

# Taking the Art out of Artificial Intelligence

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## KEYWORDS:

AI value creation, AI operating model, end-to-end AI implementation, AI scaling

## SUMMARY:

The current approach to AI is still too erratic and art-like, a very structured, value-focused approach is missing. With the proposed PAIRAMID model, that involves corporate AI ambition setting, the underlying IT and data architecture as well as an operating model to tie it all together we advocate such an approach.

## AI is still approached like an art. It shouldn't be.

"I need to develop five value-creating AI use cases and don't know how" is what we often hear from our clients. Depending on the seniority level and tech affinity of the person, the *how* of value-creation is very different. It can be anything from "save 50% of customer service staff" to "run all customer data through this and that ML model." People rarely have a clear path to follow. There is a certain mystical aura around AI, which is often perceived as a silver-bullet solution for all things business. The perception of AI as an art is continuously reinforced by a slew of self-proclaimed experts making brave, world-changing statements with tarot-like appeal. Most are still in the page-of-cups than the king-of-pentacles stage though.

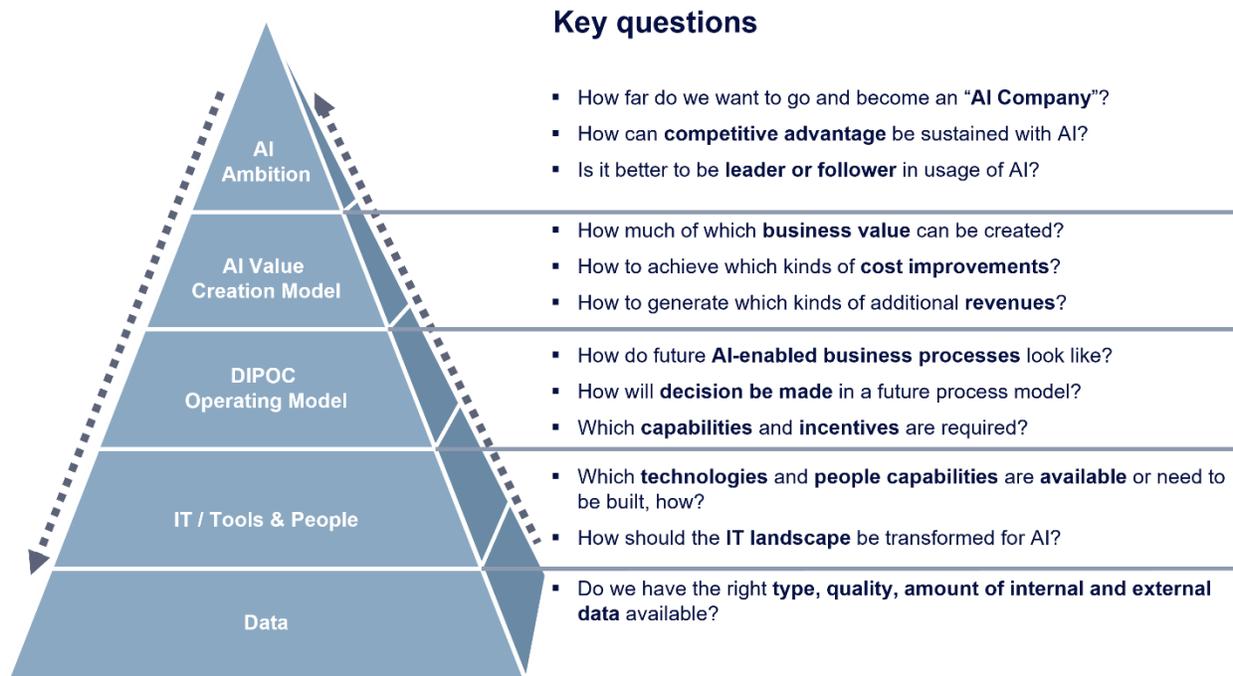
What is missing is a programmatic approach: A structured, end-to-end understanding of how AI, as a technology, helps us achieve business objectives, create tangible economic outcomes and fortify the strategic ambition of the company. It's time to bridge the gap between AI technology and business impact, repeatably. That bridge, in our view, is an AI-enabling operating model.

## A holistic approach: PAIRAMID

For AI to deliver solid results beyond some scattered use cases, the top of the corporate pyramid, the C-suite, needs to be clear on its overall AI-ambition. What kind of AI-driven company do we want to be (full-on AI-first-and-only vs. selective?), and how do we sustain our competitive advantage stemming from very different means than AI in the past? That's already a hard question to answer and often remains untouched.

Next comes the equally tricky conundrum of business value creation: Where does the value from AI actually come from, is it more cost-down or revenue-up and how much is it, anyway? Only once this is somewhat clear, can the operating model start clarifying how exactly the organization will work, repeatably, with AI. Part of this operating model are the capabilities needed to run it, which includes IT, AI-tools, people (yes, still) and data.

Now, of course, the pairamid is not a waterfall model and the whole mechanism needs to be envisioned as iterative, going back and forth between ambition (what do we want) and technology (what is doable) to achieve the best-possible outcomes.



**FIGURE 1: PAIRAMID AND KEY QUESTIONS**

## AI Ambition: How AI do we want to be?

The journey to becoming an “AI Company” requires a strategic commitment to integrating AI into the fabric of the organization. This decision is not merely about adopting AI tools but about reimagining the business model as a whole – and deciding how much of AI would make anyone an AI company. How deeply to integrate AI into the organizational self – as opposed to fully relying on human intelligence – and how much analytical vs. generative AI to be deployed are fundamental decisions that only the owners and C-level leaders of a company can make - and need to understand.

While most, especially tech-companies will likely strive to fully engrain AI into their DNA, it's worth noting that such a transition demands substantial investment and cultural change, which can be significant obstacles for any business. Additionally, there is a risk of over-reliance on AI, which can lead to a neglect of human intuition and the nuanced understanding that (still) only human experience can provide.

Besides the extent to which the company’s DNA should be AI’ed, further questions on how to maintain a competitive advantage, which may historically be based on human capabilities, and whether to be an AI-leader or follower in one’s industry will strongly impact the AI ambition.

A first directional, ambition-setting workshop can be held with the C-level team to address these questions. It is a low-effort yet important step to derive some initial, not necessarily final, guidance for all further layers in the pairamid and to capture the necessary attention on C-level.

## AI Value Creation: What and how much exactly?

It is widely assumed that AI will enable immense amounts of business value. While, for example, McKinsey estimates that AI could deliver an additional \$13 trillion to the global economy by 2030 and is, such as most other consulting firms and AI solution providers, excited about their own revenue growth prospects, companies in all other industries experience strong FOMO around the value-creating use of AI. Double-digit improvement reports, indicating 30% more efficient software development, 50% cost savings in customer service, 40% faster R&D and similar, can create the kind of anxiety in corporate leadership teams that they otherwise only experience when scrolling through each other's self-congratulating posts on LinkedIn. In the face of this initial hype, it is crucial to acknowledge that the AI capabilities are often oversold, inevitably leading to disillusionment when immediate results are not achieved.

Long story short, structuring and understanding the kind and realistic extent of AI value creation is essential to capturing it. *Which quantifiable improvement of the cost- and revenue baseline is realistic, will value rather emerge from cost reduction or from revenue growth, and how exactly will these improvements be achieved?*

This requires more depth than the current general top-down benchmark assumptions of 20-40% on any baseline. Dissecting current business processes, such as the delivery of customer service in a B2B manufacturing company and understanding how and which AI solution could improve any of those process steps will create a much more tangible understanding of its value potential.

We use the Digital Value Canvas with its 14 types of value across 3 layers (rings) to set AI value creation ambition levels (top-down) as well as to map the emergence of actual value (bottom-up).

An example of how the AI value creation ambition could look like is depicted in the value canvas below: Strong focus on process speed and quality (50% of all AI value), more core product sales, e.g. via pricing optimization (20% of AI value), higher employee effectiveness, e.g. via focus on higher-value tasks (20% of AI value) and – potentially – better employer branding and attractiveness for AI-savvy hires (10% of AI value).

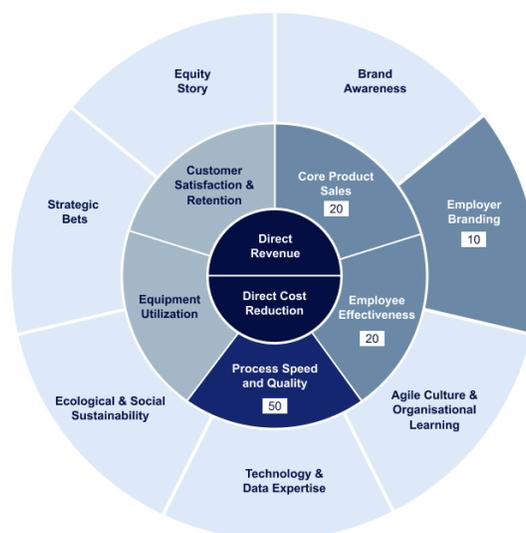


FIGURE 2: SAMPLE VALUE CANVAS FOR AI VALUE CREATION

The top-down ambition setting is important to chart a general value creation course in line with the company's overall AI ambition and to get the leadership team to commit their focus and resources. It can be done in a single management workshop. The bottom-up validation puts meat on the bones and requires the implementation of specific use cases as proof of concept for actual value creation. These are typically multiple smaller projects run with a trial-and-error mindset.

## Operating Model: How to make AI work?

Drawing value from AI as an organization requires more than trying out some AI technologies in a sandbox with some data set. A new way of working needs to be engrained in the whole organization and *processes, decision-making, capabilities, incentives and reporting lines* (aka boxes in org charts) need to be updated broadly. If, for example, a customer's refund request is not answered and decided upon by a person anymore, the respective process will entail communication with an AI, the decision making will be automated with a human only remaining to have the A (accountability as per RACI), respective technology and human capabilities and capacities will be adjusted (fewer people, more memory), people will be incentivized based on well-exercised accountability, not call-handling-time and finally, an AI tech team may now report to the head of customer service.

The magnitude of organizational change and re-training required is massive. However, organizations must be wary of over-reliance on AI, which can lead to complacency and a lack of critical human oversight. Thus, smart design of processes and decision-making incl. human oversight is important. The human role will shift towards validating and interpreting AI recommendations, ensuring ethical considerations, and handling complex scenarios that require human judgment. For instance, financial institutions using AI for credit scoring must still rely on human judgment to address ethical and fairness concerns.

We put utmost importance and focus on the design of the future AI-enabling operating model. It is the bridge between the business and value-creation perspective and the enablement layers of technology and data.

It is the operating model that will eventually make AI work within an organization. In our projects we use our **DIPOC** model for structured operating model design and implementation. The DIPOC structure and an example of questions to be answered to design a sales operating model to get **Processes, Decision making, Capabilities, Incentives and Org structure** right, is depicted below.



**FIGURE 3: DIPOC OPERATING MODEL FRAMEWORK**

## IT, technology and people: Who needs to perform

Central to the DIPOC operating model are capabilities (**C**) that are needed to perform the respective process steps. With AI, this will naturally be AI technologies to a substantial extent. Which exact solutions and technological paradigms (e.g. ML-based analytical AI, LLMs, or simple rule-based systems) will be deployed, depends on their ability to effectively perform the above process steps and generate the desired business outcomes defined higher up in the pyramid. Given its technological complexity, however, it continues to be difficult for (“non-nerd”) decision makers to pick the right AI solutions, especially if they don’t (or can’t) consider their natural limitations (e.g. hallucinating GPTs) and how these impact results. A sound understanding of different technologies, specific solutions and their application as well as the willingness to test-drive them in a given organization (in a somewhat trial-and-error fashion) is imperative.

All the more with AI, the classic trade-off between efficiency (aka synergies with the existing IT infrastructure) and effectiveness (aka built-for-purpose, new AI-based solutions) needs to be managed well, but often isn’t. Our guidance is, unequivocally, to first get effective, then get efficient.

Also, there will likely be a large human factor remaining in the organization that needs to run and interact with AI and that also needs to transform. Building people capabilities for AI involves hiring data scientists, AI engineers, and domain experts, as well as upskilling existing employees through targeted training programs that also focus on the linkage of technology and business value.

## Data: Garbage in, garbage out

The *garbage in, garbage out* rule is also true for AI. Sadly, many people dealing with AI these days have, for the lack of respective experience, very limited understanding of data structures and what makes high- vs. low-quality data. A supposedly self-evident and no-regret activity is to collect all accessible data in a data-lake to feed it to AI. A better and more resource-conscious approach is to derive specific data requirements for each value-creating use case, e.g. customer interaction history (who, when, what about, resolution, communication flow, ...) to train a customer service AI agent.

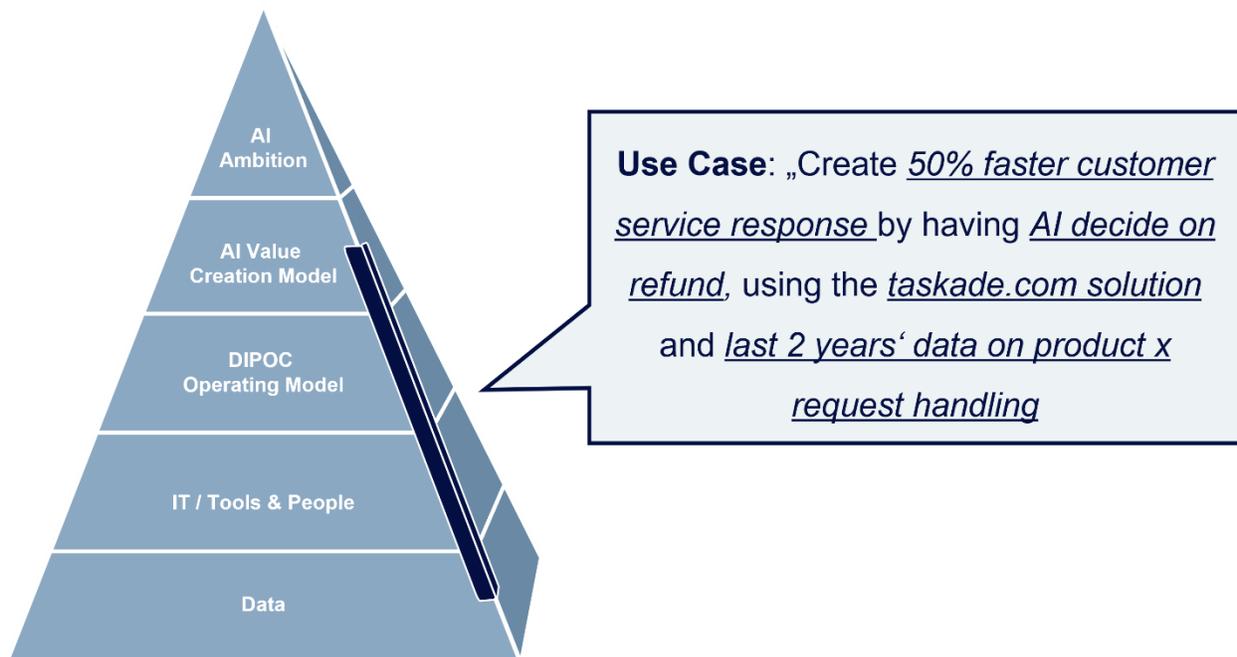
This, of course, requires these specific sets of data to be available in sufficiently high numbers to train an AI model. In today’s corporate reality, this is often not the case and even our most sophisticated industry clients sometimes have difficulties even constructing a reliable overview of existing customers and their contracts. Data privacy and security remain persistent challenges and limit the flexible use of (customer) data for AI, especially in some (our) parts of the world. Thus, another supposedly helpful approach taken is using synthetic data sets to train an AI model. This self-referential approach, however, will amplify flaws and biases in the (rule-based) data-creation model used and may defy the benefits of using AI altogether.

So, the only way to solve the data puzzle is to start collecting, structuring, governing data in line with AI value creation needs and AI model requirements over a sufficiently long time frame to train AI well enough. To get going on this, we start with test-driving focused use cases and initial data sets and iteratively build on them.

## The repeatable model

Implementing AI needs to be a very nimble and practical exercise, circled around individual use cases which, if implemented well, shape up the overall pairamid and instantiate the AI ambition.

To get going, we use a specific value creation need as a starting point (e.g. “speed-up of customer refund request handling”). Reviewing the current OPEX baseline of a business function, e.g. customer service OPEX, and benchmarking it against industry best practices always provides good guidance as to where value can be created. We develop a quantitative ambition level (“50% faster response time” or “25% cost out”), shortlist potential AI solutions or, if none are available, build a hands-on prototypical solution ourselves to then test with a set of available data. With AI, there is no deterministic way to assess the outcome ex ante. It needs to be tried out and stopped if threshold-levels of results don't materialize.

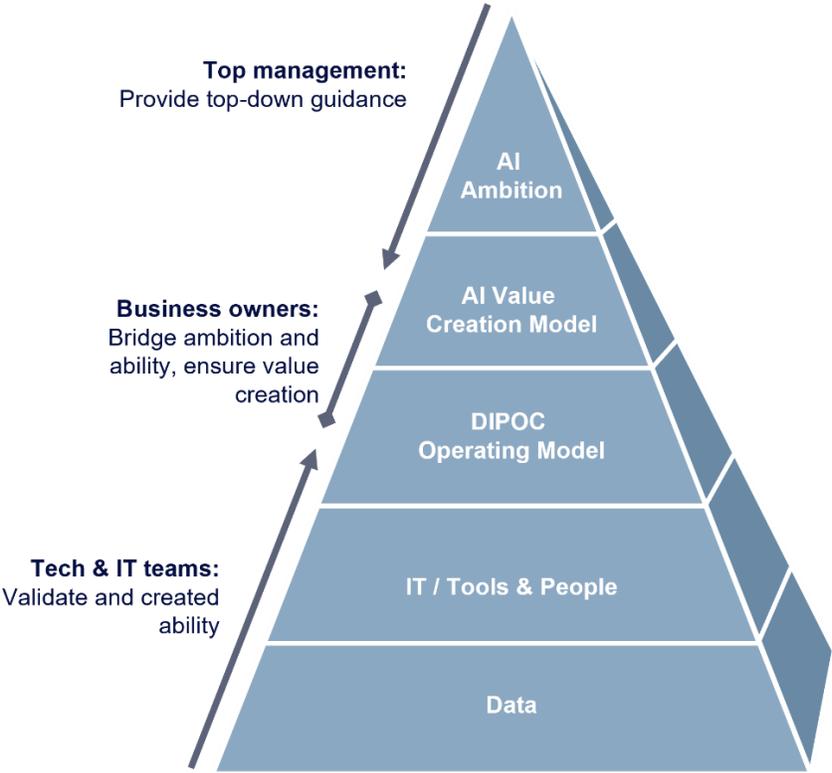


**FIGURE 4: AI USE CASE EXAMPLE IN THE PAIRAMID**

For this trial-and-error approach to build momentum, we put up to 10 use cases into a funnel and develop them in parallel with a small, dedicated team of business and AI tech experts, working in Campus-mode with fast iterations and kicking those out that don't show impact. The 2-3 use cases that make it to the end and are worth their salt can then be scaled up broadly within the organization – especially by adapting the operating model.

In sum, AI is much less of an art or magic than it is currently still perceived and sometimes actively positioned as. Companies should employ a very clear-cut, structured and repeatable approach to deal with it as they deal with any new technology that can substantially change the way they operate.

Finally, ownership within the organization spans from top to bottom and puts the fulcrum with the business owners. These need to ensure business value creation and link tech implementation with top-down AI ambition. This is the place where a high-intensity Campus program, run for 10-12 weeks should be owned and orchestrated and where the core of the operating model adaptations needs to happen.



**FIGURE 5: AI USE CASE EXAMPLE IN THE PAIRAMID**

As entrepreneurs and value creators, we have ample experience with technology-driven transformation of core and new businesses and will bring an effective approach to any company wanting to take this on. We appreciate everyone who reaches out to discuss and help further shape the PAIRAMID.

*Disclaimer: Approximately 0,5% of the content in this article is to be credited to AI. Some well-phrased language was appropriated from an MS Copilot take on this text and midjourney contributed the cover picture.*

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