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Aligning on AI in the Boardroom: Connecting Leadership, Change Management, and Executive Compensation

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Results from our recent Pearl Meyer Quick Poll on AI underscore the growing importance of AI discussions in the boardroom and signal a need for proactive board oversight and senior management accountability. From investing in new technology to educating employees, it's evident that boards and senior management teams recognize the significance of AI adoption and are already engaging in broad-ranging discussions about its advantages, challenges, implications, and risks. They are also beginning to carefully consider the complex intersections between AI initiatives, business priorities, and talent management—highlighting the need for organizational readiness, especially at the top of the house—before determining whether to incorporate AI performance goals into executive compensation programs.

Successfully introducing any new complicated concept and securing consensus across a group of stakeholders usually starts with level-setting. Establishing common ground from which boards and senior management teams can effectively determine if, when, and how to introduce AI performance goals into executive compensation design must start with a mutual understanding of three key things:

1. AI technology and its potential impact on the company (both positive and negative) with respect to organizational structure, people, and culture (e.g., changes to roles and responsibilities, new reporting relationships, enhanced or limited career opportunities);
2. The risks associated with adopting AI technology (or choosing not to) for aspects of internal work (e.g., productivity or innovation) or external business (e.g., customer satisfaction) such as talent risk, intellectual capital risk, and cyber risk; and
3. The ways in which AI may support execution and advancement of the company's business priorities (e.g., revenue growth, market expansion, operational excellence) by influencing workforce behaviors, customer interactions, and other business drivers.

By aligning on these three areas, boards and senior management teams will be able to identify challenges and address any discrepancies or gaps in knowledge or understanding. This creates a clean slate and solid platform for developing specific, actionable, and measurable performance goals (e.g., successful implementation of AI technologies, upskilling and/or reskilling of critical employees, improvements in productivity or innovation) and relevant, quantifiable metrics for measuring the impact of AI initiatives on financial and operational performance (e.g., revenue growth, cost savings, customer satisfaction, operational efficiency).

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Having everyone on the same page also enables directors and senior management teams to communicate efficiently with each other throughout the AI journey, effectively managing performance expectations and driving ongoing organization-wide change. For instance, having leadership across the organization articulate consistent and transparent messages to employees about AI's potential impact on workforce planning can help promote understanding, alleviate concerns, and mitigate disruption. Board and leadership alignment also encourages engagement, promotes accountability, and facilitates decision-making, all of which is critical to clearly communicating the vision and strategy behind AI initiatives to the workforce, instilling confidence in employees as the technology evolves, and driving tangible progress.

By embracing AI in the boardroom, directors signal the importance of AI-related matters. They ensure these topics receive the attention and oversight necessary to effectively support, and appropriately reward, their senior management teams in paving the way for driving organizational transformation and successful AI adoption.

About the Author

Sharon Podstupka is a managing director at Pearl Meyer. She is a trusted advisor to boards and executive management teams in the areas of executive and broad-based employee compensation communication and change management. With over 25 years of consulting experience, she is one of the original pioneers of executive compensation disclosure best practices and has proven success in creating effective strategies and delivering content in challenging business environments and under intense scrutiny from investors and proxy advisory firms. Sharon has extensive experience in a broad range of industries, including financial services, manufacturing, oil and energy, retail, biopharma/biotech, and healthcare.

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