Russell Reynolds ASSOCIATES

Embracing the Unknown: How Leaders Engage with Generative AI in the Face of Uncertainty

Feeling uncertain about generative AI? You aren't alone.

Since ChatGPT launched in late 2022, generative AI (GenAI) has been framed as a tool that will change everything, especially the way we work. While AI adoption has varied among organizations to date, GenAI has brought the barrier of adoption to an extraordinarily reachable place. Yet while 72% of leaders globally agree that "a strong understanding of generative AI will be a required skill for future C-suite members," new Russell Reynolds data finds that only 32% leaders are confident in their own ability to implement AI in their organizations today.

Generative AI refers to the subfield of artificial intelligence that is capable of generating text, images, or other media. This is done via foundational models, which generate output from one or more inputs (prompts) in the form of human language instructions. Models are based on complex neural networks including generative adversarial networks (GANs), transformers, and variational encoders.

72%

of leaders globally agree that "A strong understanding of generative AI will be a required skill for future C-suite members"
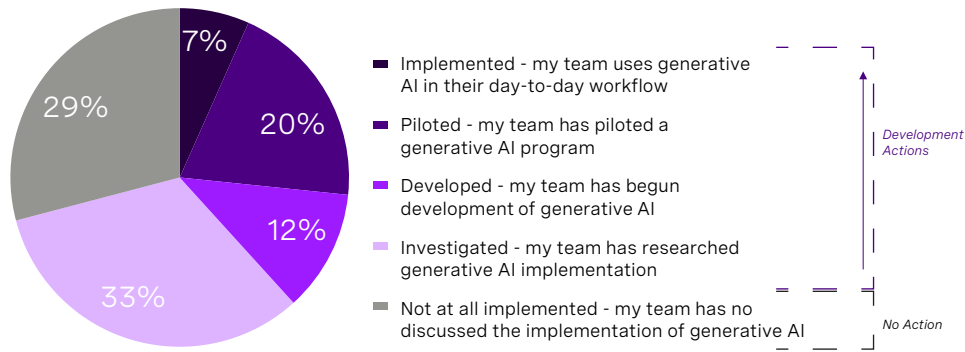
Yet only
32%

say that they are confident that they have the right skills to implement AI in their organizations.

This gap puts tangible numbers to what we've heard from leaders globally in the market: while they know that GenAI is crucial to the future of their business, most leaders feel unprepared to deploy the technology or assess its long term impact.

What's more, when we look at the ratio of leaders who have taken steps to implement GenAI to those who have not, we see similar percentages—71% of leaders report having taken at least one step towards bringing the tool into their function or team's workflow, with 33% in the initial "investigated" phase, 12% in the "developed" phase, 20% in the "piloted" phase, and just 7% in the "implemented" phase. On the other hand, 29% of leaders have taken no action (Figure 1). **These parallels suggest that leaders are letting personal comfort dictate their organization's AI strategy.**

Figure 1: Leaders' progress in their generative AI implementation journeys

% of leaders answering: "To what degree has your function or team implemented generative AI?"

- Implemented - my team uses generative AI in their day-to-day workflow
- Piloted - my team has piloted a generative AI program
- Developed - my team has begun development of generative AI
- Investigated - my team has researched generative AI implementation
- Not at all implemented - my team has no discussed the implementation of generative AI

Development Actions

No Action

Source: Russell Reynolds Associates' H2 2023 Global Leadership Monitor, n = 1,038 CEOs, C-level leaders, and next generation leaders.

To better understand how leaders are responding to GenAI—and how that outlook will impact organizations long term— Russell Reynolds Associates surveyed over 2,500 leaders via our H2 2023 Global Leadership Monitor, determining how leaders view their own GenAI expertise, the ways they're using these tools, and their confidence in their organization's ability to embrace them.
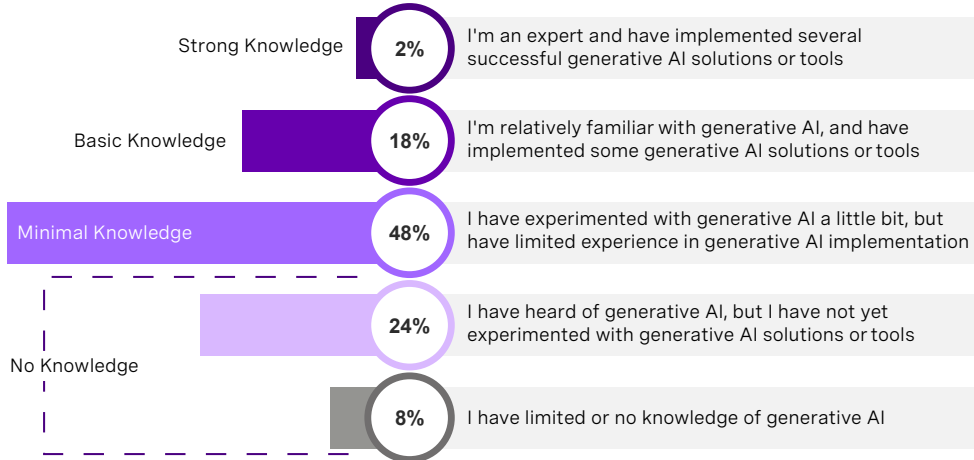
Most leaders have minimal knowledge of GenAI—but are taking steps to implement it anyway

About half of leaders say they have "minimal knowledge" of GenAI, having experimented with the technology but possessing limited experience implementing it (Figure 2). This was the most frequently selected level of familiarity, with approximately one-third of leaders reporting limited to no knowledge of GenAI, and only 2% identifying as experts who have successfully implemented several GenAI solutions.

Figure 2: Leaders' familiarity and knowledge around generative AI
% of leaders rating their familiarity and knowledge around generative AI

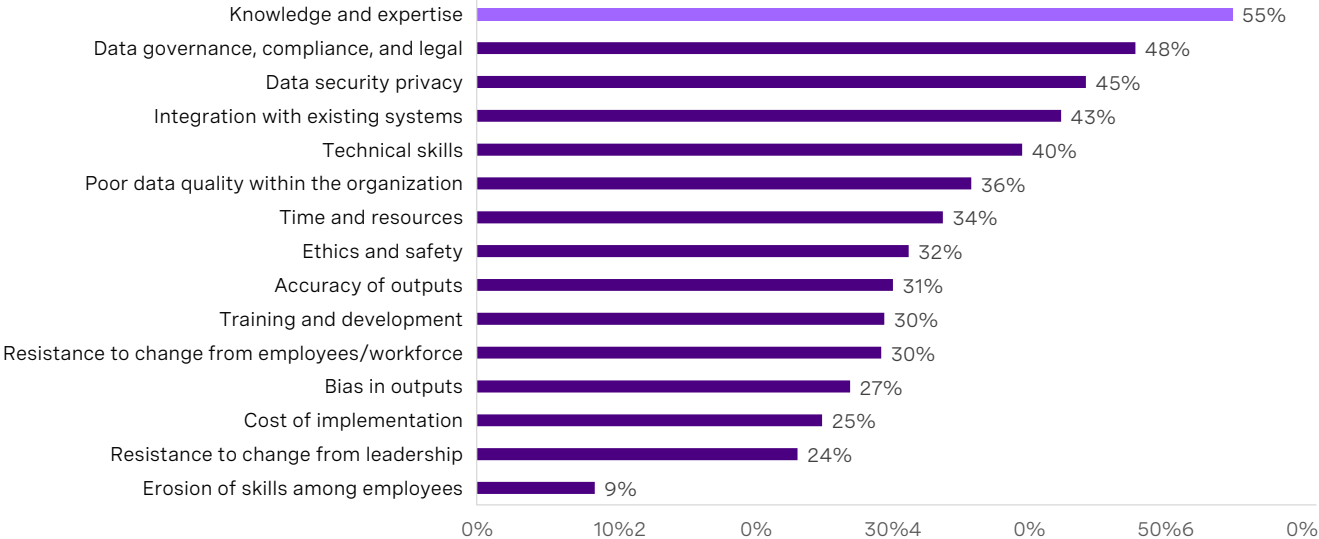|		
Strong Knowledge	**2%**	I'm an expert and have implemented several successful generative AI solutions or tools
Basic Knowledge	**18%**	I'm relatively familiar with generative AI, and have implemented some generative AI solutions or tools
Minimal Knowledge	**48%**	I have experimented with generative AI a little bit, but have limited experience in generative AI implementation
No Knowledge	**24%**	I have heard of generative AI, but I have not yet experimented with generative AI solutions or tools
	8%	I have limited or no knowledge of generative AI

Source: Russell Reynolds Associates' H2 2023 Global Leadership Monitor, N = 1,321 CEO, C-level, next generation leaders, and board directors

This is compounded by the fact that 55% of leaders name "knowledge and expertise" as a barrier to implementing these tools, making it the most selected concern (Figure 3).

Figure 3: Top barriers for leaders implementing generative AI

% of leaders selecting: "Which, if any, of the following do you believe to be barriers in implementing generative AI? Concerns related to…"

Barrier	%
Knowledge and expertise	55%
Data governance, compliance, and legal	48%
Data security privacy	45%
Integration with existing systems	43%
Technical skills	40%
Poor data quality within the organization	36%
Time and resources	34%
Ethics and safety	32%
Accuracy of outputs	31%
Training and development	30%
Resistance to change from employees/workforce	30%
Bias in outputs	27%
Cost of implementation	25%
Resistance to change from leadership	24%
Erosion of skills among employees	9%

Source: Russell Reynolds Associates' H2 2023 Global Leadership Monitor, N = 1,287 CEO, C-level, next generation leaders, and board directors

The farther along an organization is in its GenAI implementation journey, the less likely its leaders are to name knowledge and expertise as a top barrier to implementation. In fact, 62% of leaders who have not implemented GenAI and 57% of those in the initial investigation phase name knowledge and expertise as a top barrier, while leaders in the developed, piloted, or fully implemented phases are more likely to point to data governance and quality as top challenges (Figure 4).

Figure 4: Top 3 barriers to implementing GenAI, split by stage in implementation journey

% of leaders selecting: "Which, if any, of the following do you believe to be barriers in implementing generative AI? Concerns related to…"

Implemented	Piloted	Developed	Investigated	Not at all implemented
56%	**53%**	**47%**	**57%**	**62%**
Poor data quality within organization	Data governance, compliance, and legal	Data governance, compliance, and legal	Knowledge & expertise	Knowledge & expertise
54%	**48%**	**45%**	**49%**	**44%**
Data governance, compliance, and legal	Knowledge & expertise	Knowledge & expertise	Data governance, compliance, and legal	Data governance, compliance, and legal
49%	**48%**	**45%**	**47%**	**42%**
Data security privacy	Data security privacy	Poor data quality within organization	Data security privacy	Technical Skills

Source: Russell Reynolds Associates' H2 2023 Global Leadership Monitor, N = 1,287 CEO, C-level, next generation leaders, and board directors

As GenAI continues to evolve, all the barriers listed above merit serious consideration and scenario-planning as leaders develop and implement their generative AI strategy. Particular attention should be paid to the items that may feel less pressing now, but carry massive long-term risks if they do appear—including accuracy of outputs, ethics violations, bias perpetuation, and skill erosion.
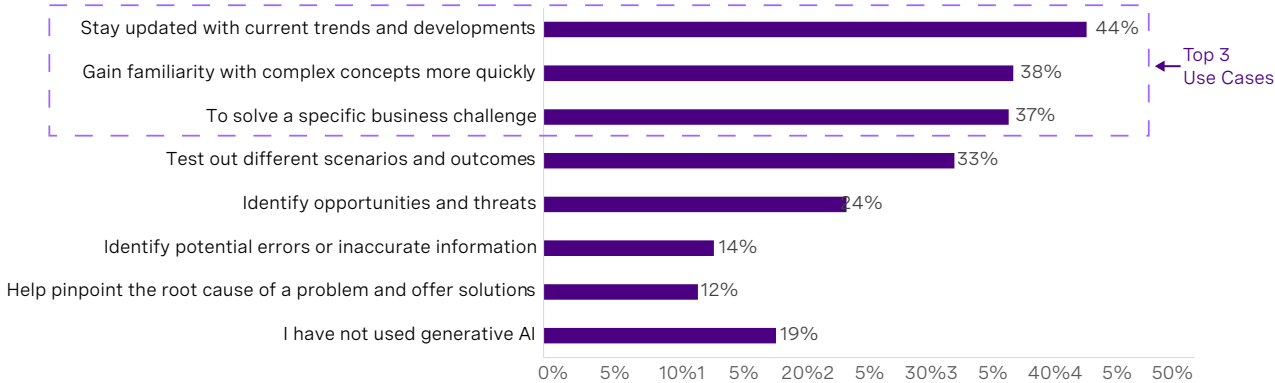
Leaders aren't optimistic about their organization's ability to engage with GenAI

Despite the fact that most leaders have begun their GenAI implementation journeys, only 38% agree that their organizations have forward-thinking leadership who align resources to harness the power of the technology. Surprisingly, CEOs and next generation leaders are equally lacking in confidence, with only 36% of both groups feeling positive about their leadership's capabilities (Figure 5).

Leaders are even less likely to feel confident in their workforce's AI expertise, with 32% of CEOs and 29% of C-level executives agreeing that their organization has employees with the right technical skills to implement GenAI solutions.

Overall, leaders are most pessimistic regarding board members' ability to embrace GenAI, with only 21% of CEOs agreeing that their board has the right expertise to advise on GenAI implementation.

Figure 5: Leaders views on leadership, board members, and employees' abilities to embrace generative AI
% of leaders who strongly agree/agree with the following statements: "Considering the implementation of generative AI, to what extent do you agree or disagree that your organization has...
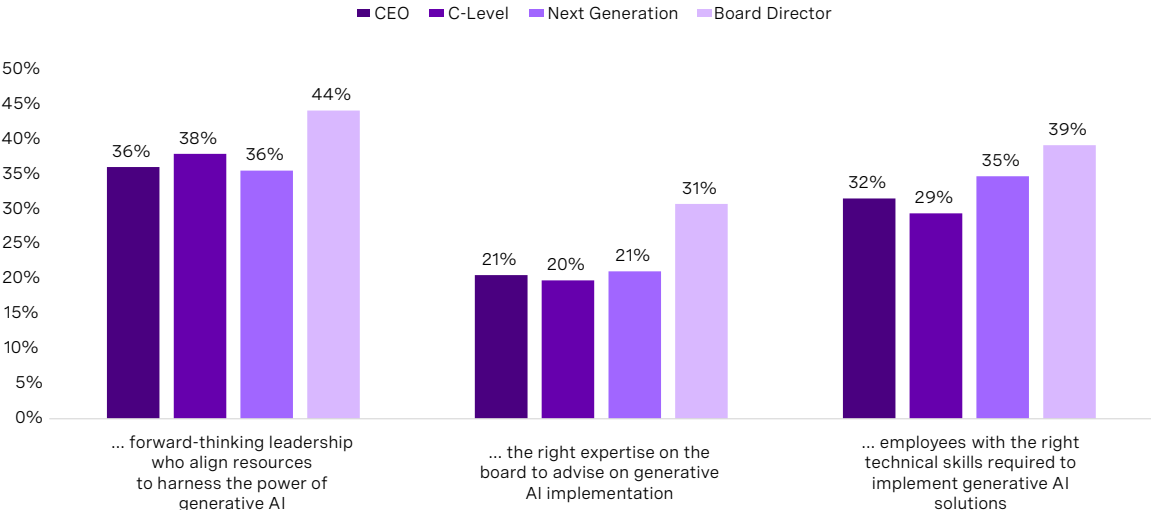
Source: Russell Reynolds Associates' H2 2023 Global Leadership Monitor, N = 1,297 CEO, C-level, next generation leaders, and board directors

It's worth noting that board members are most likely to feel positive about leaders', employees', and even their own abilities to embrace GenAI. This is consistent with our Leadership Confidence Index, which observes that board members tend to be more confident in their executive leadership teams' abilities than leaders at other levels. The disconnect between board and executive perceptions may be due to board members taking a broader, long-term view, or because they're removed from the day-to-day of business functions. In this case, it may also be due to a lack of familiarity with GenAI themselves. Regardless, it's crucial for board directors to be equally aware of GenAI's implications and their organization's preparedness to face them.

Leaders are personally engaging with AI—to an extent

Leaders are most likely to have engaged with a generative AI tool to 1) stay updated with current trends and developments, 2) gain familiarity with complex concepts more quickly, and 3) to solve a specific business challenge (Figure 6). On average, leaders selected 2.23 items from the list below, meaning they are experimenting with the technology in multiple ways.

Approximately one out of five leaders say they have never used generative AI.

Figure 6: How leaders are personally engaging with generative AI
% of leaders selecting from the following: In which, if any, of the following ways have you personally used generative AI in your role?"

Use Case	%
Stay updated with current trends and developments	44%
Gain familiarity with complex concepts more quickly	38%
To solve a specific business challenge	37%
Test out different scenarios and outcomes	33%
Identify opportunities and threats	24%
Identify potential errors or inaccurate information	14%
Help pinpoint the root cause of a problem and offer solutions	12%
I have not used generative AI	19%

← Top 3 Use Cases (Stay updated with current trends and developments, Gain familiarity with complex concepts more quickly, To solve a specific business challenge)

Source: Russell Reynolds Associates' H2 2023 Global Leadership Monitor, N = 1,103 CEO, C-level, and next generation leaders

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I think the most important thing that leaders can appreciate is that, while AI has evolved to this moment in the hype cycle, it's going to become central to how businesses operate. <u>As a leader, the best thing you can do is better familiarize yourselves with the opportunities—as well as the limitations—that exist with the technology.</u> To achieve this, leaders need a learning mindset and the ability to embrace ambiguity."

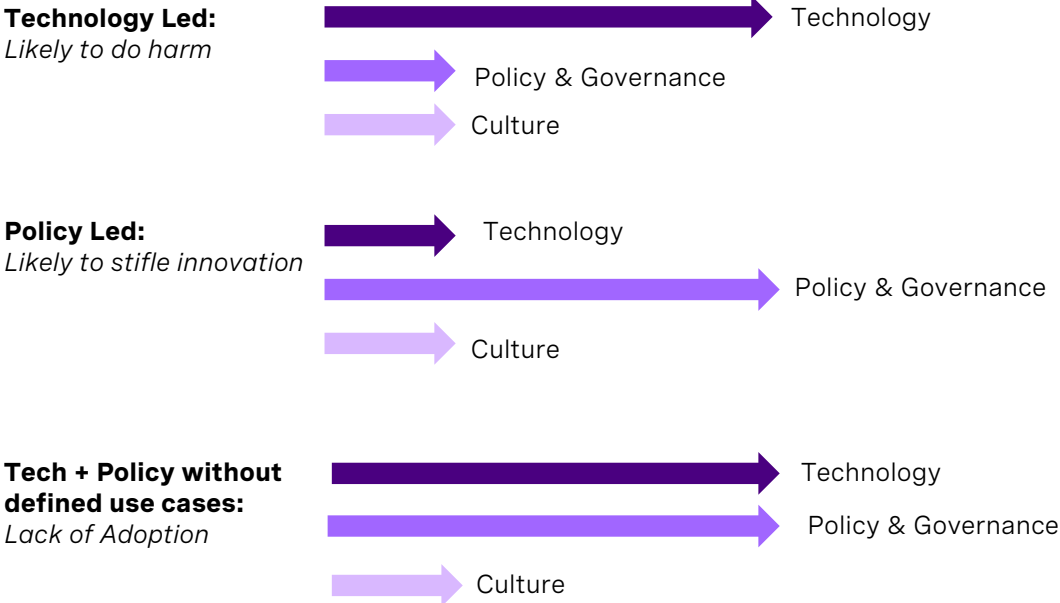**Joe Ghory**
Russell Reynolds Associates

How to build confidence around a balanced AI strategy

We've yet to uncover all the long term ways GenAI will alter and enhance how we work and lead. As with every tech leap, leaders need to thoughtfully engage with new tools and their associated skillsets before they can expect positive results. While a small fraction of leaders are using GenAI as often as they open their email, most are still determining how best to engage with these tools. **And with the speed at which the market is responding to generative AI, many leaders are making decisions about the technology without fully understanding it.**

That's nerve wracking. We know this pressure multiplies for leaders making decisions that impact employees, stakeholders, and the future of their organization. And when only 2% of leaders identify as GenAI experts, there simply isn't enough expertise to go around (for now.)

During times of accelerated technological advancement, we've seen organizations fail when they:

1. Dive into implementation before fully understanding the technology's implications for their business
2. Develop a detailed, organization-wide roadmap that gets bogged down by stakeholders, leading to inaction
3. Create tech and policy without defining clear use cases that align with the organization's culture and its openness to innovation

Technology Led:
Likely to do harm

Technology

Policy & Governance

Culture

Policy Led:
Likely to stifle innovation

Technology

Policy & Governance

Culture

Tech + Policy without defined use cases:
Lack of Adoption

Technology

Policy & Governance

Culture

Instead, organizations that take measured steps to implement new technologies in strategic areas of the business that have a specific use for the tools—and the appetite to experiment with them—find the most success.

The Balanced AI Trifecta

Technology

Policy & Governance

Culture
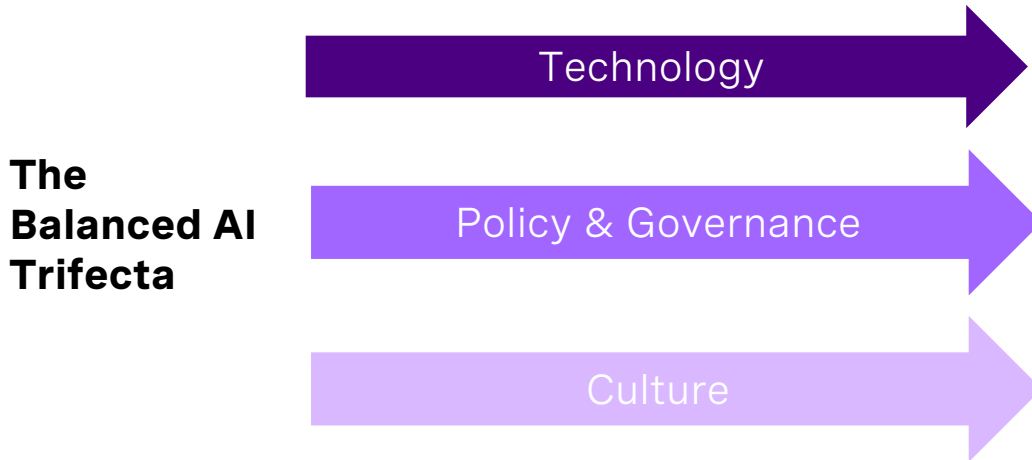
To help leaders develop this type of balanced approach, we identified five key areas to help CEOs, boards, and senior technology leaders navigate its impact on their organizations, as well as questions they can use to gain familiarity and structure conversations around their implementation strategy.

5 Key Focus Areas

Talent and culture	Leadership	Organizational Structure	Commercial Strategies	Risk Managements & Ethics
◦ Redefine roles ◦ Upskill current talent ◦ Create a culture of constant innovation	◦ Choose a leader for AI strategy - perhaps a Chief AI Officer, a CTO,Chief Digital or Data Officer ◦ Identify AI champions deeper within the organization	◦ Embed R&D capabilities in all areas of business ◦ Align AI across the organization by promoting collaboration between tech teams and business units	◦ Create new avenues for product and revenue generation ◦ Improve customer experience via personalization	◦ Balance innovation and responsibility ◦ Address ethical implications ◦ Manage AI-related risks with fairness, inclusiveness, transparency, and accountability

Questions to kickstart the conversation

◦ Is there enough AI knowledge distributed across the organization? ◦ Which leadership roles will by most impacted by generative AI? ◦ What skills should we develop to gain a competitive advantage from AI? ◦ Have we cultivated a culture of innovation and transformation? If so, how can we foster its continued growth?	◦ Which leader is responsible for overseeing and guiding the organization's AI initiatives? ◦ Who can challenge the technology and AI strategy at the board level? ◦ Is the existing leadership team sufficiently tech-savvy, understanding how to optimize AI investments? ◦ Do we have a leader who understands the technology, digital, and data functions that can commercialize AI capability and data assets?	◦ How does the adoption of generative AI impact our current organizational structure? ◦ Should AI and data team sit within the technology function or be closer to business unit leaders? ◦ How will business units and corporate functions work intimately with technology and AI teams	◦ What potential revenues streams can we generate by commercializing our AI capability and data assets? ◦ Do we have the necessary infrastructure and resources to support commercialization efforts? ◦ How can AI help us better understand customer preferences and behaviors? ◦ How can AI enhance personalization in our marketing efforts? ◦ As we embrace AI, how should our commercial strategy change?	◦ What is our current risk tolerance? ◦ Does the company have adequate technology, legal, and compliance functions to mitigate risks associated with generative AI? ◦ What privacy and ethical considerations should be addressed when implementing generative AI? ◦ What legal and regulatory considerations are involved in commercializing data and AI?

Authors

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About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 600+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

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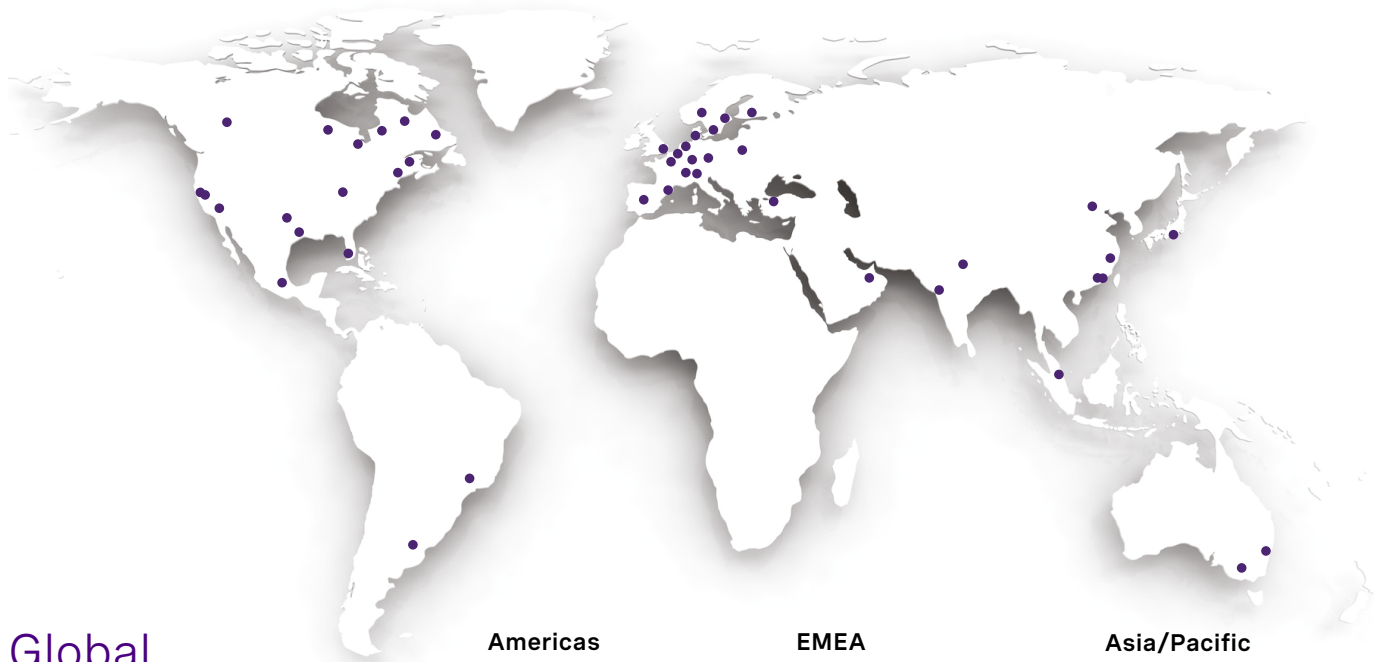
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