

THE AI READINESS GAP IN COMPENSATION OVERSIGHT

October 2026

Artificial intelligence (AI) is moving onto the agendas of Canadian executive teams and boards. However, expertise, preparedness, and governance remain less developed.

Southlea Group's latest Canadian Compensation Planning Trends survey, published to participants in October 2026, found that 68% of respondents agree that AI is becoming an important part of business strategy. At the same time, only 31% believe their executive teams have sufficient expertise to monitor opportunities and risks. The same proportion (31%) say their total rewards functions are well prepared for broader adoption.

Three takeaways for CHROs and Human Resources Committees

- AI is becoming a priority faster than organizations are building the expertise and governance to oversee it
- Accountability still lies with technology leaders, while boards use a variety of oversight models; many organizations have no formal structure
- CHROs and Human Resources Committees should be asking how artificial intelligence is changing workforce needs, leadership expectations and the design of rewards programs

Conducted semi-annually, the Canadian Compensation Planning Trends survey tracks how Canadian businesses are approaching salary budgets, off-cycle adjustments, voluntary turnover and other workforce issues. The latest edition examined AI strategy, executive accountability, board oversight, and AI's expected influence on the workforce and total rewards. The findings offer a useful starting point for CHROs and Human Resources Committees considering how their oversight responsibilities may need to evolve.

Note: Throughout this article, "agree" combines responses of Agree and Strongly Agree.

AI is changing workforce and rewards decisions

More than half of respondents believe AI is increasing demand for specialized talent and skills (56%) and will lead to meaningful changes in organizational design (56%). Another 42% say AI is already influencing workforce planning decisions. At the same time, only 34% expect AI to significantly influence the total rewards strategy over the next three years.

Confidence in execution is limited. Nearly half of respondents were neutral on whether their total rewards function is ready for broader AI adoption (47%), while 22% disagreed. Fewer than one-third agreed that their function is well prepared (31%).

For CHROs, this creates a tension: AI is changing the work organizations value and the skills they need, but many HR and rewards functions are still working out what that means for workforce planning, job design and pay.

Accountability remains a work in progress

Formal accountability for artificial intelligence remains anchored in the technology function. Half of respondents place primary responsibility for AI strategy with the Chief Technology Officer or Chief Information Officer. Other organizations report shared accountability across multiple executives (26%) or assign responsibility to another executive. Only 2% report having a dedicated AI executive.

Organizations are also deciding how AI capability should factor into leadership decisions. One-third of respondents believe AI represents a new category of executive capability that should influence selection, assessment, succession and compensation, while 58% remain neutral.

That uncertainty is relevant to CHROs and Human Resources Committees. Even where accountability sits with a technology leader, AI can affect how executives are selected, assessed, and rewarded across the organization. Clear accountability will be important, including defining which leaders are responsible for AI and the capabilities required to oversee it effectively.

Board oversight is evolving

There is no dominant approach to artificial intelligence oversight at the board level. Nearly one-third of respondents report no formal board oversight (32%), while 28% assign responsibility to the full board, 16% to a technology or digital committee, and 14% to the audit or risk committee.

More than half of respondents believe AI-related risks are receiving appropriate attention at the board level. However, only 37% agree that management is providing the board with adequate reporting on AI initiatives, investments, and risks.

Human Resources Committees should consider where AI fits within their existing oversight of leadership, succession, workforce strategy, organizational design and executive compensation. These findings suggest governance arrangements are still taking shape.

Questions for CHROs and Human Resources Committees

The survey does not point to a single governance model, but it does suggest three questions worth discussing:

- How is AI changing the skills, roles and work our organization values?
- Do executives have the capabilities and clear accountability needed to lead through that change?
- Does the board receive the information it needs, and are committee responsibilities clear where AI intersects with people and pay?

Growing AI adoption will continue to reshape how organizations approach governance and workforce practices. CHROs and Human Resources Committees have an opportunity to get ahead of the change by clarifying accountabilities, identifying the capabilities that will matter most and testing whether existing workforce and rewards programs remain fit for purpose.

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We would be pleased to address any questions and/or explore how we can support your challenging compensation needs. Please email us at hello@southlea.com and we will follow up to set-up a time to discuss further.