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Digital Diversity in the Boardroom: The Case For IT Leaders On Corporate Boards

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DIGITAL DIRECTORS NETWORK

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- USC Marshall Professor
- Former PwC Advisory Partner
  - IT Strategy & Operations Leader
  - Data Management Practice Lead
- Senior Fellow, The Conference Board and Member Cyber Advisory Group
- NACD, Pacific Southwest Board Member
- Former CEO Bloomfire and VC Advisor
- Advisory Board Member
- Author and Speaker

The World's Leading Digital Governance Network And Advocacy

THE DDN MISSION: Our goal is to put a digital director into every boardroom and to make every director a better digital director.

RECRUITING

TEACHING

LEARNING

NETWORKING

ADVOCACY

The Hardest Aspects About Being a Board Director

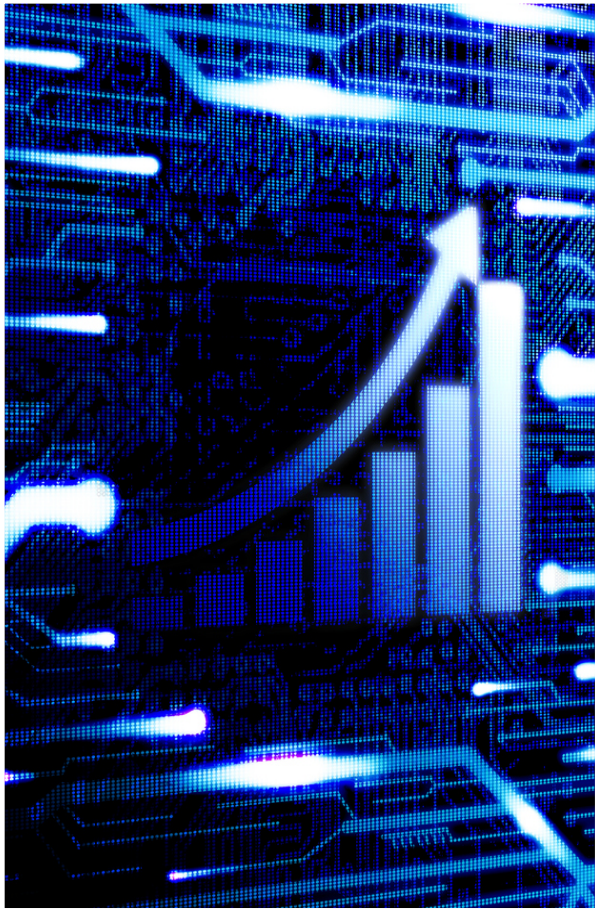
Technology challenges are among the top three.

% of board members who selected the following areas as a challenge

Keeping on top of risk and security issues	37
Keeping on top of new technologies	33
Keeping on top of regulatory changes	33
Keeping up-to-date on industry of this company	27
Asserting independent thinking (from management and fellow directors)	26
Understanding evolving global landscape	23
Time required to serve (including reading, meetings, travel, etc.)	15
Liability issues	13
Engaging with management	11
Financial acuity	10
Interpersonal relations with other directors	10
Keeping up-to-date on this company	9
Confusion regarding my role as director	5
Other	5

Source: Survey of more than 5,000 board members by Boris Groysberg and J. Yo-Jud Cheng, HBS; Women Corporate Directors Foundation; Spencer Stuart; and Deborah Bell, independent researcher

HBR



The Governance Activities and Processes Boards Are Good At

Technology and innovation rank low on the list.

% of board members who rated rated each activity "above average" or "excellent"

Staying current on company	70
Compliance	69
Board composition	67
Financial planning	66
Staying current on industry	64
Executive sessions	60
Overall board performance	59
Monitoring strategic decisions	59
Investor/shareholder relations	58
Strategic planning	56
Risk management	55
Creating effective board structure	55
Time management	52
Evaluation of CEO	51
M&A	45
Compensation	45
Technology	**42**
Innovation	**42**
Global expansion	40
CEO succession planning	36
HR/talent management	35
Evaluation of individual directors	34
Cybersecurity	24

Source: Survey of more than 5,000 board members by Boris Groysberg and J. Yo-Jud Cheng, HBS; Women Corporate Directors Foundation; Spencer Stuart; and Deborah Bell, independent researcher

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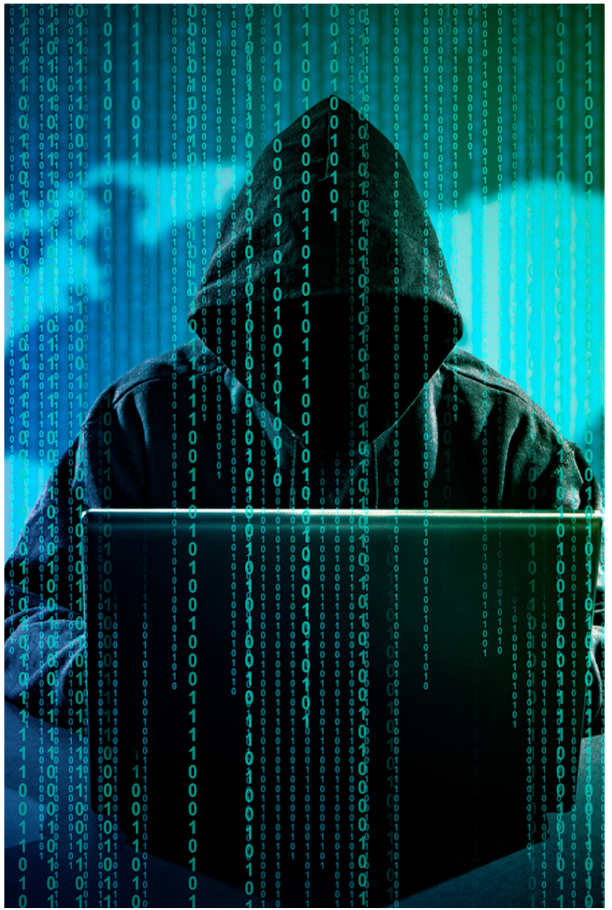


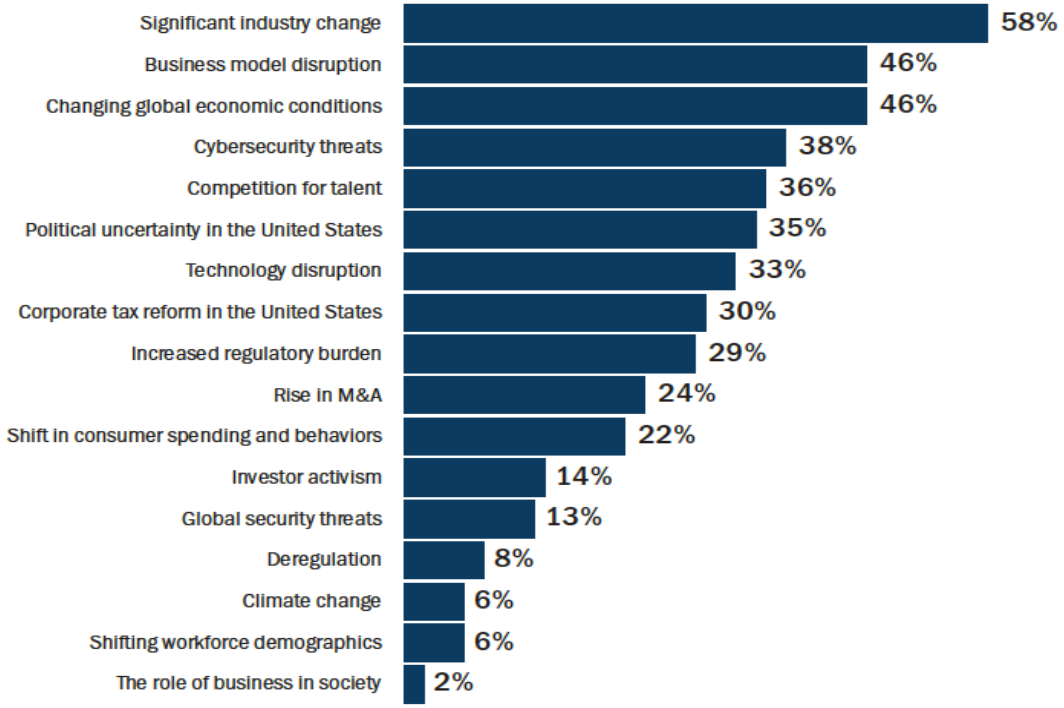
Conversations In The Boardroom

Cyber security and digital innovation are top of the agenda

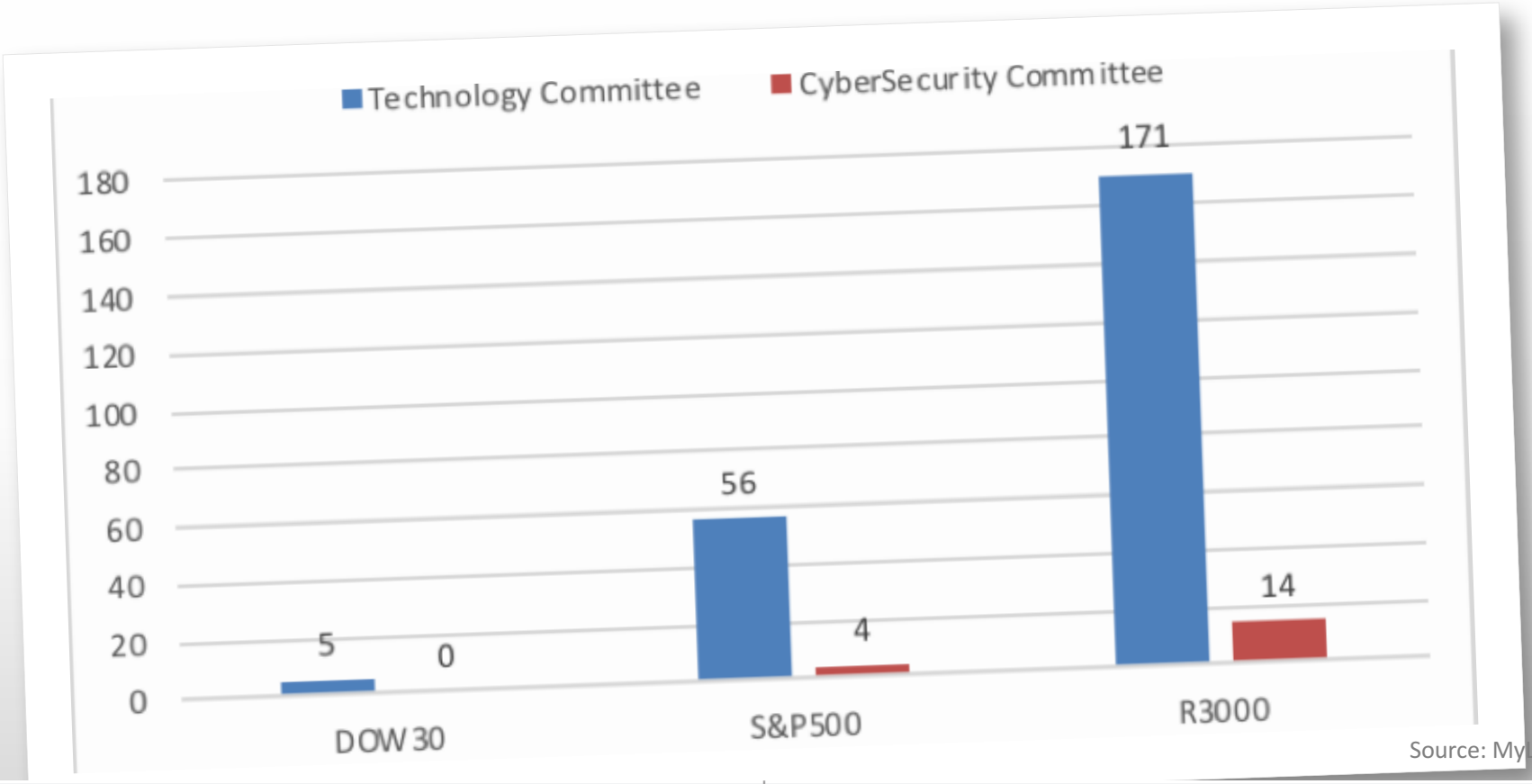
To what extent do you discuss the following more now in board meetings compared with 3-5 years ago?

Source: Harvey Nash/LBS 2018/2019 Alumni Board Report

What five trends do you foresee having the greatest effect on your company over the next 12 months? (Respondents could select five of the 17 issues below.)



Source: 2017-2018 NACD Public Company Governance Survey



Source: MyLogIQ

DIGITAL DIRECTORS NETWORK
November 2018
DIGITAL GOVERNANCE REPORT CARD
Marriott
Skills: Boardroom Digital Diversity
F
Organization: Digital Governance Structure
D
Activities: Digital Governance Agenda and Responsibilities
D
OVERALL GRADE:
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DIGITAL DIRECTORS NETWORK
October 2018
DIGITAL GOVERNANCE REPORT CARD
FedEx
Skills: Boardroom Digital Diversity
B+
Organization: Digital Governance Structure
A+
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A-
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Top Challenges For CIOs In The Boardroom

- Overcoming IT bias/mis-perception
- Speaking the language of the boardroom
- Understanding governance vs managing
- Being invited into the boardroom
- Other boardroom priorities/issues

Director Trends 2018

- S&P 500 boards appointed 428 new independent directors in the 2018 proxy year, up 8% from last year and the highest number since 2004.
- A majority (57%) of S&P 500 boards appointed at least one new director.
- Experience as a CEO or top corporate executive is **no longer a must-have** credential for board service.
- Board experience is also **no longer a pre-requisite**. One-third of the incoming class are serving on their first public company board.
- Tech savvy, "digital directors" are a **hot commodity**, and boards are tapping younger "next gen" candidates with these skills. Seventeen percent (17%) of the incoming class are 50 or younger.
- Other priority skills and backgrounds of 170 Nom & Gov Committee members:
    - Active CEO/COO (49%)
    - Technology experience (48%)
    - Retired CEO/COO (41%)
    - Global perspective (41%)
    - Digital experience (40%)

Source: 2018 US Spencer Stuart Board Index

Takeaway's: Fixing The Digital Diversity Divide

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- Get engaged
- Have one voice
- Amplify and clarify the message
- Get and stay in the room

AGENDA
A Financial Times Service

Opinion

Is the SEC Failing Investors on Cyber-Security Risk?

December 3, 2018

Doug Chia

Doug Chia *is the executive director of* ***The Conference Board Governance Center****.*

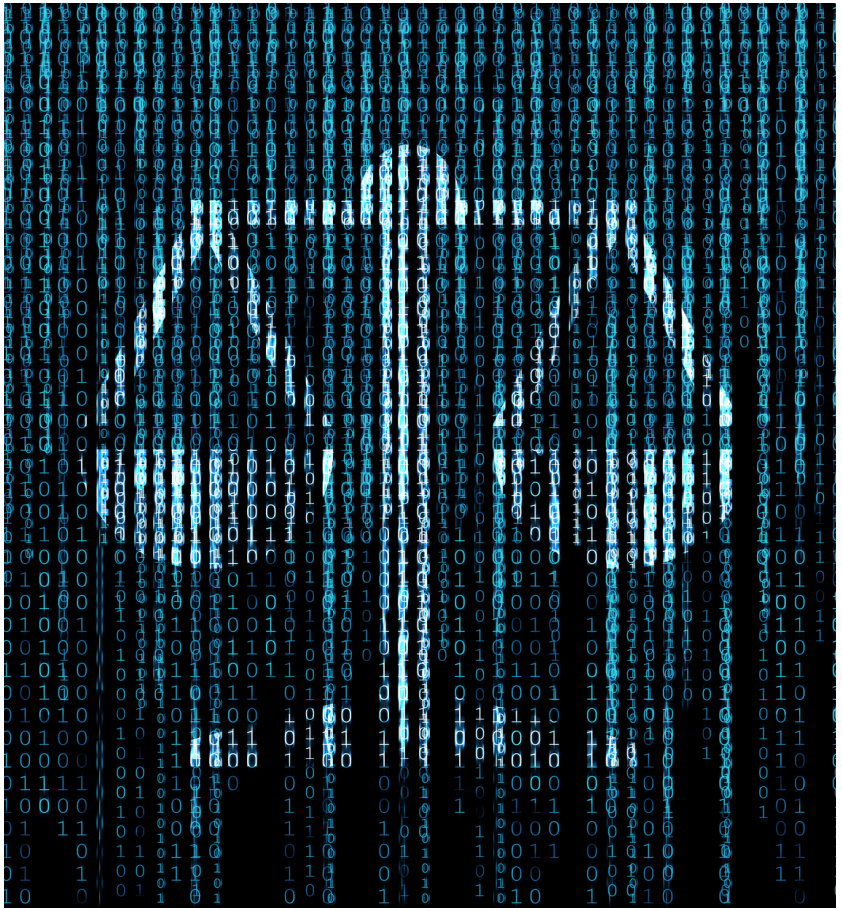
Bob Zukis

Bob Zukis is CEO of Digital Directors Network, a former PwC advisory partner, and a senior fellow at the Governance Center.

Hackers hack weakness. They are efficient at finding it and work relentlessly to exploit it. Now, new moves by the **SEC** are raising questions about whether the regulator is taking the right steps to protect America's capital markets and investors.

Warren Buffett recently declared at the 2018 **Berkshire Hathaway** annual meeting that cyber risk "is uncharted territory. It's going to get worse, not better."

The SEC recently released an investigative report on "spoofing." Under this common electronic communications fraud, a hacker sends a fraudulent e-mail seemingly from a company executive or vendor asking for funds to be sent to a bank account, which is actually under the hacker's control. The FBI identified this type of fraud as having the highest out-of-pocket costs for any of cyber ... hing $6 ... si ... 2013.



GLOBAL CHALLENGES IN GR AND CYBERSECURITY

- **Lack of Global Policy:** Cybersecurity risk has no geographic boundaries, policy for the most part, does
- **Policy Doesn't Mean Protection:** Policy significantly lags the rapidly changing IT and risk landscape and the lag is getting worse
- **Tragedy of the Common Risks:** Risks are shared, mitigations aren't
- **The Weakest Link Theory in Cyberrisk:** What you do for your company may have no risk impact whatsoever because you're are only as secure as the weakest link in your supply chain
- **Hackers Are Better Than You:** Hackers are organized, efficient and they find and hack weakness
- **Policy Freeriders Paradox:** Big companies bear a disproportionate share of the public-private policy burden; risks can disproportionally exist with smaller companies

REGULATIONS...WHAT TO EXPECT

- Much more regulation
  - Data protection and breach, IoT, skills, governance, notification, cooperation, standards
  - 42 US states introduced 240 bills in 2017 alone
- More significant penalties, both civil and criminal
- More bi-lateral and multi-lateral approaches between nations
- An evolution to public-private coordination and cooperation
- Segmentation of policy to governance, systems, data and capabilities
  - Critical infrastructure
  - Proprietary information
  - Personal data
- A US national standard and a similar trend globally

WHAT CAN YOU EXPECT FROM THE GOVERNMENT?

- **S**hare threat and vulnerability information collected through state agencies and collected by other means
- **P**enalize nation state actors when diplomacy fails, e.g, sanctions
- **I**nvestigate and prosecute cybercrime
- **R**etaliate and defend US interests from significant, national events
- **A**pply diplomatic pressure onto nation state actors and to investigate
- **L**egislate and regulate matters of significant public interest

LEADING PRACTICES IN GR AND CYBERSECURITY

- Map global, national, regional or state level regulations to your business
- Conduct a cyber-legal assessment to identify risks
- Understand the cybersecurity tools and services you use and align them with your regulatory map; increase collaboration between teams
- Get closer to the government by embedding resources in key government agencies
  - Identify and mitigate risks sooner
  - Be seen as an SME to influence and shape responsible policy earlier
  - Expand your government interaction to other key markets
- Raise the profile of cybersecurity's public-private co-dependence with your Board, the changing regulatory framework and your specific risks
- Extend your efforts across your ecosystem and supply chain

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Thank You

Digital Success Starts At The Top

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