

Digital Disruption

The Board's Role in Shaping Digital Transformation

By Deborah DeHaas and Andy Main

Many directors know that information technology and related spending can be difficult to understand, is not always aligned with the overall strategy, and can be capital-intensive and challenging to manage. From blockchain to artificial intelligence (AI), no organization can afford to fall behind the latest technological innovations that are redefining how organizations connect with their customers, employees, vendors, investors, and other stakeholders.

Digital transformation is often a strategic imperative for boards to be focused on during these challenging times. Digital transformation is about how an organization uses technology to better compete. As the word “transformation” implies, long-term success frequently requires more than just allocating funds to various initiatives, such as developing a new mobile app or a website. Such projects should create sustainable competitive advantages to be transformative. If they do not, they not only consume precious funds, time, and other resources, but could provide a false sense of security, as well.

Boards play a critical role in the digital transformation journey by bringing expertise, judgment, healthy skepticism, and concern for long-term value.

Foundational to any transformation is getting the right data in the hands of business leaders so they can make informed and effective decisions. Delivering a better customer experience also should be front and center. Thus, it's the role of the board to conduct in-depth discussions with management to address whether any digital program touches both business units and customers in meaningful ways. That does not mean all projects have to open up new markets or lead to new products or services.

Some may enhance core competencies in existing businesses, which can be equally transformative.

Transformative change can happen by starting with an ambitious vision and aligning the company's efforts to make it a reality. Board members can help assess whether the vision is ambitious enough to achieve and sustain long-term success and create value. When it comes to digital transformation, it's critical not to view the end-goal as a digital device or technology initiative. Rather, the end-goal is creating a winning business model for the future.

Directors can discuss and consider with management six enablers of innovation that every digital program should be judged against as a way of keeping the focus on delivering long-term value.

■ **Connectivity.** Transform interactions and engagement models among internal and external stakeholders—including customers, employees, business partners, and investors—by connecting people, spaces, products, data, and technology.

■ **Experience innovation.** Wire the organization to orchestrate and deliver a winning customer experience, such as using speech and gesture-based interfaces, linked to AI engines and bots.

■ **Data intelligence.** Use data and analytics to uncover breakthrough business insights and develop products, services, and experiences tailored to customer needs.

■ **Leading-edge innovation.** Leverage emerging technologies such as augmented and virtual reality, machine learning, and AI to create innovative products and services that help build competitive advantage.

■ **Automation.** Use robotics and digital

services to automate tasks to improve operations, deliver more engaging customer experiences, and redeploy talent to higher-value activities.

■ **Cybersecurity.** Implement cutting-edge security to protect customer data, particularly sensitive information such as health or financial data that is transmitted over connected devices.

For some organizations, digital transformation will require building or evolving the company culture to embrace a new view of what an exceptional customer experience means. Such a change to the company's core may be challenging, but it's necessary to move up along the digital maturity curve before competitors do.



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