IT Governance Skills on Boards

By Murray Wills
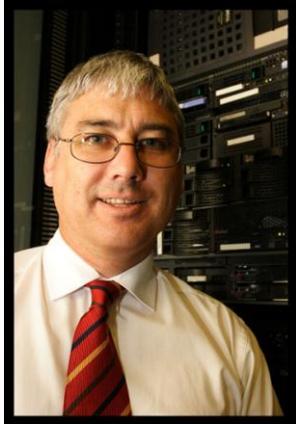
With IT playing an increasing role in the success of an organisation has the time come to review your board of directors to see who has IT governance expertise?
This is particularly important in times of recession, as companies and government agencies will start to rely more heavily on efficiencies that can be made through effective use of IT systems and processes, or the introduction of new IT based services.

Boards typically have members who have financial, legal, human resources or specialist sector skills. It is time for people with IT governance backgrounds to take a seat at the board table. IT governance is focused on information technology systems, their performance and risk management. There is no longer any excuse for boards and senior executives to not understand how investment in IT can generate business value for an organisation, understand how to manage IT risk, and derive best value for money. Whether it is a government organisation or a corporate, the issues are the same.

In a 2005 Harvard Business Review article Nolan and McFarlan state that "most boards remain largely in the dark when it comes to IT spending and strategy". This is even though corporate information assets can account for as much as 50% of capital spending. Nolan and McFarlan found that "board members frequently lack the fundamental knowledge needed to ask intelligent questions about not only IT risk and expense but also competitive risk. This leaves the CIOs, who manage critical corporate information assets pretty much on their own. A lack of board oversight for IT activities is dangerous; it puts the firm at risk in the same way that failing to audit its books would."

What is IT?

Information technology, information systems, computer science – aren't they all the same thing? Within a generic definition of IT there are a number of subsets or sub disciplines which fit along a scale that typically represents computer science, hardware engineering, software engineering at one end, and information systems at the other end, closely related to business studies.

Unfortunately, whilst academia has defined the differences between IT, IS, and CS, we in the industry tend to label all these disciplines under a generic label of IT. Even within an IT department, for good business reasons, there will a mix of staff who have qualifications or experience that fall into these and many other areas with two-letter acronyms! Universities have been offering post graduate programmes in information systems for some years now as a completely different programme of study to computer science.

Here is one definition from the University of Maryland Information Systems department website:

> *"Information Systems (IS) and Computer Science (CS) both involve computer technology. Unlike IS, CS frequently takes an inner-workings perspective of technology and involves the principles of hardware and software design." "Information Systems, on the other hand, focus on the entire system of information, knowledge, delivery and use, taking an external, human-based perspective on technology – its focus is on how technology can be implemented to serve the informational needs of people and organisations. This is why we refer to Information Systems as the human side of computing."*

Typically IS graduates leave with a strong business and management background and excellent human communication skills that can be used to interact with a variety of audiences with various backgrounds. Is it possible to develop these skills? Yes it is, and of course there are always exceptions. A person may have practical experience in each of the disciplines relevant to a high performing CIO and experience at IT governance. Nothing beats formal academic study at post graduate level. Typically in New Zealand at least some CIOs have come up through the technical ranks, have no formal information systems qualifications, and have not necessarily developed all of the competencies required of a CIO or board member. This maybe is one reason there are so few IT savvy directors. In addition to technical qualifications, an MBA, MBS or other post graduate qualification with a concentration on information systems topics may be one way of getting exposure to the body of knowledge required.

So what should you look for in such a director?

In addition to the generic set of skills required:

- IT and business qualifications and experience; good communication with other board members; speaking in lay terms and using analogies

- an understanding of how IT strategic alignment impacts the company's bottom line

- experience as a CIO or IT department head for several organisations, or a consulting background to CIO level; experience as a project and programme manager

- current knowledge of what makes up a good business case for IT expenditure

- an understanding of risk management as it relates to IT

- preferably a member of the NZ Computer Society - the professional organisation which covers the spectrum of IT.

What's in it for them?

If they are anything like me, they will have a real passion for helping organisations make the most effective use of IT and derive best value for money. An IT strategy and organisation that totally aligns with and enables the strategic goals of an organisation is a thing of beauty. What's more it is great for shareholder value. The costs and risks of getting it wrong are great. I think it would be a relief to other board members and to the CIO to have these skills on the board. Who knows, they might even increase net profit.

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Refs: Nolan, R and F W McFarlan (2005) *Information Technology and the Board of Directors. Harvard Business Review (October 2005).*
http://www.is.umbc.edu/aboutIS.asp?ID=1 University of Maryland, accessed 23 January 2009.