

# Digital transformation

How to unlock innovation and growth  
with emerging technologies

A GNDI quick guide

## About this guide

This publication is intended to be a quick guide for directors. Content is derived and condensed principally from a publication entitled *Governing Digital Transformation and Emerging Technologies: A Practical Guide*, developed by the (US) National Association of Corporate Directors with the support of Marsh McLennan, with additional insights garnered from among the vast resources from member institutes of the GNDI. Information is organized around five major digital governance principles, the common pitfalls and tips to counter those pitfalls. To view additional GNDI resources available for further reading and learning, go to the Resource Library under the GNDI website ([www.gndi.org](http://www.gndi.org)).

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## About GNDI

The Global Network of Director Institutes (GNDI) is an international network of twenty-four (24) director institutes and was established in December 2012 to foster closer cooperation between its members, who are each recognized as the leading institute for directors and governance in their respective countries.

GNDI collectively represents more than 180,000 individual directors and governance professionals.

We assist directors worldwide to stay abreast of emerging governance issues and we collaborate to strengthen the voice of directors in advocating for good governance policies and practices. We focus on the shared issues of interest to governance stakeholders around the world to promote leading practices and programmes that enhance the capability of directors to drive sustainable performance for the benefit of shareholders, the economy and society.

A global programme of reciprocity helps directors and their boards to unlock access to director resources around the world.

# KEY POINTS

Five principles for governing digital transformation and emerging technologies:

- 1 Approach emerging technology as a strategic imperative, not just an operational issue
- 2 Develop collective, continuous technology-specific learning and development goals
- 3 (Re-)align board structure and composition to reflect the growing significance of technology as a driver of both growth and risk
- 4 Demand frequent and forward-looking reporting on technology-related initiatives
- 5 Periodically assess the organization's leadership, talent and culture readiness for technological change

## Master tips

Digitalizing business processes may be good, but digital transformation entails more than digitalization of existing processes. A poor process digitalized, will still be a poor process. It is important to imagine and reimagine solutions to business challenges through the use of technology.

With emerging technologies, it is vital to separate hype from reality. Though there will be cybersecurity and data privacy issues to contend with, do not fall prey to a protective bias. The biggest risk may be not carrying out digital transformation.

Technology competency for every director is growing in importance. Digital transformation is not just a tech issue left to the IT department or technology experts. Boards should foster an organizational culture that embraces change and promotes innovation and experimentation, one that recognizes and rewards innovation but also embraces failures.

# Overview

If you are reading this, you are likely to have come to the notion that digital transformation is needed to push your organization to the next level. A board's role is to set strategy and monitor organizational performance, devising processes and policies to achieve objectives and to provide accountability to stakeholders. In digital transformation the same rings true. As a board member, you realize your key role in guiding your organization toward successful transformation, to not only remain relevant but also thrive in the digital era.

Twenty years have gone by since we said goodbye to the Twentieth Century. Emerging technologies changed and kept changing consumer habits and expectations, setting and re-setting the standard of what "good" looks like. Innovations have disrupted traditional industries and traditional firms. Digitalization is a big part of this innovation wave. Business transformation is required to stay relevant in this digital world and to ensure sustainability.

In the words of a Chartered Director from the UK, writing for the UK Institute of Directors before the pandemic, the need for business transformation of any type is prompted by and should be a direct response to a change or likely change in the conditions and environment in which the organization operates.

Digitalization indeed has enabled new tools, technologies, and capabilities to allow businesses to do things better or to do things that it could not do before. How do businesses take advantage of these new digital capabilities? What are the

new opportunities to serve and deliver better value to existing customers? How can they help the organization reach and serve new markets to acquire new customers? What new products and services need to be created to serve those markets? Ultimately, it should be the pursuit of competitive advantage — a strategy notion — that drives digital transformation.

Digital transformation was already gathering pace leading up to 2020 and then the global pandemic, brought on by COVID-19, accelerated it dramatically, unlocking remarkable examples of innovation. Such was an observation made by The Australian Institute of Company Directors. The point now is how to help directors maintain the momentum, build on digital confidence gained and seize the huge opportunity that digital technology presents.

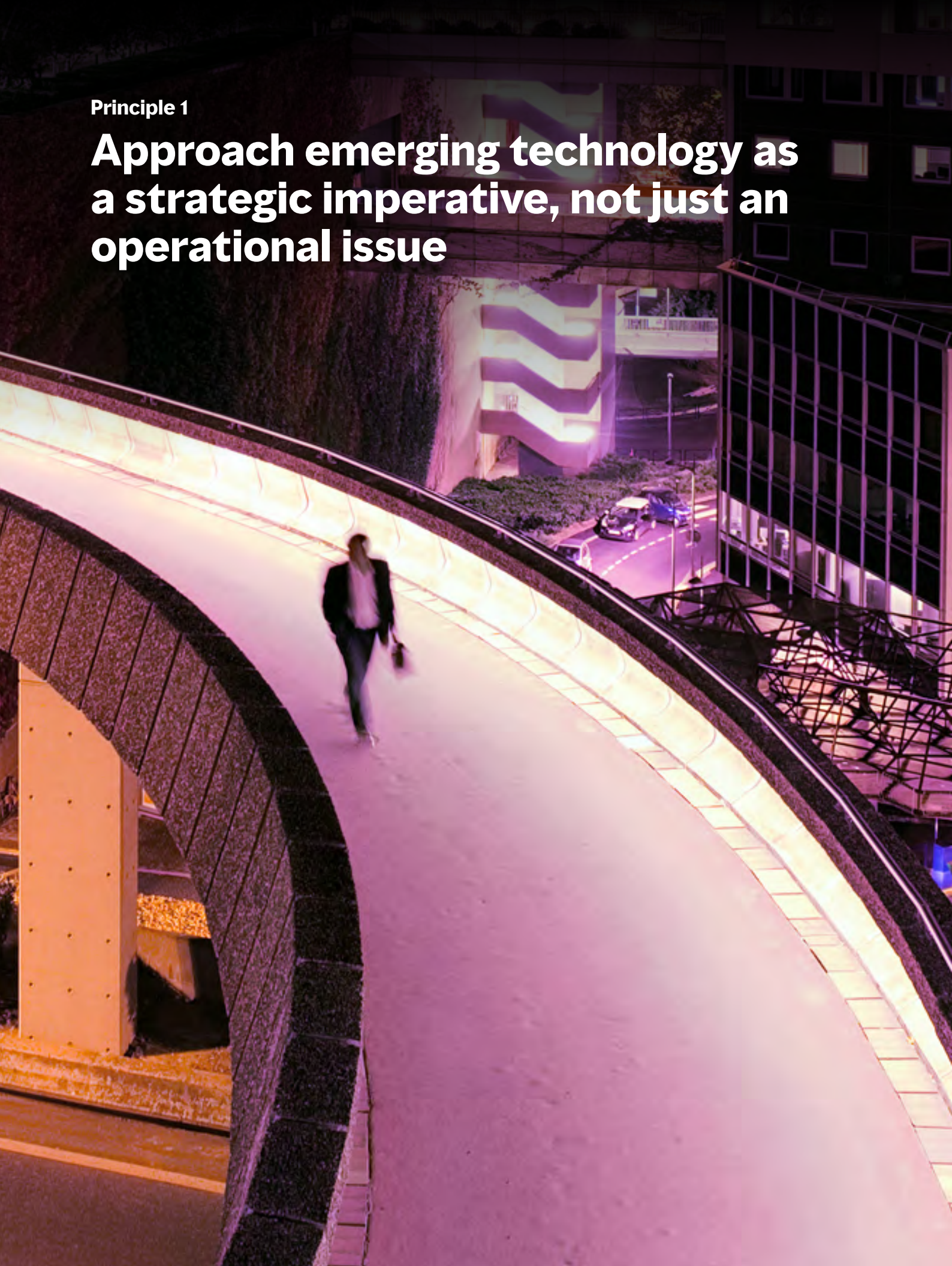
While spending on technology to enable digital transformation is skyrocketing, few organizations have been able to reap long-term benefits from their digital investments. As few as one in ten executives say they are successful in executing their digital transformation strategy. Digital transformations are costly endeavors and the stakes are high.

You may still have some doubts as to how to do it right. Indeed, in the transformation process, there are some principles to follow and some pitfalls to avoid. Set out in this quick guide are some questions you can ask yourself, your board colleagues or management, to assess if you are on the right track towards digital transformation.



Principle 1

# Approach emerging technology as a strategic imperative, not just an operational issue



Digital transformation is not just about technology. Many so-called digital strategies may be failing simply because they often are fragmented and narrowly focused initiatives driven by IT.

The Australian Institute of Directors, drawing from the Spring 2019 issue of *MIT Sloan Management Review*, is eager to remind its members that board directors are vital to transformation strategy, and companies with three or more digitally savvy directors are more likely to see higher profit margins, higher revenue growth, higher return on assets and higher market cap growth.

### Tip

Piecemeal operational approach is no longer enough.

### Ask

- Have we been taking a fragmented approach to digital transformation? Have we just been letting IT lead the way, doing “tech stuff” here and there to support business operations? Are we running the risk of our business model becoming obsolete if we do not have a strategy to adapt to future needs and to do it fast?
- Is our strategy discussion happening frequently enough to keep pace, even if it means we must make the process more iterative, doing more experimentation and learn from it?
- How do we get to a strategic plan that would weave together technology, culture and customer experience? What is management’s process to develop a strategic plan for board review? How do we reconcile the strategic plan’s impact on the corporate environment or on stakeholder expectations?
- Do we have enough resources (whether people or funding) assigned or devoted to support digital transformation?

### Pitfall

**Fixation on the technology, not the value to the customer**

### Tip

View technology through the lens of the customer.

### Ask

- In our board discussions, have we been spending too much time on how shiny new technologies can be quickly deployed to reap short-term revenue gains? Have we asked enough as to how new technologies can help meet changing customer expectations? Are we “techno-centric” or “customer-centric”?
- Are we considering the use of emerging technologies with a sufficiently wide and strategic lens? Are we assessing each of these technologies in a silo or are we considering how different combinations may result in a complementing whole to meet customer needs in new and better ways?
- Have we looked enough at new technologies through the lens of the customer? Do we (Could we) see a change in customer preference, and at what pace? How do the customer-centric observations gel with our current business model? Have we been sufficiently curious about our customers, about what they really want or desire in products or services?
- What is the board’s (and management’s) view and belief as to the current business model? Are we (Is management) sticking too rigidly with the old business model and all that it rests on?

- Could we have tweaked our business formula? Is it flexible enough to be tweaked, and how? What is stopping board/management from doing so?
- How can we better test or harness business opportunities that emerging technologies and/or changing consumer behavior and expectations can bring?
- To assess the viability of the current business model, ask your management about:
  - Current and future customer needs
  - The strength and “stickiness” of the value provided to customers
  - How customers prefer to pay for value
  - The nature of the competition
  - The strength of the organization’s brand to customers
  - The business that the organization is in or should be in (e.g., services, data, platforms)
  - Constraints (e.g., costs, existing systems, talent)
  - The scale advantages of existing versus new technologies
  - Future regulatory costs
- Is our business one capable of creating, maintaining, and owning digital platforms, platforms that can continually gather data on customer experience and adjust/augment market opportunities? Or can our business benefit from adoption of or immersion into existing digital platforms?

**Pitfall**  
**Working with an incoherent vision**

**Tip**

Board and management need to settle on what “going digital” will mean, to have a unified long-term vision of where digitalization can take the business.

**Ask**

- What is our long-term vision on how technology can (and could be deployed to) change our business?

Does management understand — and agree with us the board — about what “going digital” and “digitalization” mean?

- Have we considered how emerging technologies can:
  - Change the way the business engages customers
  - Help us make decisions with better access to more data
  - Enhance productivity, enable internal collaboration and lower operational risks?
- What is our digital vision and plan? What innovation models have we considered? Do it all in-house or are there potential partners that could help us scale innovation more quickly? Shall we be the “fast mover,” “fast follower” or the “leapfrog laggard”?
- Have we figured out which technology we are deploying or investing in, is more for improving business processes and which technology is or can be “transformative”? Have we considered all viable technology options or are we relying on a single technology or a single vendor?
- Understand the digital universe and its capabilities, so to imagine and reimagine solutions to business challenges using technology. Some technologies may not be deeply transformative but may still be worth investing in. Some technologies may not be customer-facing but could work to support business processes or analytics.

**Pitfall**  
**Technology governance equals risk governance**

**Tip**

Though they overlap in some respects, do not confuse digital governance with risk governance.

Integrate the discussion about risks and growth opportunities through the use of technology and make it happen at the full-board level.



## Ask

- Are we being too risk averse, too defensive in our view towards technology? Are we overly concerned with the threat of cyberattacks, so much so that we are foregoing business growth opportunities that rely on digital connectivity and accessibility?
- Are we focusing too much on protecting our data assets from cyberattacks and not enough on exploring digital capabilities? Are we missing out on growth opportunities through the use of technology?
- Are we prepared to deal with new digital risks that could come with complex technologies, risks that we may not have seen before?
- 💡 Beware of those risks but do not fall prey to a protective bias. Technologies that involve the use of artificial intelligence will require adequate oversight mechanisms to prevent unfair bias; processes that involve the collection and use of customer data will require safeguards to reinforce customer confidence and trust in data privacy and security.
- How do we pull it together, to have adequate depth and focus of discussions at the full-board level?
- 💡 See Principle 2 on enhancing individual and collective learning to enhance digital governance capabilities.
- Do we, or should we, invite C-suite and other management personnel to the boardroom to talk about the experiences in using the technology in their line of business, or the skill gaps perceived to fully exploit the technology?
- Do we, or should we, invite outside experts to the boardroom to talk about technology?
- **IT risks:** Some strands of IT risks can be pervasive across the organization yet drowned out by other headline categories of enterprise risks and be dismissed as being insignificant. Have we missed them? How can we better identify them?
- 💡 See Principle 4 on reporting for technology-related initiatives.
- **The use of artificial intelligence:** Are oversight mechanisms in place to ensure the safe and secure use of artificial intelligence (AI) based applications?
- Are we sufficiently aware of issues or possibilities which may create the perception that AI outputs and decisions are inherently unfair or marred with certain bias?
- Could the algorithm employed be one that systematically disfavors a particular demographic or group that share a certain characteristic?
- Are there sufficient measures in place to ensure transparency in how AI decisions are reached? What other control measures would be needed to compel accountability?
- **Data privacy and security:** Have we considered how and what data is to be collected? What can be done to ensure that data is used as intended and not shared or profited from in ways that compromise customer trust?
- What measures should be in place to reinforce customer confidence that we respect their privacy and prioritize the safe handling and security of their data?
- **Cybersecurity:** Has the board developed and approved a cybersecurity programme and have we adequately analyzed its effectiveness and readiness?



- **Board structure and process:** Do we just assign digital governance matters to the audit committee? If so, will that lead to too much focus on risk reduction, rather than the opportunities we can exploit?
- What committees should look at digital transformation issues? Do we have sufficient corporate governance guidelines, so each committee knows why they need to look at those issues and from what angle?

### **Pitfall** **Random acts of digital innovation**

#### **Tip**

Be ready to make enterprise changes and to create new capabilities required for digital transformation. Effective boards realize that transformation is more than just the adoption of a new technology.

#### **Ask**

- Have we considered all viable technology options or are we relying on a single technology or a single vendor? What risks do we expose ourselves to with single-sourced vendors?
- 💡 Consider vendor lock-in which may in the long run restrict the organization's technology feature roadmap, negotiation constraints and the vendor itself being acquired by someone.
- If we have a technology in mind that we want to adopt, have we looked deeply enough into it and have we got the ability to understand it well to know it can add real value to our business? Have we questioned the underlying business environment enough to know it is not just hype or buzz?
- If we have a long-term vision on digital transformation, and if we must experiment and be iterative in our strategy to implement that vision, how do we resist pressures from investors that may be driving us towards quick

financial wins, but which may not help with transformation for the long term? On the other hand, what risk tolerance should we accept?

- Are we adopting a new technology just to go with a new fad, or are we rejecting or abandoning innovations because they appear to take a longer time horizon to yield returns?

### **Pitfall** **The existing capabilities trap**

#### **Tip**

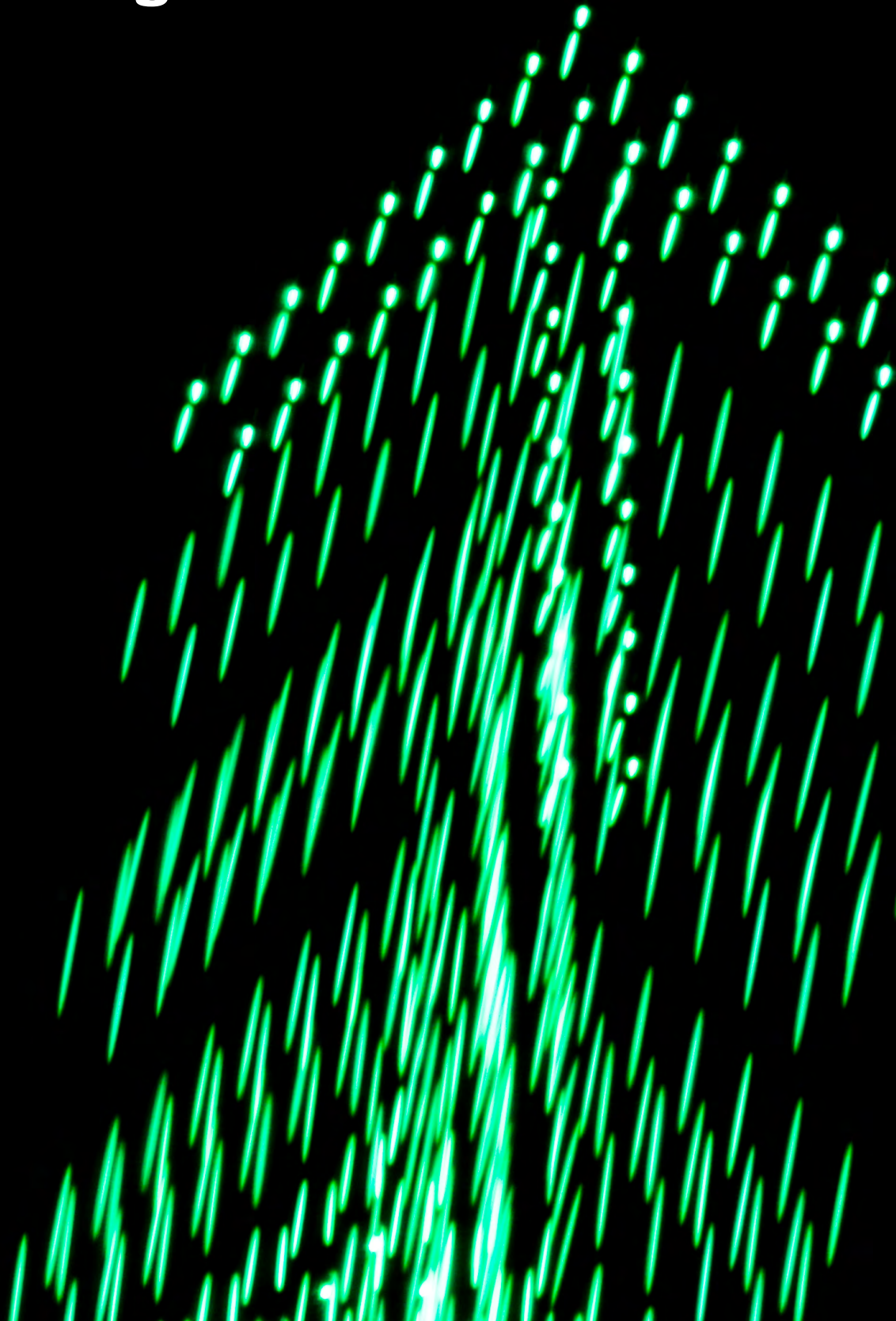
Reconcile innovation with the protection of current products and services and customer retention. Urgency of competitive threats and relative technology maturity are key factors, as are the firm's own specific characteristics.

#### **Ask**

- Leverage existing capabilities (such as current IT structure and data systems) or to build new ones? Abandon core businesses sooner or cling onto them?
- Are we being too disruptive ourselves, overemphasizing new opportunities, but forgetting to keep the business running today?
- 💡 Consider the urgency of competitive threat and the relative technology maturity of the business.
- What are the knowns and unknowns about disruption? Is the signal about a new disruptive threat in the early stages or is our core business already in trouble? What are our options for addressing the threat and what are the short and long-term tradeoffs for each of those options?
- Can there be a dual approach where the organization experiments with new business models while reinventing the capabilities of existing operations? Can we fashion synergies between new and existing capabilities?

**Principle 2**

**Develop collective, continuous  
technology-specific learning and  
development goals**



The speed of change can create discomfort among some directors. The pressure is on directors to understand technology trends to truly understand their business. Stagnated knowledge will not enable directors to parse true insight in the face of dramatic technology changes.

The Australian Institute of Directors (AICD) conducted research in 2019 and found that Australian boards at the time lacked technical and innovation expertise.

AICD and fellow GNDI member institutes proceeded to initiate new programmes on the subject. Concerted efforts among directors to skill up can bridge that gap.

The 2021 Directors Sentiment Index Survey, by The Institute of Directors South Africa (IoDSA), shows that 66% of respondents reported an average to poor experience in relation to their board induction on technology matters.

### Tip

Enhancing individual and collective learning is to enhance board oversight capabilities.

### Ask

- Do I (Do we as board members) understand what we are supposed to oversee in this digital transformation process?
- Do I (Do we as board members) honestly believe we can comprehend the information given to us by the CIO, CTO or other technology executives?
- Am I up to date, am I clinging to old knowledge and awareness, or has the speed of change left me behind? Have I (Have we) got to know the latest technology trends affecting our industry? How do I (we) better plan our continuing education, individually as directors and collectively as a board, for now and for the longer term?

- How do we ensure we share the knowledge we have gained individually, so that the group can be on the same wavelength?

- 💡 The solution often lies in requiring directors to report back on their learning so as to distribute the learning.

### Pitfall

**A board mindset that does not value continuous education or takes a one-size-fits-all approach to learning about technology**

### Tip

Know where the technology gaps lie to frame learning objectives and even recruitment needs.

Learn, individually and collectively; distribute the knowledge among the entire board.

### Ask

- Before we plan our learning, have we figured out our digital strategy first?
- Have we identified our knowledge gaps?
  - Do I personally understand how emerging technologies work and how they could affect our industry and organization strategy?
  - When reading management materials, do I fully grasp the underlying objectives and possible risks related to the organization's proposed digital strategy?

- Do I understand how current technology infrastructure, data systems and technology-enabled products create value for the business and customers?
- Do we have a learning plan for us, as individual directors, as well as collectively as a board?
- 💡 Board and director evaluation can help. The learning should give us a better sense of the why behind emerging technologies, not only the what.
- What might be the best ways for us to learn?
  - Internal education: Site visits; in-depth sessions with technology leaders in the organization
  - External education: Field visits, trade shows, conferences, etc.
  - Individual engagement: Magazines or newsletter subscriptions; incorporating digital tools into daily routines to gain insight into user/customer experience
  - External expertise: Third-party experts
- 💡 The learning should aim to answer why emerging technologies are so disruptive, as well as why and how competitors may be successful in commercializing them.
- How do we ensure that we share and distribute the knowledge to foster collective learning?
- Do we have the right measures and culture to review our learning progress? Do we have a mechanism to tune and re-tune our learning needs as we develop?



Principle 3

**(Re-)align board structure and composition to reflect the growing significance of technology as a driver of both growth and risk**



Technology competency on the board is growing in importance. Following the 2021 IoDSA Directors Sentiment Index Survey, an interactive online workshop with about 80 IoDSA participants to probe technology governance aspects revealed that 60% of the participants felt they lacked sufficient skills and knowledge to understand and provide guidance on technology challenges and their boards may have been too reliant on, even too deferential to, management on technology governance matters.

Only 30% reported that their fellow board members collectively keep abreast of technological developments and only 36% believed their boards are proactive in keeping informed of technological developments from a strategic perspective.

### Tip

Board composition and structure needs to be fit for purpose.

### Ask

- Looking around at the board table, do we have, individually and collectively, the right technology-related skills and experience to deal with the issues?
- Should we make sure the next member we recruit be one with technology-related skills and experience? More preferably, should we collectively strengthen our knowledge instead, so we all have technology literacy?

### Pitfall

## Limiting recruitment of digital directors solely to technology experts

### Tip

Governance ability is *the* foundation always.

### Ask

- When looking for the next board member we recruit, have we looked too closely only at technology-related skills and experience? Have we ignored the more general governance skills and acumen?

- Have we got the right candidate profile? What do we expect from the new member?

- Can the candidate contribute to board conversation beyond the technicalities of any one technology or trend?

- 💡 Do not limit search solely to technology experts; we do not want token digital directors. The candidate should be one with a strategic mindset but who also understands the digital and technology landscape.

- Now that we have digital directors on board, how do the rest of us stay engaged and not become too reliant on those digital directors for the oversight responsibility? Are our on-boarding programs still suitable for the new members coming in?

- 💡 A new member may need an induction to get up to speed with the technology issues. Or the new recruit may already be more in tune with technology areas but may have somewhat lesser experience in governance issues.

- **About digital director qualities**

Also consider these factors:

- Proven record of bringing a technology to the market
- Experience leading a major digital transformation
- Practitioner expertise in a new technology of value to the business' strategic future
- Knowledgeable about emerging standards and regulatory frameworks in the relevant technology space
- Ability to decipher and understand megatrends

## Pitfall

### Fragmented board oversight of technology-related matters

#### Tip

A dedicated committee, an ad hoc committee or a technology advisory board can each have their merits, but the full board remains responsible for major decisions involving technology.

#### Ask

- The way we set up our committees and distribute our workload — do we, and can we, spend enough time on digital oversight? Do we give the topic the right level of focus or is the discussion too dispersed to be effective?
- Should we have a technology committee? What do our peers or competitors do?
- Have we met or hit any of the trigger points to create a technology committee?

💡 Trigger points to create a board committee are:

- increased revenue reliance on technological advancement
- major digital transformation initiatives that will reshape the organization
- rapid technology disruptions threatening to overhaul an industry or business model
- a significant rise in corporate investments in emerging technologies

- What should the technology committee cover?

💡 A technology committee can be a useful sounding board for senior executives and technology leaders as well as a counterbalance to check on the impulse of management for moving too quickly. It can cover such areas as:

- technology risks — cyber, digital, AI related issues, data privacy etc
- investments; renewal of technology
- business continuity; technology talent
- how to better enable controls with technology, etc.

- Do we risk pushing too much responsibility to one committee? Are there risks that may be too broad for the technology committee alone to address?

💡 Consider potential knock-on reputational risks arising either from unintentional technology misuse or suboptimal implementation.

- Does the current board size allow us to have another committee? Do other considerations (such as staffing, board calendar and agendas) affect our decisions in this regard? Would an ad hoc committee work?
- What charter or terms of reference should be in place? Would the appointment of additional special purpose directors, to serve on the ad hoc committee, be feasible and desirable?
- What about an advisory board? Could it be good for our organization? Who to include? How to ensure information flows back to the board?
- What processes or policies can our board explore to ensure technology-related knowledge is effectively distributed across different committees?
- What processes and policies should there be to guide information flows back to the full board?



Principle 4

# Demand frequent and forward-looking reporting on technology-related initiatives





## Information overload can be a problem. The challenge is to have the right information to meaningfully assess how technology and its related risks impact business performance.

An IoDSA polling shows that 52% of respondents felt information provided by management to their board is not relevant, not timely nor at the right level of detail for them to understand and appreciate technological development and related risks and opportunities.

### Tip

Have frequent, focused board-management dialogue. Enhance reporting of emerging technologies and their impact on business.

### Ask

- Did we receive effective information from management? How can we enhance our board discussions on digital transformation? What information should we ask for? What metrics are suitable?
- How can we link technology-related investments to financial performance metrics to inform our decision-making?

### Pitfall

#### Reporting is static, focused on the past and present

### Tip

Improve forward-looking visibility but looking at the rearview mirror can also garner insights.

### Ask

- Is the information we are getting focusing too much on risks we already know?
- Are we thinking too much about our existing competitors? Can we imagine what could hit us unexpectedly or by surprise?

💡 Hotel chains have found that their biggest competitor since the pandemic is video-conferencing or virtual meeting service providers.

- Is the kind of information/report we are getting aligned to the pace at which things may be changing?
- How could we leverage technology to outpace competition? Yes, we could be disrupted, but with what we have, could we be a disruptor somehow?
- 💡 The reporting ought not to just focus on threats but should also explore opportunities from using technology to some advantage.
- Looking to the future is good, but have we done the looking back and learnt? Were there technologies that we thought were good, but are becoming outdated faster than we can ever get business value out of them?
- Is the information we are getting sufficiently independent and not too filtered by management?

### Pitfall

#### Too much information, too little insight

### Tip

Data is good, information is good. The trick is to get the right information, but not so much of it that it overwhelms. Establish appropriate reporting guidelines.

### Ask

- Does the data/information we receive allow us to benchmark ourselves, internally or externally? Does the data/information we receive give us a sufficient sense of transparency into the problems?

- Are our reporting guidelines for digital transformation effective?
- How do we minimize the effect of “subjectivity and variability” in the reporting?
- Do we have a clear notion of the nature (and thereby the significance) of one risk vs another?
- 💡 If a risk is considered “high,” what is the significance? How much more threat does this “high” risk pose to us than if the same risk is “low” instead?
- Does the reporting enable us to understand the velocity and duration of an emerging risk? Is the reporting, on risks or opportunities, clearly linked to business objectives?
- What may be the (early) warning signs that our digital transformation initiatives may be stalling?
  - Do we adequately capture changing customer behavior or competitor moves?
  - Do we have difficulty in recruiting people to deliver on the transformation? Conversely, are we starting to have too much ease in recruiting folks for what we want to do, only because there is already a surplus of those talents on technologies trending out?
- What performance metrics shall we adopt? Are they aligned with our transformation objectives (such as improving customer experience, speeding up business decisions, increasing efficiency or reducing operational risks)?
- What metrics are effective to track digital improvements over time?
  - Customer experience: Feedback surveys; satisfaction scores; “like” buttons? AI and machine learning? If AI, need to consider the ethical aspects
  - Workforce efficiency: Time saved by simplification or automation
  - Business operation: Percentage of applications leveraging cloud technologies; percentage of applications built on a modern architecture; percentage of applications delivered using an iterative/agile methodology

**Pitfall**  
**Fixation on short-term ROI metrics**

**Tip**  
 Focus on early leading indicators, know what the early warning signs are.

- Ask**
- Are we expecting too much on short term results? We want to be successful of course, but are we making decisions just to avoid failure?
  - Is the time horizon for assessing digital transformation initiatives consistent with our strategy? In what ways are they not?

**Principle 5**

**Periodically assess the organization's leadership, talent and culture readiness for technological change**





In its 2019 *Blue Ribbon Commission Report on Culture as a Corporate Asset*, the (US) National Association of Corporate Directors made an observation that culture can be the “rocket fuel” to drive the execution of strategy, but it can also present or exacerbate significant risks to the organization.

In times of innovation and business model change that digital transformation is about, the right culture and incentives are even more important to keep people honest about the real progress (or bumpers hit) in the process.

Top leaders may have little actual experience or a poor track record in driving digital change. Current digital capabilities can become obsolete quickly. A successful transformation will require leadership that never stops learning, effectively navigates ambiguity, drives complex change initiatives and nurtures a change-ready culture.

But even the best digital transformation efforts can be hampered by talent deficit. Talent needed to exploit emerging technologies is already scarce, and the *Mercer Global Talent Trends 2022 Study* reveals that two-thirds of corporate executives say they face a labor shortage crisis. While executives see that knowing what skills they have in their workforce improves their organization’s agility, 70% of HR leaders are gearing up for higher-than-normal turnover, especially in young talent and those with valued digital skills, and 60% of executives believe that top talent will not return to in-person work.

The Australian Institute of Company Directors (AICD), in a recent publication in conjunction with its *Director on Digital* podcasts series, reports statistics from a world trend survey that 46% of the workforce globally could be planning to move

because they can now work remotely. Indeed, remote job listings have increased across social media. Finding the right talents and keeping them motivated and committed to the organization’s cause becomes an imperative for boards and management teams eager to embark on digital transformation.

### Tip

Assess the type of workforce that will be needed to stay competitive. Ensure the right CEO and executive team is in place.

Amplify the importance of how. The way in which results are achieved is as important as to whether an objective is met. Do not let culture eat strategy for breakfast.

### Ask

- Do we have the right people among our workforce for success? Do we have the right CEO in place for digital transformation? Does our organization have the right culture and incentives in place to support its digital transformation strategy? What are the biggest risks?
- 💡 Consider talent strategy and CEO succession planning best practices.
- Is the prevailing organization culture one that can nurture or conversely quash innovation and transformation?



### **Pitfall**

## **Failure to embed digital fluency and track record into the recruitment, succession planning and evaluation of the CEO and the executive team**

### **Tip**

The CEO and C-Suite executives need to be credible digital leaders. A successful management team will develop, and articulate, a vision for transformation and will create momentum across the workforce to embrace the vision.

### **Ask**

- Are we (Is our management team) just avoiding the need to change, ushering us along the path of inertia? Are we resistant to digital transformation and the disruptive threats that may be coming?
- Does the CEO (or candidate) give us a credible sense of whether the vision of the future s/he spins is realistic and achievable? At the least, does the CEO give us a credible story of how the vision of the future s/he spins should prompt us to act? Is the vision sufficiently broad that it considers the use of emerging technologies in creative even complex combinations that may result in a complementing whole to meet customer needs in new and better ways?
- What is our CEO's (and C-Suite's) ability to lead and effect change? Do we have C-Suite evaluation and succession planning properly catered to assess performance and ability as a digital leader?
- 💡 Digital transformation needs to be driven by the CEO, not delegated to the IT function.
- How do we evaluate our executive teams on their ability in and contribution to digital transformation?

- How has this individual leveraged digital fluency to enhance business value in the past year (through growing revenues, decreasing costs, improving agility, etc.)?
- How has this individual improved his or her understanding of technology and other trends over the past year?
- How has this individual demonstrated his or her ability to keep pace with changing business needs?
- Does the individual demonstrate the ability to navigate uncertainty?
- Does the individual demonstrate intellectual curiosity (or even have practical experience) with technologies that may be relevant to business needs?
- What about agile thinking?
- Is the team able to develop and articulate a vision of transformation?
- Innovation cannot be achieved by members of management alone. Does the individual demonstrate the ability to achieve employee buy-in of the organization's digital transformation?

### **Pitfall**

## **Underestimating the importance of a change-ready culture that is open to innovation**

### **Tip**

Have an organizational culture that embraces change and promotes innovation and experimentation.

Recognize and reward innovation but also embrace failures.

### **Ask**

- How do we rate our culture as one being conducive to digital transformation? What tone at the top

are we setting? Does the work force (not just the executive team) embrace change?

- How many partnerships, alliances or acquisitions has the firm made in the past two, three, five years? With whom? Or are we generating innovations internally?
- What do our customers and employees think of us compared with our peers and competitors? Do they consider us an “innovation leader”?
- Are we a “solid trier”? Or are we just resting on our laurels, living on past reputation?
- What may be the indicators of a desired innovation culture?
  - Do we give employees the opportunity to tell their supervisors if they think of a better way to do things?
  - Do we know if innovative ideas are coming from within the organization or outside? Do employees feel comfortable talking about mishaps or failures?
  - How do we define “success”? Is our culture one that can reward innovation but also embrace failure? Do we say “encourage innovation” yet end up punishing commercial failures?
- Do people socialize and collaborate? Do they work in flexible teams? Do they use the latest technology themselves?

### **Pitfall**

## **Talent oversight focused mostly on present needs and past problems**

### **Tip**

Have forward-looking assessments of talent requirement, in line with the broader organizational strategy.

### **Ask**

- What does the skills inventory of our current workforce look like? Have we adequately considered the changing nature of work? What does the desired digital transformation mean for the current workforce?
- What is the board’s (and management’s) view of the organization’s future workforce? What skills or capabilities are particularly in need for the digital transformation efforts that we are attempting?
- If skills gap(s) exist, what can we do to rectify the deficit, through learning programs or by recruitment? What other ways are there to nurture and develop the skills needed?
- 💡 Look ahead for at least five years; some forecasting of skills gaps may be necessary.
- What is our talent strategy? Has it been properly aligned with our longer-term strategy?
- In producing the talent strategy, what indicators did we (did management) look at? Are they forward-looking enough or are we clinging too much onto lagging indicators?
- What do we see as being the critical roles at our organization? What number of key personnel now occupy these critical roles?
- Do we have a contingency (and succession) plan for these key personnel? How do we develop these talents?

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