
COBIT® 5: A DISCUSSION THE BOARD MUST NOT AVOID

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There's a saying that goes along the lines that *"the more things change, the more they stay the same"*. Rather ironically, this axiom was first coined by a French journalist -- Alphonse Karr -- in 1839 and it is as true then as it is today. If we were to cast our minds back to those medieval times, one can imagine how the aristocracy did not concern themselves with the problems of the lower class. Similarly, many directors in boardrooms today still believe their *only* role is of a strategic nature and all they need to ensure is for the organisation to remain profitable. Comparing these examples, one quickly realises how perceptive Alphonse Karr really was back then. The lessons learnt when the aristocracy eventually collapsed would no doubt be similar if the board of directors of today fail to understand the strategic issues that affect the organisation's Corporate Governance Framework® and they refuse to interact with management on these matters.

There are numerous components found within a Corporate Governance Framework®, and it would be senseless trying to place a greater importance of one component over another. This is largely because these components each fulfil an important function for the overall sustainability of the organisation. To illustrate this point, one cannot say that the organisation's strategy has a greater level of importance as compared to its Integrated Report, or its information technology (IT) for that matter. Therefore it is important that the entire board of directors, as well as the organisation's senior management are 'connected' on all these matters if the organisation is to be considered truly functional. That being said, one of the least understood and often very complex areas of the business is the organisation's information technology. By and large, many boards typically pass this critical business imperative off to the operations (i.e. management) and very little, if any 'airtime' is allocated by the board about the use of IT.

"Successful enterprises have recognised that the board and executives need to embrace IT like any other significant part of doing business. Boards and management - both in the business and IT functions - must collaborate and work together, so that IT is included within the governance and management approach. In addition, legislation is increasingly being passed and regulations implemented to address this need."

Source: www.isaca.org

The less a board of directors understand the capabilities of technology, the more difficult it is for them to apply their minds to the strategic direction of the organisation. Accordingly, it is essential that boards are comfortable to discuss the manner – strategically – in which technology is able to provide the organisation a competitive advantage, and at the very least improve the organisation's productivity. Expectedly, as IT is a rapidly changing 'commodity' that will outlive itself over fairly short periods of time, it is equally important that boards correctly govern their IT. It stands to reason that IT is not a subject that should be relegated to the lower ranks of the organisation.

Accordingly, boards will need to become a lot more informed (as well as comfortable) in their IT discussions, and terms such as COBIT®, ITIL, Val IT -- which are examples of various IT governance frameworks -- should not dampen their spirits. Similarly it is important that boards also understand that there are a number of internationally recognised standards which must be factored into their IT governance and framework deliberations, the most notable of these being ISO 38500, ISO 20000 and ISO 27000.

Considering the extent to which a modern organisation relies upon technology, and this goes well beyond applications such as electronic mail, records and contracts management and so forth; the board is ultimately the focal point and decision maker when it comes to supporting IT governance initiatives. As we all know, the improper use of IT, or IT that is antiquated will inevitably cause some sort of damage and examples may be found in the form of business disruptions, loss of business, poor productivity and low employee morale.

It is interesting to note that the King Report on Governance for South Africa of 2009 ('King III') places great importance on IT governance which is found in chapter five of the King III report. The entire chapter is allocated

to seven IT governance principles, and notably the board is featured centrally in these recommendations. Quite appropriately -- as part of the board's collective fiduciary duties -- it must ensure all its governance activities are appropriately connected. This entails far more than an 'oversight' function; it requires the board to have an integral understanding of these matters in order that they can appropriately debate the pros and cons, including the strategic impacts that incorrect IT decisions may have on the business. Expectedly, if these discussions are correctly positioned within the context of the organisation's strategic requirements, logically, the end results would be far better if the entire board participated as compared to the circumstances where only one board director has a grip on these matters and makes the IT decisions.

Sadly, whilst most 'non-technical' directors will steer themselves away from an IT discussion (through their own lack of understanding of how technology should be used to empower the organisation) they typically regard technology as a 'grudge-purchase'. For those organisations who have embraced technology as a business imperative, they have optimised technology throughout their strategy and business models with their oversight functions being monitored and controlled through an end-to-end Corporate Governance Framework®. Moreover, these organisations ensure there's a governance efficacy across all the organisation's disciplines and through the use of ISO 38500, they have positioned IT and IT governance at a strategic level to provide structures and principles for the board to use when evaluating, directing and monitoring the use of IT. Through the efficient use of technology, the organisation's stakeholders become empowered and it is also a very effective way to mitigate risk.

"... IT has a pivotal role to play in improving corporate governance practices, because critical business processes are usually automated and directors rely on information provided by IT systems for their decision making. With the growth of direct connection between organisations and their suppliers and customers, and more and more focus on how IT can be used to add value to business strategy, the need to effectively manage IT resources and avoid IT failures and poor performance has never been greater."

Source: www.isaca.org

There are various IT governance frameworks available to assist organisations in achieving not only their IT governance, but also their wider enterprise governance objectives. King III mentions COBIT® as a possible framework for organisations to make use of in achieving IT governance. COBIT® 5 is the most recent iteration of the framework and it is one of the most comprehensive frameworks available to organisations worldwide. COBIT® 5 provides a comprehensive generic framework for governing and managing enterprise IT and this framework may be used by all types of public and private organisations, regardless of their size. COBIT® 5 is based on five key principles, namely (i) meeting stakeholder needs; (ii) covering the enterprise end-to-end; (iii) applying a single integrated framework; (iv) enabling a holistic approach; and (v) separating governance from management.

Whilst COBIT® 5 places various roles and responsibilities on the board and on executive management, the success of its implementation is largely dependent upon both the board and management working together. It is clear therefore that if the board adopt a 'hands-off' approach to IT and the governance of IT, or where there is a silo-mentality and IT matters are not infused with the business' requirements; projects of this nature are most certainly doomed to failure. Expectedly, this will have significant impacts upon the sustainability of the organisation.

In order that organisations remain ahead of their competition, most of them will need to deploy pervasive strategies and this market approach can be seriously enhanced by the intelligent use of IT. At all costs, the board must refrain from adopting a "tick-box" exercise to this discussion. IT should be a constant item on the board's agenda and particularly considering that it is a critical component of the organisation's Corporate Governance Framework®. Moreover, there is no excuse for any director -- in spite of their lack of exposure to IT -- not to tackle this area of the business. Therefore the appropriate time, money and resources must be allocated to this critical business enabler. After all, this is yet another area that directors need to govern to fulfil their fiduciary duties. **ENDS**

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