

Making Sense of AI Ethics and Governance Investments

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Organizations of all sorts are increasingly adopting artificial intelligence (AI). However, the technology introduces a variety of serious ethical and governance challenges: data privacy, fairness, accountability and transparency in AI decision-making. The adoption of AI is particularly challenging because it is not a singular technology: it is a complex and evolving ecosystem of technologies mixed with human interaction. This dynamic and evolving AI frontier poses an ambiguous set of unpredictable challenges and managers need to find ways to govern AI adoption (Berente et al. 2021). However, the best practices for the governance of AI are only now emerging. And managers need to tackle these issues now as they also feel the pressure to make sense of and justify investments in specific governance practices.

To address these concerns, the paper presents a qualitative study: 34 managers from diverse sectors were interviewed to explore how they make sense of their investments in AI governance. Methodologically, the approach of this paper is grounded in Karl Weick’s sense-making theory which allows us to understand the narratives people adopt when making decisions (Weick 1995, 2001).

Based on these interviews, we discover that leaders often rely on two distinct sense-making narratives: value-based and instrumental. The primary goal linked to the former is strictly ethical: they explain they make those investments to promote the good, do the right thing, or advance their company’s values and identity. In contrast, an instrumental sense-making strategy makes sense of investments prioritizing financial gain or cost avoidance. Hence, their business justifications revolve around the idea of compliance, risk management, and the market value of AI governance.

Our thematic analysis of the interviews conducted sheds light on how the sense-making constructs mentioned above also link, or fail to link, to critical outcomes. Instrumentalism tends to focus on immediate, quantifiable outcomes with the goal of ensuring business objectives. As a result, it

is seen as having a real impact and making governance effective. At the same time, this type of approach may overlook broader concerns that are ultimately critical to ensure good ROIs. That is, when leaders focus *solely* on tangible returns, they risk adopting a purely short-term approach to governance. These strategies may also be perceived as insincere. This perception of insincerity can undermine trust and damage the company’s reputation, diminishing ROI (Glavas and Kelley 2014).

In contrast, a value-based strategy centers on the long-term ethical alignment of AI practices that promotes trust and societal good. Ethical approaches also lead to accountability and executive involvement to deal with different types of risks and complexities. Unfortunately, however, the value-based narrative falls short when it often fails provide a clear set of actions and strategies. This narrative may thus end up being vague and an impractical which hinder its broad ethical goals (Bughin 2024; Dotan et al. 2023).

Both narratives are thus structured in different postures, generating significant benefits but also self-sabotaging and leading to potentially ineffective actions for the very goals these strategies are there to promote.

To overcome these shortcomings, we introduce a theoretical suggestion: an integrated approach in making sense of investment in AI governance. We characterize this integration as a “holistic” view that combines both instrumental and value-based frameworks. Many of the advantages one gets from adopting an instrumental framework may prove to be essential in a value-based framework and vice versa. Thus, we believe that shared values - that benefit both society and business - can be created by adopting a holistic mindset towards investment in the area of AI governance (Bevilacqua et al. 2024).

(Extended Abstract)

References

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