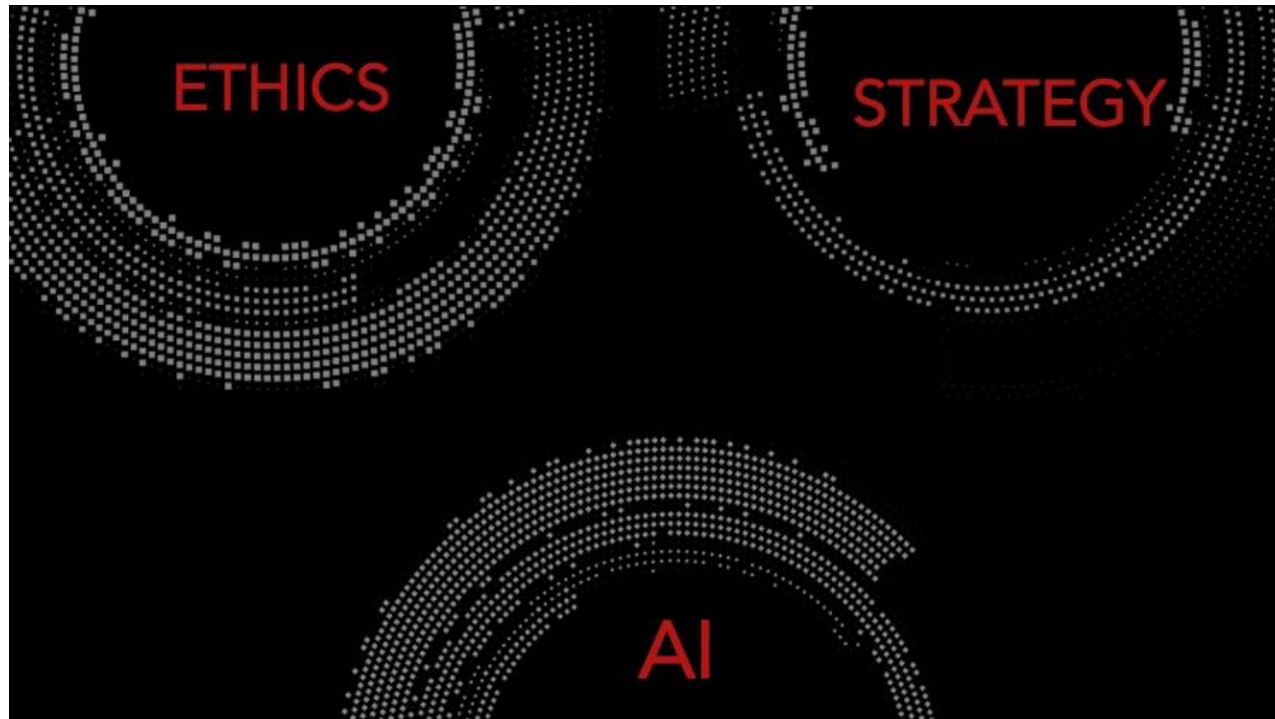


Earlier this month, I found myself championing “Ethical AI” at a summit hosted by *Strategic Management Review* and *BCG Henderson Institute*. The distinguished scholars, consultants, and industry leaders had gathered to delve into the "*Most Untamed Issues in Strategy*." The transformative impact of AI on business strategy turned out to be one of the most discussed themes among the participants. Thanks for inspiring me to blog this.

I also see AI’s potential to help corporations reevaluate their collective beliefs and principles. Ethical AI could be the catalyst in effecting a *paradigm shift* in the field of strategy - providing an ethical compass and a practical GPS. It’s time to crystallize a resilient paradigm in strategy atop a robust ethical foundation. This integrative approach holds significant implications for board members, advisors, and executives across all industries.

My ethical zeal stems from my career in strategy, recent advisory roles in AI companies, and the insights from deploying IBM Watson to manage telecom networks. Read more, for my take on **Aligning AI with Strategy & Ethics**.

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### **Aligning AI with Strategy & Ethics**

*“Computers arose from the mud, and Code fell from the sky,”* penned Dyson in his 2012 tome. In it, he delved into the ethical implications of scientific advances, juxtaposing the parallel evolution of computers with that of the hydrogen bomb in the 1940s. As time progresses, his insights grow increasingly poignant, resonating with our collective unease over the profound impact of Artificial Intelligence on society and businesses. AI is distinctively challenging among technological advancements, given its potency, degree of autonomy, and widespread availability.

While the marvels of AI are boundless, its arc could be menacing in so many scenarios – rooted in its power to control our information diet, thinking process, and in turn our beliefs, behaviors, lives, and fortunes. More so, because the AI companies are in a relentless competition to create and roll out increasingly powerful digital minds that, in many cases, neither they nor anyone else can fully comprehend, anticipate, or consistently manage. The ethicists have urged creators to ensure that artificial intelligences align with the intended values and objectives, especially in winner-take-all markets. Amidst this digital upheaval, a crucial element has taken a backseat: *the nuanced ethical conundrums presented by AI*. Captains of businesses, brace for impact!

In corporate board rooms across the globe, discussions on ethics seem centered around historical concerns such as the financial liabilities of ethical missteps by executives, and economic costs of forward-looking ESG pursuits. This limited view has led to several ethical lapses

and scandals and has left the world unprepared for the brave new world of AI. Over the next five years, every enterprise would be put under an ethical microscope, and business leaders should prepare for that odyssey.

## ETHICAL BLUNDERS AND BLINDSPOTS

Ethical oversights, across various industries, have led to derailments and, in some cases, the complete dissolution of major corporations. Notable examples include Enron, Arthur Andersen, Worldcom, Lehman Brothers, and Purdue Pharma. As the world rapidly embraces the digital age, with AI at its forefront, the threat of ethical transgressions is amplified, predominantly due to the inherent grey areas of impact – wildness lies in wait.

A cautionary tale is the ethical shortcomings of Cambridge Analytica. This consulting firm exploited data from tens of millions of unsuspecting Facebook users, crafting detailed profiles for targeted political advertising. While the backlash was swift, culminating in the firm's closure in May 2018, the tactics employed and the broader implications of such data misuse in democratic processes remain a topic of profound concern.

In recent times, the digital landscape has seen a surge in companies grappling with data-related controversies. These instances not only highlight the urgent need for robust data governance but also underscore the inherent challenges of marrying the benefits of data analytics and digital tools with the imperative of preserving privacy, ensuring consent, and preempting misuse.

1. **Clearview AI:** In 2020, this facial recognition company found itself at the epicenter of a major controversy when it was disclosed that they had illicitly harvested billions of images from various social media platforms. Their actions precipitated numerous legal challenges and led to calls for bans in certain jurisdictions.
2. **Ring:** Owned by Amazon, Ring's doorbell cameras have been scrutinized due to their partnerships with police departments. The arrangement, which risks converting private citizens into inadvertent surveillance nodes, has reignited debates about data sharing, user consent, and the erosion of personal privacy.
3. **Palantir:** Renowned for its prowess in data analytics, Palantir's affiliations with governmental entities, particularly in sectors like immigration enforcement, have raised eyebrows. Critics argue that such powerful tools might be employed in ways that could infringe on civil liberties.
4. **NSO Group:** This Israeli cyber-surveillance firm is synonymous with its flagship product, the Pegasus spyware. With the capability to breach smartphones and oversee communications, concerns about its potential misuse, especially targeting journalists and activists, have been voiced loudly.

## LESSONS FROM TECH TITANS

When AI treks into the wilderness of unknown unknowns it often finds itself without reliable ethical guideposts. The consequences, both intended and unintended, ripple through society (people) and the environment (planet), presenting a blend of challenges and opportunities. Big Tech provides a masterclass in this context. Microsoft's experiment with "Tay" emerges as a cautionary tale about the consequences of unbridled intelligence. Amazon, with its AI-induced hiring oversight, underscores the necessity of vigilant checks and balances in AI systems. Tesla's Autopilot, for all its promise, introduces moral quandaries about safety and liability.

Facebook's journey, from its digital innovations to its battles with misinformation, serves as a poignant reminder. Its evolution into "Meta" signifies more than a rebranding; it represents a quest to reconcile with and transcend past challenges. The documentary entitled [Social Dilemma](#) questions the

ethics of bolstering shareholder value by conditioning user beliefs and behavior through psychological profiling, selective sampling, and social reinforcement.

Then there's Google, whose ambitious data practices have thrust it into the epicenter of global debates on privacy and the potential pitfalls of unchecked power. Don't be evil" (and its corollary - you can make money without doing evil) remains Google's guiding philosophy to help ensure it does good things for the world, even if that means forgoing short-term profits. What are the strategic implications of drawing insights from this philosophy? Does it inspire employees to be missionaries rather than mercenaries? Do Google executives prioritize collective well-being, over fiduciary responsibilities to shareholders? Does the corporate culture allow for diversity of entanglements (as exemplified in the decision to abstain from the opportunity to work with Pentagon on autonomous weapons)?

These lapses chart the delicate interplay between ethics, innovation, and responsibility. They underscore a salient message: *technology, without ethical guidance, can inadvertently lead even the well-intentioned players astray.*

All these tech behemoths have responded positively to the new challenges, as apparent from the AI principles on their websites and annual reports. While Google has summarized its stance in [seven AI principles](#), Microsoft has been more specific with its [AI standards](#). Open AI, the creator of chatGPT has a [charter](#) that highlights broader distribution of benefits, long-term safety, and cooperative orientation.

However, these companies seem to view their stance on AI as part of their corporate social responsibility to self-regulate their offerings rather than as a commitment to any philosophy. It tells us little about their intention to tell the truth about the capabilities and limitations of their products, act responsibly in ethically challenging situations, or proactively communicate the implications of the new applications for all stakeholders.

That then behooves us to differentiate between "Ethical AI" and "Responsible AI." The former delves into the moral principles and values governing AI, addressing profound philosophical questions about its societal role and implications. The latter focuses on the tangible application of these principles, laying out standards for their real-world realization. To put it simply, while Ethical AI explores the "why" of principled AI, Responsible AI outlines the "how," showcasing methods to manifest those principles in practical scenarios. The tech titans seem to have put the carriage before the horse. In highly ambiguous settings, Ethical AI is more like proverbs (if we do this, we will most likely succeed). AI systems can help test commonly held beliefs and suggest amends when the unintended consequences of actions seem unacceptable.

We need Ethical AI to ensure that AI technologies are well aligned with the corporate beliefs and strategies that resonate with human values and contribute positively to society. This would answer several salient questions, such as:

- How will we leverage AI to enhance corporate capabilities and societal good?
- Will these innovations drive best business practices or magnify inherent corporate challenges related to market myopia and concentration of power?
- How will we design and deploy AI in ways that breaks down hierarchical structures and foster greater collaboration across teams and departments?
- Who will be stakeholders in the discussions about the development trajectory of AI tools and technologies? Who will be granted the authority to make decisions on the distribution and application of these technologies?

## A CALL TO ACTION FOR ALL BUSINESSES

AI is here to stay! The triumphs and travails of Big Tech offer invaluable lessons for every business venturing into the AI domain. Companies, irrespective of size and geography must absorb these lessons and recognize that the AI frontier is as much about ethics as it is about economics. Every leader designing or deploying AI would do well to nurture societal good, as they navigate the ethical nuances.

While traditional business strategies emphasize profit and growth, the AI era demands a broader perspective. Companies, whether a budding startup or a multinational conglomerate, must intertwine ethical considerations with their AI endeavors. Consider the vast landscape of businesses, from fintech to manufacturing, from regulated to self-regulated industries. Each sector, while distinct, faces the shared challenge of harmonizing economic goals with ethical imperatives. Leadership across industries must champion the cause, integrating ethical considerations into their AI strategy.

Boards would do well to acknowledge these cardinal principles enunciated by Big Tech as they set their own standards for their companies: a) AI applications should prioritize societal benefits and avoid amplifying unfair biases while respecting diverse norms, b) These systems must offer feedback, remain under human oversight, and uphold scientific excellence, while ensuring safety, accountability, and privacy, c) AI technologies should align with these principles, limiting potentially harmful uses and evaluating their overall impact.

### Forging Ahead with AI: A Fintech's Ethical Odyssey

Consider a Fintech steering through the dual landscapes of financial services and higher education. The merger of AI in these sectors presents not just opportunities but minefields that demand both technological grasp and ethical discernment.

## SETTING ETHICAL DIRECTION

To aid their journey through this evolving landscape, Fintech's board may balance among these four guiding philosophies:

1. **Benefit Equilibrium:** Amidst the scenarios the company encounters, whether it's bridging educational divides or crafting unique credit risk scores, there must be a balance. The challenge is to harmonize commercial objectives with a broader societal vision, infusing self-restraint and self-regulation in strategic choices.
2. **Integrity First:** Ethical dilemmas will arise, whether deciphering financial futures from resumes or traversing the grey area of data privacy. Throughout, upholding ethical values, even at the potential cost of profit, should remain non-negotiable.
3. **Cultural Sensitivity:** As AI interfaces with global audiences, Fintech companies must be adept at fusing universal ethical standards with the nuances of varied cultural expectations.
4. **Shared Ethos:** These ethical guidelines and guardrails will come to life, only if the Fintech nurtures virtuous traits such as integrity, courage, and compassion, directing strategic choices rooted in shared values and moral tenets. By hiring and retaining individuals driven by purpose and passion, a cohesive business family is formed, bound by collective ethos.

## NAVIGATING ETHICAL RESPONSIBILITIES

As AI's reach expands, the Fintech executives must grapple with a myriad of considerations:

- A. **Transparency and Accountability:** Balancing the needs of users seeking accuracy, employees handling possibly biased AI tools, investors demanding reliable decisions, and a society at risk of systemic biases. Ensuring AI decisions are comprehensible is paramount. And, equally vital is pinpointing responsibility when AI falls short or errs.
- B. **Data Privacy and Consent:** In the era of sprawling data, the challenge lies in preserving the sanctity of individual privacy. Weighing users' privacy rights, employees' ethical data concerns, investors' fear of legal backlashes, and diverse international privacy standards.
- C. **Algorithmic Fairness and Bias:** As the Fintech delves deeper into AI's potential, there's an ongoing quest to identify and rectify systemic biases that can inadvertently creep into algorithms. It takes reconciling users' fear of typecasting, employees' aim to prevent bias, investors' need for reliable predictions, and society's multifaceted success standards.
- D. **Intellectual Property Protection:** The age of AI necessitates a reimagined playbook for safeguarding creative rights and innovations. Fair use of data used for training AI models is a consideration, distinguishing between proprietary databases and information obtained with consent.

In this saga, our Fintech protagonist faces challenges echoing the suspense of a thriller. Economic considerations spar with societal factors like adverse selection and moral hazards in the deployment of AI. Amidst this, a quartet emerges: users, employees, investors, and society. Their motivations and desires interweave, crafting a multifaceted story. Yet, the responsibility rests on the board to uncover the ethical kernel of the company by harmonizing these diverse voices and charting the path toward Ethical AI. While the Fintech is focused on People and Profits, Planet (environment) will take center stage in industrial companies.

## **CRITICAL AI GOVERNANCE**

We need an international regulatory system to regulate AI, but it seems the current government institutions might not adapt quickly enough to handle it. For now, Board Members must lead the way in governing AI policies and decisions. They must create Ethics Committee (both internal and external) to guide business conduct in situations of ethical ambiguity (lack of precedents or stakeholder consensus). These committees must strive to reach a consensus through a dialectic process – thesis > antithesis > synthesis. These governance mechanisms could lead to a pointed ethical direction so the executives can navigate the AI odyssey ahead with courage.

Here are a set of questions that boards and advisors may want to consider that go beyond the ethical responsibilities that the tech titans have chosen to take upon themselves. These questions may serve as guidelines and guardrails for businesses to evaluate their ethical stance and actions in the realm of AI.

1. **Long-term Viability:**
  - Are we considering the potential risks of advanced AI in the future, and how are we preparing for them today?
  - How are we ensuring the long-term ethical viability of our AI solutions?
2. **Human-in-the-loop:**
  - How are we incorporating human oversight in our AI-driven decision-making processes, especially in critical areas?
  - To what extent are our AI systems reliant on human validation?
3. **Transparency:**

- How can we ensure that our stakeholders clearly understand the decision-making processes of our AI systems?
- What steps are we taking to make our AI algorithms not only transparent but also understandable and interpretable?
- 4. **Continual Learning and Adaptation:**
  - How are our AI systems adapting to new challenges and concerns over time?
  - What mechanisms are in place to ensure our AI upholds ethical standards as it evolves?
- 5. **Stakeholder Participation:**
  - How are we engaging with a diverse range of stakeholders in the development and deployment of our AI solutions?
  - Are we considering the voices of those directly impacted by our AI systems in its design?
- 6. **Societal Impact:**
  - How are we addressing the potential economic implications of our AI, such as job displacement or wealth inequality?
  - How will we protect intellectual property rights of companies and individuals, from wider deployment of generative AI?
  - What strategies are we employing to mitigate negative socio-economic outcomes stemming from our AI solutions?
- 7. **Environmental Sustainability:**
  - Given the energy demands of AI, how are we committing to environmental sustainability in our AI operations?
  - What are our strategies for reducing the carbon footprint of our AI processes?
- 8. **Interdisciplinary Collaboration:**
  - How are we engaging with experts from diverse fields to offer holistic insights into our AI's ethical considerations?
  - Are we incorporating insights from disciplines like sociology, psychology, and philosophy into our AI development process?
- 9. **Cultural Sensitivity:**
  - How are we ensuring that our AI systems respect and consider various cultural norms and implications?
  - Are we taking measures to ensure our AI doesn't inadvertently prioritize one cultural perspective over another?
- 10. **Compassion:**
  - How are we making sure that our AI systems are actively promoting human well-being and preventing harm?
  - What proactive measures are we taking to ensure our AI is beneficial to society?

## **EPILOGUE**

*AI sprouted from computer science, and it uncovers patterns to make better predictions; Ethics descended from philosophy, and guides business decisions in the pursuit of good for all; and Strategy evolved from business economics and helps shape the future of a business. Humanity stands to gain by weaving these three streams into a harmonious triple helix.*

The infusion of AI into strategy heralds a revolutionary shift in how businesses cultivate actionable insights. By interlacing AI into their very fabric, businesses aren't merely making progress—they're attaining visionary-level data insights and predictive analytics. It's akin to possessing a crystal ball free from the mists of strategy ambiguity! The strategists or business leaders who dismiss AI put themselves on a perilous path, mistaking the trees for the forest.

Nevertheless, AI is forging inescapable tradeoffs between economic advancement and ethical considerations. As AI propels forward along its exponential trajectory, business leaders across the globe find themselves tasked with harmonizing economic acumen and ethical mindfulness. The

narratives spun by tech behemoths through their AI journeys and the bedrock of their principles offer a fundamental guide, accentuating the imperative of self-governance and an unwavering dedication to proactive ethical stewardship.

In this 'ethical wild west,' overstretched CEOs might be led astray by classical strategies—be first, be faster, be bigger—when driven solely by enlightened self-interest. The rise of ethical ambiguities caused by AI, and the resultant range of economic outcomes have made the traditional strategy frameworks obsolete. Scholars and advisors must champion the evolution of a more sophisticated strategy paradigm, one that empowers businesses to navigate this exhilarating new frontier armed with ethical lucidity and resolute strategic determination.

That then raises a conundrum, what is the universal touchstone of Ethical AI? To paraphrase a famous philosopher—you *can't* say *how the world ought to be just from the way the world is!*

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