

How Leaders Can Close the AI Readiness Gap

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Diana Scott: Welcome to C-Suite Perspectives, a signature series by The Conference Board. I'm Diana Scott, leader of the Human Capital Center at The Conference Board, and the guest host of this podcast series.

Today we'll discuss our latest Reimagined Workplace report. Joining me are coauthors Robin Erickson, head of human capital research at The Conference Board, and Matt Maloof, human capital researcher. Welcome, Robin and Matt.

Robin Erickson: Thanks. It's great to be here.

Matt Maloof: Thank you, Diana.

Diana Scott: Robin and Matt, I know that the Reimagined Workplace series began in April of 2020 and this is the seventh annual report. Before we start on this, just talk a little bit about the series and the whole methodology used.

Robin Erickson: Sure. As you said, we did begin this survey in April of 2020. We wanted to see how organizations were reacting to COVID and the impact of COVID on organizations and workers. We did our initial survey in April of 2020 and we published by the end of May.

Since then, this report has become an annual study that tracks major human capital issues, including talent acquisition, talent retention, employee well-being, and cost management, in addition to other subjects.

The series has really become a barometer for how the workplace is evolving in response to continuing economic uncertainty, the changing workforce expectations of workers, and ongoing organizational transformation affected now most by AI.

For the 2026 Reimagined Workplace, we fielded two online surveys. The first was with 271 human capital leaders and the second was with 333 US workers. When we did our analysis, we compared results longitudinally when we could, when the questions were exactly the same. Some of the analyses, we split organizations into two workforce categories: professional and office workers, and industry and manual services workers.

Diana Scott: You talked a little bit about how this has evolved over the seven years that you've been doing this and it's really interesting that AI has become such a huge topic. It was interesting to me when I read the report how much AI really became a theme.

It'd be really good to start there because that was a major theme and Matt, you were one that really did a lot of work on this report. Can you talk a little bit more about how do you think chief human capital officers (CHROs) specifically should be assessing and accelerating their organization's AI maturity, while most companies are really remaining in the early stage of adoption? Because that was one of the key findings that came out of this report, correct?

Matt Maloof: Correct. This question has two parts, right? The assessing and the accelerating. When we want to talk about assessing, the first step-- like any sort of learning project-- is establishing where is our prior knowledge and where is our baseline? Where are we at this current moment of time?

In the report we talk about this five-stage maturity model that did find that most organizations were in the early stage. But the steps for assessing aren't going to be the same at each of those stages. It's important to remember that maturity model is like a structure rather than a way to progress or accelerate.

Once you assessed where you are, what are the sort of ways we are using AI, the next part is accelerating, finding out where you want to go. Where do I see maturity in my organization? Because those are going to look really different depending on who you're asking, and especially in our report where we asked both professional and office workers and then industry and manual services workers. They're not going to have the same answers, rightfully.

If your organization says AI maturity for us is going to be using it to provide client support, then you need to plan out steps for how am I going to get there. There are a couple of ways to do so. The first one that's important is find a sort of scalable use case. Establish where you can use this model to test and then go from there. Because getting from early-stage adoption to targeted integration is going to require linking it to a business strategy, redesigning roles and workflows for doing so.

It really comes into taking stock of where you are. Planning that step across the organization-- not in just a silo, not just the AI or the tech folk, for everyone in the organization-- and then moving toward that goal collectively.

Diana Scott: If you want to accelerate maturity, that implies that you're really having to change your overall operating model, doesn't it? It's really changing overall AI fluency, in a certain way. It begs the question that if AI fluency is so important, what kind of role does that play in leadership development? Does it play a role in promotion? Should it play a role in succession planning? And how should that evolve? Does it play a role how it happens today? Did your report dive into that at all? Robin, maybe you can comment on that.

Robin Erickson: Sure. As Matt just said, the majority of organizations that we studied are at a lower level of AI maturity. Specifically, we had a five-step maturity model, with five being the highest, and we found that 60% of the respondents were at levels one and two.

Diana Scott: Can we pause there? That's really stunning to me because I think if you read the press, you would think that people were far farther along than just 60% at level one or two.

Robin Erickson: Yes, we were surprised and it's definitely a question that we'll ask again next year. We expect those maturity levels to go up but they definitely were lower than we expected. To answer your question around AI fluency being part of promotion and succession decisions, most organizations aren't using AI as part of their promotion decisions.

But we did see that there was a correlation between as AI maturity increases, organizations are more likely to use AI fluency in their promotion decisions. We think it's really important that organizations communicate this to their employees. Because if the leaders are making decisions and the workers don't know that creates a problem as well.

We do believe that AI fluency is going to increasingly become a much larger weight. In fact, the US government just put out a short introductory AI course that you can download. We really think that organizations are going to have to figure out where AI creates business value. Organizations are going to have to redesign their team processes around AI and then need to have a governance model for how you're going to use AI in your organization. What are the risks?

As AI becomes more embedded, we do believe that AI fluency should become a mainstream leadership expectation. We will be interested to see how that changes in the future as well.

Matt Maloof: I just want to add a few words of caution. The important part is that when recognizing that acceleration, the rate at which AI plays a role in those promotions and succession planning, should not supersede the rate at which it's developing in your maturity.

Something that could be a sort of a trap that some organizations could fall into is saying, we want to get to stage five in this maturity model of embedding our organization. And so we are going to put all our eggs into the basket of getting individuals who are the foremost

leading experts in AI.

While that could be helpful in a perfect scenario, it also runs a risk of disassociating from where your organization is currently, if the mass of your employees are not ready for that level-five integration. It could be sort of risky, I would say. It's important to remember that you would sort of want those rates, I think, to align a little bit.

Diana Scott: What I'm hearing you say is that you basically need to find some good balance in terms of how you push this concept of using AI fluency as a means of promotion and acceleration versus making sure that it aligns well with where you are organizationally. I totally get that.

But you also said that you expect that this is going to accelerate over the course of the next year. We see that acceleration happening and the technology itself is developing so quickly and adoption is happening so quickly. As organizations are struggling to keep up with that and human resources organization specifically are trying to keep pace, talk to me a little bit about how do you close that gap? Because you're trying to think about growing your AI capabilities and you're trying to make sure that you're integrating all of those AI capabilities into how you think about workforce strategy, how you think about decision-making.

You want to continue to develop your organization and in the end, of course, you want to make sure that you're doing what we just were talking about: you're integrating that into how you make decisions about promotion and the capabilities that you want to look for as you think about promotion and succession planning. How do you get to that balance, which I think is what you're talking about, Matt, correct?

Matt Maloof: Absolutely. The first part, like any sort of change motion, is making sure that the messaging and the communication is there for your workforce and making sure that a centralized voice is communicating a mission of how we are going to do these things.

The second part is bringing people on board. That's like having those training sessions, providing time for them to learn these skills at work. Don't just say, "You are going to do this on your own time." I'm going to make a core responsibility of your job learning how to use this skill and we're going to learn how to do it together. You can do that across teams, across functions, bring them together and say, "This is what we've learned and this is how we can apply it as an organization."

The next one is to provide measures for redesigning work around that sort of expected collaboration. If I'm going to say that I want you to spend time learning to do this tool, I want you to also now apply it to this system.

Those are just three examples. Robin, feel free to chime in.

Robin Erickson: I just wanted to add that a lot of organizations are not taking into consideration the amount of time it takes to create this AI fluency. We are actually

working on a report right now around AI and reskilling and upskilling and the importance of that. Having created training programs, they take a long time. They're faster now because of generative AI. If your workers need to be completely reskilled or upskilled, it will take time to do that. That's an important factor organizations should be thinking about.

Diana Scott: I think you're absolutely correct about that. We underestimate how much change takes and that realignment takes. Absolutely.

I'd like to change the conversation a little bit because I think one of the other really major findings that came out was around this topic of hybrid-onsite-remote work, which continues to be a huge topic of conversation and has been for the last six or seven years, ever since the pandemic hit.

Can you talk a little bit, and Robin, I'm going to ask you this question because I think you're the expert on this one. You've been talking about this forever. What is the optimal balance between hybrid-onsite-remote work given that employees are demanding flexibility? There's a lot of leadership pressure that we see out there for in-person work.

Robin Erickson: There sure is. And one of the interesting things about this series is that the very first study that came out in May of 2020 actually predicted that there would be an increase in remote work and that it could become the most influential legacy for organizations of COVID-19. We could probably safely say that prediction has at least come true for now.

Diana Scott: I think it did.

Robin Erickson: And we've also been asking workers what are their most important benefits beyond a competitive salary? And this year, as it was in previous years, flexibility was the number-one desired benefit for workers, followed by retirement plan funding and affordable health care plans. If you think about the importance of those things, retirement and health care, putting flexibility above those is really significant.

To answer your question, I don't think that there's a universal ratio that's perfect. The ratio between hybrid and in-person will change for every organization based on how it works. For example, some organizations there's no way for their workers to be remote. And it's important for them, though, to think about what kind of flexibility can you offer?

One of the things we talk about is flexibility in scheduling and how important that is. When you look at knowledge workers, hybrid is the dominant workplace model, at 51% of the organizations surveyed; 43% are onsite work only. Fully remote's been decreasing, as makes sense, but the fact that hybrid has remained the most dominant model really shows that organizations are responding to the employee demand for flexibility and to the leadership desire for more in-person time.

Diana Scott: That makes a lot of sense. We're going to take a quick break here and then we'll be right back and we'll pick up this conversation where we left it off with Robin

Erickson and Matt Maloof.

Welcome back to C-Suite Perspectives. I'm your host, Diana Scott, and I'm joined by Robin Erickson, head of human capital research at The Conference Board; and Matt Maloof, human capital researcher. We left off talking a little bit about the hybrid work situation and I just want to pick up where we left off. Given that hybrid work is such a dominant way that people want to work and flexibility is so important to our employees and we do know that. One of the questions that it begs is how we reward and recognize employees becomes a really important issue.

CHROs are diving into that. Can you talk a little bit, Robin, about how should CHROs really think about redesigning total rewards and really think about the employee value proposition, given that flexibility is now probably the most important and valued benefit after pay?

Robin Erickson: Exactly. It's really important that CHROs start by defining when it's most important to have the workers in person, when does that create a clear value. So for collaboration, mentoring, recognition, learning, oftentimes those are times where it really makes sense to have your workers in person.

But sometimes remote work is much better for worker productivity. If you're in an office that's loud, it's sometimes really hard to get thinking done. That would be an example of a time when working remote is actually preferable. One of the things that we found during the Great Resignation was that many professional and office workers were leaving their organizations because they wanted different flexibility than was being offered. Right now we still have a pretty tight labor market given all of the retirements from baby boomers.

We do think that hybrid work does create a competitive perk, right? It should be a baseline for competitive compensation. It was interesting, in the study we found that leaders underestimated how important flexibility was to the workers. It's just really important for redesigning your total rewards in two ways.

The first is the foundation. Competitive pay needs to be fair, needs to be transparent. And then you've got your flexibility, your health care, your retirement plans, and your paid time off. The second layer is really around differentiation and how organizations can differentiate themselves with flexible incentives, learning, AI skill development. As we were just talking about the importance of that, there's also career mobility and the importance of meaningful work. All of these things.

Getting back to the first question around hybrid was the ratio. All of these things will change. If an organization is really concerned about high turnover rates, they might want to think about changing their employee value propositions to be more competitive, to offer more flexibility whenever possible. Again, for frontline and manual services workers, the really important thing might be scheduling flexibility, predictability. That's what we're thinking about for total rewards and redesigning them with hybrid in mind.

Diana Scott: Yeah, that makes a lot of sense. You brought up manual services workers. I know that there are differences that came up in the report between manual and industry services workers and office workers. There are some persistent labor shortages and retention challenges specifically with industry and manual service workers. Matt, can you talk a little bit about what do you think the talent strategies might need to be? How might the talent strategies need to be different to address some of those differences that exist with those industry and manual services workers?

Matt Maloof: Absolutely. Robin touched on this in the earlier messaging around flexibility and attracting talent. You want to make sure we address this equity issue. We don't want to say that only knowledge workers are getting flexibility. We are providing it in ways that matter to industry and manual services workers. The next part of it is looking at building local pipelines. Is there a way that I can establish a network, whether it be with a with a local trade school or a local community college, to build up my workforce from there? Another part of it is offering earn-while-you-learn approaches. If I want my workforce to have this certification or apprenticeship, I can let them earn that degree and continue working at my organization and hopefully use that to help the organization as a whole.

Another one is to redesign jobs to expand to the talent pool. What do I mean by that? In a sense, we know that AI is going to replace a lot of specifically routine work. If that work isn't going to be as much of an important function for my workers in the future, then I wouldn't over index on finding people who can do that work perfectly. I'd over index on finding the people who can do the work that I want them to be doing once AI takes over part of those tasks. It's looking for how can I be a little more future focused on building the workforce for later on.

Diana Scott: If we can unpack it a little bit. There are definitely some retention risks. There's definitely flexibility but there's also retention. We see across the board, there's rising retention risk and turnover risk. There are a lot of drivers that we see for that turnover. Everything from pay sensitivity, perhaps working conditions, maybe some local competition.

Can you talk a little bit more about that, Matt? In terms of how organizations might manage some of that risk, especially across different workforce segments, not just the industrial and manual workforce.

Matt Maloof: There will definitely be a trend across both workforces. This is the other side of the coin, right? The retention piece to recruiting talent. And one of them is looking at what is my local competition doing and how can I adjust dynamically based off those changes? Another one that's really important and applies to both industry manual services workers and professional and office workers is improving day-to-day conditions and trying to make work a little safer.

And that could be a lot of things. That could be in investing in tech for industry manual services workers. But even for professional and office workers, we think about health care, for example. Trying to provide ways to make the day-to-day better and protect their

workforce's well-being and improve the conditions of the workforce as a whole to avoid that burnout that might lead to turnover.

The other part, and this is a really simple but important step, is making sure that we're targeting the actual drivers of retention. Having those exit interviews and seeing why are these folks leaving and are there ways that I can take steps to prevent that in the future. If you have a big hole that you're not necessarily taking note of, it'll be hard to fill it later on. You want to be acting proactively as opposed to reactively.

The last one is to empower frontline managers to act quickly and adjust as needed. What do I mean by that? If you have someone on your team, for example, that something happened and they need some coverage, whether they're taking care of a loved one or a child or something like that, and you have the ability to allow your frontline manager to give them that sort of flexibility. Let them have it. Don't necessarily stick to what is the hard and fast, this needs to be run up the chain. Trust your manager to make the decision that is right for their team and for the organization as a whole.

Diana Scott: Yeah that's, that sounds really good. Robin, one of the things that came out of this report that I thought was really interesting was around cost cutting and layoffs. There was something really interesting. If you could just quickly comment on that.

Robin Erickson: One of the things we've been tracking in this series is cost-cutting measures that organizations are using. If you were to listen to the media, you'd think that right now the main reason for layoffs would be AI. We specifically asked the leaders who reported that their organizations had layoffs, there were 99 of them, why. The causes for today's layoffs were primarily restructuring, financial pressures, and shifts in corporate strategy, with AI-led role elimination at the very bottom, at only 6%. It's pretty interesting to think about the fact that organizations really aren't cutting jobs right now as a result of AI. That could change very drastically in the future but for right now, the majority of layoffs are not led by AI.

Diana Scott: Another interesting thing that I wanted you to comment on quickly, and maybe Matt, you could take this one, was there was a perception gap between leaders and employees around engagement, well-being, and mental health, which I found really interesting and fascinating. Can you comment a little bit on that and then maybe talk a little bit about why and how do you close a gap like that?

Matt Maloof: This is the second year we've seen this gap and the goal this year was to find out is this gap random? And what we learned is that it really isn't. The areas that leaders are finding hardest to assess are those that have the widest perception gaps, which makes sense when you pause and just think about it objectively.

The first part is making sure that we have a plethora of resources to collect data rather than just engagement surveys. I want to make sure that I'm using engagement surveys, continue listening conversations, whether they be interviews or focus groups, stay interviews, exit interviews, retention interviews. All of data I have together to triangulate.

The next part is to increase visibility into the day-to-day employee experience. We want to make sure that leaders at even the highest levels are having moments and interactions with their frontline workers. That could just be something simple, they're all getting coffee together in the organization's cafeteria or they're holding a session together and they're working together or they're doing something like skip interviews where I'm having conversation with my manager's manager.

The next part is to hold leaders accountable to that feedback. You have all this data, you're hearing all these things. Making sure you're saying, this is what we heard and this is what we're doing about it. Because messaging that is taken but not done anything with sends a bad notion to workers. It's like, why did I tell you anything if nothing is going to happen?

The next part is to use your managers to build their ability to have check-ins and support and then understand that the two areas that have the widest perception gaps, mental health and well-being, are not visible. It's going to be much harder to see unless you're specifically paying attention and looking for it. It would be tragic to think that workers stop feeling those things when they start work at the beginning of the day. They're going to be feeling those emotions throughout the whole day.

Things like immediate conversations or surveys only take note of that specific moment in time. But if you have a meeting later in the day and something shifts completely, your mood could transition. We're making sure we're looking for this thing across a wide array rather than individual moments.

Diana Scott: That was a fascinating finding. This was such an interesting report and, like I said, seven years and it continues to evolve. As we close this out, quickly I would love, Robin, for you just to give a few highlights from what I thought was a wonderful way to close this report out, which was really, truly reimagining what the workplace looks like in practice and how CHROs can align all of these different things-- AI, hybrid work, talent strategy, well-being-- to really sustain performance and competitiveness in the world that they find themselves in today for their organizations. Because it was a wonderful report.

Robin Erickson: Thank you so much, Diana. We were very excited with this report. As you were saying, there's a lot of challenges today. It's really important for CHROs to be thinking about an operating model that includes, at the very least, the idea of AI fluency in action so that a worker's AI skills are noticed and used for promotion succession.

It's really important that organizations have hybrid with purpose. Knowing when makes the most sense to have their employees come together. It's really important to have a differentiated talent strategy, looking at what's most important to your workers in order to try to retain them and even to recruit workers.

It's really important to think about balanced growth and efficiency. Organizations will continually have to cut costs for a reason but you can't sacrifice the employee experience

for cost cutting. It's really important to weigh both of those. Then last is Matt was just talking about the importance of well-being and making well-being a performance driver, not just a nice to have. We're going to include it in one of our total rewards. We're not just going to include mental health in our total rewards. We're going to actually think about what difference does it make if our workers have strong well-being or a weaker well-being.

Diana Scott: That's terrific and amen to that. So we'll leave it at that. I encourage you all to read this report, the 2026 Reimagined Workplace report. And thank you very much Robin Erickson and Matt Maloof for joining me on C-Suite Perspectives.

Matt Maloof: Thanks for having us.

Robin Erickson: Thanks for having us.

Diana Scott: And thanks to all of you for listening to C-Suite Perspectives.

I'm Diana Scott and this series has been brought to you by The Conference Board.

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