

The Innovation Era's Implications For Boards

By Maureen Conners



Maureen Conners is a director of Fashion Incubator San Francisco at Macy's Union Square and former director of Deckers Brands. She advises companies about the best use of new technologies for global growth. She has helped launch new products at Gillette, Levi Strauss, and Mattel.

Will your next board member be a robot? Probably not. But we are all living in an era of unprecedented disruption and innovation that is driving the exponential growth of game-changing technologies. Some call it the Digital Revolution or the Fourth Industrial Revolution, names that were coined to reflect that there have rarely been so many disruptive advances in technology happening at the same time. New technologies, such as self-driving vehicles, artificial intelligence, augmented and virtual reality, and voice activation, are being adopted by businesses and consumers alike. Visionary CEOs and directors are realizing that these technologies present new ways to build global businesses.

Prudent directors and executives are looking to become better versed in cutting-edge technologies—including how major new technologies might be used in conjunction with other breakthroughs. Unique combinations of technologies have the potential to create totally new business categories. For example, the advent of the smartphone—which combined the features of a cell phone with a digital camera and other hardware—spurred the growth of social media and the success of Facebook, Twitter, Instagram, Snapchat, and others.

Smartphones revolutionized the opportunities for sharing and created other industries as by-products.

New technologies will continue to impact global corporate strategies. CEOs and directors should develop new skills and be even more open-minded and visionary about what is possible. They must anticipate technological innovation and identify potential competitive advantages for their companies.

Suggestions for Action

1. Create a technology learning plan. Applied across and at all levels of the organization, a technology learning plan can help your business stay competitive. New ways of thinking about future competition, strategy, and business models are critical. Companies that do not attempt to understand new technologies and integrate that knowledge into strategy development will continue to be disrupted. Establishing a technology learning plan will also help companies compete for the talent required to execute the digital strategy.

Workers across the organization need to be able to learn quickly, integrate disparate pieces of information, and figure out their meaning. As such, lifelong learning will be an important

part of the culture and values of companies going forward. We are all learning the right questions to ask to prepare for the world of the future—and directors are important in that chain of curiosity.

2. Assess advanced technologies and their potential impact on your business. The board should encourage management to develop scenarios outlining how the company will react to relevant innovations in the following technologies. The board and the CEO should discuss how the company might invest in and test new technologies, as well as how to develop strategic alliances that could be beneficial.

■ *Artificial intelligence (AI).* AI will likely have profound, positive impacts on most industries. AI could enable companies to better anticipate customer needs, make more accurate diagnoses of health issues, and create more efficient supply chains, among other applications. Solutions already in the marketplace include Medtronic, which is using AI to help improve the daily management of diabetes, and IBM Watson, which Under Armour is using to provide customized suggestions for improved health and fitness to its customers.

■ *Virtual reality (VR).* Companies are experimenting with a variety of VR applications. For

the past two years, Alibaba Group Holding and Macy's has used VR for online shopping for China's Singles Day. Retail giant Westfield Group has installed VR experiences at its properties in London, New York City, and Los Angeles. Sports teams are putting VR into play for immersive viewer experiences and improving athletes' performance. Walmart has been testing a VR program for training its employees.

■ **Augmented reality (AR).** AR, which differs from VR by superimposing images over images of a user's current surroundings, expands the way that companies market using smartphone technology. Williams-Sonoma is using AR to help consumers visualize furniture arrangements in their own home, and recently purchased an AR start-up for \$112 million to upgrade that technology in its market. Apple has incorporated AR features in its latest iPhone and acquired an AR headset company to expand those services.

■ **Voice activation.** Amazon Alexa, Google Home, Apple Siri, and Microsoft Cortana provide an ever-expanding range of services to consumers. These technologies can act as an office or personal assistant, make calls, do research, order products, and execute other tasks.

■ **Blockchain.** Many of the world's largest companies and governments are utilizing blockchain technology, and still more will join their ranks. Finance, healthcare, manufacturing, mining, food producers, and other industries are making use of blockchain's increased transparency in conducting all aspects of the business process, allowing the potential to track a product's journey, improve supply chain efficiency, and enhance security.

■ **Self-driving vehicles.** Autonomous vehicles that can drive themselves will have a huge impact on people's lives. Right now, time spent in the car means time not spent on other activities. Companies need

to think about their how their products could be affected by the freed attention span this technology presents. Also, they should think about what strategic alliances they might need to protect current business models against disruption in shopping patterns.

The technologies of the future are changing the way companies serve customers and anticipate their needs. Questions about new technologies and their role in a corporation must focus on key strategic differentiators: Why is it better than anything in the market? Why is this a must-have product or service for our market?

3. Elevate board skills and competencies. High-performing boards need to upgrade their skills matrix to reflect the importance of technology on corporate strategy. Key skills needed include an understanding of the implications and impacts of technology on the business, among others. Boards must continuously learn about emerging technologies. It will not be sufficient to have a technology committee or a designated digital director. Understanding technology's impact on strategy must be the responsibility of the full board.

The board of the future will have to operate differently and collaborate with experts to acquire the knowledge needed to understand new competitive landscapes. Directors need to ask questions about the strategic implications and resulting scenarios during times of exponential growth. This will put them in a better position to make sound business judgments.

4. Reconsider which companies might be future competitors. In order to anticipate growth opportunities and threats, boards would benefit from more agile thinking. Future strategy discussions should incorporate new approaches to help the board think across industries

about trends and technologies that could impact their business. Unique business models like that applied at Stitch Fix—which uses AI and a subscription-based approach to suggest wardrobe options to consumers—should also be considered, in addition to other game-changing market trends. “What-if” scenarios need to be developed to reflect a variety of possible environments. Competitive advantage needs to be redefined.

5. Identify internal and external experts. While directors should be prepared to learn about new technologies, they shouldn't expect to do so alone. The board will need to work more closely with the CEO and internal and external experts to help ensure that they are getting a full picture of these technologies and the potential strategic impact on their companies. Innovation, consulting, and accounting firms will be indispensable in helping boards identify a complete range of scenarios and impacts.

Ideas for 2018

The time is now for CEOs and directors to get curious about the innovations happening in their own industry and beyond. Articles and links to videos about many of the newest technologies could be a helpful addition to directors' board books. Directors can ask management to identify and report on the technologies and potential disrupters most likely to impact their company's strategy and industry in the next three to five years. They could also request that the quarterly enterprise risk management report include more details about the competitive threats and the potential opportunities of new technologies.

As a director, you hold an essential human power: curiosity. Commit yourself this year to applying that curiosity to learning about innovations that could create greater shareholder value. 