

The Executive's Guide to Generative AI



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Why you need to buy into AI as an executive

We get why people are unsure about AI. Cryptocurrency never caught on like Big Tech had hoped, and the Metaverse didn't inspire much other than a name change.

But the boom for AI is undeniable.

It took only 2 months for ChatGPT to get to 100 million users - compared to 9 months for TikTok and 2.5 years for Instagram. Autonomous coding agents can now write, test, and deploy code independently. NVIDIA is investing billions in all-purpose AI processing chips to run the infrastructure for AI products.

This is because, unlike the metaverse, AI is solving an acute problem: Consumers are faced with information overload, and AI provides

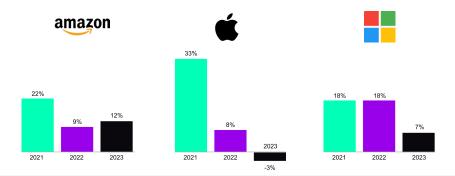
a significantly more efficient way to get information.

The result: An AI class is emerging. These are the people who will push through the friction of AI's early versions because they see that the benefits outweigh the cost. A, and they will be the people who get more raises, promotions, and projects to own over the next 12 months.

AI is still flawed and evolving so fast, it's hard to keep up. But the payoff in terms of productivity and the quality of work is real and almost immediate. This combination - difficult to master + high impact - makes it the career accelerant of the moment. Everyone will be using it in 5 years, so those who start using it today will have a significant advantage.

BIG TECH NEEDS THE NEXT BIG THING

Year-Over-Year Revenue Growth, by Fiscal Year Source: Seeking Alpha.



4 big reasons AI isn't going anywhere

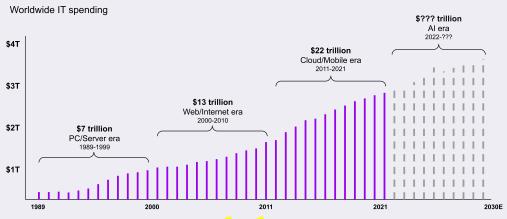
SILICON VALLEY WANTS US ADDICTED TO IT

Year-over-year revenue growth for big tech has been slowing over the last couple of years. These companies need to kickstart growth. Enter AI.

Every technological shift has unlocked massive B2B revenue growth. The launch of the PC/server drove \$7 trillion in B2B spending (and therefore revenue to vendors). The web/Internet era drove \$13 trillion in spending. And the cloud/mobile era - \$22 trillion. This decade, it will be AI. The rise of AI will mean a rise in B2B spending, which signals dollar signs to big tech.

EVERY TECHNOLOGICAL SHIFT UNLOCKS B2B REVENUE

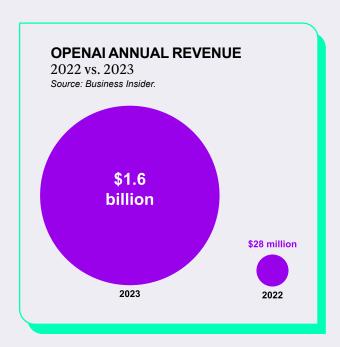
Source: IDC Worldwide Black Book Live Edition via Microsoft



Case in point: OpenAI's revenue grew from 28M in 2022 to 1.6B in 2023. Since then, Amazon launched multiple generative AI initiatives concurrently, according to the CEO. AI was mentioned 60 times in Alphabet's Q4 earnings call.

Every single one of Amazon's businesses has multiple generative AI initiatives going right now." Andy Jassy, Amazon CEO





Microsoft's pace of adoption was characterized as "frantic" by their CEO - as evidenced when they hired Inflection's co-founders and most of their team, leaving the consumer version of Inflection's Pi chatbot derelict.

If big tech is all in on AI, then AI is coming into your organization, whether you like it or not. This is already happening - Google's product suite is proactively pushing AI tools to users. Salesforce is already embedding AI in its products. And Microsoft is aggressively pushing copilot to its enterprise clients.

2 AI-NATIVE GENERATIONS ARE COMING

Today's teenagers are becoming proficient in AI at a rapid pace. 89% of college students have used ChatGPT to help with a homework assignment, and they're entering the workforce in 4 years or less.

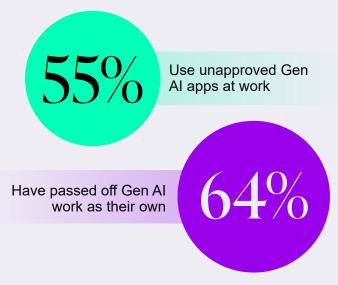
Hesitancy to adopt now might work in the short term. But as soon as AI-natives are available for hire, the need to tolerate skeptics will evaporate. In short, evolve or die.



3 YOUR WORKFORCE IS ALREADY USING IT, EVEN IF UNSANCTIONED

In a 2023 Salesforce study of 16,000 workers, 55% of workers admitted to using unapproved generative AI tools at work. 64% pass what it creates off as their own work. It's unlikely that they want to be deceitful - they probably just have no idea how you'd react.

Your workforce has found a more efficient way to do their jobs and they shouldn't be scared to admit it. They should be encouraged, especially because they're going to do it anyway.

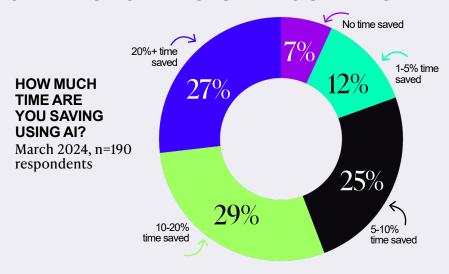


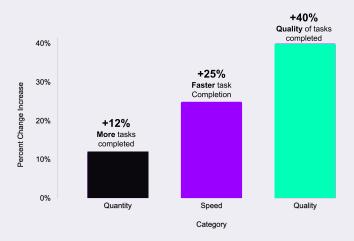
Source: The Promises and Pitfalls of AI at Work, Salesforce 2023

IT'S ALREADY MAKING COMPANIES MORE PRODUCTIVE & STRATEGIC

Numerous studies have proven the creative and strategic potential you'll unlock by using AI in your work:

In our own survey, 27% of respondents are saving 20% or more time at work by using off-the-shelf AI.





A study conducted by Harvard & **BCG** found significant increases in quantity, speed, and quality of work from those who use AI. The most significant improvement was seen in lower-performing participants, with a whopping 43% increase in productivity.

On average, your knowledge workers are costing you \$100 per hour. With generative AI making people 66% better at their jobs, think of how many of these expensive hours are wasted.

PER YEAR

/ TIME SAVED

DAYS SAVED PER YEAR

The average worker spends 1,800 hours per year working – assuming an 8 hour workday for 45 weeks in a year. Studies so far are citing 25-40% time savings for people using AI vs. people who don't - but being conservative, let's assume a 10% productivity gain. That's 22 days, or 3 weeks, per year that you get back to do other things.

MOST COMPANIES ARE SQUANDERING AI'S POTENTIAL

91% of respondents to our poll said they believe AI will have a huge impact on the way they work. And yet, only about a third said they use it everyday. That's wasted potential.

And that potential goes beyond copy generation and workflow automation. 79% of our survey respondents use it as a thought partner - perhaps its most powerful use case.

REAL WORLD EXAMPLES OF AI AUGMENTATION:

- Support agents equipped with AI could handle 14% more customer inquiries
- Business professionals using AI could write 59% more routine business docs
- Programmers who used AI could code 126% more projects per week

HOW ARE YOU USING AI TODAY?

March 2024, n=190 respondents Source: Section Al Readiness survey, March 2024.



As a thought partner Pressure test, brainstorm, get feedback or second opinion



As a creator Draft content



As an assistant Save time on repetitive tasks



As a researcher Analyze data and gain insights

At Section, we treat AI like a coworker. We ask it the same advice we would our human counterparts, we ask it for feedback, we ask it to review our work. Its flaws, such as hallucinations (we'll get to that in a minute), also tend to be much less of an issue when used in this capacity. It may have some of the same limitations as human collaborators, but it comes with a lot of added benefits.

Imagine having a teammate who...

- Knows all the Internet's information
- Learns incredibly quickly
- Is highly logical, data-driven, and unemotional when making decisions
- Is analytical + highly creative
- Is infinitely patient and eager to please
- Doesn't get tired or bored
- Can move across domains, functions, or disciplines seamlessly

That's AI.

What you actually need to know about how AI works

You don't need to know every technical detail of how AI works, but you do need to know enough to understand its limitations.

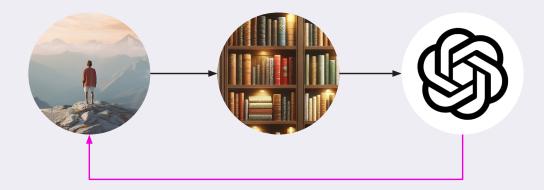
First it's important to understand what AI is not:

M A search engine. Lots of people start interacting with AI like Google - inputting a question and expecting an immediate, accurate answer. You won't get value this way - instead think of AI as a colleague. You can ask questions, but you'll need to ask follow up questions, clarify, and provide feedback on responses to get value.

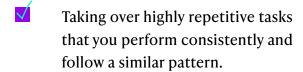
MOT Thinking on its own. Large language models (LLMs) like GPT by OpenAI and Claude by Anthropic aren't actually thinking. Instead, they're predicting. LLMs predict the next word in the conversation based on patterns they've learned from their training data set - huge volumes of information gleaned from the Internet.

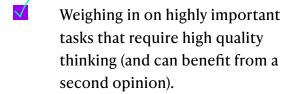
A source of truth. LLMs are really good at being creative with the data they have and they're biased toward pleasing us. Just like you would a coworker, take what you get with a grain of salt and verify.

LLMs have built up a statistical analysis of how words are connected. And because LLMs understand the relationships between words, they understand ideas. So if you give the LLM a lot of good context, it will generate a lot of good output.



WHAT ALIS GREAT AT DOING





WHERE AI CAN IMPROVE

- Occasionally makes surprising mistakes
- Makes up answers
- So eager to please, it may tell you what you want to hear
- Might perform great one day, and then terribly the next (on the same task)

Like you wouldn't judge a summer intern too harshly, don't scrutinize AI too much for making up answers and being eager to please. It's not lying to you - it's "hallucinating."

AI hallucinates when it can't determine an exact answer from its training data and tries to fill in the gaps from other patterns it's learned. When this results in an incorrect or unexpected answer, we call this a hallucination. This occurs 5-10% of the time, and is not always a total con.

HALLUCINATION BENEFITS

- Creative solutions
- ▶ Unique or personalized perspectives
- Insightful ideas and thought partnership

HALLUCINATION DOWNSIDES

- Requires verification before publication
- Difficult to verify output if you aren't an expert
- Bad or costly decisions due to face answers

Even with the periodic hallucination or bad answer, AI is still able to augment people at an undeniable rate. Those in the AI class see the benefits through the occasional friction, and this is what makes them stand out: They'll push past the point where most people bail and reap the rewards.



WHAT THIS MEANS FOR YOU AND YOUR TEAM:

- Get good at giving AI a great input in order to get a great answer.
- Always ask AI to explain its reasoning or cite its sources.
- For high-stakes decisions, verify AI's answer with another AI or a good ol' fashioned human.

Terms you'll hear a lot

Silicon Valley is notorious for developing a new vocabulary for a new technology (making those of us that don't speak this language nervous and less confident). AI is no exception – so here are terms you'll likely hear, and what they mean.



Large language models (LLM): An advanced computer program trained on vast amounts of text data, enabling it to understand and generate human-like language.

Natural language processing (NLP): A field of artificial intelligence focused on enabling computers to understand, interpret, and generate human language.

Chatbot: A computer program designed to simulate conversation with human users.

Machine Learning (ML): A subset of AI that involves training computer systems to learn from data and improve their performance.

Algorithm: A set of step-by-step instructions or rules followed by a computer to perform a specific task.

Prompting: Instructions or examples that guide an AI model in generating desired responses or outputs.

Hallucination: When an AI model confidently provides factually incorrect or nonsensical information.

Tokens: A piece of information within a prompt, such as a word or character, often linked to the cost of processing data. That sentence was comprised of 25 tokens, for example.

Reinforcement Learning from Human Feedback (RLHF): An AI technique where machines learn and improve based on feedback provided by humans. Another way to say "keeping the AI honest"

Fine-tuning: Adjusting and refining a pretrained model using additional data to improve its performance on a specific task.

Multi-modal Al: An AI that can use multiple types, or modes, of data in tandem to better interpret context.

Neural Network: A computer system modeled after the human brain, composed of interconnected nodes (neurons) that work together to process information and make decisions.

Retrieval-Augmented Generation (RAG):

A technique that improves how AI models respond to queries by searching a large database for the most relevant information and then using this information as context to generate a response.

Agent: An autonomous entity, like a chatbot, designed to automate tasks, ° make decisions, or solve problems without the need for human intervention. 1 0 0 1 1 1 0 1 0 1

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You need to adopt AI yourself first

When introducing an AI policy for your company, you need to lead by example. Don't get into the mindset that your work is too complex for AI to do - because it's not. There are incredible individual gains to be had, even on the executive level. In fact, the best executives are already using it.

AI is a complex tool, so before you roll out a strategy for your org, you need to know how to use it yourself.

There will be some resistance from others in your organization – leadership and otherwise - around integrating AI, so be the model.



Want to learn more? Check out our post on Five AI Drills You Can Do Right Now

SETTING UP YOUR AI WORKSPACE

Not all LLMs do the same thing or have the same strengths. You may need to use different ones for different workflows.

	Rating (out of 5)	Our Unfiltered Take	
Chat GPT-4	****	The most advanced LLM right now, but also charges \$20/month. Responses can often feel "robotic" or like reading a textbook. New tools (Browse with Bing, Advanced Data Analysis, and DALL·E 3) provide the best range of capabilities. GPTs make a great addition to the offering.	
Claude Pro from Anthropic	****	Claude Pro offers access to Opus, the newest and fastest model with image interpretation capabilities, 5x higher usage limits than the free version, and priority access during peak times, all while maintaining the same conversational feel as Claude 2.	
Perplexity Pro	****	The gold standard on steroids with practically unlimited interactive searches — making it the go-to search companion. Get access to a wide range of models like GPT-4, Claude, Perplexity's in-house models, and Mistral's open-source model. Can now generate images from open source models and DALLE.	
Microsoft Copilot Pro (formerly Bing Chat)	****	The consistent citing of sources helps build trust in the information provided and image analysis is great. Can now generate images using DALL·E 3 and allows use of GPT-4 model for free. An overall better option than Gemini.	
Gemini Advanced (formerly Bard)	***	Gemini Advanced uses Google's Ultra 1.0 model and can handle more advanced tasks for reasoning, code generation, and creativity. Still great for writing and can run and edit Python code. Similarly priced to Claude and ChatGPT at \$19.99/month and includes a 2-month free trial.	
Chat GPT-3.5	***	Seems to hallucinate more than GPT-4, so use with caution and always fact check. The custom instructions feature in a free platform can make up for pitfalls.	

We recommend starting with GPT-4 and Claude.



HOW TO HANDLE SENSITIVE INFORMATION

You'll also need to decide how you want to handle sensitive information in your prompts. Several of the big players now allow you to disable chat history and opt out of sharing the data you input for training purposes. Some even offer private instances for enterprise clients.

All of these will require paid subscriptions. Pay them. Free AI tools only have access to older datasets, they're less capable, and not worth the cost savings. Have at least one or more paid subscriptions.

If you go with ChatGPT-4, you should set up custom instructions – Context about yourself that the GPT can reference across all your chats.

THINGS YOU SHOULD PROVIDE IN YOUR CUSTOM **INSTRUCTIONS INCLUDE:**

- Your role, company size, the industry you're in, and the kinds of resources you have.
- ► How you want it to behave as a strategic partner - such as risk tolerance, the level of creativity you're looking for, and how you prefer to receive your outputs (in tables, bullet point lists etc.)

HOW TO NAIL YOUR PROMPTING

"It's easy to bounce off AI if you don't like what it's giving you, but remember that it's responding to your inputs. Improving your prompting is the best way to improve its output.

So here are the basics you have to get down:

1. Give it very specific context

- Tell AI what your role is upfront so it can tailor its answers accordingly. E.g. "As the CEO of the company, write the opening statement for an upcoming all hands meeting."
- · Share any specific requirements on the tone, format, or length of what it creates. You can even provide examples it can base its output on.
 - E.g. "Create a one sentence mission statement similar to the following example..."
- Set limitations in terms of both content and logic. E.g. "Provide suggestions for a new product type, but don't suggest anything that requires engineering support."

2. Ask it follow up questions

- Ask it to explain its answer or the reasoning behind it, especially if it's providing any kind of guidance backed by data or law. Al can get things wrong, or even just operate off an assumption you don't want it to have.
- Ask Al to ask you questions about the context it needs. For example, if you're putting together a brief for a new product, ask the AI to interview you on what it needs to know about the product in order to write about it with the level of detail you want.

3. Organize your input

- Break things down into more digestible pieces to help the LLM parse your prompt.
- Use delimiters like hashtags and slashes or section titles to distinguish components of your prompt.
- List out the steps required to complete the task you're asking AI for help with.

EXAMPLE:

→ ### CONTEXT

I am the head of product and I am trying to create a new product type.

OBJECTIVE

Examine our company's current offerings and suggest additions to our product suite that won't require engineering support.

FIND YOUR USE CASE

The first step in identifying great AI use cases is understanding what AI is good at. Try out these exploration prompts that play on AI's six strengths.

Capability	Platform	Exploration prompt
Document upload	ChatGPT-4 or Claude	"Create an executive summary of this report." [attach file]
Image generation ChatGPT-4		"Create an image of a purple giraffe."
Image analysis	ChatGPT-4	"What type of dog is this?" [upload photo]
Web queries	ChatGPT-4	"How many users does ChatGPT have as of December 2023?"
Idea generation	ChatGPT-4	"Give me 5 ideas for high protein, gluten-free dinner recipes."
Data analysis	ChatGPT-4	"Calculate NPS from my customer survey data." [attach file]

Then audit your personal workflows to determine the greatest opportunity for augmentation.



Highly repetitive tasks that you perform consistently and follow a similar pattern



Highly important tasks that require high quality thinking (and can benefit from a second opinion)

Here are a few use cases to inspire you – for you, as an executive, and for the business:

PERSONAL USE CASES

- Creating board agendas, meeting minutes, and other documents
- ► Data visualization for performance meetings and presentations
- Summarizing meeting notes and pulling out key action items
- Workshopping scenarios and business strategies

BUSINESS USE CASES

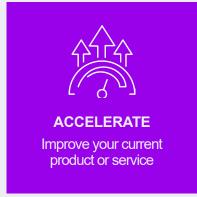
- Sales and financial forecasting and predictive analytics
- Risk management assessments using market trend data and competitive analysis
- ► Finance and expense analysis to detect anomalies and patterns
- Customer insights such as patterns, preferences, common behaviors



Build your AI business strategy

Once you've mastered AI yourself, you need an AI strategy for your organization. There are 3 operating modes for AI that we call the O.A.T. framework - Optimize, Accelerate, Transform.



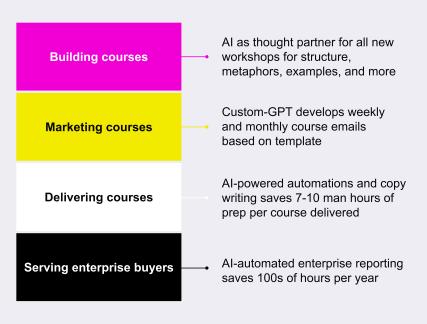


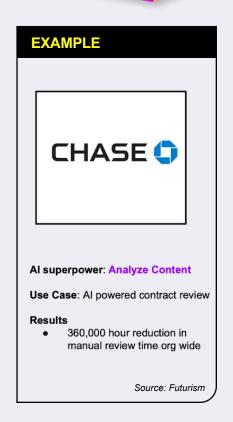


Optimize your current business by using AI to streamline your internal workflows for efficiency. These are things like using AI to generate content, ideas, or having it complete minor manual tasks. Success looks like increased output and satisfaction from employees.

HOW WE'RE OPTIMIZING AT SECTION

We currently have 50+ AI-enabled workflows already in flight across the business





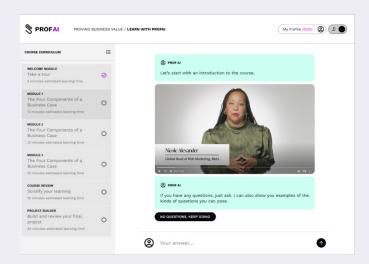
Accelerate is about making your existing product or service better. By compiling the metrics you're currently trying to drive - whether it be engagement, growth, or monetization - AI can help you brainstorm new ways to reach them. This will entail running prototypes and pilots.

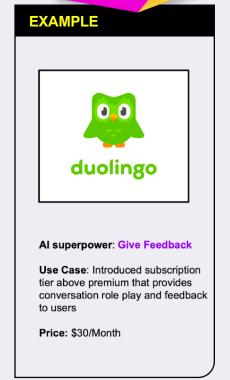


HOW WE'RE ACCELERATING AT SECTION

Al- Powered Learning experience

- Always-on TA support (24/7)
- Lessons and case studies personalized to user's situation
- Personalized project feedback





Transform entails creating a new product or service line for your business – such as new AIpowered products or services that could be built on top of your current offerings. You fall into this category if you're worried about the future of your company in an AI-first world, or if you see huge opportunity to reinterpret your business advantages for your audience.



Try this prompt to generate transformational ideas:

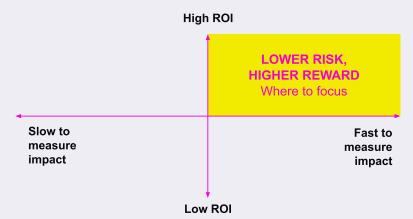
Acting as an advisor to my role as a [insert role] at a [insert company description]. My company sells [insert product/service description] to [target market]. I'm brainstorming ways to incorporate AI to create a new product or service line. Your goal is to propose AI solutions for a new business line that can generate high growth or high margins. Your proposed solutions should meet the following criteria. Your efforts should focus on creating a unique product or service that meets market demands and differentiates your business from competitors. Your proposed solution should have a budget of **up to \$1 million**, require a team of 10+ people, and have a pilot/prototype timeline of 1 year. The expected ROI for this optimization project is 100x, and the risk tolerance is high.

Before proposing solutions, ask me 5 questions about my business.

You and your team may come up with dozens of places where AI could have an impact using the O.A.T. framework. All of them may be viable but they may not all be worthwhile.

Look for ideas that have high ROI + are fast to measure impact. We use the framework below to measure the value of our ideas:

LOOK FOR IDEAS WITH HIGH ROI + **FAST TO MEASURE IMPACT**



CREATE A STRATEGIC AI POLICY

A great AI policy alleviates everyone's anxiety. You know your team understands the expectations and limitations around AI, and they know where the company stands on AI in the workplace.

Your AI policy should be comprised of 4 parts:

1. Your company stance on Al

This helps your employees understand the potential and risks of AI for your business, and how you're thinking about it at the highest level. Consider the threats and opportunities that AI poses to your business, how it will impact your customers, and how Al usage among employees will be regarded and rewarded.

2. Operating norms for how you use Al

These aren't regulations but rather a set of principles that guide internal day-to-day Al use cases. Think about what you do and don't want employees to use it for, what your stance is on using company data in Al prompts, and how you want to foster transparency and communication around Al tests and usage.

3. Clear policies and rules for Al usage

This section is where you define specific and tangible guidance around how AI is used. Try breaking it down into two sections: Rules for using AI in work, and red / green / yellow data policies. Get granular on which AI platforms you approve of and recommend, how Al usage will be tied to performance reviews, and what your "stop / pause / go" rules are around using data in AI prompts.

4. Real-life use cases from inside your org

Gathering examples of how AI is already successfully used in your company not only inspires further innovation, it creates an environment where people feel comfortable talking openly about how AI augments their work.

MEASURING THE ROI OF AI

First, let's talk about the total cost of ownership for AI. You need to consider potential operating costs on top of adoption costs. For most services, you'll pay a subscription fee per user, but those subscriptions often come with a quota for the amount of tokens you can use. In fact, OpenAI actually provides <u>pricing in units</u> of either 1M or 1K tokens.

Pay attention to these token quotas and additional token costs when calculating your total investment. If you choose a tool with a high total cost, AI will be reserved for high-value use cases, which is a loss of potential.

Then weigh those costs against your projected gains. A lot of these gains will be on the qualitative spectrum, which means this equation is not yet CFO-proof.



REVENUE

What quality / output will justify customer revenue?

What quality / output will reduce internal costs and improve margins?

COSTS

How much will it cost to serve this output (token costs)?

How much will it cost to verify this quality (human cost)?

But the long-term time savings will become evident over time, especially when measured against an employee's hourly rate and the amount of strategic work they're now able to do. And if you need evidence of revenue, there's plenty you can quote:

✓ Datadog CEO Olivier Pomel said "AInative customers" contributed 2.5% of their annualized revenue in Q3, around \$52 million.

✓ Canva says its projected \$1.7 billion in annualized revenue (a 21% surge since its prior forecast) can be attributed to its investment in AI.



The pushback you can expect, and the counterpoints you can give

As a leader, you can expect a bit of friction around adopting AI. You're going to hear skepticism like:



Pushback: Al makes things up.

Counterpoint: Al hallucinates, but that's not lying. When it's pushed outside the limits of what it can answer, it will confidently provide wrong information because it's designed to please us. We can anticipate these limitations and ask follow up questions.

Pushback: It's biased.

Counterpoint: It inherits biases from its data sources – meaning us. We can anticipate those biases, because they're ours, and untrain them from AI in a way that's more difficult to do with humans.

Pushback: Its knowledge is limited.

Counterpoint: That's true, it doesn't have all the answers because it's built on publicly available data. There's also some lag time with certain models, but GPT-4.5 Turbo and Gemini are solving that gap.. You can also feed it with as much internal data as you're comfortable with.

Pushback: It will take my job.

This one is likely the most common point of friction you'll face – employees concerned they're training their own artificial backfills.

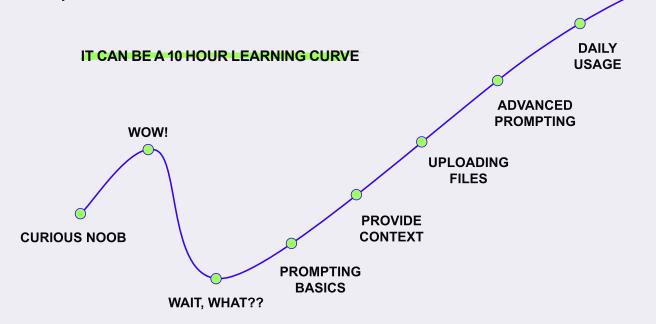
Fear around how the tool will be used may inspire them to "sabotage" the effectiveness of it. They may not give AI a fair chance and report pretty weak findings in the pursuit of solidifying their own value.

70% of U.S. college graduates say they get their sense of identity from their job. Introducing Al will endanger that sense of identity and introduce more stress.

Counterpoint: As a leader, you can take steps to build trust and convince your employees that their job-related self-worth does not need to be threatened. Creating an Al policy for your company will help comfortably communicate expectations around Al's place in the business.

Advice from a CEO

As a leader, reassure your employees that using AI will make them more valuable to the company, not less. Take a course, watch YouTube videos, just don't hit a slump and bounce off of AI. Plan for a 10 hour learning curve to get from curiosity to daily user, and anticipate that there will be peaks and valleys.



Then look for the high value use cases. I personally get the most out of using AI as a thought partner. Most people don't have someone they can go to for a different perspective. Not only is AI that, it can cross domains, disciplines, and industries. It can come at an idea from any angle, it's impartial, it's tireless. That's incredibly valuable.

In more macro terms, AI is bringing about a time of huge change in the world and we need to be leading in this moment. We need to be talking about AI and how we're using it. We should be encouraging other people to use it. We should be funding pilots. Anxiety is high around how this change will affect livelihoods, and silence is a breeding ground for assumptions. You have the power to lower their anxiety with transparency.

But there's a balance there that skirts around naivete. Big Tech is a driving force behind AI but they're not out to save the world. They want to make money. And while AI has the power to augment a lot of people, there will be job loss too. Some industries and positions will be ripe for replacements and we often don't want to admit this upfront because it validates fears, but that's the reality of change.

> – GREG SHOVE CEO of Section