



## How Board Directors Can Lead the Digital Transformation in the Boardroom

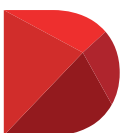
### Providing the Right Tools for Directors in a Digital Business

*The impact of digital transformation changes virtually every aspect of an organisation, and corporate boards are no exception. As an organisation becomes more agile, reduces cycle times and adopts analytics-driven processes, becoming a real-time entity, so, too, must the board that governs it.*

This eBook will focus on how technology must support the changes to the director's role and activities that result when an organisation's boardroom becomes "digital." Further, it will detail how the new systems and platforms designed to support the director's role will enhance how directors work, improve their interaction with the organisation and provide far greater security for sensitive information. During this time of fundamental and far-reaching changes, it is essential that directors become aligned with this meta-trend. However, to achieve this goal, the systems and processes that support directors must change to meet the new reality.

#### **Enhanced information delivery on a continual basis:**

Digital transformation is very likely the next major industrial trend, with the same impact as the Age of Steam or the Age of Electricity. As Bill Schmarso, CTO of Dell EMC Services, defined it, "Digital transformation is the application of digital capabilities to processes, products, and assets to improve efficiency, enhance customer value, manage risk, and uncover new monetisation opportunities." Digital transformation is a very broad change impacting every aspect of the business. Organisations will rely on cloud-based digital systems that provide not only all of the digital information, but also the tools to manipulate it. Clearly, these changes are going to impact the director and the board as well.



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Perhaps the most obvious aspect of this change is that the systems and processes that support the director must be upgraded to allow that individual to be an effective participant in the digital enterprise. This will require the elimination of paper-based systems. Information on paper becomes obsolete or outdated almost from the moment it's printed. Paper systems are the manifestation of 1990s business models. Perhaps the central reason for moving to a fully digital solution is that the board needs to be continually engaged and supplied with the means to effectively govern a digital business. This requires that information be constantly updated and available at all times. Continuous information flow is not only highly desirable from a communication/notification perspective, but it is an important part of ensuring that disclosures to directors are made in a timely fashion.

Delivering the information, notifications and communications that directors will require is most easily accomplished using cloud-based systems. Cloud architectures have become the preferred method for delivering new digital services and applications, as the cloud service provider manages all of the aspects of IT infrastructure, allowing the customer to be a pure consumer of the service. This approach delivers a number of benefits for the director. These include:

- **Substantial security improvements:** Cloud services utilise the latest and most effective security technology, as they have often been built recently and designed with a security focus from the start.
- **The ability to ensure compliance and meet legal demands:** Cloud services can implement many of the compliance and privacy requirements and deliver them consistently. Information stored in the cloud service is protected, and this removes the onus for information security from the director. When directors are in possession of paper documents, they become the responsible party. Paper can easily be lost or stolen if not handled properly, causing a serious breach in security protocol.
- **Support for working anywhere/anytime:** The modern style of work is not limited to a specific physical office or certain hours. This is especially true for directors. Cloud-based systems allow directors to work when they want, from literally anywhere that has internet access.
- **Improved access to new or changed information:** Cloud services are effectively “repositories” of the most up-to-date information that directors require. Rather than relying on clumsy version management processes, directors can be certain that they have the latest data when it is stored in the cloud service.
- **The ability to easily add new features or change them:** One of the primary benefits of cloud architectures in general is the simplicity of delivering new or improved features. The cloud service provider (CSP) simply “turns on” the service, and all directors immediately have access to it.

- **Improved connection between the director and the organisation:**

The cloud service is effectively always on and thus will not only facilitate communications among management and directors, but also between other individuals/groups in the enterprise and directors. This is a major improvement for both sub-committees and ad hoc interactions with the board, as everyone is now working with the same information.

- **Simplified method of directors changing or providing input to documents or reports:**

One of the most important tasks necessary to support complex compliance demands is to keep an accurate audit trail of changes or input from directors. Cloud-based services are an excellent option for meeting this need.



### Secure Enterprise Governance Management – Diligent’s Governance Cloud

Support for directors of today’s modern digital business is enhanced with the governance technology ecosystem. As noted in the prior chapter, a private cloud-based service meets the architectural needs of a next-generation technology solution for directors. However, there are also several other specific features or capabilities that must be included. Diligent has developed an excellent definition of what a full-service board management technology system would look like:

*The Diligent Governance Cloud, an integrated enterprise governance management solution that enables organisations to achieve best-in-class governance, is an ecosystem of software tools that digitises the various activities and tasks for the board of directors. As organisations grow more complex and regulations more stringent, the scope of governance responsibilities evolves. The Governance Cloud allows boards of directors to meet the demands in the boardroom and beyond with the ability to select the products they need that help them perform their best.*

## How Board Directors Can Lead the Digital Transformation in the Boardroom

The importance of a multi-component solution, such as Diligent's Governance Cloud, is increasing as organisations move along the digital transformation process. It strongly aligns with the changing demands on directors, particularly in light of new and emerging regulations such as the European Union's General Data Protection Regulation (GDPR) and the increased emphasis on confidentiality. It is well aligned with the strategic demands on corporate boards. Perhaps the most visible benefit of Diligent's Governance Cloud is the provision of increased cybersecurity functionality to prevent any unauthorised release of sensitive data in the director's possession. Rather than having unsecured local data files that force the director to become their own cybersecurity practitioner, this suite of applications stores sensitive data in encrypted form with strong access controls in a highly secure cloud service.

Governance technology also meets key demands from a digital business. From an operational perspective, it helps increase the speed and dynamism of the director's contributions and efforts. If there were a single adjective that best describes a digital business, it would be "speed" — and this governance technology delivers on the need for speed. This new technology suite also supports continuous interaction for directors that may be essential to support the rapid rate of innovation and product launch that is now common. Key investment decisions can no longer wait for the next formal meeting. Reducing the "cycle time" for board engagement from a month or a quarter to mere hours is necessary to ensure that the value a director brings can be utilised exactly when it is needed. Put more simply, a successful digital business cannot survive with the operations running on short cycle times and the corporate board running on substantially longer cycle times.



A comprehensive, cloud-based solution that acts like a "portal" for the director also simplifies many of the compliance and statutory demands that can impact a director. Effective governance technology will track, manage and store all communications, decisions, changes and other activities of the board and the individual director. In any scenario in which a compliance directive

or statute requires an audit trail complete with the time stamp of an activity, the cloud-based service can provide it. Directors will no longer have to do their own research to provide information about their board activities by searching personal files.



Yet, from an individual director's perspective, perhaps the most important benefit of a technologically modern governance-support system is that it will empower the director to provide more insight, value and wisdom to the organisation at the point in time where it will have the most impact. As the speed of business increases, legacy board communication systems may result in valuable director input arriving too late to be of value. With better organisation of information and reports, it is easier for the director to evaluate opportunities or decisions and respond with the best options. Finally, with everything in one place and the ability to work from anywhere, directors can maximise their time and interact with the organisation based on their schedules.

It is important to note that modern governance technology will simplify the integration of the board and its information with the other applications and systems that are used to run the company. IT groups can use application programming interfaces (APIs) to integrate data among many different cloud services and some legacy systems. Internal IT organisations can now provide a far higher level of support and interaction with the board now that the board has gone "digital" as well.



## Benefits for Board Members

Improving the overall process for everyone is the primary goal of governance technology; however, there are also specific benefits that provide unique value to the individual director. These benefits improve the efficacy of directors as they interact with the organisation at large. These features include:

### 1. Single Comprehensive Point of Interaction With the Organisation:

- **Information management:** Simplifying and organising the large amount of information that directors use and have access to is the starting point. When all of this information is stored digitally in a single location or portal, the director no longer has to complete information “management” tasks. They are either eliminated or simplified dramatically.

- **Simplify interaction:** Interaction between board members and management teams is often done with different processes and procedures. This can result in missed messages or wasted time. In addition, many directors find that interacting with individuals or teams that are not part of the board or a sub-committee has no standard process and may require a number of phone calls or emails to facilitate. With a single governance portal, there is now a standard process for communications.

- **True search functionality:** Similar to what Google provides for the web, the portal provides search functionality that makes it far easier to find the files, documents or data that the director needs.

- **Improve availability and resiliency:** Using a cloud-based service, the director will not have to worry about system downtime or IT issues preventing them from accomplishing their work. Most cloud systems measure annual downtime in just a few minutes.

### 2. Enhance Communications Between Meetings:

Today’s director is often much more involved than was the case just five to 10 years ago. And with the speed impact of digital business, interaction between directors and the organisation must be enhanced:

- **Better support for ad hoc and multi-party communications:** A hallmark of digital business is the constant formation of ad hoc or cross-disciplinary teams to work on projects. Ensuring directors can lend their expertise to these projects in an efficient manner will foster better results.

- **The ability to deliver information “as it happens”:** With so much going on, it isn’t surprising that critical board-level information will change frequently. Digital governance technology will provide the director with the latest and most up-to-date version of this data.

- **The ability to handle routine or administrative tasks outside of the board meeting:** A pet peeve of many directors is when valuable board meeting time is taken up with tasks that must be completed, but are of lower relative value. Administrative and routine tasks can now be handled outside of meeting time.

- **Enhanced efficiency of board meeting preparation:** It is not unusual for a director to spend a substantial amount of time preparing for a board meeting. With a single, comprehensive portal, this prep time can be made far more efficient, and the need to review new iterations of reports or information is eliminated. When the overall time to get ready for the meeting is reduced, the process can start closer to the actual meeting time and will reduce the number of changes that force the director to re-prepare.



### 3. Vastly Improved Security for a Director

A corporate director is likely to have access to some of the most sensitive and confidential information that exists in the organisation. This is necessary for the director to be effective, but it also places a substantial security responsibility on the director. The governance technology should remove most or nearly all of this responsibility from the director:

- **Single information storage location:** The single most important task in securing information is to store it all in one, highly defended, location. When information is scattered in many places, it makes a breach far more likely. And storing it digitally is critical, as securing paper-based information is always problematic.

- **Prevention of information “accidents”:** Without a comprehensive governance solution that brings structure and process to information storage, there is always some likelihood of accidentally placing information in an unsecured or public location. Humans make mistakes, and numerous breaches have been the result.

- **No need for directors to become cybersecurity experts:** Meeting current legal and compliance demands for secure information access and storage is complex, and forcing directors to become acquainted with all of the nuances is not a good use of the directors’ time.



## Benefits for Board Members

Among the most frustrating scenarios for a director is when they are forced to utilise many different applications that all look and act differently or when they must find and integrate information from many sources or file locations. Using a comprehensive, governance-focused solution not only puts all the information in one location, but it saves the director a substantial amount of time chasing information or asking support staff to find it for them. Also, when directors have to request and wait for information from corporate staff, it interrupts their workflow.

With a single, comprehensive ecosystem of products, the director's interaction with the organisation is substantially improved and their time is used much more efficiently. One of the most common problems this solution solves is ensuring that all board members use the same version of a file or report. Many of these documents change frequently, and it is not uncommon in the run-up to a meeting that multiple versions are distributed in a short period of time. With the right technology solution, the most recent version is always right there, mitigating time wasted when individual directors have used different versions and now must update their thinking. A corollary to improved information consistency for the director is that this cloud will also sync versions of information across many different devices, ensuring that the director has the most up-to-date version on every device they use. This is increasingly important, as the typical business executive often uses three or more devices or systems.

The comprehensive system will also simplify compliance by putting all the activity and information in one place. This makes it easy for the cybersecurity team to ensure that accurate safeguards are in place. Using a central repository removes the burden of information protection from the director and, more importantly, ensures that a consistent level of security and privacy is in place for all board members. When this is not the case, some board members may either be at risk or they might not meet legal or compliance requirements to access some information. For example, if two-factor authentication is required by statute or compliance regulations to see sensitive information, a director who has only a basic password on their device legally would not be allowed in.

## Helping Directors Stay Protected as New Legal and Compliance Demands Continually Emerge

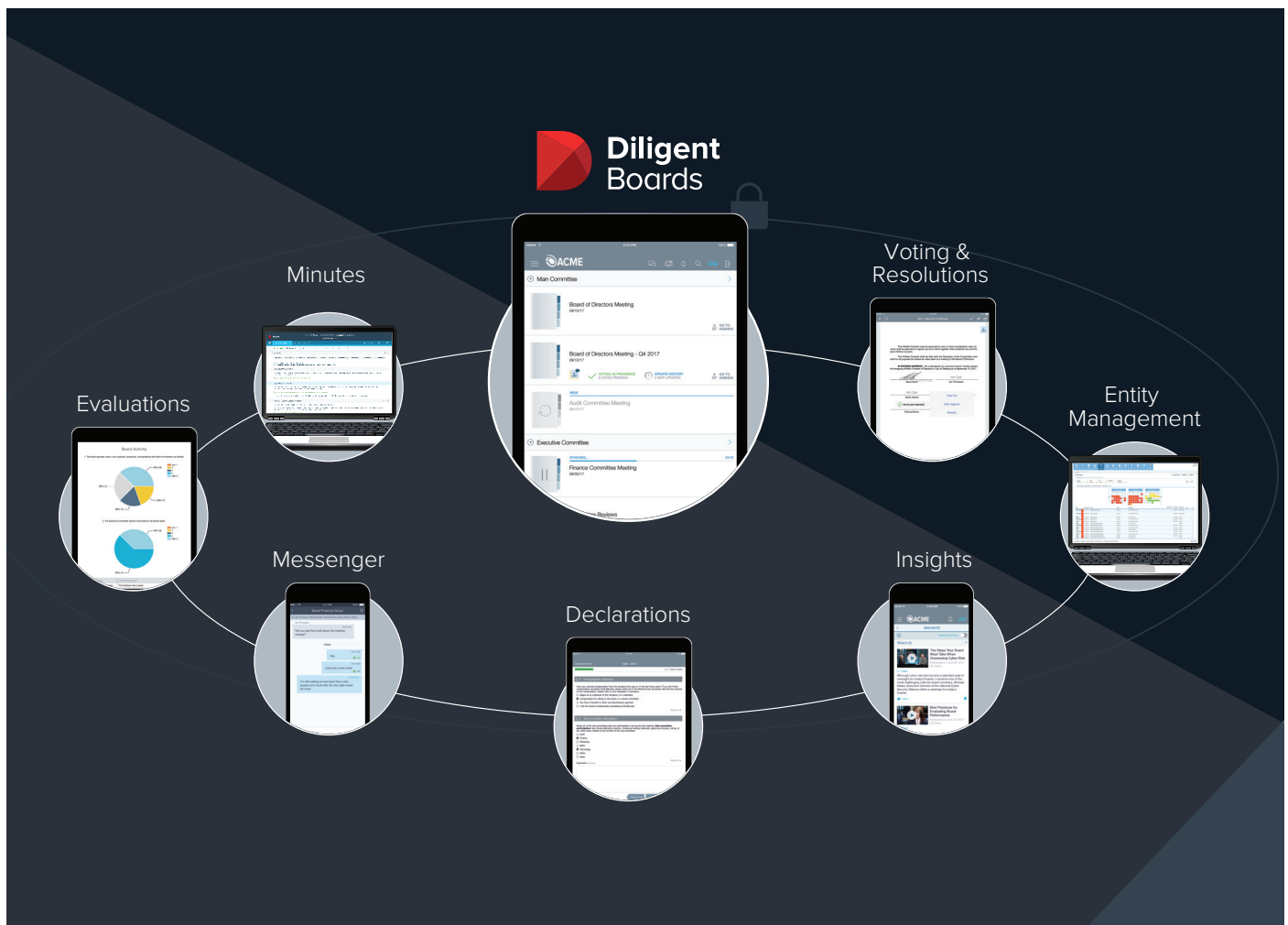
In Europe, the recent enactment of the GDPR has significantly changed how organisations operate, and directors are not immune. Its requirements apply to EU citizens and their data globally, and it's only the tip of the iceberg. Governments around the world are introducing data privacy legislation and directors must be aware of their responsibilities. In Australia the Privacy Amendment (Notifiable Data Breaches) Act 2017 established the Notifiable Data Breaches Scheme, which is now in effect. Other relevant legislation includes the Privacy Act 1988, Spam Act 2003, Do not Call Register Act 2006, various state-based privacy laws, and sector-specific legislation such as the Telecommunications Act 1997 and the Telecommunications (Interception and Access) Act 1979. Staying compliant requires constant vigilance.



The common element in all these changing legal and compliance demands is a requirement for improved data security. The starting point for compliance is to identify what data must be secured, and whether new regulations alter or increase the scope of that data. Once this has been done, any of the information identified that's accessible to directors must be protected. The second process impacted is data sharing or use. As the rules change, directors may not be able to share information that has in the past been given to other directors or sub-committees. Two-factor authentication, new regulations could require stronger verification, resulting in more stringent access protocols.

A governance technology suite is a single place in which all process changes can be implemented and rolled out to the director in a cohesive and thorough manner.





## Looking Forward – Diligent’s Governance Cloud Has the Future “Built In”

Digital businesses and the boards that direct them know that the pace and breadth of change are not slowing down anytime soon. Both internal and external forces will morph and it will require agility to ensure that the organisation does not lose standing in its markets. Diligent’s Governance Cloud has been created with this requirement top of mind.

No individual or organisation has a crystal ball that will foretell the future with 100% accuracy, so it becomes imperative to set up systems and platforms whose design can support frequent, and sometimes profound, change. The starting point is to ensure that there is one primary suite of applications and information storage resources that can support all, or the majority, of the director’s activities. When a director is forced to use many different technology products and services, a change in one can often create problems in another. This elongates the implementation of new capabilities and wastes the director’s time working with undependable or nonfunctional applications.

Another critical reason why this new digital ecosystem can meet dynamic future needs is that it eliminates most, if not all, of the director’s administrative and information management

duties. There will be frequent changes in credential management, cybersecurity processes and other system-related functions. Using a solution such as the Diligent Governance Cloud to manage these IT-type activities lets the director focus on what they do best, and by adding the greatest value, enables them to meet the real challenges facing the business. This also reduces frustration and lowers director turnover. Plus, this focus on the director’s real value optimises the time the director spends working with the organisation, as secondary tasks are no longer an issue.

The last major piece of future-proofing focuses on compliance and security. As noted in a previous chapter, changes in compliance, legal and cybersecurity policies are a given. With a single, cloud-based portal, implementing new technology or updating policies in light of changing requirements is greatly simplified and can be done quickly. Given that new regulations, new styles of cyber-attacks and new compliance regimes will arrive with increasing frequency, the ability to easily deal with future unknowns in this aspect of the director’s relationship with the organisation is vitally important.

## Making the Business Case for Board Portals

For any board, there are many added benefits from switching to a digital solution and no longer using paper board books. The same could be said for switching from a board portal that does not meet directors' growing needs to one that serves the greater encompassing needs of an enterprise governance management solution. As mentioned before, the quickly changing ecosystem that is the boardroom demands that boards use the right solution that can meet their many needs, including such things as secure communications, director and officer questionnaires, and board evaluations. Many boards that have made the switch have done it to improve security, increase efficiency, streamline communication, get more support, and save money and time. There are also those boards that realise that they can't function any longer without a board portal. On the other hand, some boards realise that the board portal that they are currently using does not live up to expectations. For whatever reason they are evaluating a board portal, it is important that they can properly think through the process and understand the ins and outs of board portals and how not all board portals are created equal.

Making the wrong board management software choice can have some serious consequences. Boards should always be looking for the most advanced technology for their needs. Instead of an attitude of reactivity, board administrators should be proactive and apply this as a best practice. The attitude of complacency can be something that gets boards in hot water and instead of waiting for something bad to happen, boards should be looking to improve upon what they have and what they are using – such as avoiding using personal email accounts for communication. If an issue does happen, like a data breach with the vendor they are working with, it isn't an overnight process to make the switch to a new vendor; that is why directors should be very diligent when evaluating the differences between solutions and make sure that they are asking the right questions.

By remembering that one of the most important needs that boards have is to be able to communicate in real time, this buyer's guide with its five essential components and accompanying questions and answers should help directors cut through the clutter of governance technology companies and find the right fit for themselves and their board. Financial institutions, defense contractors, public and private businesses, nonprofits and governments require the best service, the most secure data and the easiest-to-use technology. To be efficient, boards of all sizes should be able to communicate between meetings in a secure environment, on a variety of devices, and be supported with live IT help that is only a phone call away without any wait times.

Making board decisions isn't always easy; using the right streamlined governance technology should be.



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