

Generative A.I. Shaping Social Dynamics and Competitive Landscapes: Insights on Augmentation and Automation

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The emergence of generative artificial intelligence (AI) represents a transformative moment in the re-configuration of economic and social systems. As we navigate the initial phases of this technological revolution, the profound potential of generative AI to reshape competitive market dynamics is becoming increasingly evident. This study undertakes a comprehensive examination of the ways in which generative AI is influencing societal patterns and revolutionizing the competitive business landscape through its dual capabilities: augmentation and automation.

In March 2023, Geoffrey Hinton, one of the pioneers of generative AI, offered a poignant reflection on the future of labor markets. When asked about career advice for younger generations, his single-word response—plumbing—captured the profound shifts that AI may bring to employment. Hinton's remark underscores the sweeping changes that generative AI could unleash, particularly by redefining the division of labor, displacing highly skilled roles, and introducing new dimensions of economic activity. This paper endeavors to scrutinize the breadth of generative AI's societal repercussions, particularly in the realms of innovation, job market, and market dynamics.

This study explores the dual effects of generative AI on tasks, focusing on both automation and augmentation, and examines its organizational impact through the lenses of market elasticities, task characteristics, and the influence of generative AI on marginal costs. Additionally, it investigates the emergence of new expertise driven by the technological opportunities and demands created by generative AI. Through this comprehensive approach, the study seeks to shed light on the transformative potential of generative AI, providing insights into its profound implications for businesses and society at large.