

INTRODUCTION

SHIFT 1:
TRANSFORMATIVE
THINKING

SHIFT 2:
REDUCE
ENTRY-LEVEL WORK

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YOU CAN'T AUTOMATE
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ACTION 1:
FROM MONITOR TO
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QUESTIONS
FOR THE BOARD
TO CONSIDER

EY Center for Board Matters

How boards can lead in a world remade by AI

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The better the question. The better the answer. The better the world works.



Shape the future
with confidence

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Introduction

How AI is reshaping business and how boards can guide what's next

Picture this: You've just opened your favorite news site to catch up on today's hot topics. You're pleased to see a feature article suggesting that your company's new AI-powered services have poised it for rapid growth.

However, you're taken aback by a headline about another company's corporate scandal involving the failure to check inaccurate AI-generated information.

There's also an editorial voicing concerns that AI could lead to mass unemployment – a sore spot for you, since the board you sit on has just reviewed a management proposal to cut more than a third of the junior workforce "because now we can do it with AI."

Events like these are emblematic of how AI is driving **significant change** on many fronts. Below, we explore three shifts that boards should consider – and how these shifts require directors to challenge old assumptions about how they engage with management, with each other, and with the world around them.

We have identified three shifts AI is driving in business as well as three actions boards can take to lead with agility and foresight.



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Three shifts AI is driving in business

Transformative gains take transformative thinking

Leading companies are moving beyond employee-level use cases and focusing on process reinvention and new business models.

Most companies have focused their early AI investments on increasing employee efficiency and productivity. Those efforts are paying off. According to the EY December 2025 AI Pulse Survey, 71% of senior leaders at organizations currently investing \$10 million or more in AI say their organization has seen "significant" AI-driven productivity gains over the past year.

What's more, executives are plowing those gains right back into more AI tools. Nearly half (47%) of senior leaders at organizations where AI has improved productivity are reinvesting in their AI capabilities.

With productivity becoming table stakes, what can companies do as the race for value intensifies? We believe that as productivity improvements reach their limit, differentiation will come from fundamentally redesigning processes, not just tweaking them, to optimize them for AI.

Our most sophisticated clients go deeper in key areas and rebuild processes from the ground up. In fact,

EY leaders' experience suggests that companies that focus on AI-first process reinvention [can improve efficiency by more than 90%](#). Agentic AI – which autonomously manages complex, multi-step tasks without human intervention – is set to supercharge this opportunity, giving companies new ways to manage end-to-end processes.

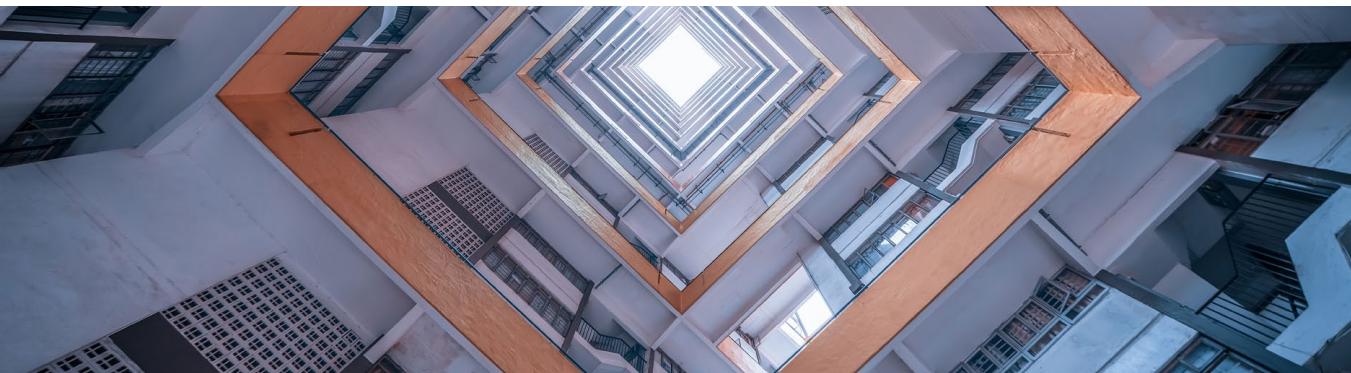
For example, take customer churn prevention. Traditionally, the process of analyzing and addressing customer loss involves multiple teams, including data engineers, data scientists, marketing analysts and executives moving sequentially through various steps: data preparation, churn

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modeling, trend analysis, strategy design and campaign execution. Each handoff adds delays and limits agility.

In contrast, with agentic AI, the whole process could be performed by autonomous agents working simultaneously in real time. The result is a continuous, self-improving cycle that eliminates handoffs, accelerates decision-making and enables hyper-personalized interventions at scale.¹

With some predicting that AI agents could equal human performance in some areas by mid-2026,²

the opportunities for growth will only increase. Some companies are already using agentic AI for lead generation and outreach; sales planning; and customer engagement, retention and growth.³

Going even further, 74% of CFOs in an August-2025 Salesforce survey believed that agentic AI will transform their business model.⁴ The opportunities and uncertainties are both substantial, and to stay ahead, companies need leaders who can navigate both.

WHAT BOARDS SHOULD DO

- Rethink risk appetite to account for the risk of not moving boldly enough. Fully consider the potential for upside rewards when weighing them against the risks.
- Work with management to identify clear signals, such as increased investment in competitors that specialize in AI, that should prompt a strategy review. Ask management to monitor these signals and keep the board informed when they arise.
- Ask management to examine the P&L to identify focused areas where AI can yield dramatic improvements.
- Evaluate each member of management on KPIs tied to their role in driving value from AI within the agreed-upon risk appetite (such as launching an AI-driven product or service, using AI to enhance workflow and risk intelligence, or developing critical AI talent).

¹ [Preparing for the agentic AI revolution](#), EY, November 2025

² Outlook 2026 - Promise and Pressure: Investing in the new frontier of AI, fragmentation and inflation, J.P.Morgan Wealth Management, 2025.

³ How Successful Sales Teams Are Embracing Agentic AI, Harvard Business Review, September 15, 2025; Top 7 Agentic AI Use Cases in Manufacturing Industry, 2025 Guide, Ampcome, September 13, 2025.

⁴ From Caution to Core Strategy: New Study Shows CFOs Going All In On AI, Salesforce, August 11, 2025.

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Three shifts AI is driving in business

Reduce entry-level work, not entry-level talent

Leaders must adapt talent planning for an AI-augmented workforce.

As automation takes over routine, rules-based tasks, entry-level roles – once the gateway for new talent – are shrinking fast. AI can already handle 50%-60% of typical entry-level tasks such as drafting reports, synthesizing research and cleansing data,⁵ and companies are responding by cutting or not filling these positions.⁶ Recent studies from both Harvard and Stanford confirm that entry-level employment has dropped meaningfully due to AI since 2022.⁷

This shift brings risks. Fewer junior staff means less opportunity to build future managers and supervisors with advanced leadership and critical thinking skills. That's a risk on investors' radars.

In fact, just over half of the 19 investor stewardship leaders we interviewed raised concerns that the loss of experiential learning can lead to a brain drain that

decreases expertise over the longer term. The loss of on-the-job learning can also erode innovation that comes from the "bottom up." And fewer entry-level jobs also mean less upward mobility, which could contribute to economic and social challenges and prompt regulatory intervention.⁸

Considerations like these make it essential to balance efficiency and cost savings with long-term talent needs and the social license to operate. Companies still need entry-level workers – just not for the same tasks.

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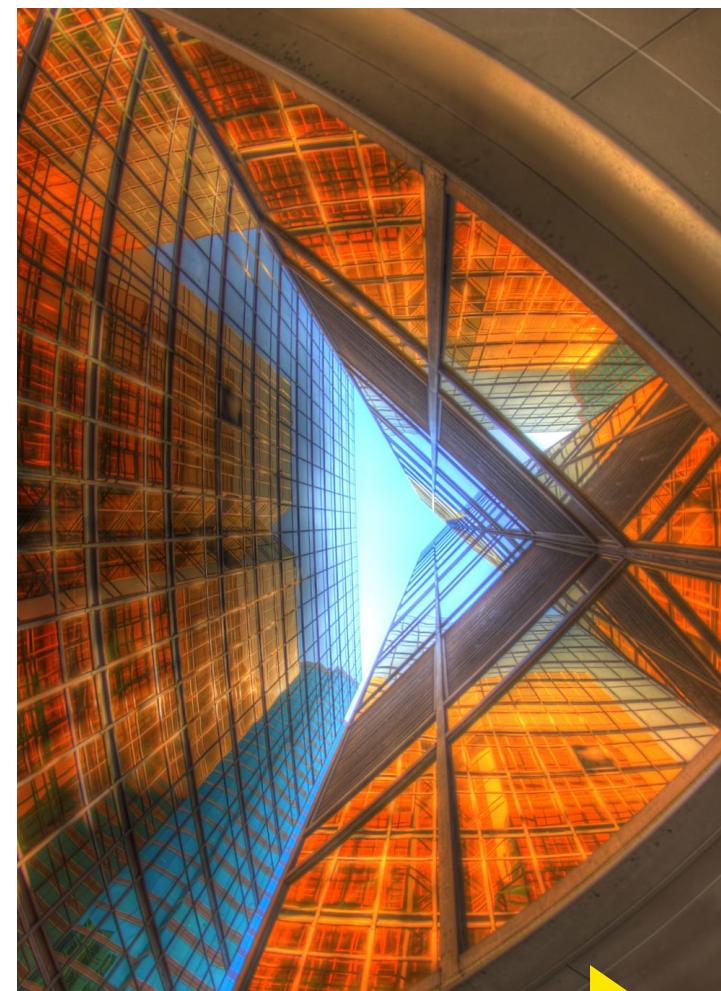
Fewer entry-level jobs also mean less upward mobility, which could contribute to economic and social challenges.

⁵ The Perils of Using AI to Replace Entry-Level Jobs, Harvard Business Review, September 16, 2025.

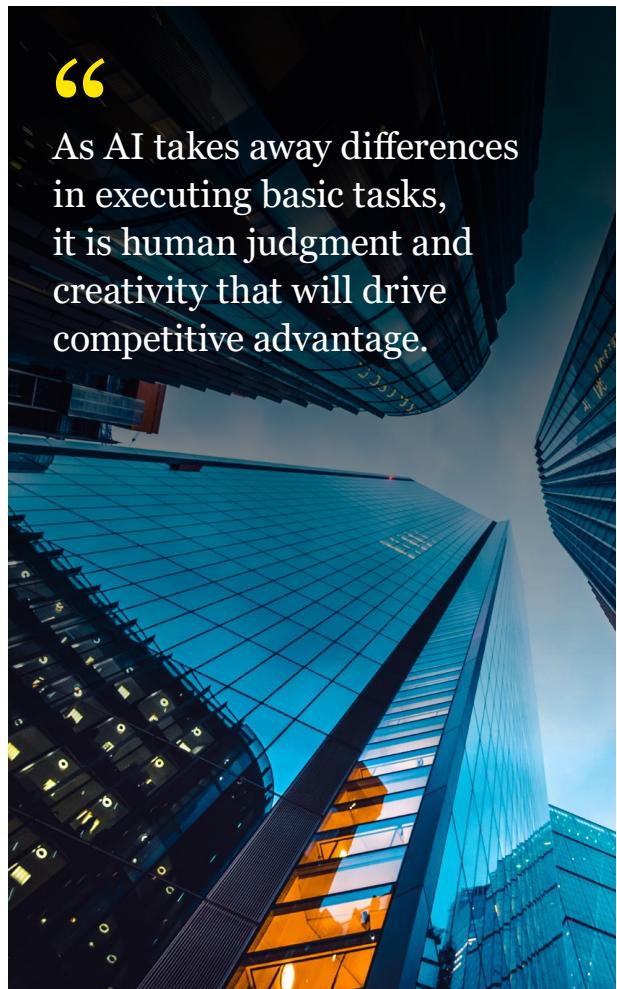
⁶ Fortune reports that over 10,000 US job cuts in 2025 have been directly linked to automation, with entry-level roles disproportionately affected. AI-driven layoffs are shrinking the job market for recent grads, Fortune, August 8, 2025. The news website Axios is one of the few organizations to go on record that it asks managers why a job can't be done with AI before approving hiring a human, while surmising that "Few want to admit this publicly, but every CEO is or will soon be doing this privately." Behind the Curtain: A white-collar bloodbath, Axios, May 28, 2025.

⁷ A Harvard study of employment patterns across 285,000 organizations found that since late 2022, around the time GPT-3.5 was released, junior employment decreased sharply among US AI-adopting organizations compared to non-adopters, while senior employment remained the same. Generative AI as Seniority-Biased Technological Change: Evidence from U.S. Resume and Job Posting Data, Harvard University, August 31, 2025. Can AI replace junior workers?, The Economist, October 13, 2025. Similarly, a Stanford study found that since the widespread adoption of GenAI, US workers aged 22 to 25 in "the most AI-exposed occupations" such as software development experienced a 13% relative decline in employment after 2022, while more-experienced employment in the same occupations remained stable or continued to grow. No such decline appeared in less AI-exposed occupations. Canaries in the Coal Mine? Six Facts about the Recent Employment Effects of Artificial Intelligence, Stanford University, August 25, 2025.

⁸ The Perils of Using AI to Replace Entry-Level Jobs, Harvard Business Review, September 16, 2025



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As AI takes away differences in executing basic tasks, it is human judgment and creativity that will drive competitive advantage.

The next generation, especially those who have been exploring AI since it first became widely available, brings fresh perspectives and a deep understanding of digital tools that can help organizations make the most of AI itself.

Board members can set the expectation that the firm's human capital strategy must include rethinking what "entry-level" roles mean at all so the company can take full advantage of what entry-level talent has to offer.

Refocusing younger talent on optimizing processes for AI and overseeing "digital workers" would take advantage of their digital savvy, while simulation-based learning, rotational assignments and apprenticeships with AI-augmented workers would develop their ability to bring context, judgment and creativity to the job.

As AI takes away differences in executing basic tasks, it is this human judgment and creativity that will drive competitive advantage.

WHAT BOARDS SHOULD DO

- Critically examine how management is balancing cost savings with managing the risks of long-term talent erosion, potential customer and investor backlash, and regulatory action.
- Tie executives' compensation to how well they blend AI with human skills, using metrics such as employee engagement scores in hybrid teams that include both humans and AI agents.
- Set KPIs for the business around junior worker development, retention and advancement.

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Three shifts AI is driving in business

You can't automate accountability

Human accountability and judgment remain central to protecting reputation and performance.

AI promises speed, scale and smarter decisions, but it isn't perfect. Take AI's well-known potential for bias and hallucinations. A 2025 EY analysis of Fortune 100 10-K risk disclosures revealed that about 1 in 5 Fortune 100 companies (22%) now flag AI hallucinations, inaccuracies, misleading outputs, misinformation, disinformation, or bias as material risks.⁹

Less visible but still troubling is the phenomenon researchers have dubbed "workslop": employees using AI to produce work that's highly polished but inaccurate or lacking substance.¹⁰ The damage goes beyond reduced productivity and quality; it can increase risk exposures from failing to apply critical thought and challenge AI's outputs.

The stakes are high. It's no secret that organizations have lost both money and reputation due to careless

AI use or unreliable AI behavior.¹¹ In some cases, such as AI mistakes leading to unwarranted arrests or criminal convictions, these lapses have led directly to human harm.¹²

The common thread running through these risks is that humans remain accountable for the work they ask AI to do. Overseeing ethical AI is only the beginning – directors must encourage management to consider quality and liability.

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⁹ As of November 4, 2025.

¹⁰ AI-Generated "Workslop" Is Destroying Productivity, Harvard Business Review, September 25, 2025.

¹¹ 11 famous AI disasters, CIO, August 7, 2025.

¹² How AI-powered tech landed man in jail with scant evidence, AP News, March 5, 2022. Facial Recognition Led to Wrongful Arrests. So Detroit Is Making Changes, The New York Times, 29 June 2024. Post #8: Into the Abyss: Examining AI Failures and Lessons Learned, Edmond & Lily Safra Center for Ethics, Harvard University, March 8, 2024.

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Individually, employees must carefully evaluate AI outputs and use AI to improve their work, not as a substitute. And organizationally, management must install safeguards to manage the risk of harm, use practices like robust red teaming and third-party assessments to test AI for unintended behaviors,¹³ and define [how accountability will be assigned when AI-based outcomes go wrong](#).¹⁴

This is not just a question of staying out of trouble. Companies that get this right will be poised to turn accountability into trust and trust into a differentiator. Trust is currency today, and companies that bank on it will gain a competitive edge.

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Management must install safeguards to manage the risk of harm, use practices like robust red teaming and third-party assessments to test AI for unintended behaviors.

WHAT BOARDS SHOULD DO

- Oversee management-level governance processes that safeguard the quality of AI-enabled work. For example, how is management assigning explicit accountability to specific individuals or departments for AI work quality.
- Ensure that the company uses robust testing to catch unintended behaviors or consequences of AI before they scale.
- Weigh the risk that AI can produce inappropriate or incorrect outputs when setting the organization's risk tolerance.
- Discuss with management how they have assessed legal risk associated with AI-enabled outputs.

¹³ [How AI assessments can enhance confidence in AI](#), EY and the Association of Chartered Certified Accountants, July 2025

¹⁴ [How new technologies enable the human-machine economy | EY - Global](#), Who's at Fault when AI Fails in Health Care?, Stanford University Human-Centered Artificial Intelligence, March 14, 2024.

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Three actions that can help boards adapt oversight

From strategy monitor to strategic guide

AI is moving fast, and its future impacts are unclear, so it's a mistake for directors or management teams to assume they fully understand the implications. This makes it essential to consider multiple perspectives — and use all available brainpower — when making strategic decisions.

Yet as long as boards and management avoid deeper collaboration in strategy setting, productive debate and valuable ideas cannot emerge. It's become

a truism that the board's role in strategy goes beyond simply reviewing and approving to active engagement. But would management really say they view the board as a guide — or just a reviewer?

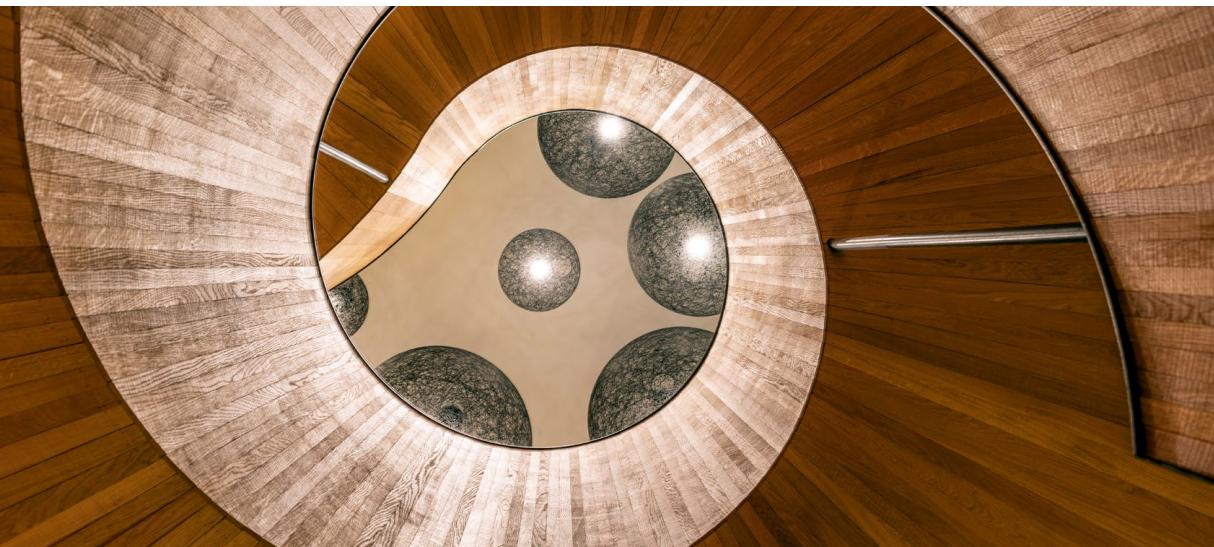
Boards should not dictate strategy. But we believe that high-performing boards substantively contribute to developing and articulating strategy, including identifying critical strategic choices and testing related assumptions. Boards should continually ask themselves: How well are we really doing this? Where are the opportunities for closer collaboration? And what are the most productive ways to engage?

Opportunities to overcome barriers

Some boards may find these steps natural. However, those that struggle have opportunities to overcome the barriers. We recommend boards reflect on their practices in three areas: shaping strategy with management, integrating AI into broader oversight discussions, and examining board education and learning around AI.

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Addressing common barriers

Common barriers	Practical solutions
The CEO resists board involvement in setting AI strategy.	<ul style="list-style-type: none"> Have the independent chair or lead director engage the CEO in a conversation about the board's role in overseeing AI-driven transformation.
Board members lack enough familiarity with AI to provide substantive input.	<ul style="list-style-type: none"> Update the board's composition to include directors with AI experience or bring in outside experts such as an AI advisory council. Invest more in robust AI learning
Board members resist taking a more active role in AI strategy development.	<ul style="list-style-type: none"> Have the independent chair or lead director build consensus and clarity on the board's responsibility to help shape AI strategy. Document the board's strategy-setting role in governance guidelines and review adherence regularly.
Boards and management are uncertain how to structure the conversation on AI's strategic implications and risks.	<ul style="list-style-type: none"> Bring in outside parties for interactive facilitation and exercises. Develop or leverage a playbook for technology oversight that includes guidance on what questions to ask, how to assess responses, and how to prompt productive discussions.

EVIDENCE OF SUCCESS

- The CEO and Chief Strategy Officer seek board input early in strategy development, including at the ideation stage.
- Board members and management are receptive to engaging in open discussion about strategy, even if some aspects of the strategy are not fully formed and management does not have answers to every question.
- Management involves the board in future-back scenario planning and strategy exercises, including those involving AI, to stimulate innovative thinking.
- Management initiates touchpoints with the board quickly when market, technology shifts or other inflection points occur.
- Following a strategic discussion, both management and directors give the independent chair or lead director thoughtful, constructive feedback.





Three actions that can help boards adapt oversight

From focusing on AI to embedding AI

If leadership treats AI as a separate issue when planning for the future, they may miss the broader impact AI will have on the business environment and the enterprise.

Many boards find it useful to assign a committee to roll up related AI and technology issues together or to take point on investigating AI-related issues.

Most S&P 500 companies have expanded the purview of existing committees – usually the audit committee – to include specific aspects of technology oversight, and a growing share have created [technology committees](#).¹⁵

But given its implications for strategic transformation, it's important for boards to continue to include AI as a distinct agenda item in full-board meetings and to integrate AI across the board's broader discussions on topics such as talent and risk.

Leading boards establish procedures for bringing AI considerations to these meetings, make relevant

aspects of AI oversight part of individual committee remits, and coordinate AI discussions across committees. Most of all, directors simply need to be mindful of AI's growing ubiquity and remember to consider it in all relevant decisions.

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The AI-enabled board: opportunity awaits

Boards using AI to help with their own work is widely discussed, but so far, few boards appear to be doing so. One pair of *Harvard Business Review* authors who held focus groups with more than 50 directors found that most “rarely or never” used AI for fulfilling their board responsibilities.¹⁶

Yet AI holds real potential to reduce a workload that many directors find unmanageable and may also enhance the board's analytical and forward-looking capabilities. Some of the directors we work with say their boards are using AI to improve the generation of scenarios for discussion at meetings, integrate data sources, analyze competitors' public disclosures, or scan industry trade press for emerging trends.

¹⁵ [Enhancing board oversight of technology | EY - US](#)

¹⁶ How Pioneering Boards are Using AI, *Harvard Business Review*, July-August 2025.

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Addressing common barriers

Common barriers	Practical solutions
Assigning responsibility for AI to a single committee may create siloed conversations.	<ul style="list-style-type: none"> Make AI an all-board, all-committee responsibility by putting it on the agenda for full board meetings. Assign oversight of AI impacts to all committees where AI is relevant. Consider operational changes to facilitate coordination (such as more effective committee readouts and cross-committee membership).
Board discussions may be too narrow and overlook broader AI impacts.	<ul style="list-style-type: none"> Assign committee chairs to investigate and raise AI considerations in full-board discussions.
Directors may not understand how the company is using AI and its unfolding potential.	<ul style="list-style-type: none"> Ask management to maintain a board-appropriate summary and get regular updates from different areas of the business on how AI is being used.
The board agenda continues to grow, and directors cannot solve for this with more time and meetings alone.	<ul style="list-style-type: none"> Innovate through new ways of working, including securely experimenting with internal AI tools to improve the board's capacity to digest and analyze information and reduce board-management information asymmetry.

EVIDENCE OF SUCCESS

- AI considerations are part of every board discussion on strategy, talent and risk, regardless of whether AI is on the agenda as a stand-alone item.
- Each committee's AI oversight responsibilities are clearly defined in the committee charter.
- Every director can have substantive discussions with management on the company's AI-related risks and opportunities.



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Three actions that can help boards adapt oversight

From periodic reports to ongoing, robust AI learning

To fulfill their strategic oversight role in an AI-driven business environment, boards need more than periodic updates about AI. Unlike in other domains, directors rarely bring direct AI experience from their executive careers, making the learning curve steep.

Further, AI is evolving so fast that the only way to maintain enough fluency to understand its business implications is to proactively engage in ongoing learning, independently as well as within the board's education program.

Leading boards are getting experience with AI tools via demonstrations provided by management, sessions delivered by outside advisors and technology experts, seeing AI solutions in action at conferences targeted at industry and/or board-director audiences, and taking online skill-building courses. Some boards are incorporating simulations and interactive workshops into their ongoing development. These hands-on experiences allow directors to see AI in action, experience its limitations, and explore its impact in a secure environment.

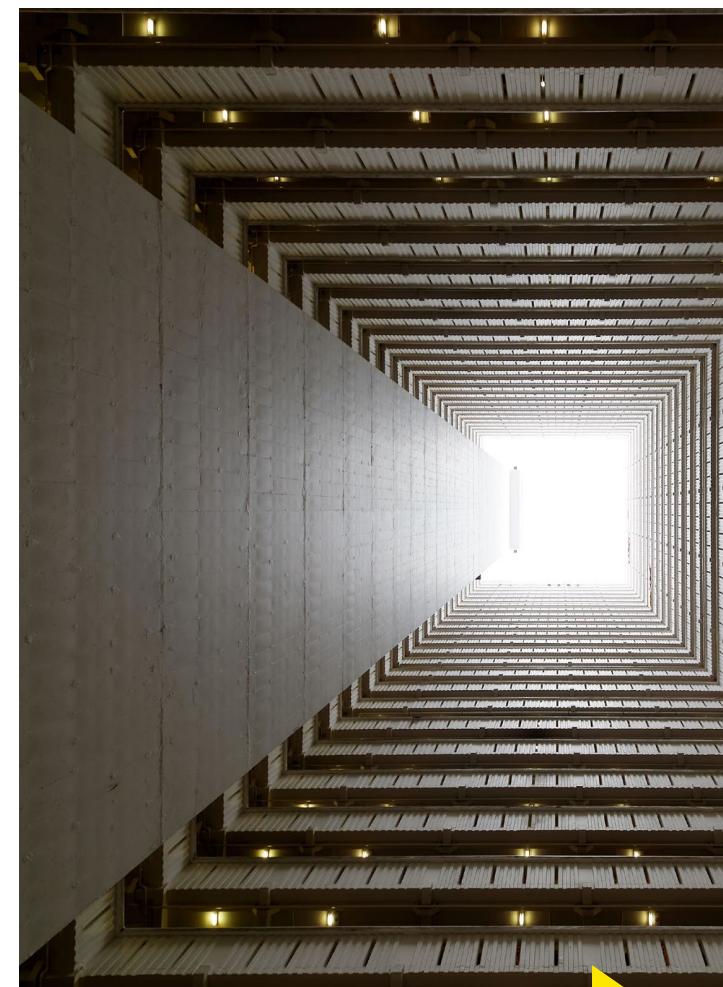
Nominating and governance committees play a critical role in facilitating this shift by championing deeper, ongoing learning that includes interaction with external experts. Communicating these efforts

to investors is important, as they tell us they see access to external advisors and rigorous ongoing education as key to effectiveness. Currently, this communication appears to be lacking: an EY review of proxy statements revealed that, from January through November 2025, only 12% of Fortune 100 companies disclosed that the board members received education or training on AI.

Of course, education is only part of what is needed. To stay effective, nominating and governance committees should also regularly and honestly take stock of board composition (a challenge made more acute by AI's disruption) and ensure that tenure is based on contribution and performance.

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Addressing common barriers

Common barriers	Practical solutions
Directors may feel uncomfortable experimenting with unfamiliar technology	<ul style="list-style-type: none"> Foster a supportive environment for learning; encourage peer-to-peer sharing and invite external facilitators to guide hands-on sessions, immersive experiences and scenario-based exercises. Encourage directors to seek outside training.
Limited time or competing priorities may crowd out immersive AI learning opportunities.	<ul style="list-style-type: none"> Schedule dedicated sessions for hands-on AI training and integrate experiential learning into annual board calendars.
The board may have uncertainty about how to measure the impact of immersive AI education.	<ul style="list-style-type: none"> Regularly assess directors' confidence and understanding through feedback and post-training evaluations.

EVIDENCE OF SUCCESS

- Directors ask probing questions about AI's capabilities and impacts that management can't immediately answer.
- Directors regularly recommend AI learning experiences to their peers or the full board.
- The board regularly updates its skill matrix and education program, both as part of the annual governance review and at key inflection points.



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Going forward

AI does not change the board's fundamental oversight duties. However, as AI continues to reshape the way companies do business, how boards fulfill these duties may need to look very different. In an environment marked by constant upheaval, board members cannot afford to let old traditions get in the way of needed change, any more than the companies they oversee can stand still and survive.

METHODOLOGY

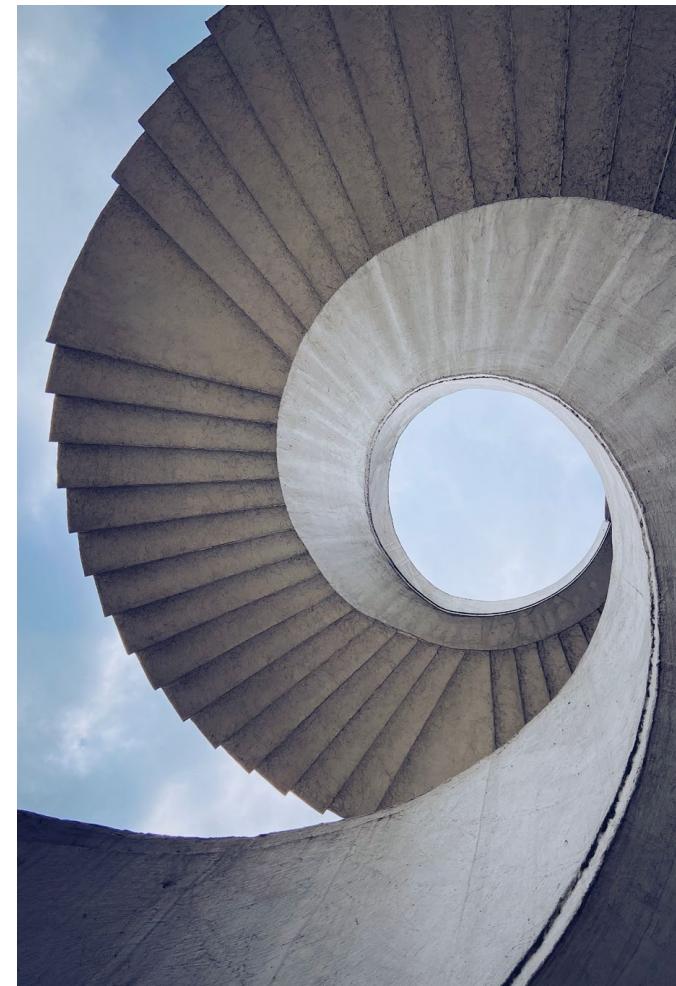
These insights draw on the knowledge and experience of EY leaders who focus on supporting clients with AI-enabled business transformation. The article also reflects the EY Center for Board Matters' ongoing conversations with public company directors, analysis of Fortune 100 company disclosures, and conversations with 19 stewardship leaders from institutional investors representing \$45 trillion in aggregate from October-December 2025.



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Questions for the board to consider

- How are we actively shaping company strategy with management and helping them make bold moves when needed?
- How are we challenging our traditional risk appetite to fully consider the upside potential of bold AI investments?
- Do we have clear signals and monitoring capabilities for reevaluating strategy when AI developments (such as early indicators of AI-driven disruption in our business) emerge?
- How is our company balancing AI-driven efficiency gains with long-term talent needs and our reputation as a responsible employer of choice?
- Does management have robust mechanisms – such as red team testing and clear principles around legal responsibility – to mitigate the risks of AI-generated errors, bias and unintended consequences?
- How are we enhancing the skills and knowledge we need to challenge and guide management on AI issues? Is our investment in ongoing AI learning sufficient? Are we getting the outside perspectives and hands-on learning we need?
- Is AI a core part of board and committee discussions on strategy, talent and risk, or is it siloed as a technology-related agenda item?
- How can AI support our work as a board and as individual directors by helping us focus on what matters?



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