

# A DD checklist for the nominating committee

*If adding a digital director is a powerful way of increasing the digital competency of a board, doing so successfully requires forethought and planning.*

BY NADA USINA

EVERY COMPANY TODAY must confront the reality of digital transformation — how social, mobile, cloud computing and data analytics are changing the very nature of its business, its products and its place in the market. Because digital transformation affects the entire enterprise, the board is being called upon to provide oversight and counsel to the CEO regarding digital strategy and the development of digital talent across the C-suite. And because the CEO must ultimately be the one who drives the digital vision, it also affects how the board manages the CEO succession process.

Boards have begun to respond by adding “digital directors” — executives who have either management or board experience at a company where digital contributes a large portion of revenue, where digital channels are crucial enablers of business or where the company is regarded as a digital transformation leader in its industry. As my colleague Charles Tribbett III pointed out in a recent *DIRECTORS & BOARDS* webinar, 57 percent of the largest U.S. public companies now have at least one digital director.

If adding a digital director is a powerful way of increasing the digital competency of a board, doing so successfully requires forethought and planning. The following can serve as a checklist of questions and issues the nominating committee should consider.

---

**Nada Usina** is a managing director at executive search and assessment firm Russell Reynolds Associates ([www.russellreynolds.com](http://www.russellreynolds.com)). A leader in the new media and mobile industries before joining the firm, she now co-leads the firm’s Global Mobile & Convergence Practice and is also a member of the firm’s Board & CEO Practice, actively placing digital directors for public and private companies.



**Nada Usina:** There are only so many digital CEOs to go around, but there is a tremendous amount of talent one and even two levels down.

- **Know where the pain is.** Often, companies increasing their focus on digital issues find that they need greater digital competency not just in the boardroom but in the C-suite as well — whether in their in-house digital function; in the overall digital savvy of their marketing and product development functions; or with the CEO himself or herself. Realize that a digital director will be able to give the much-needed advice and counsel regarding these roles, but he or she will not be able, as a director, to execute them. Adding a digital director, then, may only solve part of the company’s capability problem.

- **Determine the remit.** Expecting a digital director to simply be a general resource for the board on all things digital could lead to frustration for all concerned — the topic is simply too broad. Instead, think through exactly where the director is expected to add value. Will he or she be asked to sit on the strategy committee or lead the innovation committee? Act as a “door-opener” to contacts in Silicon Valley? Advise the CEO on assessing the company’s internal digital leadership? These and other questions will help the nominating committee de-

velop a clearer picture of what they are looking for — and where to look for it.

- **Know the types.** Broadly speaking, digital directors come in a few varieties. One type are digital leaders who come from *disruptor* companies — the social, mobile, digital, cloud computing, data analytics and other firms that are actually driving the changes at a root level. Another profile includes digital leaders from *transformer* companies that stand as examples in their industry of successful digital transformation. A third type of executive, who can come from either disruptor or transformer companies, approach digital less as strategists and more as *technologists*, typically as chief technology offi-

cers. Another possibility is *sitting directors* who already serve on boards of highly digital companies. Each type will have its own perspective on the process of digital transformation or the impact of digital.

- **Have the right benchmarks.** Many of the benchmarks used in evaluating traditional director candidates need to be adjusted when examining those from the digital realm. On CVs, there is likely to be more movement and shorter tenures. The definition of “success” may be more fluid — a director who has spent time at cutting-edge digital companies that may have come and gone, as long as coupled with a strong overall track record of success, may still have the capabilities and experience needed on the board.

Of course, a big part of assessing candidates is evaluating the organizations, where they are and where they have been.

This is particularly challenging when considering candidates coming from “disruptor” companies because of the narrow timing window. Facebook went from its collegiate niche off the radar of most corporate decision makers to being a multi-billion-dollar enterprise in a few short years. Waiting until the company fully proves itself before viewing its top executives as viable director candidates almost certainly means that they will not be available.

- **Go below the CEO.** Nominating committees may also need to set aside the common preference for sitting CEOs — partially because there are only so many digital CEOs to go around, but also because there is a tremendous amount of talent one and even two levels down. The trade-off, of course, is that that a non-CEO candidate may have a steeper learning curve. This concern is likely to be relative, however. Many potential direc-

# Digital expertise comes in many forms

*Proceed with caution, and think beyond the board.*

BY GEORGE L. DAVIS JR. AND JENNIFER MONROE

**T**HERE IS A GROWING CONSENSUS among clients and observers in the corporate governance world that boards are lacking the digital and technological expertise needed to keep pace in today’s ever-changing cyber-connected world. Current headlines reinforce the “demand spotlight” placed on the digital darlings appointed to leading board positions and highlight the ever-dwindling supply of top-tier digital talent. Boards are reacting with over-eagerness to recruit and seat digital directors for fear of being left behind.

But before jumping on the digital bandwagon, ask a fundamental question: Do you really need to add a new director with digital skills to your board? You may open up a host of creative solutions to your digital dilemma if you think beyond the board, first carefully assessing what digital-related skills you actually need.

If you decide to recruit a director with digital expertise to fill one of your limited board seats, proceed with caution and make sure you are doing so for the right reasons. While many boards have added excellent directors with crucial digital skills

as part of a well-thought-out board assessment and recruiting process, others seem drawn merely to recruit the director du jour. The latter approach is no panacea for what the board may be missing and can, in fact, create unanticipated complications for the board.

Think it through and consider your options. One excellent alternative and growing trend is to form a digital advisory board. This solution provides the board access to digital expertise without the complexities of creating a new director position or filling an open slot (possibly better reserved for broader operating or financial expertise). An advisory board provides access to high-caliber talent, allowing these specialized executives the opportunity to contribute and enhance their own experience without jeopardizing their career climb by making the commitment serving as a director requires. Leading companies at the head of the digital advisory board curve include Procter & Gamble, Unilever, L’Oréal, Pozen, McGraw Hill, and Mandalay, to name a few.

With many of the digital superstars already committed, those boards that wish to recruit digital expertise will have to be more discerning and insightful about exactly what they require. Consider the following to ensure you recruit the right talent for the right role:

---

**George L. Davis Jr.** is co-leader of the Global Board Practice at Egon Zehnder and **Jennifer Monroe** is a Board Practice specialist with the firm ([www.egonzehnder.com](http://www.egonzehnder.com)).

tors — even those who are CEOs — have never served on the board of a company outside their own industry, and fewer have ever served on a public company board of any type.

- **Measure the cultural fit.** While the director might be brought on to help oversee the process of transformation, it must take place within a boardroom culture of collegiality and trust. Make sure that the director candidate has the presence and political skill to be revolutionary without causing a revolt.

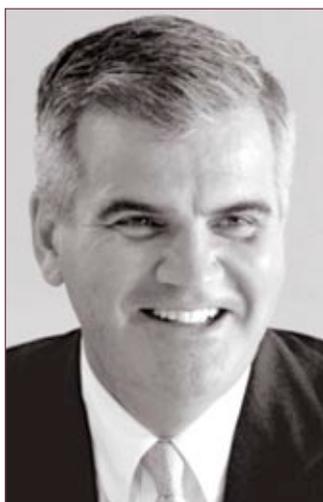
- **Think ahead.** In the digital arena, not only do top executives frequently change roles, but companies alter their relationships to each other, as competitors become collaborators and partners become “frenemies.” The accomplished retail e-commerce leader who would be a great addition to a publishing company’s board may be at Amazon two years from now,

potentially leading to a board resignation and a repeat of the search process.

- **Focus on onboarding.** Many digital directors will never have served on a board before, and many will, despite their achievements, have less executive experience than the board members they are joining. Particular care needs to be taken to bring the new director up to speed — not just on the company’s particulars, but on boardroom culture and expectations. Assigning an experienced director to act as mentor can help speed the process and smooth out the inevitable bumps.

Many companies would benefit from having digital directors on their boards. Nominating committees need to take extra steps before, during and after the search process if the benefits of hiring digital directors are to be realized. ■

**1. First, define what you need.** Are you seeking technological expertise or perhaps product or marketing savvy? The answers will vary widely by company and strategy, and boards must carefully articulate what is missing and what they require. “Digital” is a vague, catchall word that may mean different things to different people. Define what it means to your company: Does digital already play a key role in the company’s strategy or is it contemplated as part of a vision to transform the business? Will you require digital expertise to enhance operations or the customer experience? Are you planning on wading into the social media stream, perhaps for the first time?



**George Davis Jr. and Jennifer Monroe:** One excellent alternative and growing trend is to form a digital advisory board.



**2. Now determine where you need it.** Do you need to add digital talent to the management team or to the board? Digital insights are important on the board, but don’t rely on one director to solve problems that go deeper and need to be addressed by management. And don’t confuse strategic problems with governance. Never assume that a digital director will, or should, be there to re-jigger the strategy of a traditional organization. Viewing the digital leader as a “guru” sets up unrealistic expectations for success. Directors should understand why digital expertise is crucial to the company and then work effectively alongside any digital leader who joins the board or advisory team. Remember, the experience has to provide value for both the board and any individuals recruited.

**3. Ensure that any new director has the time to commit to being a fully engaged contributor.** A marquee name, even

that of a digital superstar, will mean little if that director is too distracted by a demanding, high-powered day job to provide needed expertise to the board. An advisory board may provide a more appealing opportunity for a senior executive still building a career, where less time, perhaps merely several days a year, and fewer responsibilities are required.

**4. Be careful what you wish for.** A sterling resume as a digital executive is no guarantee that the individual will make an excellent director. In addition to possessing the required time and commitment, any director must be a good cultural fit for the rest of the board team. Many digital directors are new to board service and will likely require more time and training before they can contribute fully in the boardroom. And once on the board, it is very difficult to make changes, so choose wisely.

Examine the board’s motivations if you are considering adding a digital director. What is really at the core of the decision? Do your homework and don’t assume that just because a particular solution has worked for another board that it will work for yours. Define precisely what it is the board needs in terms of digital expertise and then ensure the solution aligns with your board’s unique history, culture, and requirements. A digital advisory board may be the optimal solution and, far from a compromise, may enable your board to gain access to the expertise and guidance of several digital executives as opposed to merely one digital perspective. ■