

# Intelligence Over Implementation

## A Strategic Reframe of AI Experimentation

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Managing Risk, Capital Allocation, and Regulatory Compliance in AI Proof of Concept Portfolios.



PREPARED FOR SENIOR LEADERSHIP | UK FINANCIAL SERVICES SECTOR CONTEXT



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## **ADVANTAGE AI**

Reducing the risk of AI implementations  
AI without robust governance is a liability.  
Ensuring AI opportunities don't become AI burdens.

<https://www.advantage-ai.co.uk>



# Executive Summary: The Economics of Experimentation

**Core Thesis:** The prevailing metric for AI success—production deployment—is a strategic error. In a regulated environment, a ‘failed’ PoC is often a successful audit of risk.

## The Reality

Major consultancies (McKinsey, Bain, Deloitte) report 65–95% of AI PoCs do not reach production.

## The Reframe

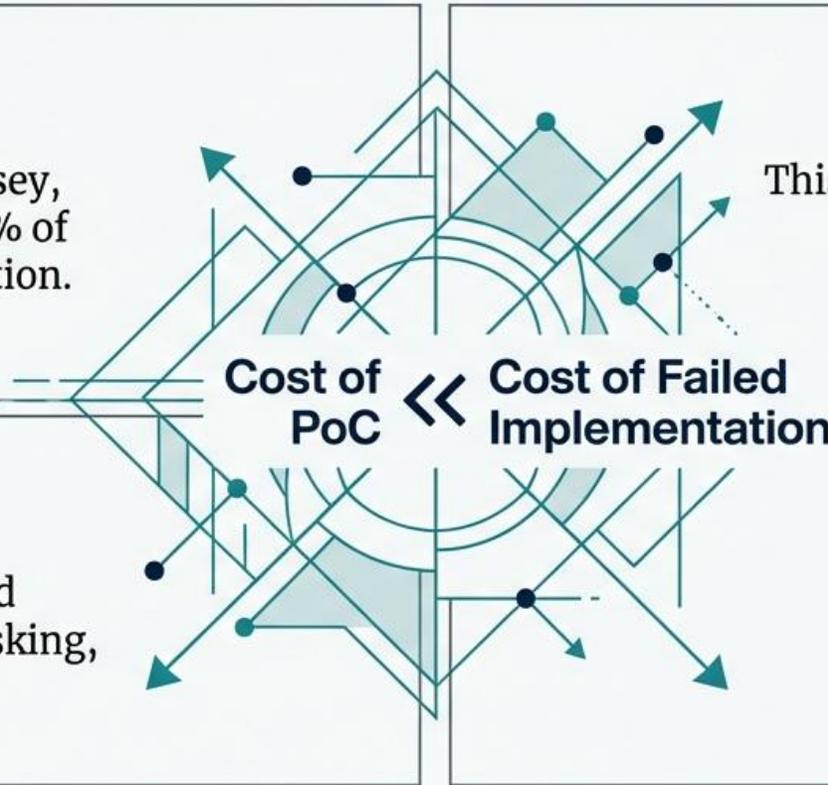
This is not waste; it is intelligence. Stopping a flawed project at £50k prevents a £2m implementation failure.

## The Value

Value is derived from avoided sunk costs, regulatory de-risking, and workforce upskilling.

## The Action

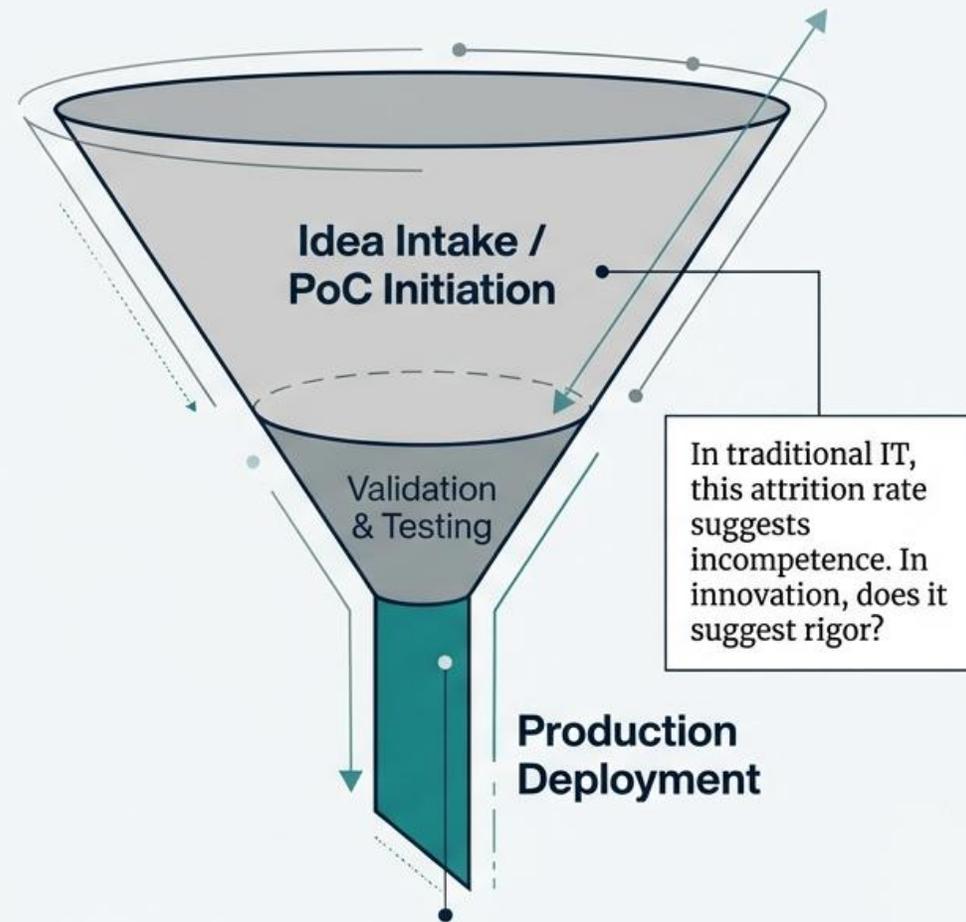
Shift from ‘Product Launch’ metrics to ‘Hypothesis Validation’ metrics.



# The Landscape of 'Failure' in Artificial Intelligence

**65-95%**

Attrition rate of AI Proof of Concepts failing to reach production  
(Source: McKinsey, Bain, Deloitte).



# Redefining the Asset: From Product Launch to Scientific Method

## The Old View: Product Launch



**Goal:** Production

**Outcome:** Binary (Success or Failure)

**Risk:** High (All-or-nothing)

## The Strategic View: Scientific Method



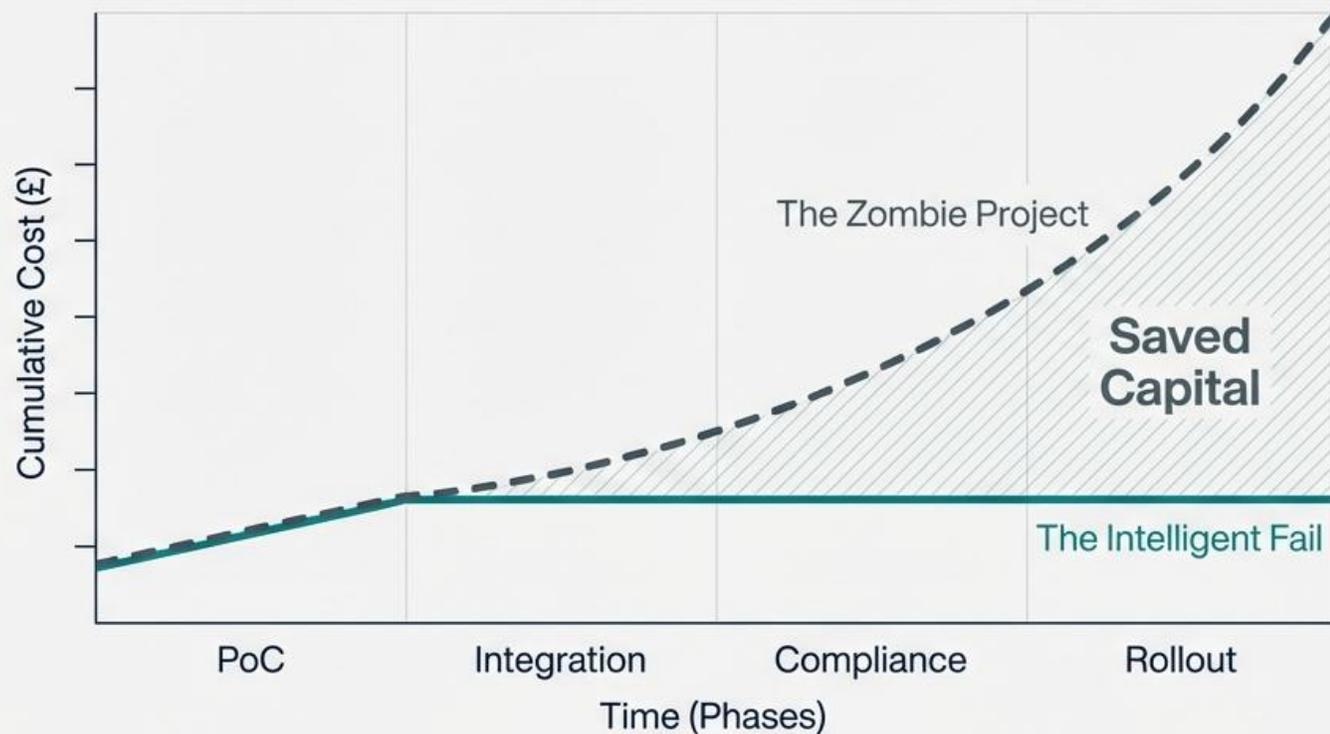
**Goal:** Answer a Specific Question

**Outcome:** Intelligence / Learning

**Risk:** Managed (Iterative)

“A well-run PoC that concludes ‘this won’t work for our business’ isn’t a failure. It’s a successful experiment that saved your organisation from investing millions.”

# Value Driver 1: Capital Preservation via Avoided Sunk Costs



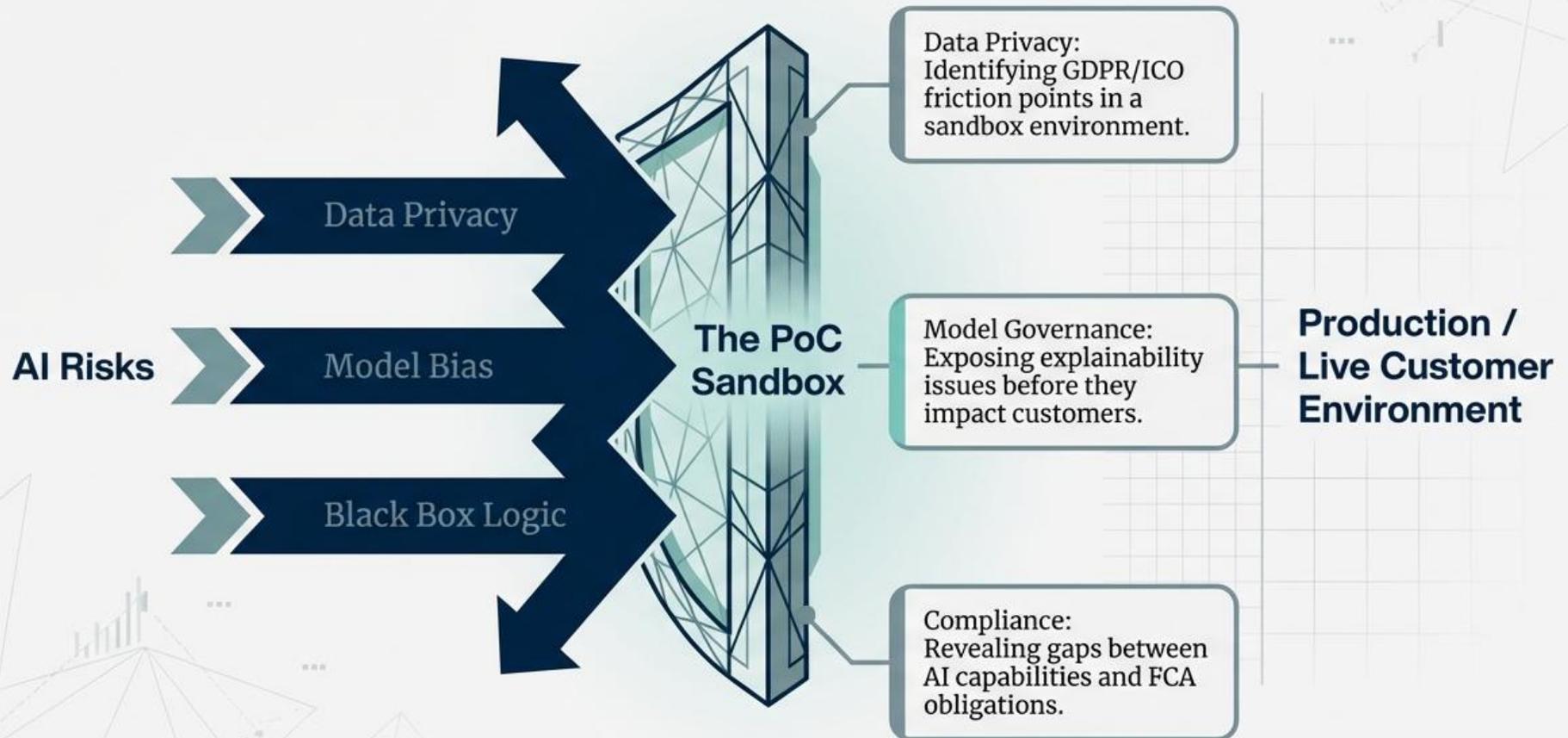
## Insight:

Experiments that surface fundamental misalignments or technical barriers save far more than they cost.

## Mechanism:

The 'Failure' of a PoC is a successful gatekeeping mechanism for the P&L.

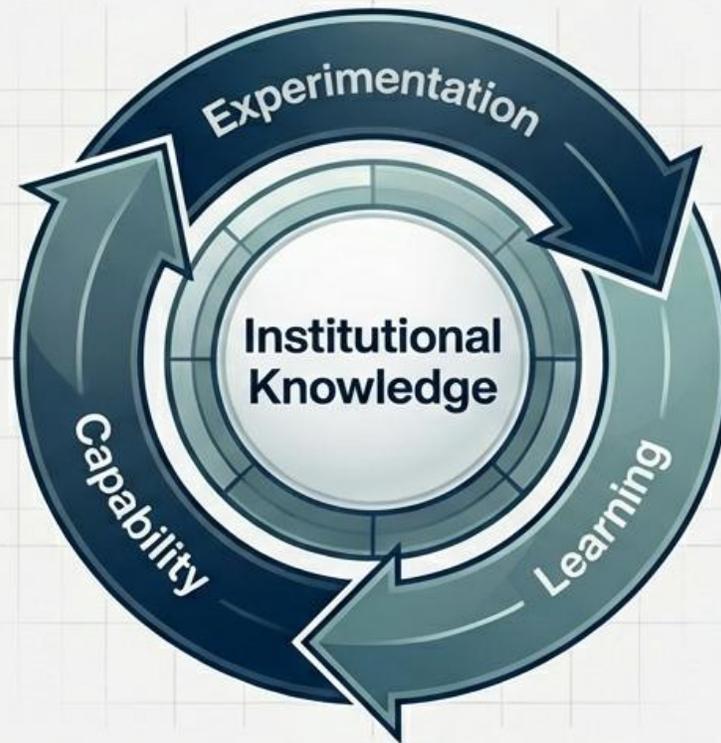
# Value Driver 2: Regulatory and Operational De-risking



# Value Driver 3: Capability and Organisational Alignment

## Staff Confidence:

Teams running thoughtful PoCs develop AI literacy and judgment that compounds across initiatives.

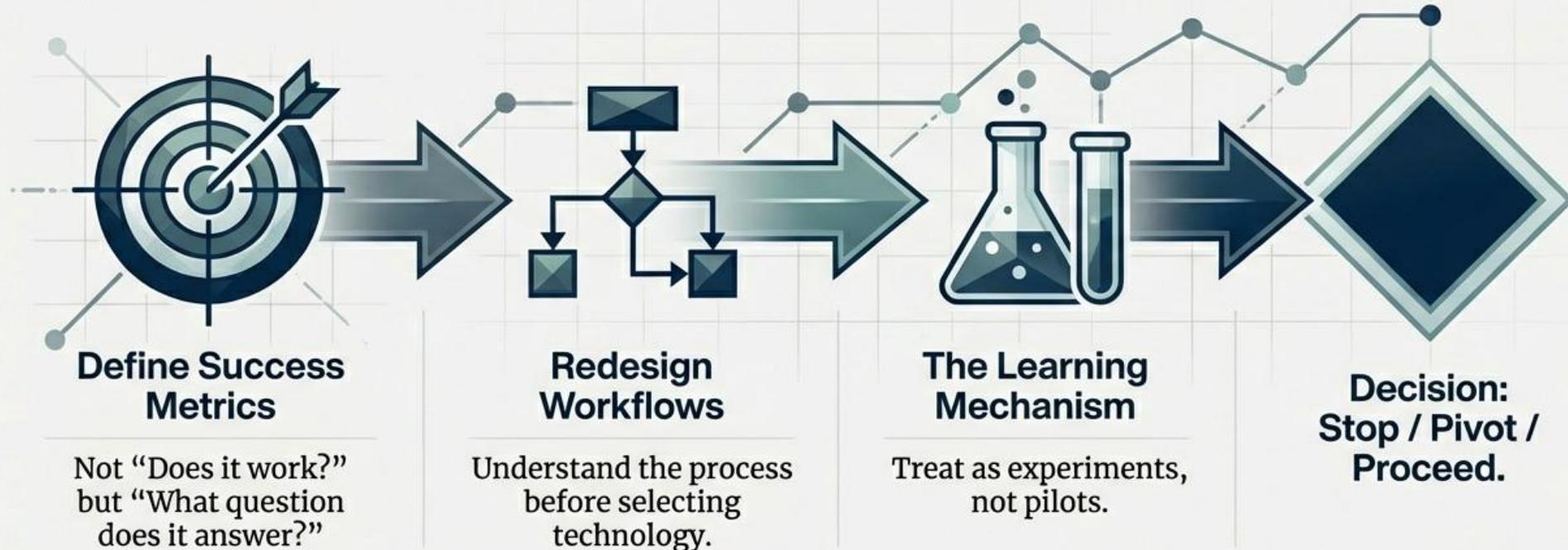


## Organisational Alignment:

A PoC often reveals misaligned business goals between IT and Business units—finding this out early is worth its weight in gold.

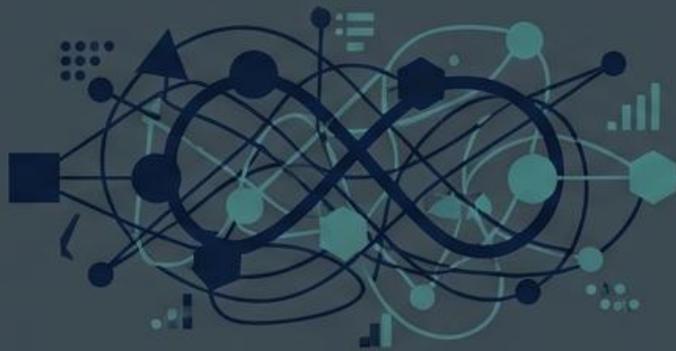
# Operational Excellence: The Lean Experimentation Framework

The organisations with the highest returns do not just run more PoCs—  
they run better PoCs.



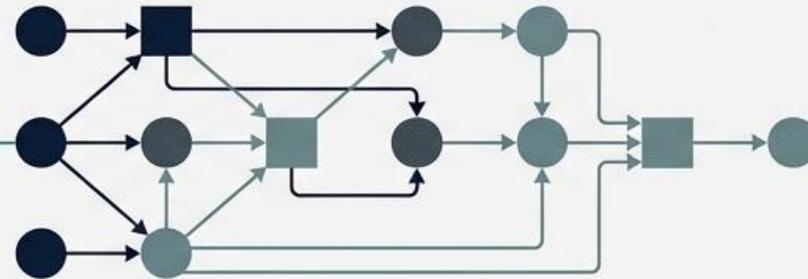
# Prerequisite for Success: Workflow Before Technology

## The Risk: Automating Chaos



Applying AI to undefined workflows creates opaque "Black Box" risks.

## The Mitigation: Optimising Logic



1. Map manual decision trees.
2. Identify data lineage.
3. Apply AI hypothesis.

Understanding the manual process is a prerequisite for AI application.

# The New Scorecard: Measuring Intelligence, Not Just Output

Vanity Metrics (The Old Way)	Decision Metrics (The New Way)
Did it go into production?	Did it answer the business question?
How fast can we build it?	Did we identify technical barriers early?
Is the model 100% accurate?	Did the team gain literacy and judgment?

**Strategic Shift** →

# Strategic Synthesis: Risks, Burdens, and Opportunities



## The Burden

Governance overhead, data cleaning costs, maintaining audit trails for failed experiments.



## The Risk

Stagnation & Analysis Paralysis. Running experiments without ever committing to production.



## The Opportunity

Competitive Edge. A 95% failure rate prevents bad investments. Allows aggressive testing of fraud detection and algo-trading with capped downside.

# The Executive Playbook: Actions for Leadership



## Cultural Signal

Publicly celebrate a 'failed' PoC that saved money or provided crucial insight.



## Budget Allocation

Ring-fence budget for 'Experimentation' separate from 'Capital Expenditure'.



## Governance Question

Stop asking "Did our AI PoC fail?" Start asking "Did our PoC teach us what we needed to know?"



## Talent Strategy

Upskill internal teams through experimentation rather than solely relying on external vendors.

# The Discipline of Innovation



# THANK YOU

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