CPO Insights Report:

Into the
AI Era

Foreword by Lisa Mitnick & Nicolas Rousseau

It is no surprise that **Products That Count's** recent research identified AI as the biggest tech trend facing Chief Product Officers in 2023. How does AI compare to other technology-driven hypes? Will it face inflated expectations and delayed impact like Metaverse, Blockchain, and IoT? The reality is that AI is something different, as unlike all of those technology-driven approaches it impacts every aspect of the product lifecycle and addresses problems that you already know you have. The challenge for product leaders is how to get the advantage from AI in a way that can sustain your competitive advantage.

There are several characteristics of the **AI disruption** that are quite different:

- **Technology Maturity.** Artificial intelligence has been around for decades but has reached a tipping point with the latest advances in compute, data, and algorithms that show no signs of slowing.

- **Democratization.** With the advent of tools like ChatGPT, AI has gone mainstream such that any non-technical person can use it to generate content (text, videos, images).

- **Ubiquity.** AI is in the fabric of everything we do. AI features are all around our professional and personal lives: TV and music streaming recommendation engines, automated license plate recognition at a toll plaza, predictive maintenance for product operations, etc. It will also replace many jobs while creating new ones.

- **Design.** Enables you to design products that go beyond the human imagination, and enables digital/physical products to be hyper-personalized at speed and scale – imagine your personal avatar in a movie or commercial.

- **Wonder and Risk.** One of the most exciting technologies that will augment all facets of how we live and work, AI is driving increased productivity and new user experiences, while being simultaneously fraught with issues like disinformation, invasion of privacy, security risk, bias, and IP infringement.

At Capgemini, we have observed – and helped – many organizations adopt AI models in various disciplines and industries. Generative AI ("Gen AI") is a type of AI model that is rapidly penetrating organizations, with high impact and easy adoption, though sometimes in an uncontrolled manner.

We believe that product leaders need to swiftly build out new AI capabilities, including Gen AI, to stay competitive in terms of product features, functionality, and user experience – as well as to increase productivity. The opportunity to drive down costs and speed time to market exists across the entire product development lifecycle including market positioning, features planning, user interface, technical design analysis and optimization, intelligent testing, code generation, user support, and much more. Product developers who ignore this AI disruption may find themselves out-paced much faster than in past tech disruptions.

At the same time, product leaders need to put in place the proper safeguards to ensure AI is not misused nor expose sensitive information.

This AI disruption is a rich source of innovation for product developers, provided that we ensure the "intelligence" part remains at its core with accuracy, relevance, reliability, security, and other vital qualities, including ethics. Those who are smart about AI will use it to build better products faster.

Lisa Mitnick, Capgemini Americas Portfolio Lead
Nicolas Rousseau, Capgemini Chief Digital Engineering & Manufacturing Officer

Introduction to the CPO Insights Report

Change is a constant, but is the current scale of technological change on par with that of the Industrial Revolution? Time will tell. One thing is certain: in product management, keeping one step ahead of technological trends is imperative. Doing so begins at the top, and so we turned to Chief Product Officers (CPOs) at leading companies to find out what is on their technology agenda.

With that in mind, Products That Count is pleased to present the **"CPO Insights Report: Into the AI Era."** Based on a recent study of CPOs – including a comprehensive survey of 120 CPOs, as well as qualitative interviews – the Report shows that AI is no longer a futuristic concept; it is an integral part of today's business landscape. However, the path to AI success is fraught with challenges that demand careful consideration. This report highlights key takeaways from the survey, emphasizing the importance of managing AI as a cross-functional effort – led by the CPO.

Artificial Intelligence (AI) is undeniably here to stay, but realizing its full potential is contingent on overcoming multifaceted challenges. CPOs are the business leaders best positioned to be at the forefront of this endeavor, navigating the intricate terrain of AI adoption and integration.

Topline Takeaways:

1. **The ROI of AI: Balancing Costs and Benefits**
   A staggering 96% of surveyed CPOs acknowledge the permanence of AI in business operations. And 40% of businesses have already allocated budget spend to generative AI. But how many of those operations will bear fruit? It is imperative to ensure that every AI initiative brings forth a tangible and clear business benefit.

2. **Control & Credibility: The Critical Role of Human Oversight**
   While AI promises to automate processes and augment human capabilities, CPOs recognize the inherent risks in terms of control (e.g. legal liabilities) and credibility (e.g. AI hallucinations). The key to success lies in meticulous oversight and governance to maintain equilibrium between process automation and human intervention.

3. **Data is Gold: It Needs to Be Managed**
   In the era of AI, data is the lifeblood of innovation. With significant challenges in technical debt, data quality, security, ethics, and overall management, it is imperative to elevate data management to a strategic priority. CPOs must skillfully manage this delicate balance.

AI & the Rise of the CPO

The AI revolution has accelerated a trend we have observed over several years: **the CPO is the most important role in the C-suite**. To harness the true potential of AI, CPOs must lead cross-functional efforts, collaborating closely with the Chief Technology Officer (CTO), General Counsel (GC), and Chief Information Security Officer (CISO). The success of AI implementation hinges on their collective vision and strategic guidance. AI is not just a technology; it is the future, and CPOs are at the helm of this transformative journey.

About Research at Products at Count

Products That Count is a nonprofit organization dedicated to promoting the significance of product management, including the rising prominence of **Chief Product Officers, who now occupy the C-suite in 30% of Fortune 1000 companies – a 10x increase in just 3 years**. Across our network of over 500,000 product managers and leaders, we facilitate knowledge sharing and excellence in product development.

Renée Niemi, one of the first-ever Chief Product Officers, has conducted extensive research resulting in two annual white papers: "The State of the Chief Product Officer in 2022" and "The 2023 CPO Insights Report." This latest report is a key extension of that work. We extend gratitude to our valued corporate sponsors, Capgemini – a consultancy – and Mighty Capital – a venture capital firm – for their support in **advancing our goal of turning product success into business success**.

Entering the Artificial Intelligence Era

What makes a great product? Consider the mind-body-spirit paradigm. The best – products that count – are those that appeal to all three aspects of this paradigm. But when products first gain traction, it is almost always because they provide smart and clever solutions. AI tools right now meet that criteria.

The Product Formula

The three rules of successful products.

Mind: Learning
The best products learn as we use them.

Spirit: Meaning
The best products give us meaning.

Body: Beauty
The best products operate by beauty.

We have indeed entered the Artificial Intelligence Era: **98% of CPOs identify AI as a top three tech trend in the coming years**.[1] Chief Product Officers believe that Generative AI, akin to what the browser was to the Internet in the mid-1990s, will be a pivotal driver for the next decade. It is expected to power a wide range of solutions, from customer service, to research, to predictive analytics.[2] Mike Vigue, CPO of London-based global FinTech Finastra, went as far as to say that "AI will be as compelling and impactful as the industrial revolution; it will change the way we work and live."

Advancements in natural language processing (NLP) are reshaping user interactions with products, with AI emerging as "the new UX," according to one CPO. CPOs are contemplating the implications of incorporating NLP into products, spanning text, images, and voice interactions. However, challenges exist, such as the complexities of integrating AI into product management systems, particularly in organizations with extensive unstructured data that needs standardization.

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AI will be as compelling and impactful as the industrial revolution; it will change the way we work and live.

Mike Vigue
Finastra CPO

1. *Results based on a survey of 120 Chief Product Officers.*
2. *https://www.capgemini.com/insights/research-library/generative-ai-in-organizations/*

CPOs are also mindful of the costs and workforce implications of AI adoption. Morgan Stanley estimates that AI will impact nearly half of the labor force in the coming years. The automation of routine tasks will necessitate the creation of new roles, like "Product Service Managers," and the development of effective retraining processes – as well as working closely with key allies like the CTO. Jeff Hebert, President of Synapse Product Development at Capgemini Invent, offers the following advice.

"To ensure success with AI, it's crucial to include a technologist on your product roadmap team, just as you would include a user experience specialist and someone dedicated to the business model."

Key success factors

Our CPO respondents stress that successful AI requires a clear return on investment. **40% of organizations report allocating budget to AI initiatives[3], but product leaders must prioritize customer value over selling the capability of AI itself.** Melissa McCool, CPO of 2023 Product Award-winning health tech firm Ellipsis Health, puts it this way: "It's not just about building cool products; it's about addressing real problems and challenging our assumptions."

For example, the conversational chat company ON (formerly GameOn Technology) has built a successful AI chat platform by relentlessly focusing on customer ROI. This includes using their platform to minimize merchandise returns and **reducing staff bandwidth by up to 15%**. Product leaders should follow such models and use the promise of AI to target specific customer problems.

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3. *According to <u>research from Capgemini</u>, AI has the highest potential in the following sectors: IT, customer service, marketing, product design, manufacturing, and research and development (R&D).*

What can product leaders do?

- Recognize that AI is not just a technology but a tool which can be used to bring better products to market quicker, solve big customer problems; and improve UX.**Control & Credibility: The Critical Role of**

- Understand that AI can significantly impact how users interact with products. Consider AI as the "new UX" and explore its potential in transforming interactions, whether through text, images, or voice.

- Focus on delivering clear customer value with AI solutions. Avoid merely selling AI capability as a buzzword. Collaborate across teams, including technologists, UX specialists, and business experts, to harness AI's innovation potential effectively.
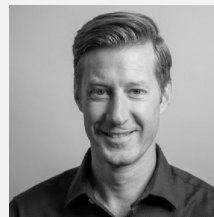
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> **Melissa McCool**
> **Ellipsis Health CEO**

Beyond Bionic PMs

It isn't enough for great products to be smart; they also need to appeal in their ease of use. As the AI era unfolds, which tools will ultimately be most useful?

At its best, AI endows product managers with super-human attributes – predictive insights, automation, and analytical prowess. AI can swiftly distill vast user survey data, enabling a deeper understanding of user behavior and more agile responses to feedback.

Moreover, AI's true potential lies in transcending human imagination. Dr. Mark Roberts, Principal Technologist at Capgemini Engineering, with a PhD in Artificial Intelligence, says, "Designing with generative AI can lead to innovative solutions that humans might not have considered."

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> **Designing with generative AI can lead to innovative solutions that humans might not have considered.**

Dr. Mark Roberts
Principal Technologist at Capgemini Engineering

Beyond such "post-human" possibilities, AI integration empowers agile processes that adapt to changing user preferences, accelerating time-to-market and enhancing user experiences. This convergence marks a new zenith in product development, where AI enhances both intellect and senses, crafting indispensable products for our lives.

Key success factors

Incorporating AI into useful products requires on-going human oversight. It ensures data quality, fairness, and the ethical use of AI to foster user trust – not to mention weeding out "AI hallucinations," those moments when generative AI "makes up" answers that are beyond its datasets. Human experts are vital for addressing ethical concerns, adapting to user needs, and complying with regulations. In the end, **human oversight is essential for responsible and ethical AI implementation**.

As a model, product leaders might look at the success of a company like C3 AI. According to their former CMO, the organization was **"able to implement AI at scale precisely because we built a robust services organization."**

What can product leaders do?

- Balance form and function: great products need to be both smart and easy to use, emphasizing the importance of combining intelligence and aesthetics.

- Recognize that AI offers transformative capabilities in prediction, automation, and analysis, enabling unprecedented efficiency in product management and development.

- Strike a balance between AI and human expertise. Successful AI integration requires ongoing human oversight for data quality, fairness, ethics, and compliance to ensure trust and effective implementation.

Spirit

The Primacy of Data

To become truly great, products must appeal to the final piece of the product paradigm: they need to be meaningful. In a world where everyone's lives and vital information are increasingly online, there is perhaps nothing more meaningful than data. **As the saying goes, "data is the new gold."** This new reality works in two ways. First, the rise of AI means that companies large and small must maintain a heightened focus on data pipelines and data primacy. And second, the value of that data makes it a prime target for cybercrime.

In light of these dynamics, it's unsurprising that data security emerged, after AI, as the second-most prevalent trend identified by CPOs, with a notable 44% of respondents acknowledging its paramount importance. This is especially key in sectors that deal with sensitive information, such as finance and healthcare. Product leaders in these domains bear a profound responsibility, as they navigate the intricacies of handling data like users' Personally Identifiable Information (PII) or Protected Health Information (PHI).

However, it's imperative to recognize that the significance of data protection extends across all industries. Recent high-profile breaches in password storage systems, exemplified by LastPass, and on social media platforms, most notably Facebook, have thrust cybersecurity and data privacy into the glaring spotlight. Yet, it's essential to acknowledge that not all cyber threats are of large-scale proportions. Small-scale incidents, such as "doxing," wherein individuals expose each other's personal information during online disputes, can yield real-life consequences of a dangerous nature.

Due to these complex challenges, **the role of the CPO is undergoing a transformation, drawing closer to the heart of data stewardship and its strategic implications**. According to Anthony Enzor-DeMeo, CPO of the Oakland-based FinTech Roofstock, "The role of CPO is getting closer to data."

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> ### The role of CPO is getting closer to data.

Anthony Enzor-DeMeo
Roofstock CPO

Key success factors

Product leaders need to understand that successfully managing data is a business imperative, not a tech trend. CPOs must work closely with the General Counsel (GC) and Chief Information Security Officer (CISO).

What can product leaders do?

- Prioritize data security as it's essential in the AI age, particularly in sectors dealing with sensitive information.

- Recognize that cybersecurity is crucial for all industries, not just specific ones, and stay vigilant against cyber threats of all scales.

- Embrace the evolving role of CPOs by understanding the strategic significance of data management in the AI era.

Conclusion:
The Rise of the Chief Product Officer in the AI Era

The Chief Product Officer is the linchpin within the C-suite. That has been true for several years now, but it is undeniable in the AI Era. AI is not merely a technological innovation; it represents the very future of business, and the best CPOs understand these imperatives:

- *AI must have clear ROI*

- *Human oversight is essential to maintain control and credibility*

- *Data stewardship is king*

With their unique blend of business acumen and technical expertise, Chief Product Officers stand as the best-suited leaders to steer organizations through this profound revolution. In this AI-driven era, CPOs orchestrate the symphony that harmonizes innovation, functionality, and sensory appeal, crafting products that are not just smart but also intuitive and meaningful, thereby reshaping the landscape of business for a future brimming with limitless possibilities.

Appendix: Survey of Top Tech Trends

n = 120 Chief Product Officers
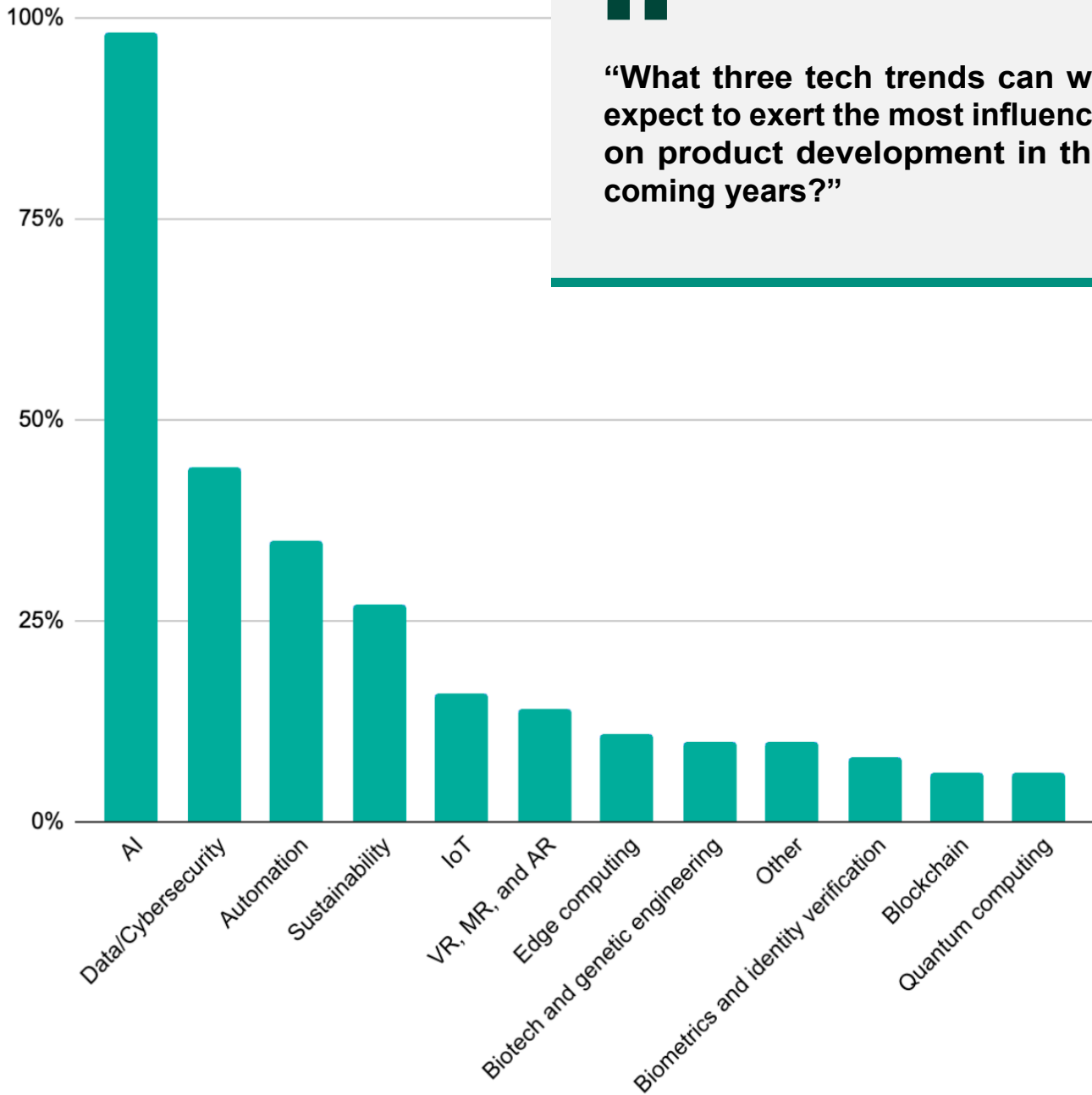
> **"What three tech trends can we expect to exert the most influence on product development in the coming years?"**

About Us

Products That Count is the most influential Product Acceleration Platform in the world.

Empowers 500,000+ PMs via:

- 100+ events globally each year
- Thousands of videos, podcasts and articles online
- Best practices from Netflix product VP, Box CPO and more
- A focus on answering the question, "What makes a great product?"
- Its commitment to inclusion and increasing diversity in product

Products That Count is a 501(c)3 nonprofit that helps everyone build great products. It celebrates product excellence through coveted Awards that inspire 500,000+ product managers and honor great products and the professionals responsible for their success. It accelerates the career and rise to the C-suite of >30% of all Product Managers globally by providing exceptional programming – including award-winning podcasts and popular newsletters – for free. It acts as a trusted advisor to all CPOs at Fortune 1000, and publishes key insights from innovative companies, like Capgemini, SoFi, and Amplitude, that turn product success into business success.

Learn more at **productsthatcount.com**