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From Reaction to Action
Leading in the Age of GenAI

Leadership competences as the key success factor in the age of GenAI

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Introduction

The promise of Generative Artificial Intelligence (GenAI) is shaping a path to a future which challenges conventional notions of leadership and management and, in particular, significantly increases the relevance of interpersonal skills. Although generative AI is relatively new to the market, many companies have already tested and used generative tools: **74%** have started testing generative AI technology, **65%** have started using generative AI technology internally, and **31%** have started using generative AI technology externally. Generative AI has only recently become available as a service, and companies must now figure out how to use this new tool responsibly.

This transformative development contributes to the breakdown of traditional boundaries of time and structure , now shaped by the increasing influence of artificial intelligence. In navigating this evolving landscape, leaders find themselves at a crucial juncture where the need for a new compass of competences is critical.

Leader perception varies from excitement to feelings of unease when dealing with AI. To truly capitalize on the potential of AI technologies, organizations must shift from a reactive mode, marked by a perceived inability to act, to an empowered action mode. This transition hinges on cultivating key competences and building upon new fundamentals in which leadership transcends traditional management.

These fundamentals underscore the importance of visible commitment to a GenAI strategy that champions its benefits, addresses concerns openly, fosters a safe environment for experimentation, and implements guidelines for responsible AI use. A holistic view of competences becomes imperative, extending beyond interpersonal skills to encompass the multifaceted demands of a sustainable approach to AI.
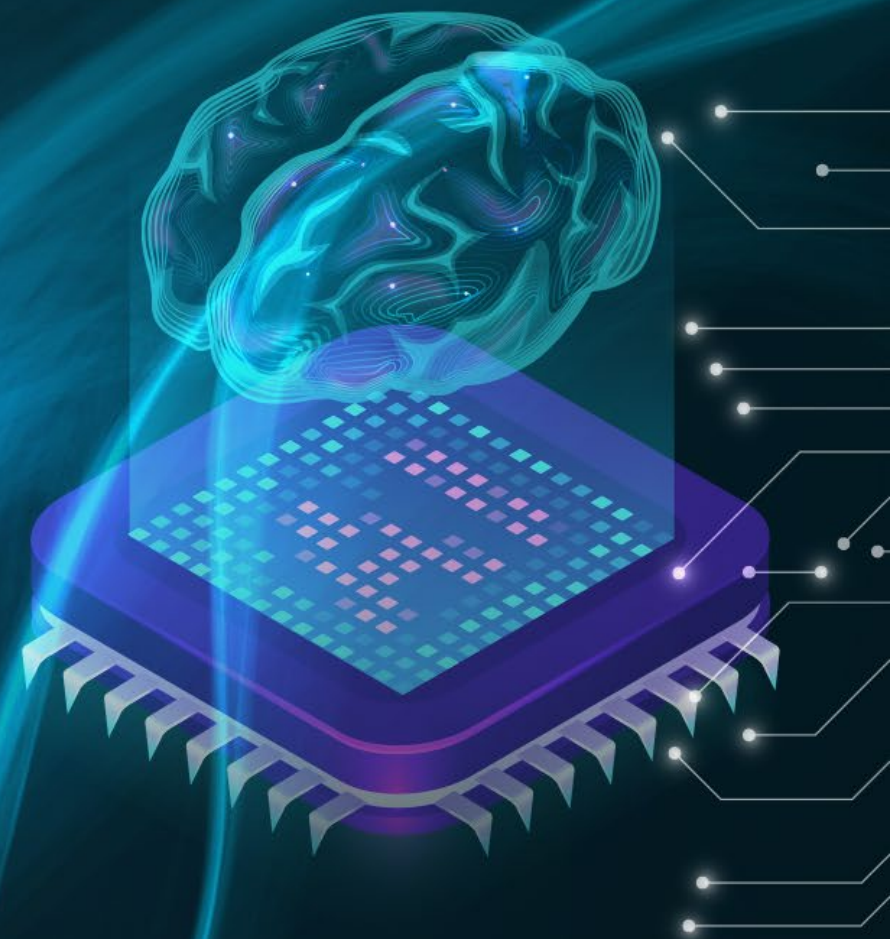
Which competences will be needed by leaders?

Mastering the art of data fluency is essential in a data-centric world. Leaders must not just interpret, communicate, and apply data, but craft effective stories from it. Handling this data is risky, however, particularly from loss of control due to lack of data management skills in data handling processes. Additional cognitive competence is necessary. Critical thinking comes to the forefront, requiring not just skepticism but the ability to make informed judgments and actively navigate the course.

The increasing use of AI technologies requires competence at both the data-centric and cognitive levels that extend into the affective domain. Self-efficacy empowers leaders to take ownership of their learning and development to foster a mindset that welcomes change and views obstacles as opportunities for growth.

Given the profound consequences of data-driven decisions, ethical considerations are paramount. Ethical navigation involves an understanding of the ethical implications of data use, as well as active incorporation of ethical principles into decision-making processes. Digital ethical navigation thus forms the crucial framework within which all competences are embedded.

Not only will interpersonal skills become more relevant with the increasing use of GenAI, competence levels must be considered at data-centric, cognitive, affective, and ethical levels. On this journey, we explore how leaders can adapt to this evolving landscape to ensure human-centric progress that aligns seamlessly with the transformative power of GenAI.

Fig. 1 – Adapting leadership competencies to navigate employees in the Age of GenAI

Self-Efficacy

Data Fluency

Digital Ethics Navigator

Critical Thinking
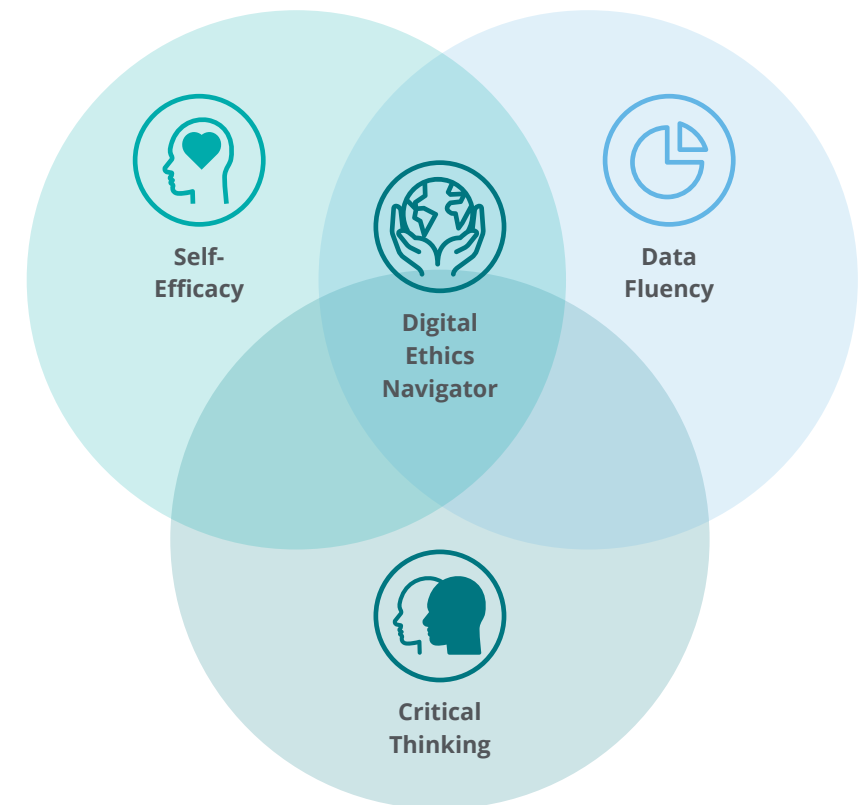
Data-centric Level:
Data Fluency

Understanding the language of data
Data fluency is the ability to interpret, communicate, and apply data. Formerly referred to as data competency, data fluency goes one step further by focusing on the ability to tell effective stories by using the right data. Data fluency is not just about people understanding data, but using data to identify problems, find data-driven solutions, and make future predictions.

From reaction

Before the enormous increase in data, it was mainly specialists who dealt with data, and small minorities at organizations who were actually affected by it. Data was only available for specific issues and only relevant to certain areas of the company. Predictions were based on experience reports and global market data.

To action

Ever easier access to GenAI means data fluency is no longer limited to data scientists, business analysts, and employees in technical positions. Sixty-seven percent of senior IT leaders say that GenAI will be prioritized for business over the next 18 months[1], and Gartner predicts that by as early as 2025 more than **10% of all data will be generated by artificial intelligence[2]**. Executives must accept that GenAI and the associated explosion of data make data fluency essential at all levels of an organization. Companies will no longer be able to make operational decisions not based on sound statistics or empirical evidence. It is essential to work with hypotheses and knowledge requests, and to prepare data correctly to formulate the right prompts.

Area leaders at a distance from data must learn this skill and transfer these competences to the employee level. Data fluency is a fundamental, and every level of an organization should have the opportunity to learn it.

How can data fluency be promoted at organizations?

1. Promoting a culture of data fluency

Corporate culture should base decisions on data, with the executive level acting as a role model for data-management skills. Employees should be empowered and incentivized to use their knowledge to tackle problems and challenges. Above all, corporate culture must promote the skills learned to develop their full value and show how they can lead to performance-enhancing solutions.

2. Providing further training opportunities

The re-learning of skills that contribute to data fluency should be promoted while offering corresponding training in the areas of method-ical thinking, thinking in hypotheses, and the processing and interpretation of data. This will enable data-based decision-making and make the training an excellent investment in both the organization and each individual.

Cognitive Level:
Critical Thinking

Navigating the flood of information

The fear that artificial intelligence threatens critical thinking is not new. Stephen Hawking once said: "The development of a complete artificial intelligence could mean the end of the human population"[3]. (He issued this warning with the help of an AI-supported language system developed by Intel).

[3] Rory Cellan-Jones, Stephen Hawking warns artificial intelligence could end mankind. BBC News, December 02, 2014, accessed January 09, 2024.

From reaction

The impulses, information, and perspectives that flood us on a daily basis is immense. We receive information from a plethora of sources and incorporate it into our everyday lives. We use it to form opinions, influence our actions, and as a basis for our decisions. In other words, it exerts a certain amount of control over us. A control that we gratefully accept to avoid being overwhelmed by the vast amount of information constantly coming our way.

The use of GenAI has significantly increased, and targeted requests for support in various work processes via GenAI create trust in the intelligence and accuracy of the content provided by AI, leading us to believe the information regardless of source and accuracy.
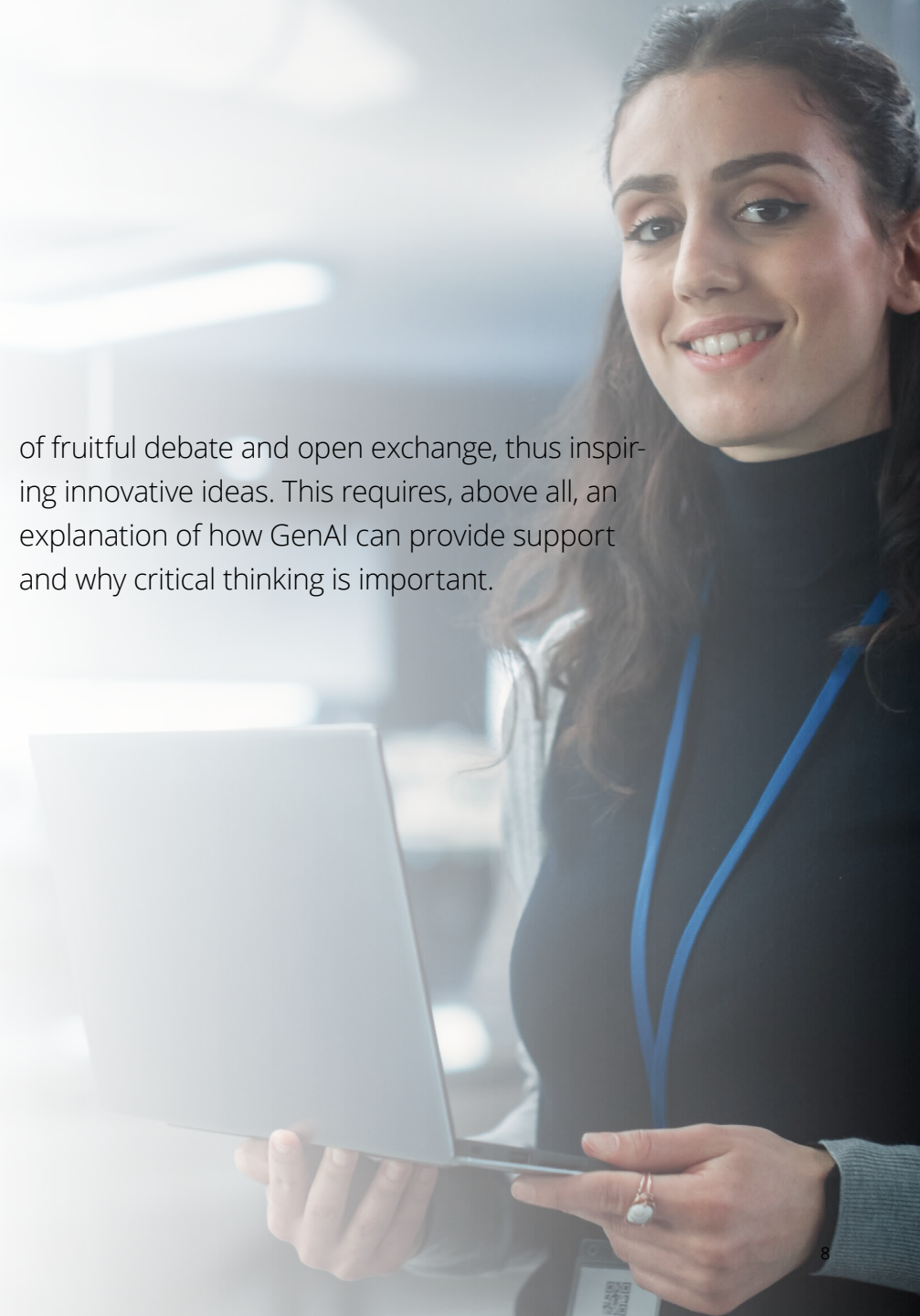
To action

Critical thinking must be cultivated to avoid this. This competence consists, in particular, of questioning things, recognizing bias, and evaluating well-founded judgments. It requires a healthy dose of skepticism, logic, and the courage to go to a meta-level that allows a view from the outside. The entire process by which information is obtained must be questioned and reorganized to integrate phases of critical thinking.

With GenAI already having found its place at most organizations, leaders must not only request critical thinking of themselves and their employees, but insist on it. Employees must first be empowered to think critically with a questioning attitude in a psychologically safe work environment. GenAI can then help stimulate a culture of fruitful debate and open exchange, thus inspiring innovative ideas. This requires, above all, an explanation of how GenAI can provide support and why critical thinking is important.

Affective Level:
Self-efficacy

Empowering self-efficacy in the age of GenAI

"Perceived self-efficacy refers to beliefs in one's capabilities to organize and execute the courses of action required to produce given attainments. (...) Such beliefs influence the courses of action people choose to pursue, how much effort they put in given endeavors, how long they will persevere in the face of obstacles and failures (...)."[4]

An individual's belief that he or she can successfully complete certain tasks and achieve goals describes the core of self-efficacy[4]. These beliefs can have a significant influence on behavior, motivation, and performance, and play an important role in the context of AI.

But what happens if AI takes over tasks and the results no longer come from employees themselves? What happens to teams when employees no longer perceive their tasks as their own creation? What does it mean for leaders if they can no longer distinguish what employees do on their own from what AI does?

[4] Albert Bandura, Self-efficacy: The exercise of control (New York: Freeman, 1997), p. 3.

From reaction

The effects of artificial intelligence (AI) on the self-efficacy of employees can vary and depend on different factors.

AI-driven systems can lead to employees feeling that they are losing influence on their work. When AI algorithms heavily shape decisions and tasks, it can erode the sense of autonomy among employees. It may undermine confidence in their own decision-making abilities, especially when complex decisions are delegated to AI systems.

If AI systems are perceived as superior or more accurate, employees may feel diminished. Indeed, automation and AI could lead to job losses, accelerating the loss of self-efficacy.

To action

It is therefore important to focus on and promote the self-efficacy of employees.

Leaders should enable employees to gain concrete experience with AI by integrating AI tools into work processes and projects. Through positive experiences, employees can realistically develop their AI skills and increase their self-efficacy.

Leaders can serve as role models by providing examples of AI in use and sharing their own processes for learning this technology. This makes it easier for employees to acquire positive vicarious experience and increase their self-efficacy.

Clear communication from leaders is crucial to boosting employee self-efficacy through encouragement and positive feedback. This includes emphasizing the importance of individual contributions despite the integration of AI, and acknowledging employee skills in handling the technology.

Creating a positive work environment and supportive company culture helps minimize negative emotions related to the integration of AI. Leaders can address fears, reduce uncertainty, and create a psychological safe space in which employees can speak openly about their concerns. Psychological safety[5] creates positive emotional arousal and enhances self-efficacy by empowering individuals to address and navigate the challenges associated with the integration of AI.

But with AI taking on more and more management tasks, How do I strengthen my own self-efficacy as a leader?

It is vital to develop a solid understanding of AI and stay abreast of its applications: To identify new areas of responsibility that require human leadership skills, and to focus on developing skills that AI cannot fully replace, such as creativity and emotional intelligence. To use AI to optimize decision-making processes and emphasize the importance of communication, teamwork, and a positive organizational culture. To be prepared to continuously reflect on and adapt your leadership role, invest in training and coaching, and establish a culture of trial and error that encourages innovation and learning.

Managers who lead by example support their employees in recognizing their own skills and in operating effectively in the digital world. Leaders not only shape their own future, but shape their team and company growth in a world shaped by technology. Self-efficacy thus becomes an important foundation for individual and collective capability for action.

[5] Edmondson, Amy C. The fearless organization: Creating psychological safety in the workplace for learning, innovation, and growth (John Wiley & Sons, 2018).

Ethical Level:
Digital Ethics Navigator

Anchoring digital ethics

As the use of future technologies increases, so does the potential for digital ethical risk. According to survey results, cognitive technologies, which include generative AI, hold the greatest potential for serious digital ethical risk at 57%[6]. The ability to navigate digital ethical issues is becoming a key competence for leaders. The responsible use of new technologies requires not only technical know-how, but a deep understanding of the digital ethical implications and effects. The role of the Digital Ethics Navigator at management level is a crucial pillar for sustainable and responsible corporate management.

[6] Deloitte, State of Ethics and Trust in Technology – Annual Report, 2023, p. 7.

From reaction

Ethical considerations in the business environment have traditionally been associated with conventional business decisions. The focus has been on fundamental ethical principles, but they have taken on an expanded dimension with the emergence of AI and automated systems. Without digital ethical guidelines applicable to technology and algorithms, companies risk stumbling into unintended consequences, such as reinforcing existing inequalities and prejudices.

To action

To transform REACTION into ACTION in the context of GenAI, Digital Ethics Navigators must initially establish value-based corporate guidelines. Leaders must not only develop value-driven principles, but actively establish processes that ensure that these digital ethical principles are anchored in core operations. A key prerequisite is that leaders be not just superficially familiar with company guidelines, but know and internalize them. Ethical issues in the context of GenAI requires leaders to actively engage and not view it as an isolated issue. Digital ethics must not be seen as a mere add-on only implemented to meet external expectations. It rather involves firmly operationalizing digital ethical principles within core company processes in order to ensure sustainable business and clear decision-making practices in complex times.

The impact of technology is never neutral. Leaders must understand this as a fundamental principle and act accordingly. Expanding the Digital Ethics Navigator in the age of AI requires guidelines and concrete tools such as checklists and software. If unavailable, they should be developed in conjunction with the relevant stakeholders in order to create a clear framework for ethical decisions. More importantly, strong governance must create roles and assign responsibilities for digital ethics. Leaders can develop the competence of the Digital Ethics Navigator for AI by not only understanding the technical aspects, but by diving deep into the ethical foundations and actively integrating them into corporate practice.

Conclusion

The challenges and opportunities brought on by GenAI make the four competences of data fluency, critical thinking, self-efficacy, and digital ethical navigation key to the success of organizations. These competences act as essential guidance in a world increasingly characterized by AI.

At a data-centric level, leaders in particular must understand that, regardless of their area of responsibility, dealing with GenAI requires skills such as methodical thinking and the ability to interpret data. Training measures and use cases in day-to-day work are crucial here.

To process and interpret data, leaders must use critical judgment and derive results at a certain distance. Blindly trusting results obtained through GenAI can lead to loss of control and fundamentally influence results. This is precisely where leaders must act as role models and encourage their team to think critically.

Affectively, self-efficacy is becoming a fundamental competence at the employee and leadership level. Positive design of tasks and goals is clearly of central importance despite the influence of GenAI. Leaders take on a role model function in promoting self-efficacy in order to ensure both individual and collective ability to act.

Finally and at the ethical level, digital ethical navigation is essential for responsible corporate governance. Clear value-based guidelines, deeply integrated into the core operations of corporate practice, are prerequisite for compliance with digital ethical standards. They serve not only as the foundation for ethical conduct, but establish a crucial framework that underpins the development and application of the other competences, creating a comprehensive and aligned approach to navigating the challenges and opportunities presented by GenAI.

Remaining in reaction mode and only reacting to emerging challenges is no longer enough. It is essential to develop a future-oriented researcher mindset[7] (action). The combination of skills described above lay the foundation for a world shaped by technology. Leaders are responsible for ensuring this new reality for themselves, their teams, and the organization.

[7] Deloitte, Generative AI and the future of work – The potential? Boundless., 2024, p. 33.

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Contact

Maren Hauptmann
Partnerin
Portfolio Lead Human Capital
Tel: +49 89 29036 7919
mahauptmann@deloitte.de

Dr. Sarah J. Becker
Partnerin
Lead Digital & AI Ethics
Tel: +49 30 254684 252
sarbecker@deloitte.de

Volker Rosenbach
Partner
Human Capital
Tel: +49 40 32080 4824
vrosenbach@deloitte.de

Dr. Ilga Vossen
Director
Human Capital
Tel: +49 151 58074965
ivossen@deloitte.de

Authors
Conrad Weiss
Josefine Gesien

Deloitte.

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