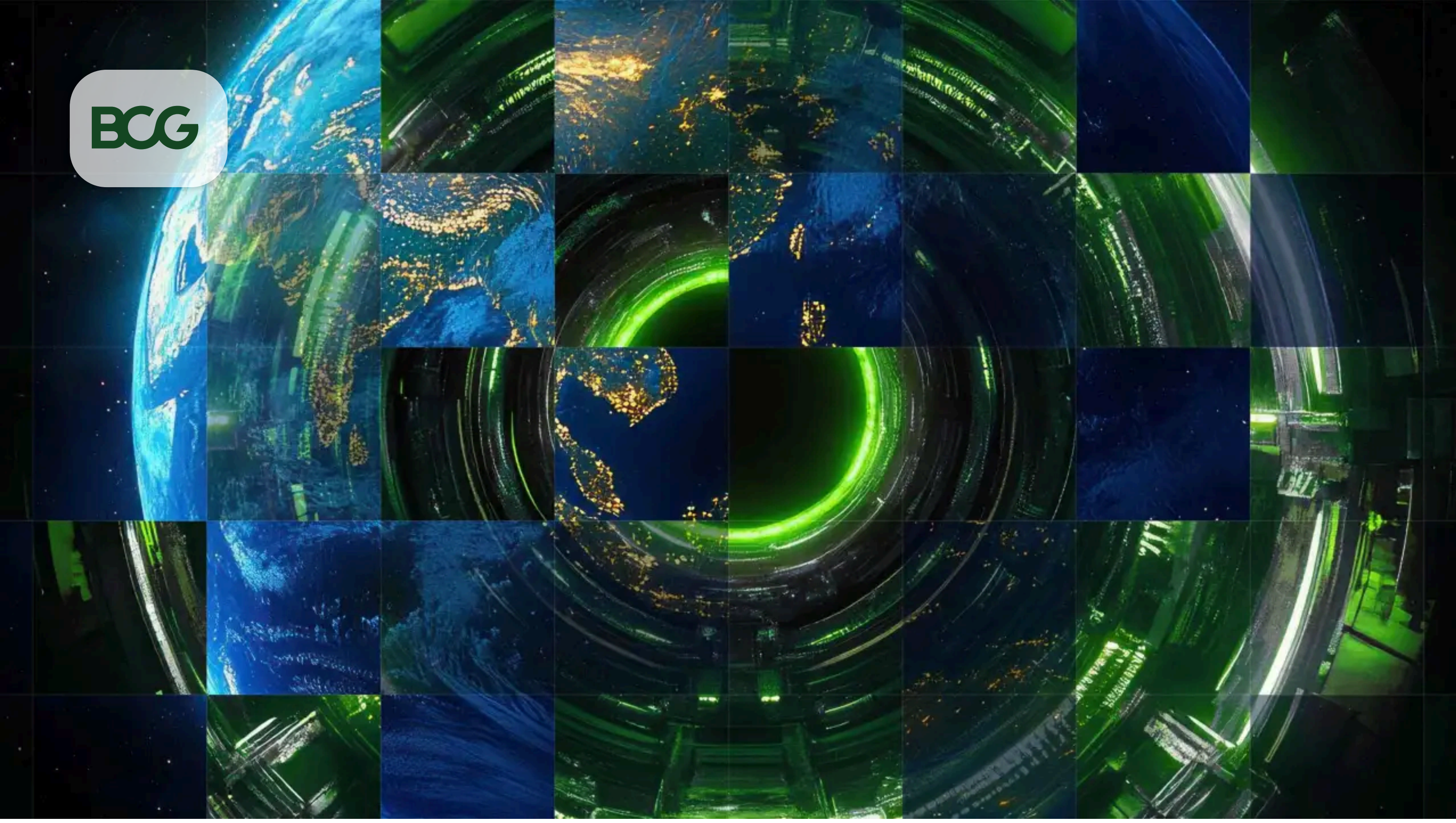

ARTIFICIAL INTELLIGENCE

Five Things CEOs Can Learn About AI from Asia-Pacific

You Are Not Hallucinating: A Lens on AI for Leaders

By Jeff Walters

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CEOs in Asia-Pacific are confident about AI, and BCG's research shows that they're optimistic about AI's potential for a positive ROI. That's why every quarter a CEO in the West spends in wait-and-see mode is another quarter that leading companies in Asia-Pacific compound their advantage. Western CEOs should spend less time monitoring Asia-Pacific and more time learning from it. Here are five key takeaways from our work in the region.

Take the Lead to Truly Reshape Your Business. CEOs in Asia-Pacific are leading from the front and taking control of their own initiatives. CEOs in the West should do likewise and avoid devolving responsibility to the CIO or technology function in their organization. Determine your AI strategy by asking this question: What are the most important functions in my organization—the ones that if I do them better, we'll achieve better market share or have lower costs? Those are the functions to focus on and transform with AI.

Then, set KPIs that are in the 50%-plus range—for example, performing R&D 50% faster or achieving a 50% higher return on advertising spending—and work toward those aspirational goals. That effort is going to reshape core functions, and it's the recipe for generating value with AI.

Build Your Business-Context Muscle. I'm often asked: If all companies are using AI, say for new product development, isn't everyone going to develop the same new products? The answer is absolutely not. A world-class product development process today leverages AI, but the large language models (LLMs) it uses are accessing a very specific business-context layer. This layer includes an organization's proprietary consumer insights as well as its specific processes and flows, and the AI tools call upon it to support human thinking. Because the context layer is different from company to company, the results are as well.

But it takes time to build this layer. That's why leading companies are already doing so—and building durable advantage with AI. Rather than waiting for the best generative pretrained transformer (GPT) or the next LLM iteration before they start their AI transformation, leading companies are already building their business context muscle. Delaying an AI transformation while waiting for better technology is a bit like not going to the gym this year because there will be better exercise equipment next year. We can all imagine the health outcomes of that.

Pick More Than Just One Model. The reality is, most companies that are driving an AI transformation are using multiple foundation models and, in many cases, a good-enough model is fine. BCG sees many companies keeping expensive models along with open source or open weight models in their model gardens. Think of it like this: Sometimes a Toyota rather than a Ferrari is the car to drive to work every day.

Avoid the Most Common Traps. Beware of two traps. The first is the pilot trap. The companies that are succeeding with AI in Asia-Pacific are picking one or two massive initiatives and investing in those instead of having thousands of pilots that do not add up to anything.

The second is the data trap. I have yet to come across a company where all the data is clean and organized. If you wait for all the data to be ready, you'll never get started. The right approach is to ask: What are the big value pools I'm going after and what are the data sets that are critical to making that happen? Those are the ones to prioritize, clean, and bring together.

In our experience, even if data is unstructured, even if it is just meeting notes or transcripts of a standup meeting on the factory floor, data can actually be processed very quickly and brought to bear to drive AI use cases.

Broaden Your Horizons. When I meet with CEOs in Asia-Pacific, they know what's happening in Silicon Valley. In fact, they probably were there in the previous month. They also know what's happening in China, and they're taking lessons from these places.

Leadership teams, CEOs, and boards of Western companies should visit China to live the digital consumer experience a little and broaden their lens. It's beneficial to see some of the companies and how they're operating and to have a few contacts with CEOs. It will provide valuable inspiration and broaden the idea of what is possible, which you can carry back to your home market.

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