BoardPro™

Masterclass

Harnessing AI for Boardroom Success

Module 2

With Helen van Orton

Module Two

AI Risk and Responsibility

Mastering Governance in the Age of Intelligence

Module 2

What we'll cover

- Understand the risks of AI, from data bias to regulatory compliance.
- Gain insights into the best practices for AI governance.
- Learn how to oversee and deploy AI initiatives.
- Understand how AI will continue to shape workforce dynamics and leadership responsibilities.

Module 2 - Chapter 1

Understand the risks of AI, from data bias to regulatory compliance

Exercise

Identifying Key AI Risks

01

Reflect on the risks AI could pose to your organisation.

02

Think of 2-3 significant risks

Key Organisational Risks in AI Adoption

01 **Strategic:**

Misaligned AI initiatives or lagging competitors.

02 **Operational:**

Over-reliance on AI or lack of oversight.

03 **Legal:**

Data privacy breaches or biased AI outputs.

04 **Reputational:**

Loss of trust or ethical controversies.

05 **Bias:**

Amplification of bias or unfair decision-making.

Recognise the Risks

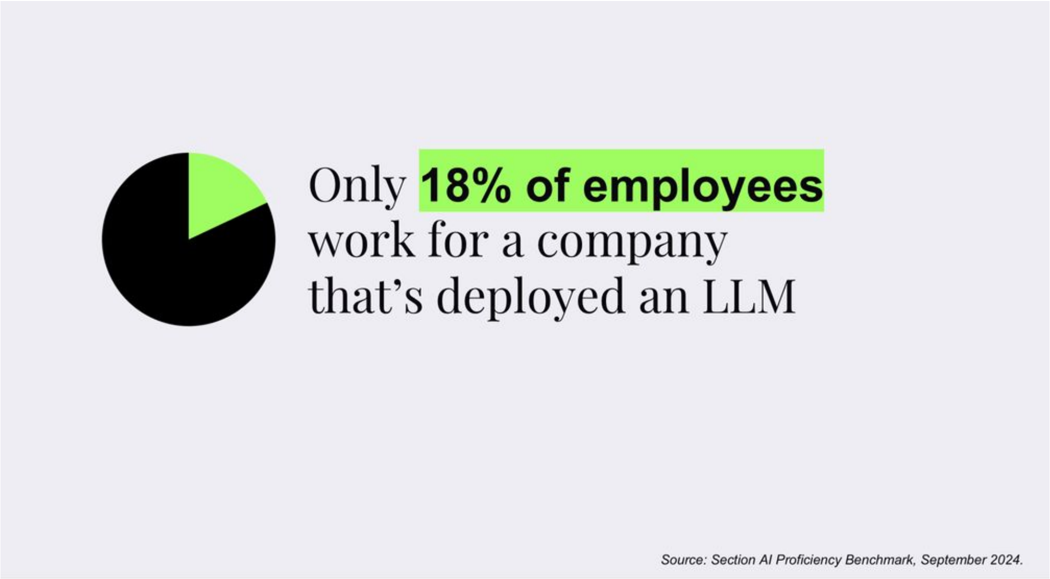
Key Questions for the Board:

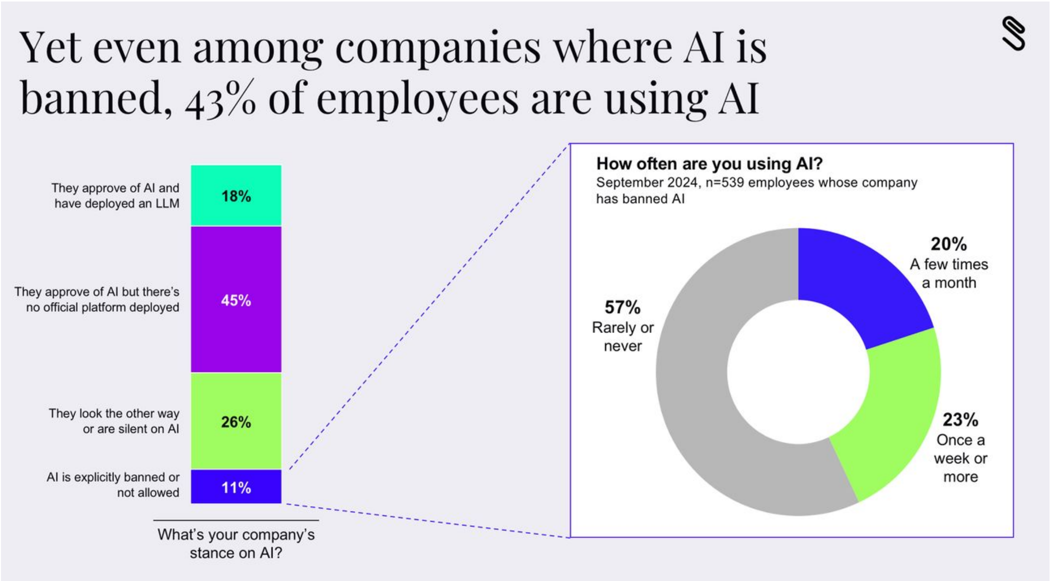
→ How are we Understanding and managing key AI risks?

→ Are we staying informed about emerging AI trends and regulatory developments?

→ How much Shadow AI is in the business?

Shadow AI is real!





Source: Section

Oversee AI use and data governance

Key Questions for the Board:

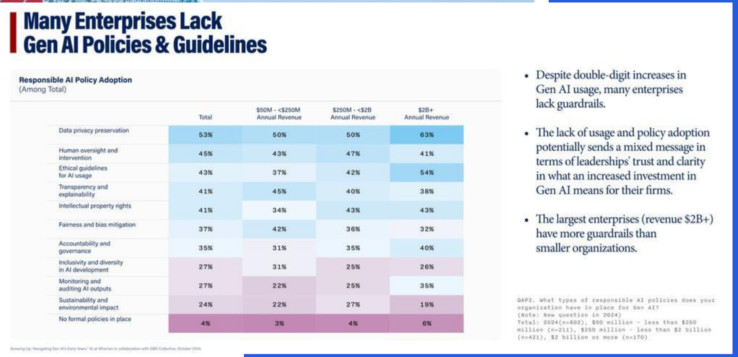
→ How are we ensuring the quality and integrity of our data are maintained to support reliable and safe AI models?

→ What policies and frameworks do we have in place to manage AI-related risks, ensure data protection, and uphold legal and ethical standards?

→ How transparent and explainable are our AI-driven decisions to our stakeholders, including employees, customers, regulators and the public?

Air Canada ordered to pay customer who was misled by airline's chatbot

Company claimed its chatbot 'was responsible for its own actions' when giving wrong information about bereavement fare



Many Enterprises Lack Gen AI Policies & Guidelines

Responsible AI Policy Adoption
(Among Total)

	Total	$50M - <$250M Annual Revenue	$250M - <$2B Annual Revenue	$2B+ Annual Revenue
Data privacy preservation	53%	50%	50%	63%
Human oversight and intervention	45%	43%	47%	41%
Ethical guidelines for AI usage	43%	37%	42%	54%
Transparency and explainability	41%	45%	40%	38%
Intellectual property rights	41%	34%	43%	43%
Fairness and bias mitigation	37%	42%	36%	32%
Accountability and governance	35%	31%	35%	40%
Inclusivity and diversity in AI development	27%	31%	25%	26%
Monitoring and auditing AI outputs	27%	22%	25%	35%
Sustainability and environmental impact	24%	22%	27%	19%
No formal policies in place	4%	3%	4%	6%

- Despite double-digit increases in Gen AI usage, many enterprises lack guardrails.
- The lack of usage and policy adoption potentially sends a mixed message in terms of leaderships' trust and clarity in what an increased investment in Gen AI means for their firms.
- The largest enterprises (revenue $2B+) have more guardrails than smaller organizations.

QAP2. What types of responsible AI policies does your organization have in place for Gen AI?
(Note: New question in 2024)
Total: 2024(n=802), $50 million - less than $250 million (n=211), $250 million - less than $2 billion (n=421), $2 billion or more (n=170)

"Growing Up: Navigating Gen AI's Early Years." AI at Wharton in collaboration with GBK Collective, October 2024.

Hallucinations:

AI hallucinations occur when generative AI produces incorrect information that seems plausible.

AI errors undermine trust because the reasoning behind them is not always clear.

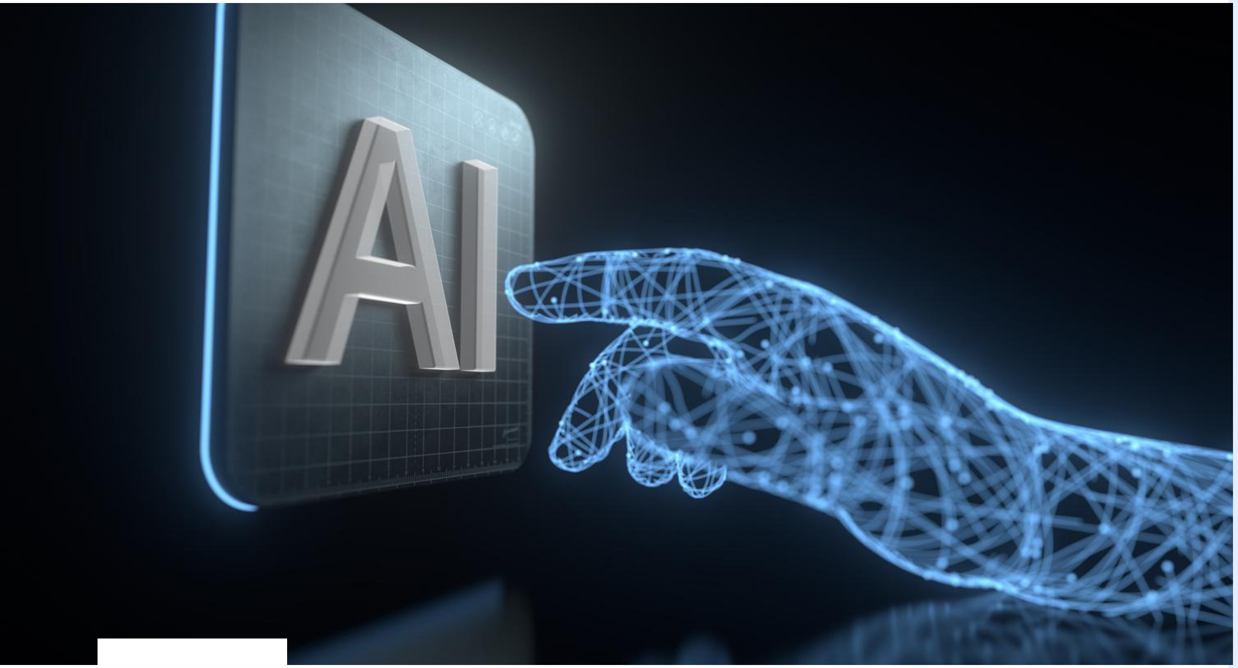
Hallucinations can lead to inaccurate results in tasks requiring factual accuracy.

ALWAYS check AI sources, use multiple tools, and apply guardrails

Module 2 - Chapter 2

Gain insights into the best practices for AI governance

Guardians of innovation



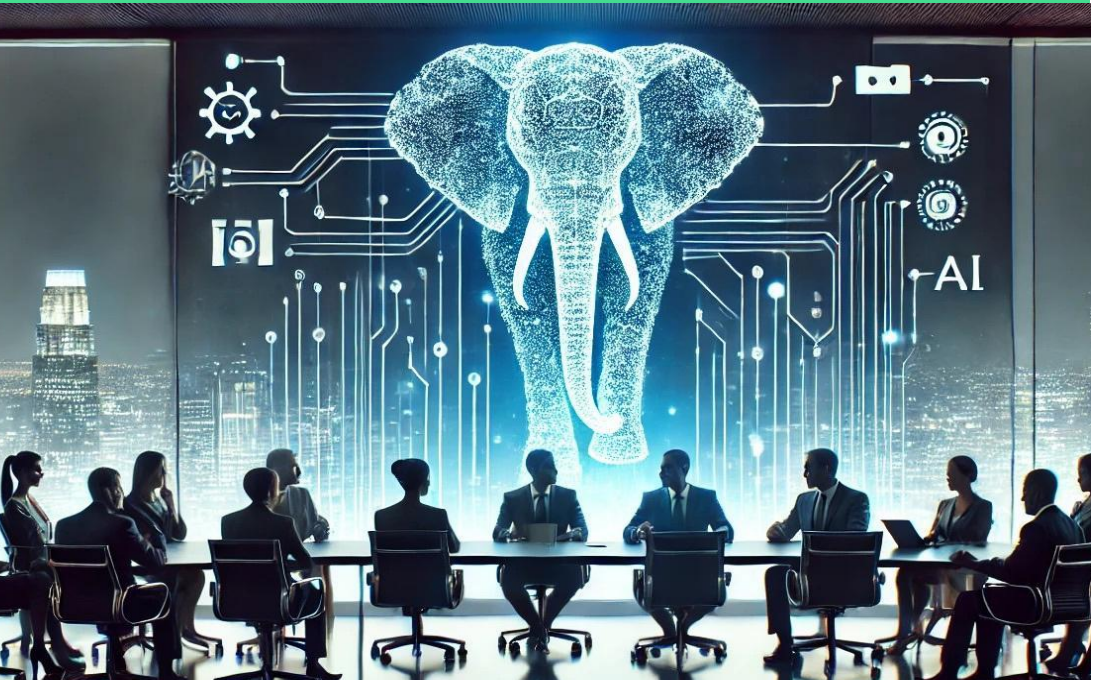
Governing Emerging Technologies with Confidence

Governing in an AI world AI is here. Embrace it.

Institute of Directors July 2024

The AI Elephant in the Boardroom

2024 Insights into Boards and AI



83% of companies see AI as a top priority. But:

01 45% have never discussed AI at board level.

02 Only 14% of boards discuss AI at every meeting

03 25% discuss AI twice a year.

04 16% discuss AI annually

Boards must act to close the gap between ambition and action.

Sources: Forbes, Deloitte

IOD

Principles of Board Oversight of Artificial Intelligence

Artificial intelligence holds the potential to transform our working and personal lives to an extent not seen since the advent of computing. Governors and senior leaders can best future-proof their people and organisations by actively exploring and embracing the opportunities and risks that AI presents. From disruption comes innovation – it's time to get involved.

David Glover CFInstD

1. Take action from a strategic perspective
2. Seize the opportunities
3. Categorise and address the risks
4. Build board capability
5. Select the right board structure
6. Oversee AI use and data governance
7. Look after your people
8. Proactively build trust
9. Embrace AI as part of your governance practice

Take Action From a Strategic Perspective

Key Questions for the Board

→ What impacts could AI have on the industry in which we operate?

→ How might AI impact the business and its ability to achieve its current long-term strategy?

→ How are competitors utilising AI? Are there other organisations using AI in a way that can inform the our own business model and usage?

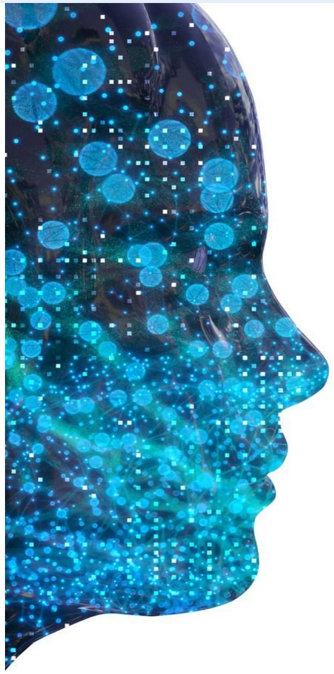
→ Does AI create new opportunities that our organisation should incorporate or accommodate in the long-term strategy?

Seize the Opportunities

Proactively Assess AI options and strategically adopt solutions.

Key Questions for the Board

- What Steps do we need to take to integrate AI-driven insights into products and services?
- How can we use predictive analytics for forecasting, risk management, and strategic thinking?
- Are we Leveraging AI for competitive differentiation?



Module 2 - Chapter 3

Overseeing and deploying AI Initiatives

Overseeing and deploying AI initiatives

DIRECTORLY

Board Capability, Structure and AI Use

Key Questions for the Board

- How is AI being governed by the board (Technology Committee)?
- Are we equipped with AI fundamentals for effective governance?
- Are we leveraging AI as directors ?

Board Capability, Structure and AI Use

Source: IOD, The productivity opportunity of AI

Strategic AI Integration and Governance:

How can our board strategically integrate AI into our business strategy to enhance productivity while ensuring ethical governance?

Risk Management and Ethical Frameworks:

How can our board strategically integrate AI into our business strategy to enhance productivity while ensuring ethical governance?

Building AI Competency within the Board:

How can we develop and enhance AI literacy and capabilities within our board to effectively oversee AI initiatives?

Developing an AI-driven Mindset for Competitive Advantage

Empower Your Team

Encourage your employees to explore and leverage AI-powered tools in their daily work.

01

02

03

Embrace Experimentation

Foster a culture of innovation and continuous learning to unlock the full potential of AI.

Stay Ahead of the Curve

Monitor AI trends, emerging technologies, and best practices to maintain a competitive edge.

Deploying AI

5 Simple Steps to Start Using GenAI

01 Gather Insights from a Ground-Up Committee

02 Establish Clear Guidelines and Guardrails

03 Launch with a Measurable AI Project

04 Invest in Education and Training

05 Plan for the Future of Work with AI

Overcoming Common Challenges in Adopting AI

Resistance to Change

Address concerns about job displacement and foster a culture of AI literacy and adoption.

Data Privacy and Security

Implement robust data governance policies and ensure responsible AI practices to mitigate risks.

Lack of AI Expertise

Invest in upskilling your team and leveraging external experts to guide your AI integration efforts.

Ethical Considerations

Develop a clear framework for the ethical use of AI to maintain trust and societal impact.

DIRECTORLY

Module 2 - Chapter 4

How AI will continue to shape workforce dynamics and leadership responsibilities

Workforce Dynamics

“AI won't replace humans,
but humans who use AI
will replace humans that don't.

FEI-FEI LI

Stanford Professor, AI Researcher


Subscribe To Newsletters

Forbes

The Amazing Ways IKEA Is Using Generative AI

Bernard Marr Contributor

Follow

0

Apr 5, 2024, 01:59am EDT

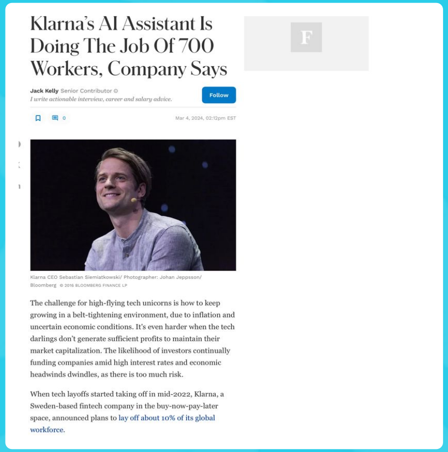
Updated May 14, 2024, 10:06am EDT

The Amazing Ways IKEA Is Using Generative AI ADOBE STOCK

Global furniture retailer IKEA has long been at the forefront of tech-driven retail innovation. This includes artificial intelligence and augmented reality – two technologies that it has leveraged successfully to improve customer experience and service.

Now, it's unleashing the power of generative AI to give customers even more power when it comes to designing their ideal homes. It's also created an ethical AI task force made up of experts from across the entire business to ensure this hugely transformative technology is rolled out responsibly.

It is also investing heavily in skilling its staff so that the entire workforce can effectively use AI to solve problems and drive efficiency.


Klarna's AI Assistant Is Doing The Job Of 700 Workers, Company Says

Jack Kelly Senior Contributor

I write actionable interview, career and salary advice.

Follow

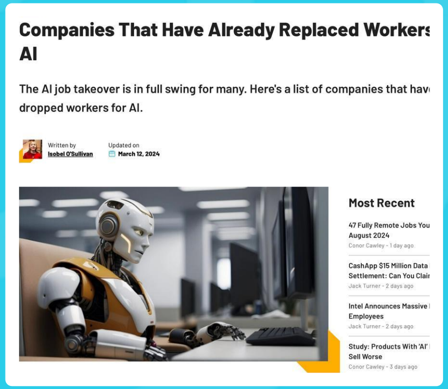
0

Mar 4, 2024, 02:12pm EST

Klarna CEO Sebastian Siemiatkowski/ Photographer: Johan Jeppsson/ Bloomberg © 2016 BLOOMBERG FINANCE LP

The challenge for high-flying tech unicorns is how to keep growing in a belt-tightening environment, due to inflation and uncertain economic conditions. It's even harder when the tech darlings don't generate sufficient profits to maintain their market capitalization. The likelihood of investors continually funding companies amid high interest rates and economic headwinds dwindles, as there is too much risk.

When tech layoffs started taking off in mid-2022, Klarna, a Sweden-based fintech company in the buy-now-pay-later space, announced plans to lay off about 10% of its global workforce.


Companies That Have Already Replaced Workers AI

The AI job takeover is in full swing for many. Here's a list of companies that hav dropped workers for AI.

Written by Isobel O'Sullivan

Updated on March 12, 2024

Most Recent

47 Fully Remote Jobs You August 2024

Conor Cawley - 1 day ago

CashApp $15 Million Data Settlement: Can You Clai

Jack Turner - 2 days ago

Intel Announces Massive Employees

Jack Turner - 2 days ago

Study: Products With 'AI' Sell Worse

Conor Cawley - 3 days ago

People impacts and Workforce dynamics

- How will AI impact our workforce ?
- What steps are being taken to address potential challenges or concerns?
- Are we looking for cost out, or increased productivity from existing staff?

Change Management is Critical

He aha te mea nui o te ao

He tangata, he tangata, he tangata

Māori Proverb

What is the most important thing in the world?

It is the people, it is the people, it is the people

01 Upskilling

02 Re-skilling

03 Skill shifting

04 Attracting and retaining

Module 2:

What We’ve Covered and Learned

01

Understanding AI Risks:

- Key risks: data bias, ethical concerns, and regulatory compliance.
- The importance of mitigating reputational and operational risks.

02

Best Practices for AI Governance:

- Seize the opportunity
- Establish ethical and responsible AI frameworks.
- Integrate AI governance into existing board structures.

03

Overseeing and Deploying AI Initiatives

- Regularly review AI initiatives
- Start small with AI projects and scale as needed.
- Ensure transparency and accountability in all AI activities.

04

Impact on Workforce and Leadership:

- AI will reshape jobs, requiring workforce planning and reskilling.
- Boards must support leadership in managing these changes.

End of Module 2