AI’s Evolving Impact on Risk and Risk Management

On June 6, 2023, The Risk Institute at The Ohio State University Max M. Fisher College of Business brought together leaders and practitioners from the university and 22 different organizations to discuss the growing impact of AI on risk, risk management, general business operations, and our society at large.

The discussions around AI and risk were led by academic experts from Ohio State and industry leaders from Battelle, Huntington, Nationwide, EY, and Aware. They presented their knowledge and insights on AI’s current state across industries, as well as the upsides, downsides, and risk opportunities and challenges.

**The key questions and topics around AI and risk included the following:**

- Will AI take my job?
- The threat of reputation risk
- AI for good: What is fundamentally human?
- Innovation leads, regulation follows
- AI’s unquestionability
**Will AI take my job?**

The consensus here is **no**, but someone who knows how to **use** and **leverage** AI might replace or displace jobs.

Practitioners and organizations should stay **informed** on any new tools, technologies, and capabilities that may be available to give them an edge and implement them with guidance and best practices.

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**The threat of reputation risk**

Social media’s unique ability to make stories go viral creates the potential for **large-scale negative impacts** to an organization’s reputation, and AI can make this even easier for harmful agendas.

Deep-fake video representations of public figures are often **indistinguishable** from the real thing, and disinformation can spread like wildfire.

Organizations must prepare a reaction plan, as it is often impossible to prevent situations like these.

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**Innovation leads, regulation follows**

It is virtually **impossible** for academia and regulations to **keep up** with the exponential growth of AI.

With any cutting-edge innovation, private sector resources are typically vast and well ahead of universities and regulatory bodies.

This allows for **rapid innovation** and **creativity**, but also a lack of guidelines, rules, or boundaries for usage, which can lead to negative outcomes.

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**AI’s unquestionability**

When we type something into a calculator, we do not typically question the result. Many people are using ChatGPT the same way, with **blind trust**, and it cannot necessarily be trusted at that threshold yet.

AI is not intelligently answering questions and should not be seen as a **panacea** to any question or problem out there. Rather, tools like ChatGPT can be a helping hand along the way. People still need to **critically** review the results.

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**AI for good: What is fundamentally human?**

From WALL-E to The Terminator, AI has been both embraced and vilified on the big screen.

Now, as we invite AI into our day-to-day lives, questions and concerns are growing about the impact of self-aware AI and the possible inevitability of **singularity**, when machine intelligence surpasses human intelligence.

Leaders from OpenAI, Google, Microsoft, and other AI labs warn that AI could be as [or more] dangerous than world wars or pandemics.

All of this begs us to consider “**what is fundamentally human?**”
AI is a reality that is transforming more than just the way organizations do business, and it will have a far-reaching impact on risk, risk management, and audit professions, given the impact and need for explainability, trust, and AI assurance. However, AI presents many new considerations and challenges including the following:

### Key Considerations:

- **Limited precedents for AI risk management use cases and audits**
- **The “black box problem” (explainability and lack of trust in AI)**
- **Unknown limitations of AI**
- **Lack of- or immature- frameworks and regulations**
- **Emerging nature and speed of AI technologies and capabilities**
- **AI talent gap in risk professionals**

- **Companies want to take advantage of AI’s benefits but are asking a lot of questions on how to govern AI and how to manage the risks of AI.**

- **Risk in AI models require ongoing monitoring and measurements. Organizations need to start preparing themselves by defining key metrics to track and assess effectiveness of AI governance measures.**

- **Establishing a common understanding around the unique qualities of these technologies is a critical step in the risk management process.**

- **AI/ML technologies offer the promise of significant insight and value, they also come with a portfolio of unique risks that challenge existing business and risk infrastructure.**

- **Enabling an enterprise-wide governance framework will establish trust and confidence in the AI/ML ecosystem.**
Our post-event survey provided some additional insights from attendees about AI use within their organizations.

**Does your organization currently use AI in its operations?**
- Yes: 43.8%
- No: 31.2%
- Not Sure: 25%

**Does your organization have a formal risk assessment process for AI technologies?**
- Yes: 38.5%
- No: 38.5%
- Not Sure: 23%

**How do you rate the risk associated with the use of AI in your organization?**
- High risk: 43%
- Moderate risk: 36%
- Low risk: 7%

**How prepared do you think your organization is to handle potential risks from AI?**
- Very prepared: 7%
- Somewhat prepared: 14%
- Not prepared: 36%
- Not sure: 43%