



Generative AI Board survey 2024

KPMG Board Leadership Centre

Foreword



Like few topics before it, generative artificial intelligence (GenAI) has dominated discussions in many C-suites over the last year. Boards are playing a crucial role in both encouraging management to accelerate the pace of exploration of GenAI and urging management to put in place appropriate policies and guardrails for the development, deployment, and use of the technology.

This survey of UK board members seeks to look beyond the hype. The chief finding is that directors recognise the business potential of GenAI—primarily to drive greater efficiencies—but few as yet are able to report their companies have adopted Gen AI at scale and integrated it into the business strategy.

The possibilities for using GenAI to transform how enterprises create content, engage users, develop software, and analyse data appear limitless. But, as with many emerging technologies, the path from buzz to business value is not simple or straightforward. GenAI is still in its infancy albeit evolving rapidly. Boards have many unanswered questions about security, reliability, impact on jobs, and potential value.

This report is based on survey data from 40 board members from across different industries.

Harnessing the transformative power of Gen AI will require a balance of speed with thoughtful planning and careful risk mitigation.





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Highlights

- Directors recognise the **business potential of GenAI**—primarily to drive greater efficiencies—but few say their companies have adopted GenAI at scale and integrated it into strategy.
- The adoption of GenAI currently involves a broad range of **C-suite functions**—from CEO to General Counsel—with the CIO/CTO taking the lead (and the chief data/AI officer role still emerging).
- Directors say the top GenAI-related **disruptions** facing their companies are talent and workforce transformations; the top **risks** are inaccuracy of underlying data and results, and cybersecurity.
- The full board and risk committee currently have the most significant responsibilities **overseeing GenAI** (followed by audit committees and technology committees).
- **Board education** on GenAI today is primarily ad-hoc/self-education by individual directors, followed by management presentations and third-party training. Few boards have, or are actively recruiting for, GenAI expertise.
- Despite the promise of GenAI, directors have significant concerns about the implications for the functioning of **business and society**.

Business implications



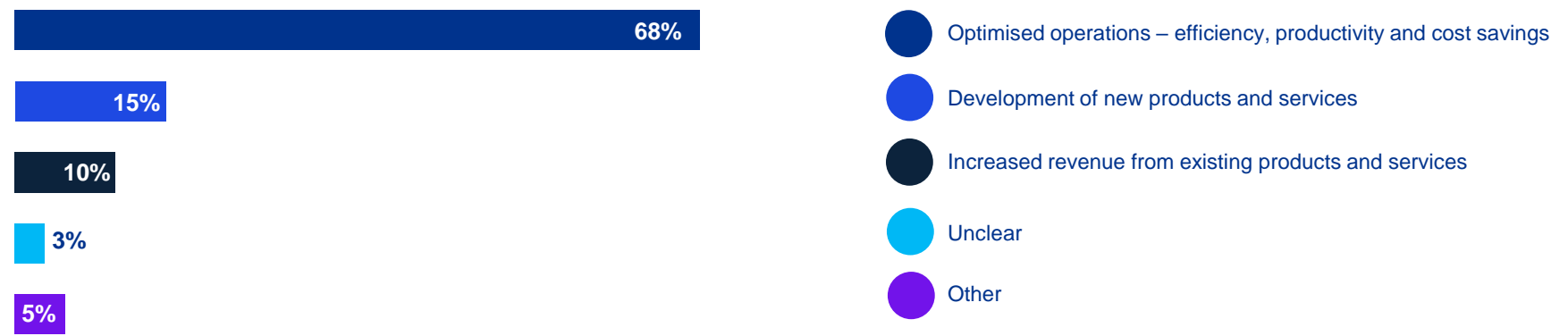
Business implications

GenAI stands apart from other recent innovations for its massive leap in ability and its potential breadth of impact across any industry and business function. For the first time in history, we have a technology that can directly augment humans in knowledge creation. Where other technologies are indirect enablers of knowledge work, GenAI has enabled the development of a true smart assistant that inches closer to human cognition and reasoning. And where recent technological advancements like blockchain and quantum computing affected pockets of an industry or specific business functions, GenAI has applications across the end-to-end enterprise.

Business leaders are highly interested in the capabilities and opportunities GenAI can unleash and believe it has the potential to reshape how they interact with customers, run their workplaces, and grow their revenue.

The top drivers influencing the need for GenAI are all major, potentially disruptive ones: technological factors, changing customer demands and experiences, and market competition. Our survey shows that UK board members perceive GenAI as a capability that could give companies an edge in these crucial strategic and operational areas. According to our research, 68 percent of respondents view GenAI as primarily an opportunity to optimise operations by driving greater efficiencies, productivity and cost savings. The development of new products and services and using GenAI to grow revenue from existing products and services was also on the board's radar..

In your view what is the top benefit to the company of adopting/leveraging Gen AI? (Select one)

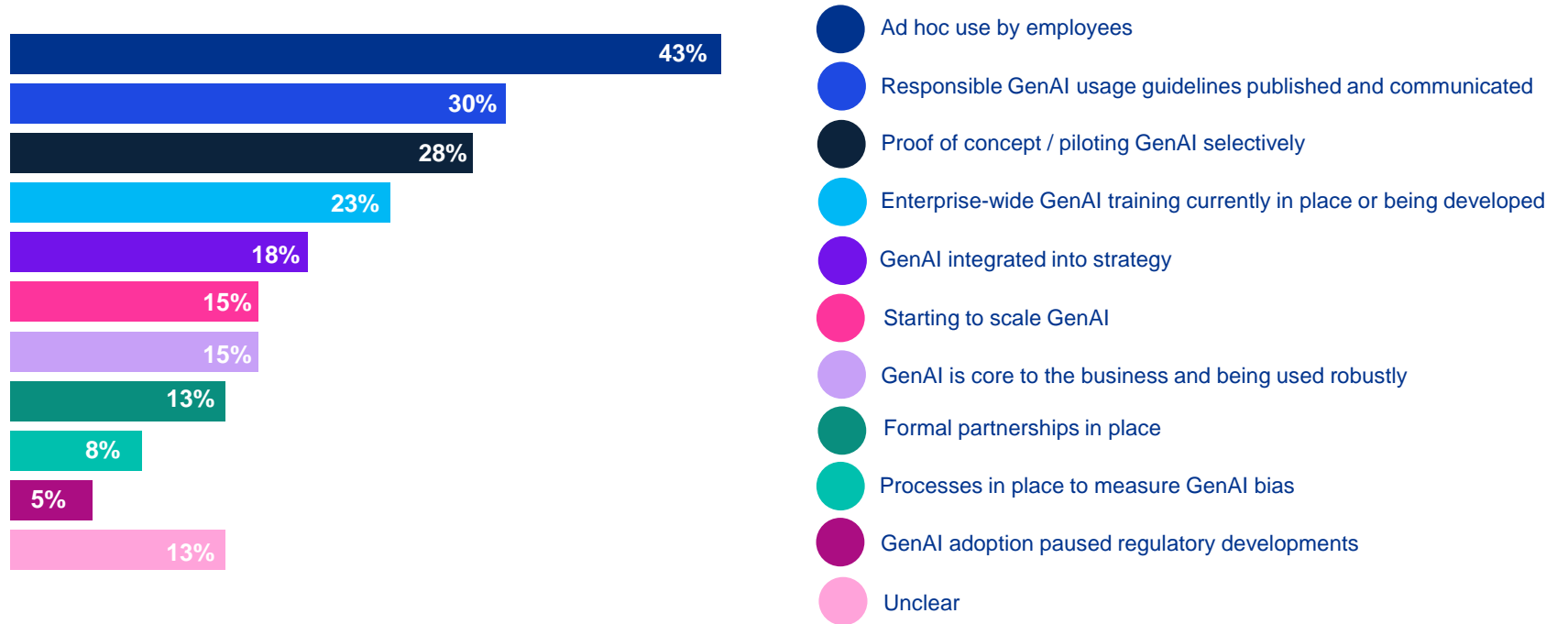




As GenAI continues to make headlines and attract the attention of boards and management teams, market focus is rapidly shifting from experimentation towards seeking tangible business value with measurable financial returns.

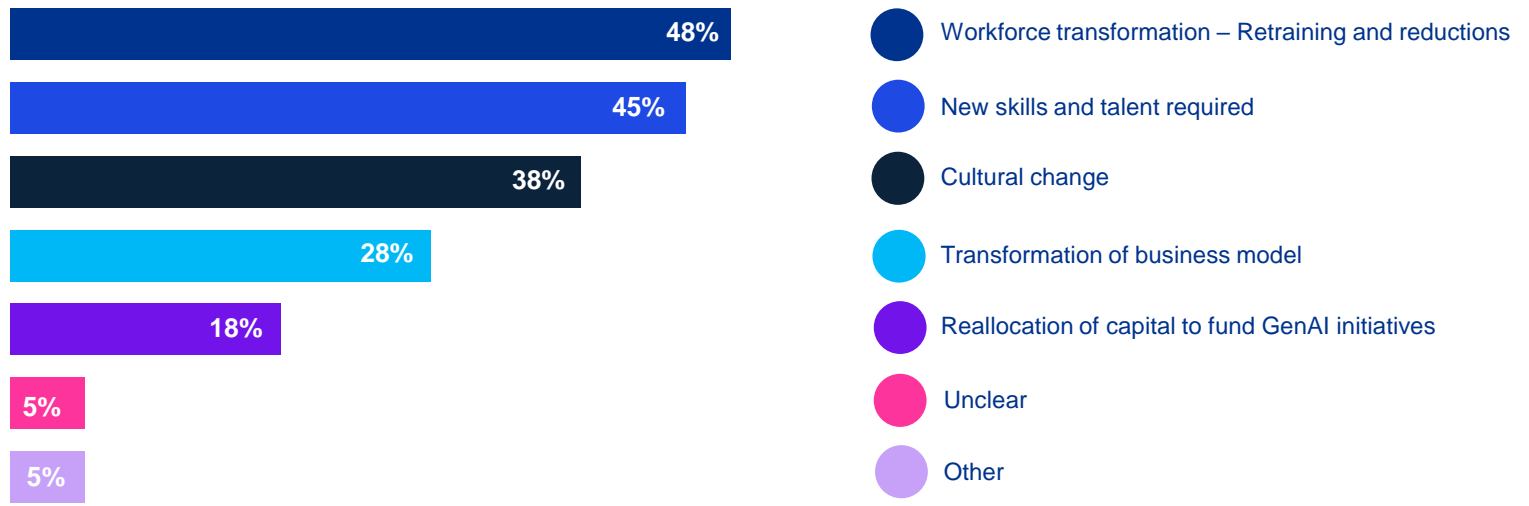
Over a quarter of directors (28 percent) say that their companies are actively exploring the capabilities that GenAI offers in selective pilots and proofs of concept. 15 percent of directors say that their companies (the early adopters) have started to scale GenAI broadly across their operations and 15 percent see the technology as already core to their business operations.

What is the state of your company's adoption of Gen AI? (Select all that apply)



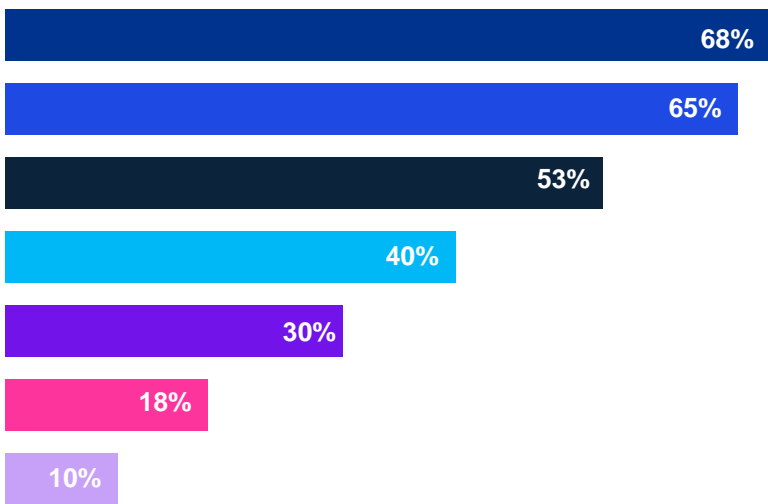


In your view, what are the most significant disruptions facing the company in its adoption of Gen AI? (select up to two)





As a business leader, which of the following macro issues are you most concerned about in terms of Gen AI's implications for the functioning of business and society? (select all that apply)



- Disinformation and loss of trust
- Inability to effectively regulate GenAI
- Impact on jobs and the workforce
- Overall benefits of GenAI to business and society outweigh the risks
- Political polarisation / social unrest
- Geopolitical tension
- Other



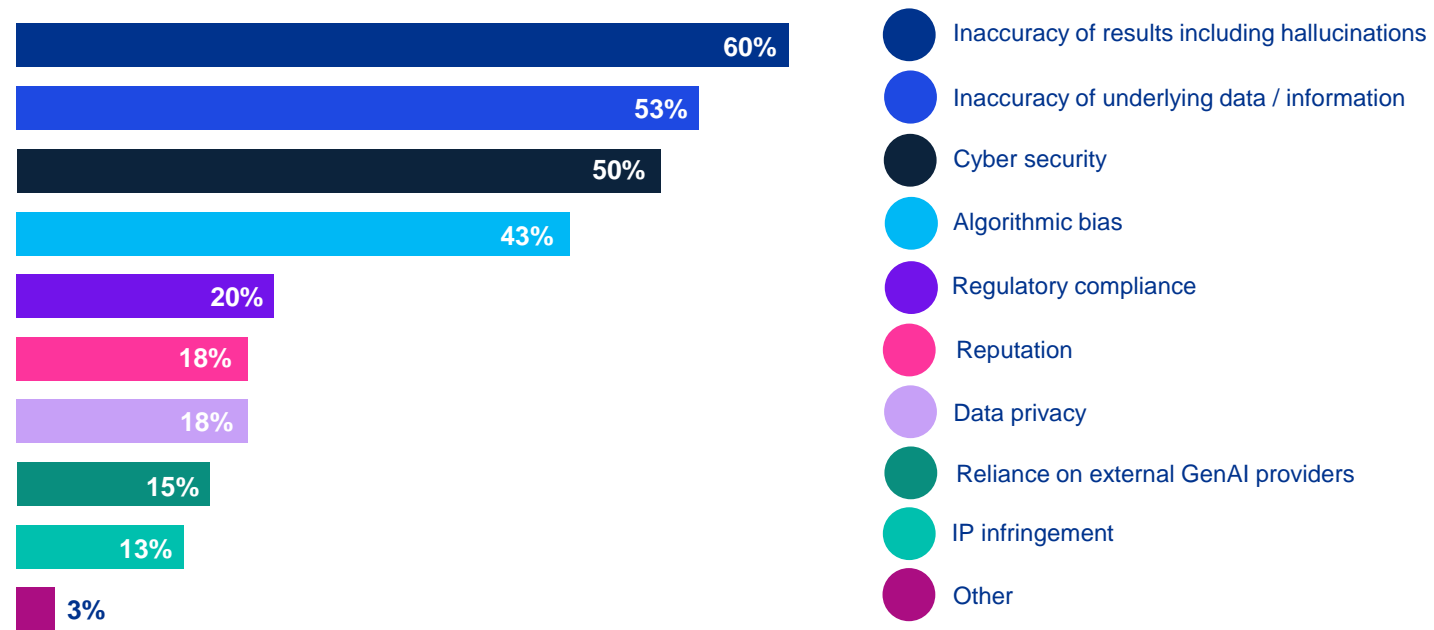
Risk and regulatory considerations

Risk and regulatory considerations

Early versions of GenAI have shown a lot of challenges with getting even basic facts correct. The problem becomes worse when a topic does not have a clear answer and it will take many iterations to develop GenAI models that can understand and apply human-like reasoning to unequivocally answer such complex questions to truly aid business decision makers.

The risks posed by GenAI models are broad and complex, from privacy and security to compliance and ethics. Billions could be wasted if enterprises place bets on the wrong tools, applications, or use cases, or fail to weave initial pilot projects into their ways of operating. Customers could be alienated, and brands could be ruined, by an unsupervised GenAI algorithm providing immoral or erroneous advice. Anxiety could rise among employees who feel threatened by the possibility of technological displacement or by changes to their normal work routines. And, businesses could run afoul of laws and regulations if a GenAI bot exposes sensitive or confidential information or IP.

Which of the following risks posed by the company's adoption of Gen AI are of greatest concern? (select up to three)





According to our recent survey, directors are currently most concerned about the reliability of GenAI-supported results/data and cybersecurity:

Inaccurate data and results

Our board survey showed that the top concerns of directors were inaccurate results and data. Inaccurate data can result from poor data quality as well as malicious factors, such as data poisoning. Inaccurate results may arise from inputting inaccurate data, or an algorithm learning something that is wrong—or producing nonsensical or false answers (“hallucinations”). Unchecked, this can put companies and their customers at risk, e.g., denying a loan to a qualified applicant due to bias in underlying algorithms. To mitigate the risk, management can take a range of steps—from data cleansing to prompting the model to disregard certain sources of information or not to respond if uncertain. Most importantly, any application not having a “human in the loop” before taking action should be avoided and all results treated as a first draft, rather than a final report.

Cyber security

Cybersecurity risk closely follows as a concern. Because GenAI can write code, it can also write code used to hack and create more realistic and sophisticated deep fakes and phishing scams. This can increase both the quantity and the quality of threats and substantially elevate cyber risk exposure, forcing many companies to reevaluate how they address cybersecurity.

Other risks that are likely to grow as GenAI moves from experimentation to company-wide adoption include compliance, intellectual property, and reputational risks.



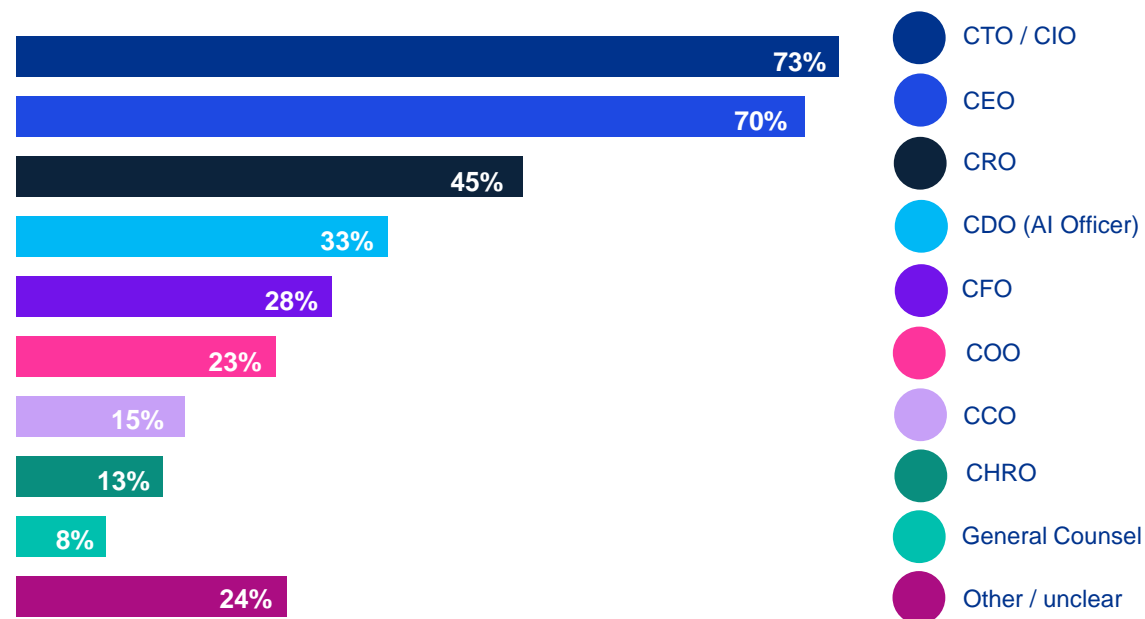
Guardrails and governance



Guardrails and governance

With GenAI affecting multiple aspects of a business—strategy, risk, ethics and compliance, talent, human resources, operations, brand, and reputation—a broad range of C-suite functions may be involved or have responsibility and accountability for various aspects of GenAI (see Who is on point for GenAI?). This highlights the challenges and complexity of GenAI adoption and use, as well as the need for leadership and coordination at the most senior levels of management.

Which C-suite functions have significant responsibility/accountability for various aspects of Gen AI? (select all that apply)

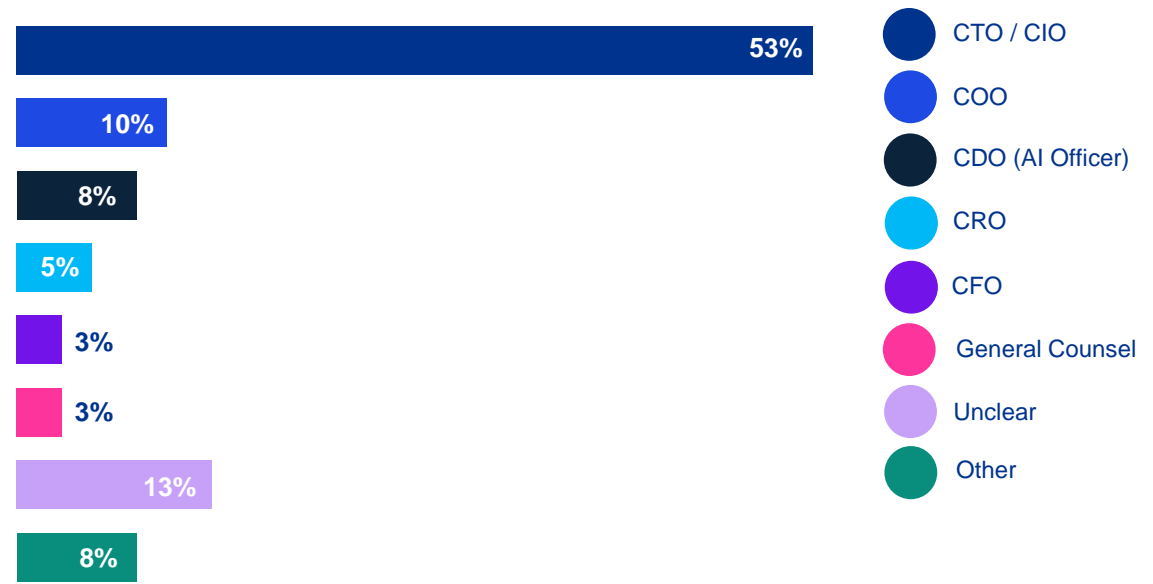


Who is on point for GenAI?

In our recent survey, we see leadership of GenAI often distributed between the chief executive officer (CEO) and multiple C-suite members:

- From our board survey, it is clear that multiple C-suite executives play significant roles in leading GenAI in addition to the CEO, e.g., the chief technology officer/chief information officer (CTO/CIO) has significant responsibility for various aspects of GenAI in three quarters of organisations, and is the most influential, aside from the CEO, in half.
- The chief risk officer (CRO), chief financial officer (CFO), chief risk officer, and chief operating officer (COO), also have significant responsibilities in 20 percent to 45 percent of the companies, but each is the most influential, aside from the CEO, in less than 10 percent.
- Among surveyed executives who currently point to either the CEO or CTO/CIO, as the leader for AI, the CEO is the most common lead in financial services and industrial manufacturing and healthcare. The CIO is on point most frequently in consumer and retail; and technology, media, and telecom.
- A growing number of organisations (33 percent) already have a leadership role for GenAI.

Aside from the CEO, who in the C-suite is the point person with ultimate responsibility/accountability for Gen AI? (select one)





Board oversight



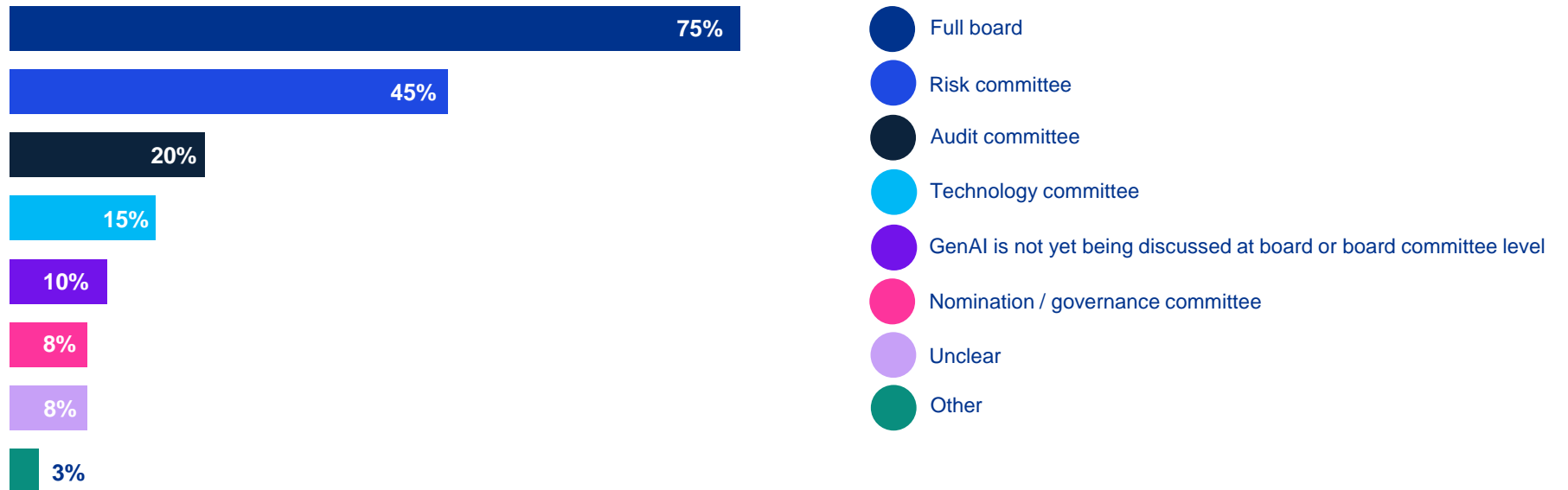
Board oversight

Boards are considering how best to oversee GenAI. Since these are early days—with the technology developing rapidly and its potential impact on the strategy and business model uncertain—oversight is largely still at the full-board level (75 percent), where major issues (strategic and/or transformational) typically should be addressed.

However, some board committees, such as the risk committee (45 percent), audit committee (20 percent) or a technology committee (15 percent), may already be involved in overseeing specific GenAI issues.

Oversight structures will likely evolve as GenAI programs evolve. Ultimately, oversight of GenAI, like oversight of sustainability, may eventually touch all or most board committees.

Where on the board do significant oversight responsibilities for various aspects of Gen AI currently reside? (select all that apply)

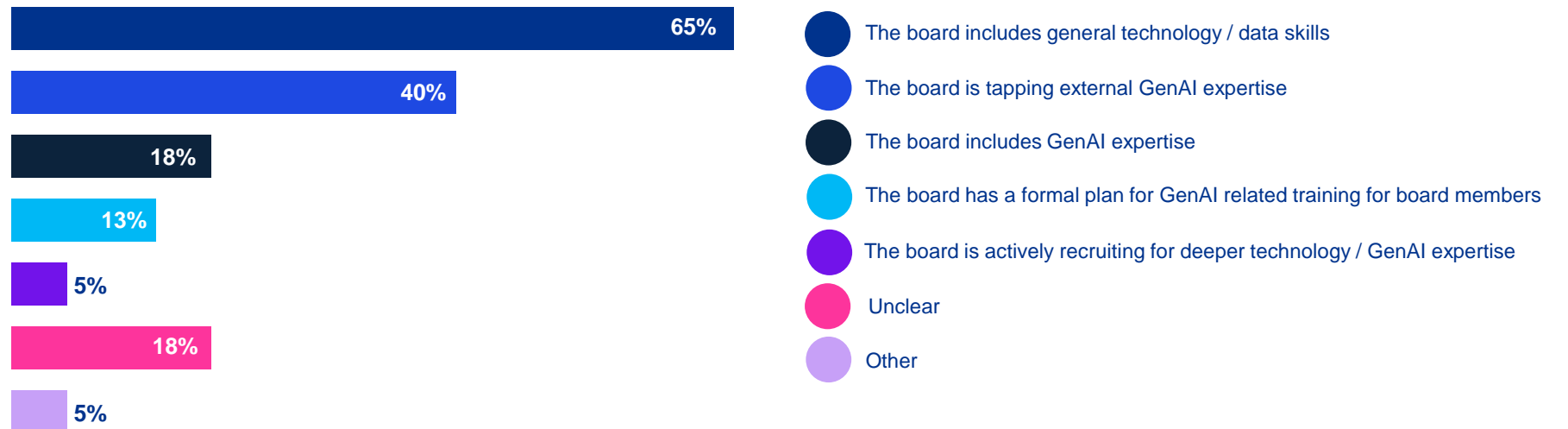




Another important question for boards is whether they have the knowledge, access to experts, and ongoing education to effectively oversee the company's use of GenAI. While all board members need to educate themselves about GenAI, generally, we see boards pushing back against the concept of specialist directors.

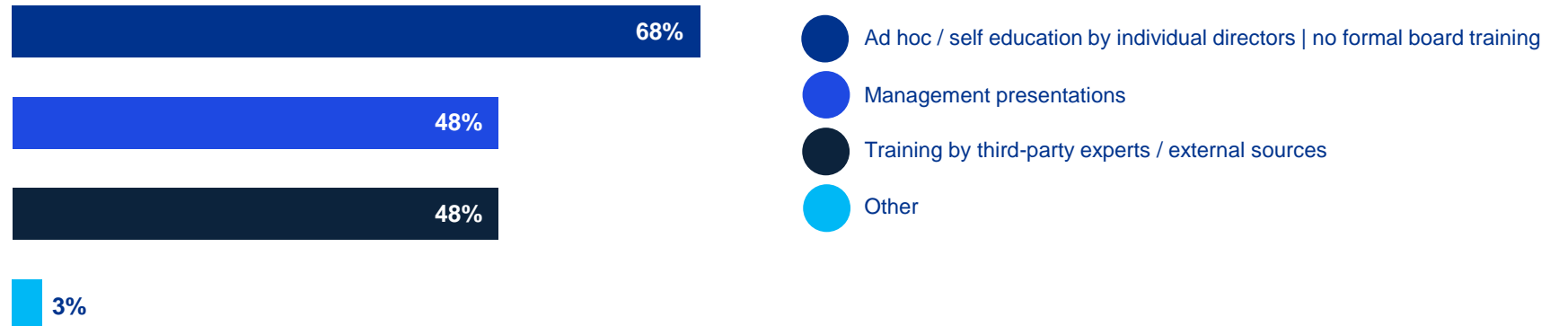
As a practical matter, it is likely that the number of individuals who are both steeped in GenAI and have the broader skill sets to be good directors is fairly limited. Boards need to consider how central GenAI is to a company when they are considering the level of director expertise required. Even if the board decides GenAI expertise is required and recruits such an expert, other directors should avoid deferring to one director as a specialist in an area that

In terms of specific Gen AI-related knowledge, skills, and experience, which of the following currently apply to the board? (select all that apply)



Ways for directors to gain additional knowledge about GenAI include **Ad hoc / self education by individual directors (75 percent)**, training by third-party experts / external sources (48 percent) and management presentations (48 percent). Boards may also consider forming an advisory board to help the board get up-to-date, high-quality information on the subject from third parties.

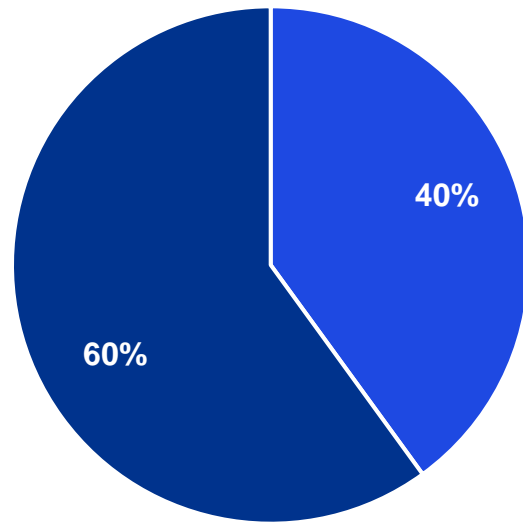
What are the primary ways the board is educating itself about Gen AI? (select all that apply)



Survey demographics

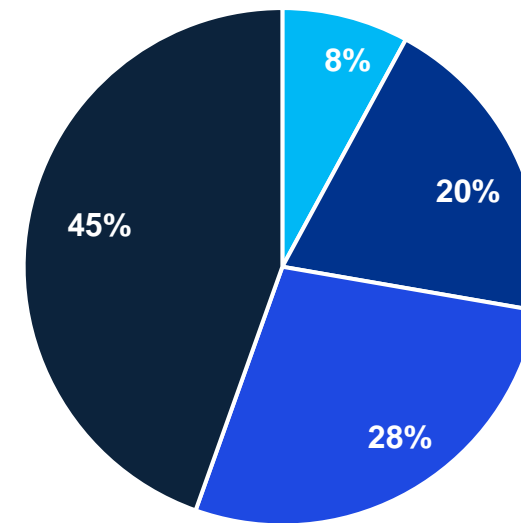
Survey demographics

Please indicate your role/title for which you are responding to this survey: (select one)



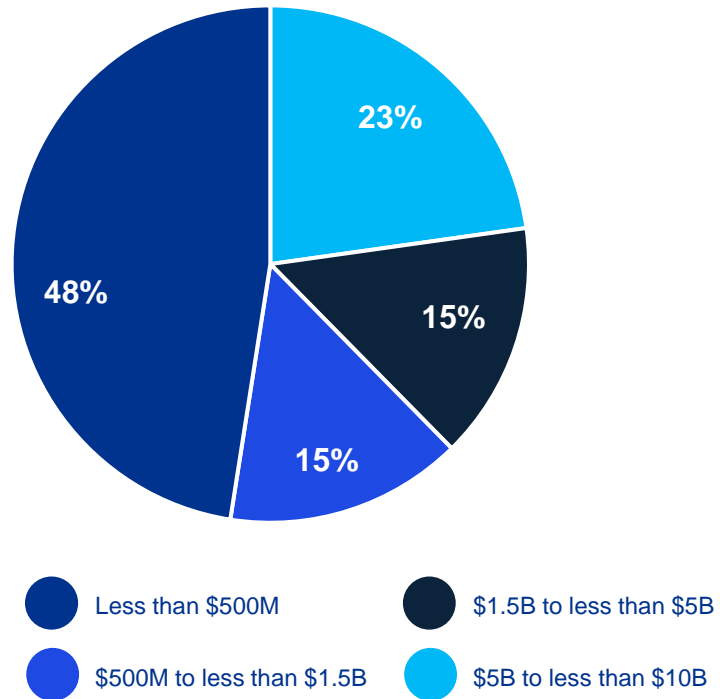
● Board member ● Chair

What is the type of company/organisation for which you are answering the survey? (select one)

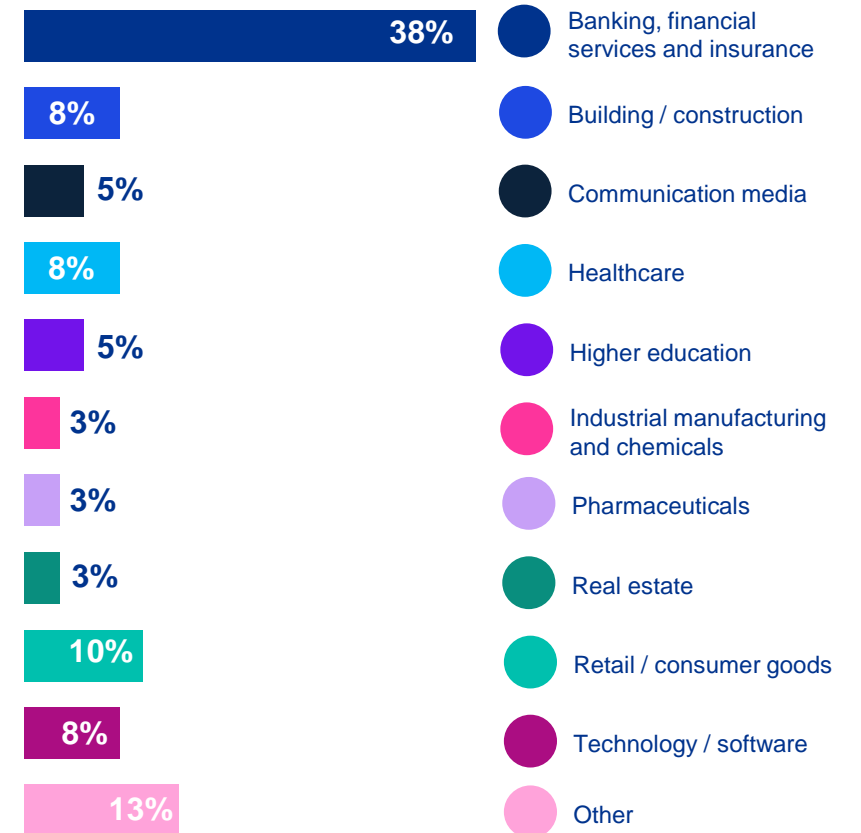


● Not for profit ● Public company
● Private company ● Other

What is the annual revenue of the largest company for which you serve as a director? (select one)



What is the type of company/organisation for which you are answering the survey? (select one)



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The KPMG Board Leadership Centre

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