# DIGITAL DIRECTORS: A POWERFUL BOARDROOM ADDITION

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Digital transformation—the confluence of social, mobile, cloud computing and data analytics—is dramatically changing the banking business. As electronic transactions become the norm and customer expectations shift accordingly, banks are fundamentally rethinking both their products and services and their marketing strategies.

**Because digital transformation affects the evolution of the entire institution, there is an increasingly recognized need within the banking industry for the board to provide oversight and counsel to the CEO regarding digital strategy and the development of digital talent across the C suite.** But this addition to board responsibilities means that the board itself must have a certain critical mass of digital capability and experience.

Nominating committees 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.

But as powerful an asset as adding a digital director can be, doing so successfully requires forethought and planning. The following can serve as a checklist of questions and issues the nominating committee should consider.

**Know Where the Bank is on its Digital Trajectory**

Some banks are building out their basic mobile strategy, while others have infrastructure already in place and are now leveraging analytics to incentivize usage and engage and retain customers. Still others may be looking to extend their network of partnerships. **The specific digital issues the institution is facing now and over the next several years will help determine the type of digital experience most needed on the board.**

**Understand the Varieties**

While one can speak broadly of "digital directors," the term actually encompasses three distinct types: The first type of digital leaders comes from "disruptor" companies—the social, mobile, cloud computing, data analytics and other firms that are actually driving the changes at a root level. The second type of digital director comes from "transformer" companies outside the realm of technology that are examples in their industry of successful digital transformation. (The retail, transportation and consumer packaged goods industries are good sources.) The third type of executive comes from either disruptor or transformer companies, but approaches digital less from a strategic than a technological perspective, typically as chief technical officer or chief technology officer. **Each type of digital director will have his or her own perspective on the process of digital transformation.**

**Show Commitment**

Expect that any potential digital director will regard an offer of a board seat with a level of healthy skepticism. He or she will have to be persuaded that the CEO has truly embraced digital change, rather than merely responding to pressure from the shareholders or the board.

**While a commitment to digital transformation will mean different things at different banks, it will generally include having already begun to build a digital management team to lead efforts in mobile, digital payments and digital marketing.** After all, the role of the digital director is to *advise* on digital strategy—and this presupposes that there is a basic digital capability already in place. No digital director will sign on if he or she is expected to drive the digital transformation process.

**One Isn't Enough**

Just as no digital director wants the responsibility of building digital capability from the ground up, he or she will not want to be the one to whom all faces turn when a digital issue comes up. Think of digital expertise like financial expertise: Even outside of the financial services industry, the well-composed board will include *several* financial experts, representing various perspectives and experiences, to ensure the best possible collective thinking about a critical function. Similarly, bank boards should aim to have at least two or three digital directors around the table.

**Don't Just Transform the Bank**

The bank cannot undergo a digital transformation without the board doing so as well. **Use tablets to access board documents, as well as online collaboration tools. Spend more time out of the boardroom seeing and trying new technologies first-hand.**

But if adding digital technologies will nudge boardroom culture, the addition of digital directors will have a far greater impact, given their likely expectations for high levels of directness and transparency. **The challenge here is to add directors who bring disruptive *experience* without being disruptive themselves. This can particularly be an issue for digital directors who have not served on a public company board before, or on a board outside of the digital realm.** Mentoring from a senior board member can be helpful here. But it would be a mistake to expect to smooth the edges completely. Nor should one want to: As more digital directors take their place in the boardroom, it is likely that they will make a positive impact on board culture in ways that cannot now be foreseen.


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