



Image created using Midjourney, a GenAI tool.

AI in the Boardroom

A Guide for Boards

ChatGPT 3.5 launched in October 2022, and the debate around AI went stratospheric. A year on, Google's DeepMind has launched Gemini, which can understand the world around it and outperform humans in a range of tasks. AI and Generative AIs capabilities are moving faster than most predicted, meaning board directors and Chairs have their work cut out navigating its impact for their companies' futures.

Working with boards all over the world, we know many feel they have more questions than answers. Board directors we speak to want to help their companies "seize the promise and manage the risks of AI".

In response, we've put together a practical guide for boards of public

and growth companies to help them cut through the noise, be mindful of and manage the risks, prioritise their responsibilities to their workforces, shareholders and wider society - and position themselves to capture AI's promise.

We spoke to a range of data and AI experts, academics, business and board leaders in the US, UK and Europe to gather insights and offer boards a clear path to responsible AI engagement and oversight.

With a technology that can potentially do anything, we hear board directors asking:

- How do we assess the value of our tech investments and weigh up their risks?
- How can we help our company ride this wave of rapid change without being left behind?
- How do we embed AI responsibly?
- How will we help our leadership teams move from excitement to deployment?
- What will AI mean for our workforce? How will we hire and retain top data and AI talent?
- How do you get the whole board to step up and understand the implications of AI?

Table of Contents.

1 Introduction

2 What Does AI Promise for Your Business?

3 Assessing the Value of AI for Your Business

4 Getting Started

- Becoming Better Informed
- When To Call In The Experts
- Getting Hands-On With The Tech
- Regulation + Liability

6 Understanding the Risks

- Accuracy
- Bias
- Cyber Security
- Data
- ESG

7 Embedding Good AI Governance

- Creating A Responsible AI Framework.
- Prioritising Leadership + AI Talent
- Fostering The Right Culture
- Joining The Dots

8 Our Contributors

9 Resources

9 About Cadmium Partners

WHAT DOES AI PROMISE FOR YOUR BUSINESS?

Tech commentator Benedict Evans asks of Generative AI (GenAI): “How is this product useful? What do you do with a technology that promises it can do anything?”

AI will soon touch every business - large and small - from strategy, investment, talent, technology, regulatory, culture and wider ethical responsibilities. As so many directors grapple with the wider consequences of AI for their organisations - boards must first ask: what does AI promise?

Many tech and global corporates have already harnessed AIs power by investing heavily in technology, talent, models and, of course, chatbots, over the last decade. Many smaller and mid-size firms are asking how they follow suit.

As one data leader predicts: “There will be big wins in efficiency and productivity with huge implications for market share and performance as workforces become smaller and profits higher. AI will permanently change the way people and machines work together and it will also fundamentally alter the job market.”

All attention turned to GenAI last year, which creates completely new data from existing data sets.

ChatGPT was the fastest application ever to reach 100m users and we’re now seeing the second wave of more sophisticated apps hitting the market. Examples include [Harvey](#), a tool for top law firms built using OpenAI’s technology, which can be used to automate tasks including document checking and due diligence.

Pharmaceutical firms are using it to fast track drug discovery, financial services firms to combat cyber crime and develop algorithmic trading and gaming companies are creating better, more life-like avatars.

The list of applications is seemingly infinite and with investors lining up to invest in GenAI scale-ups, these will be just the tip of the iceberg.

Your company’s tech leaders and their teams will be exploring use cases and models for AI and GenAI within the business,

“2024 will be the year that companies shift from the “excitement to deployment phase”

working out where to deploy them most effectively. Goldman Sachs predicts that 2024 will be the year that companies shift from the “excitement to deployment phase” of AI tools. Now is the time for boards to be discerning and ask what AI and GenAI can really do for your business.

ASSESSING THE VALUE OF AI FOR YOUR BUSINESS

Our AI experts recommend boards start with the fundamentals. “Think about your business’s overall strategy and how AI fits in your company. It may sound obvious, but it’s astonishing to see how many companies are developing AI products which don’t match their business’ needs.”

The technology is moving at an incredible pace, but speed brings its own challenges for assessing value. “It’s a bit like the dawn of electricity, there’s lots of excitement and everyone is looking for quick answers but longer-term, there are no quick answers. Company leaders are walking a critical tightrope: move too fast and you risk rushing in, overspending, incorporating bias and bad habits into your tech solutions and alienating your workforce. Move too slowly and you risk your competitors stealing the ultimate march on your company - and being unprepared for a new tech and regulatory landscape.

Even those who are sitting on the bench and waiting to see where the technology lands risk not moving fast enough: “although some technologies are overhyped, some are

“... it’s astonishing to see how many companies are developing AI products which don’t match their business’ needs.”

fundamental and can take a while to set up, so need to be adopted at a fairly early stage.” In order to stay ahead, early evaluation of the tech is necessary.

“Demystify the technology by getting hands-on with your company’s AI. Bring your own tech teams into the boardroom.”

Executive disillusionment with the tech is also a concern. As one contributor pointed out: “we’re still far-off AI being transformative for most companies. We’re still at the beginning of a long road with this technology.” Some CEOs are getting frustrated with the lack of ROI, but quitting the AI race too soon may put your company at a major disadvantage. Board directors must grasp enough about the promise of this technology to push back on the management team.

While weighing up all the benefits and risks, directors of large and small boards need to balance out the cost and value of AI investment.

Boards are more committed than ever to investment in GenAI, much to the relief of their technology leaders, but set-up costs can be eye-wateringly high - a custom OpenAI model could set you back anywhere between \$1.5m - \$3m.

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It may seem that you’re damned if you go in fast, and damned if you don’t. Boards need to be thoughtful about how they approach AI adoption and its attendant risks - and go in not just faster - but smarter.

GETTING STARTED

Becoming Better Informed.

Topics around AI and GenAI are complex. Many directors would put their hands up to say they don’t have the depth of knowledge to assess the more technical aspects. If that’s the case, you need a better foundation to challenge your leadership to take on the right AI bets.

In the words of one seasoned Chair: “It may seem like rocket science but it’s not. Board directors do need to understand the fundamental tech changes coming into the world”. You may feel as if you’re drowning in information on AI, but selecting a few trusted sources will allow you to keep on top of the latest developments. We’ve added a list of free resources at the end to help stay informed.

When to Call In The Experts.

In the words of one AI expert: “If the Chair feels the board doesn’t have enough knowledge to ask the right questions, they need to appoint someone who does - or bring in a trainer.”

Be aware though: “You’re hearing a lot of cliched phrases now like “the limitations of large language models” from consultants. You are better off getting advice from those who’ve tried and tested the tech and have the scars to show for it.”

Getting Hands-On With The Tech.

Demystify the technology by getting hands-on with your company’s AI. Bring your own tech teams into the boardroom to share and demonstrate live use cases on a regular basis.

This will help the board understand what tech developments mean for your own company. Our experts recommend directors play around with models to see what the applications and limitations really are - and can judge for themselves. Board members may be surprised by the reality, as one data leader said:

“Having imagined that the tech was going to be an existential threat to our business, it ended up being a very different conversation with our board.

By designing their own avatars with our AI tech, they could see the frustrations - and the fun of it. They were more engaged and could see our challenges.”

Regulation + Liability.

As the global regulatory landscape around AI is still in flux, for now it leaves boards responsible for creating their own AI governance frameworks. Countries are moving fast to regulate - 2023 saw China announce their regulation and the US’s well-received Executive Order on AI Safety. The EU’s AI Act is anticipated soon which aims to mitigate AI’s dangers, while encouraging entrepreneurship and 2023 saw the UK hold its first Safety Summit, which encouraged cross-country collaboration, but offered no regulatory framework.

Although it’s true that there are no laws around AI, existing laws and regulations which cover misuse remain relevant.

As one expert advised: “laws against discrimination still apply whether it’s a human decision maker you are using or a form of AI”.

Staying on top of future AI regulation across different geographies is important, directors need to know their legal liabilities. In particular, boards will need to understand the complexities of data rights and protection, and ensure they’re on top of protecting their own IP against infringement.

UNDERSTANDING THE RISKS

Much ink has been spilled on the risks of AI - both existential and mundane. What do they mean for your business?

Accuracy

(or lack of) in AI and GenAI data is a major concern, as one AI expert explained “GenAI is making too many mistakes to be ready for prime time. If internal decisions are based on AI generated data, for example, what has been done to check its conclusions?”. Misinformation can be spread easily by GenAI in particular, so companies need safeguards in place to counteract inaccuracy.

Bias

Bias exists in AI systems because they’re created by humans. 44% of AI systems report gender bias according to the Stanford Social Innovation Review. As one data leader explained: “Bias can easily be perpetuated from training data, it gets baked in and can be hard to eradicate. There are real consequences for disadvantaged groups.” Although software is being developed to counteract bias, boards will need to show that systems are in place to address this major issue.

Cyber Security

Cyber Security from spear phishing - ostensibly an email from a trusted source - to voice and video fraud demonstrate AI-enabled cyber crime is on the rise. As a cyber expert explained: “Imagine a scenario where your CEO or CFO appears to be calling to request a large transfer of funds from a known phone number.

Data

Data is essential for developing AI systems. Companies collect and store ever larger amounts of it - which creates vulnerabilities. There may be attacks or security breaches from external bad actors, but data infringements can equally come from inside: “Are your data analysts using your proprietary data on open source training systems? Employees may unwittingly be sharing your company’s private data. Boards need to ensure everyone understands good data governance.”

ESG

ESG matters, as one AI board advisor pointed out: “You need to consider the ethical and the unintended consequences of the tech. For example, the more data you’re parsing, the more data centre energy required, so you need to ask what that’s doing to your ESG commitments. The board needs to be able to assess AI’s impact from all angles.”

Combine all this with geopolitical factors, such as global conflicts and critical elections in the US, Russia, Indonesia and the UK in 2024 and it could lead to a heady mix of “disinformation on steroids”, as one advisor described it. How will that impact your company’s brands and reputation? Boards need to plan for these “known unknowns” and have plans in place for counteracting misinformation.

EMBEDDING GOOD AI GOVERNANCE

Creating A Responsible AI Framework.

So how should boards ensure blindspots around AI and GenAI are covered? Our experts recommend setting up a Responsible AI framework to address key areas which may include: safety, security and robustness, appropriate transparency and explainability, fairness, accountability and governance, contestability and redress. Investing in this process will help mitigate the risks and maximise the potential upside within a responsible strategy - and allow the board to be ready for the unexpected. Having a framework in place also allows boards to build trust with customers and stakeholders by clearly demonstrating how they’re prioritising data privacy, security, governance and transparency.

Where do you start? Begin by defining your principles around Responsible AI and then setting up internal procedures which bring them into practice. This ensures that the board is addressing their ethical and oversight responsibilities and allows them to weigh up the value and the risks of every use case to decide how each sits alongside the company’s risk profile.

In the words of one of our board advisors: “It may require some investment of time and money upfront, but it will be worth it to safeguard your company”.

Prioritising Leadership + Talent.

To stay ahead in this brave new world, getting the right leadership in place is critical: “From now on, all leaders will need to understand AI - those who don’t will be replaced.”

This extends to the wider senior leadership team: “You have to get all of the ELT ready to have conversations around AI. Case by case, they need to understand the AI ecosystem and get their heads around AI ethics and issues like integrated bias and data security.”

Then there’s the longer-term question around workforces which all boards must ask: “How are you considering your workforce needs in three to five years as you deploy AI? Will you lay off, retrain, or hire more staff? You need to think about the direction this is going and what it means for your employees.”

“How are you considering your workforce needs in three to five years as you deploy AI? Will you lay off, retrain, or hire more staff?”

Leaders will also need to understand how to hire for future AI needs, and to attract and retain skilled data and tech workers. The strongest AI leaders are already in high demand, with salaries to match - so it pays to upskill your existing teams and hold on to them.

Joining the Dots.

Until now, AI knowledge has sat with the tech teams. As one data leader observed, “to have a successful AI strategy you need to move from a “bottom up” to “top down” approach, the board has to own AI as much as your tech leaders.”

Once you’re up to speed and your Responsible AI framework is set up, AI should be a regular fixture across your board and committee agendas.

As AI touches so many aspects of business, keep it as a regular topic on the board, Risk + Audit, Nominations and Technology committee discussions.

There does need to be a cultural shift in the board itself towards ownership of AI. As one board director put it: “You can’t all lean on one digitally minded NED, the whole board needs to step up and understand the implications of AI.”

“... to have a successful AI strategy you need to move from a “bottom-up” to “top-down” approach, the board has to own AI as much as your tech leaders.”

Although we are seeing a trend with boards for specialist AI and data NEDs, we’d argue that it’s not down to appointing an AI scientist or tech optimist, it’s never been more urgent to appoint rounded board directors who can see both sides and help the board navigate and understand this complex arena.

One thing is clear - board members who understand and embrace AI will make a difference, helping their companies and leaders transform, and transform responsibly.

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RESOURCES

- [In AI We Trust](#) - podcast series hosted by Kay Firth-Butterfield and Miriam Vogel
- [Why AI Will Save the World](#), article by Marc Andreessen
- [The Economic Potential of Generative AI](#), report by McKinsey + Co
- [Generative AI's Creative New World](#), article by Sequoia
- [Empowering AI Leadership. An oversight toolkit for boards](#), World Economic Forum
- [What Matters in Tech](#), website / newsletter from Benedict Evans

About Cadmium Partners.

Cadmium Partners are a board-focused search and coaching firm. We sit at the intersection of the technology and listed corporate worlds and work with our global clients to build boards fit for the future.

With 16+ years in global board-level search, we partner with FTSE, PE, global listed and scale-up clients to identify and appoint outstanding Chair, non-executive, executive and advisory talent. We also advise on managing succession, building pre-IPO board slates and making boards and leadership teams more diverse and effective. Sector expertise includes Consumer, Digital + Technology, Financial Services, FinTech, Cyber, Data and AI.

We are qualified coaches, having completed Meyler Campbell's Mastered Programme and deliver individual, team and boardroom coaching.

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