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White Paper

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What's Your GenAI Playbook?

Evolution, Revolution, and Extinction.

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Executive Summary

- While enthusiasm for generative AI (GenAI) is undimmed, evidence of organizational benefits and solid returns is difficult to find, leaving executives questioning the case for investment.
- Our large-scale research suggests that firms need to temper their excitement over GenAI, understand that a focus on technology will not lead to returns, and temper the hype by focusing on one of two pathways: evolution or revolution.
- The evolutionary approach entails identifying processes that need to change and working through to impacts in a linear, “left to right” manner, looking at how GenAI combines with existing processes and looking at bottlenecks along the way.
- To make evolution work, firms should focus on business value (not just technology) and integrating AI into operations and strategy, while assuaging employees’ fears over job security, involving domain experts in “co-creation” alongside tech teams, embedding AI into existing knowledge workflows, and developing strong outward-facing leadership to extend impacts into the wider ecosystem of the firm.
- The second pathway, revolution, holds out the promise of radical breakthroughs and innovation by applying a “right to left” mindset.
- To pursue revolution, firms start with the outcome that each process or activity aims to achieve and then consider how to completely redesign it with the help of AI.
- In the quest for revolution, even very powerful incumbents may find themselves at a disadvantage compared to younger, bolder and more agile firms due to their rigid processes, organizational complexity or entrenched mental models.
- Overall, the economics of value creation and capture are set to shift as GenAI matures, and firms that fail to engage with GenAI will surely be left behind or even face extinction. Those that prosper, meanwhile, will choose a pathway of evolution, revolution or an optimal blend of both.

1. If GenAI Is So Impactful, Where's the Impact?

Two years after Generative AI's moment of inflection, enthusiasm is undimmed, yet evidence of impact remains elusive. The truth is that GenAI is a paradox in more ways than one. Surely no technology has ever received so much funding—fueled at least in part by FOMO—with so little regard for monetization. And while executives may yearn for transformative use cases at the corporate level, GenAI has revealed more potential as a versatile sidekick that primarily empowers the *individual*. On the one hand, business is convinced GenAI is a game-changer, but despite some green shoots of radical innovation, few executives can see exactly how, where, or even why monetization might occur. Despite the excitement of vendors and consultants—arguably motivated more by revenue than by realism—organizational benefits and solid returns are difficult to find.

The handful of reports describing GenAI success to date—in firms like Moody's—focus on *adoption* rather than results. Behind closed doors, even executives at the most progressive, AI-leading firms will privately concede that for all the excitement and impressive functionality, there is little to justify the investment. It's a paradox reminiscent of Nobel Laureate Bob Solow's observation in 1987: "You can see the computer age everywhere but in the productivity statistics."

We recently engaged in a large-scale research project to understand how AI, and GenAI in particular, combines with features of strategy and organization to explain why AI has impact in some areas but not others. This was one of the first systematic studies of senior executives' experiences with, and expectations of, GenAI. We combined over 300 in-depth surveys with 16 workshops gathering qualitative insights from 160+ senior executive participants, in partnership with the UK's Institute of Directors and portfolio firms of a global leader in private equity and conducted follow-on interviews with leading AI users.

We combined large-scale survey and interview research with in-depth discussion of successful cases in the quest for answers. We soon uncovered incontrovertible success stories such as Arco Educação, a Brazilian educational technology player. Arco's GenAI-powered "Teacher Assistant" creates fully bespoke teaching materials (especially helpful for students with special educational needs) at significantly increased productivity, saving many hours for both teachers and the business itself. But since Arco uses a large language model (LLM) that's freely available to everyone, what allows them to create this standout value?

The answer, we found, is that firms need to temper their excitement with AI and focus instead on a robust, evolutionary approach based on strategy fundamentals. Alternatively, if they have the stomach for more radical change, they can take a revolutionary approach, reversing traditional "left to right" reasoning and making it "right to left" instead.

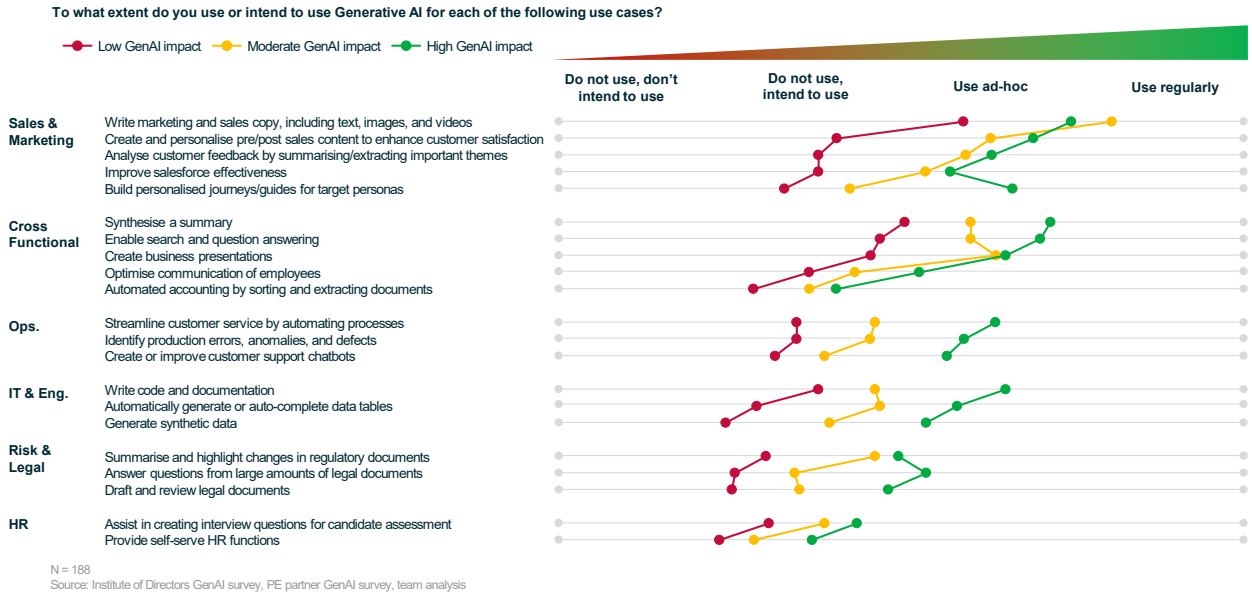
2. Evolution: Creating Value Through Disciplined Left-to-Right Implementation

Focus on Business Value, Not Technology. GenAI, our study suggests, is rarely the bottleneck. Yet, counterproductively, most management discussions about GenAI tend to revolve around the technology itself: what it can do, potential use cases within their company, and what the best tools are. But while these are important practical questions, technological development is so rapid that the answers change almost month by month. Trying to match that pace risks overwhelm, experimentation fatigue, and a graveyard of outdated pilots that once flattered to deceive—not to mention an entrenched attitude of "once bitten, twice shy" towards the hyped-up tech tools of tomorrow.

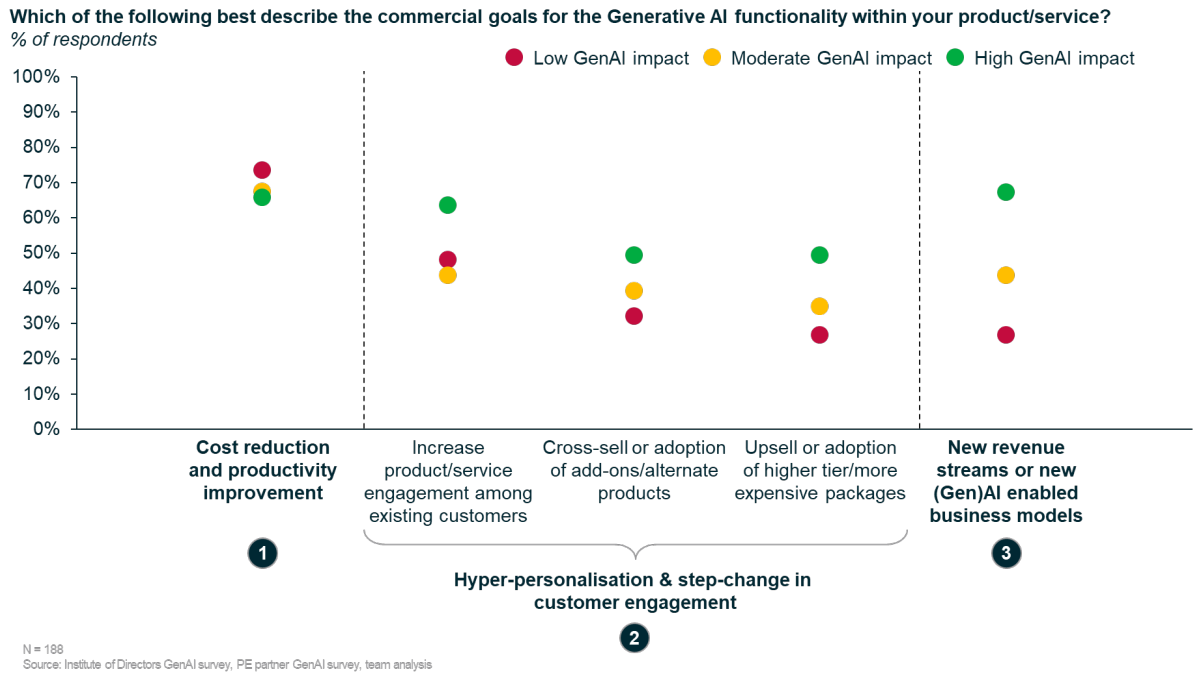
In contrast, the companies most satisfied with GenAI are those who take a pragmatic approach to AI deployment and understand the limits of AI in context. Rather than focusing on the specific, albeit disjointed areas where AI and GenAI can yield benefits (marketing, SEO/DEO), they map out all the processes that need to change to enable an AI-driven transformation, with a clear eye on what can help advance the business case.

This "left to right" approach mirrors what we've seen in the early stages of previous general-purpose technologies. Organizations identify specific tasks or functions where the technology might provide incremental improvements, then measure the aggregate impact on productivity. Current economic analyses of GenAI's potential impact follow a similar logic, estimating task-level efficiency improvements and then aggregating to modest productivity gains across occupations and industries.

Integrate Operations, Strategy, and AI. As part of our survey of 188 directors and senior executives of PE-owned firms, we compared and contrasted firms that reported limited excitement with the use of GenAI to those who reported medium and strong satisfaction. This enquiry revealed one consistent pattern: the more AI was used "close to the core," the greater the excitement. ("Core" denotes business functions such as operations, IT, HR, and legal, as opposed to tasks such as writing emails and generating text.)



Also, while all firms focused on cost containment, those who were most excited about GenAI were using it for hyper-customization and, even more so, the creation of new business models and revenue streams.



So, if value is on the table, what keeps firms from realizing it? In a word, fear.

Address Employee Fears and Enable AI-Generated Ideas. One of the biggest challenges is that those who understand the processes well enough are hesitant to engage, as they fear that benefits from automation will soon put their own jobs on the chopping block. Ironically, the current rhetoric about the impact of GenAI has made it harder to implement: GenAI will only generate true productivity benefits if its stewards believe their own jobs are safe.

Thus, firms should prioritize educating employees and selecting those who are most excited (and can be reassured about their prospects) as the beachhead for technology use. This will enable the identification of low-hanging fruit, which will help reduce resistance to change and spread the use of new technology beyond the top 10–15% AI users to the next 20–25% of the organization, as processes and structures are redesigned.

Another fear, especially in larger organizations, is concern over leaking data or running afoul of regulations. While technical solutions can mitigate these risks, some firms still hesitate to use AI-generated ideas. This is part of a broader concern perceived by legacy firms—in contrast to their tech counterparts, which make aggressive use of A/B testing to iteratively deploy and refine AI and GenAI recommendations, and embed them into the organization's decision-making too.

3. Use Organizational Levers to Drive Your Business's Evolution

Moving from priorities in terms of "what" to specifics in terms of "how," our research identified three key organizational levers that differentiate businesses reporting high early impact from GenAI:

3.1 Iterative "Co-Creation" with Domain Experts

Organizations that derive tangible benefits from GenAI do not treat it as a standalone tool to be deployed by technical teams in isolation. Instead, they establish agile squads that unite frontline professionals—such as educators, journalists, or financial analysts—with AI engineers to rapidly prototype new solutions. This approach facilitates live testing cycles where internal domain experts provide direct feedback on AI-generated outputs (such as content recommendations or automated reports), which the technical team then iteratively refines. This approach builds a firm foundation for expanding the use of AI.

In contrast, many companies struggle to move beyond the proof-of-concept stage because their AI teams and domain experts operate in silos. Without frequent collaboration, there's a risk that GenAI solutions will address theoretical problems rather than real-world challenges. Regular, structured interaction between technical and non-technical teams ensures that AI-driven innovations remain relevant and valuable. It also shows employees that GenAI can be a tool to remove the day-to-day bottlenecks that frustrate them most.

For instance, Arco Educação successfully embedded GenAI into its product development process. Teacher Assistant was refined through close collaboration between product managers, engineers, and educators. Arco's executives believe that their iterative, cross-functional squads were the key to aligning the firm's GenAI solutions with teachers' real-world needs and workflows. As even more teachers use Teacher Assistant more frequently for more of their teaching needs, the learning effects embedded within Arco's business models further strengthen the competitive advantage of the business. It enables the shift from generic offerings, that Foundation Models like ChatGPT and Claude can produce, to actionable, effective tools that can be used in a particular context.

Operating Model and Organizational Implications

Tactical Co-Location: Even if teams operate virtually, you can still sustain momentum through structured "co-creation sprints" with daily stand-ups and shared digital workspaces.

Formalized Feedback Loops: Establish systematic methods for capturing feedback (e.g., short daily or weekly "what worked, what didn't" debriefs) to prevent projects from stagnating.

Culture of Listening: Encourage mutual respect between technical and non-technical roles by recognizing breakthroughs that emerge from combined expertise rather than technological capabilities alone.

3.2 Embedding AI in Existing Knowledge Workflows

For accelerated impact from GenAI, organizations must integrate AI tools directly into existing business processes rather than requiring employees to adopt entirely new platforms. This approach lowers the barriers to adoption, enabling employees to use AI assistance seamlessly within familiar systems such as content management platforms, CRM software, or financial reporting tools.

Training employees to use GenAI within the systems they already rely on increases engagement and reduces resistance. For example, Argus Media, a global information and analytics firm, is piloting a “sub-editing system” that assists reporters in writing articles in the Argus style. By embedding AI into its existing editorial workflow, Argus ensures that journalists receive AI-driven recommendations in real time, making adoption effortless and reinforcing best practices.

When AI tools are integrated into daily workflows rather than existing as standalone applications, employees perceive them as productivity enhancers rather than disruptive mandates. The more seamlessly AI aligns with existing work habits, the higher its uptake and long-term impact.

Operating Model and Organizational Implications

Tools Integration: Partner with software vendors or internal development teams to embed GenAI functionalities directly into critical workflows.

Tailored Training: Provide bite-sized, practical training sessions or guided walkthroughs that demonstrate immediate value, helping employees overcome any initial reluctance.

Iterative Fine-Tuning: Continuously collect and analyze user feedback to refine AI models, ensuring they align with industry-specific needs and quality standards.

3.3 Developing Stronger Outward-Facing Leadership Capabilities

GenAI does not exist in a vacuum. Its most significant impact often emerges when companies forge strategic alliances, integrating AI capabilities into broader ecosystems. This requires leaders with the skills to build and sustain external partnerships—whether through cross-industry data-sharing agreements, co-development partnerships with AI vendors, or joint ventures with ecosystem partners.

Companies that effectively leverage GenAI often amplify their impact by expanding their ecosystem reach. For instance, Argus Media has established strategic data-sharing partnerships that enhance its AI capabilities. However, these collaborations require senior leadership to navigate complex negotiations, build trust, and define clear mutual benefits—skills that are often underdeveloped in traditional corporate structures.

Operating Model and Organizational Implications

Decentralizing External Touchpoints: Instead of consolidating AI partnerships within a single function (such as R&D or IT), organizations should distribute ownership across business units to foster greater agility and responsiveness.

Targeted Talent Acquisition: Recruit individuals with experience in externally facing roles, particularly those skilled at managing complex multi-stakeholder collaborations.

Redesigning Governance and Incentives: Simplify partnership structures and adjust incentive systems to reward leaders for successfully establishing and managing strategic AI alliances.

4. Revolution: The Promise of Radical Breakthroughs with "Right-to-Left" Thinking

Our evidence broadly confirms that firms can reap dividends from GenAI by taking a disciplined approach that addresses employees' fears; focusing on the business value, rather than technology application alone; and mapping bottlenecks to ensure managerial attention is well spent. This makes the case for an orderly "left to right" mindset: focusing on how AI/GenAI affects each constituent part of the business, identifying how parts those interact and combine, and considering how they collectively drive the "result"—that is, the right-hand-side impact in terms of cost or profitable growth.

At the same time, however, we have seen some early indications that the most impressive leaps in productivity or growth come from a more radical approach that works "right to left." In other words, start with the outcome that each process or activity aims to achieve and then consider how to completely redesign it with the help of AI and GenAI. Admittedly, there are good reasons why most organizations shy away from such a radical shakeup. However, the opportunities that come from jettisoning all previous baggage and rethinking processes from root to branch can be profoundly liberating, ushering in fresh thinking that can bring about radical innovation.

The gap between technological potential and realized productivity gains is a recurring pattern with general-purpose technologies. Economic historian Paul David's seminal work on the electrification of U.S. manufacturing offers a compelling case study of this phenomenon. When electric motors first replaced steam engines in factories, productivity growth remained sluggish for decades. The breakthrough only came when manufacturers stopped trying to fit electric motors into factory layouts designed around steam and instead completely redesigned their facilities to take advantage of the unique capabilities of distributed power. As decades of research in strategic management has firmly established, the very mental models and organizational structures that have made incumbents successful can hinder them from seeing how disruptive technology might enable entirely new approaches to value creation.

This may be why some of the greatest excitement over AI comes from younger ventures, and why its greatest impact might result not from transforming existing firms, but rather from allowing for new types of organizations to emerge and take on incumbents with drastically different value propositions. This also suggests that firms may have a better chance of achieving the disruption trumpeted by AI evangelists if they don't merely innovate in terms of AI, but offer an integrated proposition that combines analytical AI / GenAI and a particular field of application.

We see this pattern clearly emerging among new entrants. Companies like Replit are reconstructing the software development value chain by starting with the core outcome—creating useful software—and building an environment where GenAI is not merely an assistant but a fundamental participant. Similarly, Physics Wallah's "Gyan Guru" starts with the desired outcome of personalized education rather than simply overlaying AI onto traditional educational approaches. Instead of merely bolting AI onto existing processes, these ventures are rethinking entire value propositions from the ground up.

Consider Jellyfish, which has bundled the use of AI with a rethink of many of the steps in the marketing value-add process. Rather than offering a specific, narrowly defined proposition, it has re-engineered the entire set of marketing activities drawing on AI and GenAI and is able to articulate a more comprehensive proposal as a result. Similarly, firms like Datatonic focus on integrating AI with process change in order to offer a bundle that corporate customers can "plug and play" without any need for significant organizational change. Organizations involved in combining data, processes, and AI—like SAP in the West and Digital China Group in China, or upstarts like Evolver.ai—all seem to be moving in this direction, suggesting that value-add can be radically rethought when AI combines with a radical redesign of processes and a solution that encompasses both data and processes.

As for firms in established sectors, those benefitting from GenAI also are embracing similar "right to left" thinking. Arco Educação's Teacher Assistant didn't merely automate the creation of existing teaching materials; instead, it fundamentally reimagined what personalized teaching materials could be. In manufacturing, Toyota's "O-Beya" system employs nine distinct specialized AI agents that collaborate to solve complex engineering challenges, reimagining the innovation process itself rather than simply automating existing steps. Similarly, Canadian Tire Corporation moved its data to Microsoft Azure and built digital assistants that save 3,000 corporate employees 30–60 minutes daily—not by automating existing tasks, but by completely reimagining how employees interact with information.

5. What Our Research Implies for AI and Competitive Advantage

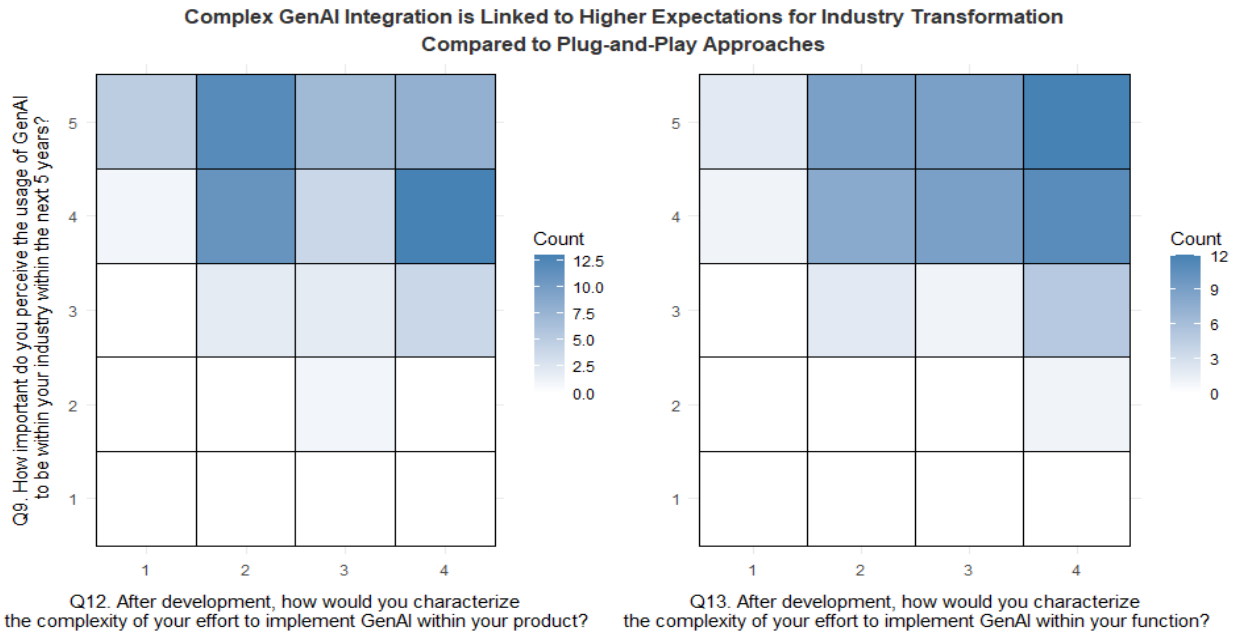
Our large-scale research study allowed us to tease out the dynamics of GenAI adoption across different organizations and sectors. By analyzing data from over 300 in-depth surveys and insights from 16 executive workshops, we identified clear patterns in how organizations approach GenAI implementation and the challenges they face. The data revealed significant variation in both the perceived barriers to adoption and the strategic approaches organizations take. These differences help explain the gap between GenAI's theoretical potential and its realized impact in organizations today.

Our research across industries reveals significant variation in how organizations perceive barriers to GenAI implementation. Financial services and healthcare organizations consistently cite regulatory constraints as their primary concern, while manufacturing firms struggle more with integrating GenAI into legacy systems. Professional services firms report challenges with talent acquisition and retention, suggesting that different sectors may require tailored approaches to overcome their specific hurdles and rethink their value-add. Within sectors, what

makes a difference is being bold enough to seek value-add—which, ironically, rules out many incumbents. While large established firms express fewer concerns about GenAI's organizational threats, they report greater barriers to adoption—saddled with organizational complexity, incumbents struggle to put technology to good use.

Our large-scale analysis reveals that while evolution may be easier, its contribution is more meager. When we segment our sample based on implementation approach, organizations pursuing an evolutionary, “left to right” approach focusing on plug and play report faster time-to-value but more modest returns. In contrast, those embracing more comprehensive business transformation, which may also entail a “right to left” revolutionary approach face longer implementation cycles but ultimately report significantly higher ROI and competitive advantage.

“Right to left” thinkers also report higher expectations of industry disruption, suggesting that organizations pursuing revolutionary approaches may be better positioned to lead industry change rather than merely respond to it. As the figure below shows, firms investing in more complex GenAI implementations (=4) report significantly stronger beliefs about GenAI’s transformative impact on their industry’s future than those pursuing simpler plug-and-play approaches (=1).



Such large-scale evidence, combined with our qualitative analysis, yields some intriguing implications for who may be able to benefit from GenAI and how AI will reshape (and probably bifurcate) the competitive landscape. We expect the following trends to solidify as GenAI matures:

New Types of Firms, Unburdened by Legacy, Will Get Ahead. Some of the greatest excitement in terms of the use of AI and GenAI comes from younger ventures, and AI’s impact might come not only from how it transforms existing firms but from how it allows new types of

organizations to emerge and challenge existing dominant firms with drastically different value propositions. This suggests that firms that not only innovate in terms of AI but offer an integrated proposition that combines AI/GenAI with a field of application may have a greater chance of delivering the disruption that AI evangelists predict. Our bet is that before some form of AGI sweeps the economy, differentiation will be driven by simpler, possibly agentic and RAG models drawing on firms' proprietary data and embedding AI-generated advice into the fabric of organizations.

Ventures That Rewire Entire Functions with AI May Gain an Edge. We're also seeing the emergence of specialized service providers who use GenAI to completely reimagine specific business functions. Rather than merely offering superior tools, these ventures fundamentally transform how certain activities are performed. For established organizations, these providers represent both a threat (potential disintermediation) and an opportunity (access to revolutionary capabilities without internal transformation). What remains to be seen is whether firms with upstream capabilities and no downstream access (or even ability to monetize), such as OpenAI, will be able to combine with domain experts and be part of this transition or not, or whether new types of organizations will fill this gap.

The Economics of Making Money Will Change—No Matter Where You Stand. The economics of value creation and capture will shift as GenAI matures. Organizations that successfully deploy GenAI—whether through evolution or revolution—will experience substantial changes in their cost structures, with potential reductions in labor costs offset by increases in technology investment. GenAI may enable entirely new business models and revenue streams that simply weren't feasible before. The pressing question is not when, but how.

Along the Way, Hype and Lack of Discipline Will Reduce ROI. Firms that neither craft a solid evolutionary strategy nor dare to dream of a revolutionary alternative will see their investment in AI/GenAI go down the drain. There is little value in investing in a technological "solution" when the problem is how technology integrates to the business context. Yet, many firms are caught in a FOMO trap, hoping that expensive cutting-edge solutions will somehow help them improve their plight. What DeepSeek showed is that advantage doesn't depend on sheer spending power, but a solid foundation in the industry's playbook. This is clearly demonstrated by emerging players from China (such as Digital China with industry platform SmartVision) to the U.S. (such as Evolver.ai with a focus on application).

6. Evolution, Revolution, or Extinction—What Will Your Playbook Be?

Organizations looking to harness the full potential of GenAI must go beyond merely acquiring advanced AI models. Our research suggests that aligning GenAI tools with the way a business creates value, and the fundamental principles of its operating model, is what really makes a difference.

Whatever the future may hold, companies that focus on these core principles will be best positioned to move beyond the GenAI hype and generate sustained competitive advantage from AI-driven innovation. We see three potential paths forward that businesses should contemplate:

1. **Evolution**: A disciplined “left to right” approach that methodically applies GenAI to existing processes while addressing organizational barriers, particularly employee concerns. This path offers lower risk but potentially more modest returns.
2. **Revolution**: A bold “right to left” approach that reimagines entire processes or business models based on the unique capabilities of GenAI. This path entails higher risk but potentially transformative returns.
3. **Extinction**: The failure to meaningfully engage with GenAI means ceding advantage to more proactive competitors. As the economics of competition shift, organizations that neither evolve nor revolutionize may find themselves optimizing for a rapidly disappearing world. An even worse strategy, however, is to overinvest in AI with no business understanding, which merely burns even more resources while hastening this demise.

However, evolution vs. revolution is not necessarily an either/or. The most successful organizations will likely be those that strategically engage with both approaches—applying disciplined evolution to core operations while boldly pursuing revolution in selected areas with high growth potential. This will require ambidexterity and courage – and leadership will make all the difference. Today, GenAI is beset by hype, and investments have yet to pay off. However, we will soon see the landscape change—and it will be the firms with discipline and inspiration that move front and center. It’s high time to keep a cool head, avoid magical thinking about the power of technology, focus on business value, and prepare for the coming wave of creative destruction in a GenAI-enabled future.

Evolution Ltd is a boutique advisory that combines frontier research from world-class business academics and technologists with hands-on experience from senior executives to guide organizations in an increasingly complicated environment.

Evolution focuses on digital ecosystems, Artificial Intelligence and their impact on strategy and organization. Its independence and governance structure ensure rigor and bespoke solutions for its clients and inspire hands-on, award-winning frameworks that shape managerial practice.

Its clients and partners include large corporates, leading consultancies, governments and NGOs. Projects draw on its affiliates' vast experience and connections to global tech giants, startups, disruptors, entrepreneurs, and governments alike to engage key stakeholders in effective conversations and catalyse action.

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