

A Study on Corporate Governance in Artificial Intelligence Enterprises

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Abstract. This study focuses on the corporate governance of artificial intelligence enterprises. By comparing them with the three-tier governance structure of traditional enterprises and citing the example of OpenAI's "palace struggle" incident, this study analyzes and offers suggestions regarding the current deficiencies of artificial intelligence enterprises and the diversified advantages they demonstrate compared with traditional enterprises. This study finds that artificial intelligence enterprises have problems such as the lack of a checks-and-balances mechanism through a shareholders' meeting, the absence of checks and balances over the power of the board of directors, and incentive misalignment. It further proposes future prospects including the reconstruction of governance structures, the diversification of governance structures, and the reconstruction of voting mechanisms. This study provides new perspectives and new ideas for the corporate governance of currently emerging artificial intelligence enterprises, and may offer reference for subsequent, more accurate and precise research on the corporate governance of artificial intelligence enterprises.

Keywords: artificial intelligence, OpenAI, corporate governance, dispersed shareholders

1. Introduction

Due to their technical characteristics, risk structures, ethics, and other factors, artificial intelligence enterprises face more complex corporate governance issues than traditional enterprises. In terms of technical characteristics, unlike traditional enterprises, which are dominated by experience-based decision-making with technology playing an auxiliary role, and which rely on historical statements, management intuition, and fixed processes, with data collection mostly being manual, delayed, and partial, even when systems such as ERP and MES are used, they have not formed a closed loop of "data–intelligence–action," and AI applications are non-core and scattered. Artificial intelligence enterprises, by contrast, take AI as their core infrastructure, invest heavily in high computing power, deeply integrate AI into products, services, and operations, and are driven by data-based decision-making. They rely on a real-time, comprehensive, and high-quality data closed loop, and realize automatic optimization through machine learning prediction and analysis.

In terms of risk structure, more risks of artificial intelligence enterprises come from the technical systems themselves and their complex interactions, featuring systemicity, dynamism, and unpredictability. By contrast, the risks of traditional enterprises mainly originate from market

fluctuations, operational efficiency, or financial structures, and have predictability and process controllability. Unlike the relatively clear ethical issues of traditional enterprises, such as pollution emissions, compensation for work-related injuries, false advertising, and other matters that already have mature dual regulation by law and morality, artificial intelligence enterprises face their unique ethical issues, such as algorithmic transparency and explainability, blurred privacy boundaries, and dilemmas in the attribution of responsibility. Against this background, conducting an in-depth analysis of the special contradictions in the corporate governance of artificial intelligence enterprises, resolving governance difficulties, and optimizing governance systems are not only practical needs for conforming to the high-quality development of technology enterprises in the era of the digital economy, but also key topics for improving the modern enterprise system and regulating the healthy and orderly development of the artificial intelligence industry. They have important theoretical significance and practical value for balancing the relationships among technological innovation, enterprise development, social public interests, and ethical norms.

At the same time, OpenAI's "palace struggle incident" reflects the dilemmas existing in the corporate governance of artificial intelligence enterprises. OpenAI was initially established and operated in the form of a non-profit organization. However, due to the enormous commercial value brought by products such as ChatGPT during the same period, it formed a dual structure in which a non-profit board of directors controlled a for-profit operating entity. Fundamentally, this was because of the fundamental conflict between non-profit and commercial objectives. At the same time, what was reflected also included an imbalance in the governance power structure: the board of directors had no equity but possessed ultimate control, while the CEO and the core team lacked sufficient voice; a crisis of trust and the failure of decision-making mechanisms; talent loss and ecosystem differentiation; and the absence of industry regulation further aggravated the governance dilemma.

2. Literature review

2.1. Literature review on corporate governance

2.1.1. Definition of corporate governance

Corporate governance is a set of institutional arrangements and mechanism designs that regulate the relationships among various stakeholders of a company in order to realize scientific corporate decision-making and effective operation [1]. Shareholder primacy focuses on the supervision and checks and balances exercised by the owners of a company, namely shareholders, over the operators, namely management. Through constructing reasonable governance structures such as equity structures, boards of directors, and boards of supervisors, it safeguards the maximization of shareholders' rights and interests. For example, in traditional manufacturing enterprises, shareholders use the board of directors to appoint and dismiss the management team, supervise major investment decisions, and prevent management from damaging shareholder wealth for its own interests [2]. Stakeholderism covers the coordination of relationships between a company and all stakeholders, including employees, creditors, suppliers, communities, and others. It emphasizes that while pursuing economic objectives, a company must assume social responsibilities and maintain the balance of interests among multiple subjects. For example, in the development of some new energy enterprises, they need to take into account the demands of local communities for ecological protection and employees' rights and interests in career development, so as to realize sustainable development [3].

2.1.2. Agency problems in corporate governance

Agency problems originate from the separation of ownership and control, and are one of the core contradictions that corporate governance needs to solve. The first type of agency problem exists between shareholders and management. Shareholders pursue the long-term maximization of corporate value in order to obtain high investment returns. However, management, as agents, may make decisions that deviate from shareholders' objectives because they pursue their own short-term interests, such as high compensation, on-the-job consumption, and risk avoidance to ensure job stability. Examples include excessive diversified investment and passive innovation, which create agency costs and reduce the operational efficiency of the company [4]. The second type of agency problem occurs between major shareholders and minority shareholders. Major shareholders, relying on their equity advantages, can control corporate decision-making and may engage in behaviors that infringe upon the interests of minority shareholders, such as transferring corporate assets through related-party transactions and conducting insider trading by using information advantages. Such behaviors damage the wealth of minority shareholders, undermine the fairness of corporate equity and market trust, and are relatively common in family enterprises with concentrated equity and in some listed companies [5].

2.2. Literature review on corporate governance of artificial intelligence enterprises

Existing literature on the corporate governance of artificial intelligence enterprises mainly develops from three aspects: governance objectives, governance structures, and governance culture.

2.2.1. Governance objectives

The governance objectives of traditional enterprises focus on the maximization of shareholder interests, and financial indicators, such as profit and market value, are used to measure whether an enterprise is successful. Decisions are mostly made around improving shareholders' short-term returns. For example, manufacturing enterprises realize profit growth and satisfy shareholders' demands by reducing costs and expanding production scale.

Due to their technical characteristics and social influence, artificial intelligence (AI) enterprises present a balance of multiple values in their governance objectives. Technological innovation is the foundation for the survival of AI enterprises, requiring continuous investment in research and development and the maintenance of leadership in algorithms and application scenarios. Commercial returns are related to the sustainable development of enterprises, requiring profitability through reasonable commercialization paths, such as product subscriptions and charges for computing power services. Ethical safety is also a responsibility that AI enterprises cannot ignore. They need to prevent issues such as algorithmic bias, data privacy leakage, and technology misuse, including the generation of false information and the risks of autonomous weapon applications [6].

2.2.2. Governance structure

The governance structure of traditional enterprises follows the hierarchical model of "shareholders' meeting-board of directors-management." Power is concentrated at the upper levels, the decision-making process is relatively fixed, and top-down control and coordination are emphasized in order to ensure consistency in strategic execution and risk control.

The decision-making process of AI enterprises shows decentralized characteristics. Taking Anthropic as an example, it has designed a "Long-Term Benefit Trust" governance structure, which disperses part of the enterprise's decision-making power and responsibility and introduces the participation of multiple subjects. This structure aims to avoid short-sighted decisions caused by a single power center and to ensure that the development of AI technology conforms to long-term social interests. In AI model development, in addition to the core research and development team, ethical experts and representatives of industry users may also be included to jointly participate in decisions on technical routes and application scenarios, balance technological innovation and social impact, adapt to the characteristics of rapid iteration and cross-domain integration of AI technology, and improve the flexibility and inclusiveness of decision-making [7].

2.2.3. Governance culture

The governance culture of traditional enterprises emphasizes stability, standardization, and the uniqueness of control, and focuses on process compliance and risk avoidance. Through standardized systems, such as financial approval processes and employee codes of conduct, it ensures operational order and pursues a predictable pace of development. In mature industries, such as traditional energy and retail, this culture helps maintain enterprise continuity and market trust.

Because AI enterprises are situated in a rapidly changing technological environment, their governance culture takes innovation, tolerance for error, and agility as its core [8]. Innovation is the driving force for AI enterprises to make breakthroughs in development, encouraging employees to try new algorithms and new application scenarios, and tolerating failures in exploration. A tolerance-for-error culture provides safeguards for innovation, does not excessively criticize mistakes in technical experiments, and focuses on summarizing experience from failures. Agility requires enterprises to respond quickly to market changes and technological breakthroughs, and to adjust strategies and businesses.

3. Case analysis of corporate governance in AI enterprises—taking OpenAI as an example

3.1. Event background and review of the process

3.1.1. Background introduction of OpenAI

OpenAI was founded in 2015. Initially, it was a non-profit artificial intelligence research institution, aiming to develop safe and beneficial artificial general intelligence (AGI) for the benefit of all humanity. At the beginning of its establishment, its operating funds mainly relied on donations, and Tesla founder Musk led a donation of USD 100 million. However, as technological research and development advanced, the high costs required made it difficult to continue relying only on donations.

In 2019, OpenAI underwent a major transformation and changed into a for-profit company, forming a unique structure. The original non-profit organization, OpenAI Inc., remained the core and controlled the newly established for-profit subsidiary OpenAI LP, later renamed OpenAI Global LLC, by controlling OpenAI GP LLC. Under this structure, the non-profit organization focused on basic research and its public-interest mission, while the for-profit subsidiary was responsible for commercialized operations in order to obtain funds to support research and development. Microsoft invested USD 1 billion in OpenAI in 2019 and again invested USD 10 billion in April 2023, becoming the largest shareholder and holding approximately 49% of the equity of OpenAI Global

LLC. At the same time, OpenAI set a profit cap to limit the profits of investors and employees, with excess profits going to the non-profit parent company. It also established a board of directors independent of capital, in which independent directors accounted for the majority and most did not hold shares.

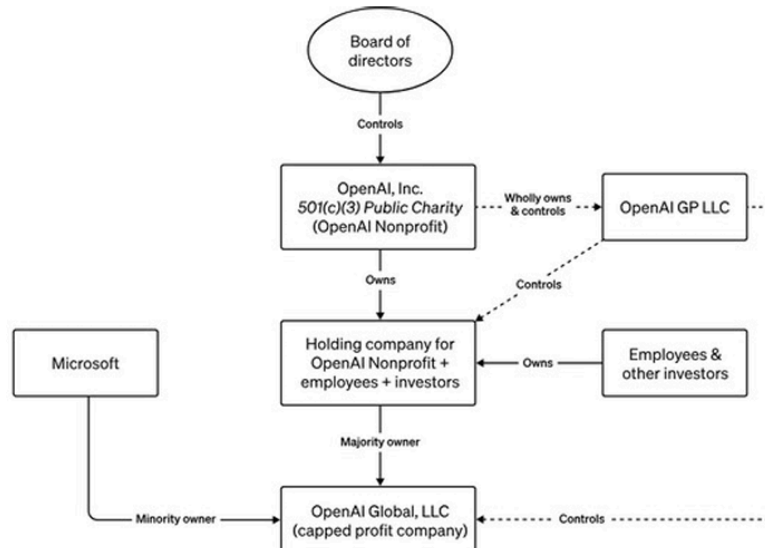


Figure 1. OpenAI's governance structure

3.1.2. Review of the process of corporate governance conflicts

The contradiction between OpenAI and its internal scientists had existed for a long time. As the CEO of OpenAI, Altman had long led its commercialized development and tended to rapidly advance technological research and development as well as commercialization in order to obtain more returns. By contrast, some personnel represented by Chief Scientist Ilya Sutskever upheld "effective altruism" and paid more attention to artificial intelligence safety and the company's non-profit mission. They were concerned that excessively rapid technological development would bring risks, and the differences in ideas between the two sides gradually deepened. For example, on the speed of technological development and the evaluation of application safety, the two sides often found it difficult to reach agreement.

On the evening of November 16, 2023, Altman received a text message from Ilya, inviting him to have a meeting at noon the next day. At the same time, Chief Technology Officer Mira Murati was informed that Altman was about to leave. At noon on November 17, Altman attended a board meeting and was told that he would be dismissed. Almost at the same time, the OpenAI board of directors announced that because Altman lacked candor in his communications with the board, which hindered the board from performing its duties, the board had lost confidence in his leadership ability, and therefore removed him from the position of CEO and from his seat on the board of directors. Mira Murati served as interim CEO. Greg Brockman, the chairman of the board, president, and co-founder, was removed from his position as a director, and he later announced his resignation. Many employees and investors only learned of the matter after the announcement was released, and Microsoft also learned of the news almost at the same time.

After the incident occurred, former Google CEO Eric Schmidt, Airbnb CEO Brian Chesky, and others successively posted statements in support of Altman. Microsoft CEO Satya Nadella said that Microsoft would continue to cooperate with OpenAI, but was surprised and "furious" about the

board's decision. OpenAI employees and investors, together with Microsoft, pressured the board and demanded that the decision be withdrawn. On November 18, it was reported that the board had in principle agreed to reinstate Altman and Brockman, but Altman's attitude was contradictory. At noon on November 19, Altman and Brockman returned to the company to negotiate with the board. Late at night on November 19, Microsoft CEO Nadella announced that Altman, Brockman, and other employees who had left OpenAI would join Microsoft, and the two reposted the tweet and said, "the mission continues." In the early morning of November 20, Emmett Shear accepted the position of interim CEO of OpenAI, and this senior-level change at OpenAI basically came to an end.

In order to stabilize the situation and respond to external criticism that the "non-profit governance model was inefficient," OpenAI carried out fundamental governance reforms from the end of 2023 to the beginning of 2024, shifting from "being dominated by a non-profit board of directors" to "being dominated by a capped-profit company."

OpenAI still retained its non-profit parent company, but decision-making power was substantially transferred to the board of directors of its for-profit subsidiary, OpenAI LP. The new board of directors consisted of Sam Altman, Greg Brockman, and Mira Murati. Microsoft obtained an "observer seat," but had no voting rights, in order to maintain OpenAI's commitment to independence. This was intended to improve decision-making efficiency, avoid the non-profit board of directors hindering rapid iteration due to a lack of technical background or business experience, and at the same time attract investment and talent.

3.1.3. Analysis of the defects in OpenAI's governance structure

Reviewing OpenAI's equity structure and corporate governance conflicts, this paper finds that OpenAI's governance structure has the following defects. First, venture capital was a limited partner rather than a shareholder, and there was a lack of a checks-and-balances mechanism through a shareholders' meeting. Venture capitalists also did not appoint directors to the board of directors, which could easily trigger a governance crisis and made it impossible for investors to intervene and correct errors. Second, there was an absence of checks and balances over power. The founder had no controlling equity or special voting rights, and the founder was powerless in relation to board decisions. Altman became a victim of the system he had designed himself. Power was excessively concentrated: the board of directors of the non-profit parent company had absolute power, including appointing and dismissing directors of the for-profit subsidiary and vetoing commercial decisions, but it itself was not supervised by shareholders. Third, the incentive mechanism was misaligned, and the rights and interests of key stakeholders were imbalanced. Investors had no voice. Microsoft and other investors invested huge amounts of capital but had no board seats and only obtained the right to share profits, forming the governance embarrassment of "contributing money but not having power." Employee incentives were difficult to realize in cash. The shareholding of core employees was restricted, and they could not realize value, leading to the risk of "paper wealth" and talent loss. Directors lacked economic binding. Most directors did not hold shares. Although this was intended to make them detached from interests, it weakened their sense of responsibility for long-term value creation.

3.1.4. Implications of OpenAI's corporate governance crisis

Although OpenAI's corporate governance "farce" has come to an end, it provides implications for AI enterprises from multiple aspects, including board composition and responsibilities, investors, and others.

First, the composition of the board of directors should be optimized. The size of the board of directors of AI enterprises should not be too small. When OpenAI made the resolution to dismiss Altman, the resolution could be passed with the consent of four members of the six-member board. If the size of the board becomes larger, the difficulty of reaching a consistent decision will increase. At the same time, members of the board of directors should mainly be social elites who cherish their reputations more. Introducing external independent directors helps perform the supervisory function. In the future, the selection of board members should focus on the balance between public-interest visions and viewpoints.

Second, the responsibilities of the board of directors should be clarified. Members of the board of directors of AI enterprises should perform their duties in accordance with the fiduciary duties strictly stipulated in the articles of association. As the highest authority of the organization, OpenAI's board of directors had the right to dismiss a CEO deemed incompetent in accordance with procedures. This is different from the institutional arrangement in for-profit commercial companies, where the shareholders' meeting is the highest authority, directors owe fiduciary duties to shareholders, and major matters require final approval by the shareholders' meeting.

Third, the power of capital should be restricted. While introducing financial support through the investment method of a capped-profit limited partnership agreement, the power of capital should be restricted. OpenAI allowed Microsoft and other venture capital funds to enter as limited partners. The capped-profit agreement restricted capital's impulse to pursue short-term returns. In addition, venture capital funds entrusted OpenAI Nonprofit with responsibility for investment management matters and, on the premise that the agreement was not violated, did not interfere with board decisions. This helped maintain the nature of OpenAI as a non-profit organization and advance its mission.

Fourth, the spirit of contract should be followed to resolve crises. The emergence of a governance crisis is not frightening. If all parties follow the spirit of contract within the existing procedural framework and resolve problems on a case-by-case basis, the crisis can be quickly resolved. The fact that OpenAI's governance crisis could be resolved in a short time benefited from all parties' respect for governance authority, case-by-case negotiation, and the serious performance of functions by all participating parties. Moreover, after the crisis is resolved, a serious investigation should be launched, as OpenAI did, to summarize lessons and avoid the occurrence of the next governance crisis.

4. Prospects for the corporate governance model of AI enterprises

4.1. Reconstruction of the governance structure

AI enterprises may consider abandoning the traditional three-tier fixed structure of "shareholders' meeting–board of directors–management," and adopting a hybrid architecture consisting of a non-profit mission entity and a for-profit operating entity, so as to balance the bottom line of public interest with commercial needs. At the same time, they may simplify governance levels and strengthen the core role of the board of directors. For high-risk links, special governance groups may be established to form a composite structure of basic architecture plus special modules, thereby realizing effective checks and balances among control rights, income rights, and supervisory rights. Secondly, in the transformation of the power center, the board of directors becomes the core governance hub. Against the background of highly dispersed equity, the governance power of AI enterprises is concentrated toward the board of directors, making it the highest decision-making center for strategy, risk, ethics, and personnel. The board of directors needs to operate in a

professionalized and institutionalized manner, establish technical safety and ethical review mechanisms, improve internal checks and balances, avoid arbitrary decision-making, and become a stabilizer that balances innovation, business, and safety.

4.2. Diversification of governance members

The size of the board of directors should not be too small. The governance team of artificial intelligence enterprises must break through the traditional composition of "shareholders plus management" and move toward cross-boundary diversification and multi-party co-governance, so as to respond to governance challenges involving high technical barriers, complex ethical issues, and broad social impact. The size of the board of directors should be moderately expanded to avoid the defects that small-scale boards of directors are easily controlled by a few people and tend to make aggressive decisions, and to improve the prudence and representativeness of decision-making.

The composition of the board of directors should be diversified, including not only shareholders and management personnel, but also technical personnel, social personnel, and others. The member structure of the board of directors should be optimized by absorbing four categories of key subjects: first, representatives of shareholders and the operational level, to safeguard capital and operational demands; second, core technical experts and AI scientists, to make up for the technical shortcomings of governance by non-professionals; third, experts in ethics, law, and data compliance, who are specially responsible for controlling risks such as algorithmic fairness, privacy protection, and responsibility attribution; and fourth, external independent persons and social representatives, to safeguard public interests and prevent enterprises from one-sidedly pursuing commercial value at the expense of social well-being. Through the diversified composition of governance members, governance can be promoted from "capital-led" and "technology-led" toward a balance of multiple values, embedding technical safety, user rights and interests, and social ethics into the whole process of decision-making, and solving governance problems such as information asymmetry in governance, excessively high professional barriers, and blurred boundaries of responsibility.

4.3. Voting mechanism under dispersed shareholders

Multiple rounds of financing have caused shareholders to become dispersed, and these shareholders have limited willingness to directly participate in governance. Therefore, if the governance structure cannot be changed immediately, mechanism design can be used to collect the voting rights of financial investors and help enterprises make correct decisions. In response to the current situation of dispersed equity, a moderate separation of income rights and voting rights should be implemented, and the daily voting rights of financial investors should be weakened. Differentiated voting rights should be set for founders and technical teams. The mission entity should retain veto rights over major matters, and dynamic adjustment rules should be established, so as to balance the interests of multiple parties.

5. Conclusions and recommendations

Because artificial intelligence enterprises are significantly different from traditional enterprises in terms of technical architecture, risk structure, and ethical attributes, they face more complex governance contradictions, and traditional governance models are difficult to adapt to them. The high-profile OpenAI "palace struggle incident" centrally exposed typical governance defects of AI enterprises: conflicts between non-profit and for-profit objectives, imbalance in the power structure,

mismatch of rights and responsibilities between capital and teams, misalignment of incentive mechanisms, and insufficient supervision and constraints. This paper suggests that the governance of AI enterprises must shift from "shareholder interests first" to a balance of multiple values, including technological innovation, commercial returns, ethical safety, and public interests. Looking into the future, the governance of AI enterprises will present six major trends: hybridization of structures, centralization of the board of directors, diversification of members, flexibilization of mechanisms, intelligentization of governance, and ecological coordination.

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