Digital as a Governance Lighthouse

Srinath Sridharan

It's no more the question of "*to be digital*". It's how to be responsibly-digital-with-human(e)-character. Early last year, the World Economic Forum had voiced concern that most of the developing nations have been left behind by the 4th IR (Fourth Industrial Revolution) and that they face barriers in adoption of newer technologies. It also raised an alert that 10 countries account for 90% of all global patents and that it would take a global-cooperation to break the barriers for those countries *marginalised* by the 4th IR.

The digitalised world is estimated to be USD 10 trillion with over 200 billion interconnected things! This *interconnectedness* is the complexity that digital world is bringing forth to the corporate decision makers.

How does one comprehend the risks in any of those 200 billion interconnected things? How does one govern it or provide for risk-adjusted-returns? How does a CEO or the Board take accountability (as the regulators want) for any of these going wrong? Many evolved boards globally have been proactive in accepting this huge responsibility, not to be an expert of all *but to be well-aware to take informed decisions*. The boards and CEOs in these firms spend time in understanding the risks from the digital world and have embraced the challenge not to baulk at the idea of digital, but to embrace it with adequate risk management.

Let's look at an analogy of a ship (corporate entity) being guided on the high seas by using their compass to show the' true north' (moral compass that the boards have to show to their company management) and a lighthouse (digital capability and what it brings as guiding light around the pillars of governance) to showcase land nearby.

Governance is not a virtue, but *a dire sign of confidence*. In this journey, an effective and all-encompassing digital adoption by the corporates will be their true governance lighthouse. *Digital as a governance tool can eliminate information-asymmetry for all stakeholders*. Governance lighthouse is a strategic early warning signal. Corporates need to adopt good governance for this very reason of *demonstrating consistent probity*. Digital governance is not just about governing the company's digital presence but also about *how digital capabilities can lead to better business governance of the company*. With every crisis, natural or human-made, consumers look for further positiveness and trust-worthiness. Governance aspect of digitally interconnected consumer-connection is going to play a crucial role in building consumer trust.

The Boards of Directors, who have ultimate stakeholder governance responsibility, have many issues that compete for their attention. Typically, Boards are *not hands-on* and *not expected* to be so. But strategic issues of the boards being "digitally conversant in the digital adoption & transformation age" is on top of the agenda. Almost all major companies are working on projects and looking for newer ways, to ensure that technology aids them, in adding value to their business; be it the business model efficiency, customer experience, operational & financial effectiveness and strategic impact.

Here is where the focus of the boards is needed: "*To ensure that the digital projects of the entities needs to maintain highest levels of governance and there cannot be any shortcuts*." Digital can help good governance move from being compliant or even pliant, and to be a competitive advantage. This can bind all the stakeholders towards a good vision and better outcome for

all. After all, the spirit of governance is to build robust institutionalised framework and to bring process-led orientation and not a 'person-dependant' one. It should also withstand any test of value-system across those frameworks.

Better quality & timely relevant information leads to higher engagement with the stakeholders. Governance that is based on transparency, accountability and security can be delivered by the digital organisation.

Takeaways for Companies for recognition by their stakeholders:

1. Ensure that there is information symmetry experienced by all the stakeholders. Design your organisational communication to be equal across all stakeholders.

2. Communication in this digital world, is a real-time & all-the time function. Make such a communication as a strategic capability for the organisation.

3. Consumer trust takes enormous effort over a long period of sustained performance. Keep building on it and ensure that there is no poor or insufficient communication.

4. Embed good governance in all elements of the organisation. It adds to its sustainable growth & business longevity.

5. Digital is a way of life; ensure all corporate strategies & actions deliver this and all future business initiatives incorporate it as a fundamental need.

6. Institutions need to understand the psychographics of millennials & Gen-Z consciously. Incorporate those learnings into the organisation in real-time, as the world could move from "Digital-first" to "Digital-only".

__Mr. Srinath Sridharan__ has over two decades of learning across automobile, e-commerce, advertising and BFSI sectors. He has held board positions in regulated / listed financial services entities including across sectors. He coaches C-suite professionals, mentors startups & family businesses, and advises on family business & organisational challenges, and is an Independent markets commentator. ∎