Evaluating Your Company's AI Readiness

An AI Auditing Framework

Wherever you are in your AI journey – whether that's an initial pilot project or ramping up an organization-wide initiative – our comprehensive AI auditing framework will help you clarify goals and next steps.

Back in 2018, Gartner predicted that **85% of business AI projects would ultimately fail.** By 2020, **failure rates of around 50%** were reported, and these numbers still stand. Why is AI still facing such poor numbers after a four-year gap when other technologies seem to have shot forward?

AI projects tend to fail for the same few reasons: most of them boil down to a lack of organizational readiness, clear objectives, reasonable expectations, and access to AI skills. Proper planning can significantly mitigate or eliminate most of these failure points.

To that end, we've created the following 7-point AI auditing framework. It will help you assess how to meet your AI goals at any stage in your organization's technical development. It can be applied to businesses that are just investigating AI, that is looking to expand from a pilot project, or that have been an early adopter and are looking to develop even further.

Because this framework is designed for assessment, it will work regardless of your organization's AI maturity. However, the steps you'll need to take to move forward will depend on your current situation. So, before we discuss the framework in detail, let's examine the stages of AI development.

The Stages of AI Development in an Organization

Understanding where and how to invest in AI to get the maximum benefit from it is the all-important first step of your AI audit. This will determine what technologies, skills, projects, and processes you need to implement. There are four stages of AI development:

Stage 1: Evaluation

You're aware of the benefits of AI, but you're still figuring out how and where to apply them within your company. In this stage, you're learning about AI, how it can impact various business areas, and what tools and technologies will support your use. You're also exploring the data sources and organizational changes you'll need.

Stage 2: Initialization

By the beginning of this stage, you know your potential data sources and are transparent on goals and initial setup. You've defined when and how you will apply AI, and your entrance strategy is set.

Stage 3: Implementation

You've done some initial projects, and you know what you want to accomplish on a broader scale. However, there are still some gaps in your overall roadmap. Your data sources, technological resources, and organizational AI skillset may not be fully ready to support your larger aims, or they may limit the success of your current AI efforts. This can lead to a failure to fully and effectively utilize AI; it can be very discouraging after all the work entailed in the first two phases. On the plus side, finding ways to improve your AI expertise can help you move to the fourth stage.
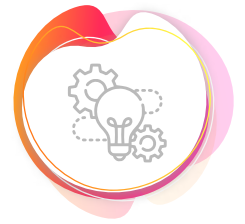
Stage 4: Experienced

Congratulations! You're using AI regularly and supporting it well throughout your business. You're ahead of the curve in your industry's AI adoption, and you can look back on a proven track record of AI success. This stage is more common among large businesses with the most resources to put towards AI, but any company can reach these heights. However, now is not the time to rest on your laurels; you'll want to keep up with the ever-increasing developments in business AI and look for new ways to utilize the success you've already achieved.

It's important to note that these stages can be further subdivided, i.e., companies early in the Implementation phase might still be working on their initial projects, while their counterparts in the later parts of the same stage might be considering how to expand projects into other departments or business areas. The key is to understand precisely where your business is on the spectrum between AI interest and full AI adoption; let this shape your goals and plans as you move forward.
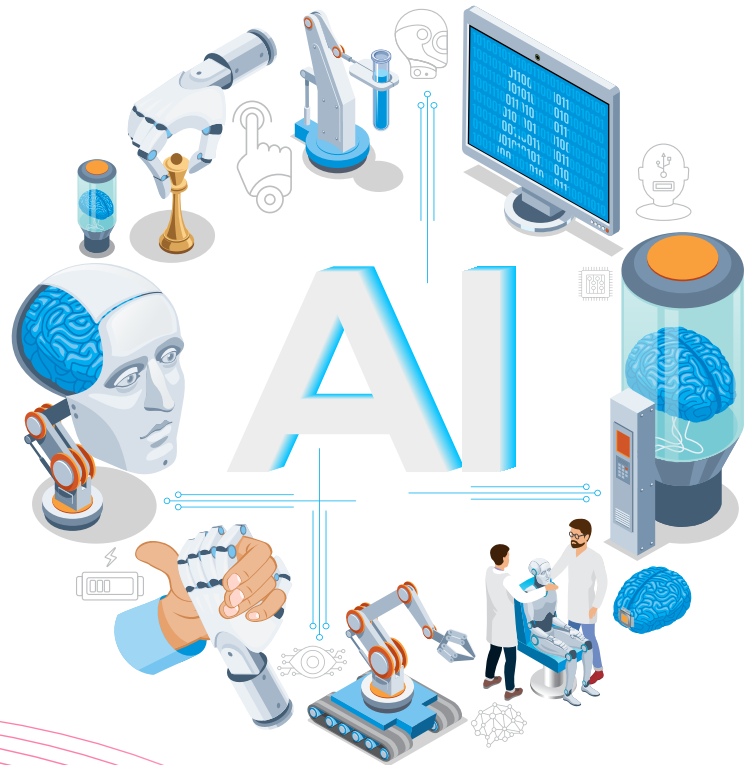
The 7-Step AI Auditing Framework

Now that we have a general reference point for levels of AI maturity, let's see how we can use this to examine where and how to improve your company's AI success.

1 Assess Your Current Stage of AI Development

Why It's Important: Your current stage of AI maturity directly affects your goals, expectations, and strategy.

Questions to Ask: What stage are we currently in? Are we early in this stage or late in it? What can we do to drive success in this stage? How can we move on to the next step? (Or in case of the Experienced stage, what can we do to stay current and expand our success in this stage?)

Critical Insights: Clarity is essential to AI success, and this step helps you establish a baseline. A large organization might have several different AI initiatives in various stages of maturity. Realizing this can help you chart a path forward according to each initiative, to get your entire organization fully on board with AI.

It's also important not to treat AI as just another IT or data science/analytics tool. It's more than just a way to crunch numbers or speed up data analysis. It can be applied throughout the entire organization and act in many ways.

2 Clearly Define Your Expected Business Impact

Why It's Important: Having clearly stated goals and understanding the expected impact on your business will make it easier to determine a project's success. It will also help you structure the task optimally.

Questions to Ask: What pilot project will best meet these goals? How will this project, if successful, change our operations? Do we have a change management strategy in place for this?

Critical Insights: Clear goals and projected business impacts are essential in aligning projects with business strategy. Many pilot projects don't get picked for more significant development because they don't seem to justify the time and expense of scaling it up. Linking your project to tangible business or process goals means you can position it as solving a known problem.

Business AI is about process optimization: adding speed, efficiency, automation, or decision support to reduce time, money, and effort. It often changes how people do their work. Thus, companies must scrutinize their expected outcomes and use change management techniques to help affected employees adjust. This may entail adjusting or adding skills to your workforce so that employees can work with AI tools; in some cases, this can even require a shift in company culture.

3

Determine Criteria for Success

Why It's Important: Without the correct criteria, it can be challenging to measure the success of a project – or get it adopted for greater use.

Questions to Ask: What will success look like for this project? How will we complete each stage of the project? What KPIs will be used to measure success? When will this project be declared complete for evaluation purposes?

Critical Insights: Compared to other areas like IT or sales, it can be hard to quantify the outcome of AI projects. Using a heuristic approach or adopting an experimental mindset to see how AI supports selected metrics is often the best way to determine success.

Depending on the project type, goals and KPIs will look quite different:

- A **decision automation** project will seek to optimize processes; KPIs can include failures, on-time shipment/delivery, operational efficiency levels, and inventory reduction targets.

- The **decision support and augmentation** project will seek to provide solid and actionable insights to humans or other decision-making systems. KPIs can include fraud reduction, reduced churn, lowered predictive maintenance costs, ROI, and cross-sell/up-sell targets.

- A project centered around **innovative projects** will seek to improve product benefits, features, and personalization. KPIs can include revenue and margin uplift, revenue per customer, conversion rate, and order value.

- Projects involving **virtual assistants** will seek to improve worker productivity and response times, and customer satisfaction. KPIs can include reduced abandonment rates, call resolution, customer satisfaction, loyalty scores, and Net Promoter Scores.

4

Gather the Right Support

Why It's Important: AI will affect how employees work, so getting everyone – from the leadership to end users – onboard is crucial for AI adoption and success.

Questions to Ask: Do you have buy-in at various levels? Are C-level leaders on board? Do you have the right resources to drive adoption?

Critical Insights: Making AI usable for business-side employees (rather than data and tech teams) is another main ingredient to success. This comes forth in our list only because you need to thoroughly understand the other three elements before you can accurately decide what tool or techniques meet your actual requirements. To that end, your organization must explore various options to find one that is performant, cost-effective, and user-friendly. Again, this is time-consuming and potentially expensive, so make sure you have C-level support that includes financial and human resources.

5 Build a Cross-Functional Leadership Team

Why It's Important: It reduces siloed, department-specific AI initiatives.

Questions to Ask: How will this initiative benefit the company as a whole and specific team(s)? Do we have all the data? Where might silos or blockages occur?

Critical Insights: Including people from various departments addresses one common point of AI failure: non-scalable, overly specific applications. More people have buy-in when more teams are represented; there's more reason to cooperate. This approach also reduces data problems associated with information "locked" within departments.

It's important to note that cross-functional teams must include business and domain experts, not just technical experts. Technical experts are critical to having AI, but business experts provide the much-needed context and background that makes AI relevant to your needs.
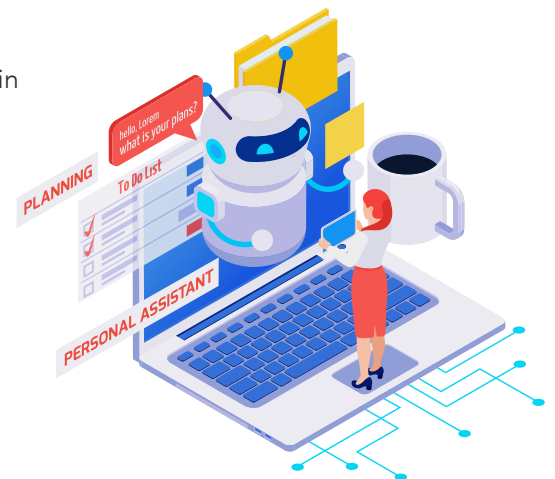
6 Ensure the Availability of AI Skills

Why It's Important: It helps your AI project scale and remain relevant as circumstances and uses change.

Questions to Ask: Do we have enough technically skilled people to support the growth of this project? If not, how will we move forward – by upskilling existing employees, finding an external partner, or hiring other AI

Critical Insights: There's a shortage of AI skills in today's workforce, which means bottlenecks can occur simply because there aren't enough qualified people to run the program. Any AI professional needs to understand how AI works and how it can impact your business. Thus, companies should examine their current employee pool and develop a strategy for expanding AI skills.

7

Examine Your IT / Data Infrastructure

Why It's Important: You need data and a way to reliably deliver its insights for AI to have any meaningful impact.

Questions to Ask: Can our current infrastructure support modern data processing, analysis, and insight delivery? Are we fully utilizing our existing resources? What options do we have? Can we use Cloud computing and storage to meet our needs for scalability and flexibility? Do we have access to high-quality data sources? Are our data storage options performant and in compliance with relevant regulations and policies?

Critical Insights: A modern data architecture is scalable, flexible, and powerful. It needs to be able to support current workloads and whatever increases AI brings. This requires observing and collecting data, designing the right kind of data storage and processing, and making provisions for versioning and checking for data completeness and bias (among other tasks). It's also vital to have a robust data management policy to ensure that data is properly collected, procured, and stored and any sensitive information is protected.

When to Start Your AI Audit

In a word, now – or, at the very least, soon. Performing an AI audit is a vast undertaking involving asking (and answering) tough questions. Even if you're not up to a full-scale AI audit at the moment, you can start preparing for it now. This framework can help you direct your efforts and ultimately understand where you need to place the highest priority in moving forward. And, of course, you can always partner with an experienced AI provider like Absolutdata for additional support in conducting an AI audit.

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With 25+ years of experience in global analytics, marketing strategy, marketing effectiveness and consumer insights, Sudeep has a breadth of industry expertise. With deep expertise in leading edge predictive analytics and insights, he drives analytics transformation for strategic clients and leads AI platforms and solutions. In his present role, Sudeep partners with sales to lead key strategic accounts, provide thought leadership, and ensure highest quality of service to existing clients. He has worked in leadership roles with organizations such as Mondelēz, Kraft, Staples, McKinsey, and Cerenti Marketing Group. Sudeep holds a PhD in Marketing from Cornell University and has taught at the Kellogg Graduate School of Management and Syracuse University. He is an engineering graduate from Indian Institute of Technology at Kanpur and an MBA from the Indian Institute of Management at Bangalore.
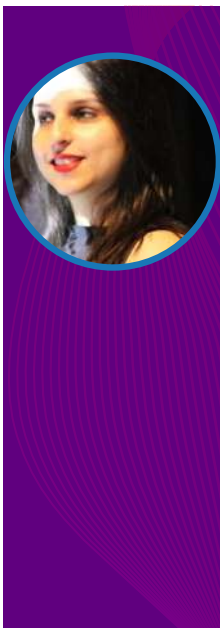
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With 15+ years of B2B experience in product marketing, inbound marketing, account-based marketing, events, PR, AR, content marketing, Richa is a global go-to-market executive. She has demonstrated extensive capabilities in taking businesses to market-leading position by pulling levers across marketing, sales, PR, and partnerships. In her present role, she owns end-to-end marketing function encompassing branding strategy, product marketing, inbound & outbound marketing campaigns, marketing attribution, advertising, market opportunity analysis, analysts' relations, and corporate communications while helping sales teams identify growth and upsell targets. Richa has previously worked with a unique consulting firm focused on small and mid-sized businesses, where she played an instrumental role in creating and scaling their marketing and public relations functions. She is recognized as a strategic thinker, and an assertive hands-on driver who is passionate about efficient project delivery. Richa holds an MBA degree from IMT Ghaziabad and B.Com Hons from Delhi University.

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