

2025 BERKELEY FORUM ON CORPORATE GOVERNANCE



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Viral Moments in Executive Reputation and Values

1. “Celebrity CEO” Becomes a Strategic Corporate Asset

Executive reputation has evolved from a peripheral byproduct of leadership to a deliberate driver of corporate value. The rise of the “celebrity CEO”—from Jack Welch and Steve Jobs to Elon Musk—illustrates how personal visibility can substitute for traditional marketing, shape investor perception, and influence valuation. CEOs now embody not just company culture but its entire public narrative, using their personas to attract talent, customers, and capital. Yet the fusion of personality and corporate identity also blurs accountability, making reputation management a governance issue rather than a communications task.

2. Authenticity Counts, But Leaders Must Guard Against Overexposure

Authenticity has become indispensable to leadership because stakeholders can detect insincerity instantly. Genuine communication builds trust and reinforces alignment between what a company says and what it stands for. Yet authenticity can easily cross into exposure. Journalists tend to disregard generic, lawyered statements and gravitate toward moments of unfiltered honesty, such as CEO letters, interviews, or direct posts, that reveal emotion and personality. These are the moments that make executives relatable but also vulnerable. This tension makes management essential: leaders must project sincerity while maintaining legal awareness and strategic discipline, ensuring their words convey conviction and alignment with company purpose without compromising compliance or credibility.

3. Clear Governance and Consistent Messaging Are the New Reputation Safeguards

In an environment of permanent visibility, credibility depends as much on preparation as on presence. Viral moments often arise from glimpses of a leader’s true self—vulnerability, candor, or misjudgment—and can quickly escalate into regulatory, political, or investor scrutiny. Executives benefit from proactive governance frameworks that define who participates in crisis decisions, how information flows, and when silence may be the most strategic option. Developing an authentic online presence allows leaders to shape their own narratives. Surrounding themselves with advisors who challenge assumptions and recognizing when a sincere apology can defuse tension are practical tools for navigating risk. Ultimately, preparedness, restraint, and consistency are the foundations of reputational resilience in an age where every message is amplified.

The C-Suite: Interview with Jon Neman, CEO of Sweetgreen & Sarah Franklin, CEO of Lattice

1. Leading Through Balance: Between Art and Science, People and Technology

Modern leadership demands equilibrium: blending data with intuition, technology with humanity. For Sweetgreen, this means uniting the “art” of food, hospitality, and brand soul with the “science” of scale, systems, and efficiency. For Lattice, it means reconciling a “people-first” philosophy with an AI-enabled future. Both perspectives converge on one principle: sustainable leadership depends on balance. Excess optimization drains a company’s spirit; unchecked idealism hinders growth. The CEO’s challenge is to integrate empathy and analytics, preserving mission and meaning while adapting to rapid change.

2. CEOs Must Use AI to Strengthen the Workforce, Not Shrink It

AI represents a milestone moment akin to the rise of social media or mobile technology, but one that requires a more deliberate response. Previous innovation waves overlooked harms to society, from anxiety to addiction, and CEOs now face a moral choice to steer AI toward empowerment rather than broad displacement. At Sweetgreen, AI powers the Infinite Kitchen, automating food assembly to remove repetitive tasks while improving food safety and consistency. These systems run with about half the traditional staffing levels, acknowledging reduced labor needs, but the goal is to redesign roles to be less stressful and more engaging, with turnover less than half that of classic stores. For Lattice, AI gives “superpowers” to HR and legal teams, amplifying human judgment instead of replacing it. Responsible adoption requires transparency about job impacts, clear communication, and investment in employee learning.

3. “Touching Grass”: Building Trust Through Real Customer Connection

Trust, both internal and external, has become the CEO’s most valuable asset. Founder-CEOs like Jon Neman (Sweetgreen) build trust through immersion, spending time in restaurants to stay connected to employees and customers. Transition leaders (CEOs who succeed founders and inherit deeply rooted company cultures) like Sarah Franklin (Lattice) emphasize transparent dialogue with employees, founders, and boards to maintain alignment and continuity. Both highlighted that curiosity drives better leadership: engaging with “truth-tellers,” especially dissatisfied customers, and seeking out “Gen Z whisperers” who can sense early cultural shifts before data confirms them. In a world of algorithms and abstraction, [“touching grass.”](#) meaning reconnecting with people, context, and place, anchors leadership in reality.

Building Real Value in a Shifting VC Landscape

1. Founders and Investors Must See Beyond the Valuation Hype

Despite expectations of a downturn, the venture capital market remains uneven but more stable than anticipated. Early-stage activity continues to thrive, with larger seed and Series A rounds (average deal sizes up 5–22% and valuations up 3–60% quarter-over-quarter, depending on stage) and higher “graduation rates” (12% to 21%) signaling stronger company quality. Later-stage valuations, by contrast, have fallen sharply after years of exuberance, with Series D and beyond seeing capital down about 9% and valuations nearly 50% lower. The rise of AI has amplified this split, creating a “barbell structure” where capital concentrates among a few highly funded foundational AI builders, leaving most other firms facing hurdles. Founders are finding creative ways to attach themselves to the AI narrative, sometimes productively, sometimes superficially. Distinguishing genuine innovation from market noise has become a challenge.

2. Governance, Not Growth Metrics, Now Signals Real Value

Governance has re-emerged as the test of “real value.” Boards of venture-backed firms now ask how AI is used, what data it touches, and whether ownership, security, and licensing risks are understood. The rapid pace of innovation can create “ephemeral value” if companies scale without accountability, exposing them to regulatory or class-action risk. Meanwhile, founder control has expanded, especially in high-demand AI sectors where experienced founders negotiate super-voting shares and board influence that limit investor oversight. These shifts are prompting companies to revisit board composition and information-sharing practices as corporate-venture investors participate through observer roles rather than full fiduciary duties.

3. Startup Longevity Depends on Discipline and Focus

Founders who want to build lasting companies must start with discipline, not momentum. They need to understand venture fund economics, choose a clear lane (either scaling aggressively or reaching profitability), and avoid raising more capital than they can deploy productively. Excess funding fuels inefficiency, creates complex liquidation preferences, and can obstruct exits. Venture capital should be a last resort; if other funding options exist, founders should pursue them first. Compliance and governance, often seen as constraints, are becoming competitive strengths that reinforce trust and operational quality. Market signals point to a gradual rebound in deal flow, a more diverse generation of founders, and a shift toward leaner, mission-driven models that scale without immediate dependence on venture capital.

The Role of Business in Promoting Democracy

1. From Criticism to Courtship: How Corporations Are Aligning with Power

Corporate America's relationship with the government has undergone a profound transformation. Once open critics of Trump during his first term, tech and finance leaders now line up publicly to praise him, motivated by a mix of pragmatism, opportunism, and fear. Executives seek to shield their companies from regulatory retaliation or to secure advantages such as relaxed antitrust scrutiny, favorable contracts, or direct investment. Fear also plays a role: Trump's history of personally targeting executives, from public threats to contract cancellations, has made deference a form of risk management. Frustration with the Biden administration, which some business leaders perceived as dismissive of their contributions, has further driven realignment. The result is a corporate landscape increasingly willing to trade silence or flattery for access and protection.

2. Eroding Guardrails Open the Door to Crony Capitalism

Legal and normative constraints that once separated the presidency from corporate influence are eroding. The Supreme Court's embrace of a broader "unitary executive" theory has weakened the independence of agencies such as the SEC and CFTC, while long-standing norms protecting the Justice Department from political interference have largely collapsed. Enforcement of anti-corruption and conflict-of-interest laws has waned, fueling what observers describe as a new era of *crony capitalism*. Companies now make calculated trade-offs, settling disputes or offering concessions to avoid retaliation or secure favorable treatment. Such behavior diverts resources from innovation toward political influence, which is detrimental to a vibrant economy.

3. Coordinated Corporate Action Is Essential to Preserve Democracy

Defending democratic norms increasingly depends on corporate leadership. Universities and law firms have demonstrated that resistance is possible when institutions such as Harvard and MIT refused to sign government "compacts," and several major firms successfully challenged punitive executive orders in court. Yet many others quietly complied, fearing loss of business or access. A single company's willingness to act can catalyze collective resistance and reduce the isolation that authoritarian tactics exploit. While certain sectors, such as finance, have coordinated limited pushback, such as defending the independence of institutions like the Federal Reserve, most remain fragmented. Without broader collective action, crony capitalism will continue to displace rule-based governance, weakening both markets and democracy itself. Companies' current compliance may also carry long-term consequences, inviting regret and repercussions from future administrations or even their own workforce.

The “State” of Delaware

1. Court Expands Magistrate Bench to Manage Unprecedented Growth

The Delaware Court of Chancery is facing record filings, projected to reach roughly 1,500 this year, one of the steepest increases in its history. To sustain speed and expertise, the court expanded its magistrate bench to seven, after requesting four additional positions for 2024–25. It has also clarified procedural rules and streamlined case assignment through automation. Roughly 35% of new matters involve expedited motions, underscoring Delaware’s unique capacity to operate “at the pace of business.” These adaptations reflect a balance between efficiency and the court’s long-standing emphasis on clarity, access, and equity in both corporate and traditional equitable matters.

2. Delaware’s Focus Remains on Judicial Restraint and Consistent Legal Development

The Court’s philosophy continues to prize restraint and precision. The long-standing “judicial laziness principle,” which calls for deciding as few issues as narrowly as possible, remains central to Delaware jurisprudence and defines the approach of newly appointed Vice Chancellor Bonnie David, ensuring the common law develops incrementally and consistently. Effective advocacy requires confronting weaknesses directly rather than avoiding them, a disciplined approach that sustains confidence in the Court’s integrity and consistency amid rising case complexity and public scrutiny. Delaware has also reached a historic milestone: a majority of Chancery judges are now women, enhancing representation on the bench and encouraging more female litigators to take leading roles.

3. Evolving Case Law Is Reshaping Governance Doctrine

Recent decisions reaffirm Delaware’s central role in shaping corporate governance. Oversight claims under Caremark remain “the softest area of law for the boardroom,” with high dismissal rates despite increased filings. Rulings such as *Mindbody* and *Columbia Pipeline* have raised the bar for aiding-and-abetting liability, while new questions surrounding DGCL §144’s amended safe-harbor provisions (SB21) may clarify how procedural compliance interacts with fiduciary accountability. Boards confronting social or political issues remain protected by the business-judgment rule when decisions are informed, documented, and directed toward long-term shareholder value; personal beliefs alone do not create conflicts. Cases like *TripAdvisor* on corporate reincorporation illustrate Delaware’s preference for restraint by upholding board discretion unless actions are clearly intended to cut off known liabilities.

The 2026 Incorporation Advice Memo

1. Delaware Retains Its Dominance Amid Targeted Departures

Despite occasional headlines about companies leaving, Delaware continues to attract roughly 80% of IPOs and remains the corporate home of nearly 70% of Fortune 500 firms. Its enduring dominance rests on the expertise of the Court of Chancery, a responsive legislature, and a “thick knowledge base” of lawyers and judges that creates a predictable environment for corporate governance. Moves to other jurisdictions remain rare. Roughly two dozen companies have redomiciled to Nevada and only a handful to Texas, mostly dual-class, founder-led firms or small-cap issuers seeking lower costs. For most corporations, Delaware’s professional judiciary and legal stability continue to outweigh the appeal of alternatives.

2. Nevada and Texas Offer Alternatives, but Little Traction So Far

Nevada has positioned itself as the main alternative for controllers seeking codified business judgment protection, a defined litigation framework, and reduced fiduciary exposure. However, long-term benefits remain uncertain. An empirical study shows that Nevada’s 2017 rollback of director accountability coincided with higher capital costs and lower firm valuations. Recent concerns about judicial independence, including reports of judges soliciting campaign donations, have further questioned the system’s consistency. Texas has seen only a handful of reincorporations, mostly from companies already headquartered there. Its history of large jury verdicts can deter firms seeking lower accountability standards, though some executives view its governance culture as better aligned with regional business practices. Observers also cite risks of local influence on judicial outcomes. Both Nevada and Texas remain developing jurisdictions, offering partial but not yet proven alternatives to Delaware’s established system.

3. Arbitration Provisions Challenge Accountability

A major new development is the SEC’s decision on mandatory arbitration provisions. The agency will no longer block companies from going public if their charter requires arbitration for securities claims. Delaware continues to prohibit such provisions, while Nevada has not explicitly addressed their enforceability. The shift could fundamentally change shareholder rights: mandatory arbitration clauses eliminate class actions, forcing investors to pursue individual claims and weakening collective enforcement. This fragmentation risks eroding market confidence and raising the cost of capital, as institutional investors may see it as limiting accountability. While arbitration may offer efficiency in theory, uncertainty around its impact has kept most companies from adopting it. The consensus: Delaware remains most closely associated with predictable governance, investor trust, and long-term corporate stability.

Legal Strategy & Government Affairs in the Deregulation Era

1. Recognizing Re-Regulation Behind the “Deregulation” Narrative

Despite talk of a “deregulation era,” recent federal action reflects a shift toward *re-regulation*, a different style of intervention rather than a retreat from it. Regulatory output increased in the previous Trump administration, with thousands of new pages added to the Federal Register, and today’s federal actions rely on tariffs, industrial policy, and intensified scrutiny of foreign investment to steer markets. Efforts to loosen controls in emerging technologies, such as AI “sandboxes,” often trigger new state-level regulation rather than deregulation. Environmental rollbacks similarly generate complex compliance demands elsewhere, as federal agencies adjust accounting or reporting frameworks. The result is not a lighter regulatory burden but a more fragmented, transactional, and politically driven one.

2. Government Engagement Becomes Essential Risk Management Tool

Government engagement has become a strategic function for companies of every size. Early investment in policy expertise, clearer narrative framing, and proactive regulatory education are now essential tools for reducing risk. Companies increasingly tailor messaging to align with federal priorities, such as reframing carbon removal as a supply-chain asset or positioning new technologies within national-security objectives. Geographic strategy also matters: locating facilities in politically influential regions deepens local alliances and strengthens federal relationships. Across sectors, from autonomous vehicles to crypto, success depends on understanding the underlying policy drivers and evaluating funding offers with caution, as “no money is free.” It is also critical to build long-term strategies and educate both sides of the political spectrum, acknowledging that political winds can change rapidly.

3. Companies Must Prepare for a Security-Focused Federal Agenda

A future regulatory environment under the current Trump administration is likely to become more assertive and more heavily shaped by domestic-security priorities, even as regulatory processes remain fragmented and unpredictable. Federal policy is expected to continue prioritizing U.S. dominance in AI, advanced energy, and other security-critical technologies, combining increased federal investment with tighter oversight in areas tied to national security or foreign investment, while other sectors—such as crypto—experience a lighter regulatory touch. In this landscape, it is essential for companies, including startups, to build strong government-relations capacity to navigate fast-moving decisions, shifting priorities, and uneven regulatory signals. Desired improvements remain clear: more predictable administrative processes, faster grant decisions, and a stronger role for Congress in stabilizing appropriations and preventing abrupt reversals of funding.

Capital Markets Crystal Ball

1. A Surprisingly Busy IPO Market Masks Deeper Weakness

The 2025 IPO market is unexpectedly strong, with issuance already exceeding 2024 levels and technology IPOs doubling compared to last year. Even during government shutdowns, issuers are finding creative ways to proceed, such as removing delaying legends, which reflects significant pent-up demand and a desire to access capital markets despite procedural obstacles. Yet this activity remains highly uneven and concentrated in a narrow set of sectors. Strong private markets continue to deter many companies from listing, as private valuations often far exceed the multiples available in public markets. Firms that raised capital at elevated 2020–2021 valuations are particularly reluctant to risk “down-round IPOs.” Ongoing economic volatility and uncertainty surrounding tariffs, monetary policy, and political transitions further dampen sentiment and limit broader participation, preventing a full reopening of the IPO window.

2. High Private Valuations Keep Companies Out of Public Markets

Even as IPO windows reopen, many high-quality companies remain hesitant to enter the public markets. Firms value the flexibility of being private, especially the ability to invest aggressively in long-term growth without immediate pressure for profitability or quarterly guidance discipline. By contrast, public markets now demand both scale and a credible path toward sustained free-cash-flow generation. The valuation gap is central: while most public software companies trade at 5–10× revenue, private rounds for similar companies often remain in the 20–40× range, driven by scarcity of growth opportunities and crossover investors crowding into late-stage private rounds. The costs of being public, such as compliance, governance scrutiny, litigation exposure, and shareholder-proposal activism, also discourage companies that do not urgently need public-market liquidity. As a result, companies often use an IPO readiness process to keep multiple options open, including M&A and debt raises.

3. What 2026 Holds: A Selective IPO Market and an AI-Driven Pipeline

The bar for going public has risen significantly, with investors demanding scale, durable growth, and revenue predictability before supporting new issuers. Companies now need to demonstrate at least ~\$250 million in revenue—often closer to \$500 million—alongside growth rates near or above 30%. At the same time, the IPO pipeline is increasingly shaped by AI, from core model developers and enterprise infrastructure to semiconductors and emerging “consumer-AI” applications. But investors remain skeptical of AI narratives that lack measurable ROI, pressing companies to distinguish between current capabilities and long-term strategy and to avoid “AI washing.” Beyond IPOs, convertibles and investment-grade credit remain highly active, offering attractive alternatives to equity issuance. A true turning point for the IPO market will be when “good, not great” companies can go public and trade well.

AI Adoption Inside Corporate Legal Departments

1. AI Push Accelerates, but Legal Functions Move at Different Speeds

AI adoption inside corporate legal departments is expanding, but the landscape is uneven, both across companies and within different legal functions. Teams are still navigating *hype vs. reality*, trying to distinguish what materially improves workflows from what is simply market buzz. Adoption is strongest in high-volume, low-risk tasks such as contract management, NDA processing, internal FAQs, and document retrieval, where automation can meaningfully reduce turnaround time without increasing legal exposure. By contrast, litigation teams often remain wary due to concerns about accuracy and high-profile incidents involving fabricated AI citations. Privacy-sensitive matters add another layer of hesitancy, reinforcing the need for careful evaluation before deploying AI tools. The result is a landscape where legal departments may be simultaneously early adopters and late adopters depending on the function, the perceived risk, and the culture of the broader organization.

2. Legal Teams Weigh Custom GPTs Against Enterprise-Grade AI

AI adoption is propelled by both top-down mandates and internal legal department initiatives, but the most successful implementations blend both. Companies are increasingly integrating AI out of business necessity, either because their products rely on AI or because lean teams need to keep pace with fast-moving business units. A key dividing line in adoption strategy is whether to use custom GPTs or specialized third-party tools. Custom GPTs offer speed, business-specific context, and lower cost, often producing advice more aligned with internal risk tolerance. Professional tools, by contrast, emphasize accuracy, confidentiality and data security, auditability, and continuous evaluation, supported by dedicated legal editors, data scientists, and secure architectures. The choice depends on a department's risk posture, resourcing, and the complexity of the work.

3. AI Becomes Legal's New Engine for Efficiency and Risk Control

In-house teams are adopting AI through a structured risk lens, distinguishing between high-probability/high-impact issues that require attorney oversight and low-risk, high-volume tasks suitable for automation. The goal is not to eliminate risk but to rebalance it, freeing human lawyers to focus on strategic, complex work while accelerating routine workflows. AI is increasingly viewed as a way for legal departments to demonstrate value by improving turnaround times, reducing bottlenecks, providing visibility into contract workflows, and aligning more closely with business priorities. Efficiency gains also strengthen legal's position as a "department of how," shifting perceptions away from being a cost center toward being a partner in growth and risk reduction. Departments that succeed tend to start with clear use cases, measure early wins, and build credibility before expanding AI into higher-impact areas.

Behind the Scenes of an Information Leak

1. In M&A, Leaks Are the Rule, Not the Exception

Information leaks, particularly in M&A, are no longer rare anomalies but recurring features of corporate life. More than half of transactions experience some form of leakage, often driven by motives ranging from price testing and deal sabotage to opportunism or simple error. The critical shift for governance is recognizing that silence is not a strategy and that often the response needs to go beyond the “non-comment era”. Once a journalist becomes aware of a leak, the breach of trust has already occurred, and disengagement only cedes control of the narrative. Companies that approach leaks as a recurring risk, rather than a one-off crisis, are better positioned to mitigate regulatory exposure and reputational harm, potentially serving as a circuit breaker for speculation and limiting long-term damage.

2. Why “No Comment” Isn’t a Strategy Anymore

Modern leak management demands coordination among legal, communications, and investor-relations teams. The “head-in-the-sand” approach has become obsolete; even a legally cautious “no comment” must form part of a unified, lawyer-vetted strategy. Reputable news outlets require corroboration from multiple direct sources before publication, making pre-emptive engagement both safe and strategic. By maintaining one voice and accurate messaging, companies can reduce misinformation and demonstrate procedural integrity to regulators such as the SEC, DOJ, or FINRA. The regulatory “hangover” of information leaks can last for years, with investigations focusing not just on the leak itself but on how the company handled and disclosed it. Preparedness, through predefined crisis plans and designated spokespersons, helps strike a balance between transparency and risk control, ensuring that corporate messaging supports later regulatory and shareholder scrutiny.

3. To Survive a Leak, Build a Culture Ready for One

Effective leak response starts well before a crisis. Governance frameworks should map out who communicates, how quickly stakeholders are informed, and how messages remain consistent across channels. Executives should develop and regularly review response scenarios, establish clear protocols for media and regulator engagement, and avoid internal “freelancing” that fragments the company’s voice. Communications should prioritize empathy and credibility, acknowledging awareness of an unfolding situation while avoiding premature or overly detailed claims that may later prove inaccurate. In a business environment defined by speed and speculation, companies that combine proactive planning and engagement will best withstand both the immediate impact and the long regulatory aftershocks of a leak.

Geopolitical Risk and the Backlash Against Globalization

1. Geopolitical Disruptions Are Reshaping Global Business

The global business environment is being reshaped by geopolitical disruption, from shifting U.S. trade policy and revived tariff regimes to restrictive immigration measures and rising U.S.–China rivalry. Companies that once relied on frictionless capital flows, stable supply chains, and predictable regulatory cycles now face rapid policy swings that can upend operating models overnight. Core assumptions—such as reliable federal procurement or stable compliance expectations—no longer hold. Geopolitical factors that once sat at the margins, including trade controls and sanctions exposure, are now embedded in early-stage investment analysis. Investment committees evaluate regulatory profiles, partner sensitivities, and CFIUS risk at the outset of transactions, and deal structures increasingly turn on these geopolitical considerations. Regulatory volatility introduces friction, while a transformed information ecosystem adds a new layer of unpredictability to how narratives spread and influence policy.

2. New Risks Demand a Proactive, Cross-Functional Corporate Strategy

This geopolitical landscape requires companies to rethink how they assess and manage risk. Economic, political, and geopolitical risks are now intertwined, making reactive or siloed approaches insufficient. Companies must adopt proactive, cross-functional coordination, integrating legal, security, policy, and communications teams to monitor geopolitical signals, anticipate regulatory shocks, and scenario-plan for shifts in trade policy, national-security priorities, or public sentiment. A single media appearance can now trigger political scrutiny, regulatory outreach, or boycott threats within 24 hours. Corporate communications must also adapt: firms are more cautious about public political commentary yet more engaged with the White House and federal agencies because policy swings can materially affect operations. At the same time, companies must craft messaging that is globally consistent yet locally nuanced, balancing a unified narrative with regional political and cultural realities.

3. Companies Want Stability—and Clearer Global Rules

Even as companies adapt, they overwhelmingly express the need for greater stability and predictability. Consistent trade policy, clearer regulatory frameworks, and more transparent rule-making processes would give firms the ability to plan long-term rather than react to sudden shocks. In the technology domain, companies hope for more harmonized global rules on AI to avoid fragmented digital regimes that complicate cross-border operations. Firms also seek stronger governance infrastructure, elevating CISOs into broader executive roles, improving coordination around cybersecurity and AI areas, and establishing structured public–private partnerships to build clarity and resilience. Improved immigration policies remain critical for attracting top global talent and maintaining leadership. Finally, companies hope for more realistic expectations around AI maturity, as addressing security, privacy, and reliability will take time.

Board Competence in the Age of AI

1. AI Boom Brings Growth—and Heightened Corporate Risks

AI adoption is now pervasive across industries, with most companies either using or exploring AI tools and the vast majority of S&P 500 firms speaking positively about AI on earnings calls. Yet this optimism contrasts with rising awareness of AI-related risks, including legal exposure, data privacy challenges, and workforce disruption. Boards face a dual imperative: determining how AI can *save money* through efficiencies and cost reductions, and how it can *make money* by reshaping long-term corporate strategy, from drug discovery to customer analytics. This environment heightens the need for boards to navigate rapidly changing regulations, manage cross-border compliance, and understand reputational vulnerabilities. A single AI-related decision can now trigger regulatory and public-trust consequences, underscoring the stakes of board-level engagement.

2. Oversight Challenges Push Governance Toward New Models

Given this landscape, boards must shift from passive oversight to proactive, structured engagement. Effective governance begins with a clear, top-down AI governance framework and a dedicated management-level committee that evaluates AI use cases, monitors risk, and reports regularly to the board. A disciplined approach employs lifecycle management systems for proofs of concept, sandboxing, and time-based testing with guardrails to ensure responsible deployment before enterprise-wide rollout. Continuous learning is equally important: boards need frequent updates and engagement with external experts. As part of this work, directors must manage a set of interrelated risks: legal and regulatory risk tied to cross-border privacy, AI, and cybersecurity obligations; reputational and trust risk arising from employee anxiety, customer confidence issues, and societal expectations; financial and operational risk linked to the immaturity and unpredictability of AI systems; and the risk of unapproved tool usage, including employees or board members relying on non-enterprise AI tools that may expose confidential information.

3. Boards Must Evolve: New Skills, Talent Strategy, and Culture

Looking ahead, companies need boards equipped with the competencies and governance infrastructure required for durable AI oversight. Directors must combine core strengths, such as curiosity and critical thinking, with AI-specific fluency in data governance, privacy, security, and the lifecycle of model development. Boards must also monitor how AI reshapes the workforce, designing talent strategies, training programs, and pathways for upskilling or reskilling. Succession planning increasingly depends on identifying leaders who can balance innovation with disciplined risk management, adjusting expectations depending on the function. Finally, boards play a central role in shaping a responsible innovation culture: setting realistic AI investment horizons, reinforcing transparency, tracking value beyond financial ROI, and modelling responsible AI use themselves.

Shareholder Democracy and the Shifting Center of Ownership

1. Regulatory and Market Shifts Are Fragmenting the Shareholder Base

Shareholder democracy—shareholders’ ability to influence corporate direction through voting, engagement, and proposals—is undergoing rapid change. Regulatory shifts (such as SEC updates to 13D/13G and shareholder proposal guidance), structural changes within major asset managers, and the rise of retail voting platforms have fragmented the investor base in ways not seen before. Programs like Vanguard’s Investor Choice, BlackRock’s structural separation of active and passive stewardship, and Exxon’s retail voting initiative all push voting power further downstream, creating greater dispersion in how shares are voted. Proxy advisors are also contributing to this fragmentation: ISS and Glass Lewis now offer research without explicit recommendations. Layered on top are debates challenging Delaware’s traditional governance model and uncertainty about SEC priorities. The effect is a shifting center of ownership with more viewpoints influencing corporate governance outcomes and less predictability.

2. Stewardship and Advocacy Must Adapt to a Dispersed Voting System

These shifts are reshaping how institutional investors, advocacy groups, and public funds operate. For large asset managers, disaggregated voting means different teams and increasingly individual investors who may vote differently even within the same organization. For advocates like Trillium and the NYC Comptroller’s Office, fragmentation increases the cost and complexity of coordinating campaigns, including vote-no initiatives and shareholder proposals. At the same time, the potential elimination of advisory shareholder proposals, despite being resource-intensive for companies, could backfire by removing a key “release valve” for investor sentiment. Without structured mechanisms to raise concerns, investors may turn to more aggressive tactics such as universal proxy cards or targeted director withhold campaigns. While companies may welcome fewer proposals in the short term, dismantling established channels ultimately reduces transparency and pushes investors toward more confrontational avenues.

3. New Ownership Landscape Requires Sharper, Targeted Engagement

In this fragmented and fast-changing environment, companies must dramatically sharpen their approach to shareholder engagement. They need clarity about who their investors are, how different shareholders vote, and what policies or preferences now govern those votes. Engagement must be tailored rather than generic: different investors, even within a single asset manager, may now require different conversations. Companies should invest in the internal or external resources necessary to track structural changes, prepare effectively for stewardship meetings, and provide exceptionally clear disclosures that explain not only what decisions were made but why. Boards should avoid strategies that appear to automate pro-management voting, which may be viewed as red flags by other investors. Finally, companies should advocate for governance rules that preserve transparency, stability, and predictability.