



Generative artificial intelligence – new horizons for Board members

swissVR Monitor II/2024

August 2024





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About the survey

This is the 16th edition of swissVR Monitor and is based on a survey of 391 members of Swiss company Boards of Directors. The aim of the survey is to gauge Board members' attitudes to the outlook for the economy and for business and to corporate governance issues. This edition also focuses specifically on the topic of generative artificial intelligence.

The swissVR Monitor survey was conducted by swissVR in collaboration with Deloitte AG and the Lucerne University of Applied Sciences and Arts between 15 May and 27 June 2024. A total of 391 Board members took part, representing listed companies as well as small and medium-sized companies (SMEs) from every major sector of the Swiss economy. 33% of the participants are from large companies, 32% from medium-sized companies, and 35% from small companies.

The aim of swissVR Monitor is to offer Swiss Board members a benchmark for comparing the issues facing their own Board with those facing their counterparts on other company Boards. swissVR Monitor also aims to share with the wider public the ways in which Board members perceive their role and the current economic situation.

A note on the methodology

When comparing survey results over time, please note that the sample may have changed. Percentage figures are rounded to add up to 100. Company size is determined by workforce: small companies have between 1 and 49 employees, medium-sized companies have between 50 and 249 employees, and large companies have 250 or more employees.



Foreword

Dear reader

We are delighted to bring you swissVR Monitor II/2024. For this edition, we surveyed 391 members of company Boards of Directors across Switzerland. The findings reflect their attitudes to the economy, the outlook for business, and relevant areas of their own role.

The focus topic for this edition is generative artificial intelligence (generative AI), which has fundamentally transformed the economy and the world of work over recent years. This new technology opens up many opportunities for companies but is also putting pressure on some business models. The Board of Directors has a key role to play in shaping how companies make use of the potential of generative AI but also how they manage the risks it represents. This edition of swissVR Monitor therefore takes a closer look at the major benefits and challenges generative AI represents for companies, the role of Boards of Directors in relation to generative AI, and Board members' responsibilities.

The findings demonstrate that most Swiss companies – and their Boards – are not yet making full use of the potential of generative AI. Although Boards are using the technology, most Board members say they lack both the expertise to do so and awareness of the major challenges and risks AI poses to their company. The survey also finds that many Boards do not

receive regular reports from management on how their company is using generative AI. The challenge for Boards of Directors is to ensure that this game-changing technology becomes a tool for success rather than a risk.

Alongside the survey findings, swissVR Monitor II/2024 has conducted interviews on the focus topic with:

- Thomas Steiner, member of the Board of Emch+Berger AG Bern and member of the Board of Switzerland Tourism
- Cornelia Diethelm, Vice-President of the Board of Metron AG, member of the Board of Ethos, and Chair of the Corporate Development Committee of the Board of Sparkasse Schwyz AG
- Kriti Sharma, member of the Board and of the Audit Committee, Nomination Committee and Corporate Responsibility Committee of Rightmove

We would like to thank our interviewees and all the Board members who participated in this swissVR Monitor. We hope you will find this report an informative and enjoyable read.

Isabelle Amschwand
President swissVR

Reto Savoia
CEO Deloitte Switzerland


Dr. Brigitte Maranghino-Singer
Lecturer IFZ/Lucerne University of Applied Sciences and Arts

Summary and key findings

 **30%**
of Board members rate the outlook for the Swiss economy over the next 12 months as positive.


Brighter economic outlook

Board members are somewhat more optimistic than in H1 2024 in their rating of the economic, sector and business outlook over the next 12 months. 30% rate the outlook for the Swiss economy as positive, up from 18% in H1, although a majority rate it as neutral. Equal proportions rate the sector outlook as positive and as neutral. And a majority of Board members rate the outlook for their company's business over the next 12 months as positive. Key factors driving this greater optimism include the fall in inflation, which has prompted recent interest rate decisions by the Swiss National Bank, and recovery in the global economy.

 **80%**
think generative AI has become increasingly important to their company over the last two years.

Generative AI increasingly important to companies

Around half of all Board members surveyed report that the importance of generative AI to their company has increased slightly over the last two years; more than a quarter report that it has increased a lot. Around four Board members in ten also believe that the technology will fundamentally transform their sector over the next one to three years. Board members in the ICT sector are particularly likely to report that AI will bring about a rapid transformation of their sector.

 **60%**
see wrong outputs (false or biased data) generated by AI as a risk to their company.


Generative AI represents a range of benefits but also risks for companies

A large majority of Swiss Board members surveyed report that their company is focusing its use of generative AI on improving efficiency and productivity within the company. Asked about the challenges and risks posed by generative AI, they most frequently cite the possibility of wrong outputs caused by false or biased data, and confidentiality and privacy risks. Most companies are taking a number of measures to manage the risks posed by generative AI, with internal audits particularly common.

 **55%**
of Board members rarely or never use AI tools for their Board mandate.

Board members make little use of AI tools for their mandate

Only around one Swiss Board member in eight reports that they always or often make use of AI tools for their Board mandate. One in three do so sometimes, leaving more than half of all Board members who rarely or never use such tools. Board members in the manufacturing and chemicals sector and in the construction and property sector rarely or never make use of AI tools.

 **75%**
of Boards do not receive regular reports from management on the use of generative AI in the company.

Boards discuss generative AI, but there is scope to do more

A large majority of Swiss Boards have discussed generative AI over the last 12 months. In almost three-quarters of cases, the forum for this discussion has been the full Board, with the remaining quarter of Boards discussing it in committees or in both the full Board and committees. However, most Board members surveyed report that their Board and committees need greater expertise, lack knowledge of the major challenges and risks AI poses to their company, and do not receive regular reports from management on the use of generative AI within the company.

 **31%**
of Boards identify risk management as the top issue facing their company over the last 12 months.

Boards focus on risk management

Risk management tops the list of topics discussed by Boards over the last 12 months, in particular as a result of ongoing geopolitical risks. This is followed by formulating a new corporate strategy. Over the next 12 months, Board members expect increasing efficiency/optimising internal processes to top their agenda, followed closely by talent management, including recruitment and retention.

↘ Economic, sector and business outlook



Swiss Board members are somewhat more positive overall than in H1 2024 about the economic, sector and business outlook (see Chart 1). A major driver of this greater optimism is the fall in inflation, which prompted interest rate reductions by the Swiss National Bank in March and again in June. Low inflation generally drives consumer demand, while lower interest rates reduce companies' costs by making credit cheaper. A further reason for the brighter outlook reported in H2 is the recovery in the global economy and the positive impact that is having on Swiss exports. However, the Swiss economy still faces uncertainty as a result of factors including the US presidential election in November 2024 and the threat posed by military conflicts between Ukraine and Russia, Israel and Hamas, and China and Taiwan.

Almost two-thirds of Board members (65%) rate the outlook for the Swiss economy as neutral. Of the remainder, 30% rate it as positive and 5% as negative. There is broad overlap between these findings and those of other surveys, which all forecast low growth in the Swiss economy this year and next year.

44% of Board members rate the sector outlook over the next 12 months as positive and 12% rate it as negative, leaving 44% who rate it as neutral. Reflecting the findings of earlier surveys, Board members in the information and communications technology (ICT) sector are more optimistic than the average (83% rate the sector outlook as positive as against just 3% who rate it as negative). There has been little change in the expectations of Board members in both the manufacturing and chemicals industry (where 24% rate the outlook as positive as against 17% who rate it as negative), and the retail and consumer goods sector (where 18% rate the outlook as positive and the same percentage rate it as negative). Nevertheless, this represents a significant improvement in the mood in both sectors compared with H1 2024, when Board members were generally pessimistic about the outlook for their sector.

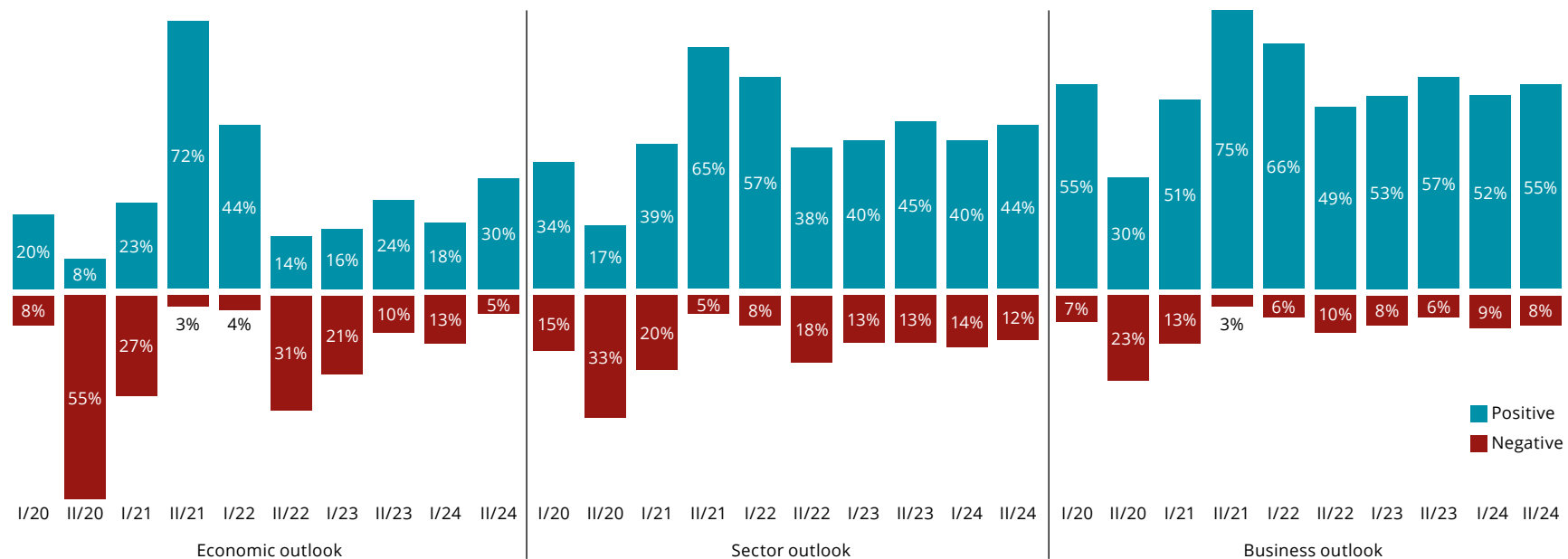
Board members are most optimistic about the prospects for their own company over the next 12 months: 55% rate these as positive and just 8%

as negative. This picture has remained largely unchanged over the last two and a half years. Board members in the ICT sector are most optimistic about their company's prospects: 77% rate them as positive and just 3% as negative. Board members in the pharma and life sciences sector (where

45% rate the prospects as positive as against 18% who rate them as negative) and in manufacturing and chemicals (34% and 7% respectively) are also more optimistic than in recent surveys, though this improvement is below the average across all sectors.

Chart 1. Economic, sector and business outlook over the next 12 months [swissVR Monitor I/2020 to II/2024]

*Question: How do you rate the prospects for the Swiss economy / sector / your company over the next 12 months?
Note: Neutral responses make the figures up to 100%.*



Focus topic: Generative artificial intelligence – new horizons for Boards of Directors

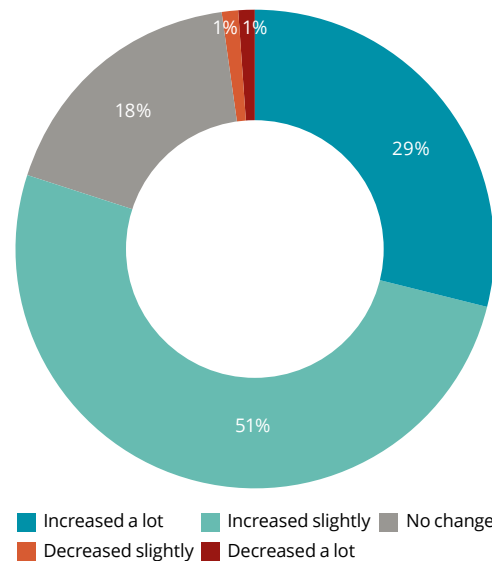
Generative artificial intelligence (generative AI) is a technology that learns from enormous datasets to create tailored content in formats including text, images, audio and video. Well-known generative AI tools include ChatGPT, DALL-E and Midjourney. Generative AI is transforming the world of work, especially for employees who work with computers and now use generative AI tools on a daily basis. Generative AI brings many benefits but is not without risk, especially where companies fail appropriately to coordinate its use, deploy it strategically, oversee its use and regulate it. The introduction and implementation of governance frameworks for the use of generative AI tools – and their impact on companies' business models – are relevant and challenging issues for companies and their Boards.

The importance of generative AI to companies and sectoral transformation

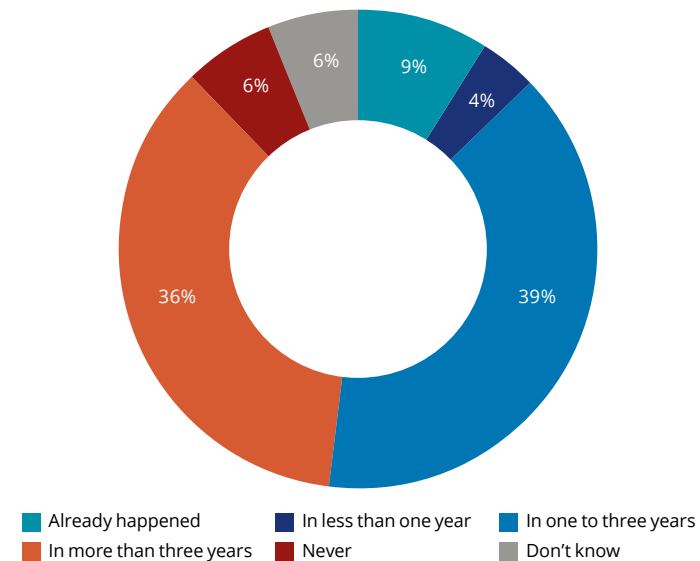
The importance of generative AI to Swiss companies has grown markedly over the last two years (see Chart 2 left). Just over half of all Board members surveyed (51%) say that its importance has increased slightly, with more than a quarter (29%) reporting that it has increased a lot. Almost one-fifth of survey respondents report no change (18%), while just 1% report either that the importance of generative AI has decreased slightly or that it has decreased a lot.

Chart 2. Importance of generative AI to companies and industry transformation

Question: How has the importance of generative AI to your company changed over the last two years?



Question: When is generative AI likely to substantially transform your industry?



Almost half of Board members in the ICT sector (49%) report that the importance of generative AI to their company has increased a lot over the last two years. The main reason for this is that the use of AI technology is fundamental to the business model of ICT companies and more likely than the average to influence their operation, meaning that these companies are more likely to be using it.

Board members representing large companies are also more likely than average to report that the importance of generative AI to their company has increased a lot (40% of respondents in this sector). This may be because large companies have a larger workforce and greater resources, enabling them to derive greater benefits from generative AI, such as improvements in efficiency and productivity. Large companies are also, however, more vulnerable than small companies to risks including data protection and cyber security.

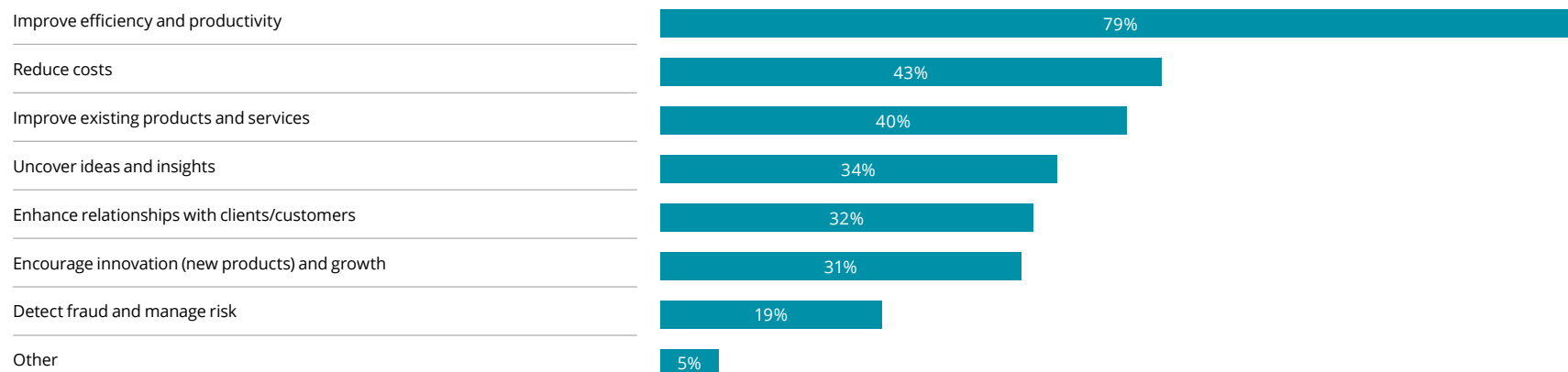
Almost four Board members in ten (39%) expect generative AI to substantially transform their industry within one to three years (see Chart 2 right). Almost the same proportion (36%) believe this transformation will take more than three years. 9% of Board members believe it has already happened; 4% believe that it will happen in less than one year and 6% that it will never happen.

Expectations for the timescale of this transformation vary markedly from industry to industry. Board members in the ICT sector, for example, are around three times more likely than the average to report that generative AI has already transformed their sector (29%). Around half of all Board members in corporate services and in financial services believe that generative AI will transform their sector within one to three years (50% and 49% respectively), a more rapid transformation than in other sectors. By contrast, 45% of Board members in the manufacturing and chemicals sector and the same proportion in the construction and property sector think the transformation will take more than three years, which is above average.

This greater importance of generative AI to companies and the timescale for its transformation of individual sectors illustrate that Board members must engage with this issue and formulate a clear strategy for their own company. In particular, those in the ICT, corporate services and financial services sectors as well as those representing large companies need to put generative AI at the centre of their work and activities.

Chart 3. Benefits of generative AI for companies

Question: What are the key benefits that your company hopes to achieve by using generative AI? (Please select all that apply.)



Benefits, challenges and measures

Using generative AI offers companies many different benefits (see Chart 3). A majority of Board members report that their company is focusing on **operational benefits**, such as improved efficiency and productivity (79% of respondents), reduced costs (43%) or improvements in existing products and services (40%). They are less likely to report focusing on **strategic benefits** including uncovering new ideas and insights (34% of respondents) or encouraging innovation and growth (31%).

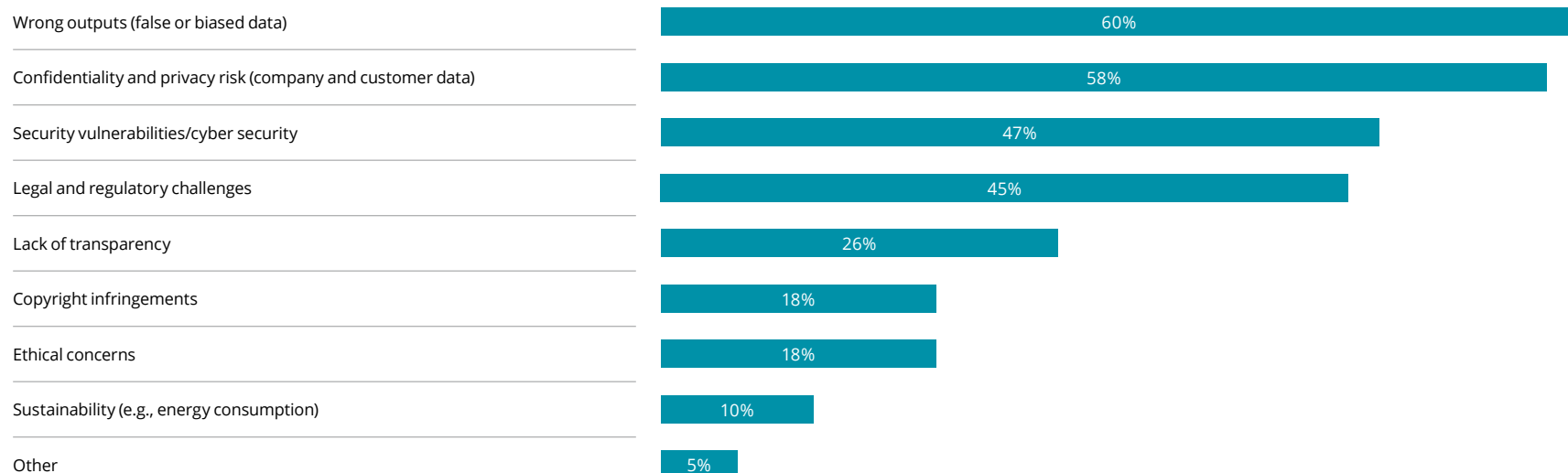
While the operational benefits of generative AI can unquestionably enable incremental improvements, these are usually temporary and limited in scope. For greater added value and long-term competitive advantage, companies should be using generative AI strategically, for example to uncover new ideas and insights, to encourage innovation and/or to develop new products and services.

Generative AI offers companies many benefits, but its use also poses challenges and risks (see Chart 4). A majority of Board members surveyed identify the risk of AI tools producing wrong outputs (cited by 60% of respondents) and confidentiality and privacy risks in relation to company and customer data (cited by 58% of respondents). Further frequently cited challenges and risks include security vulnerabilities/cyber security and legal and regulatory challenges (cited by 47% and 45% of respondents respectively).

The picture in relation to individual sectors is varied and reflects individual sector profiles. For example, Board members from the ICT sector are most likely to identify confidentiality and privacy risks in relation to company and customer data (71% of respondents). This finding is likely to reflect the above average importance of generative AI to this sector and its above average use of the technology (see above).

Chart 4. Challenges and risks of generative AI for companies

Question: What are the key challenges and risks of generative AI to your company? (Please select all that apply.)

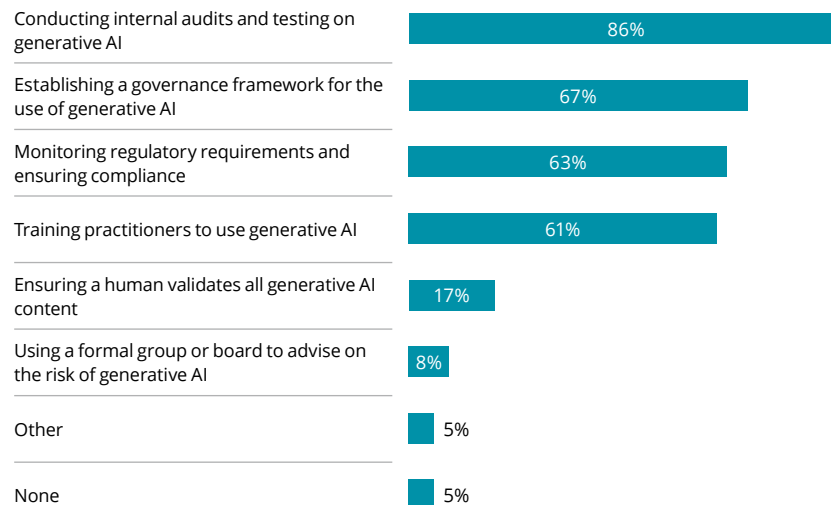


The range of challenges posed by generative AI demonstrate that companies need to manage risks actively (see Chart 5). Board members surveyed report that a majority of Swiss companies have conducted an internal audit and testing on generative AI (86% of respondents), have established a governance framework for its use (67%), are monitoring regulatory requirements/ensuring compliance (63%), and have trained practitioners to use generative AI (61% of respondents).

Establishing a governance framework for the use of generative AI is a measure that targets the most frequently cited challenges – wrong outputs and confidentiality/privacy risks. It is, however, striking that such frameworks are more common in small companies than in large ones: 77% of small companies have such a framework in place, around half as many again as for large companies (48%).

Chart 5. Measures to manage the risks of generative AI

Question: Which of the following measures has your company already implemented to manage the risks of generative AI? (Please select all that apply.)

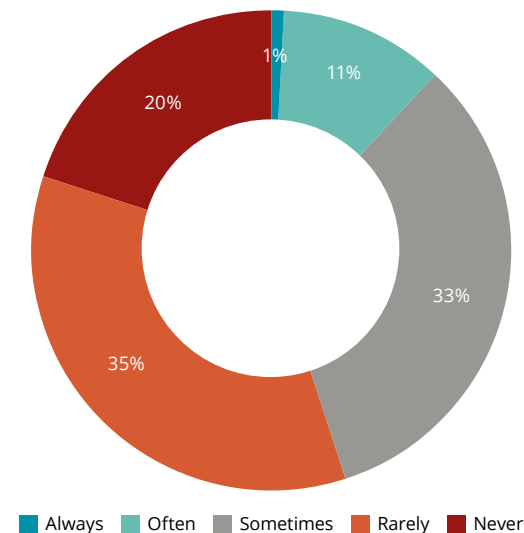


Given the high level of risk represented by false or biased data producing wrong outputs, it is also striking that only around one company in six (17%) has all AI-generated content validated by at least one human. Meanwhile, fewer than one company in ten (8%) has a body to advise it on the risks of generative AI.

The majority of Swiss companies represented in the survey are in a position to make greater use of the untapped potential of the strategic benefits generative AI offers, for example to uncover new ideas and insights, to improve their ability to innovate and to boost growth. Companies need to make use of a broad range of measures to manage most of the challenges and risks the technology represents, in particular ensuring that a human validates all AI-generated content and establishing a formal group or board to advise on the risks of generative AI.

Chart 6. Use of generative AI tools for Board mandate

Question: How often do you use tools based on generative AI for your Board mandate?



Generative AI within the Board of Directors

Tools based on generative AI can help Board members with their mandate, but only around one in eight Board members (12%) reports that they always or often use such tools (see Chart 6). Around one in three (33%) uses such tools sometimes, with a majority (55%) rarely or never using such tools for their mandate. This relatively limited use of generative AI tools may partly reflect the fact that many Board members also identify wrong outputs generated by AI tools and the confidentiality/privacy of company and customer data as risks (see Chart 4).

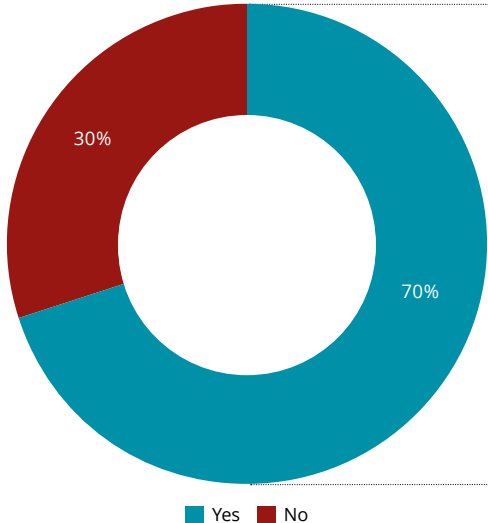
In contrast to the relatively limited use of AI tools by individual Board members, the full of Board of Directors frequently discusses generative AI (see Chart 7 left): 70% of Swiss Boards have discussed the issue over the last 12 months. Here again, however, there are marked differences between sectors: Board members in the financial services, corporate services and ICT

sectors are more likely than average to have discussed the issue (82%, 80% and 80% respectively), while the figures are lower than average for the pharma and life sciences sector (59%) and for construction and property (48%).

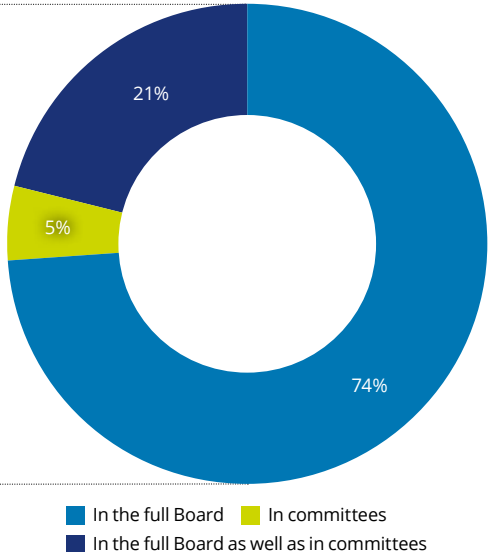
When Boards do discuss generative AI, these discussions mostly take place within the full Board (74% of respondents; see Chart 7 right). In around one company in five (21%), discussion takes place both within the full Board and in committees, with just a handful of Boards (5%) delegating this discussion wholly to one or more committees. Small companies are less likely than large ones to have committees, so they are more likely to discuss generative AI within the full Board (86% of respondents). Board members representing large companies, on the other hand, are more likely than the average to discuss this issue both within the full Board and in individual committees (34% of respondents).

Chart 7. Discussions of generative AI in Boards

Question: Has your Board of Directors discussed generative AI over the last 12 months?



Question: In which forum does your Board discuss generative AI? [n = 269]

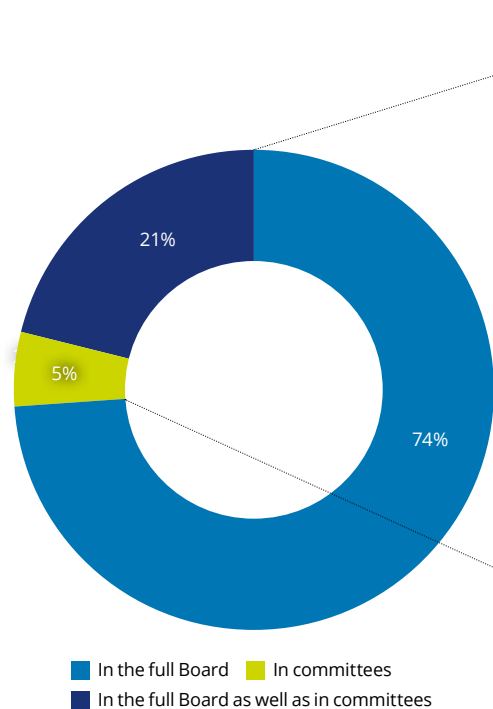


A wide range of committees are involved in discussing generative AI (see Chart 8 right). Survey respondents most often cite the Strategy Committee, the Risk Committee, or the Innovation Committee/Digitalisation Committee in this context (48%, 44% and 37% of respondents respectively). This suggests that Board members see generative AI as a topic of strategic relevance and are keen to identify both the risks it poses and the opportunities it creates for innovation.

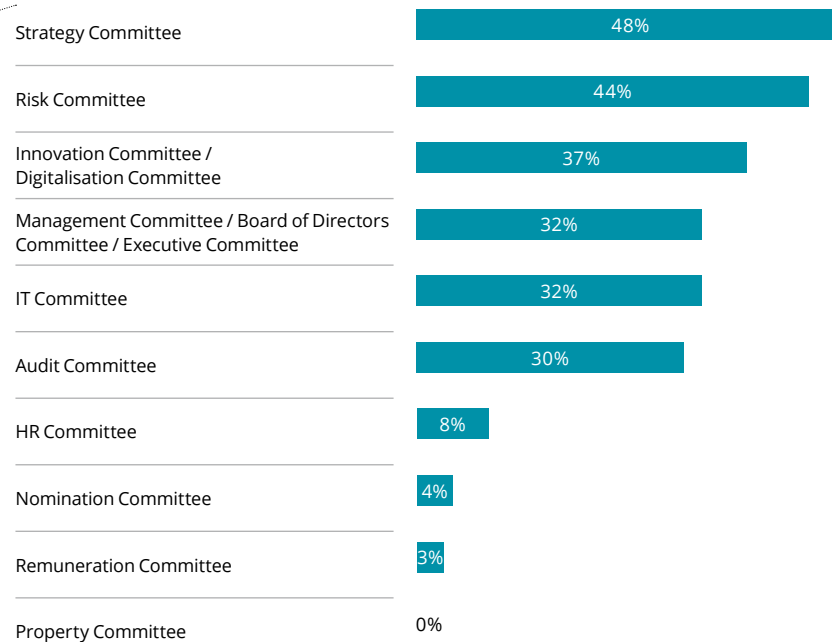
Although most Boards have discussed generative AI in the recent past, most could do more in this area (see Chart 9). For example, only just under half of survey respondents (48%) strongly agree or somewhat agree that their Board has defined the key issues around generative AI that the company should address. Fewer than half (43%) strongly agree or somewhat agree that their own Board has sufficient expertise around generative AI, while fewer still (39%) strongly agree or somewhat agree that their Board plays an active part in determining the company’s strategy in this area.

Chart 8. Discussions of generative AI in committees

Question: In which forum does your Board discuss generative AI? [n = 269]



Question: Which committees are involved in discussing generative AI? (Please select all that apply.) [n = 71]

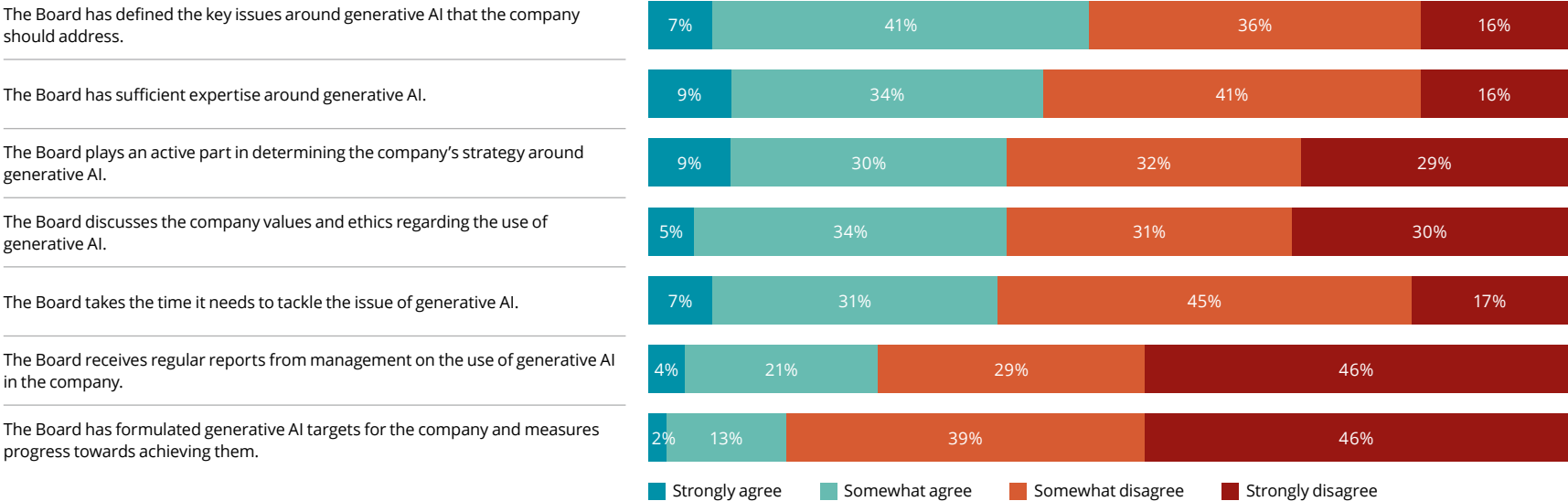


Only 38% of Swiss Board members strongly agree or somewhat agree that their Board takes the time it needs to tackle the issue of generative AI. A quarter (25%) strongly agree or somewhat agree that their Board receives regular reports from management on the use of generative AI in the company, while 15% strongly agree or somewhat agree that their Board has formulated generative AI targets for the company and measures progress towards achieving them.

Swiss Boards of Directors are now focusing on generative artificial intelligence, so it is important that Board members acquire basic skills in this area. At full Board level, Board members need to appoint AI experts as members or to bring in outside expertise to enable them to analyse the major opportunities and risks AI poses for their company. Regular management reporting on the use of generative AI is also crucial to ensuring that the Board is briefed on how the technology can improve operational efficiency and productivity, among other issues.

Chart 9. Statements about generative AI in Boards

Question: Please rate your agreement with the following statements about your Board of Directors.



Strategic and structural issues facing the Board of Directors

Roles, number of meetings, time commitment and liability insurance

Survey respondents hold a range of different roles in relation to their Board of Directors (see Chart 10). The largest proportion (44%) are Board members; exactly half (22%) have just a Board mandate, while the remaining 22% also have a seat on a committee. 29% of survey respondents are the President of their Board. Survey respondents also cite other roles, such as Chair of a committee (12% of respondents), Vice-President of the Board (8%) or Delegate of the Board (7%).

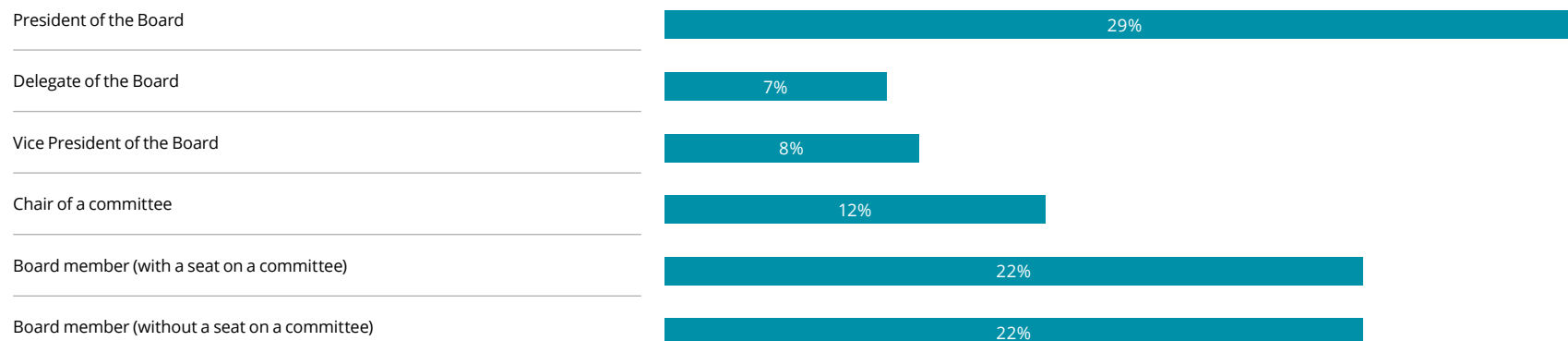
Swiss Boards of Directors vary widely in terms of the number of full Board meetings they hold each year (see Chart 11). Excluding committees, just over two-thirds of Boards (67%) hold between three and six meetings a year and 28% meet more frequently. The number of meetings a Board

holds tends to increase with company size: the median for Boards in small companies is four meetings a year, whereas for Boards in large companies, it is six meetings a year. There has been very little change compared with the findings for swissVR Monitor II/2020 and swissVR Monitor II/2022 for the number of meetings held each year.

Alongside the number of full Board meetings they attend, Board members also vary widely in terms of the overall annual time commitment required for their mandate (see Chart 12). Including full Board meetings, committee meetings, preparation, representing the company, and initial and continuing training, Swiss Board members spend an average of 21 days a year on their mandate, with a median figure of 15 days. Around one Board member in six (16%) reports a very high time commitment (more than 30 days a year); just under half of this sub-group (49%) is made up of Presidents of Boards of Directors.

Chart 10. Own role(s) on the Board of Directors

Question: Which role(s) do you hold in relation to your Board of Directors? (Please select all that apply.)



There has been little change from the findings of swissVR Monitor II/2022 in terms of the mean and median annual time commitment required for a Board mandate. Between swissVR Monitor II/2020 and swissVR Monitor II/2022, however, the mean had increased by 35% and the median by 25% (see swissVR Monitor II/2022).

Board members have considerable responsibilities both to their company and to themselves. For example, Board members run the risk of liability claims being made against them in the event of loss or damage. To protect themselves against the cost of defending such claims, unconditional claims and possible compensation payments, individual Board members and companies can take out professional liability insurance, also known as directors' and officers' (D&O) insurance.

Chart 11. Number of Board meetings per year

Question: Excluding committee meetings, how many Board meetings does your company hold each year?

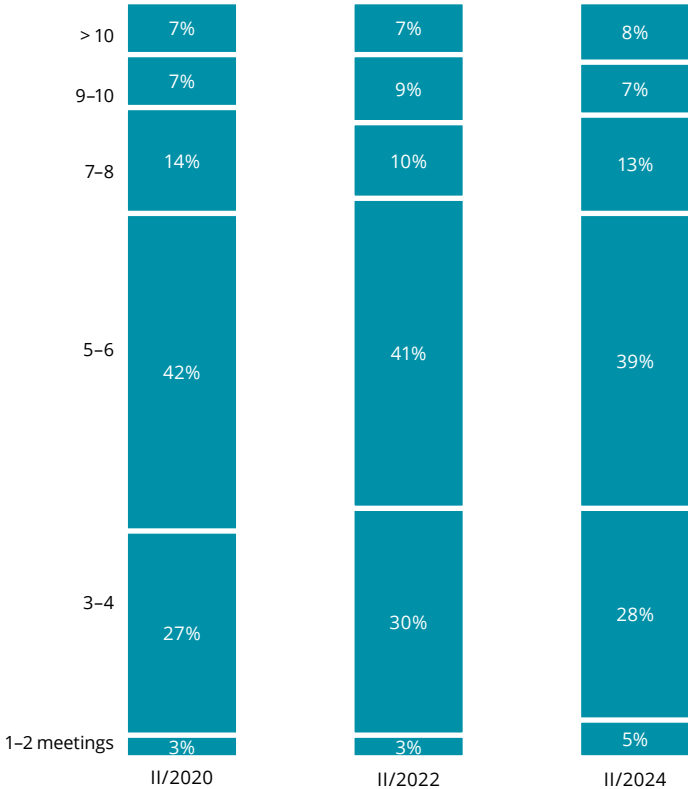
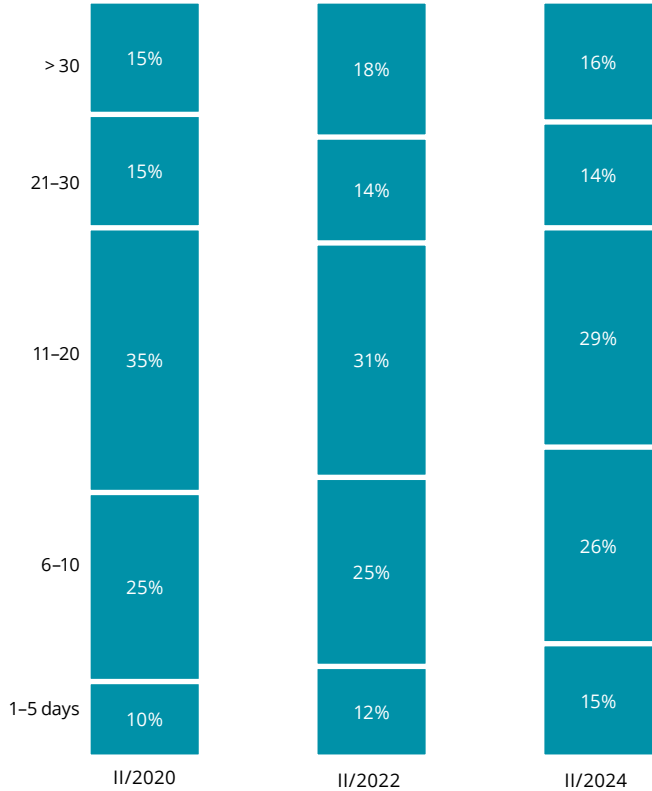


Chart 12. Time spent on Board mandate per year

Question: Approximately how much time do you commit each year to your Board mandate? Please include meetings, committees, preparation, representing the company, and initial and continuing training.



Three-quarters of companies (75%) have a company D&O insurance policy in place for their Board members, and 5% of Board members surveyed have their own insurance policy (see Chart 13). This means, though, that one Board member in five (20%) has no liability insurance. Almost all Board members in large companies have insurance – 89% via their company and

5% on their own account – but this falls to around two-thirds of Board members in small companies (61% via their company and 5% on their own account). There has barely been any change in these figures since this question was last asked for swissVR Monitor II/2022.

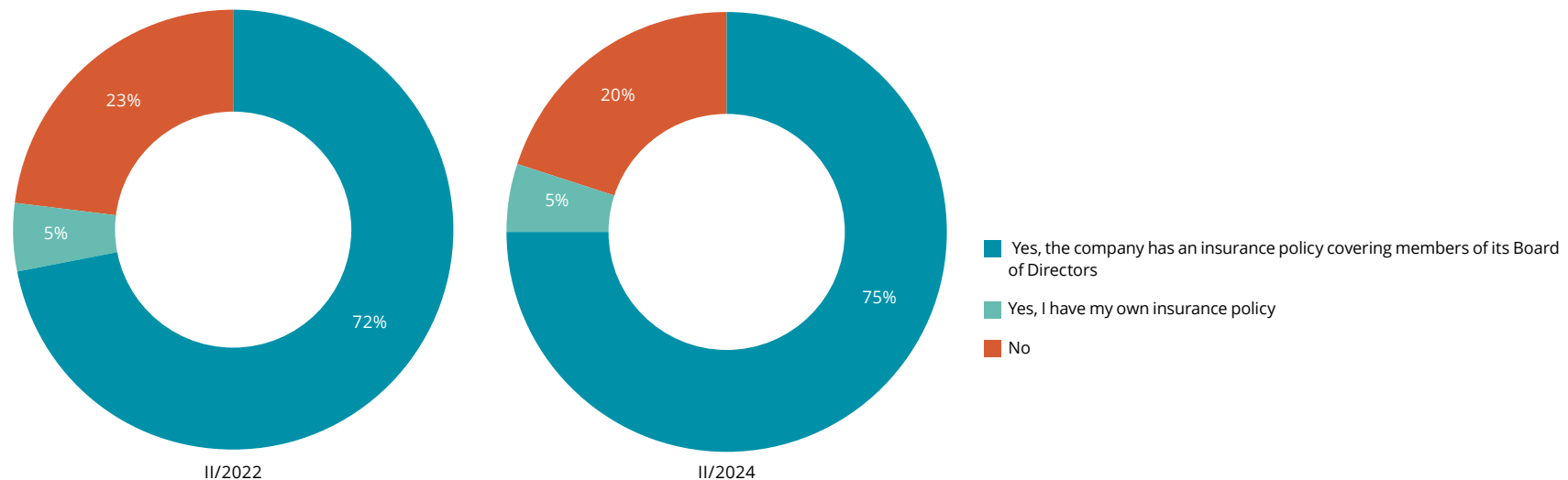
Key issues for the Board of Directors

Risk management tops the list of issues that Boards have had to tackle over the last 12 months, with 31% of Swiss Board members citing this issue (see Chart 14). It can be assumed that this includes recent geopolitical developments such as wars and conflicts, deglobalisation trends, and cyber-attacks on both businesses and countries.

Risk management is closely followed by formulating a new corporate strategy (30% of respondents) and, in joint third place, by improving efficiency/optimising internal processes and HR challenges at management level (29% of respondents). Talent – which topped the list of key issues in swissVR Monitor I/2024 – has now slipped to fifth place, with 26% of respondents citing this as one of the most important issues they have had to tackle over the last 12 months, despite persistent skills shortages in the Swiss labour market.

Chart 13. Directors' and officers' (D&O) insurance

Question: Do you have professional liability insurance (directors' and officers' insurance)?



In terms of the most important issues Boards will have to tackle over the next 12 months, however, talent has again risen up the rankings to second place (30% of respondents), only slightly behind improving efficiency/optimising internal processes (31% of respondents) which is closely related

to ongoing digitalisation and issues such as the role of generative AI. New issues entering the list of top ten issues Boards will be tackling over the next 12 months are IT (ranked seventh, 22%) and go-to-market strategy (ranked ninth, 20%).

Chart 14. Key issues for the Board of Directors

*Questions: What have been the most important issues that your Board of Directors has had to tackle over the last 12 months?
In your view, what will be the most important issues that your Board of Directors will have to tackle over the next 12 months?*

	Rank II/2024		Rank I/2024	Next 12 months	Issues
	1 (31%)		3 (27%)	4 (24%)	Risk management
	2 (30%)		2 (28%)	5 (23%)	Formulating a new corporate strategy
	3 (29%)		4 (26%)	1 (31%)	Improving efficiency / optimising internal processes
	3 (29%)		6 (25%)	7 (22%)	HR challenges at management level
	5 (26%)		1 (33%)	2 (30%)	Talent (recruitment, retention, etc.)
	6 (23%)		4 (26%)	5 (23%)	Responding to market developments / behaviour of competitors
	7 (21%)		9 (21%)	- (11%)	Compliance (with legislation and internal codes of conduct)
	7 (21%)		- (21%)	10 (19%)	Sustainability / corporate social responsibility
	9 (20%)		8 (22%)	3 (25%)	Digitalisation / robotics / automation
	9 (20%)		9 (21%)	- (16%)	Corporate culture

“-” means “not one of the top-10 issues”.



Strategy



Organisation & processes



HR



Compliance & risk



Interviews

The role of the Board in relation to generative AI

Thomas Steiner, member of the Board of Directors of Emch+Berger AG Bern and member of the Board of Directors of Switzerland Tourism

“AI is transforming jobs and sectors across the economy, so Boards need to define a clear strategy for integrating it at all levels within the company. The Board needs to be able to identify the opportunities offered by AI that align with the company’s corporate goals. And because generative AI is a real game-changer, they need to adapt their company’s corporate strategy to the new reality.”

swissVR Monitor: As a proven expert in AI, you have mandates on Boards across different sectors. What is the role of Boards generally in relation to generative AI? And what responsibilities do they have?

Thomas Steiner: Boards have a very varied role. AI is transforming jobs and sectors across the economy, so Boards need to define a clear strategy for integrating it at all levels within the company. The Board needs to be able to identify the opportunities offered by AI that align with the company’s corporate goals. And because generative AI is a real game-changer, they need to adapt their company’s corporate strategy to the new reality. The ethical and security aspects of transformation driven by AI were already part of the governance role but are now throwing up many new challenges and responsibilities that need to be managed effectively.

swissVR Monitor: So do Boards need a dedicated committee to deal with (generative) AI? Or do you see it rather as a sub-topic for an existing committee – the Innovation Committee, say, or the Digitalisation Committee?



Thomas Steiner is Professor at the University of Applied Sciences and Arts of Western Switzerland (HES-SO), Head of HES-SO’s e-learning centre Cyberlearn, and a member of its AI Steering Committee. He is currently President of Vercorin Tourisme SA, a member of the Board of Directors of Emch+Berger AG Bern, and member of the Board of Switzerland Tourism. As CEO of Immotour GmbH, he supports companies’ strategic and digital implementation processes. Thomas Steiner has a PhD from Lausanne University’s Faculty of Business and Economics and 25 years’ experience of using artificial intelligence.

Thomas Steiner: They need both! In terms of integrating AI into the operation of a company, an Innovation Committee or Digitalisation Committee can be the driving force for change. But AI also offers scope to transform a company’s governance strategically. I predict that Boards will very soon be appointing members with skills in the area of AI – ‘Board bot masters’, as I call them – who are able to make AI an integral part of Board decision-making. These individuals also join up the strategic challenges of oversight, risk management, transparency, communication and training.

swissVR Monitor: Our survey findings show that the majority of Board members feel their Board does not take the time it needs to tackle the issue of generative AI. How do you explain this mismatch between the importance of the topic and the time Boards devote to it? And how can the gap be bridged?

Thomas Steiner: AI is revolutionising technology scouting tools. Nobody saw that wave coming, but once ChatGPT was launched globally in

November 2022, companies adopted it at operational level without the governance level even anticipating, let alone recognising, its transformative potential. And that is the hallmark of a rare paradigm shift: different occupations immediately appropriate a new tool and make it their own. I see only one way forward: every member of a Board of Directors absolutely has to invest the time to work with AI tools. The time they invest in learning and harnessing AI will then reap benefits in terms of greater efficiency and process optimisation. And understanding and managing this powerful tool will not only increase their understanding of the challenges but also improve strategic decision-making.

swissVR Monitor: The overwhelming majority of Swiss Board members surveyed say that their Board does not receive regular reports from management on the use of generative AI in the company. What do you think adequate management reporting in this area looks like?

Thomas Steiner: The best reporting takes the form of documented specific case studies – examples of best practice. The scale of the transformation that is under way and the pace at which generative AI is now developing mean it makes no sense to be commissioning wide-ranging reports: they are out of date before they even land on Board members' desks or in their inbox. But the Board must not be passive: it, too, must be proactive in mastering AI tools to gain an understanding of their impact and potential. On a day-to-day basis, management should be following the trends in the AI transformation and report to the Board on specific developments. Future-oriented technology reports focusing on specific tools or roles are not very helpful, in my view.

swissVR Monitor: What are your expectations for how new versions of generative AI tools, like ChatGPT, will change or facilitate the work of Boards over the next few years?

Thomas Steiner: These tools have already started to transform the work of Boards and Board members. For example, they are starting to merge with office software to facilitate administrative and repetitive tasks. But that's far from all they can do. I know of organisations that are already making use of AI to analyse, design and pilot business models. Boards that use AI services make decisions differently in terms of both the breadth and the depth of decision-making. AI can offer additional insights and

more in-depth analysis for management and enrich decision-making and strategy.

swissVR Monitor: So how can Boards of Directors ensure that their strategic plans keep pace with the latest developments in generative AI?

Thomas Steiner: By appointing a 'Board bot master', they can ensure that training reaches all levels and that best practice feeds into governance. In today's fast-paced world, lateral strategies are crucial. Effectively harnessing AI cannot be achieved simply by incrementally adapting your structures; it needs a parallel and complementary ecosystem, and time will tell whether that will replace existing structures and roles. But that isn't the key question right now. Instead, we need to decide how these structures and roles can be transformed at pace. My view is that this powerful tool has really earned its place in any serious corporate strategy.

The Board's responsibility for the use of generative AI

Cornelia Diethelm, Vice-President of the Board of Metron AG, member of the Board of Ethos, and Chair of the Corporate Development Committee of the Board of Sparkasse Schwyz AG

“It is important that the Board does not equate generative AI with AI more generally or with IT but recognises it as a crucial part of the puzzle in terms of digital transformation. The focus should not be on a specific technology but rather on establishing how a company can better meet the needs of its market. The fact that we have the ability to do something using generative AI does not mean that it is sensible to do so or that it is a good investment for the company.”

swissVR Monitor: You are an expert in digital ethics. How can a company make ethical and responsible use of generative AI tools?

Cornelia Diethelm: AI-generated content is based solely on probability or chance, depending on the data on which the AI has been trained. This means that results can be out of date, misleading or even inaccurate. Using AI tools responsibly means equipping staff and management to ensure compliance with legislation and always treating outputs with a degree of caution. I recommend companies to create a governance framework for the use of AI and invest in training so that they use AI tools where these tools genuinely add value, for example by providing inspiration, optimising text, or generating simple illustrations and automated subtitles.

swissVR Monitor: What responsibility do Boards have for the use of generative AI in the company?



Cornelia Diethelm is an expert in digital ethics and works on digital change at the interface between economics and society, identifying social expectations and advising on strategic trends. She is also an independent adviser, speaker, course leader and lecturer in digital ethics. Within the DACH region (Austria, Germany and Switzerland), Cornelia Diethelm is a pioneer in terms of responsible management of data and new technologies, including artificial intelligence (AI). She is Vice-President of Board of Directors of Metron and a member of the Board of Ethos and Sparkasse Schwyz and co-owner of the legal tech company Datenschutzpartner AG. She studied politics, management and economics as a mature student before going on to complete an MAS in Digital Business.

Cornelia Diethelm: The Board's responsibility is to ensure that the company complies with statutory and internal obligations, for example in relation to data protection or data security, and avoids financial and reputational risk. This is part of risk management and is not a responsibility the Board can delegate. It is also clear that over the medium to long term, generative AI is going to transform many business models, processes and job profiles. Ensuring that the Board has an adequate range of digital skills is increasingly crucial to a company's success and its management strategy and oversight.

swissVR Monitor: What are the substantive and organisational requirements for tackling this issue within the Board?

Cornelia Diethelm: Substantively, it is important that the Board does not equate generative AI with AI more generally or with IT but recognises it as a crucial part of the puzzle in terms of digital transformation. The focus should not be on a specific technology but rather on establishing how a company can better meet the needs of its market. Or to put it another way, the fact that we have the ability to do something using generative AI

does not mean that it is sensible to do so or that it is a good investment for the company. In organisational terms, the Board should discuss the opportunities and risks of AI – including generative AI – at least once a year, because AI now underpins pretty much everything the company does. It can be discussed as part of risk management or market analysis or within a dedicated Board meeting. And in some companies, it makes sense to have a Digitalisation Committee.

swissVR Monitor: Our survey findings show that around a quarter of Board members see ethical concerns as one of the major challenges of generative AI. What do you see as the major ethical challenges?

Cornelia Diethelm: One huge challenge is that AI generated content sounds plausible but may be completely inaccurate or inappropriate in content terms. Outputs therefore always need to be checked for quality, accuracy and possible bias. Images, audio and video content created by AI are open to being digitally altered or manipulated: for example, an image can be made to look like a real photo; voices and appearances can be manipulated to sound or look like an individual and deepfakes can be posted without consent from those involved. And sub-standard working conditions and environmental concerns are not given enough consideration. Providers have work to do here. Unfortunately, criminals are making wide use of AI tools for fraud, personalised cyber-attacks and identity theft.

swissVR Monitor: Around two-thirds of the Swiss Board members we surveyed reported that their Board has not yet discussed its own values in relation to the use of generative AI. How can Boards start to tackle these issues in line with their ethical principles?

Cornelia Diethelm: I know of Boards that discuss this at a dedicated meeting, and I think that is a good way of addressing the importance of this issue. And the upside is that everyone benefits from some basic expertise in generative AI. Another way of tackling the issue would be for management to draft an overview to inform a strategic discussion within the Board. The outcomes of the Board's discussion could then underpin changes to strategy and risk management or form the basis for an AI governance structure.

swissVR Monitor: What examples of best practice do you recommend when companies are implementing ethical governance of the use of generative AI?

Cornelia Diethelm: The first requirement is that the governance structure is as specific as possible and easy to understand: that is the best way of ensuring that everyone in the company understands it and will implement it. I also recommend identifying an individual or a team to be responsible for questions and suggestions. But the most important things are training, setting a good example within the company, and regular communication to ensure that companies take their staff with them, minimise concerns and build valuable knowledge within the company. Responsible use of AI tools is ultimately an investment in the company's future – and in its staff!

The Board's experience and expertise in generative AI

Kriti Sharma, Chief Product Officer, LegalTech, Thomson Reuters and Member of the Board of Directors, Rightmove PLC

“The most important human skills we need, to make the most of generative AI, are curiosity, imagination and the ability to ask good, thoughtful questions. The tech itself is very easy to use, and does the leg work for you. Board members have great expertise in asking good questions and can see round the corner, giving them a natural advantage to make the most of generative AI.”

swissVR Monitor: You started acquiring AI expertise at a young age. What role do experience and expertise in generative AI play at the level of the Board of Directors?

Kriti Sharma: We're now seeing professionals/knowledge workers do work in minutes that would previously take hours. Imagine a lawyer drafting a legal agreement in minutes using AI, a software engineer being able to create code pair programming with AI, and scientists discovering solutions to previously unsolved problems in healthcare. This is disruption not only to the way we work, but the work we do. For a technology that has the potential to deliver such transformative impact, it is imperative that Boards lead from the front not only to drive efficiency and productivity of the organisation, but also to deliver new value to stakeholders.

What we could see in the future is that as AI becomes more commonplace. More work could be carried out by people who don't have traditional qualifications, which in turn could lead to a transformation in typical career pathways and recruiting practices. This may also lead to diversification at the Board level, and experience and expertise in generative AI is just one part of this. There will be an increasing focus on skills that can best help organisations harness the potential of AI.



Kriti Sharma is Chief Product Officer LegalTech at Thomson Reuters and Board Member at Rightmove and founder of AI for Good UK. Kriti is an innovator, product leader, and a global voice on AI and its impact on society. She was named in the Forbes 30 under 30 list for advancements in technology. She is a Google Grace Hopper Scholar and a winner of the Google Women in Engineering Award. In 2017, Kriti founded AI for Good, an organisation that's using AI and data to help solve some of the toughest global challenges of our time, such as violence, the climate crisis and mental health. She is a regular contributor to the Financial Times, Harvard Business Review, Fortune, TechCrunch and the BBC.

swissVR Monitor: Our survey results show that most Board members rarely or never use generative AI tools for their own mandate. What are suitable use cases of generative AI tools in Board activities?

Kriti Sharma: First, I'd state the obvious – Boards deal with the most sensitive and confidential matters, and therefore should only use tools that are enterprise-grade, designed with the strict regulatory, privacy and security guidelines needed for Board related matters. That said, generative AI tools can act as a thought partner in the creative steps of critical thinking and can help synthesise vast amounts of information with nuance. They can also enable human reasoning at scale, and increasingly help Boards stay abreast of the rapidly changing global landscape – for example with regulations and governance related matters.

swissVR Monitor: Most respondents also state that their Board does not have sufficient expertise in generative AI. What does this mean for the composition of the Board – is there a need for an AI expert on each Board?

Kriti Sharma: Absolutely. This is a transformative, technical and complex field with far reaching impact on the organisation and therefore Boards that don't already have the right level of expertise must bring this in, either in the form of advisers or more directly by recruiting for the expertise directly as part of succession planning or creating a new role to be able to act quickly. It is critical to bring in an expert who not only has real world operational expertise in building, deploying and commercialising AI, but who also can contribute to the wider Board agenda, and not just tech/innovation. In addition, it's critical that executive teams are set up with AI expertise if they haven't already done that.

swissVR Monitor: What advice do you have for a Board member who struggles with generative AI but would like to acquire the necessary expertise in this area?

Kriti Sharma: Start small, using these tools in everyday life to see the impact on your own productivity. Familiarising yourself with the power of AI to augment your work will help you see possibilities for what it can do for the whole business. The most important human skills we need, to make the most of generative AI, are curiosity, imagination and the ability to ask good, thoughtful questions. The tech itself is very easy to use, and does the leg work for you. Board members have great expertise in asking good questions and can see round the corner, giving them a natural advantage to make the most of generative AI.

swissVR Monitor: What training or programmes would you recommend to Board members to strengthen their expertise in generative AI?

Kriti Sharma: This space is moving incredibly fast, and impacting most aspects of businesses and organisations today. So, I see a real need in incorporating generative AI training in all existing Board programmes – from cyber-security and digital, to corporate governance, risk, compliance, audit, remuneration/nomination programmes that are run for most Board training. More specifically, I see three areas that need dedicated training and learning:

1. AI strategy – Boards must create an AI strategy, that considers its applications in the business and impact on commercial models, and should model the urgency (or not) in acting on this strategy in talent management, supplier risk, innovation acceleration, etc.
2. Responsible AI – Boards must oversee governance of AI usage and development for the benefit of all stakeholders they represent.
3. Regulatory landscape – With the EU AI Act now in force, Boards must act on overseeing implementation and stay ahead of other policies and emerging regulations.



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