

## CHALLENGES TO CORPORATE GOVERNANCE IN THE DIGITAL SOCIETY

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**Abstract.** In the contemporary digital era, corporate governance faces unprecedented challenges that stem from the rapid integration of digital technologies across all aspects of business operations. As organizations worldwide embrace digital transformation, the paradigms of traditional governance are being tested and redefined. The shift towards a digital society not only accelerates business processes and expands opportunities but also introduces complex risks and ethical dilemmas that demand vigilant and adaptive governance.

This article explores the multifaceted challenges to corporate governance in the digital society, emphasizing how technological advancements such as artificial intelligence, cybersecurity, and remote operations reshape the governance landscape. From ensuring robust cyber defenses to managing data privacy and upholding ethical standards in technology use, the scope of corporate governance has broadened dramatically. Additionally, the shift has prompted a need for enhanced digital literacy within boardrooms and among top executives to effectively navigate these new waters.

Understanding these challenges is crucial for developing effective strategies to maintain robust governance structures that can not only survive but thrive in the digital age. This exploration aims to provide a comprehensive analysis of the hurdles faced by corporate governance today, offering insights into how organizations can adapt to uphold integrity and drive sustainable growth in an increasingly digital world.

Corporate governance faces numerous challenges in today's rapidly evolving digital society. The integration of digital technologies into business operations brings both opportunities and obstacles. Below are some of the key challenges that corporate governance must navigate in the context of a digital society:

–*Cybersecurity Risks.* As businesses become increasingly reliant on digital technologies, the risk of cyber threats escalates. Effective corporate governance must now oversee not only the traditional aspects of business risk but also the complex and dynamic realm of cybersecurity. This includes protecting sensitive data, ensuring compliance with data protection regulations, and managing the potential financial and reputational damage from cyber incidents.

–*Data Privacy and Compliance.* With the proliferation of data in digital operations, governance structures must ensure compliance with an increasingly stringent and complex array of international data protection laws, such as the GDPR in Europe. This requires robust policies and procedures to manage personal and sensitive data appropriately and transparently.

–*Rapid Technological Change.* The pace of technological change can outstrip a company's ability to adapt its governance structures. Keeping up with innovations such as artificial intelligence (AI), blockchain, and the Internet of Things (IoT) is essential not just for competitive advantage but also to manage the risks associated with deploying these technologies.

–*Digital Literacy and Competence.* There is a growing need for digital literacy at the board level. Corporate governance now requires directors who are not only experienced in traditional business practices but are also knowledgeable about digital technologies and their implications for business strategy and risk.

–*Remote Work and Digital Communication.* The shift to remote work has altered how boards and management teams operate, potentially affecting decision-making processes and oversight. Ensuring effective communication, maintaining board cohesion, and managing corporate culture in a remote

environment are new challenges for corporate governance.

–*Ethical Use of Technology.* As companies employ more advanced technologies, ethical considerations must be at the forefront of corporate governance. This includes the ethical use of AI, where decisions around technology deployment must consider fairness, accountability, and transparency to avoid biases and other negative impacts.

–*Stakeholder Expectations.* Digital society has increased transparency and stakeholder engagement. Customers, employees, and regulators now expect more from companies in terms of social responsibility, environmental sustainability, and ethical behavior. Corporate governance must address these expectations, which now often include how technology impacts society.

–*Digital Transformation Strategy.* Governing the digital transformation process poses a significant challenge. It involves overseeing the alignment of digital strategies with overall business objectives, ensuring adequate resource allocation, and monitoring the success and return on investment of digital initiatives.

–*Protection Against Digital Fraud and Scams.* With the rise of digital financial transactions, there is an increased risk of fraud and scams. Corporate governance needs to ensure that adequate controls and preventive measures are in place to protect the company and its stakeholders.

–*Maintaining Corporate Culture.* In a digital-first environment, maintaining a coherent corporate culture and ensuring that all employees, whether remote or in-office, adhere to company values and ethics can be challenging. Governance must develop strategies to uphold and disseminate the corporate culture digitally.

Addressing these challenges requires a multifaceted approach that combines updating governance frameworks, enhancing board competencies, and embracing technology to secure data and improve oversight. As digital technologies continue to evolve, so too must

the practices of corporate governance to safeguard the integrity and sustainability of businesses in a digital society.

In conclusion, the transformation of business landscapes by digital technologies presents profound challenges for corporate governance. As we have explored, these challenges span a spectrum from cybersecurity and data privacy to ethical implications of emerging technologies and the need for digital literacy among board members. Each of these aspects requires a robust and adaptive governance approach to navigate effectively.

The literature and research indicate that successful governance in a digital society hinges on the ability of boards to integrate and oversee these technological advancements within their strategic frameworks. This involves not only protecting against risks but also leveraging opportunities that digital transformation offers. Corporate governance must evolve to include a proactive stance on cybersecurity, stringent adherence to global data protection regulations, ethical deployment of new technologies, and the facilitation of effective communication and culture in increasingly remote and digital work environments.

Moreover, the digital age demands that corporate governance structures accommodate rapid technological change without compromising ethical standards or organizational integrity. As such, ongoing education and the development of digital competencies become essential for board members and executives to remain effective stewards of their organizations.

Ultimately, the challenges of governing in a digital society are complex but surmountable with a thoughtful, informed, and dynamic approach. Boards that anticipate and respond to these challenges can ensure that their organizations not only comply with regulatory demands but also thrive in a digitalized global economy. The need for robust, forward-thinking governance has never been greater, as digital technologies continue to reshape the business world in unprecedented ways.

**Kywords:** corporate governance; digital transformation; cybersecurity; data privacy; ethical technology use.

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