"DIGITAL IS DEMOCRACY"
TO BE DIGITAL OR DINOSAUR

The World That We Have

During the 20th century, the world's population had its fastest increase, moving from about 1.6 billion in 1900 to over 6 billion in 2000. Now it's estimated to be 7.8 billion in 2020! It took over 200,000 years for the world population to reach the first 1 billion and only 200 years more to cross 7 billion! In this time, the world has seen multiple industrial revolutions. However, with such rapid increase in human population and the human migratory trends we have observed over the past many decades, the complexity of doing business and serving consumers across markets has become pronounced. While it has increased potential business volumes, it also puts onus on the businesses, to solve for mass customisation as well as personalisation.

We are in the Fourth Industrial Revolution (4th IR) era. Corporate world has started embracing it. It does not have a say in this. It's simply got to embrace it faster and adapt even faster; or else be the next extinct dinosaur!

We have seen many global brands disappear or simply lose their sheen, as they could not innovate fast enough and / or adapt to the new technologies that the consumers had embraced. Innovation without consumer acceptance does not translate into revenues. We have seen how the master brand of photography in the previous century - Kodak - simply vanished. Similarly, Blackberry, the symbol of corporate users, lost out as it did not move quick enough to touch screens.

It's an interconnected global economy that we live in and benefit from. This is despite how our multi-cultural nuance and bias might have and continue to influence trade and market behavioural decisions (of the 7 billion people).

Technology & industrial disruptions are a given; history has amply showcased that large disruptions impact societal values and influence behaviour. Since the way humans interact and engage with one another is impacted by the 4th IR, the conventional business models are rapidly under threat. The pricing of the per-unit-productivity has been decreasing constantly, and at a faster rate of decline!

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It's no more the question of "to be digital". It's how responsibly-digital-with-human(e)-character. Some of the concerns voiced by the World Economic Forum earlier this year are worrying. It flagged that most of the developing nations are left behind by the 4th IR 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.

Global Supply Chains

We know the strategic importance of global supply chains and its impact on the role of global businesses. A World Bank report 2020 says: (https://www.worldbank.org/en/publication/wdr2020)

- Global value chains (GVCs) account for almost 50% of global trade today.
- Trade conflict and the lack of major reforms may inhibit GVCs from remaining a force for prosperity.
- GVCs can further boost inclusive and sustainable growth, create better jobs and reduce poverty, if developing countries implement deeper reforms and industrial countries pursue open, predictable policies.
- Global value chains (GVCs) powered an economic revolution over the past three decades: growth accelerated, incomes rose, and poverty rates plunged.
    - *A 1% increase in GVC participation is estimated to boost per capita income levels by more than 1% - about twice as much as conventional trade*.

But in this Covid-impacted global economy, many of the multi-national firms might rebalance their global supply chain to de-risk geographic concentration issue, even at higher costs.

By 2020, the digitalized world is estimated to be USD 10 trillion more than 200 billion interconnected things! That's the complexity that digital world is bringing ahead 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-assessment? 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.

Disparity of wealth generation & accumulation amongst individuals, disparity in growth of nations, combined with the dilemma of varying demographics adds to the complexity of ever-changing societal behaviour. Also, the societal norms impact what's accepted as morally correct in one society; and that might be seen as bad or boorish behaviour in another society.

Information - Tool of Decision Making

Before internet access was widely available, “information arbitrage ’was a competitive edge for corporates. Subsequently with internet access increasing globally, that arbitrage is no more available or useable as competitive advantage.

In fact, Information arbitrage, used against them is not liked by any stakeholder. The other aspect that the stakeholders don’t accept or even see it as impunity, is the “information asymmetry”. This could be anyone in the value-chain of a company who uses the available-information and an unintended or false result is the resultant outcome. In case of the Board of Directors or even regulators, if they cannot get the right & necessarily sufficient information on time, best of individuals cannot steer it towards a right & fair decision.

The mathematical concept of having “necessary and sufficient” amount of information is critical. Imagine the board of directors having an info set that is incomplete or overloaded with data that they cannot read in time. That would make the entire decisioning exercise futile and the decision outcome could be skewed.

Digital & Corporate Democracy

Democracy is a system in which the government of a country is elected by the people.

Corporate democracy denotes the power enjoyed by the shareholders of a company. After all, in certain respects corporate democracy is akin to political democracy. Shareholders exercise their vote and elect directors to manage the affairs of the company, just as citizens elect the legislators to manage the affairs of the state. Many market-regulators cap the tenure of the CEOs & board members to avoid any potential governance-impairment.

‘Digital Democracy ’refers to the various ways by which electronic platforms can engage and secure the wider and more informed participation of the public in the political environment. Digital democracy might involve the greater use of the internet to gauge public opinion by mini referenda and e-petitions; the use of the internet to activate political debate via social media and online forums as we have witnessed for few years now; the incorporation of mobile phone or hand-held devices to involve the public, in decision making at various levels, and the replacement of traditional voting methods with e-technology solutions.

Leading boards use similar digital engagement with their stakeholders and find it productive and value accretive. The boards could use the digital tools to constantly drive interactive communication and feedback from the various stakeholders. Apart from the whistle blower access it offers, it would offer early warning indicators that such a potential feedback could send to the Boards.

Governance - The 'True North'

Inclusion is about having choices and the independence to choose from those choices or even to reject them all! The ability to have a dialogue where the message is heard and respected, even if not acceptable to the listener is true inclusive society. This concept of inclusion cuts across all categories of business segments, consumer segments, social usage to indicate religion / gender / race / nationality / culture.

Corporate world globally has moved from its reticent past to move towards inclusive growth. The markets also reward such a behaviour.

Good governance is the soul of any sustainable successful corporate enterprise. Such enterprises work to achieve their vision, by sticking to legal as well as ethical foundations. Hallmark of well-governed enterprise is that it would be inclusive in the way it deals with all its stakeholders, be accountable, transparent in its dealings, ethical in its dealings, responsive in its communication, and importantly equitable. Good governance is really part of the organisation's culture. Culture in the corporate sense is 'the way we do things around here' which supercedes rules and regulations.

The fundamental objective of corporate governance is to enhance shareholders' value while protecting the interests of other stakeholders. This in an essence is also inclusion in a certain sense!

Corporate governance is a fair blend of rules & regulations which govern how the businesses are operated. The term encompasses the internal and external factors that affect the interests of a company's stakeholders, including shareholders, customers, suppliers, government regulators and management.

Pillars of Governance

There are multiple models that management experts look at the topic of Corporate Governance.

Using the 3-pillars model, the concept covers key aspects that fit into the digital world construct:

- transparency
- accountability
- security

These three pillars create the basis of relationship amongst all the external and internal stakeholders including the board directors, managers, employees, and shareholders (more critically the minority shareholders).

Pillar 1 - Transparency

As we know but don't remember often: transparency means having nothing to hide. It is a critical component of corporate governance because it ensures that all of a company's actions can be reviewed at any given time by an external observer.

Pillar 2 - Accountability

Transparency helps strengthen integrity in a system. It needs accountability as a glue to build transparency as a value system. In simple terms, accountability means answerability or liability.

In any entity, the theory of "holding one neck" is an easy way of explaining "who is accountable" for any errors and wrongs. It always boosts shareholder and other stakeholders' confidence, in knowing that there is someone or a group of people who are accountable.

For every project, there is one head. That's actually "holding one neck" accountable for the outcome of the project!

There are countless examples globally of how a single head having accountability, supported by necessary risk framework and governance mechanism including succession planning, has worked better; than having the concept of joint heads for the same role, as accountability and the ability to pin point responsibility in case of something going wrong, reduces drastically.

Pillar 3 - Security

Every company is expected to make their systems & processes robust and stand test to any scrutiny, and their people accountable, while constantly keeping their enterprise data secure from unauthorized access.

While information leaks and attacks were common in the non-digital world, it is getting even more difficult to stall any leaks and wilful usage of date in this current digital world.

No entity can afford to compromise on security. Companies that have data security issues quickly lose their credibility with consumers and regulators.

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Digital as a Governance Lighthouse

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 to the forefront in giving the 3 pillars of governance) to showcase land nearby.

Governance is not a virtue, but a dire sign of confidence. And digital is not a buzzword anymore, it's the world now. In this journey, an effective and all-encompassing digital adoption by the corporates will be their true governance lighthouse.

With every crisis, natural or human-made, consumers look for further positiveness and trusty-worthiness. Governance aspect of digitally interconnected consumer-connection is going to play a crucial role in building consumer trust. 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.

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 already (accelerated) digital transformation age" is on top of the agenda. Almost all companies are working on projects and looking for newer ways, to ensure that technology aids 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, 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. And to withstand any test of value system across those frameworks.

Now, as we enter the 4th IR, we have a chance to deliver the true democracy. Better information leads to higher engagement with more stakeholders. Governance that is based on transparency, accountability and security can be delivered by the digital organisation. Leading C-suite members in digital organisations should consider the following actions:

1. Embed good governance in all elements of the organisation. It adds to its sustainable growth & business longevity.
2. Ensure that there is information symmetry felt by all the stakeholders. Design your organisational communication to be equal across all stakeholders.
3. Communication in this digital world, is a real-time & all-the-time function. Make such a communication as a strategic capability for the organisation.
4. 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.
5. Digital is a way of life; ensure all strategies deliver this and all future business initiatives incorporate it as a fundamental need.
6. Institutions need to understand the psychographics of millennials consciously. Incorporate such a knowledge into the organisation soon as the world shifts from "Digital-first" to "Digital-only".

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