

AI is changing fast.

I've always had an interest in what's next and rethinking how we do things. What's happened in the last year with Chat GPT is that we've gone from the regular AI that allows us to do this enormous amount of data manipulation to what people are calling reinforcement learning from human feedback (RLHF).

For example, previously if you wanted AI to draw a picture of a redheaded girl in the countryside, you would get this crazy sort of cartoon like depiction, but a few months later, it came up as a pretty nice cartoon, and a few months ago, you had a perfect person in a perfect countryside. This underscores one of the big perils of generative AI, Deep fakes are going to get harder to separate out from reality. We know that from visuals, we know that from audio, we know that from pictures. This is not just about large language models and texts, but it's also about visuals and audio.

Every aspect of life, whether it's the audit function in your company, whether it's other functions or operations, whether it's the development of products and services, or whether it's something that governments do, everything that has infused generative AI in it, is going to be turbo charged. One of the things that we must constantly think about is the need for humans in the loop. So, when we get scared about loss of jobs or that the whole business model will be disrupted, we need to remember that there needs to be a role for humans, no matter what.

We are being challenged.

We are being challenged as human beings and as professionals to keep up with this incredible exponential rate of change. We need to look at the ethics issues, the bias issues, the discrimination issues, and the bad data quality issues. We need to recognize things that could go wrong and also take advantage of the things that could go right. We are in an era of continuous change and dramatic change, and whether we like it or not, we need to at least keep up and at best, adapt and contribute to more ethics in the process, more human values in the process, making sure that we are not allowing harm to take place.

Generative AI brings potentially serious privacy issues and consequences, for example, in the health industry, but the deployment of generative AI has already had huge positive impacts in detecting cancers, other diseases, because it sees patterns at a volume that humans cannot. We have autonomous vehicles, drones, and robotics infused with generative AI and will be deployed for increased productivity, but which can also pose serious dangers and perils. And all I need to say is we have a couple of wars going on around the world. Another example is in the entertainment industry. We've just come out of two major strikes in the United States, one by actors and, the other by screenwriters. Among the issues was AI replacing the actors and AI writing scripts.

We need to consider the governance of generative AI and exponential tech. Quantum computing, for example, will completely upend cybersecurity. Currently encryption is used to protect against cyberattacks, but this protection will fail against the brute force capabilities of quantum computing. People are already creating quantum-ready encryption – this is like an arms race taking place and the regulators are far behind. The technologies are way ahead. Another warning is against swarms of drones with facial recognition that are being used in wars today.

We need to keep pace.

This is not science fiction anymore. It's science reality. For those of us who are not quite at the bleeding edge of some of this stuff - because we're accountants or lawyers or auditors, financial people, business people - it's crucial that we bring it back down to our level. Focusing on what we need to do, how we need to think about these tech developments, one of the most critical things of all is that we have to be informed. We have to know what's going on and be able to think critically about what's going on. We need to be focused on, and think critically about these kinds of developments, especially because regulators are lagging for a variety of reasons.

As a manager, executive or board member, we all need to inform and educate ourselves, continuously. Not occasionally. Don't take a course once in a blue moon, engage in this continuously one way or another and then translate that into action in your environment. Translate that into inquiring what's going on in your company, within your team, asking your team leader what are we doing about understanding generative AI both as a tool and as something that has been incorporated into our day-to-day business.

We need to understand the risks and opportunities.

I view risk and opportunity as two sides of the coin. We now know these risks exist. We should have an interdisciplinary team in place to identify and respond to these risks, including people who understand the technology, whether it's an IT person or a chief information security officer, or an innovator. Enterprise risk management is key to addressing generative AI. The diversity of thinking is very important, including both scientific thinking as well as artistic thinking, to bring to the team critical thinking skills and analytical skills. This collaboration of thinking is one of the most important things that we need to continue to really focus on as humans in the midst of this avalanche of technology.

Risk managers, especially in medium to large companies, but even in smaller companies, who can customize the way they look at risk, have to bring the whole generative AI and potentially other exponential tech into their purview, not only as to what's going to happen in five years, but also what's happening today and what's already happened. They need to understand what needs to be done to mitigate, or to identify and then to mitigate, those risks, have the right people around the table and bring in the outside experts who understand this stuff as needed. We need this effort at both the risk management as well as at the risk governance levels.

We need to be and keep informed.

We have been catapulted forwards at an unprecedented pace in terms of innovation and we find ourselves unable to adapt as quickly as the circumstances demand, especially following the pandemic. This is in all fields, not only AI. We must be educated and skilled or reskilled to deal with these new tools. It is likely that AI will replace that kind of work that was done at the very early stages of a career. This will have an impact on our understanding of the details but will also provide us with tools, like when the calculator was invented. Generative AI will help us look at the data, see the patterns, do systematic analyses, and help us find and do things that we could never have done before.

Boards are one of the most direly needy areas in terms of continuous education, infusion of creativity and thoughtfulness when it comes to understanding new tech. There are a whole lot of

things that boards should be doing and thinking about. There needs to be action. There must be an honest self-assessment of what skills are available to the board. There must also be an understanding of the competitive environment and how they are using new technologies.

We have reached a time when it's no longer possible to do things the old fashioned way at the board level. The board sets the tone from the top for the entire organization. It is responsible for the CEO and the management, team succession and selection, and is supposedly the cultural arbiter or conscience of the organization. You need to have the right people with the right skill set and future vision, technology know-how and critical skills that go beyond the financial. ESG and technological advances will dominate our world for the foreseeable future, so we need a real reset at the board level. The board skillset needs to be matched with the strategy and the business opportunities as well as the risks. There must be a much more proactive skilling of boards, not only in education but also getting the right people and turning them over, possibly not every ten years, but maybe every two or four.

We need to do our best.

There was a case in the United States not so long ago where a lawyer did a quick Chat GPT collection of cases to inform his legal brief, and when this was read, it was all garbage, or 'legal hallucinations' if you will. This was terribly embarrassing to the lawyer. We have to apply our minds, and think critically when using such tools.

One of the particularly important areas where we need to do our best is the potential for discrimination, for bias, with generative AI. This will have tremendously negative consequences for humanity if we don't put in the necessary guardrails and regulations. We need to consider the geopolitical implications as well. Recently President Biden of the United States and President Xi of China held discussions regarding AI, Spain has an agency in place and not to mention the UK Government's Bletchley Report. The risks of generative AI are frontier-less, there are no national barriers, but there are nation-state actors and geopolitical consequences.

Conclusion

I have built an eight-step model for organizational resilience which I have applied to cybersecurity but will work equally well with generative AI. This model is very simple and very common sense, but people don't always do simple and common sense. It starts with governance and leadership and tone from the top, continues to culture and then to knowing your stakeholders. Knowing who your most important stakeholders are and their expectations of you on this topic is key. The model then continues to Risk Intelligence, which incorporates the whole risk audit loop in terms of enterprise risk management and knowing what to audit and what to check. It considers strategy, performance metrics and crisis preparedness. Incorporating some of these Gen AI scenarios into your scenario planning and into your crisis management, preparedness, etc. is key. The last step in this eight-step loop is incorporating lessons learned, Root Cause Analysis, and continuous improvement. This creates an important guardrail for an organization. The article is available for download from the Good Governance Academy's 10th Colloquium webpage.