

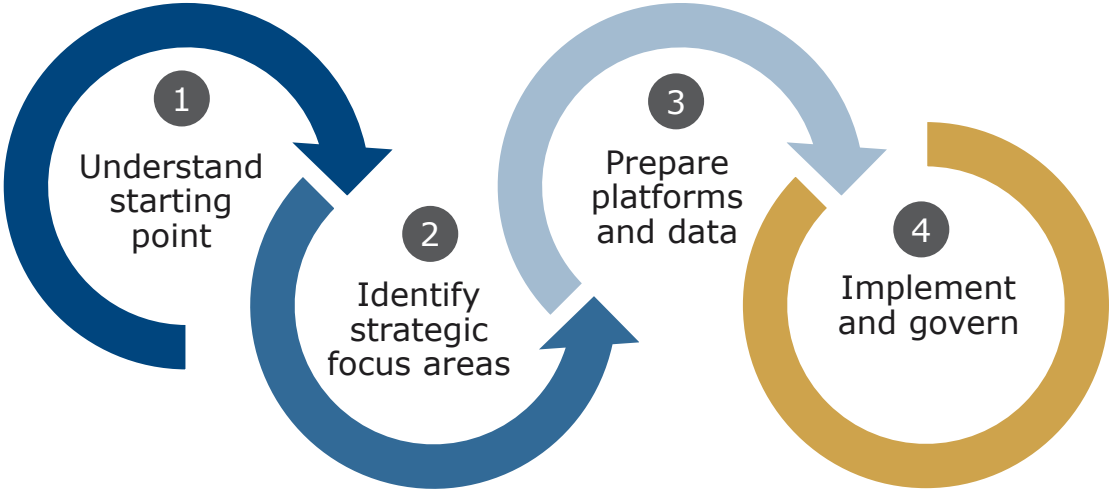


The CIO’s AI Odyssey: A four-step framework to begin your AI journey

Many companies are currently at the beginning of a long and eventful journey that can be called an AI Odyssey. The word Odyssey refers to the story of Odysseus, a Greek hero who spent ten years trying to return home after the Trojan War. This journey was filled with many challenges and encounters with mythological creatures. A company’s AI transformation will have similar characteristics - most probably being a long, eventful process where previously unknown “creatures” will be met and even created.

The purpose of this document is to present Midagon’s point of view on getting started with this journey. We present a framework of concepts, ideas and thinking aids that can help IT executives perform strategic planning and road mapping in the early stages of the AI Odyssey.

The framework consists of four phases, which can also be seen as iterations. It is highly recommended that the current state assessment and strategic focus areas be revisited regularly.



1. Understand the starting point

Having a holistic view of an organisation's current AI capabilities is essential.

The IT stack's readiness: Do the current products and platforms (such as ERPs and other core applications) already include some AI capabilities? What is the maturity of the current AI solutions (rule-based systems vs. deep learning)? Does the organisation have the necessary computing power and infrastructure (cloud, on-premise, or hybrid) to support AI development and deployment? Are there any immediate needs to modernise components of the current IT stack?

Data quality and availability: Does the organisation have access to high-quality, relevant data in a usable format necessary for training and deploying AI models? Even though AI solutions can tolerate unstructured data, data quality has a major impact on realising business benefits.

Culture and skills: Does the organisation encourage innovation and experimentation with new technologies like AI? Does the organisation have the necessary in-house talent (data scientists, AI engineers, machine learning specialists) to develop and manage AI projects?

Benchmarking and understanding what competitors are doing: Making comparisons can be challenging since there is no universally agreed-upon definition or measurement criteria for AI maturity. Useful data sources to investigate include AI adoption and maturity reports across various industries from consulting companies or industry associations. Industry events, conferences, annual reports or investor presentations may provide insights into specific companies.

2. Identify strategic focus areas

Multiple dimensions must be considered to clarify a company's AI vision and strategy.

Identify capabilities that would most benefit from AI: Using a business capability or process map to identify possible AI benefits is a recommended approach. Looking into processes that include repetitive tasks, large datasets, decision fatigue (inconsistent human decision-making caused by large amounts of data) or are error-prone can help identify strategic focus areas. Again, industry benchmarking is important to understand proven solutions and their benefits. Another dimension to consider is incorporating AI into the products offered to end customers: is it already an industry standard or a possible differentiator?

Another approach to clarifying priorities is categorising possible focus areas as corporate citizen vs. enterprise AI. The former refers to solutions that could improve the

productivity of an individual employee by providing AI-powered extensions to the digital workplace (for example, Copilot). The latter refers to solutions that can improve the efficiency of an enterprise-level capability, like processing incoming invoices.

Spot-on solutions vs. experimenting: Initial analysis most probably reveals some spot-on solutions (low-hanging fruits) that could be implemented with reasonable effort and time. However, some experimentation is also highly recommended to identify and implement true game changers. Like smart manufacturing initiatives before generative AI, an agile approach with the "right to fail" should foster innovation. Some guidance about high-priority capabilities and processes is needed to maintain a strategic focus on the experiments.

Don't believe (all) the hype and set realistic expectations: Predicting the development of AI technologies is extremely difficult. Consider what happened with the Internet revolution: eventually, most of the changes predicted during the early years became reality (for example, Internet banking and video on demand), but the change took much longer than expected. Many unexpected factors, such as mobile Internet and IoT, emerged, resulting in a much bigger change than the vision of the 90s. Similar things may happen in the AI space as well. Therefore, it is important to consider the hype from product vendors carefully and not to set overly enthusiastic expectations for a company's leadership.

3. Prepare the platforms and data

Starting an AI journey properly requires product and platform selections and data-related actions outside the IT organisations.

Select platforms to invest in: Product and platform selections include multiple dimensions: public vs private platforms, vendors and products to be used. Private AI is recommended in industries with strict data privacy regulations or large amounts of sensitive data. Another thing to consider is whether the company wants to maintain complete control over its AI models and data (this can justify a more extensive use of private platforms).

The pricing models of various AI products can be completely different: per-user, transaction-based, resource-based (CPU usage, etc.), tiered subscriptions, etc. Given the volatility of the vendor landscape, it is recommended to avoid very long-term commitments and implement new platforms in a phased manner.

Build the data foundation: AI consumes data for breakfast and needs enough structured data to perform as expected. Before launching AI platforms, data cleaning, preprocessing, and enrichment actions may be needed. After understanding and improving the quality of data, new governance practices may need to be introduced to ensure the quality and consistency of data throughout its lifecycle.

In a wider context, encouraging data literacy across the organisation is an important part of the AI journey to support data-driven decision-making processes.

Organizational considerations: Large-scale AI implementation requires extensive change management and reinventing some ways of working. The AI vision needs to be clearly communicated throughout the organisation and aligned with the business goals. Upskilling employees is most probably needed. The workforce should be encouraged to identify and develop AI solutions. As always, with major business transformations, change management and communications are key building blocks.

4. Implement and govern

Successful implementation requires careful consideration to foster innovation without losing the strategic focus or building silos.

Organisational structure and ownership: One important thing to define is whether to use a centralised vs. decentralised approach at the organisational level. Having a centralised “AI Center of Excellence” has both pros (standardisation, resource optimisation, ensuring common strategic direction) and cons (high set-up costs, bureaucracy, lack of business understanding). A decentralised approach could mean embedding AI teams inside existing business units. Hybrid models that combine both worlds are also an option.

Establish a governance framework: Developing a governance structure, policies, and guidelines for AI development is one of the necessary tasks that enable a structured way of working and maintaining strategic focus. Governing bodies like councils and operational

groups need to be clearly defined. Data privacy, security, and ethical considerations related policies must be defined. Metrics and KPIs should be used to assess the business impact created. Even though the “AI adoption rate” type of KPIs could be useful in the early stages, AI transformations should be primarily measured by their impact on the standard business KPIs used already (i.e. profitability, utilisation, process-related metrics, etc.).

Manage the risks: Building AI capabilities requires structured risk management to ensure that trustworthiness, fairness, reliability, and data protection aspects are considered. Practical examples of AI-related risks include: AI models trained on biased data can perpetuate unfair outcomes, trust / auditing issues if complex AI-based decisions cannot be properly documented, and vulnerability of AI solutions to hacking or manipulation (potentially leading to safety hazards or malfunctions). The risk management framework needs to be incorporated into the AI governance framework (and connected with enterprise-level risk management function).

About Midagon

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Contact for more information



Juha Asikainen

Senior Managing Consultant, IT Management Community Lead

juha.asikainen@midagon.com

+358 40 7725 414



Ilkka von Schulman

Director, Business and Architecture Transformation

ilkka.schulman@midagon.com

+358405710712