



What CEOs should be doing about AI

Introduction

The impacts of Artificial Intelligence (AI) will not only happen faster than expected, they will also be more widespread and more disruptive than one could possibly anticipate a few months ago or even at present.

Events are taking pace at breathtaking speed, not on a yearly basis, nor monthly, but weekly. In particular, the recent advances in Generative AI are opening a vast number of profound implications in all human and business activities.

As a result, most CEOs and decision-makers need to address AI more rapidly and more profoundly than they have been generally anticipating.

If this is the case, what should CEOs and business leaders in general be doing? Most CEOs and business leaders feel uncertain about the next steps around AI.

We share below a few insights.

Look beyond the hype – exponential possibilities (and risks)

As with all new technologies, AI is going through a hype, that is, hyperbolized attention, excitement and expectations. But beyond the buzz, it is clear that AI-powered products, services and businesses will continue to emerge and converge at an accelerated pace which will have a disruptive effect in all aspects of daily life, education, health, art, professions, business and even in geopolitics and war.

Today it is still unclear what will be the final impact of AI in Humanity, but most reputed experts define its impact at an historically transformative level, such as the impact of the printed media that transformed the European geopolitical, social and economic landscape; or, more recently, the internet and the mobile.

So, brace yourselves for a bumpy ride of possibilities and risks from now on.

What will be decisive?

Dedicating time to join the speculative debate about what Humanity should ultimately expect from this exponential technology is interesting. But, for business leaders a more constructive focus is to think strategically how AI can add future value, competitiveness and growth to their company, and how to build the necessary capability around AI.

Independently of your level of knowledge and readiness, or the specific approach you will take in the future, it is easy to identify your chances of success if you measure yourself (from 1 to 10) in the five factors identified

below, comparative to your sector (but beware of multisector potential) and to your known competitors (but beware of unknown competitors exploring new possibilities):

- I. Level of attention (how serious are you about AI) and investigation (time spent).
- II. Level of understanding and correctness of options made (how clever are you about AI).
- III. Smartness of investment (how much money are you putting into it and where? How much is enough?).
- IV. Breath of mobilization (do not walk alone), within your company and in your ecosystem.
- V. Speed of deployment, learning and adjustment (agility is key).

Build your own journey

Where and how should business leaders start? We provide below a suggested approach. But the best approach will vary from company to company, depending on the type of business, its robustness, its aspiration and risk level, among other factors. The challenges will also be different according to sector, such as education, health, defense or services.

Whatever the situation, the key is to get under way and learn by doing. The key is to “build your own journey”. Building AI capabilities is a discovery process – starting with what you know, experimenting with new solutions, learning and improving at each iteration, until you build something valuable, and you and your team are confident and can define what is feasible in the short and long term.

A suggested approach

AI is a new technology, is evolving rapidly and has not been the core of business leaders' training or experience. So, much of what needs to be done is based on intensive technologic vigilance, growing understanding, evaluating impacts, envisioning your AI-enabled future, experimenting and building capacity. The order of the steps in the approach can change according to each business, but the key activities must be present to ensure success. Bear in mind that AI is moving at such a fast pace that approaches need to be adapted rapidly.

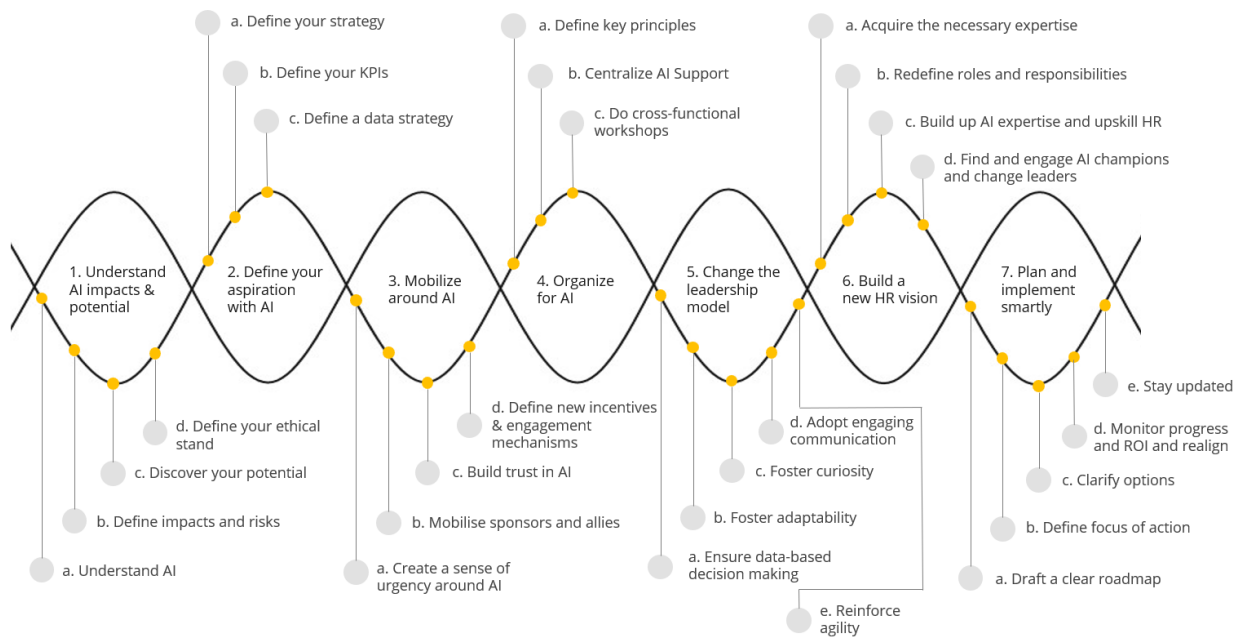


Figure 1. Suggested approach for AI adoption (LBC 2023)

1. Understand AI impacts and potential

- a. **Understand AI.** Educate yourself on AI and how it can impact on business and society. How much time you and your management team are dedicating to educate yourselves on AI technologies? This understanding will enable CEOs to make informed decisions and effectively communicate the value of AI to the organization, customers and other stakeholders.
- b. **Define impacts and risks.** AI presents unprecedented opportunities. But it will also bring many unknowns and new risks. Both opportunities and risks need to be addressed with equal concern. There is already a plethora of writings on the risks of AI, mainly focused on data privacy, security issues and fakes. Those need full attention, but it is business model obsolescence that should most concern business leaders.
- c. **Discover your potential.** Having explored impacts and risks, it is important to discover competitive opportunities for your business, determining what products, services and processes can be enhanced by AI, combining customer knowledge, industry trends and competitive intelligence. It is necessary to differentiate between those applications that are easy to adopt, given the ease of use of many low-code, no-code AI solutions, that most competitors will also adopt, and those strategic applications that will create a true competitive advantage with large impact.
- d. **Define your ethical stand.** AI can have very negative consequences, intended or non-intended on people, community and planet. It is of fundamental importance that business leaders define their ethical stand on the use and misuse of AI in their organizations, stay up to date with the regulations that will emanate from government and coordinating authorities and are aligned with social values. Within the organization it is important to establish clear guidelines and frameworks to address algorithm and database biases, fakes, factually incorrect information

("hallucinations") – as generative AI lacks a credible truth function –, transparency, data and privacy protection, copyrights infringements, capability overhang (unplanned functionality), and employee overconfidence. It is recommended that employees are encouraged to retain a healthy skepticism of AI-generated content, that the company has built-in processes to look for biases and compliance risks. Experiments should be tracked across the organization. Policies should guarantee data ownership and privacy. Review processes should be in place and a responsible AI policy should be drafted and adopted. In addition, mitigation mechanisms need to be in place.

2. Define your aspiration with AI

- a) **Define your strategy.** More than to be entertained with diverse use cases, it is important to focus on specific business problems (efficiency, customer experience, new products and services, etc.) or business functions (marketing, service delivery, accounting, etc.) and to identify those parts of the value chain that will have the most transformative impact, and also those that will require easy deployment and provide quick wins.
- b) **The strategy should outline the specific areas where AI will be deployed,** the desired outcomes, the roadmap for implementation, resource allocation, risk management, and measures for monitoring and evaluating the success of AI initiatives.
- c) **Define your KPIs.** In the age of AI, strategy is defined and based on a portfolio of key performance indicators (KPIs) which leaders choose to optimize, supported by data and algorithms. Business leaders need to excel at defining which KPIs should be measured and optimized. Optimizing carefully selected KPIs is one of AI's strategic purposes.
- d) **Define a data strategy.** Once you define your strategic options and direction, you need to identify the data sources that will be required

for the normal operation of the business and the data sources that will give you a competitive advantage. If you don't have that data, you need to create it or obtain it. The "right" data set and exclusive access to critical data are what can give you competitive advantage. It is data that fuels your AI capability. The types of data analytics are often divided into four categories, as shown below. Starting from the left, descriptive analytics is the most basic category, while prescriptive analytics on the far right is the most powerful and advanced.



Figure 2. Different types of data analytics
Source: Singularity University, 2023

3. Mobilize around AI

Create the conditions for success and formalize AI as a critical vector of the company's future.

- a. **Create a sense of urgency around AI.** Communicate broadly to all areas of the business, engage everybody in the discussion about the relevance of AI to the business and each business area, bring in diverse perspectives.
- b. **Mobilize sponsors and allies at various levels.** Develop a shared understanding and vision among the executive team, stimulate key

people in key areas to think about new opportunities and solutions, get teams to experiment with new tools and think how they can be integrated into the business.

- c. **Build trust in AI.** Mainly through small examples and pilots.
- d. **Define new incentives & engagement mechanisms.** Change only happens when incentives change, and people are mobilized to act in a certain way.

4. Organize for AI

There are no straight forward solutions, quick fixes or easy answers. Solutions will differ greatly from case to case. Aligning functions, departments, expertise and technological platforms ensuring both vertical depth and focus and transversal synergies is a challenge in any organization.

- a. **Define key principles.** Some things are clear.
 - The whole management team should be involved in the process (assigning to the CEO or one member of top management the task of leading implementation, depending on circumstances).
 - Domain expertise and technical expertise must work closely, always.
 - Siloed data within the organization will hamper AI's capabilities.
 - Lack of agility will reduce your competitiveness.
 - Adequate change management needs to be implemented addressing changes in work-roles and staffing, new skills development, culture of adaptability and workforce anxiety.
- b. **Centralize AI support.** In this context, at the beginning stages, the most natural option might be having a centralized IT department

with technical experts with relationship skills to i) guide, train and support functional teams with deep subject-matter expertise and client orientation to improve and develop new services and products, ii) support a multidisciplinary team dedicated to improve internal processes and systems and iii) guide and support commercial and marketing teams. This model would promote agile responses to both client-focused opportunities and internal operational optimization, sharing similar data-sets within a shared strategic and operational vision.

- c. **Do cross-functional workshops.** It is also recommended that regular workshops with cross-functional leaders and creative representatives take place to discuss and identify opportunities, propose use-cases, share learnings and discuss coordination challenges, with or without the presence of the CEO and the top management team.

5. Change the leadership model

AI will have several impacts on the way business leaders lead and on the necessary competences. The balance between new technical capabilities and human concerns is critical for success. This balance is evolving. In addition, competences that are not data-based, such as empathy and emotional intelligence, remain critical to the necessary balance.

- a. **Ensure data-based decision making.** In future, business leaders, and CEOs in particular, will make more decisions based on data. This implies an ability to define the strategic KPIs that are relevant to be measured, attention to information gathering, search for new data sources, appropriate use of analytics, and capacity to distinguish between relevant and irrelevant information.
- b. **Foster adaptability.** In a complex and changing environment, adaptability is critical. Being open to innovation, the ability to change your mind according to new information and to commit to new courses of action when the situation so demands is very

important in the context of rapidly evolving AI, the emergence of new competitors and the convergence of technologies.

- c. **Foster curiosity.** In a rapidly changing world, the CEO needs to be an open-minded explorer. Someone who follows digital trends and is hyperaware of changes both in the external and in the internal environment of the organization that have disruptive or competitive implications.
- d. **Adopt engaging communication.** In an environment of constant change, complexity and ambiguity, business leaders need to provide guidance through strong vision to keep their organizations engaged and strategically focused. Business leaders need to provide understanding and promote clarity of action through engaging communication. They should articulate the value proposition of AI, address concerns and misconceptions, rally support for AI initiatives, inspire confidence and drive organizational buy-in.
- e. **Reinforce agility.** The ability to adapt perspectives fast and to lead people to implement the necessary actions in a timely fashion is central to the new leadership model. The agile leader values speed over perfection, decides fast, “shows, doesn’t tell”, experiments intensively with use cases, launches beta versions internally and to the market. More than a planner for action, he/she is a catalyst for action.

6. Build a new HR vision

The AI impacts will be massive. More than an atomistic and reactive approach, business leaders need to spend time trying to understand the broad implications of AI on their people and build corresponding new models of HR management. This needs to be an adaptive process within a global systemic view.

At the start, business leaders need to address at least the following items.

- a. **Acquire the necessary expertise.** This may be done by hiring outside support or acquiring people with the necessary expertise to help you build the AI vision, architecture and roadmap and lead the AI adoption process. Above all, you need to combine technical expertise with leadership.
- b. **Redefine roles and responsibilities.** Jobs will start to be done differently in the organization. New job descriptions are necessary. Decision making will become more supported by data with reference to established KPIs. Increases in productivity and performance will imply some changes in people allocation. Automation will free people to attend to different tasks. Marketing, communication, content generation, operations, client interfacing and many others will be done in different ways. This needs to be anticipated, prepared and managed by an HR roadmap, jointly by AI experts, HR management and the C-level.
- c. **Build up AI expertise and upskill HR.** This will be a continuous effort along several years. Lifelong learning will become even more critical than in the past. It is critical to define what future competences are necessary, what is the new competences pipeline withing the organization, how do you manage training with AI and for AI.
- d. **Find and engage AI champions and change leaders.** Business leaders need to find and engage “AI champions” who can share their technical knowledge and vision, and “change leaders” who can help embed technical knowledge into industry and functional relevance, define the right architecture and connect the right people to overcome problems and to achieve results.

7. Plan and implement smartly

In the end, execution will determine success.

- a. **Draft a clear roadmap.** Therefore, CEOs should define a clear roadmap and workplan, with resource allocation, risk management and monitoring and evaluation.
- b. **Define focus of action.** Organizational efforts should be aimed at clearly defined strategic objectives such as boosting internal efficiency, creating new services and products, improving customer experience, improving operational margins, among others. Security should be one of the major concerns as one ventures into new frontiers.
- c. **Clarify options.** The roadmap should provide clarity of action, defining the use cases to be tested, the technological choices to be made and the depth of the transformation aimed at – radical or incremental. In addition, the roadmap should define the build vs. buy options and identify the set of partners that can leverage solutions and speed up improvements.
- d. **Monitor Progress and ROI.** CEOs should establish metrics and key performance indicators (KPIs) to measure progress and the impact of AI initiatives. Regularly monitor progress and evaluate the return on investment (ROI) of AI projects to ensure they stay aligned with business objectives.
- e. **Stay updated.** The field of AI is rapidly evolving. CEOs should stay updated on the latest trends, advancements, and regulations related to AI. This will enable them to make informed decisions and adapt their AI strategy as needed.

Conclusion

It is evident that a strong AI and data strategy and capability will become more and more critical for business success and a basis for exponential growth. In addition, the option of doing nothing might turn your company into obsolescence.

Given the transformative power of AI technologies, CEOs and business leaders in general should be in a race to understand, interpret, adopt and implement AI technology into their business. CEOs and business leaders in general ought to rapidly build AI capability.

In the near future, AI supported CEOs will outperform and even replace CEOs who have not adapted to this new disruptive technology.

Are you prepared? Is your organization prepared? What are you doing about it?

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LBC is an international strategy consulting and digital transformation company with experience in 17 countries and an innovation lab in Silicon Valley. LBC can provide guidance to executives challenged by the pace of rapid transformation and support with implementation of digital transformation.

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