

Center for
Excellence

**BDI-GCC BOARD DIRECTORS
INSTITUTE
MASTERING THE BOARDROOM**

December 6-7, 2017
Hosted by Investcorp Bahrain

Sabah Almoayyed

Guest Speaker

Investcorp House

December 07, 2017

8:30 – 9:30

Today I want to share with you one of the hottest topics in global business which is innovation and ask a question whether innovation and corporate governance exist together? The answer is no unless the board members recognize the importance of adoption of innovation within their organization and the need for them to align their resources and thinkings including Board compositions to meet innovation objectives.

I will share with you four areas that need to be considered in the Boardroom

1. Disruptive innovation
2. Industrial 4.0 Fourth generation
3. What work will look in 2025
4. Introducing innovation labs to your organization



1. Disruptive innovation

Innovation and Corporate Governance. Two business concepts that are not often used together in the same sentence. Maybe it is time for Innovation and Corporate Governance to have a turning point and for boards to ask: ‘Who put the Innovation in my Corporate Governance?’

While products, services, and society have been rapidly and dramatically changing, the only changes that have occurred in the Boardroom have been driven by legal, compliance, and regulatory changes.

In general, most Corporate Boards resist change. Here’s just one example that we can share:

Board Books & Technology – Most organizations rely on providing their board members with materials in advance of the meetings to make sure that board members are informed of the agenda and have time to review. Despite a number of ‘on-line’ boardroom tools, email, intranet and internet options that allow faster and less expensive solutions to deliver board materials, the majority of boards we experience still deal with paper documents. We hear “It’s too hard”, “I can’t remember another password”, “the files are too large”, “I am on vacation” and so on.

Our boardrooms remain largely homogenous and are dramatically aging. These are not the ingredients for change. If the boardroom does not represent current and diverse thinking, it is improbable that our corporations will be able to successfully compete in today’s ever-changing operating environment.

1. Disruptive innovation



INTELLECT RESOURCES
MANAGEMENT W.L.L.

Therefore, there are Five Questions to ask your Board about Innovation **Is innovation on the agenda?**

If it's not, you're probably not talking about it. If you're not talking about it, you're probably not doing it. Make some space on your regular agenda (either monthly or quarterly) to talk about innovation, trends, ideas, what and how the organization is doing in this space, and what other organizations are doing (even those not in your industry).

A. Do we have a way to surface innovative thinking / fresh ideas?

Having innovation on the agenda certainly opens up the conversation and is a must. Having a process that brings creative ideas and thinking to the board is the next stage in having rewarding conversations on the board. It could come from the board members, via a committee, from a specialist, from within the organization, or from a speaker session/board development session.

B. Do we have a research on innovation on our yearly budget?

Even a small amount helps you have some skin in the game. It could even just be a time budget. Work towards having at least something invested that works proactively towards exploring and testing new product/service ideas and/or internal work methods. For example, a day a month or a quarter set aside time for internal committees to work on new ideas or making improvements in the current process.

1. Disruptive innovation



INTELLECT RESOURCES
MANAGEMENT W.L.L.

C. Do we have a research on innovation on our yearly budget?

Even a small amount helps you have some skin in the game. It could even just be a time budget. Work towards having at least something invested that works proactively towards exploring and testing new product/service ideas and/or internal work methods. For example, a day a month or a quarter set aside time for internal committees to work on new ideas or making improvements in the current process.

D. Have we set the big, bold vision?

The board needs to define what is possible for the organization to achieve in the future (the Year 2024-2025). Setting the right vision helps with ongoing improvements and large-scale innovation. This vision should help drive the business activities, actions, decisions, resource allocation, and culture towards achieving desired innovation objectives. If we have Board Members resisting changes, we need to convince them to join in new development sessions to broaden their horizon.

1. Disruptive innovation



INTELLECT RESOURCES
MANAGEMENT W.L.L.

E. Are we standing in the way?

The board – or certainly at least some of them – need to be capable of encouraging and overseeing an innovation programme. Innovation is within the reach of every organization from any industry. Intentionally investing the board's time and energy into innovation will reap positive rewards for the organization. If we have Board Members resisting changes, we need to convince them to join in new development sessions to broaden their horizon.

F. Board handling of digital disruption

Does the Board have one or more directors with sufficient knowledge about digital disruption to understand how it is affecting your organization and industry and how digitalization should be integrated into your organization's business strategy?

The critical driver for future excellence is the ability to combine **digital understanding** with business modeling and **exponential thinking vs. linear thinking**.



2. Industrial 4.0 Fourth generation and the lesson for the Board

Industry 4.0 is the digitization of industrial value chains and networks and regarded as the next industrial revolution.

As per Wikipedia definitions “Common standards drive inter-connectability between all players and produced parts, with each resource becoming an information carrier able to communicate with other resources. This creates compatibility, high visibility across the value chain and real-time decision-making.

The impact is profound. Customers can seek highly personalized offers in small batches from any provider no loyalty. Producers must be flexible to reconfigure to changing demands. The ecosystem of suppliers, logistics, and finance have to integrate seamlessly into the end-to-end process.”

If you extrapolate further the whole basis of competition changes. Rather than protecting IP and tiering clients in too long service contracts, Industry 4.0 will facilitate ‘plug & produce’. Everything becomes open, client satisfaction is based on service excellence and market participants can share costs and opportunities.

The relevance to your organization is that legacy process/infrastructure acts as a barrier to change, most notably in payments and the digital core banking system required to operate at next-generation standard.

The laggards remain skeptical despite FinTech allowing you to the bank without a bank using Industry 4.0 principles – providers connected by API’s, seamless delivery, intelligence data analytics cloud computing and internet of things will prevail.



3. What work will look in 2025

Work will be reshaped, this should be taken into account by the Board for their decisions on organizational development business models and resources maximization.

Experts said:

1. Tech will become the great equalizer (But robots might take jobs)

It's not a stretch to predict that technology will be embedded into just about everything we do. The last billion people on the planet will be connected to the Internet over the next 10 years. So, if you have a new idea, you can reach a much bigger audience than ever possible before. That, combined with increased globalization will create “millionaires and billionaires” out of people who know how to harness those phenomena.

2. Wearables will change our behavior (Smartwatches, future tracker, smart devices)

Wearable tech will become ubiquitous (or everywhere), collecting data about us and providing information to us as we move throughout the day and respond to any questions or need for instruction from employees.

3. Great Seismic shift in jobs

The same interconnected technology that will change how goods and services are delivered will impact a number of skilled jobs. Clerical work, bookkeeping, basic paralegal work, and even some types of reporting will be increasingly automated, contracting the number of jobs available and causing a drop in wages.



3. What work will look in 2025

Some work will become more task-oriented, with more work available through crowdsourcing and job-specific platforms. Uber is a good example, or Amazon's Mechanical Turk, which pays people to perform "human intelligence tasks" that computers are unable to do.

Who could become the winner? Specialists, the creative class, and people who have jobs that require emotional intelligence like salespeople, coaches, customer-service specialists, and people who create everything from writing and art to new products, platforms, and services. Jobs in health care, personal services, and other areas that are tough to automate will also remain in demand, as will trade skills and science, technology and mathematics (STEM) skills.

Then workers will need to engage in lifelong education to remain on top of how job and career trends are shifting to remain viable in an ever-changing workplace.

4. Increased flexibility at work

Many believe we'll see a greater acceptance of blended work and personal time. Millennials already accept that, but will also further drive flexibility in the workplace and that the baby-boomers who created somewhat rigid work environments are also seeking greater flexibility to work where they wish and to be able to find ways to balance work and family.



4. Introducing innovation labs to your organization

Innovation labs and startup accelerators seem to be the trend these days, Hong Kong-based accelerator Nest launched Fintech accelerator program with Singapore DBS Bank last year, while OCBC announced its own Fintech innovation center called The Open Vault same as Chartered Bank innovation is addressed wealth management, credit and financing, insurance cybersecurity and artificial intelligence, particularly in regard to data analysis and advanced advisory services.

Boards of Banks and Industries should start thinking of establishing their own accelerator labs to encourages startups to work on the DNA of the companies and promote innovation or support other general accelerators to promote innovation in relation to their products and services.

Conclusion



INTELLECT RESOURCES
MANAGEMENT W.L.L.

Redesign corporate governance to promote innovation.

- <http://innovationexcellence.com/blog/2011/12/04/innovation-in-the-boardroom-the-time-is-now/>
- <https://getonboardaustralia.com.au/five-questions-to-ask-your-board-about-innovation/>
- <http://www.unionfintech.com/industry-4-0-and-the-lessons-for-banking/>
- <https://www.fastcompany.com/3046332/what-work-will-look-like-in-2025>