3 principles for governance over AI

Transcript

SPEAKER:

Chris Smith, Chief Strategy Officer, Grant Thornton LLP

NARRATOR: Welcome to the Industry Insights podcast series, where Grant Thornton shares information through an industry-specific lens about the most important business issues of the day. In this episode, Grant Thornton Chief Strategy Officer Chris Smith describes the three principles that boards should consider in their governance over artificial intelligence at their organizations.

CHRIS SMITH: When I think about the principles that a board of directors or the governance function in general should consider, I really think about three principles.

The first is: "Just because you can doesn't mean you should."

The second is: "Do no harm to your stakeholders."

The third is: "Trust but verify."

Principle one: Just because you can doesn't mean you should

If boards ask themselves or they follow these principles of, principle one, just because you can doesn't mean you should. And what that relates to is boards working with management to have their philosophical and ethical stance locked on the usage of AI.

Do they have the expertise on hand to guide them? Do they have the credibility or support to understand the nuances of AI, as in all AI is not the same?

So that's principle one.

It starts again with making sure the board understands management's perspective on both the philosophical and the ethical stance they're taking with artificial intelligence.

I think there are various approaches and applications of AI where one company may find it ethically OK to leverage open-source generative AI platforms, not necessarily having the traceability of where the data is coming from. Has it been scraping dark web data? But the philosophical stance might be: "We're OK with open."

Whereas others might say “We need to have all verified sources, no matter what. Maybe we're open, but it's verified sources.”
Or others’ philosophical stance might be: “We embrace AI, but it's AI based upon our closed-loop system data that we've always farmed and had.”
That's a philosophical difference that a company needs to take, and I think it's on the board to be asking those questions and asking management or guiding management on that philosophical stance. I think it goes hand in hand with the ethics. You know, just because you can doesn't mean you should.
We've talked about the scenario of a leading B to C, B to B to C e-commerce giant that has tried for years, tried to predict timing of when you, when I run out of milk. And it's AI that's actually building that arsenal and understanding when to reach out to me with a bot that says “I bet you're out of milk. It'll be on your front porch at 5 p.m.”
OK, you can do it. Should you? I don't know.
If you have me on subscription, OK that seems like a pretty harmless use case scenario. But the example of it's not exactly AI, but it was definitely machine learning-influenced, the example you've heard about for a long time, a big retailer sending a bunch of a coupons and products around infant formula and all these baby products.
And the father of the house was quite upset and engaged the retailer and said, “Why are you sending me all this stuff?”
They were able to, through scraping and all that, understand that I think it was a 14-year-old or 15-year-old daughter was pregnant and it was able to understand that through how it was using the data.
Just because you can doesn't make you should. And I can do 20 more examples of things that, you could scrape data in a certain way, or you could interpret the data in a certain way.
But should you? And that's where consent comes in, and again, trusted sources of data. So I think that's all wound up in this, just because you can doesn't mean you should. Just because you can start applying AI in customer service and it could eliminate 20% of your customer service agents doesn't mean you should if a small town counts on those jobs to keep it up.

So again, going to that number two, do no harm to your stakeholders, with a philosophical and ethical stance on AI stated along with that first principle, the board may say, “Hey, we understand that you could do a reduction in force, but actually we want you to more focus on retooling that workforce because we care about one of our stakeholders: community; another one: employee.”
So number one, number two and number three work in tandem in my opinion, and definitely one and two work a lot in tandem.

Principle two: Do no harm to your stakeholders

Principle two was, boards should take a stance of do no harm to your stakeholders. And that comes to anything. So it's applicable. It's always existed, but it should also absolutely apply to AI.
But I think with AI, when we talk about, do no harm to your stakeholders, it's implied that I believe the governance function needs to be clear on the priority of the stakeholders.
Because how AI applies and could adjust one or impact one may have a consequence on another, so continuing to provide management with a perspective on, almost like you're staggering priority of your stakeholders, will be critical.
I think when you unpack that principle, undoubtedly, as AI starts to be applied, it's going to make changes.
And when you think about it applied to maybe the employee stakeholder, really any, but definitely the employee stakeholder, having that notion of, as you make these changes, is there a path for those most impacted by the AI to contribute in a new way that's even more impactful to their own or the company's mission and is that company when deploying AI supporting the impacted stakeholders on that transition?
So we talk a lot about how AI is going to remove jobs, and I think to an extent that is accurate, but it doesn't have to remove current jobs. It can remove future job recs, but if boards and governance are clear to management that a do-no-harm approach needs to be considered, then companies would start to retool, rearm, uplevel existing folks that are displaced by AI to do different things.
And yes, future head count may go away, but that's OK. A company doesn't survive

based upon hiring heads. A company survives and thrives based upon being more profitable and doing more good if they're a nonprofit, and delivering on your mission, if you're a nonprofit or a for-profit.

So I think shifting out of AI as removing current jobs, and it's AI as potentially displacing future jobs, that is a little bit more palatable because you're not actually removing, you're doing no harm to your core stakeholder group, which is the employee.

By default, you're also improving it for your corporate, your investors because if you are deploying AI and keeping your existing headcount and removing future cost, future heads, you're also making your stakeholders happy because your margin is going up.

Principle three: Trust but verify

And then the third, last but not least, I think again, tried and true governance principles: Trust but verify.

And when I think about governance, this is where the AI center of excellence, all of these different forms of how AI can be governed on the management side, ensuring that governance is up to date and how best-in-class companies have always and are going to continue to govern emerging technologies, any kind of emerging or disruptive capability, it's just technology, in this case. Making sure the governance role is up to date and is making sure management not only has these structures in place, but that they're leaning in, entrusting, but having again the capability, the questions to verify what has been designed is operating the way it's intended to operate.

When we talk about governance over AI, this is not new. It's just not. Disruption happens all the time. Boards have been here for 100 years having to actually be armed with really nothing more than experience and a set of questions to get to the truth. And I think this is just another version with a different flavor, and it doesn't matter if it's asset management, technology, healthcare, life sciences or manufacturing. All of them bring their own unique upside and downside to the company, but the one sort of commonality for the boards is, you need to be principled. And I think those are three principles that are quite applicable to all industries.

So as boards weather this new disruption, this new emerging technology, as long as they take into consideration these three principles or some form of these types of principles, they're not only going to be fulfilling their fiduciary responsibility as board members, but they'll really be taking care of all stakeholders associated with governance.

NARRATOR: Thank you for listening. Find out how Grant Thornton goes beyond expectations at GT.com.