



2021.AI

# The AI Governance Handbook

Your guide to achieving  
regulatory excellence

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# FOREWORD

## **Implementing AI: from ambitions to success**

Today's ambitious leaders are increasingly seeking to implement AI in their organizations to optimize processes and production, increase revenue, and reduce risks and costs. To stay competitive for the next decade now is the time to act.

There are, however, challenges to face when harvesting the fruits of AI. One is the need to implement AI Governance in your organizations as described in this handbook. Another is ensuring the development, deployment, and operation of your AI. This challenge hinders most from reaching past the proof of concept stage. To succeed, you need to scale and accelerate multiple AI projects across your organization; for this, you need support from an enterprise AI platform.

To comply with the growing number of AI and Data regulations and guidelines it is critical to ensure that all parts of your organization are well prepared for AI implementation. A key element here is AI governance, which centres around Regulatory Excellence for AI, ensuring that your organization are equipped to handle the new categories of risks associated deploying AI projects, these fall in the categories of Fairness, Trustworthiness, Accountability, and Transparency.

At 2021.AI, we are working with forward-looking leaders and organizations to ensure their AI implementations.



### **Mikael Munck | CEO and Founder of 2021.AI**

Mikael Munck is the founder and CEO of 2021.AI, the fast-growing next-generation technology company. Mikael has 25+ years of experience from the technology and financial sector, with a hint of CEO and management positions.

## THE IMPORTANCE OF AN AI CHARTER

# Taking Responsibility for AI Governance

It is paramount that boards and business leaders take responsibility for creating their organization's AI charter. You need a holistic approach to AI governance in your organization, including:

- Assigning appropriate accountability and governance structures across the organization.
- Defining proper measures of data and AI transparency, explainability, and other audit trail and audit requirements.
- Enterprise consolidation of data and AI models to certify and validate internal reporting requirements and external guidelines and regulations.

Otherwise, the risk of failure to implement AI in your organization will be too high. I wrote this handbook to provide organizations with the necessary tools to manage and govern their AI models properly.

### MEET THE AUTHOR:



#### **Peter Sondergaard | Chairman of the Board at 2021.AI**

Peter Sondergaard is currently Chairman of the Board at 2021.AI. Previously, Peter worked as the Executive Vice President and member of Gartner's operating committee for 15 years. Peter is a sought-after speaker within digital business, the impact of emerging technologies, AI, and technology's impact on talent and work.



## Three critical elements to understand AI governance

Everywhere you turn in the coverage of AI, you see the term AI governance, but what seems to be missing from this coverage are the very elements that explain it.

## UNDERSTANDING AI GOVERNANCE

# 1. How to define AI governance?

### The initial considerations for defining the term:

Generally, governance includes all processes of governing: the way rules or actions are structured, maintained, and regulated, and how accountability is assigned. But AI governance makes certain that AI be explainable, transparent, and ethical. Governance covers the adherence to both internal and external regulation of AI systems.

### Factors to consider for defining AI governance:



#### MEASUREMENTS:

The ability to measure cost, value, auditability, and compliance.



#### MODELS AND DATA:

The details on the AI models and individual data components.



#### CORPORATE FRAMEWORK:

The need to fit the overall corporate governance framework.



*There is a difference between the technical and legal definition of transparency. The technical definition will include details on software code and individual data components, while the legal definition may not.*



**Peter Sondergaard**

Chairman of the Board at 2021.AI



UNDERSTANDING AI GOVERNANCE

## 2. Who should be responsible for AI governance?

**It is essential to assign responsibility within the organization; otherwise, AI governance will fail.**

The answer to who is responsible will vary based on an organization's definition of AI governance. No single person or function within an organization is solely responsible. It is vital that AI governance is implemented and practiced throughout an organization. The following are the functional roles that are important in the enforcement and continued evolution of an organization's AI governance.

*Every functional role should be included and take responsibility for an organization's AI governance!*

**Peter Sondergaard**  
Chairman of the Board at 2021.AI

**Functional roles:**

**BOARD**

The board of the organization needs to hold the organization accountable for AI governance and run audits as needed.

**CEO AND SENIOR LEADERS**

The CEO and senior business leaders in an organization must be accountable for the AI governance charter and clearly assign responsibility within the organization.

**CFO**

The CFO is responsible for the cost and financial risk elements regarding AI governance.

**CTO**

The Chief Technology Officer is in charge of maintaining and coordinating the ongoing evolution of the organization's AI governance.

**GENERAL COUNSEL**

The General Counsel has the responsibility for the legal and risk aspects following regulatory requirements.

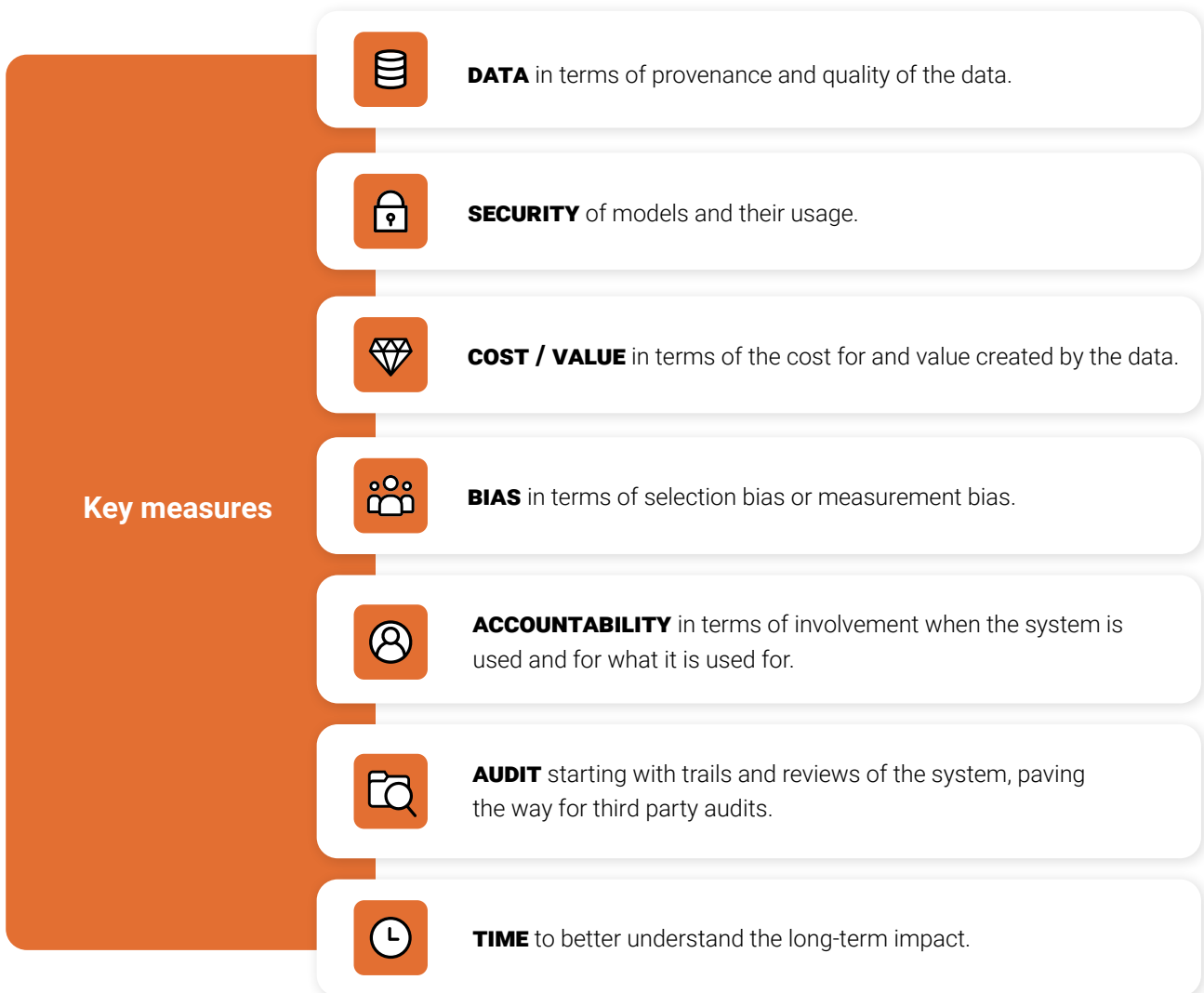
### 3. How should AI governance be measured?

#### Consider the relevant measures and data-driven KPIs

As the old saying goes, “What you can’t measure, you can’t manage.” To be successful, you need to be able to identify the relevant measures. Some measures or metrics will become standard either through regulation or market forces. But depending on how your organization defines AI governance and assigns responsibilities, other key measures should be considered to support the strategic direction and how your company runs on a day to day basis.

Last but not least, start considering a robust enterprise framework for both AI and data models. This way, you will have a system to continuously measure for you digitally, instead of by pen and paper.

The answers to who is responsible will vary based on an organization’s definition of AI governance. No single person or function within an organization will be solely responsible.





## Ask yourself these four key questions:

So far, we've provided you with the basics for understanding AI governance. So, before you go any further...

1

### **Is your AI transparent?**

As previously stated, if your organization has AI in place, it needs to be ethical, explainable, and transparent. Remember that there is a difference between legal and technical transparency. If you cannot answer this question, it is time to look into your organization's software.

2

### **Who is responsible in your organization?**

This is a bit of a trick question since responsibility does not fall in the hands of a single role. But think specifically at functional roles such as board members, CEOs, CFOs, CDOs, and general counsel, and remember to incorporate them into your organization's AI governance.

3

### **What key measures should you consider?**

There are several measurements that you will need to consider when measuring AI governance within your organization, all depending on how you define AI governance. Take a moment to find which measurements suit your governance needs best.

4

### **Do you have a framework in place?**

If the answer to this question is no, you should definitely consider installing a robust framework that automatically measures AI governance for models and data.



## **The impact on different business functions**

AI will impact certain roles and functions before others, and organizations will need to develop leadership skills to accommodate the practical implementation of AI.

## THE IMPACT ON DIFFERENT BUSINESS FUNCTIONS

# Which roles will AI impact first?

According to [Brookings Institution](#), AI will have a significant impact on better-paid, better-educated office jobs. Positions in marketing, sales, and IT are likely to see the negative effects of AI before those in production, service, and even HR. Leaders within these different job functions need to be prepared for the impact and increase their understanding and awareness of AI governance within these roles.

These roles also have the opportunity to use AI to their benefit. Implementing AI to augment employees in these roles can increase their efficiency and provide an overall positive to the organization as a whole.

### The business functions impacted most by AI:



#### **Sales, marketing and service**

Chief marketing officers, sales leaders, and heads of service functions should take note. It is up to them to improve the understanding of AI within their organizations, their management teams' AI leadership skills, and the details of AI ethics, which is critical. Managing AI governance is a continuous balancing effort between, on the one hand, the organization's brand, products, and services, and on the other hand, the customer, suppliers, and society.



#### **Supply chain, manufacturing, product development, legal and risk**

The impact on these business functions will vary based on the type of business, whether B2B or B2C. In supply chain and manufacturing, the impact stems beyond the function within the company to the entire value chain of the organization. Leaders in these organizations should immediately focus on the leadership skills of managers across departments. An enterprise platform to manage data, AI, and AI governance will be a necessity.

## THE IMPACT ON DIFFERENT BUSINESS FUNCTIONS

# Heads up, business leaders!

Whether prepared or not, AI will have an impact on different business functions. To combat these effects, we need to evolve our understanding of AI governance. Leaders take note and get personally involved!.



### Chief Human Resource Officers

CHROs need to focus on growing digital leadership skills within their organization.

Hiring new managers with AI skills is a must! These AI skills should be continuously developed internally.



### Chief Data Officers

Organizations without a CDO should consider creating this role ASAP. With AI, organizations need a coordinator for corporate data, analytics, and an AI governance strategy.



### Chief Information Officers

The CIO is a critical role for AI governance, as their job is to ensure that the software developed and deployed allows for software managed AI governance.



### Chief Legal & Risk Officers

These two roles must understand that they will be deeply involved in an organization's future approach to AI governance.



## **Shadow AI: The hidden impact of deploying AI models**

The complexity of AI goes far beyond an increase in the number of models deployed. Organizations need to be particularly focused on the potential impact of shadow AI.

## SHADOW AI

# The state of AI model implementation in organizations today

In just four years, large organizations are expected to have an average of **35 models deployed - that's 7x more than the average of today**. This is just one of the effects that the growing movement of AI will have on an organization. The number of deployed models presented by surveys only include officially known AI models.

### The hidden impacts on an organization:

#### The rise of shadow AI

The number of deployed models presented by surveys only includes officially known artificial intelligence models. Organizations will likely see a rise in "shadow AI" models, meaning that many models are running behind the scenes in departments such as marketing, supply chain, and HR, without an organization having an official overview.

#### Increase in model complexity and breadth

With continuous deployment and improvement, model complexity will increase. Models will be able to handle more intricate tasks at an increased breadth, far more than a single person, product, or service can control.

#### Increase in number of model users

As models mature, it is highly likely that they will become more economically and technically viable to a wide variety of users and for several different business functions.

## SHADOW AI

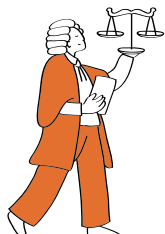
# What 3 topics will organizations need to consider?

The impact of AI goes beyond the number of models deployed, and chief officers need to focus on the particular effects of shadow AI.



### AI management

How will the organization manage an increased number of AI models deployed across a wider part of the organization? And as a result of that, how will they address a rise in shadow AI?



### AI governance

How is AI governance implemented in the organization? Who is accountable for AI governance? And what responsibilities do they have?



### AI communication

How does the organization communicate AI within the organization? The accountability needed, the requirement for all employees to learn skills around AI, and how to deal with shadow AI?

Dive deeper into **shadow AI** and its impacts here: <https://www.sondergaardgroup.com/post/shadow-ai-the-hidden-impact-of-deploying-artificial-intelligence>

## OFFERINGS

# Our solution

Successful AI implementations rest on four core pillars that provide you with the enterprise-grade quality and robustness you need to implement and operate AI.



## Grace AI Platform

The Grace AI platform supports the most advanced technical requirements around functionality and flexibility for the most sophisticated data scientists and IT Operations. Our proprietary and unique design and architecture provides customers with precisely what is needed to realize their AI ambitions beginning with where they are at today.



## AI Governance:

Grace's comprehensive AI Governance framework provides guidance in increasingly complex industries and rapidly shifting global regulatory climates. Built with regulatory excellence as the objective, the Grace platform assures compliance with external regulations, internal code-of-conduct frameworks and other organizational best practices.



## Asset Store

The Asset Store gives customers a head start in their AI projects with pre-built and pre-trained models, pipelines and accelerators. We help accelerate AI implementation at scale with re-usable models that facilitate intuitive presentations and interactions between AI projects and business stakeholders.



## Partnership

Our engagement models place our partners at the forefront of applied AI and innovation with enhanced readiness to meet demand for AI services and solutions.



## THE GRACE AI PLATFORM

# The platform that accelerates your AI adoption at enterprise scale

Grace is uniquely positioned to unleash automation potential across your organization, helping you focus your most valuable resources on what matters most to your stakeholders.

Grace offers an efficient, secure, and robust AI implementation across any organization, standardizing processes and workflows across AI projects, including all elements from data ingestion, model development, one-click deployment, and model life cycle management. In short, Grace covers the full range of rich functionality your organization needs to be AI proficient.

With Grace, you have access to a comprehensive, yet seamless, solution to comply with the growing number of external guidelines and regulations, and internal policies to documentation and report to different functions, e.g., CSR, ethical charters, and boards. Grace includes a flexible solution for organizations and regulators to construct tangible metrics, such as Fair, Explainable, Accountable, and Transparent (FEAT) AI. The configurable Rules Engine and Impact Assessment module in Grace offer many additional options to guarantee GRC for other AI requirements.



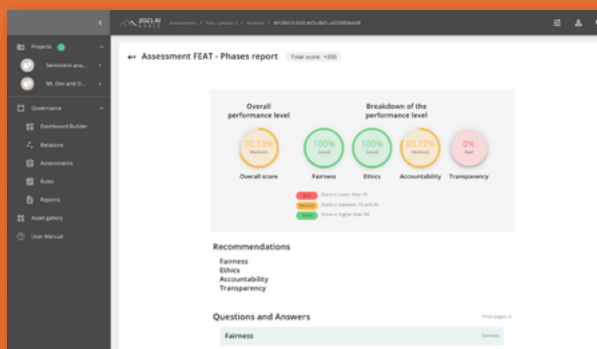
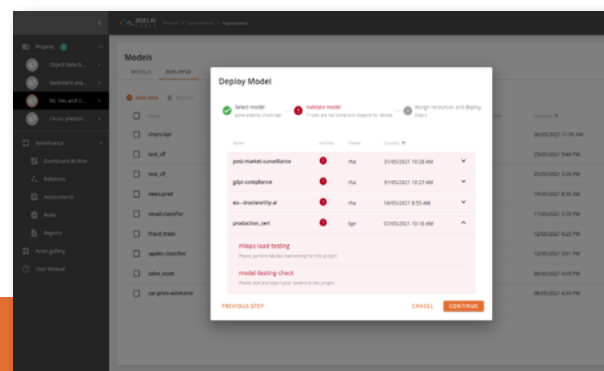
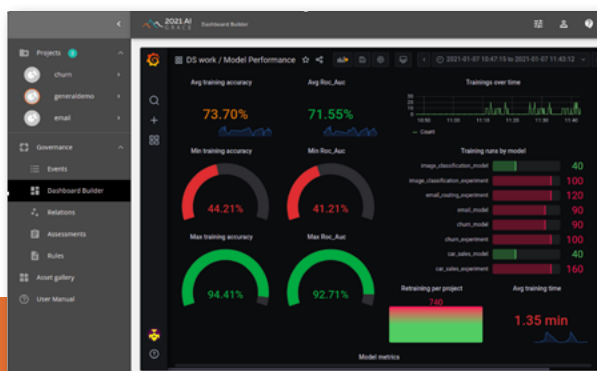
Real-time collaboration



Automated Documentation



Model Life-cycle Management



# Do you want to learn more?



## You have deployed AI, do you tell your clients?

You should tell them! However, what exactly do you tell them, how and when? Once you have told your customers, what are their options, and what actions do you take?

[READ FULL POST](#)



## Is it time to create an AI guild in your organization?

Use of AI in many organizations often fails to scale because few people understand AI from a business context. Developing skills around AI, data analysis, and data science among employees is a challenge for most organizations but is vital to complete digitalization.

[READ FULL POST](#)



## Five elements of an AI business case

Business executives need to create AI business cases with limited experience within their organization. The IT organization will handle the complex technical aspects, whereas the executive is left with detailing the AI solution's business impact.

[READ FULL POST](#)



## Why AI governance is critical for automation projects

Process automation has been slowly deployed across organizations moving from simple assisted robotic process automation (RPA) to unassisted, automated, and in some cases, intelligent RPA. RPA initiatives lack a focus on AI governance. That is a potential business risk!

[READ FULL POST](#)



**2021.AI** serves the growing enterprise need for full management and oversight of applied AI. Our data science expertise, combined with the Grace Enterprise AI Platform, offers a true AI differentiator for clients and partners worldwide. Grace helps data scientists solve some of the most complex business problems while also providing organizations with the most comprehensive data and AI Governance capability for responsible, transparent, and trustworthy model development. 2021.AI is headquartered in Copenhagen with employees in 5 locations globally.

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