Leadership in the age of AI

New IBM study explores how leadership is transforming as Europe’s businesses embrace generative AI
82% of leaders surveyed have already deployed generative AI or intend to deploy generative AI in the next year, with internal pressure being the primary driver for acceleration.

96% are prioritizing governance and ethics as they engage in shaping internal and industry frameworks.

The top three deployment challenges listed are the development of ethical AI frameworks, talent acquisition and costs.

74% are planning to join discussions with peers or collaborate with policymakers.

Data security and privacy is seen as the main challenge in terms of leadership accountability.
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Foreword

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AI is the definitive gamechanger. A powerful catalyst with the potential to drive transformative global progress. And its rapid ascent is giving Europe, home to 7 of the world’s 10 most innovative countries, the chance to play a leading role.

There’s a real sense of opportunity in the region’s boardrooms, poised to seize this moment to reach new heights of growth and competitiveness. So, it’s no surprise to see generative AI deployment at the top of CEOs’ priorities for 2024.

But this doesn’t mean they’re blind to the challenges. Concerns around governance, ethics and security are top of mind as executives strive to adopt AI safely and responsibly. It’s a responsibility which touches every fibre of a business – from its data, to its people, to society at large. And success requires the kind of organizational shift few are prepared for.

Meanwhile, anticipation is growing. Employees, management and investors want leaders to act and act now. And most CEOs tell us they are almost ready.

The key now will be to ensure that AI is deployed with the right governance and intent.

It’s a generational opportunity and a journey which we at IBM are privileged to be taking alongside some of Europe’s most progressive and inspiring leaders as they drive impact across the region and beyond.
Introduction

AI revolution spurs transformation in the European boardroom

The rise of generative AI in 2023 has been nothing short of remarkable. As the technology went mainstream in the consumer market, progressive senior leaders were quick to respond, seeking to secure their place in the emerging transformation.

It’s a safe bet that 2024 will be the year businesses follow en masse, and pressure to make the right calls and lead appropriately is being felt across the C-suite. A new European study from IBM of 1,600+ senior leaders and C-Level Executives revealed the extent of this shift, with 96% of respondents who have/will deploy generative AI actively engaged in shaping new ethical and governance frameworks within their organizations.

As executives across Europe seek to untap the potential of AI while navigating growing security threats and an evolving regulatory, and ethics landscape, what does leadership in the age of AI truly entail?

96% of European executives are actively engaged in shaping ethical and governance frameworks for their AI deployment
“This new research from IBM suggests there’s a lot of interest from UK organisations in how generative AI can benefit them and the people they serve.

In the NHS, our top priority is delivering the highest standard of care to our patients and supporting the well-being of our hardworking professionals. Advances in Artificial Intelligence, including generative AI, are opening up new ways for us to do this more effectively than ever before, such as the AI-powered virtual assistants helping our HR teams to reduce their admin burden and allocate more time to helping colleagues solve problems.”

Asif Shah, People Services Digital Lead, East and North Hertfordshire, NHS Trust
Responding to mounting pressure

Business leaders surveyed say that the three greatest sources of pressure to embrace generative AI are coming not only from competitors or consumers, but from employees, board members and investors.

This stems primarily from a desire to modernize and improve operational efficiency (45%), using AI to automate routine processes and free up employees to take on higher value work while helping foster innovation. This is followed by the technology’s potential to enhance the customer experience (43%) and boost sales results (38%).

Answering the AI boardroom agenda in particular, respondents were virtually unanimous (95%)\(^1\) on the potential of generative AI to power better leadership decisions.

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1. Inverse percentage of ‘I do not think it will help me make better leadership decisions’.
Taking the lead on transparency and ethics

When it came to the challenges of deploying generative AI, the respondents identified the importance of employing it within an ethical and inclusive framework as the key challenge, followed by the pressure to hire specialist talent and cost implications.

And, while policy makers across Europe work to rapidly develop AI policy frameworks, business leaders themselves are being required to take ownership and responsibility on key issues, citing security implications (including privacy and surveillance) as the most fundamental to responsible AI.

Data security and privacy should indeed be a top priority, however, it is important for business leaders to understand the positive role AI can play in security when deployed correctly. IBM’s Global 2023 Cost of Data Breach Report revealed that AI use for security can have a significant impact in reducing breach cycles – an important factor for business leaders to consider as they prioritize areas for AI deployment.

Promisingly, European executives understand what is at stake, and are not taking the responsibility lightly. Almost all (96%) of those who have deployed or plan to deploy generative AI solutions told us they are making solid progress on governance. Key actions included the development of a dedicated ethics board, governance frameworks and impact assessments.

“The only way for leaders to approach AI responsibly is governance-first.”

Bola Rotibi, Chief of Enterprise Research, CCS Insight
“There’s an abundance of opportunity for businesses that can make early gains with generative AI, but in order for customers, regulators and other stakeholders to be able to trust the outputs of AI models, having the right governance framework in place is going to be critical.”

Paul Weller, Head of New Customer Propositions & Conversational AI, Natwest
Maintaining focus on continuous skills development

Across the board, improving AI skills proved to be a key priority, with 95% of leaders surveyed saying they were taking steps to ensure they have the right AI skills in their organizations. Here, respondents rank upskilling their existing workforce just ahead of recruiting new specialists and outsourcing to technology providers.

On a personal level, meanwhile, leaders are actively engaged in growing their own knowledge of generative AI technology (44%), the regulatory and compliance landscape (41%) and the ethical implications (41%).

Beyond doing their homework, they are also assuming proactive, personal accountability for helping establish the guardrails: 74% of leaders are planning to join active discussions with peers or collaborate actively with policymakers on AI regulation.

Despite these promising conversations, however, we still have a way to go. Even though 91% of respondents claim to have a good understanding of the regulatory context, a far smaller proportion (54%) felt clear about what it means for their business.

“Improving AI and generative AI skills by investing in accessible training programs and seeking experienced support will ensure that both technologies are used effectively across the organization.”

Bola Rotibi, Chief of Enterprise Research, CCS Insight

74% of leaders are planning to join active discussions with peers or collaborate actively with policymakers on AI regulation.

2. Inverse percentage of ‘We are not taking currently steps to address this’.
3. ‘Yes – I have a good understand of the regulation landscape and how it affects my business’ and ‘Yes - I have a good understanding of the regulation landscape but do not know what the implication on my business will be’ answers combined.
In leaders we trust

These are all key issues we need to address for Europe to fully realize the potential of generative AI – predicted to add between $2.7 trillion - $4.4 trillion annually to the global economy⁴. And with 82% of leaders surveyed having already deployed, or actively planning to deploy AI in the next year, the stage is set for the acceleration of AI within businesses across Europe in 2024.

While no organization wants to be left behind, in the eyes of their customers, investors, employees, and peers there is a license required to operate this exciting new technology. And that license is trust. This moment calls for trusted leadership, instilling good governance into every action taken.

All successful AI strategies will be dependent on an effective, responsible AI governance – and getting this right will ensure companies are prepared and ready to reap the benefits of the AI revolution.

“Business leaders are eager and excited, but they’re also aware of the challenges. Finding the balance between the two is the key to leadership in the age of AI.”

Bola Rotibi, Chief of Enterprise Research, CCS Insight

⁴ The economic potential of generative AI: The next productivity frontier – McKinsey, 2023
We recommend following four key principles:

**Prioritize value creation**

Any enterprise that wants to get the most out of AI should be participating in the full value creation opportunity of foundation models rather than outsourcing their capacity, strategy, and data to third parties.

**Bet on community**

Wherever AI goes in the future, one closed model will not rule them all. By integrating a mix of the best open-source, private, and proprietary models, businesses can make the most of the open community behind the revolution.

**Ensure your AI can run everywhere, efficiently**

By building with open, hybrid cloud technologies, businesses can optimize for cost, performance, and latency. The future of these technologies rests on agile, cost, and energy-efficient options, and the enterprises that succeed will be those that set themselves up to thrive in any environment.

**Be accountable**

Good AI is governed AI, and for those who hope to lead the charge, instilling this principle into everything that they do will go a long way toward cementing their position at the front of the pack.

One thing is certain - success sits firmly in the hands of Europe’s CEOs and senior business leaders as they navigate this dynamic new landscape.
In partnership with Censuswide, IBM interviewed 1,633 senior business decision makers in companies with 500+ employees across the UK, France, Spain, Germany, Italy and Sweden in September 2023. This was a minimum of 250 respondents per market, with at least 100 respondents in each market at C-suite level, and from 15+ different industries and sectors including Finance, Healthcare, Manufacturing, Retail, Telecoms and Utilities.

We know that businesses need AI workflows built with responsibility and transparency. And so, we’ve developed Watsonx - an AI and data platform, designed to help customers scale and accelerate the impact of AI with trusted data.

Watsonx AI assistants empower individuals throughout the organization to do work without expert knowledge across a variety of business applications, from automating customer service, to key internal workflows.

Ethical principles and governance have been embedded at every level to enable companies to deploy trusted, responsible, and accountable AI.

To find out more, visit https://www.ibm.com/watsonx