WomenCorporateDirectors
A Foundation Inspiring Visionary Boards Worldwide

10 Trends Directors Need to Know as 2020 Approaches

WomenCorporateDirectors Names Key Digital, Legal, and Employee Concerns

NEW YORK, NY – September 4, 2019 – Heading into fall with eyes on 2020, corporate boards should brace for the increasing impact of digital migration, artificial intelligence (AI), and cultural shifts on their companies – and what this means for their role as directors, says **WomenCorporateDirectors Foundation (WCD)**. "Trends point to a very different reality for boards today than five or ten years ago," says **Susan C. Keating**, CEO of WCD. "With boards asking more questions of management and exercising more oversight in areas that were once fully 'owned' by the leadership team, directors require much more real-time information and awareness than ever before."

Opportunities and risks around emerging technologies and what companies can expect from their workforce, investors, and other stakeholders as far as changes to corporate culture were themes at the **WCD Global Institute** in Silicon Valley – a sold-out event that is WCD's largest annual gathering of its members. WCD members serve on the boards of public and large, privately held companies. Nearly 300 board directors, CEOs, and experts on governance and digital, legal, and regulatory matters convened at the Hewlett Packard Enterprise headquarters this spring in San Jose, CA, to explore urgent and emerging developments and concerns for boards.

From the discussions, WCD has identified **ten trends** that are key to board agendas for fall and 2020 – a quick summary of each, with insights from experts featured on relevant panel sessions, follows.

10 Trends Directors Need to Know as 2020 Approaches

1. **Increasing need for a "digital trust bank."** "An increasing reliance on digital platforms requires us to have a 'digital trust bank' to use when things fail, because things will," says **Shamla Naidoo**, Global Chief Information Security Officer at **IBM**. "To build this digital trust, we need to communicate thoughtfully with our customers. We need them to understand that, just like everything else in the world, digital is not perfect – it can fail. But we need them to know that we are not reckless or careless in our decisions. Whether it's a data breach or an e-commerce failure, we must engage transparently and quickly with customers to show them that we understand the issues and that we take proactive actions where we can and we react quickly where we must."

2. **Persistence of demand for digital currency.** “The hardest thing to understand for the vast majority of even the most sophisticated investors is why 100 million people are buying and trading Bitcoin,” says **Matthew LeMerle**, co-founder and managing partner of **Fifth Era** and **Keiretsu Capital**. “It’s because we have the dollar, the euro, the British pound – all high-quality, reasonably secure, trustworthy currencies that basically maintain their value. But about four billion people in the world do not. Argentina’s peso lost half its value vs. the dollar last year, with one 2-day period down 22%. Indians had all their big bank notes declared worthless – in an economy where 95% of transactions were made in cash. Living in an unstable country may mean having to get out quickly and leaving the money in your bank accounts behind. When your wealth is tied up in these situations, the notion of a secure, usable, digital currency vs. a fiat currency is of enormous value.”

3. **Stronger need for boards to push management on technology advancement.** “Instead of reacting to what management puts in front of us, boards will need to dig deeper into where the resources and effort are going around the company’s technology initiatives,” says WCD Colombia chapter chair **Olga Botero**, a director at **Evertec, Inc.**; founder and managing director, **C&S Customers and Strategy**; and senior advisor at the **Boston Consulting Group (BCG)**. “We need to ask three questions: What’s the technology that puts us at risk? What are the new technologies we need to keep current and not lose competitiveness? And what new technologies are we not really sure about, but should be experimenting with? Many companies do not spend any money on experimentation and trials. But we need to do more of this because we might find technology that will make sense for our business and help us break ahead of competitors.”

4. **Higher risk of anti-trust liability with AI.** “There's a big discussion in the antitrust world about whether AI will be used to collude.” says **Maureen K. Ohlhausen**, a partner at **Baker Botts** and former acting chair of the **Federal Trade Commission**. “Will two algorithms operating separately in two different companies eventually come to a collusive price? Will this be considered price-fixing? Issues around ‘tacit collusion’ and the true intent of the company in designing pricing algorithms have challenged courts and regulatory agencies, and the lack of black-and-white rules around this will continue to challenge boards and management.”

5. **Rapid leaps in AI functionality creating need for guard rails.** “Companies are using AI across a broader range of functions – from saving staff time to mitigating subconscious human bias in business processes,” says **Nancy Calderon**, Global Lead Partner, **KPMG** LLP; director, Global Delivery Center, Ltd., **KPMG India**; director, **WCD Foundation**. “But the exponential benefits that AI increasingly provides must not outweigh the need for governance around its use – and the actual outcomes. For example, a company implemented an AI program to reduce subjectivity in hiring. But the company

found that rather than getting rid of bias, the AI program taught itself to prefer male candidates, and automated the bias. This highlights how managers and programmers, from the start, have to consider the assumptions programmed into the AI. Boards will increasingly have to ask management: What guard rails are in place? Even if the intent is good and it sounds like a great business decision, what are the risks?"

6. **Broader application of artificial intelligence in cybersecurity.** "There is a wide gap in the level of knowledge among companies and how AI can be used to mitigate risk," says WCD member **Nelda Connors**, a director at **Boston Scientific Corp, Delphi Technologies, Enersys,** and **Echo Global Logistics**. "While AI is the hot topic when thinking about products and services, many companies are not yet at a place of exploring AI for their cybersecurity efforts. But if there is risk that AI can help mitigate, it's important to identify this. Boards can help move the company to the next level of thinking around AI by asking these questions of management."

7. **Less fear among employees about machine replacement of jobs.** "There's a tendency for people to fear AI as something that's going to replace them, but companies are changing how they talk about AI with their workforce," says **Emma Maconick**, a partner leading the data privacy and cybersecurity practice at **Shearman and Sterling**. "Employers are shifting from using the term 'artificial intelligence' to 'augmented intelligence,' where the human is intentionally kept in the loop. We need more, not fewer, people who can work with AI. The war on talent is not going away – there is an acute shortage of data scientists in the U.S. We need to broaden our perspective and plug into tech-savvy talent pools across the world."

8. **People risk continues to be as important as technology risk.** "Technology won't save us from fraud," says **Claudia F. Munce**, a director at **Best Buy Corporation, Bank of the West/BNP Paribas,** and **CoreLogic Inc.** "Many companies who are on the digital leading edge think in bits and bytes. They forget that most of the insider threats come from a physical form – someone walking out the door with a laptop. At the highest levels, you really need to understand the people dynamic in your core team and how employees perceive the sense of fairness at the company. But tech can be used as a tool to see things more clearly. It can spot patterns of incidents or behavior that are predictive of insider fraud."

9. **Growing risk around the next level of #MeToo lawsuits.** "A couple of years after the headlines and lawsuits prompted many companies to make changes, you can see how the reactions of certain employees reveal the true culture of a company and will lead to the next level of #MeToo," says **Vanessa Griffith**, partner, **Vinson & Elkins LLP**. "Even in companies taking progressive measures, I've seen situations in which #MeToo has exposed fault lines within the organization. Some employees are showing their lack of trust in their

colleagues, in the system, in management by saying: 'Well, now I'm not going to mentor women, or be alone with women or travel with them.' They are opening up themselves and the firm to discrimination claims from women who have had their careers negatively impacted by a refusal of men to take on appropriate roles of sponsorship and mentorship. So they're trading claims of harassment for claims of discrimination or retaliation somewhere down the road."

10. **Oversight of culture now a permanent part of the board's brief.** "Culture affects a company's tolerance for risky behavior, and boards are moving from a passive oversight role to being much more active in guiding management," says **Ora Fisher**, Vice Chair, **Latham & Watkins**. "For one, it's management's responsibility to implement the culture, but what if management is engaging in the risky behavior? I would be worried if management is strongly resistant to board oversight and regular reporting; that's a dangerous red flag. Boards have potential legal liability for the risks, and are also able to see things going on at a company that management may miss because they are seeing it every day and it doesn't register, or are more challenged than some due to the constant pressures of their jobs."

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About WomenCorporateDirectors Education and Development Foundation, Inc.
The WomenCorporateDirectors Education and Development Foundation, Inc. (WCD) is the only global membership organization and community of women corporate directors. A 501(c)(3) not-for-profit organization, WCD has 80 chapters around the world. The aggregate market capitalization of public companies on whose boards WCD members serve is over $8 trillion. In addition, WCD members serve on numerous boards of large private and family-run companies globally. For more information visit www.womencorporatedirectors.org or follow us on Twitter @WomenCorpDirs, #WCDboards, #WCDSiliconValley.

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