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Chief Strategy Officers in the AI Era

Key questions and tensions on the road to ROI

About the Deloitte AI Institute™

The Deloitte AI Institute helps organizations connect the different dimensions of a robust, highly dynamic and rapidly evolving AI ecosystem. The AI Institute leads conversations on applied AI innovation across industries, with cutting-edge insights, to promote human-machine collaboration in the "Age of With."

The Deloitte AI Institute aims to promote a dialogue and development of artificial intelligence, stimulate innovation, and examine challenges to AI implementation and ways to address them. The AI Institute collaborates with an ecosystem composed of academic research groups, start-ups, entrepreneurs, innovators, mature AI product leaders, and AI visionaries, to explore key areas of artificial intelligence including risks, policies, ethics, future of work and talent, and applied AI use cases. Combined with Deloitte's deep knowledge and experience in artificial intelligence applications, the Institute helps make sense of this complex ecosystem, and as a result, delivers impactful perspectives to help organizations succeed by making informed AI decisions.

No matter what stage of the AI journey you're in; whether you're a board member or a C-Suite leader driving strategy for your organization, or a hands on data scientist, bringing an AI strategy to life, the Deloitte AI institute can help you learn more about how enterprises across the world are leveraging AI for a competitive advantage. Visit us at the Deloitte AI Institute for a full body of our work, subscribe to our podcasts and newsletter, and join us at our meet ups and live events. Let's explore the future of AI together.

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The road to enterprise value through AI is lined with critical choices, but in a period of change, just what those choices are and how best to answer them is still being defined. With a growing number of model types and applications, organizations are already beginning to capture AI value. Deloitte's State of GenAI in the Enterprise, Q4 report found:

Nearly 3/4 of respondents said their most advanced initiative is meeting or exceeding ROI expectations

Most organizations expect to scale some 10–30% of GenAI experiments or proofs of concept in the next three to six months.



Yet, even with this early momentum, there is still a long way to go, particularly in achieving scale. A recent Deloitte paper investigating the elements of AI scale identified process changes, talent development, and data and technology infrastructure as priorities. Perhaps the toughest elements of scale, however, are those related to enterprise strategy.

Enter: The Chief Strategy Officer (CSO).

While leaders are striving to clarify the path to AI ROI, the CSO's role is expanding to include decision-making on AI investment and deployment. To be sure, organizations are at different levels of AI readiness and maturity. What is more, some enterprises and industries are at risk of disruption from AI while others are in a race to leverage the technology for a competitive edge and differentiation in the market. There is no neat prescription for the modern CSO's role in the AI era, but there are a variety of perspectives. To provide context and nuance to the kinds of questions CSOs are attempting to answer, we spoke with leaders at organizations across a number of industries to learn how they are helping their organizations balance business objectives, technology costs, and AI capabilities. What we learned is that while there are significant differences in how CSOs are approaching AI, there are also some key commonalities that offer insight for all business leaders grappling with AI scale and value.

Resolving the tensions in AI strategic choices

AI initiatives are surrounded by strategic choices from ambition, to prioritizing the use cases, to operating the model, to driving toward ROI, to managing risks, and bringing the workforce along on the journey. In this, there can be competing priorities in answering the question, "what role should AI play in the organization to create value?" **Resolving the tensions with a focus on business objectives is a role for the CSO.** Consider four primary questions CSOs are facing and how AI maturity and ambition influence their answers.



How do we build and balance the portfolio of AI applications?

AI use cases vary in capabilities, cost, and return. Business resources are not unlimited, and the CSO helps sort through which use cases could advance the enterprise strategy. A CSO at a media and technology enterprise explained a systematic process by which he and his executive peers select AI applications (both internal and consumer-facing) for investment:

> **"Everything is guided by a top-down enterprise strategy. We articulated investment areas in each of our five growth markets. Some of those are organic, where we are in the best place to build it ourselves. Those opportunities are part of the annual capital planning cycle. For some capabilities, we seek M&A. We map the market and develop relationships with targets so that when actionable, we can pull the trigger."**

This approach reveals a business with a high level of AI maturity. The strategy already accounts for build-vs.-buy decisions, and the process and investments are integrated with enterprise planning. In this case, the CSO noted that a large portion "of our organic buildouts are extensions of existing products, or net new products that are AI-driven." Yet, not every enterprise is at this stage of maturity, and many are focused primarily on internal applications. A CSO at a consumer brands company told us:

> **"We have a top-down strategy of areas where we can strengthen with AI, but there is grassroots innovation happening. People are exploring use cases within their own functions. We created a governance board and forum for people to share their activities, and so our portfolio is built bottom up and top down."**

At still other organizations, business units may be at different levels of AI maturity and ambition. As a CSO at a large news media company said:

> **"Not every department is in the same place. Our HR department is so far ahead of everyone else. They are light years ahead of engineering. Near term, efficiency is a lot of our focus, but looking farther out, we have to marry what we know about the consumer with the product we are delivering to them."**

The tension here is that AI ambition needs to reflect the needs of the enterprise and the market, which requires a careful approach to assessing initiatives and encouraging innovation. Is the intent of the use case portfolio always tied to ROI, or is experimentation independently valuable, as it can help build AI readiness and workforce skills? This is a strategic choice.

The CSO may play different roles depending on whether a use case is focused on growth and competitive advantage or on operational efficiency and productivity. For the former, CSOs can rethink offerings and value proposition, sources of competitive advantage, and new (potentially breakthrough) business ideas. This is where CSOs shape thinking, decisions, and drive. Meanwhile, internal efficiency use cases may surface from the bottom up, and here the CSO can play a scorekeeping function, championing the applications that best enable the enterprise strategy.



What are the cost factors and ROI expectations that justify investment and deployment?

Every business investment needs to eventually bring a return. Novel AI pilots and innovative ideas have t heir place, but the future with AI is found in an integrated strategy with a focus on ROI. A strategy leader at a professional services firm told us:

> **"Leaders must be thinking about use cases most relevant from a business perspective. Unlike other technology advancements, here you have questions around cost. A tax business found things they could automate with GenAI, but they did not pull the trigger because when you look at token costs and queries, it was a wash from a cost perspective."**

The scale of the return matters significantly in the decision about whether to invest. A technology company CSO said that in some cases, calculating expected ROI is a straightforward exercise: based on pilots, what are the gains and extrapolating that to scale, is the cost worth it? The target outcomes may be KPIs tied to productivity and efficiency, but these can also impact other strategic decisions that deliver ROI.

Often, the arithmetic behind the decision to invest and scale is complex. The consumer brands CSO explained:

> **"Part of the reason this is so hard is I can make all the assumptions in the world about what I believe the benefit to be, but the difficultly is not in value creation. It is in how the AI ecosystem is evolving. Large ecosystem players haven't figured out yet how to price any of this, and their business model and pricing model will continue to evolve and change. I can't apply straight financial frameworks to the equation."**

In a fast-changing marketplace, decisions around ROI may become outdated quickly, which underscores the need to not just monitor the ecosystem but also explore development roadmaps. The news media CSO said:

> **"What's easy to prioritize is anything where the investment comes back in one fiscal year. But the longer the time horizon, the shorter your confidence interval. Right now, we have a small team that spends its time divided between two things. One, they are interacting with young AI companies to learn what they're doing and the opportunities. And two, when they find something compelling, we find a department to do a POC."**

These decisions are bracketed with the need to move faster and preserve agility in enterprise strategy. A Deloitte survey of CSOs found that most (68%) see strategy development timelines shrinking and half see strategy refresh frequency increasing. Here again we find a tension in decision-making. Does it make sense from an ROI perspective to wait on adoption until costs are clearer? Does the cost and expected benefit justify some risk in moving forward? What is the risk of doing nothing? The CSO helps answer these questions to provide strategic rationale on when to invest—and when to wait.

How do we tackle AI governance, trust, and security?

Ensuring the safety and security of AI and its enabling data and technologies is a prerequisite for sustainable enterprise value. CSOs can help leaders navigate the tension between value, risk mitigation, and timing. A technology CSO said:

> **"If we make a decision with a product that we won't retain any customer data so as to provide maximum security, the flip side is that reduces our ability to develop the product and create cross-customer benefits because the system cannot learn from multiple customers and hence become a better tool. It's a very important strategic tradeoff. Product people, engineering, risk, cybersecurity, sales teams, and strategy are all in constant dialogue about policies and implementation because they touch everyone."**

Consumer trust in an enterprise is informed in part by how the business uses technology. The consumer brands CSO explained the balance of pushing the innovative envelope on the one hand and guarding against risk on the other.

> **"Part of what we're doing is establishing governance that is light touch and can accelerate the most important use cases for approval, while at the same time understanding all the different activities distributed across the organization and governing that."**

Yet, some businesses may take a value-first (rather than risk management-first) approach to investment and scaling decisions. The news media CSO said:

> **"What I don't want to ever do is have a self-censoring conversation about something that sounds promising. If there is a promising use case, I don't want to talk about theoretical problems. Find the shortest path from "here's an idea" to "here's how." Once I know, then I can extrapolate cost savings, new revenue, and potential more broadly. That's when we have the conversation about what are the risks of deploying this."**

This raises the question: at what point in the lifecycle does AI risk management become a priority? Different executives may have varying answers. Innovation, value, and risk need to be tackled in tandem. The CSO can demonstrate curiosity and aggressive-yet-responsible adoption. This nurtures innovation while also leading AI orchestration and helping others navigate how, when, and where to prioritize risk management.





How do we align and encourage change among executive stakeholders and the wider workforce?

AI strategic choices include determining how to equip the workforce with the skills and knowledge they need to use AI. Leaders will need to bring employees along on the journey and help them adjust to new ways of working. A technology enterprise CSO said:

> **"Some people are happy to change, others are more reluctant. The amount of change they are having to embrace and deal with is energizing for some, but no matter what, 100% of the employee base will have to use AI in daily work. Everyone needs to upskill, and these things are new for everyone. You will have to learn and let your organization learn to use these technologies in the most efficient way."**

All companies are encountering this challenge at nearly the same time. Interestingly, the strategic focus on building an AI-ready workforce is increasingly on par with the focus on AI investment. A November 2024 Deloitte survey of CEOs found that 54% ranked talent acquisition and transformation in their top three priority areas. The news media CSO noted:

> **"The good news is we're exiting the fear cycle. What we know now, which we didn't a year ago, is that AI isn't necessarily going to be a thing on its own for every company. For most companies, AI will be pervasive in everything 5-10 years out. The question is how can we start to introduce these things into the organization in a way that has an immediate impact and moves us along the maturity curve?"**

Part of that may include evidencing to the workforce how AI can contribute to their work and job satisfaction, a tactic noted by the consumer brands CSO.

> **"We are driving adoption of the more mundane productivity tools and hoping to drive a bit of the curiosity for AI. Where we have a relatively working AI, we highlight it and use it to communicate that this is something to enhance our employee value proposition and experience, as much as it is about improving work outcomes."**

In choices about the workforce, there may be tension in nurturing change. Acclimating to an AI-fueled enterprise takes time, and AI maturity emerges organically from experimentation and lessons learned.

The tension the CSO helps manage is how workforce needs are reflected in the business strategy and how they influence costs, orchestration, and readiness.

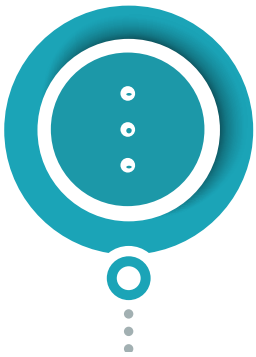


Insights for CSOs on the road ahead

While every CSO faces unique questions based on their industry and organizational maturity, there are some insights common to organizations and strategy leaders.



Strategic objectives drive AI decisions. AI is an enabler of enterprise strategy and a catalyst for rethinking business portfolios, value proposition, differentiating applications, and operational and commercial synergies across businesses. In all cases, AI decisions need to be grounded in advancing strategic objectives. The objectives should all be tied to an ambitious AI agenda enabling strategic outcomes, whether those are related to ROI, upskilling the workforce, probing the marketplace for vendor solutions, or all of the above.



AI value is a string of pearls. CSOs should think about AI not in monolithic terms but as a suite of technology solutions, each enabling some element of the enterprise strategy. Each use case receives its own technology feasibility and cost and return analysis. CSOs should help executive peers construct the "string of pearls" that together add up to business value and ROI.



CSO as a scorekeeper. CSOs can play a vital role in connecting strategy to quantifiable value by helping ensure the strategy is executed through the activities of others on the leadership team. They can do this by helping CxOs continually ground choices in strategic goals, objectives, and competitive advantage. Is upskilling where it needs to be? Are POCs languishing in purgatory? Is a deployed use case falling short of expected value? CSOs can ask these tough questions of other CxOs and play a scorekeeping function, helping to keep AI activities in line with business goals.



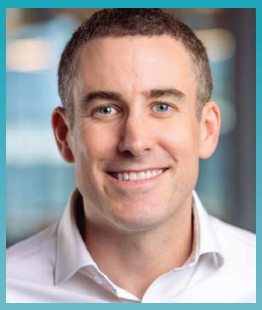
Weigh the risk of disruption. If the organization is not immediately at risk of disruption by AI, consider whether use cases being evaluated could be applicable to other organizations, either within your industry or across different industries. If the answer is yes, there is a higher probability that capability with be commoditized in offerings from enterprise software providers, which informs timing and investment decisions. For businesses expecting near-term disruption (such as in the form of differentiating AI use cases deployed by competitors), market sensing capabilities can help reveal how other organizations are using AI and reduce the time to share market insights with decision-makers.



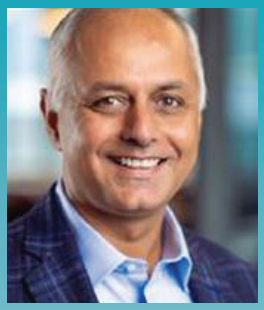
Factor in risk and compliance. Each pearl on the string needs to be assessed not just for value but also risk. Consideration of risk should happen early in the AI lifecycle as it relates to strategic objectives. Unmitigated risk could weigh on consumer trust, in turn imperiling growth targets, and regulatory noncompliance could bring penalties that weigh on business goals.

Business leaders should appreciate that collaboration and coordination are essential to value-driving AI programs. Strategic questions cannot be answered in a vacuum because they depend on multiple domains. **The decisions leaders make today with AI will carry their organizations through this period of uncertainty** and alluring (sometimes elusive) technology value. In this, CSOs have an indispensable and leading role to play.

Reach out for a conversation.



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