Technology enables business strategy: Is your board talking about it?

Twelve questions to drive the discussion

It’s clear that technology and data are now integral to accelerating almost every strategy and operational process pursued by businesses. With this in mind, companies will want to ensure they are pursuing technology capabilities that provide the value, efficiency, and quality the organization needs to continue to distinguish itself from competitors.

Boards need to play a part in these talks. They need to understand and discuss the company’s technology capabilities and the value technology delivers for the company with the CIO, CTO, or other technology leaders. They need to understand future IT expansion plans. And they need to know how they align with the short- and long-term business strategy. As the role of technology moves beyond front and back office to edge closer to consumers, manufacturing facilities, and connected devices, the role of the technology leader has morphed into a value creator. The board should foster relationships with the CIO, CTO, or other technology leaders to make sure there is an open channel to share information and concerns.

Boards need the tools to assess whether the company’s technology will enable it to deliver on its strategy—now and in the future. But too often, directors aren’t even sure what questions they should ask. To help, below are 12 questions boards can ask to oversee technology at their companies.

60% of CIOs think their board is not very effective at developing relationships with senior leaders

1. How are technology changes impacting business models in our industry?

For many businesses in traditional industries, the evolution in technology has fundamentally changed the expectations of their customers, employees, and suppliers. It may have even reshaped the industry. It’s critical boards have a clear picture of those changes, for both the front office (e.g., how businesses interact with consumers online) and back office (e.g., how data and artificial intelligence are used to drive more effective supply chains and significantly reduce working capital).

2. How do we leverage digital technologies and data to transform customer interactions?

Technology, data, and the internet have clearly transformed many customer experiences. Companies have tools at the ready to improve customer engagement and create differentiating experiences. Expectations about personalized, contactless experiences continue to grow. Leading companies are raising “table stakes” capabilities and transforming the technology foundation to deliver a better experience.

This trend continues to evolve as companies find new ways to capture customer loyalty. For example, in the retail world, “fast” home delivery used to mean two or three days—now it means hours. Boards should understand their company’s competitive market positioning and business strategy. Ensure that the company’s technology strategy and planning incorporates ways those capabilities can continue to improve and deliver on customer experiences.

3. How are we using technology and data to digitize our back office functions?

Many companies are investing in automating and integrating processes, boosting speed, improving employee and business partner experiences, and reducing constraints, barriers, and manual effort. This puts the focus on high-value work instead of low-value administration. For example, our experience suggests the typical business analyst spends 20-40% of their time finding, cleaning, and aligning data instead of actually performing analysis. Streamlining that process can bring clear benefits. Every company should have a clear view of opportunities to uplift employee capabilities and transform ways of working by leveraging technology, and boards should be engaged to understand how a company is going to achieve these results.
4. For each business strategy we pursue, what technology and data capabilities do we need to make it successful?

When company strategy changes, its technology often needs to change. The board should have a clear picture of the technologies needed, the effort and investment to uplift these new technologies, as well as the level of change required, to pursue a new strategy.

5. How are we utilizing data to improve our business?

Companies are capturing more data than ever before. But the ongoing challenge is how to effectively use this data. When done right, data can inform decisions that lead to a better customer or client experience.

Boards should be asking the business unit and functional leaders: what are the areas that would benefit from new or better information? How could we leverage data and analytics to get that information? And how can real-time data feed into the decision-making processes for better results? Companies should have a perspective on the data assets and business analytics capabilities that will differentiate the company, both in terms of customer experience and operational capabilities. Investments should not be solely around data foundations and analytics platforms.
6. How do our technology capabilities compare to established (and new) competitors?

As companies work to understand their competitive position in the market, they typically look at relevant dimensions of their business: products, price, customers, etc. Increasingly, technology must be added to the list. How data and technology are used in the front and back office (e.g., how competitors use automation and robotics in their supply chain to speed delivery and lower costs) are critical points of comparison that directors should consider when evaluating their company’s strategy.

7. How are we addressing the risk of digital disruption?

Once upon a time, taxi companies, rental car companies, and bookstores looked to the future and didn’t see how a move toward digital could cause them disruption. There are hundreds of other examples of digital disruption occurring right now. Entrepreneurs are looking at how traditional companies work and trying to find a way to disrupt them. The next generation of buyers have proven to be open to trying new products that are easy and different. Boards must ensure they challenge their technology leaders to understand the marketplace, their competitors, and where they may need to pivot to stay ahead.

8. How are we assessing cyber risk? What does best in class look like and where are we on the scale?

Too often, companies rely too heavily on their CIO and CISO to tell them they are “covered” when addressing cyber risk without digging much deeper. It can’t be simply about annual penetration testing and a third-party validation of whether you are following recognized frameworks or industry standards. Cybersecurity needs to be considered proactively as part of the technology strategy and business objectives and vulnerabilities need to be identified and managed. Boards need to understand what is the “worst case” scenario and how the company is preparing for it. Having a robust incident response plan that addresses members of the crisis team, external advisors, public relations, and key decision points is critical, and an area that boards will want to maintain focus on and continue to oversee. Boards should ensure leadership has established, communicated, and rehearsed a crisis incident response plan.
9. **How much do we spend on technology and are we spending it in the right ways?**

Technology investment is often a major item in the budget, and it’s important to understand how that investment pays off for the company. The majority of IT spending is usually focused on “lights on” operations—the necessary expenditures for maintaining a company’s critical business operations. What’s left is used for improving capabilities and remediating technical debt (the shortcuts taken in order to deliver software sooner).

Directors should understand how the company can use technology to improve efficiency, and then invest greater dollars for new capabilities. Paying attention to investments in removing or remediating technical debt also can reduce cost and risk. There can also be significant “shadow IT” at companies, when technology expenses occur at the business unit or functional level rather than through the central IT function. Directors will want to ask about these areas to ensure that technology investment is aimed at the most critical business strategies and leveraged throughout the company.

Finally, the board will want to address whether the total level of technology investment is appropriate. They can do this by asking whether management’s spending on technology and data is at the right level relative to other investments, and whether it supports the business strategy.
10. What resources do we have to help us design and deliver technology?

Most companies will never be software development shops, so it’s critical to build an ecosystem of technology partners who can provide talent, tools, insight, and innovation. They become an extension of the company’s team, and as such, management should look to maximize their value to that team. Directors should understand who those partners are, how they align to the critical investments, and what value they offer to the company. They will also want to ask about due diligence processes to vet new partners and how risks like brand, data security, and privacy are being managed.

11. Do we have the right digital leadership and governance model to address critical technology and data investments?

The technology and data agenda will only continue to get bigger, more complex, and more impactful. Having the right leadership and governance model in place is critical to ensure these investments are considered appropriately, the execution across the enterprise is monitored and effectively delivered, and the value from the investment is captured and knit into the fabric of the company’s strategy. Directors should make sure they understand the critical leadership and decision-making processes in place to ensure this happens and monitor the success of investments. It is imperative to identify individuals with digital leadership experience and capabilities to usher the organization through its technology journey. Boards will want to ask about whether the right digital leadership is in place across functions and levels, and whether there is a need to look for additional skills outside the company.

12. Do we have a transformative technology leader or is this individual simply a caretaker?

This new era of digitization, when mobility and speed are essential, requires a different type of IT leader. It’s no longer acceptable to simply succeed at keeping the lights on, the email up and running, and the helpdesk fixing laptops. Today’s CIO needs to lead from the front. They must have a solid understanding of the company’s business and industry, and also where it’s going. Simply asking the CIO a few questions about the state of the industry and where competitors are headed will demonstrate whether this is the case. The board will want to make sure the company has a technology leader who has an opinion about what “great” looks like and knows how to put the company on that path.

56% of directors agree or strongly agree that their company leadership is digitally savvy and helps the workforce think in new ways.

In conclusion…
Technology is integral to a company’s strategy and operational processes. It is the driver to delivering customer, employee, supplier, and other stakeholder needs and experiences. Boards should be actively engaged in understanding how the company is modernizing its technology to keep up with the latest developments, remain competitive and relevant, and capture opportunities to improve operations and market share.

For companies that take the next step to make a significant technology investment and go through a major digital transformation, board oversight is critical. The board will want to focus on the strategic plan, risks and opportunities, the change management program, and performance monitoring. To learn more on the board’s role in digital transformations, see Helping corporate boards oversee digital transformation.

To have a deeper discussion about how this topic might impact your business, please contact your engagement partner or one of the individuals below.

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