Securing Privacy Symposium
Disconnected Privacy: Rethinking the Organizational Response*
March 13, 2004

*connectedthinking
Outline

• The Organizational View of Privacy
• Divergent Schools of Thought
• Disconnected Privacy
• Strategies for Improving the Organizational Response

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Privacy Landscape: Looking Out

- Complex cross-jurisdictional regulatory environment
- Privacy is one of many of laws impacting organizational trust and brand
- Cultural and ethical differences shape concepts of privacy for customers, partners, employees, and competitors
- Rapid technological change
- Intense media pressure on privacy breaches or missteps
- Disproportionate legislative pressure compared with market pressure
- Shareholder pressure is still the strongest external factor

By 2006, 20-30% of Global 1000 will suffer exposure due to privacy mismanagement.

(Gartner, 2003)
The Organizational View of Privacy

Privacy Landscape: Looking In

- Decentralized business structures
- Multiple objectives, operating principles, and incentives
- Varying degrees of professional education, capabilities, and experience
- Rapid technological change
- Uncertainty associated with data handling practices
- Limited resources available for non-revenue-generating activities
- Pressure to achieve cost-savings across the board
- Tendency to focus on security over privacy
- Undefined ROI for privacy
- Complexity in measuring performance associated with privacy

By 2006, costs to recover from privacy mistakes will range from $5 to $20 million. (Gartner, 2003)
## Divergent Schools of Thought

### Privacy: Threat or Opportunity?

<table>
<thead>
<tr>
<th>Interpretation</th>
<th>Response</th>
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<tbody>
<tr>
<td><strong>Old School</strong></td>
<td><strong>Response</strong></td>
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| “We don't need more laws about privacy. Our operations are already governed by dozens and dozens of laws…” | • Privacy=Threat  
• Cost center not growth driver  
• Shareholder wins |

| **New School** | |
| “Customers who feel their privacy expectations are met will reward organizations with their loyalty.” | • Privacy=Opportunity  
• New way of doing business  
• Customer wins |

• Permission-based marketing  
• Brand-oriented  
• Long-term customer relationships  
• Embrace change
Disconnected Privacy

Old School: Compliance in the Absence of Public Values

- HIPAA Privacy Rule
- HHS only acts on complaints
- 4000+ complaints filed to date; 100/week

- Organizations spend millions
- Required extensive change management
- Don’t field-test notice instrument

- Patient signs a form
- Patient has to decide whether rights have been violated

What’s the point of a compliance effort if it doesn’t reduce the chance of an enforcement action?
## Old School: Root Causes

<table>
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<tr>
<th>Perception=Reality</th>
<th>Organization can spend millions on compliance and still not be a trusted brand</th>
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<tbody>
<tr>
<td>Policy Paralysis</td>
<td>Organization unable to cope with complex regulatory environment</td>
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<td>Intentions vs. Incentives</td>
<td>Organization rewards data uses in ways that are inconsistent with its intentions for respecting privacy</td>
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<td>Data Quantity vs. Data Quality</td>
<td>Organization seeks as much customer data as possible, figures out how to commodify it later</td>
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<tr>
<td>Security=Privacy</td>
<td>Organization invests heavily in security solutions, mistakenly perceiving it as sufficient for privacy</td>
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<td>Online=Offline</td>
<td>Organization treats its online customer data activities as unrelated to its offline ones</td>
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New School: Develop a Holistic Privacy Framework

- Reduces organizational conflicts arising from privacy
- Allows organization to better determine priorities and allocate resources
- Provides strong foundation in actions that will communicate meaningful compliance activities to stakeholders
- Enables organization to respond to multiple regulations simultaneously vs. sequentially
Strategies for Improving the Organizational Response

New School: Issue a Customer Privacy Index

Customer Privacy Index Components
- Qualitative Focus Groups
- Quantitative Survey
- Customer Touchpoint Review
- Privacy Notice Linkage
- Conducted Annually

• Enables a holistic approach by gathering key stakeholder values
• Acts as a filter to better understand and prioritize industry standards and regulatory requirements
• Key strategic input to compliance, including setting policy, controls, and training initiatives
New School: Establish Rapid Response Program

- "The privacy fundamentalists are the energized segment." (Westin, 2003)
- Organizations must address fundamentalists

Rapid Response Program
- High-Risk Stakeholder Outreach
- Customer Complaint Resolution
- Incident Response Tracking
- Privacy Notice Linkage
New School: Privacy = Data Management

Trusted Data Handling Program
- Personal Data Map/Flow Diagram
- Data Transfer Strategy
- Centralized Preference Data
- Third-Party Attestations

- Analyze inflows, use, and distribution of sensitive personal data
- Map data handling practices and procedures to existing laws and industry standards
- Develop data transfer strategies, mapping to external/internal rules
- Centralize customer preference data
- Ability to streamline privacy compliance efforts and maximize economies of scale across multiple jurisdictions
- Avoidance of costly system redesign
- Stronger ability to manage privacy controls and audit requirements
Conclusion:
How do we move organizations from the old school to the new school?

Factoring customer values and expectations into the organizational response to privacy needs to go beyond compliance and/or benevolence.