AGENDA

From Intimidation to Empowerment: The Board's Role in Digitization

Digital transformation should be an ongoing and integral part of an organization's core

By Micheal Herman | June 5, 2023

In the digital age, it's crucial for board members to possess fluency in digitization concepts, as they serve as stewards of an enterprise's investments and assets, overseeing critical business decisions. To fulfill these responsibilities, boards must have the knowledge and skills to ask the right questions and make informed assessments of various opportunities.

Understanding digitization concepts is also essential for a board's risk management responsibilities. The digital age creates a business landscape characterized by fast-moving data, open ecosystems and the seamless flow of information, leading regulatory environments to become more dynamic and adaptable to change.

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With the challenges surrounding governance, it becomes imperative for board members to be proficient in digital concepts in order to comprehend the risks faced by their organization. This fluency enables them to offer informed advice to the CEO and other leaders, and actively contribute to effective risk management strategies.

Becoming a technology-first thinker

Digital fluency allows boards to become next-dimensional, technology-first thinkers. Technology is a significant catalyst for unlocking untapped growth potential as data, cloud computing, connectivity and other technological advancements offer opportunities that

have yet to be envisioned. A fundamental understanding of technology is essential to think expansively and imagine a future distinct from today.

Additionally, digital fluency helps board members establish relevance. Like the trend of pursuing MBA degrees and financial literacy in the 1980s, where such knowledge was deemed necessary for holding senior positions within any given organization, technology fluency has become a prerequisite for senior-level roles in modern enterprises.

From an advocacy and support perspective, when boards adopt technology-first thinking, they are enabled to articulate ideas in a way that can influence the decision-making and direction of their organization. When team members present digital transformation proposals, being a technology-first thinker equips leaders and board members with the ability to effectively advocate for and support these initiatives.

Understanding critical digital dimensions

Achieving digital fluency begins by understanding the three critical business dimensions of digital transformation. First, boards must comprehend their organization's path to core infrastructure modernization by outlining their existing technology ecosystem and identifying opportunities for improvement. By evaluating their core infrastructure, organizations can identify primary pain points, assess potential risk and determine limitations that might impede digital progress.

With the current state in mind, the next step is to explore new possibilities offered by modern technology. This can be approached by considering three key pillars of digital transformation: cloud enablement, data and analytics and hyper-personalized experiences.

The first pillar focuses on leveraging the cloud to enable various new business opportunities. Cloud adoption may involve transitioning from on-premises infrastructure to utilizing software-as-a-service solutions hosted in the cloud, migrating existing applications to the cloud or modernizing proprietary applications. The cloud facilitates connectivity, consumption-based computing power and storage, aligning cost structure with the demands of the digital age.

The second pillar, data and analytics, encompasses everything from data integration to advanced technologies such as artificial intelligence and machine learning. Rather than relying on reports generated from individual systems, organizations now seek to bring together disparate data sources while using modern cloud infrastructure to ingest and normalize data, transforming it into a semantic form meaningful to the business. Use cases range from data visualizations and business intelligence dashboards to creating multidimensional models to reveal new insights.

The third pillar, hyper-personalization, emphasizes leveraging new technologies to recreate and enhance the experiences of both customers and employees by delivering hyper-person-

alized interactions. This involves developing user interfaces, mobile apps, web applications and other tools that adapt to individual needs, job roles and preferences. From mobile apps to web interfaces, every touchpoint where individuals interact with technology offers an opportunity to reimagine and enhance the digital experience.

Once organizations have modernized their core and embraced new technologies, reimaging their human capital in the digital age becomes pertinent. This involves fostering agility and human-centered design thinking to empower employees to operate in new ways while prioritizing customer needs.

Organizations should also focus on decentralizing capabilities as future technology landscapes will be distributed across different business units, each with unique requirements and applications. Cloud enablement facilitates the distribution of cloud infrastructure to support the creation of new applications, and decentralized data can enable business units to access up-to-date data hubs as needed. This trend highlights the need for technical resources and capabilities across various departments.

Similarly, strategic partnerships play a critical role in leveraging external expertise to complement an organization's core competencies. Attempting to excel in all dimensions of digital transformation may not be feasible or aligned with business model objectives and thus, partnerships become vital for bringing the digital vision to life and ensuring organizational success and achievement of digital objectives.

Driving profitability and business value

One common digital transformation approach is to focus on efficiency and cost reduction. This can be achieved by modernizing infrastructure, leveraging cloud solutions and adopting more SaaS applications, such as Zendesk, Slack or ServiceNow. Robotic Process Automation plays a significant role in driving efficiency by automating transactions and processes such as a new product application intake and underwriting of lending. These efforts ultimately increase efficiency and contribute to profitability.

Another important objective is driving growth, both within existing products and businesses and through new channels, markets and products in the digital age. Direct-to-consumer channels enable companies to reach customers digitally, eliminating the need for intermediaries and reducing supply chain costs. Utilizing technology for targeted marketing campaigns, leveraging data for propensity modeling and understanding customer behaviors can all contribute to growth, profitability and business value.

Companies may also transition from product providers to software providers, monetize customer experiences through digital subscriptions or capitalize on their data assets by anonymizing and selling it to others for machine learning algorithms. All of these innovative approaches enable companies to explore new avenues for value creation through access to new technologies.

The cost of inaction

In the digital age, inaction comes with the cost of displacement, as those that aren't moving are going to be moved past. Blockbuster, for example, serves as a reminder of companies that failed to adapt their business models to the digital age and thus opened the door for new entrants, offering innovative experiences and products, to capture market share.

The risk of not continuously moving and assuming a static state in the digital age is significant. The concept of digital transformation itself is likely to evolve in the coming years, shifting toward the concept of digital permanence as "transformation" implies an endpoint that's never to come. Digital transformation should not be seen as something to achieve, but rather as an ongoing and integral part of an organization's core capabilities.