Organizational Placement of the Cybersecurity Department: An Analysis

As a large publicly traded company, the placement of a new Cybersecurity department is a strategic decision that will impact governance, risk management, compliance, and the protection of digital assets. While cybersecurity is often seen as a technical function, it increasingly intersects with regulatory compliance, financial risk, and operational resilience. Below is an analysis of the potential advantages and disadvantages of locating the Cybersecurity department under different organizational units: **Information Technology (IT), Finance, Operations, or reporting directly to the CEO.**

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1. Placement under the Information Technology (IT) Department

Pros:

- **Technical Alignment:** Cybersecurity is inherently connected to IT systems, networks, and infrastructure. Placing it under IT ensures direct coordination with system administrators, developers, and network engineers.
- **Resource Efficiency:** IT departments already manage many of the tools (e.g., firewalls, endpoint protection, intrusion detection) required for cybersecurity.
- **Operational Integration:** Security can be embedded into IT projects, system upgrades, and technology rollouts from the beginning, rather than treated as an afterthought.

Cons:

- **Risk of Subordination:** Cybersecurity may be seen as secondary to IT's main priority of system uptime and performance. Security goals can be overshadowed by operational pressures to deliver speed and efficiency.
- **Conflict of Interest:** IT may be reluctant to expose or report vulnerabilities in systems they manage, which could undermine transparency in risk reporting.

- **Perception Issue:** Regulators, auditors, and the board may see cybersecurity as more than just an IT function, expecting higher independence from IT operations.

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2. Placement under the Finance Department

Pros:

- **Risk and Compliance Synergy:** Finance is responsible for safeguarding the company's assets and ensuring compliance with regulations. Cybersecurity threats—such as ransomware, fraud, and insider trading—have direct financial implications.
- **Audit and Oversight Alignment:** Finance already works closely with external auditors and regulators. Housing cybersecurity under Finance strengthens accountability and aligns with reporting requirements (e.g., SOX, SEC disclosures).
- **Risk Management Mindset:** Finance departments are accustomed to measuring and mitigating risk, which parallels the risk-based approach needed in cybersecurity.

Cons:

- **Technical Gap:** Finance lacks the technical expertise and culture to manage highly specialized cybersecurity functions, which could create dependency on IT anyway.
- **Operational Disconnect:** Cybersecurity incidents often involve technology failures or vulnerabilities that require rapid technical responses—something Finance is not structured to provide.
- **Perception of Bureaucracy:** Employees may view cybersecurity as purely compliance-driven rather than a proactive security program, which could limit effectiveness.

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3. Placement under Operations

Pros:

Commented [KDX1]: What is Compliance Synergy and how is it considered a pro for placing Cyber under the Finance Department?

- **Enterprise Risk Integration:** Operations oversees the company's day-to-day processes, supply chains, and continuity. Cybersecurity fits naturally into business continuity, disaster recovery, and operational resilience.
- **Business Alignment:** By sitting under Operations, cybersecurity is positioned as a business enabler rather than only a technical or compliance function.
- **Cross-Functional Reach:** Operations touches nearly all areas of the company, making it a logical hub for coordinating enterprise-wide security practices.

Cons:

- **Dilution of Technical Focus:** Operations leaders may lack deep expertise in cybersecurity, risking a diluted focus compared to IT or specialized departments.
- **Potential Marginalization:** Security could become another "operational risk" among many (safety, logistics, efficiency), potentially underemphasizing the unique and growing threat landscape.
- **Limited Visibility with Board:** Operations leaders may not have the same direct access to the board or CEO as Finance or IT executives, reducing cybersecurity's visibility.

Commented [KDX2]: How would this be considered as a con instead of a pro?

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4. Placement Reporting Directly to the CEO

Pros:

- **Strategic Visibility:** Elevating cybersecurity to the CEO highlights its importance as a core business risk, not just a technical issue.
- **Board-Level Attention:** The CEO can ensure cybersecurity receives board-level focus, especially as regulatory bodies increasingly scrutinize corporate cybersecurity governance.
- **Independence and Authority:** Cybersecurity leaders can speak candidly about risks without being constrained by IT, Finance, or Operations priorities. This independence is often valued by regulators and investors.
- **Enterprise-Wide Perspective:** Cybersecurity impacts every business unit. Direct reporting to the CEO positions it as a company-wide responsibility rather than siloed within one function.

Cons:

- **Resource Competition:** Without a natural "home," the department may struggle for operational resources, tools, and staffing compared to IT-aligned structures.
- **Potential Duplication:** IT, Finance, and Operations will still need to collaborate extensively, which may lead to overlapping responsibilities and inefficiencies.
- **CEO Bandwidth:** CEOs already balance numerous priorities. Without delegation, cybersecurity risks being deprioritized if not actively championed by executive leadership.

Recommendation

The optimal placement of a Cybersecurity department often depends on the company's risk profile, regulatory environment, and culture. In many large publicly traded companies, **best practice is for the Chief Information Security Officer (CISO) to report directly to the CEO (or in some cases the Chief Risk Officer, if one exists)** while maintaining close operational ties to IT, Finance, and Operations. This ensures:

- **Independence from IT operations** (avoiding conflicts of interest),
- **Visibility at the executive and board level**, and
- **Integration across the business** rather than being siloed in one function.

If direct reporting to the CEO is not feasible, a strong alternative is placing cybersecurity under Finance, emphasizing risk management and compliance, while establishing formalized collaboration with IT for technical execution.

Recommendation for Placement of the Cybersecurity Department

To: George Kurtz
From: David Kyle
Date: 9/11/25
Subject: Recommended Placement of the Cybersecurity Department

I recommend that our new Cybersecurity department report directly to the CEO to ensure independence, visibility, and company-wide alignment.

Why Placement Matters

Cybersecurity is no longer just a technical task; it is a strategic risk management issue that impacts compliance, operations, financial reporting, and our company's reputation. As a publicly traded firm, our governance structure must demonstrate to regulators, investors, and the public that cybersecurity is a top priority.

Pros of Reporting Directly to the CEO

Strategic Visibility: Elevates cybersecurity to a company-wide priority, not just an IT or compliance issue. Board-Level Attention: Facilitates direct communication about cybersecurity risks with executives and the board. Independence: Avoids conflicts of interest that can arise when cybersecurity is managed under IT or Finance. Enterprise-Wide Perspective: Views cybersecurity as a shared responsibility across functions, supporting Operations, IT, and Finance equally.

Cons of Reporting Directly to the CEO

Resource Competition: Without a designated department, cybersecurity may need clear structures to secure proper tools and staffing. Coordination Demands: IT, Finance, and Operations must collaborate effectively to avoid duplicated efforts. CEO Bandwidth: The CEO will need to allocate time to cybersecurity amid many other priorities.

Conclusion

While placing the cybersecurity function under IT, Finance, or Operations offers advantages, it also risks limiting its scope or creating conflicts of interest. Considering the size and importance of our business, the best approach is to have the Cybersecurity department report directly to the CEO. This setup ensures cybersecurity is addressed as a critical enterprise issue, with the authority and independence needed to safeguard our assets, reputation, and stakeholders.