

Building an AI-Ready Institution: Policy Frameworks, Ethical Governance, and Strategic Action Planning

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Abstract: Universities are going through an AI ready transition. Evolving legacy educational system to a self-developing optimized system is a crucial to stand globally competitive. This paper proposes 'Flexible, Logical, Decentralized and Human-guided' framework to accommodate Artificial Intelligence with utmost emphasis on ethics management, governance, policy and equitability. At a heart of this plan lies an internally-household, self-developing Large Language Model (LLM) integrated within sandbox structure to negate risks related to data privacy and model hallucination. Students are empowered with adaptive, self-paced learning environments, while an academic staff can be benefit from capacity-building modules. The system automates assessment processes to offer timely constructive feedback without any bias. It balances the utilization of automated systems with effective human-guided governance making it an adaptable, secure framework for digital transformations at universities.

Keywords: Artificial Intelligence based education planning, Large Language Model (LLM), Decentralized System, Self-paced learning, Assessment Automation

1. Introduction

Looking at the history, it's a record in the adaptation of Generative AI by the world, which is 53%, and is the highest as compared to PC or the internet. The standard AI index indicates that AI is now implemented in core operations in nearly 88% of institutions across the world. Considering the need of efficiency, scalability, and cognitive enhancement of our society, which leads to need for AI-based institutions. This need is across many industries, from healthcare and higher education to almost 86% of institutions, where use of AI tools and automation is incredibly efficient at streamlining operations.

With due respect to the above statistics and the urge of society from experimental gadget to vital infrastructure, AI now faces itself in a contradictory situation as a technology capability get more advanced or the institutional readiness is lacking. Data compromise, bias, and execution disconnect are too severe to be tackled, so there is a shift towards infrastructure-driven transformation. So arriving at the stage, three things need to be comprehended, namely policy frameworks, ethical governance, and strategic action planning that defines a clear road map

Understanding the terms and urge of its necessity:

For any institutions formal set of rules and regulations and the limitations of that guide process for acquiring, deploying and using AI its comes under the policy framework.

The ethical governance is a guide that defines regulations beyond the formal rules of promoting, ensuring the usage of AI systems in the context of data privacy and the lack of bias.

The strategic action planning involved the execution plan, which supports a framework of rules and ethical principles through deadlines.



The above three are the most crucial parameters for the survival of any institutions having tendency of AI integrated workplace and classroom. It is the ultimate association that guarantees AI-enabled institutions with smooth execution.

Case Studies: Understanding success stories

To build an AI-ready institution, let's critically compare the two important case studies with the parameters demonstrated in Table 1.

Table. 1 Case Studies

Strategic Aspects	Indian Paradigm (IIT)	Arizona State University
Policy Framework	IIT implements strong bonding of national-level schemes and India AI Mission.	It implements commercial compliance, IP, and localized sandboxes.
Ethical Governance	Priority is to reduce regional, linguistic, and economic digital divides.	It is dedicated to strong consent system for student data.
Strategic Action Planning	Infrastructure scaling focuses on subsidized national GPU clusters.	It focuses on personalized AI tutoring and optimizing the efficiency of students and faculty.

After these discussions, it is now time to devise all three aspects for any institution to become an AI-leading institution that follows approaches that should be flexible, inclusive, and at the same time define clear boundary distinctions.

Policy Framework:

“Flexible, Logical, Liquid Policies”

- Currently, institutions rely on static PDF documents that define operational policies for any task.
- The novel proposal must be a framework that cannot be any text document, but it could be an automated API, which automatically updates itself and also shares amongst stakeholders on any update, and no rigorous meetings are required.

Ethical Governance:

“Promising, Decentralized, Human-Led Approach”

- India is a country where we observe “Unity in Diversity”, in a wide range of different demographic groups. The current approach is centralized and found quite independent of sensing the problems of all at the ground level and the mechanism of reporting such gaps and resolving them is also quite longer and not real-time.
- Proposing a “Decentralized- Real-Time” approach that really helps to work at the ground level to understand the problems of students as well as any person in the workplace. The vibrant environment, with gamification and various activities, makes the whole workplace lively and a better medium for a system to be sensed at the ground level. Real-time dashboards will be extremely helpful to analyse the sensed inputs and solve quickly in the decentralized environment.

Strategic Action Planning:

“Self-Evolving, LLM-based infrastructure.”

- For any institution to be well equipped with an AI-led institution requires planning that takes 3 to 5 years and is very static as far as predictability is concerned.

- On the other hand, let's use a generative AI model that evolves with experiencing all day-to-day ground-level inputs and learn from it. One can implement it by enrolling students from different demographics, allocating resources, and adjusting faculty loads, etc.

Executional Pathway:

- **Policy Framework and Ethical Governance:**

A Central AI Ethics Board (AIEB) needs to be formed by the university, involving computer scientists, lawyers, faculty, and student representation, and the duty of this board is to produce algorithmic assessments for all AI applications used within the university.

The most important focus of privacy is to ensure that the data access of students or faculty members will be sandboxed and the external actor who is responsible for selling the Generative AI-based tool needs to sing agreement of local data protection like the Indian DADPA, and making sure not to use end-user prompts to train public foundation, model.

- **AI integration in pedagogical pathway:**

Adopting AI is not an optional technical ability but needs to be integrated as part of the curriculum of every subject area as a core attribute (Hillman, 2024).

The AI integration in day-to-day teaching-learning and assessment should be a main framework for AI literacy that makes students technically aware of using AI and eventually gives capability to students for passing through assessment as well. With due respect to developing values, authentic learning through critical thinking, meta-cognition, rather than just focusing on numbers (Adamakis, 2025).

- **Strategic Action Plan:** The proposed plan in brief is mentioned in the following Table 2.

Table 2. Proposed Action Plan

Stages	Objective	Final Product
Stage - 1	Current infrastructure auditing and identifying students' and staff capability of using LLM-based platforms	Ensuring AI-ready state: Prepared data that includes Server Capacity to run Open-source LLM, Students and Staff Data migration without leaks (Bansal, 2023)
Stage – 2	Capacity building for staff and students	Overcoming the Hallucination and algorithmic biases – Redesigning Syllabuses, Authentic Assessments, Training both students and staff (Miao, 2023).
Stage - 3	Prototyping	RAG Implementation – Any data must remain inside the institution through the Sandbox, self-paced digital learning for 24/7. (LearnWise AI, 2025)
Stage - 4	Comprehensive Integration	Automated Teaching, Learning, Administration, and Assessment – Ranges from fully predicted automated admission pipeline to efficiently imparting knowledge, then leads to bias-free assessment and real-time automated administration. (Taeiagh, 2025)

2. Stage-wise execution in detail:

Stage – 1: Current Infrastructure Auditing

In the first stage, the objective should be diagnosing institute with all current scenarios. These diagnostics involved current technical infrastructure and technical culture (Bansal, 2023).

Under defining governance, the initiation done with setting up AI Ethics Board(AIEB), which immediately ensures the current software resources, with clear definitions for academic misuse and ethical used in classrooms.

In another aspect of this stage, the diagnostics covers the depth of usage of AI tools by Students and staff. With what depth are students confidently using AI tools for their study purposes, or are they just using it as exploiting their own skills? On the other hand, the depth of staff confidence is measured, which gives assurance of how staff is feeling, whether they are insecure regarding their jobs or efficiently taking advantage of them to impart education in their students.

Stage – 2: Capacity Building

Stage 2 is focusing on human infrastructure building rather than just evaluating technical skills of being employable. In this stage, the goal is to push the limits of staff to adapt to this technical revolution in terms of inculcating digital literacy among lecturers, and the administration is also pushed with automated execution.

Providing technical training to staff means use of AI tools beyond the searching tool, with a great understanding of Hallucination and algorithmic bias, and getting exposure to the university's Sandbox AI tool.

This ethical governance path ensures that faculty use AI tools constructively to identify academic misconduct, shifts in student writing skills, and, when needed, faculty provide supportive interventions. Under the syllabus redesign, the syllabus is evolved with an AI acceptable use policy. As the syllabus is redesigned, the assessment is no longer going to be the traditional one; instead, the assignment submission can have multiple drafts, with their originality of idea, and the authentic assessment will be done.

Stage – 3: Prototyping

Under this stage, the theoretical concept now becomes actual implementation. Instead of just exploiting open source LLM-based models, students and staff needs to habituate to use more sophisticated sandbox-like, internal LLM, automated operative environment, and adaptive tutoring system.

With public AI tools, we cannot ensure privacy, while Retrieval-Augmented Generation (RAG) integration with university databases minimizes the risk of Hallucinations and never leads to going out of the institution's firewall (Berglund, 2026).

Moreover, self-paced learning in the Digital mode from anywhere, dynamic and personalized learning, becomes the best option for all students. Innovative assignments and the ways of fulfilling those assignments ignite the students' minds and allow them to evolve with their own work gradually (Hallmstrom 2026).

Stage – 4: Comprehensive Integration

At this stage, the permanent establishment of both administrative and academic happens as a shift to a full-fledged automated AI-enabled infrastructure (Obada, 2025).

Under the academic automation, the Digital Personalized AI-Govern learning program runs across all the disciplines, that gives students to high-end, sophisticated environment for leaning and as a backbone, all administrative operations are executed in an automated environment as a self-evolving model as an internal LLM Model. The real-time dashboards give the capability to adapt to changes in no time with efficient implementation strategies.

3. Conclusion:

A higher education institution, which adapts to change by being an AI-Ready institution is involved in a sophisticated process of transitioning the traditional education to a high-end, efficient, and self-evolving infrastructure (Sepheon 2026). Looking at the global statistics and mind-sets' of accepting AI adaptability, it becomes necessary to stand in the global marketplace.

This paper advocates an action plan that ensures Policy Frameworks and ethical governance as a core part to give humans the top approach by providing equal opportunity to every individual for learning from a digital platform and evaluating with a gradually growing bias-free framework. The proposed roadmap is a “Flexible, Logical, Decentralized, Human-Led” approach that ensures the implementation of a fully automated system that ensures its

efficiency as a self-evolving LLM model, internal to the institution itself. Students become more prominent with their knowledge gain from the Self-Paced digital platform, which is meant to be a personalized learning tool for them.

However, personalized learning is not only for students but also used for building the capacity of staff as well. In the direction of automated assessment, it also provides real-time personalized feedback to students that helps them learn and grow gradually. All of this will be possible with the execution of LLM internal to the university, not going to be exposed to the rest of the world, and with due respect to implementing the Sandbox AI tool that greatly decreases the risk of data leaks and hallucination.

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