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Generative AI

5 Critical Skills Leaders Need in the Age of AI

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Illustration by Morgane Fadanelli

Summary. To thrive in the rapidly evolving age of generative AI, senior leaders need to recognize that success hinges less on the technology itself than on leadership and organizational transformation. In particular, they'll need to develop five key skills:... **more**

A recent *Financial Times* analysis of S&P 500 filings found that 374 companies mentioned AI on their earnings calls last year—and nearly nine out of 10 described it in glowing terms. When pressed to explain the upside, however, most leaders fell back on vague promises of still unrealized "productivity gains." Not only that, their annual reports were far clearer about risks than tangible benefits. Why? As one of us found in a project involving more than 300 board directors, not only are AI pilots not sure to

deliver, but employees, fearful of AI, don't take advantage of its potential, and AI projects don't address the way organizations work and add value.

The failure to capture value from new technologies is rarely about the technology. Instead, it's typically about failing to align your technology to your value proposition, and missing the opportunity to leverage technology to change the organization. Underneath it all lies a challenge for leadership and organizational capacity. Efforts fail because organizations don't adapt their processes, and because teams don't change how they work.

As academics, we track the latest studies on digital transformation and leadership and compare those findings to what senior executives in our classrooms are wrestling with in real time. We study the gaps between the skills they have, the demands their organizations are placing on them, and the capabilities required to lead effectively.

What this work has taught us is that to lead effectively in the age of gen AI, senior executives need a set of skills that aren't always the ones that made them successful in the past. In this article, drawing on our work as both academic and practitioners, we'll discuss five competencies that we've identified as essential, each of which corresponds to a distinct role that leaders today need to play.

Span Organizational Boundaries

Fluency with AI requires more than reading analyst reports or scanning headlines; it develops through networks and exposure. Research has shown that people embedded in more-diverse networks gain access to non-redundant information and as a

result are more innovative than those in insular circles. Classic diffusion studies, among them *Diffusion of Innovations* (2003), by Everett Rogers, have also shown that technology adoption spreads when people observe credible peers using it and when they gain sufficient tacit knowledge to understand how it applies specifically to them.

For executives, this means building relationships across industries, regulators, startups, and technologists, and engaging in conversations where AI's opportunities and risks are being debated. In the executive classrooms in which we teach, we see this play out daily. More-experienced users teach the rest about what they are seeing, benefits and pitfalls alike.

Senior executives also need to be intentional about exposing their teams to those sorts of cross-cutting interactions. On taking charge at Microsoft, for example, Satya Nadella invited the CEOs of the tiny tech companies that Microsoft had acquired to the annual strategic offsite previously reserved for the firm's top brass. Being in the flow of diverse conversations increases executives' confidence to bring new insights back into their boardrooms. It makes them boundary-spanners.

Redesign Organizations

Gen AI creates value only when organizations are redesigned to harness it. Decades of research show that productivity gains come not from the technology itself but from complementary changes to processes, incentives, and structures. Too often, companies bolt AI onto legacy workflows and see little return.

Leaders must decide where to automate, where to augment human judgment, where to keep control fully human, and how to deal with the ability that gen AI often grants them to do more with fewer people. More important, they need look beyond cost efficiencies and FTE reduction: As our research finds, real benefits from GenAI comes from rethinking business processes,

hyper-personalizing, and building new business models. Managers need to consider how AI allows them to rethink their legacy processes. In short, they need to be architects.

At SAP, for example, CFO Dominik Asam has led an ambitious redesign of core functions to integrate gen AI. His team automated large parts of finance and back-office work, freed teams to focus on higher-value tasks, and used AI-driven insights to reallocate resources and raise productivity. By redesigning roles and workflows in this way, Asam has enabled SAP to make structural changes that unlock AI's true value.

At executive search firm Russell Reynolds, managers are encouraged to redesign their teams' work so that AI agents—who are given names, responsibilities, and scopes of work—perform simpler tasks, while employees' tasks are upgraded.

Of course, organizational redesign often goes hand in hand with cultural change, because outdated processes reinforce old norms that stymie progress. Once AI-driven dashboards had eliminated the need for old-style inspection and control at one global food company, the CEO overhauled quarterly business reviews, reducing the time his teams spent compiling data, and shifting leadership meetings toward real-time learning instead. Without these kinds of transformational changes, AI adds complexity on top of outdated processes instead of unlocking real value.

Firms may need to take bold steps to allow their leaders to bring about re-design. PepsiCo, for instance, merged the responsibilities of strategy, transformation and technology, allowing its chief strategy and transformation officer, Athina Kanioura, to leverage AI by redesigning the organization—and making it doubly important for the organization's executives to work with her to identify process inefficiencies and opportunities arising from new capabilities.

Orchestrate Team Collaboration

The real leadership test is how well senior teams can make decisions with AI in the mix. At Amazon, for example, finance leaders now rely on gen AI for not just routine reporting but complex tasks such as tax analysis, forecasting, and revenue modeling. The outputs are synthesized into briefings and documents that feed directly into senior-team reviews, allowing executives to debate tradeoffs with a richer, faster evidence base than human analysts alone could provide.

It's one thing to use AI as an input; it's another to bring algorithmic insights into collective deliberation. Research shows that human-AI collaboration can dramatically reduce the cost and time of problem-solving, but optimal results depend on skill in working with AI iteratively and collaboratively.

Recent experimental research goes further, validating the idea of handing AI a critical role in decision-making teams (and not just using it as a passive tool). One study shows, for example, that large language models can be deployed as a "devil's advocate," challenging group consensus or even their own recommendations to improve critical thinking. Another compares different AI roles —from recommender to analyzer to devil's advocate—and finds that varying the role can shape the quality of outcomes. Together these findings imply that leaders should treat AI as not a monolithic input but a flexible teammate whose role in collective decision-making must be consciously designed and managed.

In this new collaborative environment, and particularly when it comes to high-stakes decisions, leaders will need to choreograph the balance of human and algorithmic inputs while also creating psychological safety, so that teams feel free to probe scenarios, share failures, and learn together. They will need to become team orchestrators.

Coach and Develop Talent

AI adoption succeeds only when leaders help their people learn to work differently. Employees need coaching and psychological safety to experiment, make mistakes, and gradually re-skill. Indeed, a large-scale analysis of 34 million U.S. managerial job postings, along with millions of résumés and employee reviews, shows that since 2007 employers have tripled the share of postings that emphasize collaboration, coaching, and influence, while steadily reducing those that emphasize traditional supervision.

Jean-Philippe Courtois, who headed global sales, marketing and operations at Microsoft, dismantled a longstanding "inspection culture" (in which managers were judged on exhaustive forecasting rituals) and replaced it with a coaching culture (supported by real-time digital dashboards and training on coaching skills for all people managers). Instead of interrogating subordinates, he modeled listening and guided managers to redirect their time toward customers and learning. The change freed thousands of hours for client engagement just as his function, sales & marketing, was shifting towards greater reliance on automated forecasting and predictive analytics.

As gen AI makes it so that employees no longer have to focus on the grunt work themselves, leaders have to help build and promote the new skills needed to complement the technology. They need to help transform the workplace to take advantage of AI, and in doing so they will face the same challenge: to act less like inspectors and more like teachers who help mainstream new ways of working. They will need to lead as a coach who can develop talent.

Lead by Example

In a mid-career masters' class at London Business School, one of our students asked Courtois, the following question: How do we remain relevant in the age of AI, when we will not be the technical innovators ourselves?

“Use AI every day,” he responded, “in your personal and in your professional life.”

A good model of that behavior is Donna Morris, Walmart’s chief people officer. Morris turns to ChatGPT and other tools when kicking off searches for senior leaders, saying the results often align closely with candidates her team is already considering. But she also uses AI for everyday needs, from travel recommendations to quickly searching medical information for her family. Her hands-on use of AI builds fluency and signals to others that experimentation is encouraged.

One recent study found that although senior leaders are more excited and less threatened by AI than their employees, they don’t actually use the technology as much as their pronouncements about it might suggest, which raises concerns that they may be managing impressions rather than modeling adoption.

The solution is straightforward: Become a genuine role model. Experiment personally with AI until you have found uses for it that help you both professionally and personally. Among its many benefits, personal use increases your capacity to recognize “workslop,” content that appears polished but lacks real substance. And, making your personal use visible to colleagues signals that curiosity, agility, and even mistakes are part of the journey. In doing so, you’ll create the social proof that accelerates adoption.

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The bottom line is this: AI will not deliver value simply because firms spend money on tools and infrastructure. It will deliver value when leaders develop the new competencies needed to transform their firms and teams so that they can make full use of the technology’s potential to provide real strategic advantage.

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