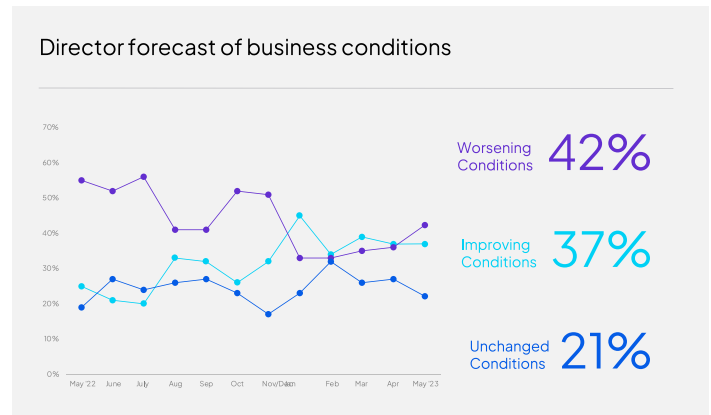
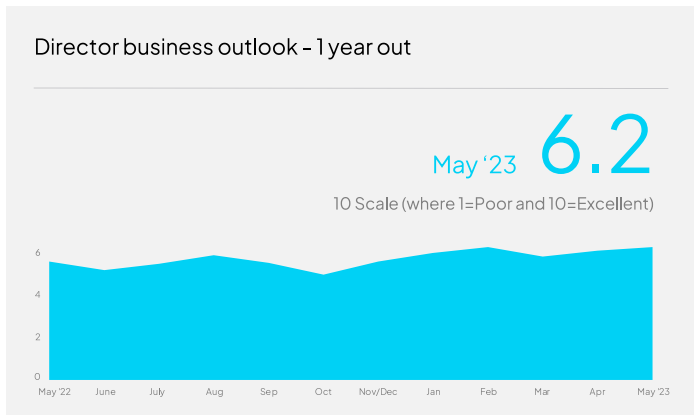


Director Confidence Index May 2023



Director confidence continues to improve in May despite looming recession



After a sharp bank-led decline in March, Corporate Board Member’s Director Confidence Index clawed back nearly all of its remaining losses in May, climbing another 2 percent, to 6.2, as measured on a 10-point scale where 10 is Excellent and 1 is Poor.

That’s a second consecutive uptick in optimism, after a 5 percent jump in April. At its current level, the forward-looking indicator—based on a monthly survey of U.S. public company board members conducted in partnership with the Diligent Institute—is almost fully in line with its February level (6.3), the highest point it has reached over the past 12 months.

Confidence in current business conditions is also up 3 percent, to 6.3, from 5.1 in April. That is the highest level the index has been in over 12 months, since April 2022 (6.6).

While a level of 6.2 is within “Good” territory, according to the 10-point scale, it is still not far from “Weak” (between 4 and 6 on the scale) and remains well below the levels recorded at this time in 2021.

Directors say they expect that a year from now, the Fed will have tackled inflation and stopped raising rates—both positives for business—but not without causing a spike in

unemployment, slowing demand and raising questions over the future of many banks. All of this, of course, going into an election year.

Ana Dutra, who serves on the boards of Carparts, Amyris and Pembina Pipeline, says the political, economic and social instability is driving her 12-month forecast of 3 out of 10 (down from a 6 today). “The upcoming elections, inflation, recession, global supply chain issues,” she says, are all adding to the gloomy outlook.

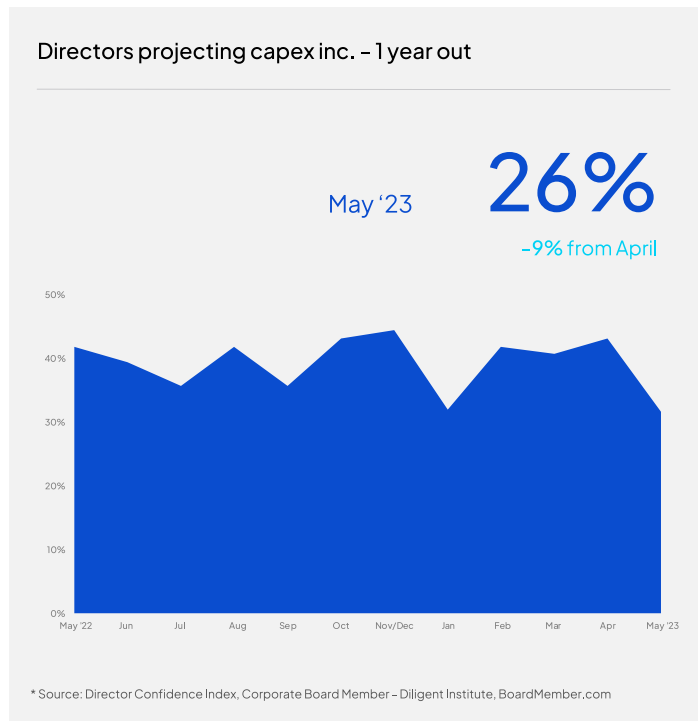
And she’s not alone. Despite the improved forecast overall, 42 percent of the 140 directors surveyed said they expect conditions to deteriorate over the next 12 months, up from 36 percent in April. Many say a recession is now unavoidable—with several saying we’ve already crossed into that territory.

This aligns with findings from Diligent Institute’s [Corporate Sentiment Tracker](#), an AI-powered tool monitoring the issues corporate leaders are speaking about most frequently in the news. At the time this story is being written, the news being analyzed in the Sentiment Tracker is 54% positive.

The year ahead

When asked to forecast their own organization’s performance in the 12 months ahead, directors also expect slower growth. Perhaps unsurprisingly with a recession on the horizon, the proportion of directors who expect their organization to increase capital expenditures in the months ahead dropped to 26 percent in May, from 35 percent in April.

Similarly, the proportion of directors who forecast revenues and profits to increase ticked down, to 60 and 55 percent respectively—from 69 and 62 the month prior. That’s not to say they expect revenues and profits to decline; instead, a growing proportion say they expect flat growth (16 and 21 percent, respectively, from 9 and 16 percent in April).



New survey finds just 15% of corporate board members understand how AI is used in companies

While three-quarters of U.S. public companies are already integrating AI technology into their operations, only 15 percent of board members we polled said they understood the benefits and risks of doing so.

AI carries great potential for business—and science—but it also comes with risk. There’s been mounting discussions from governments and experts around the world about the technology’s safety and the need for regulation.

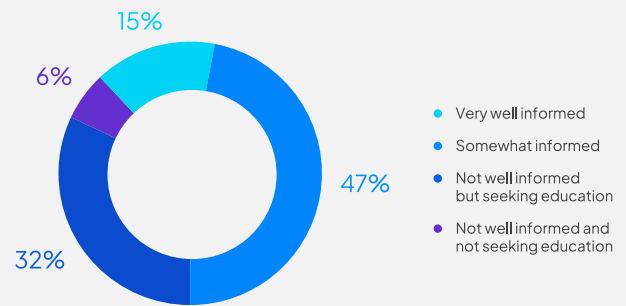
But none of that appears to be stopping public companies from adopting the technology—not even board members saying they do not feel as well informed as they should be to provide oversight on the matter.

Nearly half (44 percent) of the 140 U.S. public company directors participating in our May Director Confidence Index—a monthly poll of director sentiment in business conditions conducted by Corporate Board Member and Diligent Institute—said their companies were already using AI in some capacity, and another 32 percent said that they were working to do so in the short term. Only 6 percent said they had no plans to use AI whatsoever—at least for now—and 14 percent said they didn’t know if their company was using or planning to use AI.

Yet, only 15 percent of the directors participating in the survey said they felt well informed about the benefits and risks of using AI.

Data from Diligent Institute’s [Corporate Sentiment Tracker](#), an AI-powered tool monitoring what topics corporate leaders are speaking about the most frequently in the news, shows “AI” as the number one most spoken about single term of the past 90 days, and “Emerging Technology Risk” as a top topic being discussed in the same time period.

How informed directors feel on the benefits and risks of AI



Our survey data confirms this: Half of the directors polled said their board was increasingly discussing the issue, and 31 percent said the use of AI had driven them to also independently seek education on the matter.

Others, however, felt it was still too early in the AI cycle to focus board time on the matter, and that as AI’s influence, use and liability evolves, “board education will move along with to ensure appropriate use and application,” said one respondent.

“Directors have a lot on their plate,” said Dottie Schindlinger, executive director of the Diligent Institute and a partner in this research, “And many of them might see AI as just one more area of risk they have to tackle—and they might not feel well-versed enough in technology risk in general to feel competent providing adequate oversight. But considering the far-reaching implications of the technology, directors would be well advised to get up-to-speed fast and not ignore what is likely to be the most disruptive technology of our lifetimes.”

Where are public companies using AI?

47%

In products/services or customer-facing operations

30%

Internal administration and finance tasks

23%

External content generation

Directors are in a unique position to help their companies mitigate the risks of new technologies by asking management teams smart questions. We recently published a great conversation between CBM's editor in chief, Dan Bigman, and Tom Davenport, a professor at Babson University and the author of *All In on AI*, in which Davenport offers a fascinating framework for directors looking to process and harness all this change and successfully evaluate its use. [You can read it here.](#)

Diligent Institute has also been working fast to respond to the uptick in pressure on directors to get better informed on AI and other sources of cyber risk and opportunity through the [Cyber Risk & Strategy Certification](#). The program explores emerging tech along with other cyber risk oversight issues that directors are feeling pressured to embrace.

How companies are using AI

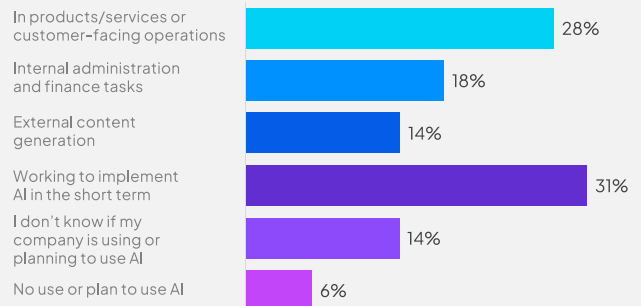
Among those directors who said their companies are already using AI, 47 percent said they did so in customer-facing operations, and 23 percent said for external content generation.

“This aligns to what we’ve been hearing anecdotally—companies have long been adopting technology like chatbots for customer-facing operations,” says Schindlinger. “And solutions like ChatGPT are a very natural fit for content generation—that is, as long as teams responsible do a careful job of supervising and vetting AI-generated content. The key is understanding and mastering emerging technology—and using it to your advantage.”

A deeper look into the data finds different sectors utilizing AI in different ways. For instance, companies in the IT and Consumer Discretionary sectors are making use of the technology primarily in their customer-facing operations (50 and 43 percent, respectively), while Energy directors primarily responded that their use of AI revolved around administrative and finance tasks (44 percent).

As for external content generation, we found a greater number of Healthcare directors selecting that option (20 percent) than in any other sector—though the most common use of AI in that sector remains customer-facing operations (35 percent).

How are public companies using AI?

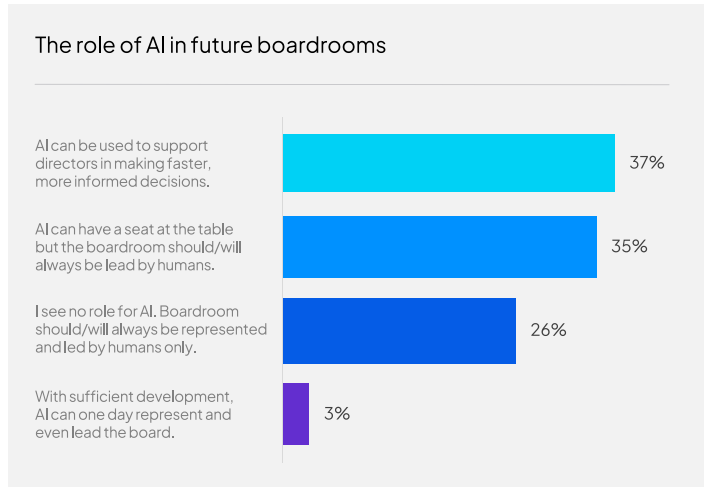


AI use cases in the boardroom

If a good proportion of companies are already tapping into AI’s capabilities, fewer are seeing the value of the technology in the governance process. Thirty-seven percent of directors said AI can be used to support directors in making faster, more informed decisions, but the same proportion said that while AI can have a seat at the table, the boardroom should/will always be led by humans.

More than a quarter (26 percent) said they see no role for AI in corporate governance at all.

When asked how AI can best benefit the board specifically, 75 percent said at the audit committee level. How, however, remains to be discussed. AI-powered audit processes can be a game-changer for boards, but they would also be a big liability if not properly checked by humans.



About the Director Confidence Index

The Director Confidence Index is a monthly survey of public company board members on the state of the overall economy, the outlook for business and other topical issues impacting public companies. Conducted in collaboration between Corporate Board Member and Diligent Institute, the Index benchmarks confidence among the governance community and is a forward-looking indicator of market movements and corporate strategies.

About Corporate Board Member

Corporate Board Member, a division of Chief Executive Group, has been the market leader in board education for 20 years. The quarterly publication provides public company board members, CEOs, general counsel and corporate secretaries decision-making tools to address the wide range of corporate governance, risk oversight and shareholder engagement issues facing their boards. Corporate Board Member further extends its thought leadership through online resources, webinars, timely research, conferences and peer-driven roundtables. The company maintains the most comprehensive database of directors and officers of publicly traded companies listed with NYSE, NYSE Amex and Nasdaq.

About the Diligent Institute

Diligent Institute informs, educates, and connects leaders to champion modern governance. We provide original, cutting-edge research on the most pressing issues in corporate governance; certifications and educational programs that equip leaders with the knowledge and credentials needed to guide their organizations through existential challenges; networks that convene directors and corporate executives to share best practices and insights; and awards and recognition programs that celebrate the accomplishments of those who champion modern governance. Learn more at diligentinstitute.com.