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Thoughts on AI Transformation

ESSAY · ENTERPRISE AI

What Is AI Transformation, Really — and What Do Enterprises Actually Get?

AI transformation is not a tool rollout. A working definition, the four layers that make it real, and how to tell the genuine article from theater.

TRANSFORMATION AI STRATEGY

Burak Galiba · May 19, 2026 · 4 min read
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"AI transformation" is now what every vendor calls whatever they were already selling. Licenses? Transformation. A chatbot? Transformation. A deck with a lighthouse on the cover? Definitely transformation.

The term matters because the money is enormous — Gartner puts worldwide AI spending at $2.5 trillion in 2026 — and most of it is buying tools, not transformation. If you're a CIO or CEO signing off on that spend, you need a definition sharp enough to tell the difference.

What AI transformation is not

Start by clearing the underbrush. None of the following transforms anything on its own:

- **A license rollout.** Giving 10,000 employees a copilot changes your software bill, not your operating model. Usage is not outcome.
- **A pilot program.** An MIT NANDA report found 95% of enterprise GenAI pilots deliver no measurable P&L return. A portfolio of experiments is a science fair with a burn rate.
- **A customer-facing chatbot.** One deflection widget is a feature, not a strategy.
- **A vision document.** If the deliverable is a deliverable, nothing happened.

Every one of these can be *part* of a transformation. None of them is one.

A working definition

Here's the definition I use, and it fits in one sentence:

> *AI transformation is redesigning how your company does its work so that measurable business outcomes depend on AI systems running in production — safely, and owned by your own people.*

Every word is doing a job. "Redesigning work" rules out bolt-on tools. "Measurable outcomes" rules out vibes. "In production" rules out pilots. "Safely" brings governance in from the start. "Owned by your own people" rules out renting your capability from a vendor forever.

In practice, the real thing has four layers, built roughly in this order:

1. **Production workflows.** Specific processes — claims intake, contract review, financial close — redesigned so AI is load-bearing, with humans repositioned to judgment and exceptions.
2. **Data foundations.** The unglamorous plumbing that determines whether use case number three costs less than use case number one.
3. **Governance.** An AI inventory, risk tiers, oversight, and an incident path — anchored to a framework like the NIST AI RMF so it survives auditors and regulators.
4. **Operating capability.** The people layer: redefined roles, a decision cadence, and enough internal skill that the organization keeps improving after the consultants leave.

Most enterprises invert the order — they buy tools first, think about data later, and discover governance when a regulator or a board member asks. That inversion is what the 95% failure rate looks like from the inside.

What you actually get

Definitions are nice; outcomes pay for engagements. A real AI transformation, even a modest one, produces artifacts you can point at:

- **A named cost or revenue line that moved.** Cost per claim down 30%, close cycle shortened by four days, backlog cleared without headcount. Numbers with baselines behind them.
- **A ranked portfolio with verdicts.** Every initiative marked ship, fix, or kill — with the kills actually executed and the freed budget redeployed.
- **A governance program that passes inspection.** One that satisfies legal, audit, and the state laws already in force — not a policy PDF nobody has read since it was written.
- **Falling marginal cost per use case.** The clearest sign the transformation is real: the third deployment is faster and cheaper than the first, because the foundations exist and the organization has learned.
- **An answer for the board.** Not "we have 14 initiatives" but "here's what's in production, what it returns, and what's next."

If an "AI transformation" engagement can't commit to outcomes shaped like these, you're buying the word, not the thing.

The theater test

Four questions separate genuine transformation from its impersonators. Ask them of your own program:

- Can you name the business metric each initiative moves, and its value before you started?
- Is anything in production — used daily, for 90+ days, with measured results?
- Does an AI inventory exist that you'd hand a regulator tomorrow?
- Whose name is on the whole thing?

Enterprises that answer all four crisply are rare. They're also, not coincidentally, the ones where AI spending shows up in margins instead of press releases.

Where to start

Skip the vision deck. Pick your single most measurable process — high volume, clear success criteria, an owner who already tracks its cost — and write down its current numbers. Transformation starts with a baseline, not a manifesto.

If you want to know where you stand across all four layers first, my free AI Readiness Score is a 20-question diagnostic covering pilots, data, talent, and governance. Ten minutes in, you'll have a score, a domain breakdown, and your first three moves — which beats most vision decks I've read.

Read the essay online at https://burakgaliba.com/blog/what-is-ai-transformation

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