Leadership for our times:

Critical capabilities in the GenAI era

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Critical capabilities in the GenAI era

Thomas Roulet, Professor of Organisational Sociology and Leadership and Vesselin Popov, Executive Director of The Psychometrics Centre provide powerful food for thought and fuel for leadership action.

Generative AI is rapidly defining a new model for leadership that demands different and even counterintuitive skills and approaches. It's imperative that all leaders challenge themselves with the latest perspectives and evidence to ensure that their skills and business model are fit for the immediate future.

Under the guidance of two AI experts from Cambridge Judge Business School, this article reviews some current insights in the context of the changes in leadership style and strategy that they imply for every organisation.

Gen AI is an immediate strategic challenge, not a distant opportunity

Vesselin Popov sets out a starkly important truth: "There's no easy way to say this: leaders who have not yet engaged in any way with GenAI and lack the curiosity to explore its potential have already been left behind. Recovering ground is not only possible but essential for them and their organisations."
GenAI is a strategic issue for virtually any business of any size today. Whatever your current level of GenAI skill and knowledge as a leader, it's key to continually engage with its ever-evolving potential capability and recalibrate its consequent impact on your organisation's success.
Leaders in organisations of all sizes are under pressure to say and do something about GenAI, whether that means allocating resources for iterative pilots and experimentation, or considering the transformative potential for their strategy and business model.

Furthermore, there is already a small minority of organisations using GenAI at scale, achieving significant financial returns and competitive advantage, ranging from global brand giants like General Motors and Etsy to SMEs in industries from media to manufacturing.
"Although much of the GenAI landscape remains uncharted, we can learn from the activities of these early adopters," Popov counsels.
And for leaders at any point on their GenAI path, there's strong motivation to act: "Adopting open-minded and innovative leadership attitudes and behaviours could be key to cutting through the hype around GenAI and seizing first mover advantages for your specific business model and market," he adds.

Understanding and driving GenAI is critical to enterprise success...

GenAI is different from other transformational digital technologies because it became available at the same time to everyone. It's an extreme example of how the readiness of an organisation to innovate can set it apart, regardless of its resources or connections.

Without clear direction to create safe environments to experiment, companies will tend to move too slowly and demoralise their more high-performing, curious and technically able employees. That's why senior leaders must take responsibility for driving AI engagement, strategy and adoption and championing an innovation mindset in the organisation.

Cautious leaders and organisations must learn to work with new levels of risk and uncertainty

GenAI breaks some fundamental tenets and purposes of copyright law in interesting ways, forcing organisational leaders to make decisions about their risk appetite, their brand and their relationship to creative professions.

It's not surprising that some legal departments are advising leaders to hold off on making big bets on GenAI until there is greater clarity around the risks involved in corporate use of the technology.
GenAI creates tremendous uncertainty to intellectual property issues, data protection and other areas of liability.

It's challenging to address questions in these areas, such as:

- Can you copyright and licence what you create with GenAI?
- Is the data of our customers or employees safe when being processed by large language models or advanced, semi-autonomous agentic systems?
- What downstream harms might a business be liable for if it uses AI in its products and services?

However, if leaders wait for perfect legal certainty in this complex and case-law dependent area of law, they and their organisations could quickly become irrelevant if their competitors' risk appetites are much greater.
We can expect the current high-profile lawsuits around GenAI to take several years before they are resolved.

It will take a similar time for AI-related legislation to embed itself as a set of accepted business practices and market dynamics.
As a leader, you need to understand what the risks are for your organisation and make a best guess as to how things might turn out.
Popov says, "GenAI breaks some of the fundamental assumptions and economic arguments that underpin copyright law as we know it. The definition of 'authorship' is thus being stretched to the limits by cases involving works created jointly by AI and humans."

For example, the US Copyright Office has thus far seemed unwilling to protect joint AI-human works, whereas India, China and South Africa have already done so.
Leaders of businesses that want to both use GenAI and operate globally must stay alert to these kinds of cultural differences around creativity.

> "It is not just about compliance with the law but also communicating to your employees and customers what kind of business you want to be" says Popov. "Do you respect creative expression or seek to exploit it? Your policy on GenAI says a lot more about your ethics as a business than you think."

Vesselin Popov
Executive Director of The Psychometrics Centre

The pace is fast, even as GenAI terrain continues to form underfoot

The democratisation of AI technologies creates an unusual competitive environment. In the past, large corporates with deep pockets would almost always win out: they have the resources to amass the largest and highest quality datasets for training machine learning models and can attract and retain in-demand data science talent.

But now, it's about how quickly and effectively you can integrate readily available GenAI technology into your operations.

Large language models and diffusion models can perform a wide variety of tasks without too much customisation, thus lowering the barriers to entry.

Smaller or low-tech businesses can implement AI solutions with fewer in-house resources, provided they adopt the right mindset and can attract the right skills.

In this way, GenAI gives your organisation the opportunity to leapfrog ahead of competitors - even those that are much larger and better resourced.

The speed of adoption depends heavily on your organisation's culture rather than its technical capacity alone. An average business can quickly generate more value if it can make a decisive change in behaviour and mindset to embrace GenAI. That change must be driven and embedded by the organisation's leaders.

"These tools help employees stay informed and efficient, overreliance on them can lead to cognitive burnout. To maintain the net benefit, leaders must ensure that their organisation implements strategies that balance GenAI-driven input with time for employees to mentally recharge"

Thomas Roulet

GenAI changes organisational processes and culture in unexpected ways

Leaders must encourage teams to notice and describe the holistic impact of using GenAI. There may be both positive and negative effects that were not anticipated. An observant and responsive culture is key to capitalise on the former and adjust to mitigate the latter.

Thomas Roulet provides an example from his research in the area of iterative learning. "The growth of GenAI in the workplace offers more opportunities to deliver machine feedback. Evidence shows that automated critiques can act as a catalyst to motivate people to learn from each other."

The business case for efficiency gains likely drove the introduction of machine feedback: it's fast, objective, thorough and comprehensive. It's also depersonalised and trusted, so people are more willing to accept it, improving their knowledge and future output as well as the current deliverable.

This creates an even better ROI for the use case and could suggest opportunities to access similar benefits in other business areas or processes.

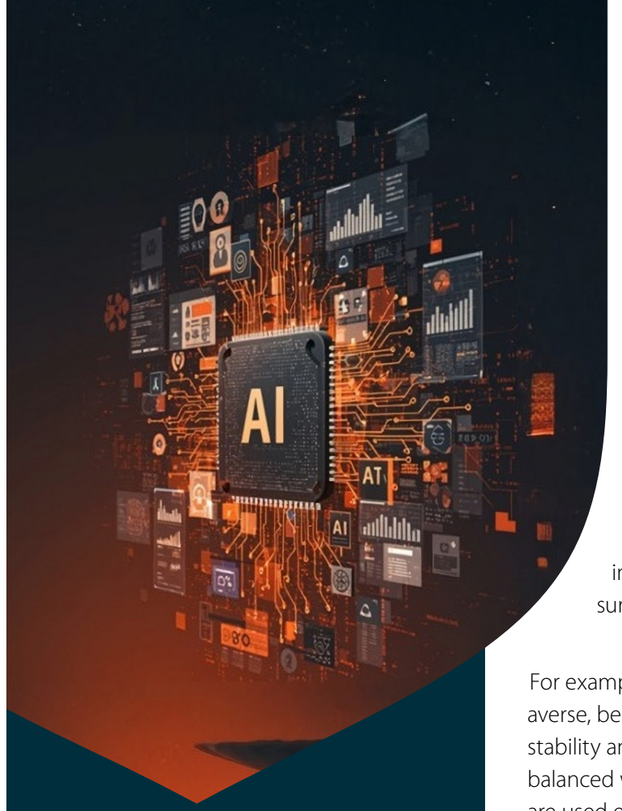
Roulet cites another example: "Employees who use AI tools frequently throughout the workday see a marked improvement in their task performance and knowledge acquisition." They benefit from streamlined workflows, automation of repetitive tasks, and quick access to insights and data that might otherwise take hours to find.

But Roulet and his colleagues have also observed an unwanted consequence: information overload. "While these tools help employees stay informed and efficient, overreliance on them can lead to cognitive burnout. To maintain the net benefit, leaders must ensure that their organisation implements strategies that balance GenAI-driven input with time for employees to mentally recharge"

AI has a human impact as well as a commercial impact

AI systems are increasingly being integrated across organisational functions, altering the work lives of employees. Employees can gather information and generate analysis or documents in seconds.
This shift changes workplace dynamics, as employees find themselves interacting with and relying on AI systems instead of human coworkers.

But the negative consequences of increased interaction with AI can lead to feelings of loneliness, which can further impair employee well-being after work, leading to more insomnia and alcohol consumption.
Leaders must take care that commercial benefits attributable to GenAI do not create deep-rooted issues that will disadvantage businesses down the line.
"People may feel socially disconnected at work," says Roulet. "As employees interact more with AI systems, they may seek out more social interactions with their human coworkers to compensate, potentially fostering a more collaborative and supportive work environment.



"If we can predict anything, it's that uncertainty is here to stay"

Vesselin Popov

The new value of dissenting voices and conflicting views

Another challenge for leaders is to seek conflicting perspectives deliberately, as vital inputs to GenAI decision-making.
Usually, organisations aim to create consensus as quickly as possible, to support effective action. With GenAI, it's more important to engage and encourage dissenting voices, to be sure of grasping the intricate balance of risk and reward.

For example, many IT teams are structurally incentivised to be risk-averse, because they are primarily held accountable for operational stability and security. Their expert input matters, but it must be balanced with opportunity-focused perspectives, to ensure that AI tools are used effectively to create value for the business and its customers.

Legal teams are cautious because their remit is to limit impact and minimise liability. Changes in IP law that are precipitated by the GenAI debates might have spillover effects in other areas that have nothing to do with AI, and thus impact business in unexpected ways, particularly in copyright-driven business models.
This expertise in complex areas is very important, but it cannot dominate at the expense of innovation.
Influential managers or operational experts may champion particular GenAI use cases or approaches. This powerful energy will inspire and give confidence to others in the organisation, but it needs to be tempered with a practical appreciation of the ethics, legalities, costs, competitive implications and operational technologies that create the full context for organisational impact and potential.
"The bottom line is that senior leaders need to ensure they hear both sides of the story. There are undoubtedly risks and uncertainties to GenAI, but there are also boundless opportunities to accelerate human progress.

Not even the developers of foundation models can say what capabilities the next generation might bring, so don't try to predict the future.
Focus on staying informed, having a range of perspectives and building personal and institutional resilience.

If we can predict anything, it's that uncertainty is here to stay," says Popov.

A culture of experimentation and adaptability is key

Experience and best practice doesn't necessarily exist for GenAI adoption in your business model and functions, because it's evolving so fast.
The role of the leader is to create understanding of this new way to make decisions, encouraging informed debate and allowing the possibility of risk and failure within a clear framework of strategic progress.
Organisations that foster a culture of experimentation, support innovation, encourage risk-taking, and value employee engagement are more likely to adopt AI rapidly and successfully.
Companies that are risk-averse, hierarchical, focused only on compliance or slow to adapt will find it more difficult to leverage AI's potential.

Where will your strategic GenAI leadership take your business?

A thorough, intelligent engagement with the many facets of GenAI is vital for leaders of any organisation today that does not want to find itself isolated in its market.
Creating space for themselves to consider actively the concept and application for GenAI is a key challenge for today's leaders.
Many leaders choose to feed this engagement through peer networking and executive forums and education, to help them keep pace with the latest insights.
Behaviour and mindset are factors that every business leader can improve upon and cascade within their organisation to ensure a fertile environment for GenAI driven innovation and growth.
As well as considering use cases, leaders must attend to the culture and capability of their organisation, so it's receptive and equipped to derive value from GenAI.
There's clear evidence that businesses that treat AI implementation as a strategic decision see higher returns on their AI investments, because they are more likely to identify high-value use cases.
But there are still some senior business leaders who haven't found the time and space even to try consumer AI tools like ChatGPT, Claude or Gemini for themselves. They urgently need to ignite their curiosity and inform themselves for action.

Why GenAI is the strategic tool you can't ignore

Examples of early adopters and success stories

- **Global Giants Leveraging GenAI:**
  General Motors: Revolutionising operations with GenAI.
  Etsy: Driving customer experience innovation through AI.
- **SMEs Across Industries:**
  Media, manufacturing, and other sectors are successfully implementing GenAI despite fewer resources.
- **Financial Impact of GenAI Adoption**
  Early adopters report significant financial returns by integrating GenAI at scale.
  GenAI offers an unprecedented opportunity to leapfrog competitors, regardless of business size.

Competitive Advantage
GenAI lowers barriers to entry, enabling smaller businesses to compete directly with larger, resource-rich organisations.
Businesses adopting GenAI gain a first-mover advantage in their respective industries, reshaping their market positioning.

Footnotes:

9% of organisations are using gen AI at scale: https://www.accenture.com/content/dam/accenture/final/accenture-com/document-3/Accenture-Accelerating-The-UKs-Generative-AI-Reinvention.pdf
(2024)

https://cloud.google.com/transform/101-real-world-generative-ai-use-cases-from-industry-leaders
(2024)

https://hbr.org/2024/06/genai-is-leveling-the-playing-field-for-smaller-businesses

U.S. Copyright Office, Cancellation Decision re: Zarya of the Dawn (VAu001481096) at 2 (Feb.21, 2023); U.S. Copyright Office Review Board, 2023, September 5. The better known "Dopéra Spatial" Review Board decision letter)

India – In 2021, an AI painting named "RAGHAV" was registered in India as a co-author in a copyrighted work titled "Suryast". The other co-author was Mr. Ankit Sahni, the owner of the AI App.

China – In November 2023, the Beijing Internet Court rules in Liu Liu that an AI-generated image is copyrightable and that a person who prompted the system is entitled to the right of authorship under Chinese Copyright Law

South Africa – In July 2021, DABUS patent no.2021/03242 became the first patent listing an AI system as its inventor.

Vesselin Popov

Executive Director of the Psychometrics Centre

Vesselin Popov oversees the strategy, operations, finances, and commercial partnerships of the Psychometrics Centre. He leads the development and application of Big Data Psychology, including coordinating Apply Magic Sauce, a widely used psychometric modelling platform, and has a background in law with interests spanning AI ethics, data protection, and digital innovation.

Thomas Roulet

Professor of Organisational Sociology and Leadership

Thomas is a Fellow and Director of Studies in Psychology & Behavioural Science at King's College. A social scientist, they research and teach how individuals and organisations lead social change and adapt to evolving workplaces, with a focus on wellbeing, and advise policymakers and organisations, with work published in leading academic and practitioner outlets.

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