# How boards can effectively oversee AI to drive value and responsible use



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# Focusing on these six areas can help a board provide effective oversight:
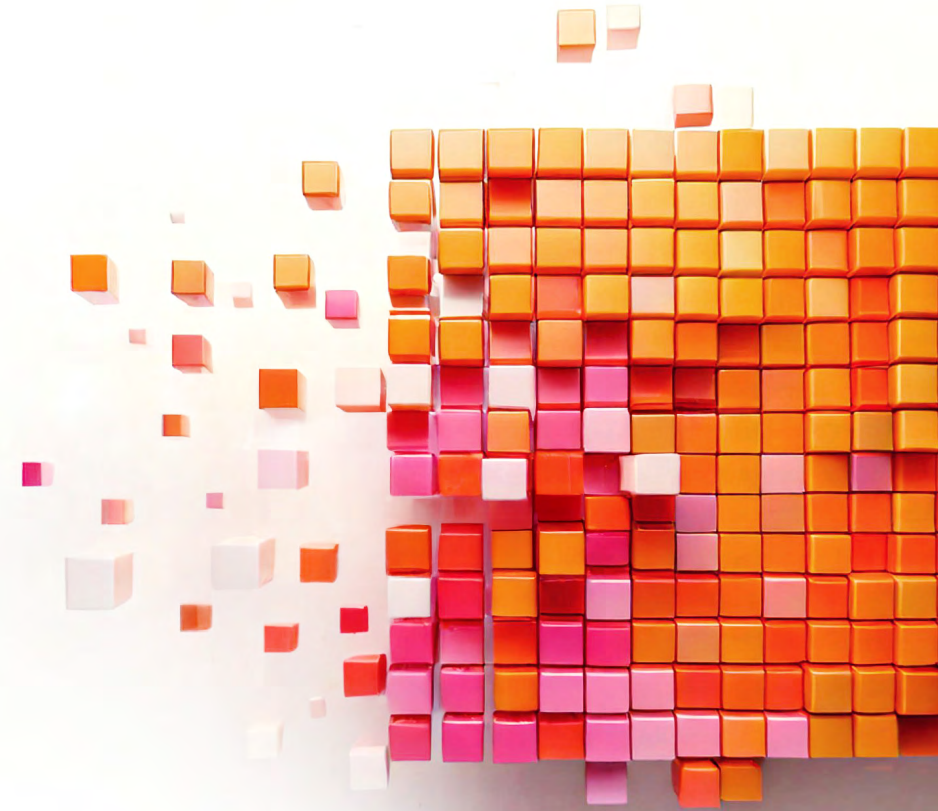
Since the November 2022 launch of ChatGPT, the state of AI has advanced at a faster pace than almost anyone had expected. The disruptive power of AI is clear, and companies are actively looking to identify how they can use this technology to transform products, services, operations and workflows. History shows that we often misjudge technological change — overestimating short-term breakthroughs while overlooking its deeper, long-term impact. AI is no exception.

Your company's AI success will likely rely on a clear strategic vision, focused execution and quick adoption for competitive advantage. Effective risk management is also crucial to help unlock value and drive responsible use of this technology.

For boards, engaging with AI should mean providing oversight and feedback to management while fostering a spirit of experimentation and exploration. This includes making sure the AI strategy drives value creation and is aligned with business objectives, while also considering risks and taking steps to implement AI responsibly.

As technology advances and becomes more accessible, companies will likely face a non-linear transformation. AI strategies may need to adapt over time, highlighting the need for agility.

# 1 Develop a board approach and agree on who will oversee the transformation

For many companies, it's no longer a question of whether to implement AI, but where to deploy it and how much of a transformation it is expected to be. The board's role, as with other significant strategic initiatives, should be to provide oversight and guidance to management.

## 57% of directors say the full board has primary oversight responsibility for emerging tech like AI, and 17% say the audit committee has that responsibility.

(PwC's Annual Corporate Directors Survey, September 2024)

Typically, the full board should be involved in overseeing the company's AI business transformation given its strategic and risk implications.

Some organizations have a board-level technology committee that oversees the transformation effort. These committees are relatively rare, though slowly increasing in number. Only 17% of S&P 500 boards have technology committees, up from just 10% five years ago.

Even if your board has a technology committee, it's important that the full board still receives regular updates on the AI strategy, given its cross-functional and long-term implications.

While the full board or a technology committee can take the lead on oversight, specific board committees will likely have oversight responsibility for different areas of the company's AI strategy. For example:

**Audit committee:** Risk assessment and management process; risks and opportunities associated with the use of AI in financial reporting, audit plans and compliance (Note: if your board has a separate risk committee it may oversee the risk assessment and management process and compliance.)

**Compensation committee:** The impact of AI on the overall talent strategy, compensation plans and corporate culture; risks and opportunities for use of AI in the human capital function

**Nominating/governance committee:** Communications around the AI story to investors and stakeholders, board composition and upskilling, and continuing education on AI

Adding a director with highly specialized knowledge about AI is an issue each board should consider based on the company's industry, strategy, risk profile and management capabilities. However, because AI can impact various areas of the business, every board member should take responsibility for expanding their AI knowledge.

One emerging practice is to name a chief AI officer (CAIO) to lead the AI transformation and collaborate with management across the organization including technology, finance, business unit leaders and risk leaders. Given their broad remit, a CAIO should be a well-rounded leader with a deep understanding of AI and related technologies as well as strategic business capabilities and the ability to work across the C-suite.

Another valuable practice is to establish an enterprise-wide, management-level AI council to discuss the company's business opportunities in the context of core values and risk appetite. This council can help establish a vision for how transformation and value creation with AI can occur. Such a committee can also help share insights and align outcomes with business priorities.

# Key board actions

**Understand who owns oversight.** Whether the full board or another committee has primary responsibility, specific AI topics will likely be relevant to each committee of the board. Clarifying responsibilities among board members and committees can be crucial, and committee charters should be updated to capture new responsibilities.

**Make sure there is clear management accountability and board touchpoints**. A governance model that drives accountability can be critical, beginning with understanding who owns the responsibility for AI governance and establishing the frequency of board touchpoints. Consider having the AI leader and business or functional unit leader give joint presentations to the board to confirm alignment on strategy and goals.

**Continue to assess and develop the board's AI knowledge**. With AI adoption, it is important to evaluate whether the board has — or has access to — the skills and resources it needs, and for board members to continue building their AI skills and understanding of its potential.
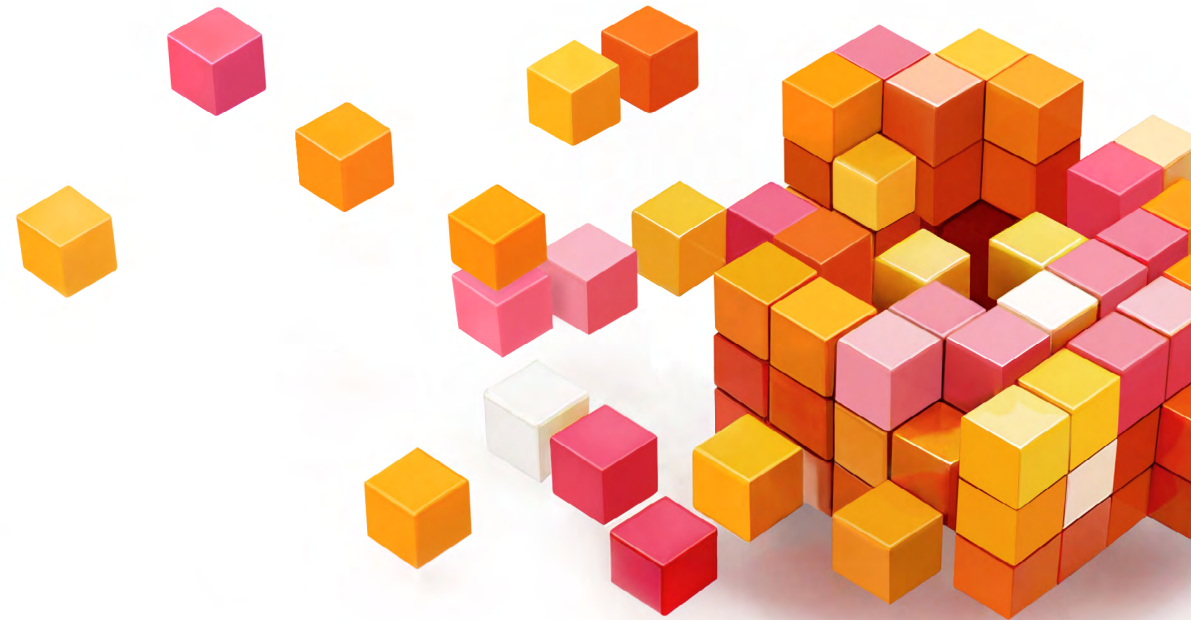
# 2 Align with management on a formal strategic plan to adopt AI

This technology offers businesses real solutions to a wide range of problems. It shouldn't be viewed as just a source of productivity or "back office" efficiency. AI's transformational power and value lie in its ability to unlock new growth and business strategies.

For example, AI can identify and analyze patterns and trends in oceans of data beyond the grasp of human understanding. It can facilitate decision-making, perform repetitive tasks and drive faster business solutions. AI models now have multimodal capabilities, giving them the ability to simultaneously process multiple types of data, images, video, speech and text. Advancements are leading to the use of agentic models that can execute multi-step problems on behalf of users while interacting with other agents to solve larger problems that involve nuance and reasoning.

Success in the age of AI is not a question of how many AI initiatives you have launched, or what percentage of your business processes are AI-enabled. Successful organizations focus on ROI

measures that provide insights into how effectively AI is being used as a lever for real, sustainable and responsible business advantage — measures like financial impact or the release of a distinctive product, for example.

AI strategy creation means looking at your customer and workforce experiences and identifying opportunities for those few major experiences shifting efforts that can bring the greatest value. It's also important to look for ecosystem opportunities and how broad initiatives with collaborators or others in the industry might unlock benefits.

## 32% of global CEO respondents tell us that generative AI (GenAI) has increased revenue and 34% tell us it's increased profits.

(PwC's 28th Annual Global CEO Survey, January 2025)

Over the past two years, as more and more companies embarked on their AI journeys, they adopted one or more approaches as part of the cohesive strategy. These break down into three broad categories:

- Tactical uses of AI by a broad base of users through enterprise-deployed LLM access, chatbot features in vendor solutions or "copilot" technology embedded in productivity suites

- Managed deployment of pilots, individual use cases, or centrally developed and scalable solutions that automate or augment portions of an existing workflow and provide valuable information on capabilities and patterns

- Large-scale, transformative "moonshot" efforts to build AI-native solutions and/or transform processes from the ground up

As companies continue to develop and refine their AI strategies, it can be valuable for management to engage an external AI specialist to look holistically across a company's efforts and assess how the AI strategy and initiatives fit into the overall business strategy. It is also critical to recognize that AI adoption is likely to be a multi-year process, and the strategy may need to change as AI continues to evolve.

While every company is at a different starting point and should think through its strategy, doing nothing at all can also be a risk. If your company sits on the sidelines while competitors embrace AI, you may soon find yourself at a serious disadvantage or even disrupted by a competitor or new entrant in the market.

In the fast-evolving AI landscape, inaction is a risk that can lead to disruption, so embrace AI to help secure and enhance your strategic position.

# Key board actions

**Understand management's process for identifying and prioritizing opportunities for AI adoption.** AI prioritization should focus on opportunities that can be impactful and of high value. Have management do a deeper dive with the board on the top opportunities, showcasing how the technology can deliver value.

**Oversee the company's strategic assessment and plan.** Once management has prioritized opportunities, understand how they plan to execute across the organization, including key milestones and timeline. Boards should challenge management's plan and consider whether it is bold enough, fast enough, or too bold and too fast. There should be a clear understanding of goals and how to measure success, considering metrics like new revenue, customer engagement, employee productivity and more.

**Evaluate resource investment.** Understand the financial and resource investment required for AI adoption and how the company plans to fund it. Consider the adequacy of the investment based on the AI adoption goals. Investment dollars will likely be needed not just to acquire and customize AI technologies, but also to enhance computing power, upgrade technology platforms, and train and upskill employees. There are also recurring costs for cloud, computing power and LLM tokens. And, given how rapidly AI technology is evolving, these evaluations should be ongoing, not just one time.

# 3

# Understand management's approach to Responsible AI

Boards face a crucial responsibility in the AI era: overseeing the key risks associated with AI deployment and confirming management is putting appropriate controls in place to help manage those risks. In this respect, it can be valuable to have a cross-functional management team working together to address AI risks from different perspectives.

Adopting Responsible AI practices is critical to help companies make consistent, well-informed decisions when adopting AI and allow them to execute their AI strategy at speed. Responsible AI practices start with having policies, procedures and company standards in place related to the development, deployment and use of AI models. Policies should cover where and how AI can be used — and not used — to help safeguard proprietary and sensitive information; they should also address how to test and validate models for accuracy, bias, relevance of generated outputs and other potential harms.

As with many types of risk, AI risks should be identified, assessed, ranked and managed. An AI risk management approach starts with having a reliable and accurate inventory of AI uses in the organization. Management should pay particular attention to the channels where AI can enter — for example, embedded in a software solution procured from a third party (an increasingly common scenario).

**Effective AI governance isn't just about navigating risks — it's also about turbocharging strategic goals and increasing ROI**

Next, Responsible AI includes establishing a common language to guide consistent decision-making and create a basis to stratify AI uses by risk. Adopting an existing risk taxonomy and adapting it to AI can be helpful.

With the right risk language in place, management should establish a structured approach for identifying AI models that could create higher risk to the company. For example, the highest-risk models might be those that use sensitive data, have external exposure or process high volumes of data.

Boards should understand the criteria used to identify higher risk AI models and discuss with management a summary of the higher risk models identified. Additionally, for these higher-risk AI models, independent validation by internal audit or an experienced third-party can be considered.

A key aspect of Responsible AI is the integration of human experience with technological capabilities — "humans in the loop" — for critical judgements and for outcome reviews.

Additionally, the individuals developing and adopting AI systems should design, implement and operate them with principles such as transparency and interpretability of model functions, explainability through sound documentation and ongoing model validation.

The rigorous assessment and validation of AI risk management practices and controls are nonnegotiable. Stakeholders demand confidence in AI systems, and addressing their expectations helps build their trust. Directors should also be aware that investors and regulators are asking more questions about how companies plan to use AI — and these stakeholders want to know that companies are using it in a responsible way.

## Sources of AI risks

**Data** – Risks related to the collection, processing, storage, management and use of data during the training and operation of the AI system. This includes addressing how data choices and governance practices can affect the risks of bias in AI models.

**Model** – Risks related to the training, development and performance of the AI system itself. This includes conceptual soundness, explainability and interpretability of the model, accuracy and reliability of outcomes, and accountability and oversight for model performance over time.

**System and infrastructure** – Risks related to the acquisition, implementation and operation of an AI system in a broader software and technology environment.

**Legal and compliance** – Risks of not complying with applicable laws, rules and regulations. This includes privacy regulations and sector-specific and function-specific guidance, all within an increasingly fractured global and US regulatory environment.

**Use** – Risks related to intentional or unintentional misuse, manipulation or attack.

**Process** – Unforeseen or unmitigated risks that can arise from integrating AI into an existing workflow.

**Third party** – Risks related to vendors supplying AI-driven or AI-augmented tools, platforms and services. These risks include biased or unreliable models, data privacy issues and insufficient transparency. Organizations can use reports like SOC-2 to evaluate controls and drive trust, compliance and operational integrity.

# Key board actions

**Make sure there is a risk foundation**. See that management has established policies, procedures and controls to help address AI use, including risks of misuse and third-party use of AI. This starts with an inventory of where AI is being used in the organization, common risk taxonomy and a risk-based approach to identify higher risk models. Make sure AI risks are integrated into the broader ERM program.

**Dive deeper on AI models that can create higher risk**. Receive updates from management on AI models that can create higher risk to the company. Discuss choices about the data used for model training, controls used to confirm ongoing data quality and how those practices help address the risks of biased or inaccurate outcomes. Understand the validation processes for models and how human involvement is part of testing and monitoring. Consider whether independent validation is needed to confirm the quality of outputs.

**Understand how management fosters trust with stakeholders**. Understand the processes used to demonstrate responsible risk management and foster trust internally and externally about the company's AI use. Effective communications facilitate transparency about the organization's AI capabilities and risk mitigation strategy. Beyond internal communication and external statements, companies are increasingly expected to be able to prove to their stakeholders that they are transforming with AI in a responsible manner.

# Discuss the evolving regulatory landscape for AI

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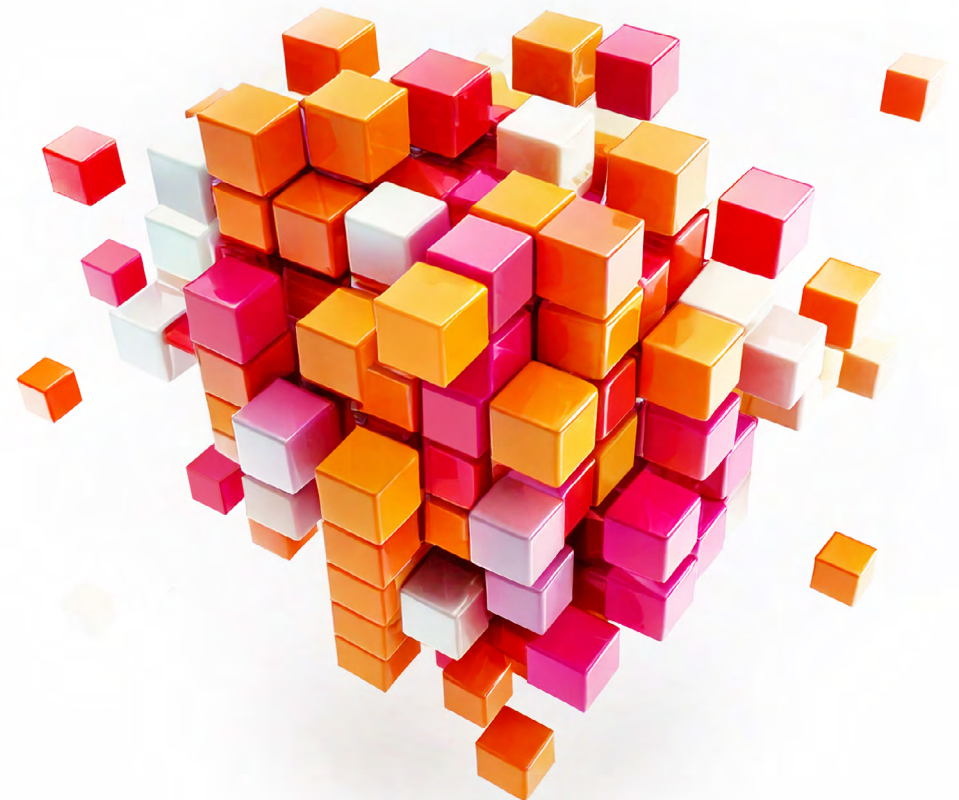
As AI technologies continue to evolve, the regulatory landscape will likely follow suit. Companies should take a proactive approach to capitalizing on opportunities while monitoring and complying with regulations now and in the future.

AI adoption has prompted a flurry of regulatory activity across levels: international, national, state, local and industry. Regulators with varied perspectives make the landscape fragmented and complex. In addition, companies should navigate the often-contradictory patchwork of regulations that can impact their AI strategies, including data privacy and security regulations.

Despite changes in the US administration and several AI-related Executive Orders, federal regulations in the US remain supportive of innovation. But true alignment among regulators is still lacking. Some US regulatory bodies believe existing laws — covering areas such as data privacy, protection, anti-discrimination, lending and hiring — are sufficient, while others advocate for more holistic policies. Some state governments, such as California (SB 1047, vetoed by the governor) and Colorado (Consumer Protections for Artificial Intelligence, approved by the governor in 2024), have been pursuing their own standards, making monitoring and complying with the regulations complex.

As companies navigate the complex AI compliance maze now and, in the future, they should stay informed and adaptable.

Internationally, the picture is also varied. The European Union's AI Act is a sweeping regulatory framework intended to do for AI what the General Data Protection Regulation (GDPR) did for data. It responds directly to the upswell of new generative AI and foundation models, subjecting them to stringent requirements and transparency based on their level of risk.

# Key board actions

**Understand management's approach to regulations and compliance.** Make sure that management is actively monitoring the evolving [regulatory landscape](#) and compliance obligations related to current and future AI initiatives. Ask about data privacy and security compliance. Confirm that the compliance function has the necessary resources and knowledge.

**Discuss contract and legal implications.** Inquire with management about legal implications and due diligence related to AI use. Ask whether external reporting and contracts, including those with third parties, have been updated to mitigate potential legal liabilities. Also ask whether intellectual property risks related to AI have been updated through a regulatory lens.

# 5 Oversee management's talent strategy and how mindsets can shift

A challenging part of an organizational transformation can be culture change, and transformation using AI is no exception. The right talent strategy and ability to change behaviors can be critical to success.

**41%** of executives say that workforce issues, such as training, culture or change in work are among the top five challenges their organizations face in using GenAI. *(PwC's 2024 Workforce Radar)*

As organizations incorporate AI into their workflows and AI agents become more common, the traditional workforce model will likely evolve. These AI agents can magnify the impact of a company's knowledge workforce, enhancing efficiency in roles such as sales and field support by handling routine inquiries, generating code to execute multi-step processes and transforming design ideas into prototypes. But the truly transformational value derives from a human-led, tech-powered approach, where humans guide, oversee and collaborate with AI agents, or orchestrate teams of agents, providing guidance and stitching together the results.

The emergence of AI may require management to reevaluate its talent strategies. This shift will likely demand a focus on new skills, talent sourcing, development and measurement, alongside a significant cultural transformation.

Thinking about agentic workflows as a fundamental part of your workforce strategy can be a big leap for many companies. But as these AI agents become more common, companies should prepare for new management roles tasked with integrating AI agents into workforce strategies, monitoring their performance and enabling effective governance.

Bringing talent along on the journey includes developing targeted programs to upskill employees in developing and using AI solutions, and to reskill those transitioning to AI-enabled processes. Awareness training can be critical to help employees understand AI technologies and their associated risks.

## Humans and AI are increasingly working together, each leveraging their unique strengths.

Management should assess the skills needed for success in the future, what skills are missing and how those skills can be acquired. Companies may need more data scientists, prompt engineers or other specialists. They can address talent gaps by upskilling or reskilling employees, hiring new people or both. Talent is and will likely continue to be a big issue for companies.

As AI agents take on tasks previously outsourced, businesses should also rethink their outsourcing strategies and whether certain capabilities can be brought back in-house.

# Key board actions

**Prioritize people and culture.** Make sure that management is placing sufficient emphasis on people, upskilling, culture and change management. This process is as much about people as it is about technology. Boards should help set the tone and support leadership in driving cultural change, innovation and communicating that AI enhances, rather than replaces, human value.

**Make sure communications happen often and early.** Communicating about the impact of AI on employees can be critical to help them understand how the technology aligns with the company's goals and enhances their work. Employees may fear job loss or feel unprepared for the changes these new technologies bring. Transparent communication can help foster acceptance and collaboration.

**Understand talent strategy changes.** Engage with your company's chief human resources officer (CHRO) to understand how talent strategies will likely evolve in a workforce that includes AI agents, including areas you currently outsource. This includes determining what skills may be required to enable success, identifying talent gaps and devising strategies for upskilling, hiring or both.

**Discuss the approach to productivity.** Discuss with management how they plan to harness AI-enabled productivity gains. Consider whether these gains are expected to reduce labor input or be reinvested in the company.
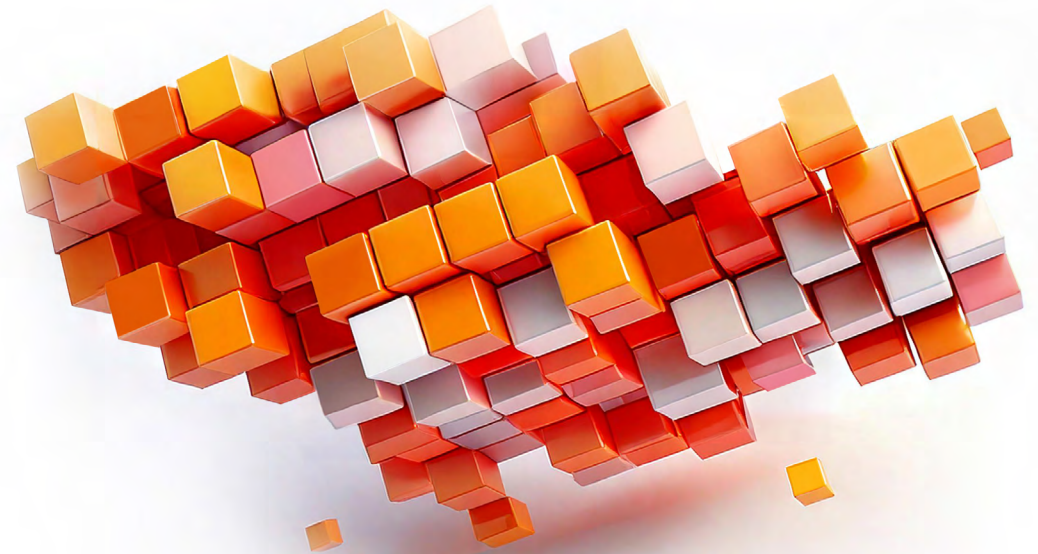
# Monitor management's performance for success

In the evolving landscape of AI transformation, performance monitoring can be crucial to confirm that investments are yielding the desired outcomes. Companies and boards may not yet have fully established systems for monitoring AI success, but it is important for them to look ahead to help prevent AI initiatives from becoming financial black holes. In short, boards should understand whether AI strategies are producing results.

Measuring ROI for AI can be challenging. Every organization will have its own unique conditions and criteria for success. However, some categories for understanding AI's impact can include efficiency gains, cost savings, new or incremental revenue, improved margins, enhanced quality and improved customer experience. Metrics should align with what matters to the company and its industry and should be directly tied to the organization's transformation goals.

Additionally, it is important to monitor organizational culture, particularly employee engagement, as these can be critical indicators of transformation success.

Your company can use a transformation "report card" or dashboard to highlight achievements, key milestones and metrics over time, helping to make it easier for management and the board to evaluate the transformation's progress. A dashboard can also highlight areas where strategies are not working, enabling timely pivots.

Many companies are still in the early stages of using AI to transform and won't yet have a holistic set of metrics upon which to base results. But as the company's use of AI expands, these metrics can rapidly become more and more important, and the time to lay the groundwork is now.

As your company considers AI value, look at efficiency gains and cost savings, new or incremental revenue, improved margins, enhanced quality and experience — even greater company valuations.

# Key board actions

**Have regular reporting on progress.** Make sure that management provides frequent updates on the AI transformation journey to the board. These updates should include progress against established goals and milestones, challenges encountered and adjustments made to strategies.

**Get metrics to evaluate success.** Request clear and relevant metrics to measure the success of AI initiatives. These measures should encompass financial performance, new revenue, productivity improvements and other measures aligned with the goals of the transformation.
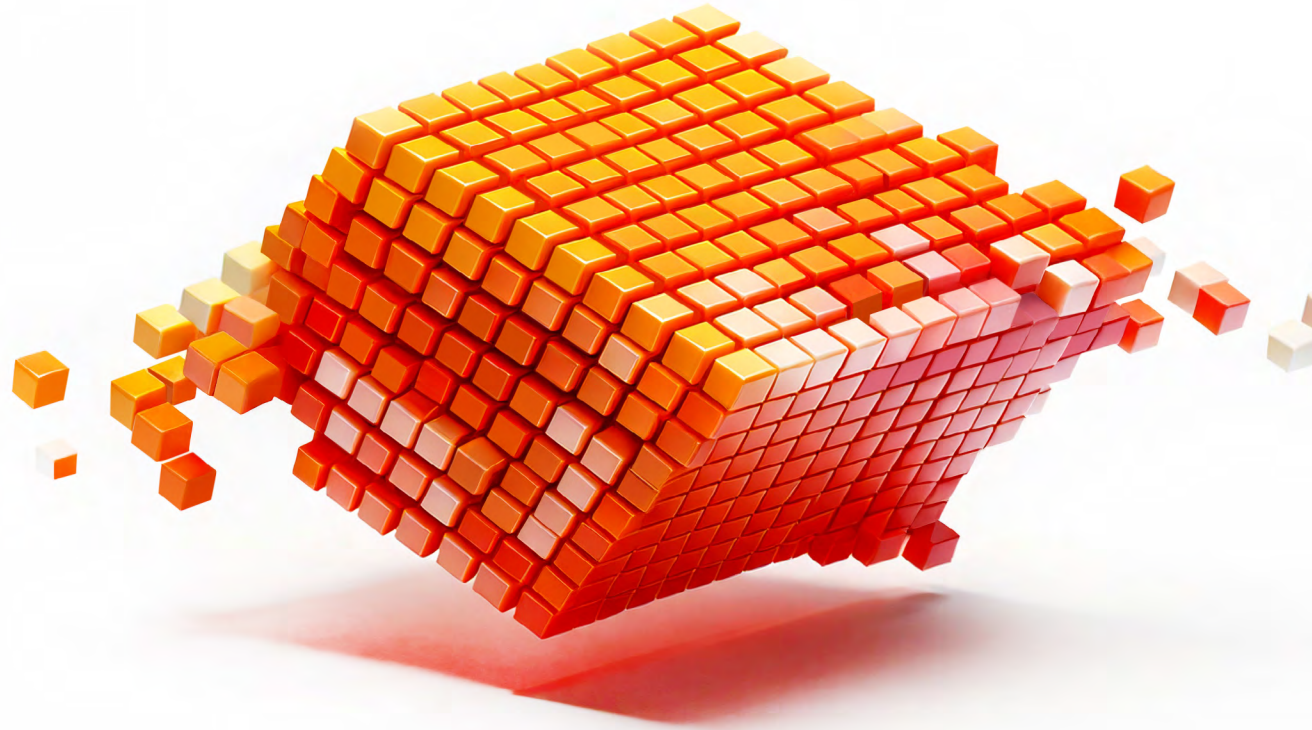
# Conclusion

The value-generating potential of AI is significant — as are its risks. But companies likely won't realize its transformative effects without focused planning and disciplined execution. In this complex and rapidly changing environment, boards can help management set their sights appropriately while making sure that they are implementing AI responsibly.

Boards play an important role in overseeing management development of an effective AI strategy, a holistic risk management approach, awareness of the regulatory landscape, an AI-informed talent strategy and metrics for monitoring success.

While AI technologies are advancing with great speed, the real work of corporate implementation will likely take years to play out. What's more, these journeys are rarely straight lines. By helping management keep an eye on the big picture and the effective, strategic impacts and risks, boards can help their companies navigate this major technological shift.

# Summary of key board actions for effective oversight of AI
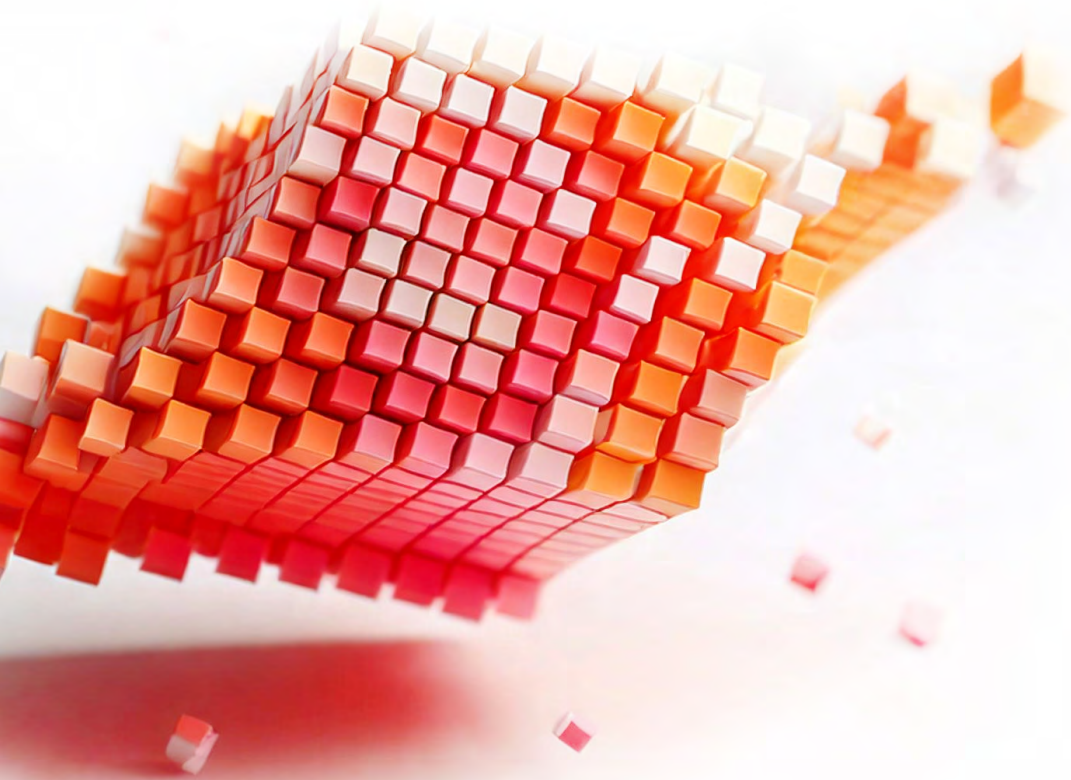
**Below is a summary of the six key focus areas for effective board oversight outlined in this report and the related key board actions for ease of reference.**

1. **Develop a board approach and agree on who will oversee the transformation**
   - Understand who owns oversight
   - Make sure there is clear management accountability and board touchpoints
   - Continue to assess and develop the board's AI knowledge

2. **Align with management on a formal strategic plan to adopt AI**
   - Understand management's process for identifying and prioritizing opportunities for AI adoption
   - Oversee the company's strategic assessment and plan
   - Evaluate resource investment

3. **Understand management's approach to Responsible AI**
   - Make sure there is a risk foundation
   - Dive deeper on AI models that can create higher risk
   - Understand how management fosters trust with stakeholders

4. **Discuss the evolving regulatory landscape for AI**
   - Understand management's approach to regulations and compliance
   - Discuss contract and legal implications

5. **Oversee management's talent strategy and how mindsets can shift**
   - Prioritize people and culture
   - Make sure communications happen often and early
   - Understand talent strategy changes
   - Discuss the approach to productivity

6. **Monitor management's performance for success**
   - Have regular reporting on progress
   - Get metrics to evaluate success

# Resources

For a deeper dive into how businesses can benefit from AI, view these articles and resources:

In the age of AI: Speed matters more, scale matters less, innovation matters most

AI rewrites the playbook: Is your business strategy keeping pace?

AI agents can reimagine the future of work, your workforce and workers

PwC 2025 AI Business Predictions

Next Move: Practical insights on regulatory and policy developments in technology

# How PwC can help

To have a deeper discussion about how this topic might impact your business, please contact your engagement partner or one of the following PwC contacts:

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# Thank you

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