

*In an increasingly automated world, robotics, AI\* and other technological advancements are expected to have an impact on governance. Consider the opportunities, challenges, benefits and risks that such technologies might bring to the role of the company secretary.*

## Introduction

In 2012, a director of a FTSE 250 company was infamously quoted as saying “Other than form-filling and complying with rules of little substance, I don’t think there is much [of a] role for a company secretary. This is a glorified clerical position”.<sup>1</sup> The company secretarial role is often misunderstood in this way, in part due a broad remit that can render it abstruse. Company secretarial duties can comprise inter alia induction training for new directors, communications between a company’s board and management, drafting of the annual report, share scheme management, writing minutes of meetings and shareholder relations.<sup>2</sup> The role has recently evolved to encompass even more expansive duties, as company secretaries are now often expected to oversee development and implementation of robust internal corporate governance frameworks. In a survey of board members and company secretaries, 80% agreed that the role had expanded somewhat or significantly since they had joined their organisations.<sup>3</sup> Meanwhile, greater emphasis has been placed on company secretaries’ soft skills, which should enable the board as a whole to act more effectively through, for example, the company secretary’s use of diplomacy, negotiation and empathy to facilitate intra-board communications and strong working relationships.<sup>4</sup>

There is significant literature highlighting *how* the scope and nature of the company secretarial role is evolving,<sup>5</sup> but a dearth in compelling theories as to *why* the role is evolving. Whilst the emerging expansion of governance responsibilities within the role has previously been linked to the 2008 financial crisis,<sup>6</sup> there is literature noting this expansion beginning years earlier.<sup>7</sup> The financial crisis may have renewed public and regulatory focus on corporate governance, and had a catalytic effect on the expansion of company secretarial governance responsibilities, however it is highly plausible that improved technology was what helped pave the way to this evolution.

A white paper on the evolving role of the company secretary highlights that “if the company secretary can divest themselves of some of their administrative tasks, they increase their

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<sup>1</sup> Lintstock and the All Party Parliamentary Corporate Governance Group (2012). Elevating the Role of the Company Secretary: Lessons from the FTSE All Share.

<sup>2</sup> IFC’s Corporate Governance Group (2016). The Company Secretary: The Governance Professional, 4-5. Retrieved from [https://www.ifc.org/wps/wcm/connect/2c2a9f57-3e3d-43b2-be9f-beaed1d47fff/CG\\_CoSec\\_June\\_2016.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/2c2a9f57-3e3d-43b2-be9f-beaed1d47fff/CG_CoSec_June_2016.pdf?MOD=AJPERES).

<sup>3</sup> Lowe, S., Brown J., and Bell, S. (2018). Is the role of company secretary fit for the future? 10. Retrieved from <https://www.granthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/is-the-role-of-company-secretary-fit-for-the-future.pdf>.

<sup>4</sup> Ortner, J. (2018). Governance and the Role of the Company Secretary. Retrieved from <https://www.stonehaveninternational.com/governance-and-the-role-of-the-company-secretary-march-2018/>; and Kakabadse, A., Khan N. and Kakabadse, N. (2017). Leadership on the board: the role of company Secretary. Retrieved from <http://centaur.reading.ac.uk/68907/1/Ch-16%20word%20version.pdf>; and Lowe, S., Brown J., and Bell, S. (2018). Is the role of company secretary fit for the future? 19. Retrieved from <https://www.granthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/is-the-role-of-company-secretary-fit-for-the-future.pdf>.

<sup>5</sup> See for example: Shields, LK. (2013). The evolving role of the company secretary. Retrieved from <https://www.lexology.com/library/detail.aspx?g=21a3d2d5-4f0e-4b30-8879-d06a032b8c82>; Whelan, J. and Shier, M. (2016). The changing role of the company secretary. Retrieved from <https://www2.deloitte.com/ie/en/pages/legal/articles/changing-role-secretary.html>; and Price, N. (2017). The Evolving Role of the Company Secretary in Today’s Corporate World. Retrieved from <https://www.boardeffect.com/blog/evolving-role-company-secretary-todays-corporate-world/>.

<sup>6</sup> See for example: Stone Executive (2014). The evolution of the company secretary. Retrieved from <https://www.stoneexecutive.co.uk/knowledge-and-insight-blog/the-evolution-of-the-company-secretary>; Dickinson, S. (2017). Does your organisation understand the role of the Company Secretary?; and Boobier, H. (2017). The Conscience of an Organisation: Life as a Company Secretary. Retrieved from <http://www.lex100.com/index.php/news/features/1055-the-conscience-of-an-organisation-life-as-a-company-secretary>.

<sup>7</sup> The evolution of the role with regard to expanding governance duties was noted as beginning around the year 2000. See: A., Khan N. and Kakabadse, N. (2017). Leadership on the board: the role of company Secretary, 224. Retrieved from <http://centaur.reading.ac.uk/68907/1/Ch-16%20word%20version.pdf>. See also: Erismann-Peyer, G., Steger U. and Salzmann O. (2008). The Insider’s View on Corporate Governance: The Role of the Company Secretary.

ability to spend time on the more strategic issues”.<sup>8</sup> Throughout this essay, it will be contended that the technological automation and simplification of administrative tasks has freed up time for company secretaries to focus on “areas of their job commensurate with their expertise and experience; areas where they can really add value”<sup>9</sup>, therefore enhancing the remit and responsibilities of the role. This is supported by a survey involving 158 company secretaries and other legal professionals, wherein it was argued that “tech assists with lower level matters, enabling... focus on higher risk or higher value work”.<sup>10</sup>

This essay will highlight the benefits, opportunities, risks and threats of technologies to the company secretarial role in the context of their impact on governance. Discussion will include the impact of developments in automation, artificial intelligence (AI), telecommunication technologies including virtual reality, blockchains, cloud computing and big data.<sup>11</sup> In conclusion, it will argue that despite the challenges and risks, technology offers an opportunity for company secretaries to efficiently dispatch regulatory and administrative obligations, freeing time to develop their senior, value-adding responsibilities as facilitators of strong corporate governance and board effectiveness.

## Automation

Sally is a trainee company secretary starting out in her career. After the retirement of prominent directors, she is tasked with producing four hundred resignation letters, and board resolutions appointing new replacement directors. Realising that producing each document individually would take several months, she develops an automated process, using the =importXML formula in a Google Docs spreadsheet to automatically pull company data from the UK company registrars website. She then copies the data into a Microsoft Excel spreadsheet and uses the Mailmerge function to transfer the data directly into template resignation letters and board resolutions created in Microsoft Word. With the documents completed, she uses her company’s Adobe Pro software to distribute to and get the documents electronically signed by all relevant parties. With the aid of technology, she is able to complete this major administrative task significantly faster than originally estimated and without additional expense to her company, enabling her to allocate time to drafting her company’s annual report.<sup>12</sup>

Automation is already having a revolutionary effect on the company secretarial role by simplifying manual processes that were once laborious. Dedicated company secretarial software such as GEMS and Blueprint OneWorld can act as repositories for company information, generating boiler-plate legal documents such as regulatory disclosure forms and meeting minutes. Other software such as VirtualBoardroom and Diligent Boards help automate the collation and dissemination of boardroom papers, reducing the administration required to prepare meetings. In future, the impact of such systems will only increase as new software is developed to simplify existing processes.

The combined effect of such systems is a reduction in the administrative burden on company secretaries. It can be argued that administrative compliance requirements could increase, as

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<sup>8</sup> VirtualBoardroom (2017). The Evolving Role of the Company Secretary White Paper, 4.

<sup>9</sup> VirtualBoardroom (2017). The Evolving Role of the Company Secretary White Paper, 4.

<sup>10</sup> Also of note is that circa 60% of respondents saw technology as an opportunity for their roles against only 1.5% who saw it as a threat. See: Practical Law In-house (2018). Practical Law survey report: legal technology. Retrieved from [https://uk.practicallaw.thomsonreuters.com/Document/I267793cdf89b11e8a5b3e3d9e23d7429/View/FullText.html?transitionType=SearchItem&contextData=\(sc.Search\)&firstPage=true&comp=pluk](https://uk.practicallaw.thomsonreuters.com/Document/I267793cdf89b11e8a5b3e3d9e23d7429/View/FullText.html?transitionType=SearchItem&contextData=(sc.Search)&firstPage=true&comp=pluk).

<sup>11</sup> Note that a basic understanding of each technology is assumed due to the limited scope of this essay. Furthermore, discussion on AI and blockchains will be relatively limited, as these topics have been well covered in the ICSA Thought Leadership Committee’s recent paper on technological innovation, and the intention is to attempt to provoke new discussion on the topic.

<sup>12</sup> Whilst the resignation of directors from four hundred companies may seem far-fetched, it is a genuine example based on the writer’s own experiences. Some directors of UK boards, especially in the private limited space, can be appointed to hundreds of companies; the governance implications of this are outside the scope of this essay.

the government implement additional regulations in response to the additional firm resources freed by technology, however this is speculative. Conversely, technology will only be adopted where it renders existing processes more efficient and a reduction in administrative burden, at least with regard to existing processes, can therefore be predicted with near certainty.

Challenges posed by automation include the risk of faulty software that can produce errors or inconsistent results. If a company secretary must draft a share certificate for a thousand shares, the accidental addition of a single zero can increase the holding tenfold. Accuracy in such cases is essential and negligence can cause legal exposure with problematic ramifications. Where automated solutions are used to draft company secretarial legal documents, it must be incumbent on the company secretary to check the accuracy of such documents. Company secretaries should therefore be comfortable with the use and oversight of automated systems. Robust internal control systems should be implemented and followed to monitor automated system outputs. It will further become crucial to develop relationships with IT and Risk IT functions to leverage such systems and ensure appropriate oversight is in place.

A reduction of available roles can be expected as workloads are reduced. Whilst this may pose a challenge to aspiring company secretaries looking to secure positions, it poses no risks to the profession as a whole, as many senior responsibilities such as non-executive director inductions cannot be automated.

## AI

In 2014 an AI named Vital was appointed to the board of venture capital fund Deep Knowledge Ventures, as a “member with observer status”.<sup>13</sup> Managing partner Dmitry Kaminskiy opined “the fund would have gone under without Vital because it would have invested in overhyped projects”.<sup>14</sup> There are benefits to a completely dispassionate board member, and since Vital’s initial appointment, several companies have followed suit in appointing an AI to their boards and leadership teams.<sup>15</sup> In future, AI directors could be taught to forward shareholder interests, eliminating agency conflicts, and promote a new style of governance whereby the separation between corporate ownership and control is eliminated.

This trend poses substantive governance implications, as new legislative frameworks will need to be developed to mandate how human directors and AI interact on the board. It is probable that AIs, at least in the short term, will be unable to fully grasp the social, cultural and ethical values of an organisation.<sup>16</sup> Appropriate checks and balances will be important in ensuring AIs do not become “shadow directors”, dominating boardroom discourse with emotionless calculations that ignore such values. The company secretary is well placed to develop governance frameworks around the use of “executive AI” in board decision-making to mitigate such risks, commensurate with their informal role as the “conscience of the company”.<sup>17</sup>

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<sup>13</sup> Burrige, N. (2017). Artificial intelligence gets a seat in the boardroom. Retrieved from <https://asia.nikkei.com/Business/Artificial-intelligence-gets-a-seat-in-the-boardroom>.

<sup>14</sup> Burrige, N. (2017). Artificial intelligence gets a seat in the boardroom. Retrieved from <https://asia.nikkei.com/Business/Artificial-intelligence-gets-a-seat-in-the-boardroom>.

<sup>15</sup> ICSA Thought Leadership Committee (2018). Futureproofing: Technological innovation, the company secretary and implications for corporate governance, 5; and Tieto (2016). Tieto the first Nordic company to appoint Artificial Intelligence to the leadership team of a new data-driven business unit. Retrieved from <https://www.tieto.com/en/newsroom/all-news-and-releases/corporate-news/2016/10/tieto-the-first-nordic-company-to-appoint-artificial-intelligence-to-the-leadership-team-of-the-new-data-driven-business/>.

<sup>16</sup> Although it is worth noting that there are several organisations driving the ethical development of AI. See for example: Department for Digital, Culture, Media & Sport (2018). Stellar new board appointed to lead world-first Centre for Data Ethics and Innovation. Retrieved from <https://www.gov.uk/government/news/stellar-new-board-appointed-to-lead-world-first-centre-for-data-ethics-and-innovation>.

<sup>17</sup> The role of the company secretary as the conscience of the company had been widely recognised. See for example: Blanks, R. (2000). Modern company law: the role of the company secretary.

With specific regard to company secretarial duties, there are several companies developing AI with the ability to draft, or at least facilitate the drafting of, meeting minutes.<sup>18</sup> Company secretaries have a unique position with regards to exposure to board and committee meetings that enables them to gather significant knowledge on strategic corporate operations. Although it is unlikely minute taking could be completely delegated to AI at board level due to the complexities in accurately capturing interpersonal communication, it will be important for company secretaries to justify their constant position on the board through their other value-adding skills if this responsibility dissipates. These will need to go beyond the provision of corporate legal advice, as developments in legal and medical AI suggest that they will one day be able to act as peerless consultants on even complicated situations in such fields.<sup>19</sup>

## Telecommunications

Recent advancements in video conferencing technology have allowed for clear communications to be transmitted globally, enabling effective international meetings. As video conferencing technology improves, in-person meetings may be considered increasingly inefficient, as the technology allows boards to meet without needing to travel for extended periods, reducing time, financial and environmental transport costs. Company secretaries should facilitate international meetings by ensuring video conferencing technology is set up and that time differences have been accounted for.<sup>20</sup> It is also important that such calls are sufficiently clear, so as not to impede understanding and the accurate recording of minutes, and that they have sufficient embedded security to prevent hacking and eavesdropping.

In future, virtual reality (VR) could replace video conferencing as the preferred method for long-distance communications. Possibilities for the impact of VR on governance are near limitless and could include virtual site visits during the director induction process, the instantaneous sharing of interactive management information and the virtual hosting of annual general meetings. If VR is implemented, company secretaries will need to liaise with relevant corporate functions so that it is set up to service the needs of board and subcommittee members. Once implemented, cost-benefit analyses should be conducted to ascertain whether the technology adds value to governance processes, as VR carries the risk of depersonalising meetings, impeding the effective working relationships needed for a functioning board. Furthermore, the hundreds of applications offered by VR alongside the physiological effects of the technology could serve as a distraction to board members, and feedback should be periodically sought on best implementation.

## Blockchains, Cloud Computing and Big Data

Large companies will often store their information on private company databases such as the aforementioned Blueprint Oneworld, only disclosing information as and when it becomes a regulatory requirement. Contrastingly, blockchains allow for an online record of data stored chronologically, which can be viewed publicly and can be extremely difficult to edit.<sup>21</sup> If blockchain use becomes widespread, regulators, stock exchanges and corporate registrars may opt to implement them for use in regulatory disclosures. This could facilitate more accurate disclosure since no interests could easily manipulate corporate information, as could theoretically be done, by for example registrars, today. Attention to detail for company

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<sup>18</sup> For examples, see: ICSA Thought Leadership Committee (2018). Futureproofing: Technological innovation, the company secretary and implications for corporate governance, 5.

<sup>19</sup> Jiang, F., Jiang Y. and Zhi, H. et al. (2017). Artificial intelligence in healthcare: past, present and future *Stroke and Vascular Neurology*. DOI: 10.1136/svn-2017-000101; and Kevin Ashley (2017). Artificial Intelligence and Legal Analytics: New Tools for Law Practice in the Digital Age.

<sup>20</sup> Note that such challenges can be rendered easier through automation, for example, the automated connecting of video calls.

<sup>21</sup> Greenspan, G. (2017). The Blockchain Immutability Myth. Retrieved from <https://www.multichain.com/blog/2017/05/blockchain-immutability-myth/>.

secretaries uploading to the blockchain would be imperative to prevent public mistakes that could not be easily rectified.

Also increasing the availability of information is the widespread adoption of cloud computing. Documents such as mission-critical minutes can now be stored on the cloud and easily accessed from anywhere with a WiFi connection. This has and will continue to enable a rise in agile working arrangements for company secretaries, as corporate filings and the writing of minutes can often be undertaken away from the office. Relationship building is an essential aspect of the role however, and to naturally facilitate this, it is important company secretaries do not work away from the office too often. It is also likely that, with constant access to documents, company secretaries will come under increasing pressure to work outside of normal hours. For both cloud computing arrangements and blockchains, cyber security will be paramount in preventing reputational risk and theft of confidential documents. Company secretaries should ensure proper procedures and security systems are in place before storing important documents to reduce this risk, especially with regard to due diligence on third party governance cloud suppliers such as the Diligent Governance Cloud.<sup>22</sup>

In the long run, it is contended that big data gathered from technologies such as blockchains and the cloud will revolutionise the corporate governance field. Corporate governance is a nascent social science, only becoming popularised in the 1970s.<sup>23</sup> Today there remains little proof as to whether current recommended corporate governance practice provides organisations with competitive advantage,<sup>24</sup> although empirical evidence is growing as availability of information increases.<sup>25</sup> There are furthermore significant deviations in corporate governance internationally: an emphasis on corporate citizenship in South Africa, and mandatory employee representation at board level in Germany, differ from Anglo-American governance models which embody shareholder primacy. The analysis of big data when applied to the success of companies in the context of their governance practices will allow for more objective empirical comparisons, based on mathematical data rather than, for example, the opinions of professionals represented in large surveys. Through big data analysis, it is highly plausible that broad empirically observable trends will emerge to both inform and reform national best practice based on quantitative data.<sup>26</sup> It is argued that this would enable a more objective approach to corporate governance, providing opportunities for company secretaries looking to implement governance frameworks that maximise a firm's competitive advantage.

## Conclusion

If the company secretarial role was just “form-filling and complying with rules of little substance”, its days would be numbered. As automation and AI are further improved, it is argued the administrative aspects of the role will diminish, replaced by efficient technology-based processes. Nonetheless, it will be a long time, if ever, before AI will be able to conduct director inductions, formulate culturally compatible and effective governance frameworks or

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<sup>22</sup> For examples of how cloud computing hackers can access a company's documents through third party cloud suppliers, see: Bond, D. (2018). Hackers target cloud services. Retrieved from <https://www.ft.com/content/4f990a78-537a-11e8-84f4-43d65af59d43>.

<sup>23</sup> Price, N. (2018) What is the History of Corporate Governance and How Has It Changed? Retrieved from <https://diligent.com/blog/history-corporate-governance>; and Cheffins, B. (2011). The History of Corporate Governance. *SRNV Electronic Journal*. Retrieved from [https://www.researchgate.net/publication/228213309\\_The\\_History\\_of\\_Corporate\\_Governance](https://www.researchgate.net/publication/228213309_The_History_of_Corporate_Governance).

<sup>24</sup> Bauer, R., Guenster, N. and Otten, R. (2004). Empirical evidence on corporate governance in Europe: The effect on stock returns, firm value and performance. *Journal of Asset Management*, 5(2); Karpoff, J., Malatesta, P. and Walking, R. Corporate governance and shareholder initiatives: Empirical evidence. *Journal of Financial Economics*, 42(3); and Coyle, B. and Hill, T. (2017). *Corporate Governance*, 6<sup>th</sup> edition.

<sup>25</sup> See for example: Haresh, S., Subramanian, A. and Subramanian, K. (2014). *Journal of Financial and Quantitative Analysis*, 49(4).

<sup>26</sup> Whilst corporate governance recommendations are heavily affected by national cultural and institutional particularities, it is contended they are and will continue to be influenced by global governance discussion and recommendations. As an example, the G20/OECD principles of corporate governance have had a substantial effect on supranational best practice.

navigate the socio-political complexities of the boardroom. Company secretaries can therefore be expected to dedicate more time to these duties. This shift may lend further credence to calls for the profession to be rebranded under titles such as chief governance officer or head of governance,<sup>27</sup> as extant secretarial facets of the role are delegated to technology.

Drastic changes in corporate governance practice are expected, with shifts in the regulatory landscape as governments respond to the possibilities enabled by new technology. In the new age of blockchains, cloud computing and big data analysis, future theories of corporate governance may emerge backed by quantitative data. These could differ substantially from modern practice and company secretaries will need to continue keeping abreast of changes in both recommended and legislatively-driven company law and corporate governance.

Boardroom practice is likely to change as use of AI advisors and VR change the dynamics of executive meetings. Executives and company secretaries will need to adapt to such technology and ensure it is implemented only where it improves smooth running of the board. In a world where impartial, calculating AI influence boardroom decision-making, the company secretary's role as the "conscience of the business" will become more important than ever. Shortfalls in "executive AI" ethics and developing regulations will need to be controlled and mitigated by governance frameworks based on ethical and cultural corporate values, not just for the long-term success of the company, but for the public interest as well.

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<sup>27</sup> For examples, see: Lowe, S., Brown J., and Bell, S. (2018). Is the role of company secretary fit for the future? 7. Retrieved from <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/is-the-role-of-company-secretary-fit-for-the-future.pdf>; ICAEW (2016). Do you need a chief governance officer?; and Swabey, S. (2014). The future role of the company secretary. Retrieved from <https://equiniti.com/uk/news-and-views/eq-views/the-future-role-of-the-company-secretary/>.