



Using Generative AI in Companies

A time to act – With eyes wide open

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Audience:

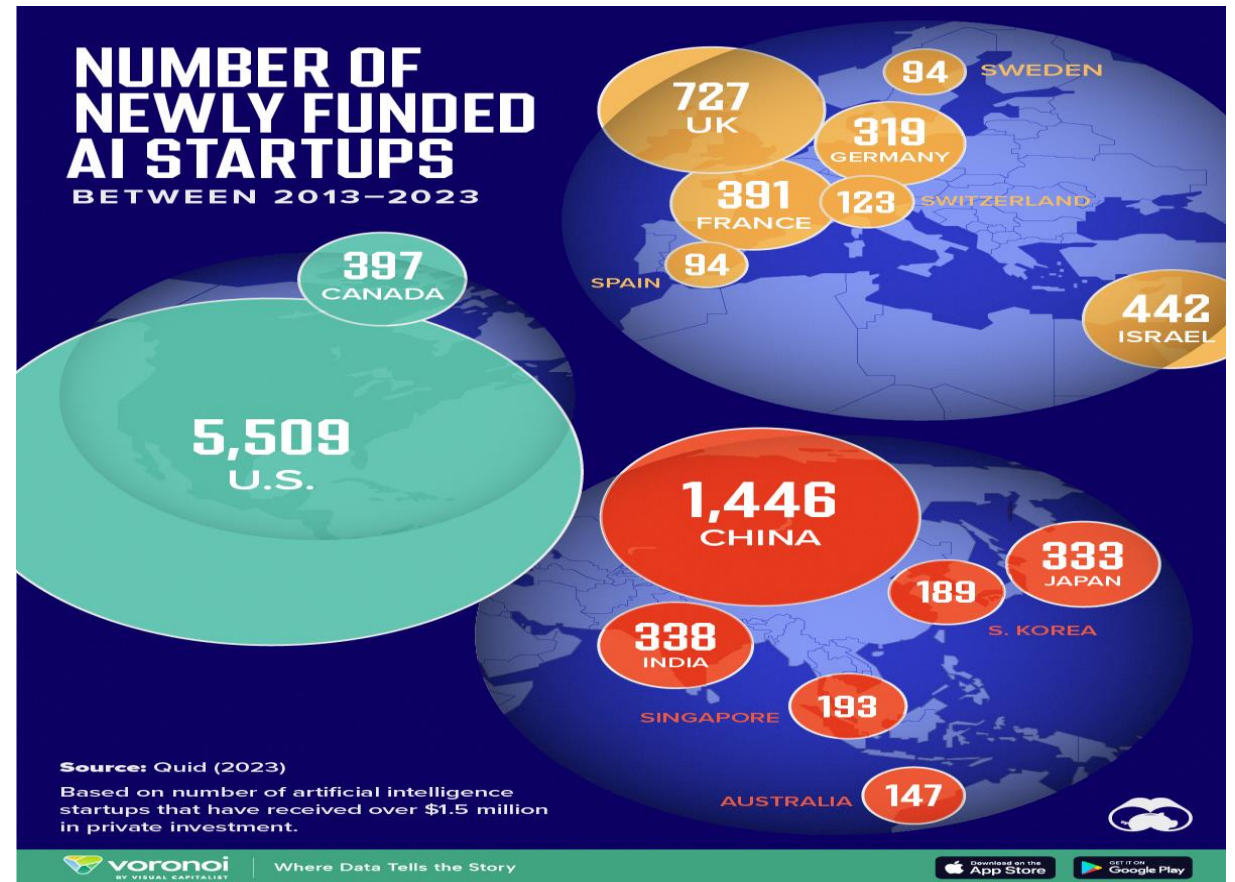
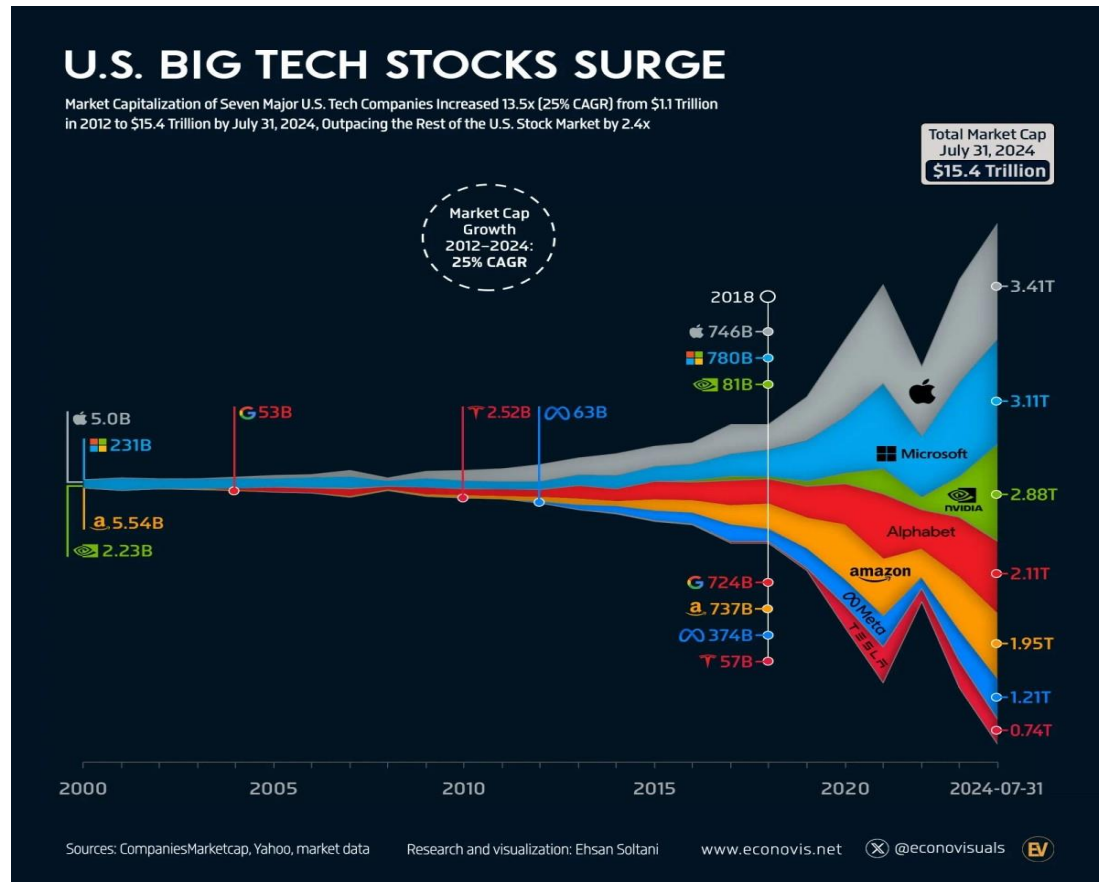
Date: Aug 2024

Agenda

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



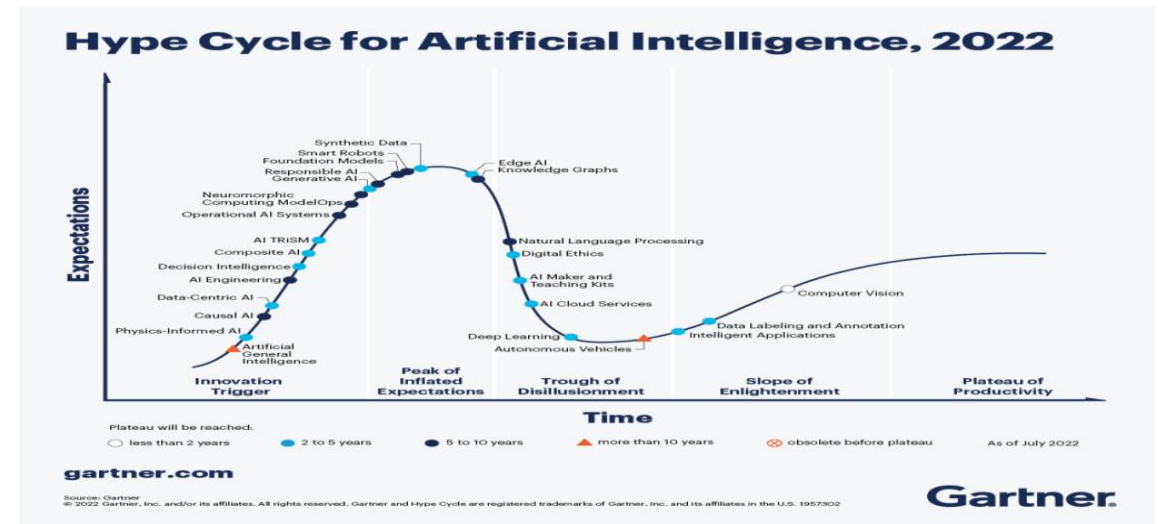
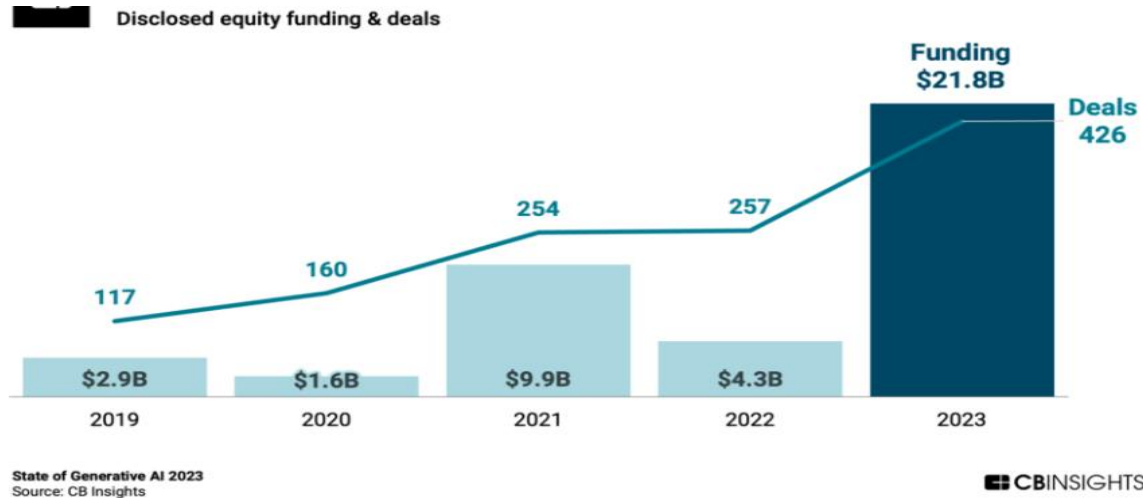
The Hype: ChatGPT in Nov '22 and Nvidia in Jul '23



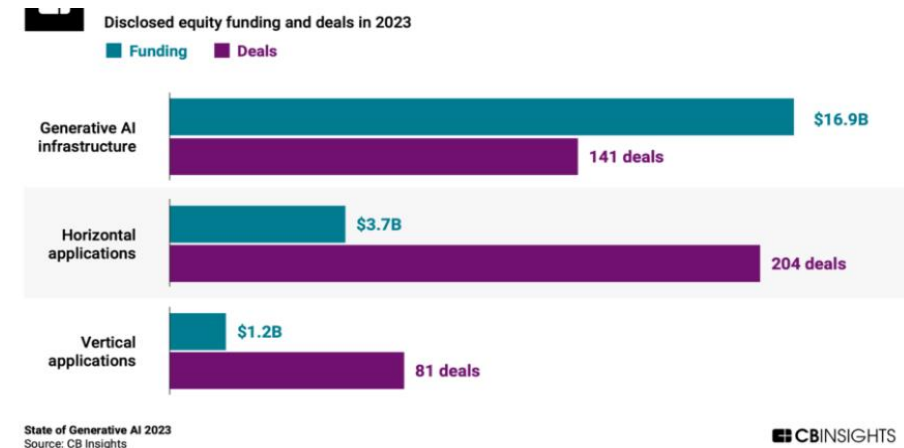
OpenAI's ChatGPT, Google's BARD/Gemini, Meta's LLaMa are just 1% of the story
10,000+ AI Companies funded with > \$1.5 Million each in 10 years
Nvidia valuation is in the Top 3 today – next only to Apple and Microsoft



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

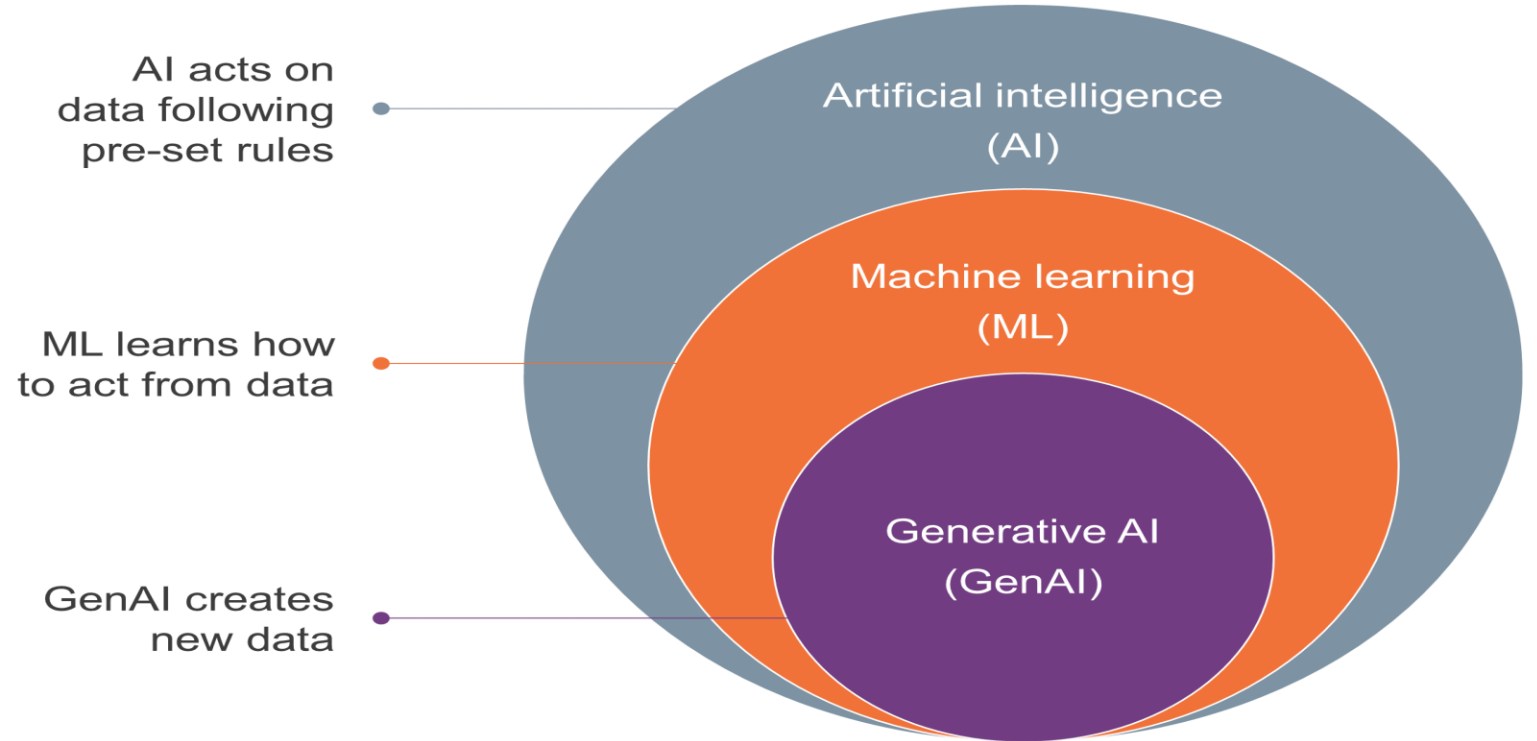


- 1/ \$23 Billion in 2023 across 425 deals
 - 2/ 2/3rd of investments in Early Stage
 - 3/ 2/3rd of investments in AI Infrastructure
- STILL EARLY DAYS...**



Reality: When Someone Says AI, Which AI 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 AI 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-the-shelf gen AI solution into workflows as-is, with little to no customization



SHAPER

Augment existing gen AI 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 AI will creep-in and create sprawl – like the Internet





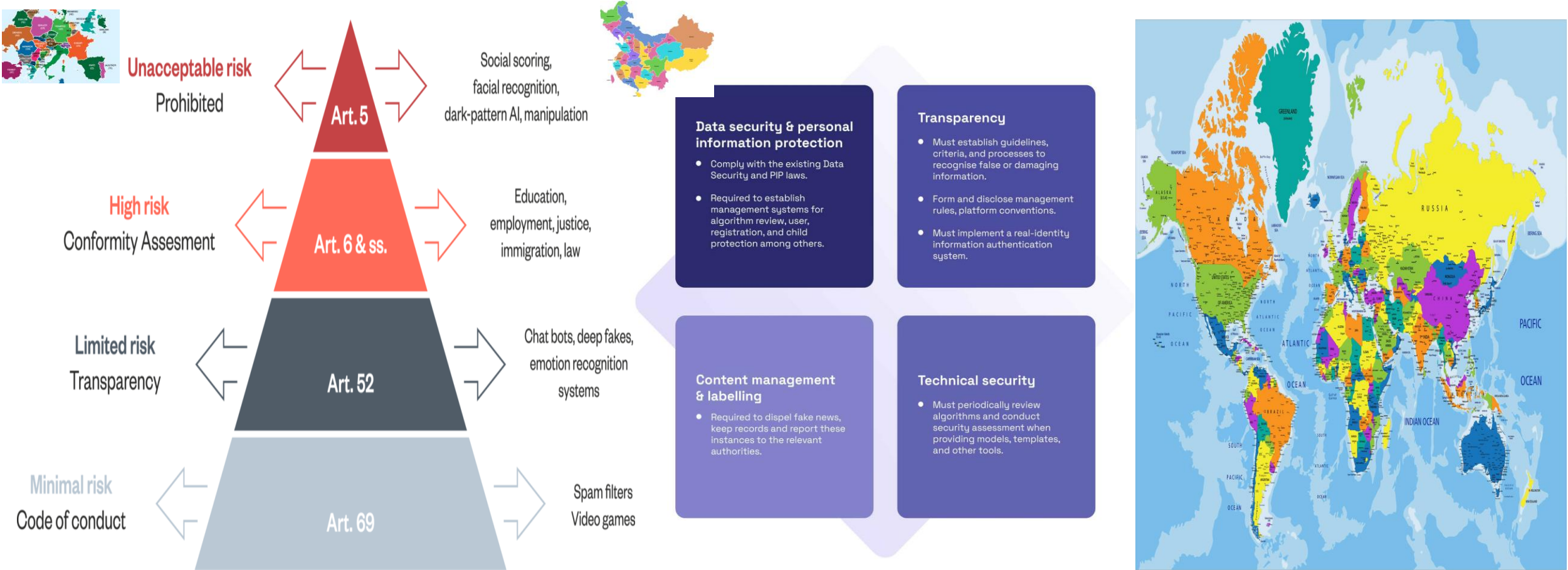
Reality: Hallucinations, LLM costs, Backflushing.. To name a Few



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



Reality: Global AI Regulations Are Evolving Still...



The EU enacted a comprehensive AI 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”





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?”



Adoption: A Practical 7-Step Guide

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

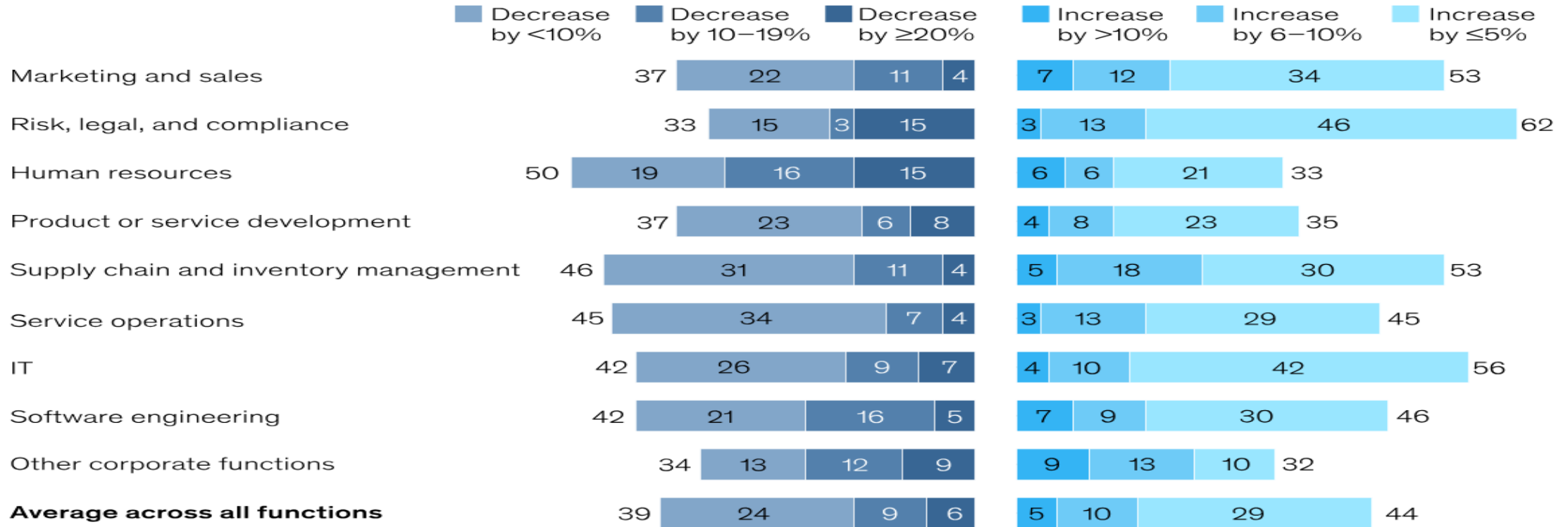
Start with a good Strategy and Governance
Lead with a simple implementation, along with a bias for ROI and Outcomes
Showcase early wins



Adoption: Where First for Gen AI Capabilities?

Source: McKinsey Global Institute

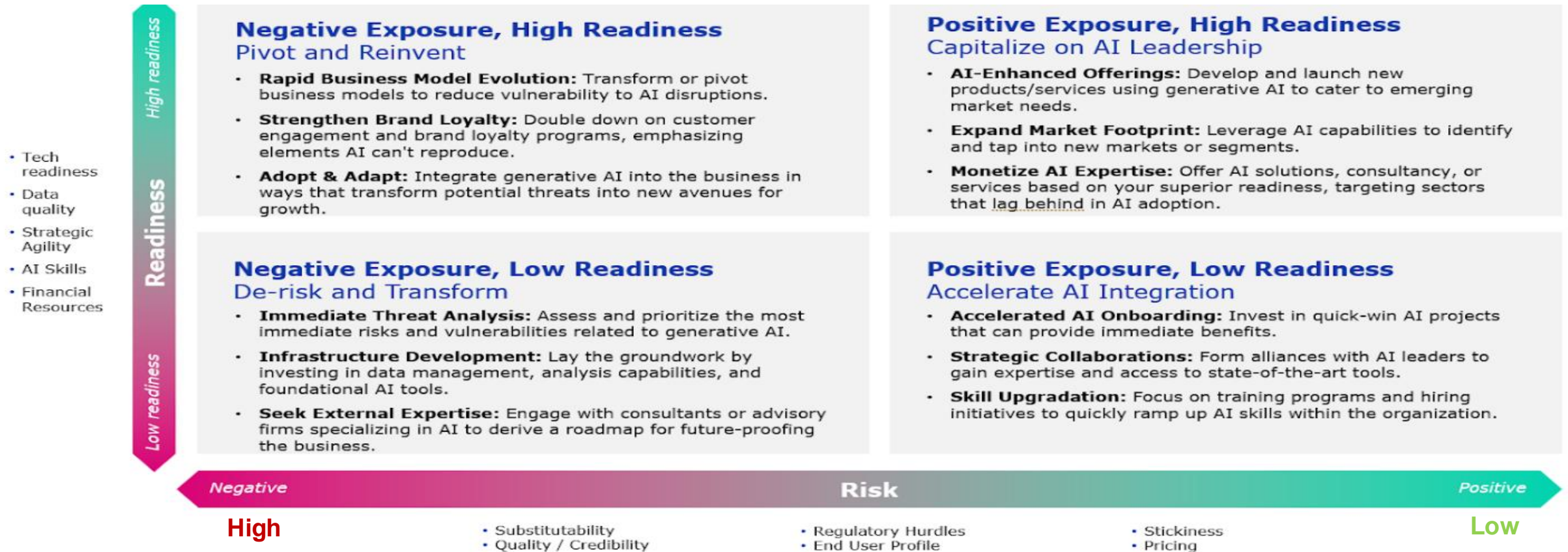
Cost decrease and revenue increase from generative AI adoption in 2023, by function,¹ % of respondents



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



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



Risk vs. readiness GenAI 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 AI “canned solutions”**
- Gen AI 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 4o Mini (**Cost reduced by 90%!**)
- CIOs are starting to **“get funding” for Gen AI 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 AI

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



Recommendation: Answers Chevrans, Mind the Risks, Move!

Privacy and Security

Source: McKinsey Global Institute

Gen AI risks that organizations consider relevant,¹% of respondents

2023 — 2024



"Code of Ethics"

Intellectual Property Considerations

Regulatory Req'mts



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

- Start with “Off-the-Shelf” **Canned** Gen AI 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 AI solutions...
 - Trust but verify = Keep a **human in the middle** BEFORE customers see Gen AI results

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



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