It could happen to you? Disruptive technologies and directors

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Speed read

Disruptive technologies could kill or stifle even "safe" businesses like banks and electricity utilities. What must boards do, from a legal point of view?

For starters, the threats and opportunities must be on the agenda sufficiently frequently and carefully.

This article was first published in National Business Review.

Part three in our series on cybersecurity, technology disruption in 2016 and directors' duties.

As we noted in our first article in this series, cybersecurity is not a standalone issue. It is also an extended by-product of new threats and opportunities such as disruptive technologies and the Internet of Things, which are central for all businesses.

We said in part two that directors have a legal duty to keep up to date with the impact of the changing economy and can't be too slow to apply change.

Long standing businesses and managers can find it quite hard to be on top of these new threats and opportunities, a flat-footedness that can be brilliantly leveraged by the disruptors, as we've seen with clients.

Does a board in fact have cyber-security and technology disruption in its sights enough to meet legal obligations, given management sometimes falls short in addressing it?

And for those that think that change is limited to the likes of the taxi and hotel industries and is many years out in their sectors, spare a thought for board members on companies with two of the most stable long term investments of all: banking and electricity utilities.

The banking sector inevitably faces major change now with the Apples of this world and various start-ups stepping in to take over and, in particular, changing their space with the likes of Apple Pay. The strategic calls for bank boards and management are difficult, as they try and predict which way to go in the face of those threats in an industry that will look quite different over the next few years (not that you'd know it when talking to some banking people). A wrong call, and the bank is left stranded in key areas: truly bet the bank decision times. What's happening with the way people make payments is a great example of this as cash and cards move to ghettos.

And who would have predicted that safest of investments — electricity utilities — could be so quickly threatened by solar, batteries, and other developments? What does the utility do as customers go off-grid? Of course each business has great opportunities (e.g. electric cars, smart metering etc in the case of electricity), but the strategic calls are tough.

If it can happen to those two industries …

This article is part three in our series on cybersecurity and directors' duties.

Part one: *Lessons for NZ boards in Juniper scare*

Part two: *What John Greaves' predicament teaches us about cybersecurity obligations*

Wigley+Company
PO Box 10842
Level6/23 Waring Taylor Street, Wellington
T +64(4) 472 3023 E info@wigleylaw.com
and in Auckland
T +64(9) 307 5957
www.wigleylaw.com