



The Digital Challenge for Boards

*Ms. Emma Carroll

With global uncertainty continuing, Boards need to recognise the areas where they can really support their businesses. That includes technology.

The past 12 months have seen tech changes that were already in play accelerate and non-executive directors have had to adapt quickly. The future success of their Boards and organisations will depend on how well they respond to the increasingly important role of digitisation throughout their business models.

Speaking at Criticaleye's Non-Executive Director Virtual Forum, Tom Beedham, Director for Board Mentors and NEDs at Criticaleye, said 2021 could be a crucial time in the boardroom.

"As the world economy continues to demonstrate volatility and uncertainty, it's imperative that Boards identify the areas where they can make a difference and support their organisations. Increasingly for many sectors, technology needs to be at the heart of business, not a function of it, and Boards have to be ready for that."

Jane Diplock AO, NED at Singapore Exchange, was emphatic about the role and impact of digital.

"Digitisation and new technologies are absolutely going to revolutionise business this century. The Boards I'm on are certainly looking at how that will change the business model in relation to the technology that is used, as well as looking at different product offerings."

Jane saw particular significance in the relationship between governance and data. "It's an area that has been underestimated. We're seeing business models that include

artificial intelligence, blockchain, bots and the internet of things. The adoption of 5G will only accelerate this, so, as NEDs, we must seriously demonstrate an understanding of what data governance actually entails," she said.

While the pandemic has dominated the past 12 months, ESG has never been far away from the headlines. Martin Glenn, Chair of the Kent-based, wine and drinks producer Chapel Down Group, said this is another area where a keen grasp on data will be crucial – particularly around carbon usage.

"It's a real challenge to establish a baseline and then track performance of your carbon footprint within the organisation and externally. We need to get better at creating an understanding worldwide of how we do things. That will require embracing the fact that understanding [your] carbon footprint is not a nice to do, it's a critical thing," he said.

"COVID-19 has been the tipping point for ESG issues, by illustrating the link between the health of the natural world and the global economy."

Jane highlighted where digitisation and sustainability are coming together. "COVID-19 has been the tipping point for ESG issues, by illustrating the link between the health of the natural world and the global economy. It is quite rigorously focusing the minds of many Boards and affecting business models. We're seeing convergence between innovation in the digital world, the fourth industrial revolution and the climate change revolution.

“This is making companies take these issues very seriously, and it's around Board tables that critical decisions are going to be made that determine whether these companies survive into the next decade or so. The reality of these two revolutions intersecting will create very different business models.”

Unearthing Digital Capability

Trevor Didcock, Senior Independent Director at Affinity Water, also saw 2020 as a turning point. “If you conducted a SWOT of your business now, would it say something very different to one a year ago? For most people, the answer will be yes. So, as Boards, we have to respond, and the nature of the debate has moved more towards digital products and channels.”

He gave an example of a technology-led initiative at Affinity that showed how non-execs can use influence. “Affinity's digital transformation was centred around creating a digital twin of the organisation. This creates a simulation of the business that captures and emulates what happens in real time. So, for example, instead of customers telling us about leaks, the digital twin alerts us using information from the water network via pressure sensors and uses AI to model and anticipate future issues.

“It has transformed our service, massively improving our responsiveness and productivity,” Trevor said.

Set up by the Chief Information Officer, the digital twin initially lacked visibility in the organisation. “As Board members, that's one thing that we can really do – help empower the experts. Technology is one of those areas with clear opportunities, where the Board can encourage innovation and collaboration, giving it the oxygen it deserves. Our CIO now sits on the Executive Board reporting to the Chief Executive and is adding real value.

“It's about drawing the attention of the executives in a way that isn't intrusive but demonstrates that the Board is behind innovation and ideas. The level of understanding is growing but I think Board members still need to find further ways of understanding what technology can do,” he said.

The discussion turned to whether digital experts were now crucial for Boards.

Martin thought it was more to do with having the right people in the room who would realise digital would create value if done the right way. “Having a digital evangelist can work but it can also get quite tiring. The digital agenda is best posed by people that really understand what it can do, so they bring different experiences, but have a balanced view about how it might be deployed,” he said.

“It is about personalisation and having a “Netflix approach” when it comes to learning and up-skilling.”

Digitising the Workforce

Devyani Vaishampayan, NED at the British Quality Foundation and a Criticaleye Board Mentor, highlighted how digitisation is a key part of the people agenda too. “Hybrid workforces are here to stay and that is fundamental to an organisation. You must ask how you are going to engage those people and how you are going to retain your culture.”

She continued: “The use of digital solutions to facilitate remote-team management, ensure wellness and improve productivity is getting to be an increasingly important agenda item for Boards. It's not just to do with automation. Now it is about the ability to have real-time data which makes a huge difference when employees are going through uncertainty and rapid change.”

Devyani said it is about personalisation and having a “Netflix approach” when it comes to learning and upskilling. “That puts [employees] in charge of their own development. But, most importantly it's about predictive insights and the technology around these is improving and is available in a highly cost-effective manner.”

In conclusion, Martin stressed the role of the changing workforce for business success. “Digitisation is not a panacea, it's an enabler. The difference between the winners and the losers over the next five years will be about those companies that are truly imaginative about how they harness the energy of their workforces to get digitisation done better than their competitors,” he said.

**Ms. Emma Carroll is Managing Editor at Criticaleye. She has a decade long experience in writing on business and finance related matters, with a focus on business performance management. Prior to joining Criticaleye she worked with CFOs and other finance professionals at ICAEW. She also ran a network for women in finance and launched an online performance management community. Emma qualified as a Chartered Accountant with PwC in 2000, before working in various business roles at Marks & Spencer and within the film production industry.*