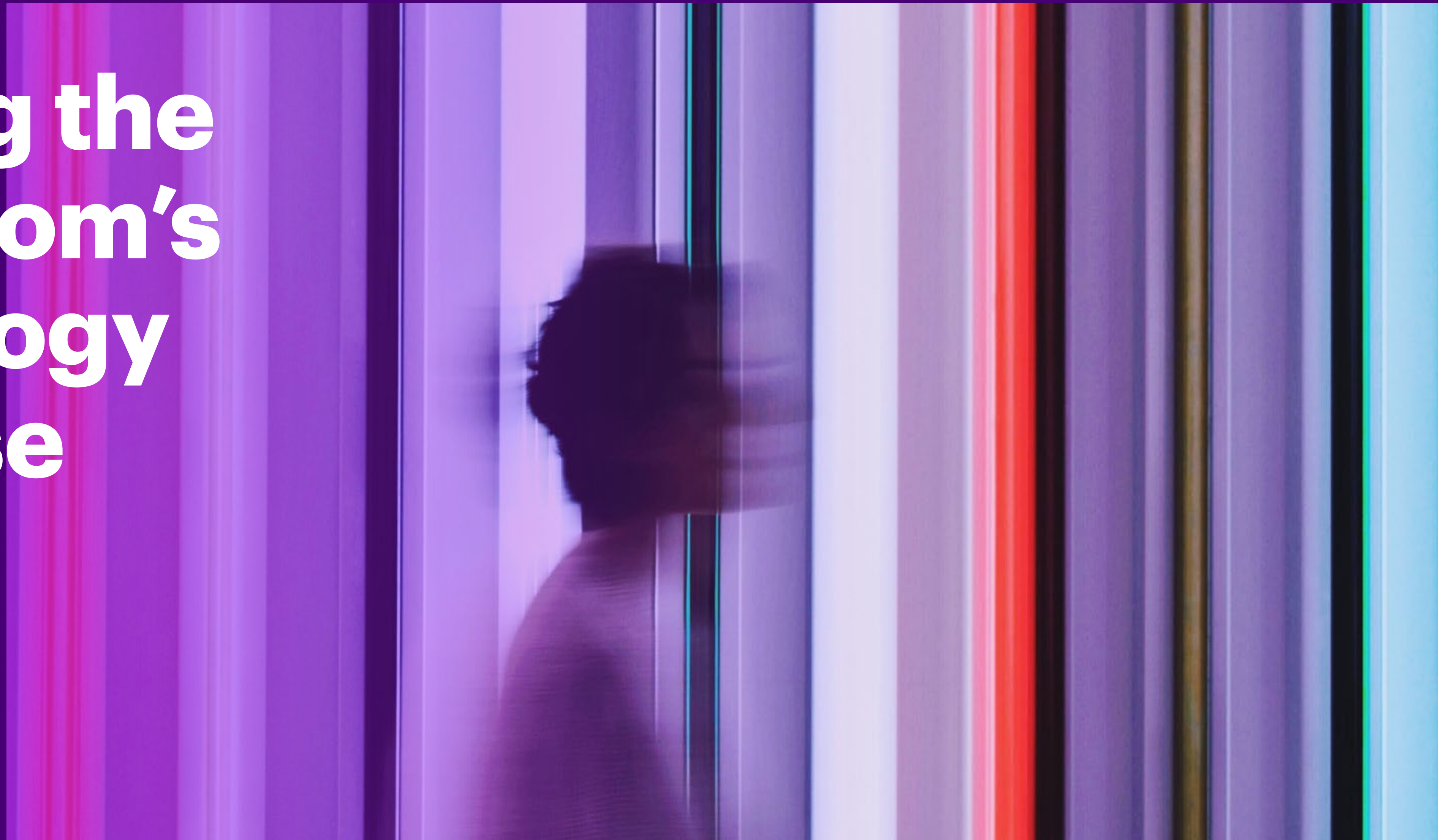


# Boosting the Boardroom's Technology Expertise

Focus on Banking

accenture





# In brief

- Banks are speeding up their technology investment to keep pace with consumers' changing demands.
- But just 1 in 10 banking board directors have technology expertise. And without it, banks may overlook key risks associated with technology investments and may fail to maximize the potential benefits. Of those that have technology expertise, 33 percent are women.
- We believe that at least 25 percent of banks' board directors should have technology expertise. But at the current pace of change, this won't happen until the end of this decade. The 6 key initiatives outlined at the end of this report can help banks achieve this target earlier. Doing so will be essential to seizing the tremendous opportunities created by technology.



# Banks are ramping up technology investment

Businesses have responded to the current volatility by accelerating their technology investments to bolster their resilience and drive growth. In a recent Accenture survey, 68 percent of banking sector executives reported that the pace of digital transformation within their organization is accelerating.<sup>1</sup> Take cloud as an example. Accenture's experience of helping large banks transition to cloud reveals that the technology typically cuts operational costs by 10-20 percent and reduces time to market by 30-50 percent. That's why banks are migrating more and more operations to the cloud: 47 percent currently process a high degree of their workload in the cloud, compared with 33 percent in 2018 (see figure 1).<sup>2</sup>

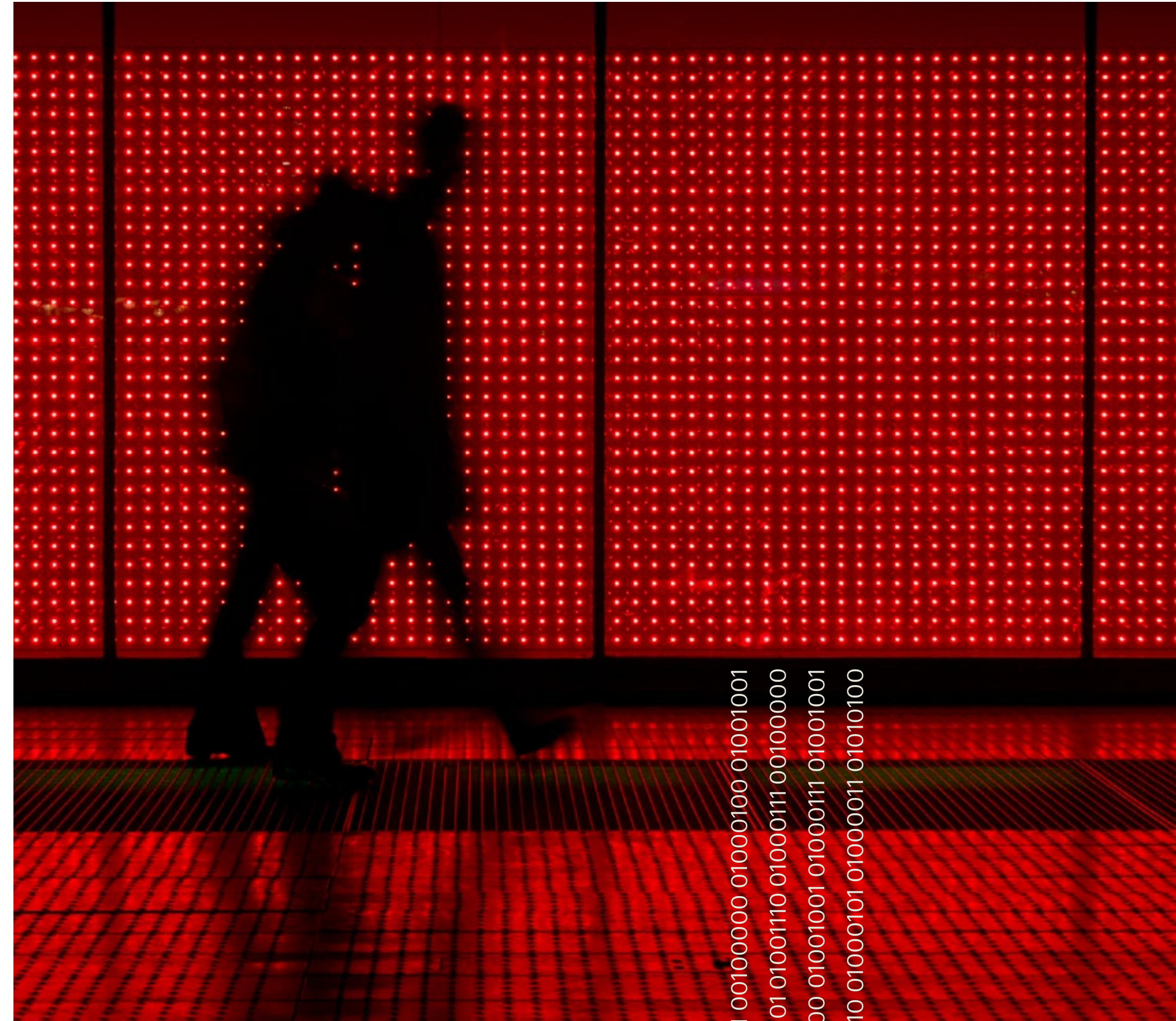
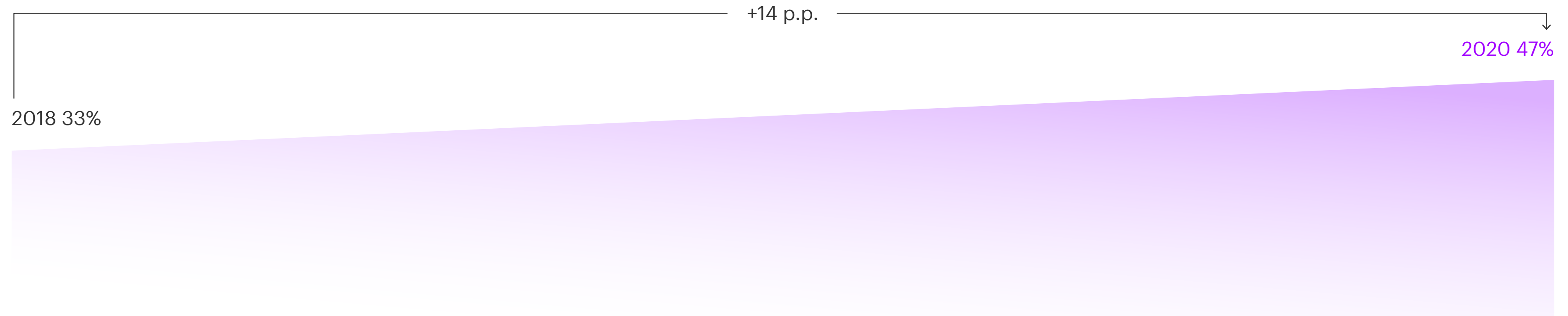




Figure 1. Banks with a high degree of workloads in the cloud. (% of total respondents)



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Technology is also necessary to meet consumers' increased appetite to interact with their bank through digital channels.

Only 15 percent of consumers had spoken to a bank advisor via video call before COVID-19, but 46 percent would be prepared to do this post-COVID, and 35 percent would now prefer this to a face-to-face meeting. In another example of this dramatic shift, 49 percent of retail bank customers now interact with their bank through mobile apps or websites at least once a week; two years ago, just 33 percent did.<sup>3</sup> Banking executives

acknowledge this: 79 percent believe there is a need to dramatically reengineer the experiences that bring technology and people together in a more human-centric manner.<sup>4</sup>

The sums banks invest in technology are staggering with COVID-19 accelerating these investments. Opportunities that banks expected to have years to prepare for are quickly approaching and previously slow-growing pain points are being pushed to the surface. To meet these challenges, banks are having to innovate, reinvent and redefine themselves.

# But their boards still lack crucial tech expertise

As they escalate their investment in technology, banks will need the stewardship and expertise of their boards.

However, new Accenture research shows that just 10 percent of board directors in the banking sector today have technology expertise. This is not many more than the 6 percent in 2015, when this research was first conducted (see figure 2 and figure 3). We believe that at least 25 percent of banks' board directors should have technology expertise (defined as currently or previously holding a technology role, or previously having senior responsibility at a technology company).

This would give businesses sufficient technology stewardship and guidance without leaving them deficient in other core specialisms. At the current pace of change, this won't happen until the end of this decade.

Even at 25 percent, technology representation at board level in the banking sector would be lower than at leading technology companies, where more than half of board directors typically have technology expertise, according to Accenture Research findings. This means that banks need to move more quickly to increase the number of board directors with technology expertise.

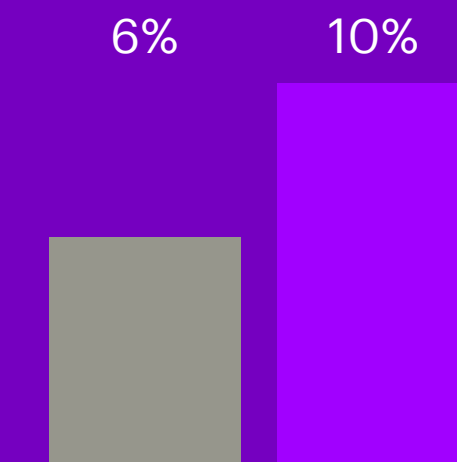


Figure 2. Bank board directors with technology expertise (average). (2015 vs 2020)

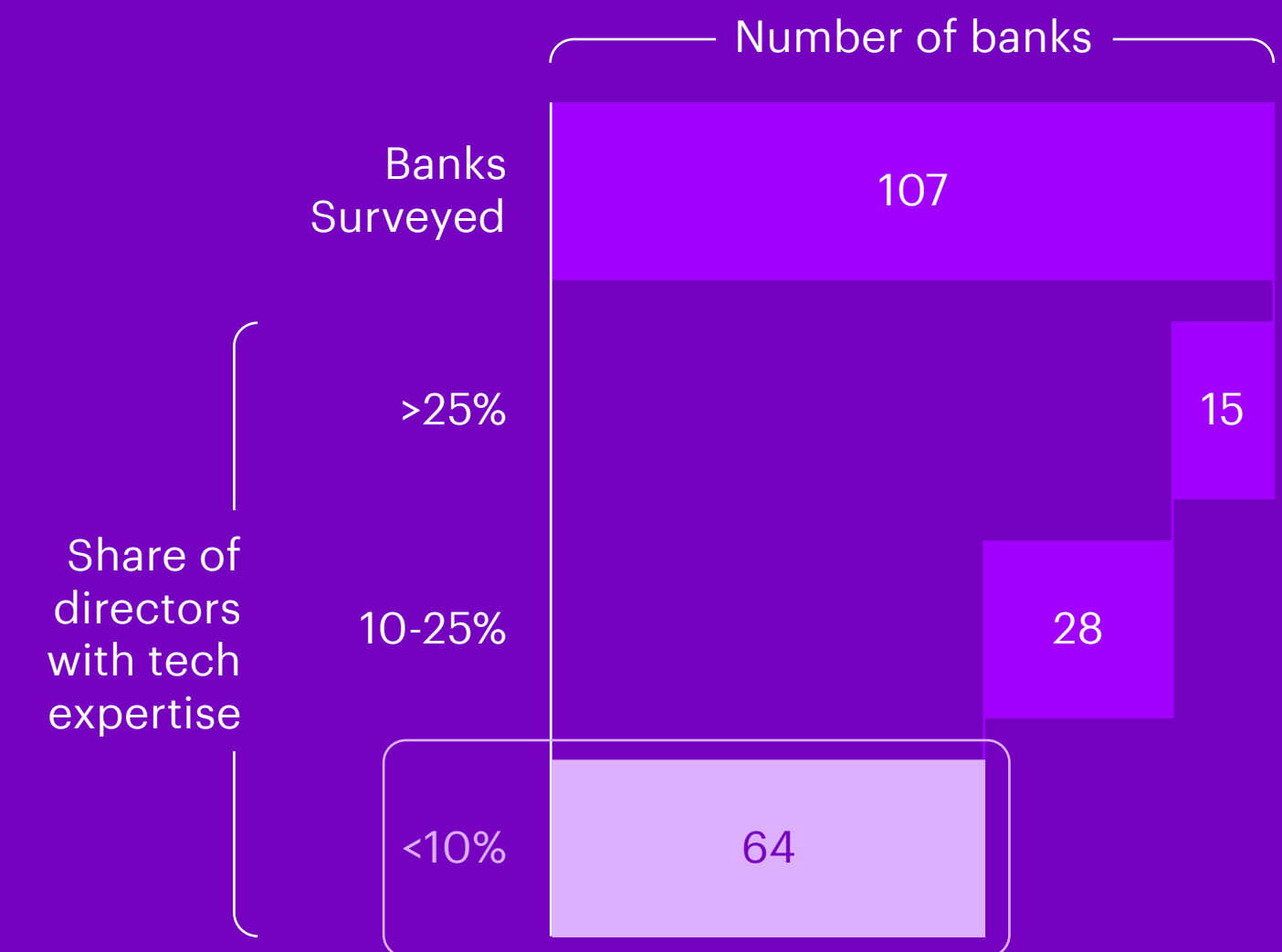
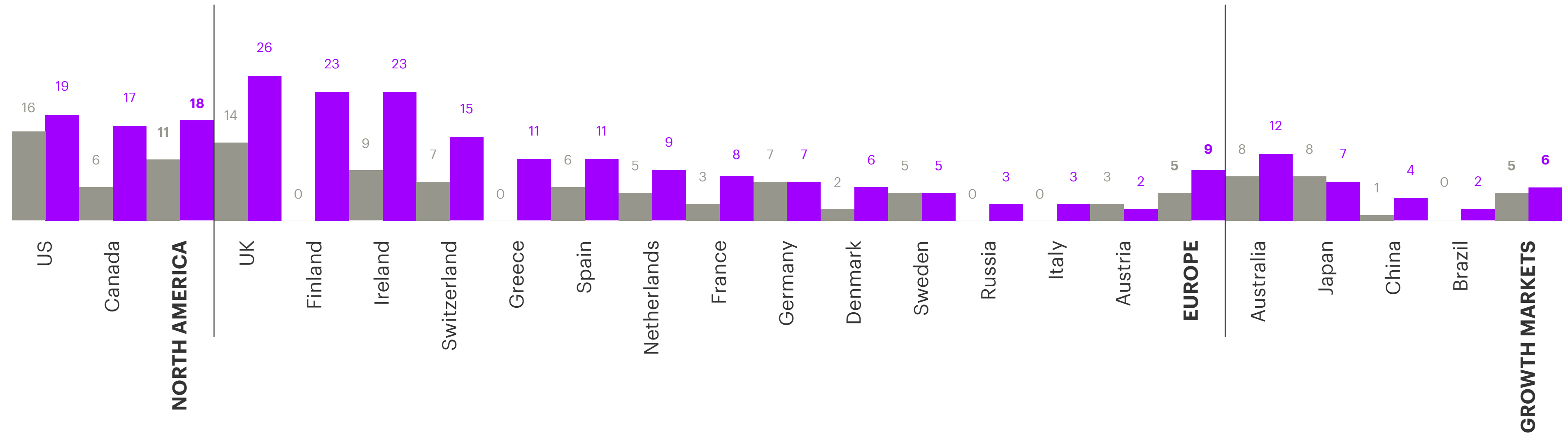


Figure 3. Banks have varying degrees of technology expertise in their boardrooms. (2020)

The boards of European banks lag their North American counterparts by a significant margin. Just 9 percent of European board directors have technology expertise, compared with 18 percent in North America. This is likely to be a result of the stricter regulatory

environment in Europe, which means that boards need strong legal and professional-services expertise. On a brighter note, 67 percent of boards overall today have at least one board member with technology expertise, compared with 57 percent in 2015.

Figure 4. Professional technology experience among board directors: by country and region (percentage of all bank board members who have technology expertise in 2015 vs 2020.)





# Why is this so critical?

For a start, banks without technology expertise risk making mistakes and overlooking important issues when they develop technology strategy, evaluate vendors and roll out new systems. In the rush to implement a new technology, a bank might give insufficient attention to key issues, such as whether:

- A cloud vendor's data privacy policies are adequate;
- Complex machine-learning techniques can be adequately explained to regulators;
- Enough has been done to ensure that AI algorithms are not based on biased data.

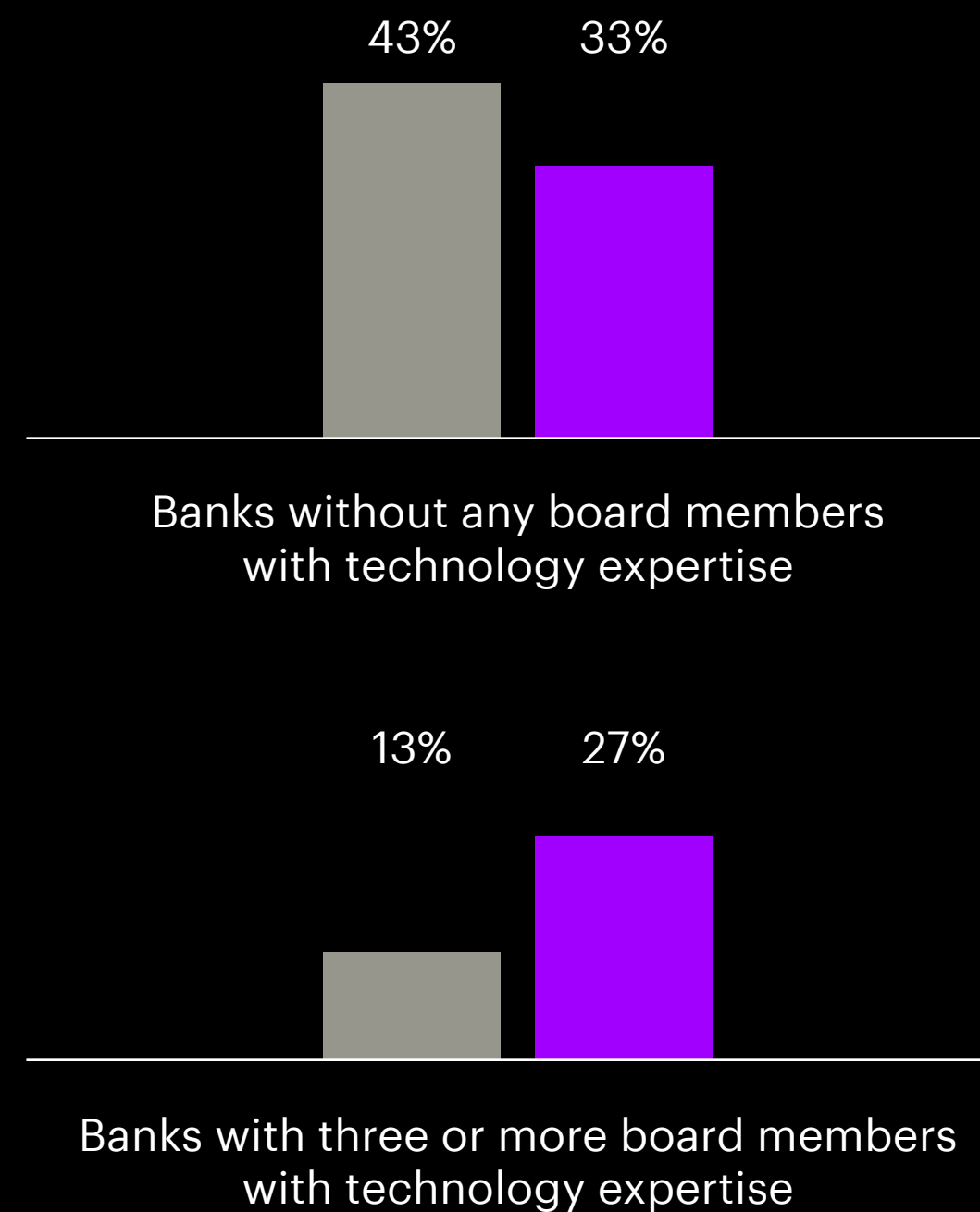


Figure 5. Technology expertise on banks' board of directors. (2015 vs 2020)

Boards that do have technology expertise help make sure management considers pitfalls such as these. In addition, if technology investments are not coordinated by a tech-savvy board, individual business units might invest in technologies that are not compatible with each other. And without board oversight, the lessons of one business unit's rollout of a particular technology might not be applied by other units.

These risks have intensified recently. Risk managers at financial services companies say that disruptive technology is the risk category that has increased most in importance during the past two years.<sup>6</sup>

**But within this risk lies an opportunity. If they enhance their boards' technology competency, businesses can make smarter and swifter decisions about technology investments. Today, that would give them a significant competitive edge.**

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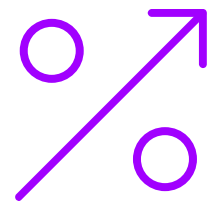


# How to develop a tech-savvy board

Here is how you can start to improve your board's technology expertise.

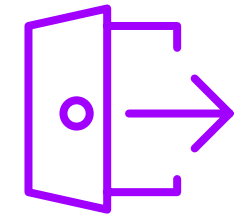
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### Boost your directors' TQ

Board directors need to understand the technologies that are changing the world, such as cloud, blockchain, artificial intelligence and the Internet of Things. We call individuals' ability to understand and explain technology their TQ—their technology quotient. Tackle a low TQ with coaching on what these technologies do, how they work, how they are applied, how they combine with other technologies and what the potential risks are. This coaching should not be a one-off exercise. It must be continual to cement learnings and provoke curiosity.



### Listen outside the boardroom

Another way to improve TQ is by tapping into suppliers and business partners. Many banks already collaborate closely and invest significantly in fintechs. In addition, technology consultants are particularly helpful. They can explain how new technologies work and their benefits, as well as the common challenges faced by businesses when they implement them. In addition, boards should listen to a broader range of voices within their own organization. Without knowing it, they may already have a blockchain expert, for example, within their ranks who can provide vital insight to the board.

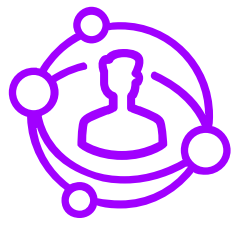


### Put technology on the agenda

Even if board directors are brimming with technology expertise, they won't be able to influence the business's technology strategy if their meeting agendas are packed with traditional activities, such as evaluating financial performance, risk management and executive compensation. So make sure the board has time to discuss technology. One way to carve out dedicated time to discuss technology is by forming a technology board committee. To complement this, some banks have introduced a technology advisory council that advises the board and executive management on technology matters, but is not part of the board itself.

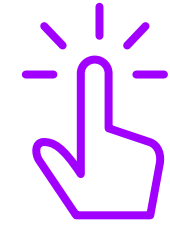
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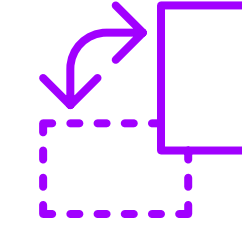
### Consider the tech credentials of new appointments

The number of bank board directors with technology expertise remains low, but we do not advocate a knee-jerk spree of tech-savvy appointments. Instead, a balance is needed between upskilling the existing board and appointing new executive directors and non-executive directors. So when board vacancies do arise, consider candidates' technology expertise alongside traditional evaluation criteria. Of course, banks must keep diversity in board composition front of mind when appointing new directors.



### Understand the human-technology interplay

To get the most from technology, boards need to understand the human conditions that are necessary to unleash its potential. This means, for example, ensuring that the bank's working environment and culture are conducive to attracting and retaining the brightest technology minds. Indeed, 77 percent of surveyed banking and capital markets employees believe in the importance of having a supportive working environment to be able to do their job.<sup>6</sup> It also requires boards to think carefully about how technology and humans interact to create experiences that are valued by customers, wholesome for employees and, ultimately, profitable for the bank.



### Spark a transformation mindset

Boards don't just need to be taught how technology works and how to resolve implementation challenges. They also need to have time to explore and focus on how technology can transform the entire business, and should understand that this is not solely the remit of the IT team. Once this has been acknowledged, the challenge then becomes how to overcome legacy systems and operations so that exciting proofs of concept can be scaled and rolled out across the bank.



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1. [Accenture Technology Vision 2021](#), February 2021
2. Accenture, [Cloud Outcomes 2.0 Survey](#), November 2020
3. Accenture, [Global Banking Consumer Study](#), December 2020
4. [Accenture Banking Technology Vision 2020](#), September 2020
5. Accenture, [Global Risk Management Study: Financial Services](#), 2019
6. Accenture, [Honing Your Digital Edge](#), 2020

## About the Research

Accenture analyzed the professional background of all board members (1,896 executive and non-executive directors) of 107 of the world's largest banks (by assets). The study is entirely based on publicly available data and uses the same methodology as in 2015, when Accenture first conducted this research.

For the purpose of this analysis, Accenture defines board members who have technology expertise as those who meet at least one of the following criteria:

- They have technology responsibilities (for example they are a CIO, CTO or CDO) at their current company, or they had these responsibilities at previous companies.
- They have or had senior responsibility at a technology firm.

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