

Take on Board Podcast – Episode 261

Transcript – Lynn Warneke unpacks the 'digital era' and how boards need to approach it.



Helga Svendsen 0:00

Today on the Take on Board podcast, I'm speaking with Lynn Warneke about board governance for the digital era. Before we start the podcast today, I'd like to acknowledge the traditional custodians of the land on which we record. For me I'm on the unseeded lands of the Wurundjeri people of the Kulin Nation, and I pay my respects to elder's past and present. I also acknowledge any First Nations people who may be listening today, I acknowledge their continuing connection to land, waters, skies, culture and country. I support voice treaty and truth for Aboriginal and Torres Strait Islander peoples and I encourage others in the Take on Board community to do the same.

Now, let me introduce Lynn. Lynn is the chair of South East Water Corporation, and is on the boards of Spirit Technology Solutions. The Australian Community Support organisation and is on the digital subcommittee of the Beyond Blue board. Lynn is a chair and Board Director of public, listed and not for profit organisations. She specialises in digital and data governance, including cybersecurity, digital transformation, innovation and emerging technologies such as artificial intelligence and the Internet of Things. Her experience spans multiple sectors, including utilities and critical infrastructure, government, tertiary education, retail, wholesale, and technology consulting and services. Lynn has been a long term tech diversity advocate throughout her career. And she's also an industry mentor, with startup accelerator hub, Stone & Chalk, supporting founders to scale their tech businesses. Welcome to the Take on Board podcast Lin.

Lynn Warneke 1:38

Thank you. Helga, delighted to be here.

Helga Svendsen 1:40

It's so great to have you. And board governance for the digital era is something that many boards are talking about. But before we dive in there, as always, I'd like to dig a little bit deeper about you. Can you tell me about your upbringing, the leading influences on how you think and how you act and

maybe how that's contributed to your career choices, and influenced your transition into governance roles?

Lynn Warneke 2:06

Well, going way back, I had the quintessential middle class suburban Australian Childhood really brought up by parents who were both full time professionals. So my mother was part of the women's lib movement in the 70s. And from that generation of women who were wives and mothers but also forging professional careers, she was librarian she was an outspoken activist for equal rights for women and minorities and environmental causes. So Jill, I think taught me to value the literature, human rights, nature, and definitely financial independence. So professionally, I probably get my interest in people and my, my appetite for change from my mum. My father was a marine biologist. So he was an expert on whales, sharks, dolphins, and especially Australian fur seals. And my dad's also a fantastic artist. And he really excelled at creating quite a compelling visual, and written narrative for his research. So I think Bob taught me the value of evidence, observation, reflection, and definitely the power of a good presentation to bring data to life. So I like to think I've inherited my professional love of structure and planning and strategy from my dad. So I think I'm very much a product of those different but complementary parental influences. I have a very wide range of creative passions and intellectual pursuits, draw, paint, I love to study. I'm always learning and a voracious reader. Having said that, neither of my parents were particularly interested in technology or business for that matter. So I'm very much my own person as regards the career path that I've taken and those professional interests I've explored and developed. So I do feel very fortunate really to have found an expression for all those varied aspects of my personality and interest in a technology focused career. And having that broad, transferable business skill set with tech domain expertise is what's really enabled me I think, to work on many different organisations across a wide range of industries throughout my career. And I've also worked in many different operational settings, entrepreneurial, high growth, customer focused businesses in startups, and then through two I've worked in government and highly regulated and asset intensive sectors. So I think that breadth and variety has made me very adaptable. And as a director, I think having that holistic cross industry perspective has been very important and advantageous.

So the way I guess I've always conceived of and practiced technology has actually fundamentally been about strategy. which is about growth and change, which at core is about people, customers, staff community. And I think technology is also very much about finance. Insofar as you know, business tech, operational tech cybersecurity, digital products services. These constitute I think, a significant part of organisations P&L and value chains were a big part of our procurement, our contract management, our global supply chains, and of course, really significant organisation wide human resources, impacts and implications associated with technology. So I've transitioned I suppose into a portfolio governance career, because the boards that I've joined have wanted those skills in cyber and enterprise, technology, risk management, but also that understanding of how digital transformation, emerging technologies drive business benefits, how they grow productivity, and improve customer and employee experience. So I think my background, my capability, ticks, a few boxes on the skills matrix, more than just cyber and it and it's definitely a broader corporate

governance capability that I bring to my boards, particularly as you know, in the role of chair, chair of board and chair of the Finance Risk and Audit Committee. ,

Helga Svendsen 6:23

Okay well, that gives us a really great picture of how it began and where we are now for you. And whilst I loved hearing about Jill and Bob, they both sound like incredible human beings, and what an amazing gift to you, in all of those different experiences. And it sounds a little bit like a lot of left brain, right brain type thinking that has come from both of them, which also sets you up so beautifully for the boardroom as well. So I reckon I could spend the whole time talking about Jill and Bob, but I'm not going to, even though I'd love to hear more. They both sound amazing. So that gives us a beautiful segue, really to our topic for today, the digital era, for boards from where you've come from and that contribution you're making. So let's talk about the digital era. What is it? And what does it mean for boards, this digital era?

Lynn Warneke 7:18

Well, the digital era loosely is this period that we're living in now have been in for a couple of decades, rapid change in the economy and society that's driven by digital technologies. It's stating the obvious to say that tech is diffusing across every aspect of our lives mediating the way we socialise, shop, the way we work and the way society, business and politics interoperate today, also a very significant driver of economic growth. So the global digital economy comprises around 15 to 16% of GDP. But over the last 15 years, it's been growing two and a half times faster than global GDP growth. So digital technologies, data, emerging technologies, like AI, in particular, are really reshaping the digital economy and global value chains. And in turn that is influencing how we need to approach business strategy, corporate operations, the workforce and customer expectations too, of course.

So I think what it means for the board is that directors need to engage with really complex new challenges, certainly, but also opportunities arising from cybersecurity automation, at scale AI, big data, 5G, edge computing, maybe blockchain quantum computing. And of course, we need to understand how these new technologies intersect with the existing political and legal landscape. And certainly, there's a lot of proposed regulatory reform. So boards, of course, have accountability for stewarding the value of our organisations over multiple time horizons. So I think we need to adapt to these macro economic and consumer trends that are increasingly data and digital driven, and consequently adapt to our governance oversight. Our capabilities are practices accordingly, similar perhaps, to what we've done in the last few years in relation to cybersecurity, and it's only growing more complex.

Helga Svendsen 9:23

Wow, you're reeled off so many terms there that, again, I'd like to dive into, I think it's going to be hard for us to cover all of the intricacies of all of the different parts of technology. But I'd be interested to hear like, you're on a real range of boards, you're in government, you're in the nonprofit sector, you're in the private sector. Is the digital age impacting everywhere, or are there some boards that can just sit back and go, nah, that's okay, it's not us?

Lynn Warneke 9:48

Great question. The short answer is, it is impacting everywhere, but to a greater or lesser degree, depending on the sector depending on the kind of organisation or business that it is. But for example, a couple of the, you know, the not for profits that I serve in service industries, but even they're absolutely digital is an influence and a factor in how we're thinking about governance, about reporting about data security. So I guess the key points that I'd make about all boards, all directors thinking about governance in the digital era, is that it is about much more than cybersecurity. And it's really about much more than AI and all those other technologies that I reeled off.

Digital really implies thinking about a complex, really interconnected business and technology ecosystem, really, and that requires a holistic approach. And secondly, I think digital is increasingly core to business, which needs very strategic oversight by the board. So all of those technologies, and we don't need to dive into individual tech, they all represent risk, significant risk on the one hand, but they also represent real potential for significant competitive differentiation, maybe productivity, growth, or efficiencies, development of new customer solutions are new ways to serve our customers, and potentially new markets. So that's the key point. It's relevant to all of us because the digital era requires directors to govern business risk, and opportunity, compliance and performance simultaneously. And I think these are two sides of the technology coin like never before. So digital era, governance is holistic and strategic, fundamentally.

Helga Svendsen 11:58

It's everywhere. It's relevant for all organisations. It's more than cybersecurity. I think we're starting to catch up on that sort of stuff, but only starting to catch up. So what are the key implications for corporate governance of the digital age.

Lynn Warneke 12:14

I think there probably are three key areas to think about at that highest level. So if we take the board's role in setting and leading culture, for example. So we know there are significant risks associated with AI, systemic bias, misinformation, and disinformation, large scale workforce disruption, and others. So AI particularly intersects with a range of ESG (environment, social and

governance) issues. There's the potential for harm to people and damage to our social licence to operate if we deploy these very powerful and dynamic new technologies poorly. So this is why ethics is so prominent in the AI governance conversation. So boards need to think about the culture that we want to establish and the behaviours we need to model and sustain in the digital era, if we are to ensure that our businesses use data and technology responsibly, so that we are maintaining customer and community trust. Then there's the key role of CEO and executive succession planning one of the most critical board roles. So there's always been a war for top talent. But as we progress deeper into the digital era, I think that could heat up even more. So we're seeing strong competition at lower levels of the organisation in relation to say technical talent, AI engineers, data scientists, cybersecurity experts. And also a little bit at the C-Suite, few organisations looking at, say a chief AI ethics officer, for example. So some of the chairs that I'm speaking with now, are thinking well ahead about the potential for that competition for tech talent to travel up the organisational hierarchy, as it were. So we're factoring in digital era leadership capabilities and technology related skill sets into our thinking and planning for CEO succession and recruitment of key executive roles. So that's another area for all boards to consider. And then finally, if we think about the core role of the board to protect and grow company values, so I think directors have a number of compliance obligations on the one hand, and performance responsibilities on the elbow in relation to new technologies.

Helga Svendsen 14:33

So boards need to think about culture. And there's a whole range of things to think about. They're really interesting to hear about that CEO and executive succession planning and how, you know, we often hear on this podcast about how all board directors need to have digital capability but of course, that also translates to the CEO and executive world. So it was great to hear that part as well. And of course, thirdly about protecting and improving and growing the have value for the company. So from what you're saying, or in as much detail as you're able to share for the boards that you're on, how well equipped to boards for the digital era? How are they going?

Lynn Warneke 15:14

Well, speaking very generally, and in no way pejoratively, a short answer at present is not very well equipped. Look, many boards, of course, are discussing AI and data. And my sense thus far is that the conversations are probably more at the compliance end of the spectrum, more about risk and legal obligation. And more often than not, that's currently delegated to the board's audit and risk committee at present. In Australia, surveys are continuing to show that a minority of boards include directors with strong digital expertise. So some boards are reviewing their skills matrices, they're thinking about bringing in technology capability, although even then in my conversations, I find that the focus at present is still largely on cybersecurity, rather than strategic digital transformation. So again, speaking generally, I think there's a way to go before the corporate governance community as a whole in Australia considers digitization holistically and really recognizes that that critical relationship of new technologies with organisational culture, strategic workforce management business strategy.

Helga Svendsen 16:24

So, we're not doing so great. What can we do? Like how can we get started? How can we improve governance? It's key if we're not doing this stuff, well, how are our organisations expected to perform well, so what can we as board directors do? Where should we get started to improve?

Lynn Warneke 16:42

And look, this is a huge question or issues. So as I said, no judgment, no criticism, there is so much to consider in relation to digital era governance, and every company and board will be different at different stages of their maturity and have different priorities. But I think there are a few common actions that we can all be taking at this time. So firstly, I do think there should be a plan to recruit and develop digitally are a skills and capabilities on the board. So every director should be encouraged and supported to develop foundational digital technology knowledge and across my boards, I'm seeing a great range of activity here. So directors are informally sharing topical articles, information about good courses they've done for example, expert speakers are being invited in to present to the board and management too and in my chair capacity. I'm working with company secretaries to prepare an annual calendar of deep dives on key topics. But over and above that, I strongly recommend recruiting specific digital capability to the board. And in the digital era I think the board's skills matrix must include deep technology capability beyond cyber. And I think we will see as is happening in the US that institutional investors will start to pay close attention to this skill set for certain types of technology dependent businesses.

Secondly, I recommend establishing the right structure for board oversight of data and AI at a minimum. So that should be a standing governance agenda item and a differentiate this from operational items cyber risk. Look, it's up to each board to determine where in terms of board and committee structure that agenda item and the material discussions it should provoke are best located. Is it an audit and risk committee responsibility? It's a reasonable place to start for many, an independent expert member could be appointed to the arc to augment directors expertise if necessary. But in other cases, I know boards have established a technology or a digital subcommittee of the board. Some have established a specialist advisory committee to the board and all of those are appropriate options. My personal view is that digital transformation data AI as we've been discussing, they are matters really, ultimately for the full board, because they comprise so much more than risk management that ultimately about strategy. But board oversight needs to be fit for purpose. And so the choice of where new technologies fit in your governance structure will be informed by a range of factors and that'll include director capability, capacity, the nature of the business, its current level of digital maturity. Another key area is getting started on defining your data and AI governance framework. I love a governance framework or model. A good one should absolutely bring clarity to complexity, and it should reduce the risk of duplication, fragmentation gaps in board oversight. So there are a range of frameworks available. I think that any company can In reference and right size, the AICD has just released a director's guide to AI governance. And

there's a checklist for smaller companies and not for profits. I have actually developed and published an enterprise scale, greater digital governance framework. And that's intended to be more comprehensive, more holistic and less technology. Well, technology agnostic, I suppose. But at a minimum, I think boards should have a governance framework that covers responsible roles, principles, policies, and processes, controls, monitoring and reporting. So I think a digital era governance framework should really clearly establish guidelines and guardrails for responsible data and AI, and emerging tech use in the organisation, including, importantly, prohibited uses.

And then finally, I think a critical activity is for the board and management to apply that governance structure and that framework on two fronts. So firstly, integrate material AI data, emerging technology risks into the board's risk appetite, and the enterprise risk management framework. That's the compliance side of the equation. And then secondly, start identifying and prioritizing opportunities and use cases that the organisation can safely and responsibly explore. And that's the performance and opportunity side of the coin.

Helga Svendsen 21:33

Oh, that is so awesome. It's interesting, I'm hearing there, learn, the board needs to learn about that, and or bring in skills in the boardroom, build the digital era into your governance structures, and I agree wholeheartedly about it being a whole board. Otherwise, it's hived off over there in the oh, that's the tech committee. They know about this. It's like we can't do that with finances. And these days in the digital era, I don't think we can do it with technology either. So I agree with you on that. Thirdly, I love a good framework, too. So I love it. Oh, a framework for the digital era, the data governance framework, and then applying it it's so interesting to hear that because I think sometimes we tick the boxes about these other things. And that's all great. But it's not about ticking the boxes on yes, we have a framework. Yes, we have someone on our committee. Yes, we have this coming to the board. It's like great, but what are we going to do with all of that information? What are the risks that are coming with that? What are the opportunities that are coming with that? That is fantastic. Oh, such gold Lynn. And in fact, you mentioned in there your framework? If you can, we would love to provide that as a link in the show notes. If that's possible. Is it a download or something that people can access? Is that possible?

Lynn Warneke 22:45

Yes, of course, I've actually published it on LinkedIn. So you can find me on LinkedIn. And it's published there. I'm very open to any commentary and feedback. I've published version one, but continuing to iterate it.

Helga Svendsen 22:57

Yeah. Great. So we will make sure there's a link to that in the show notes as well. Oh, Lynn, the problem with these conversations is the more there is the more there is, so we could continue this. Oh, my gosh, for days, I suspect, but we can't. So from the conversation that we've had today. And with all that we've covered, what are the key things you want people to take away from the conversation that we've had?

Lynn Warneke 23:22

Probably just two main points, I guess Helga, all of the new technologies of the digital era carry systemic and material risk. So directors need to know and comply with our statutory obligations, of course, but also, we must consider, I think, our ethical and our fiduciary responsibilities to deploy these technologies safely, securely and sustainably. So one of my key takeaways would be think holistically about governance of the technology ecosystem, and really technology in that broader environment, social and governance context ESG, or what I increasingly conceive of as E S, T, G, where T stands for Technology, obviously. So I really think it's it needs to have that sort of equivalence in boards, corporate governance oversight. And then secondly, while certainly all directors can enhance their digital governance skills, and indeed, should do so I would absolutely recommend that in the digital era. All boards will need technology expertise complementing their finance, legal and industry expertise. So I think boards should be reviewing this skills matrix and planning to add strategic digital and technology skills. So they're my two so key points that I'd like to leave your listeners with.

Helga Svendsen 24:48

Right, thank you. And we talked about learning for boards and board directors. Is there a resource that you would like to share with the Take on Board community?

Lynn Warneke 24:59

You Yes, many, but only one right, I to like to process insights from a wide range of sources because I am a systems thinker. And I think it is important that we understand the big picture and interrelated trends and implications for corporate governance. So there's many I would love to share. But I'll pick just one for really in depth examination of the global technology forces that are at play in our lives, in society, politics, the economy. I can't go past Burning Platforms that is a fortnightly podcast from Per Capita that aims to decode the power and politics of big tech particularly. So Peter Lewis from Centre of the Public Square, Lizzy O'Shea, who's a fantastic lawyer, author, and founder of Digital Rights Watch. And Dan Stinton, who was formerly of the Guardian, then he's now CEO of Health Engine. They convene fortnightly to discuss current tech events and news and then they dive really deep into a particular topic with an expert guest and it is always absolutely compelling listening.

Helga Svendsen 26:11

Oh, that is fabulous. That's not on my listening list so far, but I will put it on the listening list. And, folks, I will let Lizzie O'Shea, you're right. She is fabulous. She's been on the podcast previously. So I'll make sure I'll put a link to her episode in the show notes as well. Oh, Lynn, thank you, thank you for both expanding my brain but also kind of making it simple and accessible as well to deal with some of these things because it can be overwhelming thinking about the digital age for board directors. So thank you for both making it simplifying it but also giving some really fabulous tips to the community in how to advance our own knowledge but also what to think of onboard so thank you for taking the time. I really appreciate you sharing your wisdom and I'm sure others in the Take on Board community will appreciate it too. So thank you for being with us today.

Lynn Warneke 27:02

Thank you so much Helga. It's been a great conversation.

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