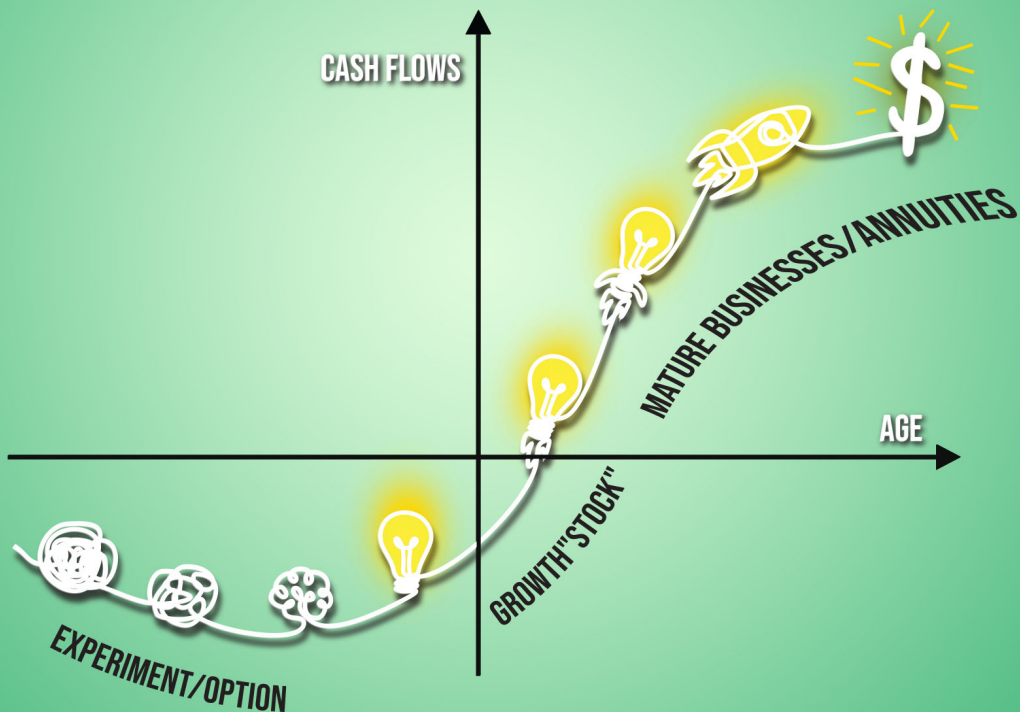


AI-POWERED OPTIONALITIES™ AT SCALE



**How to Make AI Pay Off in 90 Days:
The No-Fluff Playbook that turns
AI Noise into Predictable Wins**

SAM SCHREIM

AI-Powered OPTIONALITIES™

How to Make AI Pay Off in 90 Days – The No-Fluff
Playbook that turns AI Noise into Predictable Wins

BY

SAM SCHREIM

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About the Author

Sam Schreim is a strategy obsessive first and a technologist second. For more than two decades, he has helped Fortune 500 CEOs, fast-moving startups, and government leaders tackle the same fundamental questions: *Where should we play? How do we win?* As AI moved from the research lab to the executive agenda, Sam wove machine-learning tools into his strategy playbook—turning data models into levers for margin, speed, and public-sector impact. Today his work sits at the intersection of classic competitive thinking and the new, AI-powered engines that now drive it.

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Foreword: Doomed If You Do, Damned If You Don't

"Strategy is choice." – Michael E. Porter

I was on a site tour at a distribution warehouse, just outside of Boston, when the autonomous forklifts went into an automated meltdown. With a simple mis-scan of a pallet the whole fleet was in a herky-jerky stop-start loop, screeching wheels and smell of burnt rubber in the air. As the outside consultant, I stood silently by and watched \$200,000 of "latest and greatest in AI" bring the loading dock to a standstill and delayed the shift schedules, in less than ninety seconds.

And it occurred to me: that vignette is parable. Not really about robots, but about us.

We are told AI will deliver the moon, but we often come up with a crater. It is not just me seeing it. Researchers at MIT's Center for Transportation & Logistics suggest something like 70% of AI pilots in supply chains are burning out before they ever reach scale. Start too soon, and you can drown in pretty dashboards that demo beautifully and then die in the wild. Start too late, and your competitors start chipping away at your margins while you are trying to "socialize the deck". The AI dilemma appears to be: do nothing and die slow...or do everything and die fast. It feels like being a CMO with one shot at a Super Bowl ad versus spreading the budget too thin across 50 different cut-down channels. You're stuck between missing out and wasting money.

The tough thing is, the teams I see are not failing because they are lazy or inept. They are failing for the opposite reason: They have settled into an expected way of working that feels safe from the inside. You probably have seen one of these:

- **The Tinkerers:** Really smart people doing really interesting things – some ChatGPT experiment here or a scheduling bot there. But it never connects to a real P&L measure, and nothing ever gets moved to "shipped."

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- **Pilot Purgatory:** An endless series of the proofs-of-concept-of-concepts that will never see a path to production. I guess the team is learning but I don't think the business is learning anything
- **The Moonshot Burnouts:** A single platform that is a massive all-or-nothing bet. Then the deadline pushes, pushes again, and morale plummets and the budget disappears.
- **The “Wait-It-Out” Crowd:** We'll make a move after we feel it is safe. The issue is by the time you feel it is safe, it is expensive, and your competitor is a mile ahead.

This playbook is the antidote. It buys you a portfolio of lots of options of low value future that will yield results your CFO can see and measure. In plain English: less talk, more outcomes.

Instead of dabbling with Chat Bots or going all in on a single platform, you create a portfolio—a strong base of **Annuities**, a clear lane for **Growth Stocks**, and a pipeline of **Options**. In one day, you will select a lighthouse project that will move a KPI you care about. In ninety days you should see a return. And then do it again. It's a method to create predictable use of AI not as a performance stunt.

Why should you care what I think? I have spent 20 years in the trenches—with everyone from Fortune 50s to family-owned businesses—helping them figure out a way to grow when the fog is thick. Recently that fog has a name: AI. I've seen the same technology burn millions in one lab and create billions in value on the factory floor in another. The difference was never the math; the difference was the management. What differentiated the leaders who won was they did not treat AI as a one-time lottery ticket. They treated it as optionally: a portfolio of many small, smart, moves that compound over time.

“Optionality” is the fancy word for capping your loss on any one bet, but still having a chance to win big on rare occasions. For them, it meant painful and surgical pilots, criteria for killing projects quickly, and a clear graduation process from a small Option to a Growth Stock to a reliable Annuity.

Forget about the sci-fi stuff for a moment. I've found that the real action is in the practical middle. Today's AI is a very powerful pattern-matching machine. It does an outstanding job with speed and scale, but it has no common sense or context to speak of. It is a power tool. In the right

hands, it can save time and money, and potentially even allow you to overtake a competitor. In the wrong hands, you are holding a chainsaw by the blade.

So, we get disciplined:

- **Start with a lighthouse, not a lab:** Think about a real, live workflow you have already been measuring (e.g., order cycle times, quote-to-cash speed, how long a customer is on hold). No vanity metrics. No science projects.
- **Place small, smart bets:** Frame Options that cost little to try and are easy to kill if they don't work. Your first ten wins will probably not be sexy; they will be surgical.
- **Graduate what pays:** The Options that actually move the needle become Growth Stocks. You give them a bigger scope than previously, but they are still tied to the same hard metric.
- **Milk the base:** Your Annuities are the automations and models that are now just humming along quietly in the background, compounding savings and improving service. They pay for the next set of experiments.

Once you begin running this way, several things seem to happen almost instantly:

1. **Speed becomes your defense.** While your competitors are planning strategy, you're running sprints. While their pilots are gathering dust, you have the option of graduating or being shut down on a schedule. The portfolio approach allows you to keep moving without having to risk your credibility for one big moonshot.
2. **Your risk diminishes as your results grow.** Options limit the downside. Growth Stocks are built on outcomes and performance metrics. Annuities are ways to keep the lights on and budget in decent health. In a world with a few big successes creating most of the value, this is an approach to good fortune.
3. **The culture starts to shift.** The conversation in the room begins to shift from discussing which model is the "best" model, to which one moved the KPI on Tuesday. You are now trading an opinion, not an outcome. You're trading a roadmap, for a receipt.

I wrote this book because I see too many smart teams stuck in the wrong story. AI is not a religion you need to follow but it is also not a fad you can ignore. It's a toolset. A beautiful, moody, and in the right hands, very profitable toolset. And the best hands are usually with the operators that know their numbers by heart and know that every model should pull its weight.

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Back to that warehouse. A portfolio way of looking at things would have turned that meltdown into a footnote. A small **Option**, like a redundant vision check on inbound pallets would have caught the mis-scan. A **Growth Stock** dynamic-routing project would have re-assigned the other forklifts in seconds. And the monitoring systems: The **Annuities** would have turned the entire episode from a panic into a plaque notification followed on the supervisor's screen. No burnt rubber. No frozen dock. Just freight moving and a shift that ended on time.

That's the opportunity here: pragmatic ambition. Choose the relevant lighthouses. Place many small, smart bets. Allow the options, and only the options, to dictate your next decision.

We test. We measure. And when it's not paying its way, we have the resolve to stop.

Turn the page and get started.

Sam Schreim

Introduction: The Executive's Dilemma

"The essence of strategy is choosing what not to do." – Michael E. Porter

Artificial intelligence has been a topic of frequent discussions in boardrooms, conferences and summits for more than a decade. Most of what we have heard or seen have been positive use cases, such as algorithms diagnosing disease more quickly than human clinicians, robots sorting and packing at warehouse speeds, and language models communicating like seasoned writers. Stock market analysts are predicting trillions of dollars of opportunity to be gained from AI. Unfortunately, the reality for most organizations is a much more sober picture that is a stark departure from the hype surrounding AI.

While adoption rates of AI have grown, it does not mean organizations are realizing success. More specifically, there is a gap that exists between organizational ambition and the reality of what is happening on the ground with the implementation of AI. According to McKinsey, AI adoption continues to trend upward; currently, 72% of organizations are deploying AI in at least one business function. That said, McKinsey also found that a troubling 80% of organizations that are in the process of deploying AI have seen little to no economic benefit attributable to AI. This has been attributed to roadblocks associated with project selection and execution. According to a recent Gartner survey, up to 85% of AI projects fall short of expectations, forcing many companies into "pilot purgatory" or a collection of uncoordinated experiments that burn cash without creating any enterprise value. Making matters worse, while nearly every major corporation is spending to invest in AI, McKinsey surveys show that only 1% of leaders identify their organizations as "AI mature."

This book is for the leaders stuck in the gap. The intent is to not teach leaders how to code or design neural networks, it is to provide leaders with a repeatable and structured approach to scale from isolated AI experiments to a portfolio of integrated AI initiatives that create compounding enterprise value.

The Pragmatic Middle the Headlines Miss

AI doesn't represent a fork in the road between heaven and Armageddon. As the folks at MIT keep saying: "It's just a messy middle that needs some plain old business discipline." Walk with the pioneers who have actually built these systems, and it's a whole different story. They do not talk about giving birth to a new digital species. They talk about the unleashing of phenomenally capable tools.

Professor Patrick Winston, a luminary in the field, said it simply: "For the next few years, the engine of AI is machine learning, and machine learning is simply a new kind of statistics." Translation: startling, human like capabilities aided by an algorithm that does. not truly understand anything. It simply recognizes patterns of information faster than we have ever done.

This is the important insight: we are not dealing with science fiction robots. We are dealing with a different form of intelligence that is better than humans in certain respects and far less capable in others. The experts' consensus here is that real, human level general AI is still "decades, maybe even centuries away".

Right now, "artificial intelligence" is less robot overlord and more hyper-charged spreadsheet, ridiculously quick at executing calculations, completely out of context. Amazing tool, pathetic oracle. Treat machine learning like a power tool in the shop: use it efficiently and you save costs, save hours and probably leave your competition in the dust. Use it poorly, and you're swinging a chainsaw by the wrong end. Human level super brains? Nice fantasy, but still a distant speck on the far horizon.

I have spent the last ten years immersed in AI engagements observing chatbots drive revenue and "moonshot" models incinerate budgets. MIT didn't give me a secret sauce; it validated the street-smart rule I had already learned: it is all math, the sorcery is in the application. That gap is exactly what this playbook fills.

Optionality: The Strategy that Wins Without Betting the Farm

The core of this book is a straightforward discipline: build a portfolio that can take a punch and still throw one back. Keep your **Keep your Annuities**-the stable earners that pay your future. Accelerate your **Growth Stocks**-the known players you want to scale aggressively. Add a stream of small **Options**-cheap, reversible bets on what might be next. This will limit your downside on any one decision and keep you in the game for outsized wins. Use it for M&A, product, pricing-any decision where the future won't sit still.

Why AI-Powered Optionalities?

Because Generative AI is the choke point for today. One in ten companies we work with, AI is where budgets swell, timelines stretch and strategies stall. Leaders know they must do something, but the path is unclear.

But AI does much more, it is the multiplier of this very system. It speeds-up research, deepens ideation, and simplifies experimentation. When done correctly, AI does not just provide new options-it enhances how you construct and manage every bet: fast tests, cheap lessons, stronger signals and bolder scale-ups.

What this book offers

A method to turn AI from a spectacle into a habit. You will have a balanced portfolio-an **Annuities** that pay on a timely basis, **Growth Stocks** that compound, and a pipeline of **Options** that help keep you ahead-and make AI pay for itself in 90 days. No smoke and mirrors. Just the discipline of capping the risk, letting the upside run, and delivering results on time.

How the Book is Organized

Think of this as a field manual:

- **Ch. 1–2** show why most AI projects fail (and how to stop doing that by noon tomorrow).
- **Ch. 3** gives you the **Optionality Score** so you can fund intelligently (annuities, growth stocks, options).
- **Ch. 4–5** cover the plays you will implement: determining your Lighthouse, finding the appropriate tool, and integrating people and machines.
- **Ch. 6** expands the frame of reference. It tells you how and where to look for **discontinuities** that unlock non-obvious moves.
- **Ch. 7** is the One-Day Sprint and the 90-day plan that turns ideas into shipped value and plugs into the Flywheel.

Case studies and “C-Suite checklists” make this practical. If you only have only an hour, read Chapter 7 first. Let’s get to it.

Chapter 1 – Diagnosis: The Problem Behind the Problem

“The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday’s logic.” – Peter F. Drucker

Pilot purgatory is not a data or technology issue, it is a vision issue. Before throwing another dollar into a proof-of-concept black hole, we should pause and ask if the pilot is actually solving a problem at the board level. What is the strategic artery? Cost, growth or risk? Where do we see data, process, and people quietly bleeding value? When you identify that gap with numbers the CFO cares about, curiosity gives way to urgency and creates momentum.

The Anatomy of a Failed Pilot

A Solution Looking for a Problem

Too many AI pilots begin with a technology in search of a problem. Teams choose a “cool” algorithm rather than a critical business challenge. The result is a proof-of-concept that dazzles data scientists but leaves shareholders unimpressed. To escape pilot purgatory, projects must be anchored to strategic priorities, e.g., cost reduction, revenue growth or risk mitigation, not curiosity. As we’ll see in later chapters, the most successful organizations apply **litmus tests** for value, feasibility and data readiness.

The Island of Automation

Even when AI pilots address real problems, they often remain isolated from core systems, processes and workflows. For example, a predictive maintenance model may forecast machine failures, but if the results aren’t integrated into the maintenance schedule and procurement system, the insight dies on a dashboard. This “island of automation” phenomenon stems from treating AI as a bolt-on rather than as part of the enterprise architecture. In the words of CIO Magazine, sustainable

value requires **cross-functional alignment** and **shared ownership across the C-suite**.

Data Delusions

Many projects falter because leaders underestimate data challenges that they face. Clean, contextualized, and ready to use data is the oxygen for AI. A recent report by the Harvard Business Review points out that while 91% of leaders agree reliable data is foundational to AI, just over half believe their organization's data is actually reliable. This is why 71% of organizations' data-related initiatives for the following year are primarily focused on cleaning data to better its accuracy, and why 66% are working to break down data silos. The stakes are high; Gartner reports that through 2025, at least 50% of all generative AI initiatives will be abandoned in the pilot stage due to poor data quality. Without foundational investments in data governance, data lineage, and data privacy, AI is just a science project.

The Science Project Mentality

Pilots often lack a clear path to production. Teams build prototypes without considering scaling and getting ready for integration, design, and regulatory compliance. When it's time to deploy, they discover that no one has budgeted for cloud infrastructure, MLOps pipelines or change management. To succeed, you must design for production from day one. This means anticipating security reviews, testing procedures and user adoption early.

Ignoring the Human Element

Technology alone does not change organizations, people do. Failed pilots often overlook training, communication and ethics. McKinsey's research on AI at work shows that **41% of employees are apprehensive** about AI and half worry about inaccuracies or cyber-risks. Effective pilots require change management, upskilling and clear governance to build trust and adoption. We'll return to these themes later.

Reconsider

When AI projects go wrong, it's rarely the model's fault. It's the portfolio.

With the failure patterns on the table, we start by aligning AI to strategy. No stray experiments.

Chapter 2 – Misaligning AI with Business Strategy: AI for AI's Sake

“Tactics without strategy is the noise before defeat.” – Sun Tzu

The gravest sin in the AI playbook is deploying technology without strategic alignment. AI, by itself, is not a strategy. You'll need to anchor every bet to how you win: Cost leadership, differentiation, or focus.

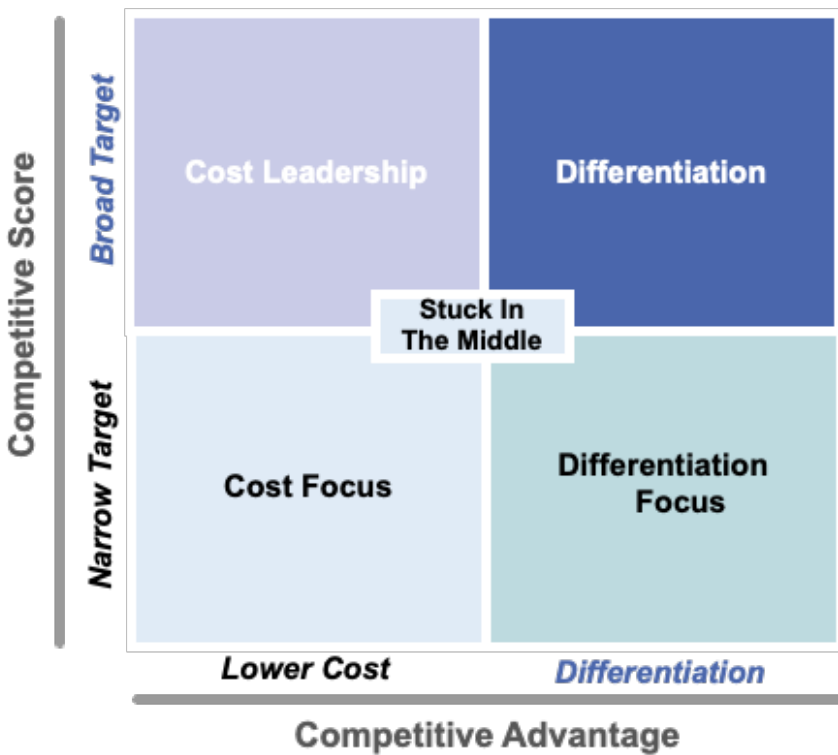
A practical way we do this is a one-day discovery sprint that builds a complete long list before you touch any model: first, map how work and money actually move through your business, from first contact to cash, so everyone can see where value is created, delayed, or lost; next, name the few items that travel end-to-end (typically a lead, a quote, an order, a shipment, a ticket, a claim, or an invoice); then walk the process with a simple who/what/when/where/why/how review to surface bottlenecks, handoff failures, and rework; collect ideas into five bins: Cut waste and cost, remove risk, speed up cycle time, improve customer experience, and smart commercial moves (pricing, terms, policies); quickly size each idea for upside, time-to-value, effort, and data readiness; rank them with a plain impact-versus-effort score and check if they support how you compete i.e., lower cost, better service, or a focused niche; only then put an AI lens on the survivors: Does this benefit more from predicting outcomes, generating content, or automating a task? Then, split the shortlist into near-term fixes, scale-up plays, and small experiments with clear owners and metrics. We'll get into the how-to and terminology in later chapters; this chapter is about mapping the work and aligning the team on where to focus first.

AI should amplify, not distract from, your chosen advantage. Cost leaders can use AI for predictive maintenance, dynamic pricing or supply chain optimization. Differentiators may leverage AI for personalized customer experiences or superior product quality. Niche players might deploy AI to serve a specialized segment more efficiently. When AI initiatives pull resources away from the core strategy, they stall.

Revisiting Porter in the Age of AI

AI must be anchored to Porter's strategies. If you compete on cost, invest in automation and optimization; if you differentiate on quality, invest in AI-driven design and customer insights. The **danger of a technology-led approach** is that you spend on shiny tools while competitors strengthen their moats.

Porter's Generic Strategies



Case Study – Waste Management Inc

Waste Management (WM) illustrates how to blend cost leadership and differentiation. The company operates **136,000 refuse vehicles** with a mean fuel economy of **2.8 mpg**. By applying AI-based route optimization, WM reduces route planning time by **25–75%** and cuts

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CO₂ emissions up to 25%. Machine-vision systems like Netradyne identify driver fatigue and distraction. This is a critical issue because fatigue contributes to **40% of trucking accidents**. Predictive maintenance tools use digital twins and sensors to detect failures, noting that roadside repairs cost **four times more** than in-shop fixes. WM also invests in reskilling through its *Your Tomorrow* program, offering **over 170 fully funded education programs** to employees and dependents. These initiatives both reduce costs and enhance service quality, demonstrating strategic alignment. The company treats each AI initiative as a discrete investment with a targeted ~15% IRR, turning AI from a cost center into a predictable growth engine (from route optimization and intelligent bins to robotics).

Activity – Mapping Your Portfolio

Before moving on, map each of your AI pilots to your business strategy. Is it driving cost leadership, differentiation or focus? Use a simple table:

Pilot	Strategic Objective	Status
Example: Predictive maintenance on fleet	Cost leadership – reduce downtime and fuel costs	Pilot delivered ROI; ready for scale
Example: Customer-service chatbot	Differentiation – improve customer response time	Pilot stuck in purgatory; lacks integration
...

This exercise reveals misalignments and helps prioritize which projects deserve investment.

Strategy is choice; portfolios make the choices visible. Let’s score yours.

Chapter 3 – The Optionality Score: Allocating the Right Budget

“What gets measured gets managed.” – Peter F. Drucker

If you can’t see your portfolio, you can’t steer it. Optionality makes risk and upside visible.

Many organizations fall into pilot purgatory because they treat innovation as a series of disconnected gambles. Some pilots succeed, many fail, and there is no systematic mechanism to learn or recycle investments. The **Optionalities Blueprint** offers a coherent alternative: manage your entire company as a **balanced portfolio** of natural business units. Instead of viewing the enterprise as a monolith, the blueprint deconstructs it into **Natural Fractal Units (NFUs)**, the core building blocks that drive corporate value. Each NFU is categorized as an **Annuity**, **Growth Stock** or **Option**; a five-step process then yields a single predictive metric, the **Optionality Score**, which quantifies your exposure to upside and resilience to shocks.

AI Projects as Options/Experiments

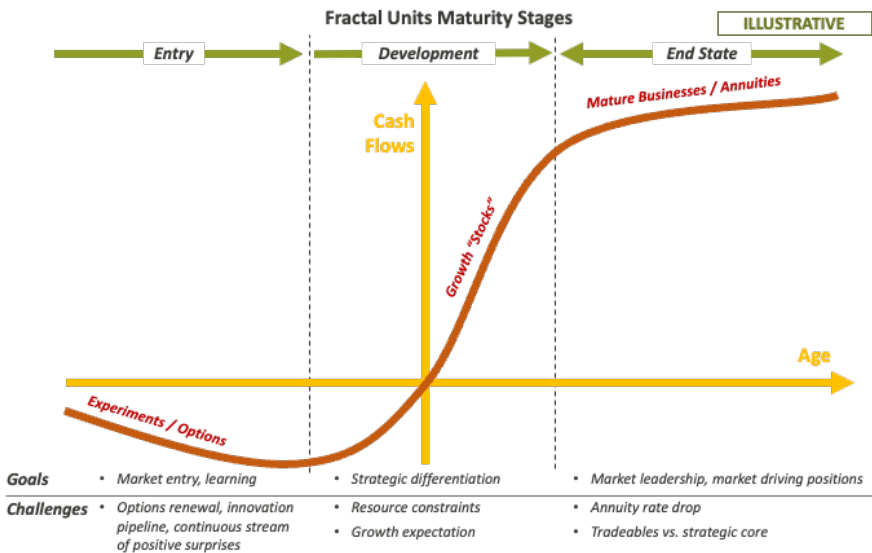
Options are typically lighthouse projects that have entered the experiment phase and considered revenue generating initiatives discussed later. But in the context of AI, we are considering every AI project as an option, be it when you are trying to deploy AI as a savings and automation initiative or as revenue generating initiative.

Case Example: JPMorgan COIN (360k hours of review automated)

JPMorgan’s Contract Intelligence platform automated the dreary task of interpreting loan agreements, freeing up an estimated 360,000 hours per year previously spent by lawyers and loan officers. Boring? Yes. Valuable? Extremely. This is the profile of a great Lighthouse.

The Optionality Triad – Annuities, Growth Stocks and Options

The triad divides revenue-generating entities or initiatives into three classes: **Annuities**, **Growth Stocks** and **Options**, each with a distinct role and risk/reward profile. The triad functions like a financial portfolio: Annuities are fixed-income instruments providing steady cash flows; Growth Stocks are equities offering high return potential with moderate risk; Options are call options representing asymmetric bets on the future.



1. **Annuities (Mature Businesses).** These are well-established revenue generators with dominant market positions and slower growth. Examples include Google's Search engine, Apple's iPhone and Amazon's e-commerce platform. They provide cash to fund riskier ventures. Over-reliance on Annuities leads to stagnation and vulnerability to disruption.
2. **Growth Stocks (Scaling Businesses).** These are initiatives that have graduated from experiments and demonstrate strong growth and market traction. Google Workspace and Amazon Web Services were Growth Stocks in their earlier years. They require investment to scale and aim for strategic differentiation. Growth Stocks will become tomorrow's Annuities if nurtured correctly.
3. **Options (Experiments).** These are your experiments that are considered high-risk, high-reward bets on nascent technologies or markets. Alphabet's

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investments in self-driving cars, smart-home products and wearables are examples. Options allow the company to explore adjacent possibilities; most will fail, but a few will become Growth Stocks. Without options, the enterprise becomes brittle and cannot adapt to shocks.

The triad produces a positive convexity effect: cash flows from Annuities fund Options; successful Options mature into Growth Stocks; Growth Stocks eventually become Annuities. This self-reinforcing cycle balances stability and innovation, creating resilience against black-swan events. The essence of a balanced portfolio is to maintain enough Annuities to provide cash, enough Growth Stocks to deliver near-term differentiation and enough Options to seed future growth.



Fractals and the Power Law: Self-Similarity from Romanesco to Corporations

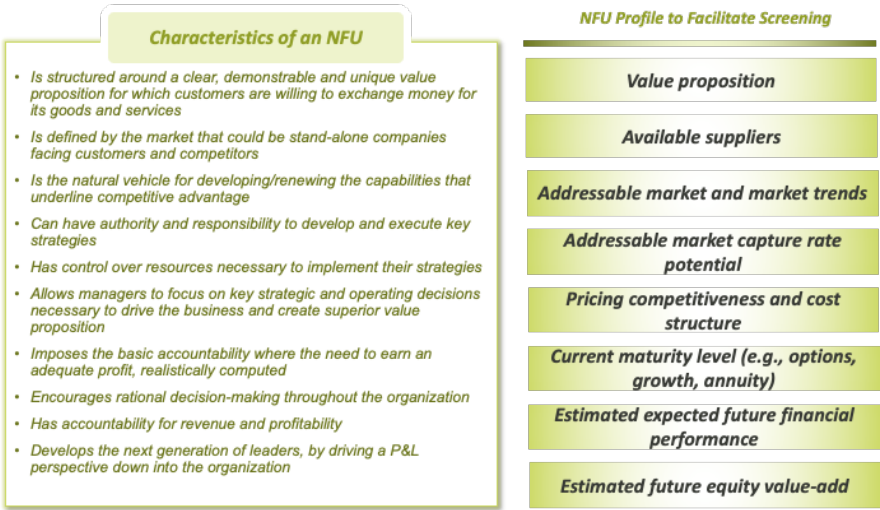
The concept of **fractal** comes from the Latin *fractus* (“fractured”) and was introduced by mathematician Benoit Mandelbrot to describe shapes

that exhibit self-similarity across different scales. In nature, fractals appear in coastlines, snowflakes and plants. Consider the Romanesco broccoli: zoom in and you find miniature versions of its iconic conical spirals repeating endlessly like a Russian doll. This self-similar pattern defies intuitive notions of size; from a photograph it is impossible to tell whether the vegetable is tiny or enormous. Mandelbrot's research revealed that fractal patterns follow power law distributions: large events (such as massive stock movements or blockbuster products) occur more frequently than normal distributions predict. When applied to financial markets, fractal geometry showed that stock prices exhibit heavy tails and clustered volatility. Traditional models underestimated the likelihood of extreme fluctuations, leading to mispricing of risk.

Metaphorically speaking, you can view the businesses as exhibiting fractal properties. The performance of a corporation is shaped by the performance of its constituent units. Zoom into a conglomerate and you find smaller units (e.g., product lines, regional divisions, R&D teams), whose behaviors mirror and aggregate to the whole. These self-similar units are called Natural Fractal Units (NFUs). They are not defined by legal structure but by their ability to operate autonomously: each has a unique value proposition, customers, resources and accountability. NFUs allow leaders to trace corporate volatility back to specific units and design interventions. If the stock market can be modeled as a fractal of volatility bursts, the enterprise can be modeled as a fractal of cash flows and innovation bursts. Understanding this fractal nature is segmenting your portfolio.

Natural Fractal Units – Decoding the Corporate Genome

An **NFU** is any organizational component that generates revenue or has the potential to do so. It might be a product line, a geography, a customer segment, a distribution channel, a core capability or an investment venture. To qualify as an NFU, a unit must satisfy several litmus-test criteria:



1. **Identifiable Customers and Markets.** The unit must sell products or services to external customers or suppliers at competitively set prices. It must conform to industry quality standards and generate revenue.
2. **Standalone Alternatives.** Comparable independent companies or subsidiaries should exist, indicating that the unit could operate as an independent entity.
3. **Identifiable Operations at Scale.** The unit should have assets, employees, capabilities and intellectual property, along with clearly attributable expenses.
4. **Autonomous Management.** It must have its own management team able to sustain all business functions (e.g., sales, marketing, finance, HR, production and procurement).
5. **Resource Control.** The unit must control critical resources such as capital and talent and be accountable for profit and loss.
6. **Financial Accountability.** Management accountabilities should be defined with realistic profit metrics (P&L, return on capital employed, budgets).

7. **IPO Potential.** Given the right resources, the unit should be feasible to structure as an independent IPO candidate.

Treating NFUs as stand-alone businesses forces discipline. Leaders evaluate each unit's unique value proposition, market dynamics, cost structure and growth potential. They determine whether the unit fits the portfolio or should be divested or merged with a mature NFU. This approach prevents cross-subsidization of unviable units and clarifies where to allocate capital.

The first step in scoring optionality is to **segment your business into its NFUs**. Revenue streams are layered across multiple dimensions:

1. **Main product or service:** This dimension includes the principal income sources derived from your core offerings, products, or services. These include core items or goods, primary services, package deals, auxiliary products, rebranded goods, white-label products, and franchises.
2. **Geographical location:** Revenues can be divided into particular geographic locations, such as nations, states, metropolitan areas, continents, regions, counties, or districts.
3. **Core competencies:** This dimension includes income or prospective revenue streams derived from unique value propositions, core competencies, or assets. All these can be leveraged to produce revenue. Proprietary intellectual property, certificates, licensing, real estate holdings, proprietary software or hardware, patents, and brand assets are all included in this category.
4. **Customer segmentation:** Revenue streams are classified by demographics, types, or characteristics. This includes business, consumer, government, public sector, enterprise, small company, and consumer demographics such as age, gender, income, and so on.
5. **Distribution channels:** This category entails an in-depth analysis of distribution and sales channels, which include both direct and indirect revenue generators. Hence, the category may include channel partners, OEMs, retail outlets, affiliate networks, wholesalers, direct-to-consumer channels, independent representatives, and online platforms.
6. **Operational processes:** These are the core processes that are established within a business or potentially generate revenue. Some examples may be the value chain, inbound and inside sales operations, pricing models such as software as a service, hardware as a service, marketplaces, automation systems, and shared service provisions.
7. **Maturity and lifecycle:** This refers to individual income streams' age and maturity levels, which must be assessed. Such an assessment will provide valuable insights into their consistency. E-commerce, e-banking, new

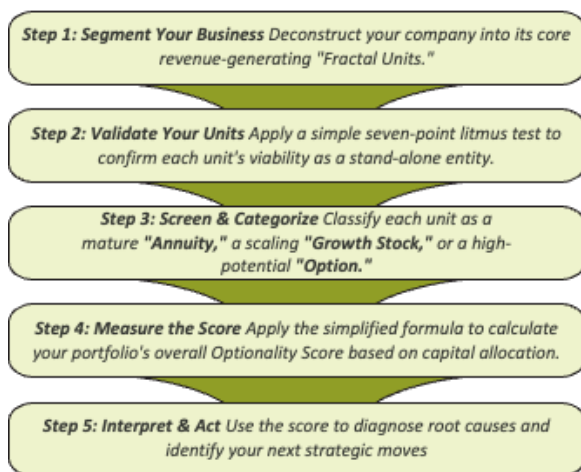
technologies like AI, blockchain, and augmented reality, growth-oriented assets, and mature assets may be assessed as part of this process.

8. **Investment ventures:** To identify this dimension, a review of minority or controlling interests in external businesses and investments must be conducted in the short or long term. This dimension includes strategic relationships and assets, such as real estate and suppliers, start-ups, accelerators, incubators, venture capital funds, and other similar entities.

The Five-Step Process to Calculate Your Optionality Score

Quantifying optionality requires a structured process. The optionality blueprint outlines a five-step method to compute the **Optionality Score (OS)**, a metric from 0 to 10 that gauges your exposure to high-convexity options. Here we expand each step with practical guidance.

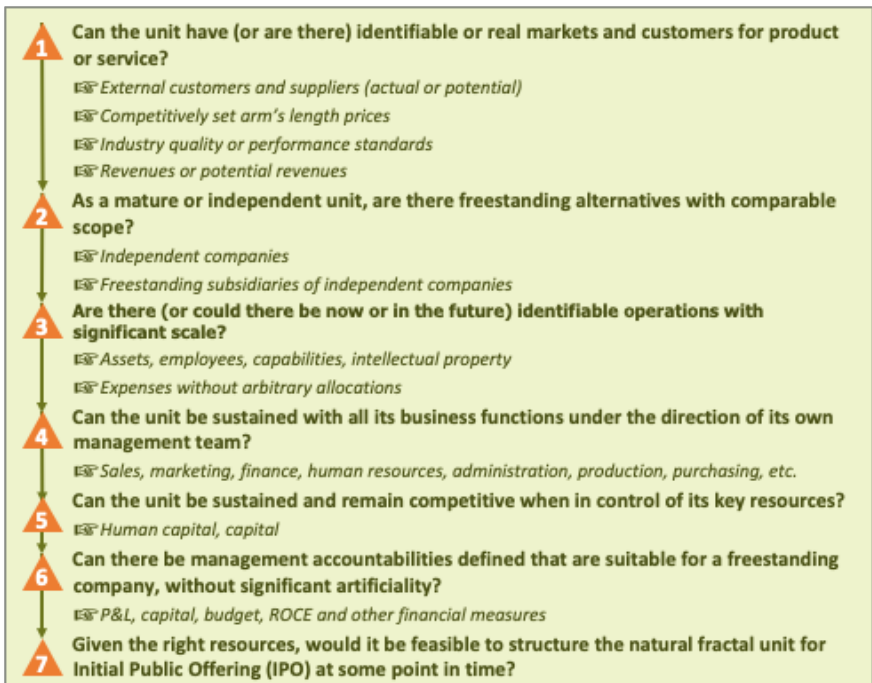
Calculate Your Score: The 5-Step Process



Step 1 – Segment Your Business. Divide your enterprise into potential NFUs using the eight dimensions described above. Identify white-space opportunities, e.g., markets, products or capabilities that are unexploited. A retail chain might realize that its loyalty program (customer segment) is an NFU, while its distribution network (operational process) offers options for last-mile delivery services. Resist

the temptation to draw NFUs along organizational charts; instead follow the flow of value.

Step 2 – Apply the Litmus Test. Validate each candidate NFU using the seven criteria. Does the unit serve identifiable customers at arm’s-length prices? Are there comparable independent companies or subsidiaries? Does it control assets, capabilities and intellectual property? Does it have a management team capable of executing strategy? Can it be structured for an IPO? Units failing the test should



be embedded into larger NFUs or eliminated.

Step 3 – Apply the Screening Framework. Categorize each validated NFU as an Annuity, Growth Stock or Option using a logic tree. Evaluate maturity (experimental, scaling, mature), market size and capture rate potential, pricing competitiveness, cost structure, growth trajectory and expected financial performance. For example, a new AI-powered recommendation engine may be an Option; a platform with fast-growing subscriptions might be a Growth Stock; a mature product line with declining growth but strong cash flow becomes an Annuity. If

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an NFU cannot stand alone but can add value when combined with another, merge it into a related mature NFU.

Step 4 – Measure the Optionality Score. Calculate the proportion of

Optionality Score Simplified Universal Formula

Score results should be between 0-10

$$OS = Min \left\{ \left[\left(\frac{\sum_{i=1}^n CE_i}{TCE} \right) \times 200 \right], 10 \right\}$$

Where

CE_i = Capital Employed of each of the individual NFU Options
TCE = Total Capital Employed of the Entity
OS = Optionality Score

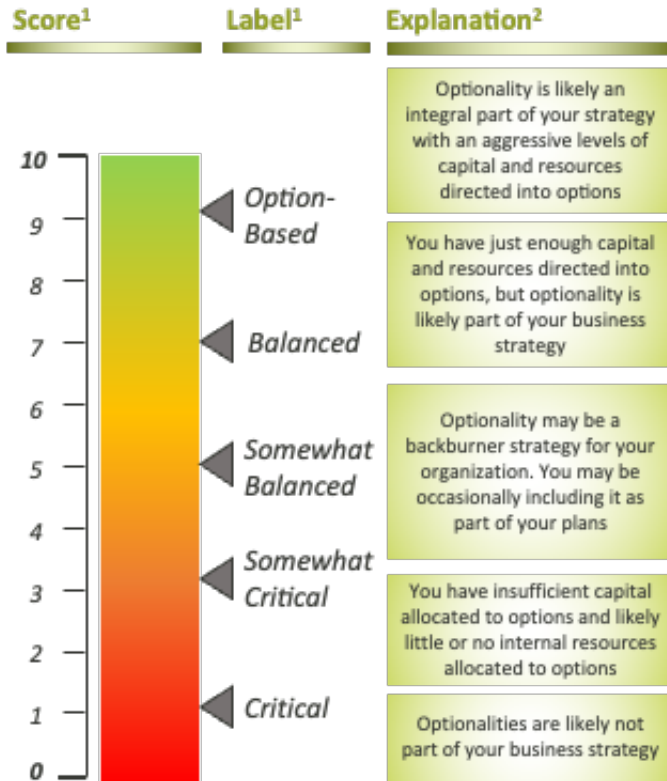
capital employed (CE) allocated to Options relative to total capital employed (TCE). The simplified formula is:

$OS = \min \{ (\sum CE_options / TCE) \times 200, 10 \}.$

Example: if options are 5% of capital, $OS \approx 0.05 \times 200 = 10$ (the maximum).

Proprietary analysis of more than 500 companies found that allocating **at least 5% of a portfolio to options** increases resilience and growth. A lower allocation yields lower scores; an OS of 7–10 indicates healthy optionality, 5–6 indicates underinvestment in the future, and 4 or less signals critical exposure.

Step 5 – Interpret and Act. Use the OS to guide strategy. An OS of **7–10** suggests optionality is integral to your strategy; focus on ensuring capital flows to the most lucrative options and refreshing the innovation pipeline. An OS of **5–6** signals that your portfolio is somewhat balanced but underdeveloped; consider a zero-based approach to strategy and increase investment in options. An OS of **4 or less** is critical; the business is overexposed to declining segments and needs a fast turnaround plan, including possibly exploring strategic alliances or



acquisitions. Regularly update your OS and review individual NFU scores to ensure resources are allocated effectively.

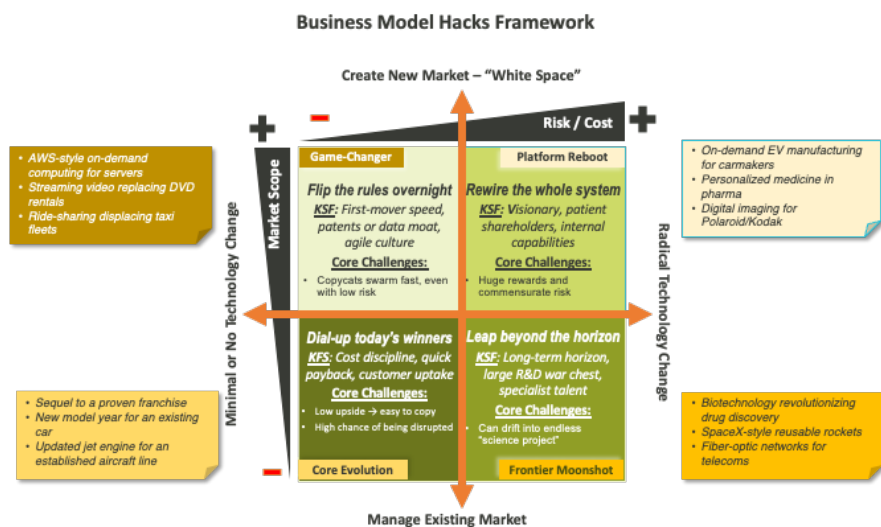
Business Model Hacks

Some of the highest-ROI “options” don’t need models, platforms, or capex. They’re **Business Model Hacks**, e.g., policy, pricing, packaging, terms, and channel moves that shift revenue, margin, or cash **by changing the rules of the game**. Most are cheap, reversible, and testable in days. **Business Model Hacks** are low-to-no-capex moves that shift revenue, margin, or cash by changing the rules of the game:

- **Pricing/packaging:** outcome tiers, usage caps, time-to-value fees, un/bundling.
- **Terms & trade:** payment terms, minimums, surcharges/waivers, rebates that steer behavior.

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- **Risk/guarantee:** warranties, SLAs, shared-savings, performance-based fees.
- **Channel/segmentation:** access windows, priority lanes, self-serve rules, partner splits.
- **Policy/process:** “paper to digital” mandates, exception thresholds,



approval compressions.

The 2x2 Map

Map each idea by investment required (low ↔ high) and market effect (serve today’s market ↔ create white space). “Core Evolution” and “Game Changer” are your Quick-Switch lanes.

- **Core Evolution (low investment • serves today’s market):** Tweaks that extract value from what already works: pricing/packaging edits, minimums, add-on fees, un/bundling, approval compressions, self-serve rules. Great “Quick-Switch” candidates.
- **Game Changer (low investment • creates new white space):** Rule-flips that open a lane without heavy build: outcome tiers, usage-based access, new unit of value, “priority lane” offers. Often NFU-adjacent and highly **convex**.
- **Platform Reboot (higher investment • serves today’s market):** Operating model overhauls (e.g., marketplace rules, contract structure, multi-sided pricing). Not a Quick-Switch, but the 2×2 shows where it sits in the portfolio.

- **Frontier Moonshot (higher investment • creates new white space):** Net-new markets that require R&D or regulatory lift. Track as Explore; outside the scope of a one-day Sprint.

How to Run ideas through the 2×2 Map During Sprint

If ideas land in Core Evolution or Game Changer and pass the litmus (reversible, compliant, measurable ≤ 14 days, owner-controllable, $< \$5k$), mark them as BMH. Quick-Switch and assign an owner and a 7-day test plan (metric, variant, start date next Day). Score alongside NFU and Savings plays; they're competing for the same optionality budget.

How to Classify Business Model Hacks

Business Model Hacks start as Options. If a test holds for 2–3 cycles and impacts margin/cash predictably, promote to Growth. If it becomes “how we do business,” it’s an Annuity.

C-Suite Checklist – Implementing the Optionality Blueprint

- **See the board.** Map first-contact-to-cash; set baselines (revenue, margin, cycle time, cost-to-serve).
- **Name the units.** Leads, quotes, orders, tickets/claims/invoices, each with an owner.
- **Score before you spend.** Rate impact, time-to-value, effort, data readiness. Tag as **Annuity** (steady), **Growth**(scaling), or **Option** (cheap test).
- **Set guardrails.** Budget mix (A/G/O), max bet size, 14-day proof window, clear kill/promote rules.
- **Pick a Lighthouse.** One visible, cross-functional win in 90 days.
- **Make it someone’s job.** Single accountable owner; small squad with decision rights; weekly ship cadence.
- **Ready the pipes.** Data access/quality, integrations, security/privacy/risk approved; smart build/buy/partner with exit clauses.
- **Measure what matters.** Instrument everything; targets set; one-page exec dashboard with next action.
- **Run the cadence.** Weekly test/learn, monthly rebalance capital, quarterly scale/standardize.

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- **Keep the pipeline alive.** Maintain 10–20 options; sequence near-, mid-, and long-term bets.

We'll unpack the how-to in later chapters; use this page to align, fund, and govern so AI pays in 90 days and not “someday.”

Chapter 4 – The Playbook: A Framework for Strategic Deployment

“By failing to prepare, you are preparing to fail.” – Benjamin Franklin

Plays beat platitudes. Here are the simple moves that turn intent into results.

A great playbook is less about pages of code and more about disciplined preparation. Start by framing one “lighthouse” win that aligns to your competitive edge, pressure-testing it for data readiness and stakeholder ownership. Then choose the right tool (e.g., ML, GenAI, or RPA) like a craftsman selecting the exact blade. A crisp charter, clear success metrics, and cross-functional accountability turn theory into a well-sharpened axe ready to swing.

Play 0: Value Driver Map (Pre-Work)

Map where money really moves across your value chain (e.g., acquire, convert, fulfill, retain, collect, etc.) so you can see where AI can shift numbers you already track. On a single page, sketch first-contact-to-cash, list the few flow units that travel end-to-end (e.g., lead, quote, order, shipment, ticket, claim, invoice), capture today’s baselines, circle obvious friction points, and note quick policy/pricing “rule levers” worth testing alongside any data constraints. The output is a clear picture of leverage points and fast, reversible moves, enough to choose where to focus next; Chapter 7 covers the sprint steps that turn this map into proofs and picks.

Play 1: The “Lighthouse” Initiative

To escape pilot purgatory, you need a **lighthouse project** which is a high-value, feasible initiative that demonstrates AI’s potential and builds momentum. It should be a visible, cross-functional win that you can prove in ≤ 90 days and give it an owner, a KPI, and a thin slice you can

ship fast. Shortlist ideas against simple screens (e.g., impact, time-to-value, effort, data-readiness). Ensuring that you choose the right project involves three litmus tests.

1. **Strategic Alignment:** Does the project visibly strengthen your competitive edge, i.e., cost leadership, differentiation or focus? For cost leaders, target operational efficiency (e.g., route optimization, dynamic pricing); differentiators should enhance customer experience (personalization, recommendation engines); focus players might address niche pain points. Evaluate whether success would move the needle on revenue, margin or customer loyalty.
2. **Data Readiness:** Do you have the data to win? As noted earlier, clean data is critical. A 2025 report found that data readiness is the fourth most cited driver for data governance. If your data is scattered, incomplete or ungoverned, start by building a data foundation.
3. **System Regularity:** Is the process predictable enough for an algorithm? AI thrives on **regular, repeatable processes** with clear outcomes. Unstructured, one-off tasks rarely benefit from automation. Ask whether the task occurs frequently, follows a consistent pattern and generates measurable outcomes.

The Lighthouse Litmus Test – 3 Pass/Fail Questions

1

Strategic Alignment

☞ *Will fixing this problem visibly strengthen our chosen competitive edge (cost, differentiation, or focus) and move the needle on revenue, margin, or customer loyalty?*

2

Data Readiness

☞ *Do we already have clean, accessible, well-governed data—enough in volume and quality to train and run the model without a lengthy data-cleanup project?*

3

System Regularity

☞ *Is the target process frequent, repeatable, and outcome-based so an algorithm can learn from past examples and measure success?*

Projects that pass all three tests can be shortlisted and detailed including business objectives, success metrics, timeline, resource needs, compliance requirements (e.g., EU AI Act), risk mitigation and change management. Projects that fail any test should be redesigned or killed.

Case Example: Sysmex (Healthcare diagnostics): 30-day cash recovery

Sysmex America pointed process intelligence at one KPI: past-due receivables. It started with a thin slice: find overdue service-contract payments, prioritize collections, and fix obvious credit-control friction. In 30 days, the team recovered \$3.4M; as they scaled the approach, they improved cash flow by ~\$10M and cut past-due A/R by ~60% (the firm also reports late-payment rates falling from 61% to 44%). It's a textbook lighthouse: a clear business owner (Finance), a simple data path (order-to-cash), fast proof on real money, and an easy runway to scale.

Play 2: Choosing Your Weapon – The Right AI for the Job

Machine Learning (ML)

Traditional machine learning excels at prediction, forecasting and optimization. It is suitable for **predictive maintenance, demand forecasting, fraud detection** and **dynamic pricing**. It requires labelled data and often yields transparent models. Use ML when your task depends on structured data and you need consistent accuracy.

Case Example: Uber ETA & demand models (less herbicide, same results)

Uber's ETA post-processing system (DeepETA) improved online accuracy compared with their previous XGBoost model across rides and delivery (e.g., ~2.7–2.9% MAE improvement in online tests). Earlier work on demand forecasting showed 2–18% accuracy gains in event-heavy conditions. Tiny percent moves drive massive marketplace economics at scale.

Generative AI

Generative AI is a newer form of machine learning that creates new content. According to MIT's 2025 overview, generative AI models can produce text, images and code and often deliver results faster than

custom ML models. They are ideal for **content summarization, report generation, marketing copy** and **synthetic data creation**. However, generative models may hallucinate, so they are less suitable for regulated or safety-critical domains. MIT cautions that generative AI is more accessible but may not suit domain-specific tasks. Avoid the **“Generative AI hammer”**. Not every problem needs a large language model.

Robotics & RPA

Robotic process automation (RPA) and robotics automate physical or digital tasks. A 2025 trend report notes that RPA will evolve into **platform plays** integrating BPM, AI and low/no-code tools. RPA excels at repetitive, rule-based processes such as invoice processing or data entry. In manufacturing and logistics, robotics handles material movement, sorting and inspection. Combining AI and RPA enables “intelligent automation,” where ML models determine when to hand tasks between humans and machines.

Case Example: John Deere “See & Spray” (less herbicide, same results)

Targeted spraying uses computer vision to distinguish weeds from crops and spray only what’s needed. Deere reports more than a two-thirds reduction in herbicide use while maintaining yields: Precision beats brute force. It’s a great example of pairing a narrow sensor/actuator loop with a crisp KPI.

Matching the Tool to the Task

Use a decision matrix that considers data type, required output (prediction vs generation), process complexity and regulatory requirements. For example, if your lighthouse initiative is route optimization, a supervised ML model combined with heuristics may suffice. If you need to generate safety reports from sensor logs, a generative model may help. When you need to automate invoice approval, RPA integrated with an ML classifier is appropriate.

Play 3: Assess Organizational Requirements

Before you assemble the team, however, you must assess if the organization itself is ready. You can do this with the "**Organizational AI Readiness**" Framework, which assesses your capability to deliver on an AI initiative.

This framework examines four key pillars:

1. **Data Maturity** (how accessible, high-quality, and well-governed is your data?);
2. **Technical Infrastructure** (do you have the necessary cloud platforms, tools, and integration capabilities?);
3. **People & Culture** (do you have the right talent, and is the organization AI-literate and ready for change?); and
4. **Leadership & Governance** (is there clear executive sponsorship, funding, and ethical oversight?).

A low score in any area represents a significant risk that must be addressed before the project begins.

Assembling the Right Team

Once you have a handle on the plan, you can assemble the team, assigning clear roles to the CIO, CDO, CISO, CHRO, CFO, and other strategic leaders.

Each executive plays a distinct role as follows:

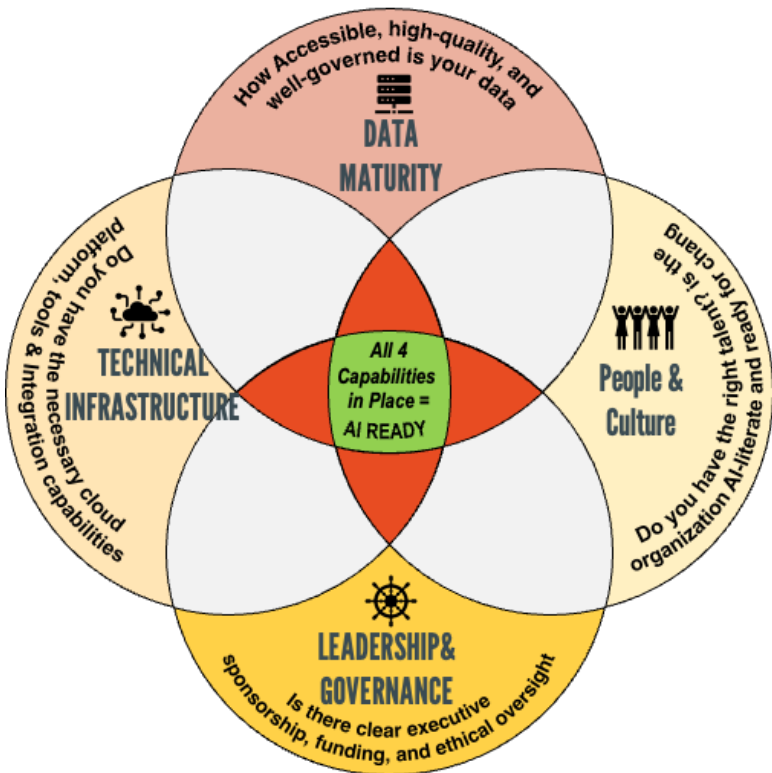
Executive Role	Core Responsibilities
CIO/CTO	Advocate for including AI in enterprise architecture; accelerate the shift from pilots to enterprise-grade platforms; define a technology vision and invest in scalable AI infrastructure
Chief Data Officer (CDO/CDAO)	Align data governance with AI needs; ensure traceability, quality and compliance; decommission legacy data constraints; champion ethical data use
Chief Information Security Officer (CISO)	Establish standards for model security and integrity; lead risk assessments for adversarial AI and data poisoning; embed cybersecurity into AI development
Chief Human Resources Officer (CHRO)	Lead cultural transformation for human-AI collaboration; embed AI literacy into workforce planning; redesign roles to emphasize augmentation over automation
Chief Financial Officer (CFO)	Create valuation models that capture AI's long-term capability returns; integrate AI metrics into capital investment governance; support iterative, cross-functional funding
CEO/Chief Strategy Officer (CSO)	Set a unifying vision for AI as a lever for differentiation; translate strategic intent into accountable priorities; engage external stakeholders and regulators
Chief Risk Officer/General Counsel (CRO/GC)	Shape the organization's AI risk appetite; establish governance mechanisms that address legal, ethical and reputational risks; ensure compliance with emerging regulations
Cross-Functional Governance Team	Create shared accountability models that connect AI initiatives to enterprise-wide KPIs and ensure integration across functions

In addition to executives, your “A-team” should include data scientists, ML engineers, product managers, process owners, change-management specialists and ethics/legal experts. Decide early whether to **buy, build or partner**. Buying off-the-shelf tools speeds deployment but may limit differentiation. Building in-house provides control but requires talent. Partnering with vendors, universities or startups can accelerate learning but may create dependencies. Your decision should align with strategic priorities and resource availability.

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Picking the right bet is half of it; getting it into production is the rest.

Organizational AI Readiness Framework



Chapter 5 – Execution: From Pilot to Production and Beyond

"Vision without execution is hallucination." – Thomas A. Edison

Shipping beats showing. This is where models meet workflows and people.

The handoff from pilot to production is where bold ideas usually stall, so design for scale on day one. Tie model outputs directly into frontline workflows, automate the boring but critical MLOps plumbing, and embed change-management rituals that upskill people, not replace them. Ethical guardrails and real-time KPIs keep the engine honest while it gathers speed. When process, platform, and people click, AI shifts from an experiment to a profit habit.

Play 4: The Human-Machine Partnership

AI success is as much about people as it is about algorithms. The scale of this transformation is immense; a 2025 joint study from the UN's International Labor Organization found that one in four jobs worldwide is potentially exposed to generative AI, with clerical and administrative roles, i.e., women are overrepresented, facing the highest risk of task automation. Yet this exposure points less to outright job loss and more to a profound labor evolution. The World Economic Forum estimates that while 92 million jobs may be displaced by 2030, a staggering 170 million new roles could emerge from the new division of labor between humans and machines. This transition hinges on a massive skills upgrade. The World Economic Forum's 2025 report projects that, on average, 39% of a worker's core skills will be disrupted in the next five years. In response, 77% of employers plan to prioritize reskilling and upskilling their workforce to navigate this shift. The message from the data is clear: the future of human-AI collaboration is about augmentation, not replacement.

Design for Collaboration, Not Replacement

Begin by decomposing work into tasks best suited for machines (high-volume, routine, data-driven) and tasks requiring human judgment, empathy or creativity. Use AI to augment employees (e.g., provide recommendations, automate drudgery, surface insights, etc.) while people handle exceptions, relationship building and decision-making. MIT's article on what machine learning and generative AI are good for in 2025 notes that generative models are ideal for everyday language tasks but less suitable for domain-specific or privacy-sensitive areas. Use this principle to allocate tasks.

Case Example: Wayfair delivery-date accuracy (customer trust wins)

Wayfair rebuilt its delivery-time predictions so the date you promise is the date that happens. Their engineering team reports they cut the gap between promised and actual delivery lead times by more than half. That single fix reduces cancellations and support volume while lifting conversion.

Upskilling and Reskilling

The *Your Tomorrow* program at Waste Management discussed earlier, serves as a good benchmark: WM offers **170+ fully-funded education programs** to 36,000 full-time employees and plans to extend them to dependents. Courses focus on data analytics, digital transformation and systems thinking. Such programs signal commitment to employees and equip them to thrive in an AI-augmented workplace. Globally, the PEX Network emphasizes that training and upskilling are **not optional but essential**. Invest in AI literacy, technical skills and change leadership for all levels of the organization.

Case Example: GitHub Copilot (measurable developer speedups)

In a controlled experiment, developers with Copilot completed a programming task 55.8% faster than the control group; companion enterprise studies report similar directional gains. The lesson: pair skill uplift with guardrails and measurement, and you can bank real cycle-time wins.

The Manager's New Role

Managers move from supervising tasks to **orchestrating human-machine workflows**. They must become coaches who interpret insights, encourage experimentation and create psychological safety. Change management research highlights that **leaders set the tone**; they must address fears, build capabilities, articulate the AI vision and empower teams. Leading through uncertainty requires transparency, trust and a willingness to let people test, learn and iterate.

Change Management Is Non-Negotiable

The PEX Network outlines eight principles for change management in the AI era:

- People come first, trust is key
- Leadership sets the tone
- Change is continuous
- Training and upskilling are essential
- Experimentation breeds innovation
- Holistic views are paramount
- Agility fosters resiliency

These principles should underpin your communication and training plan. Monitor adoption metrics, solicit feedback and iterate convincing.

Play 5: Build the Conveyor Belt of Option Bets

A lighthouse is a start, not a system. You need a conveyor belt: A repeatable way to source, test, and place new options every quarter while the lighthouse ships. The belt has three stations: Harvest (value-chain + NFU + Business Model Hacks inputs), Proof (just-enough tests), and Place (Options / Growth / Kill). Run it on rhythm and your pipeline never runs dry.

Play 6: The Ethical Guardrails

Ethical considerations are not a footnote; they are central to sustainable AI. Harvard Business School highlights **algorithmic bias**,

cybersecurity risks and **privacy/inclusiveness** as key concerns. Biased training data can perpetuate discrimination; fairness audits and diverse teams mitigate this risk. AI also expands the attack surface: **85% of cybersecurity leaders reported AI-related cyberattacks**, but training can reduce phishing incidents by **86%**. Data minimization and robust security practices are essential.

Proactive Risk Mitigation

Establish an AI ethics board that includes legal, HR, data science and external stakeholders. Develop a code of conduct covering data collection, model design, testing, deployment and monitoring. Conduct impact assessments before launching high-risk AI. Document data sources, labeling practices and model decisions. Build red-team exercises to test for adversarial attacks and bias.

With one engine running, we'll decide where to scale and where to scope next.

Chapter 6 – Scope, Scale & Discontinuities: Optionality Beyond the Core

“When the facts change, I change my mind.” – John Maynard Keynes

We expand with scope and push winners with scale, but always inside the portfolio mix of Annuities, Growth, and Options you set in earlier chapters. Scale what works. Probe what could work next. And be ready when the world lurches.

Once you’ve balanced your portfolio, scored it and built a healthy pipeline of options and growth stocks, another question arises: **do we double down on what’s working or branch into something new?** That’s the scope vs. scale decision. Get it wrong and you either stall (too much scale, not enough new bets) or drown in distractions (too much scope, not enough scale).

Defining scope and scale

Scope

Scope means expanding into new AI domains, use cases or technologies – moving from natural language processing into computer vision, applying AI to a new business function or adding new capabilities like reinforcement learning.

Scale

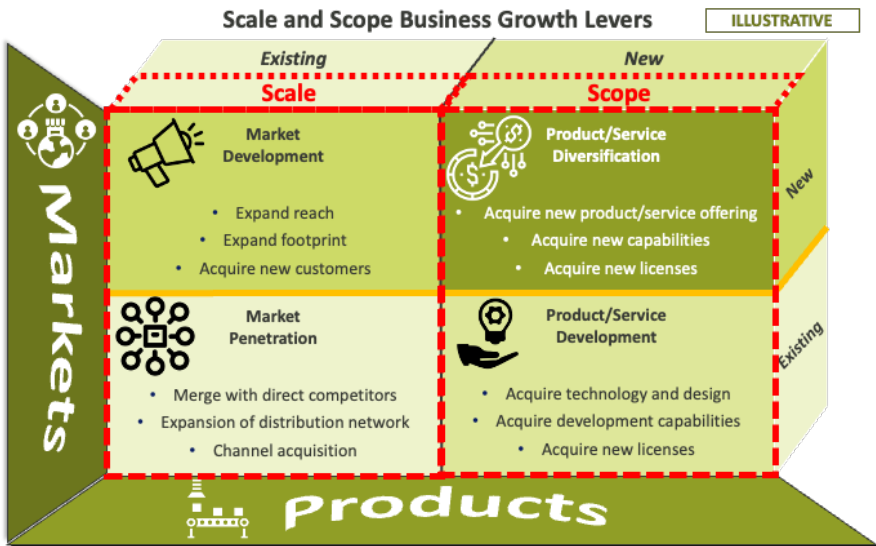
Scale means expanding a proven AI use case into new geographies, products or processes – rolling out a predictive maintenance model from one plant to all plants or deploying demand forecasting across all categories.

Risks of over-bias to one side:

- **All scope, no scale.** You chase shiny objects (large language models, digital twins, synthetic data) without operationalizing any. You become a tech demo factory.
- **All scale, no scope.** You over-rely on a few annuities. Competitors pass you by with new capabilities. Market shifts or regulation make your current models obsolete.

The AI scope–scale matrix

Rate each initiative on feasibility (data readiness, tech maturity, organizational fit) and ROI potential. High feasibility + high ROI = **scale now**. High ROI + low feasibility = **targeted scope** with clear milestones. Low ROI = ignore or harvest. Map these decisions onto your triad: annuities are usually scale plays; options are scope bets by nature; growth stocks can be either depending on conditions.



Scope/scale decisions assume the Play 6 checklist is in force. Before scaling any initiative, confirm: data minimization, role-based access, decision logging, bias/drift monitoring, and human-in-the-loop where outcomes affect customers.

The 70–20–10 rule

To stay balanced, devote roughly **70%** of your AI budget to scaling annuities and growth stocks, **20%** to targeted scope plays and **10%** to

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wild-card options (moonshots with small, capped investment). Scope keeps you future-proof; scale delivers today's ROI. The art is balancing both so your AI program generates near-term returns while seeding tomorrow's breakthroughs.

Case example: Mammut (Outdoor apparel): AI sizing lifts conversion in 60 days

Mammut added an AI size advisor (Fit Analytics "Fit Finder") to help shoppers pick the right size and tested it for two months. Result: +22% conversion and -20% returns versus a standard size chart: clean KPIs, a thin slice, and a fast path to scale (start on top categories, then roll out site-wide). Scope to Scale (new PDP capability proven on a thin slice, then rolled out across categories and channels).

Advanced AI Levers – Discontinuities & Strategic Breakouts

Managing an AI portfolio is about balance – until the ground shifts beneath you. When it does, **discontinuities** can make or break your strategy. Handled poorly, they blindside you. Handled well, they create **leapfrog moments** – opportunities to jump ahead of competitors in months, not years.

Case Example: NHS stroke triage (faster treatment; higher intervention rates)

Hospitals deploying an AI stroke-assessment tool saw marked improvements: door-in-door-out times fell by ~49 minutes at evaluation sites, thrombolysis rates rose, and mechanical thrombectomy rates more than doubled in some regions. When seconds matter, decision support is not a "nice to have."

What is a discontinuity?

A discontinuity is a sudden, significant change in the environment your AI operates in – technical, market or regulatory – that alters the rules of the game. They come in three flavors:

1. **Macro-market** discontinuities like a 70% drop in compute costs, a breakthrough open-source foundation model or a global supply-chain shock that spikes demand for AI forecasting. In the AI world, this is likely a frequent occurrence.
2. **Operational** discontinuities inside your business, such as a company-wide ERP upgrade that unifies data systems, an acquisition that brings a massive, labelled dataset or a talent turnover that forces automation to maintain service levels.
3. **Competitive** discontinuities – a rival launches AI-powered customer

			Optionality Blueprint – Portfolio Balance		
Strategic Triggers		Action	Options/ Experiments	Growth Stocks	Annuities/ Mature NFUs
Discontinuities – Value Creation Levers	Competitive Discontinuities - Margin Plays	BUY LOW. SELL HIGH Acquire undervalued assets: divest overpriced components	Which businesses can outgrow the market	Where can we amass assets in high growth sectors at cycle bottoms?	Which cash flow leaders can still be traded before margins collapse?
	Competitive Discontinuities – Strategy Plays	ACHIEVE MARKET LEADERSHIP Leverage advantaged capabilities to rewrite the rules of the game	Where Where are We experimenting to define the next market shaping innovation?	Which Which markets offer "big-bang" gains if we apply our playbook?	Where Where, as undisputed leaders, can we set terms and forge alliances?
	Operational Discontinuities - Turnaround Plays	IMPROVE ASSET ROM Leverage advantaged capabilities to rewrite the rules of the game	Can Can we buy or turn around a weak player with outsized upside?	Where Where can a roll-up or catalyst fix unlock stalled growth?	Which Which mature units, now under performing, still justify a fix and keep?

service with one-hour resolution or a new entrant uses AI to undercut your prices by 20%.

Regulatory jolts (*why rules create opportunities*)

New rules can feel like headwinds, but they often create **white-space**. The EU AI Act, sector privacy rules, and safety mandates redraw the map: some use cases become **high-risk** (needing oversight), others become **low-friction** (clear to scale). Treat regulation as a signal. If a rule clarifies what “good” looks like, a pilot can jump to scale; if it raises the bar, you can win by building compliance into the product before rivals do.

How discontinuities impact the triad

- **Macro-market shifts** can make certain options suddenly viable and justify moving them to growth or annuity phases faster.

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- **Operational shifts** increase feasibility of scaling existing options; they can propel a pilot into a growth stock almost overnight.
- **Competitive moves** force reallocation toward defensive AI projects or inspire a breakout to leapfrog rivals.

Strategic breakouts

To turn a discontinuity into advantage, follow a simple playbook: monitor the environment, check portfolio readiness (which options could leapfrog?), run a rapid decision loop (business case to prototype to go/no-go in weeks) and overinvest in the winner. A European insurance firm did exactly this: when the EU AI Act clarified compliance for large-language-model chatbots, it fast-tracked its AI claims-assistant pilot and scaled across the EU before rivals. By locking in a 25% share of digital claims, it turned a regulatory shock into a competitive moat.

Case Example: Rio Tinto mine autonomy (productivity up; costs down)

Open-pit mines that automated haulage and drilling report hard outcomes: ~25% productivity improvements in drilling and ~15% lower truck haulage costs. Autonomy is not a lab demo; it's a cash machine when paired with the right operating model.

Avoiding discontinuity whiplash

Don't pivot on rumors. Wait for confirmation that the shift is real. Keep 10–15% of your AI budget unallocated so you can exploit new opportunities without starving existing winners. Use **parallel paths**: keep the existing roadmap moving while spinning up the breakout initiative. After each discontinuity, run a post-mortem: what did we miss and how do we spot it earlier next time?

The Portfolio Takeaway

The portfolio takeaway is simple: scale what pays, scope what could pay next, and reserve capacity for jolts you can exploit. Do that, and discontinuities stop being surprises; they become accelerants.

Now **pick the Lighthouse that proves the first breakout in ≤ 90 days**. Chapter 7 shows exactly how we ship the thin slice, collect the evidence, and scale fast.

Chapter 7 –The One-Day Optionalities Sprint, the 90-Day Plan and the Flywheel

One day to choose, ninety days to prove. Then spin the flywheel.

The 1-Day AI Optionality Hackathon Sprint

You don't need another month-long innovation ceremony. You need **one day** that turns a dozen smart ideas into **one funded lighthouse** (plus a backup). This sprint is decision-driven, not demo-driven. It starts with **where money moves**, surfaces **NFUs** and **Business Model Hacks**, and ends with a name, an owner, a budget, and a **30/60/90** plan.

Why one day works

Scarcity forces clarity. Only problems with a P&L owner, a measurable KPI, and a usable data path make it through the door. By 5 p.m., you leave with a lighthouse, a backup, and **Quick-Switch** Business Models Hacks tests running in parallel.

The Purpose of the Sprint

- Choose and fund the **first lighthouse**.
- Queue **2–4 Options** (NFU probes or savings plays) with 30–90-day validations.
- Launch **no/low-cost BMH** experiments without slowing the lighthouse.

What makes this different

One day. Owner on the hook. KPI first. Evidence over theatre. Portfolio-aware so every pick strengthens your **Annuities / Growth / Options** mix. And we don't leave you with a one-off. The afternoon ends by dropping your lighthouse and options onto the conveyor belt: the mini-flywheel that keeps choosing on rhythm.

- We don't start with tools – **we start with where money moves.**
- We don't worship demos – we force **decisions with evidence.**
- We don't run one big bet – we build a **portfolio** and a **conveyor belt.**
- We don't slow down for quick wins – **Business Model Hacks** run in **parallel** on a fast track.
- And we don't hand you a binder – we stay just specific enough to move you, not so specific you try this alone

Choose the Lighthouse by Mapping Where Money Moves

You don't pick a lighthouse from opinions, you extract it from your value chain. The first hours of this sprint are not about tools or models. They're about seeing your business the way money sees it: where value is created, where it's delayed, and where it leaks. By early afternoon, you're down to a short list of bets that can move a KPI you already measure. By day's end, you've named a lighthouse and given it an owner, a budget, and a 30/60/90 path.

What you Walk Out With By Day's End – (Non-Exhaustive)

- 1 Lighthouse + 1 Backup (time-boxed pre-work).
- A signed Lighthouse Charter (owner, KPI, scope, NFU/data path, integration sketch, risk tag, budget).
- A two-week mobilization: what starts tomorrow morning through Day 14.
- A compact evidence pack a CFO/COO can approve without a second meeting.
- A prioritized list of Business Model Hacks (5–10 no-/low-cost moves) with 7-day test plans that run in parallel to the lighthouse.

The Three Gates

The three are non-negotiable. Miss any gate and it's not a lighthouse, it's a story.

1. Owner & KPI – a named business owner and one primary KPI with a baseline.
2. Data / NFU Path – where the data lives and the NFUs (natural flow units) it follows: lead, quote, order, shipment, ticket, claim, invoice, etc.

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3. Feasibility & Risk – a credible sketch of how it ships and the guardrails it must obey.

Fast-track for Business Model Hacks: if a move is **reversible**, **compliant**, **testable inside 7–14 days**, and **< \$5k** (or policy-only), it can bypass heavy scoping and go straight onto a **Quick-Switch** track.

Morning: Diverge to Converge (Value Chain to Money Map to NFUs)

The morning is divided into **two-stages**: first we **diverge** to surface as many levers as possible; then we **converge** to a shortlist worth proving. This is structured abstraction first, solutioning second.

1) Value-Driver Map (fast)

On one wall, we draw a first-pass **Money Map** of your chain: Where value is created, captured, delayed, or lost:

- Acquire → Convert → Fulfill → Retain → Cash (DSO)
- For each stage: current KPI(s), volumes, cycle times, rework/error rates, hand-offs, and the policy, pricing, and promise points that shape behavior.

This gives us the places to look; we start with questions, not answers.

2) NFU Identification (name the flow units)

We list the **natural flow units** that carry value through the system (e.g., **lead, quote, order, shipment, ticket, claim, invoice**) and mark where each **slows, splits, or dies**. NFUs are powerful because they can become **priceable units** or **measurable triggers** for value.

Non-negotiable: if an idea can't be tied to a named NFU and a **KPI**, it doesn't make the board.

3) Breakstorm (guided abstraction; 6W mind-map) – Divergence

We run a **Breakstorm** to de-construct the value paradigm before we ideate solutions:

- 6W mind-map: Who, What, Where, When, Why, How across actors and transactions.

- *Zoom out* (Why/Who/Where): What outcome is really purchased? Who benefits or blocks? Where does value actually accrue?
- *Zoom in* (What/When/How): What events mutate the NFU? When do hand-offs add latency? How do rules/approvals choke flow?
- **Provocation cards:** we bring a curated library of **100+ anonymized “HYPOT” case studies** to unstick thinking and force analogy leaps across industries. They’re prompts, not prescriptions.

Outputs added to the wall:

- **Money Map v2** (with power/friction annotations).
- **NFU Ledger v1** (candidate new revenue primitives / priceable events / monetizable outcomes).
- **Savings Ledger v1** (cost, time, or risk levers worth chasing, even when they are **not** NFUs).
- **Business Model Hacks Ledger v1** (no-/low-cost **Business Model Hacks** surfaced during abstraction).

Important: Some of the best lighthouses are **non-NFU productivity plays** (e.g., robot sorting, route optimization, back-office straight-through processing). They don’t mint new units; they move **margin** by cutting waste. We track these in the **Savings Ledger** and evaluate them alongside NFU plays.

4) Opportunity Harvest – Still diverging, now into ideas

We push for **quantity before quality**:

- **Three timed rounds**, everyone adds cards in five lanes:
 1. **NFU plays** – new priceable units or pricing power.
 2. **Savings plays** – labor/materials, route/sort, rework, straight-through processing.
 3. **Risk-out plays** – loss, fraud, compliance, safety.
 4. **Speed-up plays** – throughput, cycle time, lead time.
 5. **Business Model Hacks** – policy / pricing / packaging / terms / channel moves that require little or no engineering.

Each card is tagged with KPI touched, NFU or Savings, data signals available, owner, and where in the chain it bites.

5) Convergence Round 1

We **cluster and filter** without over-thinking:

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- Cluster by money movement (cash-in, cash-out, cash-deferred), level of control, and data readiness.
- Gate with three quick screens: T-shirt sizing, a 3×3 Impact/Feasibility matrix, and Portfolio fit (Annuities / Growth / Options).
- Select the Top 3–5 to carry into the afternoon.
- In parallel, promote **Business Model Hacks cards** that meet the litmus into **Quick-Switch tests** (owner + KPI + start date **tomorrow**). These run **alongside** the lighthouse and never block it.

Summary of Morning Diverge and the Bridge to Midday

The **morning, we made a long list, then a short list**. After lunch, we shift from ideas to evidence (e.g., lightweight data profiling, feasibility sketches, and a thin proof spike). NFU plays are tested for unit logic and willingness-to-pay signals; **non-NFU productivity plays** are tested for credible savings pathways. Then we score, debate, and commit.

Afternoon – Evidence → Selection → Commitment and a Flagship Lighthouse

By lunch, you have a short list of strong ideas. The afternoon turns those ideas into **decisions**. We check the data, run quick proofs, score the finalists, and commit to one **Lighthouse** (plus a backup). In parallel, the **Business Model Hacks** get fast, low-cost tests.

12:30–12:45 Reset & Shortlist

Confirm the **Top 3–5** from the morning (mix of **NFU plays** and **non-NFU savings plays**). Re-state the bar: measurable first value in **≤60–90 days**, named owner, clean data path, compliant by design.

12:45–2:30 Data Triage (Reality Check)

We answer four practical questions: Do we have the data? Is it good enough? Can we link it to other data? Are we allowed to use it?

- **What we have:** list the tables, files, logs, or APIs and how complete they are.
- **How current it is:** note freshness and accuracy (today, weekly, stale).
- **Can it connect:** say whether we can tie this data to other sources (e.g., by customer ID or order number).

- **Permission status:** traffic-light it: **Green** (we have access), **Amber** (minor steps needed), **Red** (blocked without approvals)

Kill rule: no workable data path then it can't be the lighthouse. Survivors get a short **Data Note** (source, slice we'll use, gaps, and the workaround).

1:30–2:30 Quick Proof Tests (Just-Enough Proof)

Now we run small, honest tests to show there's a signal worth pursuing. Think “evidence on a single screen,” not a full build.

- **For NFU plays:** show the **unit logic** works (the event or usage pattern you plan to monetize is trackable and linked to the KPI).
- **For savings plays (non-NFU):** show a credible path to margin (e.g., a tiny route-optimization run, a micro-automation of a back-office step, or a time-and-motion sample that proves the waste).
- **No-model is fine:** a clear query, chart, or count of exceptions can be enough at this stage.

Output: one screenshot or snippet that shows a real signal, plus a short note on **what could fail** next.

1:30–2:30 (In parallel) Set Up BMH Quick-Switches

Business Model Hacks are low- or no-cost rule changes (pricing, packaging, terms, channel, policy). If they passed the morning litmus (reversible, compliant, measurable inside 7–14 days, owner-controlled, low cost), we prep them to start tomorrow.

- Assign **owner**, **metric**, and the exact **variant** to test.
- Lock **start date** (tomorrow) and simple **guardrails** (what not to change; how to roll back).
- Bundle 5–10 into a **Business Model Hacks Pack** for one-sitting approval.

2:30–3:00 Value & Risk Framing

We size the money carefully and note the risks. Use conservative numbers that finance will push on them.

- **Value estimate:** $Impact (\$) = Baseline\ volume \times Target\ improvement \times Unit\ economics \times Expected\ adoption \times Confidence\ level.$
- **Finance pass:** record best-case, base-case, and a “cold” case.

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- **Risk pass:** list privacy, safety, or policy issues and the guardrails that solve for them.

3:00–3:20 Score Your Own Idea

Teams rate ideas across overarching guiding principles related criteria:

- **Does it clearly support strategy?** (cost leadership or differentiation, in your market)
- **Is the value estimate believable?** (based on real numbers you can show)
- **Can we show first results in 60–90 days?**
- **Is the data ready enough to start?**
- **Can we actually ship it?** (integration path is real; there's a rollback)
- **Does it improve the overall portfolio?** (Annuities / Growth / Options balance)

3:20–3:50 Challenge & Tighten

We put the finalists under friendly fire to remove wishful thinking.

- 3-minute readout.
- Replace the rosiest assumption with a tougher one and re-check the numbers.
- If it can't carry its weight in **90 days**, kill it or shrink the scope.

3:50–4:20 Portfolio Placement & Decision

We place what's left into the portfolio and make the call.

- **Lighthouse (choose one):** either the strongest near-term **NFU** or a savings play with undeniable margin impact and a clear story.
- **Options (2–4):** promising NFU probes or savings/risk-out plays with asymmetric upside (each gets a 30–90-day validation).
- **Foundations:** important enablers we'll schedule, but we don't sell them as outcomes.

Decide now: name the **Lighthouse** and the **Backup**.

4:20–4:50 Charter & Mobilize

We turn the winner into a one-page plan and line up the first two weeks of work.

- **Owner & KPI:** who is accountable; baseline and target.

- **Scope:** what parts of the process are in/out.
- **NFU or Savings thesis:** what unit we'll monetize, **or** which cost line we'll bend; how we'll measure it.
- **Data plan:** where the data comes from and how we'll access a small, usable slice.
- **Integration plan:** which systems we touch, how we'll ship, and how we roll back if needed.
- **Risk & ethics:** approvals required, where a human must review decisions.
- **Milestones:** 30/60/90 checkpoints and five **Day-1 to Day-14** actions.
- **Signoff**

4:20–4:50 (In parallel) Approve Business Model Hacks Quick-Switches

We get the “easy wins” moving without slowing the lighthouse.

- Approve the Business Model Hacks Pack.
- Confirm analytics and governance checks; confirm rollback steps.
- Book **Day-7** readouts. Business Model Hacks never blocks lighthouse execution.

4:50–5:00 Communicate & Close

We make the decisions visible and book the first proof points.

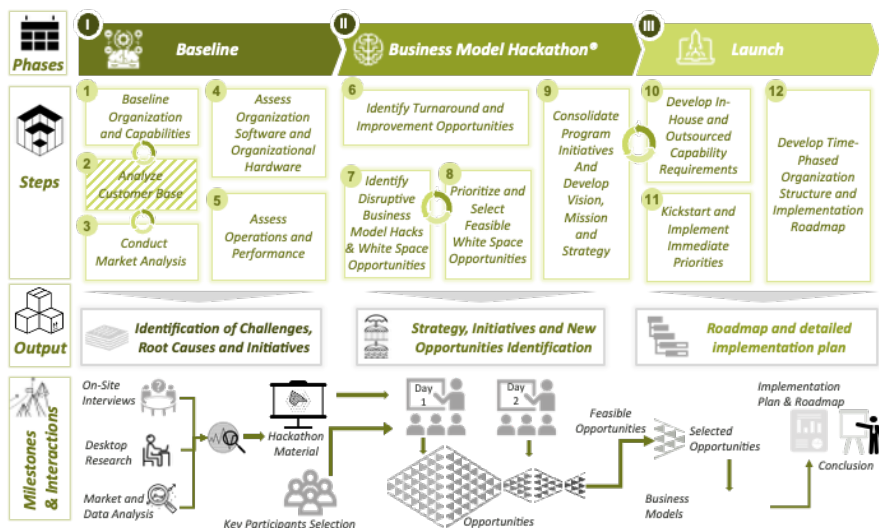
- Publish the slate: Lighthouse / Backup / Option validations / Business Model Hacks tests.
- Send the Evidence Pack (one page per pick, plus Data Notes and Risk Notes).
- Book the Day-7 checkpoint and the Day-30 “show-me” review.

The Optionalities Hackathon Flywheel Engine

After the sprint: the Flywheel keeps choosing without derailing the lighthouse team. If your options pipeline is empty, your future options are dead on arrival. If it's full of junk, you're wasting time, budget and credibility. The answer isn't “more ideas”; it's **better ideas, faster** – with proof they can work in your world. That's what the Optionalities Hackathon Engine delivers: a repeatable process to source, test and select options worth funding while killing those that don't belong.

Why an Optionalities hackathon?

In most organizations, Options/Experiments either get stuck in PowerPoints or get overfunded before proving ROI. An Optionalities hackathon flips the script: in two to five days, cross-functional teams turn raw ideas into working demos. Decision gates filter for ROI, feasibility and fit with your optionality triad.



The three phases of the engine

1. **Baseline Prep.** Identify gaps in your portfolio (low on options? low on growth stocks?). Hunt for real pain points by interviewing business units (“Where do you lose the most time?”). Audit data availability and quality; if data is unusable, re-scope or deprioritize. Select participants from across the business and define success criteria.
2. **Hackathon Execution.** Kick off with the optionality triad so teams know that some hacks will be options and some will be growth-ready. Rapid prototyping turns ideas into minimal viable models or workflows. User feedback loops prevent building in a vacuum. Each team scores its prototype on impact, feasibility and time-to-scale.

3. **Selection and Launch.** On demo day, each team presents the problem, business case, prototype and path to annuity or growth. Place winning prototypes into the triad: options are monitored experiments; growth stocks get fast-tracked scaling; annuities (rare) plug directly into production. For growth stocks, assign a product owner, budget and timeline; for options, set a 90-day validation plan.

Plan The C-Suite's 90-Day AI Action Plan

The plays provide structure; the timeline provides urgency. The **90-Day AI Action Plan** breaks down the transition into three months:

Month 1 – Decide & Mobilize

Run the One-Day Sprint; pick Lighthouse + Backup; approve BMH Quick-Switch tests. Stand up access, environments, KPI instrumentation, and the day-1 to day-14 backlog.

Month 2 – Prove on a slice

Ship a thin slice to real users; collect KPI deltas; fix data/integration gaps. BMH cycles 1–2 report results; promote winners to Growth backlog.

Month 3 – Launch & Learn

Put the lighthouse into production; publish the Evidence Pack and 30/60/90 plan; queue the next 2–4 Options from the conveyor belt. Prepare the next quarterly Optionalities Hackathon.

At the end of 90 days you should have an AI initiative in production, a workforce engaged and upskilled, a baseline Optionality Score and a conveyor belt of options. More importantly, you will have demonstrated that AI can create measurable value when integrated into a disciplined, option-oriented strategy.

You've got the cadence. Let's lock the mindset and take the first step.

Conclusion – Becoming an AI-Powered Organization

“The best time to plant a tree was 20 years ago. The second best time is now.” – Proverb

The AI revolution is not a fork in the road between utopia and dystopia. It is a messy middle requiring discipline, strategy and courage. Executives need not choose between ignoring AI and bankrupting the company on vanity projects; they can adopt a new operating system built on optionality. This playbook combines diagnostic rigor, portfolio theory and rapid execution to turn AI volatility into shareholder velocity.

Make this your new operating rhythm

Don’t chase models. Build the habit: one day to choose, ninety days to prove, and a conveyor belt that never stops. Manage AI as a portfolio and the volatility that scared you becomes velocity that serves you.

Your next step

Book the 15-minute Catalyst Call. Bring one knotty process, one KPI, and 15 minutes on your calendar. We’ll tell you honestly if a one-day sprint can pay off for you

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