

# Leadership in the Age of AI

Report

EgonZehnder

KEARNEY

# INTRODUCTION

The age of artificial intelligence (AI) has erupted into our world, marking its presence with striking advancements. AI models are demonstrating new capabilities almost daily, to the point where the question is no longer what AI can do but rather what it can't. Unlike the hype around the metaverse or blockchain technology, AI is already driving bottom-line results across multiple sectors. A multidisciplinary team of researchers at MIT Sloan has proved an unprecedented boost of up to 40% in highly skilled workers' performance through the use of generative AI\*; potentially adding trillions to the global economy. This monumental shift will change the way people work, learn, and communicate and has the potential to shake up entire industries—even society itself.

“AI has joined the list of rapid changes and challenges people are facing today. It is no surprise then that many are asking ‘How do I adapt?’”

**Judith Wiese, Siemens**

“Disruption is inevitable in any significant technological change. It's crucial for innovation and constant adaptation and progress.”

**Patrick Trippel, Inventus Power**

Despite, or perhaps because of, the endless opportunities AI promises, anxiety and excitement over the disruptive role it will play are running high. One thing is certain: ensuring that your organization is prepared for the new era of AI is no longer optional. The question now is: are leaders ready to rise to the challenge and provide the vision and adaptability to seize the opportunities?

To answer this question, Egon Zehnder and Kearney partnered to engage 100 executives in a survey across four countries and six sectors, gauging their views on how prepared their organizations, and they themselves, are for the coming AI era. We conducted over two dozen interviews with leaders to refine our findings further. We heard that leaders overwhelmingly see AI as an opportunity, more than a risk, but that leaders feel the path to success is still unclear. Harnessed for good, AI offers endless possible solutions to the many converging crises leaders navigate today.

This report provides insights into how executives anticipate AI will impact organizations, jobs, and their roles and how prepared they feel to lead through this unprecedented disruption. We will explore factors and drivers of leadership and organizational readiness that could guide leaders amidst the inevitable tech change ahead.

\* Generative AI (Gen AI) refers to deep-learning AI models that can generate high-quality text, images, and other content based on the data they were trained on.

# THE AI OPPORTUNITY

INSIGHT **Attitudes toward AI are positive — leaders see it as an opportunity more than a risk**

Executives are keenly aware of the opportunities that AI could present. Specifically, these opportunities relate to AI applications that could support or replace office jobs, including machine learning, natural language processing, expert systems, and generative AI. More than 90% agree that AI represents an opportunity for them in their roles rather than a risk. Leaders are also confident that AI is an opportunity for their organization, with 85% seeing AI as an opportunity to improve their organization's capabilities (see **Figure 1**).

“Nobody has a real clue about AI's true magnitude and end-state.”

Martin Brudermüller, BASF

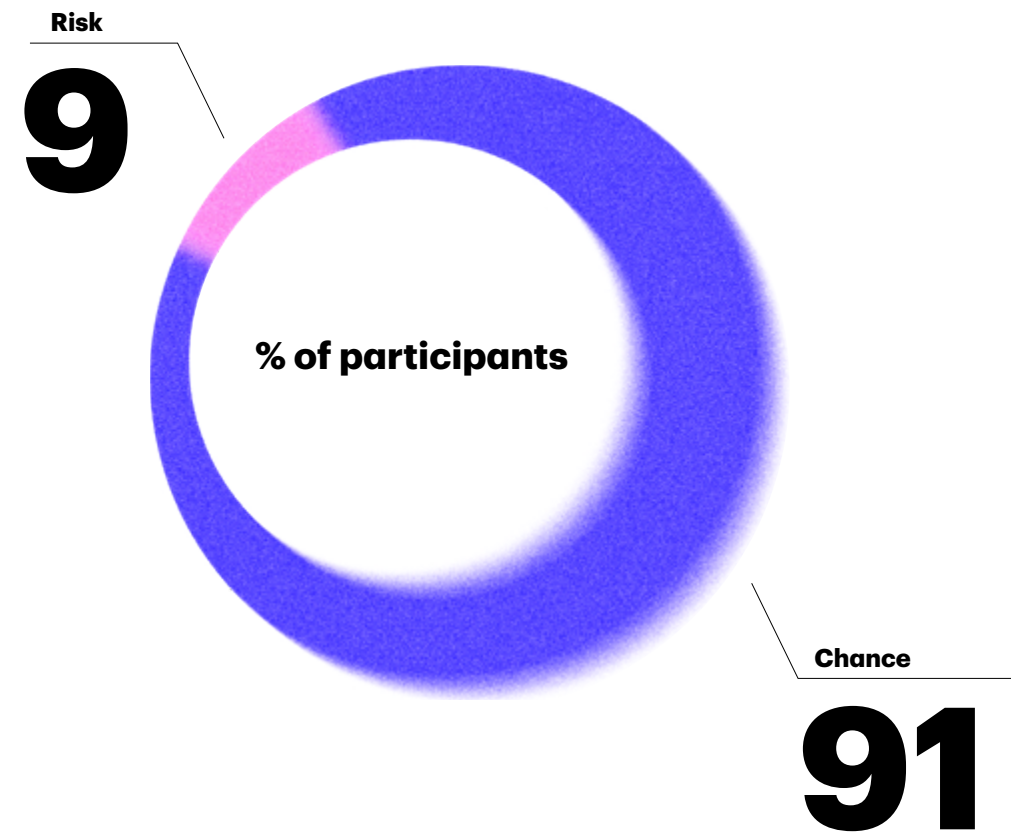
“AI is not about disruption, it is about opportunities.”

David R. Hardoon, Aboitiz

On the one hand, the significant opportunity identified by leaders, both for their role and for their organization as a whole, was the increased efficiency that the effective use of AI could bring; around three-quarters identified this as an opportunity for their roles, with a similar number identifying it as an opportunity for their organization. Other AI opportunities that executives identified included more effective decision-making, improved risk management, and the creation of innovative products and services.

On the other hand, respondents were alert to the potential risks associated with AI. ‘Workforce displacement’ and ‘data privacy & security’ emerged as the two main concerns for leaders—with regard to both their individual roles and their organizations (see **Figure 2**).

For me in my role/position, I see AI primarily being a:



For my organization's capabilities, I see AI as primarily being a:

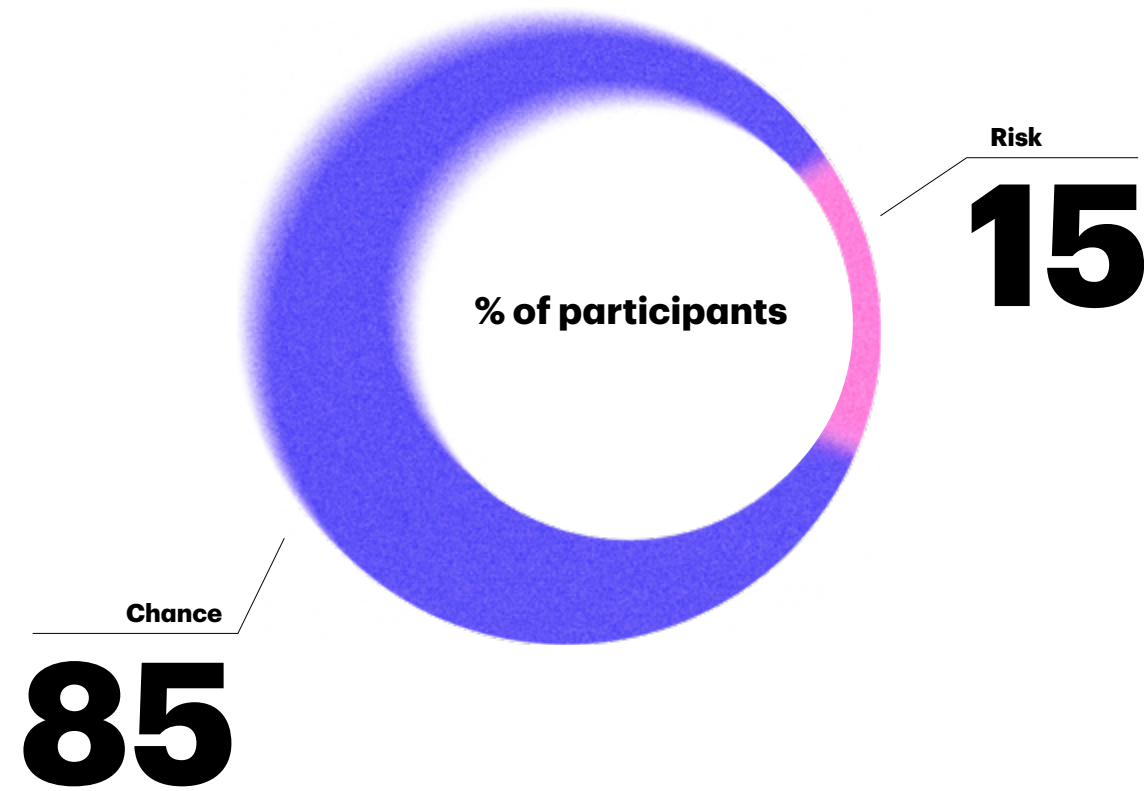
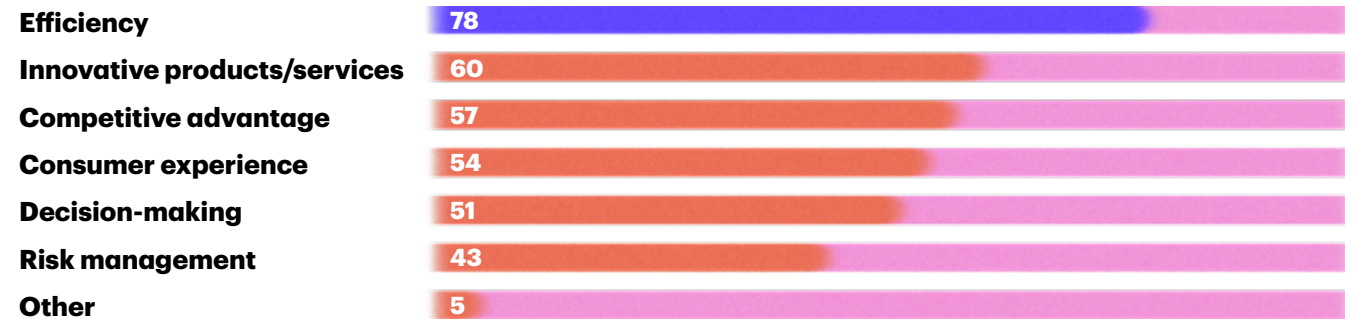
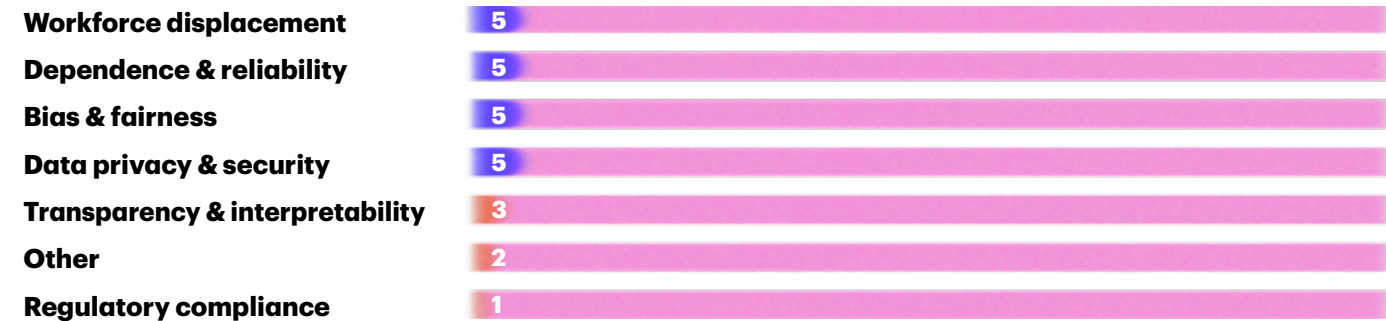
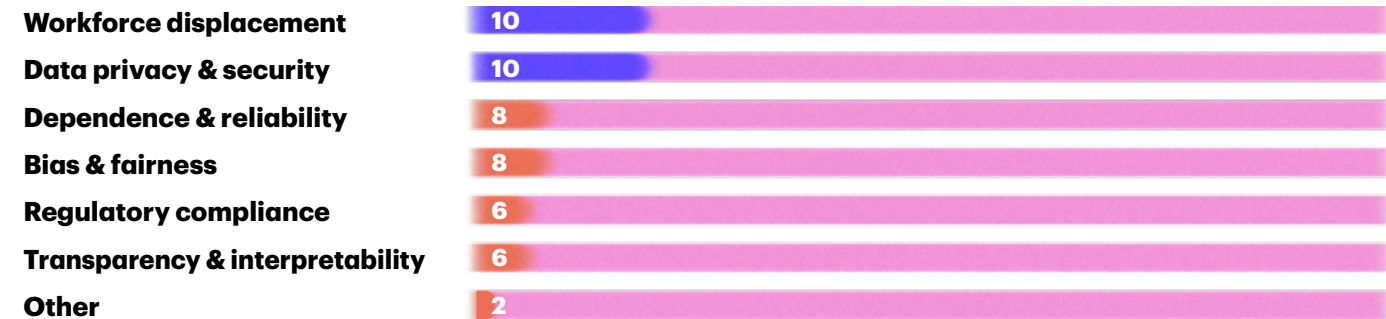


Figure 1

Figure 1

**Chance** (% of participants)**Chance** (% of participants)**Risk** (% of participants)**Risk** (% of participants)

“The fear of [AI’s] failure is a concern, but is heavily outweighed by the opportunity it promises.”

Mark Rose, Avison Young

“AI is going to be big and will impact everything!”

Lior Ron, Uber Freight

“Every human working with AI has not only the power but also the responsibility to evaluate content generated by AI critically.”

Carsten Knobel, Henkel

“Regulators need to set the right frame, which is a risk-free environment to test and scale and then pair with appropriate incentives and regulation at real-life adoption.”

Martin Brudermüller, BASF

“Middle management is under pressure. In the past, you were promoted for your knowledge, but there’s a new expert in town—AI—and it knows what you know and more. Connecting, engaging, and collaborating—people-centric skills—will become even more relevant than ever.”

Judith Wiese, Siemens



With so many risks and considerations, where should leaders focus their concerns? Amidst the challenges of the current poly-crisis, it can be difficult to identify and focus on the myriad of risks associated with the current wave of AI. Through our experience with clients and research, we have identified four key risks leaders should look out for (see **Figure 3**).

- **Data hallucination.** While generative AI models are highly accurate, they remain 100% confident, even when wrong. This proves the inevitable need for a “human-in-the-loop” process to verify model outcomes continuously and is confirmed by our survey results indicating a concern around ‘dependence and reliability.’
- **Ballooning costs.** As the data volumes stored by AI platforms rise, so do the collection, storage, and processing costs. More efficient data management techniques can help mitigate some impact. The concern around costs clearly emerged from our conversations with leaders, even though we did not address it in the survey.
- **Risks from third-party (3P) services.** Relying on 3P services for handling sensitive data and compliance can expose businesses to risks, particularly if security measures are lax or standards are inconsistent. To safeguard against these vulnerabilities, conducting due diligence on 3P providers carefully is essential, as well as enforcing strong data protection practices and contracts that clearly define roles and responsibilities.

- **AI’s bias.** The quality of an AI model’s output is directly linked to the data it’s trained on. If the training data is not a balanced reflection of the real-world diversity it is trying to represent, the AI may generate biased results. Ensuring that AI operates fairly involves selecting training datasets comprehensively representing the target outcomes, thus promoting unbiased and reliable outputs.

Four Common Risks

Figure 3

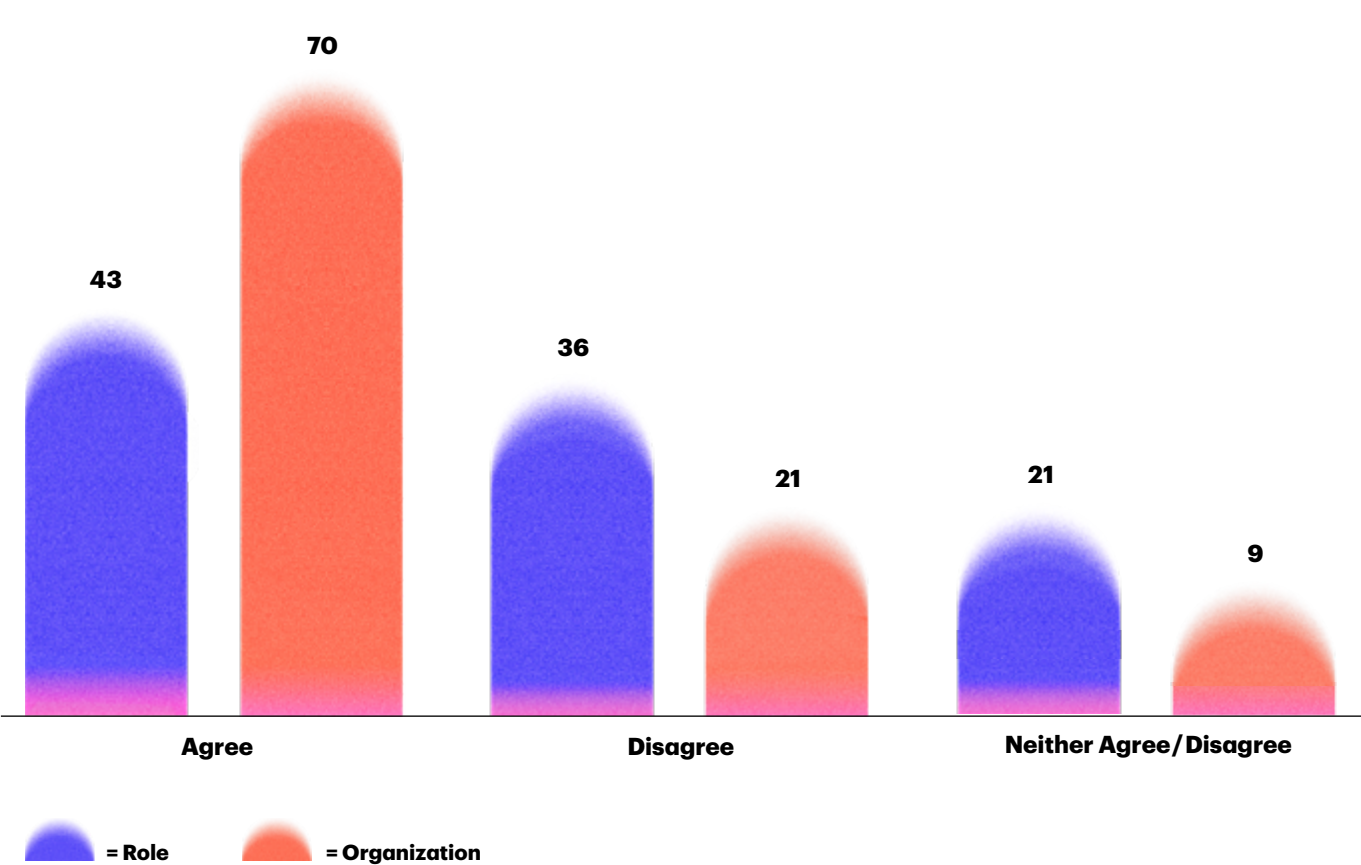


INSIGHT **Executives believe that significant change within their organizations is on the horizon, but less for their individual roles**

Business leaders expect AI to be a major disruptive force in the near term, with 70% of respondents agreeing that AI will disrupt their organization within the next five years. However, fewer executives expect the same level of disruption when it comes to their own roles. Less than half agree that AI will disrupt their role in the next five years, while a third expect no disruption (see **Figure 4**).

Moreover, our conversations with leaders revealed anticipation of a transformational wave within their organizations, spurred by AI; leaders predicted it would reshape future business landscapes. Despite recognizing the disruptive potential of AI, especially in streamlining operations and enhancing strategic decisions, many do not foresee their individual roles undergoing significant change. The sentiment across the board suggests an awareness of the necessity to adapt, with a hint of caution regarding the full scope of AI’s implications yet to be fully grasped. This reflects a measured optimism about AI’s role in driving efficiency and competitive edge, while leaders also acknowledge the gaps in their own understanding of AI’s future impact.

**Business leaders expect AI to be more disruptive to their organization than to themselves and their position in the next 5 years**



“AI has a huge potential to be truly disruptive. But I don’t believe it will fundamentally change the way we operate our business; rather, it will create a huge value-add and bring ammunitions for efficiency, faster decision-making, and other business outcomes.”

Rebecca Oldfield, Infineum

“Data-driven job profiles, which already leverage insights based on machine-driven decisions, will only experience little changes for their leadership through AI.”

Rolf Schumann, Schwarz Gruppe

“In my role as CEO, I need to be a role model and a driver for change. Change always starts at the top. This is a crucial belief in our cultural transformation, and I think you can transfer this to the adoption of disruptive technologies as well. We need to be ready when it comes to all kinds of disruptions, especially when they have an impact in the magnitude of Gen AI.”

Carsten Knobel, Henkel

**HOW PREPARED  
ARE LEADERS—  
AND THEIR  
ORGANIZATIONS—  
FOR AI?**

**INSIGHT Leaders believe their organizations are unprepared for the shift**

So, do executives feel that they and their organizations are ready to navigate the disruptions of AI while seizing the opportunities? Of the leaders surveyed, only 21% agree and strongly agree that their organization has the necessary capabilities to deal with the expected disruption of AI in the next five years (see **Figure 5**). In general, executives see themselves as better prepared to deal with the disruption than their organization, but still, only 40% agree and strongly agree that they have the necessary capabilities to do so. This ties back to our findings regarding a higher expected disruption, with the understanding of leaders that this disruption would require significant resources to be handled. In turn, leaders may also feel better informed than their organizations of what's to come.

**INSIGHT Leaders' understanding of AI is critical, while lack of sufficient resources is the biggest stumbling block for feeling prepared**

Those leaders who believe their organization is prepared for AI-related disruption recognize the importance of leadership's understanding of AI in driving that readiness. Nearly 90% agree that leadership's understanding was a core reason behind their organization's readiness. Other factors identified as contributing to readiness included cultural support of change, with 74% of respondents agreeing; and the allocation of sufficient resources including time, money, and people (70% agreed).

On the other hand, among executives who believed that their organization was unprepared, three-quarters thought that the lack of readiness stemmed from a lack of time, money, and people dedicated to building readiness for AI disruption. Leadership understanding also has a role to play: just over half of the respondents agreed that a lack of leadership understanding contributed to a lack of readiness (see **Figure 6**).

It is worth emphasizing that the arrival of AI comes at a time when leaders are already stretched, navigating the many challenges that organizations face today. This poly-crisis goes beyond organizational or industry boundaries—it extends to geopolitics, polarized domestic politics and rising populism, and an existential planetary crisis. If leaders can return to their values in shaping the landscape for an AI-ready economy and society, AI could solve humanity's many crises. Implemented right, AI has the potential to be a democratizing tool, used in service of humanity, and not as a force that erodes it.

“Organizations and CEOs are not ready for AI as the full-fledged implications are not yet understood.”

Bill Anderson, Bayer AG

“There is a phase of curiosity at the beginning of technological change, and also what is being communicated around it, but then leaders need to move on to creating a visionary approach, with very tangible examples, so that people can start to understand the benefits.”

Béatrice Guillaume-Grabisch, Nestlé

“Leaders are particularly challenged to deal with the perceived loss of control in the organization.”

Marianne Janik, Microsoft

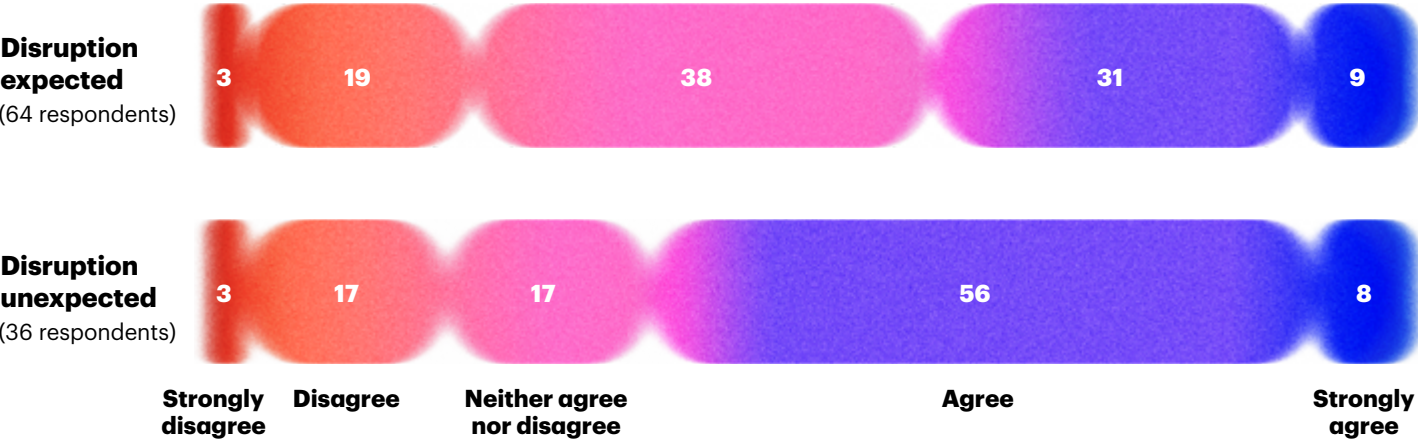
“Leaders will use Artificial Intelligence, laggards not. And of course: You will always need smart people!”

Bill Anderson, Bayer AG

Executives who expect their role to be disrupted report worse preparation for expected disruption

I have the necessary capabilities in my role for the expected disruption of AI in the next 5 years

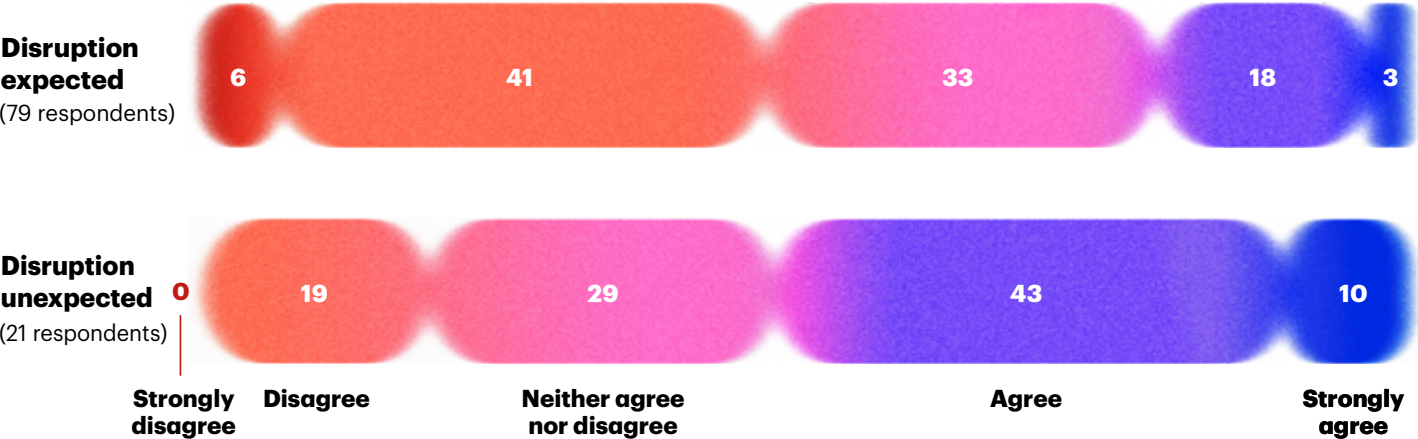
(% of participants)



Executives who expect their organization to be disrupted report worse preparation for expected disruption

My organization has necessary capabilities for the expected disruption of AI in the next 5 years

(% of participants)



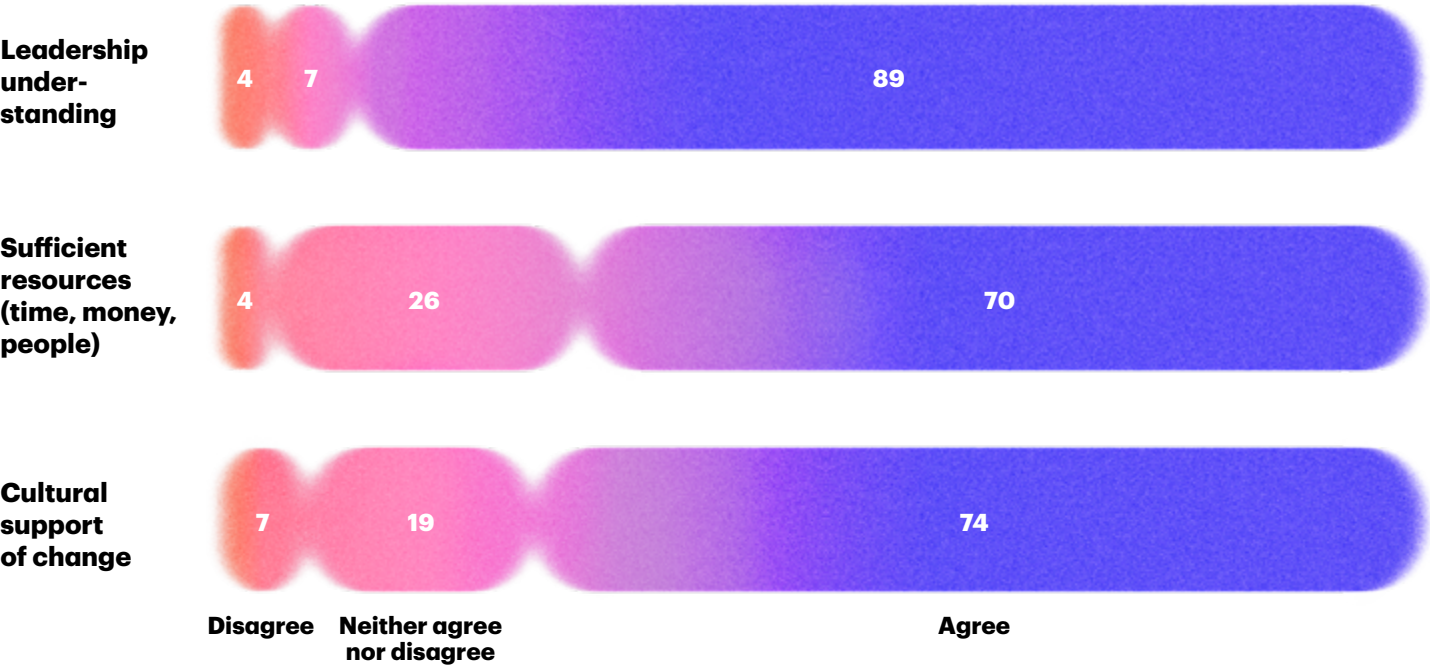


Higher readiness is reported to be driven by leadership understanding while lack of preparedness is reported as due to insufficient resources

Executives are convinced their understanding of AI is a major driver for AI readiness

(% of participants)

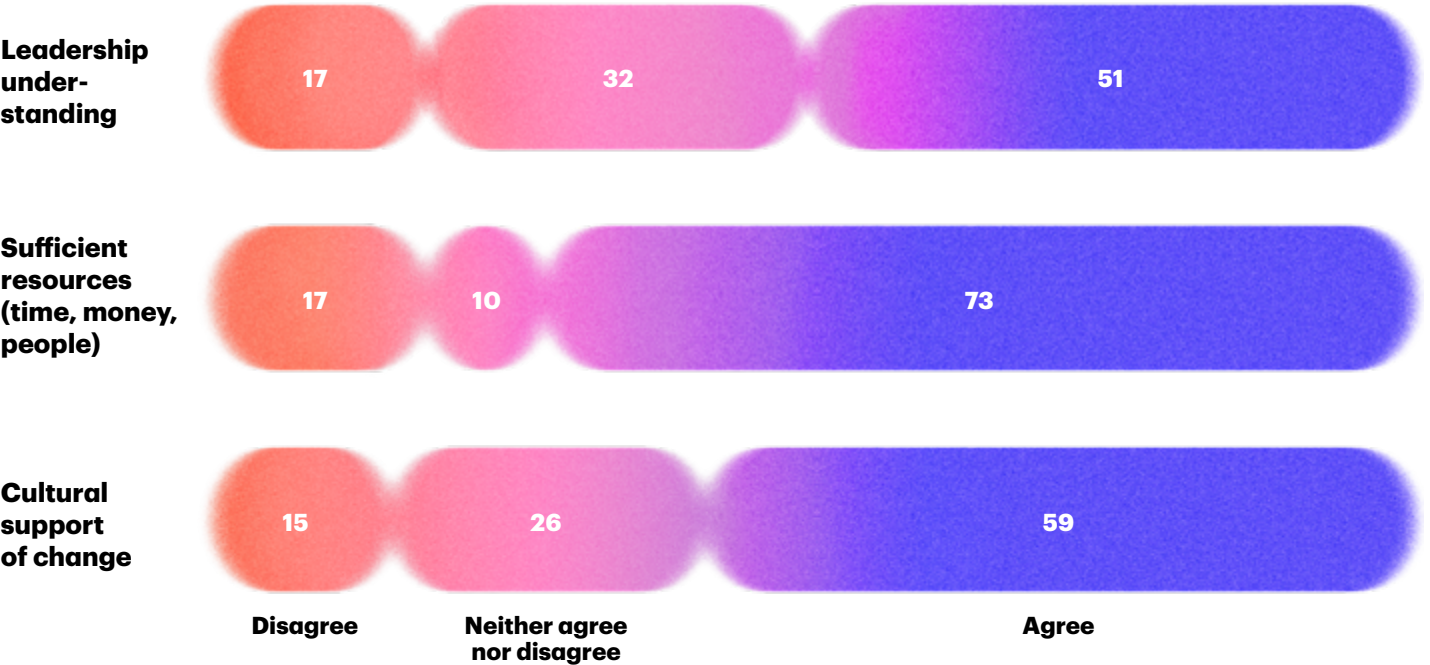
My organization is ready for the disruption, because:



Executives attribute the lack of readiness primarily to insufficient resources

(% of participants)

My organization is not ready for the disruption, because:





**HOW CAN  
ORGANIZATIONS  
IMPROVE  
AI READINESS  
TO PREPARE  
FOR THE FUTURE?**

**INSIGHT Starting to develop a strategy is a crucial step for increasing organizational readiness, but it is not enough on its own**

Given the importance of leadership in driving preparedness for the challenges that AI could bring, it is no surprise that leaders are taking action to increase their organizational readiness. To lead their organization through this change, leaders have shared personal learning, or understanding of AI, as an initial step to be able to undertake any change efforts. At the forefront of these efforts is developing a strategy—more than three-quarters of respondents are taking this step, even though there is no clear blueprint for leaders to follow. While leaders may feel unsure of the next steps in the face of the transition, it is clear from our conversations that making a start with adoption, even amidst uncertainty, is better than not starting at all.

“You better embrace it as a business leader because, if not, your competition and the rest of the market is going to absorb the necessary dynamic capabilities in real-time, and you’re going to be lethargic and left behind.”

Richard Ashworth, Amedysis

However, this action alone is not enough—especially as strategy development is inherently tricky against an uncertain and constantly changing picture of possibilities and risks. Only 14% of respondents reported that strategy development was their sole focus, with the majority saying that they are taking additional actions, including investing in infrastructure (49%), building external partnerships (44%), and recruiting experts (39%).

While AI is acknowledged to have significant disruptive potential, its opportunities may still be greater. Companies take these risks and opportunities seriously, as evidenced by a thirteenfold increase in AI-related corporate investments in the last decade. However, more than a business-as-usual approach will be required to ensure that an organization will thrive in the age of AI. Profound change and strong cultural development will be needed, which will not happen if leadership isn’t at the forefront. We believe that the disruption does not start with strategy or operations, but with leaders themselves. The more they can adjust their professional identity as they embrace AI, the greater the transformation that will occur.

Business leaders can act boldly and strategically to achieve organizational readiness for AI. That will require a deep understanding of current market capabilities and possible gaps in capability within themselves and their organizations. Our conversations with leaders highlighted five key ‘success factors’—they can serve as cornerstones for leaders as they drive AI adoption strategies (see **Figure 7**).

# Five Success Factors

Figure 7



- **Business case development.** Evaluate the potential for value creation meticulously. This involves a comprehensive assessment of benefits, costs, practicality of implementation, and associated risks before deploying generative AI applications. By prioritizing value creation, leaders can ensure the adoption of effective AI initiatives.
- **Data quality management.** Prioritize the integrity of data. It is crucial to ensure that the data fueling generative AI is accurate, complete, and free from biases to yield dependable and valuable results.

- **Security controls.** Establish a robust data security framework. This should include defining user access levels and security measures that adhere to governance, compliance, ethical standards, and privacy regulations.
- **Architectural design.** Craft an architectural framework that is inherently scalable. This design should be capable of evolving to meet the demands of future use cases while remaining in line with the organization's core principles and values.
- **Change management.** Develop a robust change management strategy. This strategy should ensure a smooth transition and integration of generative AI into existing workflows, fostering acceptance and operational harmony. Maintain a people-focused approach during this change, ensuring that all technological changes serve the individuals they are meant to enable.

“AI is like a new colleague. They need to be trained, you have to give them clear work assignments and take your time with them!”

Marianne Janik, Microsoft

“To embrace the change within a big organization, you need to have a clear vision, but you also need the organization and the infrastructure to support it.”

Béatrice Guillaume-Grabisch, Nestlé

“Leadership needs to stay close to tech trends through personal initiative (do not outsource!) and continuously invest in several smaller projects to explore new trends. These projects should be supported ‘bottom-up’ to make the team realize these opportunities firsthand.”

Ron Lior, Uber Freight

“You need to show people examples of success in order to get people onboard.”

Mark Rose, Avison Young

# CONCLUSION

Very few leaders can claim to be experts in AI or know precisely how to translate AI opportunities into strategic action. However, beyond the solutions introduced earlier, our discussions with leaders across industries have identified several practical steps that one can take to position themselves—and their organizations—for success.

**Start small, go low, go slow, but go.** While the opportunity that AI promises is clearly recognized, capturing the opportunity with practical next steps can be an overwhelming ask. Leaders we've spoken to suggest starting small. Driving smaller, manageable initiatives with tangible results can break down the daunting uncertainty that comes with the shift, educating and boosting curiosity along the way. This is the foundation for fast and sustainable transformation.

**Create room for transparent exploration.** Leaders could create a psychologically safe space for exploration within their teams and organizations. Allow for the experimentation with different forms of AI within a secure sandbox—embrace utility-ready tools and capabilities at your fingertips, guided by organizational oversight and governance. This will bring playfulness to the transition at hand and could boost overall engagement and enthusiasm. Allow for consistent dialogue and organization-wide visibility of the sandbox learnings and outcomes; it could create a cultural shift of openness to the new technology. Moreover, leaders should ensure that all necessary stakeholders are included in this process.

“Go slow and pick something that works.  
Find technological interventions that are repeatable,  
scalable, easy to understand, and accurate.”

Richard Ashworth, Amedysis

“I see my role as the person who can educate,  
navigate AI as a journey, starting with small and digestible  
'use cases' to build confidence before looking at the  
more advanced AI capabilities available.”

Ciara Moore, Bank of Ireland

“AI developments in the organization are an evolutionary  
rather than revolutionary way.”

Rolf Habben Jansen, Hapag Lloyd

**Disrupt yourself first, or AI will.** Allow yourself as a leader to engage with this new technology by, for example, enrolling in an introductory online course, encouraging your colleagues to take the same approach. Some leaders we've spoken to emphasized personal learning, or understanding of AI, as one of the most crucial characteristics for embarking on a successful transition. Engage with experts in the field and embrace an internal shift of continuous learning.

Last but not least, leaders need to keep a sharp eye on investments in AI and not lose the "venture mindset" on those investments. This would mean being sharp about choosing the "right investment use cases" where the business case is clear, either to manage risk or to drive growth potential. And secondly, being ruthless about killing those investments where "value can't really be realized" due to some real obstacles. Finally, never losing sight or focus on "scaling" value-creating use cases, as that is key to realizing more sustainable value.

"I think the big challenge is the people. And I don't agree that it's the frontline people, but it's the leadership. Whether it's senior leadership or mid-management, they both tend to operate the same way they've always operated."

Patrick Trippel, Inventus Power

"It's all about the leadership mindset."

Jennifer Zhu Scott, IN. Capital

"Maintaining your own judgment as a leader is absolutely critical."

Marianne Janik, Microsoft

"You cannot get a company to embrace change if they don't have a clear understanding of where they want to go."

Béatrice Guillaume-Grabisch, Nestlé

## **Are you preparing to lead your organization into the age of AI?**

While our survey found that leaders are overwhelmingly looking at AI as an opportunity, the picture is not yet clear on how to harness this opportunity practically. It may be some time before a clear organizational strategy can emerge, but leaders can already test their own level of readiness to lead in the age of AI by reflecting on a few questions:

### **1. Am I tending towards fear or excitement when I think about AI and its possibilities?**

Where do I focus my efforts – on risks and barriers, or possibilities and potential?

### **2. Am I dreaming big enough when thinking about the potential use cases for my organization?**

Am I being audacious enough in my thinking, or am I limiting my outlook by focusing on barriers?

### **3. Am I creating a truly experimental environment?**

How do I enable my people and teams to test, learn, and fail?

### **4. Am I seeing the possibilities and challenges from every angle?**

Am I really listening to the views of all stakeholders to understand how AI may benefit or disrupt the different functional areas of my organization?

### **5. Am I embracing AI in a real sense, or am I experiencing it in a theoretical sense only?**

How am I experimenting with the technology? Have I witnessed its power firsthand, or am I forming judgments based on what I'm reading or hearing others say?

**IMPRINT**  
**GET IN TOUCH**



## Imprint

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