insight and infrastructure you need to engage your customers.

Demonstrate results

Deborah Honig

Chief customer officer, Samsung UK and Ireland

As the chief customer officer, I have a number of commercial and marketing responsibilities. One thing I always practise is getting alignment upfront. Before you begin a project, show people where it brings value, which metrics it will improve and how that translates into results for the company.

You need to continually go back to basics and be clear with people in your organisation, particularly senior leadership, about what each campaign or activity has delivered.

There's so much evidence marketers can use to demonstrate the value of their work. It's difficult to take a term like 'creativity' and put a value on it, but we know that standout work has given shape to a lot of important metrics. You have to constantly refer back to them.

Commercial feature

Q&A

Investing in the future: how digital transformation is redefining the insurance industry

David McMillan, CEO of esure Group, explains how advanced data science and technology like generative AI can enable the insurance industry to become more agile and efficient, and how his company's digital transformation is helping to put customers first

Q How can digital transformation help insurers navigate some of the key issues faced by the industry?

A The UK personal lines market is the most competitive in the world, with customers able to view prices from hundreds of different brands on price comparison websites in a matter of seconds. The industry has faced challenging conditions in recent years, particularly from inflationary pressures. Insurers are vying for the business of customers looking for three things: a good deal, a simple service experience, and expert, empathetic service.

We undertook our transformation programme to ensure we are well positioned to meet these customer needs. To achieve this, we needed to build a technology platform that leverages data and enables us to create an intuitive customer experience. Recognising some claims we support customers with are naturally quite upsetting, it was important our approach centred around a 'digital-first' not 'digital-only' proposition, being aware an empathetic human voice can make a real difference in a moment of need.

Q To what extent was your legacy system holding you back?

A Before we started this journey we relied on outdated legacy systems, like many of our peers. But in a digital-first era, customers are looking for the same personalised experience, intuitive navigation and fast delivery they enjoy, and increasingly expect, from digital-native businesses in other parts of their lives. To achieve this, we set about building a scalable and flexible full stack cloud-native platform.

Since the start of this year, our entire customer base of nearly two million policies, close to 250,000 claims, and more than one billion datapoints, have been successfully migrated onto our new platform. We were then able to decommission all legacy technology within months of completing migration, meaning we could quickly shed the previously costly, cumbersome and inefficient systems.

When you use older systems, they're not connected to each other, so it takes longer to implement changes to processes. We've built something that enables us to amend customer journeys immediately, based on the data we have on how a particular customer journey is performing.

Q What impact does this have on customers?

A Put simply, it's helping us to deliver faster and more effective customer experience.

Before this transformation, around 90% of our interactions with customers were over the phone, now it's pretty much a 50-50 split between phone and live chat communications.

The process of making claims and amending policies is now much easier. 90% percent of all claim types can be initiated digitally within our new platform, and 78% of mid-term adjustments can be fully self-served online.

The feedback we've had from customers has been excellent, too. 89% of customers completing these fully self-serve journeys rate them four or five out of five for ease. We're also getting it right more often the first time, with 88% of customers not having a need to contact us again within five days of the first contact. However, we know we don't always get it right, so listening to feedback is important to help us drive continuous improvement.

> "Our pioneering work in GenAI, led by our world-class data scientists, has underpinned much of our transformation journey to improve customer service, enhance operations and drive efficiencies

Digital assets are really helping us enhance the digital-first customer experience, and our teams are implementing new customer functionality every couple of weeks, with a lot more to come.

Q How important is AI and machine learning in pushing the insurance industry forward?

A It's huge. It will transform the way customers interact with insurers. We've been using AI and machine learning extensively for the past five years. We use it heavily in terms of how we price, and we use some of the most advanced algorithms and data science models in the industry. We have worked closely with the Alan Turing Institute to advance our work in this space.

What's really accelerated over the past 12 months is generative AI (GenAI). Our pioneering work in GenAI, led by our world-class data scientists, has underpinned much of our transformation journey to improve customer service, enhance operations and drive efficiencies.

We have several GenAI models live in production, that are helping our c.800 customer-facing colleagues across operations and claims to support our customers. For example, it is summarising the initial conversations customers have with our chatbot, which leads to a more efficient handover for customers moving between channels – reducing frustration from having to repeat information.

After completing the interaction, we use GenAI to capture exchanges more accurately and consistently throughout the business, across different geographies and functions, which helps to inform future engagement with the customer. The 15% reduction in average handling time witnessed since the introduction of these capabilities enables our colleagues to support the more sensitive and complicated cases – where that extra human touch is so important.

Q How do you see technology impacting the future of the insurance industry?

A Companies are always looking to innovate to gain a competitive advantage, which is great. But in the future, if you're an insurer that hasn't invested in digital transformation, you'll lack the sophistication to keep up. I think we'll see the industry consolidate into a small number of very sophisticated players that have made the necessary investment in their technology.

As a business, we are focused on honing the new capabilities we have unlocked with a roadmap in place to launch new propositions, all made possible by our digital transformation. I'm confident that the industry leading technology we can now leverage will give us an advantage and help deliver for the ever-changing needs and expectations of our customers.

For more information please visit esuregroup.com

esure GROUP

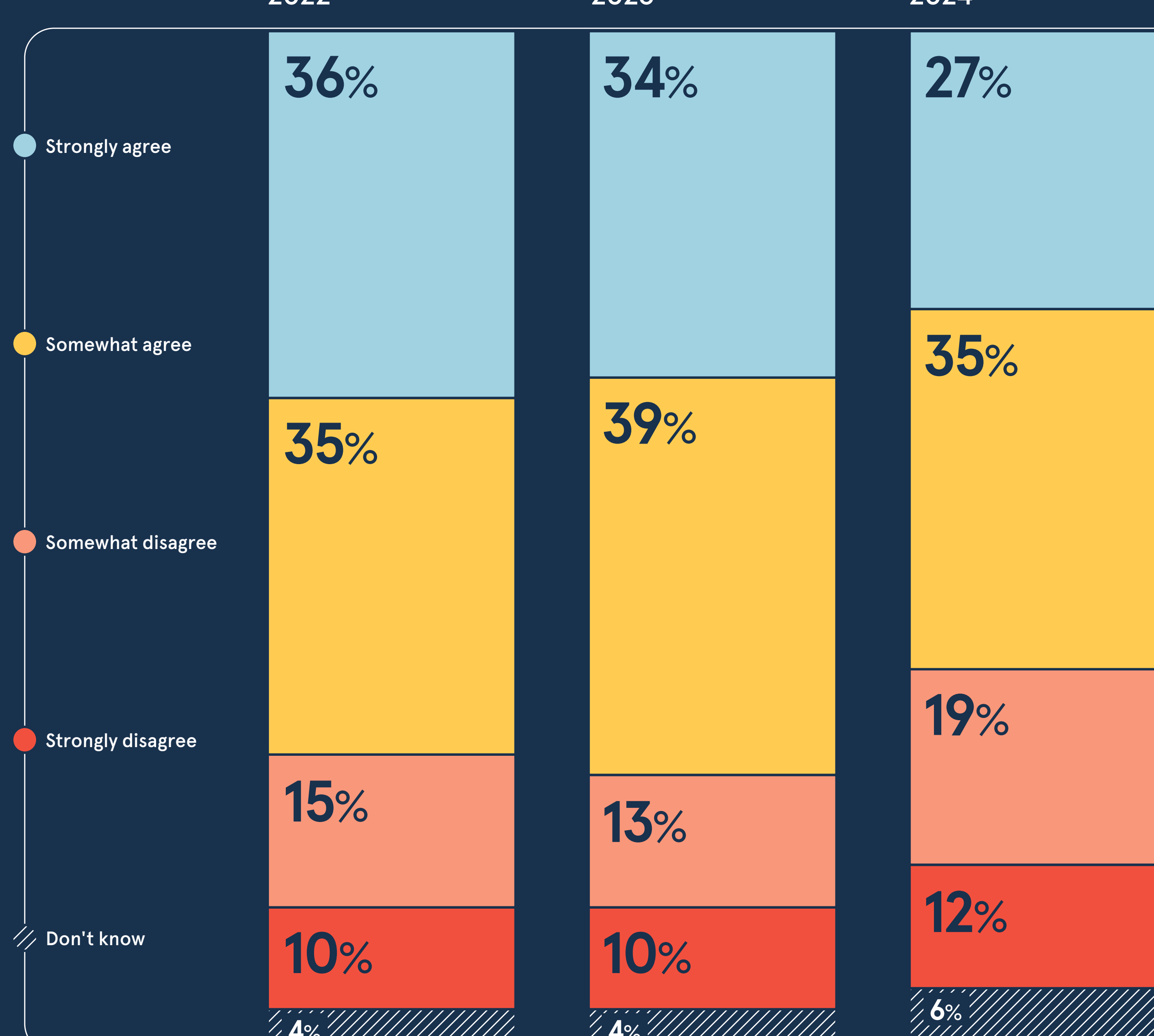
SOLVING THE SKILLS SHORTAGES

Organisations in the UK have been grappling with skills shortages for half a decade. Although progress has been made in recruitment and retention since the end of the Covid pandemic, a scarcity of critical skills is still causing problems for businesses, impacting growth and productivity, employee wellbeing and profitability. Addressing these shortages is vital if firms are to succeed in a rapidly evolving business environment. Is UK plc up to the task?

British Chamber of Commerce, The Open University, 2024

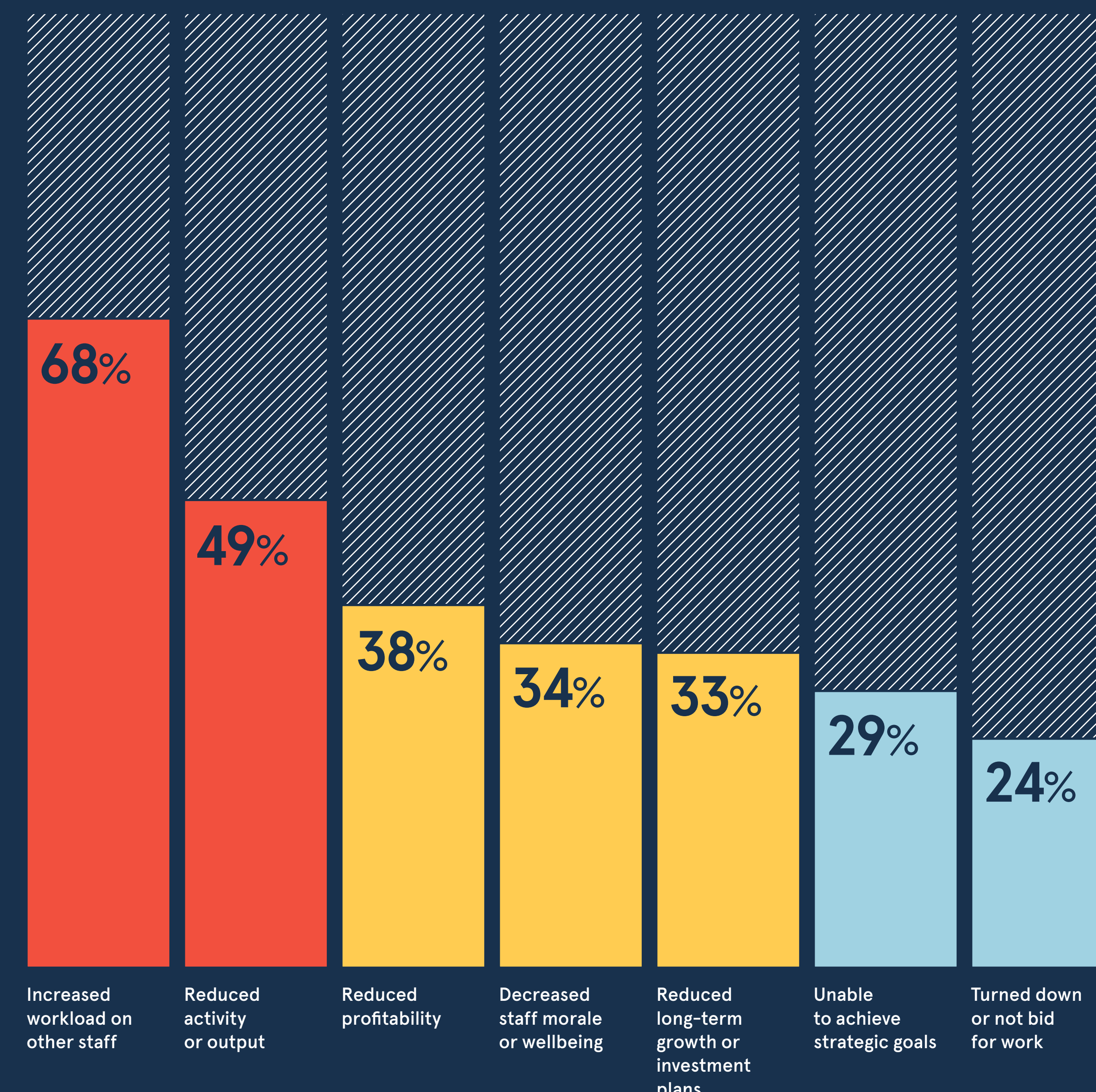
ARE UK ORGANISATIONS REALLY FACING A SKILLS SHORTAGE?

Extent to which UK business leaders agree that their organisation is facing a skills shortage



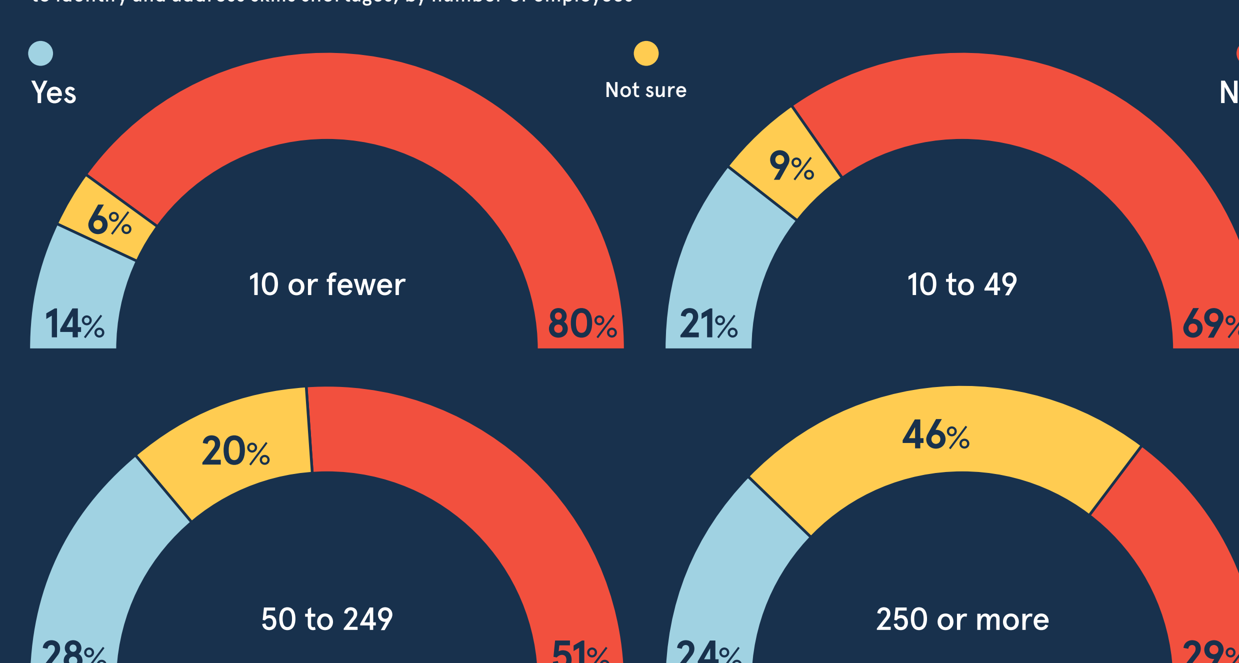
NEARLY SEVEN IN 10 SAY SKILLS SHORTAGES HAVE IMPACTED STAFF WORKLOADS

Share of UK firms citing the following as consequences of their firm's skills shortage



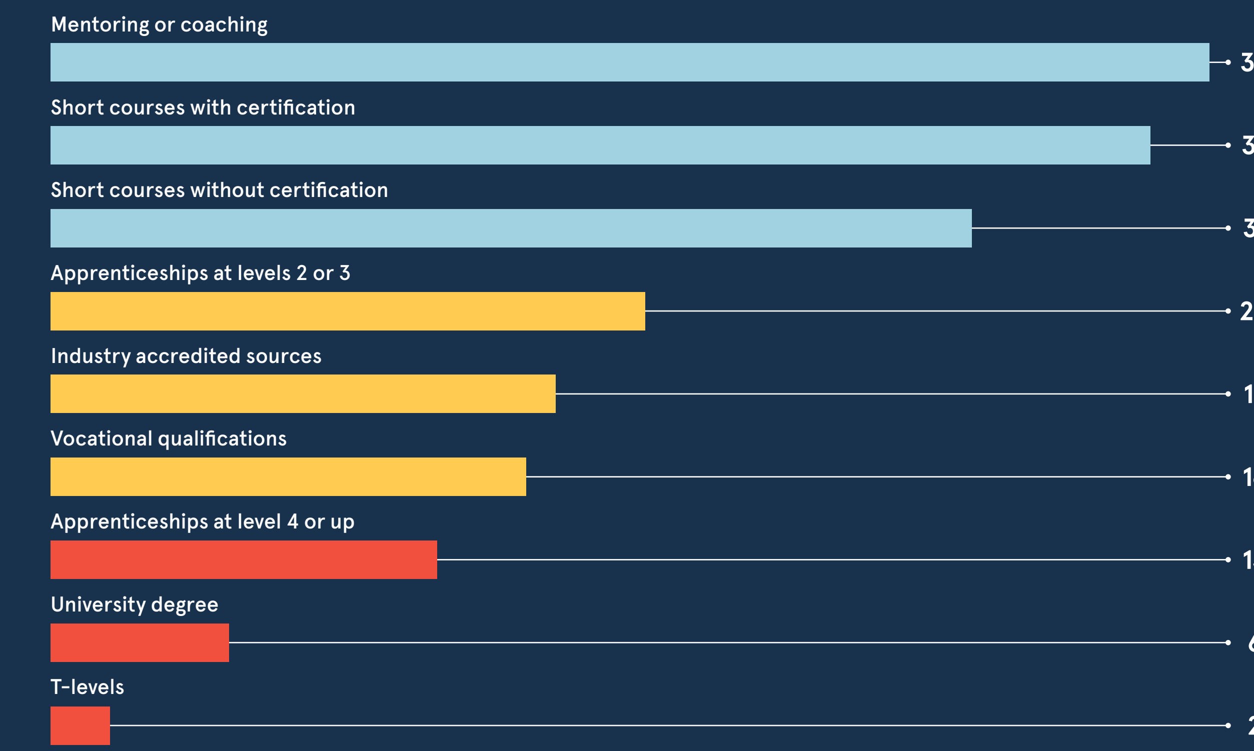
MOST ORGANISATIONS HAVE NO DOCUMENTED SKILLS PLAN

UK business leaders on whether their organisation has implemented a written plan to identify and address skills shortages, by number of employees



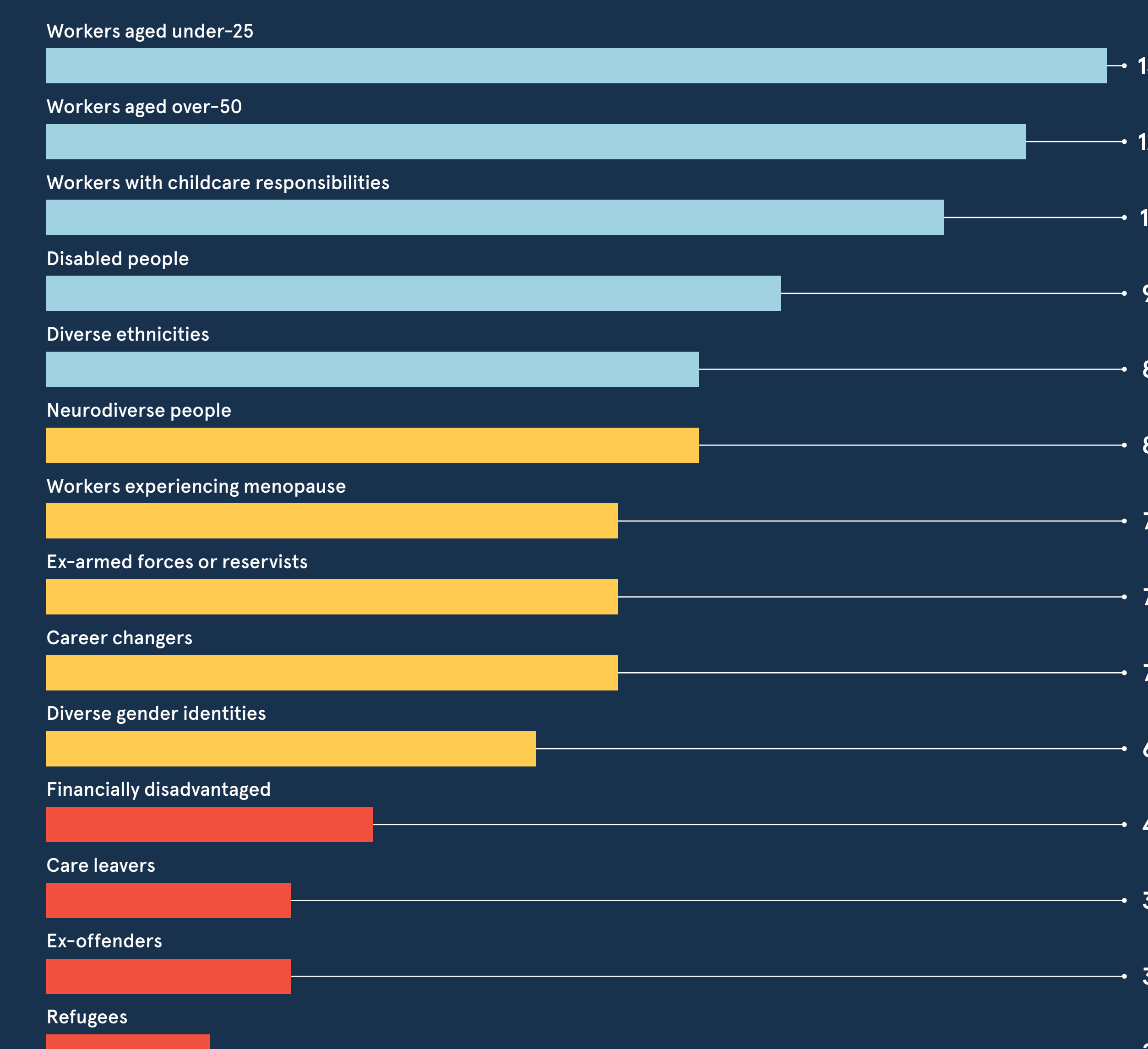
MANY WILL RELY ON MENTORING AND SHORT COURSES TO ADDRESS SKILLS SHORTAGES

Share of UK organisations intending to use particular types of training for staff over the next 12 months



WOULD WIDENING THE RECRUITMENT POOL HELP?

Share of UK firms with specific training or recruitment initiatives for the following groups



INTERVIEW

'People get excited about the US, but you need to do your homework'

PensionBee CFO **Christoph Martin** explains how the retirement app prepared for its upcoming US debut and outlines the central role played by the finance function in overseas expansion

Sam Birchall

The US might be the land of opportunity, but it's a tough market to crack. For retirement app PensionBee, American expansion is built on planning, research and local insights, according to CFO Christoph Martin.

Launched in 2014, PensionBee helps people prepare for retirement by combining all their old pensions into one platform. It offers different pension investment plans, including impact investing and fossil fuel-free options. The group currently serves over 250,000 customers in the UK, with £4.4bn in assets under administration as of the end of 2023.

Having helped to successfully take the London-listed firm public in 2021, Martin is now overseeing PensionBee's US launch as it seeks to tap into the largest pension market in the world.

"You cannot assume that what works for you in one country will do so in another," says Martin. "It's important to remain adaptable and continuously learning as an organisation. At the same time, you need to stay true to your mission."

> **You cannot assume that what works in one country will do so in another. It's important to remain adaptable but at the same time stay true to your mission**

Successful expansion depends on effective risk management. Entering a foreign market is fraught with regulatory, legal and financial risk, so upfront planning is critical, explains Martin. "People generally get very excited about the US and might have a bias for action. But it takes months of meticulous planning. You need to be prepared to do your homework."

The CFO took an almost scientific approach to PensionBee's US expansion. "First I created a hypothesis for why the business should enter the US, then I tested it to see if I could validate that theory."

Crucially, finance leaders must determine whether enough potential exists and if they're well placed to capitalise. Given the context of the huge US market – which represents approximately 80% of the global pension market and $22.5tn (£17.7tn) in assets – Martin says there is "tremendous opportunity" for PensionBee's new US business to become "at least the size of its UK business over the next decade".

Ahead of its US move, PensionBee spent years analysing local economies to inform its pricing policies. It also conducted extensive market research to assess the competitive landscape and better understand customer behaviour.

Martin says the team interviewed thousands of US citizens to learn more about their pension journey, the problems they had and whether the market is as under-served as it is in the UK. "We used this opportunity to really listen and see if they voiced a problem that we could realistically provide a solution to."

It's important to leave behind any preconceived notions of how your product or service might fit in the US, he warns.

"You don't want to accidentally prompt people in a certain direction, otherwise your hypothesis around the product market fit will be completely wrong."

When preparing to enter a new market, a business will usually have to hire local talent. For CFOs, this means balancing new regulatory requirements for employment and payments. Getting it wrong can be a cumbersome – not to mention costly – mistake. Martin sought the support of trusted external advisors and local experts to assist him with this compliance juggling act.

The same careful planning went into PensionBee's decision to base its headquarters in New York. There were several factors to consider, including access to talent, commercial real estate opportunities and marketing appetite. "The fact that New York has a very vibrant PR ecosystem was particularly important for us as a B2C company," he says.

Each new market has its own quirks. While the US and UK are similar in many ways, there are distinct cultural differences. Successful expansion hinges on the ability to identify these differences and incorporate them into the product offering where possible. "You don't want to just act like a UK company operating in the US," Martin notes.

For PensionBee, this meant adjusting to how people in the US think and feel about retirement. "It has different terminologies and people tend to be a little bit more proactive about investing in certain respects."

PensionBee gained these insights through extensive customer research and by hiring a local team. According to Martin, tapping into local expertise provides numerous benefits, including improved access to skills and a better understanding of the market as the business perfects its expansion strategy.

The CFO has a vital role to play in establishing an international expansion strategy. They are responsible for quantifying the opportunity and ensuring the company finds the best way to expand and grow in a new market.

This requires even closer collaboration between finance and the wider organisation to understand the associated costs for every function, from marketing and HR through to customer acquisition. "The finance function is standing in the middle orchestrating the entire project," Martin says. "We have to define what the pricing is, how to acquire customers and what the operating costs are locally."

Finance chiefs must be prepared to shoulder this additional responsibility, Martin says, providing clear communication and assurance to the management team and stakeholders on what the expansion strategy needs to be going forward and making sure everyone is aligned.

Looking ahead to PensionBee's US debut, Martin says: "It's an exciting time for the business. We've not yet pushed the button to fully launch, but we're inching closer."

Until then, he says, "it's up to the CFO to put the company in as strong a position as possible."

CYBERSECURITY

CISOs are already burned out – now they face personal liability too

Regulators worldwide are upping their scrutiny of corporate cybersecurity. With a precedent now set for individual liability, is the CISO role about to get much more dangerous?

Tamlin Magee

As the public grows more aware of the devastating impact of cyber incidents, regulatory agencies across the globe are tightening reporting requirements and strengthening penalties. In an effort to counterbalance the immense material risk posed by data breaches and cyber attacks, regulators have set a new precedent for cybersecurity enforcement – personal liability.

In late 2023, the US Securities and Exchange Commission (SEC) alleged that software company SolarWinds had failed to establish adequate security controls, practices and processes.

Crucially, the regulator said SolarWinds – the victim of a huge supply chain attack from a Russian cybercrime group, which led to breaches of US government agencies as well as private sector organisations – had misled investors about its cybersecurity posture.

The SEC has taken businesses to task before for poor cybersecurity and data mismanagement, but this case was different. For the very first time, the regulator brought charges against not only a company, but also an individual security executive – SolarWinds' CISO, Timothy Brown.

Although many of the charges were dismissed in an 18 July ruling by US federal district judge Paul Engelmayer, market observers agree that a new standard has been set for accountability in cybersecurity.

The SEC's actions in this case marked a notably more aggressive approach from the regulator. According to Ilkka Turunen, field CTO at cybersecurity firm Sonatype, this is a result of the US National Cybersecurity Strategy, introduced in 2023, which requires businesses to maintain a minimum standard of software development with accompanying security protocols.

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> **The concern is that CISOs are going to be held broadly responsible for the existence of security gaps. A reasonable set of standards hasn't been defined**

“Everywhere you look, this move towards personal liability is happening,” Turunen says. In Europe, for instance, an addendum to the upcoming Cyber Resilience Act – the Product Liability Directive – introduces no-fault liability, meaning that even if software is misused by the end user, the onus will be on businesses to prove minimum security standards were met in the first place.

“The assertion that the CISO's job is going to get much more dangerous is absolutely true,” Turenen warns.

Despite their title, many CISOs do not hold a position in the C-suite. Therefore, although they have an enormous responsibility, they often enjoy fewer benefits and safeguards than the typical C-level leader. Specifically, CISOs are not always guaranteed protection under directors' and officers' (D&O) liability insurance – the corporate coverage that guards executives from personal liability charges.

This lack of protection is top of mind for many security leaders, according to the 2024 *Voice of the CISO* report by cybersecurity firm Proofpoint. For the second year in a row, the survey found that personal liability is an enormous concern for CISOs, who believe they are being saddled with more responsibilities and higher expectations.

The report found that 61% of information security chiefs in the UK are worried about personal liability – although this is down from 79% in 2023, when the SEC first filed charges against SolarWinds and its CISO. Moreover, 67% said they would not join an organisation that didn't offer D&O protection for their role.

Concern over personal liability is exacerbating burnout among CISOs. Matt Cooke, strategist at Proofpoint, notes: “Most UK CISOs already agree that expectations on security chiefs are unrealistic and more than half have experienced or witnessed burnout in the past 12 months.”

And, he adds, the pressure is mounting. Security leaders are increasingly expected to have expertise across many different areas. They are often tasked with staying up to date on complex and rapidly evolving compliance and reporting requirements, developments in data protection policy and case law. They also must possess the soft skills to communicate security needs to other leaders and employees effectively.

“Solving this problem must be a top priority if we want to ensure CISOs are equipped for their role now and in the future,” Cooke says.

The emphasis on cybersecurity within organisations is growing, as is the interest in reducing harms to individuals and society. So says Rohan Massey, managing partner at global law firm Ropes & Gray London. “Because of this,” he continues, “we are seeing a greater focus on corporate accountability and personal liability. It's a global trend.”

Although the SolarWinds case has understandably rattled some security professionals, actual charges against executives in the industry remain few and far between.

Most regulators take proportionality into account. And, executives will likely avoid legal punishment so long as they can demonstrate that they made reasonable preparations for a cyber attack, were honest about those actions and can explain the steps taken to report and resolve an incident.

Enforcement actons can sometimes seem “a little bit draconian,” says Massey, who speculates that the intention behind harsher charges may be to establish industry norms that keep other businesses in line.

But he admits that the regulators' mission – to reduce material risk and other harms – is reasonable and that these overseers have helped businesses to develop a better understanding of cyber risk.

To get ahead of these pressures, security leaders will need gravitas in their organisation, explains Massey. This way, they can ensure that decisions about security are given appropriate weight at all levels of the business.

They must also establish robust governance protocols and perform regular audits of their IT estate to understand what data the business is responsible for and the resources available to keep it secure. Audits will help leaders to determine what is secured and where the vulnerabilities lie. The findings should be documented, not only because doing so is good practice, but also as a record to show regulators if necessary.

“Where you have vulnerabilities, make sure you can get the right engagement across the organisation to address them in a reasonable timeframe,” adds Massey. This may require escalating or reiterating the issues to other senior leaders.

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> **This move towards personal liability is happening. The assertion that the CISO's job is going to get more dangerous is absolutely true**

Security leaders should also work to maintain consistent messaging. After all, a core part of the SolarWinds case was the alleged mismatch between external quarterly reporting statements and internal communications.

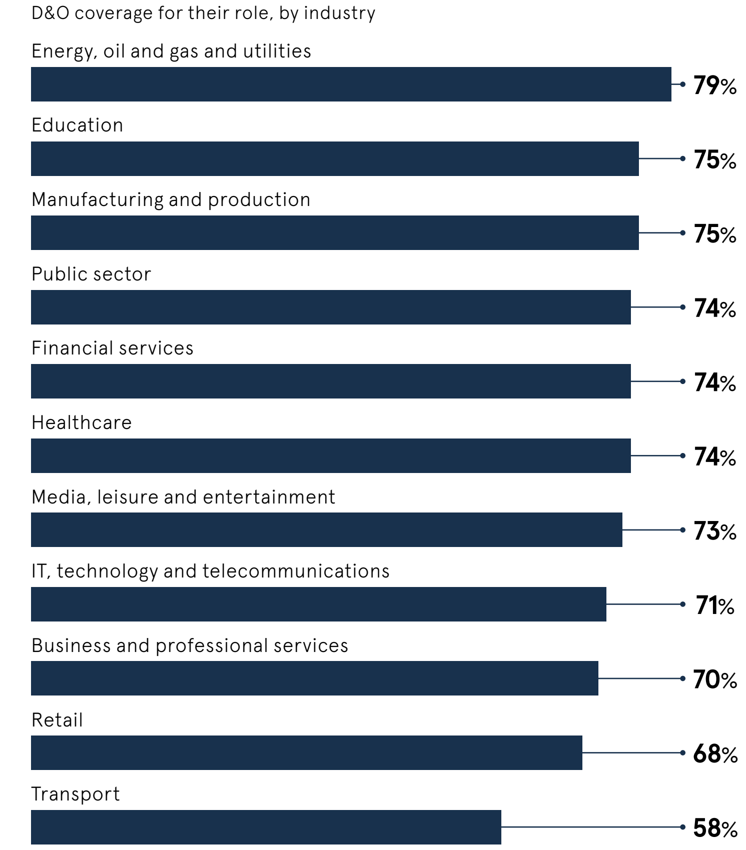
More accountability may be beneficial for everyone. While some senior leaders are understandably nervous about regulators becoming more aggressive, Marshall Erwin, CISO of cloud computing provider Fastly, believes better accountability for executives “can be a healthy change if done right”.

He continues: “The standard for when there should be liability is still unclear. The concern is that CISOs are going to be held broadly responsible for the existence of security gaps. A reasonable set of security standards to determine what CISOs should and shouldn't be held liable for hasn't been defined yet.”

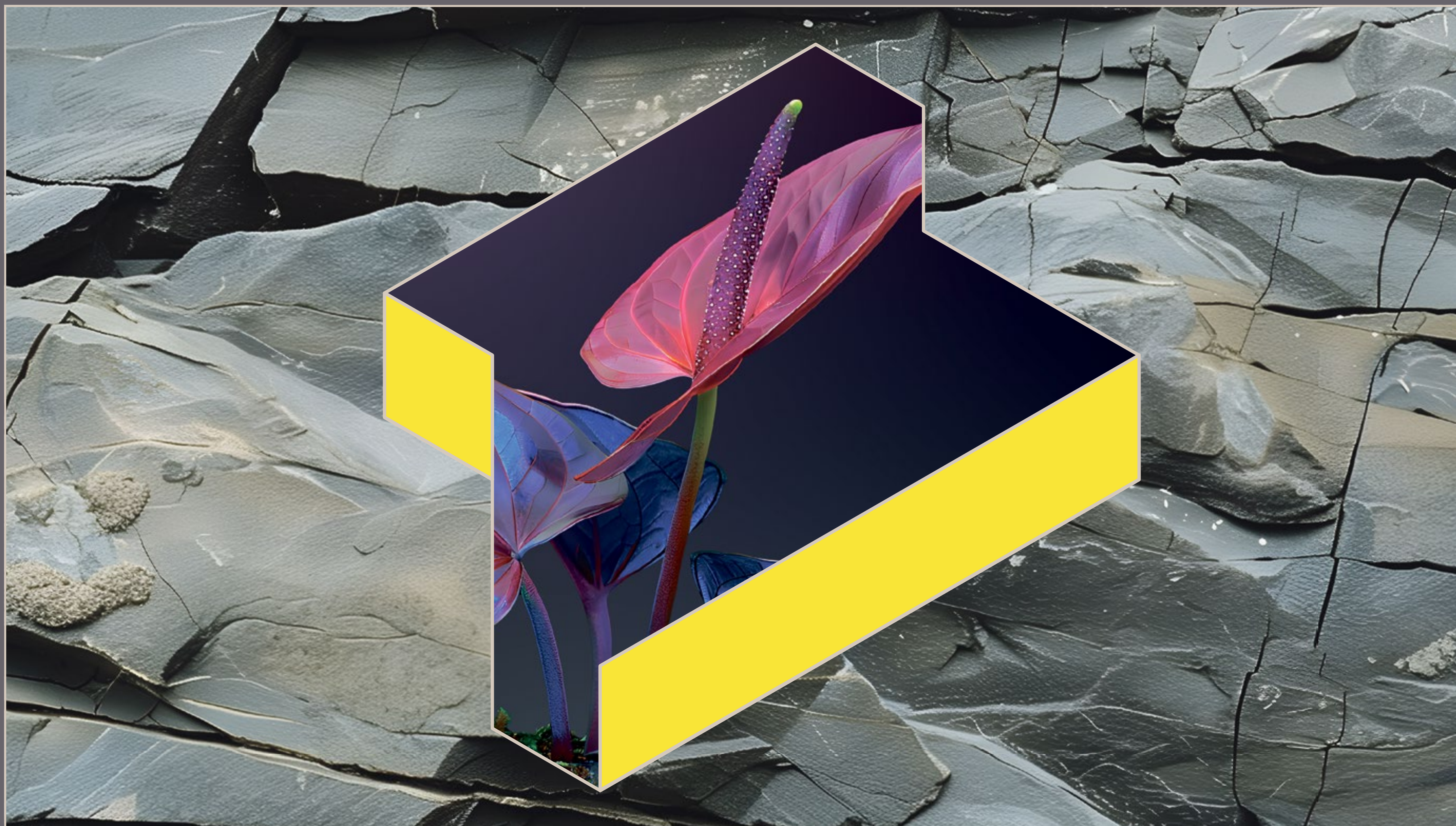
One way to address this is for regulators to develop their own internal cybersecurity expertise. Erwin suggests that regulators could help the security community be more effective by defining clear, reasonable standards that security professionals can actually live up to.

CISOS DEMAND LIABILITY PROTECTION

Share of CISOs who would refuse to join a company that doesn't offer D&O coverage for their role, by industry



Proofpoint, 2024



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