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IECL DISCUSSION PAPER

The Future of Human Leadership

Recognising what matters most in human leadership as organisations increasingly adopt AI

INTRODUCING THE LEADERSHIP READINESS INDICATOR

PREPARED FOR THE IECL FUTURE OF LEADERSHIP SUMMIT

INAUGURAL EDITION · 2026

THE FUTURE OF HUMAN LEADERSHIP

Recognising What Matters Most in Human Leadership as Organisations Increasingly Adopt AI

Introducing the Leadership Readiness Indicator · Inaugural Edition, 2026

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This discussion paper is published to stimulate professional dialogue among business leaders, Chief People Officers and HR practitioners ahead of, and following, the IECL Future of Leadership Summit. It reflects research, client conversations and CPO Roundtable discussions current at the time of writing (August 2026) and is intended to provoke discussion rather than to state definitive conclusions. It does not constitute business, legal, financial or professional advice, and should not be relied upon as such.

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Foreword

A confidential forum across five roundtables, and one recurring question about the future of leadership.

This paper began, as most useful ideas do, in a conversation. Over the course of 2026, IECL convened a series of CPO Roundtables in Sydney and Melbourne, bringing together some of Australia's most senior people leaders to discuss a single question: ***how do organisations preserve, develop and amplify human capability in an increasingly AI world?***

What we heard back was not a technology story. It was a leadership story. CPOs wanted to talk about judgement, trust, burnout and what happens to a career when the first ten years of it quietly disappear, and about what it means to lead when the old scorecards no longer describe the job.

This paper draws on those roundtables, on our work with clients and coaches across the region, and on research from Gallup, McCrindle, PwC, McKinsey, Microsoft and others, all of it pointing toward the same idea: **as machines become more capable, the human being at the centre of the organisation becomes more valuable, not less**.

We have used it to introduce the thinking behind the emerging Leadership Readiness Indicator, a developing body of work identifying the human capabilities that will become increasingly important as organisations adopt AI. It is deliberately unfinished.

So, we offer this paper as a provocation, not a pronouncement. We hope it sharpens a few questions and gives you language for conversations you may already be having. Most of all, we hope you will debate it, with us, with your teams, and at the Summit, because that debate is precisely how this Leadership Readiness Indicator, and this Summit series, will get better every year.

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A message from our Chief Executive Officer

Every organisation I speak with is asking the same question in a dozen different ways: what do we do about AI? I want to suggest that's the wrong question, or at least an incomplete one.

The better question is: what does AI mean for the humans still doing the leading? AI can increasingly provide analysis, synthesis and recommendations, but human leaders must still interpret those inputs in context, weigh the consequences and trade-offs, decide what should follow, and remain accountable for that decision. The more AI informs decision-making, the more critical this exercise of human judgement becomes

I have spent this year in rooms with Chief People Officers, boards and executive teams across our region, and I have noticed the same pattern everywhere. The organisations moving fastest with AI are not the ones with the best tools. They are the ones with the clearest leadership: leaders who know what to automate and what to protect, who keep learning, and who hold the trust of their people when the ground shifts again.

This paper identifies that gap and introduces the Leadership Readiness Indicator to help organisations examine it. IECL has spent more than three decades helping leaders develop capabilities such as judgement, adaptability, and the courage to have a hard conversation well. What has changed is not the value of those capabilities, but their growing importance as AI becomes more capable, and the need to consider how organisations develop them deliberately and at scale.

This paper does not claim to have finished that work. It is deliberately a discussion paper, tested each year at our Future of Leadership Summit and refined through the conversations it provokes. I want to thank the Chief People Officers who gave us their time and candour across our Roundtable Series this year: this paper is built from what you told us. As AI changes what organisations can do, the more important question may be: what must leadership continue to bring? That is the conversation we hope this paper takes forward.



Martin Mercer
Chief Executive Officer, Scentia



EXECUTIVE SUMMARY

AI is not simply changing what leaders do. It is exposing what leadership was for all along, and what, underneath the technical work, was quietly holding the organisation together.

For decades, leaders have been valued for what they know, the decisions they make, and the expertise they hold. Artificial intelligence is changing all three.

AI is not simply changing what leaders do. It is exposing what leadership was for all along, and what, underneath the technical work, was quietly holding the organisation together.

As machines increasingly perform routine cognitive work, such as analysing, drafting, summarising and predicting, they provide more of the inputs that inform organisational decisions. Human leaders must still interpret those inputs in context, weigh consequences and trade-offs, decide what should follow, and remain accountable for the outcome. This is the central debate of this paper: as artificial intelligence expands across organisations, particular human capabilities become more consequential, not less.

This raises five questions that every executive team we spoke with in 2026 is wrestling with in some form:

- What capabilities will define effective leadership from here?
- How should organisations redesign work rather than simply automate it?
- How do organisations preserve and deliberately develop sound human judgement as AI provides more of the analysis and inputs to decision-making?
- How should organisations rethink executive leadership development, including the role of coaching, as these capabilities become more critical?
- What does the Chief People Officer become when their brief expands from managing people to architecting human-AI systems?

These questions, drawn from IECL's 2026 CPO Roundtable Series, from client conversations across Australia, and from the wider global research reviewed in this paper, form the spine of the discussion that follows.

AT A GLANCE

Global employee engagement has fallen to 20%, its second consecutive annual decline.
Gallup, State of the Global Workplace, 2026

58% of current work hours across Europe could theoretically be automated. The remainder demands judgement, adaptability and contextual reasoning that AI cannot yet supply.
McKinsey Global Institute, 2026

71% of workers are already integrating AI into their workflow in some capacity.
McCrindle Research, Trends of 2026

Among employees in organizations that are investing in AI, those whose manager actively supports their team's AI use are 8.7 times as likely to say AI has transformed how work gets done in their organization.
Gallup, State of the Global Workplace, 2026

AI-exposed junior roles are 7x more likely to require skills traditionally expected of senior workers than those with the lowest AI exposure.
PwC, 2026 Global AI Jobs Barometer

Reframing the Central Question

Early drafts of this paper asked what becomes more important about being human as organisations become increasingly intelligent. It is a fair question, but on reflection it points the paper in the wrong direction. Organisations do not become intelligent; they adopt tools that are. Therefore, the more precise, and more useful, question is this:

> ***"What becomes more important about being human as organisations increasingly adopt artificial intelligence?"***
>
> — The question this paper is built to answer

This paper introduces the thinking behind the emerging IECL Leadership Readiness Indicator, intended to identify capabilities that may become increasingly important as organisations adopt AI and, over time, support future benchmarking.

The Leadership Readiness Indicator is deliberately a beginning, not a conclusion. It will be tested, debated and refined through IECL's Future of Leadership Summit, its CPO Roundtable Series, future research and the leadership-development practices explored in this paper.

Five propositions run through the paper, developed further in the chapters that follow:

- As AI becomes more capable of generating analysis, insights and recommendations, human judgement becomes more critical.
- Organisations that redesign work will outperform those that simply automate it.
- Learning becomes continuous rather than episodic.
- As access to AI becomes more widespread, human capability becomes increasingly important to how organisations create value from it.
- Executive leadership development will need to evolve to deliberately build the human capabilities this transition requires, with coaching offering an important mechanism for developing them through reflection, practice and application.

Taken together, these propositions provide a point of view for discussion, not a finished answer. The Summit will test where they hold, where they need refinement, and what they reveal about the essential human qualities of leadership as organisations increasingly adopt AI.

A Discussion Paper, Not a Verdict

This is the first in what IECL intends as an annual series. It is written to be debated.

Each of the five chapters that follow corresponds to one theme in IECL's 2026–27 CPO Roundtable Series, namely Leadership, Capability, Work, Organisation and Competitive Advantage.

They move in the same order the conversation moved in the room: from the changing purpose of leadership to the strategic capabilities that purpose demands, to the redesign of work itself, to the adaptive organisation, and finally to what will differentiate businesses once every competitor has access to the same technology.

Chapters that draw on roundtables already completed (Leadership and Judgement) are grounded in direct CPO testimony. Chapters that draw on roundtables still ahead in the 2026–27 series as at the writing of this paper (Work, Organisation and Competitive Advantage) are necessarily more provisional, informed by research and early client conversation, and intended to be pressure-tested in the room before next year's edition.

Each chapter closes with the discussion questions IECL is using to open its own roundtable conversations. They are intended to prompt further reflection and discussion, at the Future of Leadership Summit and within your own executive team.

Notes for reading this paper:

- Shaded panels contain research findings and statistics, each attributed to its source.
- Quote panels carry direct reflections from CPOs and executives who took part in the 2026 Roundtable Series, alongside published perspectives from the wider research community.
- Discussion Question panels close every chapter and reappear, grouped by theme, in the executive discussion guide near the end of this paper.

A full list of sources is provided at the end of this paper for further reference and exploration.

Introducing the Leadership Readiness Indicator

IECL's emerging view of the leadership capabilities that may become more important as organisations adopt AI.

Drawing on research from existing global reports, and on insights gathered directly from Chief People Officers and clients through IECL's 2026 Roundtable Series, this paper introduces the thinking behind the IECL Leadership Readiness Indicator.

The Leadership Readiness Indicator is not, at this stage, a finished measurement model. It is the beginning of one. This paper's purpose is to surface the six capability markers now emerging most consistently from our research and roundtable conversations, so that the Future of Leadership Summit, the roundtables that follow it, and future research can pressure-test and refine them before any formal benchmarking approach is developed.

> Are we redesigning organisations for efficiency, or for enabling great leadership?

CAPABILITY MARKER	WHAT IT MEANS
Judgement	The capacity to interpret and contextualise AI-generated inputs, weigh consequences and trade-offs, decide well under ambiguity, and remain accountable for what follows.
Adaptability	The capacity to learn, unlearn and re-orient continuously, as the cornerstone capability of an organisation built for permanent change.
Human-AI Collaboration	The capacity to design work, not just adopt tools, so people and AI create more value together than either could alone.
Enterprise Thinking	The capacity to see and act on the whole system, not just a single function, role or process.
Trust	The capacity to build and hold psychological safety, transparency and accountability as the currency of an AI-enabled workplace.
Curiosity	The capacity to stay genuinely open, to experiment publicly, and to keep learning rather than defer to either certainty or the machine.

Running beneath all six markers and explored in its own right later in this paper, is a simple connecting idea: Are we redesigning organisations for efficiency, or for enabling great leadership? A set of markers are only as useful as an organisation's ability to develop against these. This is a systems design and development issue as much as it is a capability issue.

Each marker is explored more fully, with its own supporting research, in the Leadership Readiness Indicator chapter later in this paper. **The Leadership Readiness Indicator is proprietary IECL intellectual property, reviewed and refined annually. It is the first instalment in what we intend to be a five-year body of work examining how leadership capability shifts as AI reshapes organisations and developing the evidence base for future benchmarking.**



CHAPTER ONE
ROUNDTABLE THEME 1 — LEADERSHIP

LEADERSHIP IS CHANGING

AI is not simply changing what leaders do. It is changing what leaders are for.

For decades, organisations have optimised leadership around efficiency, expertise and decision speed. The best leaders were, often, the most technically capable people in the room, promoted because they knew more, decided faster and could be trusted to protect the details.

Those assumptions are changing, and the Chief People Officers we spoke with in IECL's first 2026 Roundtable were unambiguous about it.

Technical expertise, one participant told us, is 'no longer that conventional path to promotion' now that large language models replicate significant portions of the technical output that once justified a leader's authority. That shift is already exposing leaders who advanced on functional, technical depth of the role, but are struggling with the psychosocial load of modern leadership: the ambiguity, the change fatigue, the sheer volume of judgement calls now landing on their desk.

The research bears this out. Microsoft's 2026 Work Trend Index asked which human skills matter more as AI takes on more of the work. Quality control of AI output and critical thinking topped the list, well ahead of technical fluency with any particular tool. Korn Ferry's own analysis reaches a similar conclusion from a different angle: 73% of talent acquisition leaders now believe AI success depends less on technical know-how and more on critical thinking and problem-solving.

> *"Being a leader might mean doing less of the technical work you love, and more of everything else."*
>
> CPO, IECL ROUNDTABLE, SYDNEY, MARCH 2026

AI is not devaluing expertise; it is concentrating value around trusted expertise.

PETER WHEELER, PwC AUSTRALIA, 2026 GLOBAL AI JOBS BAROMETER

From Soft Skills to Human Skills

One of the clearest shifts to emerge from our Roundtable Series is linguistic before it is strategic, and language matters more than it might seem. CPOs described an intentional move away from the phrase 'soft skills' altogether. As one put it plainly: 'soft skills… are now human skills.' Several organisations represented at the table have already embedded critical thinking as a core capability in performance reviews and short-term incentive design, treating it as seriously as any technical KPI.

This is more than rebranding. It reflects a genuine reordering of what leadership pipelines need to produce. Curiosity, connection, empathy and systemic thinking are no longer framed as pleasant-to-have adjuncts to 'real' capability. They are becoming the-capability, the raw material from which leadership development must now be built.

Change Becomes the Job, Not an Event

CPOs also pushed back, consistently, on traditional 'change management' framing. 'Change is continuous and multi-layered,' one told us. 'If you're doing your job, you're doing change.' Several organisations have replaced balanced-scorecard leadership expectations with a simpler frame: respond, adapt, drive. It is built around the idea that change is now a baseline condition of the role, not a project with a start and end date.

This has direct implications for how organisations build leadership pipelines. Foundational management gaps persist even in the most AI-forward businesses: goal setting, structured performance conversations, and basic management rhythm. The 'mate to manager' transition remains fragile, precisely when new leaders can least afford to get stuck in the weeds. Leadership pipelines need to build experience, human capability and systems thinking deliberately, not assume technical mastery will carry a leader through.

Who Owns the AI Conversation?

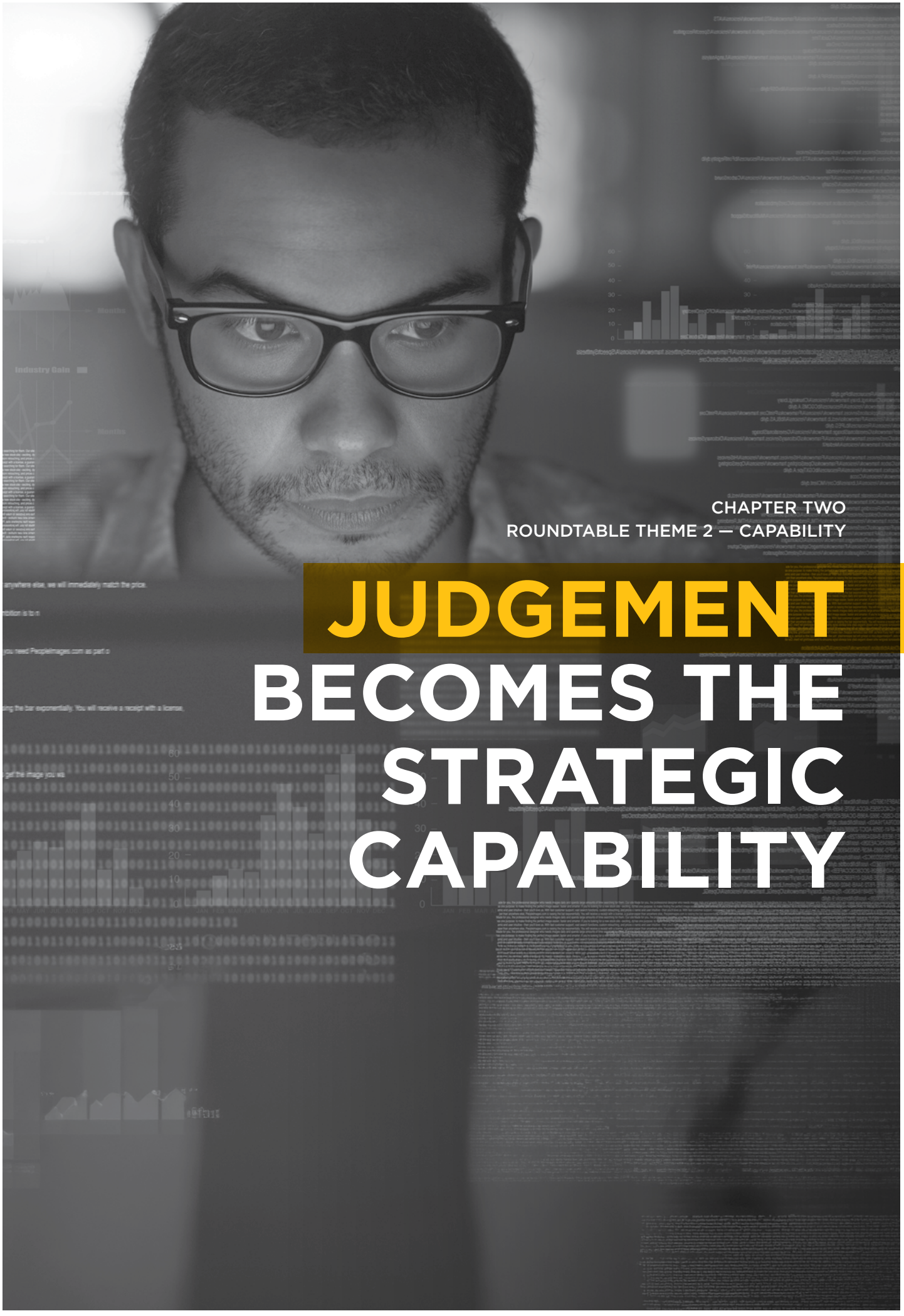
Perhaps the most provocative moment from our first Roundtable was a direct challenge to convention: if AI is fundamentally a human and organisational change, should the CEO–CTO pairing continue to own it? For a growing number of the CPOs in the room, the answer was no. 'I'm the prime executive responsible for it,' one said. 'The CTO is on the steering committee, but I own it.'

That claim matters for this paper's debate. It signals that AI adoption is raising questions that extend beyond technology into human capability, culture, ethics and work design. It also raises a resulting executive question: what role should the Chief People Officer play in decisions about AI investment, capability investment, and the human consequences of adoption?



DISCUSSION QUESTIONS

- What work should leaders in your organisation stop doing?
- Which capabilities are becoming more valuable in your leadership pipeline, and which are you still selecting and promoting for out of habit?
- What assumptions about leadership, in your organisation, are quietly no longer true?



CHAPTER TWO
ROUNDTABLE THEME 2 — CAPABILITY

JUDGEMENT BECOMES THE STRATEGIC CAPABILITY

AI-generated analysis is becoming abundant. Human judgement is becoming more critical.

As AI becomes more capable of generating analysis, insights, options, and recommendations, leaders remain responsible for interpreting those inputs in context, weighing consequences and trade-offs, deciding what should follow, and remaining accountable for the outcome. Those responsibilities cannot be automated or outsourced, which is precisely why judgement becomes more critical as AI capability increases.

This was the explicit theme of IECL's second 2026 Roundtable, 'A Question of Judgement: Trust, Time and Burnout in the Age of Relentless Change,' and it produced some of the most candid conversation of the year. Leaders described a workforce under real cognitive and emotional strain, exercising judgement with less time, less certainty and, in many cases, less trust than they had a year earlier.

WHY JUDGEMENT IS BECOMING CRITICAL

86% of workers say they treat AI output as a starting point, not a final answer, and that they remain personally responsible for the thinking.
Microsoft, 2026 Work Trend Index

AI has enormous knowledge and zero context: it knows everything published, but nothing about a specific client's politics or a stakeholder's anxieties.
Duncan & Anderson, Harvard Business Review, 2026

Junior roles with the highest AI exposure are 7x more likely to require skills traditionally expected of senior workers than those with the lowest AI exposure.
PwC, 2026 Global AI Jobs Barometer

New tasks added to AI-exposed roles globally are 2.5x more likely to require human-intensive capabilities such as empathy, judgement and creativity.
PwC, 2026 Global AI Jobs Barometer

> *The biggest risk is using AI to make decisions.*

CPO, IECL ROUNDTABLE, MELBOURNE, APRIL 2026

Human Judgement Matters More as AI Advances

It is worth being precise about why. AI can summarise a situation, identify patterns, model likely outcomes, and generate recommendations. What it cannot fully carry is the organisational context in which a decision sits, the human consequences and trade-offs it creates, or accountability for what follows. Those remain the work of human judgement. As one HBR analysis put it, when hard skills and experience become easier to replicate, the differentiating qualities of leaders shift toward empathy, curiosity, learning ability, integrity and self-awareness. The best leaders of the AI era, on this view, will not be those who know the most, but those who learn fastest and judge most wisely.

Our Roundtable conversations added a harder edge to that research. Several CPOs raised the emergence of 'digital clones,' AI models trained on a leader's own language and decision patterns, intended to streamline approvals. The reaction in the room was telling: 'Where's the diversity? Where's the challenge?' A model trained to think like its leader will, almost by design, remove the friction that produces better judgement in the first place. Trust and psychological safety must be actively defended in these systems, not assumed.

Reflection as a Strategic Capability, Not a Luxury

If judgement is the critical capability, reflection is the discipline that builds it. It is also one of the first casualties of a workload compressed by always-on tools. CPOs described a workforce so time-poor that the space to pause, question, and reconsider a first response is disappearing exactly when it is needed most. Encouragingly, some organisations are responding directly: reintroducing 'analogue' thinking practices, and deliberately teaching junior employees how to think, not simply how to prompt.

This is also where executive leadership development has an important role to play, and where coaching, in particular, does some of its most concrete work. Coaching provides structured opportunities for leaders to form an initial view, use AI-generated analysis as an additional input, test assumptions, examine context and consequences, and explain the reasoning behind a final decision. It turns AI-assisted work from pure production into a development opportunity and gives leaders a concrete way to strengthen judgement that was once treated as instinctive rather than trainable.

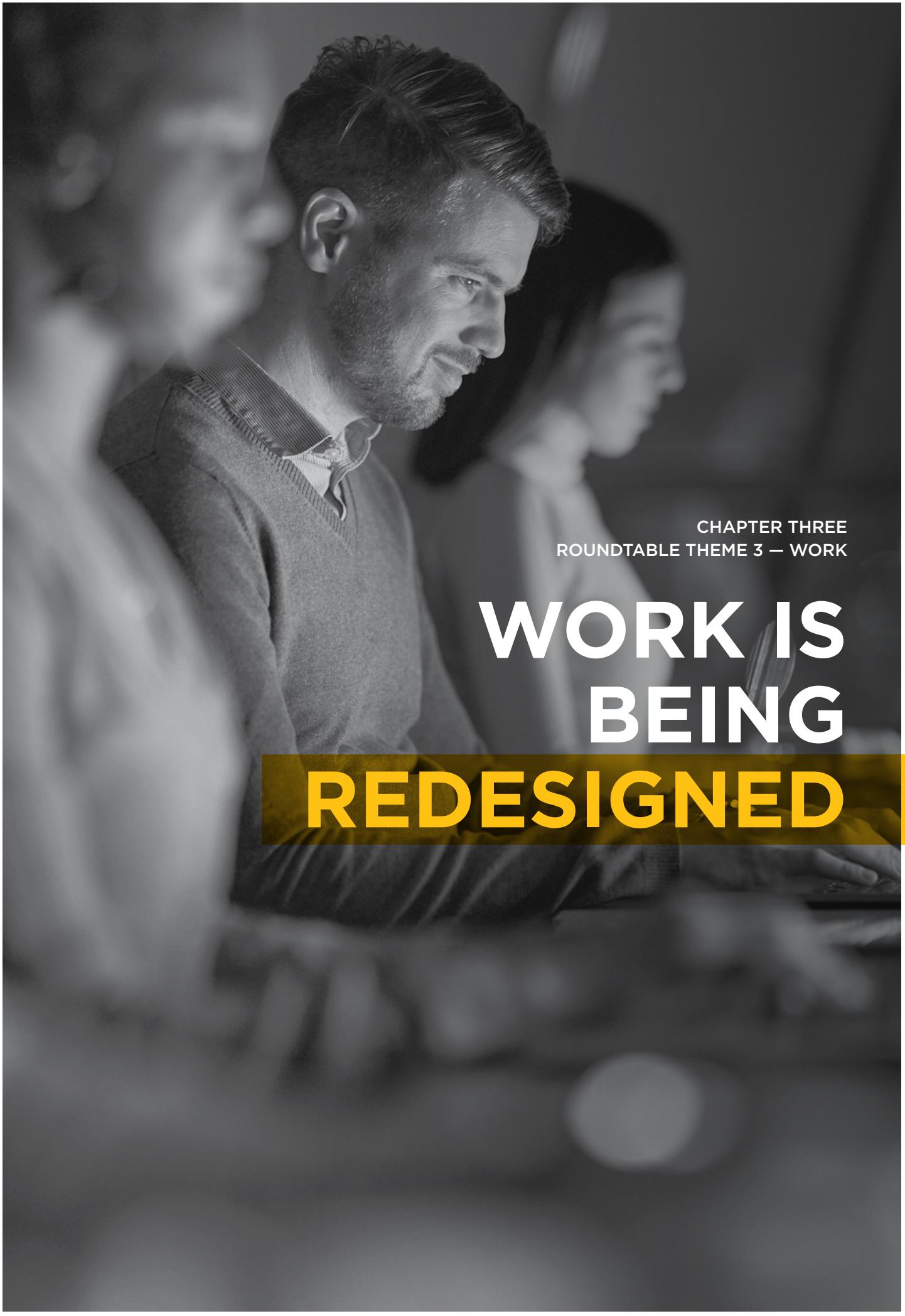
This also raises a longer-term capability question. If AI increasingly performs the foundational analytical and cognitive work through which people have traditionally developed expertise, organisations may need to reconsider how future leaders acquire the experience on which sound judgement depends. What should replace or redesign those developmental experiences is a question this paper takes forward rather than attempts to resolve.

This is also where executive leadership development has an important role to play, and where coaching, in particular, does some of its most concrete work.



DISCUSSION QUESTIONS

- As AI provides more of the inputs to decision-making, what must leaders continue to bring to ensure those inputs are interpreted, contextualised, and acted on with sound human judgement?
- What conditions in your organisation strengthen or weaken the reflection, challenge and accountability on which judgement depends?
- If AI performs more foundational analytical work, which developmental experiences will future leaders need in order to build sound judgement?



CHAPTER THREE
ROUNDTABLE THEME 3 — WORK

WORK IS BEING REDESIGNED

Most organisations are introducing AI into existing work. Few are redesigning the work itself.

This is not a subtle distinction. History suggests that transformational technologies rarely leave work unchanged. They reshape the work itself. Yet across the organisations represented in IECL's Roundtable Series, the dominant pattern in 2026 remains insertion, not redesign: AI bolted onto an existing role, an existing process, an existing job description, without anyone stopping to ask whether that role, process or description still makes sense.

The future organisation is unlikely to consist of humans simply supported by AI. It will consist of integrated human-and-AI systems. The organisations that get there first are not necessarily the ones spending the most on technology. They are the ones doing the harder, less visible work of redesigning how the work itself is structured.

THE SCALE OF THE OPPORTUNITY, AND THE RISK OF SKIPPING REDESIGN

58% of current work hours across ten European economies could theoretically be automated, unlocking up to US$1.9 trillion in economic value by 2030, but only if the remaining, judgement-heavy work is deliberately redesigned around it.
McKinsey Global Institute, Agents, Robots, and Us, 2026

A European telecom's AI customer-service rollout delivered only a 5% productivity gain without work redesign, and 30% once the company redesigned trust thresholds, escalation paths and human oversight around it.
Deloitte, 2025/2026 AI at Work research (as reported by Reworked.co, 2026).

88% of organisations now use AI in at least one function, yet only around a quarter have moved beyond pilots to capture tangible value.
McKinsey, cited in Shin & Sucher, Harvard Business Review, 2026

AUSTRALIA'S TWO-TRACK LABOUR MARKET

Half (50%) of advertised jobs in Australia are being 'Democratised' by AI, losing their most expert tasks to automation, while a quarter (24%) are being 'Professionalised' — gaining expertise as AI absorbs routine work.
PwC, 2026 Global AI Jobs Barometer: Australian Insights

Professionalised roles have seen 42% faster salary growth than Democratised roles since 2021, and are adding new skills at twice the rate.
PwC, 2026 Global AI Jobs Barometer: Australian Insights

What happens when two agents interact and collude?

CPO, IECL ROUNDTABLE, SYDNEY, MARCH 2026, ON THE GOVERNANCE QUESTIONS REDESIGN RAISES

From Workforce Planning to Work Design

The more useful workforce-planning question is no longer simply whether we have the right people with the right skills. It is a design question: which work should AI perform, which requires human judgement, which should be redesigned rather than simply eliminated, and where will the combination of people and AI create the greatest value?

Useful new vocabulary emerging from this shift includes human-AI work design, hybrid intelligence, and intelligent work, as distinct from the older, narrower idea of workforce planning. The World Economic Forum's own analysis points the same way, describing two new roles taking shape inside redesigned organisations, the AI work architect, who decomposes work and sets guardrails for how AI should be used, and the AI steward, who validates outputs and decides what gets accepted, rejected or escalated. AI may execute, but humans still frame, design, review and decide.

What Effective Human-AI Teams Actually Look Like

The organisations already ahead on this front are instructive. Hitachi Digital's AI HR agent, built with Ema and live within eight weeks, now serves more than 40,000 employees across roughly twenty systems, lifting HR operational efficiency by 70%. But Klarna's experience is perhaps the more honest one: after its AI assistant took over roughly two-thirds of customer service conversations in 2024, doing work equivalent of 700 full-time roles, the company deliberately reintroduced human agents in 2025, explicitly to blend AI's speed with human empathy. Redesigning work well means knowing when to bring the human back in, not just when to take them out. Over 2025, Australia followed the same trajectory: hiring of AI specialists grew by over 80% and AI 'user' roles more than doubled as organisations moved from experimentation to execution (PwC, 2026 Global AI Jobs Barometer: Australian Insights).

The New Role of the CPO in Redesigning Work

Historically, HR has focused on jobs, capability, and workforce planning as separate disciplines. Tomorrow's CPO is becoming something closer to an architect of organisational intelligence, a role explored more fully later in this paper, with direct responsibility for redesigning capability frameworks, career pathways, and leadership development for a genuinely blended human-AI workforce.

AI may execute, but humans still frame, design, review and decide.



DISCUSSION QUESTIONS

- Which work in your organisation should AI perform, which requires human capability, and where could combining the two create greater value?
- Are your current job designs still fit for purpose, or are they yesterday's roles with an AI tool bolted on?
- What principles should guide decisions about human and AI roles, decision rights and accountability in redesigned work?



CHAPTER FOUR
ROUNDTABLE THEME 4 — ORGANISATION

ORGANISATIONS MUST BECOME ADAPTIVE

The industrial organisation was designed for stability. The future organisation must be designed for continuous adaptation.

Of everything explored in this paper, this is the idea we would ask you to sit with longest. Adaptability is, in our view, the cornerstone capability of everything else in this Leadership Readiness Indicator, and one worth debating openly, because judgement, redesigned work and human advantage all depend on an organisation that can respond to change rather than merely announce it.

McCrindle's research frames the broader environment leaders are now operating in as one that must be sensed and shaped in real time, rather than reliably forecast or treated as fixed in advance, a useful corrective to organisations still planning as though next year will resemble a knowable extension of this one. It won't. And the organisations still running annual planning cycles, rigid hierarchies, and clearly bounded roles as though disruption is a phase to get through, rather than a permanent condition, are the ones most exposed.

because judgement, redesigned work, and human advantage all depend on an organisation that can respond to change rather than merely announce it.

ADAPTABILITY BY THE NUMBERS

Organisational factors, such as culture, manager support and talent practices, account for roughly twice the impact on AI outcomes (67%) as individual mindset or behaviour alone (32%).
Microsoft, 2026 Work Trend Index

Only around one in five workers currently sit inside a 'Frontier Firm' where capability and readiness reinforce each other; roughly one in ten are 'blocked,' skilled, but structurally unsupported.
Microsoft, 2026 Work Trend Index

Organisations that intentionally redesign work to combine human judgement, creativity and adaptability with AI—embedding psychological safety and clear human–machine interaction—are almost 2.5 times more likely to report better financial results.
Deloitte, 2026 Global Human Capital Trends

Only 27% of employees believe their organisation manages change effectively, even though a third experienced fifteen or more major changes in the past year alone.
Deloitte, 2026 Global Human Capital Trends

> *We need the dance floor and the balcony, but add a rooftop.*
>
> *When you're on the roof, you're looking out.*

DR STEPHEN GRAY,
IECL FUTURE OF LEADERSHIP
SUMMIT, 2024

From Change Management to a Learning System

Many organisations still treat change as a project with a beginning, middle and end. That assumption no longer holds. The more useful question is not 'how do we manage change?' but 'how do we build an organisation that learns continuously?' This means treating learning as infrastructure embedded in the flow of work, rather than a program delivered periodically and separately from it.

This is a genuine capability shift, not a training initiative. It requires leaders who create clarity, learning, and room for experimentation rather than certainty, because certainty is no longer a currency they can honestly spend. Systems thinking becomes essential here too: leaders who can see interdependencies across the organisation are far better placed to respond to initiative overload than those reacting to each change in isolation.

Culture as Adaptive Capacity

Perhaps the sharpest reframe to come out of our Roundtable Series concerns culture itself. Culture is often described as simply 'how we do things around here'. We think that definition has quietly become insufficient. A more useful way to see culture now is as an organisation's capacity to learn and adapt faster than the speed of change around it. On that definition, culture stops being a soft, background variable and becomes a hard, measurable adaptive asset, arguably the most important one an organisation has.

A more useful way to see culture now is as an organisation's capacity to learn and adapt faster than the speed of change around it.



DISCUSSION QUESTIONS

- What is preventing your organisation from becoming more adaptive: structure, incentives or leadership habit?
- How should learning change, in practice, if it is to become continuous rather than programmatic?
- How should leadership development support your organisation's capacity to learn and adapt continuously?



CHAPTER FIVE
ROUNDTABLE THEME 5 — COMPETITIVE ADVANTAGE

THE HUMAN ADVANTAGE

As access to AI becomes more widespread, access alone becomes less differentiating. The question shifts to what organisations are able to do with it.

Nearly every organisation now has access to increasingly capable AI models, platforms and tools. The emerging advantage is not simply who has AI, but how effectively an organisation can apply it. On the evidence explored in this paper, that depends in significant part on human capabilities that shape how AI-generated inputs are interpreted, contextualised and turned into action.

The highest-performing organisations of the next decade may not be those with the best technology alone. As access to AI becomes more widespread, human capability becomes an increasingly critical strategic asset because it shapes how effectively organisations use what AI makes possible. The capabilities most frequently cited by the CPOs and executives in our research are judgement, curiosity, trust, courage, learning agility, coaching capability, systems thinking, and enterprise leadership.

The emerging advantage is not simply who has AI, but how effectively an organisation can apply it.

THE COMMODITISATION OF TECHNOLOGY, AND WHAT REPLACES IT

Skills required in AI-exposed jobs are changing more than twice as fast as in less-exposed roles, and that gap has widened sharply (up 75%) over the past year.
PwC, 2026 Global AI Jobs Barometer

Skills rooted in leadership, communication and empathy are far less exposed to automation, meaning they are more likely to be augmented by AI than replaced by it.
McKinsey, Agents, Robots, and Us, 2026

Human skills are becoming more valuable, not less: occupations most exposed to AI are 2.5x more likely to rely on human-intensive abilities including empathy, judgement and creativity.
PwC, 2026 Global AI Jobs Barometer: Australian Insights

The next source of competitive advantage will not be artificial intelligence.

It will be human intelligence, intentionally developed.

IECL PROVOCATION FOR CPO ROUNDTABLE SERIES, FORUM FIVE – COMPETITIVE ADVANTAGE

Capabilities, Not Just Skills

It is worth being precise about the distinction, because it is doing real work in this paper. Skills do not do work; capabilities do. A capability is the integrated ability to perform meaningful work in context, combining knowledge, judgement, behaviour, technical fluency and execution under real conditions, not a checklist of individually certifiable competencies. That is precisely why capabilities are harder to automate than skills, and precisely why they are becoming the more valuable currency for organisations to invest in.

Human Capability as Strategic Capital

As technology becomes more widely accessible, organisations that treat human capability as a line item to cut whenever budgets tighten may be overlooking an important part of AI value realisation. Investment in judgement, trust and adaptive capability does not simply compete with AI investment; it can shape how effectively that investment is interpreted, applied and translated into organisational performance.

The Executive Leadership Development Challenge

This is where the paper's debate turns to development. If human capability is becoming an increasingly critical strategic asset, executive leadership development must respond. How do organisations strengthen capabilities that are developed through experience, reflection, practice and application rather than knowledge transfer alone? Coaching offers one important pathway, supporting development in the flow of work as leaders encounter and respond to real leadership challenges.

This Discussion Paper asks what executive leadership development now needs to enable, and the role coaching can play within it.

If human capability is becoming an increasingly critical strategic asset, executive leadership development must respond.



DISCUSSION QUESTIONS

- As access to AI becomes increasingly widespread, which human capabilities will most influence your organisation's ability to create value from it?
- How should your organisation identify, develop and invest in those capabilities?
- Which of these human leadership capabilities are best developed through coaching?

The Role of the Chief People Officer

Perhaps no executive role is changing more rapidly than the CPO.

Historically responsible for people strategy, capability and culture, the Chief People Officer is increasingly being drawn into questions created by AI adoption that extend beyond traditional HR boundaries.

These include capability design, work design, governance and the human consequences of AI-enabled change. They also raise a practical investment question: as AI funding sits across technology, transformation, and business functions, who owns the corresponding investment in human capability and leadership development?

THE CPO'S EXPANDING MANDATE

74% of Chief People Officers rank reviewing organisational structure and job design as their top workforce priority; upskilling, reskilling and supporting AI deployment follow closely at 70%.
World Economic Forum, Chief People Officers' Outlook, May 2026

Executives are roughly twice as likely as individual contributors to describe employees as enthusiastic about AI, a perception gap that bites hardest at the manager level CPOs are directly responsible for supporting.
BCG, cited in Shin & Sucher, Harvard Business Review, 2026

From Administering People to Architecting Systems

The Chief Human Resources Office (CHRO) is moving from administering people to architecting human-machine systems. Workforce analytics, AI-enabled talent assessment, human-AI collaboration design, and ethical AI governance are trending sharply upward in the CPO's remit. Traditional HR operations, routine policy administration and cultural stewardship as a purely qualitative, intuition-driven exercise are trending down, not because they no longer matter, but because they are no longer sufficient on their own.

This shift is already visible in title changes across the market: Chief People and Digital Technology Officer, Chief People and AI Enablement Officer, and expanded AI remits sitting inside existing CPO roles. Several of the CPOs in IECL's Roundtable Series raised a related idea directly. They pointed to the emergence of a 'Chief People and AI Officer,' explicitly designed to hold accountability for a function no single existing executive currently owns end to end.

A Credibility Test, Not Just a Capability Test

This expanded mandate arrives alongside a harder question several CPOs raised about their own profession: has HR consistently made the case that its core practices drive bottom-line results? Under AI-driven cost pressure, that credibility gap stops being an internal frustration and becomes existential. The CPOs best placed to lead through this transition are treating the AI conversation as an opportunity to finally close it, building the analytical, structural and governance credibility to sit at the table where AI adoption decisions are made, rather than being briefed on them afterwards.

Our Roundtable conversations suggest some CPOs are seeking a more direct role in the human and organisational consequences of AI adoption, in partnership with the CEO and technology leaders. The question is not whether the CPO should own AI, but where accountability for capability, work design, and the human impact of AI investment should sit.



DISCUSSION QUESTIONS

- Does your CPO currently sit inside AI adoption decisions, or downstream of them?
- What would it take for your organisation to treat capability design, not just workforce planning, as a genuine executive discipline?
- Who in your business is accountable for the human consequences of AI adoption, and do they have the mandate to match?

> ***If HR doesn't play a role, AI transformation will not succeed.***
>
> ***We are going to go back to the skills of the past: perception, emotional intelligence, in-the-moment negotiation and coaching, conflict resolution, all those things that tech will never do better than humans.***

UZAIR QADEER,
CHIEF PEOPLE OFFICER,
BBC, VIA PEOPLE MANAGEMENT,
MAY 2026

The Role of Coaching

Throughout this paper, one development question keeps returning: if judgement, adaptability, trust and curiosity become more consequential, how should organisations build them deliberately? Coaching is one established mechanism worth examining because it develops capability through reflection, practice, feedback and application in the context of live work.

Coaching can develop capabilities central to this discussion, including reflection, judgement, learning, adaptability, psychological safety and trust. These are not incidental benefits of a coaching relationship; they overlap substantially with the six markers proposed in the Leadership Readiness Indicator. That makes coaching a relevant part of the discussion about how these capabilities are developed, without assuming it is the only mechanism available.

Why This Moment Is Different

The leadership development challenge is changing as AI changes not only the work leaders do, but also some of the experiences through which leadership judgement develops. What has changed is the urgency, and the reason is structural rather than fashionable. As AI absorbs more routine cognitive and analytical work, the entry-level roles that once quietly taught judgement through repetition are eroding, deepening what Fernandez (2026) calls organisations' capability debt: the widening gap between the leadership judgement a business will need and what its shrinking early-career pipeline is actually building. **Entry-level roles were never primarily about output; they were about who those employees would become.** The Center for Creative Leadership's well-known 70-20-10 model holds that roughly 90% of how leaders actually develop happens through on-the-job experience, coaching and mentoring, not formal training (Center for Creative Leadership, n.d.). If AI changes the early-career experiences through which people have traditionally learned-by-doing, organisations will need to be more deliberate about how those developmental experiences are created elsewhere.

Coaching is one mechanism deliberately designed to create structured reflection, feedback and practice around live work. That makes it particularly relevant to judgement under pressure, but the broader question remains open: what combination of coaching, experience, mentoring, learning and work design will best replace developmental experiences that AI may change or remove?

THE SENIORISATION OF ENTRY-LEVEL WORK

> **Among the most AI-exposed entry-level roles, those demanding more new senior-level skills grew 35% in job postings between 2019–2025, while other junior roles in the same exposure band declined 10%.**
> *PwC, 2026 Global AI Jobs Barometer: Australian Insights*

Some organisations are already redesigning around this. From 2027, every graduate joining PwC Australia's Early Careers Program will take part in a three-day immersive AI experience, combining hands-on work with real client scenarios, responsible AI practice, and the human skills that define professional readiness in an AI-enabled environment, the goal being to build trusted habits early, which compound across a career.

WHERE AI AND COACHING NOW MEET

AI is already expanding access to coaching, acting as a thought partner and reinforcing, rather than replacing, human coaching relationships, while changing how coaching is delivered and who can access it.

IECL CPO Roundtable, Melbourne, April 2026

AI performance-management agents can provide a constant flow of feedback, coaching and development advice.

Oracle, The CHRO's Guide to Evolving AI, 2025

Coaching as the Missing Layer for Middle Managers

The pressure point is sharpest in the middle of organisations. Middle managers are increasingly expected to coach a brand-new analyst who may have had less exposure to building work from scratch, while also carrying the oversight burden of checking AI-assisted output. This is a layer where deliberate support for judgement and coaching capability may create significant value, and where the Summit conversation can test what forms of development are most effective.

The Executive Leadership Development Question

As the capabilities explored in this paper become more critical, so does the question of how organisations develop them deliberately. Judgement is strengthened through experience and reflection. Adaptability must be practised. Trust is built through behaviour, and curiosity requires the capacity to remain open when answers are not yet clear. These are not capabilities that technology deployment alone can develop.

This creates an important challenge for executive leadership development: how do organisations create the conditions for these capabilities to develop in practice and in the context of real leadership demands? Coaching offers one important pathway, providing leaders with a sustained and contextual environment in which to reflect, practise and apply them.

The proposition we bring to Summit is broader: as AI changes what leadership requires, executive leadership development must evolve with it. What that development needs to enable, and the role coaching can play within it, are questions worth testing openly.

> *The data suggests AI is not eliminating junior talent — it is reshaping and seniorising it. In some organisations graduates are already running teams of AI agents. They are setting task priorities and interrogating outputs — work that looks far closer to orchestration and judgement than traditional entry-level execution.*
>
> PwC, 2026 GLOBAL AI JOBS BAROMETER: AUSTRALIAN



DISCUSSION QUESTIONS

- As AI changes what leadership requires, what does executive leadership development now need to enable?
- As AI changes how people gain experience at work, how will organisations develop the judgement and capability of future leaders?
- Which human leadership capabilities are best developed through coaching?

The Leadership Readiness Indicator — Six Capability Markers

This paper set out to introduce the thinking behind an emerging Leadership Readiness Indicator, not to deliver a finished measurement model. What follows is our first attempt to define six capability markers that IECL believes may become increasingly important as organisations adopt AI. The Summit and subsequent research will test whether these are the right markers, how they should be refined and, in time, how they might support meaningful benchmarking.

Each marker draws directly on the research and Roundtable conversations explored earlier in this paper. Together, they also raise a broader development question: how can organisations deliberately strengthen capabilities that depend on reflection, experience, practice and feedback?

1. JUDGEMENT

Judgement, critical thinking, reflection and ethical decision-making.

The capacity to interpret and contextualise AI-generated inputs, weigh consequences and trade-offs, decide well under ambiguity, and remain accountable for what follows.

As AI provides more of the analysis, synthesis and recommendations that inform decisions, judgement becomes more critical in determining what those inputs mean in context, what consequences they carry, and what action should follow. A model can inform that process; it cannot carry the full organisational context or accountability for the decision.

2. ADAPTABILITY

Learning agility and the capacity to lead through permanent, unpredictable change.

The capacity to learn, unlearn and re-orient continuously, treating disruption as a permanent condition rather than a phase to manage through.

We regard this as the cornerstone marker of the Leadership Readiness Indicator: an organisation weak on adaptability will struggle to build any of the other five markers, because all of them require the capacity to keep changing how the organisation works.

3. HUMAN-AI COLLABORATION

Capability design, intelligent work and hybrid intelligence.

The capacity to design work deliberately, deciding what AI should perform, what requires human capability, where the two should work together, and where decision rights and accountability must remain clearly human.

The productivity gap explored in Chapter Three reinforces a clear distinction: organisations gain more from AI when they redesign work around it, rather than simply inserting it into existing ways of working.

4. ENTERPRISE THINKING

Systems thinking and enterprise leadership.

The capacity to see and act on the whole system, interdependencies across functions, incentives and consequences, rather than optimising a single process or role in isolation.

As AI increasingly automates within functions, the differentiated human contribution shifts to seeing and managing what happens between them.

5. TRUST

Psychological safety, transparency and accountability.

The capacity to build and actively defend trust between people, and between people and AI systems, as the basic currency an AI-enabled workplace runs on.

Trust does not survive by default under rapid change; it must be actively built and protected, particularly where AI is involved in decisions that affect people's work and careers.

6. CURIOSITY

Openness, experimentation and continuous learning.

The capacity to stay genuinely open, experiment publicly, including with failure, and keep learning rather than retreat into false certainty or blind deference to AI output.

Where curiosity is missing, our Roundtable conversations suggest leaders either over-trust AI recommendations or reject them reflexively, both failure modes of the same underlying capability gap.

The Executive Leadership Development Challenge

Six markers, a shared development challenge.

If human capability is becoming an increasingly critical strategic asset, executive leadership development must respond. How do organisations develop capabilities that depend on experience, reflection, practice and application rather than knowledge transfer alone?

Coaching offers one important pathway, enabling leaders to develop and practise these capabilities in the context of their own leadership challenges. This Discussion Paper asks what executive leadership development now needs to enable, and the role coaching can play within it.

A Living Indicator, Reviewed Annually

This first version of the Leadership Readiness Indicator is intentionally provisional. Over the next twelve months, IECL will pressure-test these six markers through the Future of Leadership Summit, the remaining 2026–27 CPO Roundtable Series, and a survey currently in development for our client and membership community.

Future editions will report on what the evidence shows, how the markers evolve, and whether a robust benchmarking approach can be developed from that evidence.

Five Propositions for Discussion

Rather than conclusions, this paper offers five propositions, deliberately stated plainly, so they are easy to agree with, disagree with, or debate at your own executive table.

PROPOSITION 1

As AI becomes more capable of generating analysis, insights and recommendations, human judgement becomes more critical.

AI can provide more of the inputs to a decision. Human leaders must still interpret them in context, weigh consequences and trade-offs, decide what should follow, and remain accountable.

PROPOSITION 2

Organisations that redesign work will outperform those that simply automate it.

Inserting AI into unchanged roles may leave value unrealised. Organisations need to redesign work deliberately: what AI performs, what requires human capability, where the two work together, and how decision rights and accountability are set. The optimal design remains open to testing.

PROPOSITION 3

Learning will become continuous rather than episodic.

The organisations built for permanent adaptation will treat learning as foundational infrastructure embedded in daily work, not a program delivered on a training calendar disconnected from it.

PROPOSITION 4

As access to AI becomes more widespread, human capability becomes increasingly important to competitive advantage.

As technology becomes democratised, access alone becomes less differentiating. Advantage increasingly lies in the human capability to interpret and contextualise AI outputs, exercise judgement, and translate AI capability into organisational performance.

PROPOSITION 5

Executive leadership development must evolve to build the human capabilities required in an AI-enabled organisation.

If human capability is becoming an increasingly critical strategic asset, organisations need deliberate ways to develop it. Coaching offers one important pathway within the broader question of how executive leadership development must respond.

Ten Questions for Executive Teams

This paper concludes with ten questions drawn from its key themes, inviting executives to take the thinking forward and help shape the next stage of the conversation at the Future of Leadership Summit.

LEADERSHIP & JUDGEMENT

1. Which leadership capabilities will matter most in your organisation five years from now, and what is shaping that view?
2. As AI provides more decision inputs, what must leaders continue to bring to exercise sound human judgement?

WORK & AI

3. Which work should AI perform, which requires human capability, and where could combining the two create greater value?
4. What principles should guide role and workflow redesign as AI becomes more capable, including decision rights and accountability?

ADAPTIVE ORGANISATION & CULTURE

5. Is your organisation built to learn continuously, or does it still treat change as a project with a start and an end date?
6. Does your culture function as a genuine adaptive capability with the capacity to learn faster than your environment changes, or only as a description of how things are done here?

HUMAN CAPABILITY, ETHICS & THE CPO

7. Which human capabilities are becoming more important as you adopt AI, and where are you investing in them?
8. Who is accountable for the human and ethical consequences of AI adoption in your business, and do they have the authority to match that accountability?

COACHING & INVESTMENT

9. How should executive leadership development evolve to build the human capabilities your organisation will increasingly need, and what role should coaching play?
10. If every competitor has similarly capable AI within two years, which human capabilities will most influence your advantage, and are you investing in them today?

About the Research

This paper brings together two complementary sources of evidence: what CPOs are telling us directly, and what the wider research community is finding independently.

The IECL CPO Roundtable Series, 2026–2027

This paper draws directly on IECL's CPO Roundtable Series, a confidential forum established in 2026 to give Australia's senior people leaders a space to explore the questions redefining leadership, organisational design and enterprise performance. The series is structured as a single, deliberate inquiry across five roundtables, each building on the conversation before it:

- **Roundtable One - Leadership:**
  Are we building the right leaders for the future we are actually entering?
- **Roundtable Two - Capability:**
  A question of judgement: trust, time and burnout in the age of relentless change.
- **Roundtable Three - Work:**
  Designing intelligent work: human capability in an AI organisation.
- **Roundtable Four - Organisation:**
  Building adaptive organisations: culture, learning and leadership for continuous change.
- **Roundtable Five - Competitive Advantage:**
  The human advantage: what will differentiate organisations when everyone has AI?

Where this paper draws on roundtables three, four and five, ahead of their scheduled dates, it does so from early client conversation and published research rather than completed roundtable transcripts, and flags that content as more provisional accordingly.

A Forthcoming CPO Survey

IECL is currently developing a survey to accompany future editions of this paper. It is intended to test the Leadership Readiness Indicator's six capability markers quantitatively through CPO and executive self-assessment, complementing the qualitative insights gathered through Roundtable conversations. Results will inform the next edition and the future development of any benchmarking approach.

Secondary Research

This paper also draws on published research from Gallup, McCrindle Research, PwC, McKinsey & Company, Microsoft, Development Dimensions International, Oracle, Korn Ferry, the World Economic Forum, and Harvard Business Review, among others. A complete reference list, in APA style, appears in the Sources section at the back of this paper.

About This Discussion Paper

This publication marks the beginning of an ongoing conversation, not the end of one.

This paper accompanies the 2026 IECL Future of Leadership Summit and forms the foundation for the research, executive roundtables and thought leadership that follow it. The ideas it contains are intended to stimulate debate, challenge assumptions and invite collaboration as organisations navigate one of the most significant leadership transitions in modern history.

The future of leadership is not simply about leading through AI. It is about leading what remains uniquely human.

Over the next five years, IECL will build a recognised body of intellectual property around the future of leadership, releasing one discussion paper each year. Each annual edition will be informed by the CPO Roundtable Series, the Future of Leadership Summit, conversations with IECL's client and membership community, and the wider research reviewed in these pages. Roundtable discussions generate insight; each paper synthesises that insight into a point of view; and the next year's discussions build from that foundation.

The future of leadership is not simply about leading through AI.

It is about leading what remains uniquely human.

The Leadership Readiness Indicator introduced in this edition will evolve annually. Future editions will refine the six capability markers, report on the forthcoming CPO survey referenced in the Methodology section, and build the evidence required to determine how leadership capability might be benchmarked over time.

Over time, we intend this series to build a sustained evidence base that helps organisations understand, assess and develop the human leadership capabilities that become more critical as they adopt AI.

A Discussion Paper, Not a Verdict

This paper exists because senior people leaders were generous enough to be candid with us.

Our thanks go first to the Chief People Officers and senior executives who took part in IECL's 2026 CPO Roundtable Series in Sydney and Melbourne. This paper is built from what you told us, including the parts that were uncomfortable to say out loud, and we have tried to represent that candour faithfully throughout.

Thanks also to the coaches, consultants and researchers across IECL who contributed to the research, facilitation and drafting of this paper, and to our clients and IECL members whose ongoing conversations shaped its direction long before a word of it was written.

Finally, thanks to the research community whose published work we have drawn on throughout this paper, namely Gallup, McCrindle Research, PwC, McKinsey & Company, Microsoft, Development Dimensions International, Oracle, Korn Ferry, the World Economic Forum, and Harvard Business Review among them. Full attribution appears in the Sources section that follows.

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All research findings and statistics cited in this paper are referenced below in APA style (7th edition).

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Notes



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