

## Governance

# Keeping up with the times

Many supervisory boards are lacking in digital expertise. That makes it virtually impossible for those entrusted with the governance of the company to instigate and monitor the necessary transformation of the business model.

Thomas Luther, Düsseldorf

**C**ould the fall of Wirecard have been prevented if the supervisory board had taken a more digital approach to its work? Raoul Nacke has his doubts. "We can't say because we don't know the necessary details, and at the end of the day a lot of criminal energy was involved. But in principle, online communication will change the way supervisory and advisory boards work for ever," says the global CEO of consultancy Eric Salmon & Partners. "It starts with the informal exchange between the supervisory board and the individual members of the executive board, the organisation of a virtual AGM and communication between the members of the supervisory board, which will increasingly take place online in future, too." The expert sees a major benefit in digital options for calling spontaneous meetings so that the supervisory body can discuss important topics directly and without delay. "However, that obviously presupposes that all the members are willing to engage with digital media in the first place."

### The corona crisis as a driver

But why are so many companies and/or their supervisory boards lagging behind when it comes to digitalisation – especially since, during the corona crisis, it's become evident that even AGMs can take place virtually at short notice? "Some supervisory boards still prefer in-person

meetings and only resort to video conferences in an emergency, whereas others are already making the most of the benefits online communication has to offer," observes Nacke. "In my opinion, what's important is that we internalise the positive lessons we've learned in recent months and don't revert to the old pre-corona status once the pandemic has been overcome."

"Digital ways of working have made a quantum leap because of the corona crisis," adds Stefan Sambol, a managing partner at digital strategy consultancy Ommax. "It starts with the communication tools and the sending of work documents, all the way to regular meetings via video conference. The digital exchange of information mustn't stop at the work of the supervisory or advisory boards," he insists. "Dashboards and the use of online platforms are important tools for understanding and monitoring the success of digital change processes and business activities."

That applies all the more in the light of the fact that more and more business models will have to face up to the necessity of a digital transformation in future. "Then the people on the supervisory and advisory boards need the expertise required to assess the digital transformability of a business model so as to set the appropriate course of action and live up to the committee's supervisory and governance responsibilities," says Nacke.

Yet when it comes to digital governance, experts see a significant need to catch up – especially where mid-tier companies are concerned. “Supervisory boards often lack the necessary skills to be able to oversee the pathway to digital transformation – for instance in the context of a succession process,” observes Sambol. “What’s more, entrepreneurs and supervisory boards often aren’t familiar with the indices from the digital world or they don’t know what to make of them and can’t assess how sustainable or profitable certain digital activities are.”

At the same time, Sambol believes the supervisory board has a particular duty to push ahead with digital transformation. “Only 8% of the CEOs of the 80 biggest mid-tier companies mention digital experience as part of their CV. Or, to put it the other way round, 92% have deficits with regard to this important core expertise – and that

at a time when the economy is experiencing the biggest transformational change of the last 30 years. If neither those responsible for running the company nor those who oversee it have any digital competence of their own or at their side, you have to wonder how this process can be successful.”

One way of closing any existing competency gaps quickly is to establish a digital board. “That’s not very common in the mid-tier sector so far, but it definitely makes sense as a way to actively accompany the digital transformation because it means I can bring technological know-how and transformation expertise into the company via the external members of this digital board,” explains Sambol. “At its regular meetings, the committee can continuously calibrate the company’s digital course and analyse whether it’s on the right track when it comes to decisions like investments in new technologies.”