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# AI Washing: The Cultural Traps That Lead to Exaggeration and How CEOs Can Stop Them

by Hanan Al Haddi

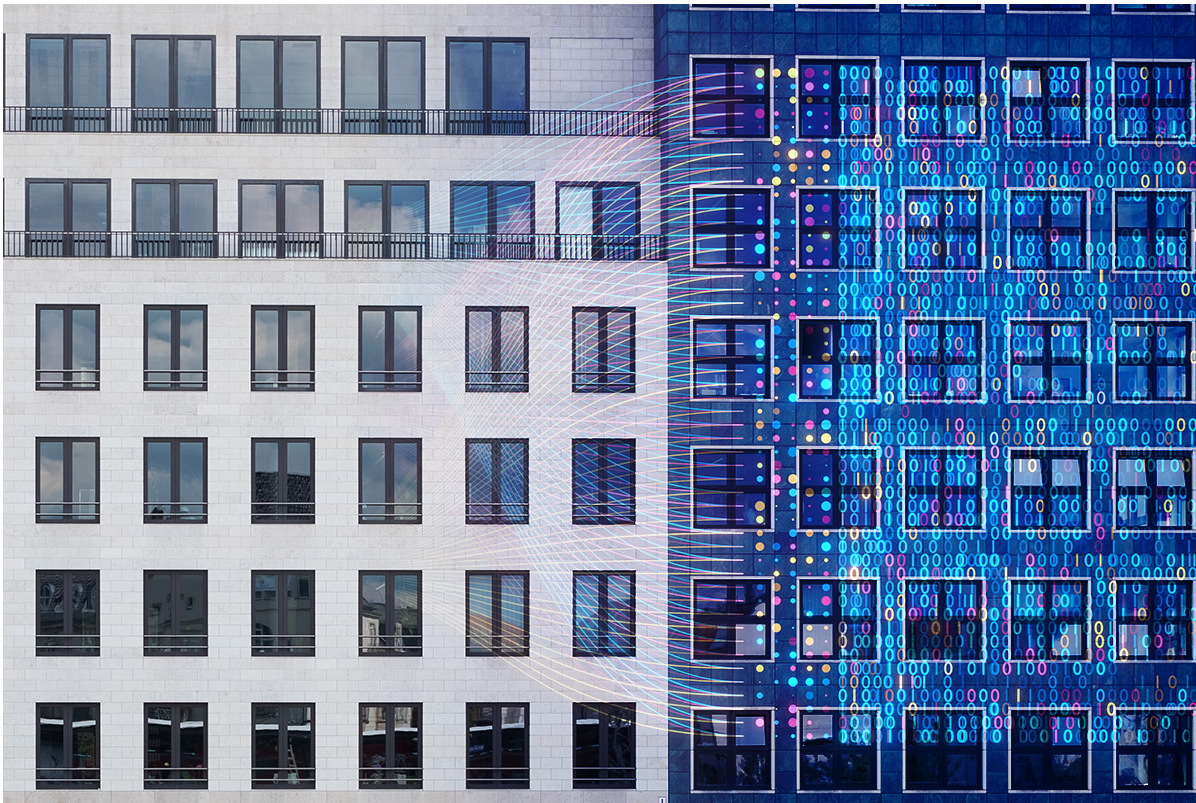


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*Some companies inflate their AI capabilities to appear more technologically advanced than they really are.*

In today's hyper-competitive landscape, artificial intelligence (AI) is more than a buzzword—it's the key to market dominance, investor confidence, and future-proofing your business. Yet behind the AI revolution lurks a dangerous trend: *AI washing*. Much like its predecessor, greenwashing, AI washing occurs when companies inflate their AI capabilities to appear more innovative and technologically advanced than they truly are. The result? A credibility crisis that threatens to erode trust and stifle genuine innovation. But this isn't just a marketing issue; AI washing is deeply rooted in the culture of many organizations, starting right at the top. So what's Organizational Culture?

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*Organizational culture* is the collective values, beliefs, and behaviors that shape how a company operates, innovates, and adapts. It drives decision-making, sets the tone for employee behavior, and often determines how a company navigates paradigm shifts like AI. In the case of AI, a strong and transparent organizational culture can foster genuine innovation, while a misaligned culture can lead to exaggerated claims and hollow promises. As companies grapple with the transformative power of AI, understanding how organizational culture contributes to AI washing becomes critical for long-term success.

# I. AI Washing: The Cultural Traps Fueling Exaggeration

## 1. Lack of Technical Literacy at the Top

One of the most pervasive cultural issues that contribute to AI washing is the *lack of technical literacy among senior leadership*—particularly CEOs and boards of directors. While many of these individuals are accomplished business leaders with deep expertise in strategy, finance, and operations, they often lack a nuanced understanding of artificial intelligence, its capabilities, and its limitations. This creates a significant knowledge gap at the top, which can have profound consequences for the way AI is integrated, marketed, and implemented within an organization.

### How Technical Illiteracy Fosters AI Washing

- **Inability to Challenge Overinflated AI Claims:** When senior leaders lack the technical knowledge to critically evaluate AI, they become reliant on others in the organization to inform them about AI initiatives. This creates an environment where exaggerated or misleading claims about AI capabilities can easily pass through unchecked. For instance, AI engineers or product development teams may present AI-powered solutions that are not fully functional, or marketing departments may overstate the role of AI in products. In such situations, leadership is ill-equipped to identify and question these overstatements.

Without the ability to probe deeply into how AI works—whether it is truly self-learning or merely an advanced form of automation—CEOs and boards may approve and even promote AI initiatives that don't live up to their billing. This results in AI washing, where the technology's purported benefits far exceed what it can realistically deliver.

- **Blind Trust in Experts and AI Enthusiasts:** In organizations where technical literacy is low at the top, there tends to be an overreliance on external experts or internal “AI champions” who may present overly optimistic views about AI’s potential. CEOs and boards might place too much trust in these advisors without fully grasping the complexity of AI systems. This dynamic can lead to leadership greenlighting AI projects based on surface-level promises rather than in-depth understanding.
- **Pressure to Keep Up with Industry Trends:** CEOs and board members who don’t fully understand AI are often influenced by the broader industry hype surrounding it. They see their competitors adopting AI and feel compelled to follow suit, even if they don’t fully grasp the technology themselves. This creates a top-down pressure to implement AI solutions across the organization, often without sufficient vetting. In this scenario, AI washing becomes a byproduct of leadership’s anxiety about falling behind rather than a calculated attempt to deceive.
- **The Boardroom Disconnect:** The disconnect between technical teams and executive leadership exacerbates the problem of AI washing. Boards of directors, many of whom are seasoned veterans in finance or general management, may lack the expertise to ask the right questions about AI-related initiatives. In such cases, AI projects may be framed in overly simplistic or overly optimistic terms, leading boards to approve initiatives based on incomplete or inaccurate information.
- **Failing to Understand Ethical and Regulatory Implications:** AI is not just a technical tool; it also has profound ethical and regulatory implications. From data privacy concerns to algorithmic biases, AI systems can introduce significant risks to organizations. When CEOs and boards lack the technical literacy to understand these risks, they may overlook or underestimate the potential for harm. This can result in AI washing not just as a marketing issue but as a genuine ethical dilemma, where companies claim to be using AI responsibly while failing to address the real dangers of biased or opaque systems.

## 2. Pressure for Perpetual Innovation

In today's corporate culture, *innovation is worshipped*, and AI is seen as the key to remaining competitive. Organizations feel an unrelenting pressure to innovate, which fuels AI washing. Leaders, eager to showcase their company's technological prowess, may overstate the role of AI in their products and services, leading to a disconnect between reality and marketing.

This mirrors historical cases of *greenwashing*, where companies exaggerated their environmental efforts to appeal to eco-conscious consumers. Similarly, AI is touted as the solution to every business problem, even when its actual implementation is minimal or nonexistent.

### How Perpetual Innovation Fuels AI Washing

- **Innovation as a Measure of Success:** Innovation, particularly in AI, has become a cultural expectation in many organizations. If a company isn't seen as innovating, it is perceived as falling behind. This creates immense pressure on leaders to continuously present AI initiatives as groundbreaking, even when they might not be. Overpromising on AI capabilities becomes a survival strategy in a hyper-competitive market.
- **Culture of "AI Everywhere":** AI washing also occurs when organizations feel the need to declare that AI is integrated into every aspect of their business, even when it isn't. Leaders may feel compelled to attach the label "AI-powered" to products and services, often overhyping what the technology is actually doing.

### Mitigating the Pressure for Perpetual Innovation

- **Foster a Balanced Approach to Innovation:** While innovation should remain a priority, organizations need to adopt a more balanced approach, where the focus is on *genuine, incremental improvements* rather than chasing headlines with AI buzzwords. CEOs and boards should reward teams for integrating AI thoughtfully and realistically, rather than pushing for flashy but unsubstantiated claims.
- **Create an Innovation Culture Focused on Authenticity:** Leaders must set the tone by valuing transparent, evidence-based innovation. Developing a culture where authenticity is prized over buzzword-filled pitches will naturally lead to more honest representations of AI capabilities.

### 3. Short-Termism and the Market Hype

AI is often promoted as a quick win for boosting stock prices or attracting investment. This *short-term mindset* leads companies to overemphasize AI's role in driving innovation, even if the technology isn't fully integrated or delivering the promised results.

This mirrors the *dot-com bubble*, where companies inflated their internet-related capabilities to attract investors. AI washing is following a similar trajectory, with companies using AI buzzwords to maintain market relevance, regardless of whether the technology is functional or impactful.

#### How Short-Termism Drives AI Washing

- **Over-Promising to Meet Market Expectations:** When companies focus on quarterly earnings and investor sentiment, they often feel pressured to overstate their AI capabilities. This short-term focus leads to AI washing, as organizations are more concerned with the immediate bump in stock prices or investor interest than with long-term sustainability.

- **Compromising Long-Term Innovation for Short-Term Gains:** Leaders might compromise real innovation by prioritizing AI initiatives that offer instant visibility over those that deliver lasting value. AI washing becomes a tool to meet these short-term goals, at the expense of meaningful technological progress.

### **Mitigating Short-Termism and Market Hype**

- **Shift Focus to Long-Term AI Strategy:** To counter the pressures of short-termism, CEOs and boards should *focus on long-term AI value creation* rather than on quick wins. They should emphasize sustainable innovation, measuring success through meaningful KPIs like ROI from AI initiatives and improvements in operational efficiency over time.
- **Reward Long-Term Thinking:** Leaders need to align incentives with long-term objectives. By rewarding teams for delivering AI solutions that produce sustainable results—rather than short-term hype—they can shift the company culture toward integrity and real progress.

## **4. Fear of Missing Out (FOMO)**

The *fear of missing out* on the AI revolution often drives organizations to inflate their AI credentials. Companies feel compelled to jump on the AI bandwagon or risk being left behind. This cultural anxiety leads to AI washing, as companies claim AI integration even when they lack a solid understanding or implementation of the technology.

This behavior is similar to *CSR washing*, where companies exaggerated their social responsibility efforts to stay relevant. FOMO pushes organizations to prioritize AI optics over true innovation.

### **How FOMO Drives AI Washing**

- **Jumping on the AI Bandwagon:** Companies see competitors announcing AI initiatives and feel pressure to do the same, regardless of whether they are ready. In their haste to stay competitive, they claim AI advancements that don't exist, leading to widespread AI washing.
- **Following Market Trends Blindly:** FOMO often results in companies rushing into AI adoption without properly understanding how the technology aligns with their overall business strategy. This lack of foresight leads to inflated claims and, ultimately, disillusionment when AI projects fail to deliver.

### Mitigating FOMO and AI Washing

- **Adopt a Strategic Approach to AI:** Instead of reacting to market pressures, organizations should *take a step back* and ensure that AI adoption is aligned with their strategic goals. This involves careful planning and a deeper understanding of how AI can genuinely add value to the business.
- **Create Clear AI Integration Roadmaps:** CEOs and boards should work closely with technical teams to develop clear roadmaps for AI adoption. By having a structured plan in place, organizations can avoid the temptation to make exaggerated claims simply to keep up with competitors.

## II. How to Mitigate AI Washing in Organizations

### 1. Foster a Culture of Transparency and Accountability

To prevent AI washing, organizations must prioritize *transparency and accountability*.

Leaders should demand verifiable proof for AI claims, and all AI-related projects should undergo rigorous internal audits before they are marketed to the public.



- **Internal AI Audits:** Create a review process that ensures AI claims are grounded in reality. Establishing a transparent AI audit process can help eliminate overstatements before they reach customers or investors.
- **Ethical AI Guidelines:** CEOs should establish ethical AI guidelines that govern how AI is marketed and implemented within the organization. These guidelines should include a commitment to truthfully representing AI capabilities.

## 2. Shift from Short-Term Gains to Long-Term Value Creation

Leaders must move away from the short-term mentality that prioritizes stock prices and quarterly earnings over sustainable growth. Instead of using AI as a quick win to impress investors, companies should focus on *long-term value creation* through thoughtful and genuine AI integration.

- **AI-Literate KPIs:** Develop AI-specific KPIs that focus on long-term success, such as ROI from AI initiatives or improvements in efficiency. These KPIs should measure real outcomes rather than marketing hype.
- **Reward Long-Term Thinking:** Shift the focus away from AI buzzwords and reward teams for developing AI solutions that deliver measurable, long-term value to the company.

## 3. Encourage a Culture of Skepticism

Organizations should cultivate a healthy skepticism around AI claims. Employees and leadership should be encouraged to *ask hard questions* about AI's role in the business, and there should be mechanisms in place to challenge overstatements. By institutionalizing skepticism, companies can avoid the temptation to inflate AI capabilities.

- **Internal Forums for Questioning AI:** Create spaces where employees can challenge AI projects and demand proof of efficacy. This culture of accountability will prevent inflated claims from gaining traction.

## 4. CEOs as Ethical Gatekeepers

CEOs must see themselves as the ethical gatekeepers of AI adoption. It is their responsibility to ensure that AI is implemented and marketed truthfully, aligning the organization's claims with reality. By doing so, CEOs can build a culture that values integrity and long-term innovation over hype.

- **CEOs Must Lead by Example:** CEOs should reject the allure of inflated AI claims and push for transparent, accountable AI adoption. By doing so, they can position their organizations as leaders in ethical AI use, setting an example for the industry.

AI washing is not just a symptom of overzealous marketing; it can be a cultural issue embedded within organizations that prioritize hype over substance. At the end of the day, *AI washing* isn't just about exaggerated marketing—it's a reflection of the values and culture within an organization. If businesses are serious about harnessing the power of AI, it starts with an honest look in the mirror. CEOs and boards must lead the charge, setting the tone for transparency, integrity, and long-term thinking. AI isn't a magic bullet or a buzzword to be tossed around lightly; it's a transformative technology with the potential to reshape industries—if it's handled with care and authenticity.

Just like we've seen with past mistakes, from greenwashing to the dot-com bubble, there's a price to pay when hype gets ahead of reality. The companies that thrive in the AI era will be those that stay grounded, embrace the complexity of the technology, and make choices that prioritize real value over short-term wins.

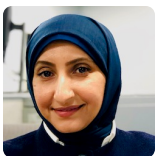
Bold leadership isn't just about being first to market—it's about having the courage to say, "We're not there yet," and still pushing forward, responsibly. The future of AI belongs to those who are willing to slow down, ask the hard questions, and build something truly sustainable.

In the long run, it's the companies that choose authenticity over hype that will reap the real rewards of AI—and the trust of their customers, investors, and employees.

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## Hanan Al Haddi

Hanan Alhaddi is an experienced academic practitioner with 15+ years of experience in the automotive industry. She teaches global strategy and strategic management at the undergraduate and graduate levels. Dr. Alhaddi completed her doctoral studies in strategic positioning.