



EXECUTIVE INSIGHTS

The AI Delta: How Artificial Intelligence Is Rewriting the Rules of Modern Business

Introduction: Leading in the AI era

Artificial intelligence (AI) is no longer a future consideration — it's a revolution upending business in the here and now. At L.E.K. Consulting, we understand that success with AI isn't just a matter of adoption. Nor does it involve chasing the latest model. It's about building the right capabilities to drive tangible business impact.

On the flip side, an AI implementation that falls short can destroy value. That means AI is both unavoidable and too risky to get wrong.

Our AI Delta concept makes clear that productivity gains alone will not determine the winners. The real advantage lies in how well companies leverage their proprietary data, refine operational processes and strengthen their organizational agility. The emergence of multiple new models in the first month of 2025 is a signal — waiting for the "best model" is not a strategy. Now is the time to act.

This pace of change reinforces our conviction: A strategically aligned, capability-driven approach is the key to unlocking lasting AI value. As we continue to track these rapid advancements, our focus remains on equipping leaders with the strategic insights and execution roadmaps needed to stay ahead. In an era defined by speed and disruption, those who move decisively but with clarity will set the standard for the future.

Signed: Alan Lewis, Darren Perry, Philip Meier, Chuck Reynolds, Stuart Robertson, Rob Wild
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Most businesses today set growth trajectories that rely primarily on two things. One is building and executing on strategies for winning in their markets and the other is finding innovations to create value. But the old ways of delivering on strategy and innovation aren't enough to meet investor expectations going forward. The reason is that advancements in AI have raised the bar on what's possible.

And the impact of failure is greater as well. AI strategies require targeted investment and careful implementation to drive improvement. If companies swing and miss, fail to swing enough or swing too much — or don't swing at all — value destruction could be significant.

The gap between these two scenarios — growth from successful AI adoption and erosion from poor strategy or execution — is something L.E.K. calls the AI Delta. The AI Delta is a value blind spot, by which we mean it's a potentially existential unknown in a company's prospects. This constitutes a strategic challenge with transformative implications for virtually all industry sectors, business functions and regions. In this *Executive Insights*, we'll explore what the AI Delta entails and how enterprises can maneuver through it.

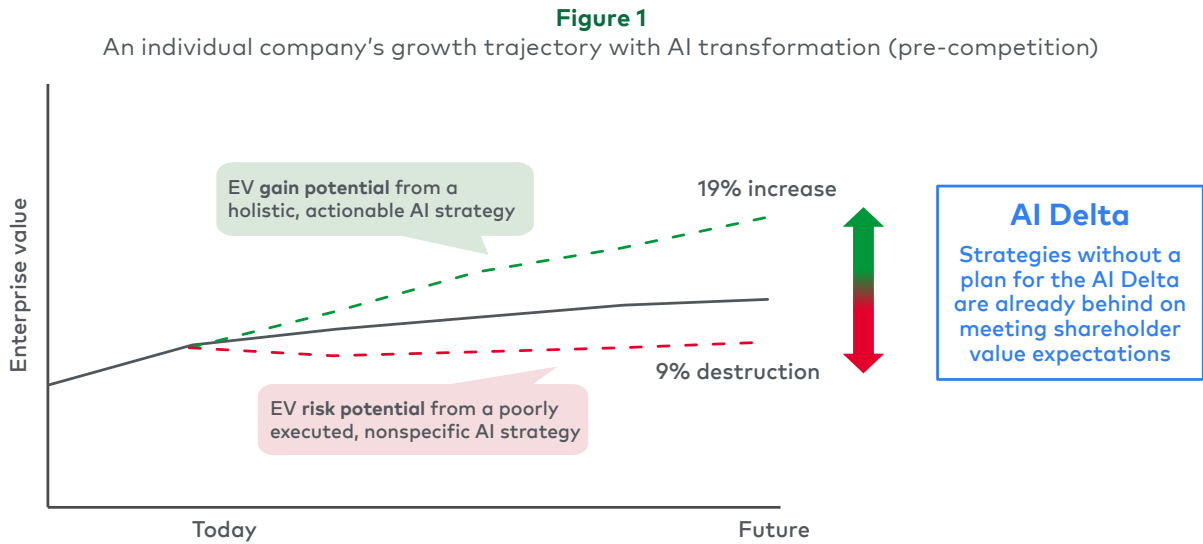
The accelerative potential of AI

The group of technologies known as AI promises to revolutionize business operations in several ways. It unlocks access to a vast amount of data. It equips computers to make humanlike decisions. And it allows feats of computation that can appear revelatory (or in the example of large language models, almost magical).

What's more, AI models can operate in real time to produce decisions — and the decisions get better as new data comes in. These "intelligence" attributes present opportunities across all aspects of a business. By incorporating AI, companies can accelerate:

- **Revenue growth** by automating sales processes, enhancing customer engagement with AI-driven insights and unlocking new revenue streams
- **Productivity gains** by streamlining operational workflows and reducing manual labor through intelligent automation
- **Cost reduction** by optimizing resource allocation and reducing unnecessary expenses

However, these same investments are vulnerable to error and waste. Our research indicates that companies that invest in AI transformation can expect, on average, a valuation gain of 19% if they succeed and a loss of 9% if they fail (or do nothing at all). Figure 1 shows the asymmetry of these effects on a company's growth trajectory.

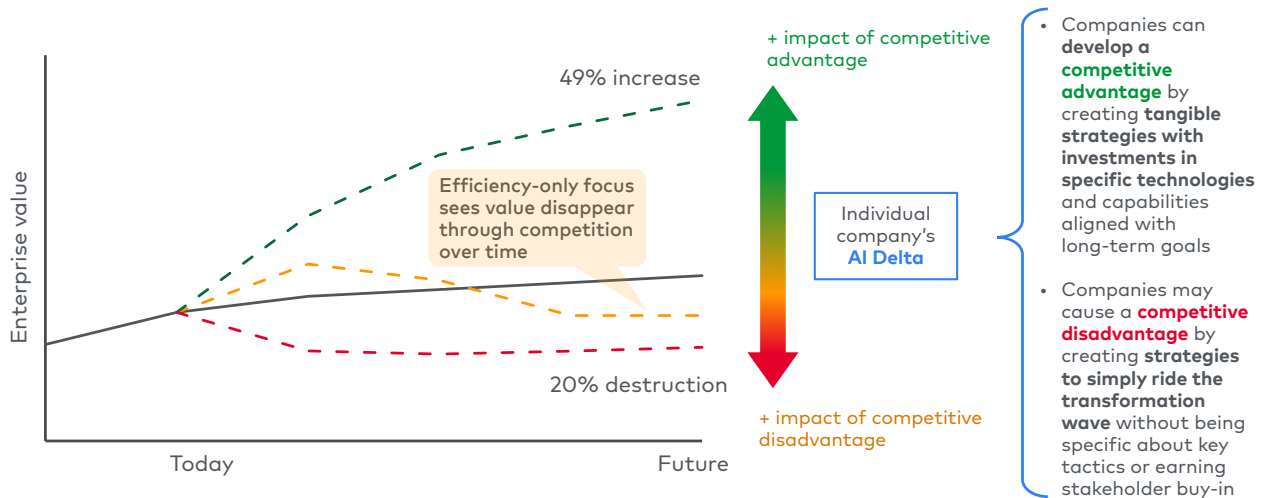


Note: AI=artificial intelligence; EV=enterprise value
Source: L.E.K. research and analysis

However, it is important to recognize that the AI revolution will not happen in a vacuum and that competition will play a significant role in determining the ultimate value that an individual company will be able to create with AI. Consider what happens if AI transformation starts to change how competitive an individual company is. Depending on the industry and the market position of a specific company in that industry, the impacts of pulling AI levers — either by the company itself or by its competitors — could change the direction of the growth or decline quickly and substantially if not managed correctly.

Further, if a company has narrowly focused its AI initiatives to drive efficiency gains and ignored opportunities to use AI for competitive advantage or new revenue streams, it may find that its efficiency-focused use cases are similarly adopted across its industry and the benefits disappear through competition over time. (see Figure 2).

Figure 2
Competitive effects on an individual company's AI Delta



Note: AI=artificial intelligence; EV=enterprise value
Source: L.E.K. research and analysis

The transformation dilemma

Can you opt out of AI transformation? Probably not. Looking back, we see that technological advancements such as the internet, ecommerce and mobile apps touched off similar waves of disruption. Companies that adapted quickly reaped significant rewards. The ones that didn't struggled to keep up.

The AI Delta has its own implications for businesses. Those that successfully integrate AI stand to gain a significant edge, capturing market share and increasing enterprise value. Meanwhile, companies that delay AI adoption risk losing market share to more-innovative competitors and missing out on new revenue streams enabled by AI technologies.

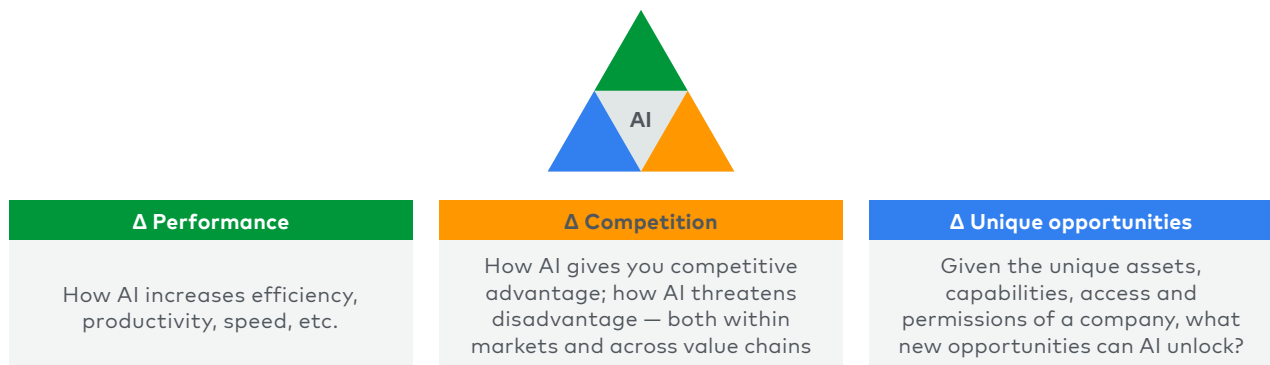
There's also the reality that shareholders increasingly expect companies to have a robust AI strategy. It's baked into their valuations. Meeting these expectations requires a proactive approach, with clear communication about AI initiatives and their expected impact on business performance. Otherwise, investor confidence may take a hit, along with the company's market valuation — especially if another company is first to market. That's what happened when Swedish fintech Klarna announced that its newly deployed AI customer service chatbot was poised to drive \$40 million in profit. In the two months following this news, call center provider Concentrix saw its stock price dive 32%.

The upshot is that businesses are effectively being forced into an AI transformation that will either accelerate their value or undermine it, depending on the execution. The stakes are as high as ever. The critical question that every company has to ask is, "What defines our AI Delta, and how can we bridge it?"

Bridging the AI Delta

Keep in mind that the AI Delta is first and foremost a strategic problem. Successful deployment of AI can only occur when it pulls the value levers that determine how a company operates and wins. So, the first step is to understand these fundamentals (see Figure 3).

Figure 3
Strategic value levers for AI success



Note: AI=artificial intelligence
Source: L.E.K. research and analysis

To bridge the AI Delta effectively, companies must strategically deploy AI across three key value creation levers:

1. Performance. Companies often grapple with issues such as high operational costs, slow processes and inefficient supply chains. Applying AI to the most critical of these cost items can drive significant improvement. Take for example Duolingo, a language learning company that was able to reduce its content development time — from five years to three months in some cases — and boost subscription growth after deploying generative AI (gen AI).

Another way to pull the performance lever is to use machine learning analytics to predict outcomes and recommend next-best actions. AI can also optimize decision-making and provide dynamic simulations that improve operational responsiveness and efficiency.

2. Competition. When it comes to competition, businesses may need to reverse a negative AI Delta against competitors that were faster out of the gate (say, in using gen AI to streamline coding or marketing content).

Beyond that, businesses need to think carefully about what their true differentiators are and how AI can augment them further. Suppose your greatest opportunity is to enable personalized customer interactions. Then you might incorporate gen AI into products or use large language models to improve workflows and customer experiences. One such example can be seen with online retail services platform Shopify, which has enhanced the product exploration journey for merchants and customers with AI-powered features, leading to a 15% increase in sales. Whatever the scenario, businesses that win with AI will be the ones that are best at aligning their competitive advantages with AI capabilities.

- 3. Unique opportunities.** Then there's the challenge of finding new revenue streams by unlocking the value of the company's data. AI helps by aggregating and synthesizing data to create useful insights, developing new business models to monetize data, and identifying innovative opportunities that align with the company's unique assets and capabilities. Software maker Adobe posted solid revenue growth after it introduced Firefly, an AI-based image generator, and added AI capabilities to its Creative Cloud product suite.

Each value creation lever showcases the versatile role AI can play in transforming challenges into strategic advantages. Companies should challenge themselves to pull all three levers to successfully bridge their AI Delta.

In each case, the process to activate the strategy starts with identifying the use cases — the individual deployments that align to the levers of the business. From there, you can review the data opportunity (both internal and external to the company) and then define the infrastructure required to harness it. This step is essential to an AI deployment, because without data AI is just a toy.

Once that's done, you can start to build the use cases. Proofs of concept and testing are key here. Once use cases start to take form, you can refine them in an iterative manner and see what additional data sources could help the system learn and improve over time.

Like any digital transformation, these new ways of working will require a commitment to change before they can take hold in an organization. Execution of this change involves a full review of the business's processes and organization to accommodate a shift in the operating model. The aim is to treat data and AI as products that evolve versus solutions that are implemented.

The final stage in realizing the value of each AI deployment is transformation — not only of how the business works and organizes but also how it communicates and interacts with its value chain.

The defining strategic challenge of our time

The AI Delta represents the defining strategic challenge of the next five to 10 years. Companies that successfully integrate AI will unlock new growth opportunities, while those that fail face significant value erosion. By developing a comprehensive AI strategy, investing in the right capabilities and partnering with the right experts, businesses can navigate this transformation and emerge as leaders in a new world of AI-powered risk and reward.

This *Executives Insights* includes updates from a previously published article.

For more information, please [contact us](#).

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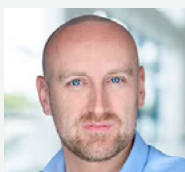
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About L.E.K. Consulting

We're L.E.K. Consulting, a global strategy consultancy working with business leaders to seize competitive advantage and amplify growth. Our insights are catalysts that reshape the trajectory of our clients' businesses, uncovering opportunities and empowering them to master their moments of truth. Since 1983, our worldwide practice — spanning the Americas, Asia-Pacific and Europe — has guided leaders across all industries, from global corporations to emerging entrepreneurial businesses and private equity investors. Looking for more? Visit www.lek.com.

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