

How to Lead Not Lag in Business AI?

Researchers say productivity gains will be the rewards of generative AI – but only if firms take actions now.

Although generative AI is on everyone's radar as a viable, transformative tech advancement, businesses aren't diving in and taking advantage as they should – and that's a concern, according to two leading researchers.

IDE co-director Andrew McAfee and Stanford Professor Erik Brynjolfsson say businesses have been slow to roll out applications and prepare for widespread use of generative AI – at their own risk. During a webinar hosted by Cohere earlier this month the pair addressed the economic, technology, and human impact of generative AI and how it will transform workforce productivity, mostly for the better. While many reports focus on consumer apps, job loss, and the dangers of AI, Brynjolfsson and McAfee optimistically see a wide open window of business opportunities.

Brynjolfsson called the latest iterations of AI general purpose technologies that will "spawn complimentary innovations." Just as electricity goes far beyond light bulbs – to include electric motors, refrigeration, air conditioning – he said, "AI is catalyzing a whole set of other changes."



Andrew McAfee (left) and Erik Brynjolfsson during the webinar

Unprepared for Disruption

Yet "most cost companies are way behind the curve and they aren't making changes." As a result, there's a "growing gap between what the technologies can do and what businesses are doing." Moreover, "a lot of occupations are in turmoil and it's going to get a lot more disruptive in the next three to five years," Brynjolfsson predicts.

McAfee, who is also a principal research scientist at MIT Sloan School of Management, agrees that corporations need to step up their efforts. In his new book, *The Geek Way*, due out in November, he describes how innovative companies embrace new technologies like generative AI, to push them ahead.

Follow the Geeks

What he calls "Geek firms" operate differently than those of the industrial era. "In industry after industry, there is a small group of 'superstar firms' that get it and that are pulling away from the pack."

For instance, software coders all over the world are already using AI technologies, as are customer service departments, McAfee noted. They are augmenting employee work with AI while also using its 'learning' abilities to mine and share organizational knowledge. "Successfully harnessing the knowledge of an organization and letting newer, less experienced people have access to that knowledge on demand," is a key differentiator, he said.

Brynjolfsson agreed that as tacit knowledge becomes codified through the machine learning system, "it's a game changer."

For decades businesses have known the value of implicit knowledge, "and now finally we have a way to tap into it."

Brynjolfsson's group recently conducted research on how call center and customer service reps were affected by AI. The companies were not trying to replace the workers, but to augment them to do their job more productively. They found "about a 35% productivity improvement for the least skilled workers - a big bump just in a matter of a few months." In addition, the customers seemed to be happier.

Productivity Boosts in Sight

Brynjolfsson is very bullish about similar productivity gains in the coming years. "We've seen some pretty dismal productivity the past decade. But looking forward, I think we're going to double the productivity growth rate - closer to 3% per year rather than the 1.4% that we've seen in the past."

There certainly will be job losses along the way to widespread AI implementation, the researchers said, but "technology has always been destroying

jobs and creating jobs." That should not hold up AI projects. "The best thing you could do to prevent job loss in your organization is to invest in this technology, augment your workers, and make sure one of your competitors isn't putting you out of business," according to Brynjolfsson.

It's understandable that companies want to get their ducks in a row when making strategic investments in new technologies. But McAfee said firms can reach high levels of productivity fairly quickly with some simple steps that he called, MVP, for minimum viable planning. "Getting started without a plan is a really bad idea," he said. "You need to get the team together and think about the opportunities and scope things out."

Get in the Game

At the same time, he advised: keep it simple. "You don't need VC financing. You don't need [a staff of] 50% computer science PhDs, you don't need a Menlo Park [Calif.] headquarters. Relatively simple practices get you a long, long way."

Once the planning is in place, it's time to get started and experiment, McAfee said.

That's where some businesses get hung up.

"Particularly in a technology this new, that is changing this quickly," and is complex, "the only way you're going to get experience and figure out how it actually works for your circumstances is by trying and not giving up."

McAfee recommends studying the market, iterating, and revising; "course correct and orient, if necessary, but the goal is to launch projects, start doing, start learning, and get your generative AI in shape. That will pay massive dividends."