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Digital evolution:
what corporate directors
and executives think

**Findings from our 2020 corporate
board survey on digital transformation**

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CORPORATE
BOARD MEMBER®

Introduction

The message is loud and clear—the future is digital. Many companies are investing time and money into digital transformations. But these shifts require focus from management and the board, as well as alignment between the two. How well do boards understand management's plans? And are boards and management aligned on these transitions?

PwC and Corporate Board Member surveyed more than 200 US public company directors on the topic of digital transformation at their companies. We compared their responses to those provided by US executives in PwC's *2020 Global Digital IQ* survey. We found a clear gap between corporate directors and executives. In general, directors are much less confident and more skeptical than management of their company's digital transformation efforts. They have very different views on issues like the company's timeline for digital transformation projects, their progress compared to peers and even the board's knowledge level on the topic.

Do directors have a different definition of digital success or progress than their management teams? Can executives be doing more to share insights around what the company is doing to transform? We look at these key areas and explore reasons for the differences in opinion.

Key findings

Corporate directors experience a digital disconnect

More than four out of five US executives (**82%**) say that their board is informed enough to support the company's digital efforts, while only **58%** of directors agree.

The digital playing field: ahead of the pack? Not according to directors

Directors are more likely than executives to think their company lags behind competitors in certain areas. Executives are **twice as likely** as directors to say that their company is a leader in areas like encouraging rapid innovation across the business.

Is digital transformation a journey or a destination?

Directors and executives have different perspectives. Almost half of directors (**47%**) say the transformation will never be over, compared to just **28%** of US executives.

Getting your workforce ready for digital prime time

Corporate directors and executives both see barriers to upskilling the workforce but disagree on what they are. Directors are more likely to point to **leadership's mindset and budget constraints** as potential issues preventing upskilling, while executives are more likely to be concerned about a **lack of strategic focus on training.**

Corporate directors experience a digital disconnect

The world is experiencing enormous economic and social upheaval due to the COVID-19 outbreak. Companies are experiencing disruptions across their organizations. That certainly includes any digital transformation projects in place. For a company's digital strategy to be successful, the management team and board must be aligned on the end goal(s), timeline, challenges and solutions. And they need to be on the same page during times of crisis and when it's business as usual.

Yet executives vastly overestimate directors' understanding of digital transformation. More than four out of five US executives (82%) in PwC's 2020 Global Digital IQ survey say their board is informed enough to support the company's digital efforts—while only 58% of directors say the same. Executives also overestimate the board's level of overall knowledge and support of digital business strategies.

If executives can't accurately gauge the knowledge level of their board members, they can't effectively tailor their messaging. Executives should check in with the board to understand the depth of their knowledge of the subject given their limited insight into the day-to-day operations of the company. Deep-dive discussions at the outset of a transformation, and as it proceeds, can help boards better understand the strategy and milestones. Boards can also help management by being clear about when they need more reporting and education. Otherwise, executives may struggle to get the board's support or the board may lose time digging in on the wrong details.

Executive overconfidence in the board?
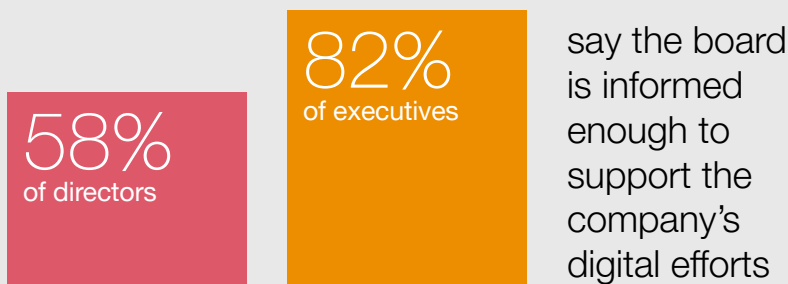
58% of directors

82% of executives

say the board is informed enough to support the company's digital efforts

Q: To what extent do you agree with the following statements about your company's senior management team?
Responses: Agree, strongly agree
Bases: 194, 260
Sources: PwC and Corporate Board Member, *Digital evolution: what corporate directors and executives think,* May 2020; PwC, *2020 Global Digital IQ,* February 2020 (US respondents).

What's driving the company's digital transformation and strategy? Depends on who you ask.

Five years ago, corporate directors and executives were aligned on why they were going through a digital transformation. The goal: to do what they always had done, faster and more efficiently. But today, they have different ideas. Executives are more likely to say their company is focused on modernizing the brand with new capabilities. Directors, however, think the transformation is focused on changing the core business model and redefining the company. It's difficult to measure the success of transformation projects if executives and directors aren't on the same page.

Director (mis)education

So we understand that many corporate directors feel somewhat uninformed on the company's digital efforts. Yet they say that digital transformation is being discussed frequently at their boards. Two-thirds of directors (66%) say that their board discussed the topic regularly in 2020.

If directors are getting regular reporting, why do they still feel uncertain? Management's messaging to the board may be part of the problem. Management has to consider where the board's weak spots might be (e.g., lack of technical experience, lack of transparency into day-to-day project work) and how best to bring them up to speed. This could include additional reporting outside of recurring board meetings, one-on-one discussions or education sessions from digital leadership. And the board has to be comfortable raising their hand when they are skeptical or need clarification or different information. The board should consider setting aside time at least quarterly to level-set with management before getting regular updates on transformation projects. Think big-picture information—for example, the goals for the transformation, how the project supports the company's strategic vision and a check-in on spend.

Bringing in a third party can also be helpful for boards when tackling a complex subject. This can provide not only another educational opportunity, but also a different perspective from management's. However, many boards are not doing this. Only 35% of directors say their boards rely on external parties to help them understand digital transformation, new technologies and other digital trends. In addition, only 39% say they rely on industry analysts, conferences and trade shows. Instead, they look to management. But external advisors may be better able to help bring the board up to speed and provide different perspective.

How boards stay current on digital today

Briefings from management	87%
Industry analysts, conferences and tradeshows	39%
External advisors	35%
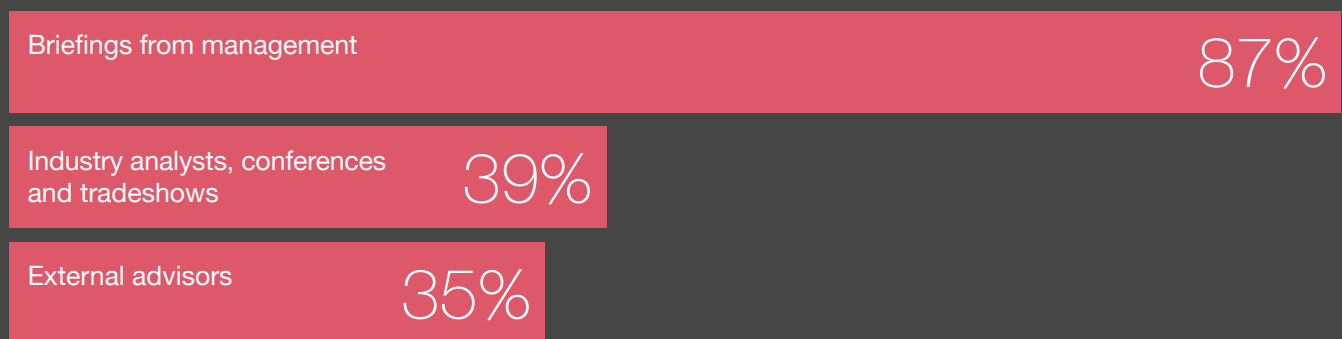
Q: Select the top 3 ways through which your board stays current on digital transformation, new technologies and other digital trends.
Base: 196
Source: PwC and Corporate Board Member, *Digital evolution: what corporate directors and executives think,* May 2020.

The digital playing field: ahead of the pack? Not according to directors

Executives may be naturally inclined to have a more positive view of their company's progress than the board. They are in the trenches day-to-day and see the effort and work being expended. They may be used to looking for the positive when it comes to results and goals. And they may rely on a positive outlook to help motivate the organization during these large scale transformations. But is their view accurate?

When it comes to digital transformation, executives are more likely than corporate directors to say that their company is ahead of its peers. For example, 70% of US executives in PwC's *2020 Global Digital IQ* survey say their company is ahead or substantially ahead of its competitors in encouraging rapid innovation across the business. Half as many directors (35%) agree. What story are executives sharing with the board, and why isn't it translating to director confidence? Directors' experience on other boards or in management may be partly why they're skeptical about progress. Perhaps they've seen other transformations that have progressed more rapidly or smoothly, even if they aren't directly comparable. Directors should periodically ask management how they measure the company's success within the industry, including identifying the company's competitors and understanding their digital stories.

Digital transformation & the board's role

Boards play a critical role in a company's transformation journey. With a defined transformation oversight process, the board can help ensure that the project meets its goals and provides value in the long term. For more insight on key areas of a digital transformation—the strategic plan, risks and opportunities, change management and performance monitoring—and the board's role in overseeing them, see PwC's *Helping corporate boards oversee digital transformation*.

Playing digital catch-up or ahead of the game? Corporate directors say one thing, executives another

Respondents saying their company is ahead of its peers in:

65% / 29% — Integrating new technologies into business processes

51% / 27% — Attracting workers with the right skills for the digital era

70% / 35% — Encouraging rapid innovation across the business

Directors   Executives

Q: To the best of your knowledge, how does your company compare with its competitors in the following areas?
Responses: Ahead, substantially ahead
Bases: 203-209, 260
Sources: PwC and Corporate Board Member, *Digital evolution: what corporate directors and executives think,* May 2020; PwC, *2020 Global Digital IQ,* February 2020 (US respondents).

Is digital transformation a journey or a destination?

Digital transformation won't happen overnight—it's a journey. To be successful, boards and executives need to be on the same page when it comes to timelines. That includes agreeing on where the company is now and where it needs to be in the future. At the outset of any transformation project, the board should be briefed on major milestones and understand how executives define success for the project. Directors should understand how any individual transformation project fits in with the company's continuous digital journey, recognizing that a transformation doesn't necessarily follow a strict calendar.

Yet directors and executives seem to have very different visions. Almost half of directors (47%) say that the transformation is an ongoing process that will never end. Most US executives (72%) in PwC's *2020 Global Digital IQ* survey, however, see a timeline with an end date.

This disconnect could be partially due to a difference of perspective. Directors often only take the long view, as their role is less reliant on timelines. Executives are used to reporting cycles and working with beginning and end dates—measurable periods. They likely also take a long view on transformation, as technologies constantly change, but they may break it down into smaller chunks for managing the work and targeting milestones along the way. Without a common finish line in sight, it may be difficult to measure progress and ultimately, success.

Differing digital deadlines

47%
of directors

say digital transfor-
mation is ongoing
without an end

72%
of executives

say it has
an end date
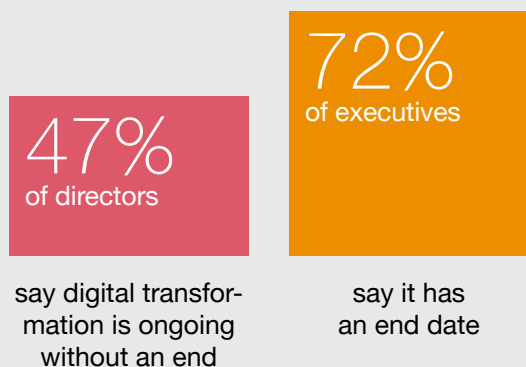
Q: How much longer do you expect digital transformation at your company to take?
Bases: 211, 260
Sources: PwC and Corporate Board Member, *Digital evolution: what corporate directors and executives think,* May 2020; PwC, *2020 Global Digital IQ,* February 2020 (US respondents).

Expect digital disruptions

According to PwC's *2020 Global Digital IQ survey*, 67% of Transcenders—the top 5% of companies winning digital—say they experienced a major disruption in the past two years. Whether it was an acquisition, merger or a massive shift in how they do business, most of these companies came out the other side stronger. These disruptions can throw a transformation off track if a company isn't prepared or flexible in its plan. Digital leaders have adopted a resilient culture, viewing transformation as long term, allowing them to adapt, innovate and navigate more quickly. Does your board understand how prepared management is for a digital disruption? What happens to the transformation plan when one of these shifts occurs?
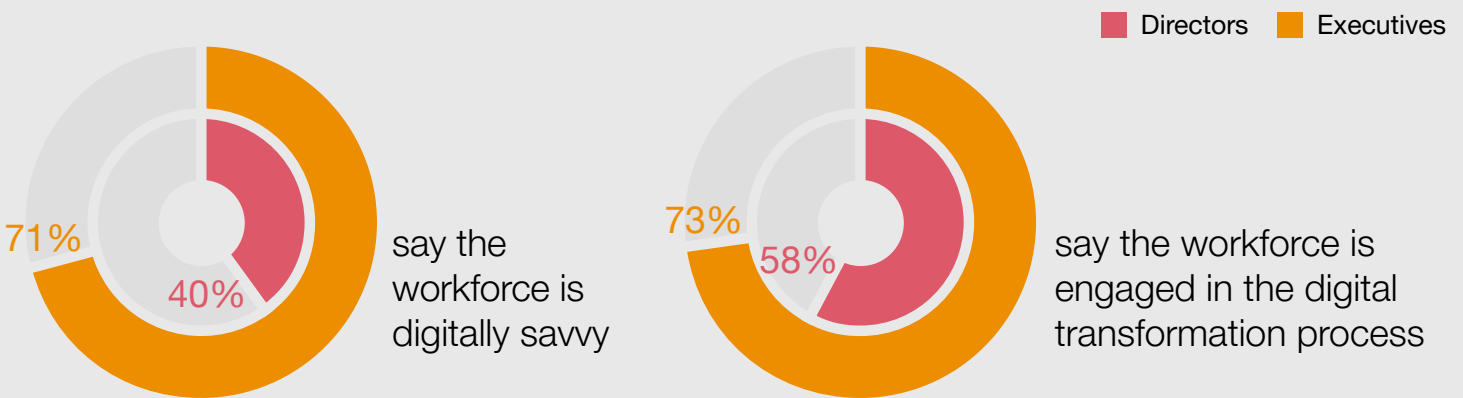
Getting your workforce ready for digital prime time

Even if the company's transformation is seamless on the technology side, without the right workforce, the strategy can't be successful. The demand for skilled, digitally savvy employees is growing and is a priority for any company undergoing a transformation.

Are companies' workforces prepared for digital transformation? Executives and corporate directors disagree. Seventy-one percent (71%) of executives think their workforce is digitally savvy, compared to just 40% of directors. And almost three-quarters of US executives (73%) in _PwC's 2020 Global Digital IQ survey_ say their workforce is engaged in the digital transformation process, while just 58% of directors agree.

Why the disconnect? Executives are inherently more engaged with the workforce and have a closer understanding of its current skills and limitations. But they also might not be as objective about their capabilities as directors are. In addition, directors often rely on executives to know what the workforce capability is. If the executive team is not giving adequate reporting on the workforce's progress, directors could come away with a more pessimistic view. When management reports to the board on digital progress, they should spend time discussing the workforce, including current capabilities, long-term goals, upskilling initiatives and hiring plans. Regular discussions should be held as these items shift over time.

Is your workforce ready for a digital future?

Directors ■ Executives

71% / 40% say the workforce is digitally savvy

73% / 58% say the workforce is engaged in the digital transformation process

Q: To what extent do you agree with the following statements about the involvement of your company's workforce in digital transformation initiatives?
Responses: Strongly agree, agree
Bases: 176-188, 260
Sources: PwC and Corporate Board Member, _Digital evolution: what corporate directors and executives think,_ May 2020; PwC, _2020 Global Digital IQ,_ February 2020 (US respondents).

Upskilling is a game-changer, but what's getting in the way?

Having the right talent is critical for a successful digital transformation. Upskilling the current workforce is one way companies are addressing this need. But corporate directors and executives have different views of the barriers to this effort. While both groups agree that lack of time is an issue, management is more likely to see issues with a lack of strategic focus on training. Directors, meanwhile, point to difficulty changing leadership's mindset and standard processes.

If both groups can't agree on the barriers to getting their workforce up to speed, they may also not see eye to eye on the strategy and solutions. Boards should seek management's point of view on upskilling challenges—and share their own.

The biggest barriers to upskilling
Top two choices for each group

■ Directors
■ Executives

34%	34%	42%	48%
Difficulty changing leadership mindset and standard processes	Lack of time	Lack of time	Lack of strategic focus on training
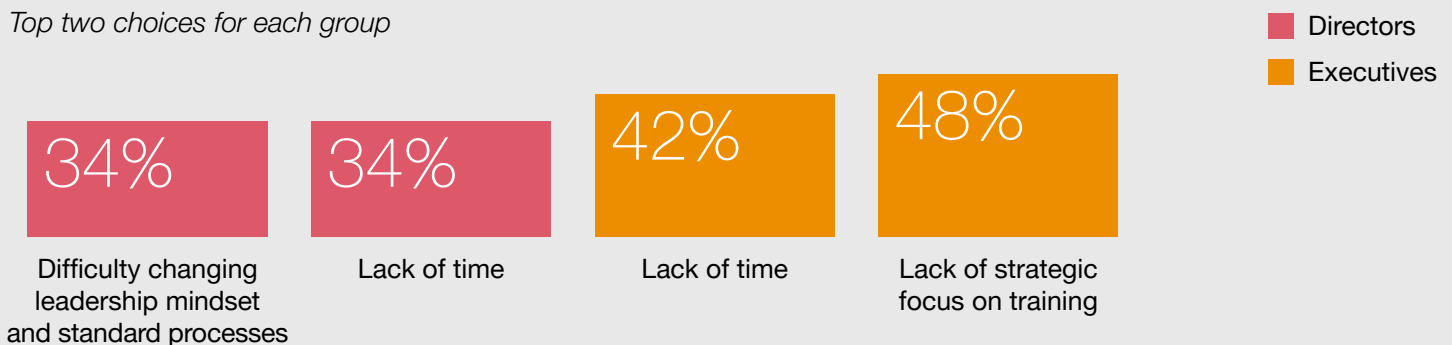
Q: What are the key barriers to upskilling the workforce at your organization? (Select up to three.)
Bases: 189, 260
Sources: PwC and Corporate Board Member, *Digital evolution: what corporate directors and executives think,* May 2020; PwC, *2020 Global Digital IQ,* February 2020 (US respondents).
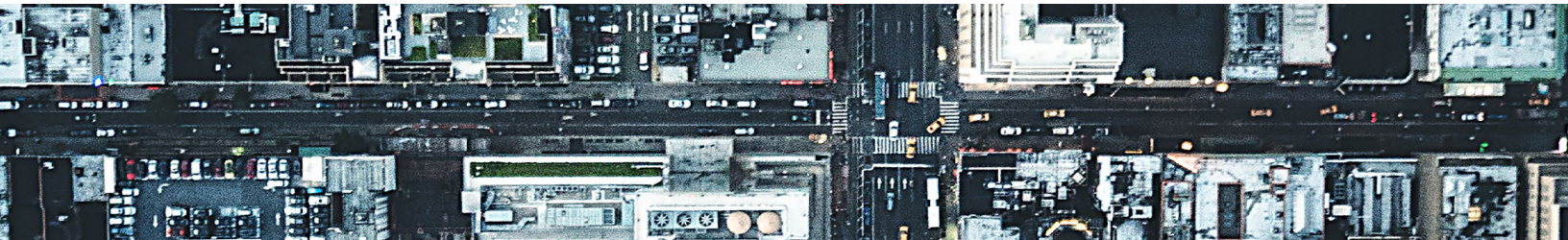
Power to the people

Companies at the digital forefront are focused on empowering their people. Three out of five (63%) global digital leaders (Transcenders) have upended their training process and seen results, according to PwC's *2020 Global Digital IQ* survey. Upskilling their workers has enabled them to rely less on outside hires. And 86% of leaders said their training programs have improved employee performance and engagement.

What can the board learn from these top performers? Ask your management team what digital training/upskilling programs the company has in place. If they don't have any, ask how management can think creatively about tapping into the current workforce potential, versus only looking externally. Transcenders know they can't hire their way to the top. They empower the existing workforce and invest in their success—and it pays off. They have 17% higher profit margin growth over a three-year period.
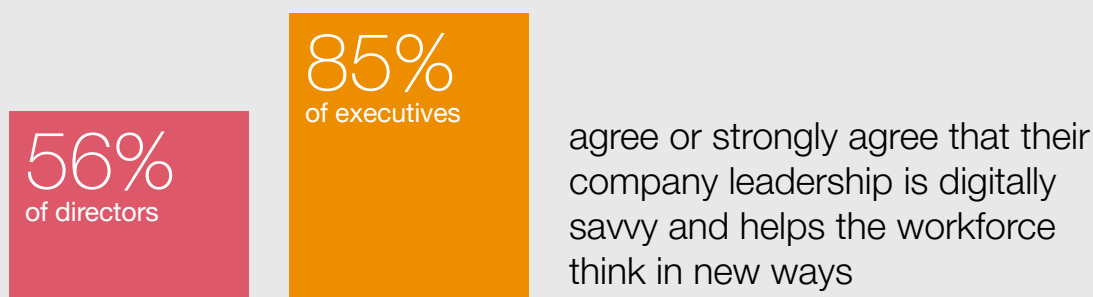
Digital leadership doubts

Despite the fact that corporate directors are heavily reliant on their management teams for information about technology, corporate directors are also not fully confident in their executive teams. While most directors (79%) agree that the CEO is a champion for digital transformation, they have doubts about broader digital leadership. Nearly one-quarter (23%) of directors don't think the company has the right leadership team to drive a digital transformation.

The CEO is key, but he or she won't be the one behind the effort. The company needs a digital leader with technology skills and savvy, as well as decisiveness and determination, to evolve and adapt as times—and technology—change. The board should have a candid discussion with the CEO to understand why he or she is comfortable with the current leadership team. There may be more to the story than directors can see. Ensure that those leading the transformation process spend time with the board. This may bolster director confidence. If the leadership team is lacking, the board should discuss those concerns with the CEO to determine further action.

Digital leadership: executive (over) confidence?

85%
of executives

56%
of directors

agree or strongly agree that their company leadership is digitally savvy and helps the workforce think in new ways

Q: To what extent do you agree with the following statements about your company's senior management team?
Responses: Strongly agree, agree
Bases: 196, 260
Sources: PwC and Corporate Board Member, *Digital evolution: what corporate directors and executives think,* May 2020; PwC, *2020 Global Digital IQ,* February 2020 (US respondents).

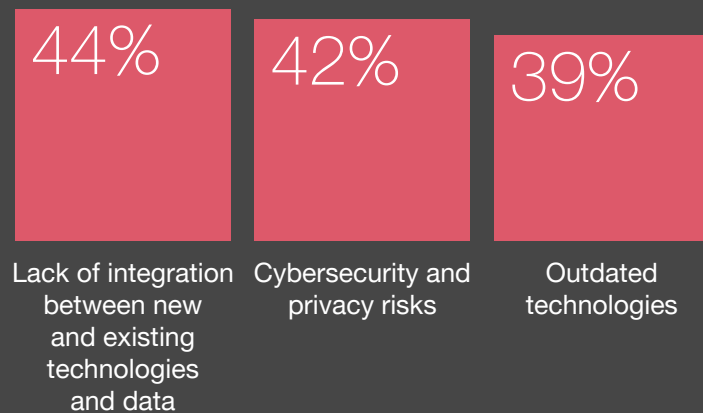# Transformation troubles: directors and executives have different concerns

Corporate directors and executives have different key concerns when it comes to the company's overall digital transformation. Although both put cybersecurity and privacy risks high on the list, directors are more concerned with lack of integration between new and old technologies (44% versus 32% of executives). Executives, on the other hand, are more concerned with internal processes that might slow down the transformation.

A wholescale transformation affects the whole organization and requires different functions to work together. Agreeing on the top challenges can expedite the process to identify solutions and ensure that the board can anticipate how the project will evolve.
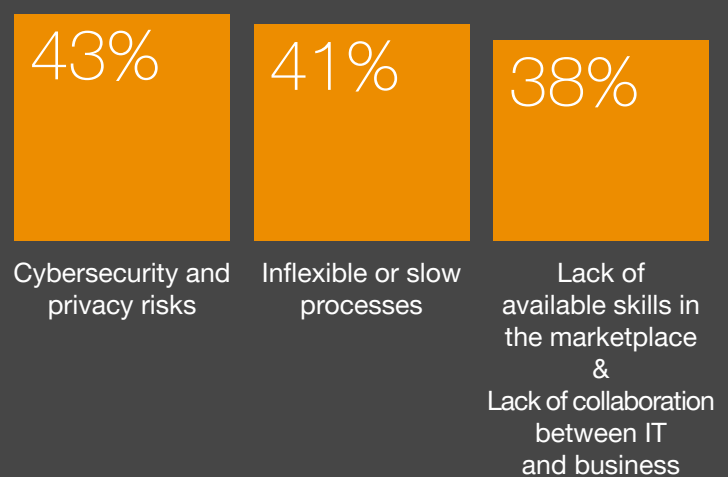
Top barriers to transformation
Top three choices for each group

Directors

44%	42%	39%
Lack of integration between new and existing technologies and data	Cybersecurity and privacy risks	Outdated technologies

Executives

43%	41%	38%
Cybersecurity and privacy risks	Inflexible or slow processes	Lack of available skills in the marketplace & Lack of collaboration between IT and business

Q: What are the top challenges to your company's overall digital transformation efforts? (Select up to 4.)
Bases: 204, 260
Sources: PwC and Corporate Board Member, *Digital evolution: what corporate directors and executives think,* May 2020; PwC, *2020 Global Digital IQ,* February 2020 (US respondents).

Director takeaways: how to better align with management

So what can corporate directors do to get on the same page as the executive team when it comes to digital transformations? Start here:

- Request a deep-dive discussion before a digital transformation starts. Discuss overall strategy, milestones and board reporting expectations. Don't forget to understand management's plan for addressing digital disruptions.

- Set aside time to periodically level-set with management before going into regular updates on transformation projects.

- Consider whether bringing in additional external advisors could help bring the board up to speed on digital technologies and trends.

- Ask management how they measure the company's success within the industry, including identifying the company's competitors and their digital stories.

- Request a recurring report card from management with key transformation metrics. These could include metrics on workforce capabilities, upskilling initiatives, hiring plans, top challenges and spend.

- Have a candid discussion with the CEO to understand why he/she is comfortable with the leadership team in place.

For more information on the overall framework for a digital transformation and how to best oversee one from the boardroom—read PwC's *Helping corporate boards oversee digital transformation*.

Methodology and demographics

About the *Digital evolution: what corporate directors and executives think* survey: We surveyed 214 directors in the US within a wide range of industry sectors. Respondents represent a range of sizes, from less than $250 million in revenue to over $50 billion. Most of the 214 respondents (64%) have served on their board for six or more years. The most represented sector is financial services (30%). The survey was fielded by Corporate Board Member between January and February 2020.

About PwC's *2020 Global Digital IQ* survey: We surveyed 2,380 senior executives in 76 countries and a wide range of industry sectors. Respondents represent a range of sizes, from less than $250 million in revenue to over $50 billion. The survey was fielded by Oxford Economics between July and September 2019.

About PwC's Governance Insights Center

PwC's Governance Insights Center helps boards of directors and their committees meet the challenges of their critical roles and duties. We strive to strengthen the bridge between investors, directors and corporate management as we help board members comply with evolving expectations and regulations.

About Corporate Board Member

Corporate Board Member, a division of Chief Executive Group, has been the market leader in board education for 20 years. The quarterly publication provides public company board members, CEOs, general counsel and corporate secretaries decision making tools to address the wide range of corporate governance, risk oversight and shareholder engagement issues facing their boards. Corporate Board Member further extends its thought leadership through online resources, webinars, timely research, conferences and peer-driven roundtables. The company maintains the most comprehensive database of directors and officers of publicly traded companies listed with NYSE, NYSE Amex and Nasdaq. Learn more at BoardMember.com.
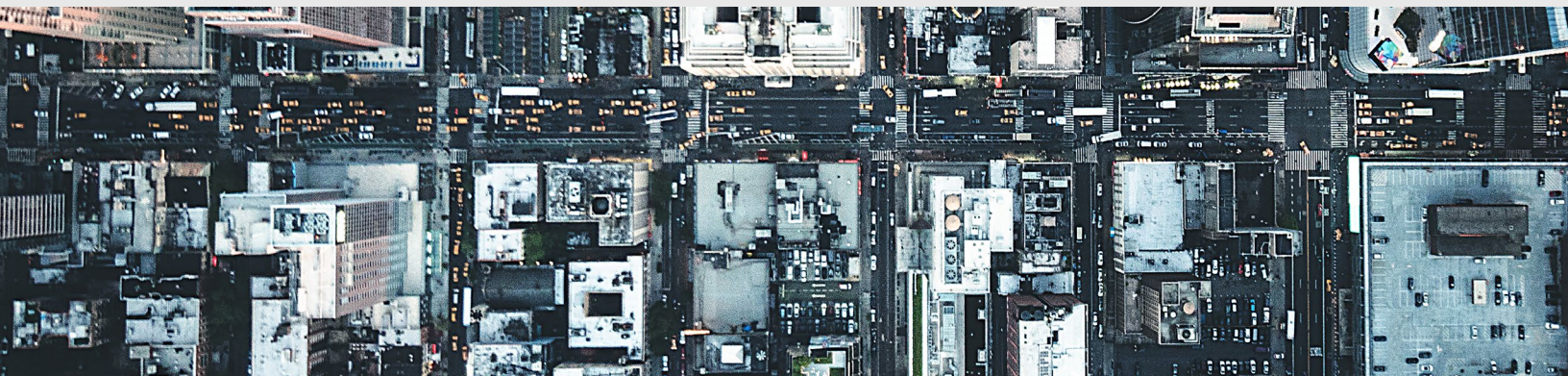
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