

HKCGI Technology Guidance Note (Eleventh Issue) – An Overview of Managing the Risks and Opportunities & Responsible Deployment of AI Tools

Introduction

Artificial intelligence (AI) has revolutionised how organisations run and interact with their customers across a number of industries. Chat GPT has distinguished itself as a powerful technology among the numerous AI technologies on the market by enabling conversational engagements that resemble human-like dialogues. However, tremendous power also comes with great responsibility, and businesses must understand the dangers and opportunities of using AI. The responsibility of the governance professionals is to assist directors in understanding the risk and opportunities of deploying AI, creating policies and procedures for proper risk management, and ensuring implementation consistent with the business's purpose and values.

Businesses, including Amazon, Google, and Microsoft, have successfully implemented AI tools while following

governance guidelines and constraints. For instance, Amazon has improved the consumer experience using AI-powered recommendation algorithms, increasing sales and satisfying customers. Businesses can use AI successfully and responsibly. This guidance note will provide high-level perspectives on the governance professionals' knowledge and communication with boards, including on risk management issues.

Opportunities from AI Use

In terms of some of the opportunities:

- Deploying AI presents opportunities for businesses. Chat GPT and AI can improve the customer experience by offering tailored recommendations, prompt assistance, and effective problem-solving. Companies that properly use AI may strengthen customer relationships, increasing happiness and loyalty.

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- AI can also increase productivity and operational effectiveness. Businesses can increase productivity and cut costs by automating repetitive work, streamlining procedures, and allocating resources optimally. AI-powered systems can analyse enormous volumes of data and produce insightful results that help with strategic planning and well-informed decision-making.
- AI adoption is intimately linked to innovation and competitive advantage. AI allows businesses to investigate novel business models, develop cutting-edge goods and services, and acquire a competitive edge. Companies can open up new revenue streams and spur expansion by utilising Chat GPT and other AI techniques.

AI deployment risks

On risks:

- Biases resulting from AI adoption are a major risk. Chat GPT and other AI systems learn from a massive amount of data, and if that data contains any biases, the AI system may unintentionally reinforce those biases. It is critical to take proactive measures to combat prejudice and implement plans to ensure that decisions are made fairly. Thus, a key recommendation is that the governance professional highlight this potential risk of bias to their boards. The recommendation is to engage competent professionals in designing AI solutions to eliminate data biases.
- Data protection and privacy are other major risks. Companies must manage data ethically since AI depends on it. Strong data protection measures are required to protect user information and adhere to privacy laws, such as encryption, anonymisation, and secure storage.

There is, again, a need to ensure that boards are aware of the risks. In addition to IT experts, there is compliance with applicable privacy and data protection laws, including those relating to data transfers. It is worthwhile to involve legal and/or compliance experts to set up the policies and procedures enforced by training and audits as part of the three lines of defence.

- Additionally important are the societal impact and ethical issues. Implementing AI could significantly affect society, displacing workers or exacerbating existing social injustices. Companies are responsible for identifying and minimising these potential drawbacks, ensuring AI systems function morally and benefit the community as an important stakeholder. Thus, the public relations perspective must also be properly managed. Directors must be aware of the reputational implications of mismanaging related issues.
- To build confidence and accountability, transparency and comprehensibility are essential. Chat GPT is one of many AI algorithms that might be complicated and challenging to understand. For consumers, stakeholders, and regulators to comprehend and have faith in the technology, transparency must be part of governance best practices adopted.

To reiterate, governance professionals must advise boards that compliance with laws and regulations is vital while deploying AI. To guarantee that their AI systems comply with the necessary legal and ethical standards, businesses must navigate a complex set of legislation and guidelines, including data protection laws, consumer protection regulations, and ethical frameworks. There are also reputational issues, and AI implementation requires balancing stakeholders' interests, including societal ones.

Governance Issues/AI Implementation

The governance professionals need to draw to the attention of their boards:

- First, boards must set precise goals and objectives for deploying AI. Businesses should coordinate their AI activities with their overarching strategy to ensure AI has a purpose and benefits the organisation and its stakeholders. The governance issues must be considered from these goals, objectives and business activities.
- It is crucial to do thorough risk assessments and develop mitigation plans. Governance professionals must facilitate detailed evaluations to identify possible risks and create strategies to reduce them effectively. This could entail developing accountability systems, assessing bias, and setting norms for data quality.
- The foundation of AI deployment should be ethical principles and responsible AI practices. These should prioritise fairness and avoidance of harm to those impacted by AI decisions. These rules will direct the decision-making, deployment, and development of AI.
- To establish trust and accountability, transparency and explainability should take precedence. Companies should implement policies to explain AI judgements and make the systems transparent. This could entail creating user-friendly interfaces and model explainability techniques.

Role of Governance Professionals

In summary:

- Governance professionals must help boards build strong governance guidelines to

navigate the dangers and take advantage of the potential given by the deployment of AI. These guidelines provide a foundation for AI's ethical and responsible use within businesses, including developing appropriate policies and procedures and business practice training. As explained, these will require IT, legal and other experts for proper implementation.

- Specifically, governance professionals must help their boards set clear boundaries for using AI to operationalise governance concepts. These standards and best practices are guardrails businesses can use to ensure ethical and responsible AI implementation.
- AI systems must learn new things constantly and adapt to new situations. Governance experts should promote a culture of lifelong learning and improvement to help AI systems adapt to shifting conditions while monitoring any risks connected to autonomous decision-making.

Conclusion

In the age of AI, governance professionals are crucial in advising company executives on the proper use of AI. Companies may successfully navigate the AI landscape by comprehending the risks and possibilities related to AI, defining governance rules, and putting guardrails in place. Businesses may use Chat GPT and other AI tools to drive innovation, improve customer experiences, and achieve sustainable growth while upholding transparency, fairness, and accountability in their AI deployment. This is possible with the right governance and adherence to ethical practices.

As a governance professional, your responsibility is to steer businesses towards a future in which AI and human values coexist peacefully, enhancing society and promoting responsible digital transformation.

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