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Generative AI Realities: Measuring and Quantifying Business Results



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Frances Karamouzis

Distinguished VP Analyst



Generative AI Realities: Measuring and Quantifying Business Results

Frances Karamouzis
January 11 2024

September 2023 Update: Generative AI

Investigation/Exploration Mode
(Learning)

**~42% of
Organizations**

Piloting /Experimenting
Mode

**~45% of
Organizations**

Production / Gone Live Mode
(Investing)

**~10% of
Organizations**

Protecting / Risk Management

100% Organizations

n = 1,419

Source: [Generative AI Realities: Proactive Approaches for Quantifiable Business Results](#) Webinar Polling September 2023



2023 – Year Everything Changed

2024 – Year AI Initiatives Get Real

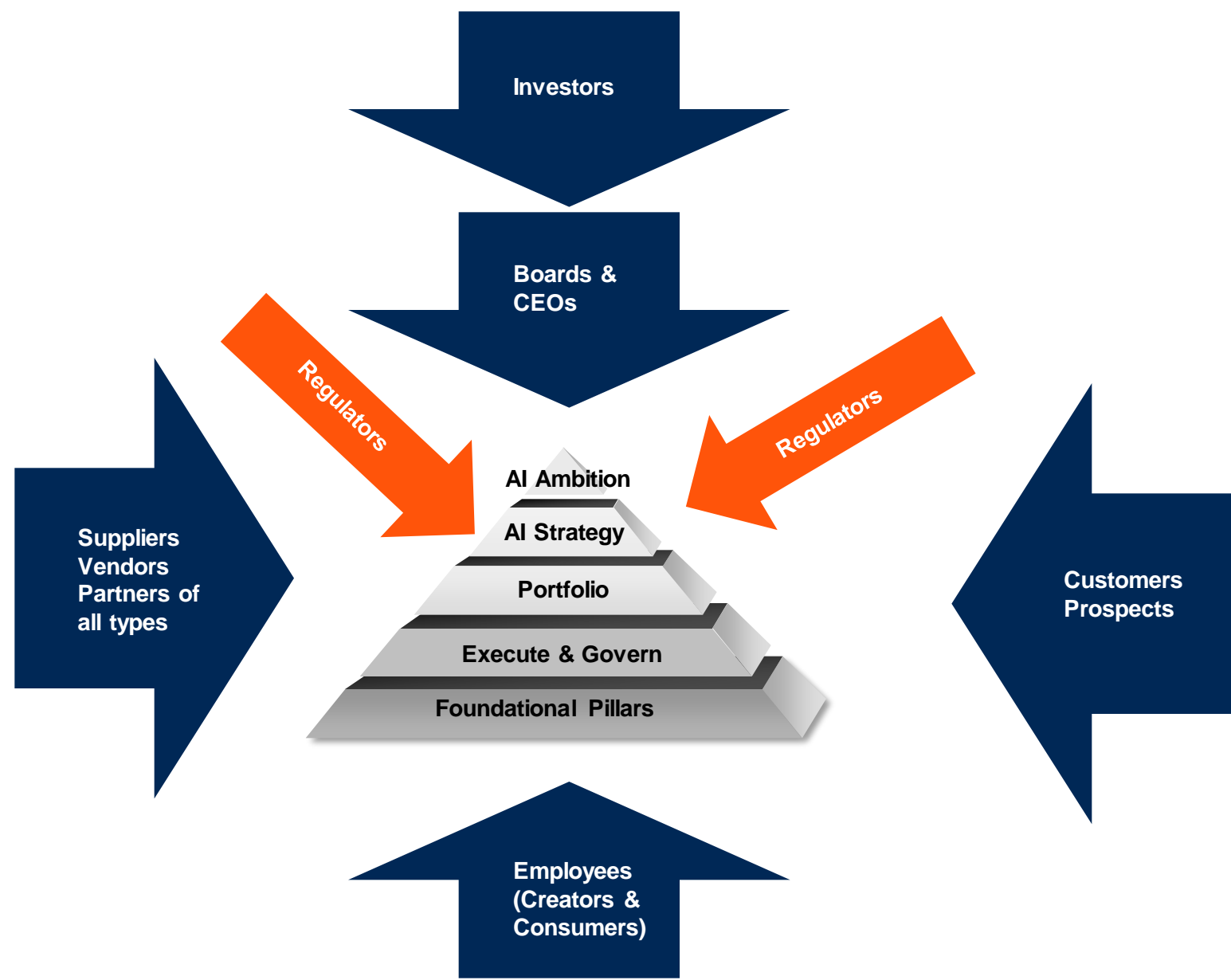
2023

- **Year of Exploring**
- **Year of LLM**
- **More Disruptions / Shiny Objects**

2024

- **Execution & Results**
- **Year of Multi-modal**
- **Public Failures**

Forces





LOW / MEDIUM / HIGH

IMPACT

Value transparency
pressure to truly
delineate the
factors create and
increase value.

**Competitive
Advantage**

**Technology
opaqueness**
AI viewed as
Black box.
Harder to manage
risk.

Technical debt

Business Leaders

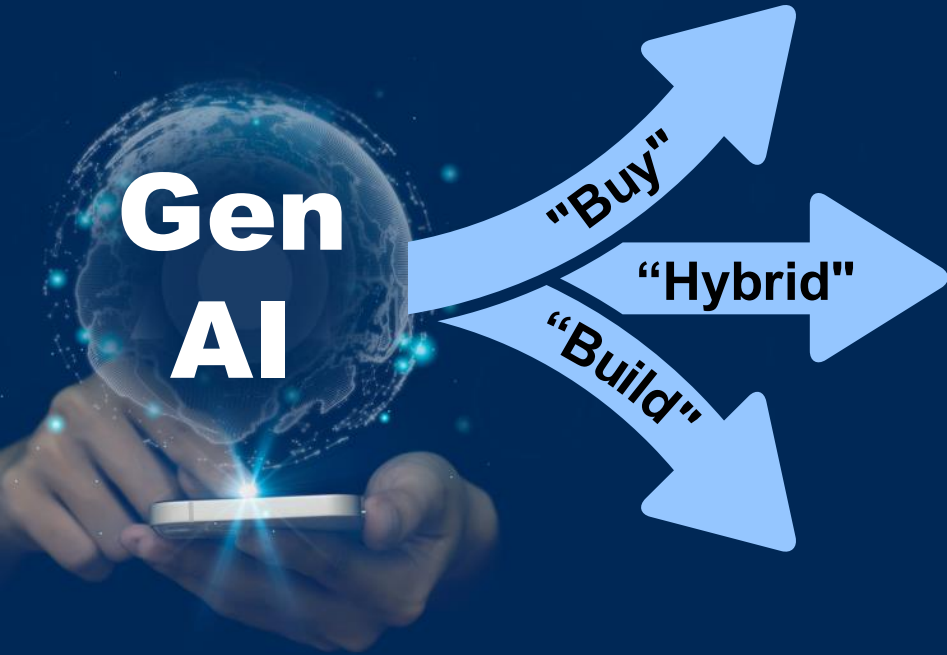
**responsible for
value creation
via AI and
behavior
changes**

Technology Leaders


**responsible for AI
technology, data
software, I&O,
and cyber-
safeguards**



Spectrum of Generative AI Initiatives



Buy



Gen AI

"Buy"

Range of
Applications

Targeted & Embedded Options

Horizontal

Mktg

Sales

Customer
Service

Finance

HR

Procurement

IT

Media

Knowledge
Mgt

Vertical

FS

Insurance

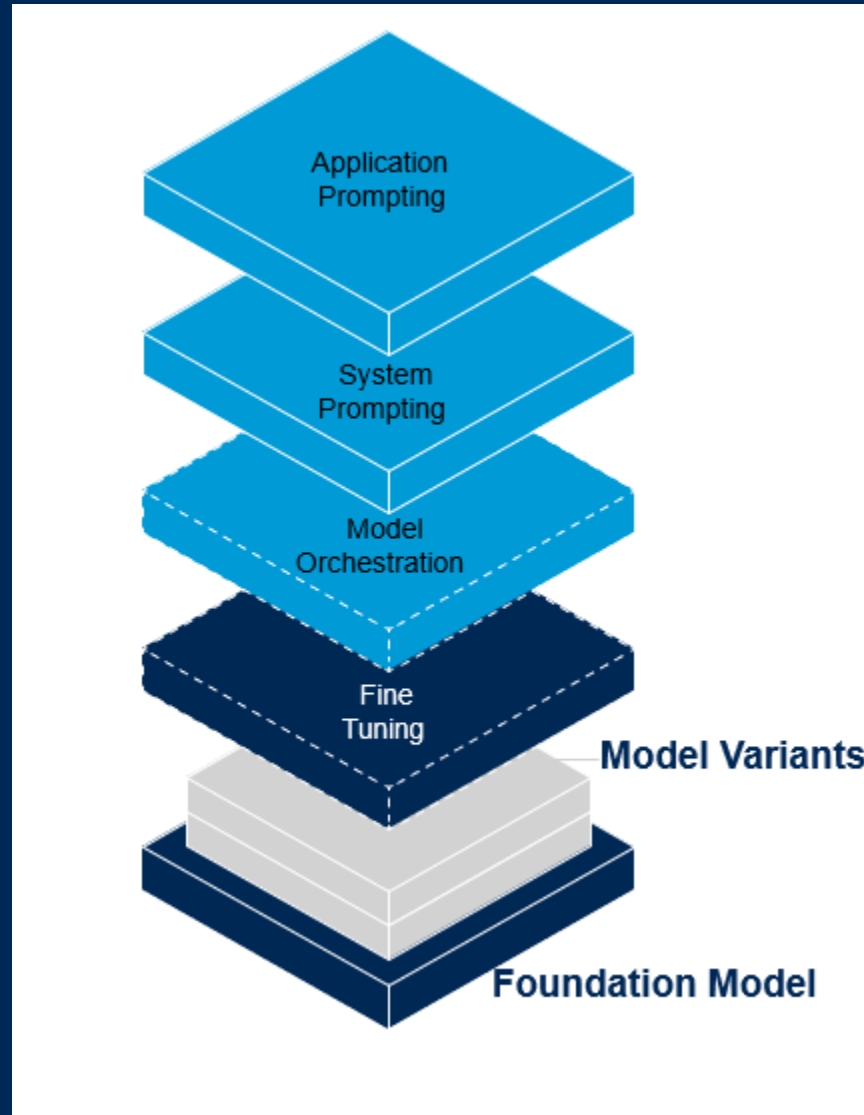
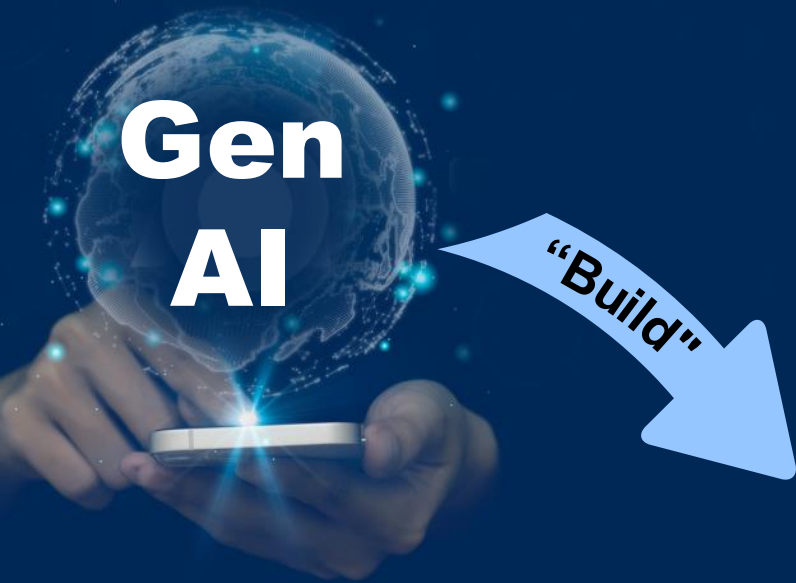
CPG

Healthcare

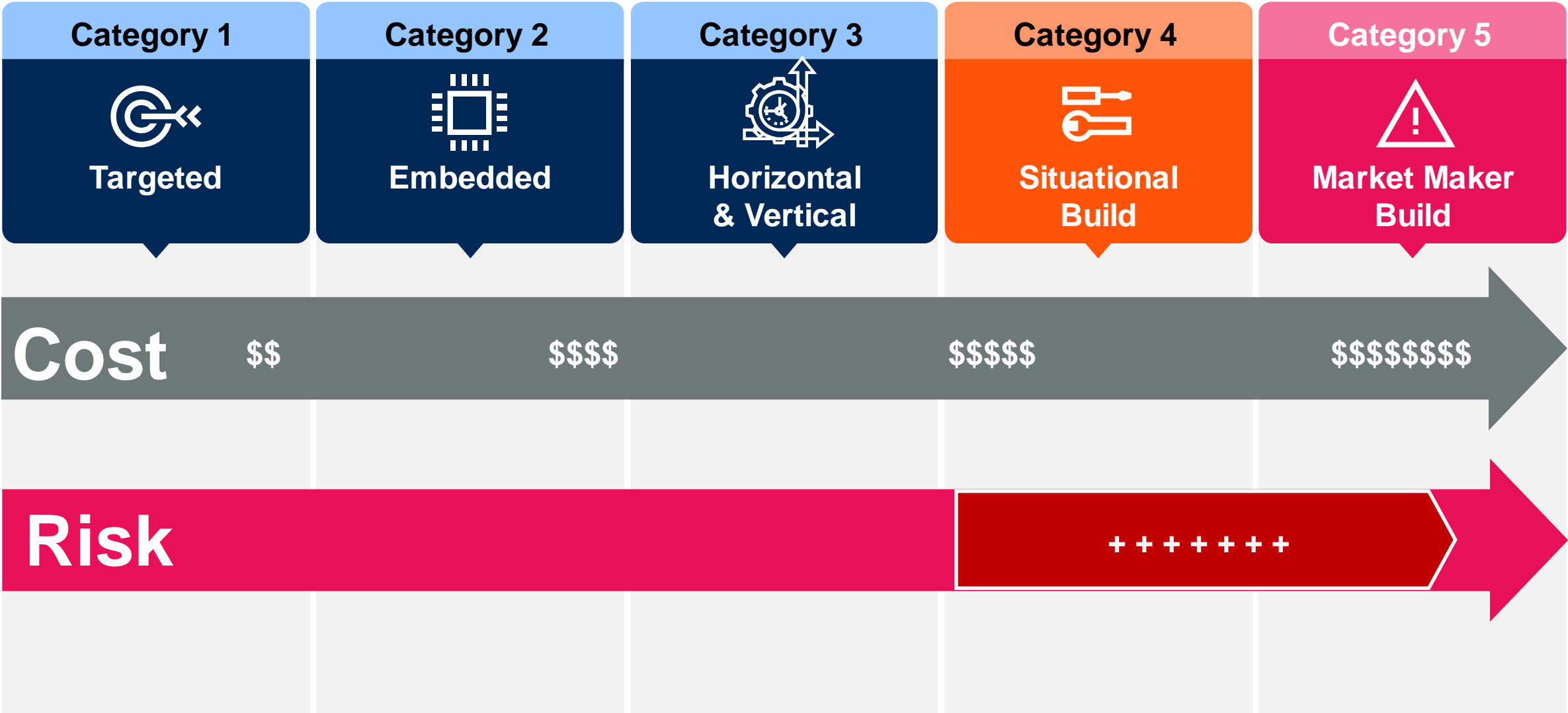
Retail

Life Sciences

"Build"



Spectrum of Gen AI in the Enterprise



Starting Point for Cost Stratospheres

**\$10K~
50K**

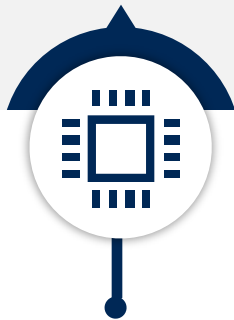
**Category 1
Targeted**



**Efficiency
& Speed**

**\$50K ~
\$500K**

**Category 2
Embedded**



Embedded

**\$250K ~
\$1M**

**Category 3
Horizontal & Vertical**



**“BUY”
Off-the-Shelf**

**\$1M ~
\$5M**

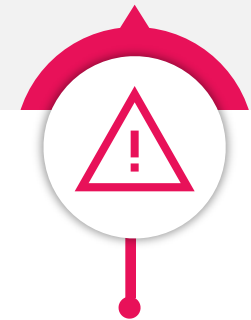
**Category 4
Situational**



“Build”

**\$5M ~
\$100M+**

**Category 5
Market Maker**



**Long Shelf-Life
Competitive Advantage**

Category 1: Targeted Task Specific

Category 1


Targeted

Options
OpenAI ChatGPT OpenAI GPT Playground
Microsoft Bing AI Chat
Google Bard AI
Claude AI
Perplexity AI
YouChat
Poe by Quora
Chatsonic

~ \$20 Per User Per Month
X 12 Months
X 40 Users

= \$9,600 Annually
+ Training / CoP
+ Governance / Security

Enterprise Data Combined with Generative AI Pre-trained Models

A

Prompt

Prompt
templates/examples



GenAI Application

(ChatGPT, Bard, Bing AI Chat, Claude AI, Perplexity AI, YouChat, Poe, ChatSonic etc.)



Response

B

Fine Tune

Add your own
data/logic



GenAI Foundation
Model/API

Change weights
or add layers



Response

C

Customize

Add your own data; follow
customization instructions



GenAI Use Cases
or Applications

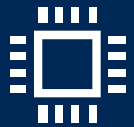
Vendor product makes
modifications



Response

Category 2: Embedded / Process Specific

Category 2


Embedded

Illustrative List
Salesforce
Workday
SAP
Oracle
ServiceNow

Range of Potential Spend
of Uplift*
\$50K ~ \$500K

*Uplift refers to **additional** spend above and beyond the licensing initially spent for the product (system of record)

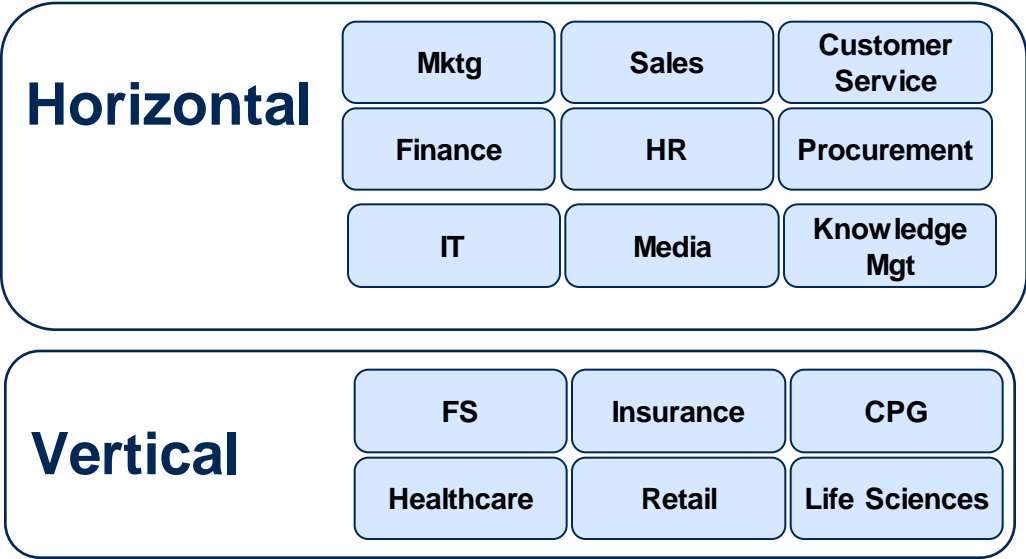
By 2026, more than 80% of independent software vendors (ISVs) will have embedded generative AI capabilities in their enterprise applications, up from less than 1% today.

Category 3: Horizontal & Vertical

Category 3



Horizontal
& Vertical



[Tool: Vendor Identification for Generative AI Technologies](#)

**Extensive Range
of Potential Spend**
due to large spectrum of products
~ \$250 K to \$1 Mil

- + Design, Implement, Manage & Operate
- + Governance / Security

Many Examples of Category 3

Tool: Vendor Identification for Generative AI Technologies

Gartner for IT Leaders Tool

Tool: Vendor Identification for Generative AI Technologies

Generative AI technologies are emerging rapidly and promise substantial value. Like broader AI, GenAI permeates the entire technology stack and most industry verticals. Technology leaders can use this tool to identify software vendors offering development support and out-of-the-box applications.

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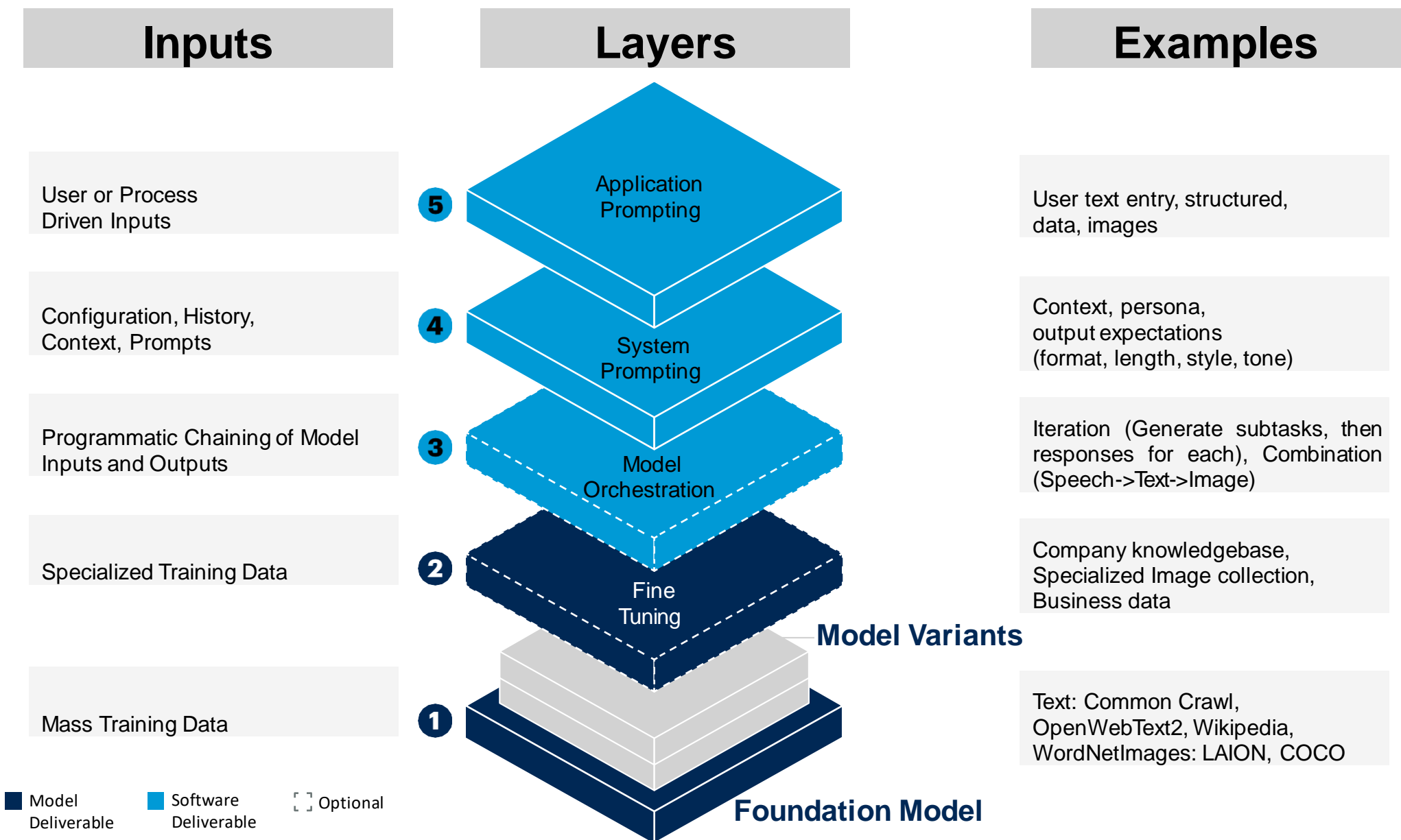
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A	B	C	D	E	F	G	H	I	J	K
		Application Type <ul style="list-style-type: none"> Development-Support-Focused End-User Applications 	Use Case <ul style="list-style-type: none"> Assist and Search for Consumers Data Labeling/Synthetic/Masking Enterprise Knowledge Management... Generative AI Apps- Finance Generative AI Apps- HR Generative AI Apps- Legal Generative AI Apps- Life Sciences Generative AI Apps- Marketing & Sa... Generative AI Full-Stack App Develo... 			Business Unit <ul style="list-style-type: none"> AIOps Customer Service & Experience Cybersecurity Digital Commerce Finance Generic HR Marketing/Comms/Sales/Content Privacy 		Vertical <ul style="list-style-type: none"> Automotive Enterprises Banking Defense and Intelligence Generic Life Science Manufacturer Retail Smart Cities U.S. Healthcare Payer Industry (blank) 		
S.N.	Vendor/ Product	Location	Year Founded	Website Link	Product Description	Business Unit	Vertical	Application Type	Use Case	Type

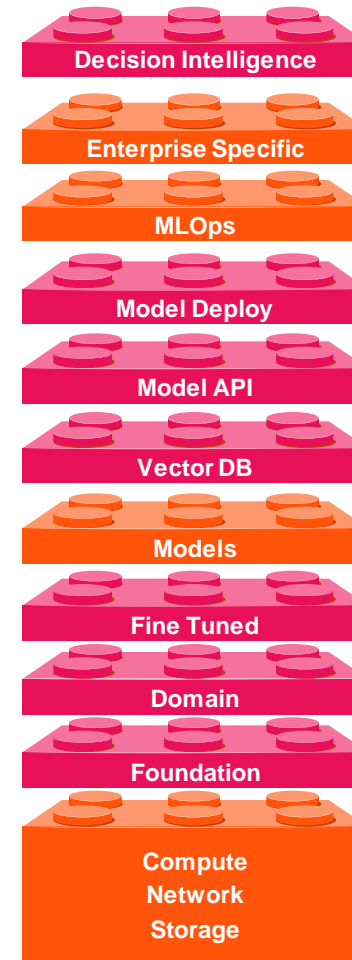
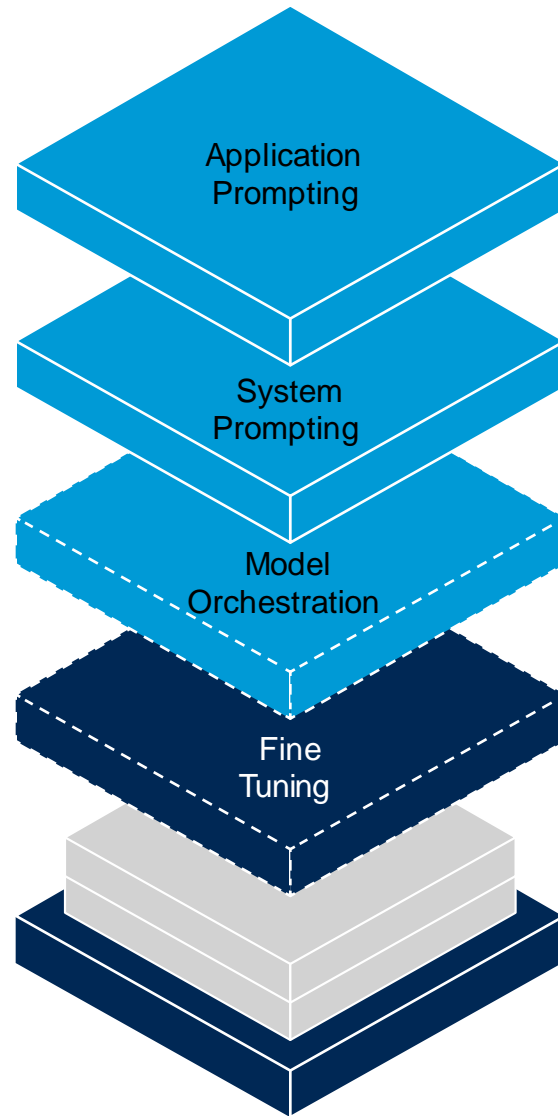
OVER 500 Vendor Offerings in Toolkit

Tool: Vendor Identification for Generative AI Technologies

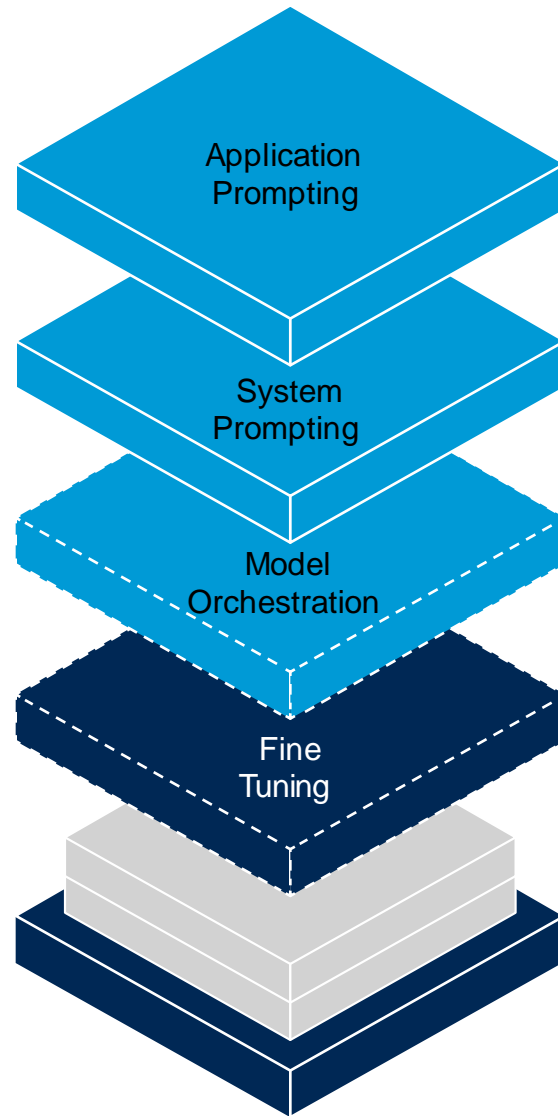
“Build” Categories of Generative AI Spectrum



Extensive Building Blocks



Extensive Building Blocks

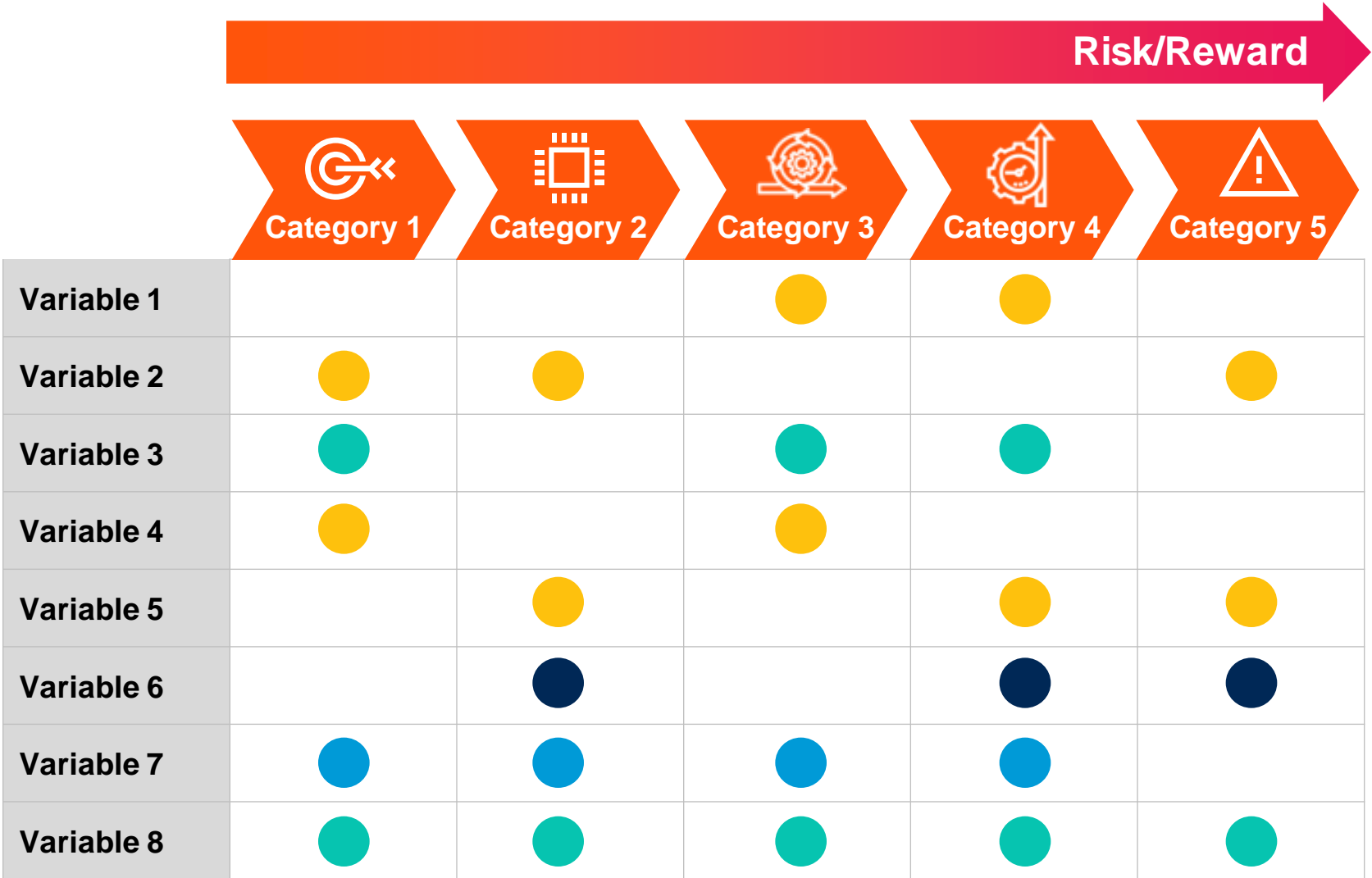


By 2028, more than 50% of enterprises that have built their own large models from scratch will abandon their efforts due to costs, complexity and technical debt in their deployments.

Creating a Portfolio

Variables...

- Risk (or Risk / Reward)
- Business Impact (magnitude of change, targeted areas of business)
- Time to Market
- Scalability
- Dexterity (Data Literacy, Decision Making)
- Cost of entry
- Operating Costs
- TCO (multi year comparison)
- Minimum scale needed
- Skills needed
- Degree of Control (internal versus external)
- Maturity of offering
- Switchability (ability to shift gears and go with another choice) – how long would it take to change? How hard would it be?
- R&D Investment
- Leverage (within enterprise or external with partners, consortia etc.)
- Multi-tenancy of solution



Starting Point for Cost Stratospheres

**\$10K~
50K**

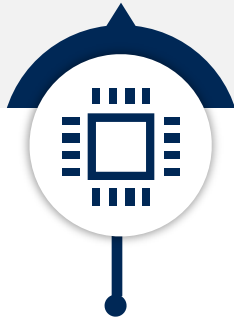
**Category 1
Targeted**



**Efficiency
& Speed**

**\$50K ~
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**Category 2
Embedded**



Embedded

**\$250K ~
\$1M**

**Category 3
Horizontal & Vertical**



**“BUY”
Off-the-Shelf**

**\$1M ~
\$5M**

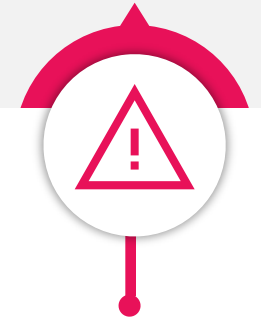
**Category 4
Situational**



“Build”

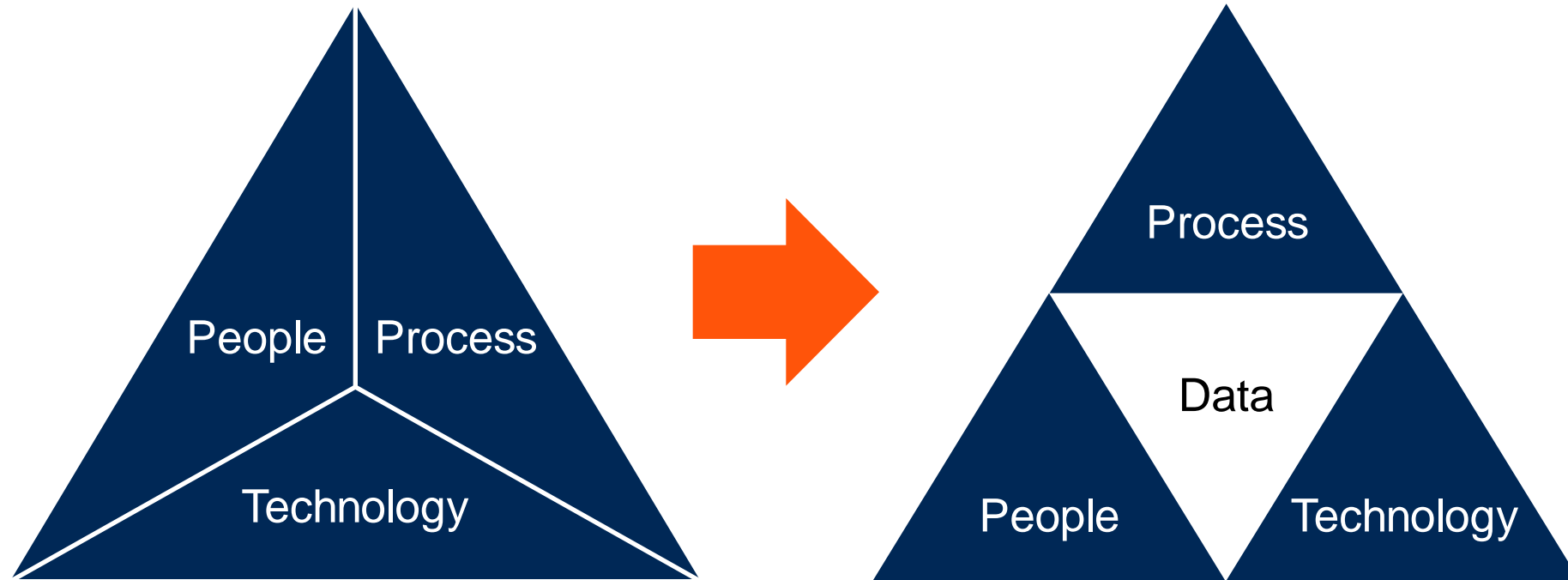
**\$5M ~
\$100M+**

**Category 5
Market Maker**

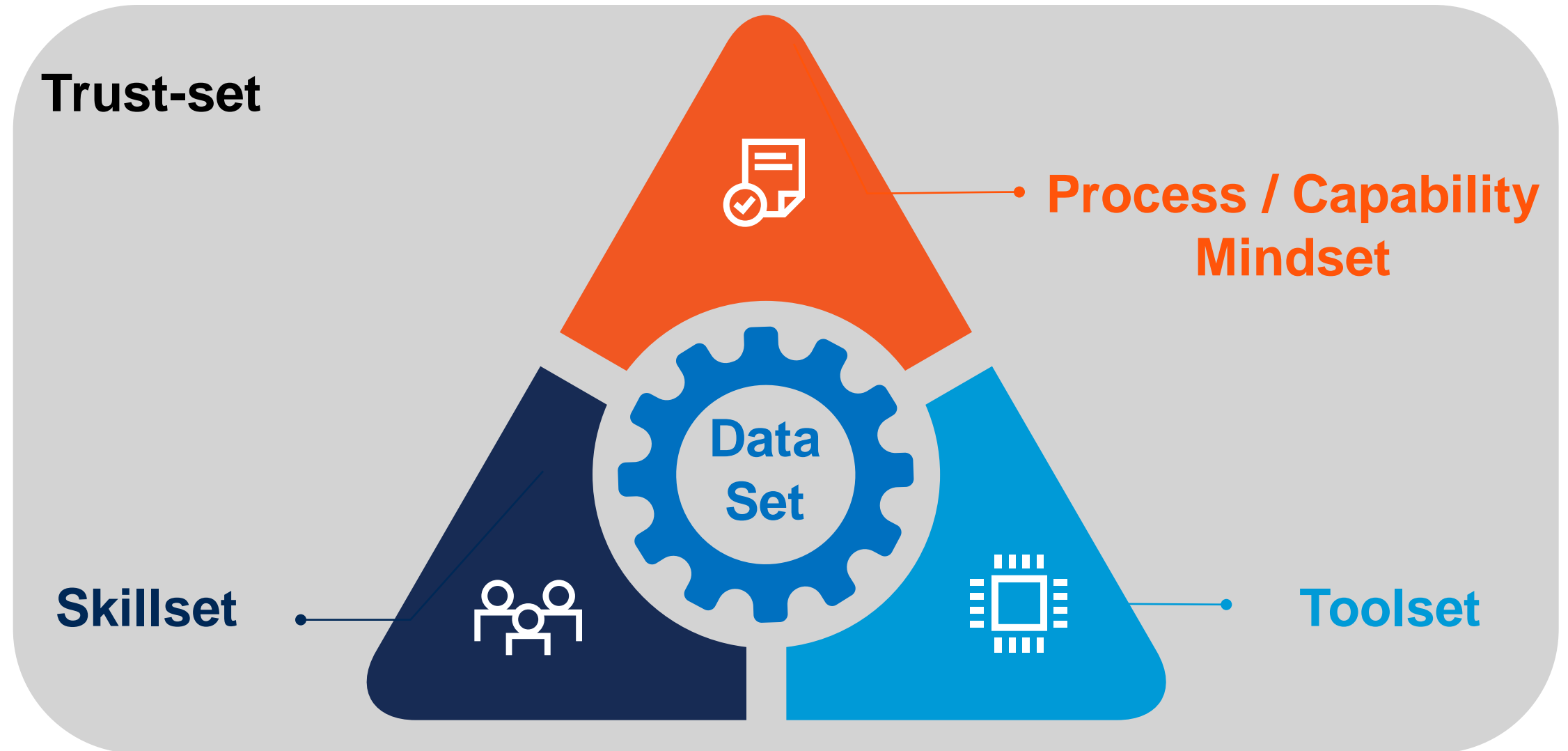


**Long Shelf-Life
Competitive Advantage**

Data is the New Addition to Traditional TRIAD



Gartner's AI Building Blocks



Beyond Cost & Risk

- **Benefits**
- **Capabilities / Capacity**
- **Time to Deliver**
- **Measurements**
- **Return on Investment (ROI)**
- **Ability to Scale**
- **Governance**
- **Risk management**
- **Security**
- **Behavioral Shifts** (i.e. decision making, workflow, processes)
- **Trust – Engendering trust***

Engender Trust for four constituencies – creators (professional, citizens), internal consumption (personnel and machines), executive consumption (decision makers), and external customers / partners/ supply chain.

UpEnd



Profile: **UpEnd**

Creation of new markets, products [Scope is beyond the "existing" - its focus is on net new (horizontal, vertical or previously unforeseen) to a process, product, service, demographic, geography].

Extend



Profile: **Extend**

Growth in either Market size, reach, revenue, profitability.
[Scope is to "extend" -the existing processes and approaches for competitive advantage]

Defend



Profile: **Defend**

Incrementalism Marginal Gains
Micro Innovations

[Scope is primarily for competitive parity. Its focused existing tasks, processes and approaches - known elements]



Portfolio	Profile/Scope	Approach to Execution & Management
Defend Incrementalism Marginal Gains Micro Innovations	Profile: Competitive Parity Optimization / Productivity	Manage like a cost center
Extend Growth in either Market size, reach, revenue, profitability.	Profile: Competitive Advantage Creative plays / Daring use cases.	Manage like a profit center
UpEnd - Creation of new markets, products	Profile: Creation or Market Maker Radical new ideas that change the whole game – “moon shots”	Treat as an internal Venture Capital portfolio



Case Study:

Ericsson Radical Transformation Driven by Exponential Technologies

Source: Ericsson (Enterprise Automation & AI Team)

Ericsson: Radical Transformation driven by Exponential Technologies

Enterprise Automation & AI Team



Ericsson Leadership Team

- Rickard Wieselfors
- Milap Patel
- Parthasarathy A
- Kanda Kumar
- Johan Vallin

Telefonaktiebolaget LM Ericsson (Parent)
Commonly known as Ericsson, founded
1876

Ericsson is the world leader in the
rapidly changing environment of
communications technology

Develop, deliver and manage
hardware, software, and services to
enable the full value of connectivity

WW Revenue (2022) - \$ 26+ Billion
WW Employees (2022) – 104, 000+

Geographies:

- Europe and Latin America: ~ 47,500
(Sweden: ~14,400)
- Southeast Asia, Oceania and India: ~ 28,000
- Northeast Asia: ~ 13,000
- North America: ~ 11,800
- Middle East & Africa: ~ 4,500

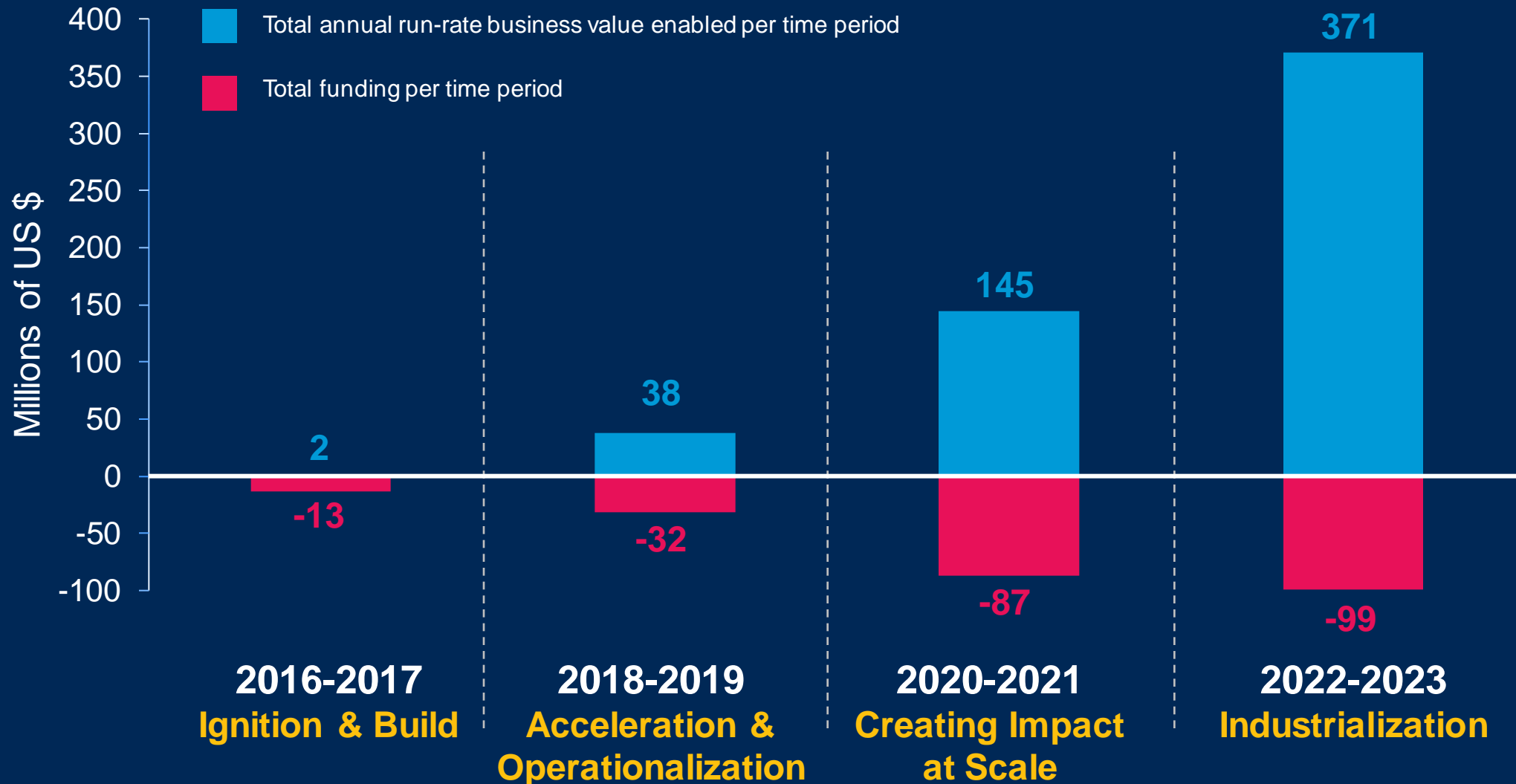
Value Delivery Journey

Risk Adjusted Repeatability

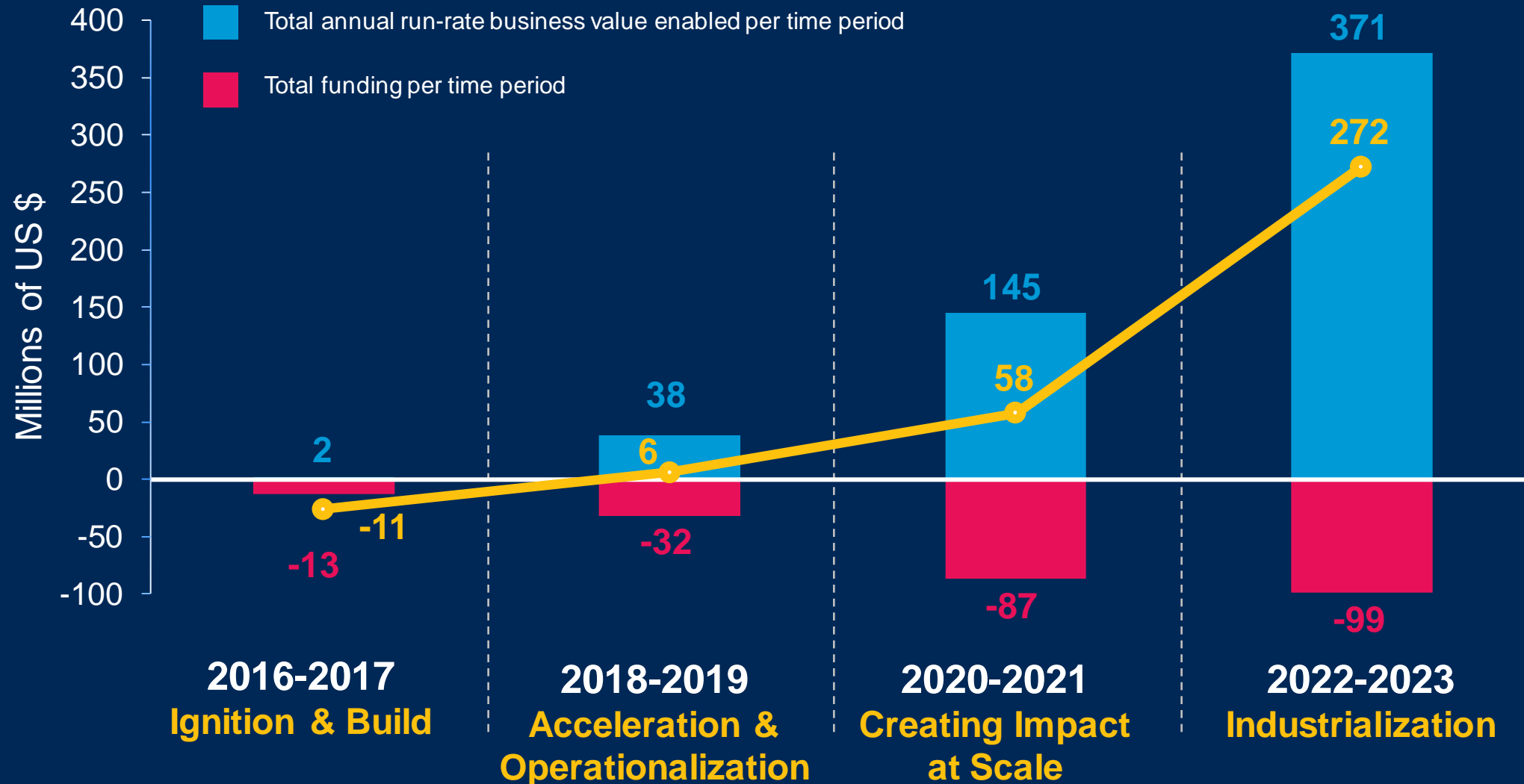


	2016-2017 Ignition & Build	2018-2019 Acceleration & Operationalization	2020-2021 Creating Impact at Scale	2022-2023 Industrialization
Value enabled (cumulative)	\$1.5 Million	\$40 million	\$185 Million	\$556 Million
# Solution Delivered (cumulative)	6	109	220	335+
# FTEs (team size)	10	100+	350+	600+

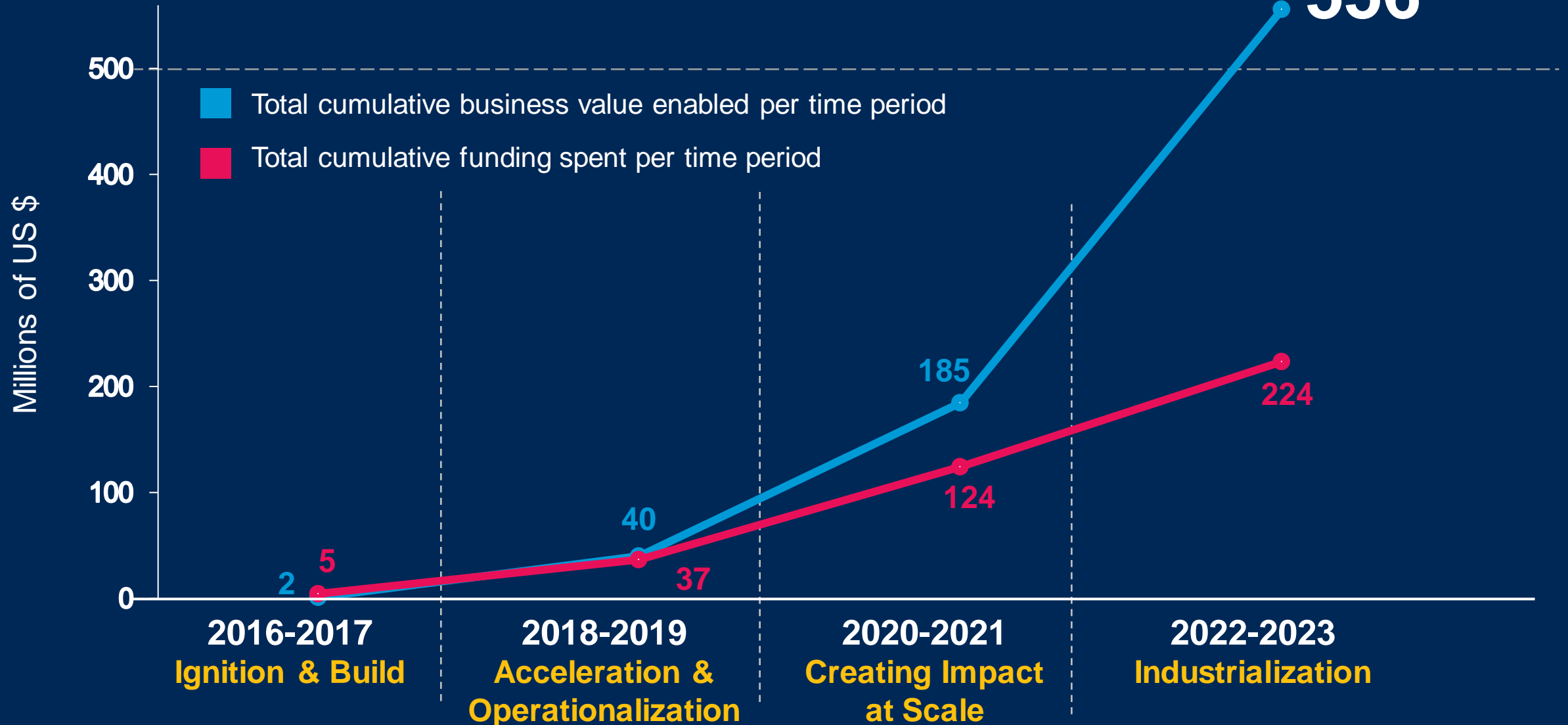
Journey: Applying Exponential Technologies



Journey: Applying Exponential Technologies



Value Surpassed \$556 Million

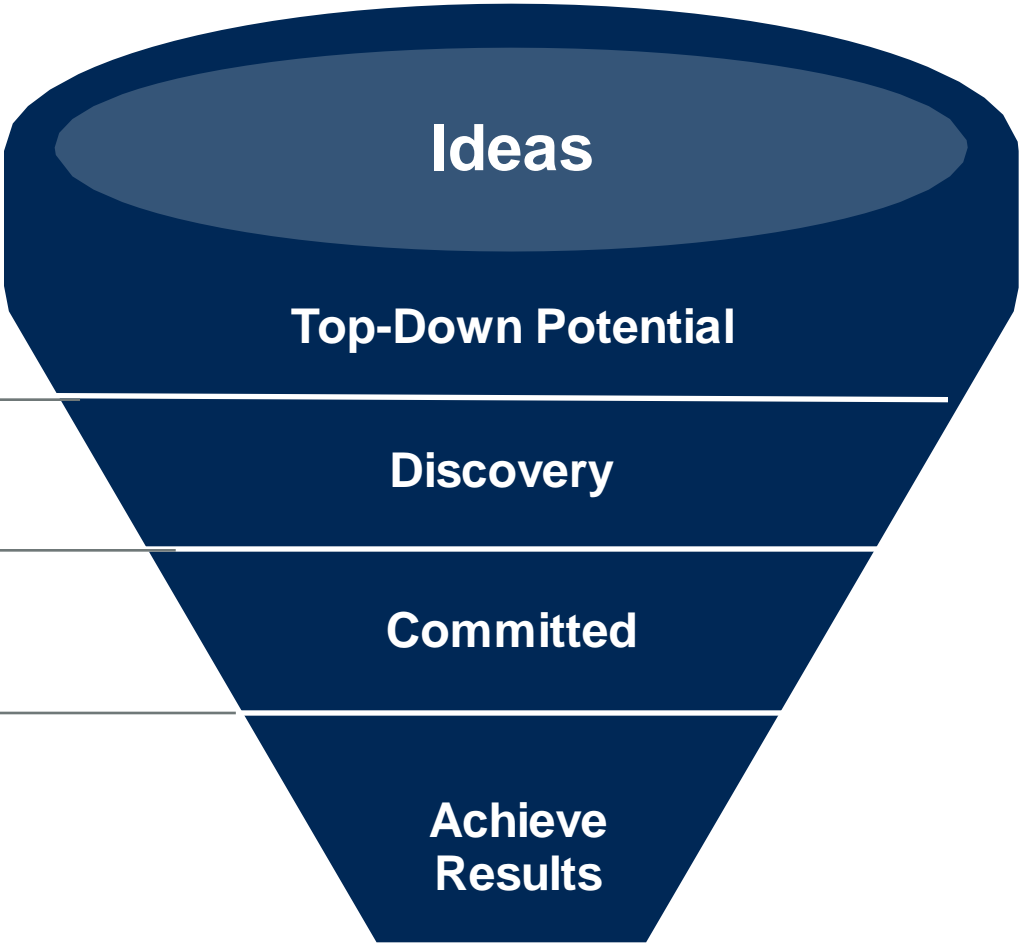


Measurement & Quantifying Value

Value Area	Value Metrics
Efficiency & Productivity	Annualized employee hours: <ul style="list-style-type: none">• Automation of human task• Reduction of efforts due to first time right• Productivity/Volume/ Efficiency increase
Speed & Agility	<ul style="list-style-type: none">• Leadtime reduction per activity• Overall Elapsed time reduction• Decision Intelligence
Quality Control & Insights	<ul style="list-style-type: none">• Error rate reduction (i.e., quality/accuracy)• Forecasting Accuracy increase• Compliance rate increase
Liquidity, Revenue Uplift & Cost optimization	<ul style="list-style-type: none">• Working capital improvement• Revenue Uplift (attributed to automated processes)• Cost reduction
Customer Experience & Sustainability	<ul style="list-style-type: none">• User Experience improvements• Sustainability impact

Ericsson: Collaboration with Business Units

Value Process	
Top-down potential	– estimated business potential from automation & AI-driven initiatives across an end-to-end business flow or organizational structures/ model
Discovered value	– estimated business value of the initiative. Collaborative agreement with business units.
Committed value	– agreed and signed-off business value through the initiative. Funded by business unit.
Enabled value	– value enabled at the time of solution go-live (measured by us). Measured and reported as stated above.



Ericsson Success Story

Strategic Investments

22X

**increase of
business unit
funding over 6 yrs**

Success

- High Level of Collaboration with Business
- Funding versus Budgeting
- Measurement (Continual & Consistent)
- Risk Adjusted Repeatability
- Leverage Exponential Tech.
- Technology Skills Depth

Highly Effective Enterprises

KEY TO SUCCESS



Value (not volume) creation

Portfolio Dev & Mgmt

(Methodical, Transparent Vetting, Prioritizing, Funding)

Orchestration

Mindset, Skill set, Tool Set

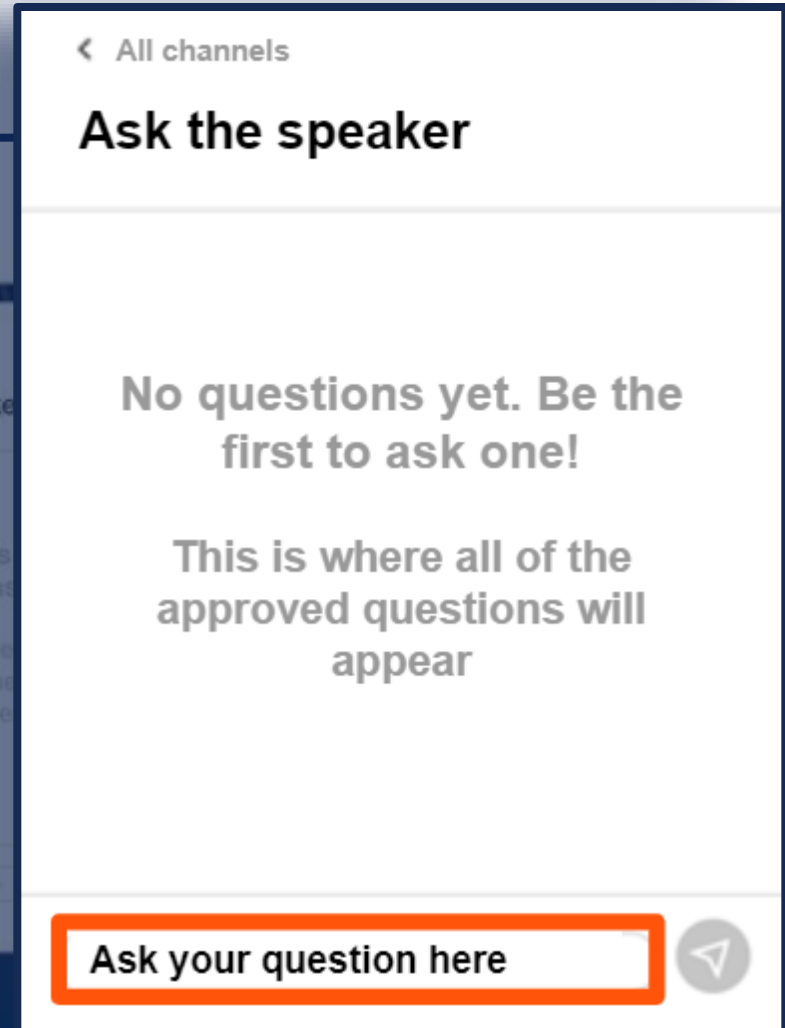
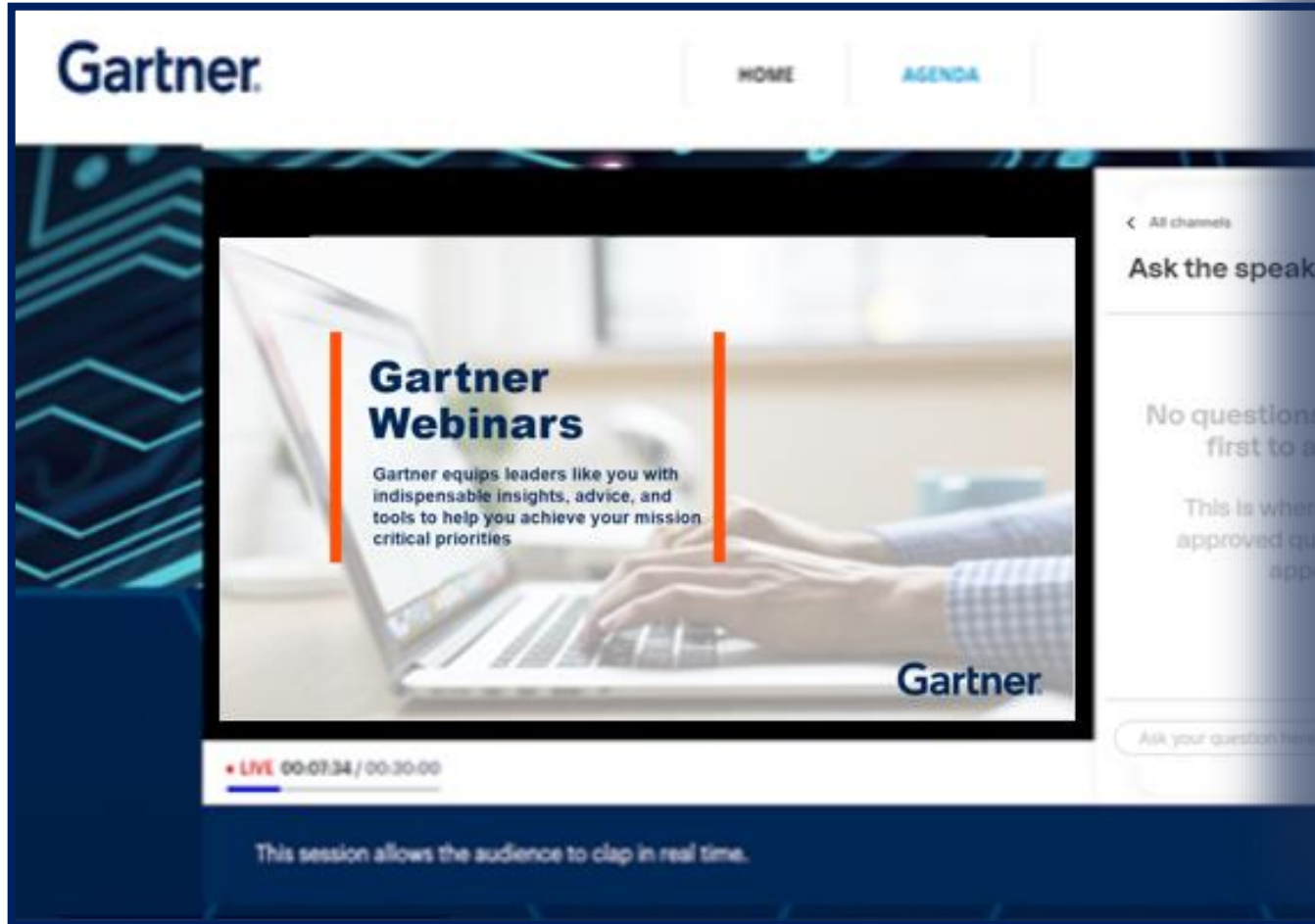
Engender Trust & Behavior Change

Risk Management & Governance

Security & Regulatory

Quality-of-Service Structure and Measures

Ask the speaker



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Strategic Planning Essentials

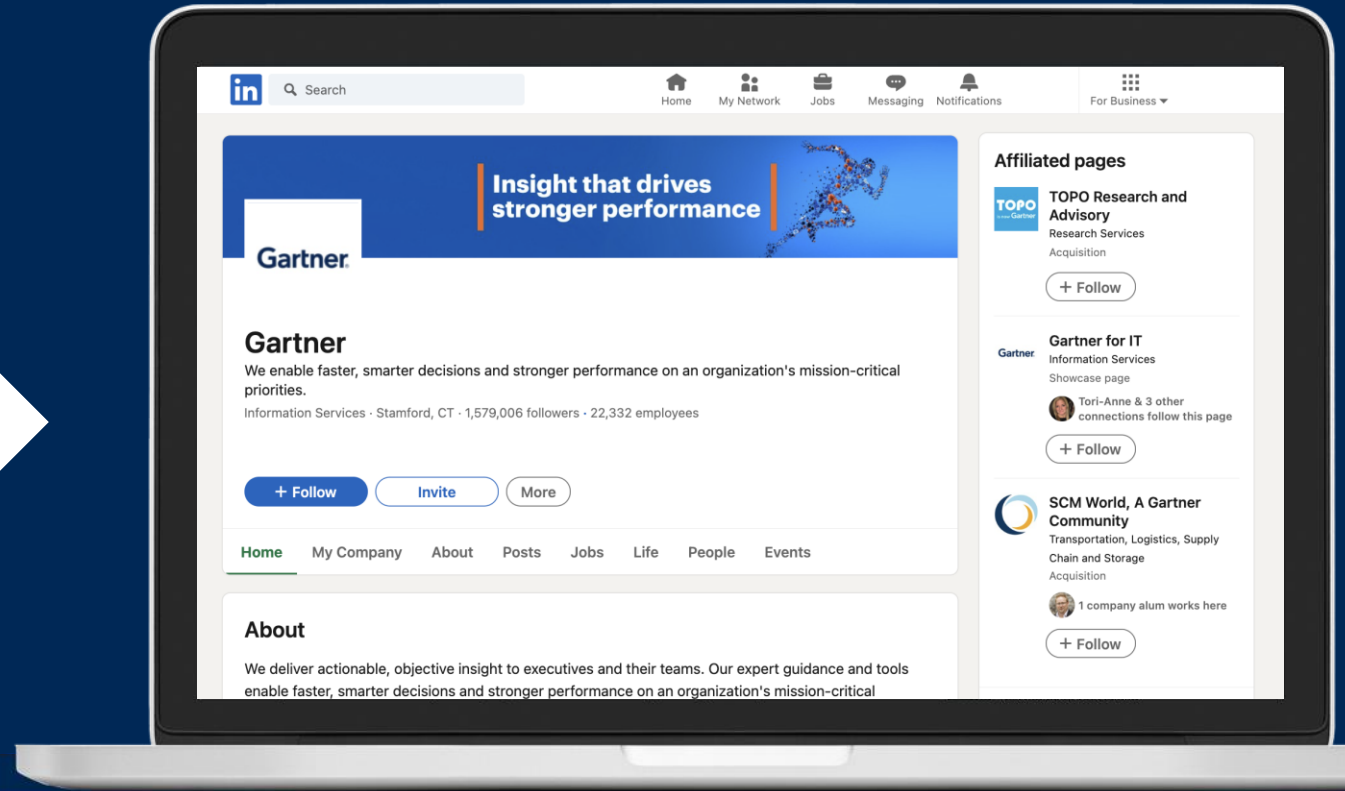
How to avoid 7 costly planning mistakes
— featuring a one-page template to
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