Boards of the Future – Harnessing Technology

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For a major part of my career, I have experienced Board dynamics from the point of view of the management. Now post-retirement, I have the opportunity to see from the perspective of the Independent Directors. And trust me, it is a different world out here. Sometimes, I do empathise with the non-executive directors who are expected to take critical decisions with information flowing through at high velocity. Add to that, the information may abound in volume but not in relevance to the issue at hand.

That Boards and Committees of the Board have a significant role to play in the functioning and progress of a company is undisputed. I agree with the maxim "A strong Board cannot guarantee success, but a weak Board almost always ensures failure." So how do we ensure our Boards are strong, not only today but also in the future, a future facing disruption – whether due to geopolitical, regulatory, or technological factors.

Board structure, composition and diversity are well recognised as a key differentiator for well-run companies. There are also hard-coded regulatory requirements at least for listed companies. Taking all the above as given, can we be sure we are ready to ride the future wave? Not until we take a hard look at what are the hurdles in the way of effective Board functioning today. It is the process. The time and effort required to go through the agenda papers, sifting through reams of data to extricate the information required for decision-making, ensuring critical items get adequate time for discussion, capturing the essence of the discussion in the minutes, and follow-up on critical action items is humongous. Many Boards today are overwhelmed by the sheer volume of information, leading to a feeling of inadequacy or lost opportunity.

We do have Board apps where agenda items are uploaded, directors can make comments, discuss issues even before the meeting, where minutes can be churned out within minutes of the meeting. The apps are capable of a lot more, but many companies are yet to use them fully, mainly because directors are either not comfortable with this format or the companies are not implementing it fully. Concerns around accuracy and security may also cause this hesitation.

Enter Artificial Intelligence (AI). It has been documented that efficiency gains using AI can exceed 40%, especially in tasks such as preparing proposals, documenting minutes, etc. Taking this further, when the Board AI tool is integrated with the company's MIS, AI can help in ingesting all data sets across the company, avoiding the need for triangulating information. A credible AI tool can analyse the data, give insights, and suggest options to the Board, with impact analysis for each option. AI can be applied postmortem to assess if better results could have been achieved. This quality Board feed will help Directors focus on their real role of strategic planning and quality decision-making. At its full potential, AI becomes more than a tool; it becomes a virtual advisor to the Board.

The days of quarterly Board meetings, even virtual ones, are numbered. With the pace of business quickening, boards need to take decisions fast. Arranging meetings, juggling the calendars of directors, will be increasingly difficult. The use of AI tools like virtual board room assistants and a shared drive, data room, will enable directors to engage on important matters and discuss issues in a secure environment, regardless of their location or time constraints. Also, this leads to increased transparency and reduced information asymmetry.

The benefits of integrating AI with Board tools make it necessary to enhance Board effectiveness. Now, about the risks involved.

Trust in AI is yet to be established. Boards are apprehensive about AI tools creating board packs and seek management disclosures about AI use in agenda items. The accountability lying with Directors towards stakeholders and regulators makes them cautious about the source of data, given the current flaws in AI.

Ethical considerations, especially around impact on employees, are a major concern.

Concerns around data privacy and cyber security are real.

AI-specific risks like algorithmic biases, hallucinations, deep fakes, and ethical issues need to be addressed. In this regard, AI is both a tool and a threat.

To prepare for the future, the Board may
> seek information on how the company is leveraging AI now, and what are the plans for the future, then get a specific AI strategy drawn up.
> To implement the strategy, an AI policy with clearly defined ethical guardrails and monitoring mechanisms is to be put in place.
> Engage with the senior management and ensure steps are taken for data cleaning and data standardisation. A robust data management system is essential.
> Understand the regulatory landscape, which is yet evolving in many countries. In India, while there is no dedicated law governing AI, the NITI Aayog in 2021 published the "Principles for Responsible AI" outlining standards such as safety, inclusivity, privacy, transparency, and accountability in AI applications. Companies can embark on the AI journey embedding these principles in their AI framework.
> The legal, technology, compliance, and risk teams need to come together in the implementation of AI tools.
> Ensure AI governance is embedded right from the product development. There will be AI agents monitoring AI tools. However, AI agents are also vulnerable to the similar risks as AI tools and hence

need human oversight in the near future.
> Boards need to be educated; literacy and fluency in AI may be included as a requirement for future board members. AI is not a static tool; it is constantly changing. There is a need for automated training and continuing education for board members. How can a board govern something they do not understand?
> Today, many Boards do have technology experts. Some are considering getting an AI expert also on board. One option is for Boards to have an Advisory Committee / Council with AI and technology experts to act as a sounding board to the Board.

There may come a time in the future when an AI agent will be a Board member to give that viewpoint and drive the decision based on data analysis and pure logic. That day may not be too far. Meanwhile, let us all on Boards be ready to welcome and work with the Agent.