

WHY TODAY'S BOARDS NEED TO BE (AND WHY IT STILL ISN'T ENOUGH)

How is your board addressing technology? Strategic thinking is what is needed to use technology as a tool to drive your company's business forward.

As a member of four corporate boards and a venture investor with a strong interest in good governance, I encounter lots of clichés about the “changing role of the board of directors” today. One popular observation is that technology is radically changing how everyone does business and smart boards need to be on top of the issue. Very true—but that’s not nearly enough.

Governance clichés won’t deliver the smart board oversight needed for today’s fast-moving issues like cybersecurity, data analytics, social media/ad tech marketing, and mobile technology—much less for anticipating the new tech challenges and opportunities flooding in at an increasing velocity. Good corporate governance demands boardroom talent, structures, information, and drive to be effective. This means that if your company is going to be ready for the digital age, your board must be willing to reshape itself for this oversight task.

So far, boards have been pretty halfhearted about this structural shift. A survey by the NACD found 40% of US public company board members feel they receive too little info on tech challenges facing the company. More interesting, barely 5% of these boards have a dedicated technology committee. How does today’s best-practice board build technology oversight into its DNA? I’ve served on the boards of a number of firms with strong tech elements and personally know board members of major Fortune 500 companies with tech committees.

Pooling our experiences with governing technology, here are some ideas.

Realize that tech is a vital area of governance oversight. Ask business leaders today what their top five priorities are and “digitalization” is inevitably near the top. “Technological advances are defining and shaping our globally connected economy and fueling new growth opportunities for businesses,” says Maggie Wilderotter, executive chairman of Frontier Communications. But where does digitalization—big data and analytics technology, mobile, social media, etc.—fit on your board agenda? When was it last a topic of strategic board discussion?

Consider a board technology committee... but first, consider the role it should play. Even at companies with a board tech committee, it’s rarely a pure “technology” committee. American Express has an Innovation and Technology committee. At FedEx, it’s an Information Technology Oversight committee. Don’t let the committee get bogged down in IT reports or backward-looking forensic disaster recovery plans. Instead, focus on how to make smart, strategic use of new and coming technology. “Not every board needs a committee to do this, but the subject matter needs to be routinely brought to the board’s attention,” says Robert “Steve” Miller Jr., former CEO of Hawker Beechcraft (now Beechcraft Corp.) and former nonexecutive chairman at American International Group, as well as a member of a number of other boards.

Yet other business leaders I spoke to are bullish on the need for a committee tightly focused on tech itself. Ted Leonsis, venture capitalist and former top AOL exec, finds a “dedicated technology committee allows for a fresh perspective and a diverse set of thinking from industry experts.”

Make this committee your board's forward-looking fiduciary. Current board committees have been shaped by regulatory demands—they’re in business to assure compliance and to review yesterday’s information. But boards today need a built-in voice that looks *ahead* rather than *behind*.

I’ve found that a technology discussion is a natural fit with a board’s strategic and innovation duties and can kick in fresh thinking from the very top. The tech committee charter should assign it to look at new business models (such as ecommerce), competitive dynamics, and how technology can be exploited for the future.

Here’s an example. A \$3 billion retail company asked me to join its board to bring in some digital know-how. The company was tech savvy but hesitant to embrace ecommerce because management thought any dollar earned online was one lost by its bricks-and-mortar retailers. It took some boardroom prodding, but eventually this retailer invested in social media and mobile engagement, plus a robust ecommerce platform. Result—the company found the move to be very profitable and a source of new customers.

