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6 Blind Spots Created by Governance Deficits

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Organizations are drowning in data of varying quality, even as they are starved for insight. Keeping pace with the developments that matter to your organization is fundamental to good governance. New information is generated daily regarding the pandemic, as well as stakeholder, competitor and regulatory activity. There is no shortage of information circulating at any given moment, so the risk of blind spots is growing: Did you miss a change in regulations that matter to you? Is a competitor about to surprise you? Are there market opportunities you might be missing?

Many businesses are not effectively monitoring the news that could help or hurt them, simply because the task seems too complex and time-consuming. General counsels, corporate secretaries and other governance professionals may do their best to assemble insights in line with board agendas for directors' consumption. The task calls for active collection of governance intelligence on relevant topics, including government regulations, industry trends, press coverage of the firm and its competitors and so on. It's a delicate balance to serve up relevant information without inundating directors.

Meanwhile, general counsels and corporate secretaries may be overwhelmed by other responsibilities. Urgent situations can often take precedence over gathering intelligence for the board. But governance and legal professionals can still excel as

trusted advisors to the board when the proper tools and processes are in place to curate governance intelligence.

“Instead of trying to ‘protect the board’ from outside information, governance professionals should focus on equipping their board members with the best tools and resources available – and adding value through curation.”

– Dottie Schindlinger, Executive Director of the Diligent Institute

1. Unspotted Trends and Missed Opportunities

Governance intelligence empowers boards to meet challenges in a dynamic business environment. Getting targeted intelligence to the board enables directors to ask the right questions, supporting robust and informed conversations about the organization’s strategy and direction based on trends and opportunities particular to them.

Intelligence and insights can be more targeted and consistent with the right processes and systems in place. Curated intelligence inspires directors’ confidence that they’re tracking trends and opportunities relevant to their industries, competitors, clients, prospects and reputation.

2. Unnecessary Risks

Governance intelligence is a strong tool for circumventing risk. Targeted information, consistently provided, strengthens the board’s risk oversight, contributes to a risk-management framework, and builds risk-management culture. Best-of-breed technologies support curated intelligence with real-time data, risk

analytics, and artificial intelligence (AI) market analytics. For instance, Diligent Governance Intel is an AI-powered application for aggregation, trend analysis and scanning of business developments relevant to the organization.

3. Public Relations Liabilities

Stories that damage a brand are especially challenging, because organizations generally get a narrow window of response time before these narratives become amplified and distorted. In addition to routine reputation hazards, the pandemic also can influence perceptions of a brand or industry. Constant and timely reputational awareness is essential to gaining swift control of critical stories. Leading technologies for governance intel help identify reputation risks early with sentiment analysis and health scores.

4. Homogeneous Boards

Businesses employ diverse workforces and serve diverse customers and consumers. These stakeholders want to see boards that represent them. In addition, diverse boards generate more varied perspectives, making for more balanced and nuanced board decisions. Organizations that have begun their leadership diversity and inclusion journeys can use curated intelligence to learn how to achieve and measure diversity goals in a way that's tailored to their industry, geography, and other circumstances.

““Studies show that diverse boards pay more attention to risk management and are less susceptible to cronyism and group think.”

– Cyrus Taraporevala, President and CEO of State Street Global Advisors

5. Missed Regulatory Changes

Businesses in regulated industries like healthcare and financial services – among many others – recognize that compliance is essential to their survival. Failure to comply with applicable regulations carries financial and reputational penalties – and even jail time in some extreme cases. The onus is on each business to track its changing compliance obligations. Intelligence deficits in relevant regulatory areas carry enormous financial and legal risks.

Boards must monitor the organization's compliance with regulations and pending legislation. Governance intelligence is a critical asset in ensuring your organization's compliance.

6. Surprises from Competitors

Having the right information delivered on time enables boards to stay ahead of new market developments. Competitive intelligence is essential to understanding competitors' strategies, strengths, and weaknesses. If boards are to tackle competitive challenges, they'll need targeted information delivered timely for their action. Facilitated with the right tools, intelligence-gathering doesn't have to be burdensome. Look for technology that comes with many reports included, but that also enables rapid development of custom reports – without requiring query language expertise.

“96% of businesses list competitive intelligence as being instrumental to their success. 80% report having one or more employees dedicated to the collection and interpretation of competitive intel.”

Cutting Through the Noise

Some organizations avail themselves of free tools like Google News, which can be of limited help. Services like those are geared for consumers rather than businesses, however, and getting targeted results (“Apple Inc.” versus “Apple Pie,” for instance) requires some expertise in querying data. Then too, anyone tracking keywords like “quarantine” or “PPE” in 2020 saw results go from famine to flood last spring. Too much information can be as bad as not enough.

Businesses also follow reports and market news via paid subscriptions with research and advisory firms, which often only drive readers deeper into their own content. To work around this limitation, firms often subscribe to many of these services to get the coverage they need.

Recently, more than 2,000 executives and professionals from legal and governance disciplines around the globe gathered virtually for Diligent’s Modern Governance Summit 2020, which featured a session entitled Understanding Risk Analytics and How to Deliver Insights to Your Board. Presenters described how Diligent Governance Intel software “allows businesses to easily monitor and catalog news outlets to track companies, competitors, topics and industries,” and gives visibility “into the real-time information your board needs to stay up-to-date on all things governance to keep a competitive edge and better aggregate the news and research that matters for your organization.” Some of the product’s features were demonstrated in this session, but if you missed it, you can schedule a demo of your own.

Compared to organizations that gather intelligence unaided, Diligent Governance Intel users can reduce article counts by 70% through careful targeting and analysis. The tool summarizes articles to reduce what remains of that reading workload by another 90%. The result: powerful, concentrated, timely information – curated for your organization. Diligent Governance Intel combines and aggregates your own subscription sources and internal data with nearly 70,000 authoritative open-web business news sources. Users can access the information via email, mobile,

dashboards and more. Organizations can use Diligent Governance Intel’s publishing features to develop newsletters tailored not only to their boards, but also for marketing, public affairs, regulatory affairs and other functional teams. The sources, volume and frequency of information can be customized for individual users, so that any user can identify actionable insights.

Ms. Fetherolf writes about the impact of new technologies and regulations on business strategy and operations. This second career follows several years consulting with business and technology leaders on program management and governance in regulated industries. Topics of interest include corporate governance, cybersecurity, data privacy, regulation, compliance, and digital transformation.

ARTICLE TOPIC: GOVERNANCE INTELLIGENCE

RECOMMENDED





How Should Management and Board Updates Be Handled During the Crisis?

For boards to provide oversight and have foresight of what's coming “around the corner,” they require timely and relevant information from their management teams. However, directors do not want to distract or overburden their CEOs with requests for information, especially during a crisis. Part 2 explores how to find the right balance.

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