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# Why Invest in AI Ethics and Governance?

## Five Real-World Origin Stories

### IBM (2024)

## Context

Embracing AI ethics is not just about loss aversion (such as avoiding legal costs): 75% of executives view it as competitive differentiation. Longer-term, proactive strategies can generate value across the organisation, with 54% of companies expecting AI ethics to be very important strategically across 20 business functions. Investing in AI ethics has the potential to create quantifiable value across three types of ROI: economic impact (tangible), reputational impact (intangible), and capabilities (real options).

The report illustrates this through 5 case studies of firms that have operationalised AI ethics.

## Key Insights

### Three types of ROI from AI ethics investments

- **Economic impact (tangible):** Avoided regulatory fines, reduced legal costs, retained revenue from customers who value ethical AI practices
- **Reputational impact (intangible):** Improved brand trust, ESG scores, employee retention, partner endorsements, positive media coverage
- **Capabilities (real options):** Technical infrastructure and platforms built for ethics that are repurposed for broader innovation, cost savings, and improved data management

▶ *Yet despite these benefits, most organisations have not moved beyond principles to practice.*

### The say-do gap

- **80%** of leaders say **ethics and trust** are **roadblocks to AI** adoption
- **72%** would **forgo AI benefits** entirely over **ethical concerns**
- **56%** of CEOs are **delaying** major **AI investment** pending **regulatory clarity**
- **<20%** say their **organisation's actions match** their stated ethics **principles**

### Five cases (s. next page): what went wrong, what they did, and what it delivered

- Dedicated ethics teams and centralised governance caught risks earlier and lowered the cost of every subsequent AI deployment
- Systematic vetting processes (whether for algorithms or vendors) produced measurable business outcomes: fairer lending, sales growth, customer retention
- Ethics infrastructure built for compliance becomes reusable capability: advisory services, faster time-to-market, client-ready governance documentation



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 *\*The FORGOOD mapping reflects the authors' interpretation and is not part of the original source.*

FORGOOD*	Case	Ethics Challenge	Action → Outcome
Fairness	SAS	Data ethics practice: AI products reaching vulnerable populations without ethical screening	Ethics team screens every product: for what purpose? to what end? for whom might it fail? → Advisory services now sold to clients; brand trust strengthened
Fairness	Global financial services firm	Algorithmic fairness: loan pricing algorithm used 165 features with no causal fairness check	Reviewed every feature for causal link to repayment ability → Removed 3 unjustified features; avoided unfair lending decisions
Goals	Fidelity Investments	Responsible AI infrastructure: each team building ethics checks from scratch; clients requesting governance docs	Cross-functional AI Center of Excellence reviews every use case end-to-end → Reusable ethics infrastructure lowering deployment costs
Options	Health & consumer goods retailer	AI vendor governance: third-party AI tools deployed with no standardised vetting	"AI ethics engine": 2–4-month vendor audit before any pilot → Sales growth, customer retention; employees upskilled not displaced
Delegation	Deutsche Telekom	EU AI Act readiness: no centralised view of AI regulatory risk	Single team sits in on every AI conversation org-wide; mandatory EU AI Act training → Compliance issues caught earlier; faster time-to-market

## Implications

- Are you justifying AI ethics investment reactively through loss aversion (avoiding fines, protecting reputation) or also through proactive value generation (scaling AI, building capabilities, customer satisfaction)?
- Are you measuring AI ethics ROI across all 3 dimensions (economic, reputational, capabilities)?
- Where do ethical decisions about AI currently happen by default rather than by design?
- Which ethical risks in our current use of AI might you be overlooking simply because they haven't caused problems yet?