EMBRACING AI FOR COMPETITIVE ADVANTAGE

HLB SURVEY OF BUSINESS LEADERS 2024

HLB

CONTENTS

KEY FINDINGS

BUSINESS CONFIDENCE IS ON THE RISE

85%
are confident in their own ability to grow revenue in 2024

73%
expect global economic growth to be maintained or to increase this year

68%
rank economic uncertainty as a top risk

## MAKING THE MOST OF EMERGING AI TECHNOLOGIES

60%
are planning to adopt new technology in 2024

68%
say emerging technologies (including AI) are key to driving innovation, creativity and productivity

65%
rank AI as the most important technology for their business over the next 5 years

BUSINESS LEADERS EMBRACING AI TECHNOLOGY ARE MORE CONFIDENT IN THEIR ABILITY TO GROW REVENUE

	Not confident	Somewhat confident	Very confident
AI Conservatives	20%	50%	30%
AI Explorers	17%	56%	27%
AI Innovators	12%	40%	48%
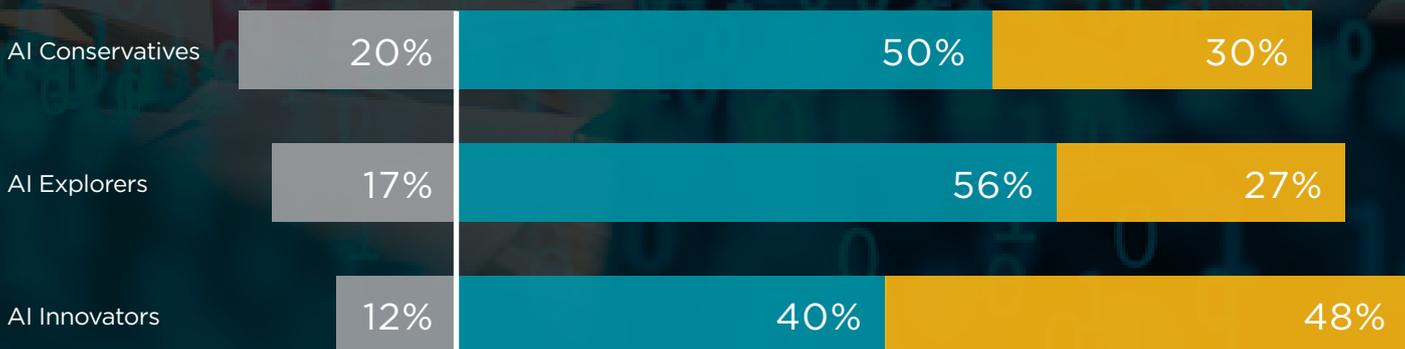
▪ Somewhat confident ▪ Very confident ▪ Not confident

FOREWORD FROM THE CEO

As we approach the mid-point of this tumultuous decade, our HLB Survey of Business Leaders continues to offer valuable insights into the evolving landscape of global business leadership. Reflecting on the journey since our inaugural survey in 2020, it's evident that businesses have navigated a complex maze of challenges — from geopolitical upheavals and energy crises to the persistent societal and economic impacts of a global pandemic. The resilience and adaptability shown in these times are nothing short of remarkable.

Our 2024 survey, encompassing nearly **1,000 responses** from leaders across **50+ countries**, coupled with six in-depth interviews with subject matter experts, paints a nuanced picture of today's business environment. Concerns about geopolitical risks, cyber threats, and environmental challenges have escalated dramatically. For instance, apprehensions about cyber risks have escalated from 52% in 2020 to 67% today, and environmental concerns have risen from 29% to 52%.

However, amidst these challenges lies a silver lining of resilience and resurgence. We've witnessed a rebound in confidence among business leaders, with many expressing unprecedented optimism about revenue growth in the coming year. This resilience is a testament to the enduring spirit of leadership that adapts, innovates, and thrives even in the face of adversity.

The accelerated adoption of new working models, more mobile and cloud-enabled, signifies a radical departure from the past decade's norms. This transformation has been catalysed by the pandemic and facilitated by technological breakthroughs. Our survey indicates a near doubling in the number of leaders planning to leverage new technologies for growth, with artificial intelligence (AI) taking the lead as the most crucial emerging technology.

Which brings us to the theme of this year's report: How are business leaders embracing AI technologies to unlock competitive advantage? We have researched leaders' sentiment towards AI and analysed how different attitudes towards the adoption of AI for business transformation leads to varying actions and strategic tactics leaders are making in the next 12 months. We have explored barriers to adoption, use cases for AI and AI maturity across a range of stages in one's AI adoption journey. As a result, we've been able to segment leaders into three categories: the Conservatives, the Explorers and the Innovators. The findings of this report explore how each segment is approaching AI and digital transformation in their businesses, with practical insights to help them on their journeys, as well as addressing the bigger challenges identified in the international business landscape.

We would like to thank everyone who gave their time to respond to our survey. We hope this report helps business leaders face today's challenges head-on and informs their thinking related to AI and business transformation. If you would like to discuss any of the findings or topics raised in our report, we welcome the opportunity to do so.

Marco Donzelli
Global Chief Executive Officer, HLB

RESILIENT LEADERS ARE UNRUFFLED

Risks to growth and challenges to the global business environment continue to test even the most astute operators. Today over half of business leaders are concerned about the impacts of at least 12 different risks. This has multiplied from just five acute risks in 2020. Mean risk levels in almost every category increased by eight percentage points, with some rising by double digits.

Though far from being tamed, inflation is trending downwards. The headline inflation rate in the Eurozone is expected to fall to 2.7% and GDP to grow by 0.8% in 2024[1]. In the US Morningstar expect inflation to level off at 1.9% from 2024 to 2028 - just under the Fed's inflation target of 2%[2]. The OECD expects inflation to ease in most economies as cost pressures moderate, however these predictions do not factor in recent trade flow disruption in the Middle East. Their growth forecast for global GDP is 2.7% this year with a slight improvement to 3% in 2025. Countries like India, Indonesia, and China are expected to perform well above the projections at 6.1%, 5.2%, and 4.7% respectively[3].

Concern over social instability has risen over the last five years from 40% in 2020 to 51% today. During this period, we've witnessed numerous movements and protests across the globe advocating for causes ranging from climate action and women's rights, to fair elections and peace marches. Communities around the globe are holding businesses and governments more accountable for their actions.

The impact of the pandemic remains visible across markets and societies, even though it's no longer the main stressor. Ongoing supply chain disruptions, paired with geopolitical tensions, continue to change the international business environment. Respectively, 49% of business leaders plan to focus on sourcing closer to home this year.

Last year, our survey found **'flexibility'** as the defining behaviour for successful leadership in times of crisis. Success in juggling both short-term priorities and investment in future growth has galvanised business leaders for the future. This year 85% are confident in their ability to grow revenues this year vs 79% in 2023 — the highest since the start of our annual survey programme five years ago.

Likewise, business leaders maintain a more positive outlook towards global economic growth with 41% expecting the economy to grow vs 27% preparing for a decline, a sharp reversal of last year's sentiment.

Having survived the polycrises, leaders are now poised to invest to innovate and grow.

LEADERS ARE FACING A **'CONVEYOR BELT'** OF CRISES

Q To what extent do the following risks to your business concern you?

(showing 'concerned' and 'very concerned' combined responses)

■ 2024 ■ 2020

* year this option was added to the survey
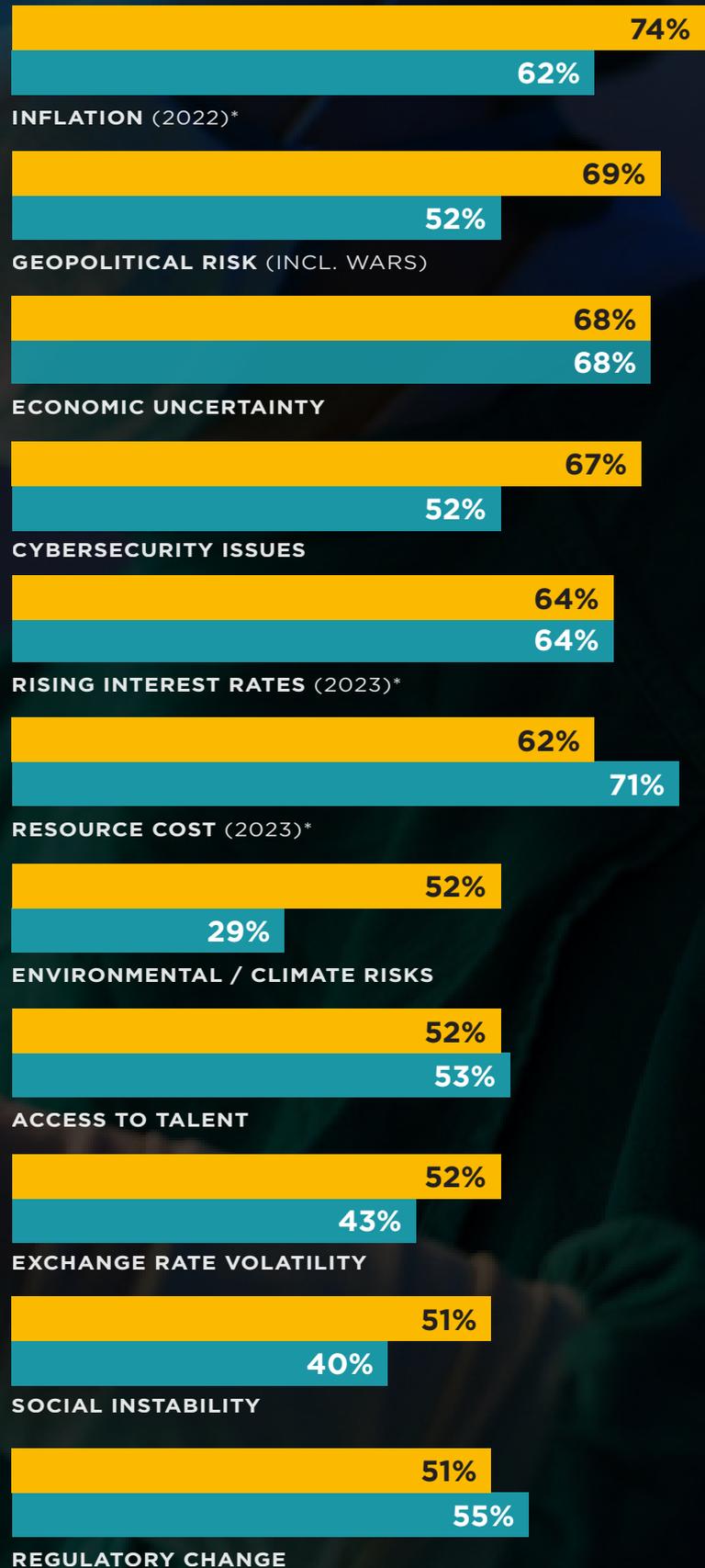
INFLATION (2022)*
- 2024: 74%
- 2020: 62%

GEOPOLITICAL RISK (INCL. WARS)
- 2024: 69%
- 2020: 52%

ECONOMIC UNCERTAINTY
- 2024: 68%
- 2020: 68%

CYBERSECURITY ISSUES
- 2024: 67%
- 2020: 52%

RISING INTEREST RATES (2023)*
- 2024: 64%
- 2020: 64%

RESOURCE COST (2023)*
- 2024: 62%
- 2020: 71%

ENVIRONMENTAL / CLIMATE RISKS
- 2024: 52%
- 2020: 29%

ACCESS TO TALENT
- 2024: 52%
- 2020: 53%

EXCHANGE RATE VOLATILITY
- 2024: 52%
- 2020: 43%

SOCIAL INSTABILITY
- 2024: 51%
- 2020: 40%

REGULATORY CHANGE
- 2024: 51%
- 2020: 55%

EMBRACING TECHNOLOGY TO SUPPORT BOTH RESILIENCE AND COMPETITIVENESS

Since the start of this decade, we have witnessed tremendous growth in the adoption of digital technologies across the board — from cloud computing and e-commerce to streaming services and online banking and finance. The trend is set to continue with 60% of business leaders planning to adopt new technologies in 2024 — twice that of five years ago. Second only to finding efficiencies, businesses are putting technology to work to support innovation, operational and cost efficiencies.

BUSINESS LEADERS FOCUS ON FINDING EFFICIENCIES

Q Which of the following actions are you planning to take in the next 12 months, in order to grow?

Improving operational efficiency	Adopting new technology	Reducing costs	Launching new products or services	Reviewing our strategy	Building organic growth	Investing in human capital	Joint ventures or strategic alliances	Collaborating with entrepreneurs	M&A	Outsourcing
68%	60%	50%	49%	48%	43%	41%	30%	23%	20%	19%
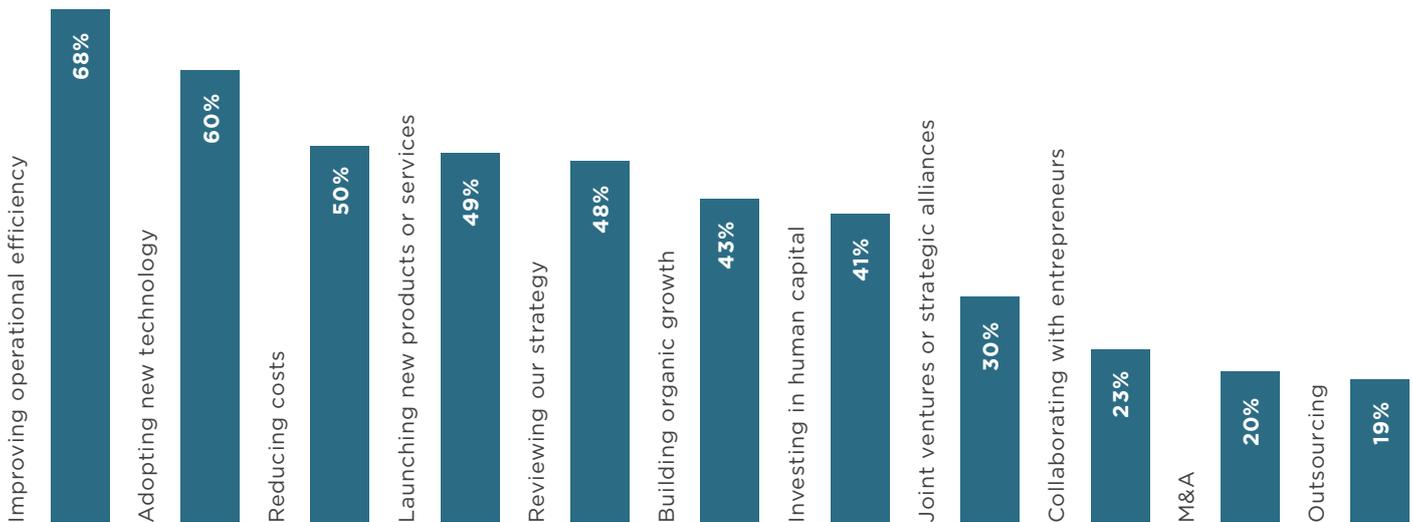
Over two-thirds of business leaders (68%) agree that emerging tech is key to driving innovation, creativity and productivity in their businesses. Technology is enabling smaller companies to punch above their weight and take on incumbent sector leaders. FinTech operators such as Monzo and Revolut have taken market share from incumbents and EdTech platforms like Coursera and Codecademy have revolutionised the accessibility of education.

"We are seeing the emergence of a phenomenon that we are calling flash growth where new technologies are adopted with incredible rapidity", says **David L. Shrier,** Professor of Practice, AI & Innovation, Imperial College Business School and Managing Director, Visionary Future. He cites the speed of internet user uptake which took seven years to reach 100 million plus. Perceptively rapid 'in the day', however ChatGPT reached the same number last year in about six weeks. It's perhaps not surprising that 47% of business leaders are concerned about disruptive technologies.

Praveen Mandal, Fellow, MIT Connection Science, agrees that even the most innovative can be caught off guard, "Google was blindsided by ChatGPT and they're an AI company. They have their DeepMind group, they had great AI scientists and engineers, but they weren't producing much at a fast enough pace". Even though Google has the know-how, OpenAI was first to present a generative AI product.

"Leaders look to AI as a way to accelerate their strategy", says **Lee Davidson**, Chief Analytics Officer, Morningstar. In the financial sector, we have come to expect hyper-digitalised, hyper-personalised financial experiences. AI hasn't changed the end goal for the sector, according to Davidson, but rather it changed how quickly different companies will get there and secure their competitive advantage.

AI IS NOW INDISPENSABLE FOR BUSINESS

It is probably not surprising therefore that AI is ranked the most important technology for business success for the remainder of the decade.

Over the last year we've seen how changes in user interfaces can rapidly make AI applications more accessible to the average user, according to **John Toon**, Technology Strategy Lead, Beever and Struthers, HLB UK. "AI applications are going to become part of business as usual". Nearly 80% of the respondents we polled are either learning about how to deploy AI or are already integrating into their businesses. We are likely to see an even faster proliferation of AI solutions in the second half of the decade.

Continued investment in cloud computing provides the critical infrastructure to make AI possible. "Without the right infrastructure in place, there's no chance for us to have what we call modern AI. I've seen many companies that are currently bottlenecked in what they can do and what they can deliver simply because they physically don't have enough compute infrastructure," **Tanmay Bakshi**, AI & Application Architect, IBM continues.

AI EXTENDS ITS LEAD AS TOP TECHNOLOGY

Q Which of these technologies will be the most important to your business over the next 5 years?

Technology	2024	2020
Artificial intelligence	65%	49%
Cloud computing	50%	48%
Renewable energy	39%	40% (2023*)
Robotics process automation	32%	29%
Internet of things	30%	23%
Machine learning	30%	20% (2021*)
Virtual reality/Augmented reality	22%	6%
Battery storage & electrification	16%	18% (2023*)
Blockchain	15%	23%
Biometrics	11%	7%
Hydrogen fuels	9%	9% (2023*)
New materials (graphene/aerogels)	9%	29%
Drones	5%	29%
Genomics	4%	5% (2023*)
Space science	4%	5% (2023*)

 2024   2020   * year this option was added to the survey

Renewable energy is the third most important technology critical for business leaders seeking respite from high resource costs and progress on their netzero commitments.In fact, 44% have sought out new greener energy sources to overcome political and trade challenges.

HOW ARE BUSINESSES USING AI TODAY?

Our research suggests that business leaders are embracing AI opportunities to pursue a wide range of potential business outcomes. In response to the question on where they are using AI technologies to automate or enhance operations, business leaders favour process automation (28%), document processing (27%), and customer analytics (27%). This reflects broader priorities business leaders have for 2024, to improve operational efficiency, cited by 68%, likewise operational efficiency is the top area of weakness requiring focus this year. "AI needs to become business as usual, but there's still a lot of integration and discovery of what AI will mean for different businesses", **Lee Davidson** notes.

"AI fundamentally plays a role in changing how a business operates and what that business model looks like," according to John Toon. Praveen Mandal, however, cautions leaders on being overly focused on short-term, cost-cutting priorities, over investment in the next growth cycle. Trapped in the 'Innovator's Dilemma', short-term thinking often results in once well-managed, market-leaders failing to adapt to rapid change (notably Kodak, Blackberry and Blockbuster). Mandal acknowledges the strong focus on short-term priorities at the expense of looking to the future.

Sanjeev Vohra, Global Leader, Artificial Intelligence, rightly points out that "the potential value of pervasive AI is not just efficiency gains, but also in spurring innovation and growth… Applied creatively, AI can open up entirely new product categories, revenue streams, and customer experiences." Many leaders are also focusing on future growth activation activities with more reviewing their business strategies, building organic growth opportunities, and of course, adopting new technology than in previous years. Plus, a significant number of businesses, over half we polled, are prepared to take on more risk, when it comes to new technologies including AI, given the potential benefits of success.

BUSINESS LEADERS ARE TEST DRIVING MULTIPLE AI APPLICATIONS

Q Where has your company used AI technologies to automate or enhance operations?

| Category	Percentage
Process automation	28%
Document processing	27%
Customer analytics	27%
Sales and marketing	23%
Content generation	23%
Text / data mining	23%
Quality control	22%
Research and development	22%
Risk management	18%
Supply chain optimisation	17%
Recruitment and human resources	12%
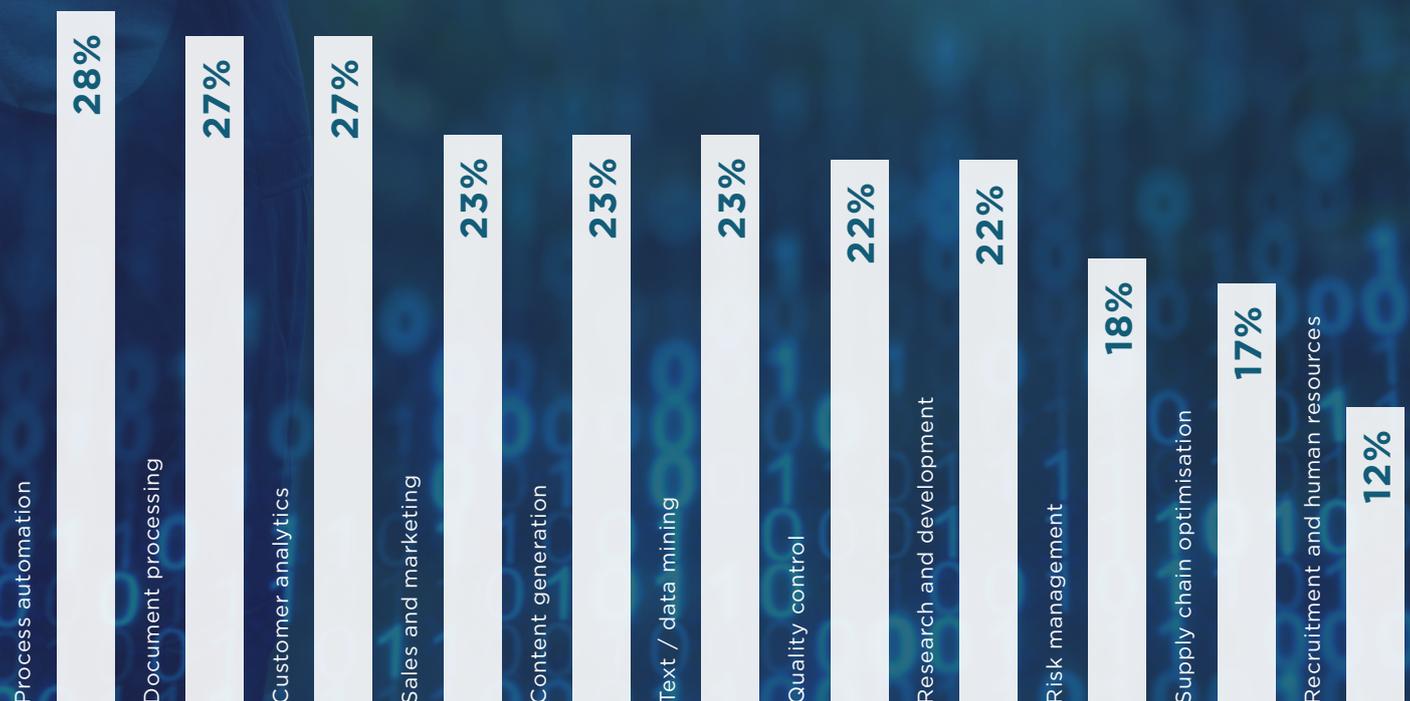
WHERE ARE BUSINESSES ON THE AI MATURITY CURVE?

As with anything novel, attitudes towards AI adoption vary among the leaders we surveyed. In our sample, we identified three cohorts of business leaders, based on their attitudes towards emerging technologies and progress with AI adoption.

Each of these groups of respondents prioritises different operational activities, experiences a diversity of challenges, and has differing levels of business confidence. We'll look at each of the following groups, in turn, and explore how they are managing operations today and how they're preparing for the next growth cycle.

CONSERVATIVES
are averse to using or cautious about the risks of AI

18%

INNOVATORS
are already using AI or are eager to integrate it into their current operations

44%

ATTITUDES TO AI TECHNOLOGIES

38%

EXPLORERS
are willing to give AI a try but it's not a business priority
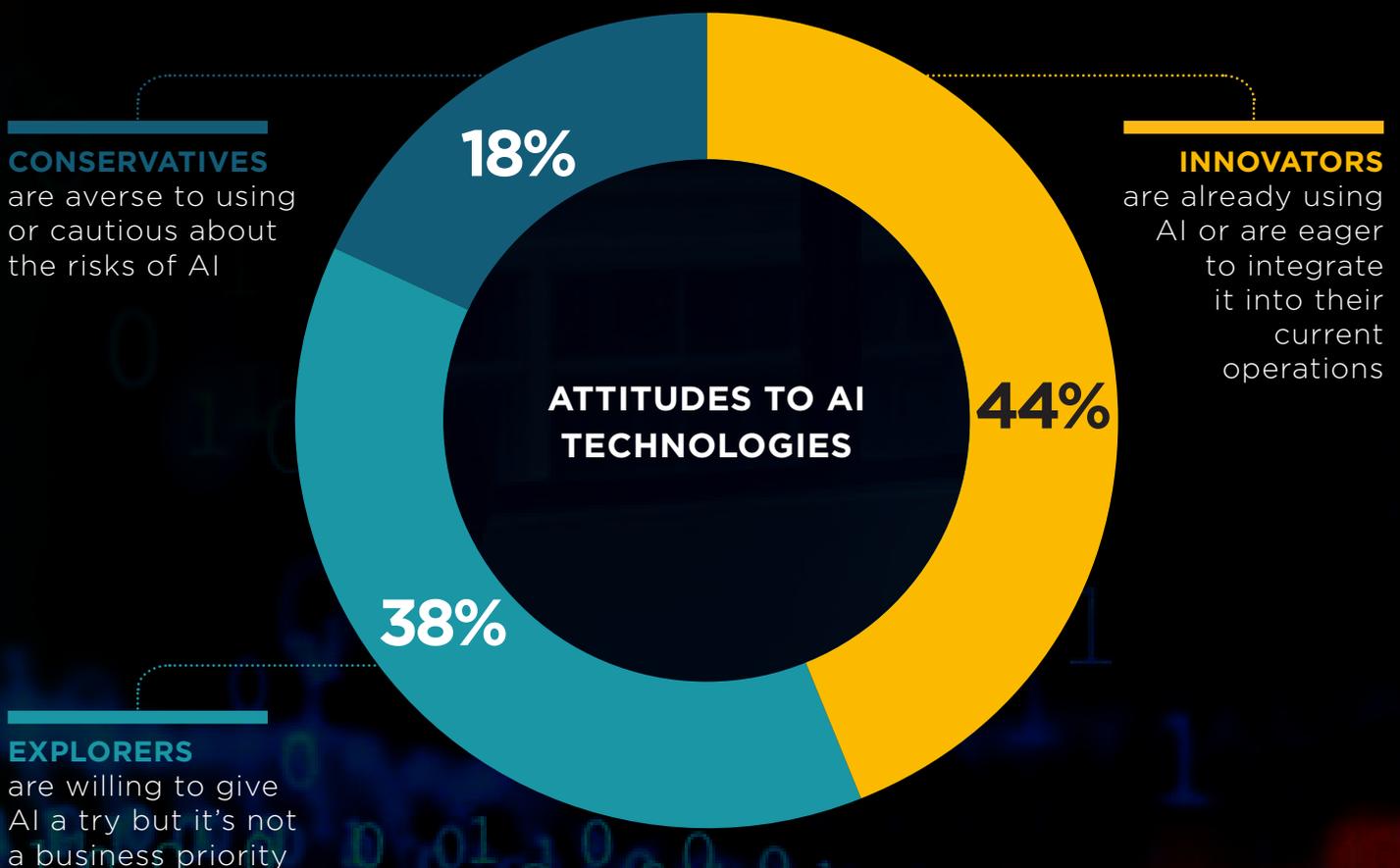
AI INNOVATORS

HARNESSING AI FOR COMPETITIVE EDGE

44% of our survey respondents consider themselves to be already using or eager to implement AI to gain a competitive edge. A segment of our respondents we are calling The Innovators.

"AI should be a top priority for organisations to focus on in terms of both what they're going to do with it and also how to deal with the disruption it introduces", says **Prof. David L. Shrier**.

Among Innovators, 66% have already identified appropriate use cases for AI, and 51% are implementing or optimising their data cleansing and quality review processes. 66% have performed technology assessments and readiness reviews, with another 19% considering themselves leaders in this area.

Technology and manufacturing sectors make up 45% of the Innovators cohort, with almost equal representation from all global regions. SMEs with revenues of under $50 million represent 30% of respondents and larger enterprises ($250+ million in revenue) account for 39%.

"What I'm starting to see is that the smallest businesses can be the most agile and the earliest adopters of some of these newest technologies because they're in a position where everything is optimised for them," observed **John Toon.** "Investment of capital does make a change, but it only makes a change at the very early adoption stage. What matters is how your underlying technologies look like and your willingness and ability to adapt".

Indeed, "plug-and-play" AI solutions like ChatGPT or Microsoft Copilot come with a low adoption curve. Among Innovators, 47% have already integrated or optimised AI-specific staff training, retooling, and upskilling programs, with 19% leading in this area.

Yet, Innovators face a critical task of translating innovation to business impact, whilst at the same time dealing with the risks of uncertainty. Compared with their peers, Innovators are more concerned about the impact of business risks like inflation, geopolitical risks and cybersecurity than their peers.

Large-scale AI projects are cash- and time-intensive. Lack of measurable ROI against rising costs of doing business may quiver the financial support. In addition, AI systems require new security mechanisms. Among our HLB Cybersecurity Report 2023[4], 66% of surveyed senior IT professionals believe that innovative technologies, including Generative AI, can further increase exposure to cyberrisk.

Nonetheless, Innovators are motivated to move forward. 49% are confident in their ability to grow revenues this year vs. 37% of all survey respondents and 53% expect global growth to increase this year. Moreover, 78% believe that technological advancement will help them overcome future cross-border business challenges.

A higher proportion of Innovators of businesses are deploying AI to automate or enhance operations. Their top applications of AI include: process automation, customer analytics, document processing.

Innovators, more than others, recognise that innovation requires collaborative effort. 47% are already engaged in technology partnerships and vendor evaluations, with 17% leading in this area. Compared to AI Conservatives, Innovators are one and a half times more likely to seek strategic alliances and more than twice as likely to collaborate with entrepreneurs, in order to grow their businesses. **Praveen Mandal** suggests business leaders seek out, "someone who can truly advise you and who really understands the technology and data, so you can just focus on the trade-offs,".

For Innovators, data security and privacy and data quality and quantity are the top two barriers to adopting and integrating AI technologies in their businesses. "If you look at the amount of data generated in the last two years, it exceeds the prior 20 years and it just continues to increase," says **Lee Davidson**. "Firms have now probably had a decade of getting really serious about their data collection, and storage strategy", but surprisingly few are at high stages of maturity.

Tanmay Bakshi believes that a combination of past and emerging solutions can help leaders solve some of the data challenges. "Things like differential privacy – the ability to mathematically anonymise identifiable information" is one option successfully used for traditional statistical analysis, according to Bakshi.

Innovators cite the lack of digital transformation skills is their third barrier to AI adoption. "Businesses need people who can implement large scale programs or have the capacity to do large scale programs and advise the companies to build roadmaps and tie it back to the business goals of the company," **Sanjeev Vohra** agrees. To cultivate such capabilities, CEOs and board members should receive deep education on AI's capabilities and limitations first. "From there, leaders can determine the right organisational structures, partners, and investments required to scale AI responsibly," Vohra adds.

David L. Shrier shares a similar view encouraging companies to have "an AI council and a C-level executive who reports to the CEO". With a clear AI strategy, the right organisational structures, and strong stakeholder support, Innovators can repeatedly experiment and innovate to determine which AI pilots can result in commercial adoption and which should be deprioritised.

INNOVATORS VERY CONFIDENT IN GROWTH

Q How confident are you about your company's ability to grow revenue over the next 12 months? (showing the 'very confident' responses)

49% INNOVATORS

30% CONSERVATIVES

27% EXPLORERS

37% of all respondents are 'very confident' of growth prospects

AI   EXPLORERS

SEEKING A BUSINESS CASE

"I do think that there's a lot of confusion around AI at the moment. What can AI do? How do you take advantage of AI?", says **Praveen Mandal** — and this is the sentiment shared by 38% of our survey respondents.

The Explorers are willing to try AI technologies if a convincing use case comes up, but don't see adoption as an immediate priority. Over half of Explorers are SMEs from a variety of sectors including manufacturing, business services, technology, financial services, and real estate. These leaders are more sceptical. Only 10% strongly believe that emerging technologies will be key to driving innovation, creativity and productivity for the business vs 45% of Innovators.

Still, Explorers maintain similar levels of business confidence however, compared to Innovators, Explorers are more likely to think that the global economy will decline / or remain flat in 2024.

Explorers are more likely to be focused on learning about AI before spurring themselves into action. 47% claim to be in learning mode on the AI maturity curve and 38% admit to having not yet started their AI journey. Leaders are doing important groundwork for AI adoption: 38% are collecting data for technology assessment and readiness reviews, 32% are evaluating their capabilities in data cleansing and data quality review, 29% are learning more about IP, legal and licensing impacts, as well as ethical, bias and compliance implications of AI.

In addition, 41% are rightly investing time in learning about which AI tools might fit their business model and 44% are exploring potential use cases. "AI is a moving goalpost. It's whatever people consider to be AI at the time", says **Tanmay Bakshi.** "What people call AI today, especially with new terms like generative AI, [...] is fundamental machine learning and the deep learning that has use cases that are so broad in scope that there are a vast majority of use cases where it's being applied and people won't even realise that it's being applied". Naturally, understanding the technology's capabilities, the risks and benefits it carries, is crucial to ensure successful adoption.

A slow start, however, makes the catch-up process harder. Only 16% of Explorers are implementing or optimising specific AI use cases versus 52% of Innovators. Likewise, 53% haven't yet started looking into AI-specific staff training, retooling and upskilling. Praveen Mandal agrees that to become an AI-first company, business leaders will need to "enhance their culture to accommodate for a certain level of research and experimentation". Although 33% of Explorers haven't yet used AI, the remaining cohort has tested some proof of concepts. The top two use cases are document processing (21%) and process automation (20%). Customer analytics, sales, marketing and customer service were selected by a smaller fraction of respondents.

"Early AI investments often focus on customer-facing applications. They offer clear ROI and visibility. Improving customer service and marketing through AI provides tangible benefits. But overlooking the people's side, your employees risk major missed opportunities. AI stands to make internal teams more productive, creative, and empowered," says **Sanjeev Vohra.**

Prof. David L. Shrier agrees "AI could completely change the composition of the workforce, the number of people able to participate in the workforce, and their economic productivity. On the other hand, AI holds the potential to address some of humanity's greatest challenges ranging from the environment to human health".

Lee Davidson cites the successful case at Morningstar. Two decades ago the company compiled ETF and mutual fund research manually with 100 analysts providing research into 30,000 units per year. "AI has really allowed us to scale our operations significantly while keeping our experts in the centre, hands on the wheel of the process," Davidson adds. At the same time, Morningstar's portfolio of products has expanded to over a million items. Davidson compares this shift to the impact of technology on air travel, with pilots in the cockpit, overseeing flying controls which are automated. "The scale and speed at which we need to solve those same problems is growing, and AI is helping companies to [get an edge]".

Explorers will need to make this 'leap of faith' and move from concepts to action. A lack of use cases and unclear ROI as the main barrier to AI integration, cited by 43% of Explorers.

By contrast, only 28% of Innovators are concerned with this. Without experimenting, justifying ROI or validating use cases is virtually impossible according to **Sanjeev Vohra**. "The best education comes from diving in and applying AI to real use cases."

Lack of digital transformation skills, concerns about data security and privacy and lack of time are additional barriers to AI adoption for Explorers, perhaps overloaded with conflicting priorities. Explorers are much more focused on bolstering operational efficiency in order to progress business success, cited by 74% of Explorers, likewise, it's their top weakness requiring focus in 2024. Over half will pursue cost reduction, new technology adoption, new product launches, and strategy reviews to grow.

"If you want to move from being a data-first to an AI-first organisation, your two biggest barriers are your culture and your talent gap", **Praveen Mandal** observes. Perhaps in response, 36% of Explorers plan to address weaknesses in talent acquisition this year to a greater degree than

Innovators. Successful AI implementation will require new skill sets in the workplace, both at the implementation and usage stages.

On the positive side, however, **Prof. David L. Shrier** suggests that new AI applications can be "force multipliers for the workforce, allowing small business, if implemented properly, to gain added human capacity", which will also allow businesses to address certain talent gaps through intelligence automation. "AI, not only does it make it possible for organisations to do better, it also makes it possible for them to do more. With the application of this new technology, we increase the scope of what computing systems can even do in general," agrees Tanmay Bakshi.

"Data security is its own issue, regardless, if you're using data to run your business", says Lee Davidson. In our HLB Cybersecurity Report 2023[4], 62% of survey respondents expect cybersecurity risks to become even more prominent in a five-year perspective. Building a strong security function today is therefore critical to prevent risk exposure in the future.

EXPLORERS SEE THE LACK OF 'USE-CASES' AND UNCLEAR ROI AS TOP BARRIER TO AI ADOPTION

Q What are the top 5 barriers to adopting and integrating AI technologies into your business?

43% EXPLORERS

33% CONSERVATIVES

28% INNOVATORS

35% of all respondents cite lack of use cases and unclear ROI as a top barrier to AI adoption

AI CONSERVATIVES

AI NOT YET A PRIORITY

18% of our survey respondents are averse to using or cautious about the risks of AI technologies. We have called this segment of our respondents The Conservatives. Unsurprisingly, 39% of Conservative haven't started their AI transformation journey, whilst 36% indicate they are 'learning'. A good proportion of Conservatives lead small and medium sized enterprises across a wide variety of sectors, although 19% of larger enterprises share a similar sentiment.

Conservatives are prioritising other activities to survive and thrive. Only 37% think that emerging technologies (including AI and machine learning) are key to driving innovation, creativity, and productivity for the business vs 91% of Innovators. They are instead looking to cloud computing and renewable energy over AI as technologies vital for future growth. **John Toon** suggests that not all businesses are in a "position to utilise AI either because they're not using cloud computing or due to challenges around data. So they will have to spend time and invest in moving themselves forward to be able to adapt and adopt AI effectively".

Prof. David L. Shrier adds that "AI is far from being an almighty solution, especially when it comes to areas like common sense reasoning, creativity, emotional intelligence, or physical dexterity". For example, we're unlikely to see a fully automated construction site in the next couple of years. However, industries like real estate and construction can already experience great impact from AI in pure data-oriented activities like supply chain management or business analytics.

Similar to the priorities of our Explorers segment, Conservatives are more likely to be prioritising operational efficiency over new technologies as the top action to focus on for growth in 2024 (alongside cost reduction). Likewise, improving operational efficiency and cost management are cited as the top two areas requiring improvement this year.

There's a substantial gap in AI maturity between Conservatives and Innovators. Three-quarters of Conservatives have either not started their AI transformation journey or sit at the Learning stage, while the majority (45%) of Innovators are either optimising or leading in their AI strategy.

Among Conservatives, over 45% haven't yet made any progress on the eight areas of adoption in our maturity curve. The majority of efforts are currently concentrated on collecting data for technology assessments and identification of appropriate AI use cases. 24% are learning about options to adopt AI technologies into the business model, while another 24% are assessing the AI impacts on IP, legal, and licensing matters. Tanmay Bakshi agrees that some "organisations might end up eventually realising that there are certain data regulations and other kinds of [technical] issues to do even potentially with the determinism of the output of these systems and the reliability and controllability of them" may be a major blocker for productising new AI applications.

Conservatives are most likely to cite no specific use cases at present although a fraction already have pilots in sales, marketing, text and data mining. In contrast, Innovators are using AI at 3 times the intensity across almost all use cases.

What prevents Conservatives from moving ahead with AI? Data security and privacy is the overarching barrier to adoption cited by 47%, followed by lack of use-cases / unclear ROI (33%). "I think the number one [priority] would be a sense of what can be done. I think taking each functional area, looking at the different aspects that AI could play a role in, actually prototyping it and demonstrating the cost to build the deploy", recommends **Lee Davidson.**

Lack of digital transformation skills is the third barrier to adoption for Conservatives. "Companies must be ready to transform processes, retrain employees, and manage this organisational change. Those that master combining AI with human strengths will be poised to excel", believes **Sanjeev Vohra.**

It's worrying that Conservatives are the least confident in their ability to grow revenues over the next 12 months (30% are very confident of this versus 49% of Innovators). Conservative companies appear to be at a crossroads, outside of their focus on finding efficiencies 42% are reviewing their business strategy. Compared to Innovators, Conservatives are much less intent on launching new products in 2024.

process of transformational change in the future because you've got these negative ideas about what that looks like," commented **John Toon.**

This cohort appears to be focused on coping with continued business disruption, however inaction today, especially around AI, can push reluctant leaders to the market margins.

CONSERVATIVES JUST ENTERING THE MATURITY CURVE

Q In terms of your organisation's AI maturity and transformation journey: where do you think you are overall?

☐ Innovators ☐ Explorers ☐ Conservatives
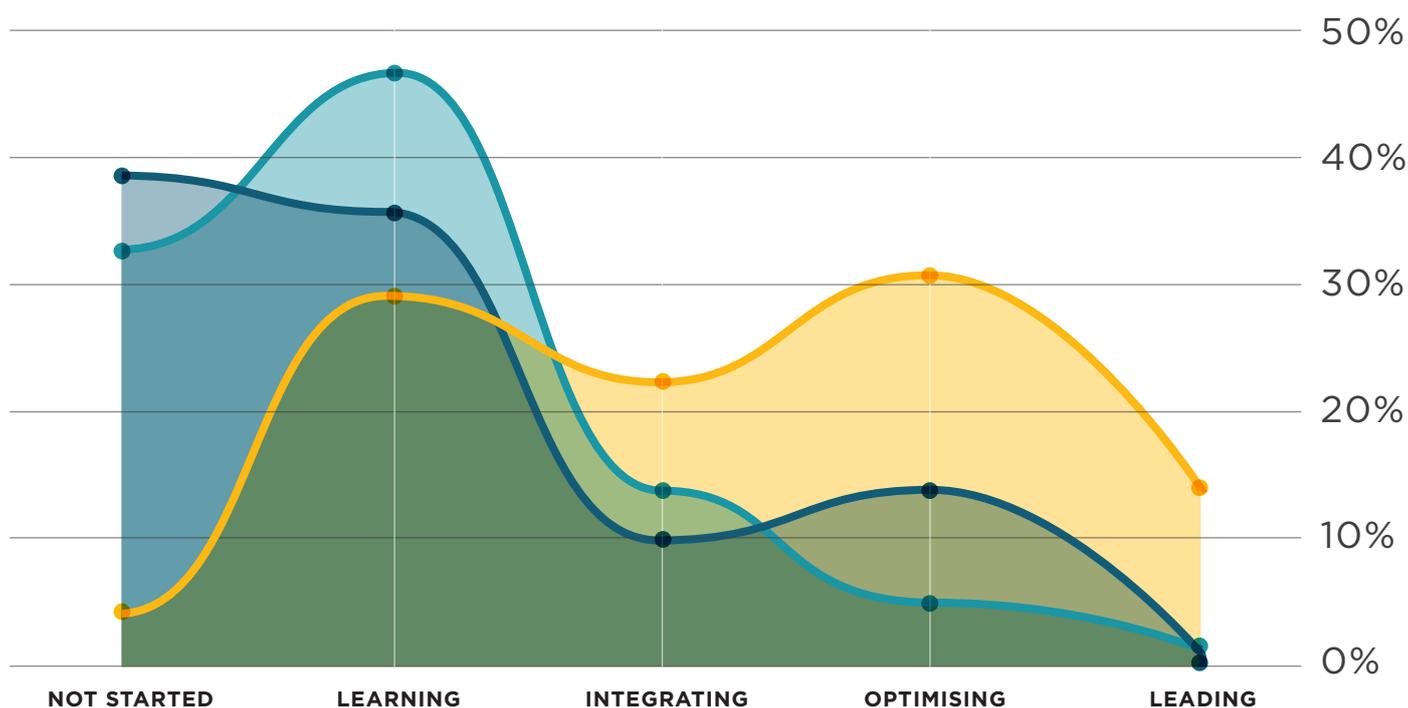
A 10-STEP PLAN TO AI INTEGRATION

Businesses are on a continuous journey, adapting their businesses to new realities and using technology to remain competitive. It isn't a sprint to adopt multiple plug-and-play AI products, but rather a marathon that demands research, evaluation, and experimentation to determine the role of AI in your operations.

We have identified 10 steps to help plan businesses progress their AI journey, regardless of where they currently sit on the maturity curve. Exploring the following questions will help business leaders along each step.

1

IDENTIFY OBJECTIVES & CHALLENGES

- Based on a value-based assesment, what areas of the business could benefit most from AI?
- Can you define some clear, measurable objectives for what you want to achieve with AI?
- Have you got business problems which AI could potentially fix for you?
- If you're ahead on the maturity curve: Have you reviewed the effectiveness of current AI implementations to ensure they remain focused on optimisation, efficiency and scaling?

2

UNDERSTAND AI CAPABILITIES

- Have you got a grasp on different types of AI technologies and their potential applications?
- Is there someone on your management team who has a good understanding of AI and its benefits?
- Already experimenting with AI? Have you considered getting an external expert in, to challenge your thinking?

3

DATA COLLECTION & MANAGEMENT

- Is the right infrastructure in place to collect, store, and manage data securely and efficiently?
- Are your systems able to provide relevant and quality data for effective AI systems?
- Have you done a data quality check?
- Already trialling AI applications? How might you use what you've learned to upgrade your data infrastructure for better performance and scalability?

4

EVALUATE & SELECT THE RIGHT AI SOLUTIONS

- Have you set- aside time to research and identify the AI tools and solutions which align with your objectives?
- Can you use ready-made AI solutions or do you need to develop custom AI applications tailored to your specific needs?
- Further along on your AI journey? Have you analysed how well existing AI tools are performing and whether there are any areas of improvement?

5

INTEGRATION & IMPLEMENTATION

- Have you got a plan for integrating AI into your existing systems and workflows?
- What use-cases /small-scale pilot projects have you identified to test and refine the AI solutions before full-scale implementation?
- Already trying out AI in your business? How might you scale up successful pilots and what criteria are you using to determine when pilots have been successful?

6
COMPLIANCE & ETHICS

 How are you assessing whether your AI adoption plans align with ethical standards and best practices?

 Are you staying informed on the relevant laws and regulations related to AI and data privacy?

 What's in place to ensure compliance?

 Ahead of your peers? Perhaps you're developing more nuanced ethical frameworks for AI usage, considering impact and fairness?

7
TRAINING & CHANGE MANAGEMENT

 How can you lead with a flexible mindset and encourage a culture of continuous adaptation of emerging technologies?

 What technical and non-technical training can you put in place to support your people with AI technology adoption?

 Already trained your people? Is there a specific technology which calls for more advanced training?

8
MONITOR & EVALUATE

 What infrastructure is in place to collect, store, and manage data securely and efficiently?

 Are your legacy systems providing you with relevant and quality data for effective AI systems?

 Have you done a data quality check?

 Already using data to drive AI applications? What have you learned which might inform an upgrade to your data infrastructure for better performance and scalability?

9
SCALE AND EVOLVE

 How can you encourage your management team to continuously evolve your AI strategies?

 What's in place to ensure you stay abreast of the latest developments in AI?

 What are you doing to scale your successful pilot projects across the organisation?

 Completed successful pilot(s)? How are you evolving your strategy towards scaling to maximise AI ROI?

10
STRATEGIC PARTNERSHIPS & COLLABORATIONS

 Have you identified business partners, AI communities, and academia you might be able to collaborate with to stay ahead of the competition?

 How might you explore some potential strategic partnerships with AI technology providers or innovators?

 Further along your AI journey? Perhaps you are well-positioned to lead a research consortium focused on AI research and development in your particular sector?

RESEARCH METHODOLOGY

Between September and November 2023, HLB collected **979 survey responses** from business leaders across **52 countries** and a broad range of industry backgrounds. Responses were collected via an online survey tool or telephone interview. The research sample was selected and controlled via HLB firms from their CRM data and supplemented with external market responses. In addition to the quantitative data, six in-depth interviews were conducted via video calls with various subject matter experts. The base for all figures is 979 unless otherwise indicated.

Note that not all figures in this report sum up to 100% as a result of rounding percentages, excluding neutral responses or when respondents could choose more than one answer. More data and information about this survey are available upon request. Please contact:

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RESPONDENTS BY TITLE

- CEO
- CFO
- CTO
- COO
- Other C-suite

29%
16%
12%
8%
35%
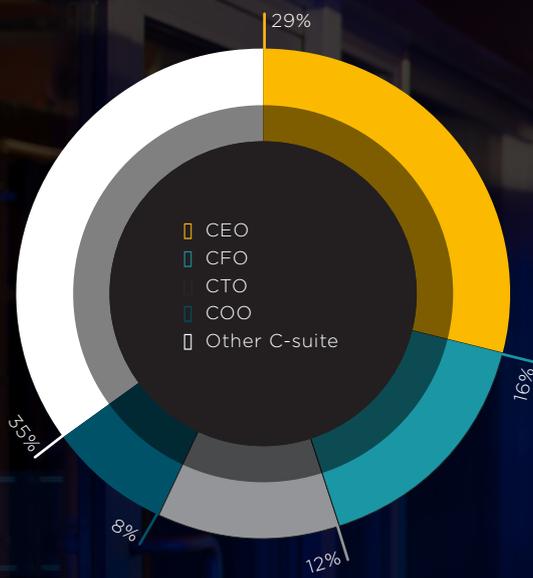
RESPONDENTS BY TYPE OF COMPANY

- Private
- Family Owned
- Not for profit
- Publicly listed

68%
15%
4%
13%
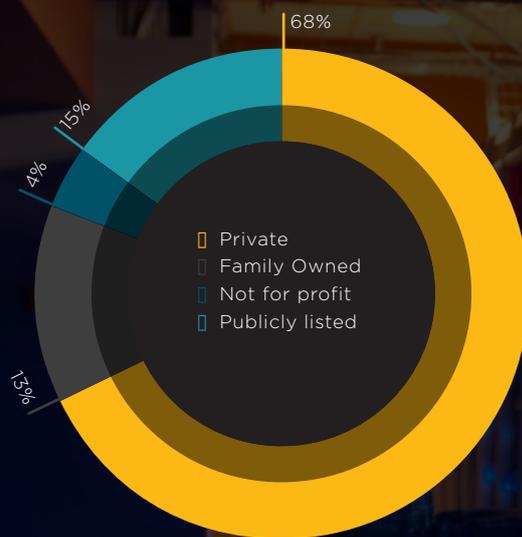
COMPANY SIZE BY ANNUAL REVENUE US$

- <$25M
- $26M - $49M
- $50M - $99M
- $100M - $249M
- $250M - $499M
- >$500M

33%
17%
12%
16%
12%
10%

COMPANY HEADQUARTERS

- North America
- Europe
- LATAM
- Asia Pacific
- Africa & Middle East

19%
12%
33%
22%
14%
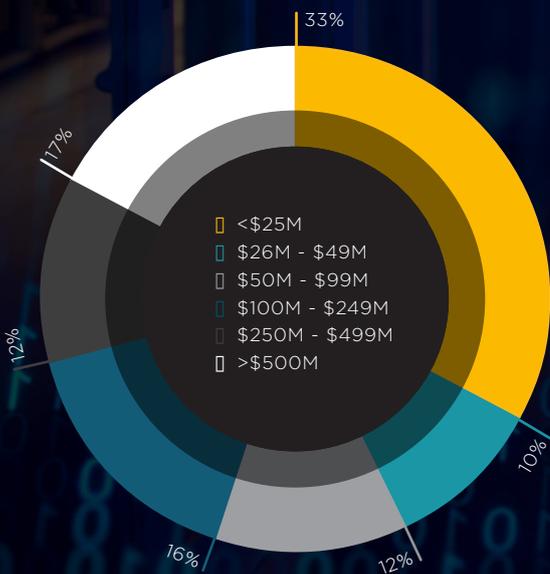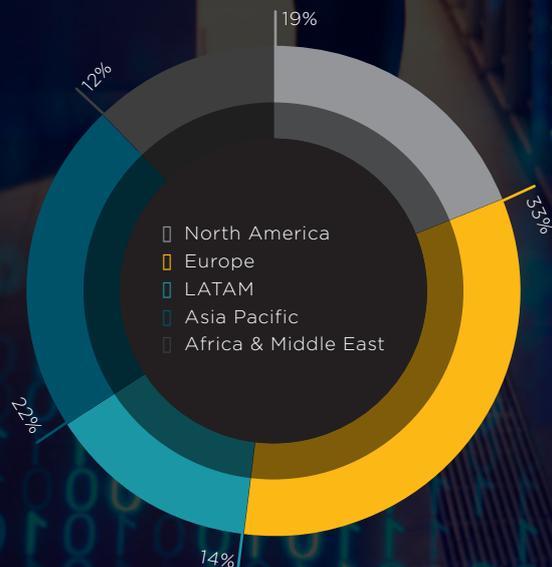
IN-DEPTH INTERVIEWS

In addition to our quantitative research, this year we interviewed six subject matter experts on the topics of AI and digital transformation in business. Each 45-minute interview was conducted in late November. The findings from the survey were shared with the interviewees for their feedback and perspective.

TANMAY BAKSHI,
AI & Application Architect
IBM

LEE DAVIDSON
Chief Analytics Officer
Morningstar

PRAVEEN MANDAL
Fellow
MIT Connection Science

DAVID L. SHRIER
Professor of Practice
AI & Innovation
Imperial College Business
School and Managing
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SANJEEV VOHRA
Innovator and Founder,
The Futurist Strategy

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ENDNOTES

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HOW HLB CAN HELP

With technological advancements evolving at an ever-accelerating speed, businesses are looking to understand the competitive advantage new digital technologies such as AI can offer them. Our findings suggest significant differences in potential business outcomes between businesses embracing AI technologies and those more cautious about adoption. A structured approach is needed to effectively reduce risk and gain ROI from digital transformation efforts.

If you would like to explore the findings in this report and how they inform your next phase of transformation and growth, we would welcome the opportunity to discuss these with you.

www.hlb.global/surveyofbusinessleaders

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HLB
**THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK**