

Boardroom Revamps Loom on the Horizon as AI Demands New Tech Expertise

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27 December 2024

As the world experiences a geopolitical reset and advances technologically, economies, industries and societies are being reshaped. Business leaders who understand that adaptation is the key to remain ahead are 'reconfiguring' their boards.

Global businesses are looking to create competent boards that can lead their companies in times of extreme competition and rapidly changing technologies. Those who do not capitalise on disruptive technologies like AI [artificial intelligence], ML [machine learning], cloud, blockchain, will perhaps not make the cut in the contemporary world. This fact has become amply clear.

Artificial intelligence is fast emerging as the key to driving economic development for the world. By 2030, AI is estimated to add up to \$15.7tn to the global economy. Therefore the spotlight is on board competencies. The important question that confronts most business leaders today is "how is my board equipped to take decisions that need a fairly nuanced understanding of themes like environment, social, governance (ESG) and disruptive technologies that are threatening to engulf the business world?"

The Role of the Board of Directors

As a transformative technology, AI has the capacity to disrupt industries, creating new business opportunities even as it throws up new risks. As with any emerging technology, AI presents opportunities for competitive advantage and innovation. It is known for helping in enhanced decision-making, operational efficiency, customer experience improvement, innovation and risk mitigation.

One of AI's most significant contributions is boardroom decision-making--the ability to process vast amounts of data quickly and accurately for swift and reliable board decisions. Traditional decision-making has typically relied on human judgement, past experiences and limited datasets. AI is changing this dynamic by offering data-driven insights that help eliminate biases and blind spots.

Any board's overarching responsibility is to ensure that the company's operations are aligned with their strategy and that the strategy will meet the expectations of their shareholders. With AI now able to disrupt competition, the nature of a company's value proposition, the way it operates and its economic model should be revisited by the board. Boards should be equipped to challenge management with questions about the strategic direction of the company in an AI-driven world.

Reconfiguring Boards

Many boardrooms across our country have limited AI skills and are populated with seniors who are not equipped with knowledge of contemporary technologies.

Companies are now looking for directors who can oversee the adoption of AI. These directors should know how to augment human potential rather than replacing it.

Upskilling and reskilling have become essential for sustaining a competitive edge, allowing organisations to align workforce capabilities with evolving technological needs. The World Economic Forum estimates that 50% of all employees will require reskilling by 2025.

Companies have to evaluate how their use of AI is impacting the talent pipeline: whether employees are being trained to use AI in a manner that leverages their skills and mitigates AI risks and what types of policies should be implemented to encourage the appropriate use of AI. They should also understand how AI is used by customers and suppliers, as well as its impact on the environment. Only a competent board with AI knowledge is capable of overseeing all of this.

The board's role in human capital optimisation cannot be over-emphasised in a world where talent is scarce. Companies must ensure that the business is not only using AI, but doing so responsibly and strategically. This means having a competent board with AI skills. This will help understand how AI affects business models, the workforce and the company's ethical obligations.

As said before, AI presents both opportunities and challenges for senior leaders, but its impact will largely depend on how well it is understood and implemented by leadership teams. There is a great need for AI literacy on boards. While members don't need to be AI experts, understanding its application and implications will help lead with confidence in this rapidly changing world. Senior leaders must be prepared to navigate this new terrain with a focus on both strategic implementation and ethical responsibility. Embedding responsible AI knowledge will ensure that a board can lead a company through the complexities of the AI era.

Is India Ready?

Research points out that Indian boards have limited, minimal or no knowledge or experience with AI.

India as a country has enormous potential for an artificial intelligence revolution, being the third-largest talent pool for AI in the world. Investments in India's AI capabilities are growing at a CAGR [compound annual growth rate] of 30.8%. India also leads in AI adoption at 30%, surpassing the global average of 26%.

But is this adoption guided by the board? Not many boards are equipped with AI competencies. Are they flying blind? According to the Cisco 2024 AI Readiness Index, only 18% of firms in India are 'fully ready' to deploy and leverage AI-powered

technologies. This shows the challenges that organisations are facing in adopting and deploying AI, especially ably led by a competent board.

The job of a board is to protect shareholders' interests. But because AI is so fundamentally disruptive, both strategically and operationally, the board has an obligation to its shareholders to drive and oversee that change.

Needless to say, board composition with the right mix of skillsets, especially AI skills, can be a force multiplier. Board competence being the key, some companies are turning to external experts to add to their AI literacy and fluency. In many countries, board education is recommended or mandated in corporate governance codes or other related regulations or guidelines.

Just as how a good ESG score attracts international investors today, there is a likelihood that institutional investors expect companies, especially those that are heavily impacted by AI, to establish appropriate processes for board oversight of AI risks and opportunities, including disclosure of "relevant board skills and oversight responsibilities."

In India, we have carefully and very successfully navigated previous technology waves—the mobile, digital and big data waves.

We took them seriously and acted with gumption. But AI is a different animal. It demands attention from the top most tier of a company—to be alert, educated and involved in a serious way.

Are Indian boards ready?

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