

ARTIFICIAL INTELLIGENCE

# Cutting Through the AI Hype: The Facts Leaders Need to Know About GenAI Adoption and Return on Investment

by Brian R. Spisak and Gary Marcus

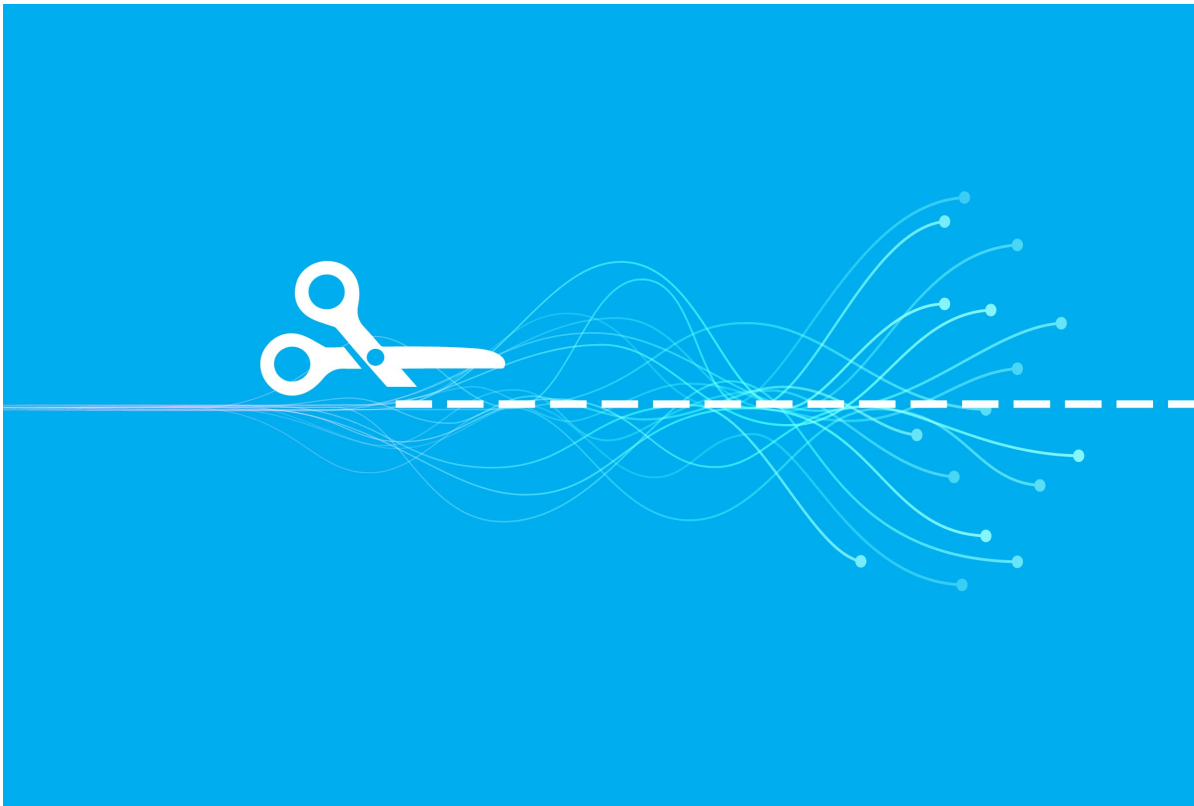


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*Beyond the buzz - a practical guide for leaders navigating GenAI in 2025 and beyond.*

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## SUMMARY

In the buildup to New Year, the AI prognosticators made their predictions about how 2025 would unfold. Many painted a world where GenAI would fundamentally transform organizations overnight. But the reality by year's end may well look very different from their predictions.

If you work with leaders, you've probably felt the ripple effects of these grandiose claims. Influencers on stages and social media have been painting GenAI as a magic wand that will dissolve hierarchies, reinvent processes, and deliver innovation at an unprecedented scale. So far that hasn't happened. And it probably won't happen soon. In all likelihood, **AI isn't going to restructure your organization, solve all your problems, or deliver instant transformation in 2025.**

Silicon Valley loves hype, but leaders need to focus on what's real, what's actionable, and what will actually deliver value in the messy complexity of their organization. This article outlines the facts leaders actually need to know about GenAI, its potential, and how to approach AI transformation pragmatically.

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Marcus Holgersson, Linus Dahlander, Henry Chesbrough, & Marcel Bogers, “**Open Innovation in the Age of AI**,” California Management Review, 67/1 (2024): 5-20.

Bold claims and well-polished demos from AI influencers are frequent – but they're also irresponsible. The hype has created unrealistic expectations about what this technology can do. Leaders have been told that GenAI and large language models (LLMs) will be the centerpiece of an “AI-native organization,” reinventing business models and unlocking limitless growth. But few if any companies have actually seen that happen. A Q1 2025 **Cisco survey** of over 2,500 CEOs worldwide, for example, found that “97% plan to adopt and incorporate AI ... into their business. But only 2% feel ready for AI.”

The problem is that enthusiastic narratives gloss over the realities of AI adoption, downplay the barriers, and oversimplify the complexities, pushing leaders to leap into the tech without understanding the costs, challenges, or limitations. When these initiatives inevitably fall short, it erodes trust in AI as a tool and damages the credibility of those advocating for its responsible adoption. It's time to refocus on the realities leaders must navigate to make AI work for their organizations.

## The Evidence-Based Reality of GenAI Adoption and Return

Dispelling the overblown notions surrounding GenAI requires a clear look at the facts.

According to a large **Boston Consulting Group (BCG) survey** of 1000 C-suite leaders and senior executives published in Q4 2024, the vast majority of organizations (74%) are making little to no progress with AI initiatives, resulting in a failure to scale or generate meaningful value. At best, many organizations are stuck in the proof-of-concept phase. Leaders present light-touch AI initiatives to the board, investors, and other stakeholders to appear committed to transformation, but lack a plan to build a meaningful relationship with AI – often because the current tech isn't mature enough to deliver on unrealistic expectations.

Even among organizations deemed “AI leaders,” BCG found that only 4% have developed cutting-edge AI capabilities that generate consistent value. The remaining 22% are just starting to realize some gains after years of investment. And here's the kicker: this survey covered all types of AI, not just GenAI. That means return on GenAI is likely even worse. If only 4% of organizations consistently see value from all types of AI, it's reasonable to estimate that those seeing returns on GenAI is approaching zero – **something Microsoft's CEO, Satya Nadella, recently highlighted.**

Also, this pattern isn't unique to BCG's data. **Deloitte uncovered similar findings** in their Q3 2024 report on the “State of Generative AI in the Enterprise.” Of the nearly 3,000 senior leaders surveyed, the majority (68%) reported transitioning less than a third of their GenAI experiments into production due to issues such as a lack of reliability, security, and

privacy. And in government, Deloitte reported no business function achieving more than **3% GenAI adoption**. Similarly, a **Q3 2024 report by McKinsey** found that just 11% of the 1000 companies they surveyed adopted GenAI at scale. In other words, the pace of adoption remains far below the lofty promises made by AI influencers.

This data-driven reality contrasts sharply with hyped-up narratives. GenAI for most organizations is, at best, an experiment, far from achieving the enterprise-wide, “game-changing” status predicted for 2025. Years of employee training, mindset shifts, cultural evolution, process modifications, strategic adjustments, and technological improvements will be required before GenAI fundamentally changes how we work.

## Cutting Through the Hype at IBM and BMW

Leaders looking to implement GenAI face two interconnected challenges: executing a practical plan and ensuring that plan aligns with their organization’s values. Companies like IBM and BMW offer clear examples of how to approach these challenges in a structured and meaningful way.

IBM’s approach focuses on the “how” of implementation. The following **eight steps** ensures their AI initiatives are practical and scalable:

1. **Define goals:** Identify problems or opportunities GenAI can address and translate them into measurable objectives.
2. **Assess data quality and accessibility:** Ensure data is accurate, clean, consistent, and compliant with privacy regulations.
3. **Choose the right AI technology:** Select tools tailored to tasks like predictive modeling, natural language processing, or computer vision.
4. **Build an AI-proficient team:** Assemble a cross-functional team with technical expertise and business knowledge.
5. **Foster a culture of AI innovation:** Encourage experimentation with pilot projects to refine and prove concepts.
6. **Manage risks and build ethical frameworks:** Address risks related to bias, data security, and compliance through robust guidelines.

7. **Test and evaluate models:** Validate AI performance with rigorous testing and clear KPIs.
8. **Plan for scalability and continuous improvement:** Ensure the AI system can adapt to evolving business needs and scale effectively.

These steps provide a structured way to move from planning to action, but execution is only part of the story. BMW complements the technical “how” with a clear focus on the “why.” The car manufacturer’s leadership team developed **five principles** to guide AI use and ensure alignment with their values by focusing on:

1. **Respectful coexistence as a mindset – even in the digital world.**
2. **Data control, safety of use, and cybersecurity must not be compromised.**
3. **Trust and progress through transparency and cooperation.**
4. **Participation and continuing education to democratize digital technology.**
5. **Digital sustainability: Technology for environmentally and socially responsible action.**

As BMW emphasizes, AI transformation is never an end in itself. Instead, it should enhance employee well-being, alleviate burdens, and deliver clear benefits. This focus on “duty of care” grounds AI adoption in a commitment to people, not just efficiency.

To responsibly explore GenAI, leaders can combine the structured steps of IBM with the guiding principles of BMW. Together, they offer a roadmap that balances execution with purpose. Start with measurable goals, assess your data and technology, and scale incrementally, but always with an eye on how the technology supports employees, builds trust, and aligns with your organization’s values.

## GenAI Is Not a Silver Bullet

In the real world, companies like IBM and BMW must navigate volatility, uncertainty, complexity, and ambiguity. As we’ve shown, most organizations are limiting GenAI to specific domains and experimenting with proofs of concept. Why? Partly due to corporate

friction, but also because GenAI itself has limits. Yes, it's an impressive tool, excelling at natural language processing, content generation, and (to a degree) summarization, but it's no silver bullet for the messiness of reality.

**GenAI struggles with reliability.** It can hallucinate false information, reinforce biases, and produce outputs that are inappropriate. The outcomes can range from the absurd – like Google's chatbot recommending **glue as a pizza ingredient** – to the dangerous, such as an **AI mistakenly doubling a medication dosage** in a hospital discharge summary.

While companies like OpenAI are investing heavily to advance LLMs like those powering ChatGPT, leading researchers acknowledge that hallucinations “**can't be stopped**.” In fact, as these models evolve, the concern is that they will become better at generating **highly detailed yet flawed responses**, making them more convincing and harder for trainers, testers, and users to detect. These limitations have **led experts to agree** that, in its current state, this technology remains unsuitable for high-stakes decisions without significant human oversight.

## The Myth of Overnight Transformation

Another popular narrative is that **GenAI will dissolve hierarchies** and usher in a golden age of fluid, project-based organizations. According to this logic, middle management will disappear, and small teams will seamlessly collaborate with AI to **drive unprecedented innovation**.

Maybe someday, but no time soon. Most organizations, for better or worse, rely on hierarchies for stability, accountability, and scalability. These entrenched structures exist because they work, particularly in complex environments where operations span geographies, products, and services.

That doesn't mean AI won't reshape roles or processes. It will – some middle managers might in fact go in the short term. But deep AI transformation will likely be incremental, not revolutionary. Middle management, for instance, won't entirely disappear. It'll shrink and evolve over time into roles focused on human-AI coordination, leveraging a mixture of employees and AI agents to streamline workflows, improve decision-making, and boost

performance. Over the course of this evolution, leaders should see AI as a tool for augmenting existing structures, not dismantling them, to ensure a smooth and safe transition into the future.

Innovative leaders need to take this measured approach because the hard reality is that AI transformation is **expensive, complex, and slow**. Major barriers include:

- **Implementation Costs:** Developing, deploying, and maintaining AI systems at scale can be prohibitively expensive. Organizations must invest not only in the technology but also in the talent needed to manage it.
- **Infrastructure Gaps:** Many companies lack the IT infrastructure to support AI workloads, requiring significant upgrades before AI can even begin to scale.
- **Data Dependency:** AI relies on high-quality data. Many organizations struggle with fragmented, incomplete, or inconsistent datasets that undermine AI's effectiveness.
- **Change Management:** Employees often resist AI adoption out of fear of redundancy or mistrust in the technology. Successful transformation requires clear communication, retraining, and cultural alignment.
- **Governance Challenges:** AI introduces new risks, from biased algorithms to cybersecurity vulnerabilities. Leaders must navigate these risks while ensuring compliance with evolving regulations.
- **Reliability Issues:** AI systems can generate unpredictable or incorrect outputs such as hallucinations and inconsistencies. Ensuring reliability requires rigorous validation and ongoing human oversight.

These aren't trivial obstacles. They're why transformation, especially in large enterprises, is measured in years, not months. Leaders must approach AI with patience and a willingness to address these challenges head-on with pragmatism and precision.

## How Leaders Drive Real Change

The pioneers who succeed in integrating AI into their organizations will be the ones who focus on **deliberate, actionable strategies**. They will prioritize substance over spectacle and make decisions grounded in their organization's unique needs and realities. Success

will come from identifying practical opportunities where AI can create real, measurable value. Here's how to do that:

- **Focus on Targeted Use Cases:** Focus on high impact use cases where AI can deliver immediate value. Leading companies adopt a “**think big, start small**” approach, running controlled pilot experiments in areas primed for quick wins, such as customer service, supply chain optimization, and workforce development. These successes build momentum for broader adoption.
- **Experiment and Adapt:** AI integration requires a scientific – test, measure, and refine – mindset. Leaders should approach AI adoption as **an iterative process of gathering data** to determine what is working and what is not. They need to pay close attention to errors and their associated costs when deciding which AI capabilities to incorporate and which to set aside until the tech matures.
- **Prioritize Data Readiness:** AI is only as good as the data it's trained on; as the saying goes, garbage in, garbage out. Leaders must invest in data governance, cleaning fragmented datasets, establishing pipelines, and **establishing data-specific KPIs** to ensure AI has high-quality inputs. Without this, even the most advanced AI will falter.
- **Invest in People, Not Just Technology:** AI adoption is about enhancing, not replacing, your people. Think of AI as “**augment intelligence**.” Leaders must prioritize retraining employees to work alongside AI, equipping them with the skills to thrive in an AI-enabled workplace. Change management is essential to overcome resistance and build trust.
- **Establish Governance and Ethical Oversight:** AI introduces risks that require **principles and practices for safe adoption**. Leaders should establish regulatory compliance, data security, and cross-functional governance committees to address ethical concerns. Strong oversight ensures AI is used responsibly and sustainably.
- **Take a Long-Term View:** AI transformation is a marathon, not a sprint. Resist the temptation to chase flashy trends or make promises you can't deliver. Instead, **focus on incremental improvements** that deliver value over time. Build AI capabilities sustainably, and the results will follow.



# The Bottom Line

Leaders should not be seduced by the hype. They need clarity, focus, and actionable insights. GenAI and other AI technologies hold immense promise, but they won't magically solve all organizational challenges. Transformation requires patience, investment, and a deep understanding of both the opportunities and the limitations of AI.

The best organizations won't be the ones swept up by the latest buzzwords. They'll be the ones with leaders who separate signal from noise, address realities, and guide their teams through the hard but necessary work of AI adoption.

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Brian R. Spisak [Follow](#)

Brian R. Spisak, PhD, is a leading voice at the intersection of digital transformation and workforce management. He's also a Senior Partner and the Chief People and Communication Officer at Csuite Growth Advisors, the Program Director of AI and Leadership at the National Preparedness Leadership Initiative at Harvard University, a faculty member at the American College of Healthcare Executives, and the author of the best-selling book *Computational Leadership: Connecting Behavioral Science and Technology to Optimize Decision-Making and Increase Profits*.



Gary Marcus [Follow](#)

Gary Marcus, PhD is a scientist, best-selling author, and entrepreneur, well-known as one of the most influential voices in AI. He was the founder and CEO of Geometric Intelligence, a machine-learning company acquired by Uber in 2016, and is Founder and Executive Chairman of Robust AI. He is the author of five books, including *The Algebraic Mind*, *Kluge*, *The Birth of the Mind*, and *The New York Times* bestseller *Guitar Zero*, and his most recent, co-authored with Ernest Davis, *Rebooting AI*, is one of *Forbes* 7 Must-Read books in AI.