The Tech Evolution

How Boards and executive teams can stay ahead of innovation

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Technology is rapidly changing the business world, particularly when it comes to innovations using big data, artificial intelligence and machine learning. No matter the sector, executives and Boards need to think strategically about what is going on in their industries and how they can leverage technology to gain a competitive advantage.

Studies have shown that adding Board members with significant technology experience points to improved performance. From 2010 to 2016, the number of Board members with technology expertise grew from 10% to 17%. But for companies that performed 10% or better than the Standard & Poor's 500 Index during the same period, the number of Board members with technology backgrounds climbed from 17% from 31%.[1] Bolstering executive ranks with technology-related expertise is also important and can help improve risk management, optimize spending and aid with the implementation of new business solutions.

It is not enough to simply bolt on a new software system or adopt a new application. The best companies are finding innovative ways to embed technology into day-to-day operations to improve efficiency, quality of decision making, availability of information and customer service. To be successful going forward, technology needs to be an embedded part of a company's strategy, operations and human capital planning. Companies not questioning and evaluating their business models or thinking about industry evolutions related to technology will get left behind.

Industry example: Healthcare

Healthcare represents an industry that is ripe for technological advances across the spectrum from back-office to care delivery. With the myriad of options available, companies need to be strategic about using technology to solve their most pressing problems and find partners that can integrate across their existing systems and networks.

One interesting case study is naviHealth, which tracks and recommends what type of care setting is needed after a health crisis, particularly for those with chronic illnesses. The company offers technology solutions for health plans, hospitals and post-acute event providers using a combination of software and clinicians to make sure patients receive coordinated care after an acute event.

In addition to embedding clinicians to coordinate post-hospitalization care and providing customized plans, naviHealth uses data to improve workflows and care design. The integration of technology across the patient journey streamlines processes and allows the company to create best practices based on insights from patient data and outcomes.

TeleHealth Services is another company changing the way patients interact with healthcare providers. The company offers solutions that facilitate communication with patients such as in-room TVs, audiovisual solutions for conference rooms and digital wayfinding signs. They also have a suite of patient engagement solutions to help educate patients, manage records and engage across the care journey. By using technology that is familiar and integrates with existing systems, the company is helping improve patient satisfaction and reduce costs.

IT spending within the healthcare industry was expected to increase about 10% in 2018 over 2017, according to Forrester[2]. Executive teams that are not considering how to digitally transform their businesses, no matter their places in the care cycle, will be left behind as consumers demand higher quality services and information.

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1 https://www2.deloitte.com/insights/us/en/focus/cio-insider-business-insights/bridging-boardroom-technology-gap.html

2 https://www.healthdatamanagement.com/news/2018-tech-budgets-to-rise-about-88-for-healthcare-organizations?regconf=1

Industry example: Hospitality

Competition in the hospitality sector is fierce as travelers have come to expect more personalized experiences such as hotels automatically providing their favorite newspapers or receiving offers tailored to specific locations.

Technology companies like Revinate leverage a hotel's data to create targeted marketing campaigns and mine guest feedback for insights. The company says its solutions generate average upsell revenue of $2,500 per month per hotel and increase revenue from marketing campaigns 73% via targeted personalization.

But not all innovation is guest facing. Many hospitality companies are looking for ways to interact with staff who do not sit behind a desk to create better experiences and save money. Lodging Controls helps hotel owners and managers better control workflows and enhance guest interaction. The software provides real-time task updates for maintenance and housekeeping staff and enhances the guest experience by utilizing the convenience of text messages.

With advanced data analytics, increased personalization and the use of artificial intelligence to interact with guests, hospitality companies are poised for one of the largest digital revolutions of any sector. Those that quickly adopt and implement technology that is easy to scale will generate customer loyalty in an industry that is growing more fragmented by the day.

Industry example: Real estate

Understanding and predicting industry trends can be a powerful way for real estate firms to get ahead of the competition. As such, big data is transforming how commercial real estate investors make decisions. Firms are using market data, as well as alternative data sources like social media, to farm insights and better inform their investments.

Companies that aggregate, store and analyze data specifically around commercial real estate are emerging. Skyline AI, which recently raised $18 million in funding, analyzes data for nearly 400,000 pieces of commercial property in the U.S.[3] Investors can use the company's predictive analytics to evaluate current and projected rent, occupancy and return data.

Companies that integrate data into existing systems are also emerging to help improve leasing and management performance. Property managers can use data gathered at the street level, such as Motionloft's real-time pedestrian and traffic data, combined with other data points to specifically target merchants for ground-floor commercial space.[4] This information can strengthen the marketing pitch to potential clients, putting quality tenants in spaces that meet their needs.

Other companies are transforming how investors find properties. Cadre's e-commerce platform connects qualified investors with commercial real estate opportunities, injecting some much-needed pricing transparency into the market.[5] The company counts Goldman Sachs, SL Green Realty Corp. and Andreessen Horowitz among its investors.[6]

Perhaps nothing is more indicative of the impending impact of technology in real estate as the influx of capital into property-focused technology. In 2017, venture capital investment in U.S. real estate tech firms was $5.7 billion up from $44.7 million in 2012.[7] Investors recognize that the landscape for finding, evaluating and investing in commercial real estate,

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3 https://news.crunchbase.com/news/skyline-ai-brings-predictive-analytics-to-commercial-real-estate/

4 https://www.ibsre.com/blog/big-datas-big-potential-for-commercial-real-estate/

5 https://www.inc.com/zoe-henry/30-under-30-2017-cadre.html

6 https://cadre.com/about-us/

7 https://therealdeal.com/issues_articles/venture-capital-cover-story/

as well as how best to manage such properties after they have been acquired, is poised for dramatic shifts as technology innovations continue to proliferate.

STRATEGIC IMPLICATIONS FOR BOARDS AND EXECUTIVES

One of the most important steps to successful adoption of a technology strategy is having access to the right talent. Companies will need the expertise to evaluate, acquire, integrate and manage the new technologies that will give them a competitive advantage going forward. Many will need to look outside their organizations, or even their industries, to discover best practices for leveraging data and to gain the necessary skills to move the technology capabilities forward.

Boards and executive teams looking to capitalize on big data and other technology trends need to conduct an assessment of their organization as well as the external competitive landscape to find gaps and understand how to close them. Only an honest and comprehensive look at strengths and weaknesses will help executives identify technology solutions that fit their firm's needs.

Once such an assessment is complete and technology priorities have been established, a firm must decide how best to go about accessing the desired innovation. Some firms choose to acquire existing technology platforms or outsource activities to external service providers with the necessary expertise. This is the "buy" approach. Others prefer to build technology capabilities organically by hiring teams of experts to design and implement proprietary programs – the "build" approach. Each approach has pros and cons and either can be successful with effective implementation. However, thoughtful consideration of each is critical to ensuring a company chooses the appropriate path and sets itself up for success.

No matter the approach, it is also important to set up the internal infrastructure to support delivery of new technology. Training, establishment of processes and procedures, and identification of responsibilities are all critical for success. Beyond hiring a chief information officer or chief technology officer, thoughtful firms will also consider the role of data scientists and software managers to help make sure technology is used optimally across the organization. Having the right team in place to customize solutions and integrate them with current systems can also show significant cost savings in the long term.

Finally, executives should make use of talent and expertise outside their own industry. Often mining other sectors for talent and ideas can help companies innovate, staying one step ahead of competitors.

CONCLUSION

Technological advances are reshaping the face of how companies do business. The ability to harness such innovation and utilize it to your advantage will be a critical differentiator between those firms who find success in the future and those who do not.

Given this, technology should be an integral area of focus for Boards and management teams alike. Integrating technology into all aspects of long-term planning, from back office operations to customer service to investment decisions, is crucial. Those companies that aren't actively thinking about innovation have already been left behind.

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