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driving digital agility

The AI Divide

Why Most AI Initiatives Fail and How the Top 5% Succeed

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Introduction: The Problem

AI adoption is accelerating, and yet failure is rampant. MIT's State of AI Business report (July 2025) revealed that **95% of generative AI pilots fail to deliver measurable ROI.**

Despite unprecedented investment in AI, most organizations remain stuck in experimentation, unable to convert AI activity into sustained, scalable business value. If you're an executive with an AI initiative that stalled, underperformed, or was quietly shelved, your experience is not isolated. Since only 1 in 20 AI pilots produces real business impact, it's apparent that organizations need some help.

In this paper, we explain why failure is common and provide actionable guidance on:

- Eight common (and preventable) reasons why AI projects fail
- What drives the widening divide between AI leaders and laggards
- What the top 5% do differently and how you can replicate their success

You'll learn about **prerequisites for AI success** and early decisions that determine whether AI will become a scalable business capability or an expensive failed experiment. AI failure is not inevitable. Success depends on knowing where AI delivers value, defining a clear strategy, executing with discipline, and preparing the organization.

High-performing organizations don't rush into AI. They:

- Target high-impact use cases tied to core business drivers
- Focus on workflows, not novelty
- Build AI-ready data foundations with governance
- Design for scale from day one
- Execute with discipline and accountability

Enterprises that skip or compress these steps are doomed to fail. Read on to understand what went wrong in your last AI initiative and reset your approach. The time you invest in this paper could prevent missteps that cost millions and could put your organization on the winning side of the AI divide.

Reality Check

AI is advancing faster than most organizations can absorb. While AI isn't new, the rapid, real-time adoption of newer approaches like generative AI (GenAI) is where most efforts break down.

42%

of companies abandoned most AI initiatives in 2025, up from 17% in 2024 (S&P Global Market Intelligence).

Fewer than

10%

of AI use cases make it past the pilot stage and create substantial value (McKinsey, BCG).

Rather than improving AI adoption in 2025, enterprises abandoned initiatives at more than twice the 2024 rate. When AI initiatives fail, leaders often misdiagnose the reason and blame the technology itself. They conclude that AI is too immature, unreliable, or risky to justify further investment. That conclusion is wrong.

Technology is not the problem. Machine learning has been delivering proven results for decades, and modern approaches like GenAI already generate value at scale when applied correctly.

AI failure almost always stems from poor inputs, weak design, and flawed execution. Low-quality data, unclear objectives, and weak integration produce poor outcomes, just as entering the wrong numbers in your calculator produces the wrong results. The issue isn't the calculator but how you use it. The same is true for AI.

Failure also reflects how organizations plan, prioritize, govern, and deploy AI. For example, GenAI can be highly effective in designing and planning, but you don't want to immediately let AI agents autonomously set up or control your customer-facing workflows. That introduces unnecessary risk.

With that context, we can now examine the most common problems that cause AI initiatives to break down.

Why AI Projects Fail: 8 Common, Preventable Problems

AI failures are rarely random. Across industries and use cases, the causes of failure come down to the same issues again and again.

Here are the most common reasons why AI initiatives fail:

1. Poor Data Quality and Lack of AI-Ready Data

Data issues continue to be a huge problem that prevents AI initiatives from delivering ROI.

Gartner reported that **85% of AI projects fail due to poor data quality,** and its 2024 survey predicted that **60% of AI initiatives would be abandoned within a year because organizations lack AI-ready data.** Similarly, the 2025 Big ID Survey found that 69% of leaders say poor data quality and weak infrastructure block AI progress.

AI initiatives fail when your data is fragmented, inaccurate, inconsistent, inaccessible, or not curated for AI use. Siloed datasets, duplicated records, and unclear sources of truth also undermine the ability to make confident decisions.

85%

of AI pilots fail due to poor data quality
(Gartner)

Poor data lurking under the surface always prevents models from producing reliable outputs. The problem intensifies as unmanaged data floods the enterprise every day.

Yet organizations often ignore these critical problems and assume they can "fix the data later." It doesn't work that way. AI doesn't compensate for poorly curated data. The principle "garbage in, garbage out" becomes exponentially more damaging as models operate at scale.

Without reliable, AI-ready data, initiatives may show early promise, but they won't scale, deliver sustained ROI, or last.

2. Hype-Driven Initiatives Instead of Clear Strategy

AI projects fail because they often start for the wrong reasons: hype, executive pressure, or fear of missing out. These motivators prioritize speed over substance, leading to predictable failure.

Launch AI only when it directly supports a broader, viable business strategy. Every initiative must have defined objectives, realistic expectations, alignment, ownership of outcomes, accountability, financial feasibility, and clear path to scale.

Starting with a solution and searching for a problem is backwards. It wastes time, money, and credibility.

AI is misunderstood as a plug-and-play technology. It's not software you leave to run autonomously, nor a technology deployment. AI is a business transformation effort.

Success requires integration; process and workflow redesign; clear ownership; coordinated execution across business, data, and technology teams; and deliberate change management.

A strong AI strategy clearly defines:

- What type of AI is being used
- What business outcomes it must deliver
- How it will be embedded into workflows
- How success will be measured
- The level of investment required
- How it will scale and be governed

Without this clarity, even promising pilots will stall after the demo phase.

3. A Lack of Clear Business Goals and Expected ROI

AI pilots and **initiatives fail when companies don't define business goals, KPIs, and ROI targets up front.**

Without measurable outcomes (e.g., reduce costs by 15% or improve accuracy by 30%), there is no justification for continued investment and no path to scale.

Pilots may feel safe, but they don't protect against failure if feasibility, economic justification, and value are not assessed first. A lack of accountability impedes success.

This pattern is widespread. McKinsey & BCG's The State of AI in Early 2024 survey found that **fewer than 10% of AI use cases move past the pilot stage** to generate substantial value. Most organizations launch pilots in silos without plans to operationalize or scale intelligence across the enterprise.

As we say at Marlabs, "Don't spend $5 million to fix a $1 million problem." Before initiating a pilot, set goals and targets and get all stakeholders aligned.

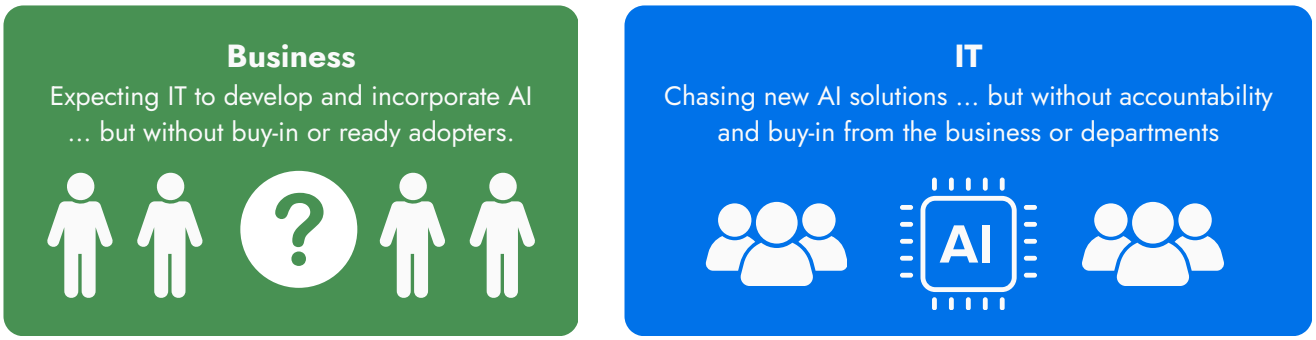
Poorly designed pilots share common traits:

- Selected based on novelty rather than impact
- Too many disconnected AI initiatives across teams
- Overly complex use cases
- Lack of business buy-in and ownership

AI is a business transformation, not a traditional IT initiative. Expecting technologists to "figure it out" without clear direction sets the groundwork for failure.

4. Ownership Gaps and Organizational Misalignment

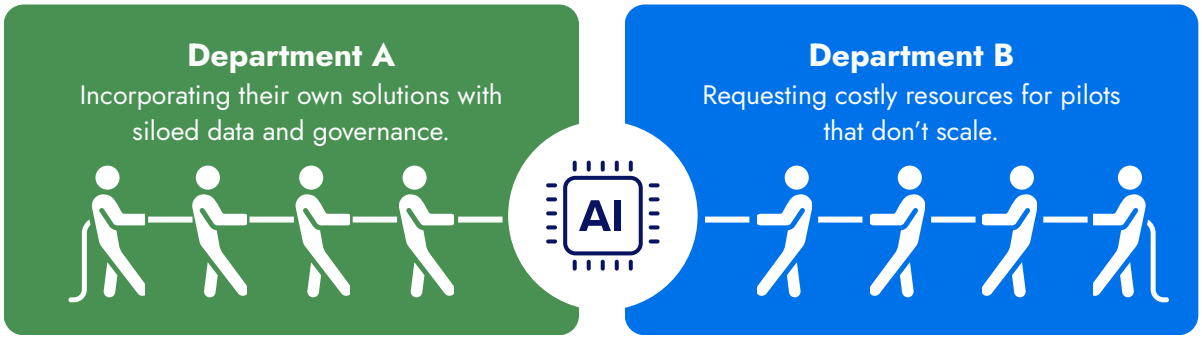
Another failure point is when AI **ownership is fragmented and no accountable business leader owns the outcomes.**



The AI "Island"

IT is essential in building and testing models, but it's not the right owner for AI since it does not own revenue, costs, operational KPIs, or customer outcomes. When IT leads without clear business ownership, their initiatives focus on what AI can do, not what business problems it can solve.

This leads to a **recurring pattern**: IT builds a promising prototype, the business never operationalizes it, and the pilot stalls during the handoff and quietly dies.



Siloed Efforts

Siloed execution makes matters worse. According to the Writer's 2025 AI Survey, Generative AI Adoption in the Enterprise, **71%** of executives report developing AI applications in silos. Running multiple, disconnected initiatives with their own data, tools, and standards will create duplication, competition for resources, and systems that can't scale.

Treat AI as a shared strategic capability, not a siloed experiment. Unclear ownership, cross-functional coordination, and alignment to business outcomes make failure inevitable.

5. Weak Change Management and AI Readiness

Ineffective organizational change management (OCM) can kill the best AI initiatives. AI adoption is not a technical rollout. It's a human and organizational transformation that changes how work is done, how decisions are made, and how performance is measured.

When leaders fail to manage that change, resistance grows, adoption lags, and initiatives quietly stall.

Fear and uncertainty create resistance. Employees worry about job loss, exposed performance gaps, and decreased influence. These concerns manifest as withheld knowledge, avoidance of AI tools, and lack of adoption.

Effective OCM addresses these risks and invites the organization into the transformation rather than forcing it. OCM explains why AI is introduced and how it supports business goals and augments worker expertise. Training, role clarity, executive sponsorship, and feedback loops turn skepticism into adoption.

Organizational AI readiness reinforces OCM. Enterprises must assess whether their data, workflows, skills, governance, and culture can support AI at scale.

Those who don't invest early in OCM and readiness join the list of failed AI efforts.

6. Poor Integration into Workflows and Systems

AI delivers value only when integrated into business processes to become part of how work gets done. Accurate models won't produce ROI if outputs are disconnected from daily workflows, operational systems, and performance metrics.

Failure occurs when insights aren't integrated into the tools employees use. Pilots stuck in sandbox mode are never operationalized, adopted, or scaled. Organizations that build models first and plan to "operationalize later" often doom pilots before they reach production.

Other common integration mistakes include:

- Manual handoffs between AI outputs and business teams
- Duplicated or conflicting workflows across departments
- Lack of alignment with KPIs or not observing whether AI contributed to business outcomes

The strongest initiatives start with use cases that easily integrate into existing internal workflows, like intelligent automation, workforce augmentation, or demand forecasting. This creates wins that build credibility and momentum.

Successful organizations map AI outputs to specific tasks, roles, and objectives; redesign processes to leverage automation and insights; train teams how to act on AI outputs; and create feedback loops so models improve in real-world use.

Without integration, AI remains a prototype. With integration, AI becomes a powerful, value-driving enterprise capability.

7. Governance, Risk, and Control Failures

As AI becomes part of workflows and decision-making, **governance cannot be an afterthought.**

Systems that enable scale, like AI, automatically increase organizational risk when standards, controls, oversight, and accountability aren't clearly defined. Initiatives are jeopardized when controls are addressed too late.

Many organizations rush AI and treat governance, compliance, and security as secondary. McKinsey & BCG's The State of AI in Early 2024 report said 70% of high-performing organizations struggle with data governance and integrating data into AI models.

Governance isn't a barrier to speed. Governance enables companies to scale AI safely, keeping models accurate, secure, compliant, and aligned with business intent. Establish standards for data quality, labeling, lineage, and governance *before* training models. This ensures AI uses trusted data and reduces downstream failures.

Weak governance creates regulatory, ethical, and accountability risks, which can result in fines, reputational damage, or operational disruption. Technically sound models will still fail when these guardrails aren't put in place.

70% of high-performing organizations struggle with data governance and integrating data into AI models. *(McKinsey & BCG)*

8. Talent and Capability Gaps

A final preventable failure occurs when employees aren't taught the skills to implement, scale, and sustain AI.

Common capability gaps include:

- Shortages of AI-skilled staff to develop, deploy, and maintain models
- Lack of cross-functional training to teach business and operational teams how to leverage AI outputs
- Overreliance on centralized expert teams, creating bottlenecks
- Low organizational AI literacy, which limits adoption and trust

Unclear roles and ownership and siloed expertise slow progress. Business users struggle to interpret and act on AI insights. Overloaded AI specialists become a failure point, and their knowledge stays siloed.

Organizations that successfully close talent and capability gaps:

- Train and upskill business and operational teams, not just technical staff
- Build cross-functional teams combining data, business, and technology expertise
- Define clear roles and ownership for AI development, deployment, and adoption
- Foster continuous learning and knowledge sharing

Talent and operational capabilities are as critical as technology. Without skilled people and cross-functional collaboration, AI initiatives struggle to scale and generate ROI.

Summary

AI fails for many reasons. If some of these problems sound familiar, you can still reset your approach. Once you understand where you went wrong, you can leverage AI to get dramatically different results from what you experienced in the past.

Understanding what separates those who succeed and fail is the next step in your journey to success.

The Widening AI Divide

As AI adoption accelerates, a clear gap has emerged between organizations that generate sustained ROI and those that fall behind. This divide is real and measurable, and it already affects how organizations compete across industries.

AI Leaders

50% of AI high-performers are redesigning their entire workflows. (McKinsey 2025, Global Survey on AI)

4x faster AI deployment and 3x value for organizations with strong data governance. (MuleSoft, Salesforce connectivity research)

AI Laggards

69% say poor data quality and infrastructure inhibit AI progress. (BigID Survey 2025)

97% say data silos are inhibiting AI transformation. (CFO Tech, 2025)

The "Valley"

95%

of AI pilots fail to deliver significant impact on P&L. (MIT, State of AI Business, 2025)

A Small Group is Pulling Ahead

Success isn't about who adopted AI first or who ran the most pilots. It's about execution discipline, outcomes, and organizational maturity.

The top five percent consistently achieve disproportionate gains not because they have more data scientists or more advanced models. They succeed because they **deliberately built the conditions required for AI to thrive at scale.**

Successful organizations share these traits:

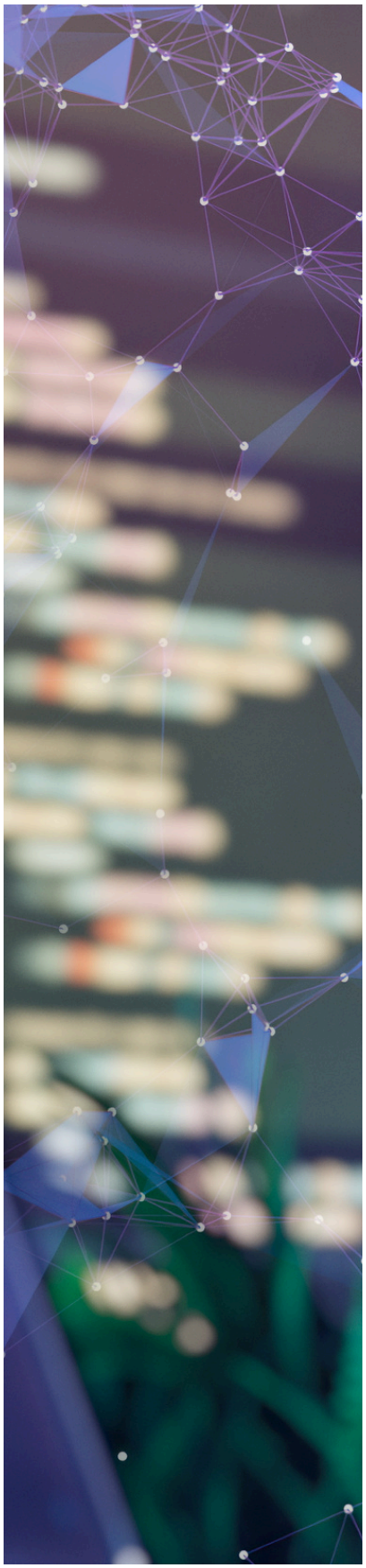
- Strong, AI-ready data foundations
- Clear alignment to business outcomes
- Disciplined prioritization of high-impact use cases
- Focus on workflows and carefully selected use cases, not experiments
- Mature, repeatable processes to scale what works

Top performers **integrate AI holistically into how their business operates.** They treat AI as a repeatable, value-producing capability embedded into operations, decisions, and workflows. Each successful deployment strengthens the next, compounding gains over time rather than restarting from scratch each time.

Those Who Fail Get Stuck in a Pilot Trap

The opposite pattern defines rest of the market, those who lag behind. The majority who fail launch more AI initiatives but also abandon them faster.

In 2025, **42%** of companies abandoned most of their AI initiatives, up dramatically from 17% in 2024 *(S&P Global Market Intelligence)*.



They've fallen into a ***pilot trap***: a cycle of building demos, proofs of concept, and siloed prototypes that don't scale, generate ROI, or become part of core business operations. More activity does not create meaningful results.

Organizations stuck in experimentation fall behind in three critical areas: operational efficiency, cost structure, and customer experience. Meanwhile, AI leaders advance in the same areas, look at the detailed differences below:

Organizations Stuck in Experimentation
Operational efficiency: Slower processes, higher error rates, and limited automation
Cost structure: Redundant work, rising overhead, and missed optimization opportunities
Customer experience: Inconsistent service, slower response times, and limited personalization
VS
AI Leaders
Operational efficiency: Automated workflows, staff augmentation, reduced cycle times
Cost structure: Leaner operations, fewer errors, and fewer redundancies
Customer experience: Faster service, smarter interactions, higher satisfaction

Where AI Delivers Measurable ROI

AI leaders focus on use cases where impact is measurable and repeatable. Evidence shows that **AI delivers measurable ROI when applied to well-defined business improvements,** such as:

Operational efficiency

Workforce augmentation

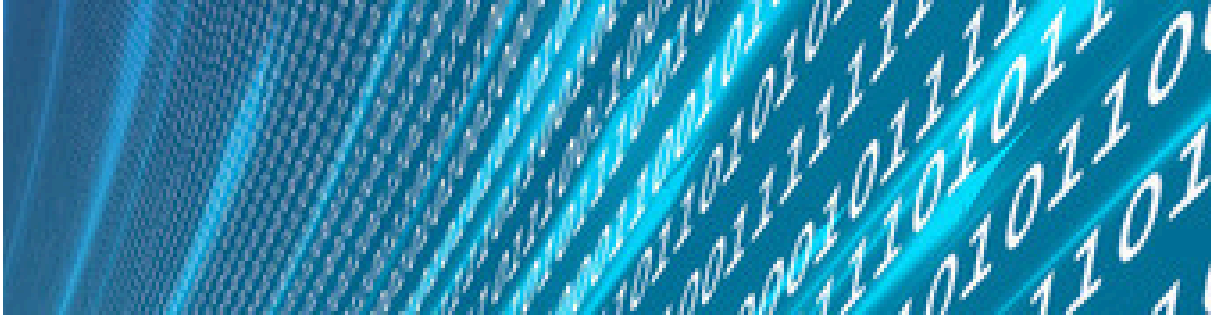
Intelligent automation of high-volume workflows

Improved decision quality and forecasting

Product and service innovation

Employee experience

The successful start with internal efficiencies and automation, the areas easiest to integrate and measure. They explore more complex, customer-facing interactions after their AI capabilities mature.



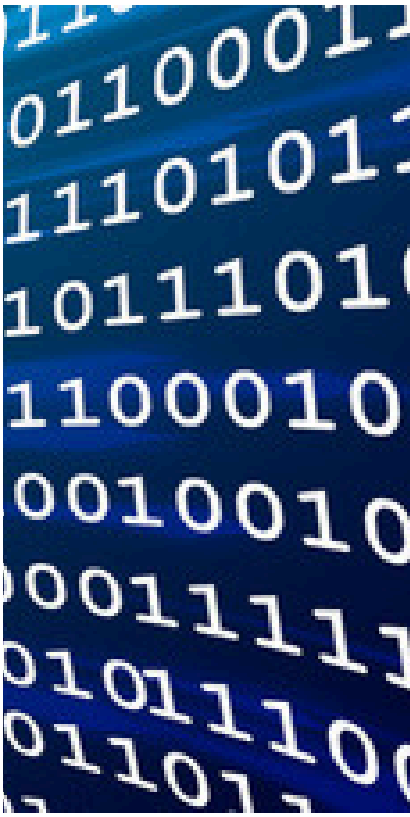
AI Is a Competitive Necessity

AI is now a fundamental business capability. The growing divide is driven by **organizational maturity and disciplined execution.**

Sustainable AI success requires a clear strategy aligned with desired business outcomes, deliberate AI readiness, consistent execution, and a workforce to use AI effectively.

Why This Matters

The gap we described is widening exponentially. The question is no longer whether AI can create advantages but whether your organization is structured to leverage them. At some point, top performers will lead and those who fail will be disrupted.

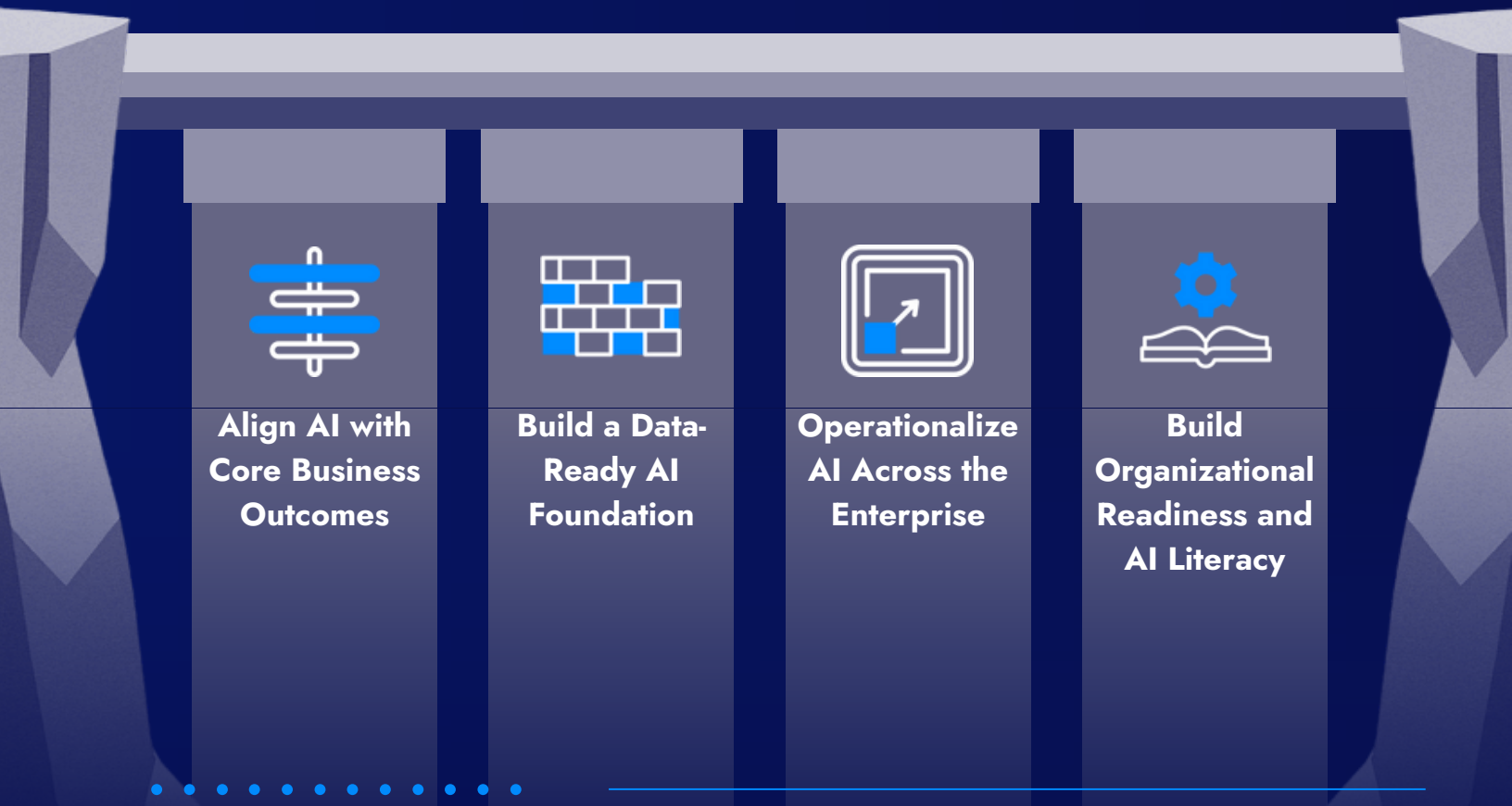


The AI divide is an **execution divide**. Winning is about **strategy, discipline** and **people.**

What the Top 5% Do Differently and How to Replicate their Success

Past AI missteps don't have to define your future. The top 5% who generate sustained ROI succeed by making strategic choices and reinforcing them consistently.

This is a journey that you need to replicate in your next initiative, and it all begins with reframing your approach to AI. AI leaders don't follow a linear path of steps. They advance in four areas, often simultaneously, to increase AI maturity across the organization. This diagram shows the four pillars that bridge the AI divide, and we'll share how leaders approach them differently.



1. Align AI with Core Business Outcomes

Top performers start by thinking of AI strategically. Treat AI as a core business capability (not a curiosity) from day one. Assign clear ownership, economic intent, and a plan to scale before you launch.

Begin with an Executive-Led Mandate

An engaged, senior leader should champion AI and set expectations early:

- Every AI initiative must deliver measurable business value.
- AI exists to advance business outcomes, not to showcase technology.
- Success is measured in results, not activity.
- Every initiative must have a path to scale.

The right reason to adopt AI is because you have a clear business problem to solve and measurable KPIs that prove it can be solved.

Providing clarity about AI accelerates progress by eliminating excess noise, misaligned pilots, and wasted efforts. When AI aligns to strategic objectives, you avoid scattered investments and ensure that every initiative is focused to advance the broader business agenda. Momentum and progress become intentional, not accidental.

Top-Down Mandate: Where AI Must Deliver Value

Focus on High-Impact Use Cases

Prioritize a small number of drivers and concentrate investment where AI is proven to work:

- **Risk reduction and resilience:** Anticipate, prevent, or mitigate operational, financial, or compliance risks.
- **Decision quality:** Improve strategic and operational decision-making with predictive, prescriptive analytics.
- **Revenue acceleration:** Identify growth opportunities, optimize pricing, and recover lost revenue.
- **Regulatory and compliance efficiency:** Streamline audits, reporting, and adherence to regulations.
- **Margin expansion:** Reduce costs, optimize operations, and improve profitability.
- **Customer retention:** Personalize experiences, predict churn, and boost loyalty.
- **Speed to market:** Accelerate product launches, service delivery, and response times.
- **Productivity expansion:** Automate repetitive tasks, enhance workforce output, and increase efficiency.

Target High-ROI Workflows, Not Siloed Use Cases

Within each business driver, identify high-volume, time-intensive, or error-prone workflows that offer visible, repeatable, and scalable value—not siloed use cases.

Maintain Momentum with the 90-Day Rule

Design pilots or MVPs to deliver measurable value within 90 days and with a clear line of sight to production. This approach creates early wins and:

- Validates assumptions
- Proves value while scaling efficiently, building credibility
- Builds confidence and trust, creating momentum
- Secures stakeholder buy-in
- Justifies continued investment via compounding returns

Focus on High ROI Workflows
Claims Processing
Financial Forecasting
Revenue Leakage Recovery
Fraud, Waste, & Abuse
Product Lifecycle Management
Contract Management

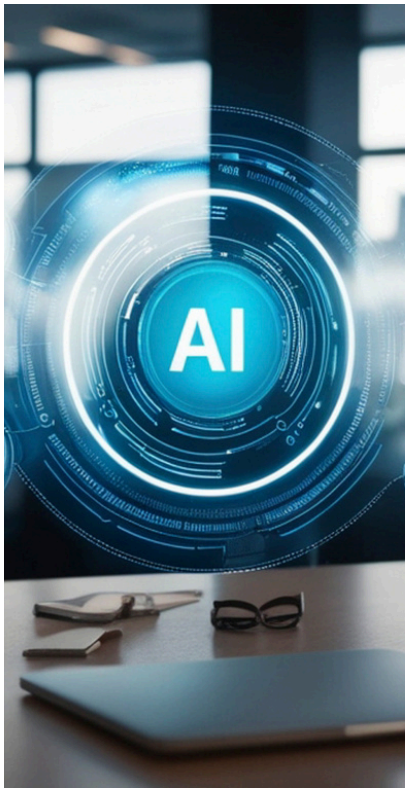
2. Build a Data-Ready AI Foundation

AI won't succeed without a strong, business-aligned data foundation.

Treating data as a product ensures your organization has access to **curated, governed, and accessible** data that is aligned to business needs so that AI can scale successfully.

This foundation requires:

- **Clear data governance and quality** for data cleanliness, labeling, and lineage before you train models. High quality data ensures your AI outputs are reliable, accurate, and actionable. Without governance, models fail to generalize, pilots falter, and trust in AI erodes.
- **Centralized data platforms** that eliminate silos and establish a single, unified source of truth. Central platforms make data accessible to the teams that need it, accelerating model development, reducing duplication, and ensuring consistency across use cases.
- **Investment in talent** like data engineers and data product leaders who translate between business needs and technical data structures. Talent is essential for transforming raw data into usable products, ensuring AI initiatives are aligned with business goals and maintaining data quality and accessibility over time.

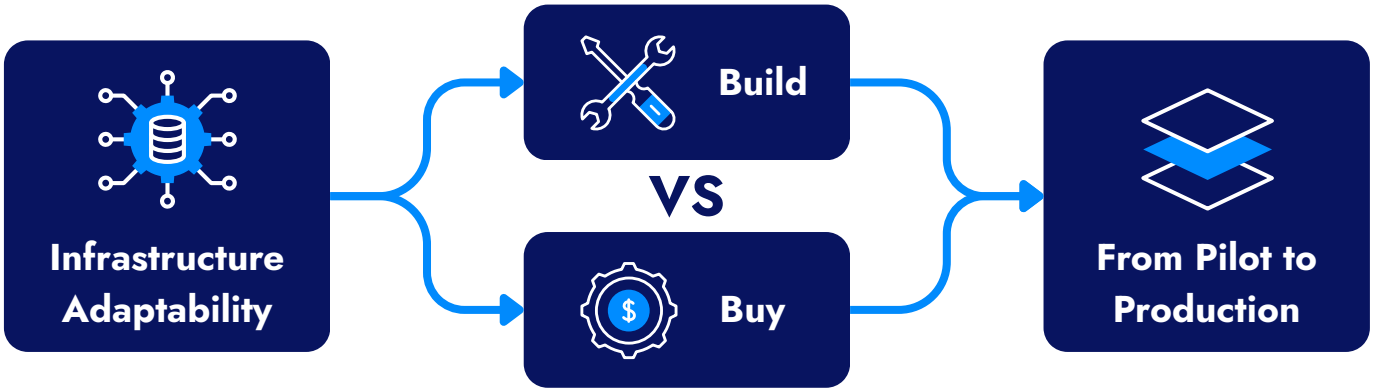


3. Operationalize AI across the Enterprise

Most AI failures occur between the pilot phase and production.

Replicate top performers by designing for scale with the end in mind, using MLOps and shared infrastructure to turn experiments into operational systems.

- **Only 22% of businesses have mature MLOps capabilities** that can turn machine learning from isolated experiments into scalable, reliable systems with real business value. (Forrester's 2025 TechPulse surveys)
- Companies that implement MLOps report up to an **87% reduction in cost per run.** (Sigmoid, ML Model Improvement & Management using MLOps)



Build with the end in mind.

Ensure Infrastructure Adaptability

Plan infrastructure to integrate with existing legacy systems through APIs to avoid full rip-and-replace efforts. Flexible architectures enable models to scale across business units efficiently while minimizing disruption.

Design for Production, Not Just Pilots

AI failures mostly occur when pilots are supposed to transition to production. To bridge this gap:

- Standardize toolsets, compute infrastructure (GPU/TPU planning), and deployment pipelines through MLOps.
- Establish repeatable, monitored processes for model updates and governance.
- Embed AI outputs into operational workflows and KPIs.

By designing for production from the outset, organizations increase the likelihood that AI pilots evolve into fully operational solutions that deliver measurable ROI.

Balance Build Versus Buy:

Decide strategically whether to build customized AI capabilities (with internal teams or outside experts) or buy a SaaS or cloud-based AI solution.

Forrester's Total Economic Impact™ Studies report that organizations with custom AI architectures can handle **twice the growth** in data compared to off-the-shelf platforms.

- **Build:** Develop proprietary models, tools, and infrastructure to create a competitive advantage. Internal builds allow you to differentiate rather than a commoditized solution.
- **Buy:** Leverage commoditized AI capabilities through SaaS or cloud services.

4. Build Organizational Readiness and AI Literacy

AI success depends less on models and more on whether the people and organization are ready for change.

AI transforms how work gets done, how decisions are made, and how performance is measured, so organizational change management (OCM) and AI literacy are imperative. The best-designed initiatives fail miserably without employee buy-in and a commitment to AI literacy.

Deloitte's State of AI in the Enterprise Report found that organizations that invest in change management are more than 1.5 times as likely to exceed expectations and achieve desired outcomes. Still, OCM's role in success is often underestimated when building an AI strategy.

5 Steps that Differentiate the Successful

Address AI readiness as a core capability, not a task to be done during rollout. Focus on five essential steps:

1. Secure Executive Sponsorship

Senior leaders must actively champion AI and reinforce consistently that AI is a valued, strategic business capability. This ensures alignment, removes barriers, and shows AI outcomes matter.

2. Communicate Augmentation, Not Replacement

Fear leads to subtle resistance and undermines adoption. Communicate early, often, and honestly that the vision is to augment, not replace, worker expertise. Talk about AI as a copilot that reduces manual effort and improves accuracy. Carry this message in training, day-to-day communications, and decisions.

3. Make the Value of AI Clear and Personal

Show stakeholders what's in it for them: how AI makes their work less tedious and more productive. Leaders should demonstrate how AI removes daily pain points and makes life easier. Do this right, and you'll replace fear with curiosity and engagement.

4. Invest in Upskilling, Training, and Workflow Redesign

AI readiness requires investment in people and processes. Allocate time and budget to upskilling and reskilling, training teams to understand AI and act on outputs, and redesigning workflows to reflect how work changes with AI.

5. Establish Cross-Functional AI Steering Committees

Set up AI steering committees with joint accountability from IT, business units, legal, and HR. These cross-functional committees will ensure AI initiatives are aligned to business outcomes, governed responsibly, and supported by the right skills and controls.

Change Management across the Entire AI Journey

Readiness isn't a phase. It must be embedded throughout the AI lifecycle. Marlabs AI Evolution Framework guides you in your journey to integrate readiness, enablement, governance, and operational rigor at every stage of AI maturity, from early experimentation to enterprise-scale deployment and adoption.

Conclusion: AI Success Is a Leadership Decision

AI success is not accidental. It is designed. And failure is rarely caused by weak technology.

It's almost always the result of strategic, organizational, and operational breakdowns and a lack of discipline in execution.

Top performers treat AI as a strategic business capability, not a siloed deployment. They align AI to business outcomes, build AI-ready data foundations, operationalize with discipline, govern with intent, and prepare their people to trust and use AI at scale. Those falling behind delay decisions, fragment ownership, chase hype, or treat AI as a series of disconnected experiments. The result is a growing gap that compounds over time.

AI outcomes come down to choices. With an understanding of what to avoid and what to do, you are now positioned to design your next AI initiative for success intentionally, economically, and at scale. The question is whether your organization is ready to move forward.

At Marlabs, we partner with organizations to turn AI into a sustainable, value-generating business capability. With deep expertise in AI, data, and enterprise transformation, we've helped leaders move beyond pilots to achieve measurable, enterprise-wide impact across finance, pharmaceuticals, healthcare, telecommunications, and media.

Connect with us to explore how we can support your next phase of AI adoption.

Marlabs - Your Trusted AI Transformation Partner

29	30+	2200+	113+	500+	11
Years	Fortune 500	Digital Experts	Industry Awards	Digital Victories	Global Locations

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