

---

# Building Boards in a Digital World: Do You Have the Leaders You Need?

## Directors & Boards Webinar Series

January 30, 2013

---

Charles A. Tribbett III, Russell Reynolds Associates

Margaret Pederson, President and CEO, Amirexx; Managing Director, Golden Seeds Fund LP  
and Board Director, Viad, Xamax Industries and TextureMedia

Jim Kristie, *Directors & Boards*

# The Technologies Driving Digital Transformation

- Social Media: Changing how we communicate and share information
  - 1/7 of the world has a Facebook account
- Mobile/Apps: Providing continual connectivity
  - Mobile is 13 percent of all Internet traffic
  - Apple's App Store to hit 60 billion downloads in 2013
- Cloud Computing: Providing cheap, powerful, turnkey infrastructure
  - Global expenditure for cloud services to hit \$100 billion by 2016
- Data Analytics: Tools to target customers, refine operations and create monetizeable products
  - More than 2.5 billion gigabytes of data are created every day—and that number is doubling every 40 months

# The Rules of Business Get Rewritten

- Longstanding constraints on scalability evaporate; barriers to entry erode
- Sellers can pinpoint buyers and reach into new geographies
- Buyers have the antidote to information asymmetry
- Allies become competitors; competitors become collaborators
- What was once sold is given away and vice versa
- Every business must rethink how it adds value
- NO ONE IS IMMUNE

## Responsibilities for the Board

- “Digital transformation” is not mere operational detail – it’s a board issue
- The board must:
  - Help the CEO is adequately address the imperative of digital transformation with:
    - The right digital strategy
    - The right digital team
    - The right talent strategy
    - The right company culture
  - Incorporate digital transformation into:
    - The CEO evaluation process
    - The CEO succession process

## The CEO as Believer and Leader

- The CEO must determine what digital transformation means *for that company*
  - He or she must have the humility and self-assuredness to know what they don't know and bring in the appropriate expertise
  - Be comfortable making big decisions with incomplete information
- Must set benchmarks for success
- Must assemble the right digital team
  - Determine appropriate digital functional and specialty roles
  - Develop digital fluency within all functions (business unit, marketing, supply chain, product development, etc.)
- Must establish the right culture
  - Set compensation and rewards correctly to counter cannibalization and resistance
  - Sense of urgency
  - Embrace change
- Must be able to communicate the company's digital strategy effectively to stakeholders

# Creating a Board for Digital Transformation

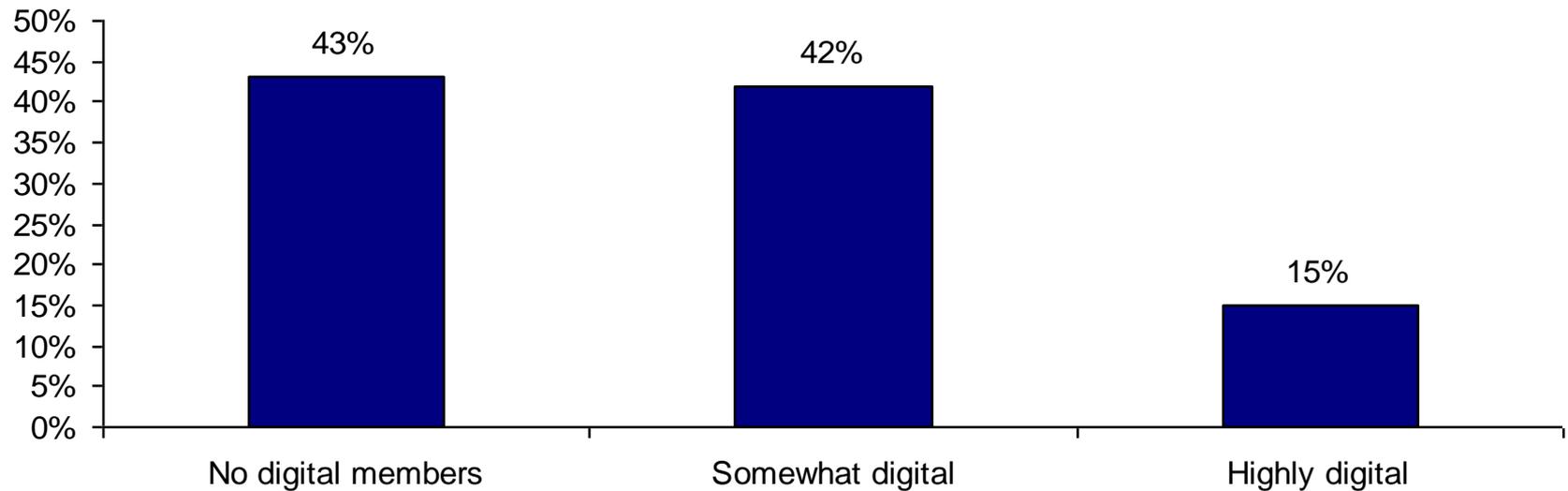
- The board must have the competencies, experiences and perspectives to execute their oversight duties in the era of digital transformation
- This calls for:
  - “Digital directors”
    - Someone who has held an operating or board role at a “digital company”
      - A high percentage of revenue is generated from digital operations
      - Digital channels are crucial enablers for business
      - The company is regarded as a digital transformation leader in its industry
  - Directors who have helped address digital transformation issues at a “non-digital company”
  - “Non-digital” directors who support and engage with the digital strategy
  - A board culture that includes:
    - A culture of inquiry
    - Director education– exposure to new ideas and technologies as they apply to the business
    - Acclimating the board to social and mobile technologies

# The Trend Toward Digital Expertise in the Boardroom

- Objective:
  - To assess the distribution of digital directors at the largest public companies in the United States, Europe and Asia
- Universe:
  - The 100 largest companies from the Global Fortune 500 in each region, for which current data was publicly available: 3307 total directors
- Methodology:
  - Identified directors who have held an operating or board role at a “digital company”
  - Classified company boards as “highly digital,” “somewhat digital” or “not digital”

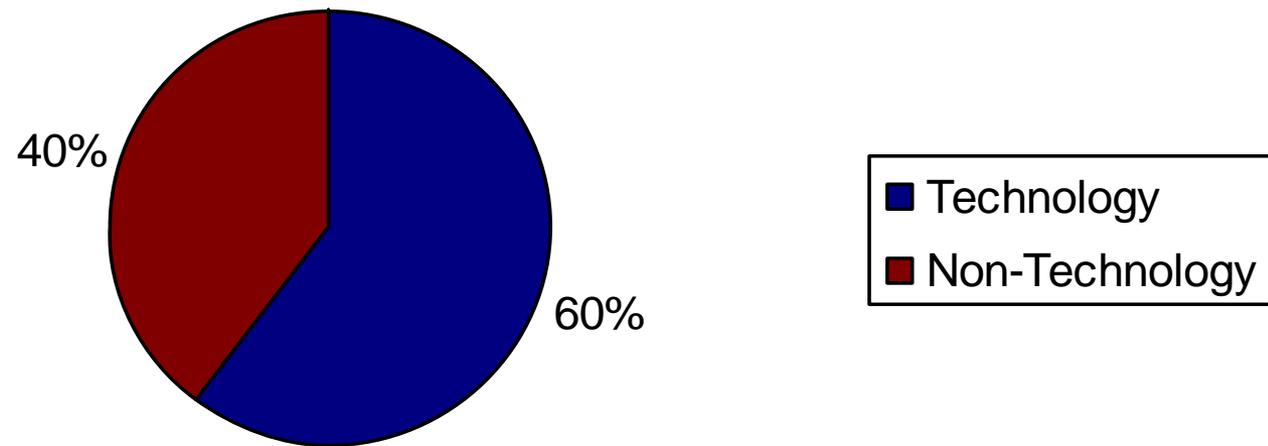
# Analog Boards in a Digital World

U.S. Digital Boardroom Capability



# Sector Variation

## U.S. Highly Digital Boards, by Sector

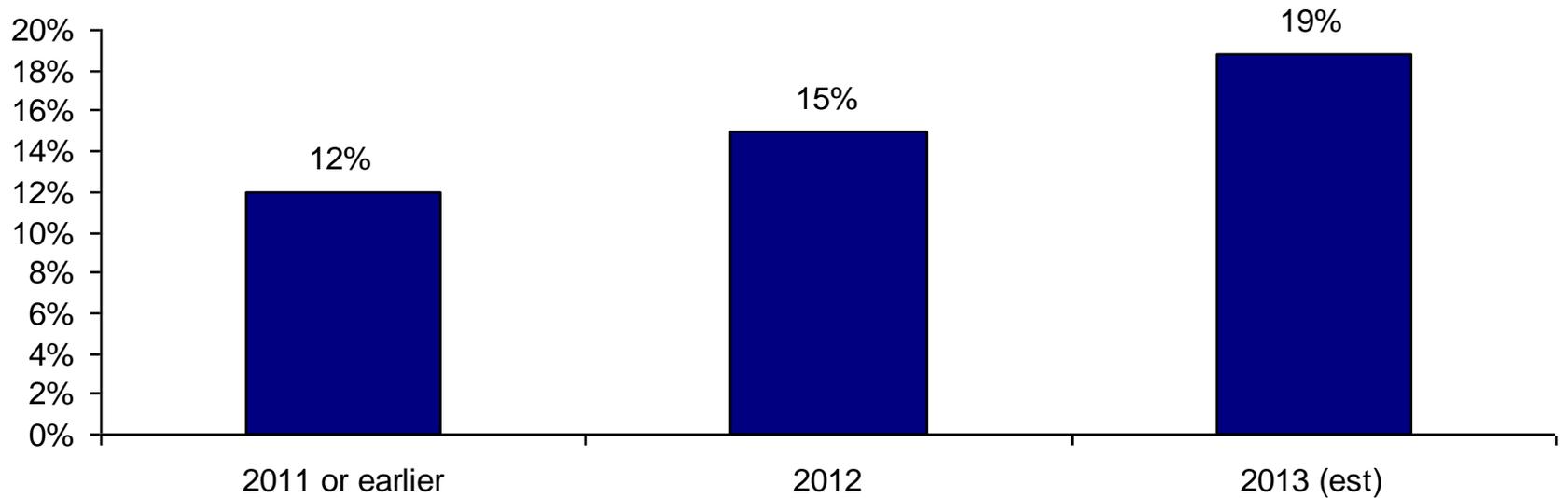


## Notable Board Moves of 2012

- Wal-Mart added Marissa Mayer, CEO of Yahoo!
- Cisco added Marc Benioff, founder of Salesforce.com
- Coca-Cola added Robert Kotick, CEO of Activision Blizzard
- Home Depot added Mark Vadon, founder of Blue Nile
- Williams-Sonoma added Lorraine Twohill, Google's Head of Global Marketing

# Competition for Digital Board Members Will Accelerate

U.S. Digital Directors, by Date of First Election



## Implications for Boards: Composition

- For most, the task is recruiting the first digital director (but look ahead to the second)
- Don't wait for a digital crisis to digitize your board
- Director profile should be determined by company strategy and specifics
- Expect skepticism from the candidate
  - Acknowledge the challenge
  - The opportunity to help drive transformation
  - Look beyond the usual suspects in sourcing
- Consider the possibility of recruiting two digital directors simultaneously
- For non-digital directors, place a premium on:
  - Navigating transformations
  - Decision-making in uncertainty
  - Curiosity

## Implications for Boards: Process and Culture

- Including digital transformation in the board portfolio is a process
  - Start with understanding and evaluating the CEO's perspective and strategy for digital transformation
  - Examine CEO succession planning requirements
    - Specifications for next CEO that address digital expertise
    - Professional development of internal candidates
  - Examining board culture
    - Digital education and exposure to ideas
    - Foster a culture of inquiry

## Summary

- The challenge of digital transformation confronts every organization
- Digital transformation adds to the board's oversight role
- To properly fulfill this role, the board itself must have:
  - A critical mass of digital experience
  - Exposure to new ideas and technologies relevant to their business
  - Culture of inquiry
- The trend is just beginning – it is not too late to start
- The competition for digital directors will only accelerate
- Every board director can become more digital

---

# Building Boards in a Digital World: Do You Have the Leaders You Need?

## Directors & Boards Webinar Series

January 30, 2013

---

Charles A. Tribbett III, Russell Reynolds Associates

Margaret Pederson, President and CEO, Amirexx; Managing Director, Golden Seeds Fund LP  
and Board Director, Viad, Xamax Industries and TextureMedia

Jim Kristie, *Directors & Boards*