



## TECHNOLOGY TAKES A SEAT

To tap new insights and talent, boards are welcoming new tools to the table.

By Sarah Fister Gale

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**s technology advances,** corporate boards around the world are not sitting idle hoping for the best. Forty-seven percent of CEOs are being challenged by their board of directors to make progress in digital business, according to a 2017 global Gartner survey.

But are the same boards pushing their CEOs to integrate digital technologies into the business practicing what they preach? Yes—but in many cases, progress is slow. In fact, according to *Corporate Secretary's 2017 Trends in Board Portal Adoption* survey, only 32 percent of boards have gone paperless and adopted board portals for sharing information.

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Boards need to adopt the latest and greatest technologies faster—and they need to start now. Members should be using the same tools—things like business intelligence and analytics tools—they are pushing their company to adopt. Benefits include a better understanding of the marketplace and sharper decisions about how and where to steer the business. “Boards have to keep up with the technology trends that impact the business; otherwise, the employees will outpace them,” says Darin Powers, senior vice president of national security solutions at NT Concepts, an intelligence solutions and investigative services provider in Washington, D.C. “Inaction can create artificial constraints that block productivity.”

Yet most boards lag behind the rest of their companies when it comes to staying abreast of the latest technology developments, Mr. Powers says. “The board’s job is to create and protect value and provide a vision and direction for innovation,” he says. But if board members are not familiar with these tools and how they impact the business, they cannot provide that guidance. “That creates tension between the board and the business.”

This is not just about high-tech firms. Any company can use business intelligence and analytics tools to understand the political, economic and regulatory challenges it may face, he says.

Guruduth S. Banavar, vice president of cognitive computing at IBM, agrees. In a recent speech at IESE Business School, he said that if there were a suite of artificial intelligence (AI) tools—such as IBM’s Watson—embedded in the boardroom while executives were looking at possibilities for new acquisitions, for example, the AI suite could run through databases to find companies that fit very specific criteria, such as a particular corporate structure or profit margin. The suite could then identify the top

prospects and compare them against each other before making a recommendation.

### **A BOT ON BOARD**

Deep Knowledge Ventures (DKV) has taken this concept and made it a reality. When the Hong Kong-based life sciences venture capital firm considers which startups to invest in, the board turns to one board member in particular: VITAL (Validating Investment Tool for Advancing Life Sciences), an AI-based system that makes investment recommendations about life sciences firms based on a review of industry data. “VITAL has helped us to become a better investment fund,” says DKV general partner Dmitry Kaminskiy.

DKV appointed the AI system to its board in 2014 to help it make faster, more data-driven decisions about which companies hold the most promise and which ones have business plans that are less realistic. “We didn’t have the time required to do all the research and develop an in-depth knowledge of every niche market,” Mr. Kaminskiy says. Now VITAL does that for them.

Because most startups have little historical data, the AI system uses machine learning to scour thousands of data sources about other companies in the industry to identify which attributes cause them to have a higher or lower probability of success. Then the board compares those attributes to the startups they are considering. “The system shows us patterns that indicate gold-standard companies and where there might be red flags,” he says. For example, if a startup is spending most of its money on marketing rather than research or if it is totally focused on R&D but has no business development expertise, these could indicate the business plan or executive team is not poised for success.

VITAL reviews every potential company based on a set of predefined parameters.



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—Yusuf Azizullah, founder and CEO, Global Board Advisors Corp.

If there are a number of discrepancies, the board is more likely to pass. “It allows us to get past the hype about a company when making decisions,” Mr. Kaminskiy says.

#### AN EVOLUTIONARY PROCESS

While not every company is ready to add AI to its board just yet, VITAL is a great example of how board members can benefit from metric reports assessing global capital markets and business scenarios and that provide insights for strategic decision making. In an era when board members need to understand real time market dynamics of multiple global competitors for strategic opportunities, such insights are critical.

Yet the use of such reports and analytics tools is just the next step in an ongoing process, says Yusuf Azizullah, founder and CEO of Global Board Advisors Corp. in Washington, D.C. The evolution to a technology-enabled boardroom has been occurring since the 1990s, back when “quarterly meetings were still conducted with stacks of papers and slide presentations,” he says. Board members eventually started using iPads rather than paper to review information, and file-sharing services to share it. Then companies began implementing board portals as a de facto mode of communication for boardroom presentations prior to meetings as it supported more secure document sharing and electronic communication.

“The move to virtual communication

technologies and the use of virtual meeting tools is the natural next step,” Mr. Azizullah says.

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Bringing technology into the boardroom not only supports digital decision-making in a global marketplace; it also makes it easier to build

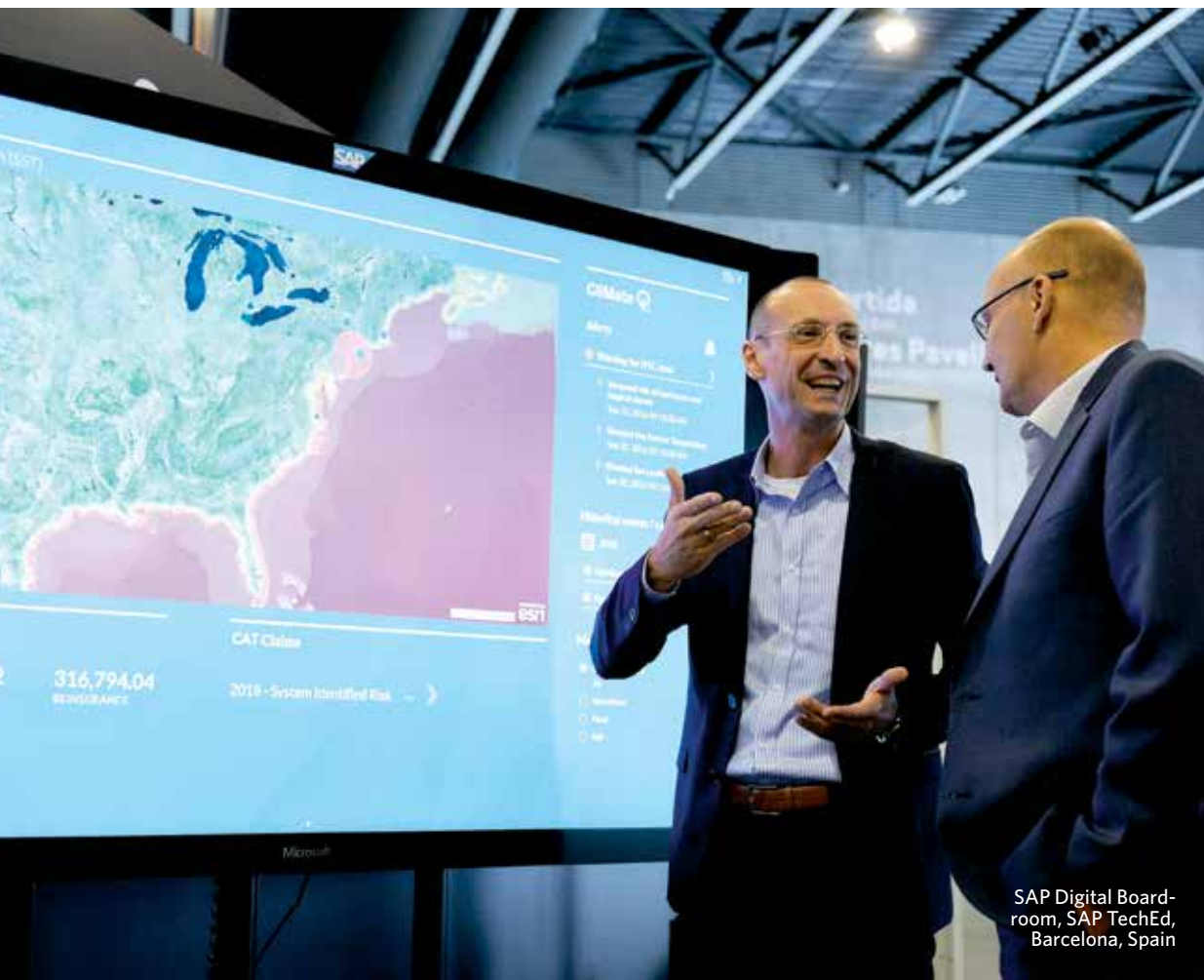
the strongest board possible from a global pool of experts—who may not have the time to fly in for quarterly meetings but can easily connect via virtual technology. “So many employees work virtually, and the same can be true for board members,” he says.

As technology progresses, Mr. Azizullah only sees this practice becoming easier and more prevalent. For example, when he recently invited a top Brazilian CEO onto the board of a large Australian company, the executive initially had to decline because of the travel that would be required. But he changed his mind when the Australian company suggested he holoport to board meetings.

“Using 3-D cameras, Microsoft has developed an innovative technology that can virtually holoport an individual in real time, thus allowing face-to-face interaction for individuals thousands of miles apart,” Mr. Azizullah wrote for the World Economic Forum.







SAP Digital Boardroom, SAP TechEd, Barcelona, Spain

“This kind of technology gives a competitive advantage and is one of the ways in which the Fourth Industrial Revolution is playing out in the boardrooms of the future,” he wrote. “Holoportation has the potential to change boardroom culture in the same way that iPads and other tablets already have. Disruptive technologies such as virtual reality and augmented reality will be rippling through boardrooms.”

### SPURRING CULTURE CHANGE

Adopting these transformative technologies is not something that will—or should—happen overnight. It is a process that requires a culture change, especially in more traditional organizations where technological advancement has not always been the central focus. To spur that change, Nic Smith, a global vice president at SAP, recommends using technology in parallel with other strategies

and then comparing the results. For example, a board might use predictive analytics to project market trends or demographic sentiment, then review the results a year later to determine whether the insights were accurate and added value. It is best to build these pilots around growth aspects of the business rather than around risk, he adds.

“When you are trying to drive culture change, it is always better to focus on the positive rather than the negative,” says Mr. Smith, whose organization created the boardroom sharing and collaboration tool SAP Digital Boardroom.

AI and other advanced technologies may still be novel for most boardrooms, but change is coming, Mr. Powers adds. “As board members recognize the benefits these tools can offer in protecting value and enabling a more robust board experience, the transition will be inevitable.” **IQ**