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What directors are saying about AI, uncertainty and the changing demands of board service

Directors from Fortune 250 companies share perspectives on AI oversight, geopolitical uncertainty and the evolving demands of board service.

This EY article was developed as part of a sponsored event.

A group of directors serving on Fortune 250 boards recently convened in New York for CNBC Connect: Sounding Board, a strategic conversation about how boards are navigating the implications of artificial intelligence and geopolitics. Sponsored by the EY Center for Board Matters, the discussion explored how boards are adapting to a rapidly changing business landscape. The conversation centered on three themes highlighted below.

Boards are reframing the AI conversation

As AI, quantum computing and rapid adoption of new technology reshape business, it's no surprise that tech strategy and risk are dominating the board agenda and that AI oversight also dominated the conversation among the group of directors over a private dinner in New York. The consensus was that seizing the promise of AI requires transforming both the investment and the perspective. For directors, that means moving the discussion beyond whether AI will replace jobs and toward how it can reshape work to drive value.

"For companies to really thrive, it won't be about just downsizing," said one director. It will be about enabling all these functions to use AI to make their jobs better. Human resources, for example, will still have to recruit talent, but AI can help. Traditional companies, attendees said, will have to figure out where to apply AI, where to find return on the investment, and how to help employees adapt and learn in a way that makes the company more profitable, faster growing and more efficient.

Uncertainty calls for director education and preparation

In addition to the opportunities presented by AI, directors talked about the broader challenge of developing the right skills and capabilities across the organization. Many agreed that employee education and retraining will be critical and that directors themselves will need to develop the right knowledge to oversee rapidly changing technology.

They also acknowledged that it may not be easy considering these are "new muscles" for directors to engage. One director suggested that companies offer AI certification programs for their boards. The expectation is that the whole enterprise, including board members, will be AI literate.

One director noted that "Culture is the most important determinant of success." Another added that "Boards need to embrace change, not change for change's sake, but embrace what is possible and what's going to help the company the most."

While AI dominated nearly every angle of the conversation, directors also discussed how geopolitical volatility is an important strategic priority and one that they need to prepare for. Boards need to consider a long list of "what ifs?" as one attendee described it, including "a cascade of implications" that follow a shift in policy or sentiment.

One strategy most boards employ is to discuss various scenarios in advance and update them regularly to be prepared to react appropriately. That creates a game plan for various outcomes. More than anything right now, as the landscape evolves, "business leaders need workarounds," said one attendee.

The better the question. The better the answer. The better the world works.

The director role is becoming more complex

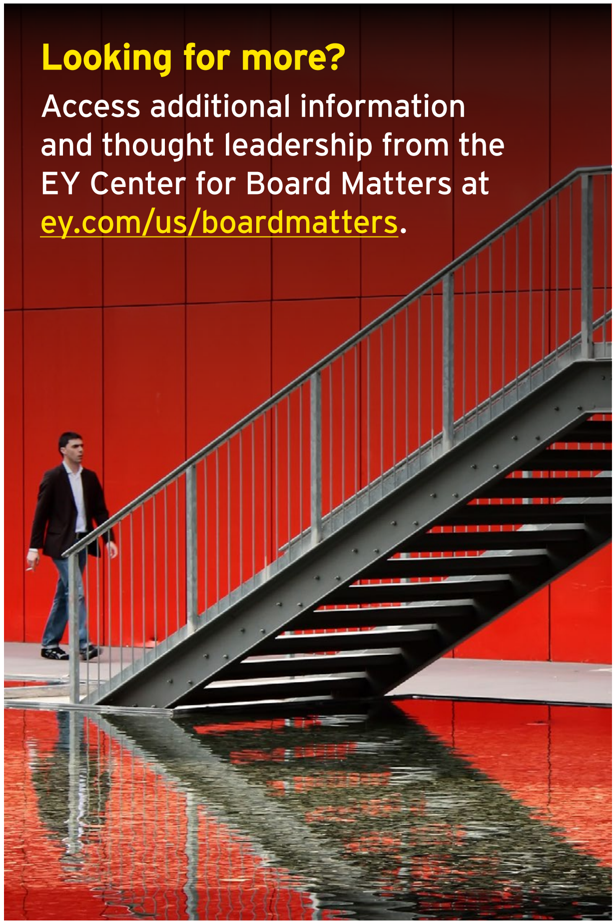
The demands and the risks for directors have changed, creating a new risk/reward calculus for board service. That's left some directors reconsidering how or where they serve, or whether they'll do it at all.

For one thing, the amount of time spent doing board work has increased, in part because of the imperative to understand how AI is impacting every corner of the businesses they oversee. The legal risks have drastically increased as well. Directors talked about how some issues can result in problematic lawsuits and noted that being a board member has become a more complex and demanding job than even a decade ago.

Prospective directors are being more cautious about the boards they join given the litigation and risk, and many are being choosier about the type of industry. It led the group to consider the ultimate question: Will higher legal risk, higher insurance costs and more significant time commitments start to discourage the best and brightest from taking on directorships in the first place?

While prospective directors may be more circumspect about joining boards and carefully considering the evolution of this role, most agreed that in these times of rapid transformation, change starts at the board level.

Many unknowns remain from AI to geopolitical risk to quantum computing. As those forces continue to evolve, directors will have an important role shaping strategy and overseeing risk. That makes board service more demanding and complex, but also, as most agreed, more rewarding.



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