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Transforming Organizations for AI

Critical Factors for AI Success

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Critical Factors for AI Success

12 DECEMBER 2025

Globally, artificial intelligence (AI) is in a time of rapid acceleration as many organizations and nations invest heavily and adopt it broadly—yet enterprises will need to change to get the most out of their AI use. Based upon surveys of leaders and workers, as well as interviews with enterprise executives, this report describes how leaders must redesign their organizations to maximize the value of AI within their enterprises.

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- Sustainable AI transformation requires a strong AI strategy, combining a top-down vision closely aligned with business strategy with bottom-up innovation in how work is approached and executed.
- Successful AI transformation requires redesigning organizational structures and processes, fostering agile teams and ensuring the seamless flow of information across the enterprise.
- Human resources (HR) plays a critical role in AI transformation, with three core mandates: create and sustain a strong AI culture; develop a workforce with the right skills; drive people-centered governance and change management. Yet to fulfill this role, HR must also transform itself.
- Developing a strong AI culture is critical, requiring inclusion, transparency, and a shared sense of purpose to encourage ongoing experimentation and collaborative co-creation.
- To successfully navigate the complexities of AI transformation, organizations should prioritize ongoing upskilling, comprehensive workforce planning, and adaptable reward systems.

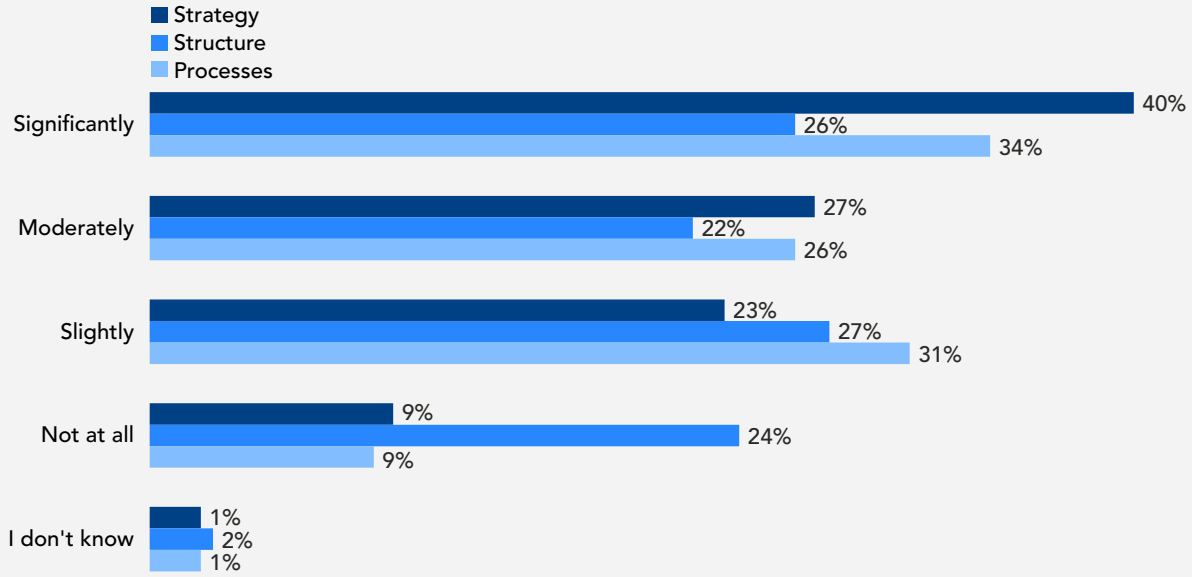
A Strong AI Strategy Is Essential

AI represents far more than a simple technological upgrade; it will reshape organizations in profound ways. Executives we interviewed agreed that while organizations can derive some value from "bolting on" AI into how they currently work, to derive "exponential" value from the technology, organizations will need to change. This transformation for AI is ongoing and continuous, but changes will likely come in waves as technologies improve and organizations integrate new innovations. Organizations are already evolving their strategies, structures, and processes to adapt to AI capabilities. The majority of leaders surveyed for this study indicated some degree of change to their enterprise strategies, structures, and processes due to AI, with varying levels of success (see Figure 1 and Figure 2).

Figure 1

Organizations are changing due to AI

Q: To what extent has your enterprise redesigned its strategy/organizational structure/internal processes due to AI?

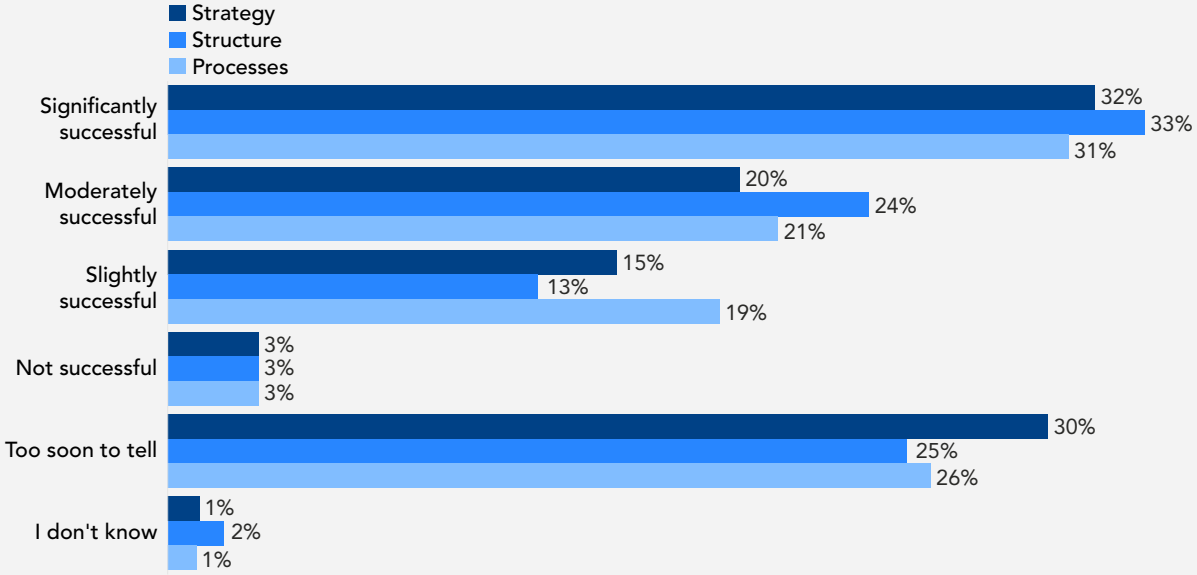


Note: 214 (Strategy), 213 (Structure), and 213 (Processes) enterprise leaders globally responded.
Source: *Transforming Organizations for AI*, The Conference Board, 2025

Figure 2

Organizational changes have largely been successful

Q: Please rate the success of your enterprise's changes to its strategy/organizational structure/ internal processes due to AI.



Note: 190 (Strategy), 159 (Structure), and 192 (Processes) enterprise leaders globally responded.
Source: *Transforming Organizations for AI*, The Conference Board, 2025

Despite this wave of change, based on our interviews, many organizations appear to fall into the trap of viewing AI as a technical upgrade; in other words, as a set of tools to automate tasks or enhance efficiency. This narrowed view limits AI's true potential to transform the enterprise. As one executive emphasized:

> "[Organizations] are not thinking about the whole system and…how do we redesign our system and go into the future?"

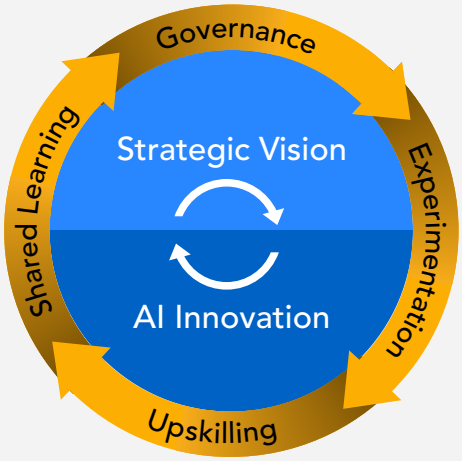
Indeed, a sustainable AI-enabled organization requires both visionary leadership and grassroots innovation. As one interviewee explained:

> "You have some things that go top-down, and you have some things that go bottom-up."

The transformation must be guided by a top-down vision and strategy—a clear articulation of how AI will advance the organization's purpose, operating model, and competitive position. At the same time, a bottom-up approach is needed in redesigning ways of working, governance, and decision-making to support experimentation and learning that enable agility and effective human-machine collaboration (see Figure 3).

Figure 3

AI transformation requires top-down vision and bottom-up innovation



Source: *Transforming Organizations for AI*, The Conference Board, 2025

Top-down strategy

A clear strategy and vision for how the organization uses AI is essential for guiding investments, resources, and development. Without a cohesive vision, AI initiatives risk devolving into a scattershot collection of disconnected pilots and tools that fail to scale or deliver meaningful impact. As an interviewee cautioned:

> "If you don't have a vision and just start throwing AI solutions on a wall to see what sticks, you don't have a holistic strategy."

Trade-offs exist in every decision, so a clear AI strategy is needed to guide leaders as they evaluate where to focus limited resources, such as buy/build decisions. One executive at a large health care organization told us their leaders decided to rely on third-party solutions to improve back-office productivity while focusing their internal developer resources on mitigating unique risks the organization faces, as third-party solutions are ill-suited to meet those needs. These sorts of decisions abound, and a strong AI strategy will provide clarity to ensure leaders choose wisely.

Bottom-up approach

Over half of leaders in our survey (54%) say their organization has an insufficient link between AI redesign and business strategy. Proliferating pilots can make it difficult to ensure effort is focused on the most impactful redesigns that align with strategic priorities. Poor communication between central AI teams and business units leads to duplication, confusion, and slow scaling. As one leader told us:

> "One of the risks I see honestly in this experimentation is that every organization is left to experiment and then we have a major issue in terms of productivity and duplication of effort."

The executive warned that lack of strategic alignment can lead to poor investment decisions and wasted resources:

> "To me, everything starts with the strategy. The strategy determines where we need to really put our money, where we need to really make the investment."

While top-down strategy guides AI investments, bottom-up innovation identifies and develops promising uses that warrant investment in the first place. As Wharton professor Ethan Mollick explains, employees are well-suited to identify where AI can be helpful in their work, and organizations need to harness employees' creativity and expertise. Executives we interviewed told us that their organizations are doing this in numerous ways, though primarily falling into two categories: 1) providing employees with access to AI tools and the means to build their own, and 2) creating peer development and learning opportunities through events like hackathons.

Along with access to AI tools and opportunities for people to work together and share their learnings with others, clear governance is also essential to enable bottom-up innovation. As one executive put it, organizations need to be ready to deal with issues that can arise with a "Wild West of bots" as tools and agents proliferate. A strong AI strategy will provide clarity, guiding decisions around which uses of AI are encouraged or discouraged. Further, that strategy will help determine which innovations should be bolstered with additional resources for further development and scaled to other parts of the enterprise.

It's important to note that creating a vision for AI-driven transformation is not a one-time act. Balancing direction with participation, uniting strategic clarity from the top with innovation and learning from the bottom, will be essential. In doing so, leaders will need to move beyond digital transformation toward continuous organizational reinvention, building enterprises that are adaptive, intelligent, and deeply human-centered in how they use AI.

Unlocking AI Potential Requires Transforming Processes and Structures

Legacy processes and traditional (often siloed) organizational structures that have served organizations well for decades now risk blocking innovation and stymieing new working practices. To derive value from advanced AI capabilities, work needs to be redesigned end-to-end to embed data, enable flexibility, and harness AI-based automation and augmentation. As one executive explained:

> "AI is making the strong stronger because [organizations] are adopting it in the right ways…. If you take AI and put it onto an ineffective process or a bad process, you're just going to make it more efficiently bad. You're not going to change the outcome."

Organizations need to redesign processes to incorporate AI and achieve desired outcomes, not to simply automate what they currently have in place. Organizational structures, roles, and decision rights also need to evolve to match these new flows.

Organizations also need to enhance organizational agility—the capacity to sense change and quickly reconfigure strategies, resources, structures, and processes to respond—to be able to adapt quickly to AI innovations. However, the pace and scope of change require organizations to reexamine the why, what, and how of the work that's being done.

Reask the why of work

Leaders should revisit why the firm does what it does to create value for all its stakeholders. What is unique to the firm, what differentiates it from its competitors, and do AI capabilities change that? One executive told us that their company had to reevaluate its value proposition for customers and focus its offerings on personalization to adapt to what AI made feasible. In addition to how AI affects organizations' core goals and how companies differentiate themselves, as AI improves, leaders must also evaluate what work will remain human centered.

Reexamine the what of work

Given that AI can directly impact specific tasks, organizations should focus on tasks as the basic unit of analysis for any role or job. For organizations to understand what they can change, they must know what they are currently doing, where pain points lie, and how AI can improve existing processes or enable new ones. This endeavor is daunting, but vital. Leaders should partner with employees through surveys, interviews, work diaries, and workshops to develop an accurate and granular picture of tasks, pain points, and inefficiencies. This task analysis also creates a holistic understanding of how work is performed across teams, processes, and functions or divisions, forming the foundation for identifying what work can be discarded, what needs to continue, what needs to be transformed, and how AI systems and people will need to work together to accomplish organizational goals.

Reimagine the how of work

Understanding the task-level effects of AI will enable organizations to determine how AI can simplify and augment or automate the workflows tying tasks together. Figuring this out requires input from across the company, including change agents and operations teams, and beyond, tapping into external experts and organizations for new ideas. Frontline employees will be vital for proposing new processes and testing before/after workflows.

This phase presents a unique opportunity to explore AI's potential to recombine and redesign tasks across processes and find new innovative ways to create and deliver customer value and competitive advantage. Organizations should consider the following questions:

- Can tasks be regrouped into new jobs and roles?
- Do the lines of decision making and resource allocation need to be redrawn?
- Should organizational structure be changed (for example, shifting to agile teams, reducing managerial levels, or even reengineering divisions around value streams instead of functional or operational expertise)?
- What skills will individuals and teams need after any redesign?

Redesign through test-learn-adapt

AI-driven organizations will thrive on iteration—not perfection—and redesigns can be done in phases, based on iterative cycles of "test-learn-adapt." Leaders must embrace agile structures, replacing rigid hierarchies with cross-functional pods or "networked teams" that swarm around priorities. Governance should be lightweight but disciplined enough to manage risk without stifling progress. As one interviewee highlighted, too much bureaucracy is a death knell for AI transformation, and organizations need to embrace small teams and agility:

> "If companies are doing it that way, we're seeing them be successful. But when they're getting bogged down by the typical bureaucracy, they're failing literally every time."

Additionally, traditional transformation road maps no longer hold. The rapid pace of AI innovation demands planning cycles that adapt quickly, as one interviewee emphasized:

> "Once we get 12 to 18 months out, we've got a lot of placeholders, because even the things we're saying we'll build today…. By the time we get to the future, we may not have to build them because somebody else will have already built them."

People will drive these changes and determine how well organizations can adapt to AI capabilities, and HR will play a critical role in supporting and enabling people-driven change.

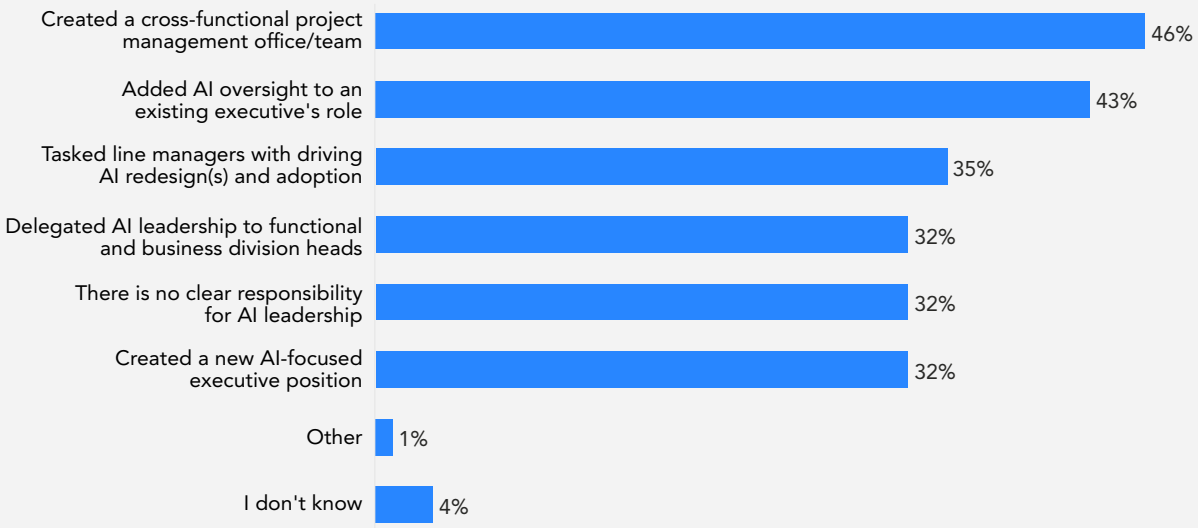
HR Plays a Vital Role in AI Transformation

The way organizations determine who leads AI transformation varies broadly, from project management offices and teams to executives, division heads, or no distinct leadership at all (see Figure 4).

Figure 4

Organizations employ various approaches to leading AI redesigns

Q: How has your enterprise assigned leadership for major AI redesign initiatives? (Select all that apply)



Note: 214 enterprise leaders globally responded.
Source: *Transforming Organizations for AI*, The Conference Board, 2025

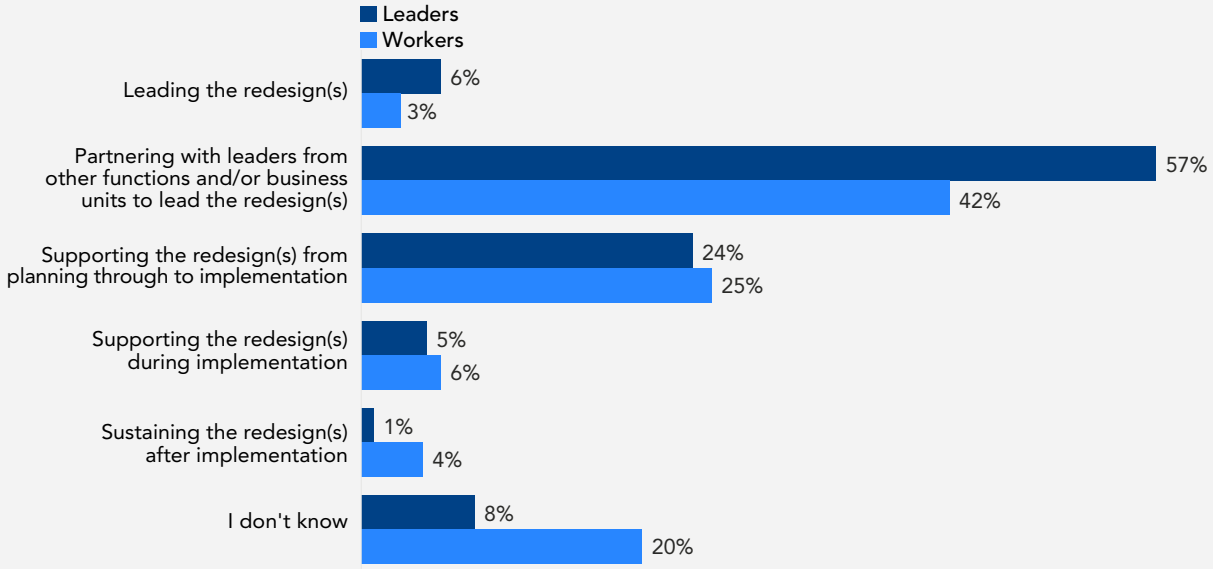
HR should play a key role, but based on our interviews, that is not always the case. Across organizations, HR's role in AI initiatives ranges dramatically, and in some companies, HR has had little or no role in AI transformation so far. These organizations often treat AI as a technical or operational matter owned by IT or business intelligence teams. In others, HR supports training, communication, and adoption planning, but often is not involved in designing the organization's AI strategy. At advanced firms, HR is embedded from the start as a strategic partner shaping AI decision-making, culture, workforce planning, and skill development. As an HC leader highlighted, their organization made it a point to ensure HR has a seat at the table for their AI strategy and that HR is central in AI conversations and decisions.

HR needs to play a central role in AI transformation to ensure people are a focus in all strategic decisions. Our survey results indicate that both leaders and workers believe chief human resources officers (CHROs) can create the most value in enterprise-wide AI redesigns by partnering with leaders from other functions and business units to lead the redesigns (see Figure 5).

Figure 5

CHROs can create the most value through partnering with other leaders to lead AI redesigns

Q: Where can CHROs create the most value in enterprise-wide AI redesign(s)? (Select one)



Note: 211 enterprise leaders globally and 698 individual contributors globally responded.
Source: *Transforming Organizations for AI*, The Conference Board, 2025

Based on our interviews, where HR was included early, organizations were able to build coherent governance and ethical frameworks that integrated human and systems capabilities. HR needs to play a central role in AI transformation to ensure people are a focus in all strategic decisions. As a leader stated, HR is best suited "to handle the people side of AI."

HR is critical for successfully redesigning organizations for AI, nurturing the organization's AI culture, ensuring the workforce can fulfill the needs of an AI-augmented organization, and putting people at the heart of governance and change management. To fulfill these mandates, however, HR must also transform itself.

HR must transform itself

One leader noted that HR will have far more credibility in supporting the rest of the enterprise amid organizational AI redesigns if HR has successfully adapted itself to use AI well. This requires continuing to upskill HR people in key areas, such as data literacy and business acumen, so they will be able to address more strategic business needs and change how HR

operates. HR must also embrace using AI both to enable the work HR is already doing and the work it has not been able to do before.

One recurring obstacle to this needed transformation is HR's risk tolerance. Many HR departments remain cautious or slow to adopt AI due to concerns about compliance, bias, and data privacy. As one HR leader stated:

> "AI in HR is a delicate subject, there's a lot of laws that are getting passed and regulations to make sure that AI isn't…being used in a discriminatory way."

Clearly, HR must use AI responsibly, but leaders must ensure these concerns are not used as excuses to thwart innovation. As one technologist pointed out, leading organizations are able to be innovative and responsible, even in high-risk areas, by bringing a cross-functional approach to bear:

> "[The] best organizations are bringing the lawyers and the infosec and the privacy people into the design."

HR leaders should ensure their teams are partnering with colleagues in other functions to advance responsible innovation that embraces AI within HR despite the sensitivity of many HR responsibilities.

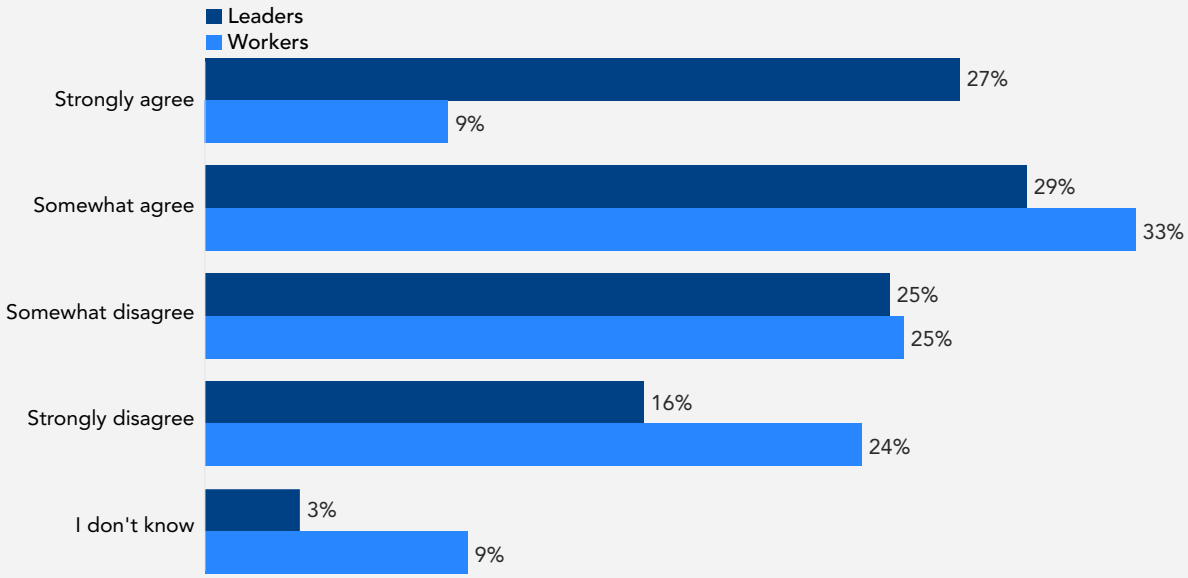
The scope of HR's responsibilities with AI continues to expand, often outpacing executive recognition of this shift. As organizations navigate an AI-augmented future, CHROs must take a central role in analyzing and shaping workforce capabilities, fostering resilience, and guiding organizations and their own teams through emerging complexities.

HR's role in AI transformation is critical, but often HR is either not up to the task or is not perceived to be. For HR to effectively champion responsible and innovative AI adoption across the organization, it needs to demonstrate that it can bring value to the strategic transformation and equip the workforce with the skills and support necessary to thrive in an evolving landscape. However, our survey reveals a disconnect, with both workers and leaders divided on whether HR is currently providing adequate training and guidance for employees navigating AI-driven changes. This gap undermines HR's credibility and capacity to take on a more strategic role in shaping AI redesigns (see Figure 6).

Figure 6

HR must improve the AI training and support provided to workers

Q: To what extent do you agree with the following statement: "Our HR/People leaders are providing effective training and support to help workers adapt to AI"?



Note: 204 enterprise leaders globally and 699 individual contributors globally responded.
Source: *Transforming Organizations for AI*, The Conference Board, 2025

When HR has the credibility and capability to fulfill its critical role in enterprise AI transformation, one of its most important responsibilities is developing a strong AI culture.

Culture Is Critical for AI Transformation

A strong AI culture is not sufficient for successful AI transformation, but it is necessary. Leaders must build AI-ready cultures rooted in transparency, experimentation, and shared purpose. As one leader explained:

> "The tech is remarkable…[but] the biggest challenge I see is cultural adoption and adaptation."

To build a strong AI culture, leaders must encourage employees to co-create AI solutions—fostering ownership rather than resistance. Normalize "fail-fast" experimentation to cultivate learning agility and psychological safety. Ensure that trust, inclusion, and ethics are embedded into every phase of AI integration. As one interviewee highlighted, employees are reliable thought partners for these redesigns, and involving them in the conversation increases both their engagement and their ownership of the new way of working.

Lack of trust, curiosity and experimentation, and psychological safety have a huge impact on AI implementations. AI tools enable fast prototyping and iteration for a much wider swath of

employees than was previously possible, but the opportunities this affords will fail to live up to their potential unless an organization has a culture that encourages and supports innovation. Employees will be a key part of building this culture.

As an interviewee explained, their organization's biggest challenges are:

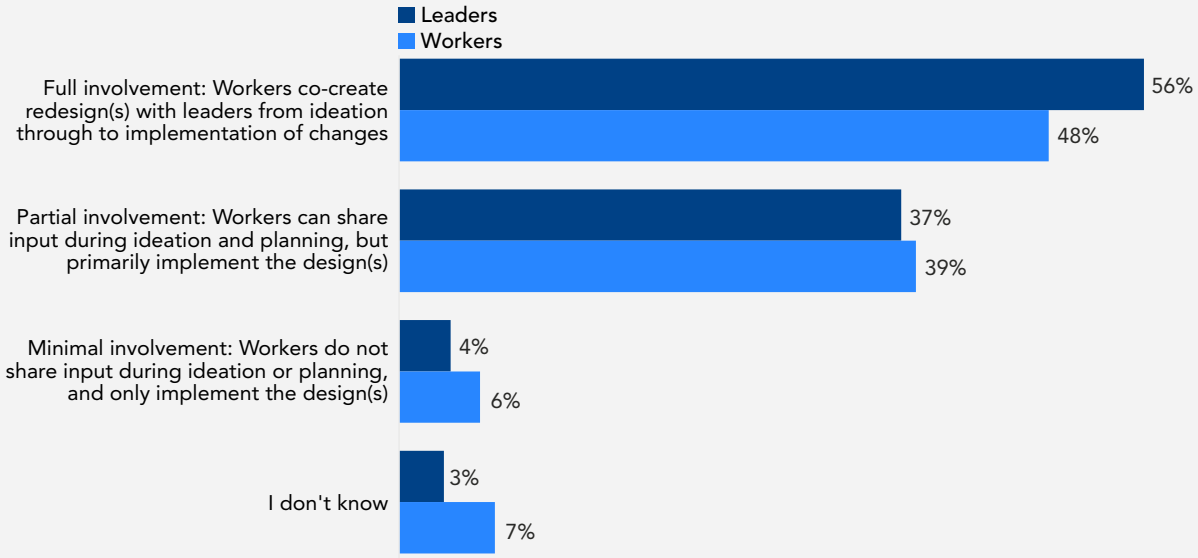
> "Underestimating the change impact [and] waiting too long to bring employees along on the journey."

Our survey data show that both leaders and workers favor a high level of employee involvement in redesigning the enterprise for AI (see Figure 7).

Figure 7

Leaders and workers largely believe workers should be involved throughout AI redesigns

Q: Which of the following is closest to the role workers should play in redesigning the enterprise for AI?



Note: 211 enterprise leaders globally and 704 individual contributors globally responded.
Source: *Transforming Organizations for AI*, The Conference Board, 2025

Creating a culture that enables AI innovation also requires being transparent about how the organization's use of AI will affect jobs. As AI improves, fear of displacement will persist, but being honest with employees and involving them in AI redesigns can mitigate apprehension.

In concert with this transparent honesty, HR must define and protect what work will remain human. Specifically, interviewed leaders emphasized that HR must help codify which behaviors, mindsets, and critical thinking skills should be preserved and amplified and which aspects of work are done by humans only as long as machines cannot—or if there are core elements that will remain human aligned even if machines can do them. As one leader put it, HR needs to:

> "Help think through what needs to stay human at a company and what are the human skills that really matter? And how will we preserve something like critical thinking in a world where AI can easily take that away?"

Creating a culture that enables AI innovation requires significant investment, co-creating a new future with employees, and transparency about what that new future will look like.

Focus on Skills, Mindsets, Behaviors, and Rewards

A dominant theme across our interviews with enterprise leaders is HR's critical role in shaping the workforce for an AI-augmented future. Capability shortfalls are widespread, with 68% of surveyed leaders saying their organizations struggle with insufficient employee skills to take advantage of AI redesigns. Our 2025 global survey of C-Suite executives revealed a similar concern, with CEOs most frequently citing a lack of expertise as a top challenge in implementing AI.

Maximizing the value of AI requires a skilled workforce. Interviewees stressed that effective AI capability blends process expertise with technical expertise and system thinking. However, most organizations lack these skills and do not have the bandwidth for continuous learning at scale. One interviewee said a multigenerational workforce is their biggest challenge, which results in big variations in "the savviness with technology" across the generations. Another leader told us:

> "Expecting [people] to become AI experts in six months is very unrealistic."

In addition to developing these skills among the workforce, HR and business leaders need to understand which skills will be automated, which will evolve, and which must be created from scratch. This requires integrated skills intelligence systems, mapping capabilities across human workers, AI agents, and external talent networks. Leaders are also preparing for shorter skill lives, creating continuous learning mechanisms, and strengthening strategic workforce planning to sustain adaptability.

Alongside ensuring the organization has the skills it needs, HR must reexamine what constitutes strong performance. As one HC leader mentioned:

> "We've got to really rethink what behaviors matter to us and to our performance management."

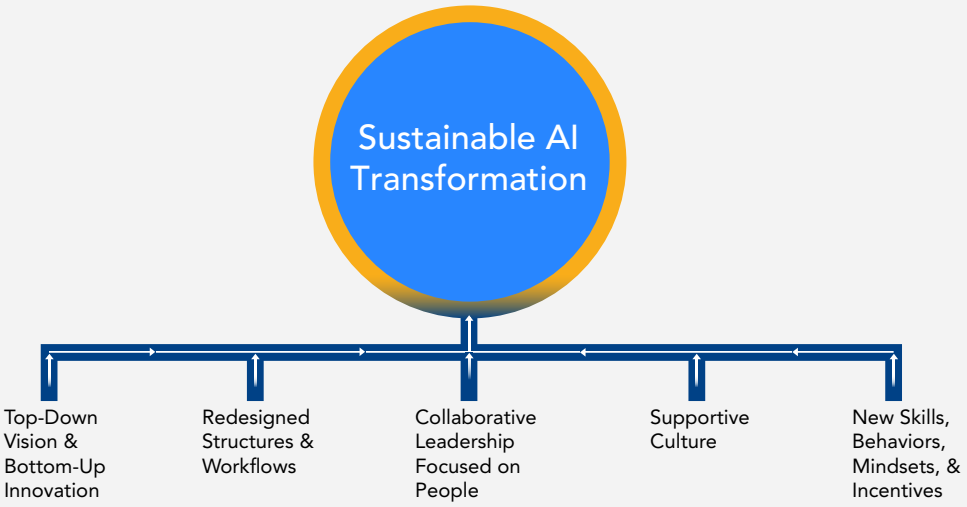
It is also essential to redesign rewards systems to align with new ways of working and incentivize the behaviors critical to success. Rewards programs should recognize not only individual achievement, but also collaboration, learning agility, and contributions to innovation. By tying incentives to continuous upskilling, adaptability, and proactive engagement in AI-driven initiatives, organizations can foster an atmosphere where employees are motivated to embrace change, experiment, and co-create solutions, ensuring their rewards systems drive the right outcomes in an evolving landscape.

Conclusion

In response to advances in AI, people are changing how they work, but organizational gains have been limited. Maximizing the value of AI requires holistic and systemic transformation across the enterprise (see Figure 8).

Figure 8

Maximizing the value of AI requires changing how organizations work



Source: *Transforming Organizations for AI*, The Conference Board, 2025

Leaders must work with employees to develop a strong AI strategy, redesign organizational structures and processes to harness AI capabilities, and develop and sustain a culture and workforce that embrace and sustain AI innovation. The future is uncertain, requiring organizational agility to pivot as new technologies and opportunities emerge. This agility should be mirrored in the enterprise operating model—building flexibility into structures, processes, and governance.

METHODOLOGY

This report is based on two surveys: one fielded to enterprise leaders globally from September 18 to October 15, 2025, with 214 respondents, and the other fielded to individual contributors globally from September 18 to October 14, 2025, with 704 respondents. It is important to note that although our surveys were distributed globally, respondents for both were primarily located in North America. For the leader survey, most respondents are from North America (58%), followed by South America (16%), Europe (16%), Asia (7%), Africa (2%), with 1% preferring not to say. For the workers survey, most respondents are also from North America (76%), followed by Asia (12%), Europe (6%), South America (2%), Africa (2%), with 1% preferring not to say. Percentages may not add up to 100 due to rounding. Survey results have been left unweighted.

The research team also conducted 26 interviews with enterprise leaders and AI experts. Interviews have been lightly edited for clarity.

ACKNOWLEDGMENTS

The team would like to thank the people who took our surveys and the leaders from Member companies, Cielo Talent, and other organizations who participated in the interviews, forming the foundation of our findings.

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