

“Mind the gap” – lack of digital skills on boards is hurting organisations

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Introduction

The IoD is the UK's leading voice for business leaders, campaigning on a wide range of issues such as trade, skills, and corporate governance. Whilst there is much focus on the performance of companies and their good governance, there has been little in the way of analysis or direction on the required technology or digital capabilities of a modern board. This paper analyses the current situation, the importance of technology representation on the board and explores the means the IoD could influence and make it better.

As businesses increasingly become digital, corporate boards are beginning to realise that technology expertise is a powerful asset. Technology-competent directors can help corporate boards understand and oversee tech-driven initiatives and opportunities, over and above the usual IT activity of “keeping the lights on”.

Recommendations

In the previous section we have discussed the actions company boards should take in improving the technology capability within their own areas of governance. We believe the IoD also has a role to play in making this happen, kick-starting organisations into making the necessary changes.

The IOB could take on these activities within current portfolios, since this is doing more of what is already offering to members and wider industry.

1. Raise awareness of the correlation between technology competence and business success

The IoD is positioned well to raise awareness using studies into board make-up and technology innovation, and then communicating this to its membership, and wider industry. Partnering with other organisations may prove beneficial to perform studies such as those recognised in this paper.

2. Enhance the Good Governance Index (GGI) indicators to include technology competence in corporations' boards

Up until 2017, the Good Governance Index report “was an innovative way for external stakeholders to assess the overall standard of corporate governance at the largest UK-listed companies. Launched in 2015, it is now in its third year. The GGI initiative is an important component of the IoD's Royal Charter commitment to promote the study, research and development of corporate governance.”

For the preceding three years, there is no indices for technology competence on the board. If this was introduced, there would be a measure of how this is changing over time, as well as potentially creating a measure for organisations to aim for. (i.e. what gets measured gets done).

3. Create good practice guides on board competency in technology for board members and for technology directors

IoD already has guides in areas such as leadership, director's role and responsibilities, strategy development, a series of guidelines in the areas such as,

- Technology capability requirements at board level
- Technology oversight for boards
- Technology Strategy development

4. Build curriculum of education for non-technical directors to learn (similar to finance for the non-finance director)

It would be good practice to not only have strong C-level technology representation on the board (i.e. good technology depth), but also for a wider appreciation of technology across other board members (i.e. good technology breadth).

This could be achieved with IoD creating a course for non-technical directors allowing them to build an appreciation of strategic elements for IT, and how to make technology-related decisions, how to manage IT risks, and plan for the future.

The course could, over time become part of the diploma curriculum.

Conclusion

The bottom line

As technologies continue to evolve, board directors will likely face more IT oversight responsibilities. Therefore, boards need to have a plan on how to address increasing disruption from technology, whilst delivering internal process improvements and digital change. The increase of technology capability by appointing technologists with depth of knowledge, and at the same time developing good IT governance enables directors to bridge the IT confidence gap.

A tech-savvy board can be a competitive advantage

Technology “keeps the lights on” for businesses, but it can also be a powerful force for driving business growth and performance. As a result, many boards are re-thinking the use of technology in their organisations and considering how they can create a more tech-savvy boardroom.

Likewise, many C-level technologists are realising that developing broader business skills positions them to help deliver technology transformation to businesses at both the strategic and operational level. The alignment of boards and technologists can help businesses drive growth, increase competitive advantage, and effectively manage risks.

“Many boards today still look like they did 20 years ago,” says one board leader. “It used to be good to have a bunch of CFOs in the room, but we are at a crossroads in corporate board structure. We need to get to the point where the majority of the board is tech-savvy.”⁴