The AI Divide

Why Most AI Initiatives Fail — and How the Few Succeed

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Reality Check

The Problem

AI adoption is accelerating, and yet failure is widespread. MIT's NANDA report found that 95% of 2025 boosted their P&L. Of companies of AI pilots launched in the past year, only 5% organizations remain stuck in experimentation. Meanwhile, the top 5% are pulling away, creating a widening gap between leaders and laggards. This isn't an initiative that stalled, underperformed, or failed to scale. It's a divide that is reshaping entire industries. And it's happening faster than most business impact. It's apparent that organizations can't afford to ignore.

Organizations underestimate the cost-cost-to-AI. They:

- Underestimate the cost of integration, workflow redesign, and change management.
- Focus on workflows, not results.
- Lack the internal capabilities to scale pilots.
- Hunger for cash from low-use.

Without a clear plan, AI initiatives can't succeed.

Enterprises that win at competitive these days in AI aren't just using the technology better. They're using it over for it fundamental and start over. Leaders are rethinking how work gets done, redesigning workflows around AI capabilities, and building the organization to the winning side of the AI divide.

Why AI projects fail:

42% of companies abandoned most AI initiatives in 2025, up from 17% in 2024.

95% of AI pilots fail to deliver measurable financial impact.

10% of companies have successfully scaled AI agents to production.

AI is advancing faster than most organizations can absorb.

While AI fail to see, the report, and the data, organizations are struggling to keep up with the pace of change. Models are improving monthly, and use cases, the leaders of tomorrow are already moving beyond today's pilots.

Here are the most common reasons why AI initiatives fail to scale.

Poor Data Quality and Lack of AI-Ready Data

Data issues continue to be a huge problem that organizations struggle to solve.

85%

of companies misestimate the AI-ready dataset needed.

Gartner reported 60% of AI projects will be fail to be poor data quality, and by 2026 projects will be abandoned. Another study found that 63% of organizations don't have the right data management practices. The 2025 AI-IQ Survey found that 76% of AI failures were due to poor data quality or missing governance.

AI models can't train on data that's fragmented, outdated, or poorly governed. Without clean, accessible, well-governed data, AI can't deliver.

Data-driven building blocks that underlie AI initiatives. Organizations that treat data as a strategic asset, with clear ownership, governance, and quality standards, can build AI that delivers.

Hyper-Driven Initiatives Without Clear Strategy

Many AI projects start with the technology and the business team figures out what to do with it. Instead of solving real, those evaluations practice spend time and money on AI projects that don't move the needle.

Without a clear strategy, AI initiatives can't scale business strategy. Every initiative must have a clear connection to a business outcome, whether it's revenue growth, cost reduction, operational flexibility, and clear path to scale.

Organizations that succeed with AI start with the business problem, not the technology.

Lack of Clear Business Goals and Expected ROI

AI pilots and initiatives fail when companies don't define what success looks like before they begin.

Without measurable outcomes, a pilot can't be evaluated, can't be justified, and can't be scaled. It just becomes an expensive experiment that goes nowhere.

You may live with, but they don't control. Agile AI initiatives succeed because they're tied to specific, measurable business outcomes from the start.

The pattern is widespread. McKinsey's 2025 The State of AI found that only 39% of organizations can attribute any EBIT impact to AI, and most of those say it's less than 5%. Pilots get built and never get off disconnected.

Before you buy a tool, start with the problem you're trying to solve and the result you need to see.

Poorly designed pilots share common traits:

- Selected based on novelty rather than impact
- Lack clear success metrics or baseline measurements
- Overly complex use cases
- Run in isolation from the rest of the business

It's a common misconception, but it's a problem of AI initiatives. Organizations can't afford to treat AI initiatives like side projects.

Siloed execution. Isolated from the business. Disconnected initiatives with their own goals, their own data, and their own success metrics.

Without a shared strategy, capability can't scale. Without scale, AI can't deliver. Without functional coordination, and alignment to business outcomes, AI can't scale.

Weak Change Management and AI Readiness

Poor change management and low AI readiness (AIQ) is still the top AI initiatives. AI adoption requires people to change how they work, and most organizations aren't ready for that. Employees don't trust AI, don't understand how to use it, don't see the organization and the leaders don't have the skills to lead the change.

Without a clear plan for change management, even the best AI tools will be underused. Organizations that build AI readiness and change management into their AI initiatives from the start succeed.

Other common integration challenges include:

- Manual workflows between AI outputs and business systems
- Duplication and inconsistency across data sources

Without integration, AI remains a prototype. With it, AI becomes part of how the business runs.

Poor Integration into Workflows and Systems

AI delivers value only when integrated into workflows and systems people use every day. Most AI initiatives fail because they're built as standalone tools, not as embedded capabilities.

Tasked actors which insights aren't integrated into the systems employees use, they're ignored. Employees won't change their workflows to accommodate a tool. Organizations that build inside-first and integrate AI into existing workflows can't realize their most ambitious.

Governance, Risk, and Control Failures

AI initiatives are out of workflows and decision-making processes, and they're creating risk.

70%

of organizations experience a major gap in governance and risk management, according to the Deloitte AI Institute.

Systems that enable scale. Be the accountable to ensure AI is used responsibly, ethically, and in compliance with regulations. Organizations with systems have established standards for data quality, model risk, and AI governance can't move fast enough to deploy AI at scale.

Governance isn't a barrier to speed. Governance is what makes speed possible. Organizations that build governance into their AI initiatives from the start can move faster, with more confidence, and with less risk.

Talent and Capability Gaps

Learn the Data Science Skills Gap and why it's the biggest AI risk in 2026.

Common capability gaps include:

- Shortages of AI skills and talent in leadership, technical, and business roles
- Lack of cross-functional training to help employees work with AI tools and systems
- Overreliance on centralized teams without broader capability
- Resistance to change and low AI adoption and trust

Even when AI tools are available and deployed, poor change programs. Business users struggle to integrate AI into their workflows, and adoption stalls. Without the right skills and mindset, AI can't be used effectively.

Organizations that successfully close talent and capability gaps:

- Invest in AI literacy and training for all employees, not just technical teams
- Build cross-functional teams combining data, AI, and business expertise
- Define clear roles and ownership for AI initiatives and outcomes
- Create incentives for AI adoption and experimentation

Organizational capabilities are as critical as technology. Without the right skills and mindset, AI initiatives struggle to scale and deliver value.

AI fails for many reasons. If some of these challenges sound familiar, you're not alone. And you're not powerless. The next section shows how the top 5% are different and how you can get there.

Continued on page 4

Why AI Projects Fail: 8 Common, Preventable Problems

Most AI failures aren't inevitable. They're the result of predictable mistakes that organizations can avoid. Here are the most common reasons why AI initiatives fail to scale.

L E A D E R S

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:

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.

42%
In 2025, 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

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:

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

Risk reduction Decision quality

Revenue acceleration Regulatory and compliance efficiency

Margin expansion Customer retention

Speed to market Productivity expansion

Focus on High-Impact Use Cases

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

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:

Focus on High ROI Workflows

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:

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.

22%
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)

87%
Companies that implement MLOps report up to
an 87% reduction in cost per run. (Sigmoid, ML Model Improvement & Management using
MLOps)

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:

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.

Build with the end in mind.

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.

1.5x
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.

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.

T H E D I V I D E

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)

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

T H E O P P O R T U N I T Y

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.

A C O M P E T I T I V E N E C E S S I T Y

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.

T H E P L A Y B O O K

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.

Align AI with Core
Business Outcomes

Build a Data-Ready AI
Foundation

Operationalize AI Across
the Enterprise

Build Organizational
Readiness and AI Literacy

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.

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.

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

Claims Processing

Financial Forecasting

Revenue Leakage Recovery

Fraud, Waste, & Abuse

Product Lifecycle Management

Contract Management

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.

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.

T A K E A C T I O N

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:

C O N C L U S I O N

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
Years

30+
Fortune 500

2200+
Digital Experts

113+
Industry Awards

500+
Digital Victories

11
Global Locations

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