Compliance Challenges for SMBs
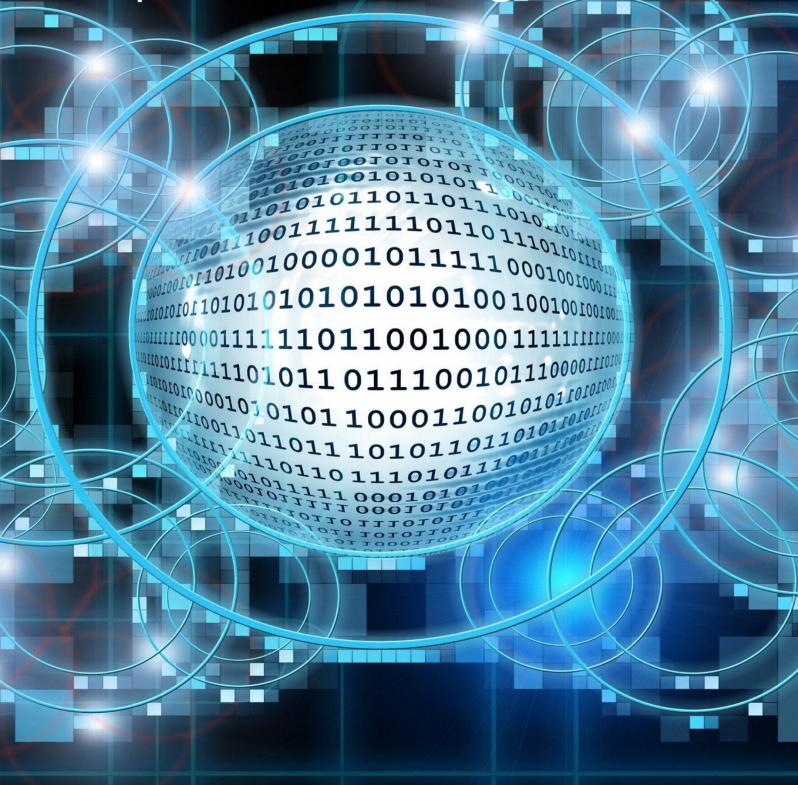
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Introduction

The world is reeling.

Whether it's cyberspace that is plagued by computer viruses and digital delinquents, or the real world under the grips of the present COVID-19 threat, humanity has never before faced such disruptive situations. While some disruptions are indeed threatening the very existence of civilization, others are trying to change the world for the better.

2020 has seen the rise of multiple technological innovations such as AI, Data Science, and Machine Learning. With more such tech coming to the fore every day, businesses are literally scrambling to keep track with the plethora of changes that they must face every moment. It's no wonder that almost every business has now become a technology business. Almost every technology is related in some way to cyberspace.

This makes it all the more essential to ensure that this vast, yet inadequately charted region is protected at all costs. This is not a task that can be taken lightly by businesses; for this reason alone, cybersecurity is one of the top concerns of C-suite executives the world over. Add to that the need to protect customer data from illicit access, and the task becomes all the more insurmountable.

In this scenario, it's essential that businesses stop holding back and pull out all stops to ensure that their digital infrastructure is protected from virtual vandals who seek to destabilize the present business scenario. This is exactly where compliance rules come into play.

Regulatory authorities require that businesses remain on the right track and ensure that their digital information and infrastructure security stays on point. By making sure that businesses follow the compliance rules, authorities enforce them to operate according to the strictest security standards.

However, in most cases, compliance rules are varied, complex, and require specialized teams who can handle matters pertaining to the situation. Due to their ever-changing nature, compliance rules are very nebulous and cannot be easily navigated using run-of-the-mill routines and security practices. Instead, they require a specialized, structured approach to compliance adherence.

This is where the larger corporations take the cake; these businesses have security budgets to the tune of millions of dollars, along with the requisite manpower that is essential to be on top of compliance rules at every step of the way. Along with that, these businesses also have the required infrastructure that can implement the regulatory requirements and ensure the safety of their resources.

The businesses that get left out of the loop are the small and medium ventures which don't have access to all the resources and facilities that larger businesses can amass. Nevertheless, they too must conform to the same regulatory requirements. This creates a dilemma: can these small and medium businesses (SMBs) operate under the aegis of the compliance rules while overcoming the challenges that they usually face during conformity?

This is exactly what we are going to discover in this eBook. Along the way, we are also going to take a look at what SMBs really are, what are compliance rules that they have to conform to, and also how they can benefit from following compliance rules.

Let's begin, and take a look at SMBs and their importance.

How Do SMBs And Compliance Go Together?

SMBs, as the name clearly suggests, are small and medium businesses that form a bulk of the business cluster all over the world. It's estimated that over ninety percent of all businesses that operate in the world today are SMBs, and these businesses provide employment to a significant portion of the population.

How is a business classified as an SMB?

While the standard definition of SMB varies from industry to industry, the distinction is usually made in terms of the market value and number of employees. Businesses that are classified as small usually have less than a hundred employees, while medium ones have anything between a hundred and one thousand.

While the above is undoubtedly a rather loose definition of the term, another yardstick by which businesses can be classified as SMBs is their annual revenue. This again varies from industry vertical to vertical.

As can be easily understood, due to their limited size, SMBs don't have as extensive IT requirements as larger corporations. Nevertheless, as these businesses continue to play a greater role in the domain of cyberspace, they are in danger of becoming soft targets for digital villains.

Why is that? Let's explore.

Compliance rules form a pretty significant deterrent towards cyber-attacks. By ensuring that businesses adhere to standard protocols and operating procedures, these rules in effect give structure to the security model that an organization employs. As a result, conforming to these regulatory requirements is essential for any business that wants to grow.

Trouble is, even though SMBs understand the vital nature of compliance, they most often don't have the required resources to handle compliance requirements. This is where they lose out to the large corporations, which with their virtually unlimited resources can tackle these issues in the blink of an eye.

Further, many SMB owners labor under the misconception that just because their businesses are smaller in size, they don't need to stick to the compliance rules that large conglomerates do. Nothing could be farther from the truth. Just as large businesses are expected to look after the safety of their customer data and infrastructure, the same is true for SMBs, perhaps more so.

Because SMBs deal with a relatively smaller amount of data, they are thereby expected to maintain the sanctity of that data. And this is where the compliance rules come into play. These regulations have been designed to ensure the safety of user data, protect the privacy of all stakeholders and encourage SMBs to stick to better security practices.

On that note, let's look at some of the advantages that SMBs stand to gain from following compliance rules.

Advantages of Following Compliance Rules for SMBs

In the previous section we established the fact that no matter how small a business is, the need for following regulatory compliance rules remains the same for all enterprises, regardless of the size of the venture. In this section, we are going to take a look at some of the many benefits that SMBs stand to gain from sticking to compliance rules.

Gain Customer Trust

One of the greatest advantages SMBs stand to gain from adhering to compliance rules is the gaining of customer trust. When customers understand that your business, no matter how small, is ready to keep the customer's interest in mind, they start believing in your business. This not only makes them loyal patrons but also converts them to vocal advocates of your company.

Maintain Cyber and Data Security

This is one of the obvious ones. By maintaining proper compliance rules, SMBs can protect their business from cyber threats. This makes their operations less vulnerable to data breaches and helps to maintain the integrity of the business.

Financial Benefits

A cyber-attack can set a company back by millions of dollars, if not billions. While large corporations may be able to weather the storm and survive, SMBs can be practically destroyed by the impact of a cyber-attack. Sticking to compliance rules helps SMBs make sure that they don't suffer monetary losses as a result of a breach.

Legal Respite

SMBs that handle private information such as credit card data and health records are required by law to conform to certain regulatory frameworks. Unless the businesses are prepared to maintain the required standards, they may have to face punitive action from the authorities. This can be in the form of monetary penalties, legal turmoil or even outright stoppage of business activities. By sticking to compliance rules, an SMB can ensure that it doesn't have to fall into any of these legal holes and hurt its operations.

Better Market Reputation

In the current connected business scenario, market reputation is one of the driving factors of business success. What better way to maintain the same than to make sure that your business conforms to all compliance rules? Doing so helps to ensure that you are distinguished as a responsible company that looks after the interest of all stakeholders. Plus, this also stands to open the doors for better partnerships and newer business deals.

Thus, it is evident that SMBs stand to gain a lot if they conform to the regulatory requirements and actually lose out on a lot of benefits by not doing so. Why then is it that many SMBs still fail to meet the required regulatory criteria? Why can't they take the necessary steps to safeguard themselves against potential as well as present threats?

The challenges, in reality, lie across a range of factors, from technological requirements to cost of implementation. One thing that most SMBs trip up in this regard is that they view their own compliance problems in light of other, larger businesses. This makes the entire process seem more convoluted.

Instead, SMBs need to view, assess, and address regulatory needs in the light of their own operations, and not that of larger businesses. This is true because an SMB is not merely the miniature version of a larger entity. They have their own ecosystem, which fosters unique characteristics and requirements. As a result, enterprise-grade solutions don't often work in the context of smaller establishments.

Instead, SMBs should start viewing themselves as unique businesses with specialized requirements and challenges that need to be addressed on their own terms. Only by doing so can SMBs overcome the many challenges that they face in the context of the current cyber landscape.

Why exactly does the current cybersecurity landscape demand that SMBs adhere to compliance rules so strictly? True, there are many benefits of doing so, but what happens if an SME fails to, or rather chooses not to follow these rules anyway?

Let's explore the implications of that in the next section.

Why SMBs Should Live by Compliance?

Until recently, cyber-attacks were largely the headaches for larger enterprises and corporate entities. It made sense: attacking a major business successfully results in greater dividends for the attackers. After all, it is the big players that are richest in terms of financial data, intellectual property information, and even customer identity databases.If hackers can get into one of these systems, it means they've finally hit the mother lode. One successful attack has the potential to create waves across the world, which is one of the many end-goals of hackers, apart from monetary gain.

However, much to the dismay of digital delinquents no doubt, large businesses have been proactively ramping up their regulatory compliance standards. By allocating more resources towards maintaining security, corporate houses have successfully fortified their businesses against attacks.

As a result, cybercriminals are on the lookout for softer targets. SMBs, with their limited resources and relatively smaller security infrastructure, are perfect candidates for these attackers. This stems from the fact that a large number of SMBs have to tackle numerous problems that relate to their day-to-day operations.

In this scenario, it becomes extremely difficult for these businesses to take care of compliance requirements and technological management side-by-side with the maintenance of routine business functions.

This makes SMBs very attractive candidates for cybercriminals. As discussed above, the effects of a cyber breach on SMBs can be devastating, to say the least.It's imperative that SMBs take the time to diligently follow compliance rules and stick to security best practices.

The task, however, is easier said than done, and SMBs must navigate through a number of different obstacles in order to reach the required levels of compliance. In the next section, we are going to discuss some of the many problems that SMBs face in the line of compliance conformance.

Compliance Challenges That SMBs Face

SMB owners have a pretty tough job at hand: not only must they keep their business running but must also be on top of any compliance rules that need to be followed. This creates a double-edged sword that can cut both ways.

The following are some of the many challenges that SMBs face while trying to maintain compliance rules.

The Fast Pace of Regulatory Changes

As a small or medium business in the age of AI, SMBs must tackle multiple aspects of operation every day. As such, given the limited time, money, and other resources at their disposal, it becomes extremely tough for these businesses to thrive as they should.

Now add to this the present regulatory landscape; with technology changing at the pace of thought, and cyber threats evolving by the minute, it's no wonder that compliance rules change and morph at the blink of an eye. This leads to many changes in the required compliance rules over a small period of time.

This is exactly where a majority of SMBs trip up. In trying to keep up with the rapid changes in regulatory requirements and balancing the same with ongoing business responsibilities, small and medium businesses are literally caught between a rock and a hard place. This naturally leads to them choosing to continue with their business operations at the cost of compliance conformance.

Lack of Legal Guidance

It would be a mistake to term compliance procedures as mere technical processes. Rather, they have techno-legal ramifications that call for the specialized guidance which only trained professionals can provide.

SMBs, while welcome to set up operations as per their plans, nevertheless need to conform to certain regulatory guidelines. This is true not only for SMBs but also for larger corporations that have multiple wings. However regulatory requirements have complex structures that aren't at all easy to navigate.

From the above, it can be easily surmised that compliance conformity is not possible without the assistance of specialized professionals who have the required know-how. While larger businesses have the resources to hire and retain the required skills, smaller ones might find themselves at a loss to do so. This naturally results in them falling behind the curve in the efforts to maintain conformity with regulatory rules.

Without the lack of proper legal guidance, these businesses operate like rudderless ships in the sea of legality. Hence, it becomes of prime importance that they can get the required help from competent sources that can allow them to overcome their legal limitations and maintain the required levels of compliance.

Rapidity of Technology

We live in the age of technology, and there's no denying the fact that businesses nowadays are more dependent on digital infrastructure than ever before in the history of humanity. As a result, SMBs have had to invest heavily in IT infrastructure.

There's a flip side to this technological flash flood as well. With technology changing and morphing at the drop of a hat, the current infrastructure is readily becoming obsolete. This makes it very hard for SMBs, which operate on a very tight budget, to make sure that they are technically up to date.

Here is hidden the seeds of compliance nonconformity. Unless SMBs can keep up with the latest technological advancements, they are bound to fall behind in their efforts to stick to the latest regulatory practices.

This brings us to the next challenge that SMBs must contend with and address promptly.

Limited Resources

Most SMBs are started not as a means of generating profits (though that, of course, is the ultimate goal of any business), but as an outlet for the creative passions of the founding members. In most cases, SMBs begin their operations with a very limited budget that is barely enough to sustain their basic business requirements.

In such a scenario, it becomes difficult for them to divert essential resources from their prime business functions towards the maintenance of compliance rules. As such, regulatory processes and conformity require significant investment in multiple forms. This is often not available to SMBs.

As a result, these businesses fail to achieve the required level of compliance; this leads them to legal problems and also exposes them to cyber breaches. Which in turn, leads to greater loss of resources; this gives rise to a vicious cycle that perpetuates the problem of nonconformity and keeps SMBs in a rut. From which they find it difficult to lift themselves.

Information and Data Deluge

In the 21st century, data is the new oil, and businesses are swearing by them every day. With companies becoming more dependent on digital systems than ever, humanity today has more data than they ever had access to in recorded history. This data is being successfully mined to glean essential information and valuable insights that can serve to enhance business processes.

The trouble is, this very same data deluge has become a veritable problem for small businesses. With their limited infrastructure, these SMBs really have no way to understand how they can leverage this data to their advantage. On the other hand, they must maintain and take care of this data as most of it relates to their customer's interests.

This makes it very difficult for these smaller players to stay abreast of the latest data security compliance rules. As it is, these businesses truly struggle with maintaining the safety of these

data items. Add to that the threat of compliance failure, and it won't be long before things threaten to get out of hand.

Responding to Customer Requests

As mentioned in the above point, businesses nowadays have no choice but to maintain large repositories to customer data, and this makes them vulnerable to attacks. However, there's another aspect of the problem, and that's data sharing. Often, customers may seek confirmation of what kind of data the business has gathered about them. Per compliance rules, the business might be obligated to share the same.

While this might not pose a very big issue for large firms that have significant resources at their disposal, it can nevertheless be a limiting factor for small businesses. These establishments are already limited in the time and resources that they have at their disposal. If regulatory rules compel them to share even the smallest pieces of information collected, then this simply translates to extraneous hassles which they might not have the capacity to handle.

Lack of A Trained Workforce

For any business, no matter how large or small it may be, the driving factor between compliance success and failure comes down to a trained workforce. An aware and well-trained workforce can easily serve as the bulwark against compliance nonconformity.

Sadly, in the case of most SMBs, this essential component is severely lacking. We've already established that these businesses must operate on a limited budget and must make do with limited resources. As a direct result of this, they often lack a trained workforce that can allow the business to stick to regulatory requirements.

Lack of a trained workforce is one of the main reasons why SMBs fail to comply with the latest regulations. A workforce that is simply unaware of what is going on in the field of regulatory compliance cannot be expected to stick to the best security practices.

Why can't SMBs manage to procure the right talent? Perhaps the one single factor that plays a major role behind this is the lack of funds. As SMBs must operate with a limited budget, they cannot hire the best talent in the market. As a result, they are left working with less-than-ideal employees. And this leads to nonconformity as a direct consequence.

Scarcity of Advanced IT Protection Techniques

Most compliance standards advocate the need to deploy advanced protection techniques for the safeguarding of company infrastructure. This warrants the inclusion of the latest hardware and software tools that are available to safeguard data and related resources.

Sadly, with their limited ability for investment, SMBs are often unable to procure the right software and hardware solutions that are needed in order to ensure compliance rules are maintained with diligence. Most SMBs must make do with run-of-the-mill, dated security solutions that promise less and perform even lesser. This naturally leads to nonconformity, and hence acts as a veritable clarion call for cyberattacks.

Rapidly Evolving Threat Landscape

Technology has always outpaced the human ability to keep abreast with it. The same holds true for the rapidly evolving threat landscape of today. As technology outstrips businesses' ability to catch up, SMBs are left operating in a void when it comes to correctly evaluating the present threat landscape and responding to it accordingly. This naturally leads to a lack of conformance.

However, the sad truth is that hackers are always a step ahead of businesses when it comes to evaluating technological threats. This allows these malicious parties to take advantage of conformance loopholes and hence attack SMBs right where it hurts.

Limited Awareness

This is, perhaps, the most significant compliance challenge faced by SMBs. There was a time when SMBs didn't offer much lucrative targets for hackers. When an SMB was attacked, it was almost always the result of some chance event that had led to the exposure of a vulnerability in the SMB in question.

Now, however, things have changed. As discussed above, with larger corporations taking significant steps to ensure protection against attacks and sticking strictly to compliance rules, hackers are turning towards SMBs. These businesses offer soft targets for these criminals to breach into, and the perpetrators are in no mood to let this chance go by untapped.

Sadly, many SMBs still labor under the false assumption that their operations aren't significant enough to require strict adherence to compliance rules. This is a serious misconception and breeds a false sense of security. Which malicious elements seldom fail to exploit to their own advantage.

The above constitutes the crux of the compliance challenges that are faced by SMBs. Unless small and medium businesses are able to overcome the self-inertia that plagues them, they are bound to fall behind when it comes to ensuring compliance.

However, not all is bleak on the horizon, and SMBs are already aware of the many challenges that need to be overcome. The following are some of the many steps that SMBs can take to ensure that they don't fail to implement the required compliance rules.

How SMBs Can Remain Compliant

New rules and regulations will always loom on the horizon, and SMBs have no choice but remain ever vigilant about the changes that are being implemented. In order to do so, the following are some of the steps that SMBs can take.

Learn from Experience

It's one of the fundamental truths of business that companies must always learn from their mistakes. The same is true for SMBs when it comes to ensuring compliance. Small businesses need to learn from the mistakes of their past, and the missteps of their peers.

When SMBs tap into the experiential well of knowledge, they are bound to come up with essential insights that can allow them to ensure that all compliance-related protocols are followed assiduously.

Have Proper Documentation

Documentation is one of the essential requirements for ensuring compliance. Unless SMBs have the required documents in place they'll be left scrambling when customers put in data requests.

By being prepared with the right documents, SMBs can get ahead of consumer data requirements. This not only allows them to stick to the compliance best practices but also helps in garnering a greater understanding of customer data. Plus, it also creates a streamlined process for data handling and request processing.

Recruit A Data Protection Officer

While it might seem unnecessary for an SMB to appoint a dedicated data protection officer, this can actually have massive positive implications in the long run. When SMBs have a designated person to deal with data handling issues, this allows them to work better with customer data and guarantee that the business is in line with the required compliance objectives.

SMBs can appoint a separate person for this role or can also integrate the functions of the same with an existing employee. This can help to bring down the costs associated with maintaining the functionary.

Budget Smarter

One of the most important steps that SMBs can take with regards to ensuring compliance is allocating a smarter budget. Now keep in mind that a smart budget need not necessarily correlate with a bigger one.

Even with a limited budget, SMBs can work to improve their levels of compliance. What is needed instead is a clear understanding of financial responsibilities and requirements. When SMBs plan their spending in advance, they pave the way for smarter monetary distribution. This can help to allocate the right financial resources to the right departments, and at the right time.

Recruiting Professional Services

Compliance rules are often complex territory for businesses to manage on their own. This is all truer for SMBs which already have a lot on their plates.

In such cases, it would be prudent for these businesses to hire professional services. With the help of external professionals, businesses can rest assured that their compliance needs are being diligently fulfilled.

Strategic Partnerships

SMBs are no doubt constrained due to multiple factors, but that doesn't necessarily mean they have to succumb to the same. Instead, what they can do is enter into strategic partnerships that can enable separate entities to pool their resources together.

Doing so will certainly allow these businesses to overcome their individual limitations and work together towards greater regulatory compliance. This will be beneficial not only for individual businesses but also for the SMB ecosystem as a whole.

By keeping the above points in mind, SMBs can ensure that they stay true on the road to compliance success.

Compliance and Growth

Now that we have a fair idea of the problems SMBs face while trying to adhere to compliance rules. We've also seen some ways by which small businesses can remain compliant with the required regulations.

We've left a most vital consideration yet unaddressed: that of growth. A small business need not necessarily remain small or medium for long. As with everything, growth pangs and problems are a reality of business growth.

So how does compliance fit into that equation? What steps can businesses take to guarantee that they continue on the path to constructive growth, yet at the same time continue to ensure regulatory conformity? These are the very things that we'll be addressing in this section.

Let's begin by understanding how growth and compliance are linked with each other.

An Intricate Relationship

Growth and compliance always go hand in hand. For small businesses, this is doubly true. As it is, these businesses already must make extra efforts to stick to the required compliance rules. On top of that, the act of growth itself might bring the business under the umbrella of several new regulatory rules. In such a situation, SMBs (which are growing up) need to have a plan that can help to blend the act of expansion together with compliance.

If you are an SMB stakeholder, the following are some tips that can help your business achieve the perfect balance between growth and compliance.

Assess Your Financial Position

With growth comes the need for more stringent compliance rules. This calls for greater fund requirements.

Therefore, before taking the step towards expansion, SMBs must assess their financial positions to ensure that they can bear the cost of enhanced compliance requirements. Once you are certain that you are financially ready to conform to all regulations, only then should you proceed with the operation of expansion.

Employ Software

Professional help is often hard to find, but in the age of automation, you can be sure to find reliable assistance from software tools. While it's true that software can't replace actual human participation, nevertheless it can help by lightening the workload.

Presently there are software packages that allow SMBs to effectively and efficiently track compliance-related requirements. Using such software, businesses can offload some of the responsibility and focus on the processes involved in growth management.

Take Professional Help

Finally, one of the major steps that SMBs can take to juggle the twin spheres of growth and compliance is to hire professional compliance experts to take care of matters.

By working with experienced external professionals with the required know-how, SMBs stand to reap the benefits of flawless conformity at a fraction of the cost it would take to handle compliance matters in-house.

These are only some of the many tips that small businesses can utilize to ensure that their growth plans go smoothly.

Conclusion

This has been a long discussion, and as usual, we hope that you've been able to glean some valuable insights from this discussion. Like all good things, we are finally towards the end of our discourse.

We'd like to leave you, our valued reader, with a few nuggets of wisdom.

In the current economic scenario, where technology is slowly but surely empowering a new breed of entrepreneurs, we can expect the number of SMBs to grow with leaps and bounds. As a new generation comes forward to take the business to better heights, technology, and information are only expected to play a greater role.

Also, businesses are slowly becoming more personal, and in order to do so, they need to collect, analyze, and store vast amounts of customer data. This has led to a greater dependence on IT systems.

Consequently, cybercriminals are targeting businesses, especially SMBs, which do not have the luxury to expend a large number of resources and adhere to the complex web of compliance rules.

To make sure that they don't fall prey to these malicious agents, SMBs need to be ever vigilant and take greater care to adhere to the compliance requirements that they fall under for business operations. By doing so SMBs can ensure that they stay on the path to success.

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