



# THE EXECUTIVE VIEW OF IDENTITY MANAGEMENT AND ITS ROLE IN SUPPORTING COMPLIANCE

White Paper  
June 2005

## Introduction

Across industries, companies have been investing heavily in addressing new regulatory requirements. Not surprisingly, the early focus for most organizations has been on achieving compliance and reducing risk.

But as companies meet and look beyond these initial objectives, how well are they positioning their compliance programs to meet the next set of challenges—challenges in reducing the cost and increasing the efficiency of managing compliance across multiple regulations?

This question is especially relevant with respect to identity management—to how diligently companies are managing the risks and costs associated with ensuring that appropriate access to regulated and controlled information is granted only to the right individuals at the appropriate time—in an automated, reportable, and quickly revocable way.

We decided to find out. Here is a brief summary of what we discovered.

### Research Overview

In March, 2005, PricewaterhouseCoopers and Sun Microsystems commissioned Forrester Consulting to conduct a survey on their behalf. The survey interviewed 152 executives at North American companies with more than \$750 million in annual revenue. Forrester fielded the survey so that 76 respondents held responsibilities in either IT or security, and the other 76 in either finance or risk management. Respondents held titles at the Director-level and above, including Chief Compliance Officer, Chief Risk Officer, Chief Financial Officer, Chief Information Officer, Chief Security Officer, VP, and Director. The interviews were 15 to 20 minutes in duration.

**The survey responses revealed that:**

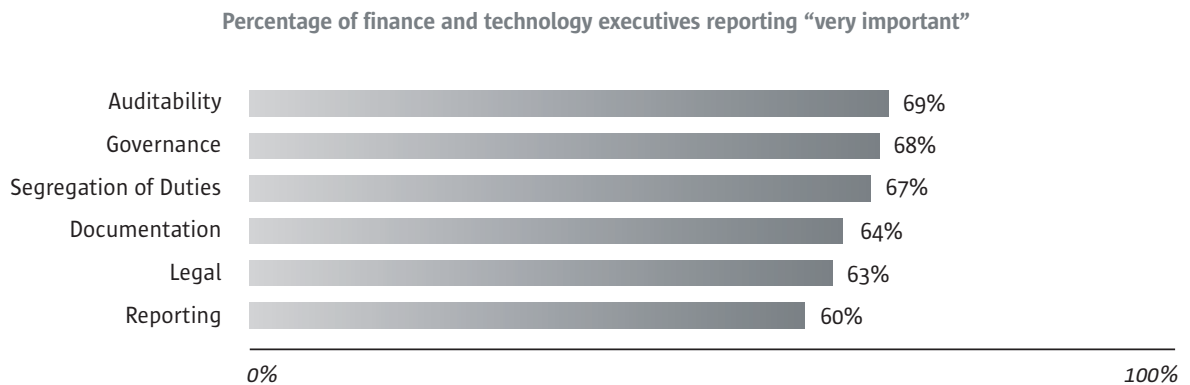
**Segregation of duties is one of the top challenges in compliance.**

At least two thirds of executives surveyed (67%) indicated that, with respect to compliance, segregation of duties (SoD) was among the most important challenges for their organization. Other key areas cited included auditability and governance.

Clearly, companies are informed about the key areas they would like their compliance program to address.

*Table 1. Top challenges in compliance.*

**Question:** Given the compliance challenges that your organization is facing, what is the level of importance of the following?



*Source: PwC/Sun Microsystems Survey completed by Forrester Consulting, March 2005*

### But funding for compliance is fragmented.

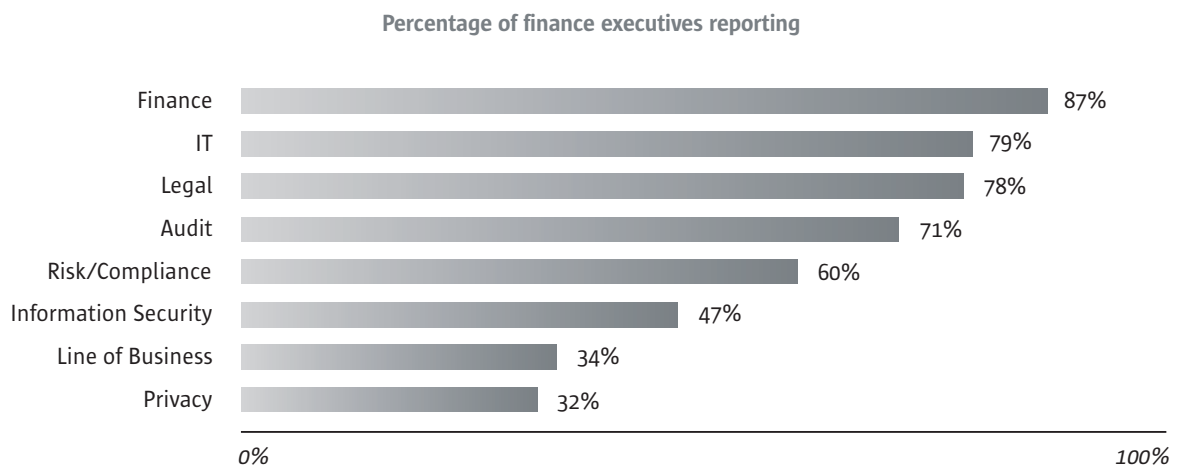
Responses also revealed, however, that funding sources for compliance are widely dispersed.

Although a majority of the compliance budget comes directly from the finance department, a large amount of funding also funnels in from the IT, legal, and audit departments.

At least 21% of respondents are not even aware of the overall spending picture, since funding is often pulled from other budgeted projects not specifically earmarked for compliance.

Table 2. Funding sources for compliance.

**Question:** What areas or budgets within your organization fund compliance initiatives?



Source: PwC/Sun Microsystems Survey completed by Forrester Consulting, March 2005

**And compliance management is dispersed.**

At the same time, over half the respondents (57%) report that their organizations manage compliance through a combination of centralized and distributed initiatives.

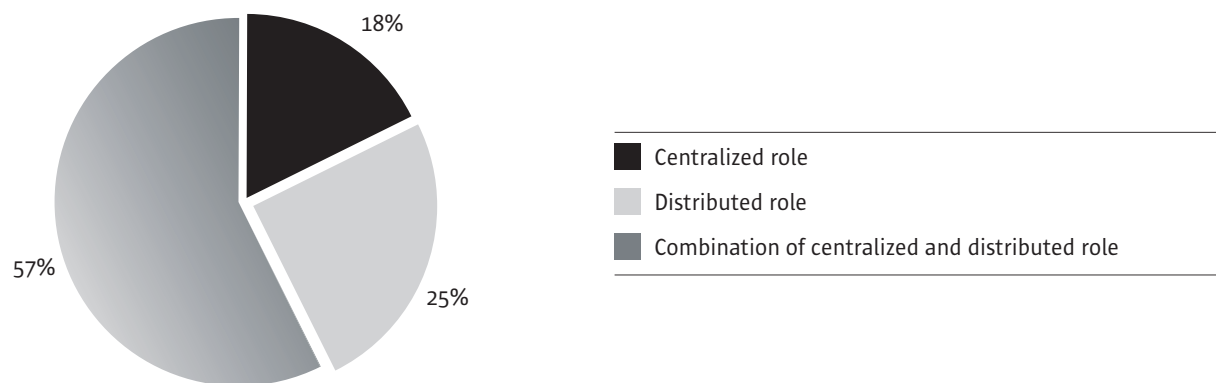
The survey results also indicated that CISOs usually hold responsibility for compliance directives related to system security, system integrity, or privacy-related components. This is especially the case with respect to regulations aimed at security, integrity, and privacy such as GLBA, HIPAA, and even components of Sarbanes Oxley.

*Table 3. How compliance is managed.*

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**Question:** How does your organization manage compliance?

Percentage of finance executives reporting



*Source: PwC/Sun Microsystems Survey completed by Forrester Consulting, March 2005*

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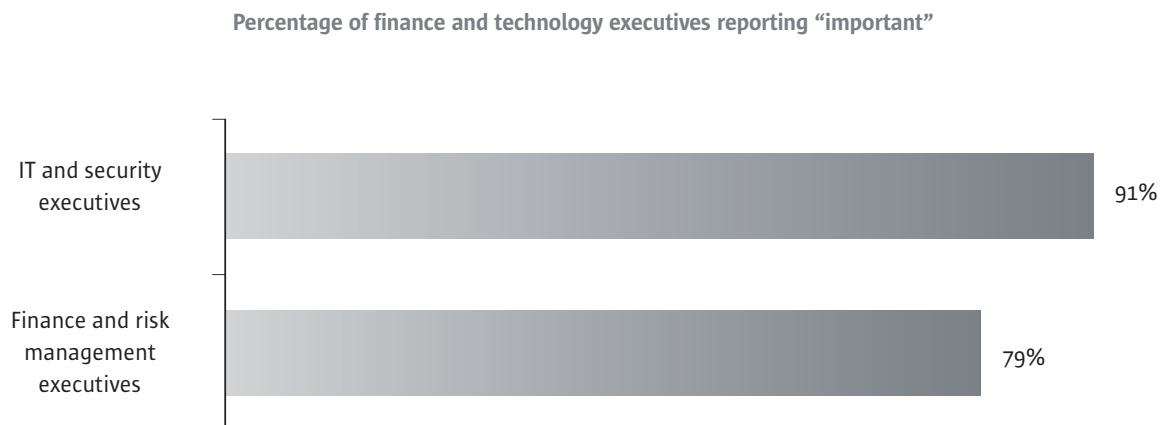
**Executives are keenly aware, however, of the importance of security and IT administration.**

The overwhelming majority of executives surveyed recognized the significance of security and IT technologies such as identity management, configuration, and change management.

In fact we note that in spite of fragmented approaches to compliance budgets and management, key stakeholders in the compliance effort—on both the finance and risk management side as well as the IT and security side—reported similar perceptions of security and IT administration’s value.

*Table 4. Importance of security and IT administration.*

**Question:** How important is security and IT administration (identity management, configuration, and change management) when it comes to impacting your business?



*Source: PwC/Sun Microsystems Survey completed by Forrester Consulting, March 2005*

**Technology executives recognize the critical role of identity management.**

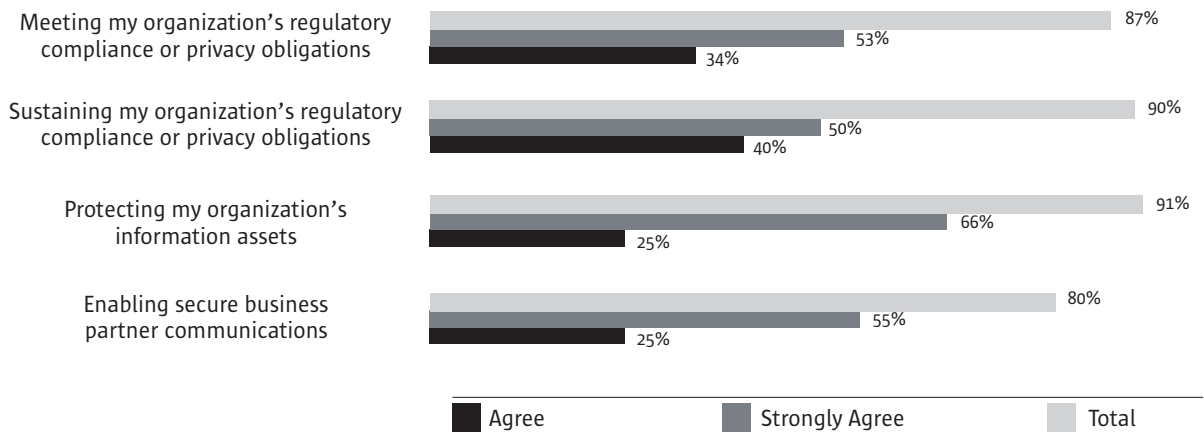
Responses from the IT and security executives revealed that managers broadly recognize the roles that identity management plays in supporting compliance.

The vast majority of interviewees, for example, considered identity management an integral component in meeting (87%) and sustaining (90%) their organization’s regulatory compliance or privacy obligations in general.

*Table 5. The role of identity management.*

**Question:** Please indicate how much you agree or disagree with the following statement: “Identity management is an integral component in...”

**Percentage of technology executives reporting “agree” and “strongly agree”**



Source: PwC/Sun Microsystems Survey completed by Forrester Consulting, March 2005

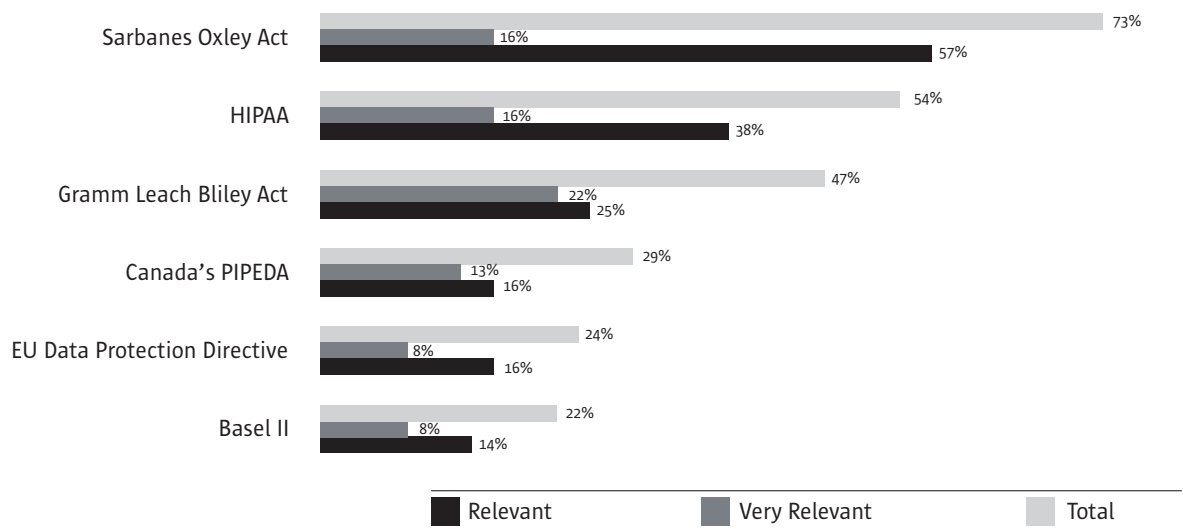
**Identity management is considered particularly applicable to specific regulations.**

When asked about identity management with respect to individual regulations, IT and security executives reported that identity management was most relevant to Sarbanes Oxley (73% of respondents) and HIPAA (54% of respondents).

*Table 6. Identity management and key regulations.*

**Question:** How relevant is identity management to each of the following regulations?

**Percentage of technology executives reporting “very relevant”**



Source: PwC/Sun Microsystems Survey completed by Forrester Consulting, March 2005

### Provisioning and strong authentication are most associated with aiding compliance.

Responses from the IT and security interviewees revealed broad interest in using most elements of identity management to address compliance.

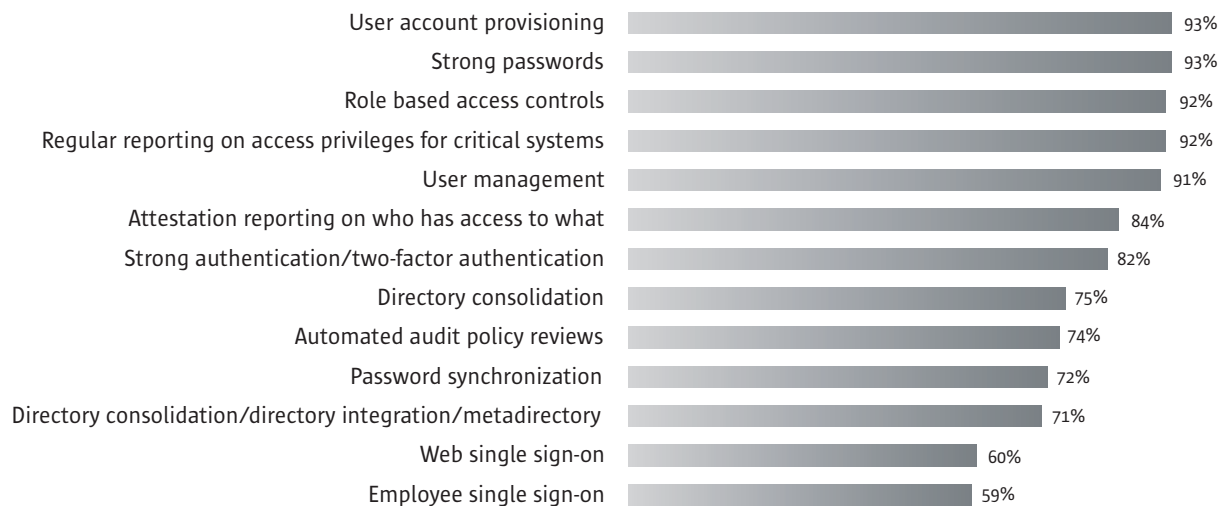
The technologies most cited by respondents were in the areas of provisioning (including role-based access controls and auditing of user privileges), authentication (strong passwords and two-factor authentication), and user management.

Even the least selected technologies, enterprise single sign-on and Web single sign-on, were each cited by roughly 60% of respondents as tools they will use to address regulatory requirements.

*Table 7. Identity management elements address compliance challenges.*

**Question:** Which elements of identity management will you be using to address regulatory compliance challenges?

#### Percentage of technology executives reporting “yes”



Source: PwC/Sun Microsystems Survey completed by Forrester Consulting, March 2005

**Most companies will be purchasing identity management technologies within the next year.**

Two out of every three executives (65%) from the IT and security group indicated that their organization will be purchasing identity management technologies within twelve months.

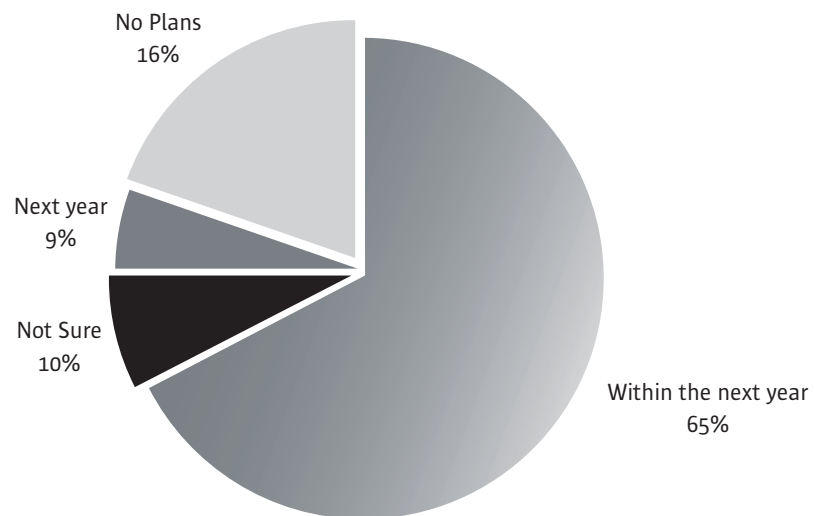
And roughly another 10% report planning to do so next year.

*Table 8. Identity management purchasing plans.*

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**Question:** When is your company planning to purchase identity management technologies?

**Percentage of technology executives reporting within the next year**



*Source: PwC/Sun Microsystems Survey completed by Forrester Consulting, March 2005*

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## Conclusion

We believe these findings point unmistakably toward what we consider the next critical challenge in compliance —the need to make sure that the organization’s compliance program doesn’t just lower risk, but is also cost-effective, comprehensive, and sustainable.

We think it is important that companies define compliance objectives on an end-to-end scale rather than on a regulation-specific basis. This means examining the full range of regulations and legislation impacting the organization, and looking for the common processes, technologies, and organizational elements that best lend themselves to standardization and systematization.

We note that one of the most important of these technologies is identity management. Nearly all of the executives we spoke to agreed: for most companies — across industries and across most regulations — identity management is a crucial contributor to compliance.

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