

## IDC PERSPECTIVE

# Canadian Corporate Boards Need Technology Leader's Insight

Mary Whittle

Alizabeth Calder

## EXECUTIVE SNAPSHOT

---

### FIGURE 1

#### Executive Snapshot: Canadian Corporate Boards Need Technology Leader's Insight

There has never been a more important time for the CIO and team to serve as trusted advisors to their organization, including the board of directors. Analysis of Canada's top 100 TSX-listed companies reveals that 50% of Canada's top 100 TSX companies have no technology expertise on their board. As the post-COVID-19 world returns to a more globally competitive environment, Canadian boards would benefit from having insight and opinions on a digital transformation agenda.

#### Key Takeaways

- Canadian companies lag behind their U.S. counterparts in prioritizing technology capability in their board skills mix.
- Research conducted by MIT indicates digitally savvy boards outperform their competition.
- The CIO can be the most direct path for board's journey toward digital literacy and clarity for their future digital strategy.
- Adding digitally literate directors, elevating the topic of digital strategy, and undertaking continuous board education will help, but digital leaders can also help bridge the gap.

#### Recommended Actions

- Be a strategic thought leader. The contemporary CIO must be able to rally the entire organization behind an inspiring digital path forward.
- CIOs need to be board relevant. Interact with the board in a way that demonstrates they understand the responsibilities and constraints of a board of directors.
- Leverage high-value opportunities to raise the digital competence of the board. By establishing a regular reporting cadence, CIOs can ensure the board remains up to date and well informed.

Source: IDC, 2021

## SITUATION OVERVIEW

---

According to PwC's Governance Insights Center, three out of five directors say their company is behind on the process of digital transformation. It is not surprising that 49% of directors surveyed by IDC rated the value contribution to digital performance at 4 or less on a scale of 10.

This seemingly poor report card may be less of an indictment of the quality of the work of the CIO and more of an illumination of the board's lack of comprehension for how digital strategy can transform most businesses and is fundamentally changing most industry ecosystems. There are alarming gaps in board-level digital competence in Canada.

Analysis of Canada's top 100 TSX-listed companies reveals that 50% of Canada's top 100 TSX companies have *no* technology expertise on their board (refer to Appendix A). Further, Canadian companies lag behind their U.S. counterparts in prioritizing technology capability in their board skills mix. On the basis of a 2019 MIT study of top NYSE/NASD companies across all industries, 24% of U.S. companies have technology-experienced boards, while a 2020 review of Canada's top 100 TSX-listed companies indicates that only 7% of their directors bring technology expertise to the table (refer to Appendix B).

Considered by industry, 57% of U.S. boards in the tech sector (information industries) have digitally competent directors where only 16% of Canadian tech sector boards report digitally qualified directors (refer to Figure 2). Some 24% of retail sector participants in the United States report having digitally savvy directors compared with an astonishingly low 4% digital representation in the Canadian retail sector (refer to Appendix C).

### Digitally Savvy Boards Outperform Their Competition

The 2019 MIT study also indicates that the financial health of an organization is profoundly impacted by having digitally literate and experienced directors. Digitally savvy boards outperformed their competition in a number of key metrics:

- 38% revenue growth (over 3 years)
- 34% higher ROA
- 34% market cap growth
- 17% higher profit margin

As the post-COVID-19 world returns to a more globally competitive environment, Canadian boards would benefit from having insight and opinions on a digital transformation agenda. Adding digitally literate directors, elevating the topic of digital strategy, and undertaking continuous board education will help, but digital leaders can also help bridge the gap. By proactively providing board-appropriate insight, CIOs can reposition their role to help the board understand the opportunities, calibrate the risks, and see the value that can be realized by considering digital strategy.

Industry leaders suggest that an average director spends 250-300 hours per year on board-related activities. To have the ear of these busy but critical decision makers, CIOs need to develop and then demonstrate their ability to add high-value insight. To be successful in working with the board, consider these tough realities:

- **Most directors are not digitally literate.** In Canada's top 100 TSX-listed companies, only 7% of directors on TSX 100 boards hail from a technology background, although some of these

directors may serve on multiple boards. Further, 50% of these TSX 100 companies having no technology-experienced directors at all on their boards, with 36% of TSX 100 boards having one technology-experienced director and 14% having two or more (refer to Appendix A). While directors may not be well versed on the details of technology, do not assume they haven't heard the "headlines," and they may have concerns or questions. This provides another opportunity for the CIO to be proactive in bridging the literacy gap by providing insight on how these topical issues could affect the organization and recommending actions to be taken.

- **It is often unclear who is responsible for digital strategy.** IDC's 2020 research suggests there is a disconnect from the board through the CEO and into the organization – less than 10% of directors believe it is their role, whereas 25% of CEOs and digital leaders believe setting the digital strategy is within the board's mandate.
- **The CIO can be the most direct path for board's journey toward digital literacy and clarity for its future digital strategy.** The role of the CIO is undergoing formidable change; to be board relevant, CIOs need to evolve their interactions away from tactical and operational reporting to proactively enabling a digital foundation for the future.

## ADVICE FOR THE TECHNOLOGY BUYER

---

As digital transformation becomes the foundation businesses leverage to build on, CIO's role becomes more cross-functional and collaborative. Digital leaders can be the bridge to the future of digital strategy by having a measurable impact on the needs of the business and its ecosystem. CIOs can lean into that challenge in three ways, as explained in the sections that follow.

### Be a Strategic Thought Leader

CIOs are in the eye of the storm of technological change. Before the global pandemic, CIOs and their work were viewed with some trepidation, particularly by business leaders and directors. Our focus on specific initiatives was not resonating in their context of understanding options and guiding decisions around strategic opportunities and risk management. They needed to understand the disruptive effects of emerging technologies, and how digital investment could make for a more competitive business response. Based on McKinsey's research, 70% of digital transformations fail; business leaders still question the value of prioritizing digital spend, and CEOs and boards do not see transparency in the cost/value equation on the investments they commit to. The contemporary CIO must be able to calm the angst and rally the entire organization behind an inspiring digital path forward.

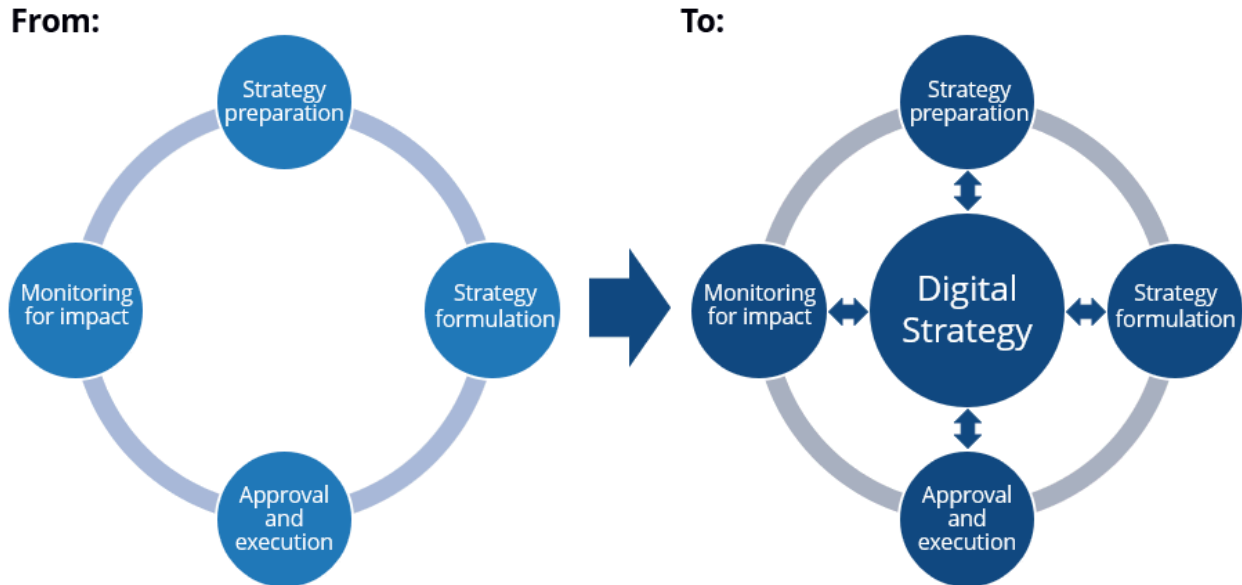
Demonstrate your strategic intelligence by investing in your understanding of digital impacts in your industry ecosystem, and then leverage the technical capabilities of your team to investigate the implications for the future. Evaluate the competition based on direct competitors as well as new entrants or adjacent businesses potentially reaching into your space. Provide your thoughts on ways the organization can leverage data and technology to confront the competition or ideally to take a leadership position. As most businesses are part of a global ecosystem, extend your thinking to what is happening in your industry around the world. For example, IT leaders in financial services should be conversant on the developments coming from technology companies such as Apple Pay or Facebook's crypto currency and from other regions, especially Asia.

In a typical strategic planning cycle, as shown in the left side of Figure 2, the board and CEO prepare for strategy discussions by considering the market opportunities, competition, and risks that they want to discuss. Then they ask management to prepare and formulate strategic ideas. Rather than waiting

until approvals are granted and decisions are made, prepare yourself to shift the focus and proactively contribute to those early stages of planning.

**FIGURE 2**

## From Strategic Planning to Developing a Digital Strategy



Source: IDC, 2021

Measure your success against how much insight you are able to bring to the preparation and formulation stages of the board's strategic planning.

### Be Board Relevant

CIOs or digital leaders need to interact with the board in a way that demonstrates they understand the responsibilities and constraints of a board of directors:

- Ensure that updates are succinct and tied tightly to the business outcomes prescribed in the digital strategy.
- Avoid presenting a single option and plan to proceed – even where the right strategic decision seems obvious, directors like to see and understand the options considered.
- Frame well-researched solutions and recommendations with clear context on why options were not accepted.
- Provide clear cost information and strategic outcome-oriented benefit explanations.
- Be clear about business- and strategy-impacting challenges, opportunities, and business risks requiring oversight.
- Don't look for board engagement on every strategic initiative – you disenfranchise the executive committee, and not every investment qualifies for board consideration.

By being relevant at the board level, CIOs can respect the demands for board time and attention and take better advantage of the scant time allocated to technology and digital transformation. In an IDC survey, 87% of CIOs stated that at most they presented to the board annually. An alarming 23% indicate that they have never presented to the board. Can you imagine a scenario where the board would look at the financial or operations report once a year or less?

The absence of strong technical expertise at the board level provides an opportunity for the CIO/digital leader to proactively ensure that the board is well prepared to receive, comprehend, and oversee a digital strategy. CIOs who can demonstrate their relevance at the board level can raise the level of engagement, so boards give digital transformation and strategy the attention necessary.

## **Leverage High-Value Opportunities to Raise the Digital Competence of the Board**

By establishing a regular reporting cadence, CIOs can ensure the board remains up to date and well informed. The strategic value as a foundation for the CEO and board is immeasurable.

### ***Be a Thought Leader and Trusted Advisor to the Board of Directors and Executive***

CIOs have tremendous value to add to their organizations. No other position has the exposure to, and comprehension of, the tremendous impacts new and emerging technologies can bring. CIOs also understand the ramifications of retaining status quo when advances and innovation are happening all around them. It is therefore incumbent on the CIO to keep senior leadership and the board current on changing environments and shifting situations.

We recommend that CIOs spend more time scanning their industry ecosystem for innovations, disruptors, and industry impacts; that's what gives the CIO board-relevant things to talk about. Consider launching a periodic update or white paper with observations that may not require direct action but are important for the board to understand contextually and improve their overall digital literacy.

### ***Proactively Align with or Establish the Digital Strategy of the Organization***

It is important that the digital strategy supports the overall corporate mission and plan, and the CIO's role needs to be clearly articulated as part of that plan. The CIO may not have been part of the initial development of the digital strategy, but they must ultimately take the initiative to ensure that their work aligns with the corporate plan. They must also develop their team's ability to speak to the strategy in terms of how it delivers the desired business outcomes, not just technological innovations.

Once the strategy is defined, build out a deployment plan for executive approval that includes an appropriate cadence for keeping the board engaged.

### ***Create Reports That Provide Appropriately Detailed Updates on a Regular Basis***

Based on board guidance and executive decisions, a series of high-value reports can provide insight through key metrics that speak to performance against the digital strategy and critical regulatory and ESG metrics. As a regular update, board reports also enable a systemic approach to raise foreseeable risks or challenges that could impact the success of the digital strategy. To be impactful, board reports should be structured in such a way that they overtly address the board's areas of concern and shine a light on trends and activity that the board could ultimately be held accountable for.

## Essential Guidance for the Technology Leader

There has never been a more important time for the CIO and team to serve as trusted advisors to their organization, including the board of directors.

Given this elevated role, CIOs must demonstrate their insight and value as the foundation on which to cultivate a deeper relationship with the board of directors. Proactively aligning the strategic vision with the digital strategy being executed, complete with a regularly updated scorecard, will serve as a valuable contribution to the organization. This may be the most impactful activity the CIO or digital leader can undertake to support the board of directors in fulfilling their responsibilities.

We've often heard IT leaders complain that their board doesn't understand what the IT organization does, the challenges faced, or the complexity of the work. While that may be true, it also reflects a failure on the part of the IT leadership team to communicate effectively, be relevant, and bring the board along with the team to the desired state. Contemporary IT leaders must be proactive, visionary, strategic, pragmatic, collaborative, ever curious, and well read to fulfill *their* responsibilities and duty to the organization.

### LEARN MORE

---

#### Related Research

- *The CIO's Guide to Developing Board Engagement* (IDC #US45367019, July 2019)
- *Why do most transformations fail? A conversation with Harry Robinson*, McKinsey & Company, July 2019
- *Boards Lack Confidence in Digital Transformation Progress, Survey by Corporate Board Member and PwC Reveals*, Corporate Board Member with PwC's Governance Insights Center, June 2020, martechseries.com
- *Companies with a Digitally Savvy Board Perform Better*, MIT Sloan Center for Information Systems Research (CISR), vol. XIX, no. 1, January 17, 2019

#### Methodology

The analysis contained in this document was conducted in partnership with Mary Whittle, principal consultant, **strategic-matters.com**. The analysis included a detailed examination of the technology experience of directors on the boards of top 100 TSX-listed companies as of November 2020. Appendixes A, B, and C provide additional data to support the analysis.

*Note: All numbers in this document may not be exact due to rounding.*

## Appendix A: Technology Experience by Sector

Table 1 shows technology experience by sector for Top 100 TSX-listed companies.

**TABLE 1**

### Technology Experience by Sector: Top 100 TSX-Listed Companies

Sector	Number of Tech-Savvy Directors	Tech Directors/Sector (%)	Number of Companies with Tech Directors/Sector	Sector with No Tech Directors (%)
CPG	2	4.7	2	50.0
Energy	3	8.1	3	80.0
Engineering	2	5.4	1	75.0
Food (manufacturing)	4	13.3	2	33.0
Financial services	18	7.9	13	13.0
ICT	18	15.3	7	22.0
Manufacturing (nonfood)	8	8.6	6	33.0
Media	7	19.4	2	33.0
Other	4	10.3	3	25.0
Real estate	0	0.0	0	100.0
Resources	2	1.8	2	82.0
Retail	4	4.5	3	57.0
Transportation	5	6.2	4	43.0
Utilities	3	5.9	2	60.0
<b>Total</b>	<b>80</b>	<b>7.0</b>	<b>50</b>	<b>50.0</b>

Notes:

Data is from an MIT study of 1,233 NYSE/NASD companies – percentage reporting a digitally savvy board.

Analysis is from top 100 TSX companies.

Source: MIT, 2019

## Appendix B: Technology Capability on the Board

Table 2 shows percentage representation of technology capability on the board.

**TABLE 2**

### Representation of Technology Capability on the Board

	NYSE/NASD* (%)	Top 100 TSX** (%)
Across industries	24	7
Information industries*	57	16.20
Retail	24	4
Transportation, construction, and mining**	<10	3.20

\* Combined Canada's media and ICT industry

\*\* Combined Canada's transportation, real estate, and resources industries

Source: MIT, 2019, and Canadian Top 100 TSX, November 2020

## Appendix C: Board of Directors

Figure 3 shows composition by professional experience of board of directors.

**FIGURE 3**

### Board of Directors: Composition by Professional Experience

All Industries Average (100)	Total in TSX Top 100	Finance	Legal	Audit Consult	HR	Sales/Market/Media/CPG	Ops	Retail	Engineer	Utilities/Mining Oil/Energy	Other	Technology
Number of directors by profession	1,135	387	113	53	20	75	64	43	118	59	123	80
Percentage of directors by profession		34.1	10.0	4.7	1.8	6.6	5.6	3.8	10.4	5.2	10.0	7.0
Information Industry (12)	Total in Info TSX Top 100	Finance	Legal	Audit Consult	HR	Sales/Market/Media/CPG	Ops	Retail	Engineer	Utilities/Mining Oil/Energy	Other	Technology
Number of directors by profession	154	50	21	4	0	15	7	3	4	3	22	25
Percentage of directors by profession		32.5	13.6	2.6	0.0	9.7	4.5	1.9	2.6	1.9	14.3	16.2
Retail Industry (7)	Total in Retail TSX Top 100	Finance	Legal	Audit Consult	HR	Sales/Market/Media/CPG	Ops	Retail	Engineer	Utilities/Mining Oil/Energy	Other	Technology
Number of directors by profession	89	22	8	7	2	8	6	21	2	0	9	4
Percentage of directors by profession		24.7	9.0	7.9	2.2	9.0	6.7	23.6	2.2	0.0	10.1	4.5

Source: Canadian Top 100 TSX, November 2020



## Synopsis

This IDC Perspective provides a step-by-step guide for CIOs who seek to develop and enhance their effectiveness with executives and the board of directors on issues of digital transformation. It provides time- and experience-tested strategies for engaging from experienced CIOs who have delivered effective programs, survived potentially damaging incidents, and recommended strategic redirection that has brought about significant organizational success. These include ways to address the efficacy of programs in place, anecdotal examples to garner interest and attention on key topics, and a framework for how to present what executives and board members need to know.

"Board composition needs to modernize to meet their duty of care with respect to digital strategy – directors need to be more digitally savvy, boards need to establish digital discussion as a standing agenda item, and CEOs must elevate the contribution of the IT organization. That will take time. In the meantime, to support the board, the CIO needs to provide high-value insight and digital strategy leadership," says Alizabeth Calder, adjunct analyst, IDC's IT Executive Programs (IEP).

## About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

## IDC Canada

33 Yonge St., Suite 902  
Toronto, Ontario Canada, M5E 1G4  
Twitter: @IDC  
idc-community.com  
www.idc.com

---

### Copyright Notice

This IDC research document was published as part of an IDC continuous intelligence service, providing written research, analyst interactions, telebriefings, and conferences. Visit [www.idc.com](http://www.idc.com) to learn more about IDC subscription and consulting services. To view a list of IDC offices worldwide, visit [www.idc.com/offices](http://www.idc.com/offices). Please contact the IDC Hotline at 800.343.4952, ext. 7988 (or +1.508.988.7988) or [sales@idc.com](mailto:sales@idc.com) for information on applying the price of this document toward the purchase of an IDC service or for information on additional copies or web rights.

Copyright 2021 IDC. Reproduction is forbidden unless authorized. All rights reserved.

