As AI moves to change everything, you need a strong, informed board of directors

From industry disruption to employee upskilling, don’t leave your AI transformation to chance.



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The rapid growth in the adoption of generative artificial intelligence (AI) such as ChatGPT is

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astounding. This speed is high not only at the consumer level but also at the corporate level. There are different views about AI's nature, its potential and its impact, ranging from visionary perspectives to more skeptical ones.

Boards of directors should understand AI and its effects on their companies because it has the potential to change the firm's competitive positioning and transform the capabilities needed to serve customers effectively in the future. AI may also open new opportunities and customer value propositions, speed up productivity and improve efficiency.

With this in mind, here are five themes any board discussing AI adoption should keep in mind.

1. AI makes proprietary data even more relevant and valuable.

The digital transformation process that many companies already follow includes this dimension. AI is certainly speeding up the process by which data becomes central in any company, and data management reinforces its role in the firm's strategy. At the same time, AI-generated data is becoming more abundant. Data privacy, security and the risks involved with AI are significant. The board should adopt a deeper approach toward governing data and its associated risks.

Two critical data risk management areas are particularly important with AI. The first is the need to design clear internal policies to train AI with sensitive company data as well as with private data from employees or customers. The board and senior management team should have a clear understanding of the issues and implications. Moreover, it is the duty of the board to approve specific guidelines around data management. Experimentation is critical for innovation, but respecting privacy and keeping confidential data in-house are essential duties.

The second risk management area is the need for companies to probe deeply into the process that specific AI solutions in their firm have gone through while being trained. There are growing concerns about whether training AI models with proprietary data and content may generate future legal problems for AI developers and their customers. Privacy, regulation and security are key issues that a board should consider as risks.

The recently approved EU Act regulating AI is very much focused on data privacy protection

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and security, and the risks involved. This increase in regulators' concerns and pressure should lead the board to adopt consistent guidelines on data governance and risk management. The board should make sure that the senior management team makes decisions that are consistent with those policies.

2. AI has the potential to disrupt an industry, allow new competitors to emerge, and erode a firm's capabilities and competitive advantages.

This challenge goes to the heart of the board's mission, which is to help develop the firm and create sustainable long-term value. AI has the potential to accelerate new competitive advantages to serve customers or to reduce costs and operational effectiveness. AI is an innovation that can change the value of the firm's value proposition, by affecting costs and efficiency and by changing differentiating advantages.

Boards need to grasp the business risks and opportunities that AI offers to make strategic decisions. Becoming an early adopter or remaining a follower is not a simple choice. Both may be legitimate options for many companies, but boards and CEOs should analyze them carefully and make thoughtful decisions. Boards should discuss this theme regularly, run board discussions with the senior management team and ask managers about their concerns. It may also be useful for the board to count on some ad-hoc external viewpoints to better understand the potential of this technology for the firm's specific business.

3. Assess the effects of AI on the firm's competitive advantage: does it serve customers and improve satisfaction?

This area includes data protection and privacy. It is easy to make forecasts about how innovation can change an industry and make certain strategies obsolete. The potential effects can be enormous — think of gamechangers like the internet or the current digital revolution — but the agility of incumbent companies is also important, as we have seen with e-commerce.

A deeper understanding of AI's impact on how a company can serve customers better while increasing sales and customer loyalty is particularly helpful. At the same time, considering

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time horizons is important, and the speed of adaptation and impact will be affected by those expectations. If AI or any other technology or automation process does not help customers by offering a better product or service or offering it at a lower price, then its potential for transformation will be lower.

4. The board’s role should include supporting AI learning and development in senior managers and throughout the organization.

Beyond the hype around AI, understanding how to manage and translate it into the firm’s core businesses and functions are critical steps, and the board should make sure that the senior management is aligned in this effort. In particular, learning how AI models can help improve efficiency in internal operations and customer interaction is indispensable, as AI may change the cost base of many companies.

5. AI has the potential to make many jobs obsolete by rendering employees’ professional competencies irrelevant.

Understanding that a firm’s employees are the pillar of any company leads to this final theme that boards should consider. Continuous education, upskilling and reskilling are critical functions that good companies that care about people should promote. This is a daunting challenge in the face of rapid AI adoption, which may destroy many jobs over the next few years and increase social polarization. Companies can implement various policies to make sure that employees can learn about and work with AI.

Beyond these actions, companies should also cooperate among themselves — for example, at an industry level — and with governments to make sure that each country has relevant educational initiatives around AI that help the transition while limiting the negative impact on people and jobs.

Some experts point out that rapid AI adoption may lead to higher levels of inequality within society. Governments need to understand this risk and adopt sensible and comprehensive policies.

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Our experience with the disruptive technologies of the past is that education is the best way forward — and the most effective educational policies at a professional level are those that involve companies in the definition of educational needs and goals, the design of basic guidelines and their implementation. AI is so important and its implications are so high that governments must be active in promoting new educational policies for upskilling and reskilling and involve companies, experts and other social agents in their design and implementation. Boards should make sure that their companies are responsible actors in this new AI landscape.

A final reflection: A key task for the board is to understand that there is no simple yes or no answer when it comes to artificial intelligence. AI offers companies a continuum of options. A firm needs to learn, develop, experiment, apply, innovate, react to failures and start again. As with other innovations, a board that governs effectively should avoid useless experiments with overly ambitious goals and policies. It is better to try out some applications gradually, making sure they work before accelerating their implementation.

AI adoption is going to be complex and even painful. It involves risk. Like any innovation that may affect a firm's positioning, the board should learn, understand and then govern it, supporting the CEO and the senior management team in their decisions. Together, they need to make sure the company can not only survive in this new context but also profit from new opportunities, serve customers and create value sustainably.

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