

NACD Event Highlights

June 8, 2010 Breakfast Event

Governance in 140 Characters: The Impact of Technology in the Boardroom

Social media is transforming corporate culture and the way business gets done around the world. Information Technology is now the lifeblood of every enterprise, driving unprecedented improvements in efficiency, quality and productivity. This progress comes at a cost, however. Thefts of proprietary data can lead to millions of dollars in losses. Rumors can go viral in an instant, threatening corporate reputations and the integrity of global brands. Corporate operations can be brought to a standstill by random acts of nature. How can directors best prepare themselves to address the impacts and risks of information technology?

The panelists at NACDNE's June 8, 2010 Breakfast Event brought a diverse range of perspectives to answering this critical strategic issue for directors and boards. (Click [here](#) to view the slide presentation.) Introducing the panelists was Doug Banks, publisher and editor of *Mass High Tech Journal*. Formerly editor of the *Boston Business Journal* and as staff editor at *Fast Company* magazine, Banks has taught journalism and writing at a number of colleges and universities and has served as a director on nonprofit boards.

Banks introduced the session's topic by observing that social media is creating new ways for companies to learn what people are saying about their brand, their enterprise and, in some cases, directors themselves. He pointed to the challenges that boards face in developing strategies for IT, which moves faster than the speed of business itself, and in addressing the risks arising from global connectivity.

Speaking first was panelist Larry Weber, founder and chairman of W2 Group, a global marketing services ecosystem that helps chief marketing officers in their new role as builders of communities and content aggregators. An industry thought leader and author of three books on business and marketing, in 1987 Weber founded The Weber Group, which within a decade became the world's largest technology public relations firm. Weber has served on the boards of a number of corporations, nonprofits and educational institutions including Yankee Group, Vertro, Communispace, Compute, the Museum of Science, the Home for Little Wanderers and Babson College.

Weber described the advent of social media as "the biggest media change in our lifetimes," predicting the eventual demise of newspapers and TV's traditional nightly news. He observed that people are increasingly using the social web to mobilize corporate constituencies, often with profound impacts on reputation and financial performance. Weber advised directors to recognize that, because of social media, companies are no longer in control of their own brands.

The upside, however, is that social web technology also opens the door to new kinds of corporate strategies, Weber said. He pointed to the growing acceptance of crowd sourcing as a way for companies to think outside the box in dealing with challenges. Alluding to the Gulf of Mexico oil disaster he said,

“Why didn’t BP just ask the world, does anybody have any ideas?” Weber concluded his remarks by urging directors to view social media as a major opportunity, not a threat, to explore the social web on their own, and to encourage their companies to join the smart businesses that are using social media to transform their entire organizations, from marketing, human resources and customer service to product development, sales, legal and finance.

Following Weber was Dr. Joanna T. Lau, founder and CEO of LAU Technologies, a management consulting and investment entity formed in 1990 and headquartered in Concord, Massachusetts. The firm provides systems integration, development and delivery of high-end electronic systems for military applications and secure identification and surveillance systems. Lau serves on the boards of DSW Inc., ITT Educational Services, Inc., John F. Kennedy Library Foundation, Nellie Mae Education Foundation, NACD and the National Defense Industrial Association.

Lau’s remarks focused on the challenges faced by directors in guiding the activities of the chief information officer and IT functions within their companies. The quality of IT leadership is the critical factor in determining the performance and productivity of a company’s IT infrastructure, she said, advising board member to think about IT more broadly as “business technology” and place a high priority on succession planning for the position of chief information officer.

Lau then discussed the pros and cons of forming a board technology committee, describing the mission of a technology committee as ensuring that the business is capable of successfully leveraging future technology trends and opportunities. Because the SEC does not require the establishment of technology committees, she observed that boards have considerable latitude in defining their responsibilities. She proposed strategic planning around business technology – with a focus on risk, return on investment and the effectiveness of IT systems and processes – as being chief among these responsibilities. Lau concluded by presenting a model technology committee quarterly meeting schedule, describing how each meeting’s agenda would reflect the key elements of the committee’s charter: 1) alignment with corporate strategy, 2) business benefits, 3) organization and resources, and 4) risk and compliance.

Picking up the topic of risk was panelist Willow Shire, chief executive officer, Orchard Consulting. Shire is a former vice president at Digital Equipment Corp. with responsibility for the \$1 billion healthcare market. Founded in 1994, Orchard Consulting works with executive teams to design and implement their mission, strategy and marketing plans, as well as focusing on team and leadership development. Shire serves on the board of the TJX Companies, Inc., where she chairs the Corporate Governance Committee, and is an active volunteer on the boards of the U.S. Fund for UNICEF and the Cape Cod Art Association.

Shire began her remarks by summarizing the types of information technology risks that currently preoccupy the boards at most companies: 1) espionage and theft of proprietary data, 2) damage to corporate reputation and brand, and 3) catastrophic data loss resulting from a natural or manmade

disasters. She observed that anyone who serves as a corporate director is likely to be confronted by one or both of the first two risks within the next several years, citing as examples the 2006 data breach at the TJX Companies and the 2009 YouTube video that threatened the reputation of Domino's Pizza.

Although risks such as those faced by TJX and Domino's cannot be managed, they can be prepared for, and this is where boards should focus their attention, according to Shire. She outlined the key steps boards should take to prepare for data breaches and threats to corporate reputation, which begin with identifying potential risks and identifying members of management to "own" them. She recommended prioritizing the various risks and assigning their oversight to the particular board committees with the greatest expertise in each area, developing a crisis response plan for each and reviewing the plans annually.

Questions from the audience following the panel discussion focused on the following concerns:

- The disconnect between government policymakers, with their focus on personal privacy on the Internet, and the public's apparent lack of concern about privacy as people live more of their lives on the social web;
- Board responsibility for establishing and enforcing corporate policies that prevent inadvertent public disclosure by employees;
- How to raise the level of social media awareness and savvy in a board comprised mainly of middle-aged directors;
- The difficulties associated with managing cross-cultural differences in multi-national enterprises that are globally connected by their IT infrastructures;
- The availability of tools that directors can use to improve their ability to assess corporate technology initiatives;
- Opportunities to leverage the relatively advanced Massachusetts data security regulations to create competitive advantage for companies headquartered in the Commonwealth; and
- Precautions directors should take to protect the privacy of their board's communications and deliberations.

NACD New England Chapter President Bill Earon adjourned the June 8th program by reminding the group that monthly Breakfast Events will resume in September and encouraging them to forward ideas for topics to cover in the fall, and by wishing everyone an enjoyable summer season.