Using Generative AI in Companies

A time to act – With eyes wide open

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Audience:

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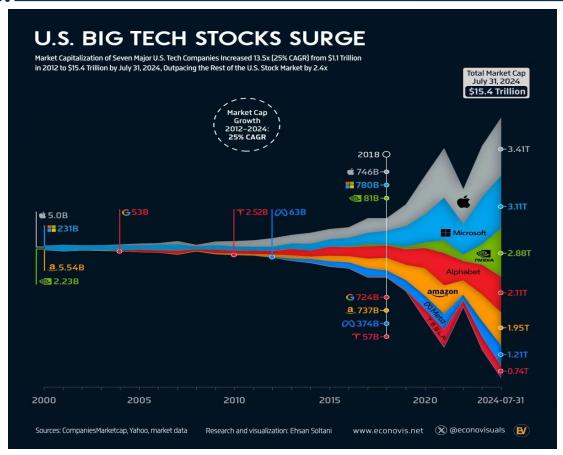


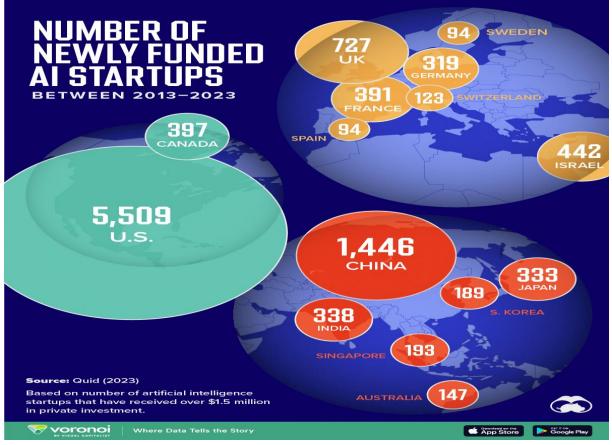
Agenda

- The Hype
- Reality
- Adoption Approach
- In Summary...
- Recommendations
- Q&A (20 minutes)



The Hype: ChatGPT in Nov '22 and Nvidia in Jul '23





OpenAl's ChatGPT, Google's BARD/Gemini, Meta's LLaMa are just 1% of the story 10,000+ Al Companies funded with > \$1.5 Million each in 10 years Nvidia valuation is in the Top 3 today – next only to Apple and Microsoft

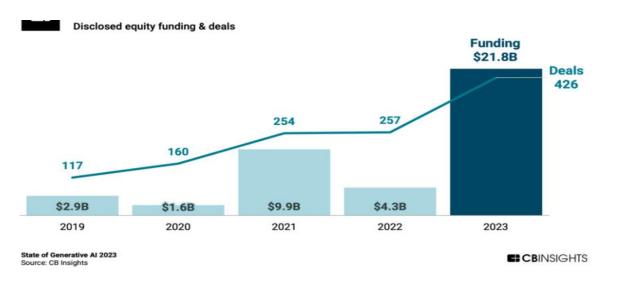


The Hype: '24 Funding Exceeds '23 Level – Frenzy of Activity

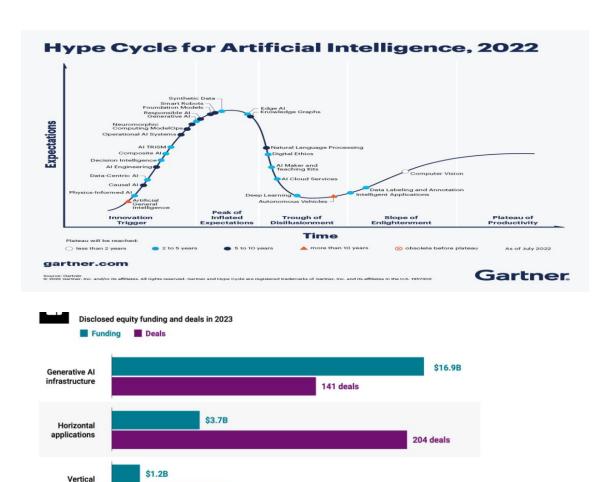
applications

State of Generative Al 2023

Source: CB Insights







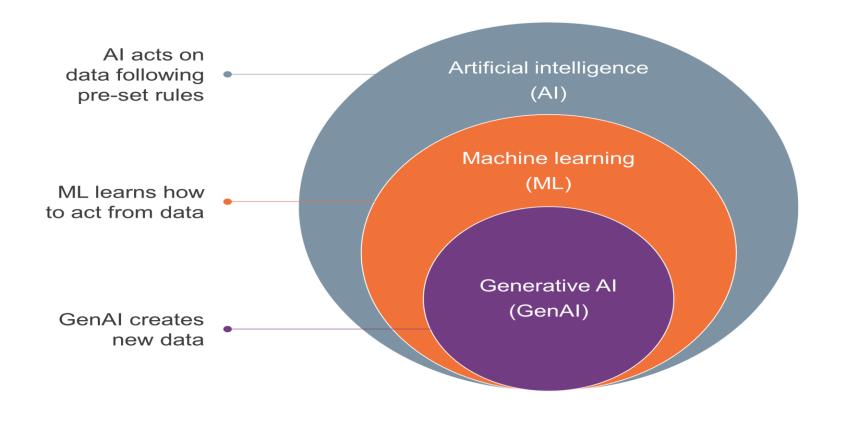
81 deals



CBINSIGHTS

Reality: When Someone Says Al, Which Al Do They Mean?

Generative AI is a form of machine learning, and machine learning is an advanced aspect of the field of artificial intelligence



Source: HFS Research, 2023

Many good "Use Cases" are in traditional AI, not in Large Language Models and Gen AI



Reality: Gen Al in Organizations Can Take 3 Forms

For prioritized use cases: organizations can employ three different ways to build and deploy gen AI solutions



TAKER

Integrate commercial off-theshelf gen AI solution into workflows as-is, with little to no customization



SHAPER

Augment existing gen Al models for specific geographic, sector, organization, and business case needs, leveraging proprietary data and insights



MAKER

Develop and train a new foundational model from scratch, tailored to the organization

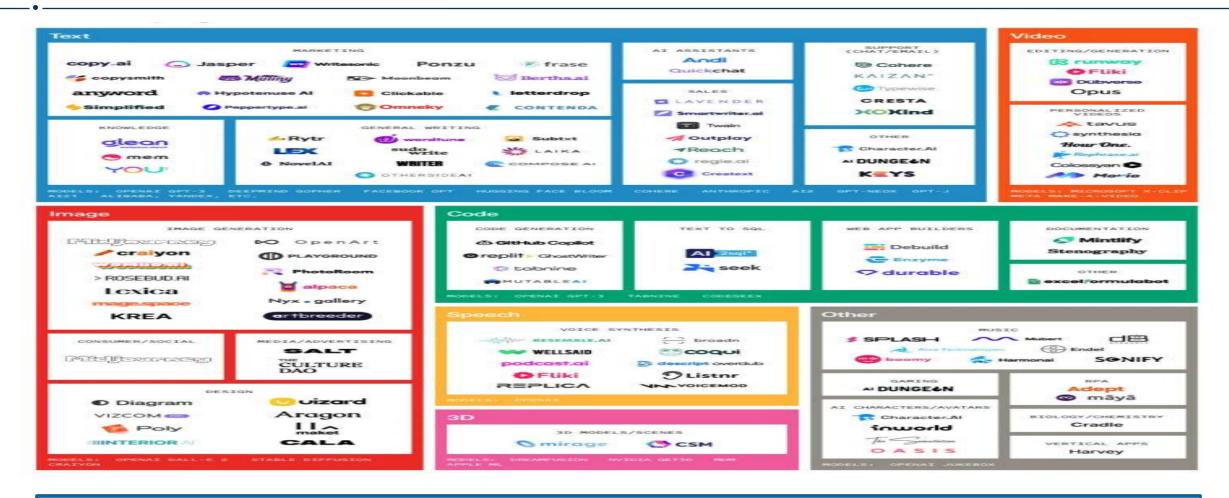
Cost and value implications Lower capex needs, minimal differentiation possible

Higher capex needs, high differentiation possible

RISK: Without a strategy, Gen Al will creep-in and create sprawl – like the Internet



Reality: There's an Al For That (theresanAlforthat.com)



Gen Al applications are rapidly evolving in both B2C and B2B worlds
An initial "enterprise" implementation could cost as little as \$25K
But... Investments without Governance and a Strategy = Money down a drain hole



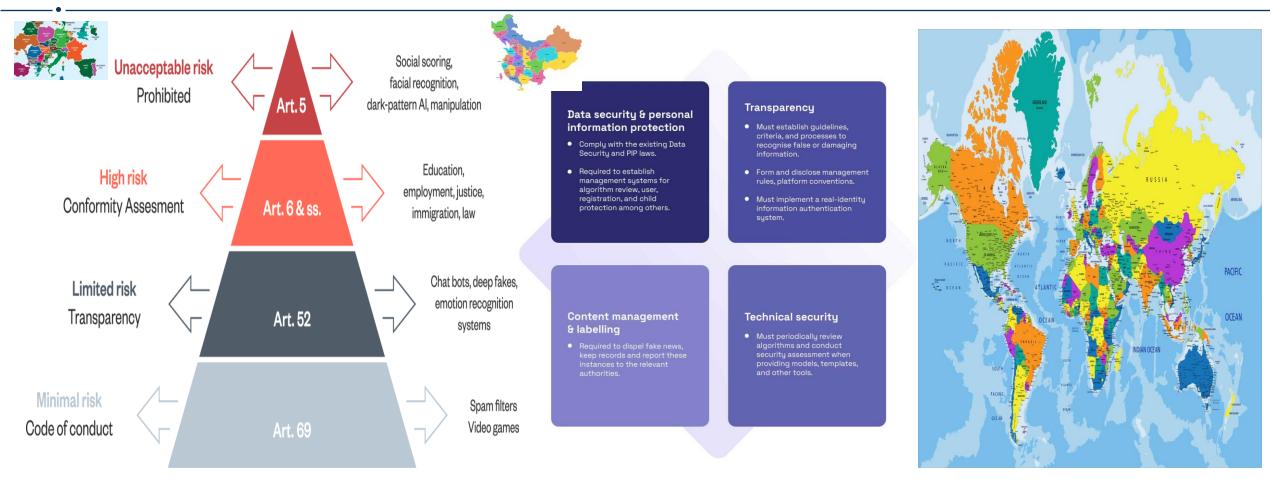
Reality: Hallucinations, LLM costs, Backflushing.. To name a Few



RISKS: Without a strategy and forethought, Gen Al will not generate value



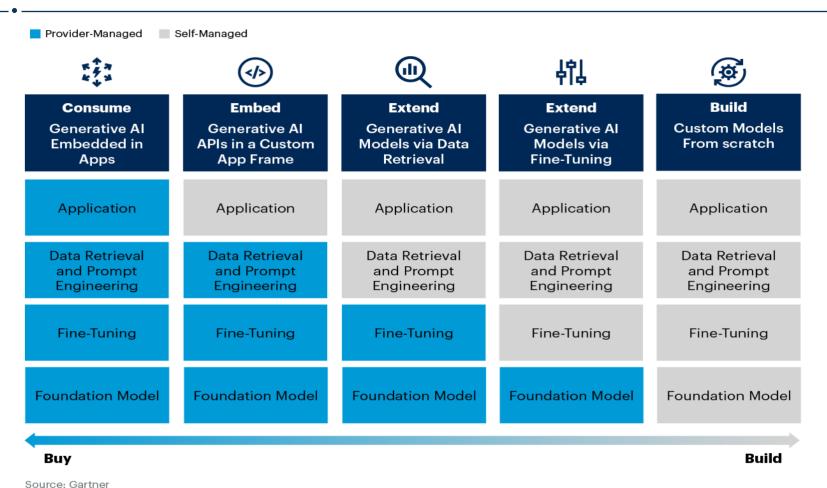
Reality: Global Al Regulations Are Evolving Still...



The EU enacted a comprehensive Al Bill. China has 2 Bills – One for CCP use, and another for everyone else. The US has a Presidential Order, no laws. Rest of the World is literally and figuratively "all over the map"



Adoption: A Spectrum of Possible Approaches for Companies



The self-managed approach to deployment is far more expensive but comes with heightened customizability.

Questions to Consider:

- "How does our risk appetite inform our AI deployment approach?"
- "Are we currently equipped to self-manage any aspects of AI deployment?"
- "Where does our data fit into vendor offerings and where do we need to modernize?"

The "entry ticket" varies by the "kind" of Al implementation An initial "enterprise" implementation could cost as little as \$10K Some Financial Services firms are investing \$1 Billion to BUILD



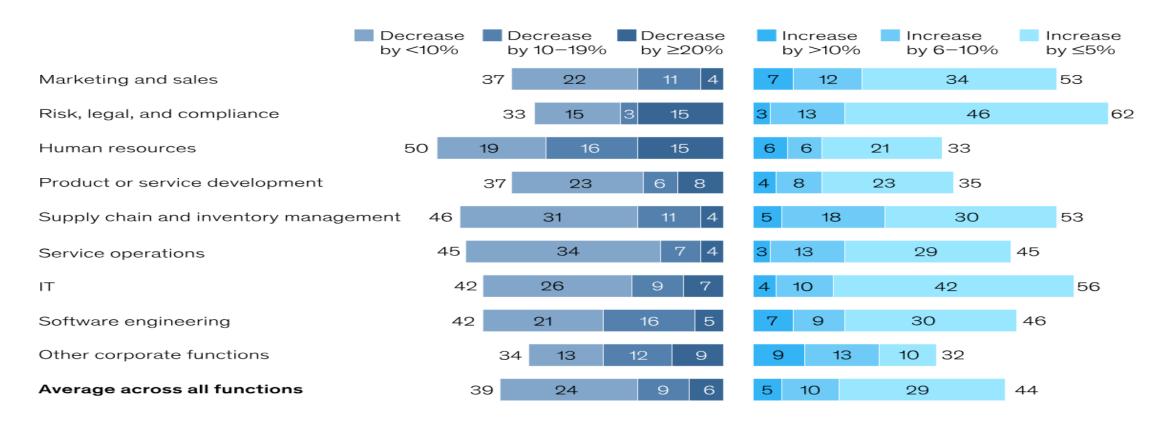
Adoption: A Practical 7-Step Guide

- 1. Create Al Governance and Strategy
- 2. Assess and manage Change Readiness
- 3. First: Embrace Productivity- and Efficiency-enhancement Gen Al
- 4. Then: Assess Core Products for Gen Al replacement readiness
- 5. Invest only where it makes sense
- 6. Measure, Measure, Measure ROI
- 7. Report ROI transparently

Start with a good Strategy and Governance
Lead with a simple implementation, along with a bias for ROI and Outcomes
Showcase early wins



Cost decrease and revenue increase from generative AI adoption in 2023, by function, 1 % of respondents



Cost reductions in HR are significant, following Gen Al implementation Revenue increase from Gen Al adoption in Supply Chain Management is substantial Product or Service development is SLOWEST (with good reason)



Adoption: For Core, Customer-facing Products and Services...

Agility AI Skills Financial

Resources

Tech

Data

quality

Strategic

readiness

Negative Exposure, High Readiness Pivot and Reinvent

- Rapid Business Model Evolution: Transform or pivot business models to reduce vulnerability to AI disruptions.
- · Strengthen Brand Loyalty: Double down on customer engagement and brand loyalty programs, emphasizing elements AI can't reproduce.
- Adopt & Adapt: Integrate generative AI into the business in ways that transform potential threats into new avenues for growth.

Negative Exposure, Low Readiness De-risk and Transform

- · Immediate Threat Analysis: Assess and prioritize the most immediate risks and vulnerabilities related to generative AI.
- Infrastructure Development: Lay the groundwork by investing in data management, analysis capabilities, and foundational AI tools.
- Seek External Expertise: Engage with consultants or advisory firms specializing in AI to derive a roadmap for future-proofing the business.

Positive Exposure, High Readiness Capitalize on AI Leadership

- AI-Enhanced Offerings: Develop and launch new products/services using generative AI to cater to emerging market needs.
- Expand Market Footprint: Leverage AI capabilities to identify and tap into new markets or segments.
- Monetize AI Expertise: Offer AI solutions, consultancy, or services based on your superior readiness, targeting sectors that lag behind in AI adoption.

Positive Exposure, Low Readiness Accelerate AI Integration

- Accelerated AI Onboarding: Invest in quick-win AI projects that can provide immediate benefits.
- · Strategic Collaborations: Form alliances with AI leaders to gain expertise and access to state-of-the-art tools.
- Skill Upgradation: Focus on training programs and hiring initiatives to quickly ramp up AI skills within the organization.

Risk Negative Positive High Substitutability

· Regulatory Hurdles Quality / Credibility End User Profile

 Stickiness Pricing

Low

Risk vs. readiness GenAl impact matrix. Image Credits: Prosus

... Approach this with extreme caution (Reputational Risk!) The Board and the Executive Team should be in alignment first The entire organization should be readied with thoughtful Change Management



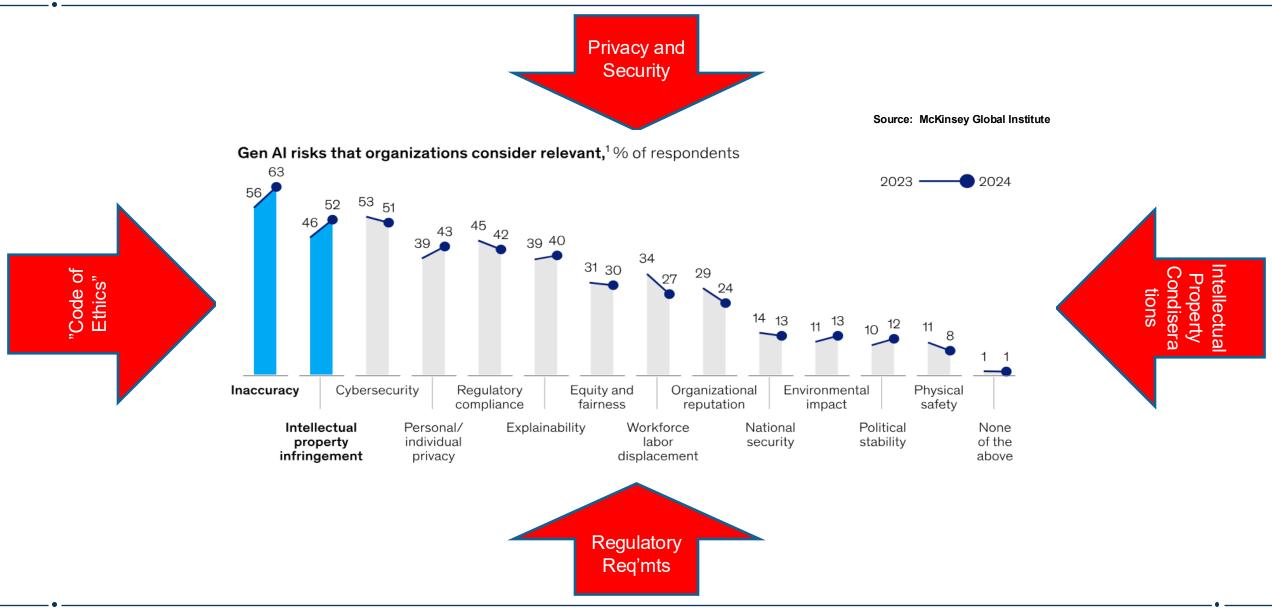
In Summary... While Hallucinations Are An Issue...

- The fever-pitch of typical hype-cycles is behind us
 - Companies are getting serious, adopting Gen Al "canned solutions"
- Gen Al Infrastructure is increasingly becoming as "walled gardens" (Microsoft, WRITER etc.)
 - "Backflushing" fears are reducing
- For "Own Gen AI", costs are starting to come down, with innovative Language Model offerings
 - ChatGPT 40 Mini (Cost reduced by 90%!)
- ClOs are starting to "get funding" for Gen Al projects
 - This exciting technology is starting to "Cross the Chasm"
- A lot of attention is on creating Agentic AI Where AI transforms workflows
 - Gating factor is Executive Teams' understanding and embrace of Gen Al

"In the short-term, Gen Al is over-hyped. In the long-term, it is massively underestimated." – Ash Vaswani, Co-creator of the Transformer architecture



Recommendation: Answers Chevrons, Mind the Risks, Move!





Recommendation: Canned Apps, Data, Human In the Middle...

- Start with "Off-the-Shelf" Canned Gen Al Applications
 - The Vendor will have absorbed most of the risk of testing and validation
- If the Canned App needs data, make sure you give it PLENTY of data
 - Volume PLUS Edge- and corner-cases are critically important for good outcomes
 - Test, test, test... before you put anything in Production
- When you start BUILDING your own Gen Al solutions...
 - Trust but verify = Keep a human in the middle BEFORE customers see Gen Al results

There are NO EXPERTS in the Gen Al field It is new. Everyone is learning at the same time...



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