

Three Levels of Value

Why Most Companies Stop at the Worst One

The levels describe what AI delivers. The question is which one you are deliberately choosing, and whether your organisation is prepared to make that choice real.

Tommy Mars & Edwin Knoop

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“In Part 1, we showed the paradox: massive AI investment, limited strategic return. In Part 2, we argued the problem is not the technology. It is the level at which the problem is being solved. Part 3 makes that concrete.”

From the series

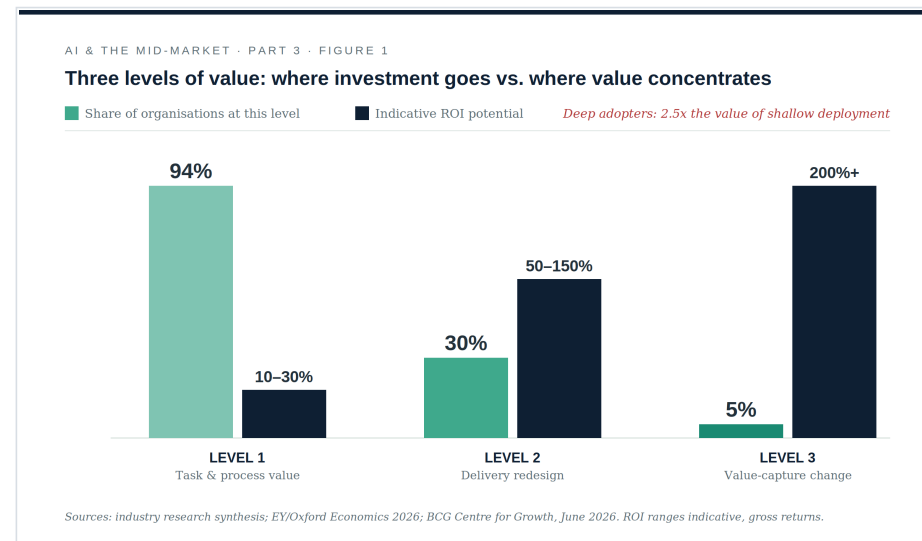
Across more than 3,500 documented AI use cases, one pattern repeats without exception: the distribution of AI investment does not match the distribution of AI value.

94% of organisations are operating at the level that delivers the lowest returns and the fastest path to commodity. EY and Oxford Economics surveyed 2,500 organisations across 28 countries and found fewer than 43% report substantial returns on their AI investment, and 61% believe they are creating more value than they can actually measure. That gap between perceived and realised value is the Level 1 trap in empirical form.

Academic research points the same way, from a different angle. A recent systematic review of the field finds that the literature on AI-driven business model innovation predominantly emphasises the technology, treating the business model change itself as a byproduct. Researchers, in other words, mirror the pattern they study.

The three levels do not resolve this paradox automatically. They map it. The levels describe what type of value AI creates, what it costs to reach each level, and why most organisations, despite full awareness that more is possible, stay where the returns are lowest.

FIGURE 1 · THREE LEVELS OF VALUE



Share of organisations at each level against indicative ROI potential. ROI ranges indicative, gross returns.

THE DISTRIBUTION

94% of organisations operate at Level 1, the lowest-return level

<43% report substantial returns on their AI investment

61% believe they create more value than they can actually measure

The three levels are not a measure of AI sophistication. A company running a straightforward workflow at Level 2, having fundamentally redesigned its knowledge processes around AI, creates more strategic value than a company deploying a large language model at Level 1 where the underlying process has not changed. **The technology is not the variable. The business ambition is.**

The levels are also not a universal progression. Not every organisation needs Level 3. Their function is diagnostic: to make visible a choice that most organisations are making implicitly, and, in doing so, making poorly.

Because the levels are not a staircase, they are not climbed one at a time. Level 1 quick wins and Level 2 redesign run in parallel from the start. Level 1 is a foundation an organisation keeps building on, not a stage it leaves behind. How that parallel pursuit is sequenced, and where it breaks, is the subject of Part 4.

The trap is not that Level 1 is worthless. The trap is that it commoditises. McKinsey's cross-sector analysis is consistent: productivity improvement lowers the floor of industry performance but does not raise the ceiling. When competitors implement the same document automation, the same chatbot, the advantage disappears into the market. The investment buys continued membership, not competitive distance.

THREE LEVELS OF VALUE

Level 1

10–30%

94% of organisations

Task & process value. AI accelerates existing work. Necessary baseline, but not a strategy when every competitor has the same tools.

→ Document processing & extraction → Fraud detection → First-line service & FAQ routing → Code assistance

Level 2

50–150%

~30% of organisations

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

→ Proactive service before the customer calls → Personalisation at scale → End-to-end supply chain orchestration → New data products for partners

Level 3

200%+

~5% of organisations

Value-capture change. AI restructures the economics on which competitive position rests.

→ Fixed cost restructuring: 1,000 clients cost barely more than 10 → Proprietary data and model combinations → Platform positions with network effects

Deep adopters generate roughly 2.5x more economic value than broad but shallow deployment. The ratio, not the absolute figure, is the strategic signal.

Level 2 is process redesign and new services. The distinction from Level 1 is architectural, not incremental. At Level 1, AI helps you do what you were already doing, faster. At Level 2, AI makes a fundamentally different process possible. You are not accelerating the existing workflow. You are redesigning it.

Siemens restructured quality control not by automating the inspection step, but by rethinking when, where, and what gets inspected. ING rebuilt client onboarding around AI decisioning: not faster, but structurally different. Amazon's supply chain is not a faster version of what existed before; it is a different system built around AI as the operating logic.

Level 3 is business model redesign. Harvey AI did not build a faster law firm. It **restructured the economics of legal work**: tasks once requiring institutional capital can now be delivered at a different price point, speed, and margin. 100,000 lawyers across 1,300 organisations now use the platform. Macfarlanes went further, launching Amplify, a client-facing Legal-Product-as-a-Service platform built on Harvey's infrastructure. That is Level 3: the service delivery model itself was restructured.

“We were spending 3 days per week on our hedging analysis, collecting data from purchase and sales orders to determine our position in USD, EUR and GBP. With AI it now takes up 5% of our time, and much more important, the quality of our decision making has significantly improved. We can model scenarios in real time that we simply couldn't run before. It's no longer just faster. It's a different kind of analysis.”

CFO, Dutch mid-market chemical company

WHAT DECIDES LEVEL 2 AND LEVEL 3

10 / 20 / 70

Winners invest 10% technology, 20% data, 70% people, process and operating model. Most invert this ratio. The operating model is where Level 2 is won or lost. (BCG AI at Scale, 2026)

200%+

ROI potential at Level 3. Market positions shift. Fixed vs. variable cost ratios change. Profit pools follow.

2.5x

more economic value for deep adopters than shallow deployment. (BCG Centre for Growth, June 2026)

A word on these numbers. They are indicative gross returns, not guarantees. The net value an organisation keeps depends on what the capability consumes, how fully it is adopted, and the work it allows to be retired. Read the ranges as the shape of the opportunity, not a promise.

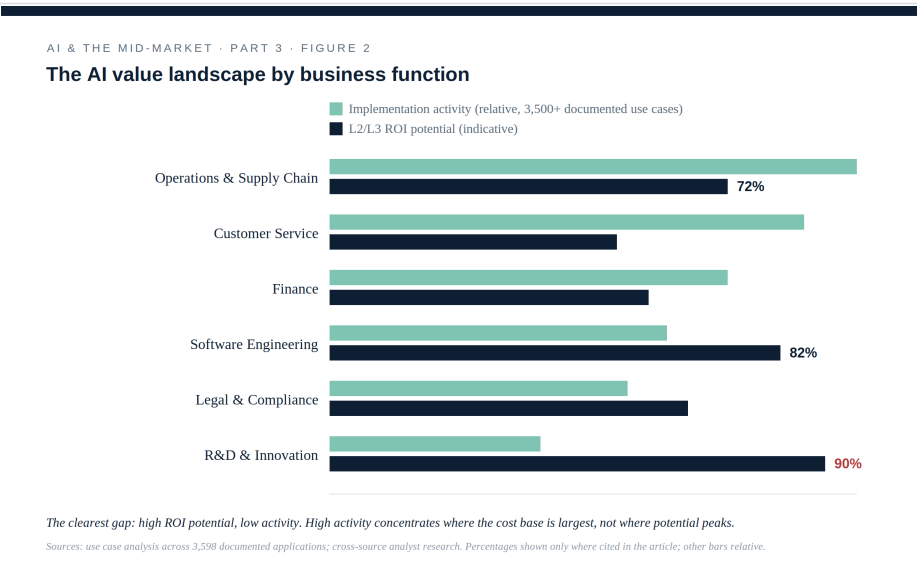
The ROI percentages describe potential, not priority. That depends on what is actually at stake in your type of organisation. Operations and Supply Chain shows 72% ROI potential at Level 2/3; R&D shows 90%. That might suggest R&D is the priority. For most mid-market organisations, the opposite is true. Operations typically represents 40 to 60 percent of the total cost base. 72% ROI on a €50M cost base generates more nominal value than 90% ROI on an R&D budget of €500K. **The nominal weight decides the priority, not the percentage.**

Implementation activity is highest in operations, customer service, and finance: the functions with the largest cost bases. The functions with the highest ROI potential and lower activity are the clearest gap: high potential, underinvested. Legal and Compliance sits in its own category: deployment is active and accelerating, but primarily at Level 1. The Level 3 restructuring potential is real, and the NL market is seeing its first examples.

“Legal teams are using AI to review and create contracts faster, and they should. But each contract portfolio is also a valuable dataset waiting to be redesigned. The firms that use their contracts that way will not just save time. They will change what, and how, clients buy from them.”

Jan-Willem Prakke · Founder & CEO, LexIQ Legal Services

FIGURE 2 · THE AI VALUE LANDSCAPE BY FUNCTION



Implementation activity versus indicative L2/L3 ROI potential per function. Percentages shown only where cited in the article; other bars relative.

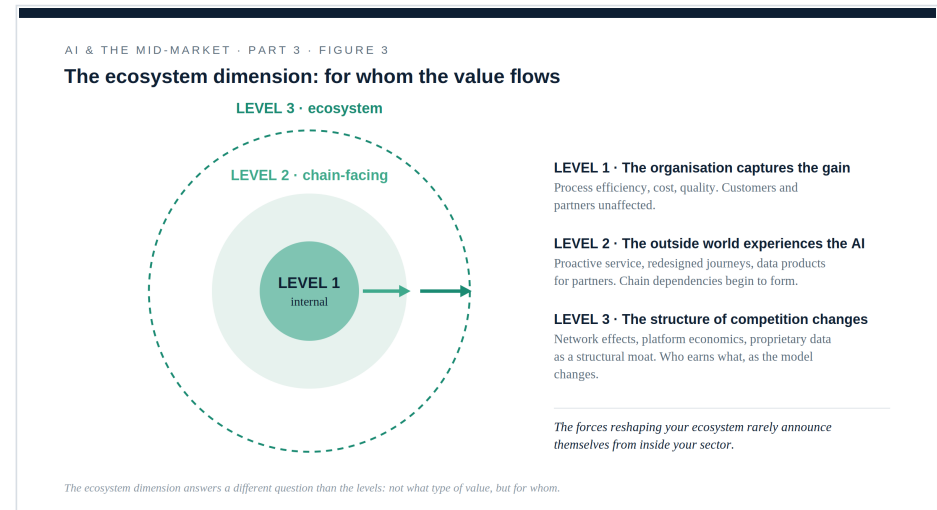
The three levels describe what type of value AI creates. There is a second dimension: for whom in your value chain that value flows. Level 1 value stays internal: the organisation captures the gain, customers and partners unaffected. Level 2 value flows outward: proactive service, redesigned journeys, new data products; the outside world experiences the AI directly and chain dependencies form. Level 3 value is ecosystem value: network effects, platform economics, proprietary data as a structural moat. AI changes the structure of competition around the company.

Banu Aysolmaz and fellow researchers at Eindhoven University of Technology, studying how AI reshapes business models, identify **value capture, who earns what as the model changes**, as the dimension both practice and research understand least.

“Delivering differently is, at heart, an operating model issue: redesigning processes, automating tasks, improving systems. Capturing value differently is more difficult because it requires rethinking the business model itself: pricing, revenue mechanisms, risk, incentives, contracts, partnering, the distribution of benefits across actors.”

Oktay Türetken · Professor of Information Systems, Eindhoven University of Technology

FIGURE 3 · THE ECOSYSTEM DIMENSION



From internal efficiency (L1), to chain-facing redesign (L2), to ecosystem economics (L3). Full ecosystem analysis available on request.

An organisation watching competitors reach Level 2 faces a customer experience gap. One watching competitors reach Level 3 faces an ecosystem restructuring. Different problems, different responses, different time horizons.

The three levels give you a map. The function and ecosystem dimensions add the terrain. What none of them provide is a starting point. That depends on your business, and specifically on the nature of the challenge you are trying to solve. Begin there. Once you understand whether you face a process to fix, a workflow to redesign, or a market position to defend, you can assess which level of response it warrants and whether the investment and organisational change are proportionate to the return.

In our advisory work [the fastest route to that starting point is friction](#): the places where waiting time, rework, and handoffs quietly drain value, inside your processes and at the seams where your work meets that of clients, suppliers, and partners.

Friction can be read in many ways. Some friction points are loud and obvious. Others are quietly fixed into the way things have always been done and never surface as a complaint. [One revealing way to expose the friction inside a complex business model is to read every contract](#), because a contract portfolio is where a business model is written down. Reading that record used to take months; AI now makes it a matter of days.

Friction is not the only signal; some of the largest opportunities and threats never show up as friction at all. But it is the most honest place to begin, because it is measurable, and nobody has to be convinced it exists. How to run that diagnosis is where Part 4 begins.

THE CONTRACT LENS · THE PORTFOLIO QUESTION

“Show me all your contracts and I will tell you what your company actually does, where your risks, opportunities and costs sit. Contracts are one of the places where a business model is written down. Until recently, reading that record took months. Now it takes days.”

Jan-Willem Prakke · Founder & CEO, LexIQ Legal Services

77% of CEOs rank AI among their top sources of competitive disruption
(Gartner, June 2026)

72% of CFOs say the same

The question is no longer whether to respond, but at which level, and whether the organisation is prepared to make the changes Level 2 and Level 3 require. Our final article addresses how to build a deliberate AI portfolio and what has to change in your operating model to make it real.

Coming up in Part 4

Part 4 turns the framework into a roadmap. How do you sequence Level 1 quick wins against Level 2 redesign when both run in parallel? What has to change in the operating model, who owns which decisions, and when do you stop an initiative that is not working? The dependency chain, and the discipline of the portfolio choice.

Next: From Strategy to Roadmap — what leaders must do, what they must stop, and what they must dare.

ABOUT THE AUTHORS

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

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Together, they advise mid-market companies on translating AI potential into strategic value.

THE SERIES IN FOUR PARTS

1 The Productivity Trap

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 ■ THIS ARTICLE

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.

CONTRIBUTORS

Jan-Willem Prakke is Founder & CEO of LexIQ Legal Services. He contributed on contracts as the record of a business model, and on the contract portfolio as a dataset waiting to be redesigned.

Prof. Oktay Türetken, Professor of Information Systems at Eindhoven University of Technology, researches how emerging technologies reshape business processes and business models. He contributed on why capturing value differently is harder than delivering it.

Dr. Banu Aysolmaz, Assistant Professor of Information Systems at Eindhoven University of Technology, researches business process management and how AI enables business-model innovation. She contributed on value capture as the least understood corner of that work.

Level 1 is necessary.

Level 2 is where the architecture changes.

Level 3 is where the rules of competition do.

Next, Part 4 — From Strategy to Roadmap: what leaders must do, what they must stop, and what they must dare.

Follow Tommy Mars and Edwin Knoop for the full series.

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