



# How Leaders Can Build an AI-Ready Culture

By Andy Parker, Shahriar Parvarandeh, and Paul Cobban

## Key Takeaways

- Cultural transformation is an essential element for companies seeking to successfully incorporate artificial intelligence.
- Any transformation requires leadership to set the stage and cultivate an environment for exploration and adoption.
- Starting with leaders, there are a number of behaviors companies can encourage to promote an innovative workplace environment.

**W**hen Satya Nadella was asked during a recent Microsoft earnings call when revenue from its artificial intelligence projects will catch up with the billions it is spending on the technology, the chief executive officer said that will depend on the company's customers changing their own cultures and how they use Microsoft's new AI-driven tools to do business.

"At the end of the day, companies will have to take a process, simplify the process, automate the process, and apply these solutions," Nadella said. "And so, that requires not just technology, but in

fact, companies to go do the hard work of culturally changing how they adopt technology."<sup>1</sup>

Recent advances in AI have created immense growth opportunities and ignited corporate transformations at pace as the technology has become a tangible tool, with power to change how organizations operate and create value for customers. However, organizations leading in this race recognize that technological investments are only one step in a complicated and complex process developing innovation capabilities.

The companies that are reimagining how an organization works with AI tools will capture the

vast value creation opportunities. They recognize that success requires a cultural transformation led by leaders and embraced by all employees. This change begins at the top with executives envisioning new possibilities and fostering an environment that encourages boldness – questioning the status quo, learning, and experimenting with AI tools and technologies.



For organizations to get the maximum value from their efforts, they should take a programmatic approach to encourage both broad and specific behaviors, leading to experimentation and cross-function collaboration. Below we detail steps organizations can take to develop such a culture and encourage transformative behaviors, drawing from our extensive consulting experience as well as the book, *Eat, Sleep, Innovate: How to Make Creativity an Everyday Habit Inside Your Organization*, co-written by two of the authors of this article.

## Culture Change Starts with Leadership

While not all leaders have had first-hand experience navigating disruptive innovations such as generative AI, all leaders can manage this revolutionary opportunity by adopting the right mindsets. To start with, they can challenge assertions such as “AI cannot replace how we do this for our customers,” or, “AI-powered business models can’t overcome the barriers to entry in our industry.”

Consider the rise of Tesla. Some legacy automakers as little as seven years ago downplayed the company’s electric car as hype, arguing that long established scale, automaking know-how, and supplier/dealer ecosystems would see them swat away the threat. Today Tesla is a leading automaker based on its electrification infrastructure and autonomous vehicle technology.

The opportunity for leaders is to embrace “adaptive capacity” and curiosity to learn the technology and experiment with it, while exploring the need to make meaningful bets in the absence of perfect information about the future. From JPMorgan in financial services to John Deere in agriculture, companies that have become AI leaders in their respective industries embody these behaviors in their leadership decision making and strategy setting, which we detailed in our recent e-book, [Leading into the Age of AI](#).

Not surprisingly, Microsoft has also led on AI culture, as its partnership with OpenAI has helped it move from lagging rivals to being at the forefront in only a few years. Under Nadella’s leadership, the company has embraced portfolio decision making, risk tolerance, and customer centrality. This included empowering Chief Technology Officer Kevin Scott to hold full autonomy over its AI program, allowing him to rein in a sprawling array of pet projects, much to the displeasure of some employees who left the company as a result.

## Five Behaviors to Drive Culture Change

Whatever approach an organization takes to adopt a new technology, the reality is it is deployed by humans. Transformation, of any type, is fundamentally a human endeavor, and so the

behaviors of people in the organization must drive this change. The way people think and behave will maximize the value creation of AI.

Making the most of step-change opportunities in customer responsiveness, automation, and operational efficiencies takes more than technological investments. It takes people adopting behaviors and ways of working that culturally unlock greater value creation. Put simply, AI provides a powerful set of tools that enables us to innovate better, both in operations and customer-facing areas.

In the book, *Eat, Sleep, Innovate*, the authors outlined five behaviors people exhibit for innovation performance: curiosity, customer obsession, collaboration, adeptness in ambiguity, and empowerment. These five broad behaviors in turn translate into specific behaviors that can help ensure your organization and its people lead in the age of AI, maximizing opportunities. The behaviors, and how they translate, are summarized in Fig. 1.

Another example of an organization that has led in this area is Singapore-based DBS Bank. DBS has taken significant steps to incorporate AI into its operations, developing and implementing

**Figure 1: Five Behaviors to Drive AI Adoption**

<b>Broad Behavior</b>	<b>Specific Behaviors</b>
<p><b>Curiosity.</b> Question the status quo and consistently search for different and better ways to do things with AI.</p>	<ul style="list-style-type: none"> <li>• Be bold and think big, asking how AI can reimagine an entire business domain, versus a use-case by use-case approach.</li> <li>• Seek to continuously learn and stay up to date about the technology, its capabilities, and “art of the possible” use cases, within and far beyond industry confines.</li> <li>• Avoid shutting down ideas by saying, “This is how we do things here,” or “AI won’t be able to replace or improve this.”</li> <li>• Be perpetually paranoid about the future, constantly asking, “What if...?” in relation to customer preferences, business models, and ecosystem shifts.</li> </ul>
<p><b>Customer obsession.</b> Relentlessly seek to develop an ever-deeper understanding of how AI can better solve the existing and emerging jobs to be done of customers, employees, and stakeholders.</p>	<ul style="list-style-type: none"> <li>• Regularly develop customer profiles and journey maps to discover how AI can address current jobs to be done, alleviate pain points, and create new experiences.</li> <li>• Ensure all solutions are rooted in real needs, problems, and drivers of customer choice, avoiding AI for the sake of AI.</li> <li>• Consider the needs of diverse stakeholders – from direct customers, end consumers, and users, to ecosystem partners and employees – when designing internal and market-facing AI initiatives.</li> </ul>

## Figure 1: Five Behaviors to Drive AI Adoption (Cont.)

<p><b>Collaboration.</b> Collaborate enterprise-wide to maximize collective value creation goals, competitive advantage, and resource synergies.</p>	<ul style="list-style-type: none"> <li>• Build multi-disciplinary AI teams with diverse expertise and viewpoints, exploring external expertise and partnerships to plug knowledge and capability gaps.</li> <li>• Explore collective goals and resources over those of individual business units when determining AI priorities and allocating supporting capabilities, such as data, models, and talent.</li> <li>• Provide visibility and transparency on AI initiatives.</li> </ul>
<p><b>Adeptness in ambiguity.</b> Act confidently, despite incomplete information, expect iteration and change, excel at experimentation, and celebrate judicious risk-taking.</p>	<ul style="list-style-type: none"> <li>• Plan for different scenarios and alternative outcomes of AI industry transformation.</li> <li>• Constantly ask, “How can we learn more?” and design experiments to test key assumptions and create proprietary insights.</li> <li>• Reward teams for discovery and intelligent failures, pivoting specific initiatives and strategic postures by adopting an emergent approach to strategy.</li> </ul>
<p><b>Empowerment.</b> Exercise initiative, seek out and leverage resources, and make confident decisions.</p>	<ul style="list-style-type: none"> <li>• Set teams up for success by removing blockers and providing resources.</li> <li>• Make deliberate choices about which AI initiatives to aggressively pursue and which to deny, focusing on creating difference-making business outcomes.</li> <li>• Acknowledge the agency to reshape longstanding business models and proactively create the future with AI, adopting a “future back” rather than a “present forward” mindset.</li> </ul>

solutions across various aspects of its business, from customer service chatbots to AI-based credit scoring and fraud detection systems. These initiatives have improved operational efficiency, enhanced customer experiences, and driven innovation within the bank.

DBS’s success derives from the approach it takes to digital transformation, which is based on first developing a culture to encourage collaboration and success across an organization. We know the

bank’s story well because one of the authors of this article worked as a senior executive and advisor at the bank for almost 13 years, spearheading transformation efforts and adding the role of Chief Data Officer to his Chief Transformation Officer role specifically because of his cultural capabilities and experience.

The bank uses a programmatic approach to encourage behaviors, for instance uncovering blockers to its transformation efforts and



developing interventions. A good example is, after it launched a digital transformation, it found some data owners were strongly incentivized to say “no” to access requests. It intervened by ensuring data scientists had role-based access to a single consolidated platform.

DBS took other steps to encourage a culture of innovation, including creating the role of Data Storyteller to help translate information into clear business decisions. It also launched efforts to ensure senior leaders didn’t make decisions based on banking career experiences but instead by asking questions and insisting on experiments that data suggest should be run.

This demonstrates the need to holistically address the data, technology, and human elements of change to unlock an organization’s ability to create value with data. As with all transformation efforts, leaders must show the way by role modeling these

specific behaviors, pushing people to think of bigger and bolder ways to deploy AI, and fostering an AI-ready innovation culture. Not surprisingly, AI tools can help understand and measure the culture of the organization as it progresses.

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Cultivating an “AI-ready” culture is an ongoing endeavor, blending rapidly advancing technologies with human ingenuity to innovate. As Microsoft’s Nadella has said, “I like to think that the ‘C’ in CEO stands for culture, and it defines the success of every organization. Our culture is at the root of every decision we make at Microsoft, and creating this culture is my chief job as CEO.”<sup>2</sup> Organizations that approach the age of AI understanding this cultural and technological symbiosis will be the ones to leverage the value of AI to the fullest and shape a future where AI and humans coexist, innovate, and thrive.

## ABOUT THE AUTHORS



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## ABOUT INNOSIGHT

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## ENDNOTES

1. <https://fortune.com/2024/04/26/microsoft-earnings-satya-nadella-ai-artificial-intelligence-payoff-workplace-culture/>
2. <https://www.shrm.org/executive-network/insights/people-strategy/first-person-satya-nadella/>