

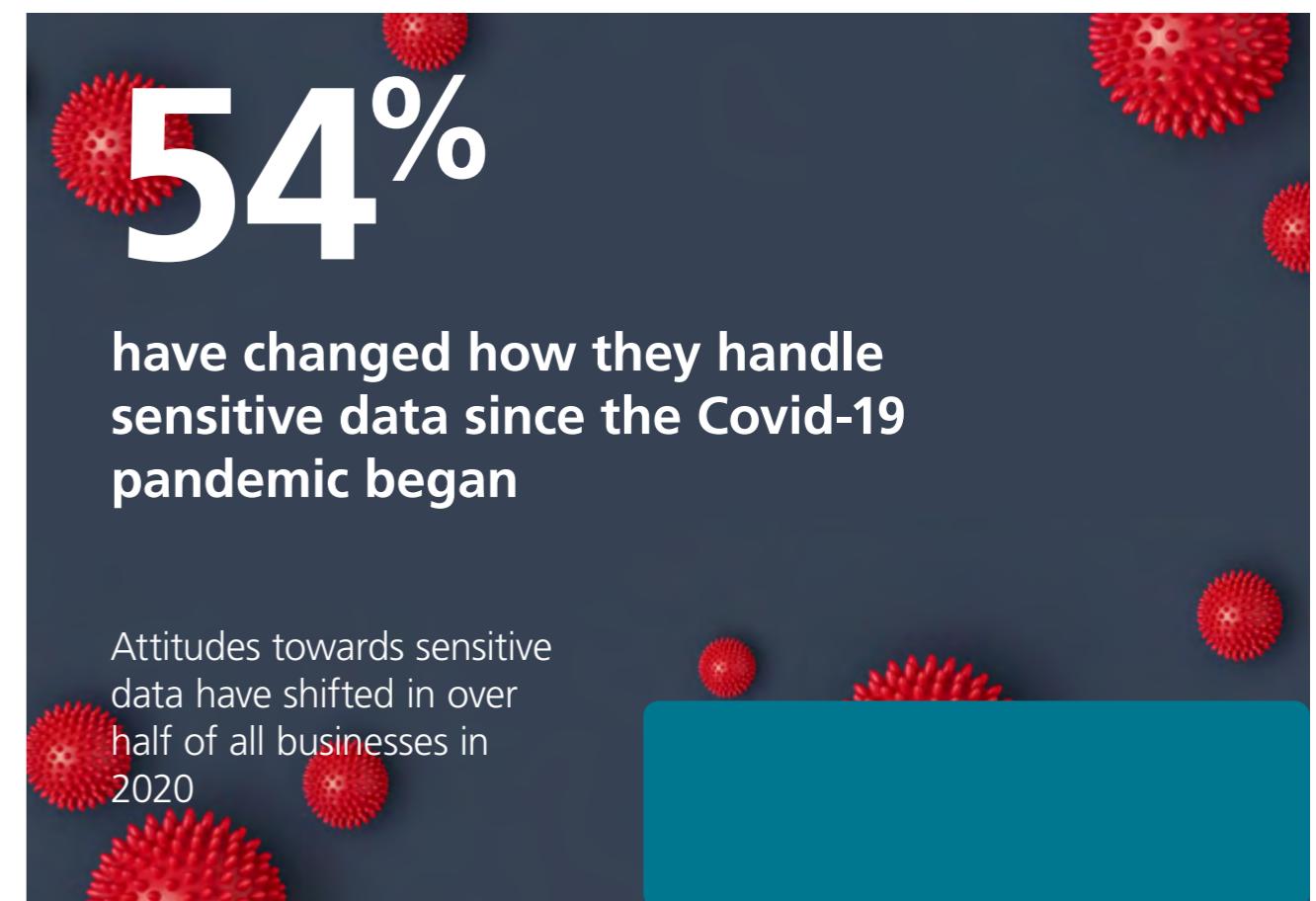
Digital Horizons

A series of reports exploring CEE's digital future

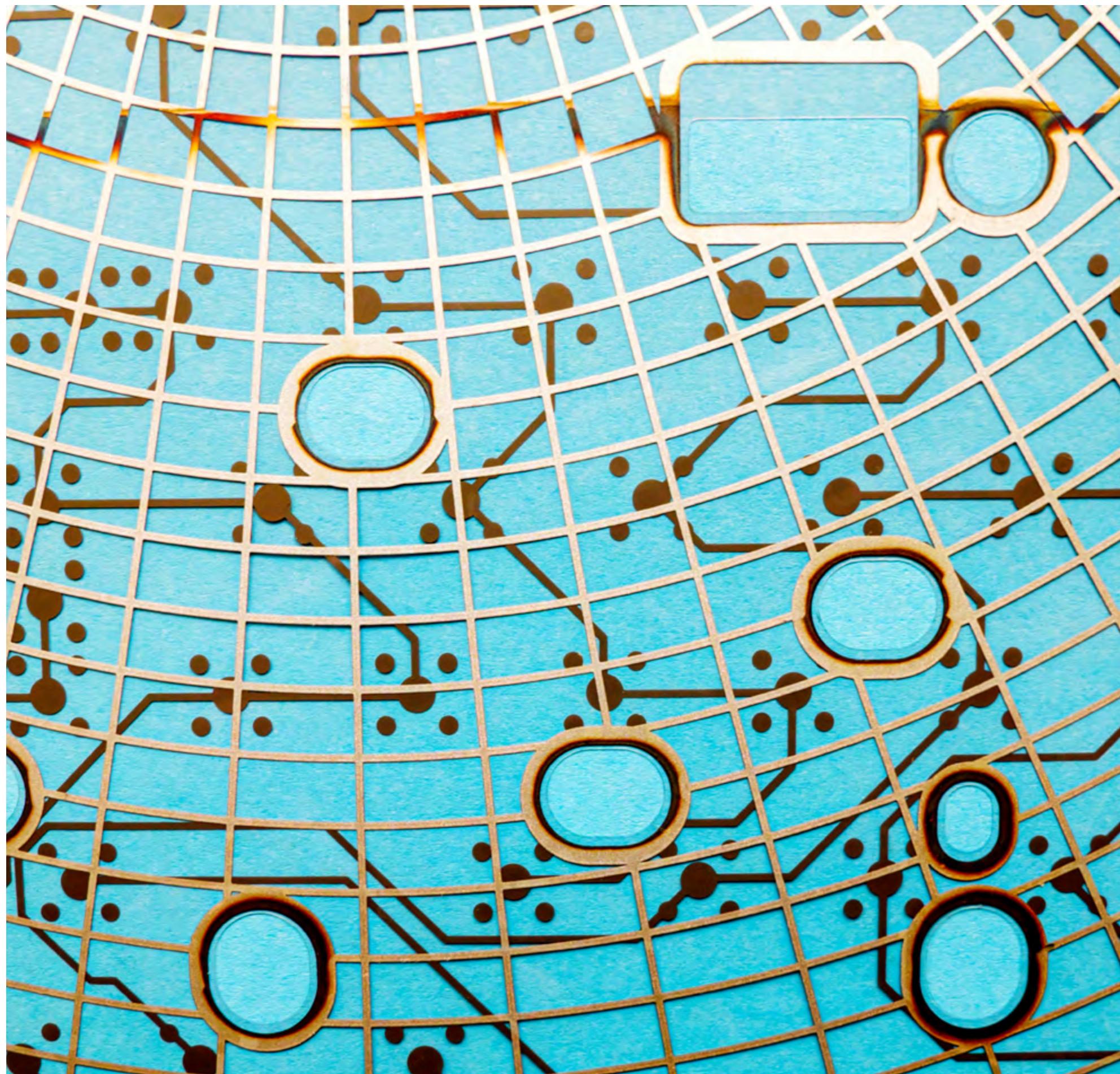
Data and ethics – what does the future hold for CEE?

2020

Data highlights



Data, ethics and the grey lines



It has become a well-worn cliché: data is the oil of the 21st Century, an immensely valuable asset that is gradually being untapped. But unlike oil, data is not finite. Instead, it continues to grow at an exponential rate, both in volume and value.

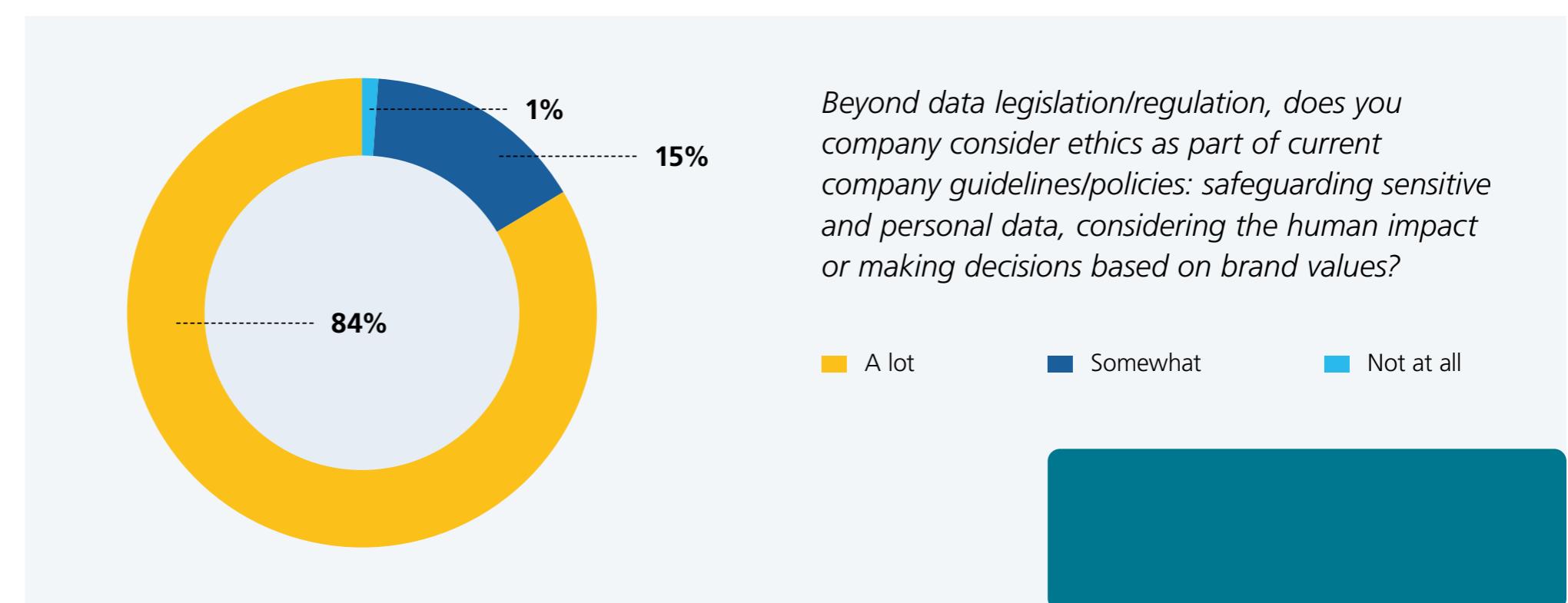
The current volume of global data is estimated to be c.40ZB (ZettaByte=10²¹), which has increased from 8ZB in 2015 and 1ZB in 2010. IDC predicts that the global datasphere will reach 175ZB by 2025. Such incomprehensibly large numbers give an indication of the scale of the challenge for those who have to manage ever larger volumes of big data.

CEE businesses that operate in the new digital economy are responsible for how they choose to use the data at their disposal. In determining what choices are made about how it is collected, shared and used, regulation can only go so far. The corporate ethics of each business must decide the rest.

Amit Joshi, Professor of AI, Analytics and Marketing Strategy at IMD, summarises the distinction:

'If you just follow guidelines and regulations, you're probably already treading on some grey ethical lines. In most businesses, especially in relation to AI analytics, legal and regulatory guidelines will always be lagging technology, because they simply cannot move at the same speed. So, if businesses are just following the baseline, it's the bare minimum that needs to be done. But nearly every organisation would want to have ethical guidelines that are above what the regulatory framework says.'

If each company sets its own ethical standards and then recalibrates them as necessary above existing regulatory compliance, it is written into the DNA of some CEE businesses at an everyday level.



Ethics beyond law

'Our corporate culture is defined by Ethics & Respect and our guiding principle is Do the Right Thing, which helps us live by these values,' says Marco Iannaccone, Vice-Chairman at UniCredit Bank, Czech Republic and Slovakia. **'Whenever we do something, we always refer to that motto. You can have all the systems on the planet to prevent you from making mistakes, but the compensating factor between the system and doing the right thing is having the right management.'**

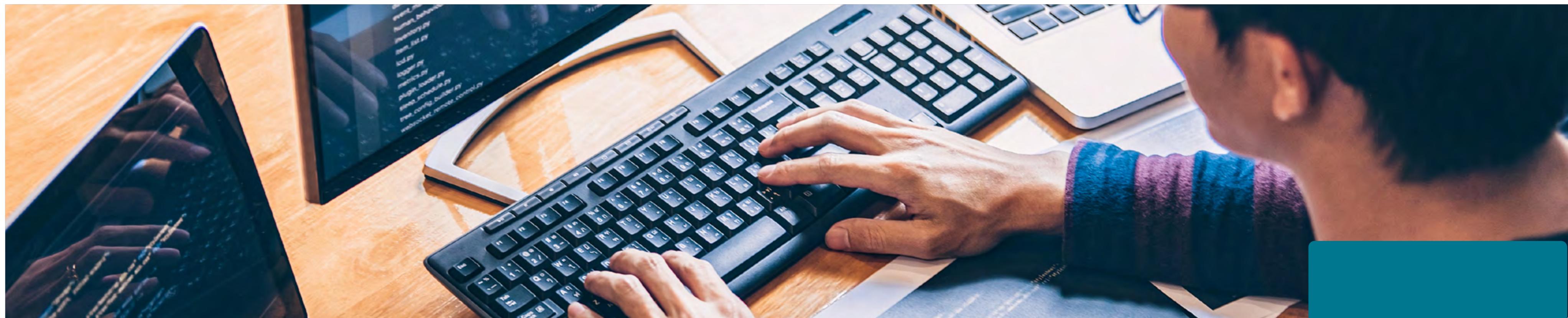
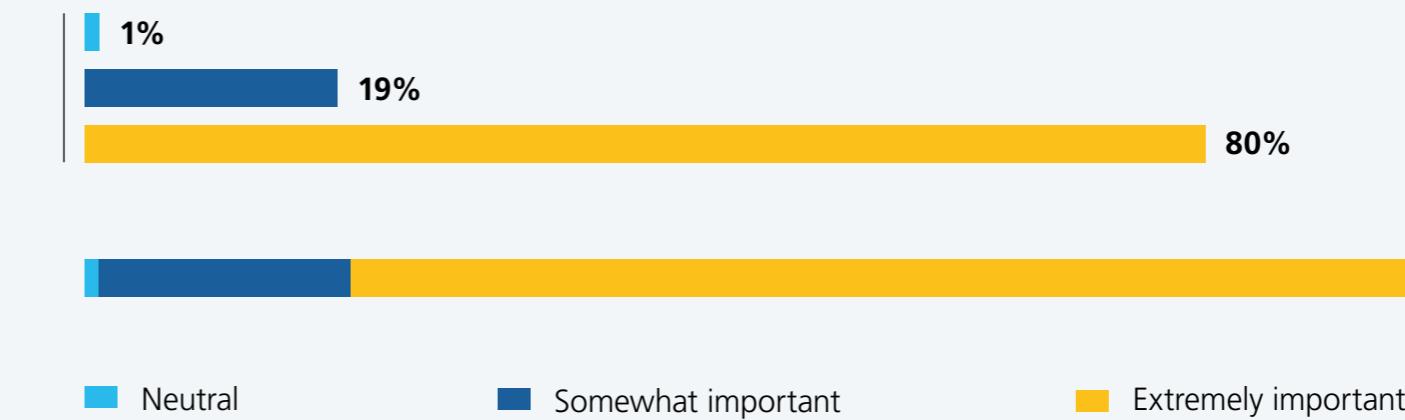
Complying with the law and being ethical can therefore require two different levels of corporate behaviour which are not always fully aligned. Business conduct that is entirely within the law may be regarded by some as unethical. **'It's really hard to draw a line: up to what point can a company go, ensuring maximum privacy versus collecting data to improve services,'** says András Fischer, Head of Innovation at OTP Bank.

What banks do is very limited compared to what the big tech companies are doing, he suggests. **'Banks strictly follow the rules. At OTP, we only use data that customers have approved for personalised product offerings. Tech companies went too far, but perhaps banks haven't gone far enough in terms of data usage.'**

There is no doubt that data really matters to a diverse range of CEE-based companies. According to CMS research of nearly 100 businesses in the region, 99% of respondents state that it is important with 80% believing that it is extremely important. The corollary is that three quarters of them currently invest in data analytics (62%), or soon plan to (12%). Equally, when asked whether their company considers ethics as being integral to how they do business, only 1% answered no.

How much data matters

How important is data to your current way of working?



GDPR changes culture

"Europeans have decided that GDPR has been rather good and that they've created an incredibly high standard"



Clive Gringras

Partner, Head of Technology, Media and Telecommunications, CMS

"Everything we do with our data is under the highest level of scrutiny"



Stefan Haebich

Managing Director, George-LABS, part of the Erste Group



This remarkable ethical uniformity is partly a consequence of the GDPR, which became applicable in May 2018, after the EU agreed to a major reform of its data protection framework.

Simultaneously adopted into local legislation by each member state, it has helped to transform the cultural as well as the legal landscape in terms of how companies, store, manage and use customer data. ***'Europeans have decided that GDPR has been rather good and that they've created an incredibly high standard,'*** says Clive Gringras, Head of Technology, Media and Telecommunications at CMS.

Among interviewees in local and multinational businesses across the CEE region, compliance and monitoring levels are certainly high. ***'We have a very strong network covering the GDPR with experts in every country: it's a very robust, very solid mechanism, and very well implemented,'*** says Kamil Šebesta, Legal Director, Medical Devices Group at Johnson & Johnson.

Stefan Haebich, managing director of George-LABS, part of the Erste Group, adds: ***'We make sure that everything we do with our data is under the highest level of scrutiny of need to know, need***

to see, and GDPR compliant. In the context of AI machine learning and big data, we can generate so-called "synthetic data" that is fully GDPR compliant, but still reflects the behaviour patterns of our customers.'

As a key technological tool in the use of data, AI-based systems and processes are increasingly the norm. Flagged as the next regulatory step to prevent potential misuse or abuse, the European Commission (EC) has proposed a White Paper, which includes policy and regulatory options that seek to address areas of high-risk involving AI usage.

EU policymakers regard it as creating an opportunity for member states to compete internationally, predicated on the belief that implementing higher ethical standards in the future use and application of data will benefit businesses and their customers.

'I don't think the existing laws do a sufficient job: the nature of AI is changing too rapidly,' notes Joshi. ***'But if we do come up with a regulatory framework for AI, like GDPR which already impacts AI and the collection of data, we might go in the other direction by hampering growth.'***

AI law - a step too far?

Many share his concern that future AI regulation might become a potential impediment to companies doing business in Europe, given that China currently has no such regulations, while comparable US regulation is confined to The California Consumer Privacy Act (CCPA), which became law in January 2020. However, the CCPA's core legal framework differs in several respects from the GDPR. For example, whereas the latter requires a "legal basis" for the processing of personal data, the CCPA does not.

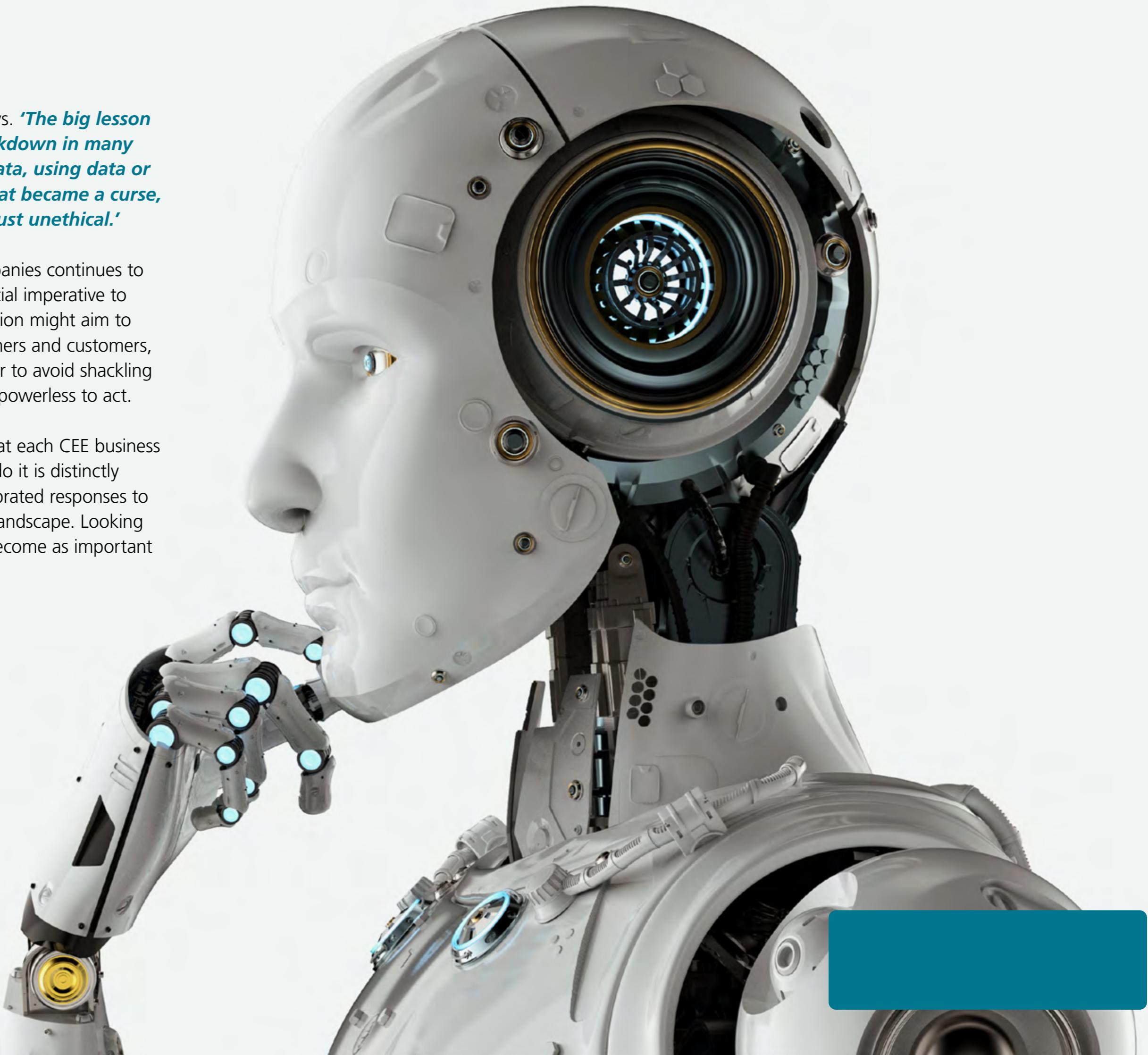
'Businesses operating in CEE, and across the EU, are only using data in an ethical way, but that means in reality that we don't use data,' suggests Gergely Szertics, business partner at AI Partners. **'So, technically it's not a regulated and conservative data market, it's become a frozen data market that we don't use compared to a very liberal data market in the US.'**

His fear is that further EU regulation may add to the data gridlock. **'I hope that this is not going to cause a**

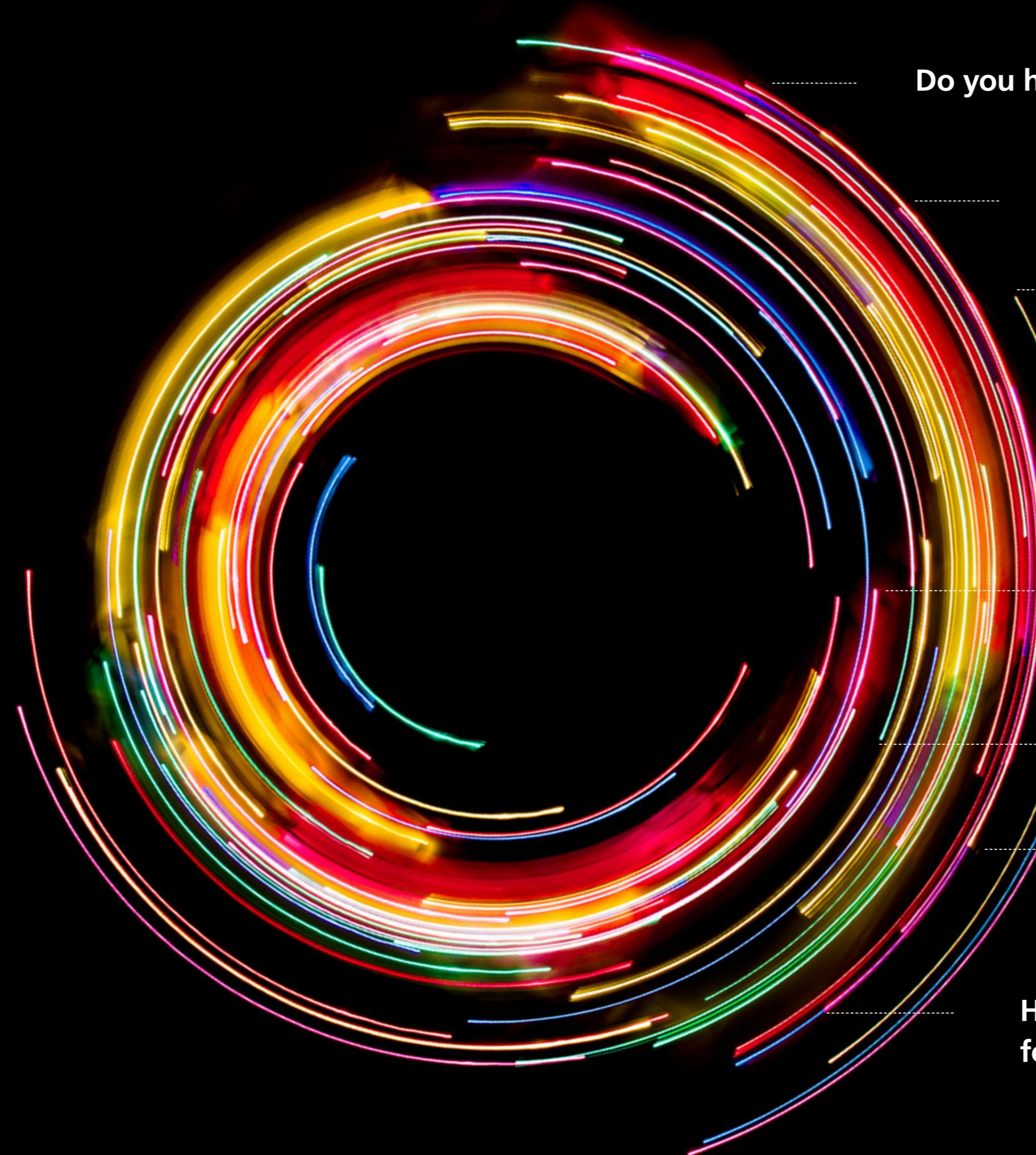
meltdown when using AI,' he says. ***'The big lesson is that the GDPR just created lockdown in many companies' minds: just having data, using data or even trying to monetise data, that became a curse, you can't monetise data, that's just unethical.'***

As the volume of data held by companies continues to grow, so inevitably will the commercial imperative to monetise it. Whatever future regulation might aim to achieve in further protecting consumers and customers, a balance needs to be struck in order to avoid shackling businesses, thereby rendering them powerless to act.

Determining the future ethics of what each CEE business does with their data and how they do it is distinctly personal. It will require carefully calibrated responses to a constantly evolving technological landscape. Looking ahead, the business of ethics may become as important as the ethics of business.



Stress-test: data in focus



Do you have verification methods on your data sources?

Is your cybersecurity resilient enough to support your data?

Are there mandatory ethical standards in your data usage?

Do you use assessments to identify benefits/negative impacts, and mitigate risks?

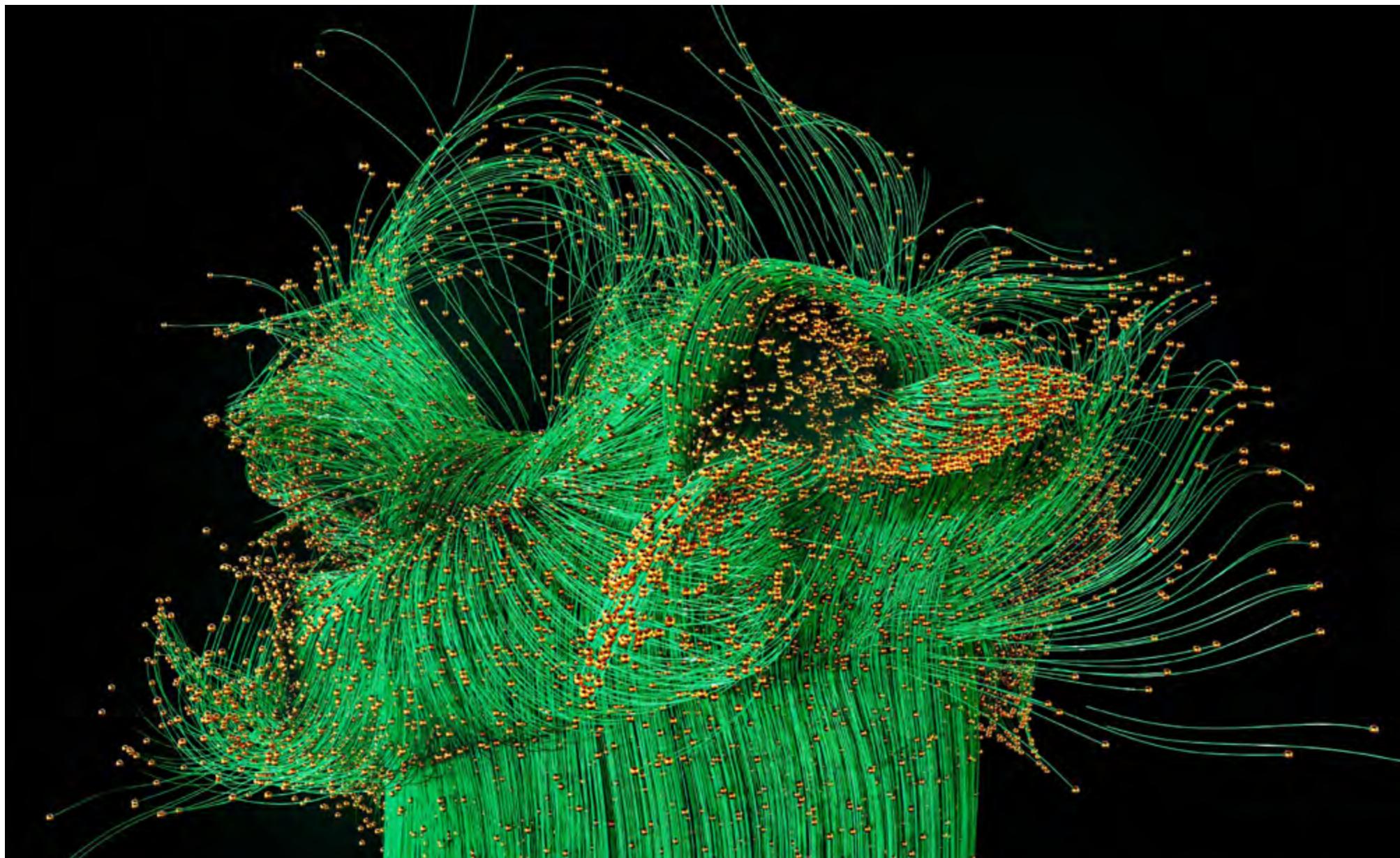
Do you have processes that identify bias or discrimination in algorithms?

Are your data governance framework and data protection rights policies adequate?

Are your data processing methods accessible and understandable?

How do you address the key requirements for Trustworthy AI?

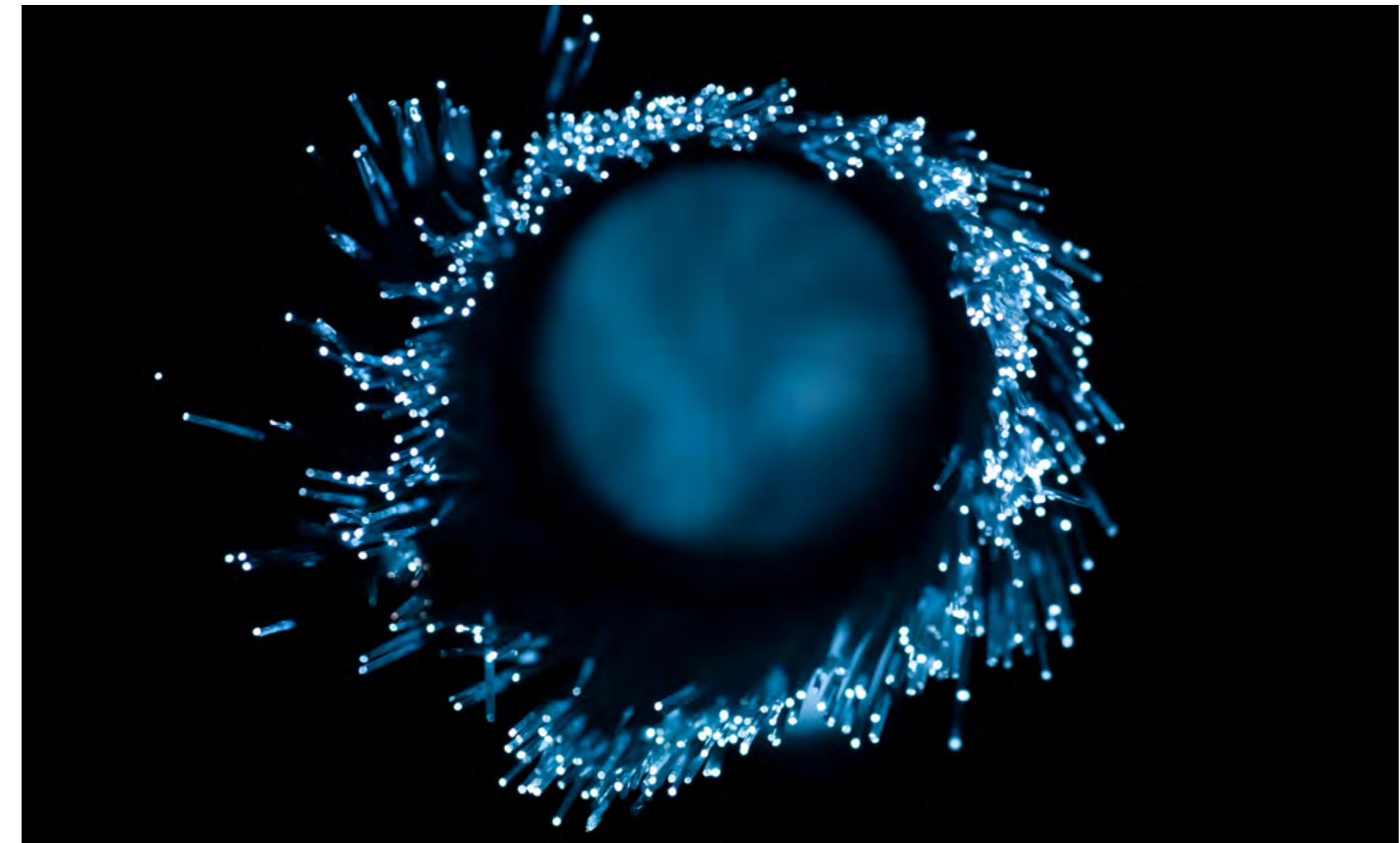
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CMS Breach Assistant

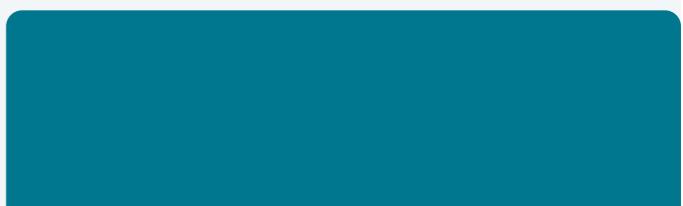
The ultimate guide to dealing with a data breach

Find out more [here](#)



GDPR enforcement tracker report

Find out more [here](#)



Talk through your digital strategy with us

If you would like to consult on or stress-test your business' digital strategy with your local CMS experts, please do get in touch with us.

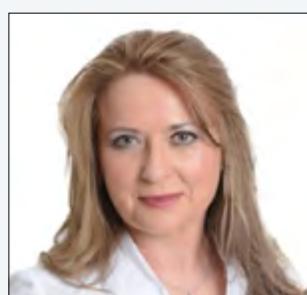
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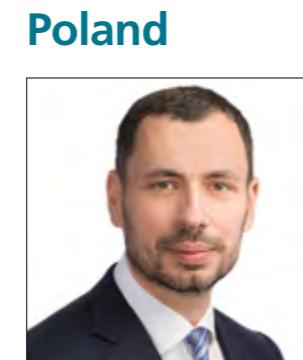


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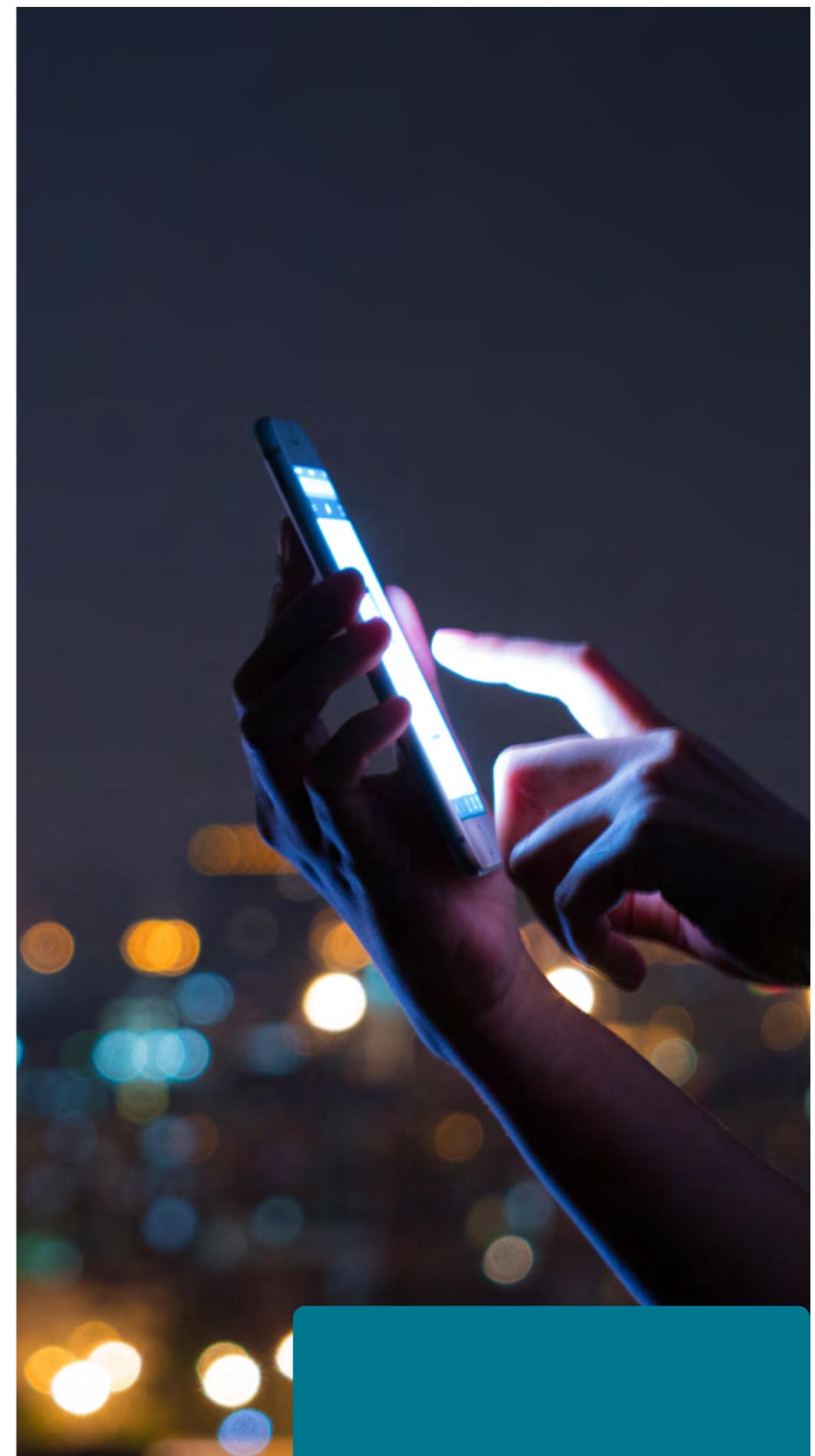


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