

PERSPECTIVES FROM THE FRONT

The urgency of AI governance

Data
& Trust
Alliance



AI governance is a system of rules, practices, processes and tools that help an organization use AI in alignment with its values and strategies, address compliance requirements and drive trustworthy performance.

IN 2018, Europe’s General Data Protection Regulation (GDPR) put companies on notice: Protect consumer data and its digital transfer or face hefty sanctions — and reputational damage. As a result, most multinational enterprises today have implemented a data governance system to manage GDPR compliance.

proposing a new legal framework around issues of **data quality**, transparency, human oversight and accountability.

Enterprises will need to create or expand organization-wide AI governance systems not just to comply with an impending wave of regulation, but to drive business value. The benefits of enterprise-scale AI governance may not show up immediately, but they will be critical in the long term. AI models can be extremely expensive to train; a model that must be retrained because it is found to be in violation of a law or a company’s policies could mean substantial costs. Meanwhile, businesses that factor in good governance from the start could race ahead of the competition.



“If you don’t have AI governance, you won’t be able to adopt AI solutions at scale.”

— CHRISTINA MONTGOMERY,
vice president and chief privacy and trust officer at IBM

“If you don’t have AI governance, you won’t be able to adopt AI solutions at scale, because whatever you adopt is likely either to not work or not be accurate, potentially creating risk for you as a business around trust,” says Christina Montgomery, vice president and chief privacy and trust officer at IBM. “And if you don’t take advantage of AI solutions as a company, you’re going to fall behind your peers.”

AI governance should shape an organization’s use of AI to be:

- **Traceable:** Organizations should be able to trace the origins of AI models, as well as the data that trained them. While

Now, however, C-suite leaders face a bigger challenge: building governance systems capable of monitoring and deploying the ethical and responsible use of AI. This challenge has acquired considerable urgency: A recently enacted **New York City** law requires businesses that use AI for hiring and promotion decisions to have their tools independently audited for bias, and this law is expected to influence similar legislation across the country. The European Union’s **Artificial Intelligence Act** — widely considered to be the most comprehensive AI regulation to date — goes much further,



38% of “AI high performers” have a clear framework for AI governance that covers the model-development process.

Source: [The state of AI in 2021](#), McKinsey & Company, 2021.

good data governance is a start, AI governance requires a more in-depth approach to [data quality](#) dimensions, such as the data’s provenance and its fitness for the intended purpose of the AI tool being trained.

- **Explainable:** Organizations should be able to explain how and why an AI model produces the results it does. This is crucial if a compliance auditor, a customer or even an internal stakeholder wants to know how a specific decision was reached.
- **Trustworthy:** AI governance should not only address [algorithmic safety](#) but monitor AI performance over time for “drift,” or unintended changes. For example, AI models that don’t demonstrate bias when they are deployed can begin to show bias later in their life cycle as they are updated.
- **Responsible:** A culture of responsible AI instills an organization-wide understanding of, and alignment with, the company’s principles for its use of AI.

should employ a three-step approach to AI governance.

STEP ONE

Build the foundation for AI oversight

AI governance begins with assessing your baseline. Every organization needs a clear view of strengths and weaknesses in its ability to implement AI tools and manage the related risks. “It is really important to conduct an organizational maturity assessment and take stock of your frameworks and assessment tools in order to identify what the organization is good at and what it’s weak at managing,” Montgomery says. “That might sound like a pretty basic thing, but most organizations either don’t do that or can’t.”

Organizations should also evaluate goals and priorities related to AI so they can tailor governance frameworks to the needs of the business. “Leaders should listen to stakeholders across their organizations to gain a deeper understanding of use cases,” says Dena Mendelsohn, privacy officer and compliance manager at healthtech startup Transcarent. “That is critical to understanding what is needed in terms of governance — what parts of the organization will be impacted, and how forthcoming laws and regulations might affect the business.”

Many companies say that multidisciplinary teams are key to crafting an effective AI governance strategy. Bernardo Tavares, chief technology and data officer for Kenvue (formerly Johnson & Johnson Consumer Health), says the company created an AI policy group that includes its consumer insights team along with legal, cybersecurity, privacy, tech and data science teams. “As a consumer company, we need to understand how we can earn trust every day for the way we use data and AI,” Tavares says. “That informs policy decisions, and it links to our code of business conduct as well.”

STEP TWO

Document your ethics

Organizations need to codify their own enterprise-wide ethics and values around the creation and use of AI. Beyond technical requirements, these are principles that inform and support the ability to make decisions around risk. It’s important that these ethical guidelines are documented and accessible throughout the organization.



“As a consumer company, we need to understand how we can earn trust every day for the way we use data and AI.”

— BERNARDO TAVARES, chief technology and data officer at Kenvue

Operationalizing AI governance will likely require some new approaches to organizational structures, protocols and technologies, but enterprises that have implemented AI governance systems are finding it well worth the investment. According to a [global survey](#) from McKinsey, 38% of “AI high performers” have a clear framework for AI governance that covers the model-development process, compared to just 20% of all other respondents.

To make informed decisions about the AI tools they adopt, to monitor whether AI performance is trustworthy, to avoid costly missteps, and to take advantage of the productivity gains AI provides, companies



“A lot of the issues addressed by AI governance have nothing to do with AI or technology, but they have everything to do with the macro socio-technical issues around what kinds of products you plan to put out there,” Montgomery says. “What is your North Star? What are the principles that define the technologies that you deploy?”

Montgomery says IBM has created not only a set of trust and transparency principles but an “Ethics by Design” playbook that helps teams operationalize those principles. Applied across thousands of internal AI systems and processes, IBM’s integrated governance framework allows the company to:

- Collect, consolidate, display and monitor the governance workflow
- Automate the capture and integration of facts related to model performance and other KPI metrics from the AI life cycle to accelerate the maintenance of all AI applications that an organization is using
- Accelerate model building at scale, automating and consolidating multiple tools, applications and platforms while documenting the origin of datasets, models, associated metadata and pipelines

The foundation for these processes is IBM’s Ethics by Design methodology, a framework

that integrates technical ethics solutions into the technology life cycle and development pipeline for AI and other applicable algorithmic systems. IBM’s AI Ethics Board oversees and manages the company’s AI governance framework and holds decision-making authority over the company’s use of AI.

STEP THREE

Adapt existing governance structures for AI

While AI requires new types of governance, most enterprises do not need to start from scratch. Many elements of AI governance overlap with existing governance programs, and organizations should evaluate opportunities to incorporate AI governance into their current practices — such as third-party risk management, procurement, enterprise architecture, legal, privacy and information security — to create efficiency and manage risk.

Highly regulated industries like finance provide a model that can be useful for less regulated companies. Manav Misra, chief data and analytics officer at Regions Bank, says Regions developed an AI governance framework based on a “three lines model,” a standard governance structure in financial services.

- **The first line of defense** is the people who are either building AI models or buying them from vendors. This team is



“The key is to adopt a governance mindset that continues to hold the highest standards and can apply to every new deployment of AI.”

— **KATIE HIX**, senior vice president and CIO for retail, military, group and specialty IT teams at Humana

Key Questions for the C-Suite

- Do we have **frameworks and assessment tools** that identify our organization’s management systems and their strengths and weaknesses?
- Have we codified **enterprise-wide ethics and values** around the creation and use of AI — the principles that inform and support decisions around AI risk?
- What **management approach** is best suited to our company’s strategic priorities and culture?

responsible for aligning the design, development and deployment of all AI models with the organization’s documented ethics and principles. For example, that includes ensuring that developers are not introducing bias, whether knowingly or inadvertently.

- **The second line of defense** is the risk function. A model risk team evaluates and validates all the work that is being done by the first line of defense. As part of the process, a compliance team ensures AI models aren’t using any variables from a protected class (for example, race cannot be one of the variables that are used in models to make decisions about whether or not to grant credit).
- **The third line of defense** is the audit function. Regions has expanded the bank’s existing internal audit team, which looks at the institution’s entire operations, to include specialists focused on data analytics. The audit team periodically conducts detailed evaluations of all the algorithms in use in a given area of the business.

Another common governance structure that is effective for AI is a “hub and spoke” model. IBM, for example, centralizes governance in its Chief Privacy Office (the “hub”). To drive AI accountability across its global

organization, IBM works with a diverse set of stakeholders in each of its business units and regions to focus on AI governance (the “spokes”). “So much of the execution and accountability has to come from within the service line,” says Lee Cox, vice president of transformation and operations in IBM’s Chief Privacy Office. “That’s how a centralized function is most effective, by harnessing and coordinating resources across the enterprise.”

Many organizations, particularly less mature companies and businesses that are early on the path to AI adoption, may not have the talent and technologies in place to implement a full-blown AI governance system. But rather than delaying governance efforts, companies should leverage partnerships to bring in the skills and tools needed to establish AI principles, strategies and operational governance mechanisms.

At any company, AI governance will need to evolve and adapt to changes in technology, regulation and business needs. “We should hold ourselves to the strictest ethical standards in the use of AI, including when operationalizing governance programs,” says Katie Hix, senior vice president and CIO for insurance and DTO teams at Humana. “The key is to adopt a governance mindset that continues to hold the highest standards and can apply to every new deployment of AI.” ●



[Learn more about the Data & Trust Alliance](#)

[Get expert insights on AI for business](#)