



Panorama

The Future of Leadership

**Artificial Intelligence
and its impacts
on Leadership**

Introduction

AI is here; and here to stay. It is a reality we cannot ignore. However, this is not to suggest a dystopian disaster in which robots replace all human life, but rather a technological inevitability that will alter the future workplace; no matter the organisation or sector we work in.

We cannot ignore the workforce shifts being faced at a global level, with a tightening labour market and ongoing productivity challenges facing many industries. We are in a flux of continual change, heightened by the pandemic and continued in its aftermath. The concept of dealing with 'polycrisis' as routine, is a common theme amongst leaders that we talk to.

On the face of it, AI is still a relative unknown to most leaders and organisations. Even with terms like generative AI and Large Language Models featuring frequently in business media stories and discussions, there is still some ambiguity about the technology's potential and real-world impacts on business, society, and the economy.

At Panorama we specialise in working with Executive and Non-Executive leaders across a broad range of sectors. AI is an area that we are deeply interested in exploring further and gaining insights into how it is impacting leaders and the organisations for which they are responsible, in all the regions that we cover. We are grateful to all those Executive and Non-Executive leaders who have engaged in this survey and taken the time to share their insights and experience.

This is a new paradigm for leadership and our Panorama colleagues want to support and innovate with our clients to prosper into the future.



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CHAPTER 1

**Around the Board Table:
Is AI a strategic opportunity
or risky business?**

In every organisation, regardless of type or size, the board has ultimate responsibility for its strategic direction, management of the Executive and governance oversight. Global, local and national trends in the economy, politics, society or technology can have a huge impact on individual organisations or sectors, and Boards must be alive to these.

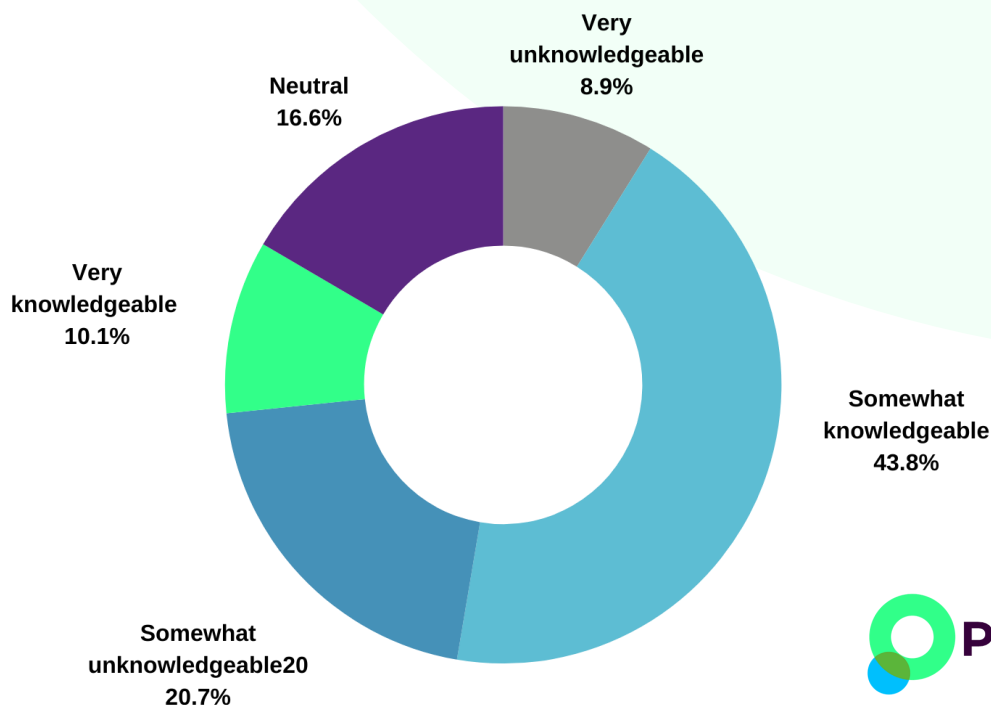
According to [the International Monetary Fund \(IMF\)](#), AI will change the global economy and affect almost 40 percent of jobs around the world, replacing some and complementing others.

With such an extensive impact predicted, we wanted to understand how seriously Boards are considering AI in their decision making and whether it is considered an opportunity or a risk; or indeed a risk that presents opportunity.

“Most Boards appear to be on a journey here.”

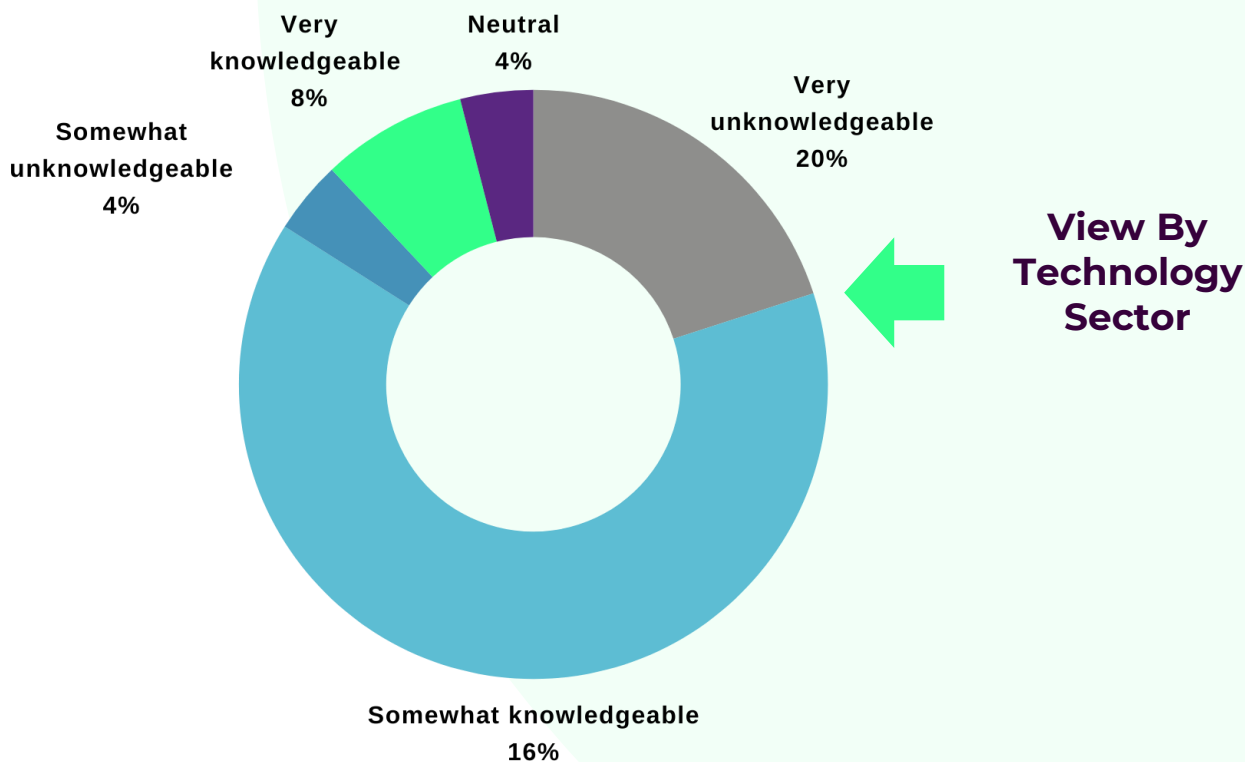
We asked our respondents to share how knowledgeable their Boards were with regards to AI. Just over half felt their Boards were ‘somewhat’ or ‘very’ knowledgeable, a percentage that increased to almost 70 per cent in the largest organisations. However, over one third of organisations considered their Boards ‘somewhat unknowledgeable’ or were ‘neutral’ in response.

How would you describe your Board’s current understanding of AI technologies and the potential impact on business operations and strategy?



Sectorally, those in the Technology and Professional Services categories noted the highest levels of knowledge among Boards with between 60 per cent and 85 percent being 'somewhat' to 'very knowledgeable', increasing to 100 per cent in larger companies. Those on Not-for-Profit or Public Sector Boards were considered to have more 'limited knowledge'.

How would you describe your board's current understanding of AI technologies and the potential impact on business operations and strategy?



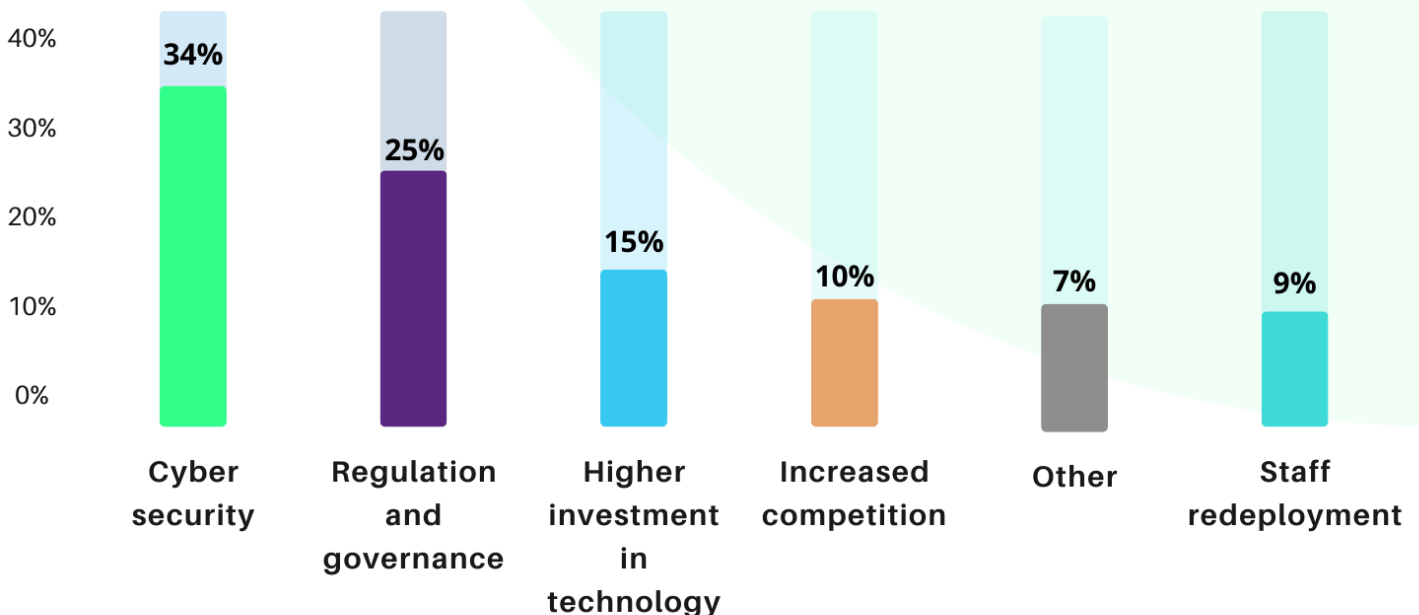
“ We are just about to publish our next five-year organisational strategy which has the deployment and development of responsible AI as a major priority. ”

When asked to identify the biggest risks facing Boards from AI implementation, cyber security most frequently topped the list, followed by governance and regulation, in every region and organisational size. This reflects a wider risk register trend with a growing emphasis on cyber security in recent years, particularly with the noticeable increase in data breaches at a regional and global level.

However, with AI, there are many unknowns, even amongst experts, and therefore it presents much higher risks, with a question over whether adequate regulation will even be possible. Whether at implementation phase or not, it is an area where more knowledge development and information sharing should be firmly within the Board's view.

There were specific sectors to note where other risks were very dominant beyond cyber security. In Private Equity, technology investment and staff redeployment were considered far bigger risks than cyber security. In Higher Education, particular risks from increased competition and staff redeployment arising from AI were also considered 'very significant'. A greater awareness and categorisation of risks from Boards across these sectors may reflect a more advanced approach to AI with various applications already being considered or implemented in these environments.

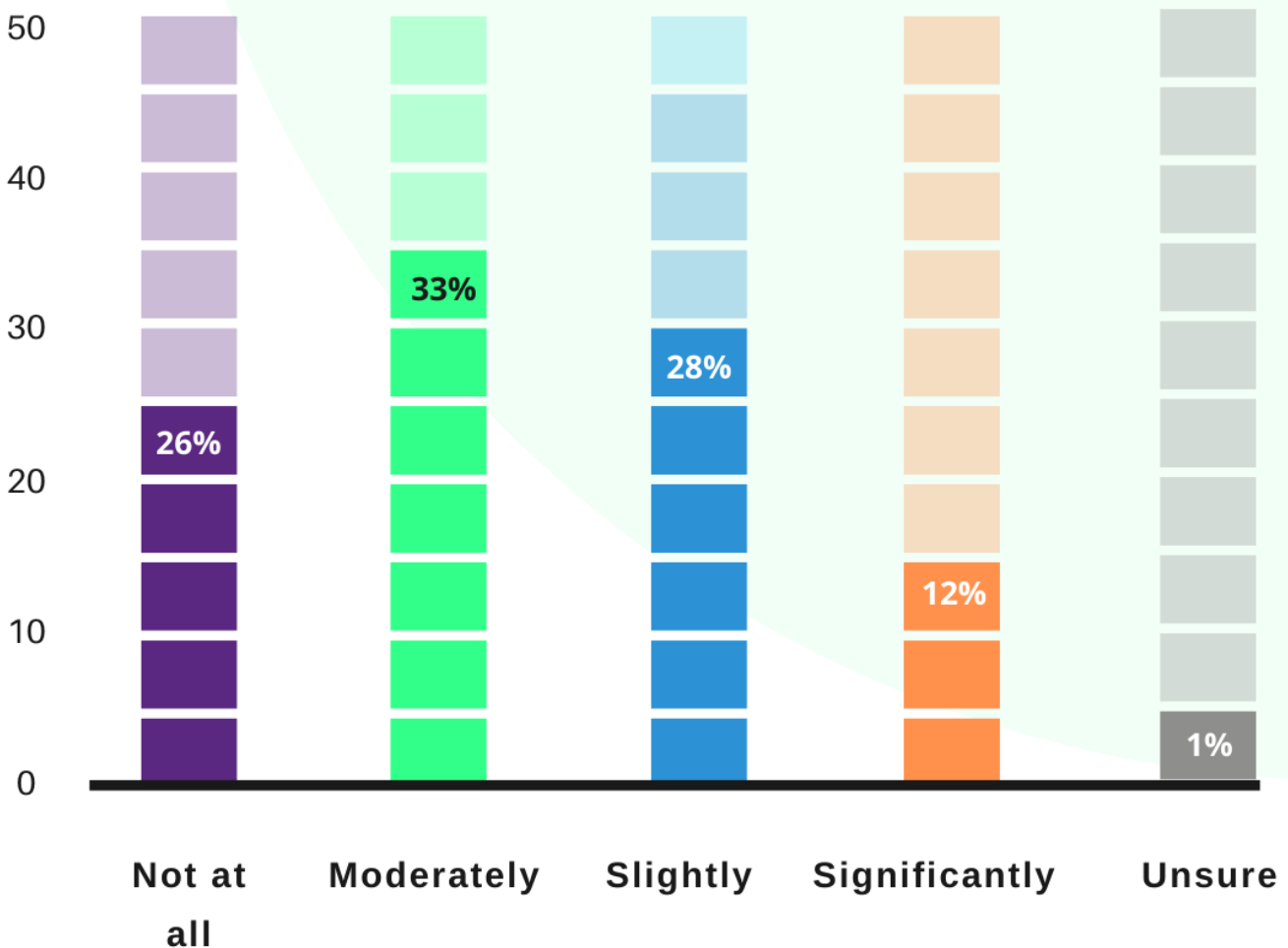
What are the most significant risks your Board associates with AI implementation?



“ AI has also created confusion, as to where to start? ”

While the level of awareness of Boards around AI varied across many regions and sectors, translating that into the impact on strategic decision making helps to define its importance. For the majority of Boards (almost 60 per cent) this impact was noted as ‘moderate’ to ‘slight’. Almost a quarter reported that it had ‘no impact’ on decision making at Board level. This may reflect a trend that currently AI implementation is only emerging in more specific applications or trial scenarios, rather than in widespread adoption across organisations, meaning it is not yet of major strategic importance to Boards.

In your opinion how has AI influenced the strategic board-level decision-making in your organisation?



There are sectors such as Technology and Higher Education where the impact at Board level has been noted as 'significant', and this is consistent regardless of organisational size or region. This resonates with wider global trends where the advance of AI in learning and technical environments is driving competition and educational skills development. Keeping pace with technologically-literate incoming generations and ensuring appropriately qualified workforces of the future is going to be paramount.

“ There are two major pillars of AI on our Board's radar. Ethical implications and the cost of technology investment. ”

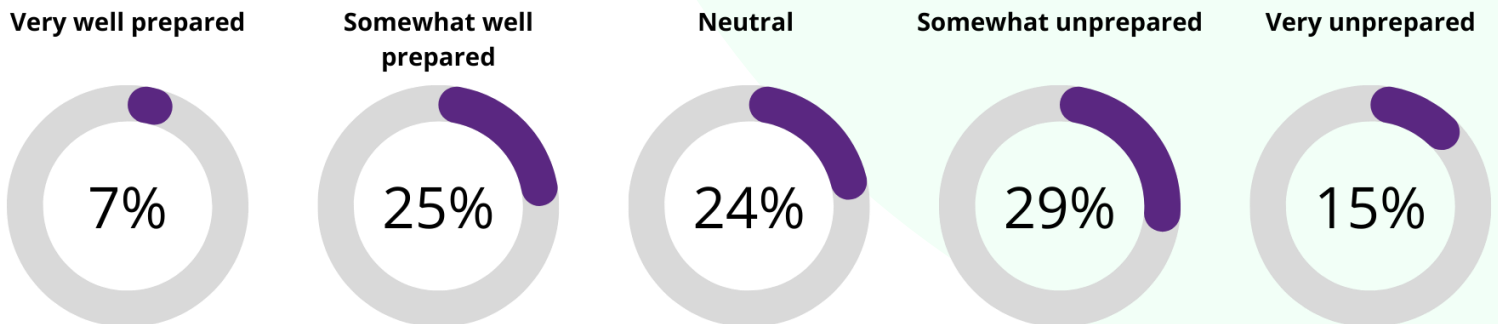
With ultimate responsibility for organisational governance and regulation, we wanted to explore the perceived preparedness of Boards to address AI deployment in an ethical manner. The responses were mixed and varied considerably based on organisational size and sector. The larger the organisation, the more prepared it seemed, and in certain sectors, such as Technology and Professional Services, particularly in North America, the level of preparedness was considered 'well' or 'very well' established. This reflects a wider regulatory focus, where consideration of AI in Technology, Education, Government and Financial Services is more advanced, and therefore greater engagement is necessary at Board level.

This also suggests that the investment in AI, and the overall impact on these organisations through applications of AI in various scenarios and the evolution of staff roles may be greater and therefore more awareness in these sectors and regions by Boards is critical.

“It’s not a question of not being prepared for it. But there is uncertainty about what exactly should be done. Everyone so far talks in generality with no specific actions.”

Conversely in smaller organisations and in sectors such as Manufacturing, Industrial and Energy where heavy machinery is often dominant and fewer analytical tools are typically used, Boards were noted as only ‘slightly,’ ‘moderately’ or ‘neutral’ in how prepared they were to address AI from a governance or regulatory perspective.

How well prepared do you consider your board to address the ethical, governance and regulatory challenges posed by AI?



While the responses overall to the effective deployment of AI in an ethical manner varied, it cannot be dismissed as a key issue to be addressed.

With AI expected to dramatically alter the whole job landscape and impact market evolution and competition everywhere, a lack of preparedness will inevitably become a risk at an operational and strategic level.

“I don't think any Board can truly say they are well prepared given how fundamentally AI will transform businesses.”

Consultant view

It is clear that the Board view of AI is still emerging, and that risk and opportunity exists in equal measure. However, this should not be categorised as a good or bad thing – the Board should have an objective view and is there to bring balance and question the Executive. But that does also mean it needs to be aware of major trends on the horizon and be able to adequately assess them for the good of the organisation, its people and the shareholders and stakeholders. It should not be at the risk of stifling growth, efficiency or societal benefit. There is balance that must be struck, and AI should have Boards questioning themselves more than ever.

Areas that we view as important for consideration:

- Boards need to be equipping themselves with more than a generalist knowledge of AI at this point to enable them to understand the risks and opportunities at a strategic level.
- Boards must be assessing the investment impacts of implementing AI, both in terms of upfront and ongoing costs, but also potential of returns and savings it can generate with business and employment models changing.
- Greater consideration of the impact of AI on risk registers and from a regulatory perspective in relevant regions and industries.
- Increased discussion with other Non-Executives in industries that are considered further ahead or with examples of AI implementation to understand challenges, opportunities and real-world impacts.
- Discussion with Executives and other stakeholders, including staff to establish appetite, concern or excitement around AI to address from a strategic perspective.



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[Click here to access the full survey.](#)

Thank you!

