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The challenges of digitalisation and the boards' role in fostering change management

What are the changes which affected boards in the past 15 years? How are board members prioritising the many existing digital opportunities? Find the answer to these questions, and much more on the boards' role in today's digital era **from our guest author, Cornelia Ritz Bossicard**, founder and Managing Partner of 2bridge AG, board member of various multinational companies, and president of swissVR, a leading association for Swiss board members.

Sherpany: **How do boards differ now compared to 15 years ago? What has changed in the way that, for example, boards of directors conduct their meetings?**

Cornelia Ritz Bossicard: What is the role of the board in Switzerland? I summarise the board's role in three main topics: *setting the strategy, selecting the right CEO*, and with that the right organisation, and *taking responsibility for the finances*.

A company is not just a company "*in a bubble*", and the most important thing is that it has a strategy in place and ways to develop this strategy best to stay fit for the future. There are environmental, geopolitical factors, and technological developments that have an impact on companies, customers and on their competitors. Technological developments can either be an enabler or, as I call them, *a catalizator* for a company. Developments have changed the competitive landscape, which clearly transformed over the last 15 years with all the ecosystems, platform companies coming mainly out of the U.S., and more and more also from Asia. They have affected the whole business game plan, also for the Swiss companies.

Technology impacted consumer's behaviour, and my observation is that their needs have shifted over the past 15 years alongside technological developments. To give you an example on the consumption of news: 15 years ago most of the consumers were reading a newspaper bought out of the store. Nowadays, people read the news almost in real time on the internet. That shift has an impact on the value chain of a company. The

board's role is to support companies take advantage of the opportunities which come along with change, but also, to minimise the risks. From that perspective, technological developments in various areas have clearly impacted our work.

If we consider the second topic of what a board's functions should be, then one of the key aspects becoming more and more important is *the company culture*.

"In today's fast-paced environment, the role of the board is to challenge management, to promote and, most importantly, to enable and prompt change." explains Cornelia Ritz Bossicard

Due to the current developments in design thinking, prototyping and iterative processes that lead to errors which in the past were of a zero-tolerance, in today's landscape failure is viewed as helping companies move along, and when it happens, quickly learn from it. As the popular phrase goes *"fail fast forward"*. That is why, together with the CEO, the board sets the tone of the company's culture.

Yet, when I talk about the culture being influenced by the board, it's not only the culture within the company that I am referring to, but also within the boardroom. In a volatile, uncertain and complex world, for companies to be successful, different skill sets and experiences are required in the boardroom and also in the management teams. As a result, it is becoming more demanding for a CEO or chairman to lead a diverse team rather than a homogeneous one.

If we look at the third topic, the finances, the board's role is to ensure that the allocation of resources is done in a way that supports the strategy in an appropriate manner, also when referring to technological advancements.

Coming back to the question of what has changed, I consider volatility as

the new normal. There are those who think that the wave of change is just passing by and therefore no action would be required. Doing nothing is one strategic option, but it may not be the most promising one. As for the board of directors, what I have seen is that the new developments (i.e. in technology) have transformed and will continue transforming the existing business models more disruptively. It's not only about automating existing processes, but the shift will lead to more disruptive changes of the value chain of a company, and its competitive landscape. The company in turn will become more digital, more global. As we are dealing more and more with ecosystems and platforms - that's also something new - companies realise that it's difficult to fight for example Amazon. If you are not fighting it, the question is how do you become more successful together with Amazon, or a similar platform?

Another aspect that has developed over the past 15 years is the strategy and risk management process. It has become much more iterative and less linear. More so, it's no longer enough to make a five-year plan and revise it every few years because when it comes to disruption, there are certain things you should act on proactively, and with others, you find yourself in a reactive area depending on the company's position, its value chain and customers.

Sherpany: **How are board members digitalising their work? What practical advice would you give them to make this process smoother?**

Cornelia Ritz Bossicard: This is an interesting question because there are many different points of view as to what competencies, especially digital competencies, a board needs. In my view, it's a prerequisite that a board member has an openness towards progress and change. They don't need to be digital experts, but they have to be curious, able to inform themselves, eager to learn about the possibilities of those technologies that are currently being used or developed by the company, a competitor or a third party. These technologies might help the business model, but might be or become disruptive as well.

Digital is such a vast terminology that it's really about having the

openness to recognise and imagine what new developments can do and will do, and for boards to be a sparring partner to management. On the other hand, I am also convinced that it's important to have a certain homogeneity in values, be open and supportive to management. That's because leading companies through change is not easy, so to have board members understand what it takes for change management to happen and not only ask inquisitive questions, is to help the company move forward. Further, diversity is not only valid for boards, but also for the management teams as it is becoming an important factor in understanding how businesses and industries are more and more working together, rather than separately.

Twenty years ago, a question was whether or not a company was a tech company. Nowadays, I'm convinced that every organisation is a tech one because without technology nothing is really working. As a matter of fact we cannot go back and re-change it, so we need to be aware of the different maturity levels among employees, board members and customers, in using digital technologies. It's important to have a clear leadership that embraces diversity and change in order to make the company even more successful.

Sherpany: **Nowadays, the main question one should ask is not whether to embrace digitalisation, but rather how to prioritise the many existing digital opportunities. In your view, what do boards have to consider when ranking the existing digital opportunities?**

Cornelia Ritz Bossicard: It all comes back to strategy: a company needs to have a strategy in place which works in an analog world, as well as in a digital world because today's consumers use multiple channels. Technology can be an enabler, accelerator and open different opportunities to achieve that strategy. However, it's very difficult, to prioritise the different technological advancements in general, but one common theme that I noticed across all sectors, which crystalised over the last few years, is the value of data, analytics and AI (artificial intelligence). Data is what I call "*the new currency*". One reason why it's important is that by using technology for predictive analytics, you can

spot patterns better, analyse and predict whatever you or your customers consider relevant at an increased speed.

The questions "*what is the company's strategy?*", "*where does it want to go?*" and "*who are its customers?*" remain, but decisions on whether to use technology "a" or "b" are generally left to those in charge of operations. Boards are involved and decide when big investments and allocation of resources are to be considered as these have to be distributed to the areas which have the most relevancy from a strategic point of view. Another aspect is how digitalisation is changing the company culture or rather how company culture allows and promotes change considering the technology available. The reality is that everything is changing quickly.

"It is important to understand how technology impacts the business model, customers, competitive landscape, and how to make best use of it to innovate." states Cornelia Ritz Bossicard

Take Uber or Airbnb as examples, these platform businesses were enabled through technology, and have disrupted the traditional taxi or hotel businesses. Certain things have become "*the new normal*" for younger generations.

Sherpany: How can leaders balance moving their organisations into the digital era (by means of technology and digital innovation) while strengthening their core offer and building for the future at the same time? What are the key aspects to take into account?

Cornelia Ritz Bossicard: Looking at the current business environment, the question of "*how do you successfully transform a long-standing organisation?*" is a tough one. It's much easier for startups to come up with an innovative business model than it is for long-lasting companies.

Still, what matters is that transformation is happening, and I've seen in practice several companies which have created labs, or as I call them "*startups within their own organisation*". It's important to realise that people working in a startup are motivated and incentivised differently than those working in a more traditional environment. So you need to lead them in a different manner, and cultivate the startup innovative spirit. It can work, but the challenges come when companies have to answer the question of "*how do you make sure that what is being developed in the startup or that lab helps transform the rest of the organisation?*"

I look for a *pull* and a *push* type of situation, where ideally, the startup spirit and innovations go over to the organisation and in turn, the organisation asks for support and innovation from the startup. But in practice that is not always happening. There are, however, more and more collaborations between long-standing corporations and external startups and companies are investing in accelerators and incubators, as well as moving people to co-working spaces. The challenge is how to transform the existing business, and that's mainly a question of cultural change that the board and the management has to foster.

Another aspect is that companies don't just innovate for the sake of innovation. They do it having in mind the end consumers and their needs; focusing on where they are going, on what the competition is doing and on developing partnerships. It comes back to having the right mix of competences, experiences and vision to develop a winning strategy. That's why it's important to keep oneself current on what's going on worldwide, and not only in one's own market, and use that information to set and adjust its strategy.

Sherpany: You've seen first hand how things are done in Silicon Valley, the leading hub for high-tech innovation and scientific development. Do you see a similar type of business centre emerging anywhere in Europe?

Cornelia Ritz Bossicard: My years in the Silicon Valley have taught me the value of vision, hard work, resilience and diversity to stay agile for the future. I was impressed by the "*can do*" and "*want to do*" attitude people

have in the Silicon Valley. There is a huge diversity in the Valley, and when I was there, I was working with people from all over the world. The leadership positions in the different companies were really much more diverse than in Europe. Your origin or gender did not matter, the only thing that did matter was the drive to try and make the next big thing. I am convinced that is one of the key success factors of the Valley.

Another important element is competent people. Some of the best universities are located in the area and a pool of competent people bring the best from various cultures. Also another aspect which makes the U.S. different from the individual countries in Europe is that the U.S. is a huge home market where people can experiment and scale their operations. It's no coincidence that many of the big platform firms originated from Silicon Valley, as the competences were there and they had the market to develop them: one language, one legal system, one country, so that they really grew. Anthems like "*success attracts more success*", and people who succeed attract more companies to invest became reality. Also, an important trait of the Silicon Valley is that "*failure is not a bad thing in itself, if people learn from failure*". Often those entrepreneurs who have failed gained like a quality stamp because they didn't just fail, they learnt, they stood up and improved for the next challenge.

As to Switzerland, in recent years, the Swiss tech startup ecosystem has developed and is continuously growing, but the scaling is still much smaller. There are more and more spin-offs from universities, from big corporations, more associations, information platforms, and also awards that recognise their work, not only in Switzerland but also in places like Berlin and Amsterdam. Another hub for high-tech innovation and scientific development close to Europe is Tel Aviv. Israeli companies are strong in developing new technologies, which are afterwards sold to big corporations, but not as strong in building up companies. Further, one should be aware of the huge ecosystems and platform companies which are rapidly thriving and growing in Asia and spreading all over the world.

So from a location's perspective, it matters less and less where people are located because they can work from whatever place, and this change has been enabled by new technologies. When it comes to leadership

skills, it is more demanding to lead remote and diverse teams, but when done right is one of the key success factors for the company.

There are many types of centres in Europe, but are they gaining the same scale as the Silicon Valley? I'm not sure. The reason is probably due to many aspects that I've mentioned, and the motive that stands behind the Silicon Valley's spirit: getting up in the morning, not counting the hours and really aiming to succeed.

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Cornelia Ritz Bossicard is the founder and Managing Partner of 2bridge AG – a sparring partner for corporate governance with the aim to build bridges between stakeholders. She serves on a variety of Boards of multinational companies and chairs the Audit Committee of a retail and food company listed on the Swiss stock exchange. She also is the president of swissVR, one of the leading associations for Swiss Board members. Prior to founding 2bridge AG, Cornelia Ritz Bossicard had worked as an audit director and senior advisor with one of the Big Four accounting firms, both in Switzerland and the Silicon Valley. Cornelia has over 23 years of international experience as a Director and senior advisor to executives and board members of companies ranging from start-ups to multibillion-dollar multinationals in the technology, industrial products, retail and consumer, wholesale, and professional services industries.

She holds an MSc in Business Administration from HEC Lausanne and is both a certified Swiss and US public accountant. See also www.2bridge.partners and www.swissvr.ch.