Corporate Governance’s Opportunity in Cybersecurity

Cyber-attacks on companies have become increasingly common in this fast-paced world of technological advancement. The upsurge in cybersecurity breaches has prompted stakeholders and governance bodies to call for boards to play a more active role in mitigating this risk. Currently, federal regulations require disclosure of cybersecurity risks, but there is very little guidance on how firms can address current and future cybersecurity breaches.

Governance surveys suggest that boards are not sufficiently prepared to address cybersecurity risks and have dated views about what cybersecurity is, with 77% of organizations operating with limited cybersecurity, and 87% lacking the sufficient resources or a plan to prevent a cyber breach.

In a new study, we review the existing cybersecurity regulations and guidelines and summarize previous research on corporate governance and vulnerability to cyber-threats. We demonstrate that IT expertise is crucial to a board’s cyber risk oversight capacity. We also highlight the role of the audit committee and management in cybersecurity risk oversight.

Our findings suggest that an organization is best prepared for cybersecurity breaches if board and audit committee members themselves have IT expertise, or if a separate risk committee oversees cybersecurity, and if the organization appoints IT experts in senior management positions such as Chief Information Officer (CIO) or Vice President of IT.

Our study’s implications extend to policymakers and regulatory bodies, in that IT expertise, and more specifically cybersecurity expertise, may be a necessary mandate at the board or senior management level for successful cybersecurity risk oversight for a firm. These findings may help organizations and policymakers find an integrated approach to preparing for, detecting, and protecting against cyber incidents.

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