# EgonZehnder

L'impatto dell'intelligenza artificiale sulla corporate governance e sulle dinamiche consiliari: rischi ed opportunità

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Scenario

- No doubts AI will have **significant impact** on key areas such as customer service and experience, as well as finance and accounting, operations and R&D.

- AI can have a **multitude of benefits** including reduced costs, efficiency gains, innovation and improved service delivery.

- AI's potential to deliver significant benefits comes with **new and complex risks**: its pervasive use also raises concerns about fairness, accountability, explicability, misuse and unintended societal consequences.

- AI requires boards' attention because **it affects every aspect of their oversight duties**: strategy, risk, ethics and social impact, and financial reporting .
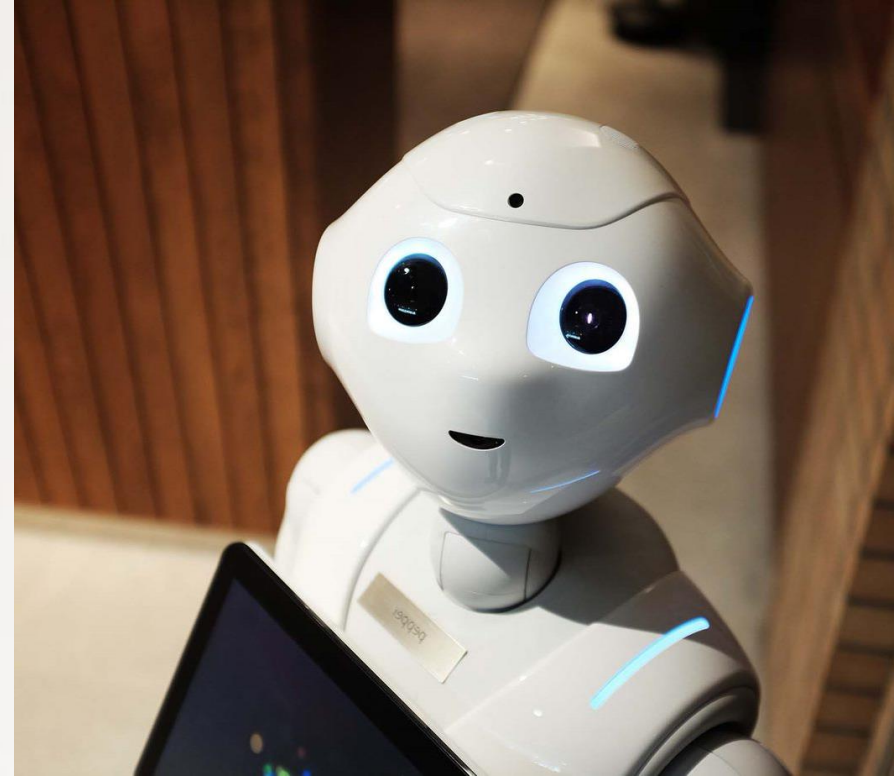
Why your Board needs a plan for AI oversight

67% agree they will encounter strategic risks and poorer performance if they do not integrate AI

72% say AI development plans are approved by the board

67% cannot confirm the board or senior management keep up to speed with AI services and relevant legislation

77% cannot confirm that the board and senior management are sufficiently skilled and knowledgeable about AI

76% agree there are significant ethical or cultural changes within firms that will need to be carefully managed

80% believe there are constraints on the adoption of AI — most of them this is due to lack of skills and lack of understanding

Source: Board Agenda & Mazars in association with INSEAD Corporate Governance Centre, "The Board Agenda Corporate Leadership in AI survey", carried out between September & November 2020 among 121 senior business leaders, including chief executive officers, chief finance officers, board chairs, executive and non-executive directors

Board assessing impact and risks connected to AI should understand that…

1 AI is more than an issue for the Technology team

2 AI is not a "**single thing**"

3 AI systems need **accountability** of C-level strategy and oversight

4 AI is not at all **static**

5 To make a sizeable contribution, AI must be **scaled** and **industrialized**
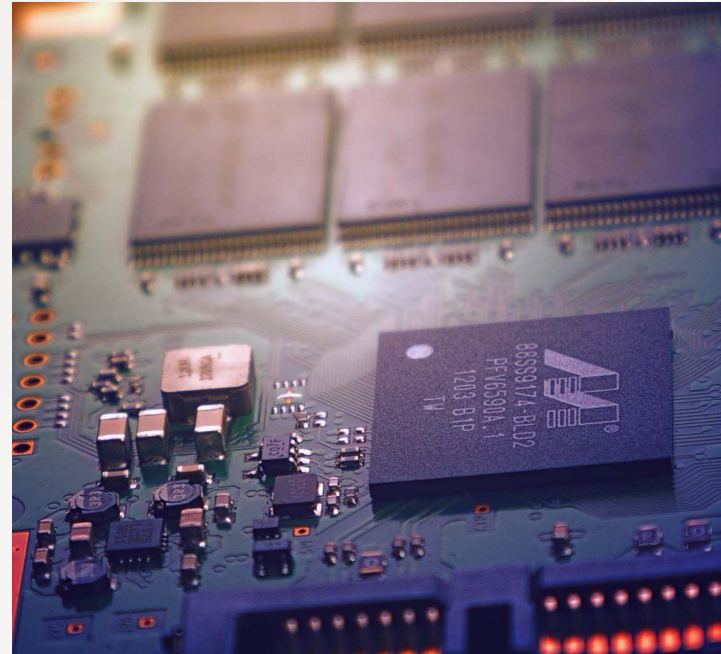
Source: McKinsey 2019 Global AI Survey, MIT Sloan Management Review article "Why your Board needs a plan for AI oversight", NACD Blue Ribbon Commission Report

What should Board do? First, look at their composition and competence...

12%

Directors have a direct technology experience

(In US Boards)

64%

Directors believe next NED should have strong Tech expertise

(In NA Boards)

18%

of Directors have enough digital/Tech competencies and skills to understand and have meaningful digital conversations with senior management

(In US Boards)

90%

of Italian companies ask for more board fluency with technologies as well as in terms of competencies in Digital/Tech
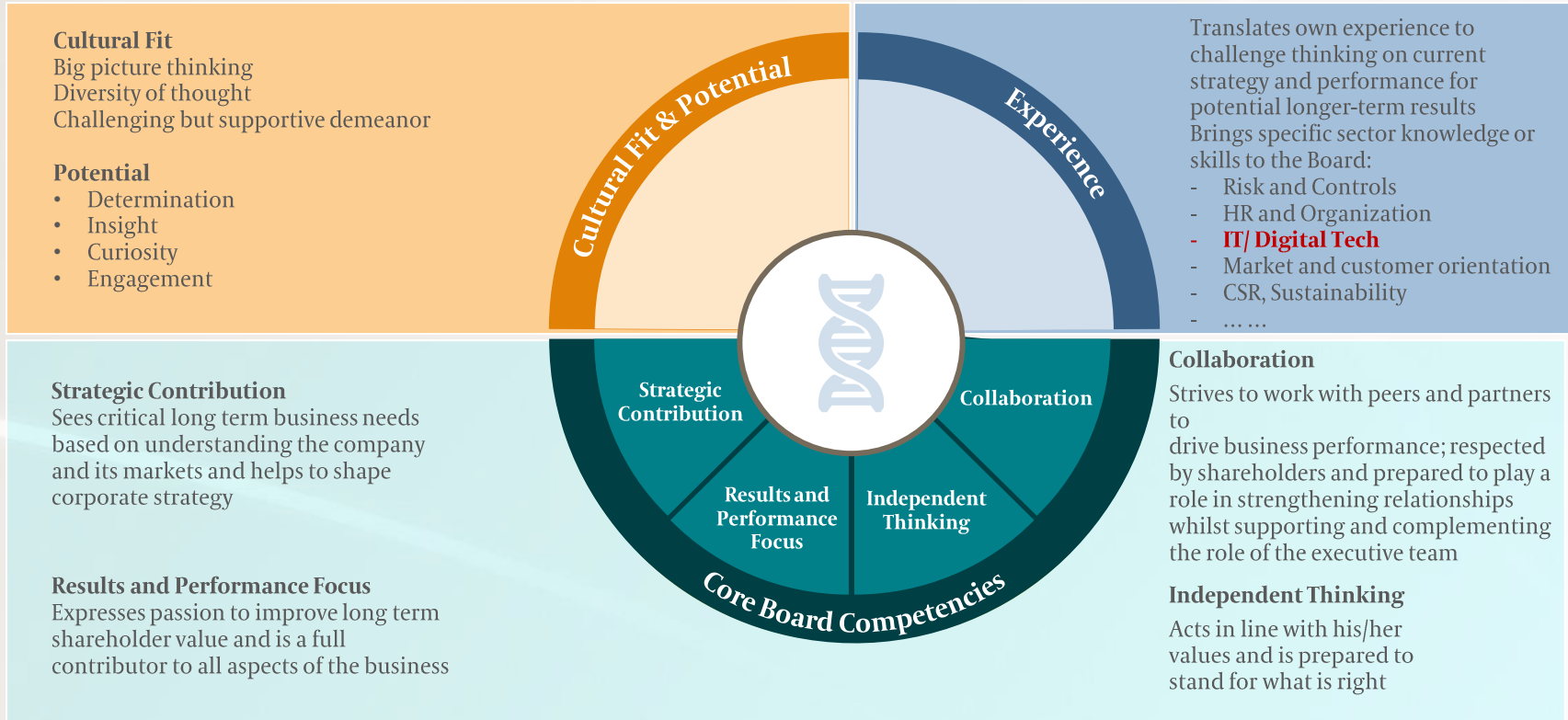
(From EZ experience in Board Reviews)

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16%

of Fortune 100 Firms have a Technology Committee

Source: Egon Zehnder Analysis from Board Review work worldwide and public sources, NACD Blue Ribbon Commission Report

The Director DNA in a shapshot

Cultural Fit
Big picture thinking
Diversity of thought
Challenging but supportive demeanor

Potential
- Determination
- Insight
- Curiosity
- Engagement

Strategic Contribution
Sees critical long term business needs based on understanding the company and its markets and helps to shape corporate strategy

Results and Performance Focus
Expresses passion to improve long term shareholder value and is a full contributor to all aspects of the business

Translates own experience to challenge thinking on current strategy and performance for potential longer-term results
Brings specific sector knowledge or skills to the Board:
- Risk and Controls
- HR and Organization
- **IT/ Digital Tech**
- Market and customer orientation
- CSR, Sustainability
- … …

Collaboration
Strives to work with peers and partners to
drive business performance; respected by shareholders and prepared to play a role in strengthening relationships whilst supporting and complementing the role of the executive team

Independent Thinking
Acts in line with his/her values and is prepared to stand for what is right

Cultural Fit & Potential

Experience

Strategic Contribution

Collaboration

Results and Performance Focus

Independent Thinking

Core Board Competencies

What should Board do?

Establish an **AI Governance framework**. Learn where in the organization AI and other emerging technologies are being used or planning to be used, and why.

Set a regular cadence for management to report on **policies** and **processes** for governing these technologies specifically, and for setting standards for AI procurement and deployment, training, compliance, and oversight.
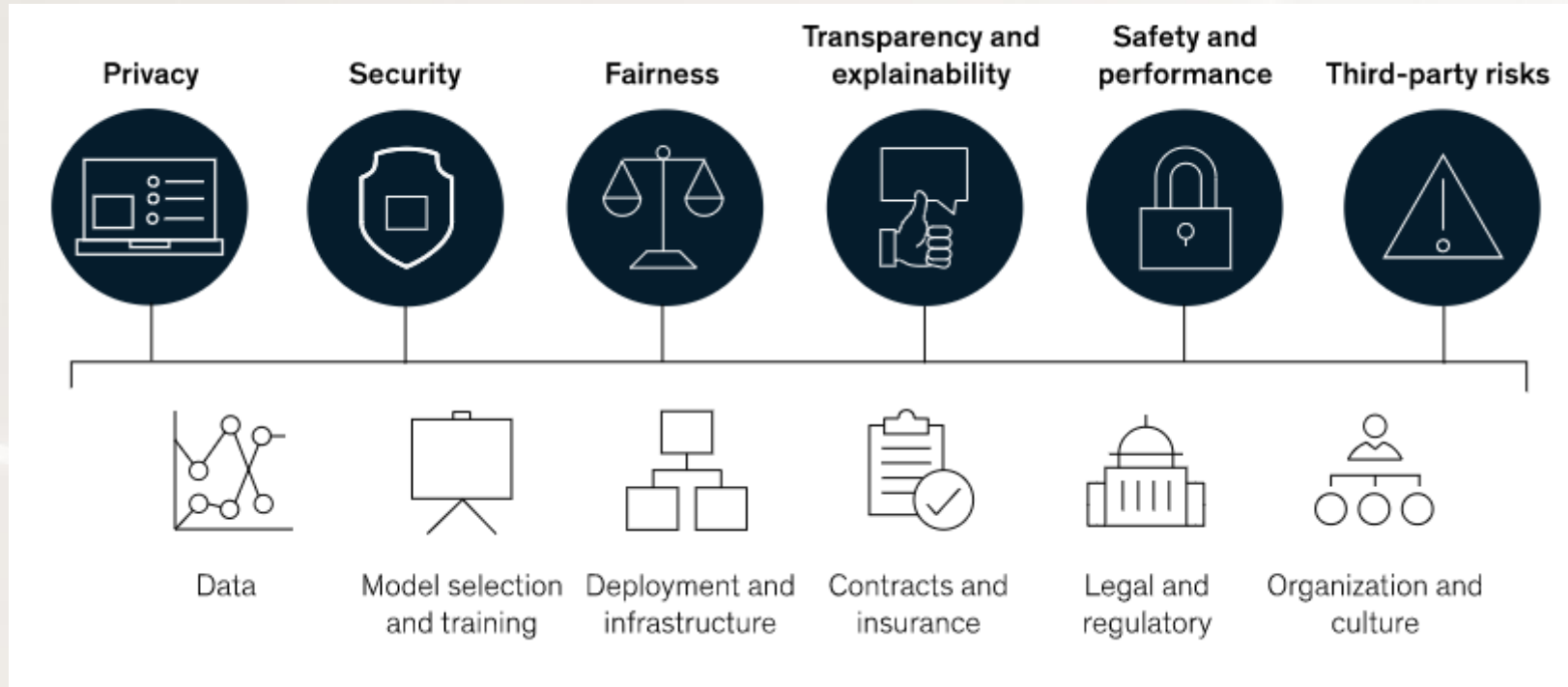The World Economic Forum has created a good AI tool kit for boards to start this work.

Encourage the appointment of a **C-level executive to be responsible** for this work, across company functions. Encourage adequate resourcing and training of the oversight function

Designate (and communicate) the stages of the AI lifecycle when testing will be conducted, **document relevant findings** at the completion of each stage and implement **routine auditing**

Source: MIT Sloan Management Review article "Why your Board needs a plan for AI oversight", Harvard Law School Forum on Corporate Governance "Board Responsibility for AI Oversight"

What should Board do? Adopt a systemic approach to identifying AI risks

Privacy	Security	Fairness	Transparency and explainability	Safety and performance	Third-party risks
Data	Model selection and training	Deployment and infrastructure	Contracts and insurance	Legal and regulatory	Organization and culture

Source: McKinsey & Company "Getting to know – and manage – your biggest AI risks"

Some tips and possible suggestions from our experience as Board advisors

Qualitative profile of the Board

- Accurate due diligence on the future Board composition in term of skills and experiences represented by the Directors as a whole

- Tech and Digital are «must have»

Tech Committee

- Think about the setting of a specific Tech Committee within the Board

Induction

- Schedule a proper induction and training program for the benefit of the Board during the mandate

- Some sessions to be focused on IT, Tech, AI and digital topics to make the Board digitally literate

Advisory Board

- As an alternative to Tech Committee, think about creating and Advisory Board composed by external experts to support the Board

Board Agenda

- IT/ Digital/AI topics to be included in the *tableau de bord* as recurrent items in order to monitor and update the Board on specific inititiatives