

Pearl Meyer



On Point

TIMELY, ACCURATE, INSIGHTFUL

Quick Poll: AI's Impact on Organizational Structure and Investments

March 2024



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Beginning in 2023, AI has been a leading topic in the public arena. Beyond the high-level conversations, Pearl Meyer was interested to understand how this pervasive new technology may be influencing companies in terms of their organizational structure and their approaches to change management and workforce communication.

Also in question is how current investments in AI may be impacting short-term financial results and if there are any early considerations for executive compensation.

Some high-level themes from the 142 respondents of this survey include the following:

- How companies will determine organizational and/or executive responsibility for AI is varied.
- There are opportunities for more organizations to communicate with the broad workforce about the impact of AI.



Introduction (cont'd)

- While AI is driving employee communication, workforce planning, and financial investment, the need for change management strategies may not be fully appreciated.
- It is still early days for the consideration of specific AI-related goals for executives; however, almost 20% of companies have or will soon discuss this in relation to executive incentive plans.

If you have any questions or are interested in discussing these findings, please contact:

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Key Highlights

- Almost a third (32%) don't expect one person will have primary responsibility for AI, and it is (or will be) decentralized through multiple functional areas within the organization; 22% are not currently evaluating AI.
- Over 50% indicate they are communicating in some way with the workforce on AI-related topics.
- 24% are actively beginning change management strategy discussions and another 36% plan to; however, one-quarter don't believe they need to do so.
- 40% are making significant investments in AI (21% in the current fiscal year's budget and 19% in FY25), although just 28% have discussed how these investments might impact financial goals in the short-term.
- Almost 20% of respondents indicate there has been discussion among the executive team and/or the board about incorporating goals related to AI in the executive compensation plan.



Organizational Structure, Change Management, and Communication

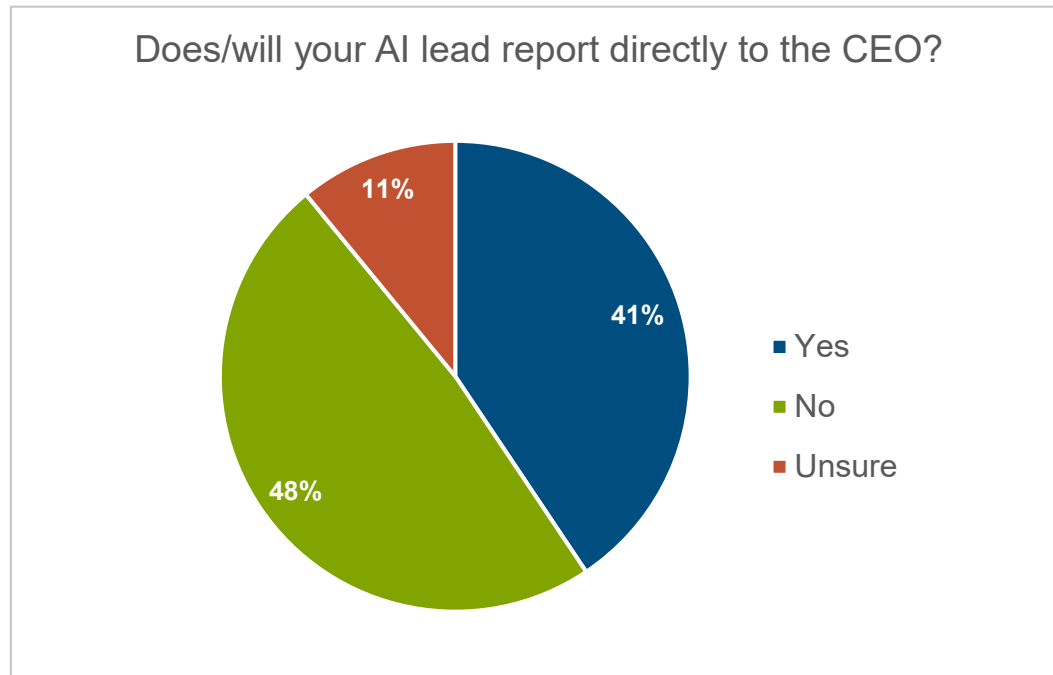
Does your organization have an executive leading your AI efforts?

- 9% have designated a leader, either promoting from within or hiring externally.
- 30% have added AI as an additional area of responsibility for an existing role.
- 32% expect to “spread the wealth” and have AI responsibility covered under multiple functions internally.
- Remarkably, 22% are not currently evaluating AI.



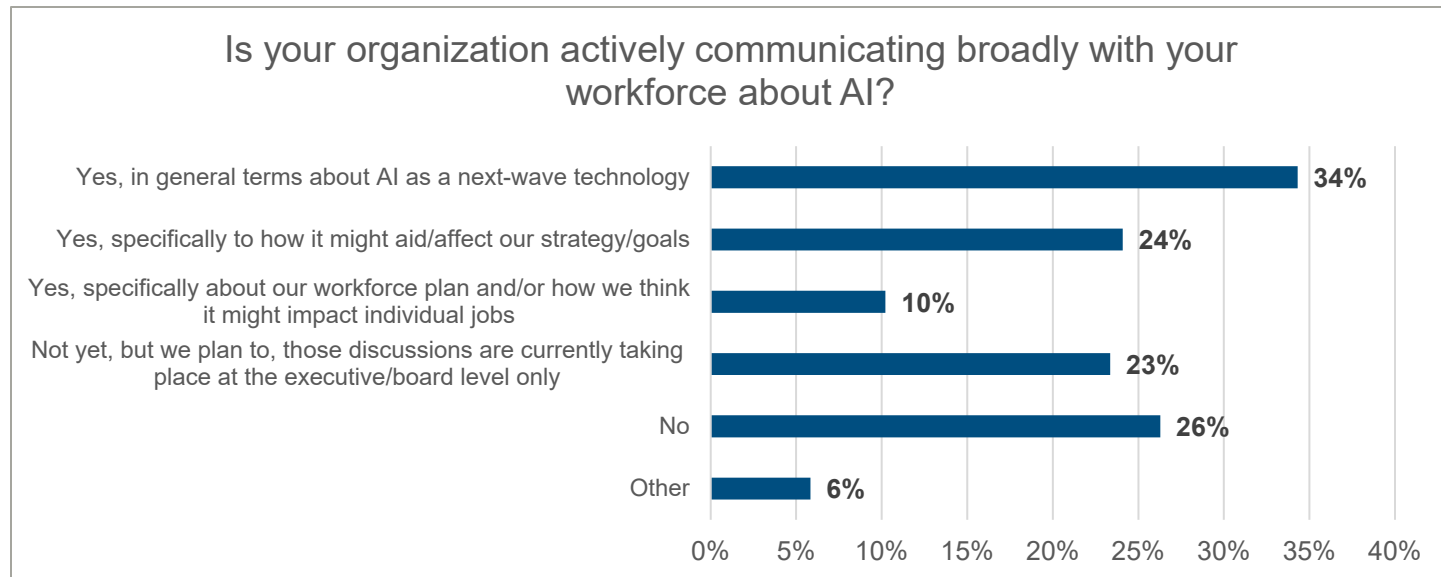
If so, does/will your AI lead report directly to the CEO?

- For those organizations that currently do (or plan to) have an executive leading AI efforts, 41% of those executives do (or will) report directly to the CEO.
 - This signals the degree of importance of the role for the companies that are at an advanced point in their AI journey



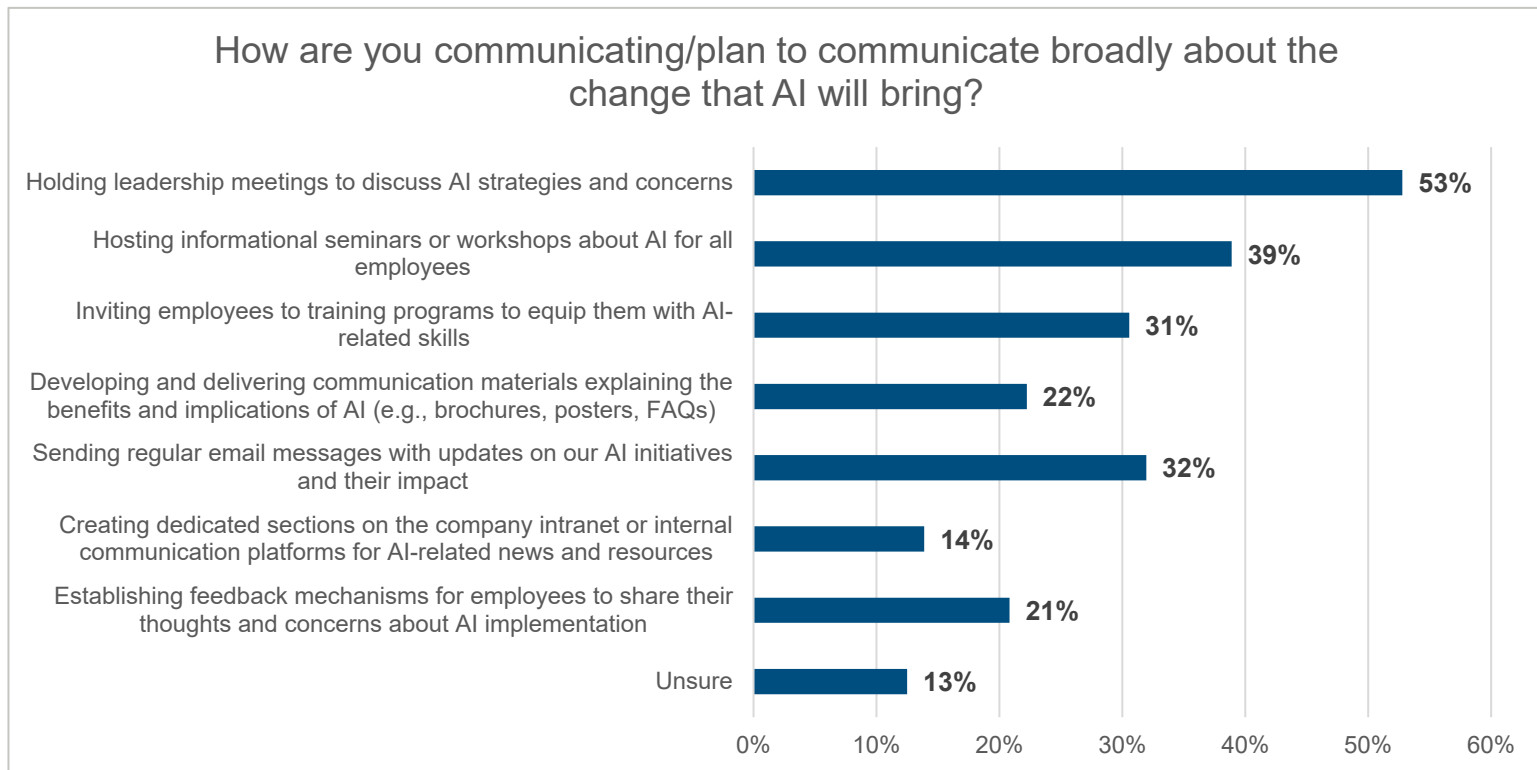
Is your organization actively communicating broadly with your workforce about AI?

- One-third of organizations are communicating about AI in general terms with their workforce.
- One-quarter of organizations are talking more specifically about AI relative to the company's strategy and goals.
- However, just 10% are speaking to AI's potential impact on individual jobs and 26% are not talking about it at all.



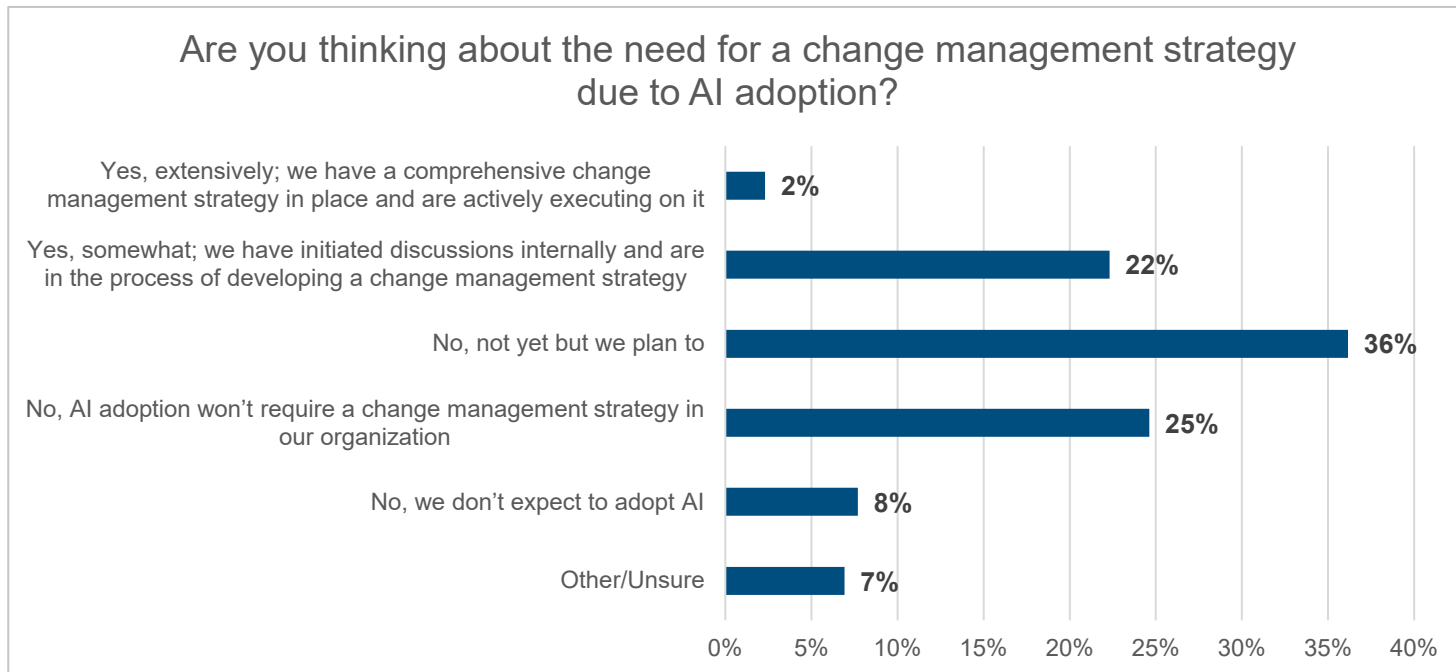
If so, how are you communicating/planning to communicate broadly about the change that AI will bring?

- Leadership team meetings are the most common communication channel currently.
- For all employees, informational seminars or workshops are the most common communication channels.
- Training programs are in place among roughly one-third of responding organizations that are currently talking with the workforce about AI.



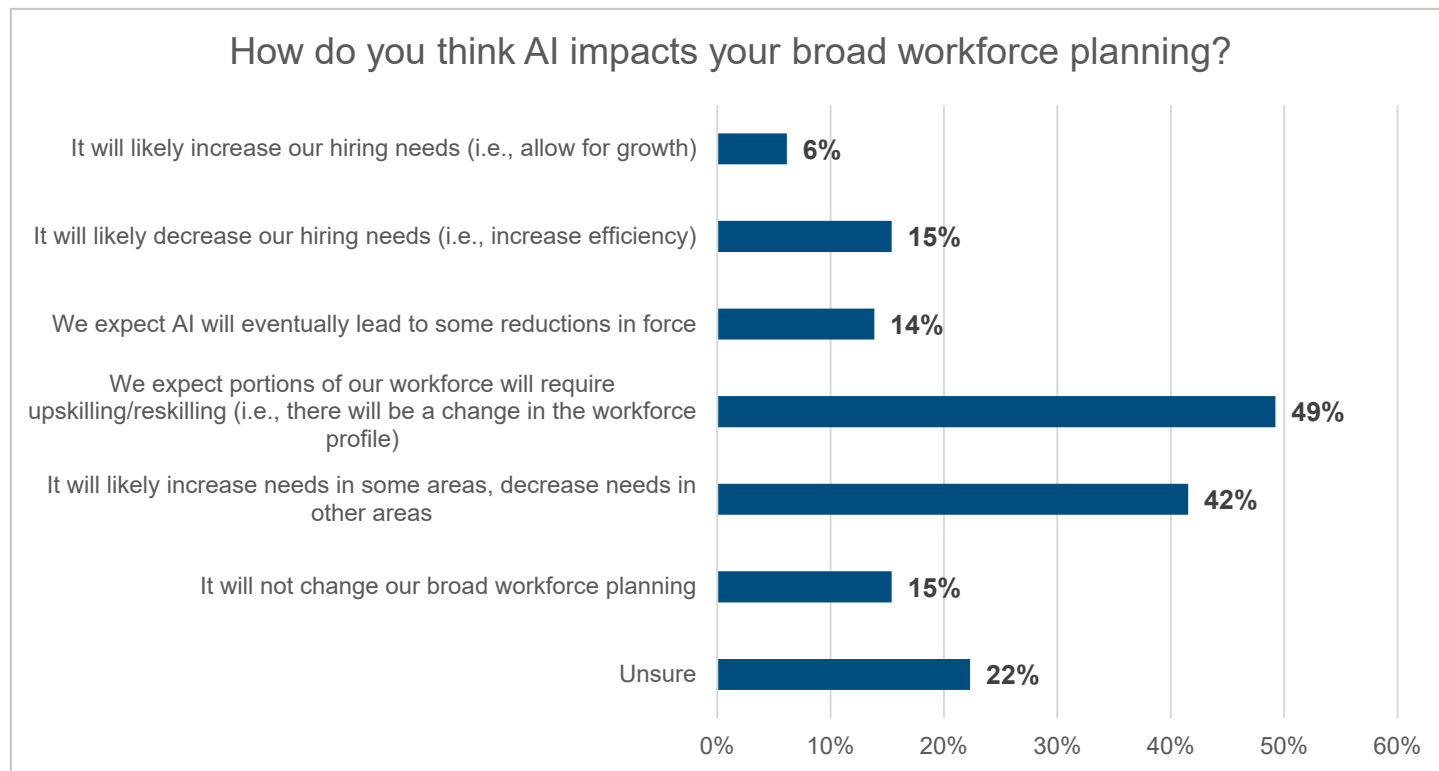
Are you thinking about the need for a change management strategy due to AI adoption?

- Change management is in early stages among 22% of respondents.
- Another 36% do see the need for a change management strategy in response to AI but have not yet started to plan.
- One-quarter of organizations don't believe AI will necessitate an internal change management strategy.



How do you think AI impacts your broad workforce planning?

- Upskilling and reskilling are the most often cited ways in which AI will impact the workforce, with almost half (49%) noting they expect a change in the workforce profile.
- Company responses specific to increasing or decreasing hiring needs and reductions in force are quite varied.



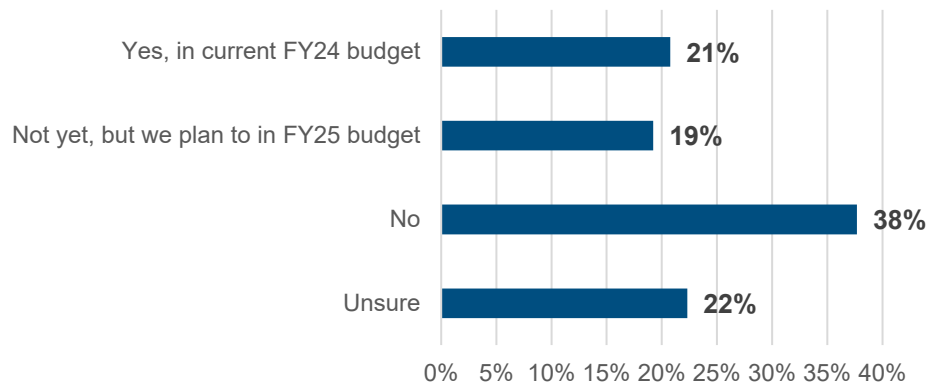


Financial Impact and Executive Compensation

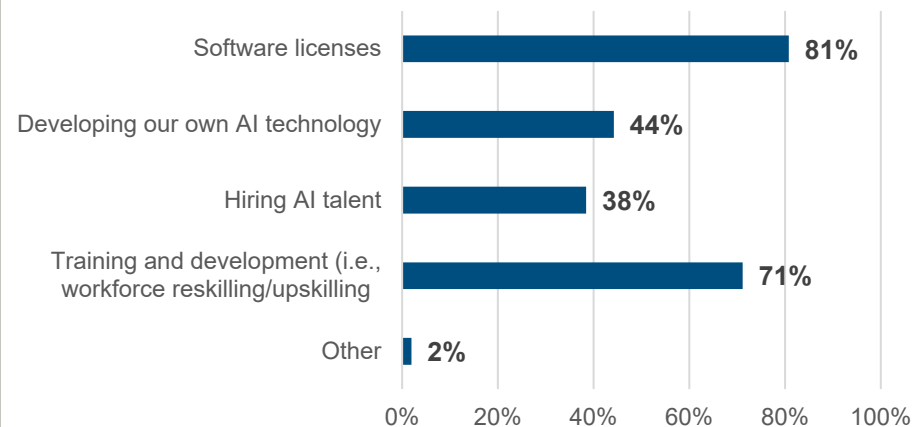
Is your organization making significant AI investments for FY24 (e.g., software licensing, consulting expertise, hiring, etc.)?

- While 22% of respondents are unsure of their company's budget allocation, 21% say the current budget allows for significant AI investments and 19% believe the FY25 budget will have major AI investments.
- Of those organizations making significant investments in AI, they are in the areas of software licensing (81%), and training and development (71%).
 - 38% are hiring AI-specific talent

Is your organization making significant AI investments for FY24 (e.g., software licensing, consulting expertise, hiring, etc.)?

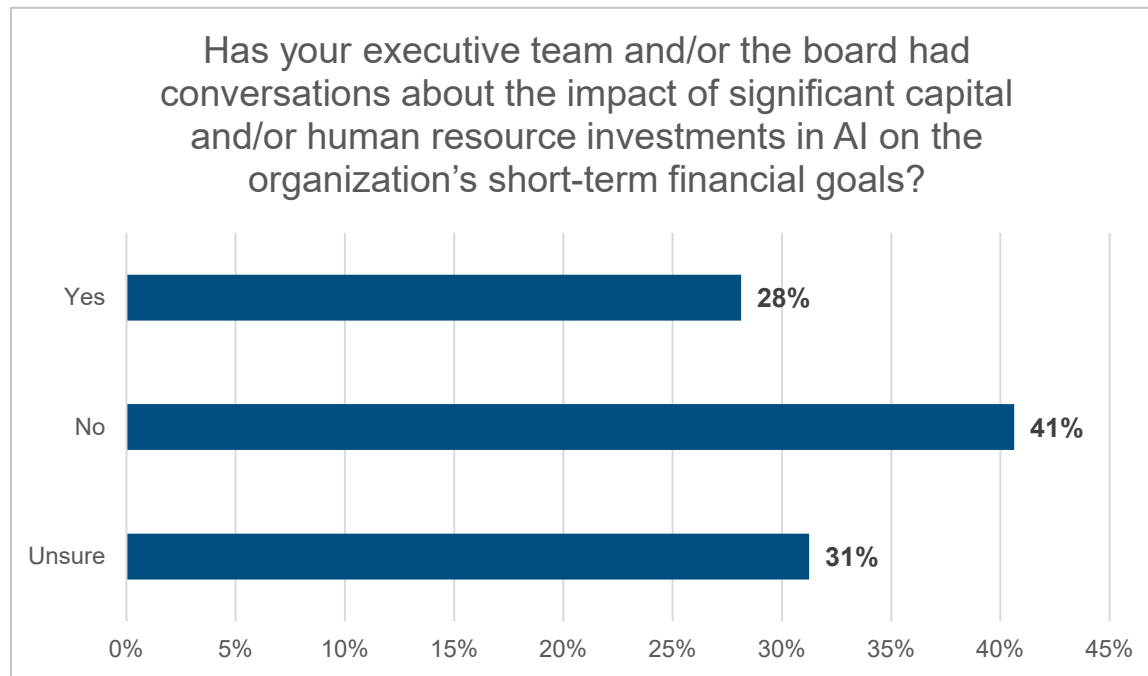


If so, what types of AI-related investments is your organization making?



Has your executive team and/or the board had conversations about the impact of significant capital and/or human resource investments in AI on the organizations short-term financial goals?

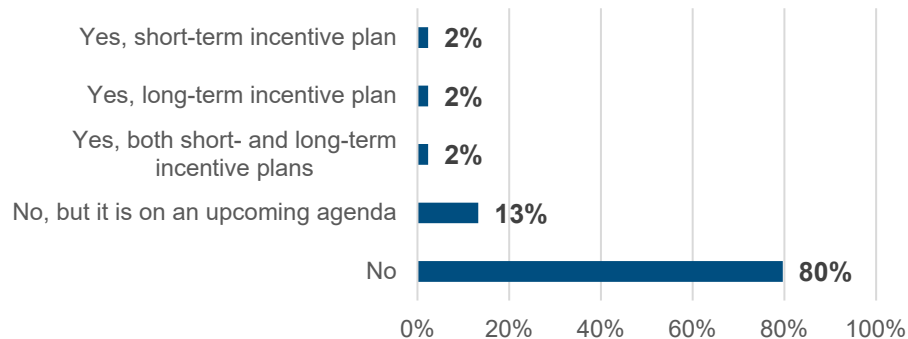
- While 40% of respondents will have significant AI investments this year or next, only 28% have had senior management- and/or board-level discussions about how this investment might impact short-term financial goals.



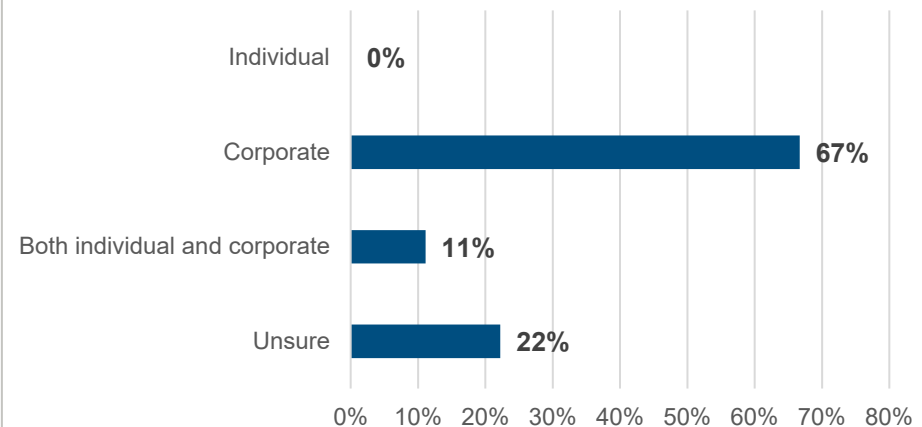
Has there been any discussion among the executive team and/or the board about incorporating goals related to AI in the executive compensation plan?

- Given that only 28% of respondents have had discussions about the financial impact of AI investment, it is not surprising that a majority (80%) of organizations have not talked about related goals in the executive compensation plan.
- However, this could be on the horizon for many boards and executive teams, as 6% have talked about incorporating goals related to AI in their incentive plans and 13% indicate it is on an upcoming agenda.

Has there been any discussion among the executive team and/or the board about incorporating goals related to AI in the executive compensation plan?



If so, would these be individual executive goals or corporate goals?

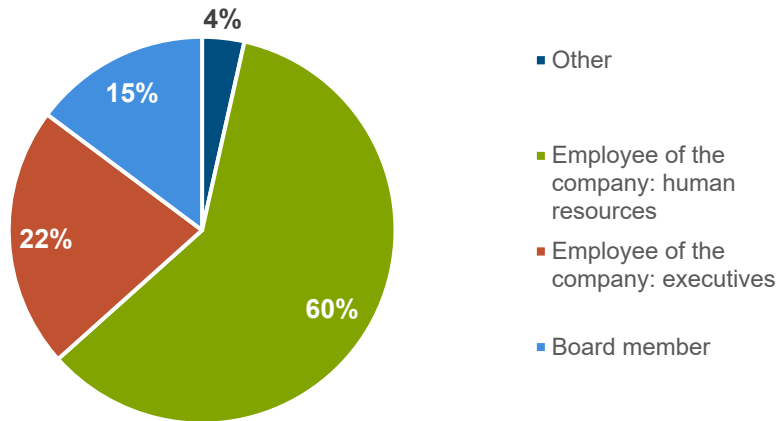




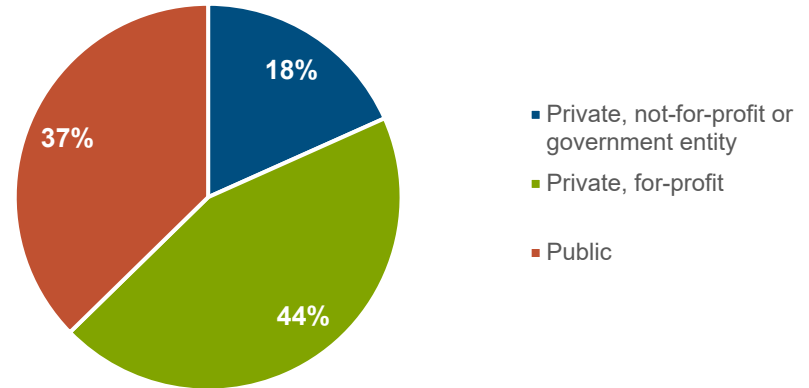
Demographics

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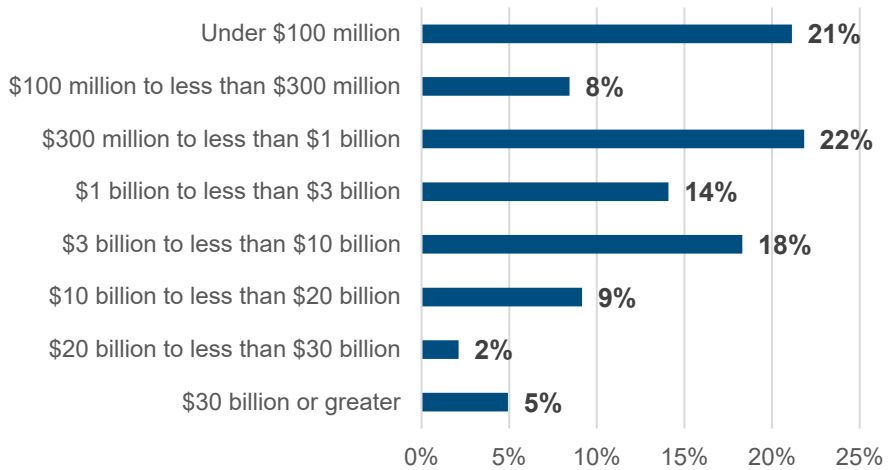
Respondent Roles



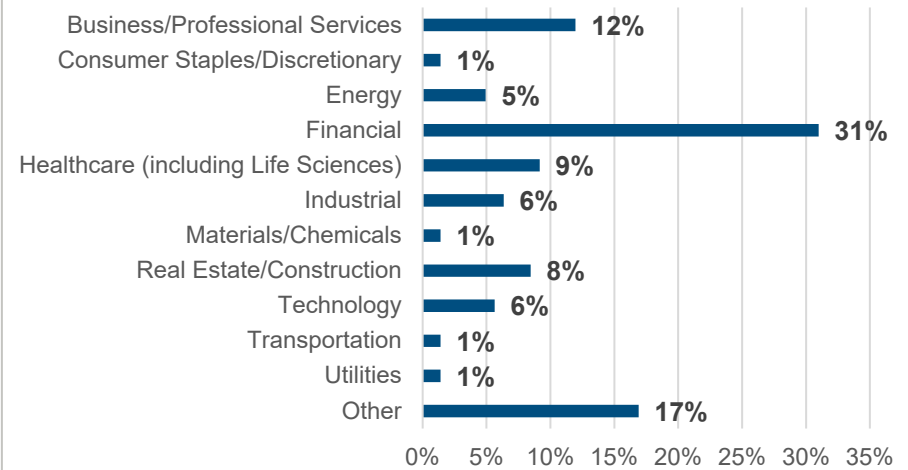
Organization Type



Revenue, Asset Size, or Operating Budget



Industry





About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.



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