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AIR INDEX™ · EXECUTIVE SEARCH & PRIVATE EQUITY · JULY 2026

WHITE PAPER

How to Set an AI Leader Up to Succeed

Understanding the organization before hiring the leader.

Why strong AI executives fail inside mandates that were never designed to succeed, and how diagnosis improves the odds for sponsors and search firms.

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EXECUTIVE SUMMARY

The most expensive mistake in an AI leadership search is often made before the search begins

A sponsor or board decides it needs an AI leader. The search firm is asked to move quickly. A job description is assembled from several competing expectations: set the strategy, modernize the data environment, build products, redesign operations, manage risk, win over the workforce, and deliver EBITDA impact. The title sounds decisive. The mandate is anything but.

After more than two decades in executive search, I have learned to look upstream when a strong executive struggles. Sometimes the leader is wrong for the role. Just as often, the role was never made executable. The authority did not match the expectations. The board and management team were solving different problems. The company wanted enterprise change without changing decision rights, incentives, funding, or the operating model.

AI makes those contradictions harder to ignore. It cuts across technology, operations, products, risk, workforce, and strategy. No executive, however accomplished, can create alignment that the board has declined to establish or produce value from foundations the company has not built.

The right question is not simply, "Who can lead AI transformation?" It is: "What must change here, under the conditions that actually exist, and what kind of leader is equipped and authorized to change it?"

> THE RIGHT SEQUENCE
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> *Diagnose the organizational conditions. Identify the binding constraints. Define the leadership requirement. Then decide whether to hire.*

That sequence is the premise of the Octant AI Reality (AIR) Index™. It examines the organizational, technical, and leadership conditions that determine whether AI investment can translate into measurable enterprise performance. For private equity sponsors, it protects time and value creation. For executive search firms, it produces a more credible mandate, a more precise assessment, and a better chance that the person placed will succeed.

BEFORE THE SEARCH

A leadership title is not a leadership mandate

AI leadership has become a board and value-creation issue. Sponsors are asking where AI can increase revenue, improve margins, create operating leverage, reduce risk, or strengthen the exit story. Those are reasonable questions. The mistake is turning them too quickly into a title.

"We need a Chief AI Officer" may be the answer. It may also be a way of avoiding the harder discussion. Who owns the economic outcomes? Which business processes must change? What decisions will the new leader control? Where will the budget sit? What is the relationship with the CEO, CIO, CTO, COO, and business-unit leaders? What happens when adoption requires an operating executive to give up authority or change incentives?

A reporting line does not settle those questions. A job description does not settle them either. They have to be resolved by the people who govern and run the company.

This is why the search brief should be treated as an organizational design document, not a recruiting form. It should define the business outcomes, the conditions the leader will inherit, the constraints the leader is expected to remove, and the authority available to do it. If the brief cannot answer those points, the search is not ready for the market.

> *The search brief should be treated as an organizational design document, not a recruiting form.*

INDEPENDENT VALIDATION

The research points to the same problem

Independent research reinforces what experienced search partners and operators see in practice. The useful conclusion is not that AI "does not work." It is that organizations routinely ask technology, and then a newly hired leader, to compensate for unresolved business and operating conditions.

AI adoption is now broad enough that the leadership question cannot be avoided, but adoption is not a single organizational condition. Stanford's 2026 AI Index reports that organizational adoption reached 88% in 2025. The U.S. Census Bureau, measuring business use through the BTOS, found that 17% to 20% of businesses used AI between December 2025 and May 2026, rising to 37% among firms with at least 250 employees and 32% among firms with 100 to 249 employees.

The Federal Reserve explains why credible estimates vary so widely: the unit of analysis, question framing, materiality of use, respondent knowledge, and the difference between firm adoption and employee access all change the answer. That distinction matters. "We are using AI" is not a readiness diagnosis, and it is not evidence that the organization has built the mandate, governance, operating model, leadership capacity, or measurement discipline required to produce value.

> **95%**
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> of organizations in MIT Project NANDA's preliminary dataset reported no measurable P&L impact from generative-AI pilots.
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> MIT PROJECT NANDA, 2025 (PRELIMINARY)

MIT Project NANDA's preliminary 2025 research reviewed more than 300 publicly disclosed AI initiatives, interviewed 52 organizations, and surveyed 153 senior leaders. It reported that 95 percent of organizations in its dataset showed no measurable P&L impact from generative-AI pilots. The study pointed to an enterprise "learning gap": tools that did not adapt to workflows, limited integration, and weak feedback loops between users and systems.

RAND: the failure modes are practical, not mysterious. RAND interviewed 65 experienced data scientists and engineers about why AI projects fail. The recurring causes were strikingly practical: the business and technical teams did not agree on the problem; the organization lacked the necessary data; teams pursued fashionable technology rather than a real user need; infrastructure was inadequate; or the use case was simply too ambitious for the available capability.

Gartner: projects are abandoned when the business foundation does not hold. Gartner reports that by the end of 2025 at least half of generative-AI projects had been abandoned after proof of concept because of poor data quality, inadequate risk controls, escalating costs, or unclear business value.

Different methods, same signal: the binding constraint is rarely a shortage of enthusiasm. It is the gap between ambition and the conditions required to execute. Hiring a senior executive without diagnosing that gap does not remove it. It transfers responsibility for it to one person.

THE AIR INDEX™

Three lenses. One leadership decision.

The AIR Index™ is based on structured executive interviews and document review, not a self-rated maturity survey. Its purpose is not to award a generic readiness score. It identifies what is true, where the binding constraints sit, and what those findings mean for leadership.

AIR-O™ · ORGANIZATIONAL

What conditions will the leader inherit? Examines the eight organizational conditions that shape execution, and reveals whether the company has a funded ambition, an aligned executive team, clear decision rights, an operating model that can carry the work, and a way to connect activity to financial performance.

AIR-T™ · TECHNOLOGY

Can the technical foundation support the ambition? Examines data, infrastructure, security, integration, and deployment capability when the organizational diagnosis identifies a material technical constraint. A company still building its data foundation needs different leadership from one scaling a sound platform.

AIR-L™ · LEADERSHIP

Can the leadership team close the gaps? Evaluates the executives who will own and enable the transformation. The question is not whether someone resembles an idealized AI leader. It is whether this leader, and the surrounding team, can address the constraints found in AIR-O and AIR-T.

THE EIGHT AIR-O CONDITIONS

#	ORGANIZATIONAL CONDITION	WHAT IT ESTABLISHES
01	Strategic Mandate	Whether a funded, board-level AI ambition actually exists
02	Executive Alignment	Whether the sponsor, CEO, and technology leaders want the same thing
03	Governance & Decision Rights	The authority, budget, accountability, and risk ownership behind the role
04	Data & Technology Strategy	The technical starting point beneath the ambition
05	Operating Model & Structure	Where execution lives and who owns it
06	Leadership Capability	Whether the talent to lead already exists in the company
07	Workforce & Culture Readiness	Whether the organization is prepared to adopt the change
08	Value Measurement & Improvement	How value will be baselined, attributed, and improved

THE LEADERSHIP REQUIREMENT

Match the leadership archetype to the constraint

Once the conditions are understood, the role becomes more precise. The company may need:

- **An enterprise architect** to establish strategy, governance, decision rights, and the operating model.

- **A technical builder** to create the data, platform, engineering, and deployment foundation.
- **A transformation operator** to redesign processes, change incentives, and drive adoption across functions.
- **A product and commercial leader** to build AI-enabled offerings and revenue streams.
- **A portfolio orchestrator** to identify repeatable capabilities and coordinate activity across companies.
- **A governance-oriented leader** to enable adoption in a regulated or risk-sensitive environment.

A company may eventually need several of these capabilities. That does not mean they belong in one role. The familiar "unicorn" profile usually appears when stakeholders have not resolved the mandate. Every unmet organizational need is added to the candidate specification until the job describes three executives in one.

The longer the requirements list grows, the more likely the organization is compensating for a structural problem it has not resolved.

> **A USEFUL TEST**
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> The diagnosis can also show that a new C-suite hire is not the right first move. The company may need to strengthen an existing executive's mandate, establish governance, modernize data, add a senior operator below the C-suite, or use interim expertise while the operating model is built. Search should be one possible result of the diagnostic, not its automatic starting point.

THE PE CLOCK

The larger cost of a failed hire is delay

In a public company, an unclear transformation mandate can drift. Private equity does not have that luxury. A six-month search followed by six months of orientation and stakeholder negotiation can consume a meaningful portion of the hold period before the leader produces results. The direct cost of a failed hire matters. The larger cost is delay against the value-creation plan.

The search firm lives the same failure from a different seat. A placement that comes apart inside the guarantee period creates a replacement obligation, consumes partner time, and weakens the client's confidence in the next shortlist. The brief may have looked complete. The defect sat upstream, in a mandate no one tested.

At portfolio level, a common diagnostic gives the sponsor a more useful view than a uniform AI playbook. One company may be ready to scale. Another may need board alignment. A third may require data modernization. A fourth may have the foundation but lack the executive capacity to drive adoption. Treating all four as though they need the same leader wastes capital and management attention.

A portfolio baseline helps the sponsor sequence investment, compare leadership needs, identify shared capability without forcing a common operating model, and decide where executive search will create value, and where it will not.

The OECD's 2025 discussion paper on SME AI adoption reaches a related conclusion for smaller and mid-sized portfolio companies: adoption remains lower than among larger firms, and successful uptake depends on connectivity, data and compute, skills, and finance. Those are not interchangeable inputs. They are different organizational constraints, which is why a portfolio should not receive one AI playbook or one leadership specification.

A BETTER SEQUENCE

Six decisions before the mandate goes to market

Before launching an AI leadership search, the sponsor, portfolio-company board, management team, and search partner should align on six decisions:

1. **Tie the AI ambition to the investment thesis.**
   Specify how AI is expected to affect growth, margin, operating leverage, risk, or exit value.

2. **Establish the current condition.**
   Use evidence, not management optimism, to assess organizational and technical readiness.

3. **Identify the binding constraints.**
   Determine what is most likely to prevent progress; do not assume talent is the first constraint.

4. **Define the leadership work.**
   Translate the diagnostic findings into the outcomes the leader must deliver in the first 12 to 24 months.

5. **Confirm authority and sponsorship.**
   Set the reporting line, budget, decision rights, team structure, and board involvement before approaching candidates.

6. **Build the success profile before writing the job description.**
   Define the archetype, essential experience, leadership attributes, and disqualifying gaps. Then begin sourcing.

This sequence improves assessment. Instead of asking broad questions about "leading transformation," the search team can test how candidates handled constraints similar to those inside the portfolio company. References become more revealing as well: not simply whether the executive succeeded, but under what conditions, with what authority, and whether that environment resembles the new one.

> *Search should be one possible result of the diagnostic, not its automatic starting point.*

A PRE-SEARCH SELF-CHECK

Eight questions to settle before going to market

Put these questions to the sponsor, board, management team, and search partner separately. Where the answers differ, the disagreement is part of the diagnostic, not a nuance to be managed after the executive arrives.

#	QUESTION
01	What business outcomes must this role produce, and how will they be measured?
02	Which organizational or technical constraint is most likely to prevent those outcomes?
03	What has the board explicitly authorized, and funded?
04	Who owns the budget, use-case priorities, risk decisions, and adoption?
05	What must change in the operating model, and who can require that change?
06	Which capabilities already exist in the leadership team?
07	What leadership archetype fits the work now, not the company we hope to become?
08	Would a strong candidate view this as an executable mandate?

If the sponsor and management team answer these questions differently, the disagreement is part of the diagnostic. It should be resolved before candidates are asked to stake their reputations on the role.

THE SEARCH PARTNER

A strong search process tests the mandate before it tests candidates

A strong search partner does more than produce candidates. The partner tests the mandate before taking it to market, surfaces disagreements among the sponsor, board, and management team, and separates essential capabilities from an aspirational wish list.

That requires the confidence to say that the mandate is not yet clear enough to recruit against; the authority does not match the expectations; the company is seeking the wrong archetype; the compensation does not reflect the scope; or the evidence does not support adding another C-suite role.

That counsel may delay a search. It can also prevent the wrong one.

Organizational diagnosis and executive search are complementary disciplines. Octant establishes the conditions, constraints, and leadership requirement. The search partner brings market access and judgment to identify the executive whose experience fits the actual work. Both are stronger when the mandate is grounded in evidence.

> *Defining the leadership problem correctly, before a slate of impressive people is ever presented.*

CONCLUSION

The best candidate cannot overcome the wrong mandate

Private equity firms are right to focus on leadership. AI transformation requires executives who can connect technology to business performance, operate across functions, and lead substantial change. But leadership is one part of a system.

Hiring a highly regarded executive into a company with no shared mandate, unclear decision rights, weak foundations, resistant management, and no performance baseline does not resolve those constraints. It gives one person responsibility for them.

The discipline of executive search begins before the market is contacted. It begins by understanding the company the leader will inherit, the outcomes the sponsor expects, and the constraints standing between the two. The AIR Index™ brings that discipline to AI transformation by connecting three questions: Where are we? Can the foundation support the ambition? Do we have the leaders who can get us there?

THE FINAL QUESTION

Only after answering those questions should a sponsor ask: who do we need to hire?

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ABOUT THE AUTHORS

Executive search judgment, grounded in operating reality

Maria Chaloux, Co-Founder and Managing Partner. Maria brings more than two decades of executive search and leadership advisory experience, including helping build the senior leadership team that supported significant growth at Accenture Federal Services and leading executive recruiting for the business. Her work focuses on aligning leadership, governance, and organizational design so that AI investment translates into sustained enterprise performance.

Dr. Ian McCulloh, Co-Founder. Ian is an experienced enterprise AI leader who has contributed to hundreds of AI transformations and engaged with thousands of AI leaders throughout his career. At Accenture Federal Services, he built and led a large-scale federal AI practice. He also directs AI executive education at Johns Hopkins University. His work focuses on the operating-model, governance, technology, and workforce changes that determine whether AI performs at enterprise scale.

ABOUT THE AIR INDEX™

The AIR Index™ draws on recurring patterns observed through decades of executive search and leadership advisory work, hundreds of AI transformations, and engagement with thousands of AI leaders. It translates that experience into a structured assessment of the organizational, technical, and leadership conditions that shape enterprise AI performance.

The Octant AI Reality (AIR) Index™ is Octant Advisory's proprietary standard for measuring the conditions that determine whether AI investment will perform. It reads three integrated lenses, Organizational (AIR-O™), Technology (AIR-T™), and Leadership (AIR-L™), on a common maturity scale. Findings are assigned by Octant advisors from structured executive interviews and document review rather than self-reported survey responses.

RESEARCH SOURCES

Stanford HAI, The 2026 AI Index Report. Organizational AI adoption reached 88% in 2025; adoption is broad, but capability, safety, and impact remain uneven. U.S. Census Bureau, AI Use at U.S. Businesses (May 2026), Business Trends and Outlook Survey. Overall business use 17% to 20%; 37% among firms with 250+ employees, 32% among firms with 100 to 249. Federal Reserve, Monitoring AI Adoption in the US Economy (April 2026). Estimates vary by unit of analysis, question framing, materiality, and respondent. OECD, AI Adoption by Small and Medium-Sized Enterprises (December 2025). SME adoption trails larger firms; connectivity, data and compute, skills, and finance are prerequisites. MIT Project NANDA, The GenAI Divide: State of AI in Business 2025 (preliminary, July 2025). RAND Corporation, The Root Causes of Failure for Artificial Intelligence Projects and How They Can Succeed (2024). Gartner, Why 50% of GenAI Projects Fail and How to Beat the Odds (2026).