Boards Need Women with IT

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INTRODUCTION

In comparison to research on gender diversity on boards, little research has been conducted on the diversity of board skills required for survival in our fast dynamic world, where boards are becoming more responsible for IT strategy, and where skills to optimize technology strategy and execution for maximum business value are in demand.

In this article, the importance of IT knowledge to overall board governance and the value of women with IT skills as board members are explored. A gender profile is developed from the Australian Stock Exchange (ASX), the Equal Opportunity for Women Agency (EOWA) and the Women on Boards 2004 reports. A discussion on relative contributions to board performance is undertaken.

Under the banner of diversity, research into board composition historically has focused on gender issues—where more specifically the lack of women appointed at board levels has been discussed. There is a significant volume of research that verifies the lack of female representation on boards. One example from the EOWA 2004 Census shows that for the top 200 companies listed on the ASX on June 30, 2004, the number of women executive managers in Australia's companies has increased since 2003 by 1.8% to 10.2%, while the number of women board directors has increased since 2003 by only 0.2% to 8.6%. Additionally, 42.0% of companies have no women executive managers and 62.1% of women (but only 31.4% of men) occupy support positions—as opposed to the line positions that ultimately lead to CEO or Board appointments.

This article draws links between IT skills, governance, and women with IT skills at the board level.

BACKGROUND

A view is emerging that the number of technology failures are increasing and that corporate boards in Australia are failing to meet expectations in this area. Various studies show that IT promises are rarely fulfilled, with failure rates as high as 97% being quoted for some projects (da Cruz, 2003).

With this volume of failures resulting in poor organizational performance, combined with increasing attention on corporate governance and a growing realization that IT portfolios are complex, one would expect more enterprises to implement frameworks for IT governance to more tightly focus their IT processes, people, and priorities on achieving business goals. As Broadbent (2004) says, "Lack of director experience in IT, or just plain ignorance, is an increasing problem in the technology age. The business significance of IT capabilities and assets is now very high." Yet Broadbent further explains that very few of the top 100 Australian boards have even one board member with top-level expertise in integrating IT into business processes or envisioning how IT might be changing their industry.

This is reflected by Turnidge's (2002) findings: "In Australia, board skills continue to reflect legal, financial, and engineering backgrounds, often with relatively limited international experience or skills related to the knowledge economy (such as science or technology)." Similarly, research firm Burson-Marsteller (2004) reported that just 5% of the global Fortune 500 companies have a CIO or former CIO on their board.

The call to include technology skills on boards is further supported by Huff, Maher, and Munro (2004) who point out that boards are disinclined to discuss IT and do not comprehend the associated risk. Huff et al. (2004) conclude that:

… emerging technologies and changes in the business environment are redefining the role of

corporate boards with respect to IT governance. By asking the right questions, bringing senior IT management into board discussions and recruiting IT talent at the board level, boards can become much more effective in dealing with IT issues.

Increasingly, researchers are making the links between good governance, diversity, and corporate performance. For example, Brown (2003) points to a study that quantifies what many investors intuitively have guessed, that companies with weak governance trail the market.

The call for diversity on boards has been widely discussed. The best boards know how to have a good fight. Diversity in experiences, skills, viewpoints, perspectives, talents, and ideas is a positive (Sonnenfeld, 2002). Diversity is about enriching the leadership platform with different perspectives by having a team of people with different frames of reference." This is further supported by Allen (2003), who states, "companies that will succeed in the 21ˢᵗ century are the ones that will learn and adopt fastest…and that embrace diversity of thought, style, and culture."

WHY IT SKILLS?

Case Study ID550 by Ovum (2003, p. 7) advised that investment in IT:

… requires consistent firm strategies, effective internal and external communication, and a careful assessment of risk. Implementation is often complex, with organizations seeking to balance the needs of multiple stakeholders while ensuring a satisfactory ROI.

Turnidge (2002) supports this view by warning that deciding what is good governance in the technology age is becoming increasingly difficult. With IT having such a direct and immediate effect, boards are as accountable for IT and the associated strategic risks as they are for finances and legal compliance issues. IT governance cannot be designed in isolation from the other key assets of the firm (such as financial and human) and ultimately requires representation at board level.

The argument to include IT skills on boards is strongly supported by Burson-Marsteller's (2004) research, which found that boardrooms need to open their doors to directors with technology skills and competencies in order to unleash innovation and economic growth. Leading companies who had transformed the business landscape by including technology experts on their boards delivered annual returns 6.4% above their industry average.

Broadbent (2004) flags another key driver as being risk management: "IT assets are now just one asset class among others that companies deal with... But increasingly, if not managed appropriately and well integrated into the business they leave organizations exposed to huge risk and competitive disadvantage." Broadbent further warns that boards do not always have expertise in "envisioning how better IT-enabled business can improve positioning." This skill and risk profile is reflected by a statement made to Broadbent at a 2004 presentation: "I don't want to see my company in the headlines for the wrong reasons. We suspect we are at risk but we are not sure exactly how to assess that." The author suggests that IT expertise at board level might address this.

The issue can be brought down to risk, as Siwik and Randall (2004) indicate:

The emerging standards of corporate governance are forcing businesses to abandon their traditional silo-based risk management approach. As we have seen with Enron, silo-based risk management permits business leaders to point the finger elsewhere with nobody ultimately accepting responsibility … Every company, regardless of size, should work to measure, manage and monitor risk in a coordinated manner. Businesses are a complicated blend of knowledge, technology, people, processes, and capital, and the only proper and effective perspective is a comprehensive and strategic one.

Thus, we can draw the conclusion that if board governance is to be effective within our changing environment where strategic issues include the significant financial and operational issues associated with IT investment, then board members must demonstrate an ability to understand the implications of IT decisions. IT expertise belongs on the boards of

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