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APPLICABILITY OF ARTIFICIAL INTELLIGENCE IN CORPORATE GOVERNANCE: A PARADIGM OF THE PRESENT

A significant shift in contemporary business practices is represented by incorporating artificial intelligence (AI) into corporate governance. Stakeholder involvement, compliance, risk management, and decision-making are just a few of the areas where AI is relevant. By employing data-driven insights and predictive analytic, artificial intelligence enhances transparency, operational effectiveness, and strategic foresight while mitigating human biases. Among other possibilities and challenges, this approach acknowledges ethical concerns, data privacy, and responsibility. As businesses adapt to this shifting environment, artificial intelligence (AI) becomes a crucial tool in transforming governance systems to meet the demands of the present and the future.

Keywords: Artificial Intelligence, corporate governance, inclusion, transparency, data.

1. INTRODUCTION

In the ever-evolving corporate landscape, integrating artificial intelligence (AI) into governance frameworks has emerged as a transformation force. Corporate governance, traditionally centred on ensuring accountability, transparency, and ethical decision-making among stakeholders, now encounters unprecedented opportunities and challenges shaped by technological advancements. Among these, AI stands as a paradigm-defining innovation that is reshaping the present-day governance narrative.

A striking example of AI's relevance in governance can be seen in its application to fraud detection. For instance, machine learning algorithms have been employed to analyse financial transactions in real-time, helping organizations identify irregularities and prevent fraud before it occurs (Quantum Black, 2024). This shows the powerful intersection of technology and governance, reinforcing AI's potential as a game-changer. According to McKinsey's of Quantum Black 2024 Global AI Survey, 56% of organizations reported adopting AI in at least one function, with governance-related applications gaining traction (Quantum Black, 2024).

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The significance of AI in corporate governance lies not only in its ability to streamline operations and enhance decision-making processes, but also in its potential to detect anomalies, manage risks, and uphold compliance in a dynamic regulatory environment. As companies navigate complexities such as global competition, digital transformation, and increasing stakeholder expectations, the adoption of AI solutions becomes not just an option but a necessity.

This paper is significantly deepened into the applicability of AI in corporate governance, exploring its theoretical underpinnings, practical implementations, and the challenges that accompany its adoption. It positions AI as a paradigm of the present, emphasizing its current significance and its implications for the future of corporate governance.

2. THEORETICAL BACKGROUND

Corporate governance serves as a critical framework for ensuring accountability, transparency, and ethical decision-making within organizations. Historically, it has developed alongside economic, social, and technological changes, adapting to new challenges and opportunities as businesses expand their reach and influence. Today, in the age of rapid digital transformation, artificial intelligence (AI) emerges as a pivotal force that intersects with corporate governance practices.

AI, broadly defined as the simulation of human intelligence by machines, has experienced tremendous advancements in recent years. From machine learning and natural language processing to predictive analytics, AI technologies can automate complex tasks, analyze vast datasets, and provide insights that were previously unimaginable. These capabilities have profound implications for corporate governance, particularly as organizations grapple with issues such as regulatory compliance, risk management, and stakeholder communication (Deloitte UK, 2023).

However, the adoption of AI in corporate governance is not without challenges. Ethical concerns follow with the problems that algorithms can inadvertently perpetuate biases present in the data they are trained on. For instance, a study by MIT Media Lab highlighted that certain facial recognition AI systems showed bias against women and people of colour, raising ethical concerns about fairness and exclusivity (Buolamwini & Gebru, 2018).

Automated decision-making, while efficient, can lead to a lack of human oversight that is mirrored in the concept of over-reliance. This poses accountability risks, particularly in high-stakes situations where ethical judgment is paramount (Deloitte UK, 2023). On the other hand, the rapid pace of AI development often outstrips regulatory frameworks, leaving organizations to navigate uncertain legal and compliance landscapes. Deloitte's 2024 report on AI governance highlights the need for robust AI auditing mechanisms to ensure accountability. By addressing these challenges, organizations can better harness AI's potential while safeguarding against risks, ensuring that corporate governance remains both innovative and responsible, and avoiding liabilities.

2.1. Corporate governance theories and evolution

Corporate governance operates within established theories and models that guide the roles and responsibilities of stakeholders in ensuring effective oversight and management of organizations. Corporate governance is a collection of practices that helps stakeholders to negotiate support for their conflicting interests and enables principals to hold agents accountable for their decisions and actions (Aguilera & Griffiths, 2014, p. 4). These frameworks, including agency theory, stakeholder theory, and stewardship theory, provide the foundation for understanding how artificial intelligence (AI) reshapes traditional paradigms.

2.2. Agency Theory

Agency theory focuses on the principal-agent relationship, addressing conflicts of interest between shareholders (principals) and corporate managers (agents). Integrating AI introduces mechanisms, such as predictive analytic, machine learning, and automated reporting, which significantly enhance transparency and reduce information asymmetry (Jensen & Meckling, 1976).

For instance, real-time financial monitoring tools like AI-powered dashboards can detect anomalies or irregularities in corporate finances, ensuring managers act in shareholders' best interests by addressing potential discrepancies early on (Deloitte, 2022). AI-driven decision-support systems generate unbiased reports, reducing the risk of manipulation and fostering alignment between principals and agents.

Moreover, predictive AI models can forecast potential risks in corporate strategies, enabling proactive governance and decision-making. These advancements strengthen governance structures by aligning the objectives of principals and agents, improving accountability and efficiency by avoiding non-necessary liabilities.

2.3. Stakeholder Theory

Stakeholder theory emphasises the importance of balancing the diverse interests of stakeholders—including employees, customers, communities, investors, and suppliers. AI proves invaluable in this context through its ability to analyse vast amounts of data, predict trends, and process stakeholder feedback — functions that enhance stakeholder management as conceptualized by Freeman (Freeman, 1984).

For instance, natural language processing (NLP) tools assess sentiment across various stakeholder groups by analysing feedback on social media, surveys, or public forums (Quantum Black, 2024). AI algorithms monitor customer preferences and employee satisfaction, offering actionable insights to improve products, services, and workplace environments.

By enhancing responsiveness to stakeholder needs and societal expectations, AI fosters a more inclusive and adaptive governance framework. This includes supporting sustainable practices by identifying and diminishing environmental impacts, ensuring that organizations contribute positively to society while achieving their business goals.

2.4. Stewardship Theory

Stewardship theory posits that managers act as stewards, prioritizing the long-term interests of the organization and its stakeholders over personal gains. AI strengthens this framework by offering tools that emphasize collaboration and sustainable decision-making.

To illustrate this theory, there are some examples. AI-powered sustainability tools can evaluate the environmental and social impact of corporate projects, enabling managers to make ethical and responsible choices aligned with the organization's mission (Deloitte UK, 2023). Predictive models help managers anticipate the consequences of strategic decisions, ensuring they serve the long-term interests of all stakeholders, including future generations.

Furthermore, AI facilitates transparent communication and trust-building by providing real-time updates on organizational initiatives, ensuring that managers remain accountable stewards of corporate resources. Through the lens of these established theories, AI emerges as a transformation force in corporate governance, enhancing transparency, responsibility, and ethical decision-making. Its integration into governance frameworks not only mitigates traditional challenges but also creates rooms for innovation and inclusive growth.

2.5. Applications of AI in Corporate Governance

Artificial intelligence (AI) offers a range of transformation applications that enhance corporate governance by improving decision-making processes, risk management, transparency, and accountability. The reason that artificial intelligence (AI) is being adopted in fraud prevention is simply a need for more advanced, flexible, and real-time detection tools (Odeyemi *et al.*, 2024). As long as we can work with machine learning algorithms and big data processing power, AI has increased the level of fraud prevention. The ability for AI systems to analyze volumes of data, detect intricate patterns, and adapt to evolving methods of defrauding makes them an ideal ally in the fight against financial crimes. This AI adoption is driven both by the urgency to become more efficient and effective in finding fraud, as well as the necessity to be ahead of the curve with more sophisticated fraudsters, the run-of-the-mill detection strategies often don't work against (Odeyemi *et al.*, 2024).

In this comprehensive analysis, we discuss the context, emergence, ethical considerations, and applicability of the real-world implications of existing trends that are setting the stage for AI in aiding the defense of the delivery of secure services in the financial services sector. Below are key areas where AI is making significant contributions:

2.6. Decision-Making Support and Predictive Analytics

AI tools, including machine learning algorithms and advanced data analytics platforms, enable corporate boards and executives to make well-informed decisions. By analysing historical data and forecasting future trends, AI provides actionable insights into market dynamics, operational efficiency, and strategic risks (Brynjolfsson & McAfee, 2017).

AI-powered platforms, such as those offered by Palantir or IBM Watson, assess the potential outcomes of strategic decisions, providing simulations and scenario analysis

for corporate leaders (Cihon, Schuett, & Baum, 2021). Predictive analytic enables organizations to identify emerging trends in customer preferences, competitor behaviour, and regulatory landscapes, empowering companies to adapt proactively (PwC, n.d.). Such tools enhance decision-making accuracy, allowing organizations to anticipate challenges and seize opportunities with confidence. AI-powered systems excel at detecting patterns and anomalies in financial and operational data, making them indispensable in identifying fraud and managing risks (Deloitte Netherlands, 2024).

Key examples include issues related to AI systems such as SAS Fraud Framework and to risk assessment tools that can monitor transactions in real-time, identifying potential accounting irregularities or unauthorized activities before they escalate. Risk assessment tools leverage AI to evaluate factors like macroeconomic conditions, geopolitical risks, regulatory changes, and cyber security threats, enabling companies to develop preemptive mitigation strategies (World Economic Forum, 2022). AI's real-time analysis not only enhances vigilance against fraud, but also ensures comprehensive risk management across diverse domains.

Through natural language processing (NLP) and automated reporting, AI facilitates the generation of comprehensive and accurate disclosures for stakeholders. This ensures compliance with regulatory frameworks while promoting transparency in financial reporting, governance practices, and environmental, social, and governance (ESG) initiatives – reflecting the stakeholder-oriented approach to organizational success emphasized by Freeman *et al.* (2007).

Illustrations include AI systems like Workiva automate the preparation of financial statements and ESG reports, reducing human error and ensuring accurate compliance documentation (Cloetens, 2024). AI tools such as sentiment analysis platforms evaluate public and stakeholder perceptions of governance practices, enabling organizations to address concerns swiftly and effectively.

Such innovations build trust and enhance accountability by delivering timely, accurate information to stakeholders. Streamlining Compliance and Regulatory Processes and AI simplifies compliance by automating the monitoring, tracking, and documentation of regulatory requirements. Intelligent systems can instantly detect changes in laws and guidelines, ensuring that organizations remain compliant and avoid legal penalties (OECD, 2024).

Bringing to attention some related examples rely on AI-powered compliance tools, such as Thomson Reuters' Compliance Learning ensure corporate practices align with dynamic regulatory environments. Virtual assistants and AI chat bots enhance communication with regulators and stakeholders by providing instant, accurate responses to compliance-related queries (Gartner, 2022). This automation not only minimizes administrative burdens but also ensures organizations adapt quickly to regulatory updates.

3. CHALLENGES AND RISKS OF AI INTEGRATION IN CORPORATE GOVERNANCE

Integrating artificial intelligence (AI) into corporate governance offers immense potential for innovation but also introduces several challenges and risks. These complexities highlight the necessity of responsible and ethical governance practices to address the potential drawbacks of AI deployment effectively.

A significant challenge is the ethical considerations and biases that arise from the use of AI systems. Since these systems rely on algorithms and datasets, they often inherit biases present in the underlying data or introduced during the design process. For instance, biased AI-driven decisions can disproportionately affect specific groups or stakeholders, eroding trust and transparency in governance processes (Crawford, 2021). Additionally, ethical dilemmas emerge in determining accountability for errors or biased outcomes resulting from AI operations. The ambiguity surrounding responsibility for such issues raises questions about the fairness and reliability of these technologies in corporate decision-making.

Another critical risk involves data security and privacy concerns. The utilization of AI requires organizations to collect and analyse substantial volumes of sensitive data. This dependence increases vulnerability to data breaches and unauthorized access while necessitating strict compliance with regulations like the General Data Protection Regulation (GDPR). Organizations failing to implement robust cyber-security measures risk compromising data integrity and facing significant legal and reputation repercussions (European Commission, 2018).

Moreover, the over-reliance on AI in governance can have profound implications for human roles and decision-making. While AI provides valuable insights, excessive dependence on it risks undermining critical human judgment, creativity, and moral reasoning. Human oversight is essential to maintain ethical and nuanced decision-making, which AI cannot fully replicate (Rahwan, 2018). The automation of governance functions may lead to the displacement of jobs, contributing to skill erosion and fostering concerns about the long-term implications of AI for the workforce.

In conclusion, the integration of AI in corporate governance is a double-edged sword, presenting both transformative benefits and significant risks (Cihon, , Schuett & Baum, 2021). To maximize its potential while addressing its challenges, organizations must adopt responsible governance frameworks emphasizing ethical AI practices, robust data security measures, and a balance between AI utilization and human oversight.

4. REGULATORY FRAMEWORK AND LEGAL CHALLENGES

Though there is much focus on artificial intelligence as a possible problem, its regulation is still in its infancy. The most important legal and regulatory developments so far are the U.S. Executive Order on AI and the European Union's AI Act. These legal frameworks set fundamental standards and show that lawmakers and regulators are at the early stage of understanding and reducing the natural risks connected with artificial intelligence.

Therefore, they should be seen as a first step rather than a final one. Regulatory bodies are growing more focused on risks connected to artificial intelligence. While the U.S. Department of Justice (DOJ) is aggressively seeking the prosecution of AI-related crimes, the U.S. Securities and Exchange Commission (SEC) is looking into instances of “AI washing”.

Therefore, management and boards have to make sure they are not only handling the current legal, regulatory, and enforcement environment but also forecasting areas of vulnerability and possibly further legal responsibility or control.

4.1. Artificial Intelligence Act of the European Union

Regarded as the first complete legislative framework for artificial intelligence, the EU Artificial Intelligence Act (AI Act) sets new standards regarding transparency, oversight, and responsibility for companies engaged in the supply, deployment, distribution, importation, or manufacture of AI systems. The AI Act applies to providers who bring or run AI systems into the EU market, regardless of their establishment or location inside the EU. It might also imply upcoming regulations, thus, companies must grasp its scope and consequences (EU commission, 2024).

August 1, 2024, marked the implementation of the European Artificial Intelligence Act (AI Act). The Act's goal is to encourage the European Union's responsible AI development and application (AI Act enters into force, European Commission, 2025). In order to reduce potential risks to citizens' health, safety, and fundamental rights, the Commission proposed the AI Act in April 2021, and the European Parliament and Council later approved it in December 2023. By giving developers and plodders clear requirements and obligations regarding particular uses of AI, it landed the lessens into the administrative and financial burdens on businesses. Based on an innovative definition of artificial intelligence and a risk-based methodology, the AI Act creates a uniform framework for all EU nations. Most AI systems, such as spam filters and video games with AI capabilities, are exempt from the AI Act's requirements as they show low risk. Nonetheless, businesses have the option to voluntarily implement extra codes of conduct. In this regard, particular transparency risk is shown when utilizing chat bots or other AI-generated content, users need to be made aware that they are interacting with a machine, and they need to be properly labeled. AI systems that are deemed high risk, like AI-based medical software or AI systems used for hiring, are subject to strict regulations. These requirements include the use of risk-mitigation systems, the supply of high-quality data sets, the provision of clear user information, and human supervision. An example of unacceptable risk is linked with AI systems that allow governments or businesses to engage in “social scoring”, as for instance, are forbidden because they are seen as a blatant violation of people's fundamental rights. The European Union wants to lead the world in creating safe artificial intelligence. By establishing a strong regulatory framework based on human rights and fundamental values, the EU can build an AI ecosystem that benefits everyone. This means better healthcare, safer and greener transportation, and improved public services for citizens. Companies benefit from higher productivity and more effective manufacturing, as well as cutting-edge goods and services, especially in the fields of energy, security, and healthcare.

Services like energy, transportation, and waste management can be more affordable and environmentally friendly for governments.

A Code of Practice for general-purpose artificial intelligence (GPAI) model providers has been the subject of a recent consultation by the Commission. According to the AI Act, this Code will cover important topics like risk management, copyright-related laws, and transparency. The Commission will incorporate the opinions and findings of businesses, civil society representatives, academic experts, rights holders, and GPAI providers operating in the EU into its upcoming draft of the Code of Practice on GPAI models (EU Commission, 2024).

4.2. United States Executive Order on Artificial Intelligence

President Biden issued a thorough Executive Order on Artificial Intelligence ("AI") on October 30, 2023, meant to create new criteria for AI safety and security, protect privacy, improve equity and civil rights, support innovation and competition, and guarantee U.S. preeminence worldwide.

The Executive Order requires the National Institute of guidelines and Technology to create guidelines, tools, and assessments to ensure the safety and dependability of AI systems before their public deployment. These criteria will then be carried out by several federal agencies, including the Department of Homeland Security and the Department of Energy, across vital infrastructure areas. A means meant to protect consumers from AI-facilitated fraud and deception, the Executive Order authorizes the Department of Commerce to develop policies for content authentication and watermarking to clearly identify AI-generated material. The Executive Order indicates that the U.S. government views artificial intelligence as both a possible danger and a path for innovation and progress by mandating more AI research, the strengthening of competition inside the AI ecosystem, and the development and application of AI to handle world issues.

Simultaneously calling for more artificial intelligence research, the strengthening of competition inside the AI ecosystem, and the development and application of AI to tackle world issues, the Executive Order suggested the U.S. government views artificial intelligence as both a possible threat and a path for invention and progress.

4.3. The SEC's Focus on "AI Washing" and AI Investment Fraud

The SEC's Office of Investor Education and Advocacy published a joint Investor Alert on AI and investment fraud on January 25, 2024. The alert said that "malicious people are exploiting the growing popularity and complexity of artificial intelligence to deceive victims", warning investors against false or misleading statements about the development and use of artificial intelligence, including unproven claims about new technology innovations. It also underlined how con artists use artificial intelligence tools to create audio and "deep-fake" films for impersonation. Therefore, companies have to be careful with their claims of artificial intelligence and make sure they are supported by data to avoid overstatement. "AI washing" has also been the focus of the SEC's enforcement activities. The SEC said in March 2024 that two investment advisers had been charged with spreading false and misleading claims about their supposed use of artificial intelligence.

The SEC has targeted businesses that falsely promote the use of artificial intelligence in financial decision-making in their marketing materials and websites.

Gurbir Grewal, Director of the SEC's Enforcement Division, warned businesses against making “aspirational” claims about artificial intelligence to take use of investor excitement for the growing technology in line with the agency's general strategy for AI. When talking about artificial intelligence, one should make sure the information given is not materially false or misleading regardless of the setting. Given the significant rise in AI-related disclosures—473.5% for Fortune 500 companies — SEC registrants should exercise special care when evaluating such disclosures (Grewal, 2024).

4.4. Criminal Responsibility for Artificial Intelligence: Increasing DOJ Enforcement Emphasis

Officials have great concern that artificial intelligence could enable criminal activity and compromise personal and societal security. Deputy Attorney General Lisa Monaco said in a recent Oxford University speech that “despite its possible advantages, AI is simultaneously increasing dangers to our collective security ... [with] the ability to aggravate current biases and discriminatory practices ... accelerate the creation of harmful content, including child sexual abuse material [and] provide nation-states tools to promote digital authoritarianism, therefore amplifying the spread of false information and oppression” (Monaco, 2024).

Monaco underlined that artificial intelligence is changing the ways of crime commission and the profiles of offenders, can lower the barriers to entry for criminals, and embolden our enemies. The DOJ has taken various actions to address this quickly changing risk area.

DAG Monaco said that although there are existing legal doctrines that could be changed and expanded to reduce AI-related risks, AI “may well be the most transformational technology we’ve confronted yet” (Monaco, 2024). Though there is more focus on reducing AI-related risks, the DOJ does not automatically need a change of its approach for looking into and prosecuting crimes committed by artificial intelligence. DAG Monaco emphasized that “*like a firearm, AI can also enhance the danger of a crime*” (Monaco, 2024). Thus, prosecutors are told to seek more severe punishments for crimes involving artificial intelligence in order to ensure responsibility and discourage wrongdoers.

Despite the earlier mentioned regulatory developments in artificial intelligence, there is worldwide skepticism about the capacity of authorities to sufficiently reduce risks connected to artificial intelligence. From 28 countries, the 2024 Edelman Trust Barometer found that 59% of respondents viewed government regulators as lacking knowledge on evolving technology to properly govern them (Edelman, 2024, p. 16). The survey found people believe more in companies than in NGOs, government, or media regarding the efficient integration of technical innovation into society. Therefore, corporate boards are front-runners in ensuring global AI good administration.

5. CASE STUDIES OR EXAMPLES

The transformative potential of artificial intelligence (AI) in corporate governance can be observed through various real-world applications.

These cases highlight the practical benefits and challenges associated with AI integration:

5.1. Fraud Detection at Danske Bank

Danske Bank, a leading financial institution, faced increasing pressure to enhance its fraud detection mechanisms in the wake of regulatory scrutiny. To address this, the bank implemented an AI-driven system capable of analysing vast amounts of transaction data in real time. This system employs machine learning algorithms to identify irregular patterns, such as unusual account activities or deviations from normal spending behaviour, that may indicate fraudulent activities (Milne, 2019).

For instance, by cross-referencing transaction data with historical records and behavioral patterns, the AI system can flag potentially suspicious activities for further investigation. This proactive approach has not only improved the accuracy of fraud detection but has also significantly reduced the time required to investigate and resolve cases. Danske Bank's adoption of AI underscores the critical role of advanced technology in strengthening corporate governance and risk management frameworks (Milne, 2019).

5.2. Predictive Analytics at Walmart

Walmart, one of the world's largest retailers, has incorporated AI into its corporate governance practices to enhance decision-making at both strategic and operational levels. Using predictive analytics powered by AI, Walmart can analyse customer behaviour, market trends, and supply chain dynamics to make data-driven decisions.

For example, AI systems analyse historical sales data and external factors like weather patterns and economic indicators to predict future demand for products. These insights enable Walmart's leadership to optimise inventory levels, streamline supply chain operations, and allocate resources effectively. By leveraging AI for predictive analytics, Walmart not only achieves greater efficiency but also aligns its corporate strategies with shareholder and stakeholder expectations.

5.3. AI in ESG Reporting at Microsoft

Microsoft, a global technology leader, has integrated AI into its Environmental, Social, and Governance (ESG) reporting to reinforce transparency and accountability. The company uses AI to collect, process, and analyse vast amounts of ESG data from diverse sources. For instance, AI-powered tools gather information on carbon emissions, energy consumption, and diversity metrics to assess Microsoft's sustainability initiatives (Reynolds, 2023).

These AI systems generate detailed, visually engaging reports for stakeholders, providing insights into the company's progress toward its ESG goals. By making this information accessible and actionable, Microsoft strengthens trust among investors, regulators, and the public. This case illustrates the potential of AI to elevate governance practices by fostering openness and ethical accountability (Reynolds, 2023).

5.4. SEC v. Tesla, Inc. and Elon Musk

This case highlights the role of AI in corporate governance, particularly in monitoring compliance with securities laws. The U.S. Securities and Exchange Commission (SEC) filed a lawsuit against Tesla and its CEO, Elon Musk, for allegedly misleading investors through social media posts. The case underscores the importance of AI-driven compliance tools that can monitor and flag potentially misleading communications in real time. AI systems could have been employed to analyse Musk's tweets for compliance with disclosure regulations, potentially preventing the legal fallout (SEC, 2018, p. 12).

5.5. Lloyd v. Google LLC

This UK Supreme Court case dealt with data privacy and the use of AI in corporate governance. The court examined whether Google's AI-driven data collection practices violated user privacy rights under the Data Protection Act. The ruling emphasised the need for corporations to ensure that AI systems comply with data protection laws and maintain transparency in their operations (Lloyd v. Google LLC, 2021, p. 45).

5.6. Zillow Group, Inc. Securities Litigation

Zillow faced a class-action lawsuit after its AI-powered home-buying algorithm, known as "Zestimate", led to significant financial losses. The case illustrates the risks associated with relying on AI for critical business decisions without adequate oversight. It highlights the need for corporate boards to implement robust governance frameworks to monitor and evaluate AI systems (Zillow Group, Inc., 2022, p. 33).

5.7. European Commission v. Facebook Ireland Limited

This case involved the European Commission investigating Facebook's use of AI algorithms for targeted advertising. The Commission found that the algorithms potentially violated antitrust laws by creating unfair competition. The case underscores the importance of corporate governance in ensuring that AI systems operate within legal and ethical boundaries (European Commission, 2023, p. 28).

6. IMPLICATIONS FOR THE PRESENT PARADIGM

The integration of artificial intelligence (AI) into corporate governance has profoundly reshaped the present paradigm, offering innovative solutions to age-old challenges while introducing new dimensions to governance practices. This technological revolution has affected various aspects of governance, defining the current landscape through distinct implications.

One key implication is the transformation of decision-making processes. AI enhances the precision and speed of governance-related decisions by providing real-time insights derived from complex data analysis. Corporate boards can leverage AI tools to address uncertainties and predict future scenarios, enabling informed strategic decision-making with greater confidence (Rahwan, 2018, p. 8).

Another notable impact of AI is the reinforcement of accountability in governance practices. AI-driven systems promote transparency by automating reporting processes and utilising natural language processing technologies to produce accurate and comprehensive disclosures. These tools help stakeholders evaluate organisational performance and ethical standards effectively, thus fostering accountability within organisations (Crawford, 2021, p. 52).

AI has also revolutionised stakeholder communication. The advent of AI-powered communication platforms, including virtual assistants and chatbots, has facilitated seamless interactions between organisations and their stakeholders. These technologies enable efficient handling of inquiries and foster trust by reflecting a proactive approach to governance expectations (European Commission, 2018, p. 15).

Furthermore, the increasing reliance on AI has prompted a redefinition of roles and responsibilities within corporate governance. While AI supports decision-making and operational processes, it demands human oversight to address ethical concerns and ensure alignment with organisational values. This interplay between technological capabilities and human judgment underscores the importance of maintaining a balance between AI and human involvement (Rahwan, 2018, p. 11).

7. FUTURE PERSPECTIVES

In many important aspects, artificial intelligence (AI) will influence company governance greatly. AI-driven boardrooms might witness AI systems enabling scenario planning and offering strategic recommendations. Freeing stakeholders to concentrate on more difficult problems, autonomous AI systems could carry out decisions without human involvement, monitor risks, and handle compliance duties. By building a clear, safe, and efficient method for tracking transactions and auditing processes, artificial intelligence, combined with blockchain technology, could improve governance practices. Improvements in natural language processing and sentiment analysis by artificial intelligence could result in tailored stakeholder involvement, therefore addressing issues and preserving confidence among various interest groups. Developing ethical artificial intelligence (AI) frameworks will help to solve problems, including bias, responsibility, and justice, therefore guaranteeing that AI systems fit company values and social expectations. AI is anticipated to help worldwide regulatory harmonisation by automated compliance procedures and cross-jurisdictional cooperation enabling tools. AI will improve operational efficiency as it develops, but it will also bring up issues of ethics, responsibility, and the balance between human and technical roles.

Lastly, AI adoption has stimulated efforts toward global standardisation and adaptation in governance practices. Organisations are using AI tools to harmonise compliance across jurisdictions and navigate complex regulatory landscapes, contributing to a more cohesive and standardised approach to governance on an international scale (European Commission, 2018, p. 22).

The present paradigm reflects a trans-formative era where AI is not merely an auxiliary tool but an integral part of corporate governance strategies. However, it also underscores the importance of addressing the ethical, legal, and human implications of AI adoption to harness its benefits responsibly.

8. CONCLUSION

The applicability of artificial intelligence (AI) in corporate governance signifies a transformative shift in how organisations operate and decide. By enhancing transparency, accountability, and efficiency, AI has proven to be a pivotal tool in addressing challenges that traditional governance frameworks often struggle to navigate. From predictive analytics and fraud detection to regulatory compliance and stakeholder engagement, AI empowers organisations to adapt to the complexities of a dynamic global environment.

However, this transformation comes with its own set of challenges. Ethical considerations, data security concerns, and the need for human oversight highlight the importance of a balanced approach to AI integration. As organisations embrace this paradigm, they must prioritise responsible AI practices that align with corporate values and societal expectations.

Looking ahead, the potential of AI in corporate governance is vast and continues to evolve. Organisations that proactively leverage AI's capabilities while addressing its risks will not only enhance their governance practices, but also set a benchmark for innovation and accountability. The present paradigm, shaped by AI, offers an exciting glimpse into a future where technology and governance coexist to create more robust and ethical corporate ecosystems.

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