

INSTITUTE OF DIRECTORS – GUERNSEY BRANCH



The AI Imperative for Directors



Source: DALL-E 3



Supporting



Challenging



Delivering

bob **SEMPLÉ**

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Front cover photo: courtesy of GPT4/DALL-E 3, in response to the following prompt:
“generate an image showing board members sitting around a board table and an AI avatar on a large screen”
The image provided showed only male directors – a further prompt was required to address gender balance – a good example, perhaps, of bias ?

Summary

As a sector, technology is moving faster than ever before. The advent of generative AI has been a game changer, with authoritative sources predicting a benefit to the economy of trillions of dollars.

Leading consulting houses are spending billions rather than millions in an attempt to capitalise on the competitive advantage AI offers. Already, the reports of the benefits to end-users and to organisations are compelling, with productivity savings being among the most important.

The results of this survey show that Directors in Guernsey have started their own journey in relation to technology and AI but that much more is needed. The key findings highlight the need for immediate training both in the boardroom and in the organisation.

Comparing results with a similar survey from just six months ago, there are some notable differences which should spark discussion and debate among directors in Guernsey.

Concerns also abound in the AI arena - ranging from calls for a prohibition of further development to immediate regulation and, even, the establishment of a global regulatory body. Directors would be wise to assess the particular risks facing their own boards/ organisations and to stay apprised of the rapidly unfolding regulatory environment.

Several well-informed experts have expressed concern that we could be facing the development of an intelligence way beyond that of humankind, with potentially calamitous consequences. But the train has left the station, and it falls on individual Directors and Boards to navigate the challenges and opportunities in line with their responsibilities. I hope this report aids Directors in that regard.

Bob Semple
11 March 2024



Key findings

- Half of respondents disagree that their boards are making good use of technology - especially AI - to enhance their board's performance
- A majority of Directors want more training on technology and AI
- Less than one third of directors expressed confidence that their strategy has been refined to take account of challenges and opportunities posed by AI
- A significant majority of respondents are satisfied that audio and video technology does not detract from the effectiveness of their meetings

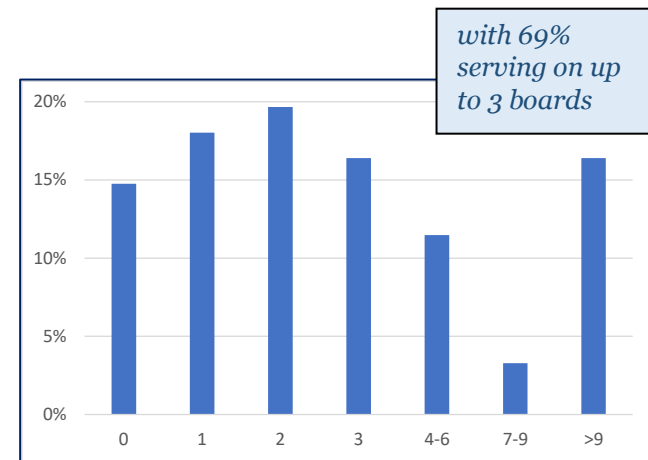
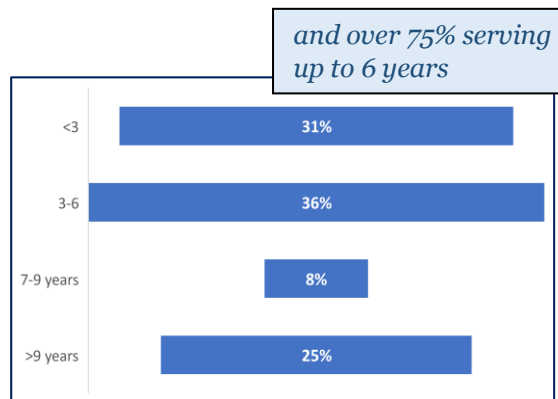
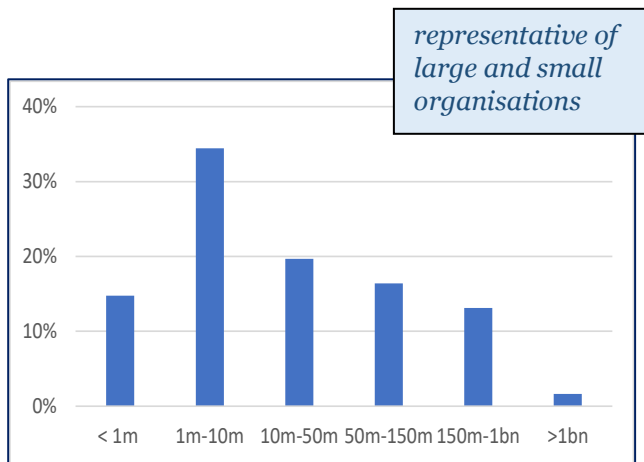
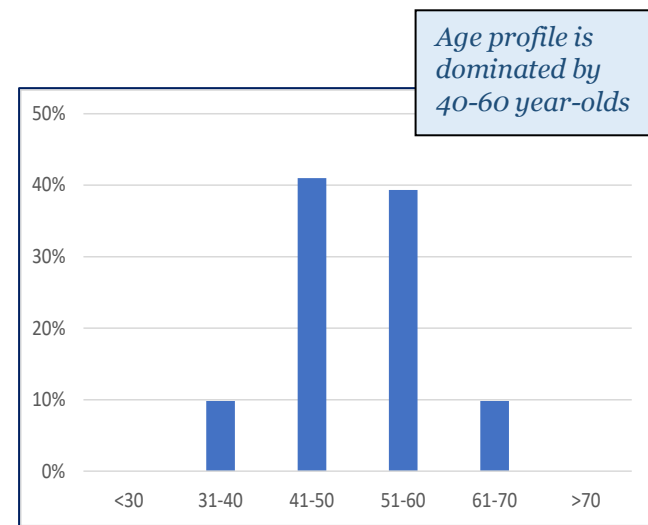
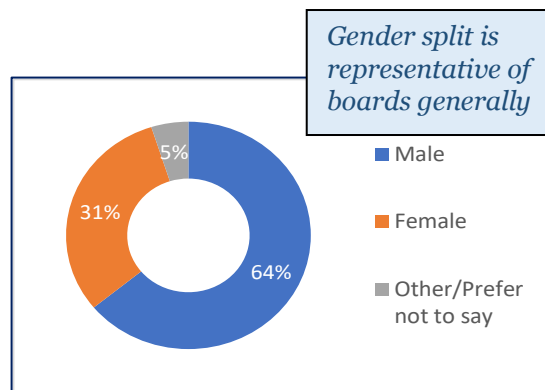
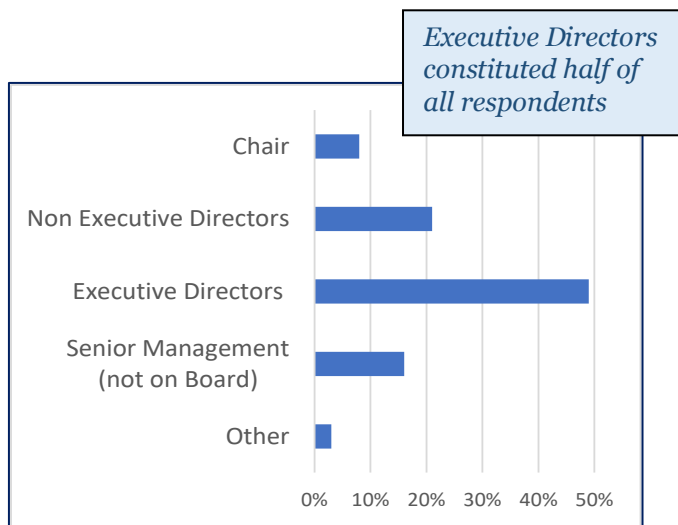
Survey results in perspective

Comparing survey results to a similar exercise carried out last November¹, there are many similarities - but also, some notable differences:

- Support for training on oversight of tech and on use of tech within the board was 56% to 67% versus 90% of respondents on similar issues in the comparable study
- Only 40% of respondents supported a requirement for all new directors to demonstrate tech competence versus 71% in the comparable study
- 47% of respondents supported individual director assessments versus 79% in the comparable study
- only 11% of respondents expressed concern that their lack of skills could undermine perception of their ability as directors versus 33% of directors in the comparable study

¹ <https://www.thecorporategovernanceinstitute.com/insights/guides/boards-and-technology-adapt-or-perish/> - a survey of a comparable Director cohort, based mainly in Europe

1. Profile of Respondents



2. Tech-savvy Boards

A survey from November 2023² describes 5 key types of technology that Boards need to deploy both in their boardrooms and in the organisations they govern:

- Data and predictive analytics
- Video and audio communication
- Collaboration tools
- Decision making
- Sentiment analysis

Some of these already incorporate artificial intelligence; those that don't are moving quickly to do so.

AI has continued to develop with extraordinary speed - not surprising when you consider the hundreds of billions of dollars of investment in the last 12 months alone. Every day, details of new AI applications are announced as vendors race to capture customers and develop new income generating models.

2023 saw the emergence of the so-called magnificent 7, the tech companies that are benefiting most from this modern day “gold rush”. Their share prices increased a staggering 69.5% in just one year.

And what difference is it making? In certain areas: lots. Microsoft recently reported the following benefits of AI adoption:

- 70% of Copilot users said, after just three months, they were more productive, and,
- 68% said it improved the quality of their work
- the most efficient users saved more than 10 hours per month

Those claims are increasingly backed up by other studies.

There are profound implications for Directors and for Boards – both to capitalise on the opportunities and to contain the risks.

What independent studies are saying

7 key insights from McKinsey³

1. Generative AI's impact on productivity could add trillions of dollars in value to the global economy.
2. About 75 percent of the value that generative AI use cases could deliver falls across four areas: Customer operations, marketing and sales, software engineering, and R&D.
3. Generative AI will have a significant impact across all industry sectors.
4. Generative AI has the potential to change the anatomy of work, augmenting the capabilities of individual workers by automating some of their individual activities.
5. The pace of workforce transformation is likely to accelerate, given increases in the potential for technical automation.
6. Generative AI can substantially increase labour productivity across the economy, but that will require investments to support workers as they shift work activities or change jobs.
7. The era of generative AI is just beginning.

AI at Work: What BCG is Saying⁴

(based on responses from nearly 13,000 people)

- 26% say they already use generative AI at least several times a week
- 86% believe they will need upskilling, but just 14% of frontline employees say they have received training
- 29% of frontline employees believe that their companies have implemented adequate measures to ensure responsible use of AI, while 68% of leaders feel the same
- 79% of all respondents consider AI specific regulation necessary

² Source: <https://www.thecorporategovernanceinstitute.com/insights/guides/boards-and-technology-adapt-or-perish/>

³ Source: <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/the-economic-potential-of-generative-ai-the-next-productivity-frontier#/>

⁴ Source: *AI at Work: What people are saying, BCG X*

3. Survey Results⁵

In the Boardroom

The stats:

Making good use of technology in boardroom **Agree: 31%** **Disagree: 48%**

- A much higher proportion of Non-Executive Directors disagreed compared to Executive Directors
- Youngest Directors expressed greatest disagreement

Colleagues lack tech skills **Agree: 33%** **Disagree: 40%**

- Directors over 60 expressed significantly higher disagreement
- Directors from the largest companies (>150m turnover) expressed the greatest level of uncertainty

Concerned about perception **Agree: 12%** **Disagree: 71%**

- No Chairs expressed agreement with this statement

Comments

NEDs and younger Directors appear least comfortable with the use of tech (especially AI) in the boardroom – perhaps a reflection of exposure to a broader range of boardroom situations (NEDs) and being more obviously ‘digital natives’ (younger Directors)?

That half of respondents disagree that they are making good use of tech in the boardroom is a clear signal for action. The need for training is apparent, given the concern expressed about 1 in 3 colleagues’ lack of skills.

Organisation Oversight

The stats:

Progress overseeing AI use **Agree: 32%** **Disagree: 32%**

- Respondents from the smallest companies expressed the greatest concern
- The level of uncertainty expressed (“Neutral/Unsure”) was surprisingly high – 33%.

Colleagues lack oversight skills **Agree: 45%** **Disagree: 31%**

- The larger the company, the greater the level of concern was reported
- Male Directors were much more critical of their colleagues

Tools used for oversight **Agree: 19%** **Disagree: 53%**

- The level of concern on this issue rose sharply the larger the company
- Female Directors were significantly more concerned than their male counterparts

Comments

Directors appear split about their progress as a board in overseeing the use of AI (32% agreeing and 32% disagreeing)– although a large proportion (34%) sat on the fence (“Unsure/Neutral”).

Directors expressed greater concern about colleagues’ oversight skills (45%) compared to use of tech tools in the boardroom (33%)

Directors expressed most disagreement (53%) about ability to use the latest tech tools, again underpinning the need for briefing/training.

⁵ See the Appendix for the full text of the statements on which respondents’ views were invited. Note: the %s shown for “Agree” combine the Strongly Agree and Agree results (and similarly for “Disagree”)

Impact on Strategy

The stats:

Strategy refined for AI risks and opportunities **Agree: 27%** **Disagree: 41%**

- *Executive Directors and the youngest Directors (31-40) were most positive on this issue*
- *NEDs expressed much higher disagreement than other Directors*

Comments

Disagreement of 41% - and a significant proportion – 32% - responding “Neutral/Uncertain, suggests an urgent need for this topic to be put onto the board agenda without delay.

Support for initiatives on Tech/AI

The stats:

Mandatory continuing education on oversight of tech	67%
Mandatory continuing education on use of tech within the board	56%
Individual director assessments on use and oversight of tech	47%
Requirement for all new Directors to demonstrate tech competence	40%

Comments

A good majority of Directors support mandatory training, with a slightly lower % supporting individual Director assessment on use and oversight of tech.

The lower level of support for new Directors to demonstrate tech competence suggests that Directors, on the whole, regard this as an optional rather than a core competence.

Use of Audit and video technology

The stats:

Detracts from board meeting effectiveness **Agree: 5%** **Disagree: 69%**

- *Overall, respondents appear happy with the use audio/video technology*
- *Chairs and long-serving Directors expressed the greatest level of concern*

Comments

These results are encouraging (and, likely, a dividend of enforced use during Covid).

Tools most in demand

Respondents suggested a good level of awareness of potential tools they would like to use:

The most frequently mentioned were:

- AI-powered minute-taking tools
- Tools to support preparation of better board papers
- Data analysis and visualisation

Others included:

- Collaboration tools
- Robotics and Virtual Assistants
- Workflow
- More use of board portals (including voting)
- AGM tools
- Blockchain, customer tools, decision-making, DMS

4. Practical Steps for Directors

The following are offered as the most practical steps for Directors and Boards to take - regardless of how much you have done already:

1. Legitimise the topic!

- Put AI on the board agenda
- Arrange appropriate briefings (internally and, if needed, from external sources)

2. Take stock of the current position

- First and foremost find out who's already using AI – at board level, in the secretariat and in the organisation
- Complete a high-level data inventory
- Find out what your competitors are doing (especially for anything that could impact your sustainable competitive advantage)

3. Identify/update your AI risks – and take immediate action

- Focus on intellectual property, GDPR and any fall-out from inappropriate current use (such as 'hallucinations')

4. Brainstorm and prioritise AI-Use-Cases

- Concentrate on areas known to deliver significant potential benefits such as customer support
- Identify 'quick wins' that entail modest investment but deliver immediate benefits

5. Assign responsibilities and set limits

- Assign a member of the senior management team to oversee the work on Use-Cases; agree a budget and an implementation plan.
- Establish governance and ethics guidelines

6. Monitor and evaluate progress

- Plan – Do – Check – Act: monitor, adjust and improve

7. Build a culture of innovation

- Encourage experimentation and learning within the board and the organisation, underpinned with strong psychological safety
- Communicate success stories and reward innovation

The Right Way to AI (a Microsoft view)

1. Get your data house in order
2. Be intentional about your roll-out
3. Identify champions to lead the way
4. Prioritise skilling
5. Help people build new work habits

<https://www.microsoft.com/en-us/worklab/the-right-way-to-ai>

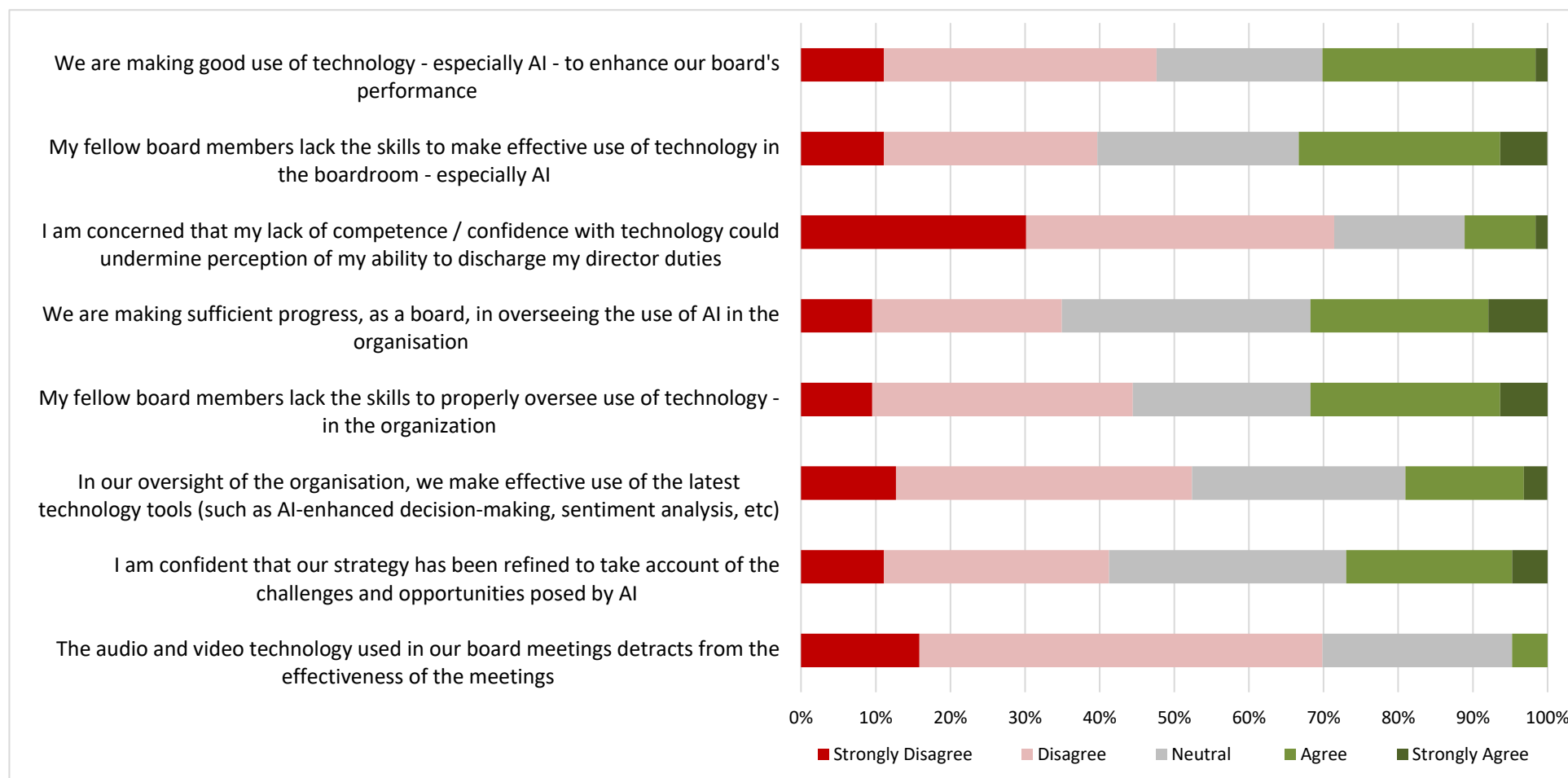


Source: DALL-E 3

Appendix – Detailed Survey Rating Results

An online survey was completed by 63 respondents in late February/early March 2024. It was targeted at members of IoD Guernsey.

Detailed results by question are as follows (the body of the report sets out the responses to other questions/demographics):



Contact

m: +353 86 810 6434

e: bob@bobsemple.ie

LinkedIn: <http://linkedin.com/in/bobsemple>

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