

The Dentons logo is a purple arrow pointing to the right, containing the word "DENTONS" in white, uppercase, sans-serif font.

DENTONS

Laws of AI Traction

Charting a course from ambition to action

Grow | Protect | Operate | Finance

Foreword

AI is now firmly at the top of the corporate agenda, as business leaders realise its potential, explore the impact on their business and race to integrate the technology.

With so much noise on the subject and the rapid pace of technological change, we commissioned research to understand where the leaders of large, international businesses are in their AI adoption journey, what needs to happen for them to realise the opportunity and how they are managing the associated risks.

This is a resource that will help all businesses, irrespective of size, benchmark their own progress. For example, our study found that 63% of business leaders do not currently have a formalised AI roadmap in place. So, if you are still articulating a clear strategy for the journey ahead, you are not alone.

Our report, based on a survey of 450 business leaders of large-scale organisations, focuses on the importance of AI traction: how to push forward strategically and effectively without slipping and losing momentum or crossing legal and regulatory red lines. We surveyed C-suite executives with responsibility for both strategy and operations, as well as General Counsel.

The report reveals that, while almost all business leaders recognise the importance of AI and believe it will transform their business, there is a significant gap between AI ambition and action, and that leaders are delaying investment due to the ambiguity trap of an uncertain legal and regulatory landscape.

Laws of AI Traction examines how to close this gap and boost efforts to adopt AI safely. It considers AI traction through three key dimensions:

- Corporate agility – building strategic and operational capacity to quickly adapt and respond to the opportunities offered by AI.
- Workforce transformation – preparing the workforce for the changes wrought by AI.
- Digital resilience and data management – implementing sufficiently scalable digital infrastructure and sound data governance for rapid and safe transformation, and a robust data strategy.



Paul Jarvis
Chief Executive, UK, Ireland
and Middle East, Dentons

Gaining AI traction – moving forward with clarity, purpose and pragmatism – is critical, but it's not easy. It will require a holistic approach and many facets of the business to be drawn together. The legal team will need to be involved from the outset, playing an important role in ensuring that both strategy formulation and implementation are underpinned by a governance structure that is understood at all levels of the business and followed in practice.

One thing is abundantly clear from our research: inaction isn't an option and the moment to seize AI opportunities is now.

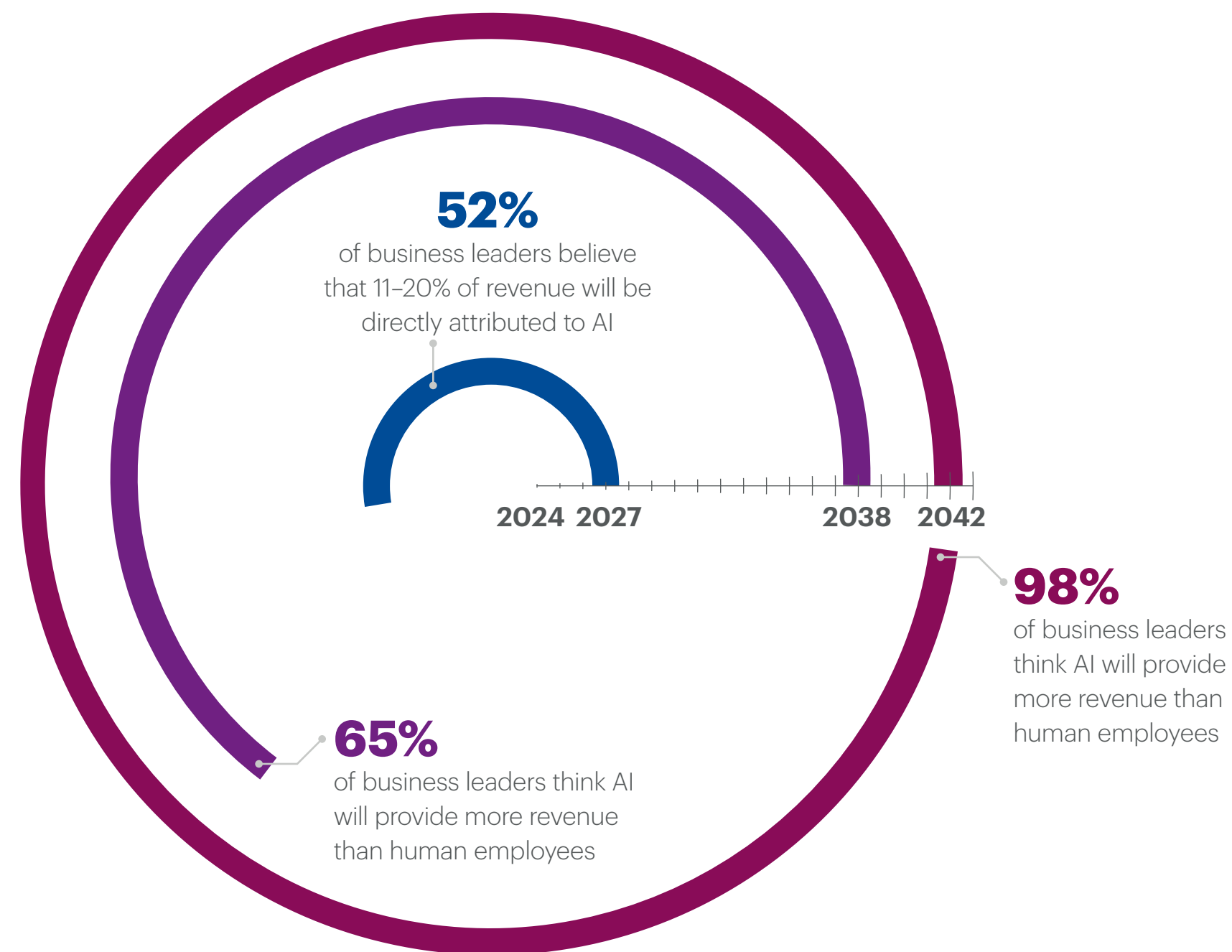


The inactivity risk

Although the landscape is uncertain and fast-changing, business leaders are confident that AI will reap rewards. Seven in ten believe that AI adoption and implementation across the business is the key growth driver for their organisation, and 52% anticipate that in three years' time between 11% and 20% of their revenue will be directly attributed to AI.

Businesses to reap future AI revenue rewards

Anticipated revenue increase attributable to AI



Leaders believe that the balance of AI versus human revenue generation will radically shift over the coming years: almost two-thirds (65%) think AI will provide more revenue than human employees by 2038, and this rises to 98% by 2042.

Leaders are also optimistic that this will be a profitable journey: 74% believe that AI is now an important mechanism for protecting their organisation's revenue and bottom line. But are they balancing this confident outlook with thoughtful implementation, robust risk management and clarity on the workforce impact?

As leaders rush to embrace the many benefits and growth opportunities that AI can bring, this needs to be tempered by clear, strategic business thinking and effective risk management. In other words, businesses' AI strategy should be complemented by an aligned AI governance strategy.

Operational AI or transformational AI?

On the one hand, businesses can potentially expose themselves to threats by moving too rapidly without proper risk management in place, but on the other hand they face the risk of moving too slowly and missing out.

Our study reveals the possibility of "AI corporate hallucination" – businesses forecasting massive gains from AI but failing to have the vision or to execute on the strategic, considered actions needed to achieve them.

It shows that many organisations appear to lack a roadmap for long-term, high-impact adoption in ways that benefit all of the business's stakeholders. AI is being introduced in "quick win" areas like process automation and error reduction, while leaders are less likely to see the scope for AI to improve product or service offerings, enable entirely new offerings, or both create and detect competitive advantages.

Business leader views on the benefits of AI

Top 3 benefits of AI implementation



Save Time

by automating processes



Reduce Human Error

in processing

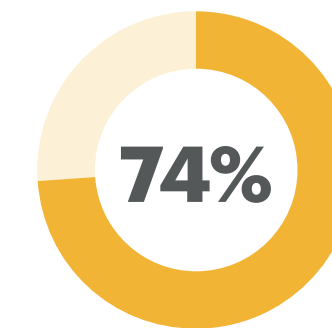


Improve overall

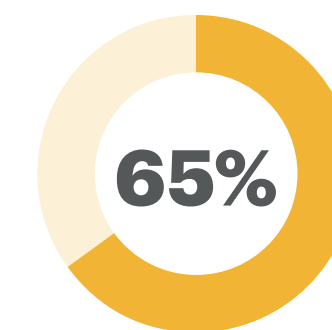
Efficiency

It is difficult to see how AI could reach the heights business leaders predict and have the anticipated effect on their organisations when their focus is largely operational rather than transformational or underpinning key growth strategies.

This is despite the fact that business leaders are cognisant of the risks associated with failing to prioritise high-impact AI implementation. Almost two-thirds of business leaders in our study (65%) believe that organisations which fail to embrace AI-driven change are increasingly unviable. Many leaders say they expect to experience loss of market share if their AI investment levels remain static over the next year. With the stakes so high, AI vision and action rapidly needs to catch up with ambition and optimism.



of business leaders believe that AI is now an important mechanism for protecting their organisation's revenue and bottom line



of business leaders believe that organisations which fail to embrace AI-driven change are increasingly unviable



Despite business leaders firmly believing that AI will transform their business, many organisations appear to lack a roadmap for long-term, high-impact adoption.

“Despite the AI hype, many leadership teams aren’t at the stage of fully understanding where the technology can transform business teams or services and products and executing on targeted strategic deployment.

This needs a deep understanding of the true capabilities of the technologies and an awareness of the associated risks for each use case at the executive level.

Rather than rushing ahead to an ‘end state’, organisations need to get the building blocks in place from a governance perspective to turbocharge the strategic wins.”

Simon Elliott

Head of UK, Ireland and Middle East Privacy, Cyber and AI Team

Regulatory uncertainty needn't cause delay

How do organisations close the gap between their AI ambitions and the actions they are taking, moving swiftly but putting the necessary compliance and risk mitigation controls in place?

To gain this traction, businesses need to develop an AI governance structure that anticipates AI risks specific to their business and use cases, as well as evolving legal requirements and regulatory approaches.

The global AI regulation landscape is currently fragmented and rapidly evolving. While the direction of travel is clearer, the final shape it will take over the next few years is unclear. This uncertainty is having an impact on organisations' AI investment levels: 69% of leaders in our study are delaying important AI investment decisions due to an expected increase in regulation. This delay means that companies risk missing out. However, businesses can push forward with investment and implementation in the face of uncertainty by getting good governance controls in place at the outset, ensuring that the use of AI is transparent, compliant, fair, accountable and safe.

Opportunity in uncertainty

Our study finds that 73% of business leaders believe that inconsistent and fragmented AI regulation will have a major impact on their organisation and its growth strategy. But this uncertainty needn't cause delay. Approached in the right way, legal and regulatory uncertainty can provide opportunities as well as bringing risks.

As regulation emerges, an initial lack of clarity may leave room for creative approaches to implementation, provided they are thought through and have a plausible logic behind them. Businesses also have the opportunity at this stage to influence legislator and regulator thinking on the detail of measures.

“Rather than adopting a ‘wait and see’ approach and delaying investment, or diving in to take advantage of a perceived lack of regulation, businesses can pursue a ‘middle path’ which treads a careful line between the strategic, pragmatic application of AI to high-value use cases, safely deployed in the spirit of AI governance guiding principles and the anticipated regulations.”

Rowena Rix

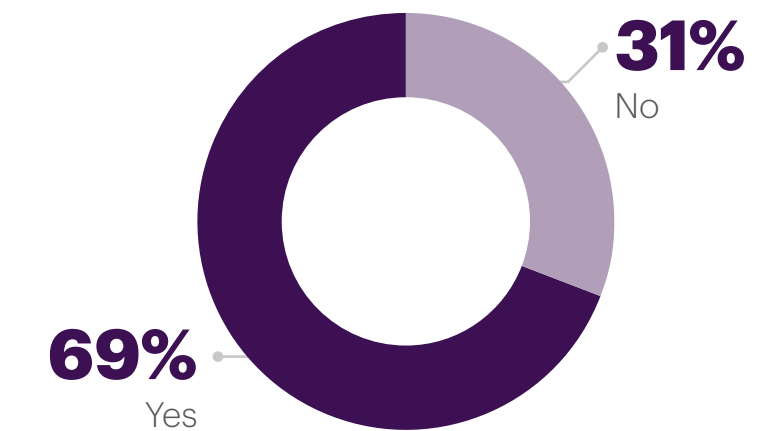
Head of Innovation and AI, UK, Ireland and Middle East

To gain traction, businesses need to develop an AI governance structure that anticipates AI risks specific to their business in addition to evolving legal requirements and regulatory approaches.

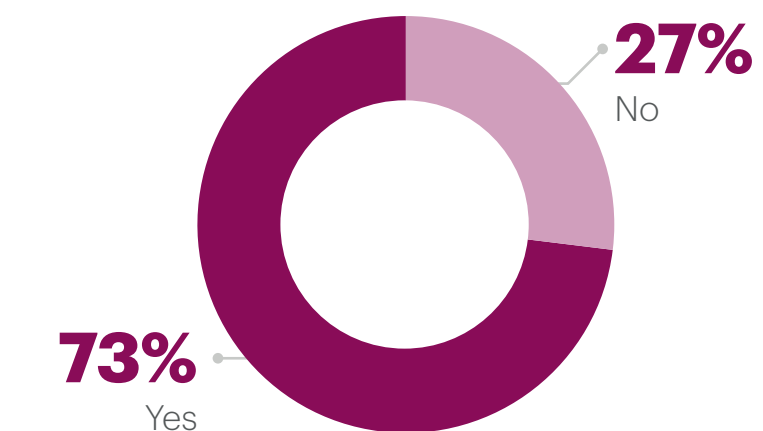
AI regulation is causing concern

Top business impacts identified

My organisation is delaying important investment decisions due to an expected increase in regulation



Inconsistent and fragmented AI regulation will have a major impact on my organisation and our growth strategy



The dimensions of AI traction

Our study has helped identify three key dimensions needed for businesses to effectively implement AI into their organisation and bridge the gap between AI ambition and AI action. Planning for each of the three areas is a challenge of both strategy and delivery. Success will not only smooth the adoption of AI but also ensure that it delivers maximum business value.

Corporate agility

Building strategic and operational capacity to quickly adapt and respond to the opportunities offered by AI

Digital resilience and data management

Implementing sufficiently scalable digital infrastructure and sound data governance for rapid and safe transformation, and a robust data strategy

Workforce transformation

Preparing the workforce for the changes wrought by AI

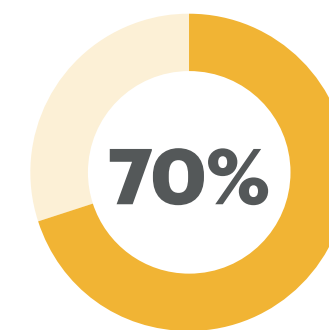
Corporate agility

Corporate agility is building strategic and operational capacity to quickly adapt and respond to the opportunities offered by AI.

Corporate agility is critical to digital transformation and the effective assimilation of new technology. To reap the full benefits of AI, companies need to be responsive, adaptive, and strategise how they propose to acquire and use new tools and processes to achieve business growth.

Organisations are confident of their capacity here: three in five business leaders in our study believe that their organisation has a high level of business agility, defined as “the ability of organisations to adapt rapidly and efficiently in response to changes in the market environment, customer demands and technological advancements”. And only 11% of business leaders are concerned that their organisation won’t keep pace with AI change.

Our study shows that more agile organisations are more likely to be leveraging AI across key business areas such as IT and cyber security, as well as operations and manufacturing, than those with low business agility. The more agile organisations are also currently investing more of their revenue into AI and planning to invest more in three years’ time.

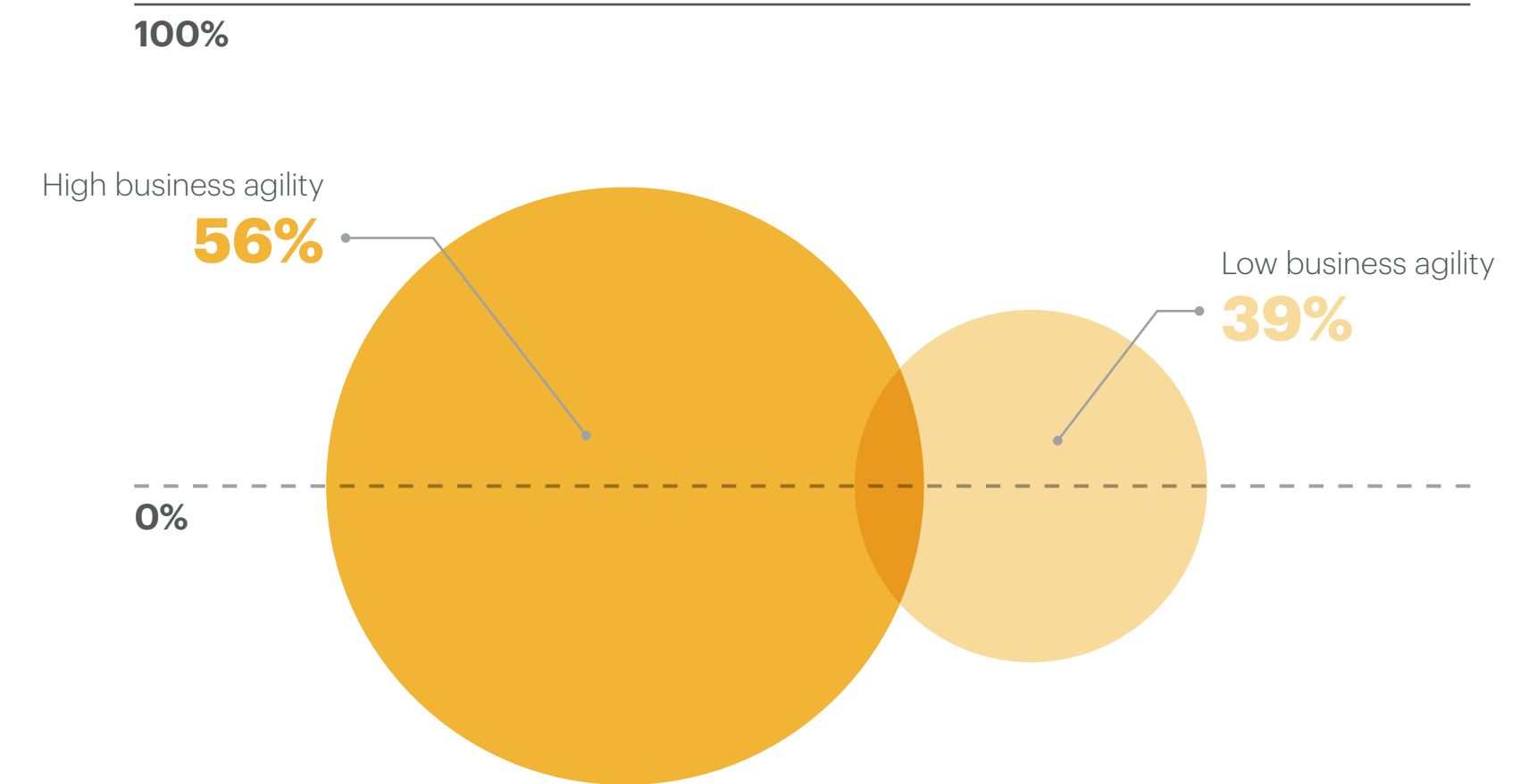


of business leaders will use M&A to enhance their company's AI capabilities over the next three years

AI investment sees a boost in agile organisations

Percentage of current annual revenue to be invested in AI in three years' time

Percentage investing heavily* in AI



*"Heavily" is defined as 6-10% of revenue

When the landscape is changing so rapidly and technology developing so quickly, businesses have to make difficult decisions fast. Do they acquire capabilities through corporate transactions, develop proprietary products, or buy off-the-shelf solutions? Or do they forge a strategic partnership? Ultimately, a sophisticated strategy might target all of these approaches at different times and for different reasons.

In our study, almost two-thirds (64%) of business leaders say they plan to use M&A to enhance their company's AI capabilities over the next 12 months, rising to 70% over the next three years. Acquiring businesses that have existing AI capabilities can be a relatively efficient way of onboarding advanced technology, skills and processes.

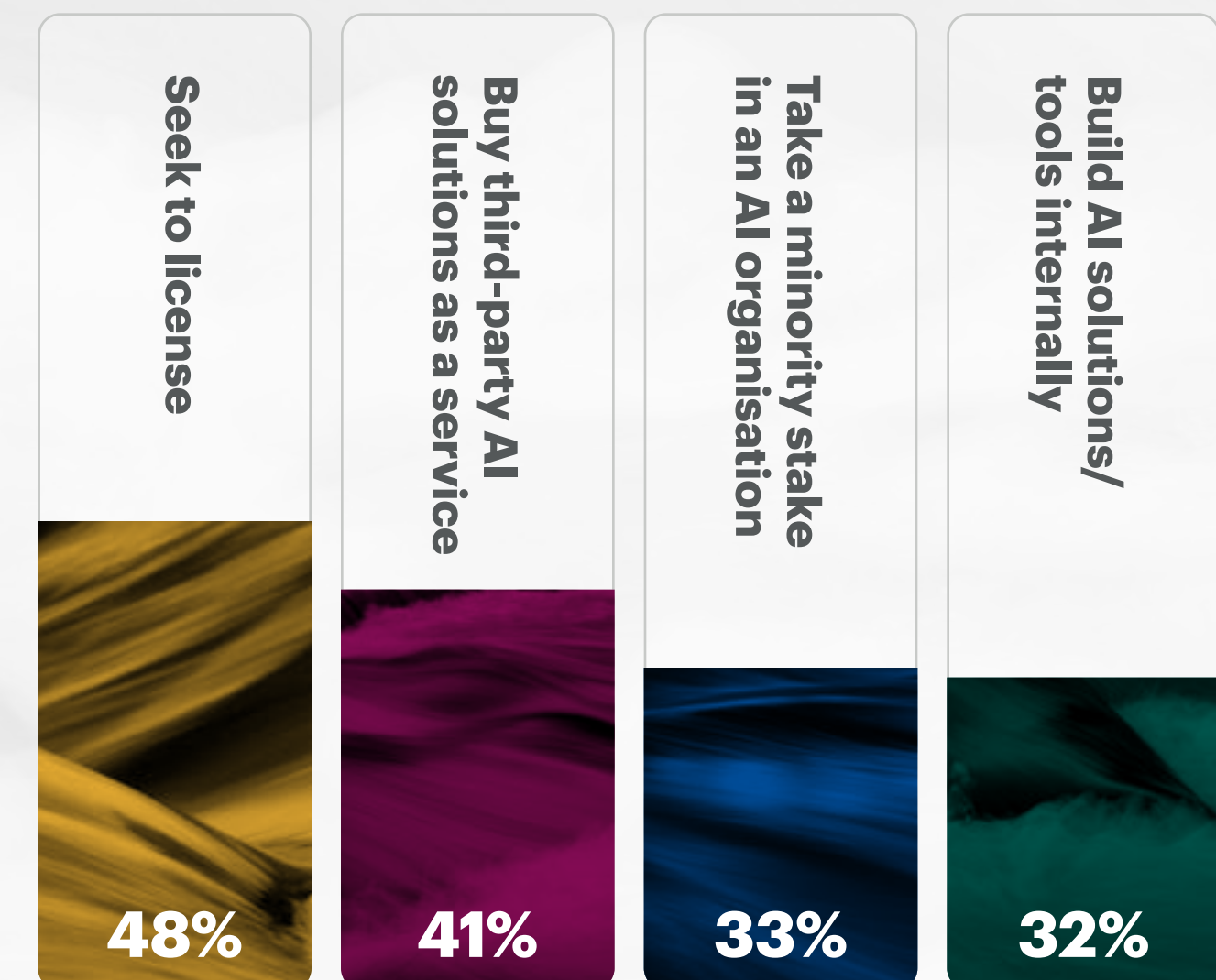
At least half of the business leaders who are factoring M&A and strategic investment into their near-term AI strategy believe that this tactic could lead to market expansion, enhanced agility and cost reductions. But although M&A features so prominently in leaders' plans, is this a realistic strategy for all companies looking to boost their AI capabilities?

Achieving a seamless digital transition through acquisition may not be possible, or the right approach, for all companies. Whilst AI is not nascent, there are still significant gaps in the market, and it is a fast-paced and ever-changing landscape. The lack of suitable target companies, and the uncertainty as to which companies will ultimately rise to the top, may force many organisations to take an alternative approach. Whilst the intention to implement AI is clear, leaders should consider whether this is the right route for their businesses or if an alternative or a multi-faceted strategy to achieve those ambitions is more appropriate.

Other routes that organisations are taking, according to our study, include strategic partnerships with AI vendors and tech firms (which could include product co-development and content licensing agreements, for example), taking a minority stake in an AI organisation, or purchasing third-party AI solutions as a service.

Top 4 alternative approaches

As well as M&A, business leaders can take many different strategic approaches to enhance their AI capabilities





“M&A and strategic investment is a tried and tested route to building capabilities in a new area or sector, and the AI revolution is no different.

Acquiring and investing into AI businesses comes with a unique set of both legal and commercial considerations that leaders need to ensure they are taking into account in their strategic decision-making.

Leaders need to look at the options available and consider which options or, more likely, which combination of options, will best help them achieve their objectives.”

Joseph Collingwood
Corporate Partner

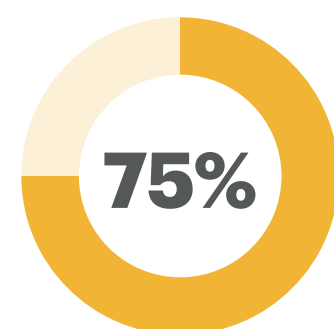
Workforce transformation

Workforce transformation refers to preparing the workforce for the changes wrought by AI.

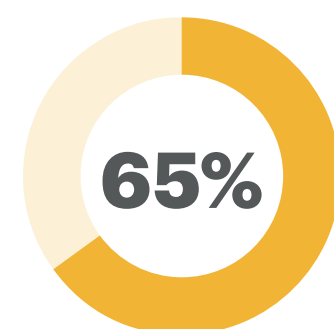
Workforce transformation will be a key component of any organisation's AI roadmap. The workplace of the future will need to have the skills and resources to effectively implement and leverage the benefits of AI. Leaders therefore need to consider how the technology may reshape their talent planning.

Our study reveals that leaders believe AI is already having a positive productivity impact on their workforce. 75% say that workforce productivity has improved since their organisation has adopted AI tools; just 1% say that productivity has dropped; and the remainder (24%) have so far seen no productivity impact. But it's when they look to the future that leaders believe organisations will reap the most significant workforce benefits: almost two-thirds of leaders in our study (65%) predict that by 2038 AI will generate more revenue in their organisation than human employees.

This may raise concerns that organisations will become too reliant on AI – beholden to a technology that, like any other, is subject to glitches, downtime and errors. But most business leaders are not troubled by this prospect: 64% do not believe an overreliance on AI poses a risk to their organisation. They are, however, concerned that leveraging AI may lead to other systemic talent challenges: emerging skills gaps and a weakening talent pipeline are two of the top concerns leaders express when asked about AI-related anxieties.



75%
of organisations say that workforce productivity has improved since their organisation has adopted AI tools

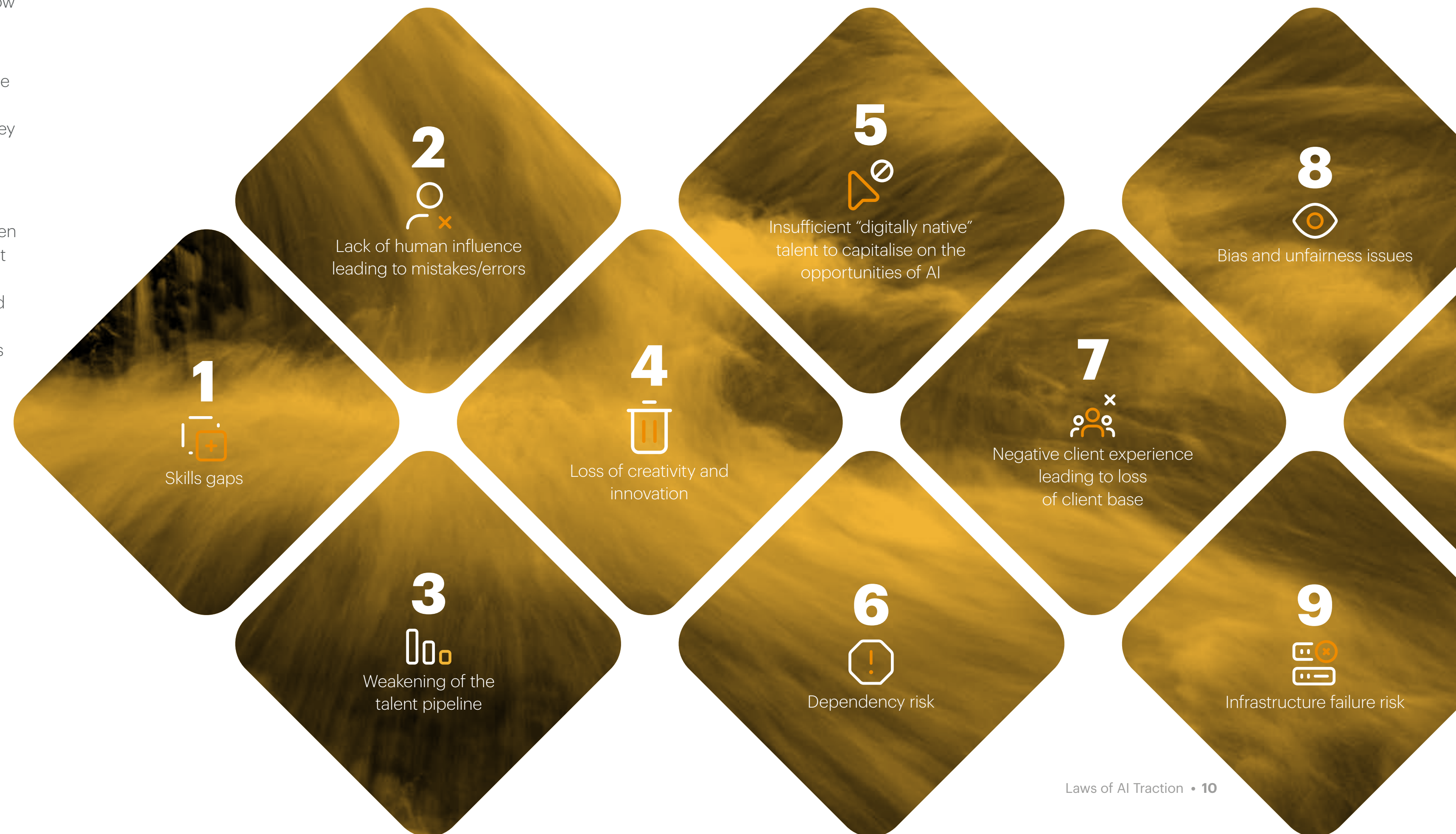


65%
of organisations predict that by 2038 AI will generate more revenue than human employees

Most common concerns about leveraging AI

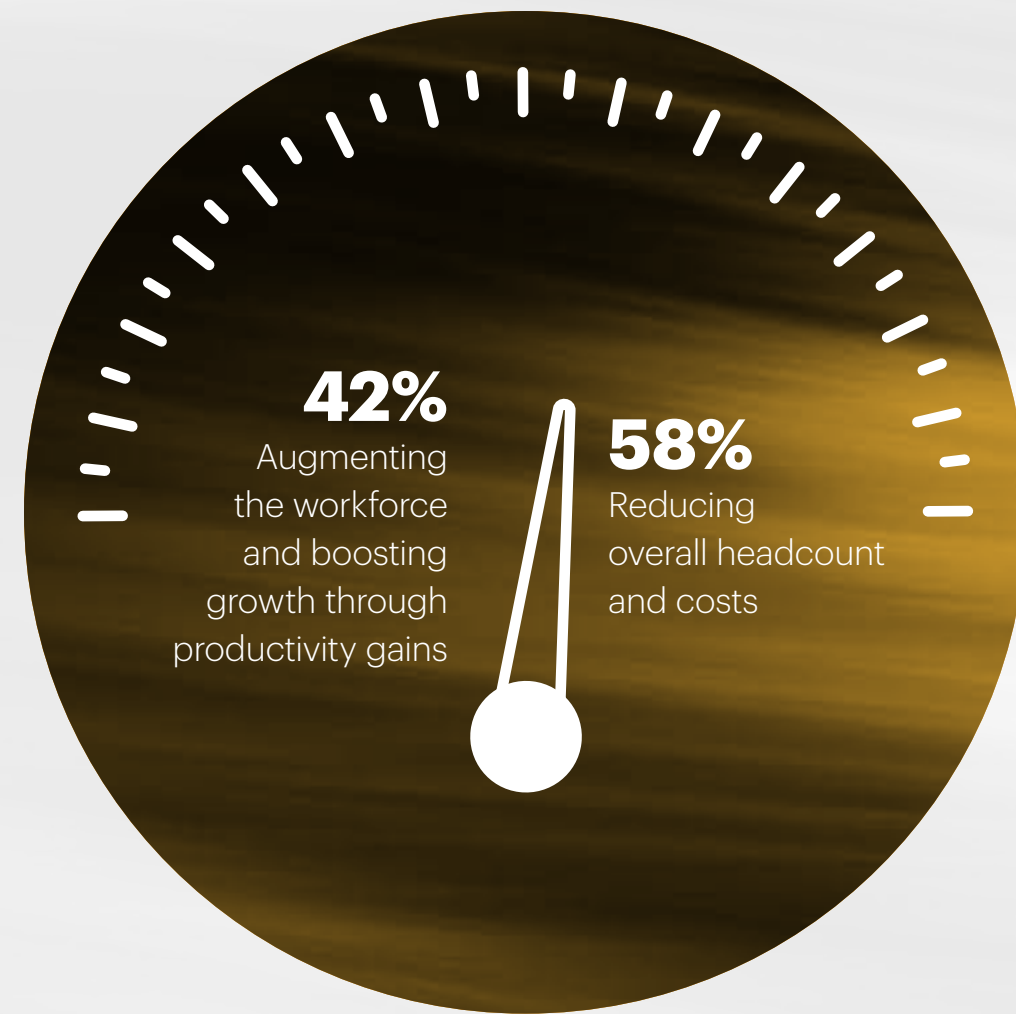
Leaders express talent-related concerns

Do leaders expect to see top-line or bottom-line benefits from their AI workforce strategies? Our research reveals that businesses are more likely to be focusing on reducing overall headcount and costs (58%) rather than augmenting their workforce and boosting growth through productivity gains (42%).



Corporate workforce transformation AI intentions

Dial leaning towards reducing headcount and costs



Companies need to manage potential legal risks if they are reducing headcount and must carefully consider employment law implications across different jurisdictions as they innovate and implement new technologies.

It is important for organisations to remember that people remain their greatest asset and, if they cut headcount with the sole focus of driving profitability, they risk eroding what makes them different and the talent that underpins that difference.

In the UK, for example, the new Labour government has announced plans to change employment legislation in favour of employees and workers, aiming to strengthen their rights and improve working conditions. Business leaders will need to pay attention to any changes and the impact that this will have on plans to reshape or reduce workforces.

While AI is likely to transform workforces and working practices, it may not happen in a predictable way. Rather than replacing jobs, it is most likely that AI will augment human roles rather than replace them, and shift the skills and jobs that are needed. While some jobs in admin, inspection and maintenance may shrink or disappear over time, for example, roles in areas like systems modelling, ethics and cyber security are likely to boom. In addition, new jobs (such as prompt engineers or AI governance professionals) will emerge.

One of the most critical areas for companies to consider in relation to their workforce and AI implementation is educating and upskilling their people to make the most of AI.

“Organisations need to ensure that they’re not waiting to see what others do, and suddenly introducing AI without understanding the implications. Introducing it incorrectly will leave you with a workforce that can’t utilise it and won’t engage with it. Or with a workforce that feels threatened by it.”

Sarah Beeby People, Reward and Mobility Partner, Co-Clients and Markets Partner

Digital resilience and data management

Digital resilience and data management examines implementing sufficiently scalable digital infrastructure and sound data governance for rapid and safe transformation, and a robust data strategy.

Digital resilience

Digital resilience will be key as all businesses become AI-powered data businesses over the next decade. If technology fails when organisations' business models rely so heavily on it, this presents major operational and reputational threats, as well as significant legal, regulatory and potential litigation risks.

Technology failures, cyber incidents and data breaches are already costing organisations a huge amount of money and brand damage. According to calculations based on our opinion research data, the average operational cost to businesses from internal and external security issues is \$29.7 million per year. Costs incurred include incident response, service downtime, disruption of business operations, lost transactions and legal costs when internal or customer-facing applications experience serious security or performance issues that impact usability.

Worryingly, almost all leaders in our study report that their businesses face these technological issues at least once a month: 98% say their internal applications take a hit monthly and 95% say that their external applications face a serious problem at least once a month.

Average operational cost (\$m) to organisations from applications experiencing serious security issues that negatively impact usability

The cost to organisations of losing traction

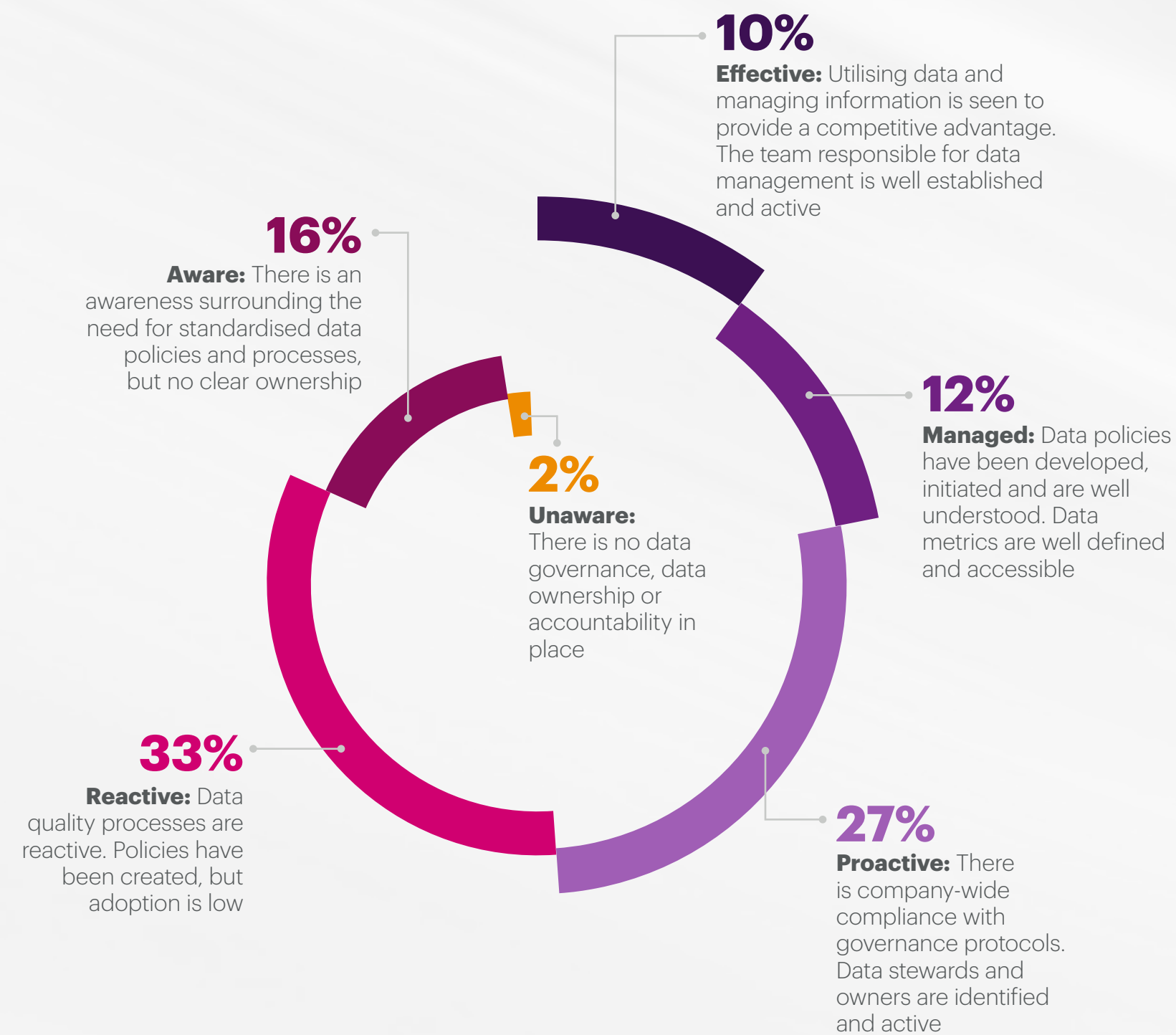


\$29.7m
average operational cost to businesses of internal and external security issues

In a landscape where data is one of the most precious assets for organisations, they can't afford to have glaring holes in their internal or external processes. However, when we asked business leaders to assess their organisation against the Gartner Data Governance Maturity Model to gauge their performance, we found that 78% sit in the bottom two-thirds.

Most organisations fall in the bottom two-thirds of the Gartner Data Governance Maturity Model

Gartner Data Governance Maturity Model¹



¹The Gartner Data Governance Maturity Model, also known as the Gartner Enterprise Information Management (EIM) Maturity Model, provides a framework for organisations to assess and improve their data governance practices. The model is designed to guide organisations through six different stages of maturity, from initial awareness to optimised data governance practices.

AI is also multiplying and enhancing cyber threats, such as scams perpetrated through malicious deepfake imitations requesting payment or diversion of funds; AI model poisoning or malicious prompt injection attacks; and model inversion attacks. The wide adaptation of AI also expands the attack surface for criminals. Our study finds that most organisations only review or audit their cyber defence strategy, policies and procedures bi-annually or annually, while some businesses admit that they do not regularly conduct reviews at all, or only after a cyberattack. This is equally alarming from both a cybersecurity and resilience point of view, and from a safe AI adoption and AI governance point of view.


Data management

Our study shows that most large organisations are already leveraging AI across a whole range of business activities and functions. There is a risk, however, that by implementing AI in such a rapid and diffuse way, the necessary upfront design and data structuring piece does not receive the attention it deserves.

Organisations need a robust data strategy and strong data governance processes to implement AI effectively and safely. Many organisations will need to undertake a critical assessment of what data assets they hold and how these can be enhanced through improved collection methods, cleaning, structuring and transformation.

Leaders need to understand how AI is being used within their corporate perimeter and how AI is being used by their service providers and partners: their law firms, cloud service providers and marketing agencies, for example.

They also need to ensure that the processing of data by their AI systems complies with privacy and data protection laws, and does not infringe third-party rights (such as IP or confidentiality), and to develop policies, standards and controls to ensure that AI is transparent, compliant, fair, accountable and safe.



Internal and external security issues are already creating significant operational costs for organisations. AI is multiplying cyber threats. With organisations implementing AI in such a rapid and diffuse way, a robust data strategy and strong data governance processes to implement AI effectively and safely are critical.

“Good resilience, cybersecurity and data management governance controls are a core part of a broader AI governance framework that is aligned with emerging good AI governance practice.

If AI applications are not resilient and secure, they become unreliable and a source of risk. AI is a data hungry technology and the effectiveness, usefulness and value of AI tools to the organisation depend to a large extent on the quality of the data that is used to train and operate it.

So, it is crucial for organisations to understand their use of AI.”

Antonis Patrikios

Partner, Co-lead Global Privacy & Cyber Group, Global TMT Sector Lead

Applying structure to uncertainty

It's clear that the regulation of AI is lagging behind innovation. The prospect of not knowing the full scope of anticipated AI regulation may feel daunting, but operating within a regulatory landscape that is in flux is familiar to experienced legal teams.

The law always lags behind technology (think the advent of the internet, mobile or the cloud, for instance). Companies cannot afford and do not need to wait for the regulatory landscape to settle before they move forward. The need to have an AI strategy and a considered AI roadmap coupled with an AI governance strategy is clear and present. Organisations that find ways to leverage AI strategically while proactively managing the associated risks are the most likely to enjoy success.

Existing laws, such as those on data protection, digital services, intellectual property, product liability and employment, continue to apply in the context of AI.

At the same time, there is a rapidly emerging, novel legal framework that specifically regulates AI, with the EU moving first and other parts of the world, such as the US, Canada, Australia, Singapore and China, following suit. In the light of the emerging complex legal and regulatory framework globally, it can be challenging for leaders to build a strategic framework for AI investment.

However, there is also the potential for "fast mover" opportunity: for instance, from now until the EU AI Act comes into full effect in a phased way over the next 18 months (and a raft of new AI laws gradually comes online around the world over the next few years), organisations have the chance to take pragmatic approaches to compliance to facilitate and accelerate adoption. At the same time, they must put measures in place to ensure they are anticipating incoming regulation and can respond to impactful market changes. An appropriate approach to AI governance globally is therefore indispensable and the time to start working on it is now.

"Leaders may not have an AI blueprint to follow, but practical experience can be drawn on. Most use cases can be treated in a similar way to other aspects of a digital transformation programme. From a regulatory perspective, there are parallels with the run-up to GDPR implementation: although the details of the regulation are not yet known, we do know the principles. If these principles are applied in a safe, proportionate way, then businesses should be on reasonably safe ground."

Before GDPR, we had a good idea as to the regulatory framework that was coming. Businesses did not stop processing data for fear of getting it wrong; it meant being thoughtful, deliberate and responsible in approach.

Although arguably more complex, the same could be said for AI deployment."

Rowena Rix
Head of Innovation and AI, UK, Ireland and Middle East

The 12 key components of an effective AI governance framework

1



Establish company principles, rules and practices for safe development or deployment of AI that are aligned with your strategy and specific to the challenges faced by your business and wider industry

7



Embed AI governance controls in every level of the business and train employees to work with AI and to understand how it can support – and not replace – them

2



Understand and document your organisation's use cases of AI and start building an AI inventory

6



Ensure data protection and privacy procedures are robust, transparent and based on a strong technical understanding of how data is processed, transformed and managed within and between AI solutions

8



Ensure whatever AI you use is properly trained on appropriate training datasets consistent with legal requirements and good AI governance practices

3



Identify the AI laws, regulation and sectoral guidance that apply to your business and establish the risk frameworks and best practice standards that can achieve these requirements in a manner that can be implemented practicably and is scalable

5



Set up an AI governance team led by a suitably qualified individual and an AI oversight board that has authority to make investment decisions. Ensure both are multi-disciplinary and diverse – the impact of AI on the business is not uniform

9



Identify and manage third-party risk in the AI supply chain, AI technology stack and data partnerships. Establish a robust approach to AI vendor/provider and third-party management

4



Conduct AI risk assessments and use the recommendations to inform and continue to evolve your AI governance strategy

10



Map existing and anticipated skills gaps to thoroughly assess the positions and people that create and deliver unique value

11



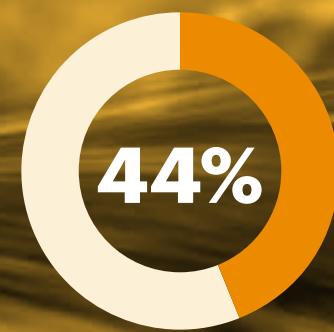
Conduct ongoing assessments, testing and monitoring of AI projects and applications throughout their lifecycle, consistent with emerging AI governance good practice

12

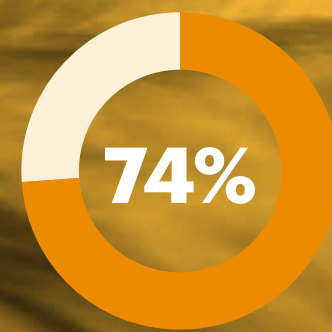


Conduct assurance and audits to ensure the controls are followed in practice and the AI performs as intended

A strategic opportunity for in-house legal teams



of organisations are not involving their legal team from the outset



of business leaders think that the General Counsel (GC)/legal team's role in AI strategy is instrumental in ensuring positive business performance

In order to gain AI traction, legal teams will play a vital role in the transition: 74% of leaders think that the GC/legal team's role in AI strategy is instrumental in ensuring positive business performance.

Perhaps somewhat surprisingly, our survey shows that despite AI's risk profile and the complex regulatory landscape, businesses are failing to engage their legal teams. Our study finds that only 56% of organisations are involving the legal team from the outset when developing their AI strategy, potentially due to the perception that legal teams are focused on compliance rather than strategy.

Legal teams can help to anticipate what's next by advising on the frameworks that are shaping the business landscape through economic, political and regulatory change. General Counsel can and should play a crucial role in helping boards to navigate the AI transition, ensuring that both strategy formulation and implementation are underpinned by a governance structure that is understood at all levels of the business.

Methodology

We conducted quantitative research across a total of 450 respondents, including 225 business leaders and a sample of 225 General Counsel. For the purposes of this report, the term “business leaders” refers to the collective sample.

The sample includes representatives from four markets:

- United Kingdom
- Republic of Ireland
- Kingdom of Saudi Arabia
- United Arab Emirates

And seven sectors:

- Manufacturing
- Financial Services
- Private Equity
- Technology, Media & Telecoms
- Real Estate
- Transport & Infrastructure
- Energy

Credits

The concept development and research design for this report were carried out by Dentons and thought leadership consultancy Man Bites Dog. The opinion research fieldwork was conducted by Coleman Parkes Research in April and May 2024.

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Resources

For more information about Dentons’ approach to AI, please visit our [**AI Global Solutions Hub**](#).

Contact us

To discuss this report and explore more about the impact of AI on your business, please get in touch via [**ai@dentons.com**](mailto:ai@dentons.com)

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