IBM Institute for Business Value

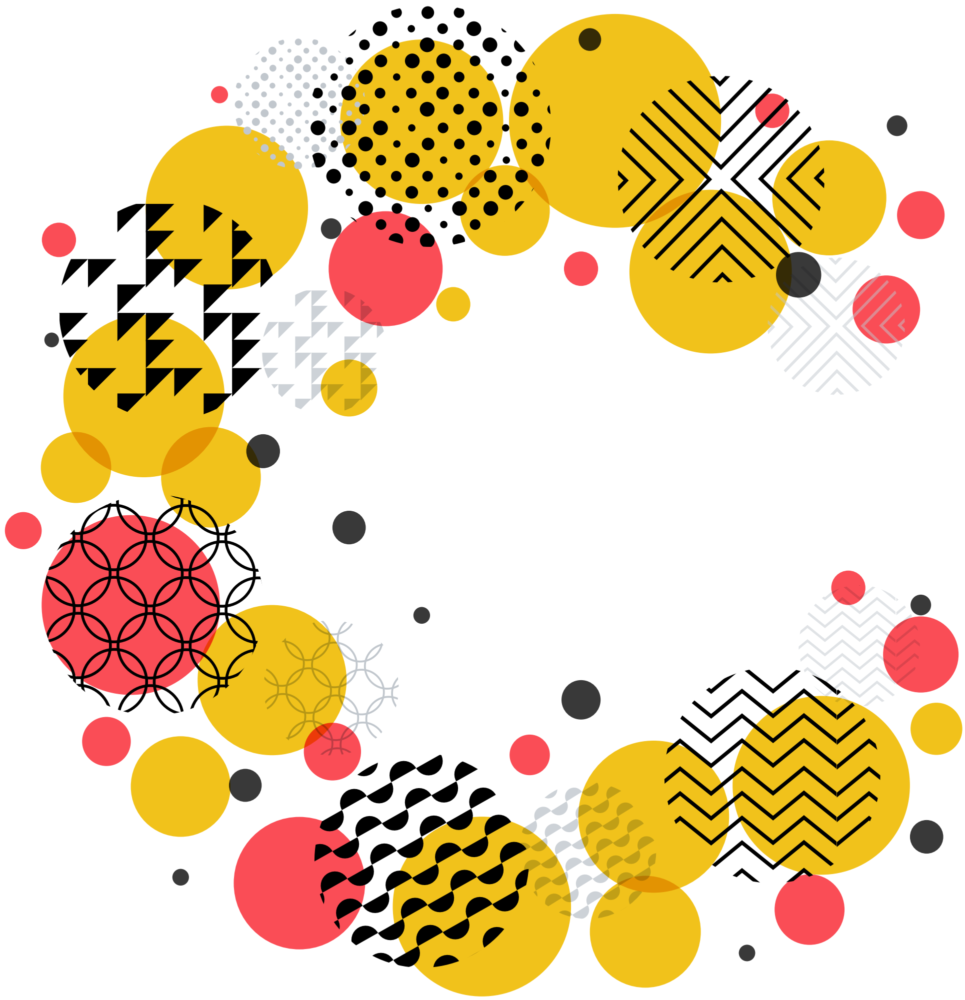
Global
C-suite
Series

29th Edition

CEO Study

6 hard truths CEOs must face

How to leap forward with
courage and conviction
in the generative AI era



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About the study

This study represents the 29th edition of the IBM Institute for Business Value (IBM IBV) C-suite Study series. For the 2024 CEO Study, IBM IBV, in cooperation with Oxford Economics, conducted two rounds of survey-based interviews with more than 2,500 CEOs from 30+ countries and 26 industries. Conducted from December 2023 through April 2024, these conversations focused on business priorities, leadership, technology, talent, partnering, regulation, industry disruption, and enterprise transformation. Additional insights were drawn from ongoing IBM IBV research related to evolving technologies, including generative AI and hybrid cloud, and various industries. Findings were also derived from numerous client interactions, including more than two dozen deep-dive interviews with CEOs conducted from July 2023 through April 2024.

The cover concept and individual patterns in this report were developed using generative AI.

IBM IBV designers translated each of the "hard truths" into prompts, and then used these prompts within Adobe Firefly to generate vector-based imagery that inspired the basis and structure for each pattern. Similarly, the photos that appear in this report were identified using AI-assisted, natural-language search, using the generated patterns as reference images.

Overall, the efficiency gained by integrating these tools into the design process is as follows:

Concept—3 weeks to 1.5 days

Patterns—2 weeks to 2 days

Photography—1 week to 2 hours

Contents

The opportunity paradox

Is generative AI your wildest dream or your worst nightmare? It depends on how your organization reacts today—and prepares for tomorrow.

Generative AI has the potential to shake up the way your business has always worked, driving unprecedented productivity and revealing new avenues for growth. But those tremors could also crack the foundation—and send everything you've built crashing to the floor.

"The more uncertainty you face, the more opportunities you have. In the past, eight out of 10 CEOs could get it right, but now only two CEOs can get it right. For the two CEOs who do it right, the benefits are even greater."

Chairperson, Industrial Manufacturing, China

The risk is real, but sticking to the status quo isn't any safer. As generative AI throws everything into question, CEOs understand that they can't stay the course *and* stay in the race. More than two-thirds say the potential productivity gains from automation are so great that they must accept significant risk to remain competitive—and 62% say they'll take more risk than the competition to maintain their competitive edge (see Figure 1).

And it doesn't stop there. Our 2024 CEO study reveals that:

- 59% of all CEOs surveyed—and 72% of top-performing CEOs—agree that competitive advantage depends on who has the most advanced generative AI.
- 72% of all CEOs see industry disruption as a risk rather than an opportunity.
- 62% say they will need to rewrite their business playbook to win in the future, rather than play to existing strengths.

In this high-stakes environment, CEOs must strike the right balance between caution and courage—while moving faster than ever before. 43% say they'll increase the tempo of their organization's transformational change in 2024, compared to just 19% that expect to slow down. As top leaders pick up the pace, they need to unite disparate teams to deliver growth while also managing data privacy concerns, legal liabilities, and technical complexity.

Figure 1

Big risks, big rewards

The promise of generative AI inspires CEOs to step out of their comfort zones

67%

say the potential productivity gains from automation are so great that they must accept significant risk to stay competitive.

62%

say they will take more risk than the competition to maintain their competitive edge.

Even if they don't know exactly where they're headed, CEOs have to push their teams forward faster. Productivity gains and other quick wins are fueling this acceleration, but that's just the beginning. CEOs that stop here will miss out on the biggest part of the generative AI opportunity: top-line growth.

Yet, 59% say they aren't willing to sacrifice operational efficiency today to drive greater innovation. CEOs also say focusing on short-term outcomes is the top barrier to innovation. This suggests that many could fall into the trap of making incremental improvements, instead of transforming critical operations. But if CEOs open the aperture, generative AI can be the springboard they're searching for.

They'll have to make some important trade-offs. As the shelf-life of successful business strategies continues to shrink, they'll need to question old assumptions. That may mean exploring new business models, developing entirely new product lines, bringing new partners into the fold—or saying good-bye to business relationships that can't drive new strategies forward.

To make their wildest generative AI dreams reality, CEOs need to let go of "what has always worked" and start tackling the hard truths holding them back. For technology to transform the business, first the business must evolve.

CEOs that settle for productivity gains will miss out on the biggest part of the generative AI opportunity: top-line growth.

> “If someone else destroys our old business model, we will be ruined. But if we destroy our old business model, we will survive.”

Nobuhiro Tsunoda
Chairperson, Ernst & Young Tax Co., Japan

How are leading CEOs preparing for an uncertain future?

CEOs across the board expect their investments to drive growth and profitability. But those results don’t always materialize. So, what are leading CEOs doing differently?

We’ve identified a group of CEOs, representing roughly 10% of our global dataset, that are outperforming the competition despite global disruption. Here are six critical capabilities and characteristics that allow them to act with conviction even in the face of uncertainty.

Effective strategy development

The executive leadership team crafts a compelling strategic vision to drive business outcomes.

Expertise-led differentiation

Expertise informs business decisions and gives the organization a competitive edge.

Robust technology foundation

Digital infrastructure enables new investments to efficiently scale and deliver value.

Outcomes-focused investment

Technology leaders deliver capabilities aligned with enterprise strategy and priorities.

Active ecosystem engagement

The organization engages partners by delivering industry-specific solutions beyond enterprise borders.

Actionable enterprise metrics

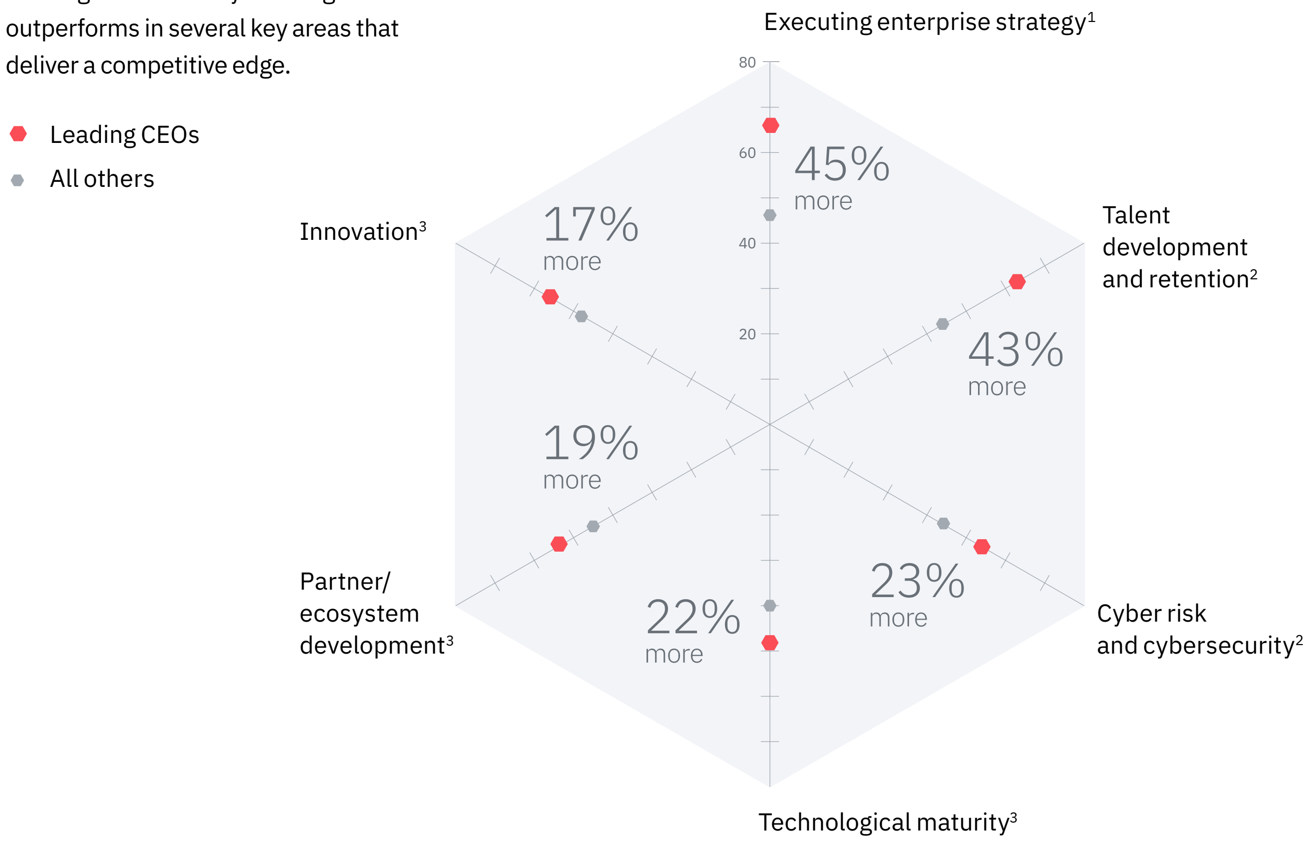
Enterprise data and KPIs effectively set a clear bar for success, which helps teams achieve business objectives.

What sets top-performing CEOs apart?

High performance starts with financial metrics. CEOs in our leader group run organizations that have outperformed the competition in annual revenue growth and operating margin since 2020.

2020-2022	Outperformance metrics	2023
+ 16.4%	Annual revenue/ budget growth	+ 17.7%
+ 20.4%	Operating margin	+ 19.8%

Leading CEOs also say their organization outperforms in several key areas that deliver a competitive edge.



1. Rate the effectiveness of your organization in the following areas: Executing the enterprise strategy. Percentage reflects "effective" and "highly effective." 2. How does your organization's performance compare to similar organizations over the past three years? Percentage reflects "outperformed" and "significantly outperformed." 3. How would your closest competitor rate your organization's performance compared to similar organizations? Percentage reflects "leading" and "significantly leading."

> "As AI develops, there will be three types of people: those who create AI, those who use AI, and those who are used by AI."

Kazuhiro Nishiyama
President, Kansai Mirai Bank, Limited

CEO priorities and challenges are changing rapidly

Disruption is demanding CEOs to shift their focus. As new challenges come to the fore, CEOs are prioritizing different strategic objectives and tapping quickly evolving technologies, including new forms of AI, to deliver business results.

Top priorities

2023		2024
Productivity or profitability	1	**Product and service innovation**
Tech modernization	2	Tech modernization
Customer experience	3	Cybersecurity and data privacy
Cybersecurity and data privacy	4	Forecast accuracy
Environmental sustainability	5	Productivity or profitability
Product and service innovation	6	Customer experience

Top challenges

2023		2024
Environmental sustainability	1	**Business model innovation**
Cybersecurity and data privacy	2	Productivity or profitability
Tech modernization	3	Scalability of service delivery
Talent recruiting and retention	4	Marketing and sales effectiveness
Diversity and inclusion	5	Forecast accuracy
Business model innovation	10	

Top technologies

2023		2024
Cloud computing	1	**Generative AI**
IoT, mobile, and connected devices	2	IoT, mobile, and connected devices
Machine learning	3	Advanced analytics
Advanced analytics	4	Data architecture
Automation	5	**Traditional AI**
AI chatbots and natural language processing	6	Hybrid cloud

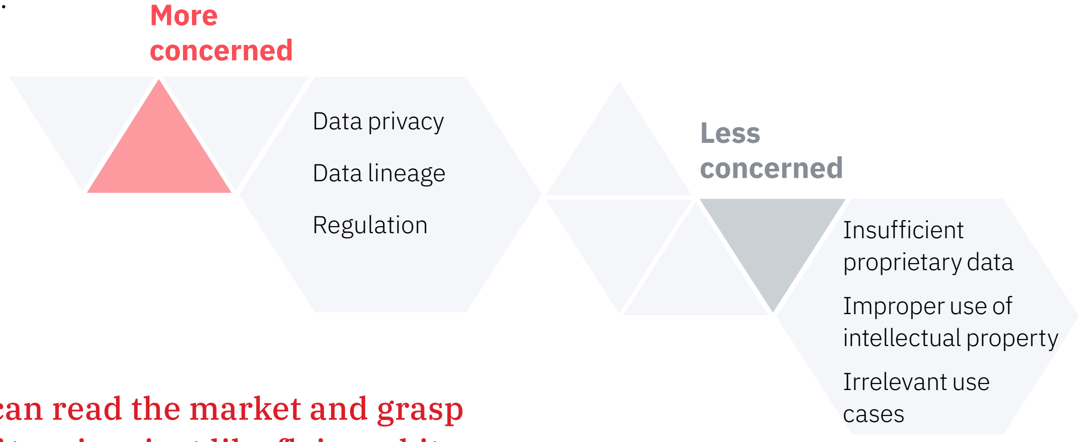
CEOs have big plans for generative AI

CEOs seek a rapid transition with generative AI, from piloting projects to increasing efficiency to driving growth. Those who aren't planning to transform quickly risk being left behind.

	Not investing	Piloting and experimentation	Efficiency and cost savings	Growth and expansion
Today	24%	47%	26%	3%
2025	10%	20%	52%	18%
2026		13%	38%	49%
2029		3%	30%	67%

Note: Not all lines add up to 100% due to rounding.

CEO concerns about generative AI adoption are also changing as capabilities mature.



> "A good CEO can read the market and grasp the degree of tension, just like flying a kite, loosening it when there is wind and pulling it when there is no wind."

Chairperson, Industrial Manufacturing, China

> "CEOs continue to manage that creative tension between having a vision for the organization of the future while still being grounded in the realities of today."

Ngiam Siew Ying
CEO, Synapxe

The six hard truths

Here are six difficult realities CEOs must face—from people challenges to operations hurdles to data and technology limitations—to outcompete in the age of generative AI.

1. Your team isn't as strong as you think.
2. The customer isn't always right.
3. Sentimentality is a weakness when expertise is in short supply.
4. Sparring partners make the best leaders.
5. People hate progress.
6. Tech short-cuts are a dead end.

1

Your team isn't as strong as you think.

In a world where generative AI separates the winners from the losers, people are a CEO's biggest technology problem. No matter how good a team is today, it isn't good *enough* to compete tomorrow.

"Talent is key to resilience. If I don't have talent that can anticipate and adapt, absolutely nothing is going to happen."

Fabián Hernández
CEO, Movistar Colombia

CEOs understand that their people will make all the difference. Already, 51% are hiring for generative AI-related roles that didn't exist last year. Yet, most say their organizations are straining under the pressure. More than half say they're already struggling to fill key technology roles—and it's unlikely this task will get easier any time soon. Overall, CEOs say 35% of their workforce will require retraining and reskilling over the next three years—up from just 6% in 2021.

Yet, they aren't sure exactly what should change. Nearly two-thirds say their teams have the skills and knowledge to incorporate generative AI—and 67% say their recruiting and retention efforts deliver the skills and expertise they need to achieve business objectives, even as they face a talent shortage. A lack of data may be causing this disconnect, as only 44% of CEOs say they've assessed the impact of generative AI on their workforce (see Figure 2).

Look for the people doing tomorrow's jobs today to redefine how work should be done.

Figure 2

Connect the dots

Most CEOs are acting fast on generative AI—but fewer understand its workforce implications

51% of CEOs say they're currently hiring for generative AI-related roles that didn't exist last year.

But only

44%

of CEOs have assessed the impact of generative AI on their workforce.

"We have to have the best team for today—but will it be the right team for the future? We cannot be sure. That's why we need to reskill, retool, and get people ready for what is coming."

Ngiam Siew Ying
CEO, Synapxe

"We must change our business model to benefit from AI—and in the future, quantum computing—to recruit the best talent."

Nobuhiro Tsunoda
Chairperson, Ernst & Young Tax Co., Japan

Connecting the dots will be crucial in the coming year, given that 40% of CEOs plan to add staff because of generative AI. A larger portion (47%) expect to reduce their workforce because of generative AI, but they say the number of jobs created will exceed the number of jobs lost overall. On average, they plan to increase the workforce by nearly 6% over the next three years. As generative AI continues to shake up how work is done, CEOs will need to rethink how skills, experience, and job roles relate to each other to make the most of this talent investment.

The augmented workforce of the future promises to create more value than people or machines can deliver alone, but you can't plug tomorrow's talent into yesterday's operating model. CEOs must identify the people doing tomorrow's jobs today and tap their experience to define how work should be done in the future.[1]

Reimagine how humans and machines can share the load.

Look beyond initial productivity gains to see how a new division of labor—and an entirely new operating model—could drive innovation and transformative growth.

What to do

Take a fresh look at your talent.

- Adopt a "day 1" mindset. If you wouldn't hire your people today, identify what's missing and whether training can get them where they need to be.
- Identify forward-thinking talent that's leading the change. Give these people a platform to teach others.
- Accurately assess the cost associated with replacing talent that can't adapt. Compare this against the opportunity cost of stagnation—and act as quickly as budgets will allow.

Boost creativity with a culture of curiosity.

- Cultivate human-tech chemistry by pairing people from different parts of the organization to drive transformation initiatives.
- Redefine ways of working. Encourage experimentation with generative AI tools and build in time for teams to share their learnings.
- Reward thoughtful risk-taking to set the tone. Use incentives to show that, win or lose, experimenting with generative AI delivers value for the organization.

Make people your most important tech investment.

- Analyze workforce data to determine where your organization has skills gaps and define a timeline for closing them.
- Know when to buy, build, borrow, or bot. Assess where it makes sense to fill the gap with employee training, targeted automation, or partner resources.
- Be prepared to spend more than you have in the past to hire for in-demand skills.

The customer isn't always right.

Customers don't know what they'll want tomorrow. It's not that they're indecisive—it's that the next big thing could change everything.

Just as connected mobile devices have introduced must-have products that didn't exist a decade ago, generative AI could open the door to a new universe of opportunity. This may be why CEOs say product and service innovation is their top priority for the next three years—up from sixth place in 2023.

> **"AI has a role in helping us advance to provide better service to our customers."**
>
> **Javier Tamargo**
> CEO, 407 ETR

Generative AI can help companies tap into vast stores of customer data, from in-depth market research to individual device metrics, to come up with paradigm-busting product ideas. It can even validate far-out concepts against real-world business criteria, letting employees focus on the creative work required to bring the best ideas to life. With these game-changing capabilities on the table, 86% of global digital product leaders say generative AI is now a critical part of digital product design and development.[2]

However, this is only the starting point for true product innovation. Hitting the right mark in a hyper-competitive consumer landscape will require more co-creation than companies are used to. Rather than spending months designing and developing the perfect product or experience, companies will need to prioritize speed to market—and fast feedback loops that give customers a voice.

Generative AI can take some of the guesswork out of this process by making customer feedback more accessible to product teams. According to recent IBM Institute for Business Value (IBM IBV) research, only 30% of organizations are harnessing generative AI to quickly analyze and summarize customer feedback to inform product design and development today. But these early adopters already have an edge: they're 86% more likely to be creating hyper-personalized experiences than their counterparts.[3]

Until recently, hyper-personalization at scale seemed like a pipe dream. But it's quickly becoming reality with the help of generative AI. While only a quarter of organizations are using generative AI to create hyper-personalized digital product experiences today, that figure is expected to more than double to 64% by the end of 2024.[4]

> **"At smart Europe, we are super-fast, we are super agile, we listen, and we change. As long as we show customers that we're taking their issues seriously and fix them quickly, they're happy. People appreciate our co-creation approach."**
>
> **Dirk Adelmann**
> CEO, smart Europe GmbH

In this way, generative AI can make customer experiences magical. It can give customers exactly what they want before they've even thought to ask for it. This instant gratification could be very addictive—as long as technology respects people's boundaries.

To walk the line between product wizardry and privacy invasion, companies must use customer data ethically and responsibly. Customers are willing to be wowed by hyper-personalization, but they want to know what's happening behind the curtain. For instance, a 2024 IBM IBV consumer study found that more than half of consumers want to receive personalized information, advertisements, and offerings from retailers, but roughly four in 10 want information about and control over how that data is being used.[5]

As hyper-personalized experiences become less fiction, more reality, CEOs know they need to protect customer trust. Almost three in four agree that establishing and maintaining customer trust will have a greater impact on their organization's success than any specific product or service features. And four in five say transparency around the organization's adoption of new technologies is critical to fostering that trust (see Figure 3).

> "We tend to start with the business problem and what we're trying to accomplish, and then we look for technologies or innovations that can help us do that."

Judy McReynolds
CEO, ArcBest

Figure 3

Product wizardry versus privacy invasion

Open communication with customers is essential to successfully deliver hyper-personalized products

80%

of CEOs say transparency around the organization's adoption of new technologies is critical to fostering customer trust.

71%

say establishing and maintaining customer trust will have a greater impact on their organization's success than any specific product or service.

Design holistic experiences and hyper-personalize product development while keeping an eye to the future.

Create dynamic experiences that incorporate continual customer feedback and build trust through transparency.

What to do

Get more from your systems.

- Use technology to deliver superior experiences—but think beyond current customer sentiment and expectations.
- Look beyond what customers say they want today to design the breakthrough innovations of tomorrow.
- Use data and generative AI to identify new opportunities to move forward rather than perfect the present.

Be transparent about how you use customer data.

- Make trusted data the backbone of your organization. Be upfront about what data you're collecting, how you're using it, and why.
- Let customers share their data on their own terms. Explain how their data will improve their experience and let them opt-in based on their personal priorities.
- Stay ahead of customers' ethical expectations. Go beyond what's required by regulation to cultivate customer trust in your data policies.

Co-create products and experiences to increase customer engagement.

- Set expectations up front for every interaction to make customers feel like they're being catered to, rather than spied on.
- Lead with design thinking. Use customer feedback to inform rapid iteration, with generative AI suggesting and validating potential improvements.
- Use large language models to power hyper-personalized experiences, such as curated product recommendations, tailored marketing messages, and customized content.

3

Sentimentality is a weakness when expertise is in short supply.

CEOs need to trust the partners they bring to the table—and that trust can take years to build. But valuing connections over capabilities could be kryptonite for business leaders as they jockey for a competitive edge with generative AI.

"An enterprise must look at who it walks with. In the business ecosystem, you must work with the best—otherwise you will be left behind."

Chairperson, Industrial Manufacturing, China

Looking to the future, CEOs know they need to be selective about which partners they prioritize. Nearly two-thirds say their organization's strategy is to concentrate on fewer high-quality partners. This is perhaps to keep key vendors close at hand, as 60% expect critical expertise and capabilities to be increasingly concentrated in a small cluster of organizations.

Striking the right mix between familiar faces and fresh ideas will be crucial as CEOs push their teams to innovate. Today, more than half say changing strategic priorities demand reconfiguring core business partnerships. Yet, in the same breath, 76% say they have the right network of partners to execute their strategy today (see Figure 4).

"It's dangerous if we can't have heart-to-heart discussions with our partners about how we're positioned to navigate change—and what will happen if things are left as they are."

Kazuhiro Nishiyama
President, Kansai Mirai Bank, Limited

Figure 4

Recalibrating relationships

CEOs expect to pivot their partnerships as priorities change

76%

of CEOs say they have the right network of partners to execute their strategy.

But

55%

say changing strategic priorities demand reconfiguring core business partnerships.

While trust and shared values are central to successful partnerships, CEOs must resist the urge to cling to what's comfortable as they navigate the winds of change. They won't be able to accelerate transformation if they keep investing in an unproductive status quo.

By assessing their organization's strengths—and deciding what must be done in-house—leaders can determine where to get external support. While it may seem unnatural at first, CEOs will need to cede control over non-essential aspects of the business to focus more attention on what matters most. With the right partners in the right seats, CEOs can tap capabilities that were previously out of reach.

> "You can't be good at everything. That's why you have to find partners—and find a model that makes you comfortable working with these partners."

Mikkel Hemmingsen
CEO, Sund & Bælt Holding A/S

Ask for what you need—and don't settle for less.

Clearly define the outcomes you need from your partnerships and what matters most to each player. Access relevant, high-demand skills through ecosystem partnerships to supplement the core capabilities you build in-house.

What to do

Ruthlessly cut dead weight to make room for new growth.

- Know what you value most. Don't continue to invest in long-term partnerships that are no longer producing results.
- Surround yourself with the best. Build a new relationship checklist and move on from partners that don't meet your standards.
- Ensure that your partners are aligned with your approach to AI ethics and the guardrails that are in place.

Decide when and how you will let others take the wheel.

- Define—then clearly communicate—how much control you're willing to cede, as well as which capabilities you must keep in-house to control essential operations.
- Trust the experts. You can't be the best at everything, but you can benefit from collaborating with specialists.
- Engage your ecosystem partners as full participants in technology innovation and adoption.

Build symbiotic relationships.

- Cultivate the give-and-take. Create mutual dependency with your best partners by investing time and resources to support their strategic goals.
- Take advantage of complementary strengths and perspectives to boost foresight and resilience in the event of change.
- Clearly communicate what you need, what's a deal-breaker, and what you're willing to compromise on.

Sparring partners make the best leaders.

The C-suite shouldn't always agree. Each officer comes to the table with their own perspective and area of expertise. No individual view offers objective truth. Rather, it's the full picture they paint together that helps CEOs decide which direction the organization should take.

"If a senior management team completely excludes the exchange and collision of views and opinions, the team is not creative."

Chairperson, Industrial Manufacturing, China

Just as sparring strengthens fighting skills, emphatic discussion leads to better decisions, especially in times of uncertainty. But CEOs need to set clear ground rules to keep these conversations constructive. If leaders believe no holds are barred, debates can devolve into all-out brawls. These melees tend to be counter-productive, with nearly half of top leaders saying competition among their C-suite execs impedes collaboration from time to time.

However, conflict can also increase creativity, as clashes help leaders find common ground. When leaders learn to speak each other's languages—and co-create shared strategies—they find inspired solutions to interconnected business challenges. This will be crucial as technology transforms the business landscape, with nearly two-thirds (65%) of CEOs saying their organization's success is directly tied to the quality of collaboration between finance and technology functions (see Figure 5).

Over the next three years, CEOs will lean on COOs, CFOs, and CTOs to make pivotal decisions. Technology leaders will need to set the bar for tech capabilities across the business, COOs must advise where technology can make the biggest day-to-day impact, and CFOs will need to advise where finite budgets should be spent. To make sure the organization benefits from the expertise of all its leaders, not just the ones who shout the loudest, CEOs will need to set clear cultural parameters around how decisions are made.

When leaders learn to speak each other's languages, they find inspired solutions to interconnected business challenges.

Figure 5

Rules of engagement

CEOs must foster a culture that encourages emphatic debate *and* constructive collaboration

65%

of CEOs say their organization's success is directly tied to the quality of collaboration between finance and technology functions.

48%

say competition within their C-suite sometimes impedes collaboration.

"The more you specialize and divide a process into parts, the more you have to create some kind of dependency between the parts."

Mikkel Hemmingsen
CEO, Sund & Bælt Holding A/S

Perspective

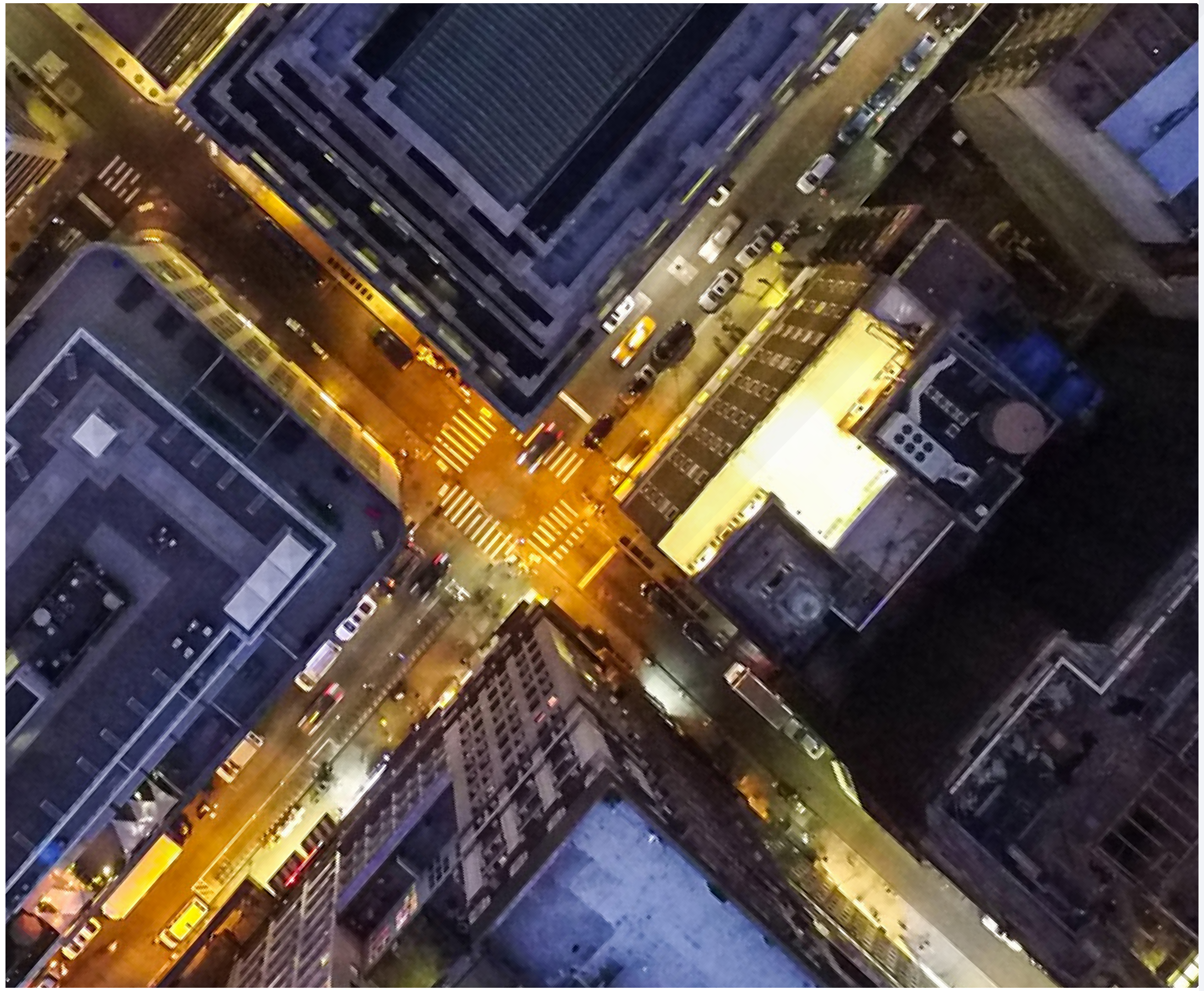
Different corners, different views

C-suite officers have different perspectives on how to measure progress—and what's holding innovation back—based on where they sit in the organization.

	CEOs	CFOs	Tech CxOs
Barriers to innovation	Short-term focus	Management resistance to change	Regulatory constraints
	Regulatory constraints	Aversion to risk	Inadequate technology or data
	Employee resistance to change	Limited budget	Management resistance to change
Measures of enterprise transformation	Organizational digital maturity	Financial benefits	Innovation maturity
	Cybersecurity maturity	Risk exposure	Cybersecurity maturity
	Technology adoption	Project progress	Customer experience

Build a C-suite that can lead with conviction.

Generative AI changes what you can do—but it shouldn't change who you are. Reinforce a clear and compelling vision to prioritize new opportunities and align transformation efforts across the organization.



What to do

Define rules of engagement and emphasize expertise.

- Use consistent data, establish clear governance, and define desired outcomes.
- Set ground rules for healthy debate and build constructive tension to spark growth and innovation.
- Highlight where it's critical to speak a common language and where individual expertise is essential.

Break down barriers between IT and the business.

- Surface conflicting expectations around critical paths and timelines.
- Stop measuring business and IT goals separately.
- Prioritize IT projects with the strongest links to business value.

Restructure the C-suite for success.

- Create a clear decision-making matrix. Give leaders clear guidance about who has authority in which area.
- Align rewards and incentives to encourage debate on the right topics.
- Actively encourage the inclusion of different expert opinions while clearly defining when a decision has been made or where you need quick consensus.

5

People hate progress.

Generative AI promises to bring opportunities that were once pure fantasy into the realm of possibility. But moving beyond productivity gains to business model innovation will require buy-in at all levels of the organization—and many employees see generative AI as something that's happening TO them, not a tool that works FOR them.

"Process automation is not about replacing an individual. It's about enhancing the value of individuals—making human work more human."

Javier Tamargo
CEO, 407 ETR

"You have to take the entire organization with you on the journey. Enable teams through new tech solutions, give them the resources to run a pilot and see the advantages it can deliver. Then they'll fight for it.

Dirk Adelmann
CEO, smart Europe GmbH

CEOs see the people problem that generative AI is creating. Nearly two-thirds (64%) say their organization must take advantage of technologies that are changing faster than employees can adapt—and 61% say they're pushing their organization to adopt generative AI more quickly than some people are comfortable with.

Part of the issue is that many people think they're training their replacement. Despite the fact that business leaders consistently say this technology will support human employees—not replace them—employees remain skeptical. Until they're convinced, they won't take the initiative to rethink how work is done.

To get people on board, organizations will have to invest in training that will help them see generative AI in a new light. If they understand how this technology can make their jobs easier—and more rewarding—organizations could see a major uptick in adoption. Most CEOs know that making the most of generative AI will require developing technology and people in equal portion, with nearly two-thirds saying success will depend more on people's adoption than the technology itself (see Figure 6).

CEOs also need to help people connect the dots between strategy, governance, and security as transformation continues to accelerate. They'll need to create thoughtful guardrails—not processes and policies alone, but requirements built into AI solutions themselves that free people to innovate within a safe framework. In fact, 68% of CEOs agree that governance for generative AI must be established as solutions are designed, rather than after they are deployed.

Figure 6

The human element

CEOs know that people are at the heart of successful generative AI adoption

64% say succeeding with AI will depend more on people's adoption than the technology itself.

61% say they're pushing their organization to adopt generative AI more quickly than some people are comfortable with.

But this is easier said than done. While three-quarters of CEOs say trusted AI is impossible without effective AI governance in their organization, only 39% say they have good generative AI governance in place today. This may be because people aren't sure exactly what they're being asked to do. 81% of CEOs say that inspiring their team with a common vision produces better outcomes that providing precise standards and targets. Yet roughly 40% acknowledge that their employees don't fully understand how strategic decisions impact them.

Overcoming this confusion will be essential as adopting generative AI becomes a more urgent priority. Today, less than half of organizations are focused on generative AI pilots—and another 24% are doing nothing at all. Yet, 49% of CEOs expect to use generative AI to drive growth by 2026. This is very ambitious—and only purposeful transformation will make it possible. To create a culture of acceleration, CEOs need to help employees see the value of using generative AI—and their role in driving growth.

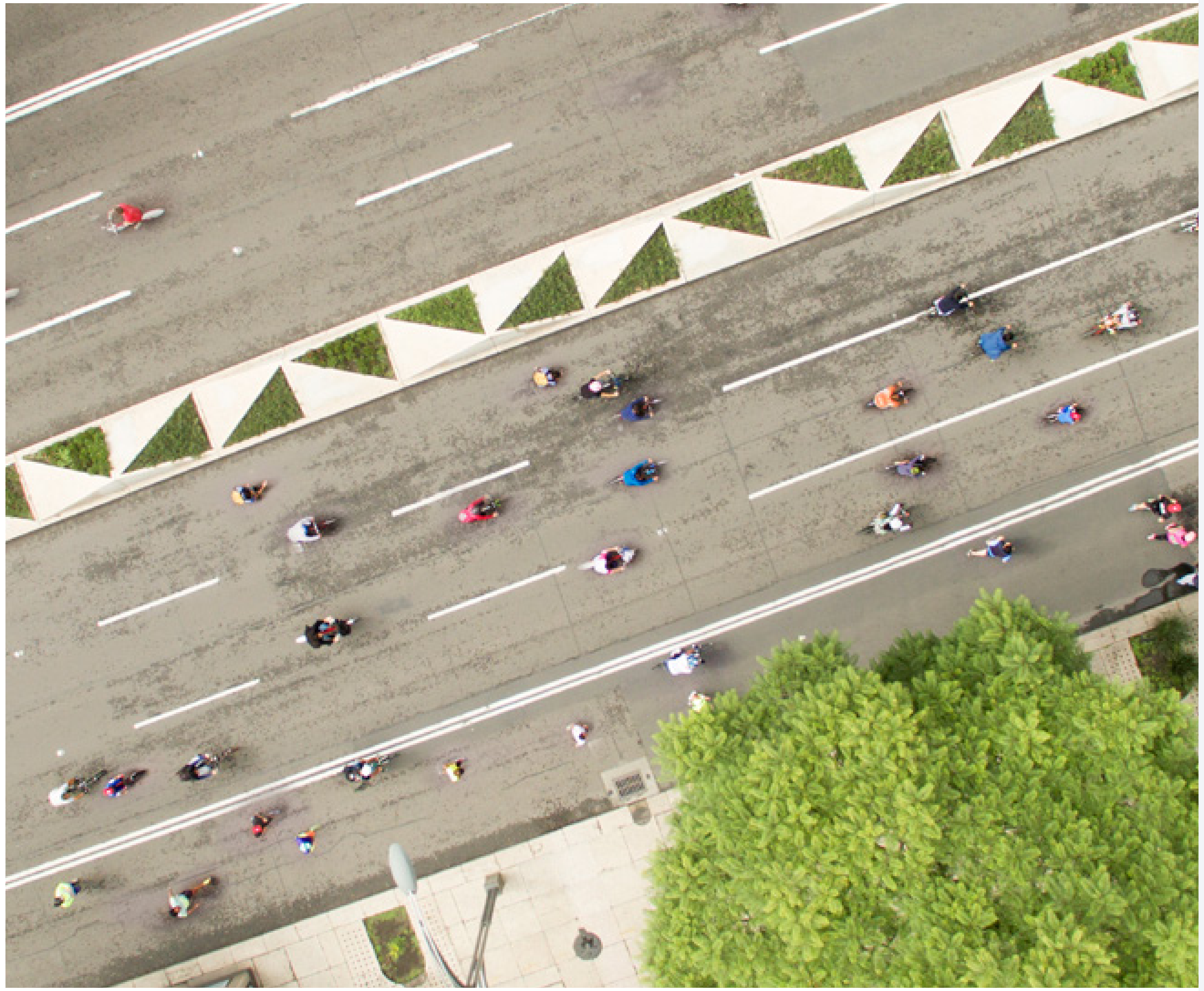
If people choose to wield the power of generative AI, businesses could see this technology gain traction quickly. If they don't, transformation efforts will continue to spin their wheels.

"The goal is to get AI to do the things people don't want to do and give humans the space to do the things they want to do—to increase speed and efficiency and create extra capacity."

Taro Fujie
President and CEO, Ajinomoto Co., Inc.

Change your mindset—but keep your values.

Be a stabilizing center of gravity while embedding generative AI in your enterprise strategy and adapting your operating model to deliver critical outcomes.



What to do

Eliminate friction from the employee experience.

- Find the pain points that create employee pushback on generative AI adoption and find ways to improve what's not working.
- Invest in the tools that will make daily tasks easier and more rewarding.
- Look for processes that are slow, inefficient, or create unnecessary work for employees, then use generative AI to reduce the burden.

Invest in what will inspire change.

- Prioritize people as much as technology, if not more. Incentivize the adoption of new technologies and reward people who find ways to reinvent their roles.
- Offer training that helps employees learn to use generative AI to their advantage.
- Ensure that governance, technology, and talent are prepared to optimize the value of generative AI investments and skills.

Stoke the fire.

- Inspire people with a vision that aligns generative AI with the organization's mission.
- Make tech serve the culture, not the other way around. Give people the keys and let them drive.
- Preempt shocks by anticipating disruption. Embrace agile processes that allow teams to quickly respond to changing market conditions without breaking a sweat.

6

Tech short-cuts are a dead end.

As the tectonic plates of enterprise IT shift, CEOs must decide where their tech is structurally sound, where they need to build scaffolding—and where they should tear it down to the foundation.

"If there are only short-term goals, the company will not do well. There must be long-term goals, there must be lighthouses."

Chairperson, Industrial Manufacturing, China

There are many paths to success, but CEOs need to prioritize tech improvements that will support long-term business strategies. This is the work no one wants to do—but neglecting this task for exciting new use cases will constrain future growth.

The uncertainty surrounding generative AI makes the situation even more complex. For instance, CEOs must keep an eye on the EU AI Act and other major global regulations that are influencing how AI can be developed and used—as well as how their organizations can gain a competitive edge.

With new applications coming into view every day, CEOs have many opportunities to choose from—and no guarantees about which will deliver the most value. Yet, making the right technology investments is one of the key factors that set top-performing CEOs apart. 90% of these leaders say their organization's digital infrastructure enables new investments to efficiently scale and deliver value, compared to just 71% of all CEOs.

Looking to the future, CEOs expect transformative technologies to support the organization in complementary ways. For example, they say AI will help them gain a competitive advantage, drive innovation and transformation, and enhance decision-making, while they expect hybrid cloud to increase productivity, accelerate growth, and improve the employee experience. But neither of these technologies will take an organization very far on its own. They need to be adopted and optimized in tandem to deliver on their full potential.

"We can spend a lot of time fixing the old stuff, but sometimes you just need to break it down and build something new."

Ngiam Siew Ying
CEO, Synapxe

CEOs understand that tech investments must be made across the board. Overall, they expect hybrid cloud spend to grow 21% between 2023 and 2025, with generative AI and traditional AI investments increasing by 14% and 13% respectively in the same timeframe. Where will this money come from? Some might come from focusing the organization's effort on more profitable ventures, as 42% of CEOs say discontinuing low-margin or low-growth business lines will drive the greatest cost savings over the next two years.

However, two-thirds of CEOs say they're meeting short-term targets by reallocating resources from longer-term efforts. This means technical debt could preclude long-term progress, even if quick wins drive growth or profitability today (see Figure 7).

> "Technology has changed us. It has changed the way we do things."
>
> **Gonzalo Gortázar**
> CEO, CaixaBank

Figure 7

Mortgaging the future

CEOs are worried that short-term targets may be shortsighted

CEOs say a focus on short-term performance is their

#1

barrier to innovation.

But

66%

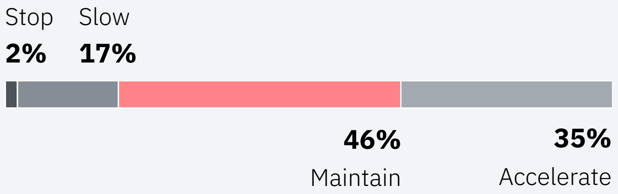
say their organization is meeting short-term targets by reallocating resources from longer-term efforts.

Perspective

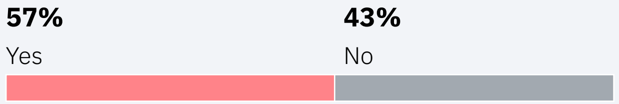
Will generative AI regulations change the game?

The EU AI Act is one of the first major pieces of legislation to introduce requirements around how companies can develop and use generative AI. While CEOs are concerned about how legislation will affect their business, its impeding adoption isn't slowing anybody down.

Given the requirements in the EU AI Act, how will you drive your organization's pace of generative AI adoption in 2024?



Do the regulatory guidelines provided by the EU AI Act increase your willingness to invest in generative AI?



> "It's important to forecast and create a roadmap—but it's even more important to be agile. So, we've decided to focus on being more responsive to trends and to move from a plan-centered to an execution-centered approach."
>
> **Taro Fujie**
> President and CEO, Ajinomoto Co., Inc.

Stop looking for a silver bullet.

Be honest about where you're working with outdated tech and set specific timeframes for mission-critical upgrades. Don't borrow from the future to get quick wins that your organization won't be able to scale.

What to do

Own your narrative.

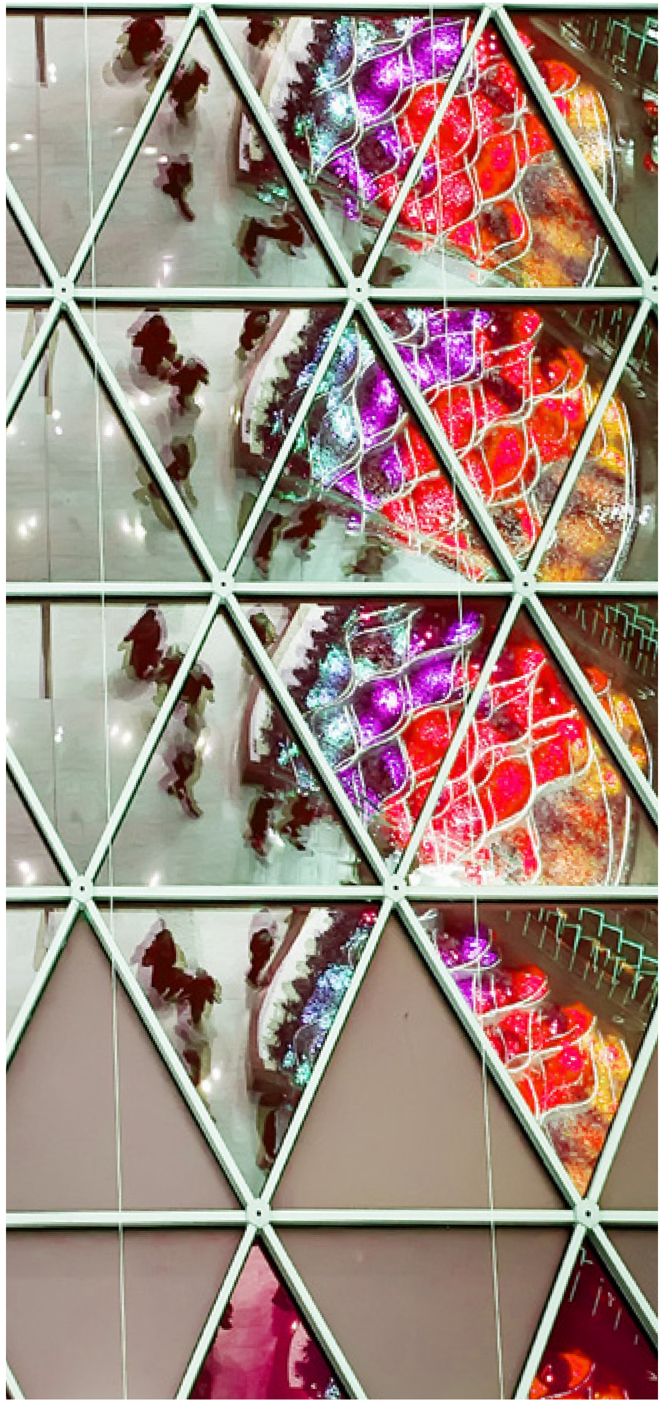
- Know what you offer the market and what technology you need to deliver it effectively.
- Control what defines and differentiates your organization by investing in the technology that aligns with your long-term goals.
- Ensure generative AI use cases are aligned with your enterprise vision and values.

View spending through a wide-angle lens.

- Model future hybrid cloud and related generative AI costs to see where spend will be needed—and where it can be avoided.
- Prioritize applications of generative AI that accelerate the transition from piloting to gaining efficiency to driving new growth.
- Evaluate and quantify the opportunity cost of borrowing from tomorrow to pay for today.

Don't second guess a good decision.

- Prioritize innovation over the pursuit of efficiency. Don't try to cut your way to growth.
- Avoid incrementalism and invest in the underlying technology your teams need to stop fighting fires.
- Don't unintentionally undermine a potential windfall. Every path has its own uncertainties and risks, so pick the best one and go all in.



> "Each day, it is very important to review your vision and be willing to change. If the data confirms that we are wrong, we have to change our decision. That is the culture."

Roberto Tomasi
CEO, Autostrade per l'Italia

When you're on a burning platform, big risks are just good business.

Taking a leap of faith toward a new technology can seem like a risky move. But sometimes playing it safe is the greatest risk of all.

By embracing the unknown—and playing to their organization's strengths—CEOs have a chance to gain an edge with generative AI. But that doesn't mean running forward blindly. They must acknowledge the assumptions that underlie each risk calculation, re-run the numbers when things shift—and respond quickly when it's time to change course.

The days of executing on a five-year strategy are over. As clouds of uncertainty limit visibility, CEOs should instead focus on building the capabilities that will let them pivot as priorities change. If teams have the capacity to be agile and adapt, the organization can jump at new opportunities as they appear, rather than constantly playing catch-up.

Getting there requires honestly assessing their organization's tech-readiness, market position, and skills and capabilities gaps today. By facing the hard truths holding them back, CEOs can unlock the generative AI opportunity—and succeed in a future defined by disruption and change.

Research and methodology

The IBM Institute for Business Value (IBM IBV), in cooperation with Oxford Economics, conducted two rounds of survey-based interviews for the 29th edition of the IBM C-suite Study series. The primary round engaged 2,500 CEOs from 30+ countries and 26 industries and was conducted from December 2023 through March 2024. These conversations focused on business priorities, leadership, and expectations for technology, talent, and partnering. A subsequent round, conducted in April 2024, engaged 550 CEOs in 11 countries. These conversations focused on broader economic issues, regulation, generative AI adoption, industry disruption, and enterprise transformation. Data collected through these surveys was analyzed by the IBM IBV analytics hub's team of data scientists. Insights were also drawn from numerous client interactions, including more than two dozen deep-dive interviews with CEOs conducted by IBM from July 2023 through April 2024.

Respondents in our study represent the most senior executives in their organizations: CEOs, public leaders, general managers, and managing directors. The IBM IBV designed data collection by geographic location and industry, with representatives across organizations of various sizes as defined by annual revenue or, in the case of public sector organizations, annual budgets.

For this study, the IBM IBV used a series of analytical methods to identify a group of respondents who reported a distinct set of behaviors which subsequently were shown to correspond to stronger performance on a variety of financial and non-financial measures relative to the overall respondent population. Those in this group are more likely to excel in strategy development, leveraging expertise for decision-making, engaging their business ecosystem partners, using enterprise metrics to drive behavior, aligning investments with business outcomes, and developing robust technical infrastructure.

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