

The Productivity Trap

Why your AI investments are making you faster at the wrong things.

Every company we speak to is running AI pilots.

Almost none of them are creating strategic value.

That gap is not a technology problem.

Tommy Mars & Edwin Knoop

Business Strategy · AI Strategy · Digital Transformation
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The Landscape Has Shifted. The Conversation Hasn't.

AI & THE MID-MARKET · PART 1 OF 4 · THE PRODUCTIVITY TRAP

2 / 9

The landscape has shifted. The conversation hasn't.

The enterprise AI market has entered a new phase. Global spending is projected to exceed \$2.5 trillion in 2026. More than 90% of CEOs report active AI investment programs. Agentic AI, autonomous workflows, and embedded copilots are no longer experimental, they are becoming enterprise infrastructure. Some are speaking of the coming of the autonomous enterprise. They are building capability.

But here is what we find striking: the strategic conversation inside most organisations has not kept up.

In boardrooms across Europe and beyond, the dominant question remains “how do we adopt AI?”, as if AI were a destination rather than an instrument. The landscape has fundamentally shifted: three distinct AI ecosystems are now competing globally, European sovereignty is becoming a real strategic variable, and the gap between AI leaders and laggards is compounding quarter by quarter. Yet the framing of the conversation has barely moved beyond “which tools should we buy?”

That framing is the first trap.

THE EVIDENCE

94%

of CEOs continue to invest in AI, even without demonstrated enterprise-wide returns

70%

of organisations report no measurable revenue impact from their AI investments

~50%

of AI pilots in comparable markets never reach production

88%

of organisations are actively implementing AI, fewer than 20% report significant impact on how the business actually works

The Productivity Trap

AI & THE MID-MARKET · PART 1 OF 4 · THE PRODUCTIVITY TRAP

3 / 9

Here is the paradox. Most organisations are doing AI right by conventional standards. They are piloting. They are scaling. They are reporting efficiency gains. And yet the evidence is overwhelming: this approach is structurally insufficient.

Research consistently shows the same picture: 94% of CEOs continue to invest in AI, even without demonstrated enterprise-wide returns. Other research shows that 70% of organisations report no measurable revenue impact from their AI investments. In comparable markets, nearly half of AI pilots never reach production.

The pattern is consistent: companies are getting faster at what they already do. They are not changing what they do. And that distinction is everything.

Level 1 AI is, in principle, the right first step. It addresses the problems you already know you have, the bottlenecks, the manual workarounds, the processes that should have been fixed years ago. AI now gives you capabilities you simply did not have before to pull off the Band-Aid: to surface what was hidden, automate what was always inefficient, and fix what is known to be broken.

THREE LEVELS OF VALUE

Level 1
10–30% ROI

94% of companies

Efficiency gains within existing workflows. Necessary baseline, but not a strategy when every competitor has the same tools.

Level 2
50–150% ROI

~30% of companies

AI makes fundamentally different processes possible. Not faster, structurally different.

Level 3
200%+ ROI

~5% of companies

AI restructures the economics on which competitive position rests.

Concentrated adoption at Level 2 and 3 generates roughly 2.5x more economic value than broad but shallow Level 1 deployment. The ratio, not the absolute figure, is the strategic signal.

The Gap Between Ambition and Execution

What follows are three structural symptoms, not yet the full diagnosis, but a pattern every leader will recognise: an execution gap, an investment gap, and a leadership gap.

The issue is not the intent; it is the execution and the ambition. Most organisations do Level 1, but they do not do it well. Initiatives remain fragmented rather than focused. They run as isolated pilots rather than scaling across the business. They are rarely linked to a strategic priority or integrated into the broader operating model.

And even when Level 1 is done well, and it delivers real 10–30% efficiency gains, it is still only step one. When every competitor has access to the same tools and the same models, efficiency stops being a competitive advantage. It becomes a commodity.

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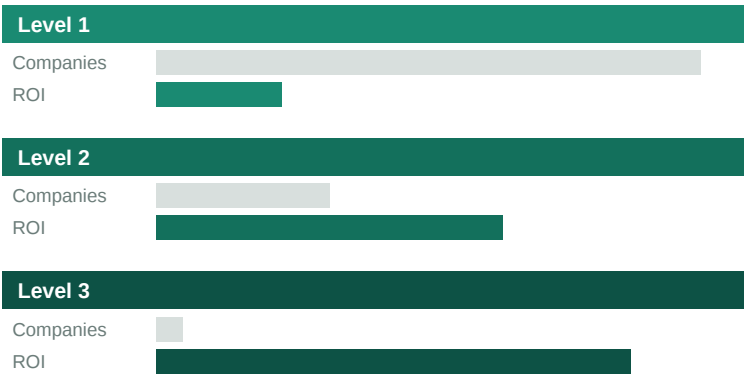
We had eleven AI initiatives running. Everyone had a business case. None of them connected to a strategic priority. We were optimising fragments of a business model that needed rethinking.

CFO, manufacturing company (~300 FTE)

Pilot economics often flatter the business case. Pilots succeed in part because the roles AI displaces are simply paused, then rehired later, at a higher cost, once the organisation discovers what a small-scale test could never reveal: what it actually takes to run this at the size of the business.

The real value, the 50–150% process redesign gains at Level 2, the 200%+ business model innovations at Level 3, requires a fundamentally different starting point. Fewer than 15% of companies ever get there.

INVESTMENT VS. VALUE CONCENTRATION



The gap is not technology. It is ambition level. Investment concentrates at L1. Value concentrates at L2 and L3. Most organisations never bridge that gap.

Why the Middle of the Journey Feels Impossible

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5 / 9

There is a specific phase in every AI transformation where momentum stalls. It comes after the early wins, the successful pilots, the enthusiastic demos, the quick ROI projections, and before the strategic integration that creates lasting advantage.

This is the phase where organisations discover that the problem was never the technology. It was the operating model.

The 10/20/70 finding

The widely cited 10/20/70 finding captures this precisely: only 10% of AI value comes from the algorithm itself. Twenty percent comes from the technology infrastructure. The remaining 70%, the vast majority, comes from people, process, and organisational change.

Yet investment allocations tell a different story. Most organisations overinvest in models and platforms while systematically underinvesting in the redesign of how decisions get made, how work is structured, and how people adopt new ways of operating.

The data is stark: 88% of enterprises invest in AI. Only 6% have fundamentally changed how the organisation works.

That is not a technology gap. It is a leadership gap.

WHERE AI VALUE ACTUALLY COMES FROM

10%

Algorithm & model

20%

Technology infrastructure

70%

People, process & org change

Most organisations invert this ratio. Technology: overinvested. Operating model & people: systematically underinvested.

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The gap between deployment and impact is not a technology problem. It is an organisational readiness problem.

Industry research synthesis, 2026

The Conversation Most Organisations Never Have

AI & THE MID-MARKET · PART 1 OF 4 · THE PRODUCTIVITY TRAP

6 / 9

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The technology conversation is the easy one. The hard conversation is about decision rights, role redesign, and what leadership looks like when AI is embedded in the workflow. Most organisations never get to that second conversation.

Sobat Khawaja · Organisational Change & Transformation

The organisations that get caught in the productivity trap are not failing because they lack technology. They are failing because they treated the technology decision as the strategy. They bought the algorithm and skipped the 70%.

This is why 88% of enterprises invest in AI and only 6% have fundamentally changed how the organisation works. The gap between those two numbers is not a deployment problem. It is a leadership problem.

The companies that actually get there, to Level 2 process redesign, to Level 3 business model reinvention, did something different from the start. They started from the business challenge, not the technology capability. They asked, “what is the problem that matters most?” before they asked, “which tool do we buy?”

Three structural symptoms, then: an execution gap that fragments good intentions, an investment gap that funds the wrong 10/20/70, and a leadership gap that lets 88% invest while only 6% transform. None of them is a technology problem. In Part 2, we go beneath these symptoms to the structure that explains them.

THE LEADERSHIP GAP — IN NUMBERS

88%

of enterprises invest in AI

6%

have fundamentally changed how the organisation works

15%

of the market, trailblazers, are capturing strategic value

The gap between 88% and 6% is the operating model. It is always the operating model.

The Inversion Most Organisations Still Need to Make

AI & THE MID-MARKET · PART 1 OF 4 · THE PRODUCTIVITY TRAP

7 / 9

The technology is available today. We see this constantly in practice: owner-managers and executives who understand precisely where value can be created move quickly from problem to measurable outcome. The differentiator is leadership, a clear understanding of where value can be created, the willingness to experiment and iterate rapidly, and a clear vision of the desired end state.

The real question

The companies creating disproportionate value from AI, roughly 15% of the market, did not start with a technology agenda. They started with a business question.

Which customers are we losing? Which margins can we no longer defend? Which competitor is redefining the rules of our sector before we do?

AI was the answer to a question they had already asked. Not the other way around.

And that is the inversion most organisations still need to make. Not “how do we adopt AI?” but “what is the business challenge that demands a fundamentally different approach, and is AI the right instrument to address it?”

We see the pattern consistently: teams exhausted by pilots that never scale. Investments measured in deployment speed, not in business impact. Research shows that 61% of successful AI implementations had an initial failure phase. The pattern is not a warning sign. It is usually the first iteration. Technology decisions made without asking what the organisation first needed to change. Governance treated as compliance, not capability. And perhaps most telling, a growing disconnect between leadership enthusiasm and the reality on the ground, where adoption stalls because nobody redesigned the work.

THE CHALLENGE-FIRST INVERSION

MOST ORGANISATIONS

1. Which AI tools exist?
2. Which pilots can we run?
3. What business case fits?
4. Why no strategic impact?



TRAILBLAZERS — CHALLENGE-FIRST

1. What is our most urgent challenge?
2. Is AI the right instrument?
3. What must the organisation change?
4. Deploy · Learn · Scale

The 15% who reach L2/L3 always started from the business challenge, not the technology.

ABOUT THE AUTHORS

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Tommy advises organisations on business strategy and digital transformation. He helps leadership teams connect digital and AI investment to competitive advantage and measurable business outcomes.

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Edwin specialises in AI strategy and enterprise transformation. He works with organisations navigating the shift from AI experimentation to enterprise-wide operationalisation.

They advise mid-market companies on translating AI potential into strategic value.

RESEARCH BASIS

Based on synthesis of industry research (BCG, McKinsey, Accenture, Gartner, EY/Oxford Economics, Deloitte) combined with analysis of 3,598 AI use cases and the authors' observations across sectors and geographies. All views expressed are those of the authors.

THE SERIES IN FOUR PARTS

1. The Productivity Trap ■ THIS ARTICLE

Why AI investment doesn't translate to strategic value. Challenge-first framing.

2. Why You Want AI

The strategic case and the ecosystem argument. Starting from the business challenge.

3. Three Levels of Value

What AI delivers at each ambition level, and what it costs in organisational terms.

4. From Strategy to Roadmap

How to sequence and govern a deliberate AI portfolio. The dependency chain.

The most dangerous position in 2026
is not being behind on AI.
It is being ahead on the wrong things.

In Part 2, we make the strategic case: why your business should want AI, but probably not for the reasons most advisors will tell you.

Follow Tommy Mars and Edwin Knoop for the full series.

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