

# Digital technology expertise at the board table is a must

Why no company board can afford to be without it in 2017. By Norbert Gottenberg

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**T**he digital revolution is here, as evidenced by new digital-based players disrupting status-quo industries, causing upheavals in traditional business models. Some noteworthy examples of Web-based companies disrupting traditional ones:

- On the consumer front: Airbnb, Apple, Amazon.com, eBay, Facebook, Google, LinkedIn, Netflix, Priceline, Spotify, and Uber.
- On the industrial front: cloud-based systems and services provided by Salesforce.com, AWS, Workday, and Box, as well as advanced digital technology for areas such as 3-D printing, robotics, artificial intelligence, and supply-chain management.

Digital disruption is an arena most boards have never experienced. The stakes are high and getting higher than ever before, since digital technology is becoming the heart of a company's overall business strategy and supporting models. Along that line, a company board, as one of its key fiduciary responsibilities, must ensure that the company can exist and prosper in the digital era. As such, the board must have the requisite digital technology expertise at the board table.

To survive in the long term, companies and their boards have to be proactive by undertaking a digital transformation of their businesses, recognizing now is the time to redefine and rebuild critical business models and strategies.

For that effort to succeed, however, boards must understand and champion the digital technology fundamentals involved — such as digital assets, e-commerce platforms, Internet of Things, mobile, cybersecurity, Big Data and Analytics,

cloud computing, and global networking and connectivity, just to mention a handful. This is where having the requisite digital technology expertise at the board table becomes absolutely critical.

Digital-forward companies are leveraging their digital disruption activities at the expense of traditional companies, creating a gap which is widening at an accelerated pace; for traditional companies to catch up or take the lead, time is of the essence.

In today's operating environment, massive amounts of information are circulating the globe in nanoseconds, and companies must have the digital infrastructure to capture, analyze and provide that information in interpretable form to support real-time decision-making throughout the company and at the board table and doing business with other digital-savvy companies.

Along that line, global communication networks are in place to connect everyone and everything, and the ubiquitous nature of those networks can provide board members with a real-time pulse of a company's business and an extraordinary opportunity, as never before, to be on top of the company's activities in the markets it operates in or wants to operate in.

Today, many companies are in effect a global family of connected constituencies (i.e., customers, suppliers, employees, investors, etc.) which leverage a variety of interconnected e-commerce platforms and marketplaces, and take advantage of social and digital media platforms — which some describe as a world of 'digitization.'

Digitization is transforming the way many industries function, and is essentially reshaping the fundamentals of business operations, on a global scale, creating a potential for enormous gains along untapped, attendant value chains. Such potential is becoming a mantra for enlightened boards, specifically those that have digital technology expertise at the table. Companies and their boards that do not heed the digitization signals and continue to embrace the status quo and old business models will become victims of digital disruption.

An enlightened board is able to question whether the company is in the right business for the digital age, and, if not, what business model transformation is critical to make and when; however, without the digital technology expertise at the table, it is questionable if board members are informed enough to pose the critical, strategic questions and to be able to interpret the answers.

On another note, for those boards that recognize the need to recruit a board member with digital technology expertise, the chal-



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lenge for the new digital director will be to:

- Influence change within the existing board culture.
- Raise the digital literacy/competency level for everyone at the table in order to comprehend accurately emerging digital strategies and business implications.
- Eliminate the digital/traditional gap.
- Steer discussion in a way that all the members fully understand the immediacy of leveraging digital technology in the company's products and processes, given that the competition is doing so at an accelerated pace.

Having a board member with digital technology expertise will raise the board's collective understanding and appreciation of what digital transformation is all about and why it is necessary to succeed in today's digital age, particularly if competitors have undergone significant digital transformation to meet and/or create new market demands.

As an aside, but paramount, a new digital director must be welcomed with open arms and

not be viewed as a perfunctory addition. Also, a board cannot afford to be at an arms-length and depend on a company's internal resources to address digital-based strategies; that's just allowing board members to put their heads in the sand and hope for the best.

A board must recognize that digital technology is now a great differentiator within its industry (and a potential creator of new industries) and decide whether the company will be proactive or reactive, at the forefront or at the back (and slowly disappear). The board has to know what's at stake, and its member(s) with digital technology expertise can play a critical role in providing the other members with a full understanding of what's at stake.

For a company to go forward and prosper, amid all the digital disruption underway, the overarching question is: Can a board afford not to have a member with digital technology expertise sitting at the table? The answer should be an unequivocal *no*, and recruiting that member now is imperative. ■