

The Virtual Boardroom – Making It A Reality

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The Virtual Boardroom - A Reality?

As the impact of globalisation continues to expand the horizons for companies looking to grow, the importance of effective governance and oversight is ever increasing and the composition of players in the boardroom is also by necessity, changing. Companies with an international focus on operations want to ensure they have directors with an international perspective and global expertise contributing as members of the Board.

This does however require a different approach and some unique considerations. One of the issues to consider is the increasing cost of travel to attend Board meetings in different countries. The direct costs - airfares, hotels, food, transportation and communications can quickly build up especially if directors sit on multiple boards and attend several international meetings per year. Beyond the direct costs, the indirect costs also need to be considered including impact on health, lost productivity and opportunity costs

whilst the director is in transit and arguably less effective when “jet-lagged” from international travel. Additionally with climate change and sustainability top of mind for many executives all of this can create a real burden.

Video-Conferencing Technology

One of the solutions to try to manage this impact has been through the use of video conferencing. The technology supporting video conferencing has

been around since the mid 1950s and although there have been improvements in functionality, quality and overall lower costs over the years, this form of communication has not been widely embraced in the boardroom. The use of videoconferencing has not increased dramatically even as globalisation, travel costs and pace of business has accelerated. Many executives don't like the experience and don't consider it as an effective alternative to “in-person” meetings. “There is no substitute to personal interaction. Beyond the

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Video technology has improved with telepresence providing a better simulated experience of an "in-person" meeting. This is achieved by a combination of life-size remote participants, fluid motion, accurate flesh tones and studio quality audio and visuals. However, whilst the technology is readily available there are many challenges in adoption, not the least of which being cost, which may hinder enterprise wide rollout of telepresence solutions. Even though telepresence technology has been around for over 10 years and many well known vendors offer the solution such as Tata and Cisco, it can be costly to implement for most companies. Costs further multiply for multinationals that have office locations around the world in different regions and multiple cities.

In addition to cost considerations, telepresence will still not fully replicate the atmosphere or the mood of a group of people in a room. In a cross border, cross cultural board meeting minor subtleties could be lost and misunderstandings will occur, particularly when not everyone's first language is English. Furthermore, the discussions at these

board meetings can be difficult and contentious which requires additional personal engagement. This will be more difficult when the directors are not in the same room.

Use of virtual boardrooms also raises issues in the legal realm and it is important to consider and understand the local regulations. For example, when voting is required how is governance and control maintained to ensure the validity of online votes? Good corporate governance is important when introducing a new medium as a whole new culture may be created. These challenges and how to manage them need to be understood and policies along with some education are essential.

Devices In The Boardroom

As consumerisation of IT becomes more prolific within enterprises, mobile devices such as tablets are also making

their way into the boardroom. Many of these devices personally belong to the directors but the ability to use them in their professional lives is expected and that extends to carrying out their board duties as well. This may result in a demand that companies move from a traditional paper-based system to electronic versions for board papers.

There are many advantages to using tablet devices and e-versions of board documents. This can include cutting down the time required to prepare the documents and not having to print multiple sets of papers. It can also improve distribution efficiency and ensure that all of the directors receive the information simultaneously. Whilst easy to see some of the benefits, the board needs to consider this as far more than a simple alternative to paper based documentation. It should be treated as a business improvement initiative like any other IT-enabled change.

Managing The Risks

When introducing new technology there are always risks involved. With mobile devices and electronic board documents, the security parameters change as information is stored in the device and can be shared easily and quickly with a simple click of a button. In addition, mobile devices can be lost or stolen so the data on them is at constant risk. However, this type of risk is not unique to technology as hard-copy board papers can just as easily be stolen, read and copied. Some argue that information

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stored electronically is more secure as it can be encrypted and devices can be set with password authentication and remote wipe security.

The security policies adopted by any one Board can also have a knock-on effect on the directors personally. Directors may want to use their own personal device and a single device for all their board needs. So it raises the question, “Who owns the device and who is authorised to take preventative measures if the device is misplaced or stolen?” There is no hard and fast rule as an answer to this question and every company needs to weigh up the benefits and risks and decide what is the most suitable approach for their organisation.

Another concern with tablets and electronic board documents is whether annotations made during a meeting belong to the director or the company and whether they are discoverable in legal proceedings. Different countries have different laws and regulations. Where the regulation is unclear the company Board needs to decide their own policy taking into consideration the regulatory environment they are subjected to.

One increasingly popular option for companies to manage board documents is establishing board portals - a secure

website which provides directors with online access to information posted by the company secretary. Board portals address the issue of storing board papers and provide effective distribution by having to only upload once to a centralised location and enable easy access to archived material. Board portals today have also evolved into more than just a repository for board documents but an avenue for secure communications as directors are requesting for more information about the company. There are several California-based companies that lead in this area including BoardVantage, Diligent and Projectplace.

We spoke with an independent director of a prolific London based public company that has progressed into a paperless environment and is using a board portal. His experience to date has been a good one. “It makes accessing the documents much easier and ensures that I have the latest versions. Each board member has an iPad with a board portal application loaded on the device. One

week before the board meeting everyone receives an email notifying them that the latest board documents are ready to be viewed via the board portal app.” He spoke positively about how this avoided the need to generate and manage reams of paper and felt that the security aspect is in practice easier to manage than in a paper based environment.

The Tipping Point

In our view, it is not a matter of ‘if’ the boardroom will embrace technology and adopt a paperless environment but more the question of ‘when’ and ‘how’. According to Edis-Bates Associates, a London based research consultancy, 40 per cent of 150 London-listed companies surveyed last year were using electronic means to distribute board documents. The tipping point that kick started the rapid adoption of a paperless environment was when Apple’s iPad was introduced in 2010 followed by the launch of various competing device offerings. The tablet was able to combine the two key features for widespread adoption - mobility and readability.

As geographical borders become less defined and more companies participate more extensively in the global economy, the boardroom will increasingly be represented by directors from many different nations. The demands and responsibilities on these directors will continue to grow and the challenge will be for them to operate effectively. With the advancement in technology there are an increasing number of options that can help support these directors to carry out their duties. Ultimately the board needs to be focused on finding the best means to enable their Board to effectively govern their organisation.

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