

What AI means for the board

Michael Drew | Markus Trost

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The European Union is about to become the first major market to create a legislative framework around artificial intelligence, and Boards of directors need to pay attention.

The European Commission's Artificial Intelligence Act will impose obligations on developers, including standards of governance, design, transparency, and data security. It is the world's first legal framework covering AI, and those that fail to comply with it may be subject to hefty fines.

Legislative frameworks like the AI Act are necessary and will provide the guidelines to help companies build and implement the technology, ensuring it is used ethically.

As general-purpose AI becomes more powerful and more effective in the business environment, it can substantially alter business opportunities, company risk, investment plans, structures, and talent and skills requirements. AI, like any major technology revolution, also has potential for disruption. It can substantially alter business opportunities, company risk, investment plans, structures, talent, and skills requirements. Businesses increasingly see it as competitive advantage and are going to great lengths to implement AI systems.

It is important to note that AI is not simply a software update. Artificial intelligence relies on data input to create the underlying code, and the data is continuously analysed to create or predict new patterns of behaviours. It can be outsourced to a tech vendor to develop and implement, and this will fuel the tech industry for years to come. However, this piecemeal approach may not provide the level of data input needed to make AI more effective. It requires collaboration across various parts of the company to ensure that emerging risks, such as any bias in the data, are appropriately managed. Even a slight bias in the data can have severe consequences on financial returns and reputation and could potentially breach the EU's upcoming AI Act.

How Boards should approach their AI journey

Implementing AI effectively (in keeping with the EU's legislation) first requires a maturity check. This will enable an organisation to define the status quo, identify pitfalls and prioritise areas accordingly.

There are approximately four company maturity levels that have been identified when implementing AI. Experimenters, who have successfully completed their first pilot tests; practitioners, who have an AI strategy and have begun actual AI deployment; professionals,

where AI is in production and broadly embedded in the organisation, and shapers, where the organisational DNA is transformed, and AI is at the core of the competitive strategy.

Secondly, Board members should act as role models for the rest of the company. Bringing clarity to the complexity of AI is very important, as is developing a basic intuitive understanding of AI and its associated skills. The strategic direction, priorities, data-driven actions, support of experimentation, and upgrading the board's competencies around AI should figure prominently in an organisations communication and actions. This will mitigate misconceptions, fears, and resistance.

Thirdly, a programmatic approach to AI strategy is needed, identifying and prioritising use cases before developing the AI solutions. Lastly, Board members should guide the organisational change process with proven knowledge, best practices, and standards.

At the same time, all AI-enabling factors in the company must be upgraded, including data and ML infrastructure, people and talent, organisation, and governance, and ultimately, suppliers and partners.

Every AI initiative requires joint ownership by the business user and technical/process experts – usually IT. This is important as data is integral to the algorithm, and business users are responsible for data input. Therefore, AI requires new skills at levels beyond the Digital or Big Data waves. Processes and applications need to be reconsidered from a data perspective, and data pipelines have to be built—collectively affecting all parts of the organisation.

Arguably, the IT function is subject to the largest transformation. It must move much closer to the operational units and acquire new technical, business, and user-interaction skills. AI is a truly company-wide transformation.

Will the role of the Chief Data Officer become the Chief AI and Data Officer (CAIDO)?

Given the complexity of implementing AI within the bounds of an entirely new legal framework, a Chief AI and Data Officer may become a necessity.

A CAIDO would ensure the overall alignment of AI activities and oversee the existing initiatives throughout their lifecycle. Without top-level oversight of the complete AI portfolio and programs, duplication of efforts and waste of resources is likely. Additionally, effective coordination is necessary to leverage all datasets for use within the algorithm.

They will also challenge the status quo from an 'AI First' perspective and serve as a sounding board for other board members. A CAIDO should be able to identify and utilise AI opportunities in a variety of different ways and prevent others from pursuing risky AI ventures.

Ultimately, a CAIDO will drive AI initiatives throughout the company. Whether one is needed or not, is likely to depend on several factors such as CIO or CTO skillset, an organisations' AI maturity level, and a Board's level of knowledge of AI.

The path forward

The combination of new AI legislation and increasing competitor adoption may soon mean that AI representation on the Board is becoming a necessity. Responsibility for implementing and scaling is truly business wide, and therefore requires, at the very least, Board level competency. Above all, a genuinely collaborative, iterative, and cross-functional company is critical for AI success as its algorithm is only as good as the quality of its data – which comes from the employees.

Dr Andreas Liebl from Applied AI adds:

“We are working hard to evaluate companies into the AI age. And with this experience and expertise, we are also advising governments and the European Union on the upcoming Artificial Intelligence Act, always with the objective to make Europe the successful Leader in ethical AI.”