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LeBow College of Business

DIRECTORS DIALOGUE

DIGEST

(Re)invention and Intrapreneurship

MARCH 26, 2026

Contents

(Re)invention and Intrapreneurship

In an environment defined by digital transformation, regulatory uncertainty, political polarization and geopolitical volatility, **the question is not whether reinvention is necessary, but whether organizations are structured to enable it.**

During the **18th annual Directors Dialogue**, CEOs and directors were challenged to explore the ways that **governance must evolve for organizations to effectively navigate a world where disruption is constant and risk is multiplying.**

The dialogue underscored the urgency of intentional, forward-looking governance, highlighting both the scale of emerging risks and the opportunity for boards to respond with greater clarity, structure and discipline.

Several insights emerged that offer a framework for strengthening governance in this period of heightened uncertainty and opportunity:

- **Risk is expanding and increasingly visible**, with hundreds of distinct risks now reflected in corporate disclosures and new risks continuing to surface. The challenge is not simply identifying risk, but prioritizing it, understanding interdependencies, and ensuring mitigation plans are actionable.
- **AI stood out as both a transformative opportunity and a source of organizational anxiety,** accelerating decision cycles and reshaping expectations for speed, capability and oversight.
- **Governance design and board behavior are equally central.** Effective boards were described as those able to think both broadly and deeply, balancing enterprise-wide awareness with rigorous interrogation of assumptions, blind spots and bias. Participants emphasized the importance of intentional agenda design, disciplined time allocation, and structured tools that improve decision quality and surface critical signals.
- **Talent and leadership also emerged as foundational governance priorities,** from CEO effectiveness and succession planning to broader organizational capability. Decisions around capital allocation and human capital were consistently framed as central board responsibilities shaping long-term outcomes.
- **Time horizon discipline helps** boards do more than react to immediate pressures, but also be proactive in identifying and acting on the longer-term signals that will define future competitiveness.
- **Effective oversight today requires more than awareness of emerging risks and technologies.** It also requires intentional design of processes, perspectives, and priorities that translate insight into action.

Thank you to our sponsors, facilitators, speakers and participants for contributing to the thoughtful and candid dialogue upon which this report is based. We hope it offers readers a roadmap to govern boldly, responsibly and generatively amid the unprecedented challenges they face today.

Lisa Woods
Executive Director,
Gupta Governance Institute

Chavonne Hoyle
Senior Director,
Gupta Governance Institute

From Compliance to Creativity:
Governing in the Age of (Re)invention

The opening session of Directors Dialogue, facilitated by **WTW Senior Managing Director, Board Advisor and Chief Innovation & Acceleration Officer John Bremen**, set an ambitious tone for the day by sharing an observation from his experience leading innovation within a nearly 200-year-old institution: **Governance—especially the governance of innovation—is no longer simply about oversight, it is about navigating paradox.**

John Bremen
Senior Managing Director, Board Advisor and Chief Innovation & Acceleration Officer, WTW

Innovation requires balancing competing priorities: speed and discipline, risk and control, short-term performance and long-term reinvention. These tensions are not new, but their intensity is. **While oversight remains the board's role, decisions must be made faster, across a broader range of issues, with less complete information and greater external pressure.**

Traits such as curiosity, judgment, adaptability and courage have always defined strong directors. What has changed is the context in which those skills must be applied. The principle of "noses in, fingers out" no longer captures the full reality: **governance itself is evolving under the speed and complexity of disruption.**

The most effective boards are those that embrace complexity, ask better questions, and focus relentlessly on decision quality. They understand that sometimes you have to move slow to move fast. In this sense, **governance is less about control and more about enabling organizations to move forward with clarity, confidence and purpose.**

Effective process can advance innovation but can also limit it. Governing innovation requires disciplined decision making, action despite uncertainty, intentional governance structures, strong organizational self-awareness, and cultures that support experimentation without sacrificing accountability.

This session reinforced a central truth: **the challenge isn't eliminating paradox, it's learning to govern within it.** Boards that successfully balance stability and reinvention will be better positioned to create long-term value in increasingly volatile environments.

THE INNOVATION PARADOX

One of the most striking themes of the session was the paradoxical nature of innovation risk, illustrated in the context of artificial intelligence. As organizations grow, their risk tolerance often declines precisely when the cost of standing still increases. Governance structures originally designed to protect value can gradually become barriers to renewal, slowing decision making, discouraging experimentation and reinforcing institutional inertia.

Today's boards are increasingly expected to serve as **both guardians of stability and stewards of change**. In practice, this means navigating simultaneous and often competing pressures to:

- Move faster while strengthening risk oversight
- Centralize innovation while empowering bottom up or decentralized experimentation
- Encourage AI adoption while preventing misuse and unintended consequences
- Deliver short-term performance while funding long-term reinvention

While AI has emerged as the most visible governance concern, the challenges of innovation go well beyond any single technology. According to participants, "AI is not the whole story, it simply takes up all the oxygen." **The real issue is how organizations govern change itself.**

THE STRUCTURAL TENSIONS OF INNOVATION

AI has become the most visible symbol of governance strain, but it is not the root problem; **innovation has always been difficult to govern.**

The discussion surfaced several structural tensions inherent in governing innovation including:

- **Centralized vs. decentralized innovation:** Top-down efforts are easier to control but often less effective; bottom-up innovation drives impact but is harder to govern.
- **Breakthrough vs. incremental innovation:** Transformational ideas capture attention, but incremental improvements fund long-term growth.
- **Scale vs. risk appetite:** As organizations grow, they become more risk-averse, precisely when they need to take more calculated risks.

These tensions cannot be resolved; they must be managed. Boards cannot choose one side over another; they must govern within the paradox.

Innovation Metrics That Matter

Traditional metrics (activity, licenses, adoption) don't show enterprise value creation.

Focus instead on revenue generated, idea pipeline strength, customer adoption and feedback, successful pivots, fast learning and smart failures.

NOSES IN, FINGERS ON THE PULSE

The traditional governance principle of "noses in, fingers out" still holds, but the pace and complexity of today's environment require more active engagement and a shift from periodic oversight to continuous engagement, including:

- From quarterly reviews to ongoing strategic sensing
- From pure financial focus to broader attention on strategy, talent and risk
- From full-information decisions to operating in ambiguity

This shift is particularly evident in areas like AI where boards and management are learning simultaneously. Directors are asking more questions, seeking external expertise, and engaging in ongoing education.

"Managing altitude" emerged as a useful metaphor. Boards typically operate at 30,000 feet but must descend into detail during moments of crisis or transformation. **The challenge is knowing when and how quickly to adjust altitude without crossing into management's "no-fly" zone.**

THE NEED FOR SPEED

Core governance principles and the role of the board have not fundamentally changed, however the frequency and intensity of engagement have increased dramatically.

Boards must make decisions on complex, interconnected issues faster and often with incomplete information. According to one participant (and echoed by many), **"Decisions now happen in the gray and faster than ever before."**

The increased pace also shortens the shelf life of strategic plans and narrows the gap between risk and opportunity.

THE RISE OF THE T-SHAPED DIRECTOR

Board composition is shifting toward "T-shaped" directors—those with deep expertise and broad enterprise perspective—and "portfolio" boards that collectively cover critical capabilities.

In addition, as governance demands evolve, boards increasingly prioritize expertise in:

- Technology and AI
- Transformation and change
- Global markets and geopolitics
- Human capital and culture

Foundational skills such as finance, operations, leadership, and strategic thinking remain essential. As one participant noted, **"Technical skills may get you into the boardroom, but judgment keeps you effective."**

Key attributes of effective directors include:

- Curiosity and pattern recognition
- Adaptability and comfort with ambiguity
- Emotional intelligence and situational awareness
- Constructive challenge

Effective directors must think broadly, understand the business holistically, and engage meaningfully across issues. Participants cautioned against over reliance on narrow expertise.

FUTURE-FORWARD AGENDAS

Innovative boards delegate routine oversight and compliance to committees, enabling the full board to focus the majority of its time on higher-value discussions of strategy, talent and risk. **The board's greatest value lies not in reviewing the past, but in anticipating the future.**

Effective governance requires sustained board focus across several interconnected areas:

- **Strategic oversight**—Ensure innovation aligns with strategy
- **Capital Allocation**—Balance investments between incremental improvements and transformational opportunities
- **Technology**—Keep governance frameworks current with evolving risks
- **Talent**—Build the capabilities needed for transformation
- **Culture**—Foster leadership behaviors that encourage adaptability and experimentation

Leaders who drive innovation:

Set the tone—Board chairs and lead directors guide focus and decision making

Build trust—Credibility and transparency strengthen board–management relationships

Encourage challenge—Constructive debate leads to better outcomes

Align without groupthink—Shared direction, independent thinking

DECISION MAKING IN UNCERTAINTY

A defining feature of modern governance is decision making under uncertainty. **Waiting for complete information is no longer viable**; by the time clarity emerges, opportunities may be lost. Yet **speed must be balanced with discipline**.

Participants identified several practices that improve decision quality:

- **Explore multiple options**, not a single path
- **Distinguish reversible vs. irreversible decisions**
- **Preserve optionality** wherever possible
- **Ask "why?" repeatedly** to uncover hidden alternatives and unconscious biases
- **Document assumptions** underlying key decisions and revisit them regularly
- **Use scenario planning and tabletop exercises** to test outcomes and strengthen preparedness
- **Look for patterns and lessons** from prior disruptions and experiences
- **Consider "no-regrets" moves**—actions likely to perform reasonably well across multiple potential futures—to move forward without over-committing.

Participants also emphasized the importance of testing decisions against the perspectives of multiple stakeholders, including employees, customers, investors and regulators. **Broader stakeholder consideration often reduces blind spots and improves long-term outcomes** particularly when combined with diverse perspectives around the board table.

Boards that align composition with strategy while prioritizing judgment, adaptability and enterprise-wide thinking are best positioned to navigate complexity and govern through change.

PROCESS AS A STRATEGIC ASSET

Process itself emerged as an important governance safeguard. In high-pressure environments, decision making is vulnerable to bias and instinct. Strong processes help mitigate these risks.

Research shared during the session highlighted that decision making is more prone to error when time is limited, stress levels are high, information is incomplete, or the issue at hand is unfamiliar.

Simple interventions can help boards shift from instinctive reactions to more deliberate, analytical thinking and improve outcomes when stakes are high.

Consider incorporating the following practices to improve decision making:

- Pausing briefly to deepen analysis
- Assigning devil's advocates and challenge committees
- Expanding the range of options considered
- Using structured or anonymous voting

Notably, "slowing down" does not require significant time; a pause as short as 15 to 30 minutes is often sufficient to improve decision quality.

DNA DRIVES DECISIONS

A powerful concept explored in the session was organizational DNA—the behaviors that emerge under pressure. Unlike stated values or culture, DNA reflects how decisions are made. **Culture is what you say. DNA is what you do under stress and when it counts.**

Boards must understand how leadership teams instinctively respond under pressure. These behavioral patterns often shape strategic decisions more powerfully than formal mission statements or cultural messaging.

- Does management default to caution or boldness?
- Does it align with values and strategy?
- Is the organization internally or externally focused?
- How does it balance short-term and long-term priorities?

Equally important is understanding the DNA of the board itself. **Highly conservative boards may resist necessary change, while overly aggressive boards may take excessive risks.**

Effective governance requires alignment between board and management while preserving the ability to challenge and debate. DNA should not become a mechanism for assimilation that suppresses constructive dissent, diverse thinking, or healthy challenges within leadership teams and in the boardroom itself.

Key Takeaways

Innovation is existential but complex to govern. The best ideas may come from deep within the organization, but meaningful oversight is often at the enterprise level.

Reinvention is continuous. Organizations that endure do not avoid disruption but continuously adapt to it.

Companies love big ideas, but smaller innovations often pay the bills. Outcomes and impact reveal more than activity-based metrics.

Process can be an asset in high-pressure environments. Interventions like slowing down can improve decision quality without impacting momentum.

Foundational skills are critical, but boards increasingly seek T-shaped directors for their deep technical expertise and broad enterprise understanding.

Conservative boards can unintentionally constrain visionary leadership while aggressive boards may destabilize otherwise healthy organizations.

Additional Resources

New Skills for Boards and What It Takes to Succeed

Twelve Paradoxes of Innovation

Perspectives on Leading Through Change

Governing with Intelligence

An interview with Justin Forer, Senior Vice President for AI Strategy and Transformation, Comcast

Comcast executive Justin Forer leads AI Strategy and Transformation, working at the intersection of enterprise strategy, emerging technology and operational execution. Prior to joining Comcast, he spent nearly three decades advising major organizations on transformation, governance and technology adoption. He spoke during the Directors Dialogue session "Perspectives on Leading Through Change: Governing with Intelligence" about what boards and leadership teams should really be paying attention to as AI reshapes organizations.

What does "real AI progress" look like inside a company right now?

Real progress is not about saying you want to "be an AI company." It's about understanding how AI helps accelerate the business strategy you already have. The companies making progress have a clear strategy, strong execution, adaptability, and leadership teams that are using AI themselves.

Why do many organizations struggle to move from AI hype to execution?

Because there's a lot of noise. Everyone is talking about pilots, demos and announcements. But pilots that scale matter. Pilots that don't are just noise. The real question is: what changed operationally because of AI?

How should boards distinguish between real innovation and "innovation theater"?

Ask what's measurable. Ask what's integrated into the business. Ask which pilots scaled and which failed. Twenty pilots waiting for approval is not transformation. Boards should focus on outcomes, not activity.

> ***"Ask what's real, what's measurable, and what actually changed because of AI."***

How should organizations think about AI strategy?

AI should support the existing business priorities. It should be understandable across the company from the C-suite to someone working in a retail store or in a customer-facing role.

Is the pace of AI change different from the pace of previous digital transformations?

Absolutely. We're not in a world anymore where you can build a three-year roadmap and wait it out. Companies have to operate with much more adaptability.

> ***"Something released three days ago might already outperform what you planned three weeks ago."***

What makes some organizations faster than others?

Decision-making speed. Data readiness. Risk tolerance. And adaptability. The best organizations can slightly adjust course continuously without abandoning strategy entirely.

How important is AI fluency among senior leaders?

It's essential. Just like executives have to understand finance and GAAP, they need to understand AI. And not theoretically; they need hands-on experience using it.

How are you building that fluency inside your organization?

We found that taking executives to conferences or showing them flashy demos only works temporarily. What works sustainably is getting leaders to use AI directly in their workflows. Some executives are summarizing emails. Others are experimenting with multi-agent systems. Both are valuable because they're engaging with AI directly.

> ***"What works isn't wowing executives with cool tech, it's getting them to actually use AI."***

What are the most meaningful metrics to measure AI-enabled innovation?

The metrics that matter are about velocity and acceleration. It's increased capacity. It's compressed timelines. It's doing more projects, faster, with better outcomes.

Can you give an example?

In software development CIOs are always talking about how much of their code is AI-generated. But the bigger opportunity is earlier in the process—business requirements, technical documentation and resource planning. We trained models using historical documentation, and something that used to take weeks now takes minutes. That means more projects are completed faster.

Where should boards get their AI information?

From multiple trusted voices. No one person knows everything right now. I spend a lot of time talking to startups, professors, PhD candidates, CTOs, peers and other AI leaders.

> ***"Boards need a varied diet of information."***

What are the biggest AI risks boards should focus on?

Everyone jumps immediately to today's risks—bias, hallucinations, compliance. Those matter. But the bigger risks are long-term structural shifts.

What do those long-term risks look like?

First, customer disintermediation. Customers may increasingly go to AI platforms before they come to companies directly. Second, intelligence and labor on demand. AI lowers barriers to expertise and execution. Third, information overload. When high-level analysis becomes inexpensive and instantly available, the challenge becomes deciding what matters.

Should AI be a separate board topic?

Not necessarily. AI doesn't need to be its own section in board materials or treated as a separate risk category. It can simply be embedded into existing conversations and forums about operations, performance, customer experience and risk.

> ***"AI doesn't need to be a separate board topic; it should just be embedded in everything."***

Where should AI sit inside the organization?

We didn't put AI in tech, finance or HR. We intentionally put AI in strategy.

> ***"Strategy becomes the bridge between business priorities and technology implementation."***

Are boards using AI to innovate within the boardroom?

Every board member I know is experimenting with AI in some form, usually summarizing reports or preparing questions. The real value of AI will be helping directors explore issues faster and ask better questions.

How would you describe this moment in AI transformation?

This is bigger than any other technology cycle. AI is fundamentally reshaping how organizations operate, communicate, compete and govern.

> ***"The challenge isn't just building AI capability, it's making that capability understandable, actionable, and aligned across leadership and the board."***

Can AI replace human judgment in governance?

Not today. AI can support inquiry, analysis and preparation. But in today's world, accountability, fiduciary responsibility, and judgment remain human responsibilities.

Innovation By Design:

Unlocking (Re)invention and Intrapreneurship

Harvard Kennedy School Senior Researcher, Siri Chilazi, grounded this session with a key question: ***If organizations consistently name innovation as a strategic priority, why is it so inconsistently achieved?***

Throughout the discussion that followed, Chilazi challenged the assumption that innovation is primarily a function of individuals' talent, creativity or breakthrough ideas. Instead, participants faced a more structural reality: **Innovation is limited by the systems whereby ideas are evaluated, prioritized and acted upon.**

Structural barriers to innovation are rarely explicit. Many organizations are unintentionally designed to favor predictability, efficiency, and risk control over experimentation. Time constraints, risk aversion, organizational complexity, and cognitive overload play a role in hindering innovation, but they are also symptoms of deeper design challenges that are embedded in decision-making processes, incentive structures, governance frameworks and organizational norms.

At its core, innovation is not an aspiration to endorse, but a system to build. **Sustainable innovation does not emerge from intention alone; it requires deliberate choices about how organizations operate, decide and evolve.** Meaningful progress requires moving beyond cultural slogans to structural intervention—redesigning how decisions are made, how risk is understood, and whose voices are considered.

The central challenge facing organizations today is not whether to innovate, but how to design systems that create an environment in which innovation consistently emerges not as an exception, but as an organizational default.

Siri Chilazi
Senior Researcher,
Harvard Kennedy School

PERCEPTION VS. REALITY

The session opened with a deceptively simple visual exercise: two images that appeared different but were, in fact, identical. Only after the surrounding pattern was obscured did the truth become clear. The takeaway: even when people know they are mistaken, they often cannot unsee the illusion. **The problem is not lack of intelligence or insufficient effort; it is context.**

This lesson extends beyond visual perception. Organizations are filled with patterns that quietly shape perception and behavior. When perception is distorted, even well-intentioned decisions can reinforce existing patterns rather than challenge them. In organizations this manifests as a persistent **gap between intentions (we value innovation) and outcomes (we struggle to produce it)**.

Awareness of bias does not eliminate its effects, particularly when it is reinforced by structures. Bridging the gap requires deliberate effort to question assumptions, challenge dominant narratives, redesign ways of working, and ensure that decision-making processes surface reality rather than reinforce perception.

REWARD, RINSE, REPEAT

Most organizations intend to foster innovation, yet outcomes often fail to reflect these intentions, highlighting a critical point: **intent does not override design**. Innovation does not falter because people resist change, but because systems consistently reward caution, predictability and short-term performance, often without leaders realizing it.

Structural biases influence which ideas are heard, how they are evaluated, and whether they are elevated or dismissed. These biases are often embedded in systems, processes and practices that appear neutral yet reinforce existing patterns.

As individuals rise through organizations, they are frequently promoted for minimizing risk, adhering to precedent and delivering reliable near-term results. Over time, those success signals accumulate and harden. **What we reward is what we repeat.**

Correcting this requires shifting focus from individuals to systems. Rather than attempting to correct bias solely through training or intention, organizations must examine how their processes shape outcomes and intentionally redesign how decisions are made.

INCLUSION MATTERS

Critical insights frequently exist within organizations but are not incorporated into decision making. This lack of inclusion can limit innovation and lead to decisions that are misaligned with reality. **Including these perspectives is not a cultural aspiration, it is a design choice.**

Two perspectives emerged as particularly underutilized:

- **Frontline employees** often have the most direct understanding of operational challenges and opportunities, yet their perspectives are rarely integrated into strategic discussions.
- **Customers and stakeholders** are frequently discussed but insufficiently engaged. Organizations may rely on assumptions about stakeholder needs rather than direct input.

Mechanisms must be created to ensure that diverse perspectives are surfaced, considered and acted upon. Designing more inclusive and effective systems may involve introducing structured debate, creating mechanisms for anonymous input, or redefining evaluation criteria. **These interventions help ensure that decisions are informed by a broader range of perspectives and less constrained by implicit assumptions.**

If bias is built into the system, the system itself must change. Underlying assumptions and everyday systems and processes that may reinforce existing patterns or unintentional biases rather than challenge the status quo include:

- Decision-making frameworks
- Performance metrics and promotion criteria
- Strategic assumptions and planning processes
- Boardroom dynamics, meeting agendas and structures
- Hiring policies and procedures
- Cultural norms
- Meeting agendas and structures
- Risk management frameworks
- Succession planning

STRUCTURAL BARRIERS TO INNOVATION

Innovation rarely fails from lack of intention or ideas; it fails when an organization's systems are not built to sustain it.

Participants discussed several **structural barriers that create environments within which innovation is not actively opposed, but systematically constrained.**

- **Risk aversion** is often embedded within organizational systems. Success is rewarded, while failure, however instructive, carries reputational and professional consequences. Over time, this dynamic discourages experimentation, even when it is encouraged in principle.
- **Cognitive overload** from immediate operational demands can leave leaders with little mental space for reflection or forward-looking thinking. Structured pauses—on the order of minutes, not days—can allow the head space needed for creativity.
- **Organizational complexity** like layered approvals, unclear decision matrices and overly complex hierarchies can create friction that stalls innovation.
- **Institutional memory**, while valuable, can also constrain innovation and can shut down ideas prematurely, even when circumstances have changed, underlying conditions have evolved or previously held assumptions are no longer relevant or true.

FROM NOISE TO INSIGHT

One of the greatest barriers to innovation is not lack of data, but information overload. When decision makers are overwhelmed by data, reports and competing narratives, it can be difficult to distinguish signal from noise, which increases the likelihood that decision makers will rely on assumptions rather than rigorous analysis. Over time, these narratives can become self-reinforcing, shaping decisions that are not grounded in evidence.

Effective decision making requires leaders with the discipline and ability to:

- Distinguish between signals and noise
- Separate facts from interpretations
- Challenge prevailing assumptions
- Rely on evidence rather than narratives
- Use structured methods to extract insights from data

Innovation depends not on having more inputs but on seeing more clearly. Without clarity, organizations risk investing in solutions that address perceived problems rather than actual ones.

If innovation is shaped by systems, then organizations can support it through deliberate action and intentional design.

The leadership mandate is clear: **Design the right environment and innovation will follow. Ignore it, and no amount of talent will compensate.**

INNOVATION BY DESIGN

Organizations do not get the innovation they aspire to, they get the innovation they design for. Several powerful levers are available to leaders who want to design systems and environments that encourage and support sustained innovation and intrapreneurship:

Participants explored several powerful levers available to leaders who want to support innovation and intrapreneurship within their organizations with intentionality:

- **Structure decision-making** processes to reduce bias and encourage diverse input. Blind voting, structured debate and designated devil's advocates are techniques that can create space for ideas that might otherwise be suppressed.
- **Allocate time for long-term thinking.** Without protected space to focus on "what's next" organizations remain anchored in "what's now" and innovation is consistently deprioritized.
- **Develop incentive structures that reward learning and experimentation**, not just successful outcomes. Organizations that expect innovation must normalize and value the possibility of failure.
- **Be intentional about board composition.** Diversity of thought, experience, and perspective strengthens decision making, enhances the board's ability to challenge assumptions, and expands the range of ideas considered.
- **Capital allocation** signals priorities. Treat innovation as a strategic investment rather than discretionary spending to reinforce its importance and increase the likelihood of sustained progress.

THE ROLE OF THE BOARD

The role of the board is not to generate ideas, but to create the conditions under which ideas can emerge and succeed. Board decisions such as CEO selection, capital allocation, agenda design and incentive structures play a defining role in enabling or constraining innovation.

Boards that effectively drive innovation and entrepreneurship do the following:

- **Clarify decision** rights and governance structures
- **Align incentives** with long-term objectives
- **Create space** for long-term, generative discussions
- **Encourage and learn from constructive challenge** and dissent
- **Integrate diverse perspectives** into decision making

By **focusing on *how* decisions are made, not just *what* decisions are made**, boards move from passive oversight to the intentional design of innovation capacity.

(RE)THINKING RISK

Risk is traditionally viewed as something to be minimized or avoided. Organizations often focus on identifying and mitigating risk, stopping short of exploring the opportunities embedded within it. While this approach is essential for protecting organizational stability, it can also limit innovation by discouraging experimentation.

The discussion challenged participants to reconsider how risk is framed within governance discussions. **Risk and innovation are not opposing forces; they are interdependent.** Many innovations emerge from engaging with uncertainty rather than avoiding it. Threats, when examined strategically, can become sources of competitive or mission-driven advantage.

For boards, this represents a **shift in perspective from focusing solely on risk mitigation to also considering risk-informed opportunity creation.**

Leveraging tools like scenario planning to consider a range of possible futures can help organizations better understand innovation-related opportunities and vulnerabilities.

Key Takeaways

Innovation outcomes reflect system design, not ambition. Intentional design of decision-making processes can unlock innovation at scale.

Awareness and effort cannot overcome flawed context. The solution is to change the decision-making context by redesigning the conditions under which decisions are made.

Innovation is constrained when key perspectives are excluded. Frontline and stakeholder insights are critical inputs.

Cognitive overload, not time scarcity, limits innovation. Leaders need protected space for deeper thinking.

Boards enable innovation by shaping decision environments, aligning incentives, and prioritizing long-term value creation.

Risk aversion is often embedded in incentives and structurally reinforced. This discourages experimentation despite stated commitments to innovation.

Additional Resources

makeworkfair.com

Perspectives on Leading Through Change

The CEO as Chief Reinvention Officer

An interview with Raj Gupta, Former Chair and CEO, Rohm and Haas and Founder, Gupta Governance Institute

Raj Gupta is a globally respected business leader whose career spans operational leadership, corporate governance, and long-term institution building. He spent nearly four decades at Rohm and Haas, ultimately serving as Chairman, President, and CEO from 1999 to 2009, leading the company through significant reinvention and globalization. Following his CEO tenure, Gupta became one of the most experienced public company directors and board chairs of his generation, serving on the boards of companies including DuPont, HP, Airgas, Tyco, Avantor, and Aptiv. Gupta also founded the Gupta Governance Institute. He spoke during the Directors Dialogue session "Perspectives on Leading Through Change: The CEO as Chief (Re)invention Officer" about leadership, overlooked talent, reinvention, and the boardroom decisions that shape innovation.

You've said that leadership doesn't just evaluate talent, it creates it. What do you mean by that?

Much of it comes from my own experience. I never imagined I would become a CEO. I was a mechanical engineer entering a highly technical chemical company. But mentors saw something in me that I didn't yet see in myself and gave me opportunities to grow.

> ***"The best leaders do not simply evaluate talent. They create conditions where talent can emerge."***

Do organizations sometimes unintentionally filter out talent?

Absolutely. Many systems unintentionally favor familiar profiles or predictable career paths. Organizations often over-index on past performance or pattern recognition. But reinvention requires something different.

What allowed leaders at Rohm and Haas to see talent that others may have missed?

Part of it was culture. The company had very strong values around doing the right thing, innovation and long-term thinking. But we also built systems that tried to minimize bias.

A two-decade engagement with Executive Coach Dr. Karol Wasylyshyn focused on a holistic approach to leadership development that included an optional spousal module and ongoing 360-degree feedback.

The top leadership talent in the company was reviewed collectively by the executive committee. High-potential people were treated as enterprise assets, not as the property of a specific business unit or geography.

> ***"The difference isn't capability. It's being seen."***

How important are stretch assignments in developing leaders?

They are critical. Many people only discover their own capabilities after someone gives them a difficult opportunity and the confidence to succeed.

Rohm and Haas believed in giving people diverse experiences, moving them across functions, countries and challenges. When I was asked to move to England, I was uncertain. My boss said, "If after six months you don't like it, call me and I'll bring you back." That support mattered enormously.

This led to assignments that were considered unconventional at the time like women leading major regions in the chemical industry and a Korean American executive leading Japan. We didn't do those things to make statements. We simply believed they were the best people for the roles.

When does pattern recognition start to work against companies?

Pattern recognition works well in stable environments. It becomes dangerous during periods of disruption or reinvention because companies begin selecting people who resemble past success rather than future adaptability.

Past performance matters, but promotion decisions are always about the unknown. You cannot predict leadership potential entirely from history.

> ***"Past performance doesn't always, or on its own, predict future leadership success."***

How did this way of thinking influence strategic reinvention at Rohm and Haas?

When I became CEO, we realized we were operating in too many businesses, and many had become commoditized. Over a relatively short period, we transformed the portfolio significantly, exited businesses, and invested heavily in semiconductor and advanced materials markets.

Those decisions involved substantial risk and debt. They were only possible because leadership, the board, and ownership trusted one another and were aligned around long-term value creation. Trust enables long-term bets.

How did you define "potential" when evaluating leaders?

Potential was not simply about doing your assigned job well. We looked for people who thought beyond their jobs—people who contributed ideas, challenged assumptions, and looked for ways to improve the company overall.

Do boards sometimes miss this dynamic when reviewing succession or talent?

Yes. Boards often see the final candidate slate but not necessarily the filters that shaped it.

A board should ask whether the slate reflects the future needs of the business or simply mirrors the past. Are all the candidates coming from similar backgrounds? Similar experiences? Similar leadership styles?

> ***"Sometimes the 'safe' choice feels less risky in the moment but ultimately limits innovation."***

What role does public company pressure play in these decisions?

Quarterly expectations can encourage safer decisions and shorter-term thinking. One thing we tried hard not to do was sacrifice long-term investment simply to manage short-term stock price expectations. This balance requires trust, transparency and board alignment.

What does a "multiplier" leader look like in practice?

A multiplier leader creates opportunity for others. They sponsor people, stretch them, mentor them honestly, and expand the definition of who can succeed.

> ***"Once people experience trust and opportunity, they often multiply that behavior for others."***

What kind of mentorship has stayed with you most?

Two moments stayed with me throughout my career. One manager told me, "Speak up. You have great ideas." Another mentor told me, "Take the idea of white men at the top out of your head." Both were saying the same thing: I was limiting myself more than others were limiting me.

> ***"Honest mentorship changes people. Honest mentorship unlocks growth."***

What is the biggest risk to reinvention inside organizations?

The biggest board decisions are the biggest innovation levers, especially decisions around leadership development and succession planning. Organizations sometimes fail to reinvent because they continue selecting leaders based on familiarity, comfort, or historical pattern matching instead of adaptability, curiosity and long-term potential.

> ***"Often it is not strategy itself. It is who gets trusted to lead the strategy.***

If every CEO or director made one change in how they assess talent, what would have the biggest impact?

Create a climate where everyone truly enters with equal opportunity. Cultures become self-enforcing over time. Once people experience fairness, trust and possibility, they tend to extend those opportunities to others.

Beyond the Algorithm:

AI Risk, Regulation and (Re)invention

AI has rapidly evolved from a technical issue to a board-level governance priority that is fundamentally reshaping enterprise risk oversight and leaving boards facing a central tension: **While AI-driven innovation is potentially transformative, it can also introduce novel vulnerability and expose existing weaknesses.**

Meta Director of Public Policy, Molly Montgomery, framed AI not as a standalone risk, but as **a force multiplier across existing risk categories**. She cautioned that attempts to "check the AI box" through static approaches to governance and risk management or generic best practices may create false confidence instead of meaningful oversight.

Molly Montgomery
Director of Public Policy, Meta

The discussion highlighted the **growing collision between technology and geopolitics.** AI development, semiconductor supply chains, cloud infrastructure, export controls, and data governance are increasingly intertwined with geopolitical competition and national security concerns.

Cybersecurity was identified as an immediate AI-related risk. **AI is accelerating both offensive and defensive cyber capabilities**, lowering barriers for malicious actors while increasing pressure on organizations to continuously strengthen monitoring, testing and response capabilities.

Regulation alone will not provide clarity or protection in the near term. Effective governance in an AI-enabled world depends less on having perfect information and more on cultivating continuous learning, asking better questions, challenging assumptions, and integrating AI oversight into broader enterprise risk management. This requires boards to demonstrate discipline, continuous assessment, openness to external expertise, structured prioritization and persistent curiosity.

The challenge facing boards today is not whether AI will transform organizations, it is whether governance structures can evolve quickly enough to identify risks early, challenge assumptions effectively, and guide organizations strategically through uncertainty.

THE GOLDILOCKS PROBLEM

AI is both the greatest risk and greatest opportunity facing organizations today. Some refer to this as a "Goldilocks problem" because it is challenging for organizations to get it *just right*. Moving too quickly may expose organizations to significant vulnerabilities, while moving too slowly risks competitive irrelevance.

This dichotomy reflects a broader AI governance paradox. Organizations are under pressure to innovate, adopt AI tools and demonstrate measurable progress, yet governance structures often struggle to keep pace with the speed of technological change. **As a result, boards increasingly find themselves balancing innovation oversight with risk mitigation in real time.**

FROM BUZZWORD TO ENTERPRISE RISK

AI has risen from buzzword to board priority seemingly overnight. It is embedded across nearly every enterprise function and risk category, simultaneously and fundamentally reshaping enterprise risks and opportunities.

The following interconnected dimensions are particularly relevant:

- **Strategic risk**—falling behind competitors or misaligning AI investments with enterprise strategy
- **Operational risk**—deployment failures, flawed models, poor integration or process disruption
- **Human capital risk**—talent gaps, workforce readiness and change management challenges

Claims that an organization has "adopted best practices" may signal overconfidence rather than preparedness. Treating AI-related risk management as a "check-the-box" exercise can lead to a fragmented or overly simplified approach. Participants were instead encouraged to **integrate AI oversight into broader enterprise risk management processes.**

Given the accelerated pace of technology disruption, even when integrated into enterprise risk management processes, traditional frameworks and static models that silo AI as a technology risk or an isolated line in a risk matrix are insufficient to identify and manage interconnected and enterprise-wide AI-related risks and opportunities.

Effective AI governance and oversight requires boards and risk management teams to **shift toward more adaptive, interdisciplinary and forward-looking approaches.**

REGULATION WITHOUT CLARITY

The current patchwork of overlapping regimes, outdated frameworks and geopolitical competition has created an **AI regulatory environment defined by operational complexity and strategic uncertainty.** More than 1,000 AI-related state bills are under consideration in the U.S. and comprehensive federal AI regulation is unlikely in the near term.

A mix of international approaches creates further complexities. The EU's regulatory frameworks were largely designed before generative AI advances and may not align with current technological realities. China maintains state-controlled AI models and approval systems shaped by censorship and national security priorities.

Critically, participants agreed that **regulation will not provide timely or sufficient clarity.** Boards must act in its absence by designing governance processes capable of adapting continuously as technology and regulatory dynamics evolve.

WHEN MEGAFORCES COLLIDE

Technologies emerge and evolve within geopolitical context, making the two increasingly inseparable as companies navigate the complexities of AI adoption and boards grapple with its oversight.

It is essential for boards to understand the impacts of geopolitics and other megaforces shaping AI's evolution and their potential impacts including:

- **Increased regulatory and reputational risks** created by fragmented global policies on cybersecurity and data privacy
- **Financial and economic risks** arising from policies that affect energy prices and trade costs
- **Supply chain, financial and business continuity risks** resulting from sovereign competition for essential inputs such as computing power, data, energy, water and talent
- **Strategic and operational risks** emerging from shifting geopolitical tensions
- **Compliance risks** associated with third-party providers and open-source models

Boards were encouraged to integrate geopolitical analysis into board discussions and leverage internal or external expertise capable of monitoring and evaluating emerging dynamics. Geopolitical risks can materialize rapidly and often with little warning, however, they are knowable, increasingly material, and should be viewed as core to enterprise risk oversight and strategic planning.

TAIL RISKS AND NORMALCY BIAS

The convergence of technological disruption and geopolitics is expanding the range and severity of low-probability, high-impact events or "tail risks" including:

- **AI-enabled warfare** including quantum cryptography breakthroughs that threaten existing encryption systems
- **Data security and infrastructure vulnerabilities**
- **Bioterrorism risks**
- **Misuse of open-source** AI models by foreign actors
- **Cascading supply chain failures** triggered by geopolitical instability

Normalcy bias—the tendency to discount unlikely but catastrophic scenarios—**can create dangerous governance blind spots** including underestimating how geopolitical tensions could escalate across business operations.

For example, conflict between China and Taiwan could simultaneously disrupt semiconductor supply chains, cyber infrastructure, manufacturing capacity, shipping, connectivity and global economic stability. **Although a China-Taiwan conflict is a known risk, participants acknowledged that few companies are sufficiently prepared for its reality.**

The conversation emphasized the need for boards to **confront normalcy bias, think seriously about tail risks, and actively challenge management assumptions,** especially about risks that cut across silos and have the potential to compound and amplify one another.

FROM OVERSIGHT TO INQUIRY

The pace and complexity of AI-related disruption requires that boards **shift focus from oversight to inquiry** and increasingly depend on directors' **mindsets rather than their skill sets.**

While directors are not expected to have all the answers, they should be willing and able to ask informed, strategic questions such as:

- How is AI embedded across operations and enterprise risk?
- What guardrails govern data access, open-source model use and third-party risk?
- How are geopolitical and cybersecurity risks incorporated into strategic decision making?
- What assumptions are we relying on that may no longer be relevant or true?

AI-ENABLED CYBERSECURITY

Few areas illustrate AI's dual nature more clearly than cybersecurity, where AI is transforming both offensive and defensive capabilities. Offensively, AI lowers the barrier to entry for bad actors, automates vulnerability detection, and enables increasingly sophisticated phishing and deepfakes. At the same time, AI can be used defensively to strengthen monitoring, automate threat detection, and scale cybersecurity operations.

The challenge is asymmetrical; attackers only need to succeed once while defenders must succeed every time. This puts constant pressure on organizations to stay ahead of new vulnerabilities, and to actively invest in and deploy defensive systems.

As AI continues to accelerate the pace at which cybersecurity vulnerabilities emerge and evolve, oversight cannot rely on static controls or annual reviews. Boards are encouraged **to increase the frequency of audits, penetration testing and risk assessments.**

To ensure management remains proactive rather than reactive, boards should ask questions such as:

- Are cybersecurity teams implementing and leveraging the latest technologies as effectively as adversaries?
- Are AI-enabled vulnerabilities being tested continuously?
- Are teams continuously testing for and patching AI-detected vulnerabilities?
- What public-private information sharing and reporting mechanisms exist for escalating emerging threats?
- How will the organization manage AI-enabled vulnerabilities that evolve faster than traditional controls?
- Are compliance standards and audits for third-party vendors and models adequate?

No organization can predict every scenario; however, boards must ensure that processes exist to continuously evaluate geopolitical risks, reassess assumptions and identify vulnerabilities before they become crises. Scenario planning, tabletop simulations and readiness assessments can build resilience and prepare organizations for systemic disruption.

Participants were encouraged to reject static complacency in favor of curiosity and continuous learning. One participant observed, **"Boards that think they already have all the answers are often the most vulnerable."**

THE MORE YOU KNOW

Several suggestions emerged for ways to empower directors to ask better questions and foster more meaningful boardroom dialogue around AI governance and the convergence of technology and geopolitics including:

- **Expand board expertise** by recruiting non-traditional candidates with subject matter expertise and emphasize relevant board education and training for all directors. Participants stressed the utility of hands-on learning, especially joint board-management experiences.
- **Incorporate geopolitical analysis** into risk oversight and monitor continuously rather than periodically. Empower internal subject matter experts and risk functions to conduct more frequent audits and vulnerability testing without relying on static risk frameworks or compliance checklists.
- **Leverage external advisors** and subject matter experts to help monitor and interpret emerging developments and constructively challenge management assumptions. Few organizations possess all necessary experience and knowledge internally. Even those who do would benefit from incorporating an outside-in perspective.
- **Focus board meetings on emerging rather than routine risks.** Include AI and geopolitics as standing board agenda items and ask informed, strategic questions.

Key Takeaways

There is no steady state for AI governance. Effective oversight requires boards to embrace continuous learning, heightened oversight, iterative risk assessment and external expertise.

AI amplifies existing risks across the enterprise risk landscape. Effective governance requires it to be integrated into broader risk management processes.

AI adoption is a "Goldilocks problem." Moving too quickly may expose organizations to significant vulnerabilities, while moving too slowly risks competitive irrelevance.

Cybersecurity risk has become increasingly asymmetrical as AI strengthens both offensive capabilities and defensive monitoring tools.

Technology and geopolitics are now inseparable, reshaping supply chains, cybersecurity, infrastructure, and strategic planning simultaneously.

Normalcy bias causes organizations to underestimate tail risks and can create dangerous governance blindspots.

Additional Resources

Why do we believe that nothing bad is going to happen? The Normalcy Bias, Explained

What Mythos-Class Capabilities Mean for the Boardroom

Why Taiwan Fears 'America First' Risks Eroding Its 'Silicon Shield'

Perspectives on Leading Through Change

(Re)thinking Risk Without Borders

An interview with Anthony Ferrante, Global Head of Cybersecurity and Senior Managing Director, FTI Consulting

Anthony Ferrante is a nationally recognized leader in cybersecurity, crisis management and emerging risk. A former senior official at the Federal Bureau of Investigation, he led cyber threat response efforts involving national security, cybercrime and complex digital threats. Today he advises boards, executives and global organizations on cyber incidents, mobile and endpoint compromise, insider threats and executive protection. He spoke during the Directors Dialogue session "Perspectives on Leading Through Change: Rethinking Risk Without Borders" about the rise of mobile-driven cyber risk and why boards need to rethink cybersecurity oversight in a distributed, always-connected world.

You've said the traditional cybersecurity perimeter is effectively gone. What does that mean?

The enterprise is no longer a fixed environment behind a firewall. What used to sit securely inside a server room now travels everywhere with people. Data now exists on mobile devices, in cloud systems, and across networks that organizations do not fully control. Every device is now a potential entry point for a cybersecurity attack.

> *"The enterprise is no longer a place; it's a network of people and devices."*

How much of this shift is being driven by mobile devices?

A tremendous amount. We started seeing mobile malware incidents several years ago, but over the last twelve months the volume has increased dramatically. We are now seeing these threats affect board members, executives, journalists and organizations operating globally.

Why are mobile devices so difficult to govern?

Because they blend personal and professional life. They travel constantly. They connect everywhere. They are used in unsecured environments, handed to family members, taken into hostile countries, and connected to sensitive corporate systems.

> *"Mobile devices travel everywhere and connect directly into corporate environments. That changes the entire risk model."*

Are companies overconfident about their mobile security?

Yes. Almost every organization I work with initially believes they have this problem handled. After a few hours of assessment, they realize they are effectively blind.

Organizations often believe they have visibility into mobile risk because they use mobile device management tools. But managing a device is not the same thing as understanding whether it has been compromised.

You talked about "digital exhaust." What does that mean?

Every device continuously emits information about you including location signals, browsing behavior, app usage, public postings and metadata. All of it creates a digital trail. Sophisticated attackers leverage this publicly available information to conduct reconnaissance long before they ever attempt an intrusion.

We can often show executives personal details about themselves and their families entirely from open-source information, and they are shocked to realize how much information is publicly accessible.

What is the biggest misconception boards have about cybersecurity today?

Many leaders still think cybersecurity is primarily about protecting infrastructure. In reality, organizational risk travels with individuals through devices, behaviors and digital footprints. That requires a very different governance mindset.

How has cyber risk shifted from system risk to human risk?

Cyber attacks that historically targeted infrastructure and systems are increasingly targeting people and behavior. Mobile phones contain everything attackers want including communications, credentials, network access, location data, behavioral patterns and identity information.

Every interaction with a phone introduces potential exposure that can be exploited quietly through infected links, compromised websites, malicious applications or operating system vulnerabilities.

> *"Human behavior is deeply intertwined with organizational risk and as critical as technology in reducing cyber exposure."*

What does a real-world mobile threat look like?

Most people assume a cyber attack would be obvious. The most sophisticated mobile compromises are usually invisible. Most people will never notice it happening until significant damage has already occurred.

FTI Consulting worked with a multinational company concerned about potential insider threats and compromised executive communications. Our team analyzed more than 200 corporate and personal mobile devices across multiple countries using advanced forensic techniques beyond standard mobile management tools.

We uncovered more than 15 devices infected with nation-state malware. None of the affected individuals knew they had been compromised, and the company's existing controls had not detected the threat.

Are boards sufficiently focused on mobile risk?

Boards spend a great deal of time discussing AI risk, ransomware and major breaches, but mobile malware and endpoint exposure remain significantly under-governed.

Mobile threats are designed to operate quietly while collecting communications, credentials, behavioral information, location data, and potentially creating pathways into broader enterprise systems. That's the reality boards need to understand.

What are boards missing in their cyber reporting?

Traditional dashboards often create a false sense of comfort because they measure what organizations can see, not necessarily where exposure truly exists.

Boards should ask management very directly: Can you actually see what is happening on these devices? Can you demonstrate how compromise would be detected and contained?

> *"When management tells you everything is fine, say, 'Show me.'"*

What should directors be doing differently?

First, recognize that this threat already exists. This is not theoretical or future risk. Second, challenge management more deeply. Ask how devices connect into corporate systems. Ask what happens when a device is lost or compromised. Ask whether executives are mixing personal and corporate communications.

Most importantly, directors should understand that this is fundamentally a human problem as much as a technology problem.

Can cyber risk ever be eliminated?

Anyone who tells you they can eliminate cyber risk is lying. It can only be mitigated. With AI accelerating attack capabilities, organizations must become faster at identifying and responding to threats rather than assuming they can prevent all of them.

> *"The goal is not perfect prevention. It is visibility, rapid identification, response capability and operational resilience."*

How should organizations balance security with convenience and innovation?

You cannot shut down mobility. Mobile technology enables speed, flexibility, productivity and global business operations.

The answer is not eliminating usage. The answer is understanding exposure and managing it intelligently

> *"Organizations need realistic awareness of risk rather than false confidence."*

Additional Resources

Threat Actors See Bigger Return for Smaller Devices

Engineering Corporate Resilience in an Era of Geopolitical Volatility

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