

GCs Can Help Boards Close Tech Knowledge Gap

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Half of public company directors say their boards lack insight into emerging technologies affecting their industry, and they often rely too heavily on management to stay current, finds a new survey from Ernst & Young.

Corporate general counsel are well positioned to get their boards up to speed and help guide the organization to tech investments that will advance efficiencies, as well as minimize the potential risk of hasty technology adoption.

General counsel can bridge the divide by “[making] sure that not only the board, but management, is getting some type of external perspective so they can sufficiently address the ‘unknown’ unknowns,” said Stephen Klemash, leader of the EY Americas Center for Board Matters.

Among areas requiring critical insight, the EY study reports, “boards [must] receive timely information related to new business formation by venture and private capital, including rounds of financing along with overall joint venture, merger and, and acquisition activity.”

“These new entrants are often leveraging emerging technologies to drive innovation and create disruptive business models challenging the status quo,” the study said. Yet board technology insights are lagging rather than leading the process.

Of the corporate directors polled, fewer than half (46%) felt “very attuned” to the dramatic ways technology was upending industry norms. Yet 69% were confident that management was “very” aware of these technology trends and impacts. The fact that more than half of directors rely primarily on briefings from management to stay informed on technology concerns presents challenges.

“An overreliance on management briefs may not be the most effective way for boards to understand how emerging technologies can help drive new opportunities through innovation for their organizations,” the study said. “In fact, such an insular approach could limit the board’s awareness of opportunities and risks brought on by these technologies.”

General counsel can act to broaden this view. New tech applications in e-discovery and a variety of other legal applications is proliferating, giving GCs and legal departments first-hand insights into technology trends, according to Bloomberg Law.

“Obviously, if [GCs] have been exposed, and are being educated in certain matters, they need to bring that to the forefront,” Klemash said.

Board technology discussion, however, is uneven, at best. The study finds only 29% of boards regularly discuss technology matters, and the remainder do so annually or on an impromptu basis. In their frequent accompanying role of corporate secretary, GCs can help set the topic agenda of board meetings, Klemash noted.

More broadly, he said, general counsel can help ensure any high-tech implementation follows reasoned project and risk management protocols. They can also work with the board’s lead director or chair to upskill board members through continual training and education efforts. The same involvement extends to vetting board candidates for specific technology skill sets.

In all these areas general counsel can help empower board members to look beyond management briefs to stay apprised of potential technology disruption. “They can make sure it actually happens,” Klemash said. “They’re a valuable member of the executive leadership team.”

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