BRIDGING THE AI GOVERNANCE GAP: EVALUATING THE EFFECTIVENESS OF TRANSPARENCY TOOLS AND ETHICS BOARDS IN MULTINATIONAL FIRMS

Ryosuke Nakajima *

* PwC Consulting LLC, Tokyo, Japan;
Global/Digital Business Department, Tokyo Business and Language College, Toshima, Japan;
Graduate School of Management, GLOBIS University, Tokyo, Japan;
Institute of Current Business Studies, Showa Women's University, Tokyo, Japan;
Swiss School of Business and Management, Geneva, Switzerland

OPEN ACCESS

How to cite: Nakajima, R. (2025). Bridging the AI governance gap: Evaluating the effectiveness of transparency tools and ethics boards in multinational firms. In A. M. Gallo, U. Comite, & A. Kostyuk (Eds.), *Corporate governance: International outlook* (pp. 24–28). Virtus Interpress. https://doi.org/10.22495/cgiop4

Received: 02.05.2025
Accepted: 16.05.2025
Keywords: Generative AI Governance, AI Transparency Tools, AI Ethics Boards, Multinational Corporations, Responsible AI Implementation
JEL Classification: F23, M14, O33
DOI: 10.22495/cgiop4

Abstract

Generative artificial intelligence (AI) is transforming innovation and competitiveness in multinational corporations, yet its rapid adoption has outpaced the development of effective governance mechanisms. This study investigates the "Generative AI Governance Paradox", the tension between fostering innovation and ensuring transparency, accountability, and regulatory compliance. Using a mixed-methods approach, the research evaluates the effectiveness of transparency tools (e.g., explainable AI, third-party audits, model documentation) and ethical oversight structures (e.g., AI ethics boards) in mitigating governance risks. Qualitative interviews with 30 governance experts and a quantitative survey of 150 multinational firms reveal that organizations combining explainable AI with empowered ethics boards experience significantly fewer governance failures. Specifically, these firms report 48% fewer instances of bias and regulatory violations, and

35% fewer regulatory investigations when third-party audits are employed. However, ethics boards with only advisory roles showed limited impact. The study emphasizes that real effectiveness stems from the integration of these tools into core decision-making processes, supported by leadership commitment and an ethical culture. The findings underscore the need for robust governance practices, executive authority in oversight structures, and the institutionalization of ethics in AI deployment. Future research should explore sector-specific governance models and emerging technologies for enhancing AI accountability at scale.

1. INTRODUCTION

Generative artificial intelligence (AI) has become an indispensable driver of innovation, efficiency, and competitiveness for multinational corporations. However, its adoption continues to outpace the development of governance mechanisms required to ensure responsible use. Previous research has highlighted the tension between the innovation benefits of AI and the governance challenges it introduces, particularly regarding transparency, accountability, and regulatory compliance (Nakajima, 2025).

While firms increasingly recognize these challenges, the effectiveness of proposed governance measures — such as the implementation of AI transparency tools and AI ethics boards — remains largely under-examined. This study aims to bridge this gap by empirically evaluating the effectiveness of such mechanisms in mitigating governance risks related to Generative AI.

This study aims to 1) identify the transparency tools and ethical oversight structures multinational firms use for generative AI governance, 2) evaluate how effectively these mechanisms address risks like bias and regulatory non-compliance, and 3) uncover best practices that help firms balance innovation with accountability.

2. LITERATURE REVIEW

The body of existing literature suggests that generative AI's opacity ("black-box problem") poses significant challenges to corporate governance. Explainable AI (XAI) frameworks, internal AI audits, and external certifications have been proposed as potential solutions (Gunning & Aha, 2019; McKinsey & Company, 2023). Simultaneously, ethics boards and AI ethics committees are recommended to embed ethical considerations into AI deployment decisions (World Economic Forum, 2024).

However, early assessments reveal mixed results regarding the practical impact of these initiatives. XAI tools are often only partially interpretable (Doshi-Velez & Kim, 2017), and ethics boards risk being

"ethics washing" mechanisms if not properly empowered (Metcalf et al., 2021). This calls for an empirical evaluation focused on effectiveness rather than mere existence.

This study examines what transparency tools — such as XAI, audits, and documentation — multinational firms use for AI governance. It also evaluates the effectiveness of AI ethics boards, focusing on whether they hold real decision-making power or serve only advisory roles.

Finally, the research investigates whether these tools and structures lead to measurable improvements, such as reduced ethical violations, regulatory issues, and reputational risks.

This study hypothesizes that multinational firms using both formal transparency tools — like XAI and audit protocols — and empowered AI ethics boards are more effective in managing governance risks. These firms are expected to face fewer ethical breaches, regulatory issues, and reputational harm.

In contrast, firms lacking such mechanisms, or using them only symbolically, are more likely to struggle with transparency and accountability. The hypothesis emphasizes that effectiveness depends not just on having governance tools, but on their meaningful integration and organizational support.

3. RESEARCH METHODOLOGY

This study adopts a mixed-methods approach, combining qualitative interviews and quantitative survey analysis to evaluate AI governance practices in multinational firms.

The qualitative phase involved semi-structured interviews with 30 experts — governance officers, ethics specialists, and compliance managers — from firms in the technology, finance, and manufacturing sectors. These interviews explored the tools used, challenges faced, and strategies employed for ethical AI governance.

The quantitative phase surveyed 150 multinational corporations, collecting data on the structure of AI governance frameworks, use of transparency tools like XAI and model audits, the authority of AI ethics boards, and the incidence of governance failures.

Statistical analyses, including chi-square tests and regression models, were used to examine correlations between governance mechanisms and outcomes such as reduced ethical breaches and regulatory issues.

4. RESULTS OF THE RESEARCH

The study revealed that many multinational firms are actively adopting AI governance tools. 62% reported using XAI models, 48% conducted

third-party AI audits, and 28% implemented internal documentation standards like model cards.

In terms of ethical oversight, 55% of firms had established AI ethics boards. Among them, 70% had boards with executive authority, while 30% served only in an advisory role.

Firms that combined XAI systems with empowered ethics boards experienced 48% fewer governance failures, such as bias or compliance violations. Companies conducting third-party audits were 35% less likely to face regulatory investigations. However, advisory-only ethics boards did not significantly improve governance outcomes.

Interviews confirmed that leadership commitment, early integration of ethics into development, and external reviews were key success factors. In contrast, ethics boards lacking authority and underused transparency tools were common in firms with weaker governance outcomes.

5. CONCLUSION

The study confirms that formal transparency tools and empowered AI ethics boards play a critical role in mitigating governance challenges associated with generative AI in multinational firms.

While merely adopting these mechanisms is a positive step, their real-world effectiveness depends heavily on empowerment, integration, and accountability structures. Transparency tools must not only be adopted but actively used in decision-making processes, and ethics boards must possess executive authority rather than advisory status to impact outcomes meaningfully.

Furthermore, leadership commitment and an ethical organizational culture are indispensable. Firms that see AI ethics as a business imperative — rather than a compliance burden — are more successful in navigating the generative AI governance gap.

The research also highlights the urgent need for industry-wide standards and international cooperation to create consistent expectations regarding transparency and ethical AI deployment.

Future research should investigate sector-specific differences and explore the role of emerging technologies (such as blockchain-based audit trails) in enhancing AI governance.

REFERENCES

Doshi-Velez, F., & Kim, B. (2017). *Towards a rigorous science of interpretable machine learning.* arXiv. https://arxiv.org/pdf/1702.08608

Gunning, D., & Aha, D. W. (2019). DARPA's explainable artificial intelligence program. *AI Magazine, 40*(2), 44–58. https://doi.org/10.1609/aimag.v40i2.2850

McKinsey & Company. (2023, December 21). *As gen AI advances, regulators — and risk functions — rush to keep pace.* https://www.mckinsey.com/capabilities/risk-and-resilience/our-insights/as-gen-ai-advances-regulators-and-risk-functions-rush-to-keep-pace

Metcalf, J., Moss, E., Watkins, E. A., Singh, R., & Elish, M. C. (2021). Algorithmic impact assessments and accountability: The co-construction of impacts. In *Proceedings of the 2021 ACM Conference on Fairness, Accountability, and Transparency* (pp. 735–774). https://doi.org/10.1145/3442188.3445935

Nakajima, R. (2025). The generative artificial intelligence governance paradox: Driving innovation while challenging global corporate oversight in multinational firms. In M. Pazarskis, A. Kostyuk, V. Santolamazza, & P. Capuano (Eds.), *Corporate governance: Scholarly research and practice* (pp. 91–95). Virtus Interpress. https://doi.org/10.22495/cgsrapp17

World Economic Forum. (2024). *AI governance alliance: Briefing paper series*. https://www.weforum.org/publications/ai-governance-alliance-briefing-paper-series/