State of the Privacy Function

Key Findings

Preview Report

CEB

WHAT THE BEST COMPANIES DO

LETTER TO OUR READERS

Welcome to our State of the Privacy Function preview report. This report presents key findings from our most recent survey, highlighting key trends and priorities of privacy functions. More than 120 organizations from 26 industries participated in this survey, providing a detailed perspective on privacy operations at global enterprises.

State of the Privacy Function - Full Report

The full report presents a detailed overview of privacy functions at large, multinational organizations. The findings are presented in three sections:

- Privacy Resources and Structures—Review of program staffing, budget, titles, and reporting lines
- Privacy Activities and Initiatives—Overview of risks and challenges, and program activities and initiatives in light of the challenges
- Appendix—Customized data cuts across industry, company size, and customer type

These detailed benchmarks will guide your own data privacy efforts. In particular, this study will help you:

- Benchmark and allocate resources;
- Clarify roles and responsibilities; and
- Build alignment and support for key initiatives.

For more information about today's preview findings or to view the full report, please **contact us directly**.

Warm regards,
CEB Data Privacy Leadership Council

EXECUTIVE SUMMARY

Key Insights

Program Maturity Often Aligns with Company Size: As companies grow larger, the probability of having a chief privacy officer grows proportionately. This is largely due to the creation of the role, as companies smaller than $5 billion in revenue rely on the chief compliance officer (or general counsel for companies less than $1 billion) to take on privacy responsibilities. In addition, privacy programs at larger companies typically work on more privacy activities (though our research suggests that they are not necessarily more satisfied with their programs).

The Biggest Challenges to Effective Privacy Programs Are Internal: Companies most frequently cite complexity of business operations, inadequate staff skills, and corporate culture as the main barriers to data privacy effectiveness. This response indicates that while privacy programs often focus on external factors (e.g., laws and regulations), they can often underestimate the importance of creating strong relationships with their business partners and the overall employee population.
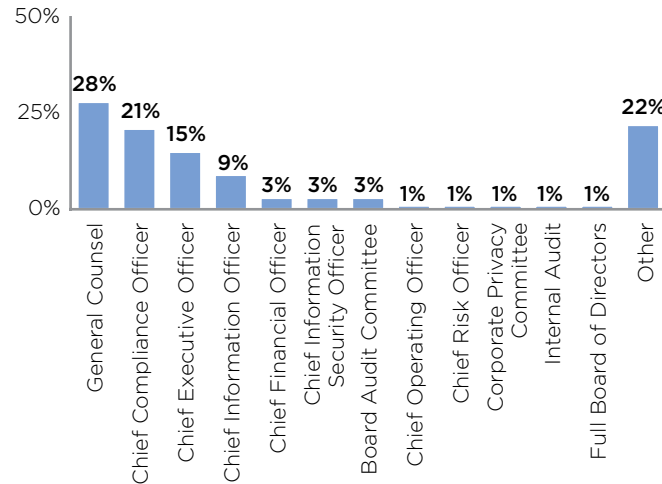
Companies Undertake a Wide Range of Initiatives (but Only a Few Drive Satisfaction): In reaction to growing privacy risks, privacy departments are undertaking a greater number of activities to manage those risks. However, not all activities correlate with greater satisfaction with privacy programs. Our research indicates that the most satisfied companies focus on monitoring employee compliance with privacy policies, measuring the effectiveness of programs, and creating a data breach plan.

PORTRAIT OF THE PRIVACY FUNCTION

Approximately 34% of companies have a chief privacy officer, and 70% of privacy functions report to either Legal or Compliance.

- In addition to the functions mentioned, seniormost privacy officers also report to Human Resources or, in some cases, a privacy committee.
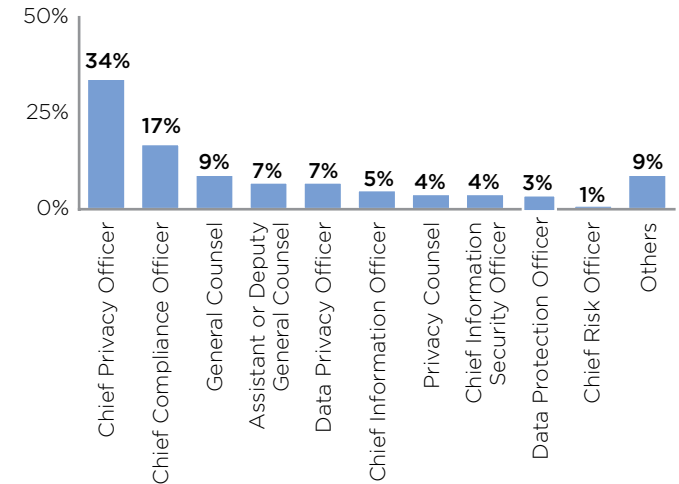
Primary Reporting Relationship of the Seniormost Privacy Officer
Percentage of Respondents, Multiple Responses Permitted

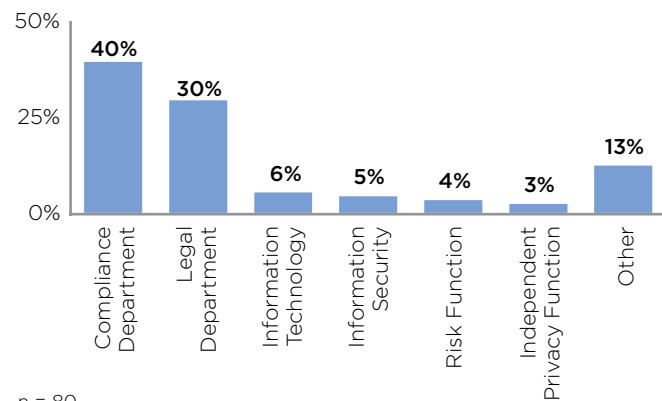| Category	%
General Counsel	28%
Chief Compliance Officer	21%
Chief Executive Officer	15%
Chief Information Officer	9%
Chief Financial Officer	3%
Chief Information Security Officer	3%
Board Audit Committee	3%
Chief Operating Officer	1%
Chief Risk Officer	1%
Corporate Privacy Committee	1%
Internal Audit	1%
Full Board of Directors	1%
Other	22%

n = 78.
Source: CEB 2014 State of the Privacy Function Survey.

Title of the Seniormost Privacy Officer
Percentage of Respondents

Category	%
Chief Privacy Officer	34%
Chief Compliance Officer	17%
General Counsel	9%
Assistant or Deputy General Counsel	7%
Data Privacy Officer	7%
Chief Information Officer	5%
Privacy Counsel	4%
Chief Information Security Officer	4%
Data Protection Officer	3%
Chief Risk Officer	1%
Others	9%

n = 76.
Source: CEB 2014 State of the Privacy Function Survey.

## Location of the Privacy Function
Percentage of Respondents

Category	%
Compliance Department	40%
Legal Department	30%
Information Technology	6%
Information Security	5%
Risk Function	4%
Independent Privacy Function	3%
Other	13%

n = 80.
Source: CEB 2014 State of the Privacy Function Survey.
Note: Totals may not equal 100% due to rounding.

LIMITED RESOURCES FOR PRIVACY FUNCTIONS

About one-quarter of companies report a dedicated privacy budget, with a median budget of $662,500.

- Companies with dedicated privacy budgets project an increase of 29% in 2015, with almost one-half of privacy heads expecting to increase budgets on items such as staff training and internal compliance measurement and monitoring.

- Currently, only 11% of privacy budgets go toward internal compliance training and communication development.

Estimate of Current Privacy Program Budget
US Dollars, 2014

73% Have No Dedicated Privacy Budget

27% Have a Dedicated Privacy Budget

Budget Range	Percent
Less Than $100,000	13%
$100,001–$250,000	19%
$250,001–$500,000	6%
$500,001–$750,000	19%
$750,001–$1 Million	13%
More Than $1 Million	31%

n = 60.
Source: CEB 2014 State of the Privacy Function Survey.

n = 16.
Source: CEB 2014 State of the Privacy Function Survey.
Note: Totals may not equal 100% due to rounding.
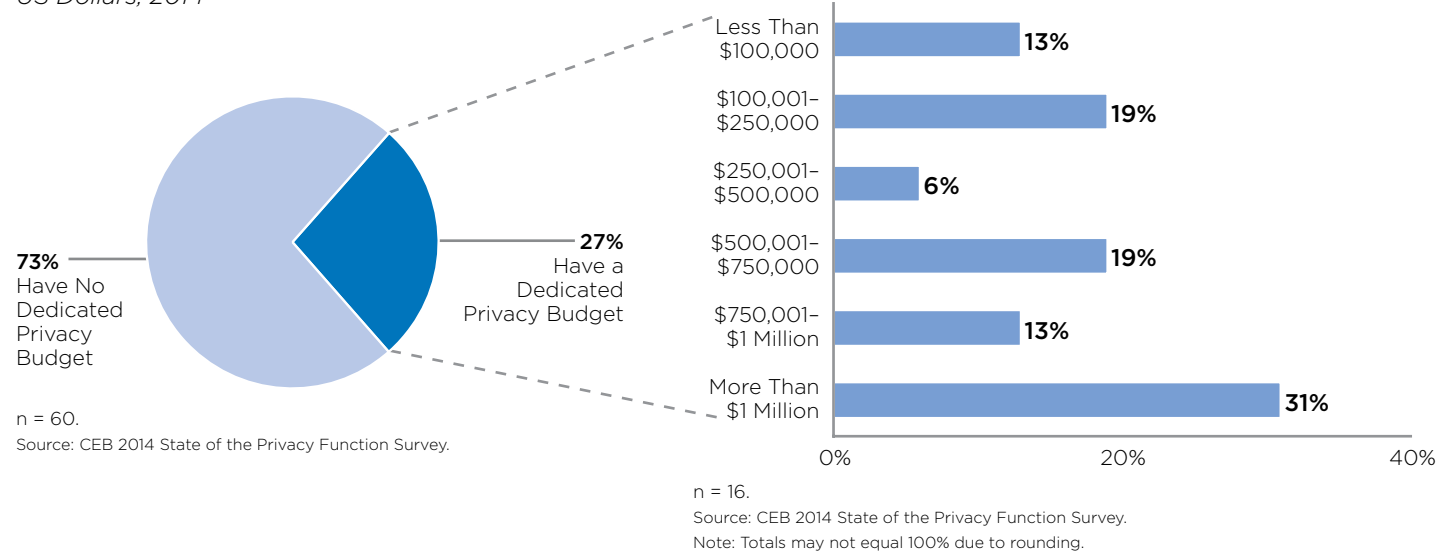
Allocation of Privacy Program Budget
Percentage of Respondents with a Dedicated Privacy Budget

|	Average Percent Allocation	Percentage Expecting This Number to Decrease in 2015	Percentage Expecting This Number to Increase in 2015
Privacy Training and Communication Vendors	15%	6%	31%
Internal Compliance Training and Communication Development	11%	0%	40%
Staff Salaries, Bonuses, and Benefits	37%	3%	44%
Outside Consultants/Counsel	16%	14%	36%
Travel	4%	7%	30%
Privacy Staff Training (Conferences, Associations, Licenses, Certifications)	5%	3%	39%
Internal Compliance Measurement and Monitoring	5%	0%	45%
Other	7%	9%	27%

n = 11–33.
Source: CEB 2014 State of the Privacy Function Survey.

Companies most frequently cite complexity of business operations, inadequate staff skills, and corporate culture as the main barriers to data privacy effectiveness.

MOST BARRIERS TO EFFECTIVENESS ARE INTERNAL

Top Three Barriers to Building an Effective Privacy Program
Percentage of Respondents Selecting Barrier as One of Top Three
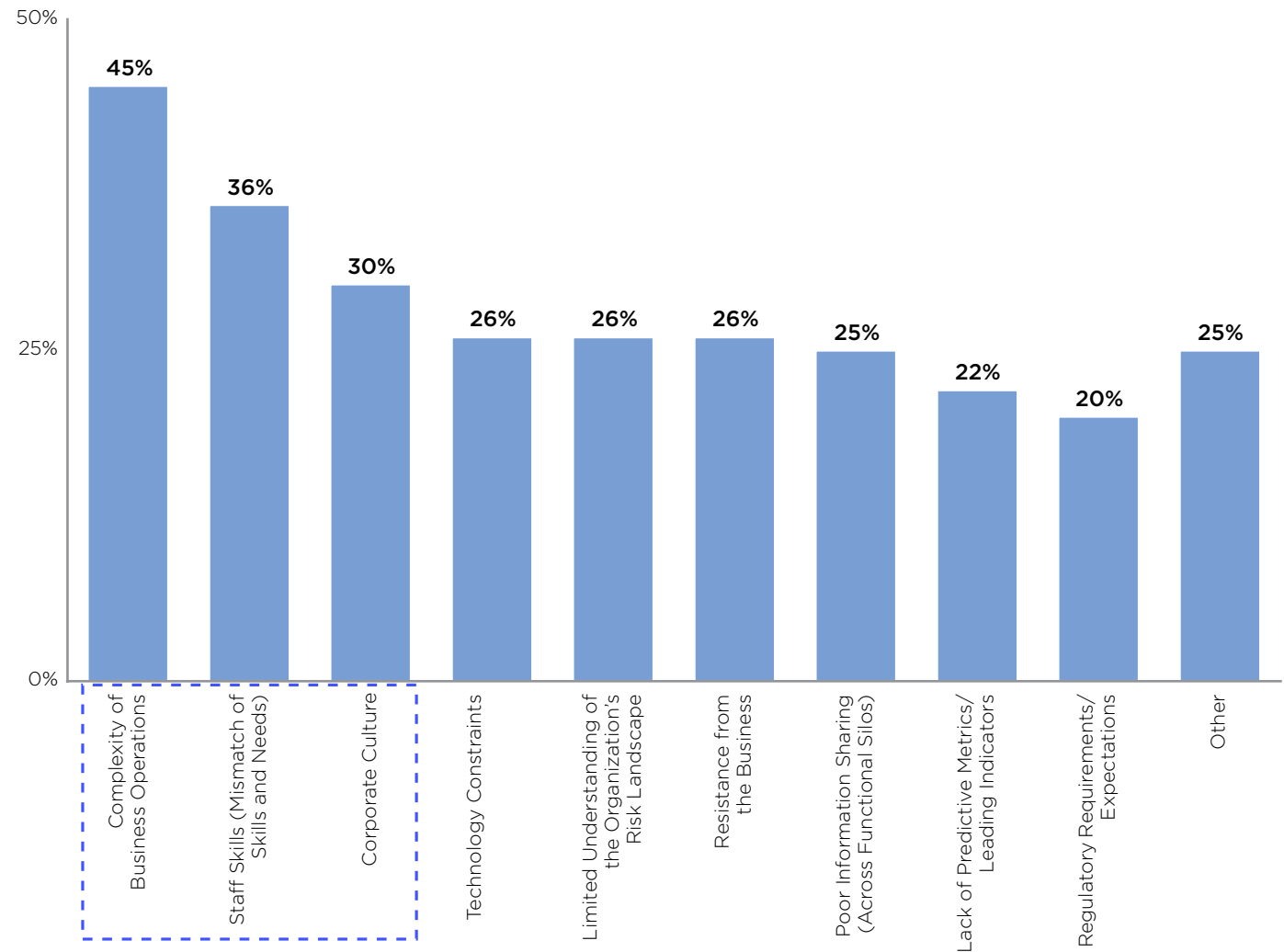
n = 69.
Source: CEB 2014 State of the Privacy Function Survey.

One hour is the median amount of annual privacy training required of all employees.

- More than half of privacy departments are not satisfied with their training.

- Fifty percent of organizations combine privacy training with annual code of conduct training.

- Fourteen percent of organizations conduct no privacy-related training at all.

The majority of companies in excess of $5 billion in revenue conduct data privacy training in the following ways:

- General employee training as part of new employee on-boarding

- As part of annual code of conduct training

- Targeted regulatory training (HIPAA, PCI, etc.)

TRAINING REQUIREMENTS

Hours of Privacy Training
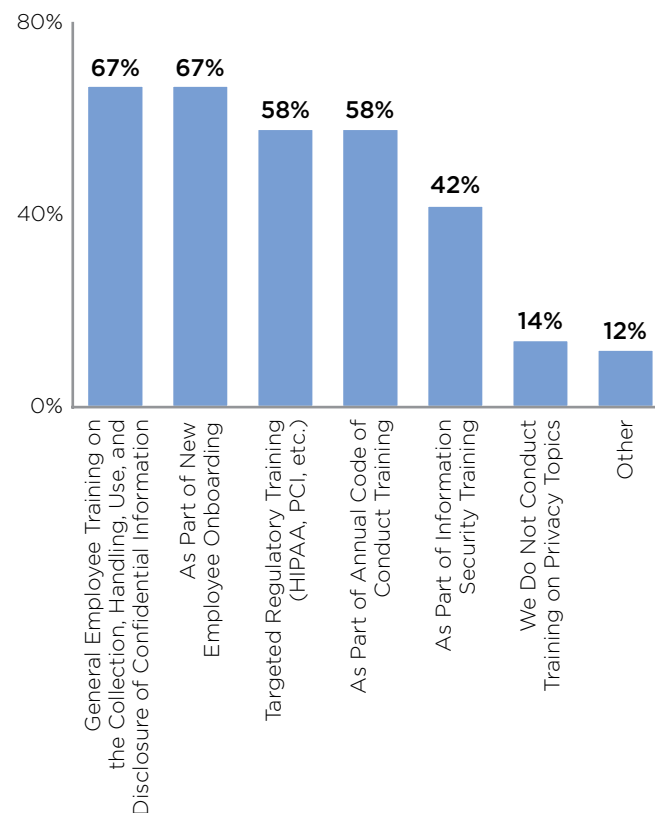*Number of Hours Required Annually of All Employees*

Mean	25th Percentile	Median	75th Percentile
2.91	0.00	1.00	2.00

n = 69.
Source: CEB 2014 State of the Privacy Function Survey.

How Privacy Training Is Incorporated
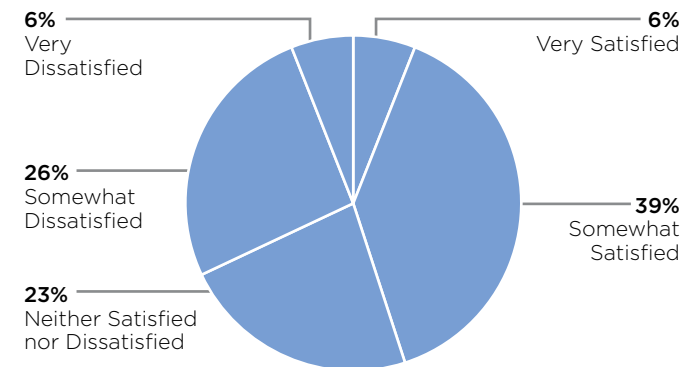*Percentage of Respondents, Multiple Responses Permitted*

Bar chart values:
- General Employee Training on the Collection, Handling, Use, and Disclosure of Confidential Information: 67%
- As Part of New Employee Onboarding: 67%
- Targeted Regulatory Training (HIPAA, PCI, etc.): 58%
- As Part of Annual Code of Conduct Training: 58%
- As Part of Information Security Training: 42%
- We Do Not Conduct Training on Privacy Topics: 14%
- Other: 12%

n = 69.
Source: CEB 2014 State of the Privacy Function Survey.

Satisfaction with Training Efforts
Percentage of Respondents

Pie chart values:
- 6% Very Dissatisfied
- 26% Somewhat Dissatisfied
- 23% Neither Satisfied nor Dissatisfied
- 39% Somewhat Satisfied
- 6% Very Satisfied

n = 69.
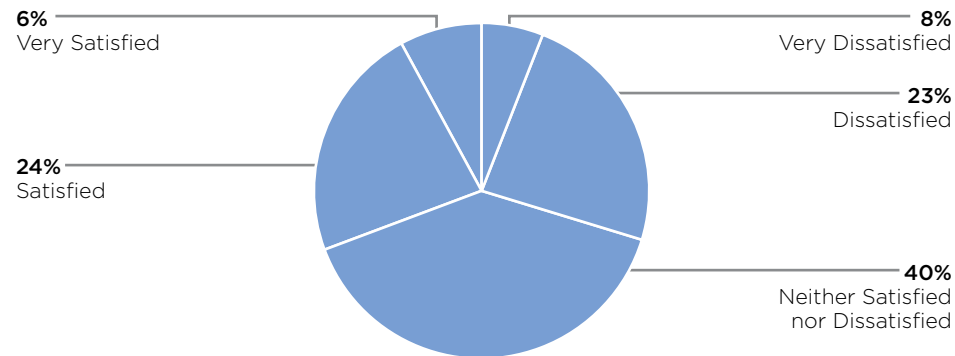Source: CEB 2014 State of the Privacy Function Survey.

- More than 70% of privacy heads plan to spend more time on their privacy efforts, with less than 1% expecting to reduce their time on privacy.

- Although it is encouraging that companies intend to spend more time on data privacy efforts, they must ensure their efforts are informed.

DISSATISFACTION WITH PROGRAMS, LOOKING TO DO MORE

Satisfaction with Company's Current Privacy Efforts
Percentage of Respondents

6% Very Satisfied

8% Very Dissatisfied

23% Dissatisfied

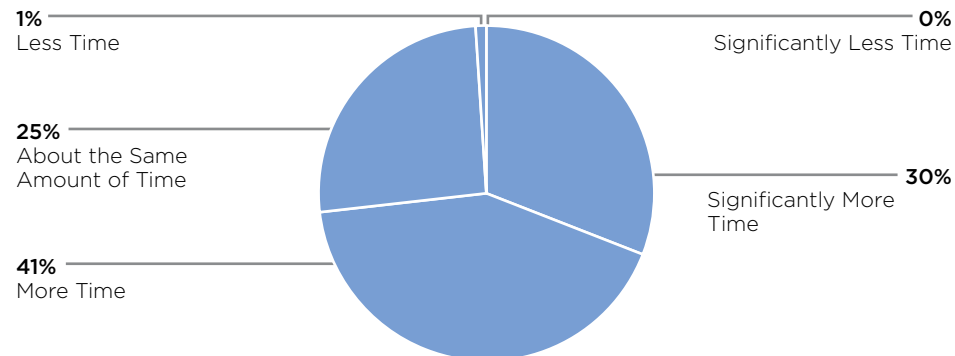**24%** Satisfied

40% Neither Satisfied nor Dissatisfied

n = 80.
Source: CEB 2014 State of the Privacy Function Survey.
Note: Totals may not equal 100% due to rounding.

Time Planned to Spend on Privacy Efforts in the Next 12 Months
Percentage of Respondents

1% Less Time

0% Significantly Less Time

25% About the Same Amount of Time

30% Significantly More Time

41% More Time

n = 78.
Source: CEB 2014 State of the Privacy Function Survey.
Note: Totals may not equal 100% due to rounding.

Among companies with more than $5 billion in revenue, 70% intend to spend the same amount or more time on privacy efforts, while 40% are satisfied with current efforts.

Most privacy programs track at least one metric related to privacy program effectiveness—most commonly the results of internal audits and the percentage of employees completing privacy training.

- Nearly one-third of companies do not track any metrics related to privacy program effectiveness.

PRIVACY FUNCTIONS TRACK A VARIETY OF METRICS

Metrics Privacy Functions Track to Gauge Program Effectiveness
Percentage of Respondents Tracking Metric, Multiple Responses Permitted

Metric	%
Results of Internal Audits	49%
Percentage of Employees Completing Training	42%
Training and Awareness Tools Available to Employees	33%
Alleged and Actual Breach Statistics	33%
Number of Inquiries About Privacy Compliance from Business Units	25%
Firewall Security Access Tests	25%
SOX Controls Testing	24%
Number of Customer or Regulatory Compliance Inquiries	21%
Percentage of Laptops Encrypted	15%
Number of Contracts with Privacy-Related Clauses	13%
Number of Employees Who Access Personal Data	12%
Results of Customer Audits	9%
Company's Ability to Fulfill Requirements in Vendor Questionnaires	9%
Other	4%
We Do Not Currently Measure the Effectiveness of Our Privacy Program	32%

n = 67.
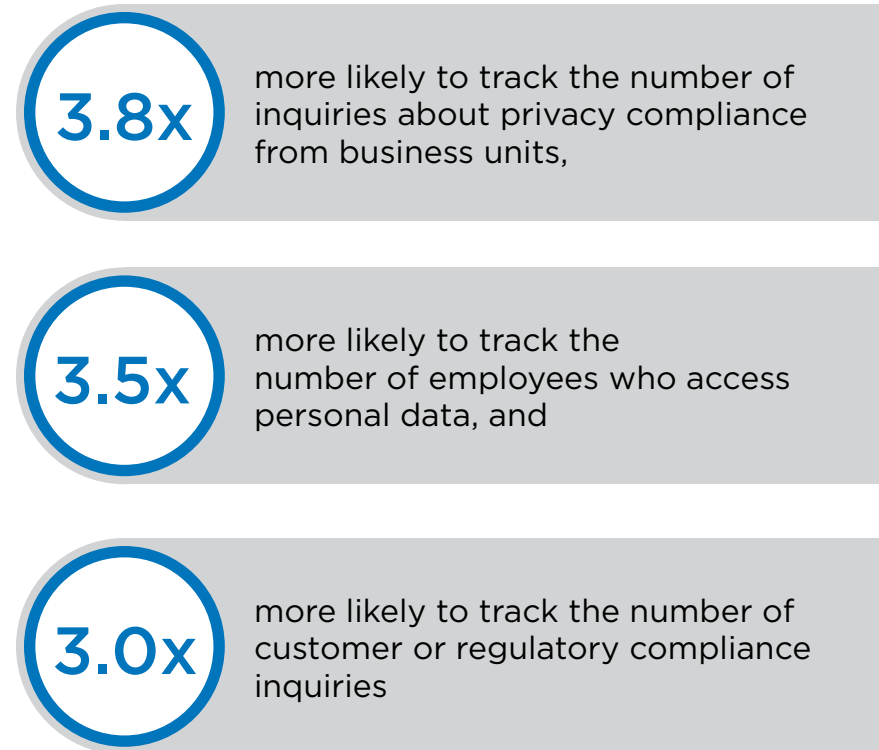Source: CEB 2014 State of the Privacy Function Survey.

Privacy leaders with higher privacy program satisfaction scores track three specific program metrics.

WHICH METRICS ARE MOST RELEVANT TO SATISFACTION?

Metrics Tracked by More Satisfied Companies
Metrics with Significantly Greater Mean Satisfaction Among Companies Tracking These Metrics

Satisfied companies are...

3.8x more likely to track the number of inquiries about privacy compliance from business units,

3.5x more likely to track the number of employees who access personal data, and

3.0x more likely to track the number of customer or regulatory compliance inquiries

...than unsatisfied companies.

n = 68.
Source: CEB 2014 State of the Privacy Function Survey.

TABLE OF CONTENTS FOR FULL REPORT

Contact us directly to view the full report and learn how CEB can help create or improve your organization's privacy program.