

AI & the Board: 6 Areas that Directors Must Consider

Technology Governance Leaders and Ethics Experts Speak Out

Approaching risk in a strategic light—in a way such that paths to innovation and value creation are well-informed – is vital for the long-term success of any organization.

And nothing has recently captured our attention in this realm more than Artificial Intelligence (AI). AI has taken over media headlines, end-user conversations, and many board discussions. But how will it impact what we do going forward? What innovations are now possible that were not before? What attack surfaces are now exposed? And what are the ethical considerations our organizations must consider...both quickly and thoughtfully?

There is a broad spectrum of reactions to this powerful technology's seemingly rapid appearance, including fear and excitement, impulsive adoption, and cautious curiosity. We know AI will affect the way we collaborate and innovate. How we work together is changed forever.

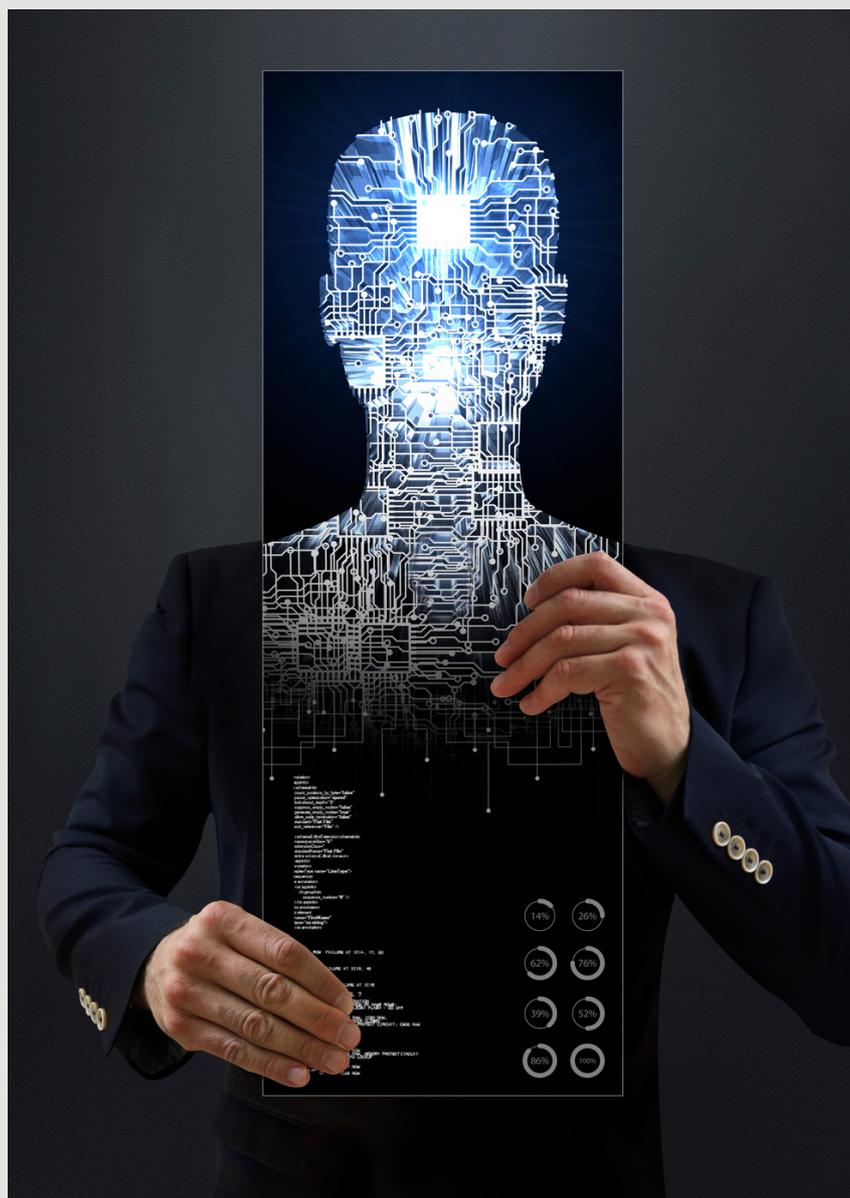
Boards are expected to govern an organization's embrace or rejection of AI. To meet those expectations, board members must quickly understand how their organizations are using AI, what vulnerabilities it brings, how it can massively scale the organization's upside potential, where the opportunity to innovate lies, and what level of unexpected outcomes they are willing (or not willing) to accept. Boards must press their executive teams to have a deep understanding of the board's expectations regarding management, compliance, ethics, and more.

In this article, we highlight key takeaways from experts across the risk governance, ethics, and innovation realm to give directors a sense of where to start, what questions to ask, and how boards around the world govern AI risk-taking best.

1. Begin with education - and understand your values

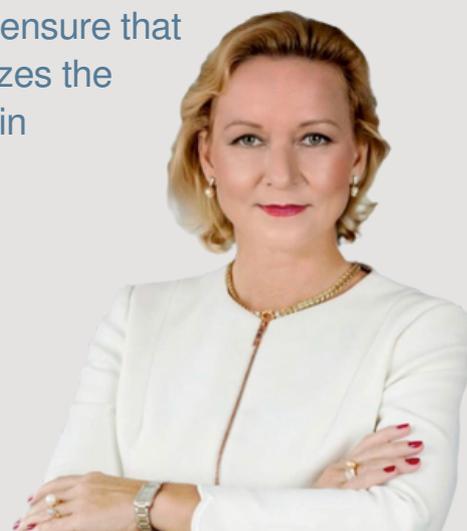
What you don't know in this area, you must learn – at least sufficiently to govern. Consider it a subset of the Duty of Care charged upon all board members.

Dr. Ingrid Vasiliu-Feltes, Founder & CEO of the



"[The board's] duty is to ensure that the organization maximizes the value of its investments in AI technologies while minimizing risks to the organization's reputation and operations."

- Dr. Ingrid Vasiliu-Feltes,
Founder & CEO Institute for
Science, Entrepreneurship, and
Investments



"We are going into a future where risk used to be something we know and could control, but now we are in an area of uncertainty. The boards that move now to see how it will affect their industry—they will be the winners."

- Liselotte Engstam, chair and non-executive director, researcher, advisor, and co-author, *AI Leadership for Boards: The Future of Corporate Governance*



Pictured above: Reid Blackman, Ph.D. AI ethics advisor and author of the best-selling book, *Ethical Machines*



Pictured above: Liselotte Engstam, chair and non-executive director, researcher, advisor, and co-author, *AI Leadership for Boards: The Future of Corporate Governance*

Institute for Science, Entrepreneurship, and Investments, describes the board's responsibility concerning AI as "its duty to ensure that the organization maximizes the value of its investments in AI technologies while minimizing risks to the organization's reputation and operations. The board must oversee the development and implementation of an AI strategy that aligns with the organization's objectives and values and ensure that AI systems are secure, transparent, and compliant with relevant laws and regulations. Additionally, the board must oversee the ethical use of AI to ensure that it aligns with the organization's values and does not cause harm to individuals or society at large."

Reid Blackman, Ph.D., is an AI ethics advisor and author of a best-selling book on the subject, *Ethical Machines*. He helps leaders and organizations navigate the legal and regulatory effects of AI and establish practices of AI ethics so they can mitigate risk and earn trust.

"Interest in AI has exploded," he said. "OpenAI has opened up people's imaginations. The challenge: many organizations have no clue where to begin. They don't know what they are dealing with, what the risks are, and whether AI is even an appropriate solution. They need to focus on education. Many people are so bent on rushing to show results that they are skipping the education phase."

Often for boards, the first lesson about AI involves gaining an understanding of how the current and planned use of AI aligns with the organization's values. Boards need to know the extent to which their AI initiatives reflect their appetite for risk-taking. "I help clients first establish guardrails on AI ethics," Blackman explained. "It helps align their values to their actions in AI. 'Because we value X, we will never do Y or Z.'"

"The board has accountability for the long-term success of the company. They need to push AI ethics forward; they need to push the CEO or CIO to own it, to build

out a program, including metrics, KPIs, compliance, and implementation," concluded Blackman.

2. Balance Control with Guidance

Liselotte Engstam is a chair and non-executive director on multiple listed and private companies, as well as a researcher, author, and advisor. She's conducted extensive studies of boards and AI and has co-authored the book *AI Leadership for Boards: The Future of Corporate Governance*, based on a two-year academic and empirical research study. She is spearheading an additional research study on board practices for long-term value creation on behalf of Digoshen, a think tank that supports purpose-driven boards.

"Boards need to make sure to balance the guidance to management with the need to control. You will not control yourself in company leadership and growth—you can only do that if you can guide the company," she said. "There are three areas within AI operational capability that boards must focus on: data strategy and management, digital and AI innovation, and developing a digital ecosystem."

Here's how Engstam explained these key areas: "Data management: Right now, we're experiencing what I call 'AI on tap.' You still need to think through your questions or prompts; you still need to guide the data. AI innovation: boards need to think carefully about which innovations are appropriate. And in an ecosystem, which partners to work with."

AI will quickly impact your business and the industry in which you operate.

"The best way to look at innovation and opportunities is to think about the missed opportunities," said Engstam. "We are going into a future where risk used to be something we know and could control, but now we are in an area of uncertainty. The boards that move now to see how it will affect their industry—they will be the winners." This guidance is critical.

Pictured Right:

Tatiana Pecastaing Pierre,
independent non-executive
director



3. Get hands-on with the tools and understand the potential

Tatiana Pecastaing Pierre is an independent non-executive director focused on the social and environmental impact spaces. She sits on two boards of companies headquartered in Europe and Asia. Her view is that the provision of sound guidance on the use of AI and particularly generative AI tools requires board members to get hands-on with AI tools – to experience it themselves.

"Board members need to educate themselves on these new tools, as they may not embrace the full spectrum of possibilities and potential threats associated with generative AI tools (like ChatGPT) if they are not testing them themselves and/or given a full demo by experts," said Pecastaing Pierre. "Boards must invest in training and external advice to truly understand the risk and opportunities associated with AI and even more generative AI."

She predicts companies' increasing leverage on AI (including generative AI) tools will bring growing awareness of the need to strengthen sensitive and personal data protection further. Boards may require new procedures to be established and monitored and ad hoc training to be organized. "Generative AI tools will drastically change



Pictured above: Meghan Anzelc, Ph.D. data science and AI executive advisor

the way we work. But companies can be expected to rely on their own private instance of generative AI tools like ChatGPT to address issues like compliance and ensure that the data an organization feeds into the tool does not go outside. And the information is only as good as what you enter—false information in, false information out," she concluded.

4. Embrace the ride - and bring the team along

Meghan Anzelc, Ph.D. has spent her career exploring the potential of data science and AI—and how organizations can use these tools to create greater value. She advises CEOs and boards on the changing AI landscape, helping them develop a practical understanding of these tools and a realistic path forward.

"This is a moment in time that has captured people's imaginations with regards to innovation," Anzelc explained. "They are thinking big about how to use AI to achieve the goals of the organization."

"Everyone is talking about AI; everyone is excited about AI—and this excitement can be felt across the company. It's a great opportunity for organizations to experiment and come together as an organization for

the common initiative." Anzelc explained that these initiatives don't have to be groundbreaking or headline-hitting — the value lies in unifying teams around one common goal. "There's that phrase, 'Don't let a good crisis go to waste.' Well, I like to think, 'Don't let a good opportune moment go to waste,'" emphasized Anzelc.

And, as the board moves forward to understand AI, they will require a broad profile of experts and teams across the organization to embrace new technologies and ways of work – legal, compliance, ethics, regulatory, and product development. The right expertise will be critical for success, particularly in understanding the corporate risk management approach – an essential aspect of the board's duties and accountability. Expertise is required to cut through the noise and understand which risks are more pressing, which ones may be more rooted in fear, and how the organization is using its better understanding of risk for competitive advantage – an often overlooked way the risk management infrastructure creates value.



Homaira Akbari,
cybersecurity expert,
board member, and co-
author of *The Cyber
Savvy Boardroom*

For organizations that lean towards fear, Anzelc encouraged them to reflect on how they handled other transformative moments in the past. “Look back, how did you handle those moments? How did you adopt other technologies? What did you wish you had done? What did you do well, or were you late to the party?”

5. Cybersecurity will be critical to success

Homaira Akbari is a cybersecurity expert, board member, and co-author of *The Cyber Savvy Boardroom* (forthcoming). Across her board experience, companies are asking themselves strategic questions, such as how to leverage generative AI, how it will disrupt their business, and what their competitors are doing about it. The next layer down, she said, is more operational: how will employees use the technology, and what should company-wide policies and procedures regarding the use of AI by the employees be?

“And then, cyber risk will be critical,” she said. “As AI becomes more and more prevalent, whether cognitive or generative, the question becomes, ‘How can I be sure this AI is secure, or how can I audit this AI to ensure it is doing what it is supposed to?’”

Cybersecurity for AI will center around four key areas: data corruption and poisoning attacks; data manipulation; logic manipulation (whereby the logic behind the AI algorithm is altered); and transfer learning attacks (whereby pre-trained AI models are poisoned, which can have a ripple effect across AI systems at scale). “Boards will see an increased need for cybersecurity knowledge and expertise as they confront these new threats.”

6. Plan for unexpected impacts by targeting alignment with global initiatives

Dr. Vasiliu-Feltes urges boards to ensure their approach to AI is in line with the United Nations Sustainable Development Goals (SDG) 2030 and the UN Net Zero 2050 initiative. The SDG 2030 declares a resolution to address poverty, hunger, and inequality, to protect human rights, and more. The UN Net Zero 50 initiative seeks to cut greenhouse gas emissions and get them as close to zero as possible by 2050.

“Meeting these goals will require boards to ensure the organization’s AI strategy aligns with the UN’s global objectives,” Vasiliu-Feltes explained. “To achieve success, the board must collaborate with management to identify the areas in which AI can contribute, like improving access to education, healthcare, and clean energy, as well as using sustainable AI technologies that reduce greenhouse gas emissions and promote sustainable development.”

Part of the board’s responsibilities in these areas will be establishing a comprehensive digital ethics strategy and ensuring the entire workforce understands it well. “The digital ethics strategy should be aligned with the organization’s values and mission and should consider the potential impact of AI on society and the environment. A robust digital ethics strategy complements the board’s cybersecurity concerns, as it addresses potential risks related to privacy, bias, and discrimination, which are critical issues in the age of AI. The strategy should include guidelines for responsible AI development and deployment, as well as measures for identifying and mitigating potential ethical risks.”

Learning to Embrace Risk in AI

“Risk-taking is embedded in every single decision an organization makes,” said David R. Koenig, President and Chief Executive Officer of the DCRO Risk Governance Institute. “AI presents a unique opportunity for boards to establish smart risk governance frameworks early on that will allow them to innovate as AI technologies become increasingly accessed and utilized by partners, employees, and competitors.”

And while AI has quickly captured our imagination, innovation, generally, is an ongoing and essential process across many technologies, digital and otherwise. In anticipation of the need for boards to understand how to govern and stimulate innovation, the DCRO Institute launched its Innovation: Effective Risk-Taking, Corporate Renewal, and the Role of the Board program last year.

With all innovation comes the possibility of upside and downside surprises that boards must effectively oversee. The DCRO Institute offers three programs for board members on cyber and technology risk governance that blend practical approaches to utilizing new technologies with a robust look at how board members can best govern this vital form of risk-taking. Fundamentals of Cyber Risk Governance and Cyber Risk for Boards: Strategy and Effective Oversight are directors’ entry-level and intermediate educational programs. For those most serious about sound governance practices, there is also a global credentialing program, the Certificate in Cyber Risk GovernanceSM Course.

The DCRO Institute is a global nonprofit peer collaboration designed to help leaders learn to embrace risk in AI, innovation, cybersecurity, and beyond. Its programs are for board members, those aspiring to serve, and those who work with boards, allowing them to learn practical and immediately applicable best practices from their peers.

Learn more about the DCRO Institute’s credentialing programs and board training opportunities at www.DCROI.org.