

2011 STATE of the CSO

The Rise of Risk Management

The 2011 State of the CSO survey shows organizations wrestling with operational risk and trying to manage it strategically. But mixed results indicate there's plenty of work ahead.

MORE BUDGET? PERHAPS A little. More attention from senior management? Yes, a bit. Better results? That's not so clear.

Our 2011 State of the CSO survey finds some encouraging signs, continuing the progress of recent years in the development and maturation of the security function. You'll also find a few caveats, and a slowdown here and there, in the data that follows. One step forward, half a step back. Companies aren't retrenching from enterprise risk management efforts, but neither do we see the same rapid expansion of those efforts, at least in terms of the raw number of companies trying the ERM approach. Application of conventional financial metrics to the security organization remains flat—and relatively low, at that.

Progress is slow overall, in spite of a cornucopia of security incidents and data breaches this past year. It's possible that indicates news headlines can no longer be counted on to drive security's growth. Instead, we may have (finally) entered the era when the field has to prove itself as a true value-adding business discipline. So sharpen your spreadsheets; the hardest work might still lie ahead.

About the Survey and Respondents

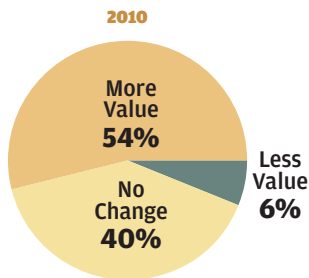
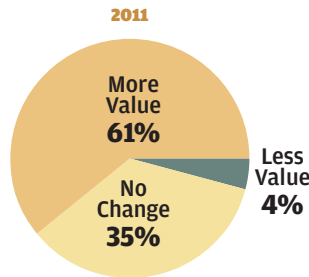
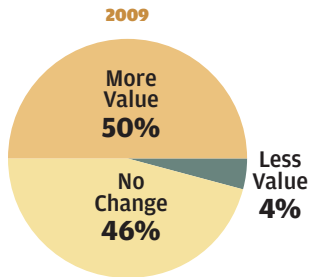
The State of the CSO survey was administered online to a qualified sample of CSO's audience. Findings are based on the responses of 229 security professionals.

Respondents represent a wide variety of industries, with the largest percentages of respondents working in (in descending order): financial services; government and nonprofits; manufacturing; high tech, telecom, and utilities; and healthcare.

Respondents report involvement in numerous security-related activities, including information security, privacy, fraud prevention, investigations, audit, personnel security and more.

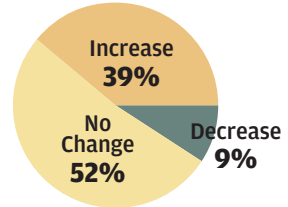
1. Focus, and Dollars, Rise

■ In the past 12 months, has your organization's leadership placed more, less or the same value on risk management?



The "more value" rate is slightly higher among very large companies, those reporting revenue of \$1 billion or more. But since breaking the response base into fragments yields less-trustworthy data, consider this point anecdotal, but interesting nonetheless.

■ Compared to the past 12 months, how will your security budget change?



Budgets are expected to rise in slightly more than a third of respondents' organizations. Half will hold steady. Depending on how you look at this, the glass is either half empty or one-third full. A significant number of companies are putting more dollars behind their security efforts, but not everyone is, by any means.

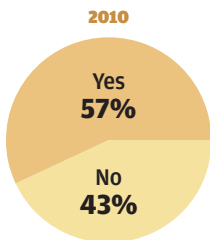
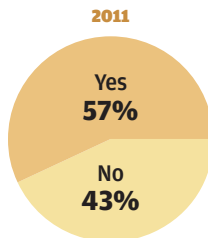
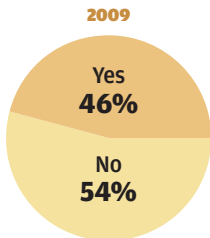
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SURVEY

2. ERM to the Rescue?

■ Does your organization use a formal enterprise risk management process or methodology that incorporates multiple types of risk (in other words, not just information-security risk or physical-security risk)?



Enterprise risk management (ERM) can be executed as a department or as a matrixed team, among other arrangements. (See “Risk’s Rewards,” Page 20, for a deep dive into how some organizations are looking to ERM to help manage the ever-growing number of threats—and opportunities—they face.) Surprisingly, after a big jump in ERM practitioners between 2009 and 2010, this year’s survey shows that contingent holding steady.

■ Which of the following disciplines, departments or groups are included in your organization’s formal enterprise risk management process? (Percents are of those who answered “yes” to the previous question. Survey-takers could select multiple responses.)



So common practice suggests that cooperation among the first five groups listed is widely believed to be key to ERM efforts.

3. For Business, What’s Usual?

■ Which of the following methods and calculations do you apply in the security budgeting process?

	2009	2010	2011
Return on investment	38%	34%	38%
Total cost of ownership	34%	32%	34%
Annual loss expectancy	17%	13%	13%
Cost-based accounting	Question wasn’t asked		12%
Net present value	11%	10%	9%
Economic value added	9%	9%	9%
No formal methodology	50%	51%	43%

The use of widely accepted financial methods continues to hold steady.

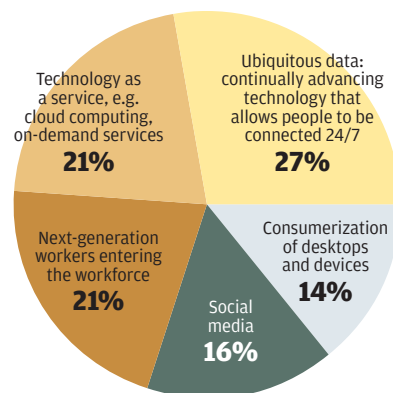
■ Percentage of respondents who hold an MBA.



No one is suggesting that an MBA is the single key to success. However, this remains an interesting statistic to track—except that it isn’t moving. In fact, 16 percent of respondents held MBAs when this survey was conducted in 2004.

4. Winds of Change

■ Which of the following trends will have the most profound effect on the role of security professional?



There’s never a dull moment in security. In the next few years, more new challenges will be thrown at CSOs as the business and cultural landscapes transform.

Note: Results don’t add to 100 due to rounding.