



RECRUITING THE DIGITAL DIRECTOR

As digital technology continues to shape Americans' daily lives, corporate boards have taken notice of the undeniable shift in how consumers interact with both businesses and one another.

To get a sense of the impact that digital and mobile technologies and social media are having on business, consider the following:

- Nine out of 10 U.S. Internet users now visit a social networking site each month.
- Online retail sales are growing at five times the pace of traditional retail and are projected to overtake traditional retail sales in less than 10 years.¹
- Global e-commerce sales are growing at 19.4 percent a year and are expected to reach nearly \$1 trillion by 2013.

The implications of these trends for business strategy, distribution, the competitive landscape, customer relationships and the type of talent and leadership companies need are profound, and the stakes are highest for consumer-driven businesses. Digital has become a priority at the very highest levels of corporate leadership. In fact, one study con-

cludes that nearly 60 percent of final decisions on e-commerce technology spending are made by CEOs or e-commerce leaders, rather than operations, marketing or financial officers.²

Boards of directors have an important role to play in ensuring that the management team is examining the threats and opportunities digital presents — and devoting appropriate resources to digital initiatives. Consequently, the demand for directors with an in-depth understanding of the trends and technologies shaping the digital landscape has risen substantially in the past 12 months. According to a survey of corporate secretaries conducted as part of the 2011 *Spencer Stuart Board Index*, demand for directors with digital or technology backgrounds increased by 21 percent from 2010.

While demand for directors with digital expertise is on the rise, the supply of qualified candidates is small, and those candidates are more likely to

have nontraditional backgrounds. This can make recruiting directors with these profiles especially challenging and may require boards to reconsider their perceptions about what an ideal director looks like. While recruiting digital knowledge to the board is a worthwhile undertaking for any company, there are a number of realities boards of directors must consider before tapping into this increasingly in-demand talent pool. Spencer Stuart has developed the following model to help boards successfully recruit directors with digital expertise and think through the trade-offs that may be required to attract a director with the right set of experiences.

1 Define digital for the company

The first step in recruiting a director with digital expertise to the board is to clearly articulate the ways digital is affecting the business. To do this, the board and management team should understand how customers and employees interact with digital technologies and set a forward-looking digital strategy, which could involve improving worker productivity, enhancing the company's e-commerce presence or better leveraging social media channels.

Once the company's specific strategic digital opportunities and challenges are identified, directors can consider the type of digital expertise that would add the most value to the board. A director who brings the right digital expertise will help the board and CEO frame the strategic and organizational issues by asking detailed questions about the opportunities and risks, the company's digital capabilities and whether the organization is being as aggressive as it should be in this area.

2 Understand the talent trade-offs

In addition to identifying the areas of digital expertise that would be most valuable to add, boards need to develop a comprehensive understanding of the digital talent landscape. Whether through independent research or partnering with a search firm, companies should know what the top talent in these fields looks

like and how it differs from more traditional board candidate pools.

Recruiting board directors from the digital, consumer Internet or technology fields may mean compromising on conventional benchmarks, such as prior board experience or international expertise, in favor of more contemporary skill-sets, for example, experience with social media platforms or digital advertising. Additionally, boards should understand that directors with digital expertise may not have achieved the same stature as candidates from more traditional fields; many of these candidates have not reached the C-level, for example. These young, ambitious and, oftentimes, time-starved executives can be more transient than more established executives, and they may be less familiar with the customs of a corporate boardroom.

As part of the recruiting process, boards should consider the potential trade-offs and determine which ones they are willing to make. They can do this by exploring several questions:

- Is public or private company experience critical?
- Which areas of the consumer Internet are most critical to the future of the business?
- What are the expectations of director candidates with digital expertise about their role on the board?
- What are the core competencies the board requires?
- Is prior governance experience required?
- How important is experience with the hot technology of the day (i.e., social networking) versus a broad and seasoned perspective on digital issues?

Answering each of these questions will allow boards to focus their search on those candidates that will be most in line with the company's immediate needs and long-term strategy. The chart to the right outlines a diverse set of digital director profiles, each with its own distinct characteristics.

3 Position the digital director for success

A critical next-step in recruiting digital directors is planning for their long-term success on the board.

As previously noted, many of these director candidates are likely to have little or no boardroom experience. Therefore, it is essential that the board carefully define the role that the new director is expected to play on the board. Is the new director expected to contribute in the same manner as other directors, or is there a digital-specific function he or she is expected to fill? Is the new director expected to chair a committee? Answering these questions is important when recruiting any new director, but especially so when dealing with a new director who lacks boardroom experience but may be expected to play a unique role in leading the board's discussions around digital.

It also is important that the board identify gaps in the new director's understanding of governance or the business, which can be addressed through board education or assimilation programs.

The digital difference

Successfully recruiting a digital director can seem as complicated as understanding the very technologies these individuals embrace, but doing so will reap substantial rewards for a board that is serious about its commitment to digital. While some industries, such as retail and hospitality, have enthusiastically embraced the digital age in their business strategies and board composition, others have been slower to move into digital. While digital is perhaps most applicable to consumer-facing businesses, other industries should not overlook the opportunities these technologies offer. If recent trends are any indication, digital e-commerce and social

UNDERSTANDING DIGITAL DIRECTOR PROFILES

	Retired CEO	Active CEO, GM or President	Divisional Leader or Functional Expert
Public Board Experience	The ideal candidate, possessing both experience and time. The number of retired digital CEOs is very limited, however, and many may still be involved in the industry through angel investing or advisory boards. As such, potential conflicts of interest should be examined.	While these individuals are on the cutting edge of technology trends, they tend to be transient and may be keen to move on quickly to pursue other opportunities. Those individuals in the home stretch of their careers, who are both well-versed in digital technology and will soon have time to commit to a board, are particularly strong candidates.	Specialized functional experts can be an excellent profile for companies looking to add a specific expertise to their board (e.g., social media). These individuals are often focused on achieving the next steps in their own careers, which may represent a distraction to their board responsibilities. During the recruiting process, be clear about time commitment, board meeting dates and confirm the candidate has his/her boss' unequivocal endorsement to join an outside board.
Private Board Experience	These individuals possess similar qualities to those of their counterparts described above, but their experience with private company boards make them a great option for smaller, non-public companies looking to expand their boards or considering an IPO. This talent pool is larger, but also in high demand.		
No Board Experience	These candidates bring digital skill-sets and expertise, but lack the governance knowledge of more seasoned executives. This shouldn't be seen as a major drawback, however, but merely an issue to consider. When recruiting an executive with this profile, encourage the individual to attend governance education events and assign a boardroom mentor to help him or her become familiar with the nuances of corporate governance.		

media will soon touch all aspects of Americans' lives, and nearly every industry — even those that today seem well outside the scope of the consumer Internet — will have to respond or risk becoming obsolete.

- 1 Gridley & Company. "Billion Dollar Babies: Trends & Opportunities in the New E-Commerce World"
- 2 *Internet Retailer*, March 2011

ADDRESSING RECRUITING IMPLICATIONS IN A DIGITAL DIRECTOR SEARCH

Candidate Issue	Search Implication
Little or no public board experience	Board must be prepared to onboard an inexperienced director
More transient in their careers	Titles change as digital executives move around; recruit based on skill-set not title. Be cognizant of executives between jobs, as they may not have a conflict when asked to join a board but later present a challenge when joining a competitor
Time-starved	Demand commitment; double-check meeting calendars; be crystal clear about expectations
Fully "retired" digital executives are rare	Even if an executive is "retired," he/she is likely active in angel investing, advising, etc.; be sure to check for potential conflicts of interest
Potential for category conflict	Early in the process, discuss which categories and companies would represent conflicts and don't assume that the candidate's company will have the same view
Orientation toward growth opportunities	Non-growth companies in mature sectors may receive a higher turn-down rate than technology-related companies in growth mode
The outside board policy of the candidate's company	Find an appropriate time early on in the discussion to make sure the executive has clearance from his/her company and/or board to pursue an outside board role
Expectations that these directors will spend time advising on digital strategy	Discuss the expectation early on in the process and factor into the total time commitment required for the board

About Spencer Stuart Board Services

The premier firm for board counsel and recruitment, Spencer Stuart conducts well over half of all director assignments handled through executive search. For more than 25 years, our Board Services Practice has helped boards around the world identify and recruit independent directors and provided advice to chairmen, CEOs and nominating committees on important governance issues. In the past year alone, we have conducted more than 400 director searches. We are the firm of choice for both leading multinationals and smaller organizations.

Julie Hembrock Daum co-leads the Spencer Stuart North American Board & CEO Practice working with Fortune 10 to pre-IPO companies.

Greg Sedlock is a member of the firm's Technology, Communications & Media Practice, specializing in digital and consumer Internet searches.

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