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Mudara IOD welcomes its new members, and looks forward to working with them in advancing corporate governance and directorship in the region.

Board Members and Senior Directors are invited to apply for membership of Mudara IOD.

Mudara IOD serves the entire Middle East and Mena region.

## From the CEO

**W**elcome to the third issue of your Newsletter.

In this issue we have concentrated on a much neglected aspect of directorship – IT Governance. You will find a book review and a brief introduction to IT Governance and the role of directors therein.

IT Governance is a critical part of Corporate Governance but has not been given the importance that it deserves. This has resulted in a misalignment between the business and the IT. The long-term result of this misalignment is inefficient business processes, expensive IT systems that do not fulfil the actual business requirements, and high IT costs.

We hope the glimpse of IT Governance that we have tried to give here to our readers will encourage them to delve deeper into the subject.

The Services offered by Mudara IOD are available to you if any help is required in matters related to Corporate Governance.

We look forward to giving you the Governance advantage.

Khalid M. Al Suwaidi



### The Mudara Blog

<http://www.mudaraiod.blogspot.com/>

## Event this month .....

The Standard Chartered Private Bank, in collaboration with Mudara Institute of Directors (IOD), held a high profile forum on Corporate Governance and the importance of Directorship. Chief Economist of DIFC, Dr. Nasser Saidi, moderated the forum with speakers Marios Maratheftis, Regional Head of Research for the Middle East, North Africa and Pakistan, Standard Chartered Bank and Bill Foster, Executive Director Mudara Institute of Directors. The forum that took place on November 4, provided a platform to discuss the business competitiveness of UAE as well as the importance of Corporate Governance.

Osama T. Al-Ghoussein, Head of The Standard Chartered Private Bank for the Middle East, said:

"At Standard Chartered we believe good corporate governance is critical in the provision of building a profitable,

sustainable business and in obtaining and maintaining trust of all stakeholders. Our collaboration with Mudara reflects our aim to cultivate strong corporate governance, which is consistent with elevating the country and region's attractiveness to international investors, and facilitating a framework for continued growth."

Khalid M. Al Suwaidi, CEO of Mudara IOD said: The widespread adoption of corporate governance is vital for ensuring the economic sustainability of the region. It is encouraging that the key elements of good corporate governance at the director level, such as transparency, equality, fairness and accountability, are increasingly being integrated into the business policies and processes of companies in the region. We are very happy to partner with Standard Chartered to conduct this Forum, which will further reinforce the importance of corporate governance and good directorship in the region's corporate sector."

## Recommended Reading for Directors

### Board Briefing on IT Governance

The importance of Information Technology in business cannot be denied, especially in banking, telecommunications, retailing and manufacturing. While IT is often blamed for problems, effort is seldom made at the board level to understand it and give it the same importance in board meetings as is given to finance or human resource.

The IT Governance Institute (ITGI) ([www.itgi.org](http://www.itgi.org)) strives to assist enterprise leaders in their responsibility to make IT successful in supporting the enterprise's mission and goals. Its goals are to raise awareness and understanding among and provide guidance and tools to boards of directors, executive management and chief information officers (CIOs) such that they are able to ensure within their enterprises that IT meets and exceeds expectations, and its risks are mitigated.

The Information Systems Audit and Control Association (ISACA®) ([www.isaca.org](http://www.isaca.org)) is an international professional, technical and educational organization dedicated to being a recognized global leader in IT governance, control and assurance.

Boards and executive management generally expect their enterprise's IT to deliver business value, i.e., provide fast, secured, high-quality solutions and services; generate reasonable return on investment; and move from efficiency and productivity gains toward value creation and business effectiveness.

In many enterprises, expectations of IT and reality often do not match and boards are faced with:

- Business losses, reputational damage and a weakened competitive position
- Inability to obtain or measure a return from IT investments
- Failure of IT initiatives to bring the innovation and benefits they promised
- Technology that is inadequate or even obsolete
- Inability to leverage available new technologies
- Deadlines that are not met and budgets that are overrun

Boards exercising proper IT governance often uncover and address problems in advance simply by asking the right questions:

- How critical is IT to sustaining the enterprise and how critical is IT to growing the enterprise?
- How far should the enterprise go in risk mitigation and is the cost justified by the benefit?
- Is IT a regular item on the agenda of the board and is it addressed in a structured manner?
- Is the reporting level of the most senior IT manager commensurate with the importance of IT?

Other aspects of an effective IT governance framework can be explored by asking questions like:

- Does the board of the organization occasionally ask questions about IT?
- Is the board regularly informed of major IT initiatives, their status and issues?
- Does the board approve IT strategy?
- Does the board have a standing IT strategy committee with representation from the business as well as IT?

This *Board Briefing on IT Governance, 2nd Edition*:

- Was developed in response to the finding that the complexity of IT and the intangible value of information make IT a more difficult area to govern
- Will help in understanding why IT governance is important, what the critical issues are and what frameworks and models are available for management of IT resources
- Is addressed to boards of directors, supervisory boards, audit committees, chief executive officers, chief information officers and other executive management

- Was developed by the IT Governance Institute, a not-for-profit organization founded in 1998, with the mission to assist enterprise leaders in their responsibility to make IT successful in supporting the enterprise's mission and goals
- Is based on Control Objectives for Information and related Technology (COBIT®), an international and generally accepted IT control framework, which provides metrics and critical success factors thereby enabling organizations to implement an IT governance structure throughout the enterprise

ITGI and ISACA have jointly created this work for the benefit of board members and management to help them assess their capacity to:

- Take advantage of IT's enabling capacity for new business models and changing business practices
- Balance IT's increasing costs and information's increasing value to obtain an appropriate return from IT investments
- Manage the risks of doing business in an interconnected digital world and the dependence on entities beyond the direct control of the enterprise
- Manage IT's impact on business continuity due to increasing reliance on information and IT in all aspects of the enterprise
- Maintain IT's ability to build and maintain knowledge essential to sustain and grow the business
- Avoid the failures of IT, increasingly impacting the enterprise's value and reputation.

This work has not been publicized well by its supporters and has not been presented effectively to its real audience – the board members. Little effort has been made to represent IT Governance as an integral part of Corporate Governance.

This is a highly-readable document written in non-IT terms specially for the board members. We recommend all board members to download it and read it.

This work can be downloaded from the ITGI or ISACA Web-sites or can be purchased as hard-copy from the ISACA Web-site.

**Board Briefing on IT Governance, 2<sup>nd</sup> Edition**  
IT Governance Institute  
ISBN 1-893209-64-4  
66pp.



## Did you know?

### What is IT Governance and what role does it have for the directors?

"IT" is a much misinterpreted and misunderstood term. In our context we will consider it to encompass the infrastructure as well as the capabilities and organisation that establish and support it.

"IT governance" has been defined as follows.

*"IT governance is the responsibility of the board of directors and executive management. It is an integral part of enterprise governance and consists of the leadership and organisational structures and processes that ensure that the organisation's IT sustains and extends the organisation's strategies and objectives."*

This completely clears the common misunderstanding that IT Governance is the responsibility of the CIO or even the CEO.

It also establishes a correspondence with the most accepted definition of Corporate Governance which is as follows.

*"Corporate governance is the system by which companies are directed and controlled"*.

In fact, since the board of directors do not realize that IT Governance is their responsibility, they do not keep their eye on IT as they do on finance, HR, security and other aspects of corporate activity. It is very rare for a board to have an "IT Committee" along with its "Finance Committee" or "Compensation Committee". As a result the vital function of IT is neglected and misunderstood and the IT staff feel isolated, unimportant and unguided. This reflects in misalignment between the business and IT resulting in high IT costs and ultimately poor business.

Fortunately, there are two professional bodies that deal with the subject of IT Governance. They are the IT Governance Institute (ITGI) ([www.itgi.org](http://www.itgi.org)) and ISACA (formerly Information Systems Audit and Control Association) ([www.isaca.org](http://www.isaca.org)). They work in close coordination and have laid down standards and best practices for IT Governance. Their "Board Briefing on IT Governance" has been reviewed in this issue. They also issue a regular "IT Governance Global Status Report" which can be downloaded from the ISACA Web-site.

The high-level objective of this "IT Governance Global Status Report" is to reach members of the C-suite to determine their sense of priority and actions taken relative to IT governance, as well as their need for tools and services to help ensure effective IT governance. This translates into the following more detailed objectives:

1. Survey and analyse the degree to which the concept of IT governance is recognised, established and accepted within boardrooms and especially by chief information officers (CIOs).
2. Determine what level of IT governance expertise exists and which frameworks are known and are (or will be) adopted.
3. Measure the extent to which ITGI's own framework, Control Objectives for Information and related Technology (COBIT), is selected and how it is perceived.

The key findings of this survey that relate to directors are as follows.

1. Although championship for IT governance within the enterprise comes from the C-level, in daily practice IT governance is still very much a CIO/IT director issue. The few non-IT people in the sample have a much more positive view of IT than do the IT professionals themselves.
2. The importance of IT continues to increase.
3. Self-assessment regarding IT governance has increased and is quite positive.
4. There is still substantial room for improvement in alignment between IT governance and corporate governance—as well as for IT strategy and business strategy.
5. Good IT governance practices are known and applied, but not universally.
6. Organisations know who can help them implement IT governance, but appreciation for the available expertise and delivery capability is only average.
7. Action is being taken or plans are underway to implement IT governance activities. A large increase is evident when compared to the 2006 report.

Two key findings of this survey indicate the poor level of involvement of the boards in IT activity.

The first is the "Key Champion/Sponsor for IT Governance" which should ideally be the board or a committee thereof, but the findings are that only in 2% of the reported cases, IT Governance was sponsored by the board or an committee thereof..

The second is the "Frequency of IT on the Board Agenda as reported by different respondents" which should ideally be "always" (i.e. there is an IT-related item in every board meeting), but the findings are that IT does not appear regularly in board meetings..

This clearly brings out the need for the adoption of good practices in IT Governance.

The business units in the enterprise have a responsibility to work in partnership with IT to ensure that their business requirements are met. To help enable this:

- Board members should take an active role in IT strategy or similar committees.
- CEOs should provide organizational structures to support the implementation of IT strategy.
- CIOs must be business-oriented and provide a bridge between IT and the business.
- All executives should become involved in IT steering or similar committees.

IT governance responsibilities form part of a broad framework of enterprise governance. This framework is well covered in the Principles of Corporate Governance issued by the Organization for Economic Co-operation and Development (OECD, 1998), (and presented in our October issue) which focuses on the rights, roles and equitable treatment of shareholders; disclosure and transparency; and the responsibilities of the board. The report further calls for the governance framework to ensure sound strategic guidance of the enterprise, for effective monitoring of management by the board, and for the board to be accountable for the enterprise and to the shareholders. ....

*continued on page 4 ...*



Mr. Bill Foster, Executive Director, Mudara IOD, standing in the front row, fifth from left, at a Workshop in Rabat, Morocco, on October 22-23, 2008. The workshop was conducted by IFC and hosted by the Moroccan Ministry of Economic and General Affairs to discuss building sustainable direct training organizations. Mr. Foster was able to share the experiences of Mudara IOD for the benefit of other participants.

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Among the board's responsibilities are reviewing and guiding corporate strategy, setting and monitoring achievement of management's performance objectives, and ensuring the integrity of the enterprise's systems.

IT should be addressed like any other strategic agenda item of the board, and that for critically dependent IT systems, governance should be effective, transparent and accountable. This means that the board should be very clear about its own and management's responsibilities. It should have a system in place to enforce those responsibilities which generally relate to IT's alignment and use within all activities of the enterprise, the management of technology-related business risks and the verification of the value delivered by the use of IT across the enterprise. Boards begin to do that by asking the right questions about:

- The strategy and its integration throughout the enterprise
- How IT investment improves quality of service
- Investment in and proper allocation of IT resources
- Policies and procedures for IT risk management
- Learning from failures and successes

Board members, particularly nonexecutive directors, should ensure they are satisfied that adequate answers can be provided to each of the above issues to:

- Assess the status of IT
- Obtain a clearer understanding of the potential for using IT to improve business objectives
- Promote more integrated business solutions through the application of IT
- Ensure resources are used wisely and effectively on projects and conducted to professional standards

Many boards carry out their governance duties through committees that oversee critical areas such as audit, compensation and acquisitions. Taking the criticality of IT into account, IT should be managed with the same commitment and accuracy. The

setup of an IT committee at the board level -- an IT strategy committee -- can be an important mechanism to achieve this goal. The IT strategy committee composed of board and non-board members, should assist the board in governing and overseeing the enterprise's IT-related matters. It should ensure that IT governance is addressed in a structured manner and the board has the information it needs to achieve the ultimate objectives of IT governance.

The board should drive enterprise alignment by:

- Ascertaining that IT strategy is aligned with enterprise strategy
- Ascertaining that IT delivers against the strategy through clear expectations and measurement
- Directing IT strategy by addressing the level and allocation of investments, balancing the investments between supporting and growing the enterprise and by making considered decisions about where IT resources should be focused
- Ensuring a culture of openness and collaboration among the business, geographical and functional units of the enterprise.

Boards should support learning and growth and manage resources by:

- Maintaining awareness of new IT developments and opportunities
- Ensuring that IT resources are able to support current and expected business requirements
- Committing to improving the efficiency and effectiveness of the IT infrastructure
- Sustaining an adequate investment in staff education, development and training for IT operations and developments

The board should also measure performance by:

- Defining and monitoring measures together with management to verify that objectives are achieved and to measure performance to eliminate surprises
- Leveraging a system of balanced business scorecards maintained by management

## Recent Events

October 29, 2008

Mr. William Foster, Executive Director, Mudara IOD, delivered the key-note address to the annual conference of the UAE Chapter of ISACA in Dubai.

November 4, 2008

Corporate Governance Forum at the Capital Club, Dubai, in collaboration with Standard Chartered Private Bank.

November 5, 2008

Roundtable Discussion – “Why do we need standards and regulations?” – at DIFC, Dubai

## Planned Events

November 17-18, Abu Dhabi

### Introduction to Corporate Governance

November 19-20, Abu Dhabi

### The Board

December 14-15, Dubai

### Strategic Leadership

December 16-17, Dubai

### Financial Stewardship, Accountability & Leading, Planning Improvement

For more information on Mudara IOD please visit

<http://www.mudara.org>

For membership details, please email

[membership@mudara.org](mailto:membership@mudara.org)

For registration details on the programmes & workshops, please email [profdev@mudara.org](mailto:profdev@mudara.org)

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