

ONE-THIRD OF CORPORATE DIRECTORS FEEL THEY DON'T UNDERSTAND IT



Research published by PricewaterhouseCoopers US (PwC) in their Annual Corporate Directors Survey (quarter three 2013) has aptly demonstrated that today's company directors now recognize the increasing importance of information technology (IT) oversight, due to the fact that they spend more time on IT. IT is fast becoming a top priority for company directors. Despite that, new data from the survey shows that the directors feel challenged in this role.

Technology is changing the way business is done faster than ever before. As a result, company directors are finding themselves forced to employ consultants from outside of their companies to give advice on risk oversight and IT strategy. This rapidly changing environment also means that companies are increasingly examining the ability of their businesses to utilize new and emerging technology and digital transformation.

According to Mary Ann Cloyd, leader of the Center for Board Governance at PwC, all of this means that **company directors have no choice but to increase the amount of time and resources they dedicate to IT**, improve their digital intelligence and revise their approach to risk oversight. She acknowledged that it is clear that company directors are taking significant strides towards dealing with these challenges. However, making sure that effective IT strategy and risk are embedded within company business plans is still a significant hurdle.

PwC published responses from 934 public company directors. The results showed that of the respondents, 70 per cent were in companies with \$1 billion dollar revenues.

Important findings of the survey:

Improving Digital IQ: The study showed that director involvement was at its highest when it came to the annual IT budget (63%) and major IT implementations (80%). Despite this, their engagement with their company's cyber security budget, and understanding of competitor's use of emerging technologies were low at just 24% and 22% respectively. This result shows that most directors have evolved to become more involved in the traditional aspects of IT such as budgets and major IT implementations.

Importance of information technology: The survey showed that most company directors understood the increasing importance of embracing IT developments within their companies. In 2012, 13% of company directors felt that IT was critical to their business. The 2013 survey showed an increase of 2% as 15% of directors felt like this. A third of respondents said that they spent more time on IT, however, 61% of respondents want to spend more time on IT risk strategy for the following year and 55% said they wanted to spend more time focusing on strategy for the coming year.

External IT consulting: In the 2012 survey, 27% of respondents said they hired external consultants to advise on risk and strategy. This figure jumped to 35% in the 2013 survey, with more directors considering using IT consultants further down the line. More and more consultants are hired on a continuous basis rather than a project specific basis, with the figure for continuous consultant hire being double what it was in the 2012 survey. Despite this, the survey showed that the majority of external IT consultants were hired on a project by project basis.

Problems of embedding IT into risk and strategy: 32% of respondents reported not feeling confident enough in their IT knowledge to become fully engaged in IT strategy and IT risk mitigation. This is backed up by the fact that only 22% of respondents said that they were provided with enough information from their respective companies to be effectively involved in IT oversight.

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