

CORPORATE ETHICS IN A DIGITAL AGE



Philippa Foster Back CBE
Director Institute of Business Ethics (IBE)

This article is based on a publication of the same title by our late and much respected colleague Peter Montagnon, who sadly died in June 2019.

The growing reliance on data and the integration of AI into business activity has thrown up some large challenges for governance. Boards not only have to manage a new set of risks and opportunities – they have to do so in a world that is rapidly changing in ways that make it harder for them to exercise control.

The IBE's view rests on the premise that, while directors have to take account of AI and understand the role it is playing in their business, they do not need to be experts in technology to tackle the relevant questions. Indeed, most of the challenges facing directors are more moral and philosophical than technical.

The corporate journey into the world of AI is only just beginning. Business leaders perceive enormous change on the horizon, but they are uncertain about where AI will take them and how they will cope with something whose dimensions keep changing just when they think they have begun to understand them.

For boards, there is a temptation to prevaricate. Changes may never happen as currently expected. Indeed, past experience of technological advances show that a first wave of excitement is followed by uncertainty as it turns out that change is slower than the enthusiasts expected. However the requirement to manage the consequences of AI cannot be ducked and boards need to put the issue firmly on their agenda.

Ethics matter because an ethical approach inspires trust, and trust is needed to build public confidence in organisations that control data with power over people's lives.

This is not a reason for seeking to curtail the adoption of new technology. It is instead an opportunity for adopting it in a way that delivers clear benefits within a trusted framework. Companies and economies that can do this will set themselves apart, as well as finding it easier to comply with data protection requirements. That is where competitive advantage lies, and is indeed the real opportunity.

In Corporate Ethics in a Digital Age 9 challenges are highlighted for a board to consider:

Challenge 1 – Making sure the board remains in charge

One of the core problems thrown up by AI is information asymmetry. This may exist between a firm and its customers, for example where the firm has used machine learning to tell it things about its customers that even they do not know about themselves. It may exist between a firm and its employees, when monitoring employee behaviour leads the firm to manage differently and often in its own interest, rather than in that of the employees themselves.

In today's world of algorithms, it is not always easy for boards to understand or monitor what is going on in the company. This means that highly, but narrowly educated data scientists can wield enormous power in the 'engine' room. At the extreme, this changes the hierarchy of governance to the detriment of a boards' ability to deliver understanding and strategic judgement at the apex of the organisation.

Challenge 2 – Sharing the benefits

New technology is expected to be disruptive and, for many, constitutes a threat to employment. Dealing with the labour market consequences is, of course, a major task for government, but companies will face a public backlash and the risk of intrusive regulation if they keep the efficiency benefits of AI to themselves.

Challenge 3 – Ensuring accountability

Most people would agree that someone at the human level must be responsible for decisions made by machines, but the nature of AI makes this principle of keeping a human in the loop hard to deliver. Corporate boards are at the epicentre of the discussion on accountability and, for them, the issue adds a new dimension to their consideration of risk and risk appetite.

Challenge 4 – Avoiding bias

When people make decisions, their choices are consciously or subconsciously affected by their particular view of the world. This is not as obviously apparent as prejudice, but simply that people are influenced by all the emotional baggage that goes with their upbringing, gender identity and so on.

One might assume that machines would be ruthlessly objective and free of bias, but this is not the case. As the AI Now 2017 Report put it:

“AI does not exist in a vacuum. We must also ask how broader phenomena like widening inequality, an intensification of concentrated geopolitical power and populist political movements will shape and be shaped by the development and application of AI technologies.”

Challenge 5 – Treating customers fairly

The starting point for any discussion about AI and customers is recognition that, correctly used, AI can add greatly to customer experience and outcomes. In that sense, it should be seen as a significant business opportunity. However, the risk remains that companies trip over into a world where they are using AI to extract value from their customers rather than delivering value to them. This would ultimately lead to loss of trust and damage to the franchise.

Challenge 6 – Treating employees and contractors fairly

The introduction of AI seems likely to have a profound effect on the nature of work and the jobs market. Public nervousness of social change, as well as the sense of alienation increasingly expressed by general populations towards the elite, means the introduction of automated intelligence needs to be handled sensitively or it may not be generally accepted. Already, some leaders in the financial



services industry report that fear of technology-related job losses' is adding to stress at work which could impair the performance of individuals. Well-being at work is rising up the agenda for managers and corporate leaders, and the impact of automation is part of this.

One important conclusion is that AI systems cannot simply be imposed from on high. Companies need to be sensitive to the impact on their workforces and be willing to mitigate this where appropriate through redeployment and retraining. The new UK Corporate Governance Code calls on boards to strengthen engagement with their workforce. Clearly, the introduction of AI, and how it is operated, should be a subject for such engagement.

Challenge 7 – Keeping data secure

Cyber security breaches have become commonplace. Breaches were more often identified among organisations that hold personal data, where staff use personal devices for work or that use cloud computing.

Challenge 8 – Dealing with attacks

All the evidence shows that cyberattacks are now commonplace, but most organisations have yet to learn to deal effectively with them. Dealing with an attack for the first time is probably the hardest part, but companies can already learn from the experience of others and the simple recommendation is the old adage: 'Be prepared.'

Challenge 9 – Can codes of ethics help?

Most experts agree that codes of ethics can be an important tool in the safe development of AI. There are two levels at which these types of code would work. First, outside bodies could develop overarching industry codes. Second, elements of these could be written into the ethical conduct codes of individual companies.

Expertise and the Boardroom

Dealing with AI and cyber risk raises an important question about board composition. Boards must be ultimately accountable for what happens, but does this mean that companies need to bring formal expertise on to the board and, if so, how much expertise is required?

Most of those who have grappled with this question say that common sense, plus the ability to ask good questions and to obtain high quality advice, are more important than recruiting specific technological expertise.

Conclusion

It is generally accepted that AI offers huge opportunities to companies, the economy and broader society. It will, however, be harder to realise these opportunities if AI is not introduced in a climate of trust. Ethical considerations are thus paramount and, indeed, competitive advantage may well accrue to those that take the trouble to develop their ethical understanding alongside the introduction of new technology itself.

Up till now, many boards have been reluctant to confront the issues or have adopted primarily a defensive approach centred around the need to develop defences against the threat of hacking and loss of data privacy. Yet directors should not be put off by lack of technical expertise. Of course, they need to understand what technology delivers and keep themselves up to date with the way it is changing and developing, but most of the questions they then need to ask themselves are philosophical and ethical. This requires them to draw on the company's and their own values for answers. These questions may be challenging, but they are not difficult in a technical sense.

Boards need to mainstream their thinking about AI. Many of the questions that boards will have to ask are about where to draw the line, for example in the use of potentially biased algorithms in recruitment or the use of personal data to target advertising. These types of question sit quite naturally within the board's regular discussions about risk appetite, risk management and oversight. It is better that AI issues are handled in that context, rather than side-lined and dealt with in a separate silo. ■