

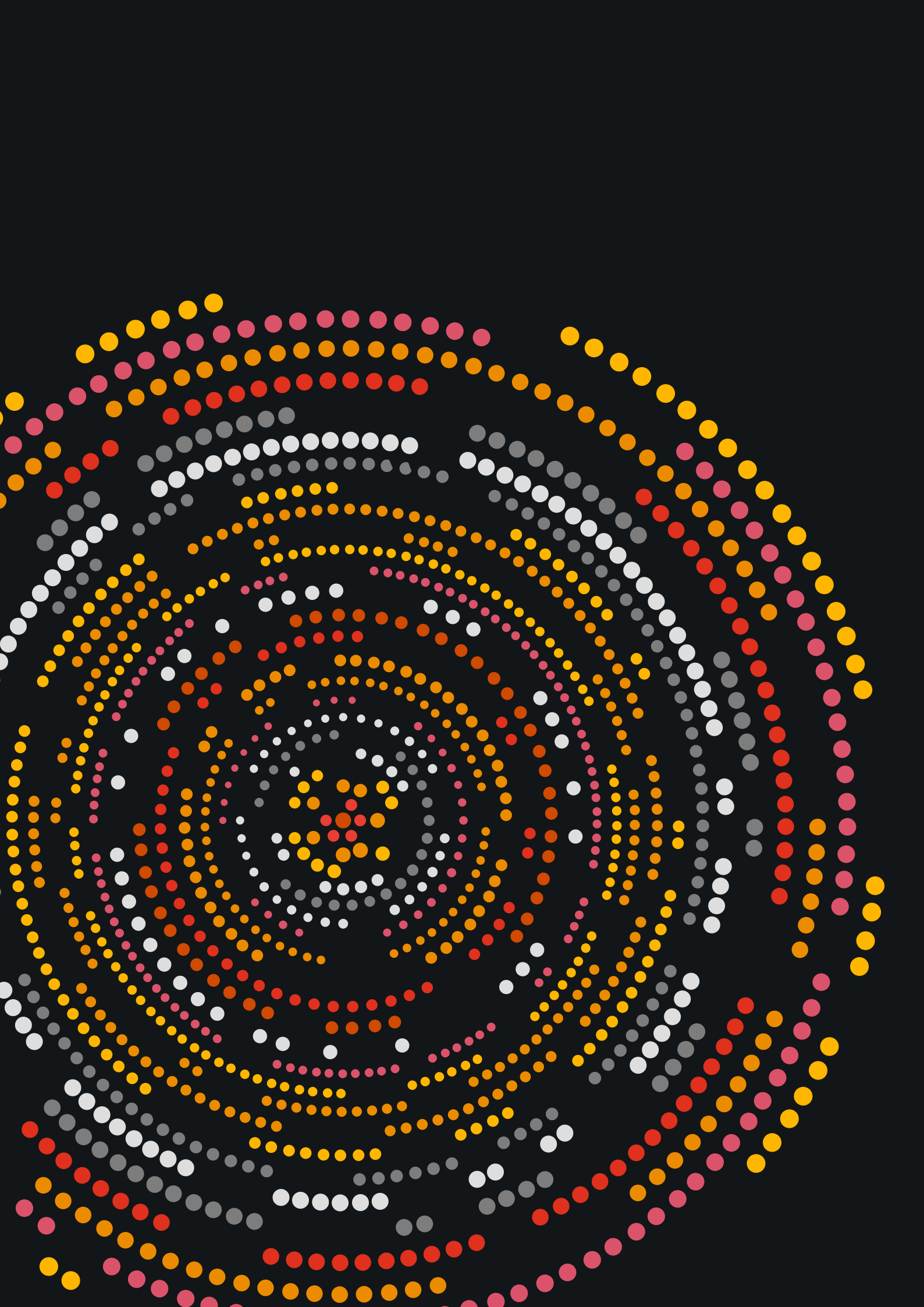


GenAI CEO survey

June 2024



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Introduction

2024 is the year in which Generative AI or GenAI is entering the business world. From intelligently automated compliance processes to smart corporate chatbots that talk to your own data, the applications are leaving a distinct mark in Luxembourg's companies.

PwC Luxembourg has asked CEOs and leaders around the country about their experiences and plans regarding GenAI. We are grateful that 45 of them responded to our call, enabling us to get a detailed view over the whole sectoral landscape of the country. We compare their answers to 4,702 CEOs that PwC surveyed around the globe in 2023.

This maturity around GenAI keeps developing at an astonishing speed. The technology is increasingly incorporated into the tools that we use every day, from office applications to ERP systems and beyond. Likewise, the ease in which applications can be developed is improving by the day, with mature low-code platforms and secure cloud infrastructures powering corporate applications - including our own.

In this survey we can observe that Luxembourg's CEOs have high expectations towards the technology and how it can impact their competitiveness, even being more optimistic than their global counterparts. At the same time the current level of maturity implies a significant need of investment in talent and infrastructure. In the following pages we will dig into the impact of GenAI and its perceived risks, while also providing an outlook on what may happen in the coming 12 to 36 months.



Most CEOs in Luxembourg and globally strongly believe that, in the long run, GenAI could have a material impact on efficiency and profitability gains of their organisation. It can also be a key ingredient to support business model transformation and reinvention. Still, there are hurdles and concerns to overcome.”

Patrice Witz, Advisory Partner,
Technology Partner and Digital Leader

The AI opportunity

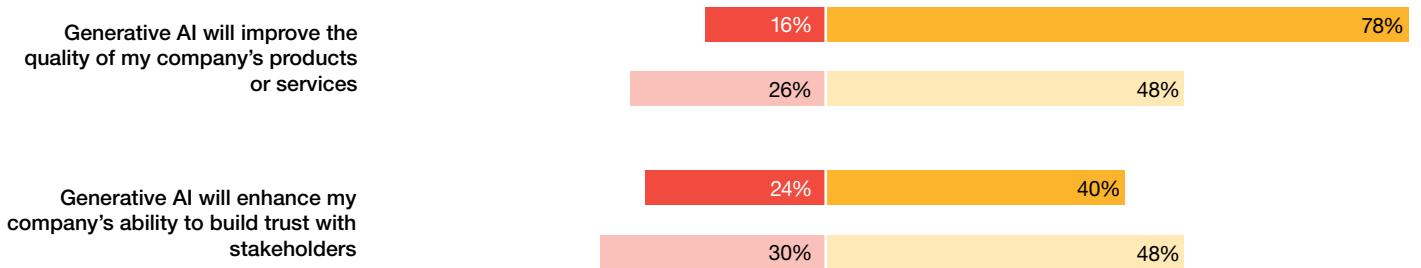
When looking at the existing maturity of companies around GenAI, the impact is so far limited, with only one in four of Luxembourg’s CEOs reporting on existing implementation of GenAI. The maturity is comparable to global companies, with slightly lower implementation, while strategic aspects are somewhat more developed.

Question: To what extent do you agree or disagree with the following statements about generative AI?

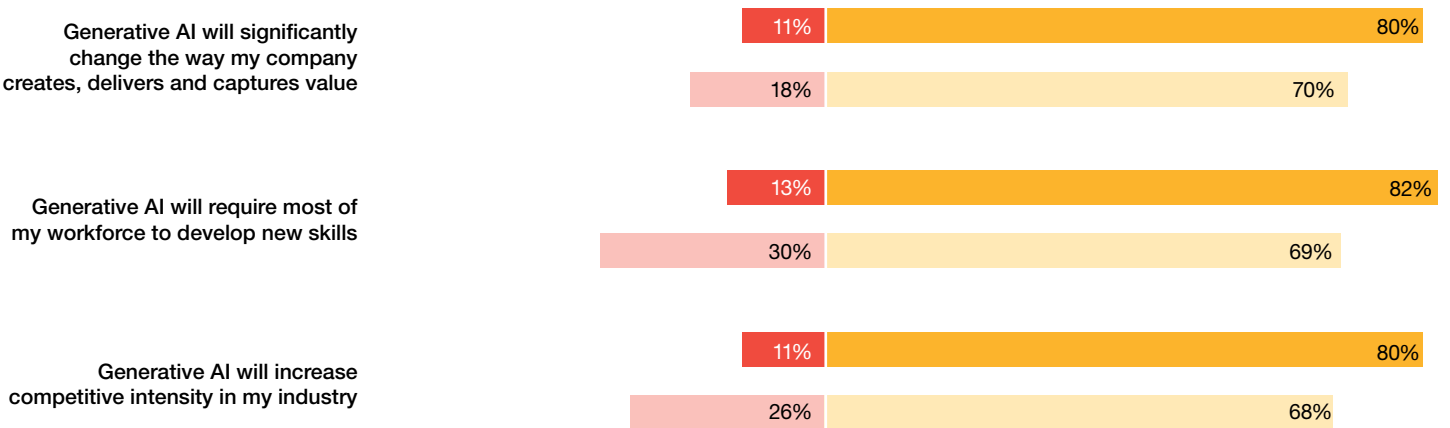
Last 12 months



Next 12 months



Next 3 years



Note: Disagree is the sum of 'slightly disagree,' 'moderately disagree' and 'strongly disagree' responses; Agree is the sum of 'slightly agree,' 'moderately agree' and 'strongly agree' responses. Percentages shown may not total 100 due to rounding.
 Source: First PwC Luxembourg GenAI CEO Survey, PwC's 27th Annual CEO Survey

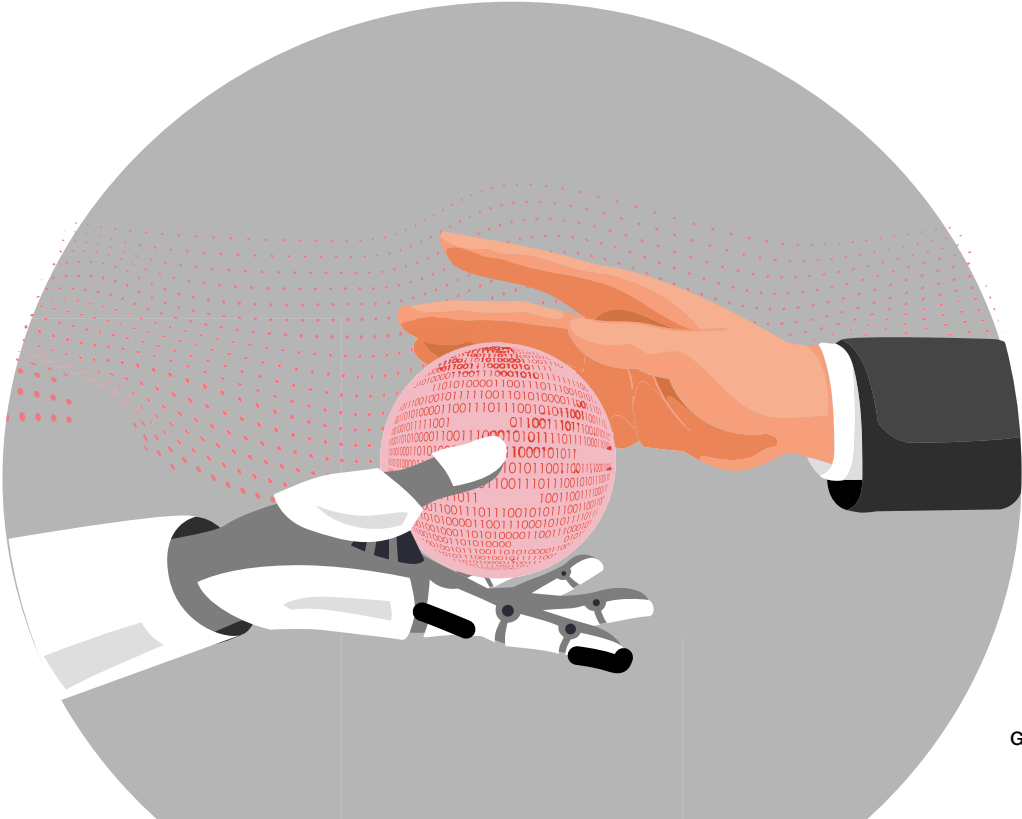
■ Disagree
 ■ Agree



This contrasts with the expectations in the coming months, whereas Luxembourg’s CEOs anticipate many positive near-term business impacts from GenAI. These include applications that increase revenues, such as through improved product quality and customer trust, as well as those that boost efficiency. A significant majority of our participants see GenAI as an opportunity rather than a risk, particularly with 78% anticipating an improvement in service quality, compared to only 48% globally. This is a testament to the significant impact of GenAI on Luxembourg’s economy that is driven by knowledge work, which is particularly impacted by this technology.

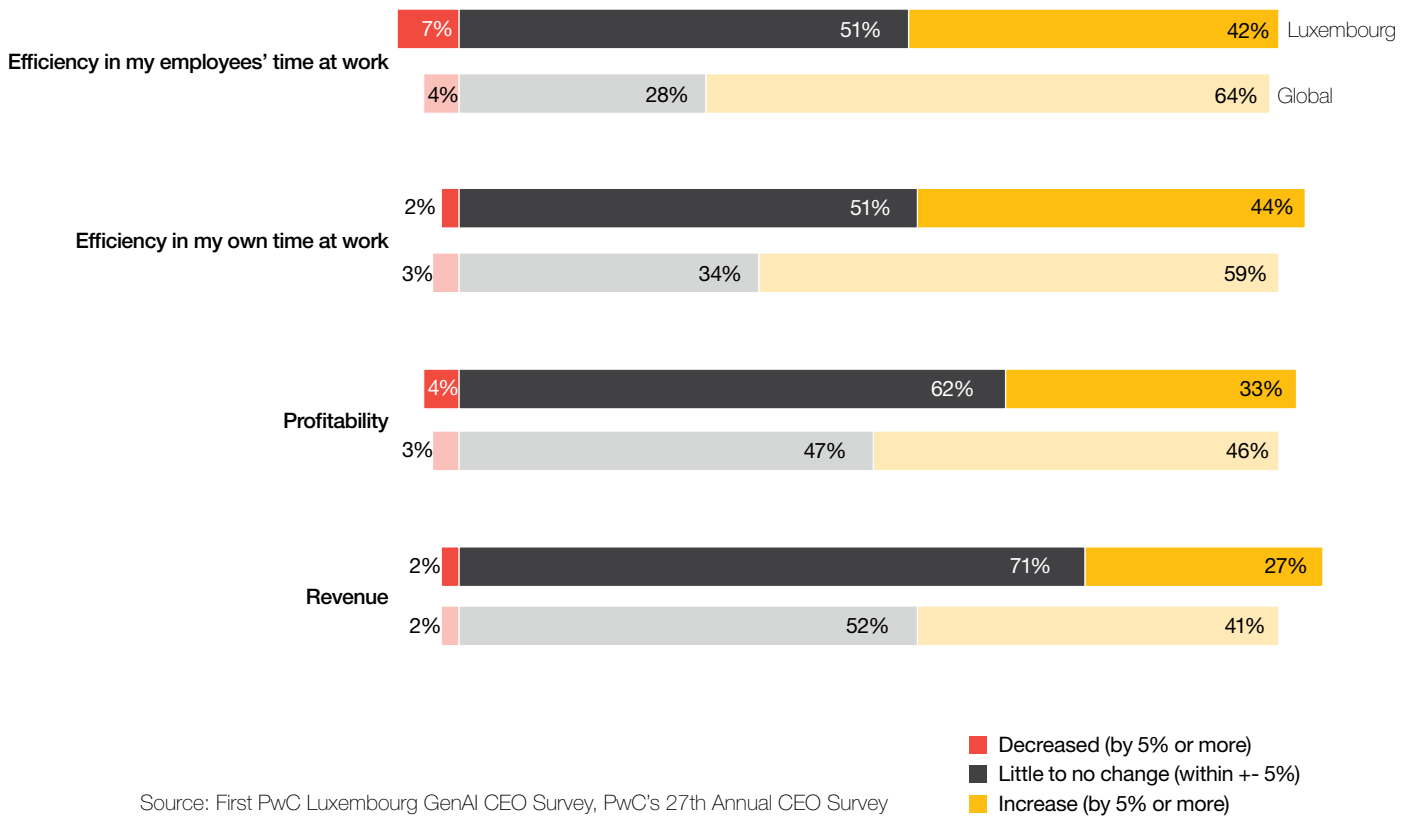
Looking at longer time scales, the effects of generative AI are still uncertain. Companies expect significant changes in value creation, skills need, as well as increasing competition in their sectors. This is mostly in line with global counterparts, while putting additional emphasis on the skills dimensions, where Luxembourg’s CEOs see an impact in 82% of cases, while globally it is only 69%.

These findings drive home the need for CEOs to bring their people along when it comes to generative AI. Being transparent, purpose-driven, and trusted regarding AI-related plans and decisions can help employees who are wary of AI (and what it may mean for their jobs) feel more comfortable experimenting—and innovating—with it. Ultimately, CEOs must embrace this as a new facet of their role: understanding, explaining and managing the inevitable tensions between short-term job losses and long-term job creation potential from GenAI.



Impact of GenAI on organisation

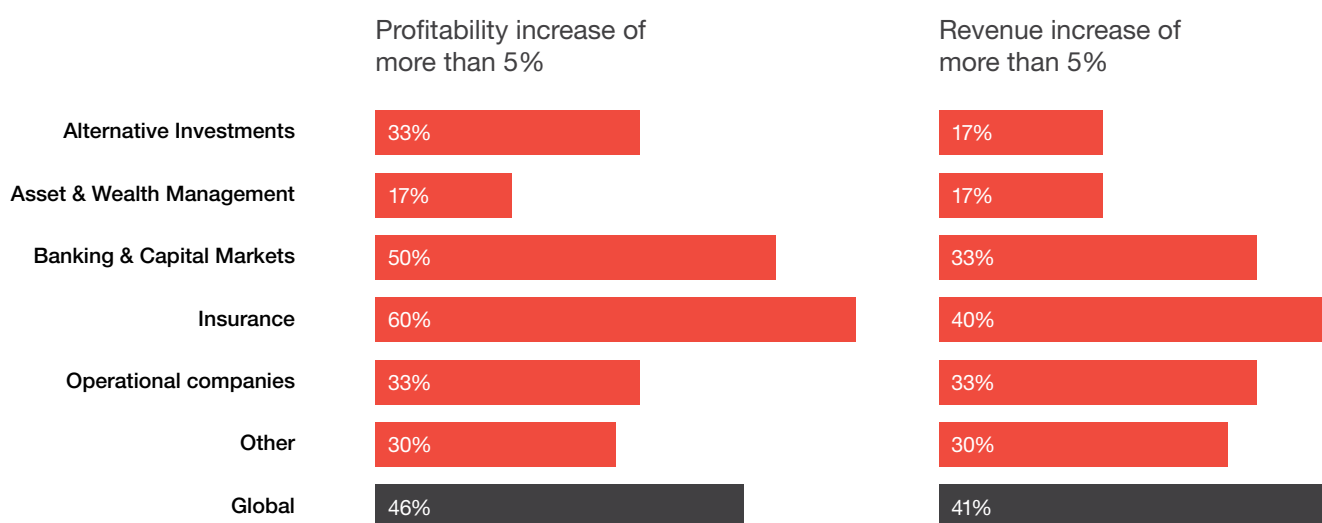
Question: To what extent will generative AI increase or decrease the following in your company in the next 12 months?



CEOs in Luxembourg see a significant impact of GenAI on their organisations. More than 40% expect a significant efficiency improvement of their employees', as well as their own time spent during their daily work. However, global CEOs are even more optimistic, with 64% expecting higher efficiency of their employees. We further looked into the sectors of Luxembourg and found that two-thirds of executives in Alternative Investments and Insurance expect time savings from GenAI, while Operational companies and Banking & Capital Markets are wary, some even predicting productivity loss. This variance is attributed to sector-specific challenges in automation, with compliance-heavy sectors likely benefiting more.



Insight: Detailed view of the different sectors in Luxembourg on financial impact of GenAI.



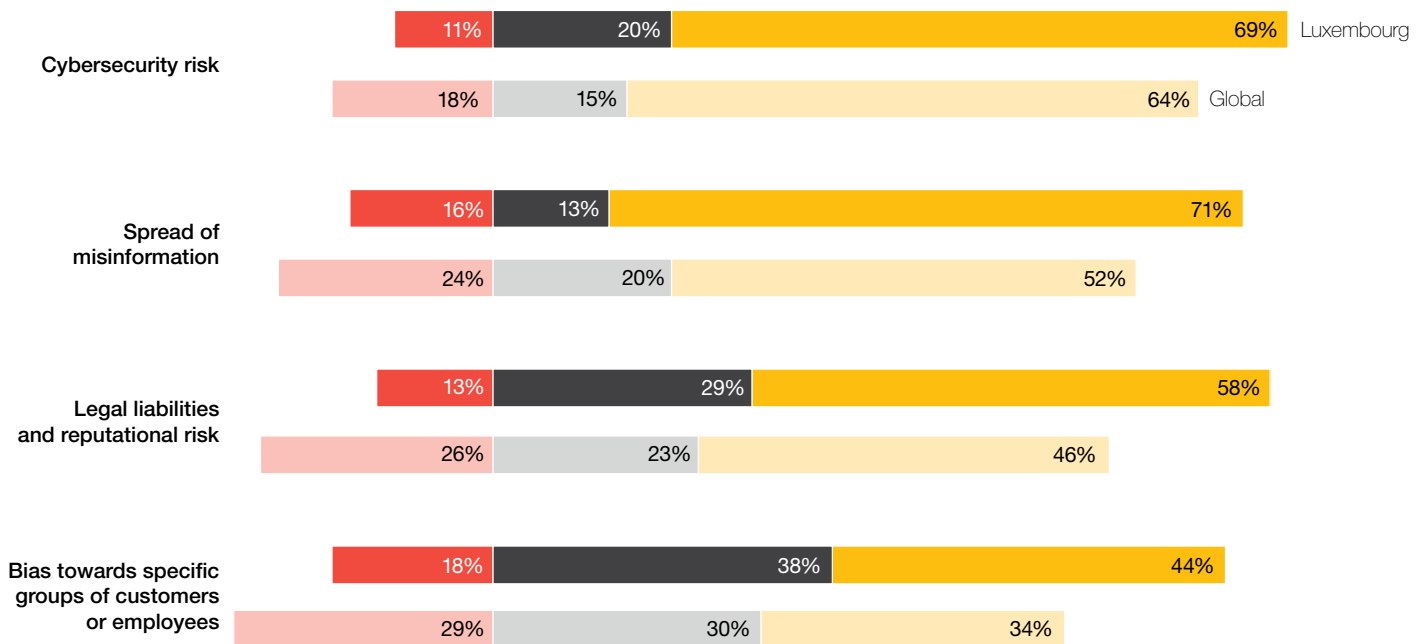
Source: First PwC Luxembourg GenAI CEO Survey

Luxembourg's CEOs generally foresee increased profitability, with strong variety between sectors, from 60% expecting a strong benefit in the Insurance sector, while for Asset & Wealth Management it is only 17%. About one in four see a revenue increase of more than 5%, while profitability is expected to grow more significantly. They are less optimistic than their global counterparts, where 46% expect significant profitability increase. There is a notable detachment between the expected optimism on new services and products and the impact on their organisation's financials. Luxembourg's CEO should take steps to anticipate this in their strategy to ensure that the benefits of GenAI are achieving their optimal benefit.

Perceived risks of GenAI

GenAI misuse has surfaced in media, with incidents including fabricated legal cases and deep fake scams costing companies millions around the world. Luxembourg's CEOs are concerned about the amplified risks presented by GenAI, in particular around cybersecurity and the spread of misinformation. The latter is more pronounced in Luxembourg compared to the global counterparts, with 71% of our respondents seeing the potential challenge.

Question: To what extent do you agree or disagree that generative AI is likely to increase the following in your company in the next 12 months?



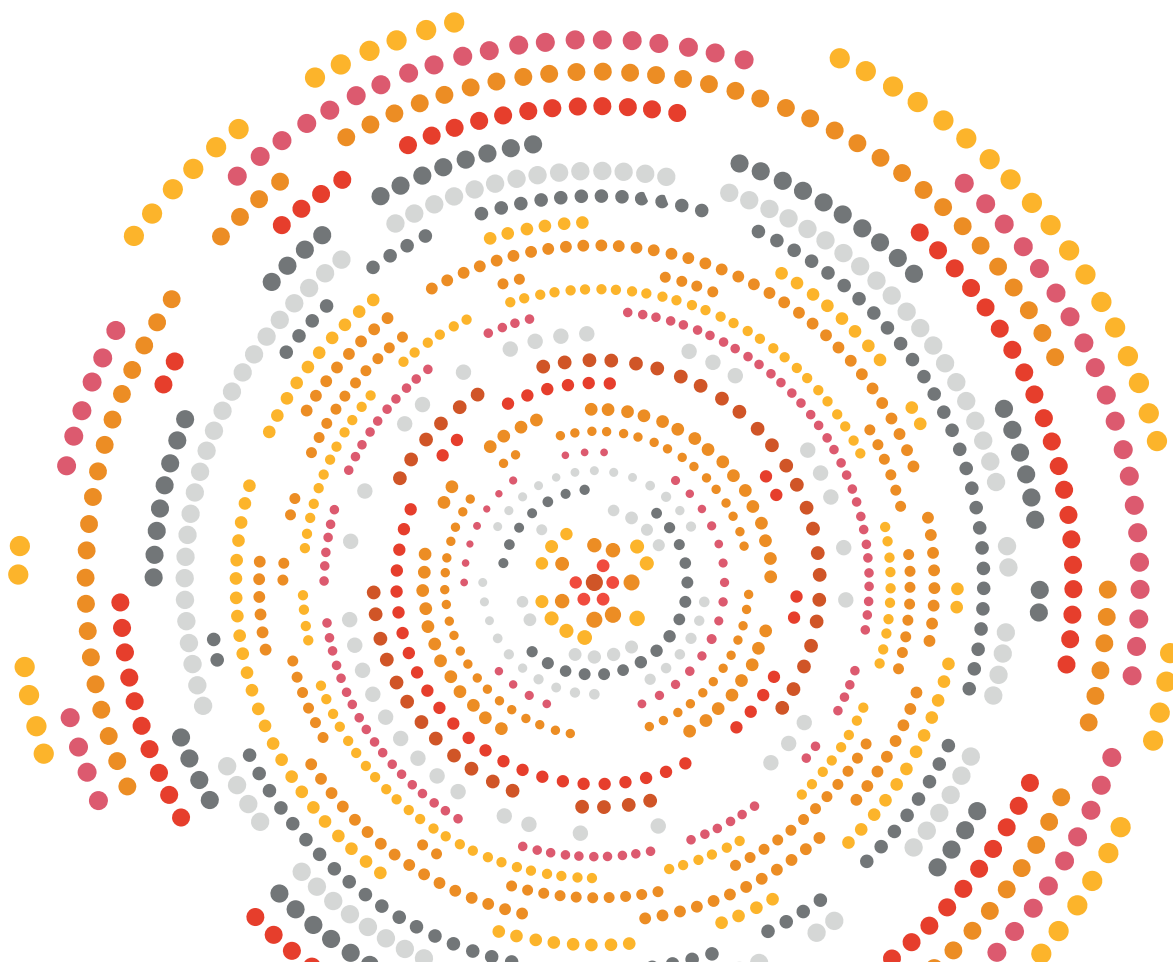
Source: First PwC Luxembourg GenAI CEO Survey, PwC's 27th Annual CEO Survey

■ Disagree
■ Neither agree or disagree
■ Agree



There is also concern on ethical and compliance risks around GenAI within Luxembourg's companies. More than half of Luxembourg's CEOs expect GenAI to increase the reputational risk and cause potential legal liabilities. This is likely driven by recent developments of the EU AI Act, the European Law to regulate AI in European organisations. Also, bias is a concern of our respondents, even more pronounced compared to their global counterparts. Luxembourg's CEOs need to take into consideration the ethical impact of this technology and ensure appropriate governance in practical implementation.

Taken together, these findings underscore the societal obligation that CEOs have for ensuring their organisations use GenAI responsibly. Indeed, given the pace of innovation, much of the onus for managing this advancing technology falls to businesses. The implications of the EU AI Act have to be appropriately reflected to reduce the risks posed.



Your Next move

Luxembourg's CEOs, like their global counterparts, need to move fast, but move responsibly. They sense the transformative shift with GenAI, expecting significant business changes, but have a more pronounced risk awareness than global CEOs. This marks a departure from the cautious experimentation stance, we observed last year. Despite GenAI strategies being in early stages, CEOs have high expectations for its financial impact in the near term—they need to ensure that the necessary substantial strategic and technological investments are foreseen in their plans.

It is key to consider all risk dimensions of GenAI, beginning in your strategy and how it will affect almost all employees. Set clear, risk-based priorities and create internal controls that are rigorous, with special attention on your vendors and third parties. Don't forget your cyber programme, where you may enlist GenAI for cyber defence.

Luxembourg's CEOs clearly see GenAI as both an opportunity and a competitive threat. Compared to the 27th Global CEO Survey, Luxembourg isn't leading in GenAI maturity for 2024, but shows greater optimism for its economic potential. Critical decisions loom to realise these opportunities.



Methodology

In March 2024, we have surveyed 45 CEOs and Directors in Luxembourg about their experiences and expectations around GenAI. We covered the sectors of Asset & Wealth Management (12 respondents), Alternative Investments (6 respondents), Banking & Capital Markets (6 respondents), Insurance (5 respondents) and Operational Companies (6 respondents). Sectors with fewer than 5 respondents were grouped into the “Other” sector (including Public Sector, Healthcare, Technology, Professional Services).

We ensured a broad distribution of company sizes within the sectors, covering the full range of small organisations with less than 50 employees to large organisations with more than 1,000 employees in Luxembourg.

Contacts



Patrice Witz

Advisory Partner, Technology
Partner and Digital Leader
+352 49 48 48 3533
patrice.witz@pwc.lu



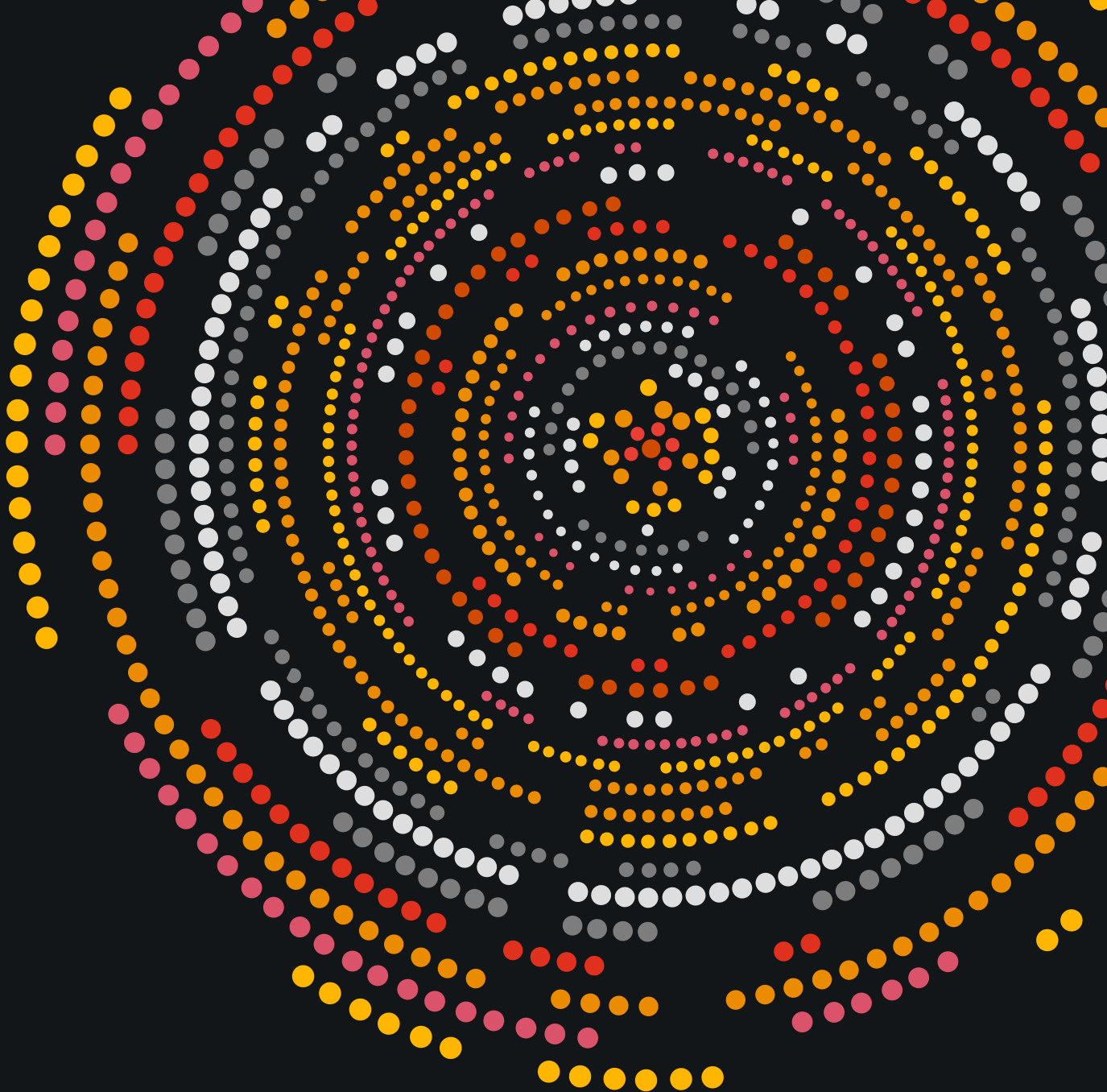
Thierry Kremser

Advisory Partner, Deputy
Advisory & Technology Leader
+352 49 48 48 2269
thierry.kremser@pwc.lu



Andreas Braun

Advisory Director,
AI & AI Lab Leader
+352 49 48 48 2366
andreas.braun@pwc.lu



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