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Impact of Artificial Intelligence on Corporate Governance and Board Decision-Making in the Digital Era

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ABSTRACT

Business concerns are being forced by digital technology to update their current business strategies and create fresh ones that combine cutting-edge concepts in order to meet modern demands. Due to the popularity of the "Go digital" idea, businesses have transformed into inventive machines that focus more on the "Eco system" style of governance. In a networked world, innovative and nimble businesses are well-prepared and constantly adapting their plans to fit the needs of the moment, but established businesses encounter a significant disconnect between their governance strategy and their operational requirements. The businesses that have historically performed the best in the market face numerous problems as a result of fast-moving, technology-driven markets.

This conceptual paper aims to provide an overview of the potential available to companies in the digital era as well as the problems and difficulties that may arise. The paper's main goal is to highlight the opportunities and problems that Corporations and Companies face in the digital era and to identify the areas where their governance practices need to change. The theoretical information in the study is based on secondary data that was gleaned from a variety of sources, including text books, newspapers, journals, and online sources.

Key words: Corporate governance, changes in corporate governance techniques, Opportunities and Challenges in the Digital era.

INTRODUCTION

Change is unavoidable; the world we see today will not remain the same in the coming years. Digitalization has created wonders and brought about a transition in human economic activities, resulting in new systems, processes, and models that maximize benefits while overwhelming us. Companies must be aware that the corporate governance framework must strengthen the digitalization of the entire company administration process in order to be successful in this digital world. Keeping this in mind, today's businesses and corporations have transformed their existing business models and created new ones by incorporating innovative ideas. Corporate governance is gaining prominence in India in today's market-driven economy. Additionally, rules from the EEC, GATT, and WTO have increased public awareness of good governance practices. India is not an exception; all of the world's major economies are currently working to harmonies their regulatory frameworks in order to guarantee responsible corporate governance standards.

Objectives

- To be aware of corporate governance prospects in the digital age
- To research the concerns and problems with corporate governance in the digital age.

Signigicance of Study

In today's society, good corporate governance is a hotly debated topic because it increases, strengthens, and maintains investor confidence, maximises long-term shareholder wealth, averts corporate scandals and frauds, and lessens the risk that businesses will face legal action from the government or the courts. Raising accountability and averting calamities before they happen are the goals of good company governance. In this

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increasingly digitised world, only successful Boards with accountable and empowered management can deliver significant and enduring value to all stakeholders. Thus, the significance of this study is greater.

LITERATURE SURVEY

Max Bankewitz, Carl Aberg, Christine Teuchert (2016) in their research study, the authors suggested a research agenda for the future to describe how Boards may contribute value for organisations to deal with the problems brought on by the digital revolution through strong corporate governance.

Raj Gupta (2017) in his research article, the author claimed that the digital revolution is changing every aspect of human life, including how people produce and consume goods and services as well as how they interact with one another and communicate, amuse, and socialise. As a result, the responsibility of chief executives and the board of directors is growing to the point where it is almost unfathomable. According to his opinion, corporate governance must be adjusted to reflect these current rapid economic and sociological changes because the public's lack of trust as a result of the financial crisis and the way technology is changing the job environment is too difficult to comprehend.

Shamshuddin M Nadafand B S Navi (2017) in their analysis, the authors concluded that the rising importance of corporations in national economies and their contacts with international agencies and organisations have made corporate governance more prevalent and necessary in every economy. It is inevitable on the part of the firms to be fair and transparent to all of their stakeholders, for which they must strictly abide by the best Corporate Governance principles. This will help to eliminate dangers and corrosive components within the Companies.

Transformation and Digital Era in Corporate Governance

In the digital age, a company's future success will depend on how well it can embrace opportunities and deal with obstacles posed by evolving technologies. Companies must therefore develop their corporate governance framework to better handle the opportunities and confront the difficulties of constantly evolving technologies by reducing the associated risks. It is a well-known fact that good corporate governance can limit the potential for corporate scandals and fraud as well as reduce the legal and criminal responsibility of business endeavours. The public's perception of corporations is improved by good corporate governance, which includes essential components like honesty, trust, integrity, openness or transparency, responsibility, and accountability.

Opportunities of Corporate Governance in The Digital Era

IT Governance

Today's business leaders use information technology more and more to deliver their organisations' strategic plans. Good IT governance is now essential to ensuring that IT investments are worthwhile and that IT risks are minimised. Effective IT Governance has been implemented by top-performing private-sector organisations, according to research reports. Businesses that practise sound corporate governance can raise security awareness and foster excellent cybersecurity practises. Businesses can assure integrity by implementing encryption, which prevents data from being changed to cause fraud and corruption. Furthermore, by fulfilling regulatory criteria, encryption protects internal data.

Engagement of shareholders and stakeholders via Technology

Social media and digital technology work together to help businesses reach shareholders and stakeholders more quickly and easily. Technology use has increased rapidly in recent years, and more and more businesses are hosting virtual shareholder meetings for a variety of reasons. Companies can now allow shareholders to cast their votes online and collect data from issuers thanks to new technology. Better transparency in proxy participation is ensured by technology. A number of voting platforms are utilised to automatically collect votes and alert shareholders prior to their general meetings. These solutions expedite the process of gathering voting instructions while maintaining the confidentiality of company information. New communication avenues make it easier for businesses to interact with larger stakeholder groups, clear up misunderstandings, and stop false

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information from spreading. Users of these communication platforms can publish their thoughts, share relevant social movements, and voice their opinions. Companies can choose an appropriate number of engaging stakeholders, make required decisions, choose efficient development plans, and guarantee successful shareholder and stakeholder participation.

Key governance stakeholders' role

In order to maintain good governance, directors, company secretaries, and managers must increase their awareness of IT security. As a result, board members must stay current on the most recent industry advances in order to ensure that effective strategy formulation in these areas. Today, almost all governance-related challenges are technology-related, and IT issues must be integrated into corporate strategy. Company secretaries should periodically update the board of directors on developments and dangers while also monitoring the effectiveness of cyber security measures. Trustees, corporate secretaries, and Managers should set an example for middle and front-line staff members by putting in place a number of security protection policies, such as carefully monitoring third-party access, controlling data backups, being vigilant against phishing attacks, routine software updates, two-factor authentications, etc. In order to reduce the likelihood of cyber attacks, Management must periodically assess how well the IT security policies are working. If there is a decline in cybercrime incidences, management should keep track of it. It is also necessary to evaluate how well the requirements have been followed overall. Credit can be offered to personnel if their performance is satisfactory in order to enhance employee morale. Strict if the performance is significantly below target, restrictions or penalties can be employed to encourage further development. When it comes to IT auditing, company secretaries must incorporate technology risks into the audit strategy and notify the Board or other relevant parties & committees in relation to this.

Challenges for Corporate Governance in the Digital Era

Data breaches

Technology advancements have made data access incredibly simple, which makes it easier for personal information to spread accidentally. One of the largest issues facing company governance in the digital age is the unauthorised transmission of sensitive information from a computer or data centre to the outside world. A survey found that the number of data breach events increased by about 20% in 2017. This indicates that as technology advances, it becomes more challenging to protect a company's exclusive internal data and that data leakage has a significant negative influence on the business environment.

Insider threats

It implies that a person with authorized access who is connected to a company could abuse such access to harm the company's vital information systems. This practice has recently shown a rising tendency as well. According to a poll conducted by CA Technologies for the Insider Threat Report in 2018, 53% of respondents acknowledged that their companies had been the target of insider attacks in the previous year, and 27% of the companies believed that insider attacks had increased in frequency. The following were the primary causes of insider assaults, according to the survey:

- Excessive access rights granted to several users
- Sensitive data can now be accessed by more devices.
- Rapid advancement in complex technologies are very difficult to control.

Network attacks

Browser attacks

People seek for information using internet browsers in order to view or interact with it. Browser attacks occur when malicious software on a web browser changes how the browser behaves. Data thieves target vulnerable websites using the most recent browser scripting and catching features. By taking advantage of browser flaws

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when new visitors enter, the infected site tries to compel malware to proliferate into their systems. Through this malicious conduct, attackers can seize sensitive data.

Brute force attacks

In this scenario, the attackers use a tactic known as trial-and-error to try to figure out a system or service's password. Because inputting millions of passwords can take a while, attackers employ software to automate the process.

Denial-of-service attacks

It refers to employing bad intent to prevent a legitimate user from accessing a computer network. Out of 5,200 respondents from various industries across 29 countries in a survey by Kaspersky Labs, 50% believed that the frequency and sophistication of denial of service attacks are increasing. This suggests that in the twenty-first century, network attacks are showing a rising tendency.

Ransomware

In this kind of cyber attack, the criminals encrypt a company's data before demanding payment via crypto currencies like Bitcoin for the decode key. Millions of people are victims of ransomware assaults, which are happening more often. Ransomware assaults prompted the closure of 55 speed cameras, Honda's manufacturing facilities, and the car maker Renault. According to studies, network attacks had a significant impact on the corporate sector in the twenty-first century.

Suggestions

- The Board must maintain a balance between adhering to laws, regulations, codes of conduct, and performance-related features of the Board.
- To ensure that e-Government projects are successful, a well-defined Architecture Governance must be established. This requires taking into account all potential obstacles. It could be useful to develop and use a strategic framework for e-governance.
- Each Board must decide what responsibility it should take on while keeping in mind the range of opportunities at hand and the problems that their organisation faces.
- Though implementing computerization entails significant financial outlays for the procurement of hardware and software solutions, doing so would result in superior outcomes.
- To realise the vision, e-readiness needs to be evaluated and compared to other nations.
- Planning is necessary to ensure that e-governance is implemented in an efficient manner.
- Creating the greatest possible connectivity between the government of India's numerous ministries, allowing for the online transfer of documents, papers, and photos in favour of human work for faster transfer.
- It is imperative that sincere attempts be made to gather resources for this demanding endeavour. Making plans for renting out space can be one solution to the problem.
- Delivering information to consumers in a language they can comprehend and find comfortable.
- Make e-services user-friendly and transparent.

CONCLUSION

For a business to thrive in the digital age, both growth and transformation are necessary. In order to accomplish this, the Board must be resolutely determined to solve the issues with their approach. Considering the different opportunities accessible to seize in the digital era, the board must establish the agenda, procedures, and style to assure development in their business cycle. It is important to realise that strong corporate governance entails more than simply adhering to legal requirements. In order to ensure that the appropriate standards are being

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followed, good corporate governance calls for the Board as well as all other stakeholders to act with clarity, focus, and consistency.

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