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Determining the Cost of Data Breaches:

Does Your System Need an Upgrade or Overhaul?

The cost of data breaches is an ever-present concern for corporate entities. From malware attacks to phishing ploys, the attack vectors that could possibly take advantage of soft spots in company-wide cybersecurity are many. These attacks threaten your business and your bottom line. It makes sense that organizations would seek to combat the sophistication inherent in these various attacks with an equally capable system of countermeasures.

One of the key decisions that companies face in light of these continuing attacks is figuring out the actual cost of data breaches to the firm and how much should be spent on putting in place cybersecurity safeguards to protect against an attack. This evaluation will help companies determine whether it makes sense to patch existing security or overhaul it in totality.

Estimating the Cost of a Breach

The Michigan-based Ponemon Institute, which specializes in data security, published a research study last year in conjunction with IBM that examined 383 companies in 12 countries that have had recent data breaches. They estimated that the cost of those data breaches to an individual firm was $4 million on average — a 29 percent increase from 2013. The cost of data breaches at financial, health care and educational organizations was even higher because of the sensitive nature of the data being stored. The study also indicated that the greatest financial consequence to a firm relates to lost business and diminished consumer trust.

Patch It Up or Start From Scratch?

Formerly, companies could protect their networks with a simple firewall, but now that firms are moving to cloud computing and multiple mobile applications, the decision about whether to patch their existing security or buy a complete new system has changed.

One major argument for the patch approach is that security breaches are so quickly evolving that companies should find the providers who can offer the best solution at the moment to each new particular threat. “Companies need to recognize that no single product or arsenal of tools will ensure 100% protection and therefore, your strategy must involve adopting a balanced approach to spending that doesn’t over-prioritize protection alone,” reports Forbes.

On the other hand, some experts say that software patches will not overcome security flaws built-in to system hardware, so comprehensive security system changes are the only way to combat this issue. “Instead of relying on software Band-Aids to hardware-based security issues, we are aiming to remove those hardware vulnerabilities in ways that will disarm a large proportion of today’s software attacks,” according to the Defense Advanced Research Projects Agency.

Cost vs. Benefit

There is no magic bullet for assessing the cost-benefit of a cybersecurity upgrade or overhaul. Every industry and organization type will have unique risk factors that inform their particular security needs. There are, however, commonalities that every organization should consider while conducting a cybersecurity audit or assessment.

The cost of insurance, for example, might be greatly reduced by a change in systems. Or conversely, an investment in more comprehensive insurance might actually make more fiscal sense than a major cybersecurity expense. The damage a breach could cause to your firm's operations and reputation should also factor into the decision. Would the damage from a data loss or breach cause your organization to have their daily productivity upended? Would the damage to overall market share be significant? Would the damage to your standing with your customer base be irreversible?

If only one or two of these types of issues are relevant to your company, then perhaps it would lead you to conclude that a patch up of your existing systems would do the proverbial trick. But if you find yourself stacking innumerable potential vulnerabilities and negative outcomes on top of each other over and over, you may find that you can't afford not to make a major change and overhaul your systems completely.

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