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Strengthening Corporate Governance Through Digital Transformation in the Wake of Massive Disruptions

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ABSTRACT

Digital transformation cannot be achieved without technology. This corporate revolution of the twenty-first century is powered by and made possible by technology. The most difficult problems addressed by policy makers and corporations alike are technological adjustments by corporations and their governance. In order to transform corporate governance, the study aims to reveal the enormous potential of IT in rewriting the standards and norms for it. It advocates for the establishment of higher, more seamless, and improved CG practises inside the Indian corporate structure so that it is simple to switch from manually performed tasks to IT-based tasks and software. Big data analytics, algorithms, artificial intelligence, and machine learning and blockchain technology are a constellation of wide-ranging technologies that provide a new vision, a future perspective. To support and encourage the use of responsible technologies, it is necessary to identify and minimise emerging hazards resulting from the deployment of techniques. In order to promote economic growth and public welfare, corporate governance standards in India must be updated in light of the technological challenges that are being faced globally. Through the quicker communication of information with shareholders and stakeholders and the promotion of greater engagement, digitalization increases the company's options for investment and international business activities. To resolve some of the alleged incompatibilities of digital technologies, it may be necessary to clarify and, in certain cases, change current regulatory and supervisory requirements. The potential of security breaches is a side effect of technology and is still a top concern for businesses.

Keywords : Digitalization, Corporate Governance Practices, Disruptions, Artificial Intelligence.

Introduction

Digital transformation is imperative for all businesses. The explosion in technological possibilities in combination with growing imperatives for business change has created a storm for digital transformation. The economy's transition to a digital economy has changed how corporate governance and the administration of company operations are approached, improving firms efficiency. The benefits of digitalization coalesce around governance, risk and compliance processes. However, digital technology adoption can assist businesses over their whole life cycle.(Adizes 2004).

Digitalization is one of the most influential global megatrends that includes corporate governance and includes all facets of public life. By integrating digital technology, it would be able to strike the balance and preserve the rights and interests of all stakeholders in corporate governance and it has the potential to generate growth, innovation, welfare and sustainability, as well as transform the way corporation operates. The benefits of applying digital technology are numerous like reduction of cost , time and effort and resources. Digital corporate governance is the process of overseeing a company's activities utilising currently available digital technology, such as electronic document management, (Gandía 2005), remote e-voting on agenda items, recorded videoconference participation, electronic disclosure of information, and technologies utilising artificial intelligence (Feyzrakhmanova 2020a, 2020b).

Objectives

This research paper seeks to achieve the following objectives:

- Paradigm shift in corporate governance due to massive disruptions in the world
- Infusion of emerging technologies to company's processes
- Ensuring a framework for smooth implementation of digital corporate governance

Massive disruptions in the World

There are massive disruptions in the world like global lockdowns and economic downturns due to pandemics, massive technological advancements like artificial intelligence, deep learning and machine learning, changing world order and shifting of economic powers between countries, the digitalisation of all business, web 3.0, 5G and the complete transformation of internet, cyber security and its challenges in everyday business, sustainability and economic challenges to business like climate change and global warming, remote working, access to global talent pools, massive corporatisation in India with a vision of a $5 trillion economy. Nonfinancial risks are coming to the forefront and are becoming as crucial as financial risks and mainstreaming of crypto currencies and digital money.

Paradigm Shift in Corporate Governance

The coronavirus pandemic demonstrated the value of technology and proved that, when applied wisely, it has the potential to fundamentally alter our nation. A paradigm shift from hierarchical relationships between various groups of stakeholders and corporations to digital platforms was brought about by digital technology.

Businesses today operate in a different environment and must take into account the demands of the new normal, even though they were forced to react quickly to regulatory change in the wake of the pandemic. To effectively govern the firm and handle any upcoming issues, they must go from being reactive to proactive and prioritise risk. Positive developments include the fact that practically all day-to-day business operations, including agendas for meetings, share certificates, etc., are now generated electronically. This has led to a transition in how businesses operate from a paper-based to a paperless environment. The adoption of corporate policies and communication in the digital sphere results in a significant transformation of businesses, necessitating new customer and market strategies, organisational and management structures in the supply chain or service delivery, and employee management techniques. Consequently, benefits like time savings, cost savings on business trips, increased event efficiency, and simplicity of making decisions are brought about.

The ability to manage and monitor complex companies as well as another type of risk-based subsidiary management can both benefit significantly from technology. In the wake of disruptions, businesses must digitally transform their operations for a variety of reasons, including efficiency, resiliency, productivity, return on investment, and competitive advantage.

Digitally transformed firms were in a position to make rapid adjustments, relying on the modern security protocols, cloud architecture, agile company culture and business-enabling technologies to support large scale telecommuting environments and new virtualized business transactions and interactions. But organisations that lagged behind in adopting digital strategies—including businesses, nonprofits, and governmental bodies—found it difficult to adapt to the year's quickly shifting economic and social landscape.

More than 69% (2/3rds) of boards of directors improved their digital business activities in the wake of the pandemic, and about 1/2 anticipate modifying their business model as a result of the disruptions, according to a survey by Gartner Inc.

Digital Transformation in the Digital Age

In order for an organisation to fulfil and even anticipate the wants and needs of its stakeholders, digital transformation necessitates the integration of internet-based tools and technologies into its business operations. The emergence of digital transformation is obfuscating the conventional distinctions between technology and management and fundamentally altering how businesses approach and conduct business. (Verma et al.,2012; Bresciani et al., 2018). Rethinking strategies, business models, and operations is all part of how digital technologies affect businesses. It extends beyond managing digital meetings, paperless workplaces, and social media communication.

Using digital technology improves productivity and efficiency while also improving resource management, resilience, agility, customer engagement, responsiveness, and creativity. It also reduces time to market, boosts revenue, and ensures ongoing relevance.

Depending on how much human judgement enters into management choices and how much management work is automated, there are three different types of digital corporate governance: AI governance, smart governance, and remote governance.

AI governance refers to the adoption of administrative decisions made by a computer (AI) without the intervention of a human (cyber business companion).

Smart governance is the use of tools to automatically control a corporation in accordance with pre-established algorithms without involving humans, but with the option of making changes and corrections to those algorithms as the programme progresses.

In remote governance, methods like video conferencing and electronic voting are used to enable remote participation of a person (such a shareholder, CEO, or member of the board of directors) in making and carrying out management decisions.

New approaches for utilising the enormous amount of digital data being produced by organisations and consumers are provided by emerging technologies including edge computing, blockchain, augmented reality, virtual reality, and Internet of Things. Rapid access to software, new features, and upgrades, as well as data storage and scalability, are all provided by cloud computing. For both customers and staff, mobile platforms provide anytime, anywhere access. Faster data-driven judgments and ongoing system development are made possible by machine learning and artificial intelligence. Robotic process automation (RPA) employs bots to carry out mundane, repetitive operations faster and with less error than people, potentially changing current corporate roles and functions.

Big Data Analytics

Huge amounts of data that require complex analysis methods to process are referred to as "big data," and they have a vast storage capacity that is driven by the development of computer technologies. (Cockcroft and Russell, 2018). With the aid of the approaches, Big Data offers a fresh perspective on the future that allows for the prediction of potential outcomes that may be used to seize chances and, ultimately, anticipate events. On this basis, analytical models that simulate how organisations operate can be defined. In light of this, a new paradigm for the storage, processing, and augmentation of big data is required. Businesses that adopt this attitude and produce information become "Data Driven Businesses," focused on strategic management and decision-making.

Accounting professionals now have more opportunities than ever to learn new things, manage risks, and forecast the future because to advances in processing power and the capacity to collect and use enormous amounts of data from a variety of sources. It can save time and money while producing accurate and effective accounting reports. With big data analytics, accountants can add more value and are encouraged to start using big data to assess financial performance and find solutions to operational concerns in businesses. There are four different types of data analytics or methodologies available to analyse large data and determine its usefulness in decision making. Descriptive analytics, diagnostic analytics, prescriptive analytics, and predictive analytics are some of these. (Arnaboldi et al., 2017) and accountants can make data-driven judgments using them to analyse massive data.

Financial accounting (the creation of financial statements in accordance with GAAP) and managerial accounting are two areas where big data analytics can be used. Big data analytics can provide stockholders with incredibly valuable qualitative information. To assist managers in carrying out their duties, managerial accounting provides accounting and non-accounting information derived from financial, cost accounting, and other data. Management accountants have a crucial role in creating the systems that link organisational goals to management and employee behaviour. (Warren et al., 2015). For accountants to use big data in their research, they need to understand, transform, and analyse the data as well as communicate the results to the stakeholders. Big data usage has numerous advantages for accounting.

Artificial intelligence, Machine learning, and Algorithms

Incorporating problem-solving, decision-making, and reasoning skills into machines is the goal of artificial intelligence, a constellation of diverse technologies that aims to create intelligent machines that can carry out jobs that now need human intelligence. According to Frey and Osborne, 47% of current jobs might be replaced by computers. A next-generation approach to issue solving, market forecasting, and risk management can be provided by artificial intelligence in corporate governance. This leads to the conclusion that applying AI to automate decision-making through real-time big data analysis will enhance corporate governance and reduce agency costs. Since AI systems do not have a personal interest as humans do, they could make decisions without biases; therefore, using AI in boardrooms could reduce agency costs. The latest research suggests that AI can play a crucial role in improving audit, which is regarded as a key governance mechanism, and automating management tasks like board member selection. This will help shareholders and management receive trustworthy information.

As it is known that AI systems have cognitive capabilities, they could reduce the risks. Artificial intelligence (AI) encompasses a variety of tools and techniques, including symbolic logic, artificial neural networks, fuzzy systems, evolutionary computing, intelligent agents, and probabilistic reasoning models. These tools and techniques coordinate the delivery of data, analyse data, provide forecasts, develop data consistency, quantify uncertainty, anticipate users' data needs, and provide information to users in the most effective form.

Decisions in the boardroom are frequently made with little data analysis and a focus on gut instincts. Board decisions, however, could now be based on the research of business patterns and market trends due to artificial intelligence in corporate governance. Intelligent guidance is supplemented by AI; board members are not replaced. AI-enhanced data-driven judgments will enhance risk management, capital distribution, investment advice based on sector trends, and fund payout.

Robotic process automation may enhance the quality of data that is made available to shareholders, giving them more authority to decide what to do and reducing the disproportionate amount of control held by management. Incorporating AI into corporate boardrooms and decision processes will decrease agency costs. Since AI systems can analyse large amounts of data much shorter time, AI systems could support humans while selecting feasible directors. Continuous management monitoring will eventually replace the intermittent board member and shareholder oversight. The advantage of employing AI is that it can be used to examine corporate governance, and management would also profit from better information processing, enabling them to act in the interests of shareholders and other stakeholders.

Blockchain Technology

Stakeholder engagement, a highly desired element of corporate governance, is made possible by blockchain technology. Blockchain empowers useful potential applications.

- Greater transparency of ownership and ownership changes: The trading of managers, activists, and firm raiders is visible to all network members. There are no legitimate channels for insider trading. Backdating, covert derivatives hedging, and other undesirable behaviours are not conceivable on a blockchain network.

- Effective and impartial shareholder meetings: With a blockchain architecture, AGMs will have a number of practical benefits, including easier voting (not just electronic, but "digital voting"), precision in vote tallying, and difficulty in manipulating board elections. The role of proxy businesses may change from "vote collecting" to one that includes more consultation. They may also be disintermediated.

- Real-time accounting: Distributed ledger technology in accounting is frequently seen as the next important advance in bookkeeping after the introduction of double-entry bookkeeping. Traditional audits will become far less necessary as a result of blockchain accounting solutions, which will force audit companies to reassess their roles. The proper use of smart contracts will reduce the need for litigation and the anticipated costs of financial stress.

Conclusion

"Technology is the future". It's the inevitable long-term, in addition to the immediate gains and for the greater good. Through increased efficiency, the use of digital technologies is predicted to give businesses a competitive edge. Big data embodies the idea of extracting and analysing information from large quantities of data. There are many other important "Vs" of big data besides volume (quantity of data) that enterprises need to deal with including velocity, variety, veracity, validity, visualization and value. Machine learning brings great value to big data applications by deriving better insights from big data. With technological development, AI systems have gained tremendous importance in ordinary life and business life. AI systems could be used to support and develop human decision making. In these types of systems, humans are still decision-makers; however, artificial intelligence helps humans to cope with uncertainties.

A subtype of artificial intelligence known as "machine learning" is predicated on the notion that machines can learn from data, recognise patterns, and make judgments with little to no human involvement. To analyse data patterns and make predictions from them, these machine learning systems employ statistical models. Machine learning finds patterns and correlations in large amounts of data and trains algorithms to make the best decisions and predictions based on this analysis.
With the influence of machine learning, and deep learning, companies systems are able to learn on their big data, to incrementally improve decision-making, business intelligence and able to perform predictive analytics. To support and encourage the use of responsible technologies, it is necessary to identify and manage emerging risks resulting from the deployment of innovative technology. To resolve some of the alleged incompatibilities of current arrangements with digital applications, existing regulatory and supervisory standards may need to be explained and occasionally amended, as necessary.

To combat hazards brought on by the deployment of AI, policymakers may need to hone their current defences. Adoption of such cutting-edge technologies can be sparked by clearly discussing AI adoption and protections to protect systems and their users.

It is crucial to stop the breaches and offer sufficient protection because cyber threats have been rising and cybercrime poses a serious concern. Therefore, the security systems need to increase their levels of cyber security. Organisations can flourish on multiple grounds by incorporating cryptography in block chain technology which will lessen most of these problems. At the national and international levels, a multidisciplinary interaction between decision-makers in the industry and policymakers should be encouraged.

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