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The Board of Directors in the digital age

LE CERCLE. New technology is transforming our economic fabric and the business world. New tools are changing the products and services being offered, as well as manufacturing processes and how business are organised. Every position in the organisation is affected by this new digital world.

Executives and senior managers need to be able to lead and support the technological changes going on in their company and take a long-term view of this area to anticipate Revolutions.

This view and this knowledge, which are now vital, also apply to the Board of Directors. Directors are responsible for advising managers and making decisions about the future of the company. In fact, these decisions need to take technological developments into account. However, many businesses do not apply these demands to their Boards, who need experts in these fields.

To understand how Boards of Directors respond to the need to educate themselves and understand these digital developments, Russell Reynolds Associates carried out a comprehensive survey covering 2012 looking at the digital expertise of Boards of Directors around the world.

The study looked at the 100 biggest companies in the United States, Europe and Asia, so 300 businesses in all, with 3,307 directors. The main findings of the study are as follows:

- 18 companies out of the 300, or only 6%, had a Board of Directors that could be described as "highly digital".¹
- 69 companies, 23%, had a relatively high level of digital representation (at least one expert in this field).
- 70% of companies did not have a single director who was a digital expert (210 companies).

There is a significant difference between the regions, as 88% of "highly digital" Boards are in the United States, with the other two in Europe, and none in Asia.

Companies in the technology sector do not have the monopoly on "highly digital" Boards of Directors.

In fact, just 9 of the 16 "highly digital" Boards in the United States belong to this industry (Apple, Cisco, Dell, Google, Hewlett-Packard, Intel, Microsoft, Oracle and Amazon.com). In Europe, only the Boards of Telefónica (Spain) and Nokia (Finland), can be considered as "highly digital".

The demand for directors who are experts in this digital field is growing. In 2012, the Boards focused their recruitment of new directors on people with a digital background. 15% of new directors in the United States, 5% in Europe and 1% in Asia fit in with this profile.

Russell Reynolds Associates also anticipates a continuing growth in this demand in 2013, with 19% of directors appointed in the United States and 8% in Europe coming from this field.

Boards of Directors are making progress in the area of digital solutions and new technology. Recruiting directors who are experts in this field is the first step towards building key skills to make the right decisions about technology. With this in mind, the Board can also choose to introduce a "Paper-free Board" to make the most of developments in new technology to improve the organisation of meetings and documents, secure access to new tools, and consolidate collaboration between directors, all in keeping with an environmental initiative.

In 2012, according to the "Board Practices" report by Deloitte², 66% of public companies asked had a paper-free Board, 54% of private companies and 88% of not-for-profit associations. To conclude, many companies are planning to introduce a portal for managing their Board of Directors in 2013.

1 "Highly digital" means that the Board has at least three members who have or have had a role connected to the digital world and technology.

2 Study carried out looking at 3,000 individuals from more than 1,600 companies of different sizes, industries and structures.

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