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ENTERPRISE AI EFFECTIVENESS FROM STRATEGY TO SCALE

Advancing AI success with three key imperatives

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INSIGHTS

- Generative AI will move out of the experimentation phase in 2025, and the focus will move into delivering effective AI deployments, and realizing and proving the value of the technology for businesses.
- Leaders must create a clear and bold vision for their company's enterprise AI future, which must be communicated and embedded across all activities.
- A value realization model must be implemented across all AI activities so that initiatives can be prioritized and achieve impact faster and more effectively.
- Enablers such as an AI foundry and factory, strong training and change management, and a product-centric operating model are critical to enterprise AI success.
- Companies must balance AI technology advice with strategic business thinking.

DECODING GENERATIVE AI'S NEXT PHASE

The generative AI revolution has reached its first stumbling block. Rightly lauded as a transformational technology for society and commerce, as 2025 dawns, most businesses are still struggling to make this promise stick.

The consensus in the market — backed by our own research — is that generative AI deployments are only achieving a business value of less than 10% of the time: a patchy record at best. This is not necessarily a bad thing, nor is it unexpected. In mid-2024, Gartner's hype cycle placed many generative AI applications as about to peak, or just past the point of inflated expectations. And the pace of development of this technology means we are heading into the infamous "trough of disillusionment" for the technology in 2025.

It's the natural progression for any new and potentially disruptive technology. After a period of excitement and mass experimentation, the reality and limitations of any nascent technology reveal themselves. As the hype subsides, the real challenges start to surface. What once seemed like vast potential now requires careful consideration and thoughtful development.

> ***Generative AI will move out of the experimentation phase in 2025, and the focus will move to delivering effective enterprise AI deployments that realize business value.***

This means 2025 will be about moving from experiments to value realization. It will be a year of refining best practices, addressing emerging and existing challenges, and setting the foundation for long-term enterprise AI transformation.

It will be about delivering effective generative AI use cases, replicating these across an organization and proving the true value of the technology for the business. This year marks the dawn of enterprise AI.

EMBRACE HIGH STAKES, AVOID MISTAKES

The stakes involved in generative AI are higher than any digital innovation before. The high costs of playing (both in technology and talent), the risks if it goes wrong, and the threat of others doing it better are all potentially terminal to a business. Standing still is not an option, but it can feel like there is a mountain to climb, where any misstep could be disastrous.

Unfortunately, very few organizations have the wherewithal for the job. Our AI Readiness Radar research found that less than 2% of organizations have effective strategy, talent, governance, technology, or data structures in place to succeed at implementing AI effectively.

On the positive side, the digital revolution of the past 20 years has served as good training for businesses looking to embark on an AI journey. Many tenets of effective digital deployments, such as agile working practices, product-centric operating models, innovation labs, and cloud-native technologies, will serve to improve a business's ability to experiment, deploy, and scale AI usage.

However there are several key differences with AI. Unlike digital innovations — which tend to be one size fits all — generative AI use cases tend to be more personalized and specific to an individual's role, function, capability, and work style. This calls for a tailored approach to AI strategies.

> ***Unlike traditional digital innovations, generative AI use cases tend to be more personalized and specific to an individual's role, function, capability, and work style.***

This factor relates to two additional challenges that separate AI from other digital innovations. First, developing successful generative AI — and ensuring its deployment — requires deep involvement of the users to whom it is targeted. And to ensure data security and manage risk, these users need to be well-versed in AI ethics and governance, as well as being experts in their domain. All this, while also not being fearful that engaging with an AI project will ultimately make their role redundant.

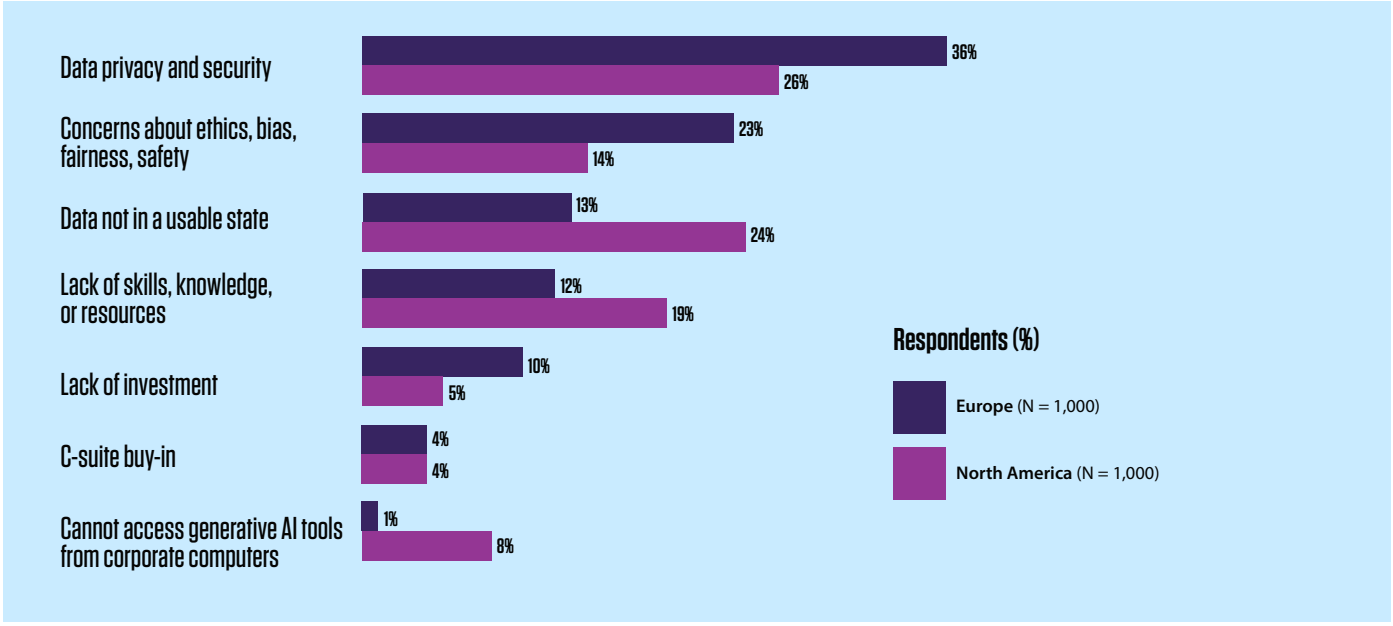
Second, the creation of multiple personalized or role-specific generative AI tools will lead to an atomization of deployments across an organization. This concept, called agentic AI, is one of Infosys' Top 10 Imperatives For AI Organizations In 2025. In essence, agentic AI envisions a future in which many different autonomous AI tools interact across a business with employees, customers, data, and applications.

In some cases, it will augment and in others, replace human tasks, workflows, and processes. It not only requires a new mindset for managing technology but could also reframe how an organization thinks about its operating model and human capital management. All this in an environment that is extremely fast-moving and uncertain. Since the release of ChatGPT at the end of 2022, more than 700,000 large language models (LLMs) have been made available publicly. Unsurprisingly, regulators are struggling to keep up.

The European Union's valiant attempt to publish regulatory guidelines will come to fruition in 2025 as these regulations come into force. However, this still leaves a patchwork of compliance decisions for companies to navigate globally — another barrier to quick decision-making.

Indeed, companies in both the US and Europe agree that the biggest obstacle to AI success is overcoming data privacy and security concerns, with the fear factor even more pronounced in Europe than in the US (Figure 1). This growing concern is not just shaping the development but also significantly driving AI tech adoption strategies in both regions.

Figure 1. Privacy, security, governance, and data are major concerns for generative AI



Source: Infosys Knowledge Institute Generative AI Radar Europe

In a nutshell, the AI revolution is moving very fast, and like the digital revolution of the past 20 years, it could cause significant upheaval across industries, uncovering new winners and leaving behind losers. But there is very little runway for organizations to understand how to get it right, and what runway there is can feel like a narrow, steep, and slippery slope. The pressure is mounting for businesses to adapt quickly or risk being left behind in the AI race.

ENABLING ENTERPRISE AI SUCCESS

When faced with a new disruptive technology like AI, it's tempting for companies to embrace it through multiple experiments — encouraging all areas of their business to engage and develop new use cases and deployments. This has certainly been the case with generative AI in the past two years.

Building an AI organization use case by use case, while good for gathering experience, can also be arduous and result in conflict over resources and attention. It has been a great way to enter the space, but it is not a tenable model to win against the competition.

For AI initiatives to make any significant impact on a business's outcomes, a clear strategic direction is required to clarify the overarching end objective. Everyone needs to know why they're experimenting with AI, and what they're trying to achieve for the business.

The goal should be to reimagine the enterprise as a whole and visualize how generative AI and the newer concept of agentic AI will drive transformation across the organization, within employee and customer experience and to its end-to-end operating model. This shift will transform how businesses operate, innovate, and create value.

> ***The goal should be to reimagine the enterprise as a whole and to visualize how generative and agentic AI will drive transformation across the organization.***

This vision needs to be backed up by a clear model for realizing the value of each implementation. That, in turn, needs to be backed by a series of enablers that ensure the ability to turn AI initiatives from experiments into embedded and scalable drivers of value. As organizations embrace this vision, they must continuously refine their approach based on real-time results. Only with this agility can AI initiatives achieve true impact across the enterprise.

VISION

Leadership powers implementation

An enterprise AI vision needs to come from the top of the organization and must be communicated clearly to all colleagues and stakeholders. Think big: AI has the potential to significantly disrupt businesses and industries, so this is the time for bold mission statements that enthuse employees and ensure all understand what is at stake, what is the ultimate objective, and how they will benefit from the journey. Setting the vision is critical to success.

This vision must evolve over time, and be articulated and communicated regularly, to define the overall purpose and direction of enterprise AI. It should be embedded in company culture, guiding decisions and inspiring change at every level. Leadership must champion this vision to encourage a mindset of adaptability, continuous learning, and collaboration to turn AI initiatives from trial runs to scalable, value-driven solutions.

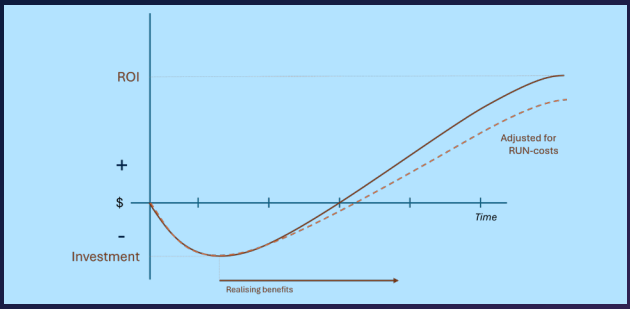
VALUE

Clarity guides direction

Value realization relies on a series of tools that help an organization decide where to invest and which experiments should be upgraded into full deployments. But these decisions are not binary, as some investments that won't work today could perhaps work next year.

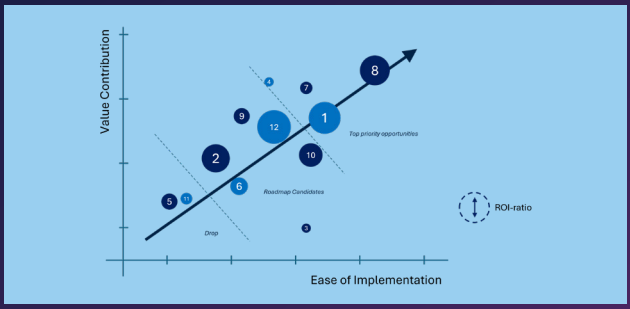
Frameworks need to take into account the investments and opportunity costs of each AI initiative, providing a clear roadmap for these decisions and a clear structure on which to compare each decision. With these tools clear strategic alignment can be achieved for an enterprise AI journey.

Strategic frameworks that support enterprise AI prioritization, decision-making and value realization.



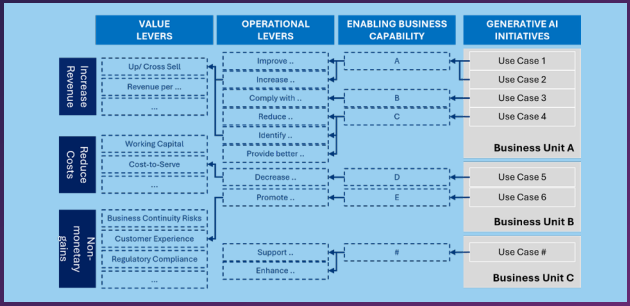
VALUE FORECAST

Identifying return-on-investment for generative AI initiatives can be challenging. Run costs can be high and are very dependent on volumes and complexity of queries. It's important to consider run costs as part of the ROI calculation using a value forecast methodology to more clearly identify cost benefit ratios.



DECISION MATRIX

Helps create a roadmap for generative AI initiatives. Considers the value contribution alongside non-monetary aspects such as customer experience, risk, quality. Plots this against the ease of implementation, which can include multiple non-technical elements. This plots use cases on both their relative and monetary value.



Source: **Infosys Consulting**

VALUE DIAGRAM

Provides strategic oversight of generative AI initiatives across the organisation, considering value and operational levers that are being impacted. Can be used to understand how much value – and where - has been created by generative AI. This can be broken down by business unit, business process, value type, and use case type.

ENABLERS

Excellence drives results

There are many technical elements that enable effective AI development. Notably, a cloud-native architecture, well-managed enterprise data, and access to LLMs, the chips that drive them, and the skills that build them. But what typically gets missed are the organizational and operating model elements that leaders need to put in place.

We believe the following three key enablers are critical to an AI business strategy and are often missed:

Foundry to AI factory

Similar to digital innovation labs of the past but enhanced with access to deep AI skills and technologies, this needs to be a center of excellence (CoE) or an AI factory that is central to the AI development process and not a dusty lab that sits to the side of the business. This is the entity that should combine the vision and value stages within its experimentation processes, working through an agile method to bring stakeholders from across the organization to support its decision-making, and ability to scale and deploy AI projects rapidly.

Training and change management

Often an under-invested part of any new business initiative, change management and training are much more critical to generative AI deployments than standard digital initiatives. This is because each employee will benefit from generative AI in different ways. Its success and design are highly reliant on a person's role, expertise, and work style. Without engaging employees in the change and training them to be active advocates and shapers of AI projects, the adoption and effectiveness of AI initiatives will be low.

Democratized and atomized

AI is not just another technology, it is a completely new way of working. This requires leaders to consider how their operating model will evolve to maximize the benefits. Successful AI needs autonomous teams to be able to define, design, and deploy their own AI tools for their own specific uses, engaging with a CoE that guides and supports them.

An effective AI-enabled operating model will be an extension of the product-centric operating model, which is itself built on agile methodology. Critical is that employees are in charge of their own success and empowered with the tools and guardrails to act fast and responsibly.

This last part is critical. Democratizing AI still needs to happen in a well-governed and controlled environment to minimize cost and risk but maximize experimentation and speed. Balancing this effectively will be crucial.

BALANCE TECHNOLOGY, BUSINESS, AND RISK

Releasing the transformative potential of AI for an enterprise comes not just from the capabilities of the technology itself. More so than digital innovations that are common today, delivering effective enterprise AI requires a deep understanding of technology, business and risk.

This means that success relies on collaborating with experts in two areas. First, the technology vendors that are themselves starting to develop and embed the benefits of generative AI in their systems. No organization operates in a silo; and it is important for the whole ecosystem of partners that interacts with a business to operate to the same standards, regulations, and data principles – and that these evolve together.

The second important group to involve are advisors, analysts and business strategists who understand the intricacies of the business, and the real capabilities of enterprise AI to improve it. Ideally these experts bring together a strong understanding of the businesses risk appetite, competitive environment, strategic objectives and technical capabilities.

> ***Enterprise AI requires a deep understanding of technology and business. Success relies on working effectively with domain experts across both fields.***

In fact, our AI Readiness research found that this techno-functional skill set was the most desired by large organizations embarking on AI transformation. This was ahead of skills such as programming, data engineering, and creativity - emphasizing the increasing importance of strategic insight alongside technical expertise.

ENSURING ENTERPRISE AI EFFECTIVENESS

Effective enterprise AI needs a pragmatic and transparent approach to navigating evolving regulations. There will always be some risk involved in engaging with a disruptive technology such as AI, but this needs to be balanced with a clear understanding of the potential rewards and opportunities. Supporting an active roadmap definition and applying metrics identified throughout value assessments are key to maximizing these opportunities. Additionally, ensuring continuous improvement and focusing on the data quality of the underlying models will be critical for sustainable success. There will be many stumbling blocks ahead in 2025 and beyond. Each a lesson to overcome the next. Without the right strategy and enablers in place, many businesses will fall at the first hurdle.

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