The PwC Malta

AI Business Survey Report

2024

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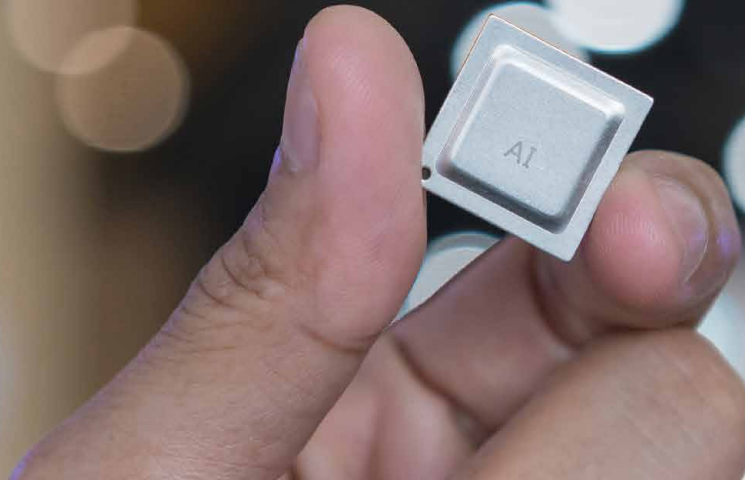
The PwC Malta AI Business Survey Report

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Introduction

The 2024 PwC Malta AI Business Survey was an endeavour of PwC Digital Services with the objective of assessing the current state of AI adoption among organisations in Malta. As a means to inform this current state, the survey was designed to elicit feedback in targeted thematic areas, within which several capability areas were explored.

This survey is grounded in extensive research and aligns with PwC's broader studies on AI's business impacts such as PwC's Global AI study, which found that AI has the potential to contribute up to $15.7 trillion to the global economy, and an increased 26% boost in GDP for local economies by 2030.

Technologically, AI empowers businesses to innovate and stay competitive. According to our latest CEO Survey 2024, 45% of CEOs believe their organisation will not be viable in ten years if it remains on its current path. By leveraging advanced models and tools, such as generative AI, organisations can facilitate tasks like software development and system transformation. Furthermore, organisations that are integrating AI into their operations, can achieve a human-led, tech-powered strategy that not only addresses current challenges but also positions them towards future success.

In fact, artificial intelligence is revolutionising modern businesses by offering unparalleled value across various dimensions. From a business perspective, AI enables organisations to uncover deep insights from vast quantities of data, driving operational efficiency and transforming products and services to better meet customer needs. In terms of experience, AI enhances customer interactions by providing personalised and seamless experiences, as seen in PwC's AI-driven solutions for contact centres that improve self-service and live engagements.

At the European Union (EU) level, we are seeing significant focus being placed on how our approach to AI will define the world we will eventually live in, and from the EU's perspective, technology, especially Artificial Intelligence, is seen as a crucial driver in sustaining economic growth, societal well-being, and digital sovereignty. The European AI strategy emphasises the importance of setting global standards and strengthening digital infrastructure to ensure that Europe remains competitive and resilient in the face of the rapidly advancing technologies that surround us. In fact, the EU's approach to artificial intelligence aims to make the EU a global hub for AI by promoting research, innovation, and industrial capacity and ensuring the safe and ethical use of AI systems.

At a national level Malta's AI Strategy named "Strategy and Vision for Artificial Intelligence in Malta 2030" sets out a long-term vision aimed at transforming the country into an AI pioneer within the European economy, by enhancing AI education, research, and commercial applications of AI. By design, the national AI strategy is built on three strategic pillars focusing on boosting investment, innovation, and adoption, with a further three enablers cutting across the aforementioned areas. These strategic enablers being:
1) education and workforce;
2) ethical and legal; and
3) ecosystem infrastructure.

In this frame, we are excited to link the findings of the PwC Malta AI Business Survey with such global insights, to provide a holistic view of AI's transformative potential and its implications for businesses in Malta.

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Executive Summary

Executive Summary

While it is still early days for Malta in terms of the adoption of AI technologies, we believe this report underlines the need for organisations to put AI high on the agenda at a strategic level. This can be done by ensuring they have robust governance frameworks in place, and strategically aligning their goals and objectives, where possible, with AI enabled initiatives in order to fully harness the mass potential AI is capable of bringing.

The below provides an executive summary that highlights the key insights and takeaways on the thematic areas explored in this survey's report:

1 Organisations are finding it challenging to manage the generative AI wave

From an AI strategy and adoption perspective, 56% of organisations responded that they do not have an individual or team dedicated to assessing potential AI use cases. This suggests a significant gap in structured AI evaluation and implementation.

2 While a priority area, the set-up of governance structures for the responsible implementation of AI is a key limiting factor for organisations

Our survey showed that 75% of organisations identified themselves as having no AI governance framework in place, indicating a substantial lack of oversight and control over AI initiatives and related regulatory obligations. In particular, the lack of a robust governance framework may result in ethical, legal, and operational risks, as well as misalignment with organisational goals and standards.

3 Organisations view AI enablement efforts to bring the largest benefits in internal-facing operations to gain operational efficiency benefits

41% of organisations view the potential for AI in having the greatest impact on their internal operations, suggesting a focus on improving efficiency and productivity. Meanwhile, 29% are looking to enhance customer experience through AI, and 21% aim to improve their data-driven, decision-making capabilities.

4

No AI Novices

None of the participants scored as an AI Novice, providing a strong indication that all the respondents are familiar with AI technologies where the lowest scoring firms were AI Explorers (15% of the respondents). None of the participants scored as an AI Novice, providing a strong indication that all the respondents are familiar with AI technologies where the lowest scoring firms were AI Explorers (15% of the respondents).

5

While the majority of respondents recognise the value of AI, organisations remain early in their AI enablement journey

More than half of the respondents fell into the Visionary category, which speaks to the strong intent of these organisations to be actively involved in AI from design to implementation in their respective operating models. While these firms recognise the value of AI enablement, they find challenges in, among others, finding a dedicated talent with subject matter expertise to support a responsible AI implementation.

6

Prioritising the human-in-the-loop is enabling the Leaders & Trailblazers to leverage AI ahead of their peers

Those organisations that scored among the Leaders (24%) and Trailblazers (10%) distinguished themselves across the thematic areas being assessed for the maturity. Here, our analysis shows that these organisations are investing into AI technologies, while prioritising the human-in-the-loop philosophy via: (I) pursuing internal AI initiatives such as upskilling, and (ii) allocating internal resources to drive adoption of the latest generative AI product offerings.

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Purpose for
this Report

Purpose for this Report

The objective of the PwC Malta AI Business Survey was to assess the current state of AI adoption in Malta, identify the key drivers and barriers organisations are facing to AI implementation and to make aware and understand the potential benefits and risks that may emerge. The survey explores several critical areas to provide a comprehensive understanding of AI's impact on businesses in Malta. Each dimension was carefully chosen to address critical aspects of AI adoption and its implications for organisations, outlined by a number of questions spanning over four distinct aspects, all of which shall be further explored in the following sections.

The online self-administered survey consisted of 20 questions covering four AI thematic areas, at the end of which, respondents were each provided a maturity score.

Local businesses were invited to participate through public promotions distributed on PwC's website and social media platforms, through a number of published thought leadership articles, as well as through an email invitation sent out by PwC Malta's marketing team. Overall, 59 participants completed the survey on behalf of their organisation, between March and September 2024. The survey targeted individuals who are most engaged with AI practices in their organisation, such as, but not limited to the following roles: Chief Executive Officer, Chief Financial Officer, Chief Legal Officer, Chief Information Officer, Chief Technology Officer, IT Manager/s, or similar. In the absence of such a role, the person responsible for overseeing technological development was asked to fill in the survey.
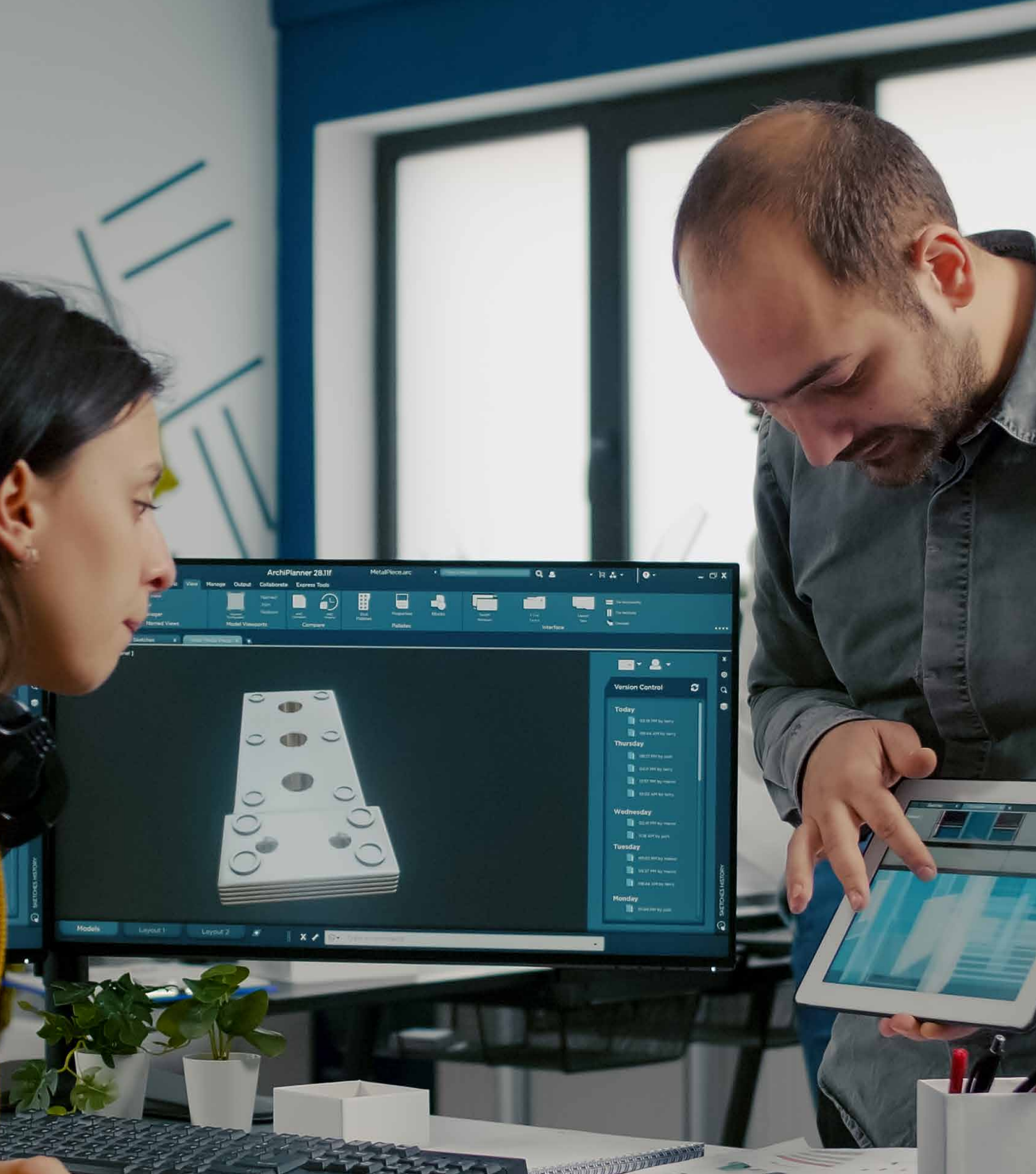
In interpreting the results of this survey, it is important to note that this study is not a representative one, in that it does not accurately represent a larger population. Furthermore, efforts were made to directly reach out to potential participants through email and/or phone calls.

An even share of the participants was observed to be from organisations with a revenue stream of more than €50M (27%) and in the €1M - €10M range (27%), with a further 20% having a revenue stream in the €10M - €50M range. The profiles that contributed to the survey were among a variety of business functions including C-suite (44%); IT and Cybersecurity (31%) and Finance Professionals (8%). The remaining 17% was made up of respondents coming from Sales, Compliance, Human Capital, and Operations.

From an industry perspective, the respondents were from a wide range of industries, including financial services (19%), government and public services (15%), technology, media and communications (15%), consumer markets, distribution and retail (7%) and professional services (5%). The remaining 39% fell under a plethora of different industries such as food and beverage, leasing, real estate, pharmaceutical, aviation, logistics and mobility, and multi-sector service.

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Overview of the Thematic Insight Areas

I.   Strategy and Adoption

This thematic area examines how businesses in Malta are adopting AI technologies. It covers responses related to the usage, perception, and implementation of AI solutions within organisations. By understanding how AI is being integrated into business operations, we can gauge the current state of AI adoption and identify trends and patterns in its usage.

II.   Governance

Effective governance is essential for managing AI initiatives. This theme explores the structures and framework implemented by businesses to oversee AI projects. It highlights the importance of having robust governance mechanisms to ensure that AI is implemented ethically and responsibly, aligning with organisational goals and regulatory requirements.

III.   Investment

The survey also investigates the financial commitment of businesses towards AI. This thematic area provides insights into the budget allocations for AI efforts, reflecting the level of investment and prioritisation given to AI initiatives. Understanding the financial landscape helps in assessing the readiness and willingness of businesses to embrace AI.

IV.   Market Perspective

This thematic area captures the general views and benefits realisation expected from the use of AI technology. It includes perspectives on the potential advantages AI can bring to businesses, such as increased efficiency, improved decision-making, and enhanced customer experiences. By analysing these views, we can better understand the market sentiment towards AI and its perceived value.
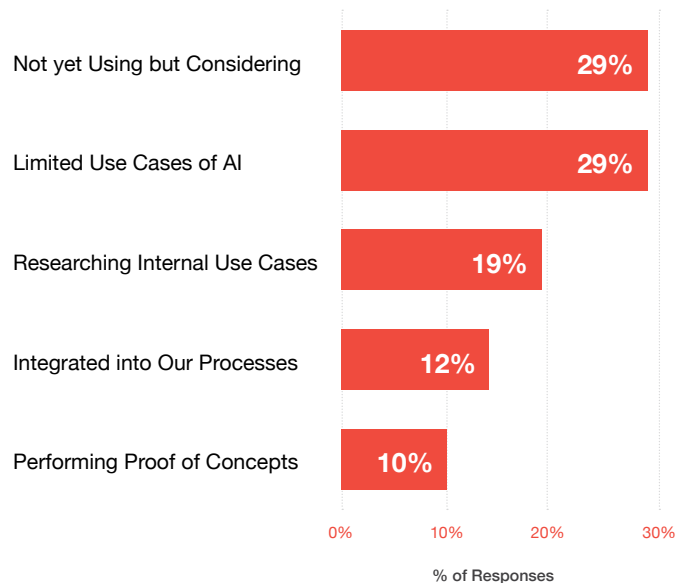
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Thematic Insights

Strategy and
Adoption

Key Insights

Use case discovery and identification remains a go-to initiative for many organisations, and our results suggest that organisations are at different stages in performing such a strategic exercise. The results indicate that a significant percentage of respondents - **58%** - are at the beginning of their AI enablement journey. For these organisations, a focus may be to first understand the business impact to be realised from AI into their organisations, as a means to inform where a use case for AI may be explored.
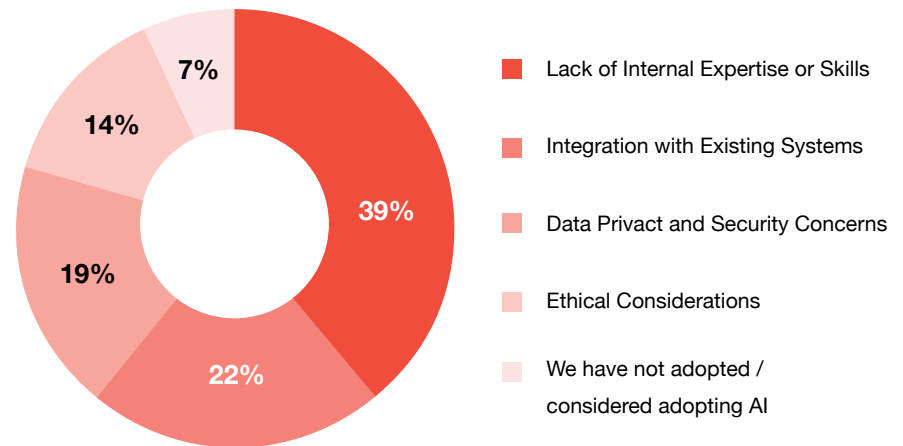
To what extent is your company actively considering AI (e.g. GenAI) technlogy as a tool (e.g. leveraging prebuilt tolls like ChatGPT or Microsoft Copilot) in your business operations?

Category	%
Not yet Using but Considering	29%
Limited Use Cases of AI	29%
Researching Internal Use Cases	19%
Integrated into Our Processes	12%
Performing Proof of Concepts	10%

% of Responses

The rate of AI enablement remains dependent on the availability of specialised talent. Currently, it is clear from our analysis that organisations view their readiness to adopt and successfully maintain AI technology use as reliant on their internal resources. **39%** of respondents believe there is a lack of subject matter expertise available within their firm to be able to champion AI initiatives, be that an optimisation to transformation of operating procedures.

In your opinion, what are the main challenges your organisation anticipates encountering in the adoption of AI technologies (e.g. GenAI)?

- Lack of Internal Expertise or Skills
- Integration with Existing Systems
- Data Privact and Security Concerns
- Ethical Considerations
- We have not adopted / considered adopting AI

Interestingly, data privacy and security risk from AI deployment is not a leading concern for the participants. Ethical concerns from the use of AI technologies are the lowest barrier for adoption, with the more conventional dimensions to digital transformation being represented in: (i) integration of AI solutions with the organisation systems and applications; and (ii) management of data privacy and security.

What's next

The below are the recommended next steps that should be taken by organisations to enhance their AI strategy and organisational adoption:

- Establish clear AI adoption goals and a manageable timeline to ensure a successful implementation. Furthermore, the board should encourage cross-departmental collaboration and produce a list of potential use cases that would align with the long-term strategic objectives of the organisation.

- Prioritise the formation of an internal team overseeing all AI initiatives, use case formulations and ensuring accountability while driving initiatives to upskill employees in AI usage and other integrated tools to ultimately foster a knowledgeable workforce.

- Secure investment to enable AI initiatives within the organisation, prioritising governance practices while ensuring employees and the end-customer experience a meaningful impact.

- Explore generative AI tools for contract drafting and review, legal research, claims processing and vendor management. While questions surrounding other fields including data protection and confidentiality may subsist, the CLO should plan ahead and assess which solution can unlock more value for their business without compromising on the essential security and privacy aspects.

- Support the implementation and experimentation of AI pilot projects to demonstrate the value and impact AI has on the workforce and streamlining processes to strive for a broader approach and not segmented. The CTO/CIO should also ensure the implementation of a robust AI governance framework to maintain data integrity and security.

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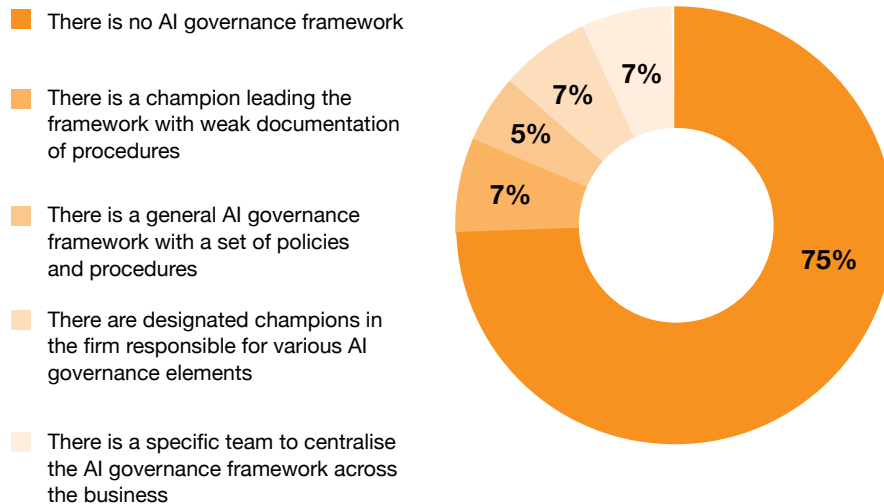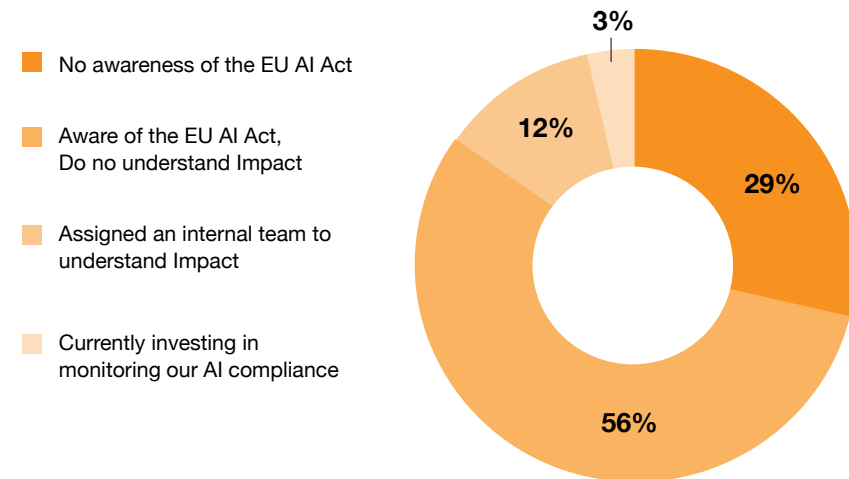
Thematic Insights

Governance

Key Insights

Undoubtedly, organisations are being asked to reinvent themselves to the operating model potential of the 21st century technologies being brought about through AI tools such as generative AI capability. Still, businesses must be mindful to set-up governance mechanisms to ensure that such disruptive technology implementation happens in a responsible manner, as the potential ramifications from sprinting to the finishing line may prove costly. More than **70%** of the respondents observe a foundational concern from having a lack of a formal AI framework to inform their AI enablement journey.

With an ever-increasing list of legal and regulatory obligations, keeping a finger on the pulse of the AI regulatory landscape can be challenging. As of August 2024, the regulatory clock via the EU AI Act has started and businesses will be expected to begin addressing the compliance requirements. This comes as a stark realisation for a significantly large portion of our respondents who are either unaware of the regulation (**56%**) or have voiced their need for guidance to interpret their regulatory obligation (**29%**).

Which of the below statements best describes the governance framework your company is considering in lieu of AI (e.g. GenAI)?

- There is no AI governance framework
- There is a champion leading the framework with weak documentation of procedures
- There is a general AI governance framework with a set of policies and procedures
- There are designated champions in the firm responsible for various AI governance elements
- There is a specific team to centralise the AI governance framework across the business

75%
7%
5%
7%
7%

Which of the statements, best describes your organisation approach to the upcoming EU AI Act?

- No awareness of the EU AI Act
- Aware of the EU AI Act, Do no understand Impact
- Assigned an internal team to understand Impact
- Currently investing in monitoring our AI compliance

3%
12%
29%
56%

What's next

The below are the recommended next steps that should be taken by organisations to enhance their AI governance approach:

- Promote awareness with the C-Suite level about compliance issues and the overall governance challenges to be able to provide effective oversight and maintain an active understanding of key regulations such as the EU AI Act.

- Be the connection between executives and shareholders - guiding them on ethical and compliant AI's ability to create value, rather than seeing it as a cost. Establish a comprehensive AI governance framework to ensure ethical AI use, regulatory compliance and complete alignment with organisational goals.

- Work closely with the CLO in providing the financial resources necessary to develop and implement an AI compliance governance strategy framework, prioritising initiatives such as AI literacy as complementary activities.

- Develop a risk-led strategy to help the company stay ahead of the regulation, as a means to provide guidance on the critical areas of the EU AI Act that need to be addressed first.

- Collaborate with the CLO and compliance team to ensure that the organisation's transformation is not slowed down by regulatory and ethical challenges down the line. Develop and deploy continuous monitoring systems to further ensure AI compliance and ethical use.
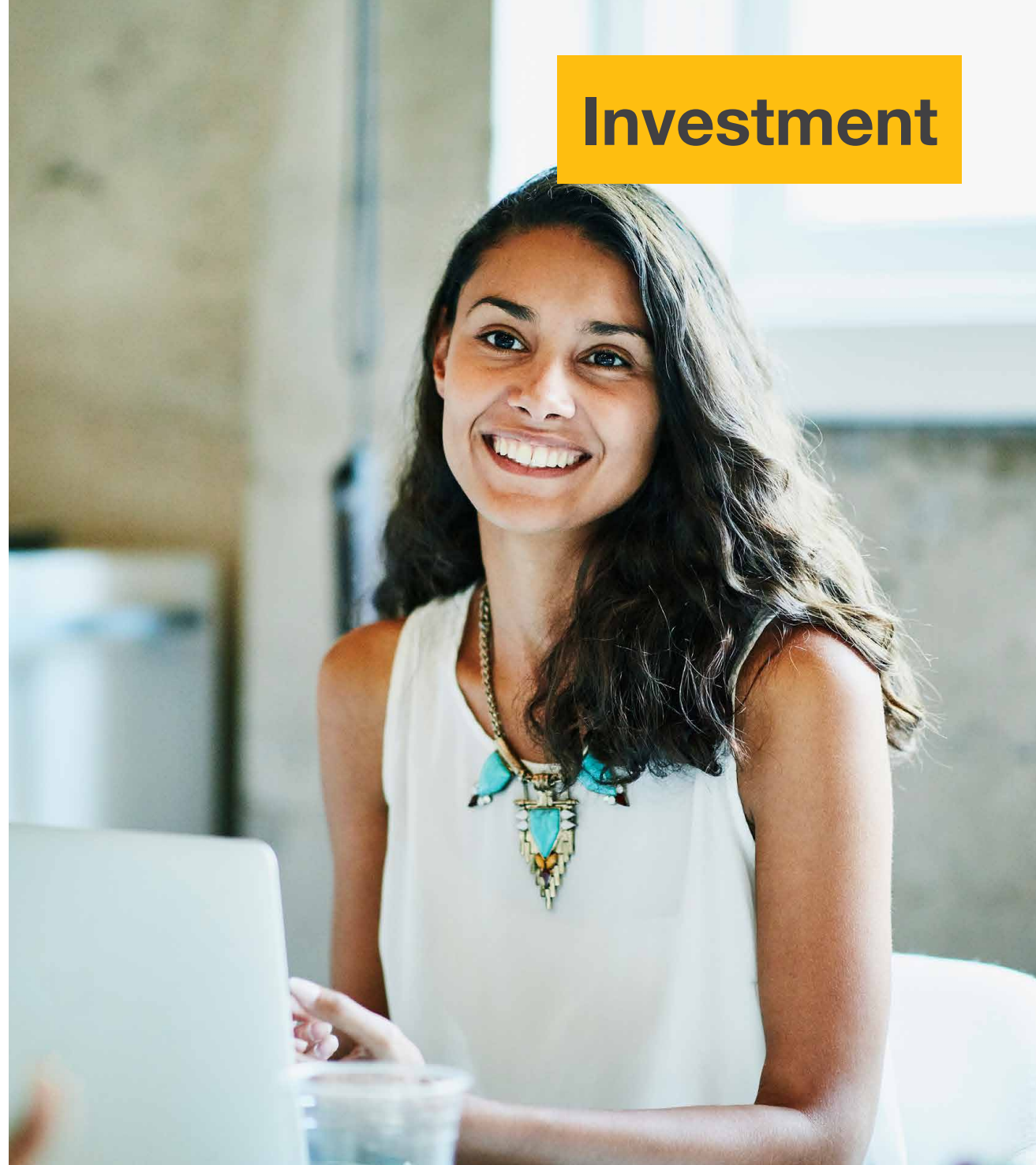
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Thematic Insights

Investment

Key Insights

Only **5%** of the respondents are confident in their ability to measure their return on investment ('ROI') from AI initiatives, thus it is evident that gauging the success of such technology implementation is a significant challenge for modern businesses. Additionally, the low confidence in ROI measurement underscores the necessity for a robust monitoring framework to ensure the success of AI initiatives.

How confident are you in your company's ability to assess the Return on Investment of current AI (e.g. GenAI) initiatives?

100%

Minimal confidence	**22%**
Limited confidence	**22%**
Moderate confidence	**32%**
Significant confidence	**19%**
Optimised confidence	**5%**

23.1%

Too few of a percentage of the respondents (**18%**) view awareness, education, and research and development as a major AI investment area. In contrast, AI transformation must begin with a lens of the impact on the human, where the targeted upskilling of one's company workforce is a strong indicator of successful AI enablement.

Paired with the above, a byproduct is being experienced by businesses that find future-planning of AI efforts a major hurdle to overcome. Among the spread of respondents, a lack of budget (**29%**) and conservative planning (**41%**) of AI-targeted investment areas such as training programmes or performing proof-of-concept applications of AI in one's business, remain the defaulted approaches.

Considering your technology investment strategy for AI initiatives (e.g. GenAI), which of the following areas does your company plan to allocate budgetary funds to in the upcoming year?

Budgetary Fund Allocation

- Proof of Concept testing
- Investment into AI Transformation initiatives
- Awareness and Education
- Research and Development
- Other

27%
23%
18%
18%
14%
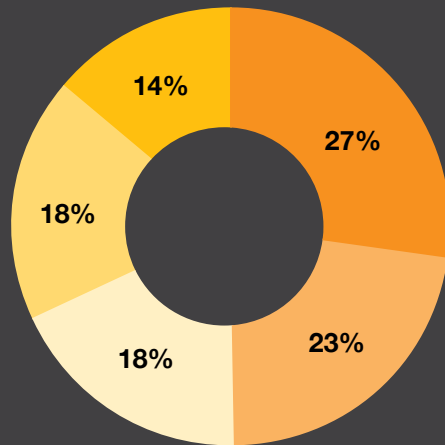
Over the past and next 12 Months, which of the following statements best describes the approach to technology investment of your company with respect to AI initiatives (e.g. GenAI)?
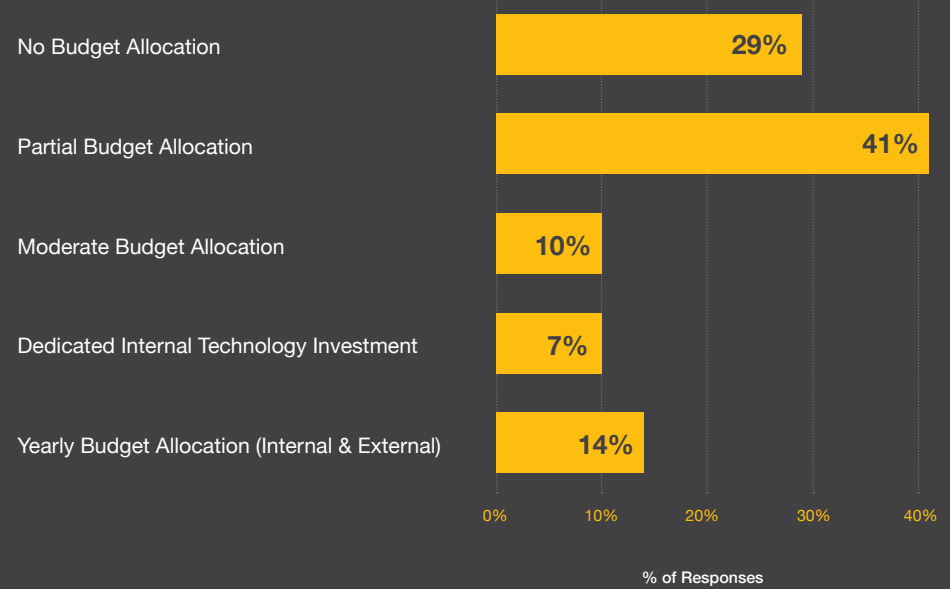
	% of Responses
No Budget Allocation	29%
Partial Budget Allocation	41%
Moderate Budget Allocation	10%
Dedicated Internal Technology Investment	7%
Yearly Budget Allocation (Internal & External)	14%

% of Responses

What's next

The below are the recommended next steps that should be taken by organisations to enhance their AI investment:

- Discuss the ROI of AI from cost-savings, productivity-gains, and experience-enhancement to provide an informed evaluation of continued budget allocation for AI initiatives.

- Lead from the front to integrate AI into the current business operating model and processes by prioritising quick-win projects such as AI business case initiatives, while promoting an internal culture of continuous learning and innovation.

- Collaborate with the CEO, and CTO/CIO teams to establish reasonable ROI metrics to be monitored from the effort in AI enablement services driven internally or sourced from external providers.

- Support the investment and trust in use of AI from a regulatory perspective, in a manner that provides the confidence to C-suite on the safety of AI within one's organisation.

- Facilitate the CFO's financial management, via the sharing of, among others, data points that would inform the CFO on uptake of AI tools across the business.

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Thematic Insights

Market
Perspectives

Key Insights

In contrast to their peers, only **10%** of respondents mention AI technologies with the potential for sector-agnostic transformation - taken to mean that all sectors from financial services to shipping, will experience positive disruption from adoption of AI into their business models.

AI as an enabler for business optimisation of internal operations was found to be the leading driver (**42%**) of AI adoption. Likewise, respondents identified customer experience (**27%**) as a major area for AI optimisation, where the customer is both the workforce that interacts with AI, as well as the customer's client that is benefiting from a service delivery that is enhanced from AI use.

From the following statements, where do you anticipate the biggest impact of AI in your industry, in the next 24 months?
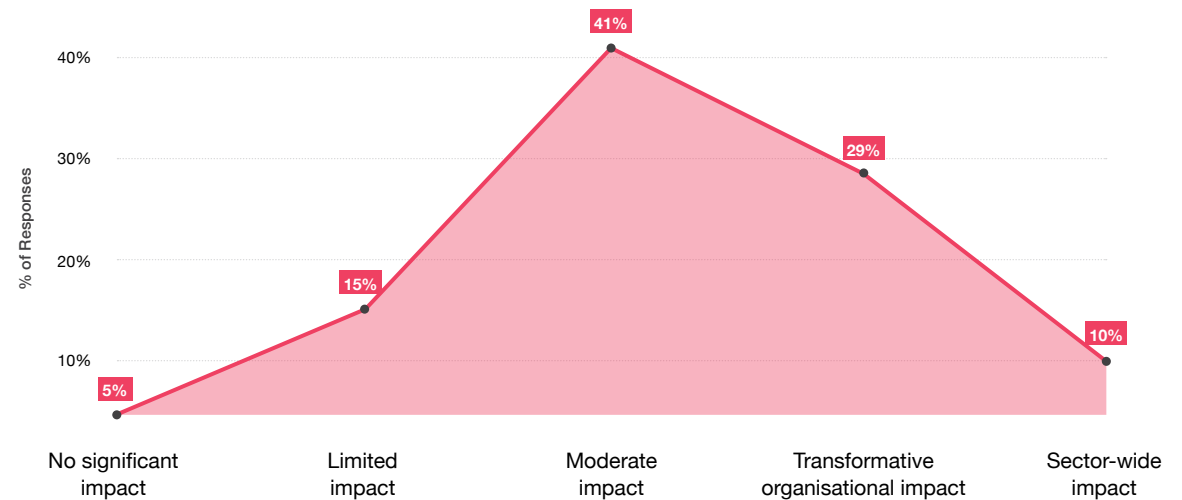
- Optimising internal operations
- Enhancing customer experiences
- Augmenting data driven decision making
- Other
- Improving marketing and advertising strategies with personalised content generation
- Streamlining customer service and support through AI-driven solutions

2%
3%
5%
20%
42%
27%
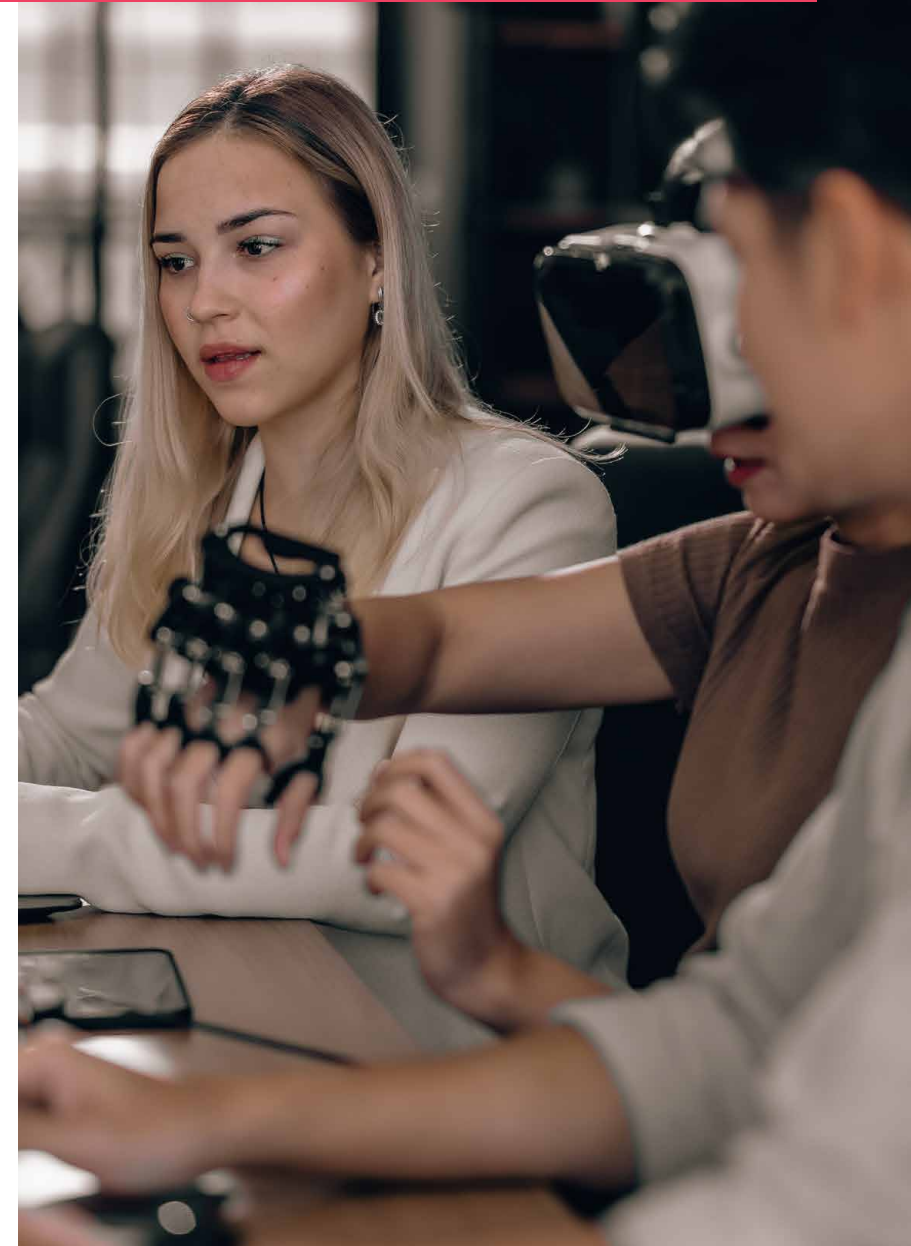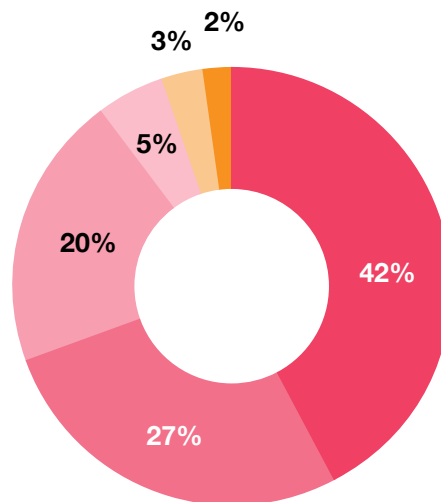
Interestingly for **41%** of the responses, the foreseen impact of AI technologies was shared to be significant to their department processes although not viewed as transformative to their operating model - taken to mean that while a business may foresee an optimisation within their human resources department, it is not the expectation that conventional process will be re-engineered completely from the use of AI tools. At the same time, it must be noted that most respondents are still exploring how best to leverage AI technologies which may suggest further need for study and experimentation of AI initiatives.

In your opinion, what level of impact do you foresee AI (e.g. GenAI) having in your industry, in the next 24 months?

Chart showing % of Responses:
- No significant impact: 5%
- Limited impact: 15%
- Moderate impact: 41%
- Transformative organisational impact: 29%
- Sector-wide impact: 10%

What's next

The below are the recommended next steps that should be taken by organisations to enhance their adoption of AI capabilities:

- Encourage a strategic focus on AI to optimise the organisation's internal operations and improve its service offering to one's client base, while promoting AI's potential to streamline processes and enhance decision-making.

- Design an AI strategy that prepares a route for the company to manage AI enablement in the short, medium and long term, with a focus on supporting departmental use of technology to create value in efficiency, cost-savings and user experience.

- Support the AI strategy with secured funding to perform internal research and development that will ensure the organisation remains in-tune with the latest AI developments.

- Stay abreast with the latest technology regulatory developments to ensure a well-governed and responsible approach to AI use by the organisation.

- Maintain a vigilance on new and upcoming AI tools, as a means to remain competitive in the service delivery of the organisation.
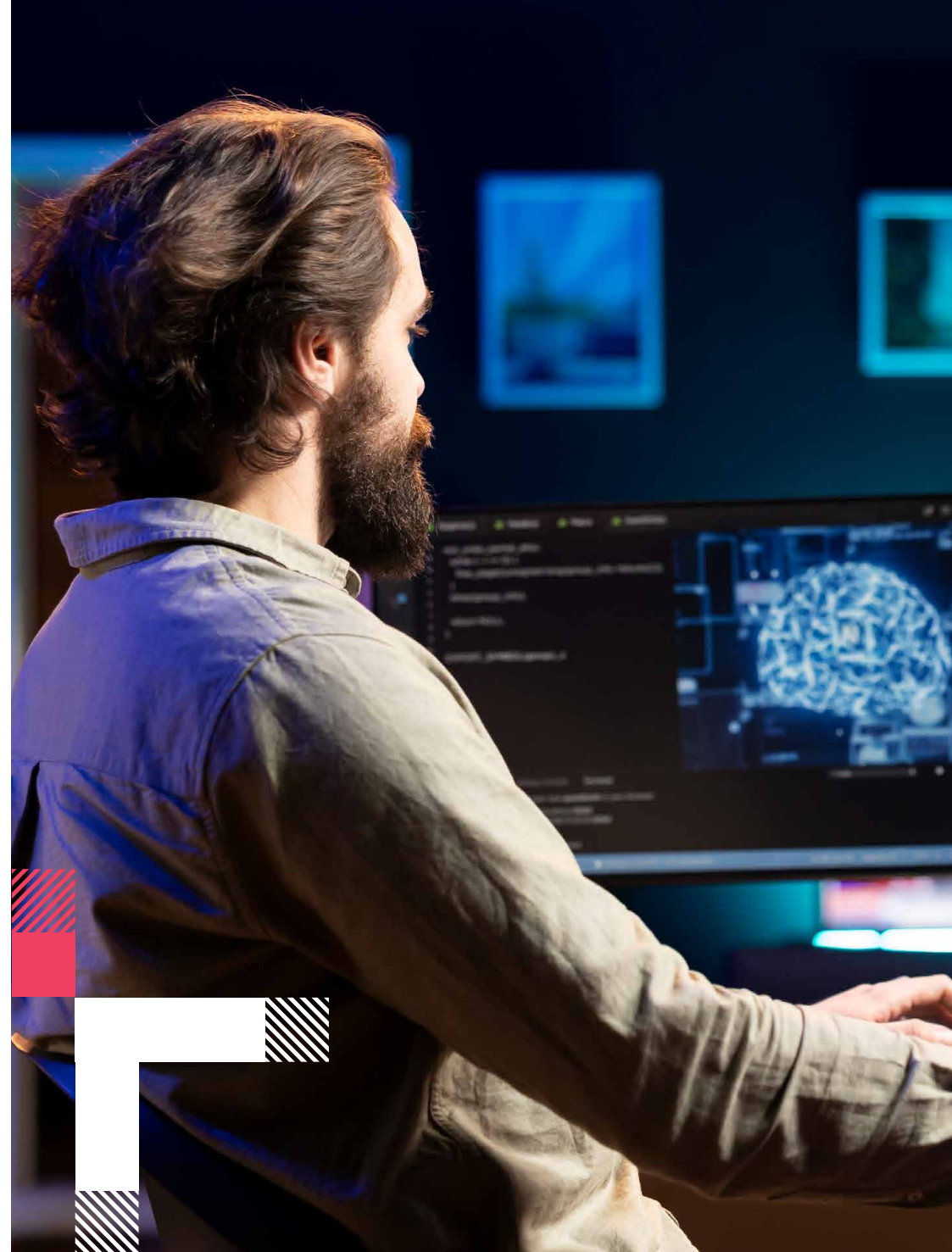
Key Actions for Successful AI Transformation and Adoption

1. Leverage strategy and governance to realise benefits

An effective AI strategy and governance framework is crucial for realising the full benefits of AI. By establishing a clear strategic vision on AI coupled with the necessary guidelines and frameworks, organisations can ensure that AI systems are developed and deployed responsibly. This can be achieved by setting the necessary policies and procedures for usage, implementation, security and ethical considerations, which help build trust in AI amongst an organisation's stakeholders. Moreover, it is paramount that regular monitoring and evaluation of AI systems, to ensure such is functioning as intended and making unbiased ethical decisions. A robust governance structure in place, therefore, will ensure organisations can mitigate risks and enhance the reliability and transparency of their AI initiatives.

2. Adopting a human-led, tech-powered approach

At PwC, we believe that the key to realising meaningful change from AI, is through responsible AI use that blends human experiences with the power and potential of the technology. Humans bring forward the knowledge required, and ultimately, by combining human expertise with advanced AI technology, organisations can ignite a powerful synergy that drives growth, enhances user experience, and addresses complex challenges effectively. By leveraging this approach, organisations are able to realise AI that can be designed to work alongside humans, enhancing their capabilities and diminishing the risk of AI replacing the human at the workplace.

3. Prioritise and pilot use cases

The new and emerging capabilities of Generative AI, and continued advancements in the AI field will be disrupting forces for one's modern IT operating model system with significant potential across the enterprise. Its implementation should be guided by clearly defined use cases that provide clear business value to the company. In this frame, it is recommended that organisations prioritise and pilot use cases either in individual business functions (e.g. Finance, Human Resources, other) or else cross organisationally through user journeys (e.g. hire-to-retire). Such prioritisation and piloting will ensure that an organisation can gain and leverage the necessary insights to make an informed risk-based business decision on how to gradually scale such use cases across the enterprise.

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