

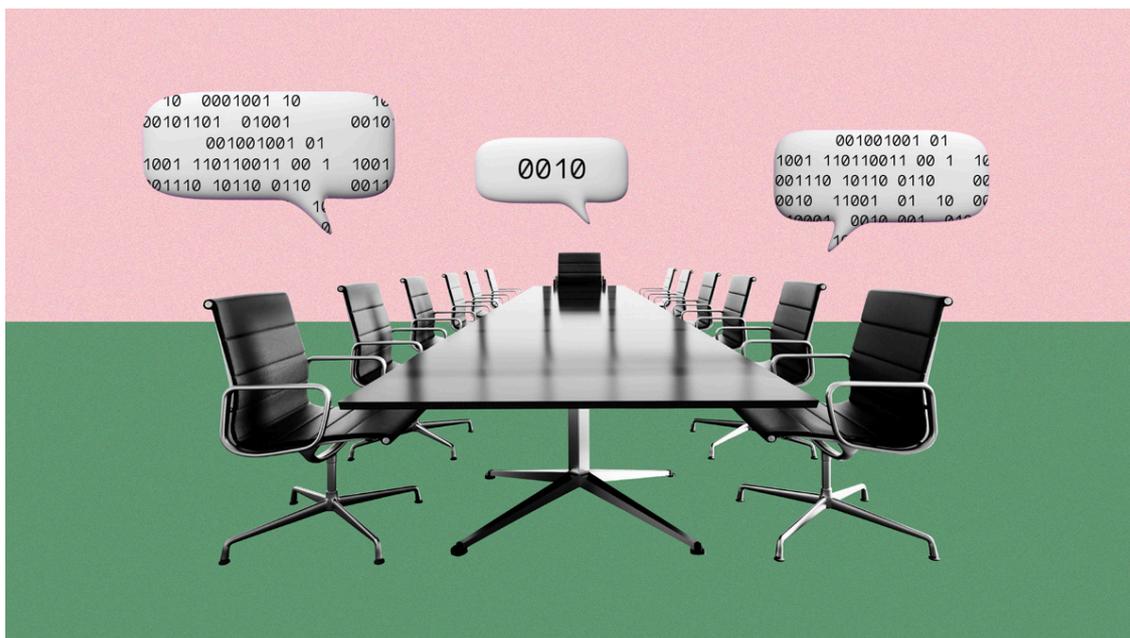


Generative AI

# When AI Gets a Board Seat

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**Summary.** Lab experiments show that AI can outperform humans, but outside of the lab, when making decisions, executives face shifting challenges, often with insufficient or inaccurate data. A team from Warwick Business School and The BCG Henderson Institute teamed... [more](#)

In his short story “The Evidable Conflict,” published 75 years ago, sci-fi writer Isaac Asimov described how machines might run entire industries. Today, there is mounting evidence that AI can outperform humans on many individual cognitive tasks. An experiment by a [team from Cambridge University](#) suggests that large language models (LLMs) can outperform humans in most tasks including product design, cost control, and market intelligence.

Impressive though such results are, the studies we are aware of have all been conducted under artificial laboratory conditions. Extrapolating these to real-world conditions is far from straightforward. Executives in the wild face unframed and shifting challenges, often with insufficient or inaccurate data.

We wanted to understand: What happens if we take AI out of the lab into a real company? Over the past year we joined a series of executive team meetings at Giesswein, an \$85 million revenue company based in Austria, that sells organic, eco-friendly wool sneakers. Our idea was to experiment with different ways of integrating AI into their executive meetings to understand what works and how.

## **AI in the Boardroom**

Our engagement with Giesswein started in October 2023. We designed three types of interventions and conducted at least two different variations of each to test for replicability. After each intervention, we conducted follow-up interviews with the two brothers who run the family firm to gather their perceptions of effectiveness.

The interventions happened during a period when the executive team decided to make several big strategic moves, allowing us to see AI at work when the future of the firm was being forged. The firm had decided to outsource production entirely, closing down their longstanding manufacturing facilities in Austria and transforming them into a logistics hub. They also decided to sell a sewing factory in Slovakia and to enter the U.S. market.

Our first type of intervention was to over the course of several meetings simply feed the agenda of the executive team into

ChatGPT 4.0 asking for suggestions on which questions and issues to discuss. The output was shared with the team during the meeting as each of the agenda points came up. We also developed prompts to create more specific recommendations. For example, when the question of outsourcing was on the agenda we asked for pro and con arguments. We knew that the company was already outsourcing some production to China, so we asked ChatGPT to explore what the company needed to keep in mind if it wanted to outsource all production. The output was then shared during the executive meeting.

In a second type of intervention, we wrote prompts related to points discussed by the executives during the meeting and then shared the output. For example, one potential deciding factor in the outsourcing decision was the underutilization of the production line, which made fixed costs more of an issue. As we were discussing this live, we asked ChatGPT to generate a list of alternative products that could be launched using the same material the firm already produced. Among a list of suggestions were woollen blankets, an idea the executives had previously discussed as well.

A third type of intervention was conducted after executive team meetings with ChatGPT answering specific questions the management team had, for example in regards to market entry options in the U.S. We tried two versions of this: In the first, we engaged in a prolonged conversation with ChatGPT using our own judgement to guide the AI tool. In a second version we simply asked executives' questions without further interpretation or iteration.

### **Augmentation not Substitution**

Overall, our executive board experiments showed that AI could indeed be valuable in guiding and enriching executive discussions, but only with actively engaged management.

The unsupervised use of AI did not work well, providing output that was not specific enough for the executives to find it useful. The suggestions we received based on simply inputting the agenda or executives' questions were perceived as commonplace, unsurprising, or clichéd.

In contrast, the supervised applications, augmented by the abilities of a human advisor with no special knowledge of the firm but experience in developing strategies, was perceived as highly beneficial by the executives. We observed three specific implications:

### **1. Ungainliness advantage**

It seems counterintuitive, but the biggest advantage of ChatGPT was disrupting the natural flow of the meetings. We expected the clumsiness, awkwardness, and delay it introduced to be a major irritation, but the executives appreciated how it made them stop and think.

The team was aware that after decades of working together they were strongly aligned on many issues and could almost complete each other's sentences. They were also aware that their shared experience and well-rehearsed routines naturally created blind spots. As CEO Markus Giesswein told us, he agreed to this experiment as he expected "balanced and structured support, because many decisions in our size range are made based on gut feeling and emotions."

ChatGPT's tendency to give comprehensive lists prompted the team to consider options they might not have considered, but the real value lay in the breaking and slowing down of existing patterns of thought and interaction, enabling the discussion of new elements.

This was most obvious during the discussion over whether they should close their manufacturing facilities. This was a highly

emotional consideration for themselves, their employees, and their external stakeholders, as the plant was located at the company's headquarters for more than 50 years. AI helped them to have a more complete, fact-based, and nuanced discussion.

## **2. Completeness illusion**

The breadth of LLM suggestions also had a downside. As the team got used to the tool pointing them to issues they otherwise would miss, we observed an emerging reliance on it in order to not overlook anything of importance.

For example, in one of the meetings there was a discussion of an upcoming announcement. ChatGPT offered a wide set of factors that needed to be addressed prior to the announcement, but it omitted potential legal implications that needed to be considered. Under usual circumstances, the executives might have brought up the legal questions, but AI had created the illusion of infallible completeness, which they had begun to rely on. In this instance, a solution was found after the fact, but the issue could have easily been avoided with more challenge and reflection.

This is not the same as the more widely reported issue of hallucination. AI introduced a welcome broadening of the meeting agenda but one that was not complete and required critical thinking and challenge to avoid missing important issues.

## **3. Speed and cost advantage**

A final set of advantages of bringing AI into these meetings were speed and cost reduction. Boardroom discussions typically result in questions that require further research. ChatGPT enabled the team to gather data and make immediate recommendations, enabling quicker action.

For example, when Giesswein considered the future of the facility in Slovakia, an important question that arose was the possible

cost of refurbishing the plant if they decided to keep it. ChatGPT was able to provide rapid and accurate-enough estimations that enabled the executives to move forward on this issue.

In some cases, the use of AI can also reduce the costs of further exploration. For example, one of the decisions the team made required them to issue a press release. In the past, they would have hired an agency to write and issue the release, but ChatGPT produced a statement that fit their purpose. This benefit was also apparent when we engaged ChatGPT in the post-meeting analysis. For example, Giesswein wanted input on its future product portfolio. ChatGPT generated ideas and referred to examples from other companies, a task that otherwise would require a consultant or taking up considerable management time to create.

### **A New Type of Interaction for Executive Teams**

So far, much of the conversation on the value of generative AI has focused on the accuracy of the information it provides. Our one-year engagement at Giesswein suggests that the value lies elsewhere, namely in the process of interaction itself. Executives are aware that the tool will occasionally hallucinate; they are also accustomed to working with incomplete or faulty information.

What makes AI a valuable member of the executive team is that it is different from humans. This disrupts and therefore broadens the considerations—in some cases, providing information quickly to move forward. But for this to work, it needs a human (a critical thinker but not necessarily an industry expert) to operate the tool. The collective intelligence of the combination of humans and the tools offers something new and exciting.

# CS

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