tapestry NETWORKS

CTGN SUMMARY OF THEMES

What does artificial intelligence mean for leadership and workforce composition?

July 2026

As organizations work to promote artificial intelligence (AI) adoption at scale across their enterprises, leadership is emerging as a key driver of success—but ownership of AI strategy can be difficult to establish. The scale of AI's impact on employment is hotly debated, but even those who predict a modest or even positive net effect acknowledge that the size and shape of most corporate workforces will change as talent is reallocated.

On June 2, members of the Compensation and Talent Governance Network met virtually to discuss AI's implications for talent strategy, including its impacts on leadership and how boards and HR leaders are approaching the potential for significant changes to workforce structure and composition.

Members were joined by Susan Sandlund, Ed Steinhoff, and Brad Jayne from Pearl Meyer, who shared insights from a recent survey on AI's implications for leadership.

A full list of participants can be found on page 6.

This *Summary of Themes* highlights the following key insights from the conversation:

Advancing from productivity gains to transformative growth will require new kinds of leadership and accountability

The potential for workforce transformation is creating distinct challenges

Advancing from productivity gains to transformative growth will require new kinds of leadership and accountability

CTGN member companies are moving beyond the experimental phase of AI deployment and beginning to see genuine results; however, few members said they were seeing enterprise-wide impact. Members and guests emphasized that real progress in driving growth and innovation requires a new leadership mindset throughout the organization, clarity around ownership, and accountability.

AI deployment currently emphasizes productivity and cost reduction

Most AI use cases are focused on productivity enhancements and cost reductions, particularly in areas like software development and customer service, where AI is augmenting workers' capabilities. This mirrors wider trends. Mr. Jayne noted that *"productivity or cost reduction is primarily where our participants felt the impact would be,"* in Pearl Meyer's recent survey of board members and executives. *"I was surprised by how few felt that there was going to be revenue growth or commercialization or any sort of product or service innovation from AI implementation: 63% felt that productivity was going to be a large impact, 60% said cost reduction, and then only 13% on revenue growth and 20% on the innovation front."*

Participants suggested that this focus is shortsighted. *"In the short run, we'll see cost reduction, and in the long run, we're going to see phenomenal growth,"* one director said. Getting there requires organizations to reframe productivity enhancement as a driver of growth rather than merely a way to cut costs. One director, assuming a hypothetical 20% increase in employee productivity from AI, said, *"You now have the capability of 20% more people with the same size workforce. Now what are you going to do with them? I could do a lot of things, so the future is, What do I want that extra 20% to do?"*

Realizing significant innovation and growth requires new approaches to leadership

Participants emphasized that moving from productivity enhancement to innovation and growth will require developing new leadership capabilities throughout organizations and greater imagination at the top of the house. Several themes emerged:

- **AI requires a new approach to workforce planning and leadership development.** *"We are focusing on different leadership capabilities, since technology can change at any moment and what you thought was an impact yesterday becomes an entirely different impact. So we are really looking at assessing our leadership bench today for those things like agility, learning ability, and focus on growth and innovation,"* one member said. This is becoming a concrete part of regular talent-review cycles, as another explained: *"We're asking, What are the jobs that are going to require the most innovation, and is there a leader in that job today with that innovation mindset? And who is in your succession pipeline? It takes you out of simple replacement planning to workforce planning around the question, What skills do I really need for the future."*

- **Achieving genuine transformation requires boards and CEOs to think big.** Unlocking the dramatic potential of AI will require a shift in mindset and a willingness for CEOs and boards to ask fundamental questions. One director said, *"Who are the people who can reimagine what companies* *are going to be? I think you can do these things that are fairly incremental with AI, as far as the productivity improvements are concerned, but sooner or later the benefit is going to come from really reimagining at scale how your organization is going to work. So as board members we need to really be thinking about, Who are the leaders who are going to be able to do that and what kind of formative experiences will they need to have as far as development planning?"* Another member agreed: *"The bigger opportunity—and this is where board members have a real responsibility to drive outcomes—is in the framing of the biggest challenges and needs that an organization has and what it would take to solve them,"* this director said. *"If boards can drive that kind of thinking process in an organization, there's a real opportunity to start getting real value out of AI by solving the fundamental business problems of an organization instead of the ones where you just happen to have low-hanging fruit you can go after."*

Clarity and accountability around ownership of AI strategy remains a key challenge

One director, reflecting on data from the recent Pearl Meyer survey, noted, *"There seemed to be a real disconnect between where the board's thinking is and where the C-suite's thinking is. The data is suggesting that people think it belongs to a function rather than that it has to be owned by the CEO and the most senior team of the organization."* Mr. Jayne elaborated that almost all board members surveyed agreed that *"AI accountability sits at the top: C-suite or C-suite minus one."* Senior executives were more divided, with some agreeing that accountability belongs at the top and others pointing to business leaders or functional heads throughout the organization.

Several members stressed that ultimate ownership lies at the top of the house. One director said, *"Like any technology, the CEO has to own where it goes because it's a big part of where the organization will land."* But responsibility needs to cascade throughout the organization: for example, technology leaders take responsibility for security and data management while the finance function tracks returns on investment dollars. *"Every single senior executive, though, has to embed it into their operations to the extent that it makes sense."*

Organizations are beginning to build accountability for AI deployment into their operations. One executive said, *"We as a leadership team and board are making sure it's embedded into our performance cycle, making sure it's not just an overlay, that it's part of the performance cycle and tied to our goals overall from an enterprise standpoint."* Mr. Steinhoff added, *"One of the ways that I've seen organizations signal that AI really is an overall management responsibility is through the use of AI-focused incentive metrics, primarily in annual incentive plans where there could be very specific outcome-based metrics like cost savings from automation or improvements in time to market. For example, one client has specific metrics around productivity improvement from using AI in their call centers."*

The potential for workforce transformation is creating distinct challenges

The potential for significant job losses has dominated the public conversation about AI's impact on the workforce, with some analysts and leaders of AI labs suggesting that large proportions of white-collar work, particularly entry-level roles, will be replaced by AI. Some CEOs have announced plans for workforce reductions tied to deployment of AI, while some CTGN member firms have seen minor reductions in some roles. One executive said, for example, "*We've had great productivity gains in coding to the point that there are a few jobs eliminated, but we have been able to manage that through normal attrition."* Other member firms have established targets of reducing headcount by 5% to 10% over the next year.

One member noted, in their analysis of the impact of AI, that it is important to distinguish between roles and tasks. *"We started to analyze all the jobs for which we have good job-description data to try to really pull apart an analysis of work and say, Where do we find the type of tasks that would lend themselves to enhancement by automation?"* One example is that of a translator: *"We found that technology today probably saves about 15 hours of their week, not 40 hours of their week, so you're a long way away from saying technology can replace the translator."*

The potential for significant reductions in entry-level roles in particular is raising questions about career progression, talent development, and long-term leadership pipelines. One director cited an executive in one functional area of their organization, who suggested the organization might evolve from a pyramid to a diamond shape, with fewer entry-level workers but more mid-career individuals analyzing and interpreting work generated by AI. Mr. Jayne added, *"One CEO we surveyed said, 'It's not a pyramid any more in terms of hiring and then progression through the career ladder. It's more like an obelisk.' It's much more vertical, which raises questions about how you retain individuals in that context. And if very few entry-level people actually get the experience of the entry-level tasks and get those reps, how do you maintain that talent as you move up the organization?"*

One executive expressed a similar concern: *"I worry about the younger folks who are so reliant on AI. As a compensation practitioner, I can have a young person on my team go to Claude and ask, 'How much should I pay a senior accountant?' and Claude will give them a number. But if you've never benchmarked a role or crawled through proxy statements, how do you learn those skills to step back and look at what AI produced and say, 'That doesn't look right, something looks funny' or 'I better ask the next question.'"*

This is raising real talent risk for organizations. One member cautioned, *"Over the long term, you could really mess your company over in that you could end up not having the talent for the future because you didn't nurture it because you cut it out at the bottom. So there's this role that boards can play of being thoughtful and asking about the implications and the risks down the road."*

Executive compensation trends

Mr. Steinhoff shared several trends around executive compensation emerging this proxy season:

- **Geopolitical volatility continues to make target-setting difficult.** The war in Iran and resulting pressure on energy prices and supply chains is affecting incentive plan target setting. Mr. Steinhoff said that compensation committees are *"setting fairly broad ranges of performance and using a number of different metrics that balance one another out"* to account for the variability in economic factors.
- **The proxy advisory landscape is fragmenting.** Mr. Steinhoff noted that large institutional investors are increasingly developing their own AI-generated tools for analyzing proxy statements, potentially weakening the influence of the dominant proxy advisors over executive compensation.
- **Environmental, social, and governance (ESG) measures persist in compensation plans, but use of diversity, equity and inclusion (DEI) has declined dramatically**. Mr. Steinhoff said that ESG measures continue to be used by compensation plans to provide a *"broader look at overall performance that is not financially based,"* but noted that a stark decline in the use of diversity, equity, and inclusion-base metrics. *"It's probably down to 1 to 2% of companies now."*
- **Committees are structuring compensation to support CEO succession planning.** For companies that are nearing a CEO transition, retention of potential candidates becomes a priority. Mr. Steinhoff noted a few ways that compensation committees are seeing to support CEO succession activities and retain key candidates, such as *"above market compensation levels, supplemental deferred compensation plans, or special equity awards."*

About this document

The Compensation and Talent Governance Network (CTGN) brings together committee chairs drawn from North America's most prominent companies for private discussions about improving the performance of their corporations and earning the trust of their shareholders.

Summary of Themes reflects the network's use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments are not attributed to individuals or corporations. Quotations in italics are drawn from conversations with network members and guests in connection with the meeting. The views expressed in this document are the sole responsibility of Tapestry Networks and do not necessarily reflect the views of network members or participants or their affiliated organizations. Please consult your counselors for specific advice.

Appendix 1: Participants

The following members participated in all or part of the meeting:

Eric Baldwin
Executive Director
Tapestry Networks

Marjorie Rodgers Cheshire
Compensation Chair
Exelon

Bill Glavin
Compensation Chair
Invesco

Brad Jayne
Principal Consultant
Pearl Meyer

Kathy Kessel
SVP, Executive & Global Compensation
MetLife

Hal Kravitz
Lead Director
Celsius Holdings

Trinh Lam
Chief Human Resources Officer
Celsius Holdings

Aylwin Lewis
Compensation Chair
Marriott International

Neil Novich
Non-Executive Director
WW Grainger

Helena Pagano
Executive Vice-President, Chief People and Culture Officer
Sun Life

Joyce Russell
Human Resources and Compensation Chair
Celsius Holdings

Matt Ryan
Compensation Chair
Kaiser Permanente

Appendix 1: Participants

The following members participated in all or part of the meeting:

Susan Sandlund
Managing Director
Pearl Meyer

Amanda Sourry
Compensation Chair
PVH

Ed Steinhoff
Managing Director
Pearl Meyer