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Risky Business: Identifying Blind Spots in Corporate Oversight of Artificial Intelligence

Survey Results | March 30, 2022

About the Survey

The Baker McKenzie survey, *Risky Business: Identifying Blind Spots in Corporate Oversight of Artificial Intelligence*, queried 500 US-based, C-level executives who self-identified as part of the decision-making team responsible for their organization's adoption, use and management of AI-enabled tools. The telephone- and email-based survey was conducted during the months of December 2021 and January 2022, among executives at companies with at least $10.3 billion in annual revenues on average, across a range of industries. Margin of error for this survey is +/- 4%.

The survey was conducted by Coleman Parkes Research on behalf of Baker McKenzie. Baker McKenzie and Coleman Parkes are separate and unaffiliated organizations.

Executive Summary

- Risks of AI are misunderstood: All executives surveyed say that their Board of Directors have some awareness about AI's potential enterprise risks.
    - While they concede that AI exposes their organizations to some risk, just 4% call these risks "significant."
    - More than half (52%) consider the risks "somewhat significant."
    - C-level executives downplay AI risks of algorithm bias and reputation.
- AI in use: 75% of companies use AI tools and tech for hiring and HR.
    - Once AI-enabled HR tools are in place, the job of oversight falls to the IT/Tech department, not HR.
    - Legal is the department that is least likely to be tapped to manage or oversee enterprise AI risk.
- Caveat emptor? 95% of respondents look for bias in HR tools before launching them.
    - In fact, nearly all (97%) say they have policies in place to manage AI risks from all vendors.
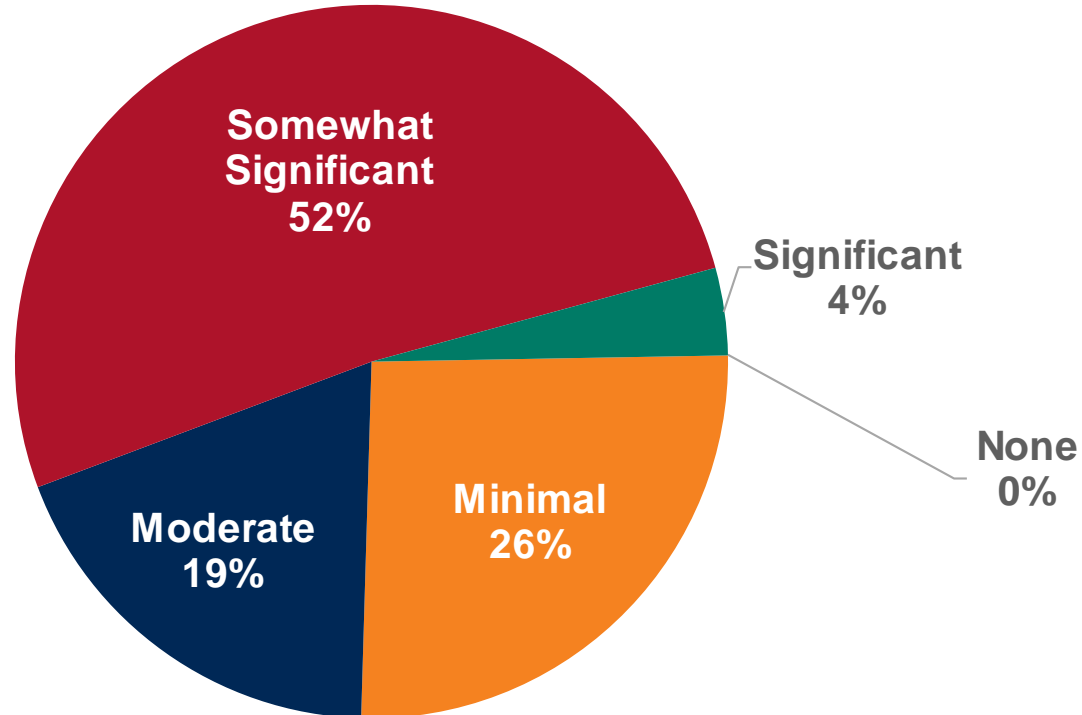
Executive Summary (continued)

- Organizations lack a solid grasp on bias management once AI-enabled tools are in place.

    - When managing implicit bias in AI tools in house, just 61% have a team in place to uprank/downrank data.

    - 50% say they can override **<u>some</u>** – not all – AI-enabled outcomes; 47% say can override all AI outcomes.

- What's a CAIO? 64% of companies lack a Chief Artificial Intelligence Officer, leaving AI oversight to fall under the domain of the CTO or CIO.

    - Most Boards (77%) oversee their enterprise's AI strategy by committee.

    - Just 41% of corporate Boards have an expert in AI on them.

- Though 76% of companies have documented AI policies to manage risk, 24% of executives consider these policies to be only "somewhat effective."

- 83% of companies have not faced any type of inquiry, lawsuit or enforcement action concerning AI usage.
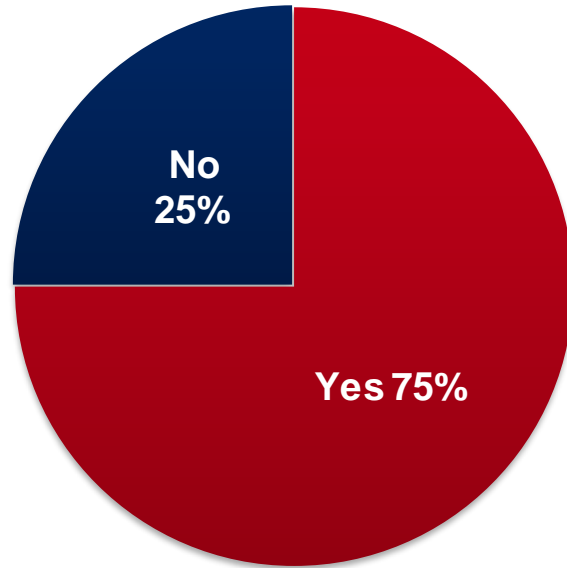
AI's Potential Risks Are Not Deemed "Significant"

To what extent do you believe there is potential enterprise risk associated with the use of AI technology?

Somewhat Significant 52%

Significant 4%
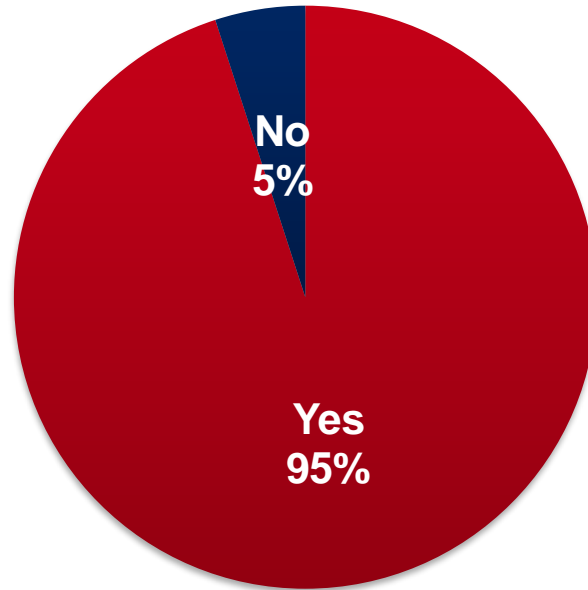
None 0%

Minimal 26%

Moderate 19%

Most Companies Use AI for Hiring and People Management Functions

Does your organization use AI at an enterprise level for anything related to HR or employment?
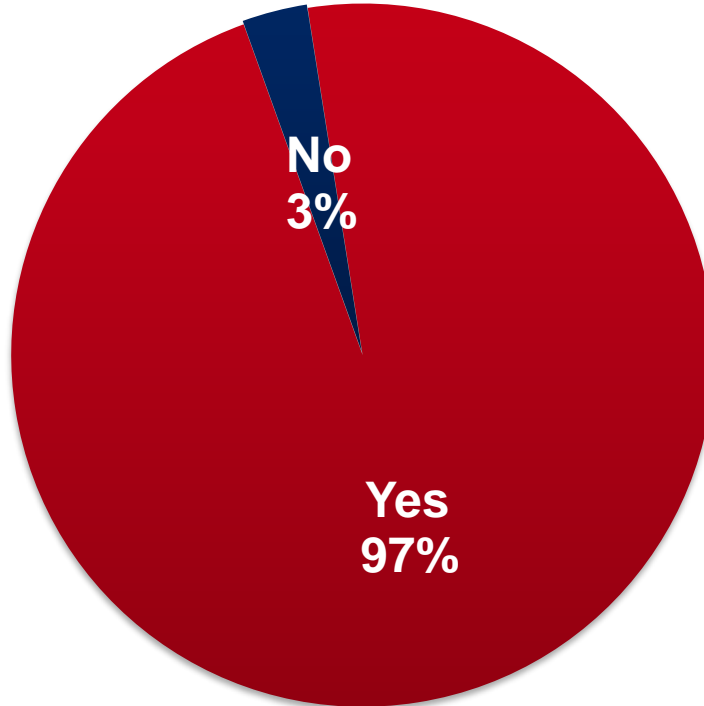

No
25%

Yes 75%

Companies Evaluate AI Bias in HR Tools Before Implementing

Does your organization have an individual or team responsible for evaluating bias in AI-enabled people management and/or hiring tools before they are purchased and installed?

No
5%

Yes
95%

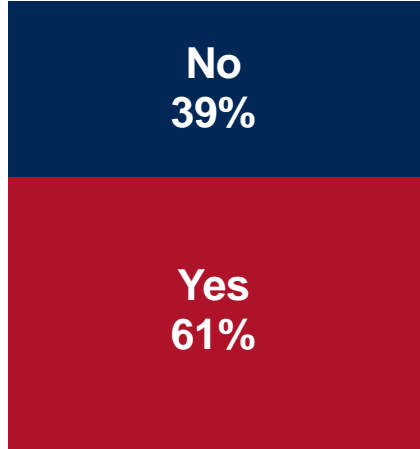# Companies Have Policies for AI Risks From Vendors

Does your company have documented processes to manage potential AI risk created by vendors?
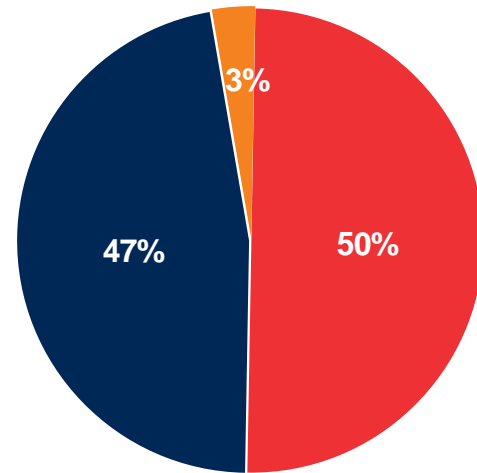
No
3%

Yes
97%

Companies Are Grappling With How to Manage Implicit Bias in AI

Is anyone responsible for managing the following to identify implicit bias within the AI-enabled technology you use?

No 39%

Yes 61%

The way AI algorithms uprank or down-grade data

Does your organization have an individual or team that reviews and can override AI outcomes?
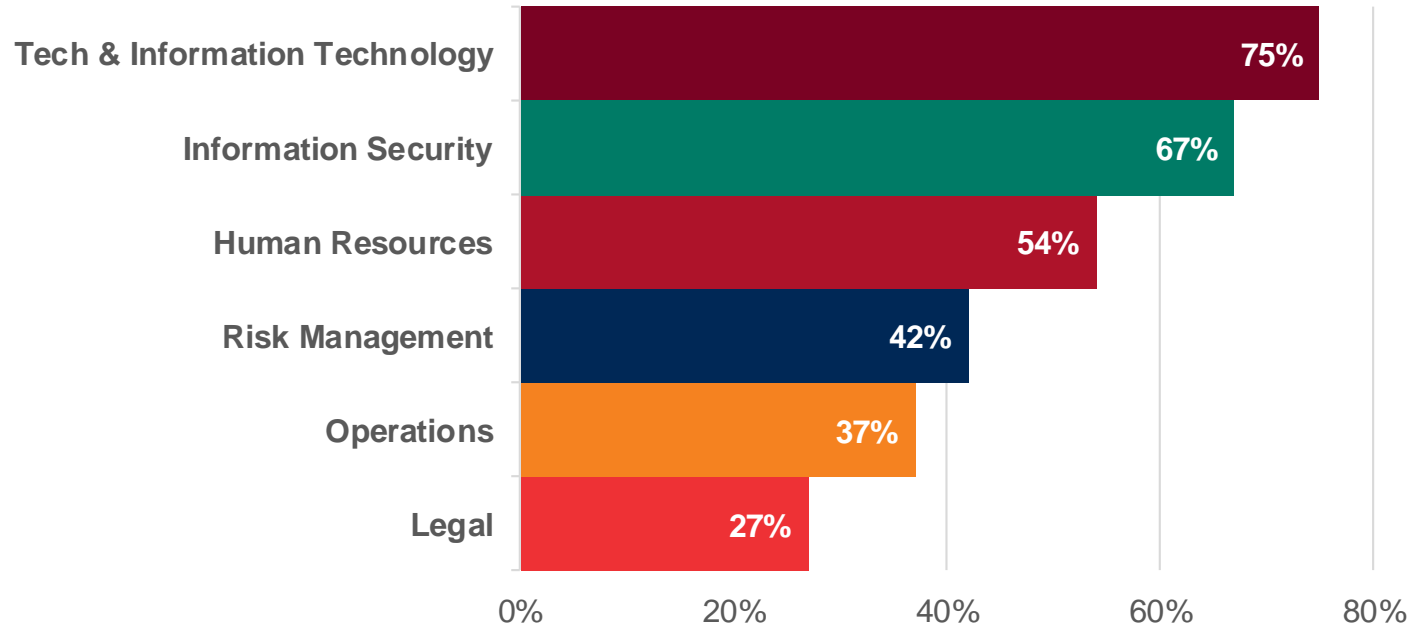

!!! Some…not all

3%

47%

50%

- Yes, for some AI tools, not all
- Yes, for everything
- No

Once AI-Enabled HR Tools Are in Place, Oversight Is on IT/Tech, Not HR, Risk Management or Legal

Which department, if any, is currently responsible for the oversight and management of AI-enabled people management and/or hiring tools?
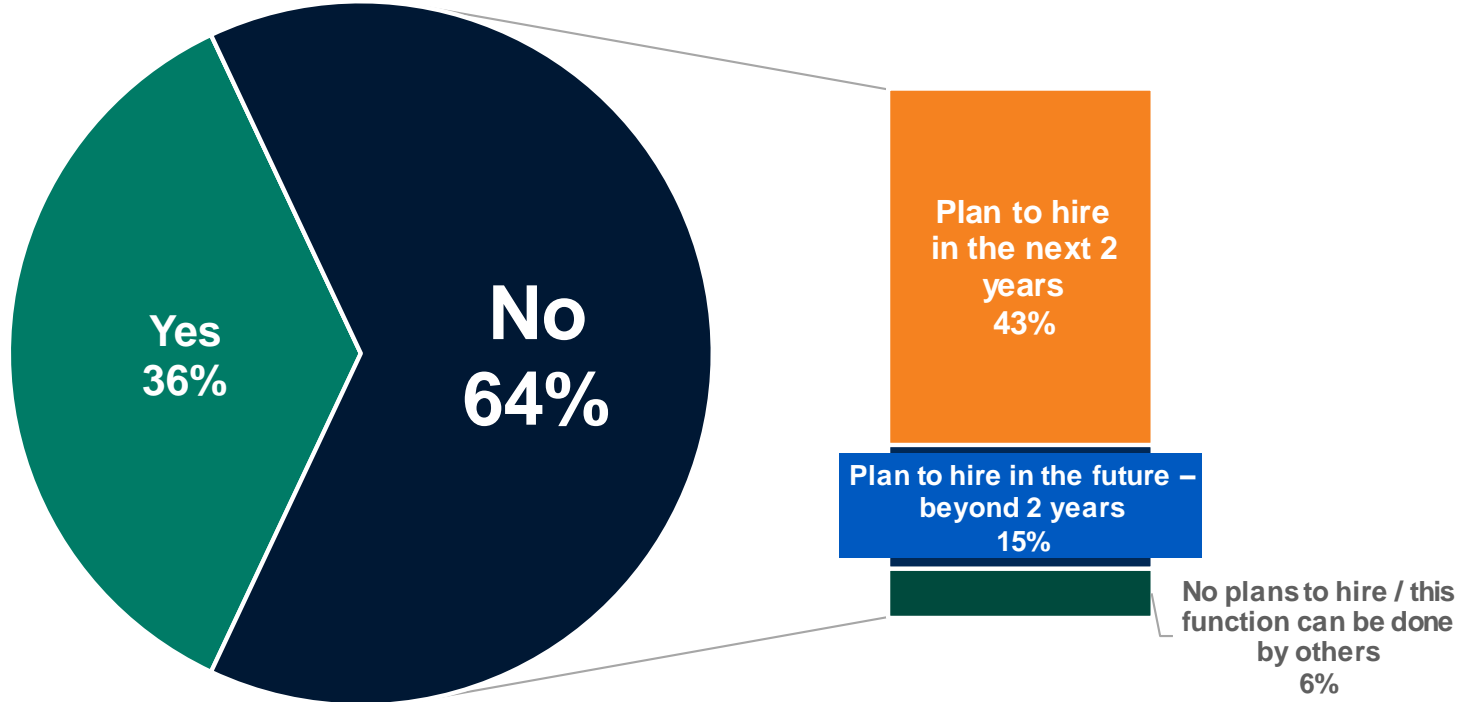
Department	Percentage
Tech & Information Technology	75%
Information Security	67%
Human Resources	54%
Risk Management	42%
Operations	37%
Legal	27%

Who's Got Their Eyes on AI?

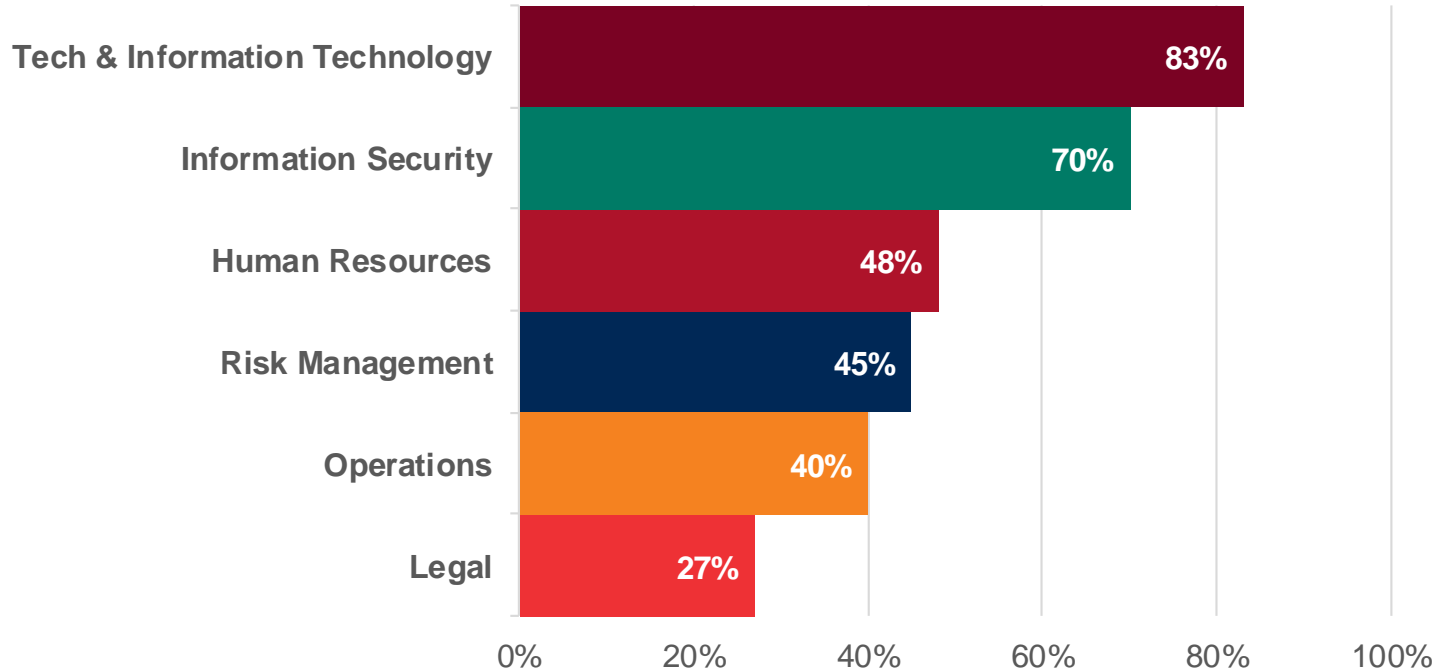# Companies Lack C-Level Experts on AI

Does your company have a dedicated Chief Artificial Intelligence Officer (CAIO) in place?

Yes
36%

No
64%

Plan to hire in the next 2 years
43%

Plan to hire in the future – beyond 2 years
15%

No plans to hire / this function can be done by others
6%
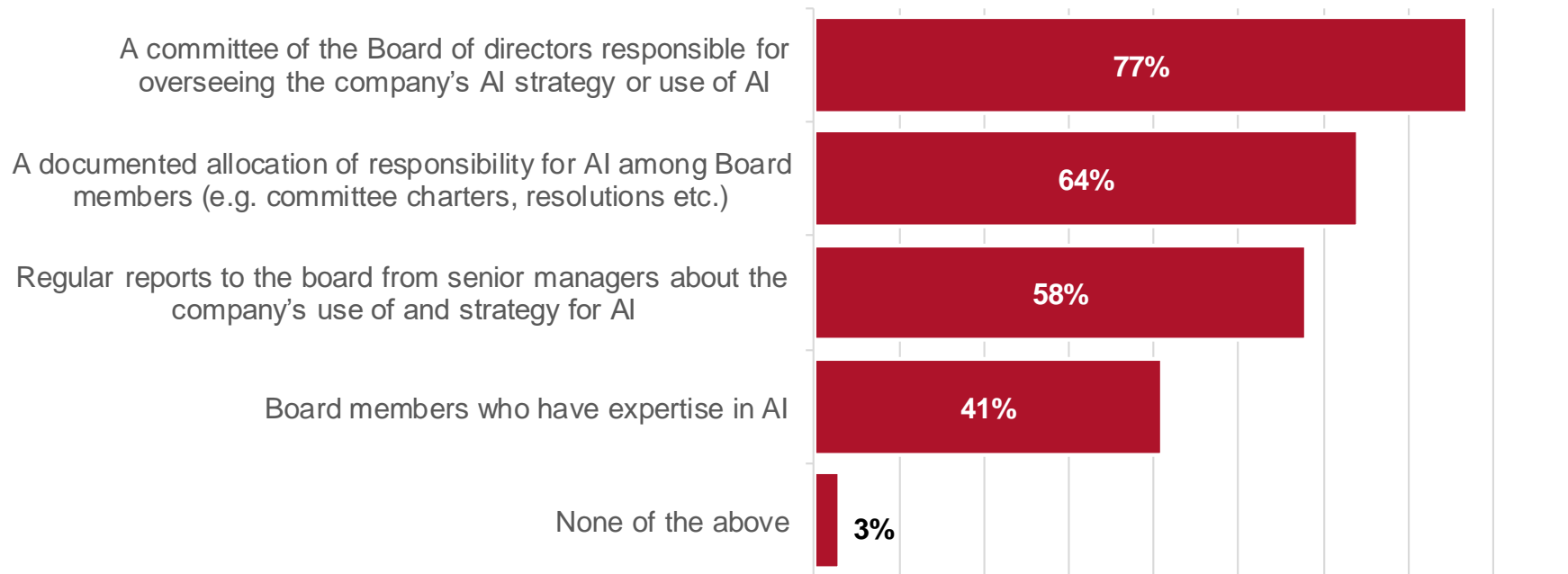
Tech Is Typically Tapped to Manage Enterprise AI Risk

Which department, if any, is currently responsible for the oversight and management of AI-enabled tools and technology at the enterprise level?

Department	Percentage
Tech & Information Technology	83%
Information Security	70%
Human Resources	48%
Risk Management	45%
Operations	40%
Legal	27%

Q: Which department(s), if any is currently responsible, or assumes responsibility, for the oversight and management of AI -enabled tools and technology at the enterprise level (if a team or working group, check all that apply)? n=500

Boards are Attempting to Compensate for Lack of AI Expertise

Does your organization have any of the following?

A committee of the Board of directors responsible for overseeing the company's AI strategy or use of AI — **77%**

A documented allocation of responsibility for AI among Board members (e.g. committee charters, resolutions etc.) — **64%**

Regular reports to the board from senior managers about the company's use of and strategy for AI — **58%**

Board members who have expertise in AI — **41%**

None of the above — **3%**

Absent a CAIO, the CTO is Often Charged with Enterprise Level AI Oversight

In your organization, are any of the following specifically tasked with overseeing the use of AI-enabled tools?

Chief Technology Officer 59%

Chief Information Officer 49%

Chief Human Resources Officer 42%

Chief Executive Officer 37%

Chief Risk Officer 34%

Chief Legal Officer 29%
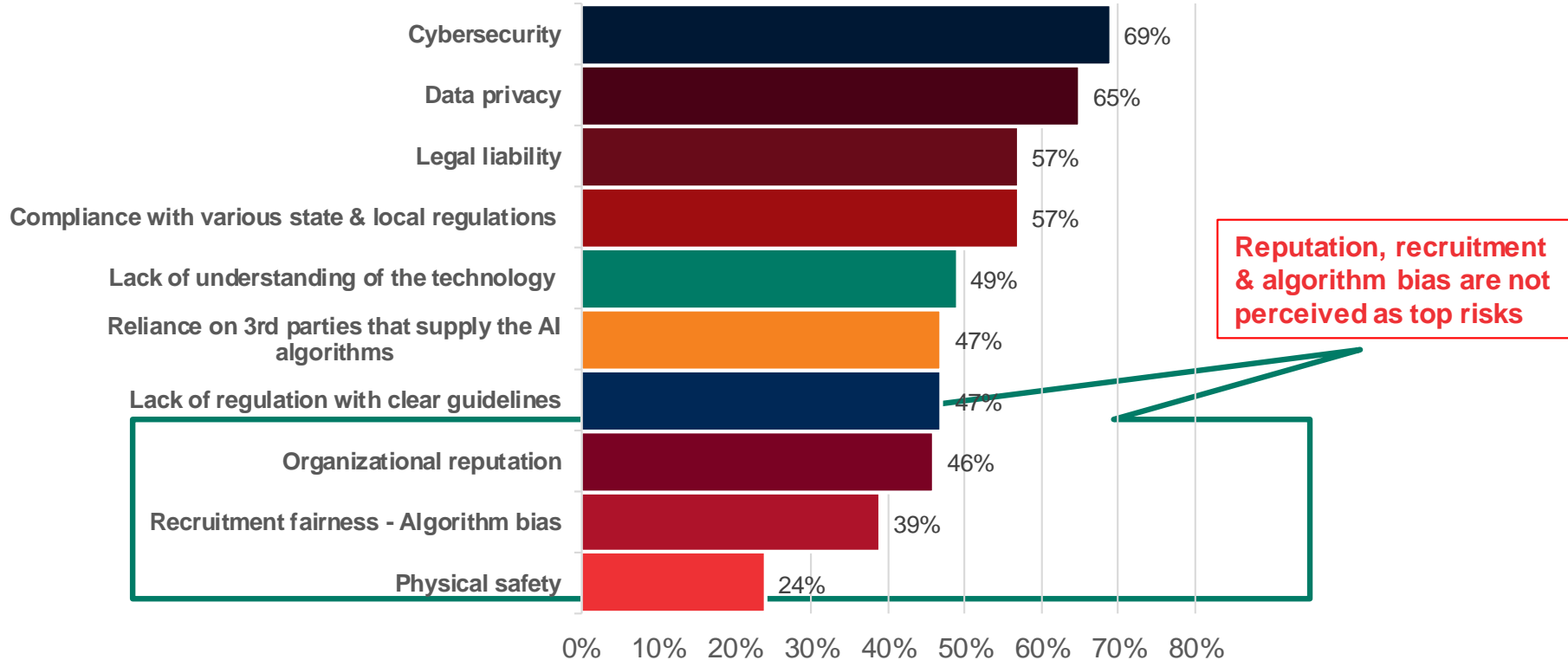
Chief Digital Officer 27%

Other C-Suite Position 5%

Understanding AI Risks

Executives Overlook Bias and Reputational Issues As Top Risks of AI

What are the biggest current AI-related risks to your organization?

Risk	Percentage
Cybersecurity	69%
Data privacy	65%
Legal liability	57%
Compliance with various state & local regulations	57%
Lack of understanding of the technology	49%
Reliance on 3rd parties that supply the AI algorithms	47%
Lack of regulation with clear guidelines	47%
Organizational reputation	46%
Recruitment fairness - Algorithm bias	39%
Physical safety	24%

Reputation, recruitment & algorithm bias are not perceived as top risks

Q: What are the biggest current AI-related risks to your organization? (Multiple responses accepted.) N=500
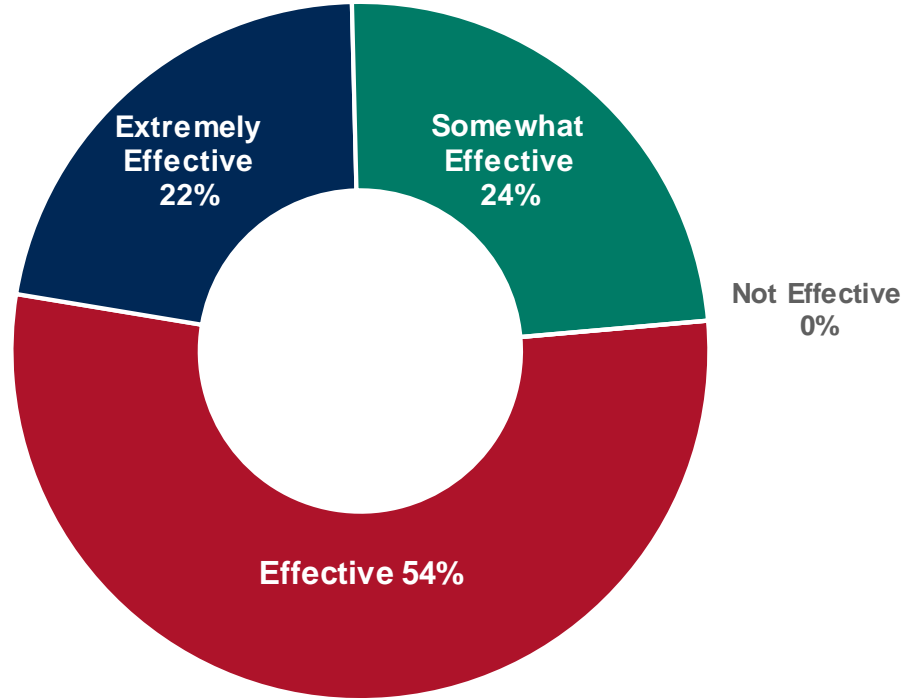
Not All AI Policies Are Documented

Does your organization have documented testing policies and protocols for addressing enterprise-level risks posed by the usage of AI-enabled technology and tools, including unintended biases in output?

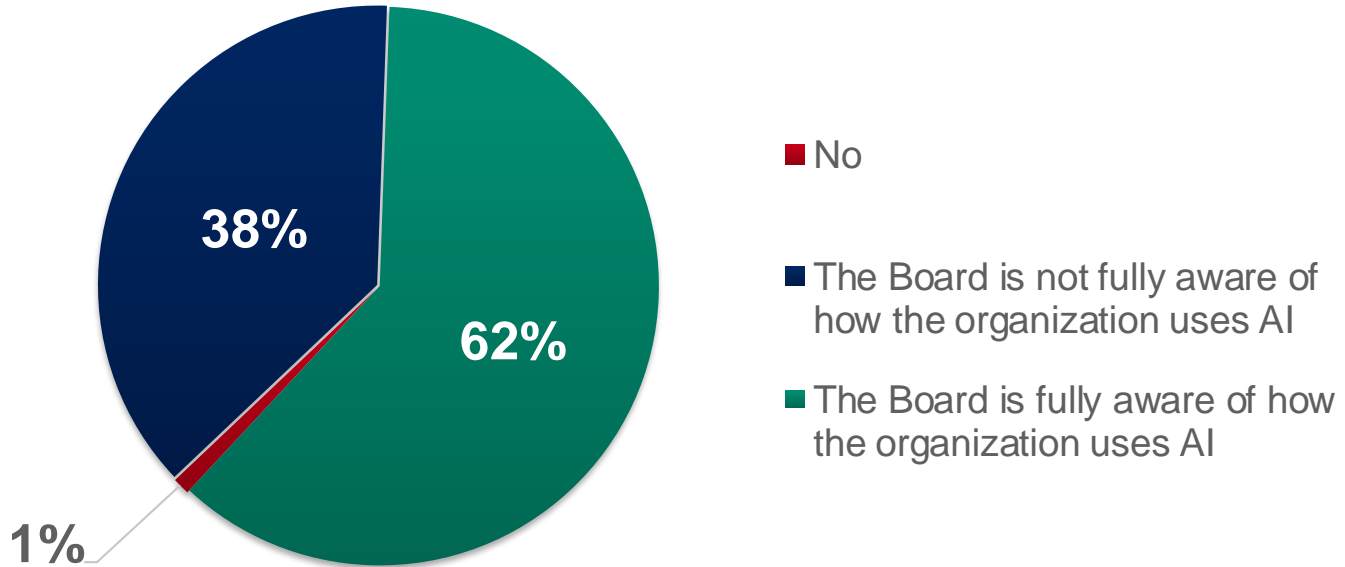Undocumented
23%

No policies in place 1%

Documented
76%

There Is Room for Improvement in AI Policies

How would you rate the effectiveness of your organization's current documented policies and protocols to identify and manage risks created by AI bias?

Extremely Effective 22%

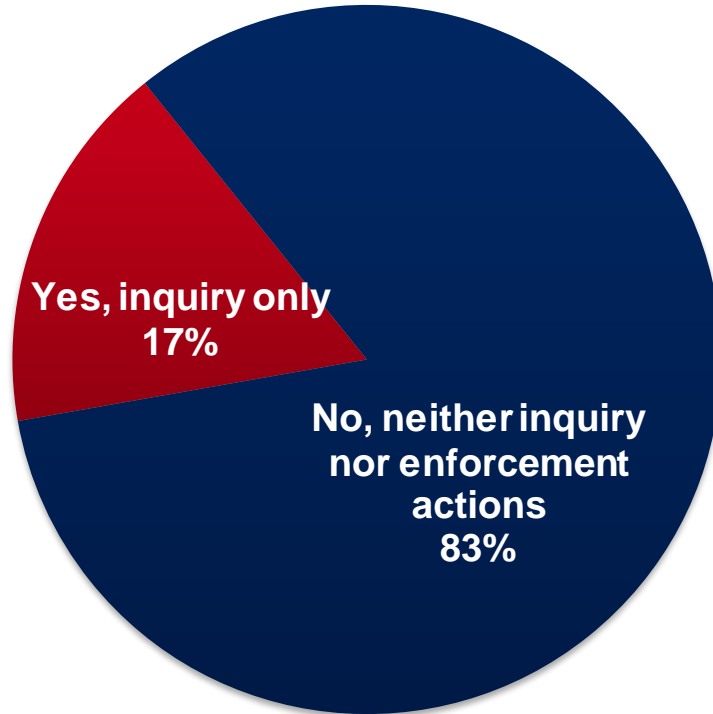Somewhat Effective 24%

Not Effective 0%

Effective 54%

Corporate Boards May Require More Education on AI

Do you think that your organization's Board of Directors is being made aware of the potential enterprise risk of AI technology?

38%

62%

1%

- ■ No
- ■ The Board is not fully aware of how the organization uses AI
- ■ The Board is fully aware of how the organization uses AI

A Lack of Headwinds May Be Causing Blind Spots About AI Risk

Has your organization ever been subject to AI-related litigation, government inquiry or enforcement actions?

Yes, inquiry only
17%

No, neither inquiry nor enforcement actions
83%

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