Which rung is the company you govern on?

AN ASSESSMENT FOR DIRECTORS

Eight questions about the reporting your board is currently receiving on AI. The first three take about two minutes.

Boards approve AI spending and then receive reporting on it. The difficulty is that the reporting looks much the same whether the organization redesigned how it works or simply bought the tools and carried on as before.

Adoption, rollout and enthusiasm are easy to describe either way. A company that has changed very little often reports stronger numbers than one that has changed a great deal, because handing every employee a licence is easier than redesigning what they do with it.

In *So Now What? Recognizing Four Organizational States in an AI-Driven World*, I place organizations on one of four rungs. On the second, the licences are bought, access is broad, and the work itself is unchanged. On the fourth, the work and the roles inside it have been redesigned around what the tools now make possible. About three in four organizations sit on the second rung. Roughly one in twenty are on the fourth. From the boardroom, the reporting from both looks similar.

What follows is a way to tell which one you are governing. Three checks against whatever your board was last told about AI, then five questions about what the board itself can see.

Find that update before you start. A paper, a deck, a section of a CEO report, or whatever was said in the room. Have it in front of you. The first part takes about two minutes.

Part one: grade the answer you have

Three checks. Each one is either there or it is not.

1. Does it tie the investment to one of the primary strategic priorities the board approved for the business?

One of the few priorities that describe where the company is going, set before this technology was on the agenda. Not a priority to adopt AI, to modernise, or to become digitally enabled. Those describe the tool rather than the direction.

2. Does it say what changed in how the work is done, what a part of the business did before and what it does now?

A description of the change itself, in a named function or process. Not capability, not rollout, not how people are finding the tools, not hours saved by individuals.

3. Does it name a person accountable for that change?

A named individual who owns the outcome, as distinct from whoever owns the technology programme.

What your answers say

Three out of three. The spending is aimed at a direction your board set, the work itself changed, and somebody owns that change. That is a rung four answer and it is rare. Roughly one in twenty organizations sit there.

Question one only. The most common result, and the most misleading. Alignment is easy to assert and almost impossible to test from the boardroom, and most reporting contains some version of it. On its own it tells you the money was pointed in a defensible direction. It tells you nothing about whether anything changed when it arrived.

Questions one and two, not three. Something did change, and nobody is answerable for whether it produced anything. Change without an owner tends not to survive the next quarter.

None of the three. What your board received was adoption reporting. Licences, logins, pilots, enthusiasm. That is what second rung reporting looks like, and it is where most organizations currently sit.

Why the distinction is worth making. Capability that was acquired and never redesigned around does not sit still. It sits unused. The organizations that redesigned the work, and the roles inside it, are capturing a return the rest are not, and that difference compounds quietly until it appears in results long after the approvals were given. A board can see the spending on the day it is approved. Whether the organization changed shape around it is the part that determines what the spending was worth, and it is the part no adoption report describes.

Worth being clear about what a low score does and does not tell you. It does not mean management is concealing anything, or that the investment was wrong. It is usually habit rather than evasion, since adoption is what has been reported for two years and what the vendor material is built to support. What it does mean is that your board currently has no way to tell an organization that is evolving from one that is accumulating licences.

Part two: what your board can see from where it sits

These have no right answer and no scoring. They are the ones worth working through before the next update arrives.

ON WHAT YOU HAVE ASKED FOR

4. Has the board ever asked for something on this subject that it did not receive? What was it, and what came back instead?

5. What would you need to see in order to conclude that the work has not changed? If nothing would, you are receiving reassurance rather than oversight.

ON WHO PREPARES IT

6. Who prepares the AI reporting your board receives, and what happens to their standing if the honest answer this quarter is that little has changed?

Not a question about anyone's integrity. A question about what the role is structurally able to report.

ON WHAT HAPPENS NEXT

7. When does this next come to the board, and in what form?

8. Has the board agreed, in advance, what a satisfactory answer would contain?

Almost no board has. Financial reporting has decades of convention behind it and a director knows a thin margin explanation within seconds. Nobody has heard several hundred solid answers about this, so there is no standard to measure one against.

One last thing

These checks will tell you which rung the reporting describes. What they cannot tell you is what a strong answer should contain for your board specifically, because that depends on the business, the sector, and what your directors are already able to see.

That is worth settling yourselves, and worth settling before the next question gets asked rather than after the answer comes back. A board that has agreed in advance what it expects to be shown can tell a company that has redesigned its work around this technology from one that has only acquired it. A board that has not will keep receiving reporting it has no way to judge.

If the board would find it useful to work that out with someone from outside it, there is time set aside for these conversations at calendly.com/tom-mawhinney/board-discussions

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Tom Mawhinney has worked with more than 200 organizations on the leadership, strategy and technology decisions that determine whether results actually move. He has sat as a board member, as an executive and as a founder.

More on this, including the books, is on my LinkedIn profile: linkedin.com/in/tommawhinney

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