IBM UK Newsroom

IBM Study: 6 Hard Truths CEOs Must Face - As CEOs rush to adopt generative AI adoption, workforce and culture concerns intensify

• Two-thirds of UKI CEOs say they are pushing their organisation to adopt gen AI more quickly than some employees are comfortable with

• 58% of CEOs surveyed say they are hiring for gen AI-related roles that didn't exist last year, but over half have not yet assessed the impact of the technology on their workforce

LONDON, UK, 29 May 2024 – A new study by the IBM (NYSE: IBM) Institute for Business Value found that CEOs face workforce, culture, and governance challenges as they quickly implement and scale generative AI across their organisations.

The annual global study* of 3,000 CEOs from over 30 countries and 26 industries found that 63% of those surveyed in UK&I say succeeding with generative AI will depend more on people's adoption than the technology itself. However, 64% of respondents say they are pushing their organisation to adopt generative AI more quickly than some people are comfortable with.

The findings also revealed that nearly two-thirds (65%) of surveyed UK CEOs say their teams have the skills and knowledge to incorporate generative AI. Still, few understand how generative AI adoption impacts their organisation's workforce and culture. Just over half (51%) of respondents have not yet assessed the impact of generative AI on their employees. Yet, 58% of CEOs surveyed say they are hiring for generative AI roles that did not exist last year, while 46% expect to reduce or redeploy their workforce in the next 12 months because of generative AI.

"Our report features six hard truths for the CEOs who recognise they cannot run the business of tomorrow with the skills, processes or mindsets of today," said Rahul Kalia, UK & Ireland Managing Partner, IBM Consulting. "For technology to transform the business, first the business must evolve. Success with GenAI will depend more on employee engagement and a culture of innovation than the technology itself."

Other key study findings include:

Workforces are straining under the pressure of generative AI adoption

- 37% of CEOs surveyed plan to hire additional staff because of generative AI.
- Yet half (50%) of respondents say they are already struggling to fill key technology roles.
- CEOs say 35% of their workforce will require retraining and reskilling over the next three years – up from just 6% in 2021.

CEOs recognise it takes a cultural shift to successfully scale AI, but face organisational collaboration and adoption challenges

- 60% of CEOs surveyed say their organisation's success is directly tied to the quality of collaboration between finance and technology, yet over half (56%) say competition among their C-Suite executives sometimes impedes collaboration.
- Most (81%) CEO respondents say that inspiring their team with a common vision produces better outcomes. At the same time, 36% acknowledge that their employees don't fully understand how strategic decisions impact them.
- 60% of those surveyed acknowledge that cultural change is more important to becoming a data-driven organisation than overcoming technical challenges.
- CEOs cite generative AI adoption as being critical to success, but over half (59%) of surveyed CEOs say their organisation must take advantage of technologies that are changing faster than people can adapt.

CEOs indicate the benefits of rapid technology adoption outweigh potential risks

- Three quarters (75%) of CEOs surveyed agree that governance for generative AI must be established as solutions are designed, rather than after they are deployed.
  - Although 71% of UK CEOs surveyed say trusted AI is impossible without effective AI governance in their organisation, only 35% say they have good generative AI governance in place today.
- At the same time, 64% of CEO respondents say they will take more risk than the competition to maintain a competitive edge, with over half (55%) agreeing that the risk of falling behind is driving them to invest in some technologies before they have a clear understanding of the value.
  - 69% of surveyed CEOs say the productivity gains from automation are so great that they must accept significant risk to stay competitive.
  - While today 60% of surveyed CEOs are no further than generative AI piloting and experimentation, 58% expect to be driving growth and expansion by 2026.

Productivity or profitability is a top priority, but a focus on short-term targets might be hindering long-term progress

- CEOs ranked Productivity or profitability as their highest priority for the next three years – followed by product and service innovation.
- 44% of respondents say they are willing to sacrifice operational efficiency for greater innovation.
- However, CEOs point to a focus on short-term performance as their top barrier to innovation.
- Today, only 38% of UK CEOs surveyed are primarily funding their generative AI investments with net new IT spend, with the remaining 63% reducing other technology spend.

To view the full study, including actionable strategies to help organisations navigate the complexity of generative AI adoption, visit: IBV CEO Study: 6 Hard Truths CEOs Must Face

***Study Methodology**

The IBM Institute for Business Value, in cooperation with Oxford Economics, conducted interviews with 3,000 CEOs from over 30 countries and 26 industries from December 2023 through April 2024 as part of the 29th edition of the IBM C-Suite Study series. These conversations focused on business priorities, leadership, technology, talent, partnering, regulation, industry disruption and enterprise transformation.

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