

The Rise of the AI CEO

A Revolution in Corporate Governance

Teneo Insights / March 2023



Imagine the perfect CEO. Impartial, acting in the best interests of shareholders, employees and the balance sheet. Not biased or compromised by historical baggage, personal relationships or having to worry about their next job. Impervious to emotional manipulation or human error. Sounds impossible. In September, Dictador – a global spirits company – got exactly this type of leader when they placed an AI in the CEO’s chair.¹

Teneo’s 2023 global CEO and Investor Outlook Survey demonstrated a resounding interest in the future of AI by CEOs and the investors who empower their agenda as a strong area of big bets for innovative tech. Half (48%) of CEOs from the world’s leading public companies have already adopted AI, with another 58% actively investing to strengthen their AI capabilities.

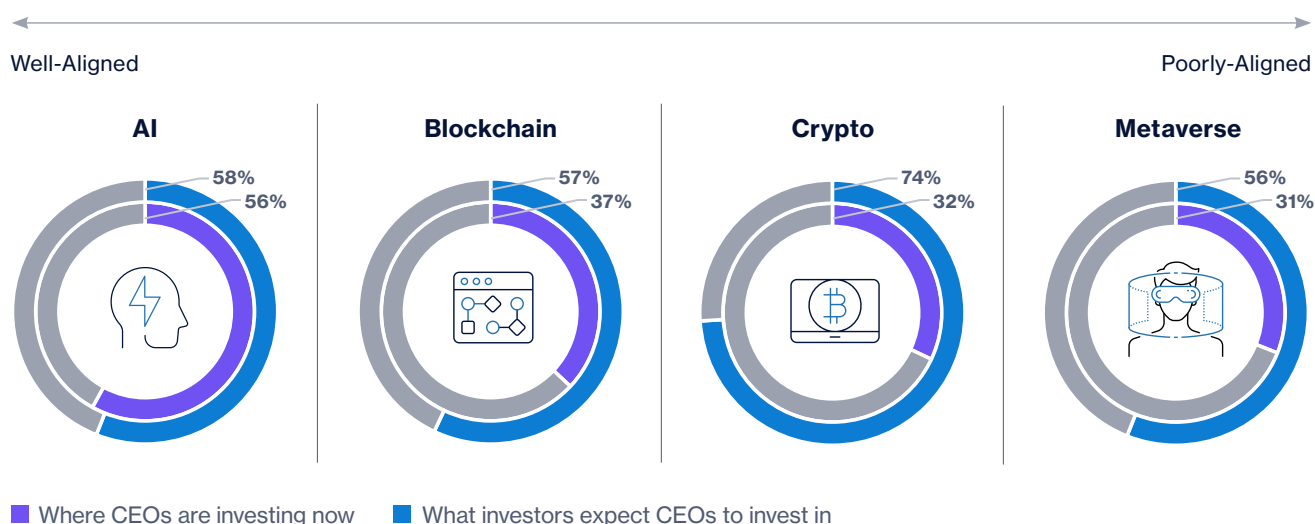
Seán Earley
Managing Director
sean.earley@teneo.com

Sparky Zivin
Senior Managing Director
and Global Head of Teneo
Research
sparky.zivin@teneo.com

¹ <https://www.prnewswire.com/news-releases/dictador-announces-the-first-robot-ceo-in-a-global-company-301634165.html#:~:text=27%2C%202022%20%2FPRNewswire%2F%20%2D%2D,forward%2Dlooking%20luxury%20rum%20producer>

Which of the following technologies is your company actively investing in / has your company already adopted?

Investment in technology



2023 will see the democratization of artificial intelligence due to Open AI’s ChatGPT and Dall-E – and the race between the likes of Google and Microsoft to develop more powerful and intuitive AIs. These systems have brought the world of frictionless autonomous computing to the masses and are beginning to challenge the fundamental understanding of what computers can do and what it means to create anything, from executive speeches to works of art, from lines of code. The success of these platforms has sparked an arms race with Google, Microsoft and others racing to incorporate or duplicate these technologies within their core products.

It’s by no means perfect though. Try challenging the AI to cite a reference for a research paper or contradict its thinking. You will be met with a groveling and apologetic tone – like all tech, it’s only as good as the human input.

However, it is also introducing efficiencies across the value chain. A recent tech demonstration² from Microsoft’s Yusuf Mehdi showed how their new partnership between Open AI and Bing will be able to parse a company’s quarterly earnings report, summarize the important takeaways and even compare key performance numbers against peers – work that would have taken an analyst a few hours, now complete in about 20 seconds.

“The proliferation of AI has sparked something of an AI arms race, with AI detection tools being developed to identify AI-generated text within impressive degrees of certainty.”

² <https://www.youtube.com/watch?v=rOeRWRJ16yY>

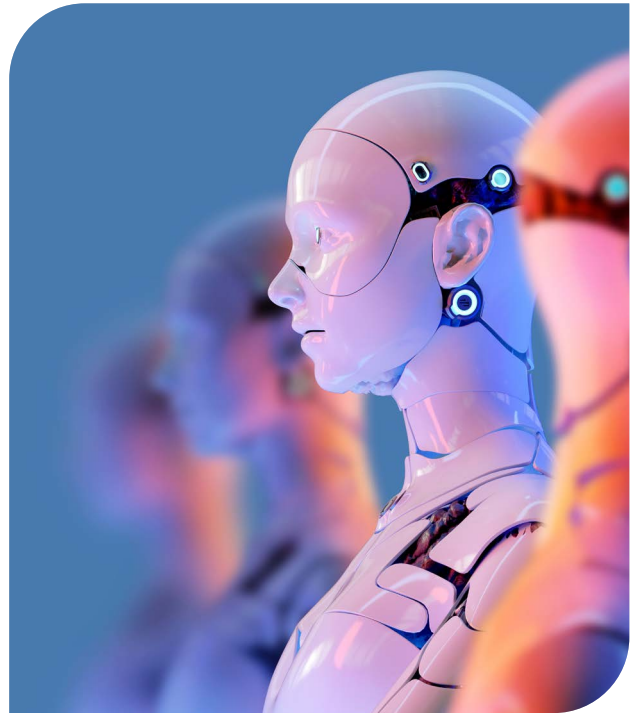
At what point does the input of AI go beyond workplace efficiencies and help us better understand the psychology of the workforce? Could a well-read AI represent the voice of the employee body at a board level, advocating for employee interests and avoiding the need for lengthy consultation? A devolution of representation to automated standard bearers would be a lot more streamlined. Thinking further, a learned AI trained on how activist investors behave could even act as a “Red Team” for executive teams to stress-test their growth and investment strategies.

A cautionary tale

Before we fill the board room with AIs, it's worth reminding ourselves that all technology is susceptible to in-built biases. Tech companies ran into trouble using AIs in their hiring process when these systems showed a stark preference for white men, a prejudice rooted in bad training data that enshrined legacy biases in how the algorithm made decisions. Feeding an AI privileged corporate information would be a risky bet without proprietary knowledge of data processing and handling. As researchers at DeepMind³ recently put it, “Despite incredible performance in a variety of domains, almost all [AI] systems are completely unable to provide a satisfying answer to the simple question, ‘Why did you do that?’”

How can we help?

The new reality is that AI tools are, and will continue to be, leveraged by individuals in the workplace and academic institutions globally to reduce time spent on tasks. Considering ChatGPT achieved 100 million users in two months, it has been cemented as the fastest growing app of all time. That's a bell that can't be un-rung.



This underscores the vital need for corporate governance on the usage of AI tools and why board members need to get savvy with this new technology quickly to understand both the corporate opportunities and risks associated with it.

A recent JP Morgan survey⁴ found more than half of institutional investors see AI having a major influence on how they trade, and 41% of individual investors would make a trade recommended by an AI.⁵ For CEOs, this means understanding that AI is rapidly moving from an efficiency play to an active participant in the market and a stakeholder unto itself. CEOs and their IR teams will need to understand how their messaging will be understood and interpreted by both investors as well as investors' machines.

3. <https://arxiv.org/pdf/2211.09937.pdf>

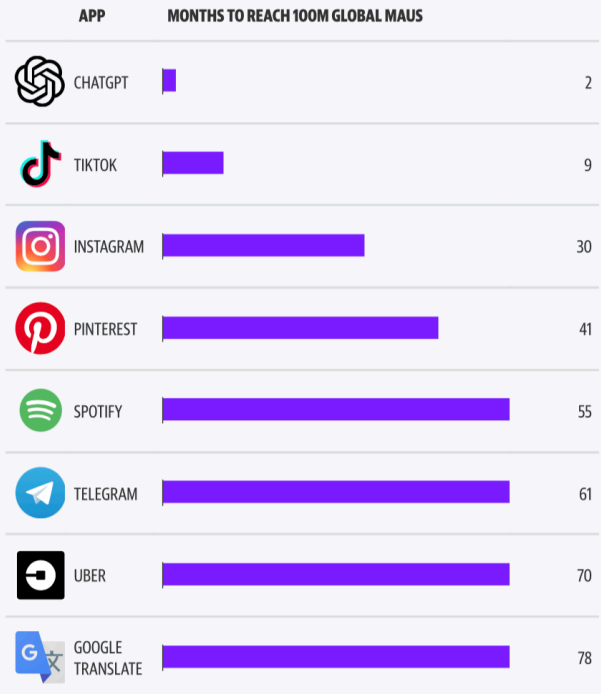
4. <https://www.bloomberg.com/news/articles/2023-02-01/traders-see-ai-technology-shaping-their-future-jpmorgan-finds?leadSource=uverify%20wall>

5. <https://magnifi.com/learn/america-is-ready-for-ai-investing>

HOW LONG IT TOOK TOP APPS TO HIT 100M MONTHLY USERS

ChatGPT is estimated to have hit 100M users in January, 2 months after its launch.

Here's how long it took other top apps to reach that:



SOURCE: UBS



Source: <https://finance.yahoo.com/news/chatgpt-on-track-to-surpass-100-million-users-faster-than-tiktok-or-instagram-ubs-214423357.html>

With the pace of AI innovation accelerating and new applications coming to market that push the boundaries of what most thought possible just a few months ago, corporate leaders need to heed the advice from Open AI's own LinkedIn page: "AI won't replace you, someone using AI will."

Teneo has a strong understanding of this world of emerging technology and is ready to draw on its expertise at the intersection of leadership, investor relations, employee engagement and strategy. For CEOs, mastery of AI is essential as it migrates up the corporate food chain from business processes to decisions and, ultimately, leadership. Failure to grasp the nuances of the coming evolution of AI could result in displacement by those who are well-versed in this new world.

Teneo is the global CEO advisory firm.

We partner with our clients globally to do great things for a better future.

Drawing upon our global team and expansive network of senior advisors, we provide advisory services across our five business segments on a stand-alone or fully integrated basis to help our clients solve complex business challenges. Our clients include a significant number of the Fortune 100 and FTSE 100, as well as other corporations, financial institutions and organizations.

Our full range of advisory services includes strategic communications, investor relations, financial transactions and restructuring, management consulting, physical and cyber risk, organizational design, board and executive search, geopolitics and government affairs, corporate governance, ESG and DE&I.

The firm has more than 1,600 employees located in 40+ offices around the world.

teneo.com