



Amrop

TECHNOLOGY & MEDIA

Digitization on Boards Report: 2016

Are Boards Ready for
Digital Disruption?



Digitization on Boards Report: 2016

Topline Findings

As the tide of disruption and digitization sweeps into every sector, the flow of digital know-how into Executive Management Teams - CDOs, CIOs and CTOs - has stepped up. This report maps the digital competencies of the Boards of the 110 largest stock-listed companies in 11 countries in Europe and the US, and the backgrounds of 1280 Non Executive Directors (NED's). The analysis is enriched by in-depth interviews.

Digitization on Boards is Still in its Infancy.

- **36% of Board Members in Technology Companies Have Digital Competencies.** Unsurprisingly, technology posts the biggest proportion of digital NEDs. Finland scores highest, France, lowest. The US ranks third-lowest (US tech companies tend to seek financial and consumer competencies). 23% of tech/digital competencies are in the form of Employee Representatives.
- **5% of Board Members in Non-Technology Companies Have Digital Competencies.** Denmark and Spain rank lowest (2%), Sweden ranks highest (8%).
- **Digital-Critical Sectors are Under-Equipped.** Consumer Goods & Retail (5%), Financial Services (4%) and Life Sciences (7%), have strikingly low proportions of digital profiles in the Boardrooms.
- **Financial Competencies Are 3 Times More Prevalent Than Digital.** In non-Financial Services companies, the representation of financial competencies is at 16% (vs. 5% for digital and Consumer).
- **Only 4 Listed Companies Have An Official Technology/Digital Committee.** Committees can help Boards gain critical insights into digital - and be at the forefront. Their absence means another route into the digital ecosystem is missing. Nominations Committees have a critical role to play.

Digital Disruption and Innovation Means Building the Corporate Garage.

Digital Board Members are catalysts. They help slow-paced majors to innovate faster and more securely in the digital space, to disrupt, even cannibalize their business model. They are forging partnerships with new players and integrating fresh leadership talent, launching game-changing products or services. Some are building a 'corporate garage' - a more open and innovative management style, a less hierarchical structure, integrating agile entrepreneurial behaviors. Digital Board Members are learning catalysts and are seen as role models for digital innovation by the top management team and upcoming management talent.

Digitization and Disruption Demand a Risk-Tolerant Culture.

If risk management is a foremost concern, too much focus on risk can be a risk in itself. Straitjacket governance and the fear of failure breed a culture that can stifle the innovation and the digital disruption needed to stay relevant. Balancing risk management and digital innovation (and changing ingrained attitudes) will be a key future task of all Board Members, Chairmen and Chairwomen above all.



Digital Transformation and Online Security Risk Are Uneasy Bedfellows.

Board Members raise online security as a top issue. Online breaches, the theft of personal data or commercially sensitive information are damaging IT infrastructure, finances and reputation. The risk is intensified by rapid innovations in cloud computing, data aggregation, mobile technology, and the commercial uptake of social media. Digital innovation and security risk must be balanced, and several interviewees admit they lack insight. This, they expect a digital Board Member to bring to the table.

Step by Step Along the Digital Path We Go.

For the majority of Board Members we interviewed, digitization has to be on the strategic agenda. Many are looking first to simplify internal processes, to change (or upgrade) legacy IT systems. The starting point is often the ERP and other core installations. Even this is no simple transformation and financial surprises can lurk beneath the surface. Two inter-related goals emerge: firstly, more efficient product and service deployment. Secondly, engaging with customers - enhancing value and customer journeys in faster, simpler digital ways, both in the B2B and B2C domains.

Boards Are Underperforming, Say Chairs.

Digital change is often driven bottom-up: by IT and/or Finance. Yet its leadership should be a Board task – integrating operating departments, strategic needs, and Executive Management. A Board Member can act as sponsor and coach to a representative of the latter team - weekly contact is recommended. As Boards lack space for digital dialogue in the boardroom, yearly Strategy Days with the Executive Management Team prove an effective solution.

Digital Investments Are a Balancing Act.

Resources are focussed along a spectrum that spans digital security at one end and service innovation at the other, underpinned by performance optimization (facilitated by streamlined data gathering and processing). Some companies are seeking a synthesis.

Opinions are Divided About Digital Profiles.

Regarding Board composition, around half of our interviewees are seriously examining their technological expertise. Yet several must still define what they need to look for, whilst others have set clear parameters.

Digital Board Members Need Breadth and Gravitas.

The pure-play digital profile in his or her early 30s is exceptional, even if digital Board profiles do tend to be 10-15 years younger than average, and used to a more agile, fast-moving pace, with finely-tuned customer-centricity. The best also have hands-on experience of large scale IT and culture change, and a broad, international leadership track record – a 'T-shaped' profile. To alter Board dynamics and challenge the status quo, Board experience is recommended.

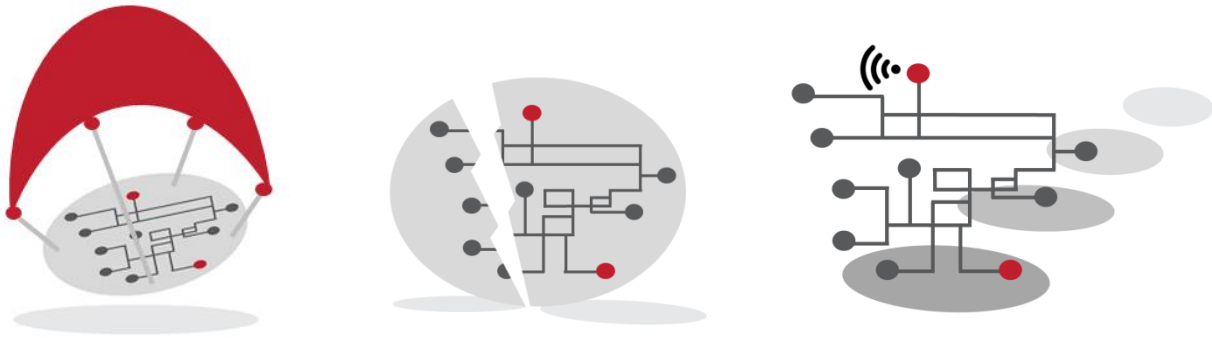
We Bust 5 Board Digitization Myths.

Are Board Chairs with digital/technical competencies younger than average? Do more gender-diverse Boards also have a higher proportion of digital competencies? Amrop tested 5 hypotheses regarding Board digitization across Europe/the US. All were revealed to be invalid. You can read about them in the full report.

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Digitization has forced us to rethink our entire business model.
Juha Rantanen, Vice Chairman of the Board, Stora Enso



Foreword

No company, in no sector, can turn a blind eye to disruption and digitization. Yet digital transformation is here to stay. It brings risks and opportunities in its wake. The Board has the task of foreseeing, evaluating, and prioritizing all of them.

The demand for senior executives with digital know-how is rising. As the flow of CDOs, CIOs and CTOs into Executive Management teams steps up, what are businesses doing to equip themselves at Board and Non-Executive Director level?



This report looks at the current status of Digitization on Boards. It is the first in an annual series from Amrop's Global Technology and Media Practice Group.

We ask: do Boards have the digital competencies to understand digital consumer trends, digital optimization and cost-saving opportunities? How well are Boards equipped to lead the integration between new digital platforms and old, core legacy systems? Or to engineer new business models and address digital disruption?

This is the first time the digital competencies of the Boards of the 110 largest European and US stock-listed companies have been systematically mapped. The objective: a horizontal overview of digital Board penetration. Our quantitative analysis of the background of 1280 Non Executive Directors has been enriched by in-depth interviews with selected Chairmen and Non-Executive Directors from those companies.

When can we consider a Board to have a sufficient penetration of digital competencies? For maximum impact, two members of an average-sized Board should have a digital background (not including Employee Representatives), Amrop recommends.

We started with a hypothesis: *digital competencies are insufficiently anchored within Boards*. Indeed, we found that on average only approximately 5% of the Board members of non-technology companies in Europe and the US can claim a technology/digital profile. And only 4 out of the 110 companies have installed a technology/digital committee to give advice and support in the domain.

We now invite you to explore how far Boards have traveled along the digital journey, and how far there is yet to go. We hope the findings - and some of the learnings - will inspire you.

A handwritten signature in black ink, appearing to read 'Niels Bentzen', with a long horizontal stroke extending to the right.

Niels Bentzen
Global Practice Group Leader, Technology & Media
Amrop



Amrop

Methodology

In the second half of 2015, Amrop’s Technology & Media Practice Group analyzed the background of Non Executive Directors: Chairmen, Vice Chairs, regular Board Member Positions, and Employee Representatives. Investigating the extent to which technology/digitization is represented in Boardrooms, our scope was the top 10 stock-listed companies by revenue, in 11 countries (Europe + the US). 110 Boards were analyzed, and the profiles of 1280 board members mapped. Chairmen, Digital and non-digital Board Members were then interviewed in selected countries.

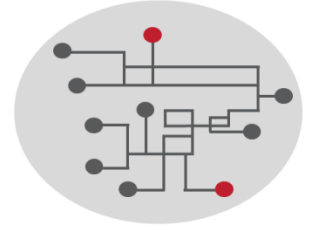


A Board is considered as having technology/digital competencies when it has a technology/digital committee, or if one or more Board Members (Executive, or Non-Executive) are categorized as technology/digital profiles. (Employee Representatives/ERs have not proactively been elected for their digital competencies on the Board, so will not be encountered).

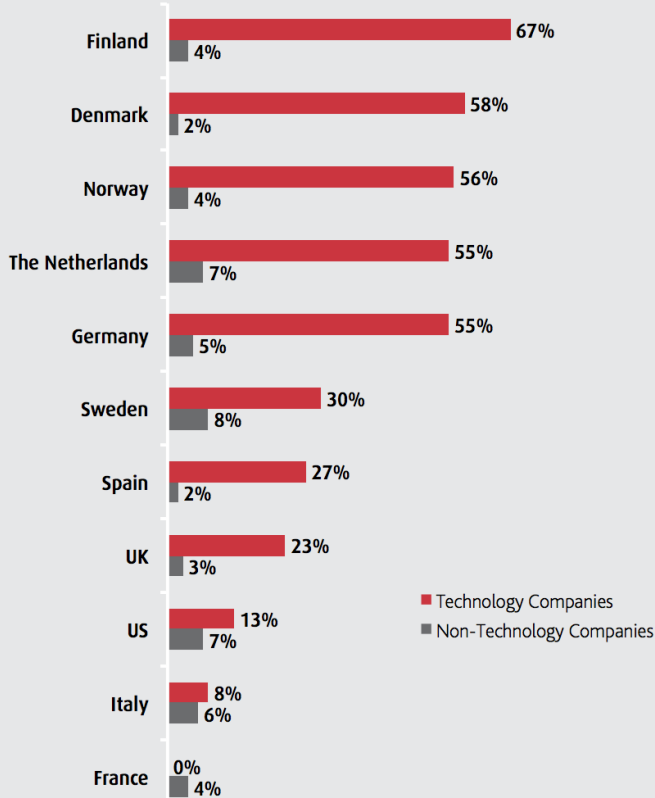
Definitions	
Technology/Digital Profile A person (Board Member), with professional operating experience from a company within: software, SaaS, hardware, infrastructure, internet, digital, online, social media. He or she has worked in such a company within the past 5-10 years. Alternatively a CIO, CDO or CTO in an operating role from other companies.	Technology/Digital/Innovation Committee A Committee reporting to the Board, with the purpose of guiding and advising the Board on issues related to software, hardware, infrastructure, internet, digital, online alone, or in relation to innovation.

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Digital Representation on Boards What the Numbers Say



Digital/Technology Profiles in Boardrooms (Country)



36% of Board Members in Technology Companies Have Digital Competencies

Unsurprisingly, technology companies have the highest proportion of digital Non-Executive Directors on their Boards (including companies in the US). Clearly, digitization has a higher impact in the technology sector. The highest representation is in Finland, the lowest, in France. The US ranks third-lowest, explained by the fact that US Tech companies tend to look for financial and consumer competencies in their Boards.

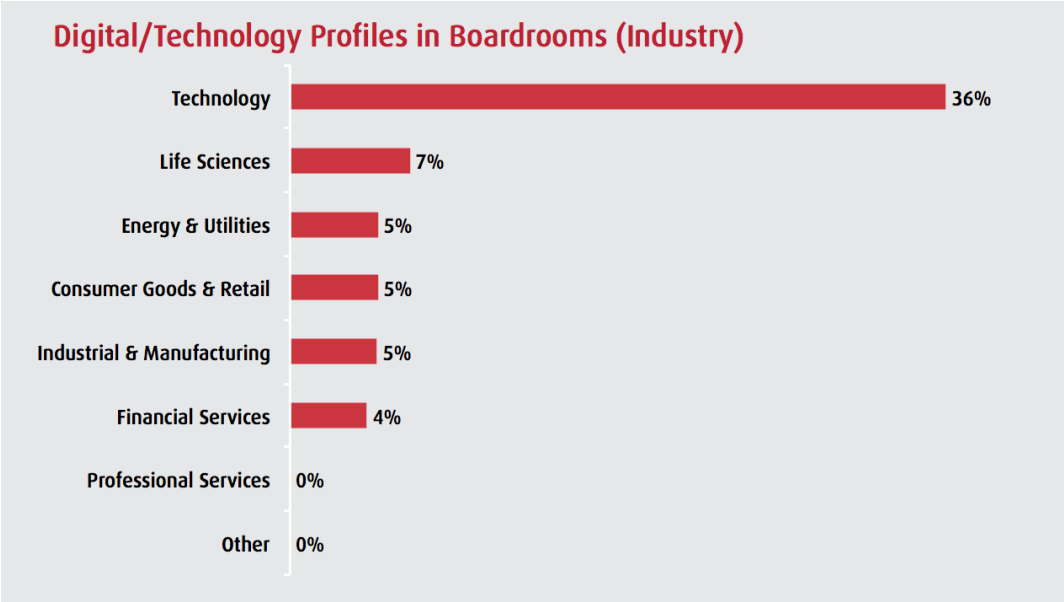
23% of the Technology/Digital competencies in technology companies are Employee Representatives. We question whether they are chosen because of digital skills, and the impact of Employee Representative variants across Europe has been low to date. To what extent does an ER with digital competencies represent a strategic, proactive choice at Board level?

5% of Board Members in Non-Technology Companies Have Digital Competencies

An overriding majority of companies in the countries analyzed lack digital representation on their Boards. Denmark and Spain, with representation at 2%, rank lowest, Sweden, with 8%, ranks highest. Too few non-technology companies have established Boards which are equipped to guide them through the digital changes and disruption to come. As Kirsi Sormunen, former VP of Corporate Responsibility of telecoms pioneer Nokia, and a Member of the Board of Directors of renewables player Neste Oil put it: 'Digitization of boardrooms all across Europe is still in its infancy.'

Digital-Critical Sectors are Lagging

The penetration of digital competencies is therefore 7 times higher in the technology industry, than in others. Furthermore, consumer goods/retail and financial services are surprisingly under-represented, given the digital transformation in these sectors. The same goes for life sciences, where healthcare technology is having a universal impact. The lack of digital readiness on these Boards is striking.



Financial Competencies Lead the Field

If digital profiles are notable by their absence on Boards, how does this compare with other profiles? We took financial profiles as our first example (we can arguably associate these profiles with risk and investment) and Consumer Goods/Retail profiles (profiles we can arguably associate with innovation and digital transformation) as our second.

Financial competencies top the list. In companies outside the financial services sector, across all countries, the representation of financial competencies is 3 times that of digital (16% vs. 5%).

The representation of consumer competencies is at the same level as digital (for non-consumer companies). Two interesting exceptions are the Netherlands and the US (12%).

How can these figures be explained? Our interviewees stated that industry knowledge and financial competence come first. Financial governance and financial risk are among the drivers.

On a final note, there is also a tendency for the numbers of women with digital competencies entering the Board to be higher than women entering Boards in general.

Only 4 Listed Companies Have An Official Technology/Digital Committee

Boards increasingly acknowledge the value of committees and Advisory Boards when it comes to gaining external knowledge, inspiration and innovation faster, within a different, more informal governance structure.

Technology/Digital Committees are an equally rich opportunity to gain critical insights into developments and be at the forefront of these. Yet our study revealed that only 4 out of 110 listed companies have an official Technology/Digital Committee. (2 in the US, 1 in Germany and 1 in Spain). 2 are within the technology sector: General Electric (GE) and Deutsche Telekom, with Walmart (consumer sector) and Banco Santander (financial services). So another route into the digital ecosystem is almost absent from the map - across countries and industries.

The Role and Mandate of the Technology/Digital Committee

The fact that so few Boards have an official Digital or Innovation Committee indicates that most have yet to see the value of these. Yet in our discussions with Chairs of such committees, or representatives of companies that are actively using these committees, the benefit is clear: a fast track into relevant knowledge and competencies, with an outside-in view on the industry and the company.

This said, committees need to be well-planned and organized; and their Chair needs a clear mandate and purpose of how the committee will be deployed to have the right impact. The external members of the committee have to understand their role too. In many ways, the committee resembles an Advisory Board.

Some of our interviewees indicate the need for a stronger mandate for their committee in the sense of 'disturbing the business.' They want committees to bring concrete new scenarios, business models or customer concepts in front of the Board - fast.

A Case in Point - Walmart

The mandate in the Walmart Technology and eCommerce Committee, and the individuals in that committee, reveal a clear focus on digitization and innovation:

Committee Functions

The Technology and eCommerce Committee (the "Committee") is appointed by the Board to review and provide oversight of, and counsel on, matters relating to technology, eCommerce and innovation

Nominations Committees Must Take a Pivotal Role

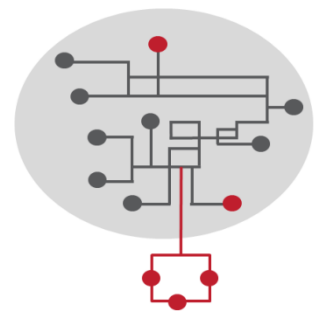
The role of the Nominations Committee is increasingly under the spotlight (see Amrop article, 'Raising the Bar for the Nominations Committee'). Its task, at the most basic level, is to evaluate and appoint new Board Members on behalf of share- and/or critical stakeholders.

Corporate shareholders and Board Chairs have an obligation to push for a competency-based Board. And one of the key competency domains is digital – experience and understanding, in the context of a forward-looking business agenda.

If the Nominations Committee does not grasp the importance of the future digital agenda, or is unable to envisage how that agenda will impact the company, not only will it fail to facilitate digital-ready Boards, it will actually act as a road block. It may also send the company down the wrong path. Bert Nordberg, Chairman of Vestas is clear: "If the Nominations Committee members don't understand the impact of digitization, then they will select the wrong competencies."

When Nominations Committees do embrace the digital, the effect can be enlightening. The Chairman of one Nominations Committee who had just elected two new digital Board Members was enthusiastic: "We have never learned so much about relevant digital business models so fast, and we were inspired. The dynamic and dialogue in the Board has clearly changed already after one year".

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Views From the C-Suite

Digital Disruption and Innovation From Within Means Building the Corporate Garage

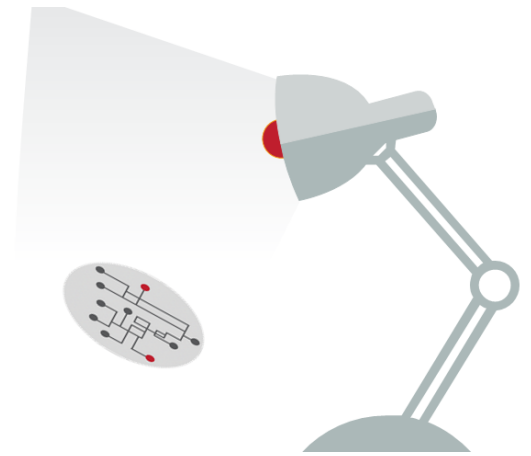
Digital disruption is the 'new black' in large organizations. How can slow-paced majors innovate faster in the digital space?

In conversations with Amrop, digital Board Members talked about building a 'corporate garage' and embracing a more open and innovative management style, within a less hierarchical structure.

They are striving to integrate agile entrepreneurial behaviors with existing capabilities. This is also their mission on the Board: to be a catalyst for digitization and innovation.

The race is on. Many established companies need to swiftly identify ways that allow them to disrupt and even cannibalize their own business model. The alternative is to merely take a spectator role, and be disintermediated by new digital challengers.

Instead, partnerships must be forged with new players, and infusions of fresh leadership talent expertly managed. These are just some of the topics that new digital Board Members can bring to the table.



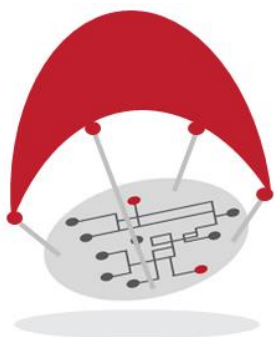
Describing how they had acted as digital catalyst, some digital Board Members related how they had played a key role: launching a new game-changing product or service for the company, for example.

They are often seen as role models for digital innovation – not only by the top management team, but by the next levels of upcoming management talent.



In a time of radical change due to digital disruption, I believe that the biggest risk facing many companies today is no longer transactional risk, but the risk of becoming irrelevant.

Jim Hagemann Snabe
*Member of the Board,
SAP, Siemens, Allianz and
Danske Bank*



Digitization and Disruption Demand a Risk-Tolerant Culture

The former co-CEO of SAP Jim Hagemann Snabe is a Member of the Boards of SAP, Siemens, Allianz, and Danske Bank. He states: “An important role of the Board is to understand and manage the risk of the company.” Our interviewees confirmed risk management as key for shareholder and investors - especially within the financial sector.

But too much focus on risk management can be a risk in itself. A tight governance structure, combined with the fear of failure, together breed a cultural environment which can stifle innovation and digital disruption.

Mr Snabe adds: “In a time of radical change due to digital disruption, I believe that the biggest risk facing many companies today is no longer transactional risk, but the risk of becoming irrelevant. More than ever before, Boards need to understand the implications of the digital disruption and catalyze changes to help convert risk into opportunities.”

He warns: “All kinds of businesses relying on a physical touch point with customers are exposed and may foresee disruption soon. Smaller and more innovative companies with a different cost structure will take over part of the value chain.”

The digital Board Members we interviewed were certainly asking themselves: how can we adopt the essence of Silicon Valley – the culture and ecosystem that engenders a willingness to take risk and fail? How can we develop a more risk-tolerant culture in the Boardroom, in order to stimulate digitization and innovation?

Striking the balance between risk management and digital innovation, (and changing ingrained attitudes) will be a key future task confronting all Board members - Chairmen/women above all.

Digital Transformation and Online Security Risk Are Uneasy Bedfellows

Recent, widely-publicized examples in Europe and the US have thrown into sharp focus the universal threats of online security breaches, the theft of personal data or commercially sensitive information, and overall damage to IT infrastructure. The financial and reputational impact is (to put it mildly) significant.

Moving to a digital, transformational way of working will undeniably throw up yet more security challenges. The frequency and prevalence of these risks has been intensified by rapid innovations in cloud computing, data aggregation, mobile technology, and the extended commercial use of social media. Many Board Members raised managing online security as one of their biggest issues when implementing digital transformation.

The question is again one of balance – this time, between digital innovation and online security risk. For Kirsi Sormunen: “questions of cyber security and sensitive customer information are inevitably the greatest threats for Boards at the moment. Also customers’ expectations and satisfaction concerning digital services are a real issue, as customers are impatient.” Tellingly, several interviewees admit that, in general, they lack the relevant insight. This is exactly the knowledge that they would expect a digital Board member to bring to the table. For some, online and cyber security measures have to be an increasingly important part of a Board’s risk oversight function.

Bert Nordberg, the Chairman of the wind turbine leader Vestas and Board Member of Electrolux and SCA, also wants faster, cheaper service provision. Companies must equip themselves to be forward looking, with sufficient bandwidth to balance opportunity with risk. “How can Boards bring digital innovation into our company or acquire it? The Chairman has to create an environment in the boardroom for digital thinking and understanding. In a lot of boardrooms you would typically see people look at the historical value and not the future value, which makes them unable to foresee the disruptive changes in technology that might have an impact on the business. Threats and possibilities are missed out. This is why we have the Executive Management Committee participating in all Board meetings.”



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Bert Nordberg
*Chairman of the Board, Vestas,
Board Member, Electrolux and SCA*



Digitization must not be seen as an external business function but as something that affects everything a company does. It cross cuts every internal function and strategy in one way or another.

Kirsi Sormunen
Member of the Board of Directors,
Neste

Step by Step Along the Digital Path We Go

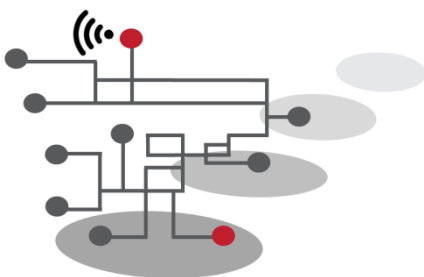
Many of the Board Members we interviewed are looking to simplify internal processes, to change (or upgrade) existing legacy IT systems. The starting point is often the ERP and other core installations. Even this is no simple transformation (and nasty financial surprises can lie in store).

“We are updating our databases, especially ERPs and telecommunication infrastructures, to gather fragmented systems under a single umbrella,” one Board Member reports. “This is our main agenda at the moment, since these kinds of basic transformations in large organizations like ours can take years.”

Several Board Members are working in parallel to strategically implement new digital services and products to the existing business – mainly in customer-facing areas such as sales, marketing, customer support and services. Two inter-related goals are at play: firstly, the more efficient deployment of products and services. Secondly, engaging with customers - enhancing value in faster, simpler digital ways, both in the B2B and B2C domains. Especially companies within technology, retail and financial services are busy designing new, digital, customer journeys.

Hand in Hand with IT and Finance – (Ideally)

“Digitization must not be seen as an external business function but as something that affects everything a company does. It cross cuts every internal function and strategy in one way or another,” says Kirsi Sormunen. “I do not see digitization itself at the core of Neste’s business as we are still producing a very physical product. Nonetheless, I very strongly believe in the development of IoT and Finland’s possibilities to become a pioneer in the field. Identifying the possibilities of digitization is key for Finland’s future development.”



All too often, however, the Board fails to interact with a process that is driven bottom-up by IT and/or Finance. Yet the leadership of this (seemingly operational) change should be a Board task – working hand-in-hand with IT and Finance and integrating the strategic needs of the business. For this Board Member, the journey is still underway, even if some connections in the circuitry are now live: “The Board Members need to be closer to the business. In our company every Board Member is sponsor and coach to a person in the executive management team - they have at least a weekly contact. I am satisfied with the composition today, but it has taken time to get here. The CEO has a technology background and that helps, but the Board needs to update.”

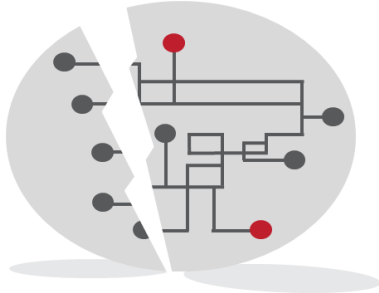
Boards Are Underperforming in the Digital Space, Say Chairs

Several Chairs openly expressed their dissatisfaction with the digital performance of their company and the way in which their Board approaches the topic. We have seen that the digitization agenda has to take the form of an interaction loop. It must be driven top-down from Boards as well as bottom-up from the company, with a high degree of focus from executive management.

The majority nonetheless believe that digitization has to be on the strategic agenda going forward. One openly admitted: “I am not satisfied with our digital performance and I constantly try to challenge the Executive Management team and make sure the CTO/CIO also present the strategy and technology road map at Board meetings. Digital disruption has to be on top of the agenda.”

Despite their best intentions, one constraint facing Boards is sufficient time and space for the digital dialogue in the boardroom. Yearly Strategy Days provide one solution. They enable the Board to spend time with the Executive Management team to address digital disruption and the ways in which this can and will affect corporate strategy. An invaluable forum to discuss digitization, Strategy Days enable the Board to engage with the digitization platform. And digitization is fast becoming a strategic hub: “It varies across the Boards, but digitization has become the turning-point for a new strategic dialogue and a more focused approach in order to innovate,” says Jim Hagemann Snabe.

I am not satisfied with our digital performance and I constantly try to challenge the Executive Management team and make sure the CTO/CIO also present the strategy and technology road map at board meetings. Digital disruption has to be on top of the agenda.



We want to leave the old approach of a 'fortress fenced by walls' and create a system protecting every single source of information.

Gian Maria Gros-Pietro

President and Chairman of the Board, Intesa Sanpaolo



Investments Must Be Prioritized and Balanced

The digital tsunami has powered its way into every corner of industry. Paper is just one example. The digitization of media has radically reduced demand, moving forward in waves, first impacting newspapers, then magazines, lastly the fine paper used in office environments. Given such convulsions, where should resources be focused? From our interviews, three key areas emerge along a spectrum that spans digital security at one end and service innovation at the other, underpinned by performance optimization (facilitated by streamlined data gathering and processing).

It's security first for Gian Maria Gros-Pietro, President and Chairman of the Board of bank Intesa Sanpaolo. "We want to leave the old approach of a 'fortress fenced by walls' and create a system protecting every single source of information." Jim Hagemann Snabe recommends prioritizing the cultivation and streamlining of innovation: "I see three different areas. One: add new digital services or product to your existing business. Two: asset optimization, more effective use of your product and services (smarter maintenance, shared services between users or more efficient use). Three: new ways to engage with customers and enhance customer value – both B2B and B2C." Others seek to synthesize security and innovation. Here are the most important investment areas, in the words of our interviewees.

Digital Investment Areas		
Digital Security	↔	Service Innovation
Modernization of systems, cyber security, privacy policies. Data protection Digital security	Contactless transactions, where security is a key aspect. Product and service development and asset optimization – also IT security.	Big Data for innovation, proactive operations and optimization of services. Chain or customer service.
Underpinned by Performance Optimization		
Optimizing performance with digitization and IoT (Internet of Things) improving employee competencies. Enabling a more precise control at factory, machine, product, and customer level via the exponential growth of data processing capacity		

Opinions are Divided About Digital Profiles on Boards

We asked our interviewees to look two to three years ahead and share their plans for Board composition. Around half were in no doubt. To meet the demands of the future, and in light of digitization, they were seriously examining their technological expertise.

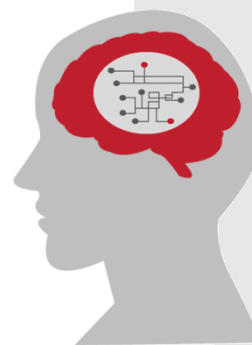
Said one: “We are looking for someone with a deeper knowledge of digitization, who can understand and foresee the possibilities digitization can bring to our business. This person must also have knowledge of other business-critical areas, not just digitization.”

“I could imagine we will see more pure digital profiles - and younger. Either on the Board or as members of a Digital/Innovation Committee,” another interviewee told us. “The future must include a more technology-driven agenda and competencies in the boardrooms.”

Exactly *what* to look for has still to be defined in the minds of several. “Proficiency of digitization is an advantage,” said one Board Member. However: “we must first determine what kind of digital knowledge is relevant – 3D printing, factory automation, etc. – to be able to acquire the right person.” Another Board Member is also at broad-brush stage: “We will look both inside and outside, in a business that already has been disrupted or gone through a digital transformation. Software as a service, media, online...”

Other Board Members had already set clear parameters: “We look for a specific combination of skills from specific sectors globally that matches the description,” said one. Several also raised the need to look for digital Board talent on an international - or global - level.

We will look both inside and outside, in a business that already has been disrupted or gone through a digital transformation. Software as a service, media, online...





We do not want digitization consultants but broad-skilled experts who have previous knowledge of Board positions.

Juha Rantanen
Vice Chairman, Stora Enso

Other Board Members were less convinced about the need to engineer digital profiles onto their Boards. “It is not a priority,” said one, “digitization is not especially important. We are of course interested in acquiring people with digitization knowledge but right now we do not have plans to change the Board composition.” Another interviewee, speaking from the Financial Services sector, took a similar view: “There is no willingness to introduce a member with technological expertise. Sometimes managers with ICT/Innovation expertise take part in the Board.”

Digital Board Members Need Breadth And Gravitas

Ask a Non-Executive Board Member about their image of a digital Board Member, and they’ll likely evoke a pure-play digital profile in his or her early 30s. In reality, this is more the exception than the rule, even if digital profiles do tend to be 10-15 years younger than the average Board Member.

So what should the profile look like?

Digital Board Members tend to be used to a more agile environment, a faster pace, and finely-tuned customer-centricity. But beside this fresh digital experience and perspective, the best players also bring hands-on experience of large scale IT- and culture change, together with a robust track record in broad, international leadership. For Jim Hagemann Snabe: “digital competencies cannot stand alone, I also have to add value with my general management experience – it is a T-shape profile.”

Kirsi Sormunen also believes in deep generalism: “strong, visionary leaders with competence in business critical areas such as sustainability, technology, refining or even digitization.” For another Board Member: “All of our searches are global. We are always looking for people with comprehensive skills and a good understanding of the industry. The overall knowledge profile is what counts, not individual traits or expertise.”

During the interviews, we often heard that bringing digital profiles onto the Board would alter Board dynamics and discussions. Indeed, the most effective digital Board Members are not afraid of challenging the status quo. And this means being Board-savvy. As Juha Rantanen puts it: “We do not want digitization consultants but broad-skilled experts who have previous knowledge of Board positions.”

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Myth Busting

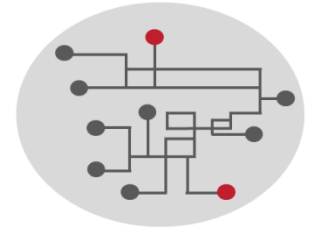
Prior to this study, members of Amrop's global Technology and Media Group raised some hypotheses regarding the digitization of Boards across Europe/the US. All were found to be invalid.

- 1 The average age of Chairmen for Boards with technology/digital competences will be lower than the average age of all Chairmen. *This is not the case.*
- 2 Boards with technology/digital competencies will be on average younger than Boards in general. *They are not.*
- 3 Internationally-composed Boards have a higher proportion of technology/digital competencies. *They do not.*
- 4 The more gender-diverse a Board, the higher proportion of technology/digital competences. *Not so either.*
- 5 On average, Chairmen with technology/digital competencies will have had a shorter tenure than Chairmen in general. *They have not.*



4

Management Messages



Connecting the Human Dots in the Digital Space

- 1 Digitization on Boards is in its infancy – most Boards lack vital expertise. Getting Board composition right today can sharpen competitive edge for tomorrow.**
Given the low digital/technological representation on Boards, consider integrating a digital/technological profile to catalyze and guide your Board in a range of critical areas. From surfing digital disruption and accelerating innovation, to fine-tuning customer-centricity, and managing online security risks. Prepare to be challenged!
- 2 Emulate digital-savvy players to recruit the right profiles.**
When designing a digital profile (and planning onboarding):
 - Expect your candidate to be 10-15 years younger than the average age of your Board
 - Do not automatically expect your candidate to be in his or her early 30's
 - Expect your candidate to be used to an agile, fast-moving environment
 - Seek a T-shaped profile: hands-on experience of large scale IT culture change, plus a broad, international leadership track record
 - Look for previous Board experience
- 3 Starting this year, create the space for digital/technical dialogue!**
Assign a dedicated Strategy Day to connect the Board and the Executive Management team on the digital/technical theme - outside the boardroom.
- 4 Take charge at Board level to drive an integrated strategy.**
If digital/technological change is being driven bottom-up, take charge of the agenda. Also install a formal coaching system: weekly sessions between a Board- and Executive Management team member

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About Amrop

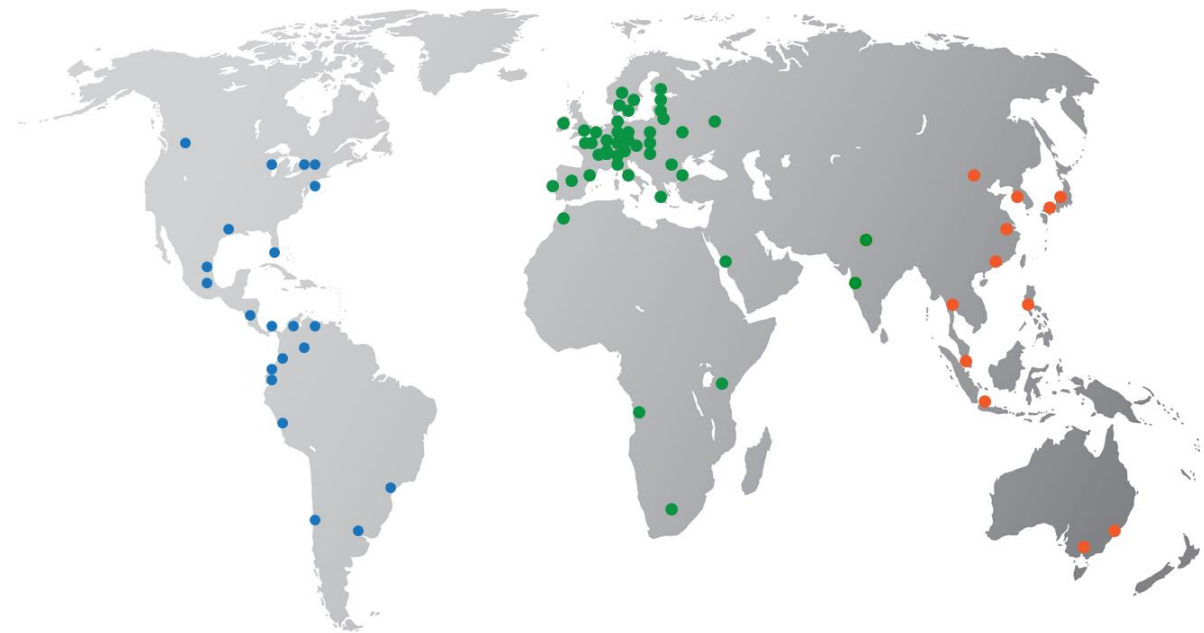
With 83 offices in 57 countries, Amrop provides services in Executive Search, Leadership Assessment and Board Consulting. It is the largest partnership of its kind.

Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.

About the Amrop Global Technology & Media Practice

Amrop's Technology & Media Practice is configured to anticipate and respond to talent demands in:

- **Media & Convergence:** broadcasting, e- and m-commerce, entertainment and publishing
- **Technology** hardware, semiconductors and electronics, software and internet, system integration, IT services and outsourcing, cloud computing, big data, advanced analytics management
- **Telecoms** network providers, telecoms operators/mobility, network integration and outsourcing, wireless service providers
- **Clean Tech & Renewable Energy:** wind, solar, smart grid, energy storage, energy efficiency, recycling and waste, water and wastewater, biofuels and biomass Generation, geothermal, advanced and green materials.



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