Artificial Intelligence (AI) Is Booming, But Companies Are Not Ready

In recent years, artificial intelligence (AI) has proliferated throughout the economy, but a recent American Management Association (AMA) survey found that many, and perhaps most, U.S. companies are not ready for this disruptive technology. While employees are largely receptive to AI, our survey discovered companies lack strategic planning, governance, and training.

The launch of ChatGPT in late 2022 dramatically amplified attention to AI. The chatbot enables people to converse in text with a machine and receive real-time responses that are generally smart, and sometimes astounding, erroneous, or unsettling.

ChatGPT may generate buzz, but in reality, AI has infiltrated our work and lives in ways that we already take for granted. AI-driven software tells you what products to buy next (Amazon) and which shows you're bound to enjoy (Netflix); it even helps determine the content of those shows. It streamlines ride-share journeys (Uber), identifies the people pictured in your photo library (Google Photos), and it's "in just about every nook and cranny" of the iPhone's operating system.
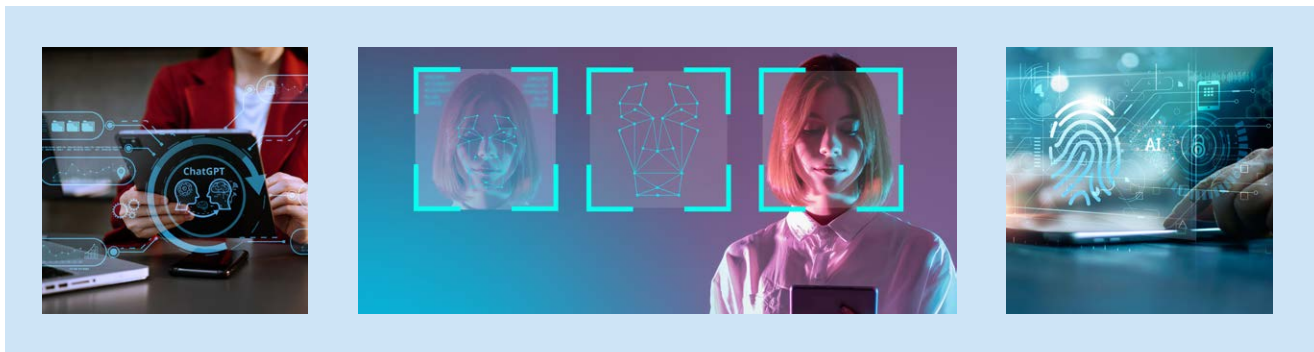
In the arts, it's creating images, composing music, and writing books. In education, AI lets apps like Duolingo develop lessons calibrated to your strengths and weaknesses. For Walmart and other retailers, the technology helps manage inventory by predicting which products people will buy and when, and whether they're likely to choose delivery or in-store pickup. AI also is transforming medicine in a multitude of ways. For instance, it is promising to help doctors identify cancer cells in near real time in the operating room, versus waiting a week for a pathology lab.

Aside from these customer-facing applications, companies across sectors deploy AI to improve operational and administrative efficiency. Some use AI-powered accounts-receivable applications to extract data from invoices, match them with purchase orders, assess credit risk, follow up on overdue debts, forecast cash flow, and update the ledger in real time—in other words, to automate work that previously required sizable teams. In many HR departments, AI is screening candidates, streamlining onboarding, monitoring compliance, and assisting in performance management. In some cases, AI-driven bots are even hiring and firing employees.

Of course, there's plenty of room to improve today's AI. ChatGPT is prone to "hallucinations," in which it fabricates facts, even elaborate ones. In summer 2023, a New York federal judge famously sanctioned two attorneys for filing a brief composed by ChatGPT, which cited convincing but fake court opinions and quotes. The software had contrived the legal brief from thin air. Still, the technology is improving at lightning speed. In the years ahead, it is poised to advance from today's "narrow" AI—which is limited to predetermined tasks such as responding to queries—to "general" or "strong" AI, where machines can act, feel, respond, and think just like humans, and therefore carry out more complex tasks.

Companies Remain on the Sidelines

The examples we cite above may give the impression that most companies are using AI regardless of size or sector, but our U.S.-based survey of 456 senior leaders (30%), managers (40%), and other employees (30%) revealed a very different reality. Many, and perhaps most, are falling behind.

Despite the vast constellation of available AI-powered applications, less than half of respondents (43%) said their company plans to use AI, and fewer than a third (30%) said it already leverages the technology. Forty-four percent of respondents' companies were not using the technology at the time of the survey, and roughly a quarter (26%) were unsure of its status (Exhibit 1).

Smaller firms (with fewer than 500 employees) were only slightly less likely (28%) to leverage AI than midsize (500 to 4,999 employees) and large firms (5,000+ employees), which reported 32% and 31% uptake respectively. This suggests that while larger firms may have the resources needed to onboard AI more quickly, smaller ones make up for this by being nimbler. Alternatively, the relative balance between small and larger companies could indicate that fast-growing startups are capitalizing on opportunities to disrupt established competitors.
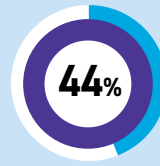
In addition to relatively low uptake, respondents appeared to harbor a limited view of AI's potential, contrasting with marketplace realities. Only about a third (31%) believe AI will impact all major functions across the company. The greatest proportion (44%) viewed it as exclusively affecting IT. Fewer than one in five thought it would affect finance or legal, (Exhibit 2) where AI is rapidly making inroads.

EXHIBIT 2
Which parts of your organization will AI impact? (check all that apply)
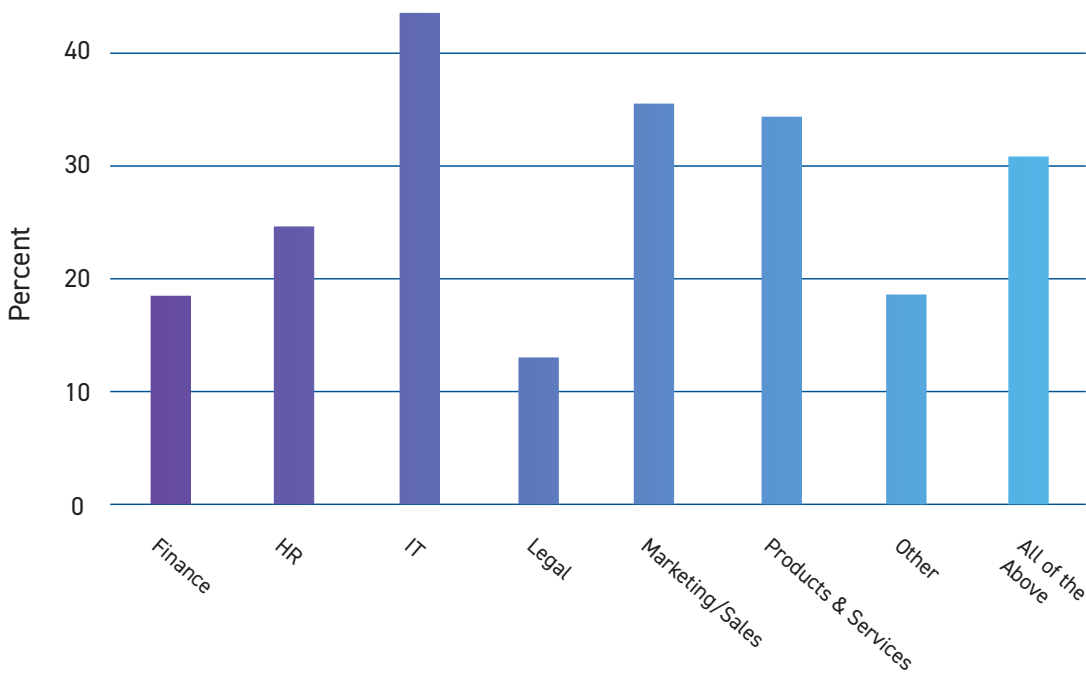
Overall, the low engagement with AI could indicate that many companies are not prepared for the future, to the point where they will continue to risk being eclipsed by proactive competitors or tech-savvy startups. "We are still learning about the potential of AI and the impact it will have on both our professional and personal lives. It's an exciting time that is fraught with both risk and, equally important, opportunity," said Manny Avramidis, AMA's President and CEO. "Our survey data serves as a wake-up call suggesting that companies are not ready, but they procrastinate at their own risk."

Scattershot Approach

We found evidence that many U.S. companies are taking an ad hoc or even scattershot approach to harnessing and controlling the power of AI. Only about one in five (18%) respondents said that key business stakeholders have taken part in redesigning their company's processes using AI. Participation of senior stakeholders is paramount, given that effective AI solutions frequently cross departmental boundaries.

A similarly small minority (17%) said their organization has an AI strategy. Thirty-eight percent said they lacked one, and nearly half (45%) were unsure (Exhibit 3). Of course, a strategy that has not been effectively communicated to employees is little better than no strategy at all. Roughly half the number of companies currently leveraging AI have a strategy, suggesting that many are driving without a map.

EXHIBIT 3
Does your organization have an AI strategy?
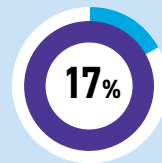
17%	38%	45%
Yes	No	Not Sure

Governance is critical for any company that deploys artificial intelligence. AI models are valuable, in part, because they can see across massive data sets and make inferences that are beyond the capabilities of humans. But their workings are often opaque, and they can be tainted by the biases of the humans who train them or the material that forms the foundation of their knowledge.

For instance, widely used talent-hiring models have been shown to accentuate biases that they are intended to eliminate. In August, the U.S. Equal Employment Opportunity Commission (EEOC) fined an organization to resolve charges that its AI-powered hiring tool rejected women over age 55 and men over age 60. Despite these risks, our survey found that only 15% of organizations had implemented AI governance, and nearly half (48%) did not have such guardrails. Thirty-seven percent were unsure if guidance for using AI was in place, indicating that their organization had failed to adequately communicate the policy or had not yet established safeguards. This means that companies were roughly twice as likely to be leveraging AI as to have studied the risks and implemented safeguards. This suggests that many are not only navigating without a map, they are driving blindfolded.

Employees at the Forefront

While organizations may be slow off the mark, we found that employees are more likely to embrace AI, and despite the hype, only a small fraction see it as a threat. Forty-two percent said they were independently using AI tools without a centralized approach. That's 12 percentage points greater than the proportion of companies leveraging the technology.

Employees were optimistic about AI's benefits. Eighty-five percent believed that it could have a positive impact on their organization, although nearly a third (29%) do not trust managers to use AI fairly and with transparency (Exhibit 4), underscoring the importance of governance.

EXHIBIT 4
Do you trust managers to utilize AI fairly and with transparency?

34%	29%	37%
Yes	No	Not Sure

Meanwhile, only about one-sixth of respondents (16%) feared that AI would replace their job (Exhibit 5), yet a closer look at the data indicates that people in non-managerial positions—who may handle the kind of complex but clearly defined work that AI excels at—were more likely to harbor such concerns (24%) than managers (16%) and senior leaders (9%).

EXHIBIT 5
Do you fear that your job will be replaced by AI?

16%	84%
Yes	No

The Takeaway

There's an urgent need for a more proactive, systematic approach to handling AI, with stronger governance and centralized strategies. Leaders have a responsibility to effectively communicate, coach, and reinforce principles underpinning their organization's use of AI, especially considering that frontline employees are already using it in the workplace, with few guidelines. The critical questions professionals should be asking include: Are you ready for AI? Do you have the know-how and skills to use it safely and effectively? More importantly, is your leadership prepared to handle it? Is your organization missing opportunities due to its lack of AI knowledge?

Training at all levels is a key element in catalyzing readiness. AI is powerful and complex, with far-reaching implications for business and society, yet only 7% of respondents said they have received training on how to adopt AI across their organization. Eighty-nine percent—the greatest proportion of any response in our survey—said that training would be helpful (Exhibit 6).

The overwhelming interest in training may signal a recognition that workers who use AI will keep their jobs, and could replace those who don't. Senior leaders and managers who develop a thorough understanding of the technology recognize the importance of governance, and are better positioned to devise strategies that drive growth. And well-trained employees throughout the organization can more effectively help leverage AI and ensure that it remains within its guardrails.

EXHIBIT 6
Do you believe that training would be helpful in implementing AI in your organization?

89% Yes
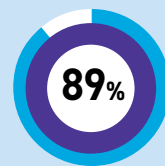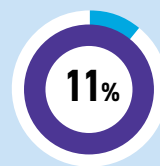
11% No

6 Steps Companies Can Take Now

Every company's path to AI is different, but we have identified six steps or considerations—forming the acronym **ENGAGE**—that all organizations, regardless of size or sector, could benefit from.

E

Explore what is possible today: The first step is to explore the options in the marketplace, to understand the near-term possibilities created by AI. As noted in our examples in the first section of this paper, AI already powers many of the solutions we interact with, without our knowledge. In fact, while only about 4 in 10 respondents told us they were using AI tools, true usage is likely far higher. Before your company advances to proprietary solutions, existing tools offered as software-as-a-service provide an easy entry point, with support teams that can help employees adopt and understand them.

N

Needs are diverse: Second, analyze the diverse unmet needs or inefficiencies at your workplace and among your customers. AI can improve your products, operations, efficiency, and profitability in many ways. Knowing how your company's pressing needs and opportunities overlap with AI capabilities will let you choose solutions with real impact, rather than dabbling in tools that might be wasteful or distracting.

G

Gather and assess your resources: Evaluate whether existing data systems will provide access for experimentation or enable solutions to be implemented, and upgrade them if necessary. Assemble teams that have the skills needed—such as tool proficiency, data literacy and design capabilities. Create sandboxes. Give employees the time and space needed to explore solutions and innovate, while establishing guardrails to ensure their efforts are safe and productive. Let them know what success looks like, and ensure they benefit from failures. Finally, explore partnerships that can provide access to talent and data for your solutions.

A

Act in alignment with stakeholders: To obtain buy-in from all stakeholders, it is essential that they thoroughly understand the purpose of your new AI tool or innovation, so they can participate in making the solution successful. You must clearly communicate aspects such as the user interface, how the system integrates with existing processes, or what's handled by humans versus machines and why. Effectively communicating the value of your solution to all stakeholders also helps focus design and investment choices. Again, as we learned from survey respondents' widespread uncertainty, this is a major area of potential improvement for companies.

G

Grow through hands-on education: Adopting any new technology is a complex process, and AI is newer and more groundbreaking than most. You will inevitably encounter hurdles that may engender frustration, doubt, and resistance. Perseverance will let you overcome these hurdles. Ample information and resources exist in the marketplace to enable you and your stakeholders to grow through education.

E

Ethics matter: AI is a great disruptor that dramatically changes the speed of processing and consolidating resources and information. This has far-reaching impacts. The technology will eliminate some jobs and change many others beyond recognition. A useful compass during this transition is to ask questions like, "How am I contributing to a better world where people are happier and where we can be more human with the *assistance* of technology?"

Incremental Progress

AI innovation does not have to arrive as a "big bang" change. Gradual development of AI capabilities can usher your organization into this new era without the risks of committing to a large amount of up-front work and investment. Organizations can benefit from a layered approach to building an AI foundation that prioritizes critical steps first, with more infrastructure developed as work on AI applications grows within an organization. Alongside such incremental progress, education and training are essential to helping your organization understand how the technology can be applied effectively, efficiently, and safely.

To help organizations and individuals build practical knowledge about the opportunities, tools, risks, and rewards of AI, please visit www.amanet.org/AI

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