



# Digital Board Members

## A do's and don'ts guide for traditional Boards

by Carolyn Lutz and Nick Harris

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Several editions ago, we had the privilege to interview Frits van Paasschen, who had just authored an insightful and compelling book on the challenges of technological disruption on established business models, "The Disruptors' Feast". Two lines that come early in the book make crystal clear the scale and speed of the challenge: "The digital revolution will make the industrial revolution seem like slow motion... If you don't think digital disruption is coming to you and your profession, you are deluding yourself."

And in our last TTA edition, we looked at some of the challenges and benefits of improving (gender) diversity on Boards.

In this article, we try to draw these two strands – diversity and digital – together, and investigate some of the do's and don'ts for traditional Boards who want (need!) to become more future-oriented, diverse and digitally savvy.

Many (most!) Boards of publicly traded, as well as family-owned businesses simply do not have a considered digital recruitment strategy, and do not fully understand how this talent pool thinks and behaves.

It is critically important to understand that demand for digital talent, whether at the Board or management level, far outstrips supply. And whereas the common, safe assumption used to be that most senior executives would want to take on a Board role at some stage, it is not a given that digital talents want to become a director of even a bluechip corporate. The things that they value most in business life – autonomy, entrepreneurial freedom, openness and high frequency of communication, lack of hierarchy, quick decision-making, fast results – are qualities that they perceive (with some justification) to be lacking in larger or more traditional organisations. One well known digital entrepreneur we spoke to recently described the idea of being in a big group as "torture".



Furthermore, digital talents approached for NED roles will often be sceptical that an organization really has the desire, particularly at the Board level, to undergo a necessary transformation or change programme. Even a cursory glance at the existing organisation can be enough to put them off – another digital leader we spoke to recently about their interest level in Board roles noted, in an incredulous tone, that most current NEDs “can’t even be bothered to create LinkedIn profiles”. What helps in attracting them is if they already have first-hand experience of a company’s products or services, or can otherwise associate with an enterprise’s brand or purpose. A “meaty” Board mission or agenda – e.g. transformation, turnaround, expansion – is almost always viewed as being more attractive than a steady-as-she-goes trajectory.

“Like hires like” is a well-known issue in recruiting. This inclination may still persist when “analogue” Boards look to bring in a digitally savvy Non Exec, but here the risk is that if they start a search process with that bias, they will likely end up hiring no-one at all. The reality is that digital natives often scare traditional Board Members because they do not look or behave at all like the existing NEDs. They are often (much) younger, (much) more outspoken, less polished, and used to greater autonomy. And their CVs show non-linear career tracks, and experience gained from start-up and entrepreneurial businesses rather than big corporates with well-known brand names.

How they will interact on your Board, and what their expectations are of how the Board operates, may well be seen as challenging. It is interesting to note in this context that “digital” hires to the Board over the past decade are much more likely to be female (25%), or born outside the country, than standard NED hires. This may be a case of Boards trying to tick two diversity boxes with one hire, or simply an indication that digital natives as a class are more heterogeneous, international and mobile than previous generations.

Set against this context, we set out some “Do’s and Don’ts” for traditional or monochrome Boards on recruiting Digital Non Executives:

## DO

- Do be aware of why you are doing this: put simply, more diversity equals better decision-making.
- Digital Board searches need to go wider than those for traditional NEDs – looking at non-traditional functions, internationally rather than just in the local city/country, and further down the organisation chart. Draw on a broader range of background, experience, skills and age to complement, rather than copy, the existing Directors. Contrary to received opinion, NEDs do not need to have been a CEO!
- Do hire more than one: the goal is to build a diverse Board, not to “tick a box” or make a token appointment. The evidence is now compelling that diverse teams are more effective. The Board should therefore be thought of collectively. The ideal composition is a blend and balance of different backgrounds and complementary experience.



- Do listen: digital NEDs can add strategic value to a business by virtue of their different vantage point – spotting new business opportunities that the Board would otherwise overlook (e.g. new customer interfaces, AI and machine learning, employee branding and engagement programmes, acquisition targets), and identifying threats that the Board may simply not be aware of (e.g. cyber security, reputational damage on social media, upstart competitors with disruptive technology).
- Do lead by example as a Board – a digital culture will not automatically cascade down throughout an organisation just because you appoint a new NED. All the Board Members have a role to play as cheerleaders and advocates for the company’s digital future.
- As a Board Chair: be mindful that you set not just the agenda but also the tone of Boardroom discussions, and the rules of engagement. You should devote conscious attention to ensure that all voices are heard, that there is sufficient time for questions and that discussions do not just skim the surface of a topic. With their more traditional Directors, the Chair may have to underline the credo that everyone has an (equal) say. With their digital NEDs, the Chair may have to coach on the communication style that is most appropriate and effective in such a forum (e.g. in plain English rather than overly-technical jargon or too fine a detail).
- It is also a good idea for the Chair to assign the new NED a mentor from among the experienced directors, to encourage learning (both ways) as well as bonding.
- Companies should ensure they have a comprehensive onboarding and induction programme for digital NEDs. Often a good hire has been lost prematurely not because they were the wrong person but because of early misapprehensions, poor understanding of stakeholder dynamics, and lost opportunities to demonstrate an early contribution.
- NEDs from specialist backgrounds should make a conscious effort to contribute to topics beyond their area of technical expertise. A Directorship should be viewed as a learning experience, and one which will make them better managers in their day-to-day roles.
- First-time Digital NEDs also need to be aware that a Boardroom, especially one of a publicly traded company, will function differently to the management meeting of an internet player. Corporate governance and operational management are not the same.
- And, as a final piece of “do” advice, we would strongly recommend to aspiring Directors that they undertake a formal NED course with a well-regarded institution such as the IMD or INSEAD business schools, or the FT. This is great preparation, both as a primer for what good looks like in corporate governance, as well as a broadening training into areas such as finance, risk or HR that the executive may not have gained prior exposure to. It is also a signaller of intent that they are looking for a NED role and would take such responsibilities seriously. Lastly, being part of a NextGen NED class provides both good networking opportunities and a support community.



## DON'T

- Don't assume that digital is predominantly an "operational" topic that is beneath the consideration of a Board whose mandate is to outline the "strategic" agenda. Digital is now fundamental and intrinsic to understanding the big picture; a corporate strategy that does not take digital sufficiently into account will be fundamentally flawed from the outset.
- Similarly, don't assume that digital is a topic "just" for your new digital Director; everyone on the Board needs to work on their level of digital savviness. This is a trend that you cannot run or hide from forever. (Tip: Even a Chairman needs to know how to engage with social media – and to have a presentable LinkedIn profile!)
- Set aside preconceived notions that lead to hiring like-for-like: not all NEDs need to have served as a CEO of a large company. Not all NEDs need to have "grey hair". Accept and embrace the fact that a digital NED is likely to be younger and may have a career track that is atypical.
- Don't hire just one: a lone voice and outlier – whether a digital native, or the only female NED – is too easy to ignore or side-line. It's also unfair on them – they run the risk of being seen only as a narrow, topic expert and not an equal. At best, you won't get the full benefit of their perspective. At worst, they will get frustrated and quickly leave. The composition of the whole Board needs to be carefully considered; this is a materially different exercise to merely swapping out a retiring NED for an identikit replacement.
- Related to the above point, don't assume that any one digital Director will be sufficient if the organisation requires a wholesale digital transformation. The digital universe is now so vast (e.g. social marketing, e-commerce, big data, cyber security, consumer privacy, FinTech, AI, etc.) that no one person can be a deep expert in all dimensions.
- Don't underestimate the impact of cultural or generational differences. The working and communication styles of digital natives may be very (sometimes radically) different. Improving the digital literacy of the Board will pay off for everyone in the long run but don't assume it will always be plain sailing or that everyone will speak the same language from day one. Traditional Directors will need to broaden their vocabulary, and expect more questions about "purpose", "impact", and "customer centricity".
- Last but not least in this list of things "not to do", a piece of advice for first-time NEDs: do not compromise on your values and ethics, or surrender your independence of thought. You were hired for a reason, and – as easy and tempting as it may be to rubber stamp decisions – it is incumbent on you to speak up, to question, to propose new ideas. Diversity of opinion is critically important for a well-functioning and effective Board.

It is worth restating that Board diversity should not be seen as a PR exercise. Put simply, diverse Boards are a proven driver of better decision-making.



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