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The State of AI 2024

Enterprise adoption surges
but businesses grapple with
measuring impact

Introduction

The AI revolution is here. With generative AI poised to inject a staggering $10 trillion into the global economy over the next decade, the potential for transformative business growth is undeniable. Yet, a chasm exists between this promising future and the present reality.

Despite the immense potential, the journey to AI maturity is fraught with challenges. A staggering 80% of enterprise data remains untapped due to issues of quality, accessibility, and governance—a critical barrier to successful AI initiatives. Moreover, only 14% of businesses have managed to scale their AI pilots beyond the experimental stage. This stark reality underscores the complexities organizations face in harnessing the power of AI.

To bridge this gap between aspiration and achievement, we conducted a comprehensive survey of mid-market and enterprise organizations across the United States and the United Kingdom. Our goal was to gain firsthand insights into the current state of AI adoption, including the role of GenAI and cloud technologies.

This whitepaper presents the key findings from our research, offering valuable insights into the factors driving AI adoption, the hurdles organizations are encountering, and the strategies that are yielding successful outcomes.

Our analysis explores the critical areas of AI investment, the barriers to adoption, the growing influence of generative AI, and the strategic choices organizations are making regarding AI talent and partnerships. By examining these dimensions, we hope to explore the path forward for businesses seeking to unlock the full potential of AI.

Survey Methodology

The 2024 State of AI Study polled 300 C-Suite and senior technology executives – including Chief AI Officers, Chief Data & Analytics Officers, Chief Transformation Officers, and Chief Digital Officers – from organizations across the US and UK with at least $500 million in revenue. The study was conducted in late June and early July 2024 in conjunction with Aspectus and PureSpectrum. This report examines some of the biggest trends, successes and challenges facing businesses in their decision-making, strategy and execution as they try to unlock AI growth.

Key Findings
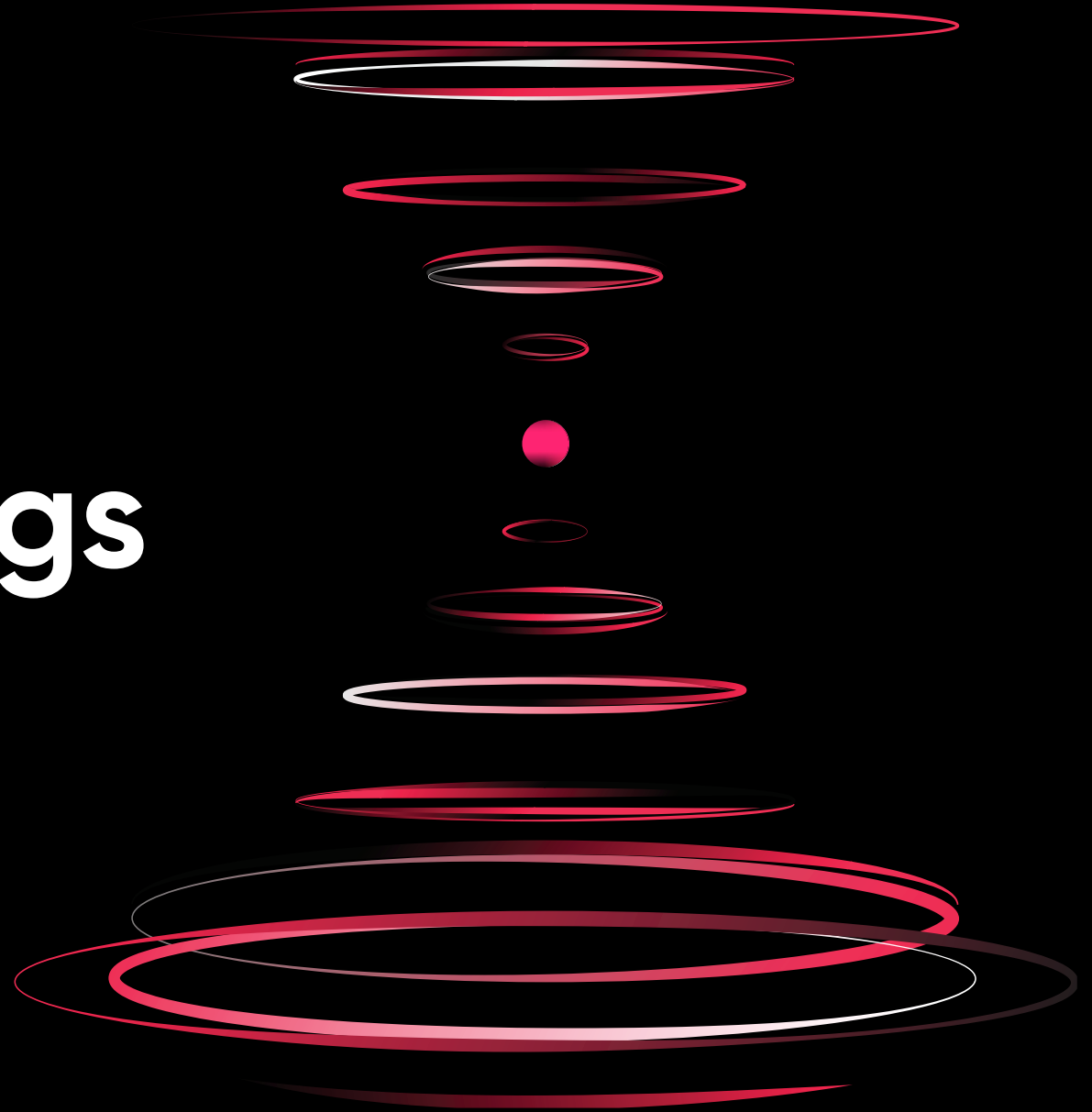
01

AI Spend and ROI: A Balancing Act

Investment in AI is on the rise, but organizations are grappling with measuring its impact.

61% of respondents said that they "strongly agree" that their organizations view AI as a key priority, while 37% agreed. This indicates a substantial level of organizational commitment to AI across the board.

While there is still room for improvement, 93% of respondents reported positive outcomes from their AI initiatives, a significant majority, with 51% of respondents saying their AI initiatives have been "very successful," and 42% saying they have been "somewhat successful." This indicates a growing acceptance and adoption of AI technologies within organizations surveyed. However, the disparity between highly and somewhat successful initiatives suggests a maturity gap in AI implementation. This presents an opportunity for organizations to focus on talent development, data quality, and robust evaluation metrics to enhance their AI capabilities and achieve greater returns on investment.

Despite these ROI issues, a quarter of respondents said that their organizations would raise their investments in AI by more than 50% over 2024 levels in the years ahead, with 8% of respondents saying they would see investments increase by up to 100% or more.

When asked how much of their organization's revenue is being allocated toward AI initiatives in 2024, a quarter of respondents said their organizations were set to spend between $11-25 million, with an additional 7% saying their organizations would spend more than $25 million in revenue on their AI initiatives this year. What's noteworthy is that only 1% of respondents said their companies are not planning to increase AI spend – indicating the widespread belief in AI's transformative potential, despite the challenges associated with measuring its impact.

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02

Overcoming AI Adoption Challenges: Opportunities and Barriers

Data privacy, legacy technology, and lack of talent are the top barriers to AI adoption for businesses.

This year's research also looked into the leading limitations that are inhibiting businesses' AI adoption, with data privacy at 45%, followed by legacy technology limitations at 40% and a lack of qualified talent at 40%, the most frequently cited in the top three by respondents.

The impact of these top three factors is profound.
Data privacy concerns, ranking highest, reflect the growing apprehension about safeguarding sensitive information, complying with regulations, and maintaining consumer trust.
These issues can lead to hesitancy in adopting AI solutions that rely heavily on vast amounts of data. Legacy technology limitations hinder the seamless integration of AI solutions into existing systems, requiring substantial investments in modernization efforts. Simultaneously, the lack of qualified talent is indicative of a significant skills gap in the market, making it challenging for organizations to find and retain the expertise needed to develop, implement, and manage AI systems effectively. These factors collectively highlight the complex interplay of technical, organizational, and human challenges impeding AI implementation.

Skepticism about AI's reliability, accuracy, and effectiveness emerged as the fourth most significant barrier, mentioned by 39% of respondents. This skepticism may stem from high-profile failures or overhyped expectations not being met, leading to caution in AI investments. Closely related, internal data issues ranked fifth, indicating that the quality and management of data within organizations are critical areas that need addressing to facilitate effective AI deployment.

The last three reasons cited by respondents were a lack of digital skills and data literacy, financial constraints, and a lack of executive or organizational buy-in. These insights suggest that a multifaceted approach, involving technological upgrades, talent development, cultural shifts, and strategic investment, is necessary to overcome the current barriers to AI adoption and fully realize its potential benefits.

"**With AI, organizations frequently focus on short-term, low-hanging fruit, which results in substantial technology and process debt that becomes costly to manage as the organization grows.**"

Paul Pallath

VP - Applied AI, Searce

"This is why only a few organizations have mastered leveraging AI at scale and disrupting the marketplace effectively," Pallath said. "The true potential of AI will never be realized if organizations pursue short-term goals or focus solely on quick wins without a long-term strategic plan."

03

Generative AI: The Next Frontier

97% of respondents reported having at least one GenAI use case already up and running.
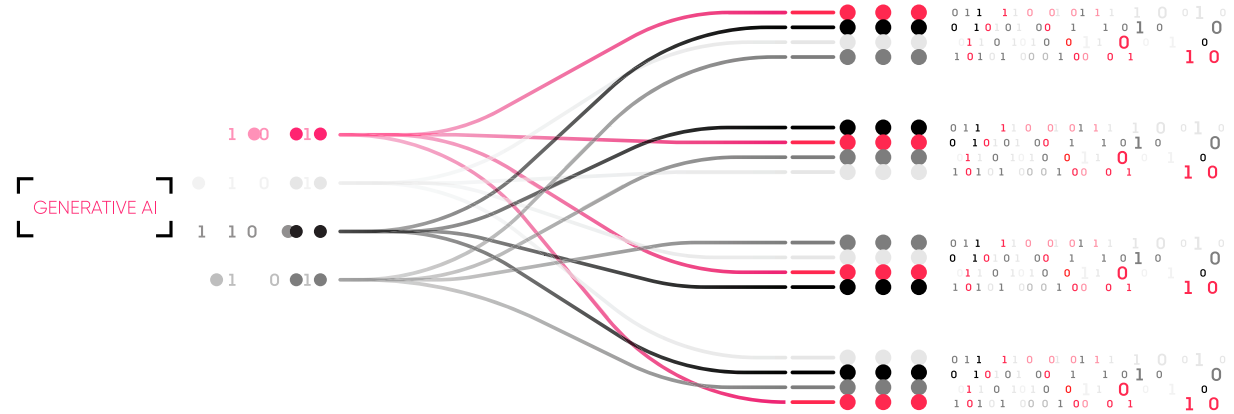
GenAI is rapidly transforming from a promising technology to a foundational element of organizational strategy. A considerable 70% of respondents report having at least three GenAI use cases already up and running, showcasing a clear commitment to AI-led transformation.

Organizations are leveraging GenAI across a diverse range of applications. Customer service tools are leading the charge with a 68% adoption rate, closely followed at 60% by internal research tools, and at 53% by content generation. With a 46% adoption seen in marketing and sales, 41% in coding, and 42% in data analysis and capture, the ability of

Generative AI technology to streamline workflows across various departments is evident.

While methodologies for measuring the exact return on investment (ROI) of GenAI initiatives are still under development, similar to broader AI applications, organizations are clearly experiencing a surge in adoption. This is further emphasized by the miniscule 3% of respondents lacking any GenAI use cases at all. This widespread embrace highlights the immense potential of GenAI, and ongoing efforts to refine measurement methods will only serve to unlock its full transformative power in the years to come.

Vrinda Khurjekar, Senior Director, AMER, at Searce, highlighted the importance of choosing the right use case for AI adoption, stating that **"Lack of prioritization of a well-qualified use case is the number one cause of poor adoption of AI."**

"Having a focused approach on which use cases to handle first will go a long way in accelerating AI adoption," Vrinda Khurjeker said. "And you cannot achieve this unless you thoroughly look at your entire organization, understand where AI can have a maximum impact and then prioritize which needs to tackle first. To do this more efficiently, companies should consider having representatives from the entire organization be part of the decision making process" Khurjeker added.

04

Why Are Organizations Embracing AI?

Organizations are adopting AI primarily for revenue growth, followed by cost savings, enhanced customer service, and business process modernization.

The survey reveals the key drivers behind the surge in AI adoption among organizations with revenue growth and new business opportunities being the top priorities, having a significant 33% of respondents citing this as their primary reason for implementing AI. This highlights the technology's potential to unlock new markets and significantly boost profitability.

Cost savings and process automation follow at 23%.
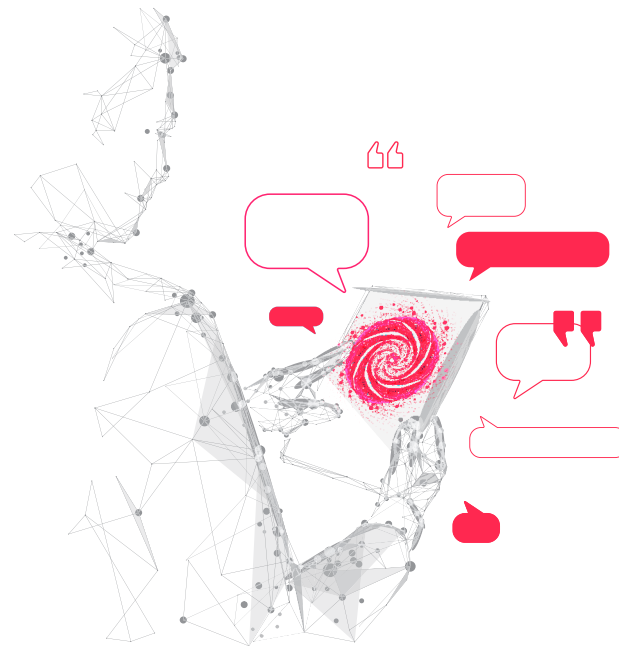
Organizations see AI as a powerful tool to streamline operations, reduce manual work, and optimize workflows, ultimately leading to substantial cost reductions.

Enhanced customer service is another key motivator, with 20% of respondents highlighting AI's ability to personalize interactions, improve support availability, and resolve issues faster, resulting in a more satisfied customer base. While less prevalent, 13% organizations also cited leveraging AI for business process modernization, aiming to update and improve existing processes for greater efficiency and effectiveness.

Julian Mulhare, Managing Director, EMEA, at Searce, emphasizes the importance of focusing on measurable returns from AI investments:

"As global investments in AI continue to rise, as our research has found, it is crucial for businesses to focus not just on spending, but on the tangible returns these investments can deliver. Strategic AI adoption can transform operations and drive significant growth," he says.

Acknowledging the ongoing challenges of AI adoption, particularly the talent gap, he adds, "From speaking with our European clients, we also know how much pressure businesses face to keep up with the latest technological demands. A lot of the findings in our research reflect some of those conversations including the challenges to AI adoption. Lack of qualified talent has been something we've been talking about since our inception in 2004 and is why many businesses come to us to help plug that internal skills gap."

05

Building vs. Buying: The AI Talent and Partnership Equation

Organizations are purchasing AI solutions and partnering with external providers to leverage their expertise and accelerate AI initiatives.

Historically, organizations have favored in-house development for core competencies. However, a paradigm shift seems to be underway in the AI space in late 2024, one year after the Generative AI boom.

63% of organizations say that they purchase solutions to help them meet their AI needs versus building them in-house. In addition, 54% said that they both purchased solutions and partnered with an external resource for services related to those solutions, while only 9% said that they purchased solutions but relied on their own internal resources for services.

The data underscores a pronounced shift towards external partnerships for AI initiatives. While a significant minority, just 37%, of organizations are building and providing AI solutions in-house, the majority are opting to purchase pre-built solutions. This preference highlights the recognition of specialized expertise and accelerated time-to-market advantages offered by external providers. Furthermore, the prevalence of hybrid models, combining purchased solutions with external services, reflects a strategic approach to balancing internal capabilities with external support, optimizing for cost, speed, and risk mitigation.
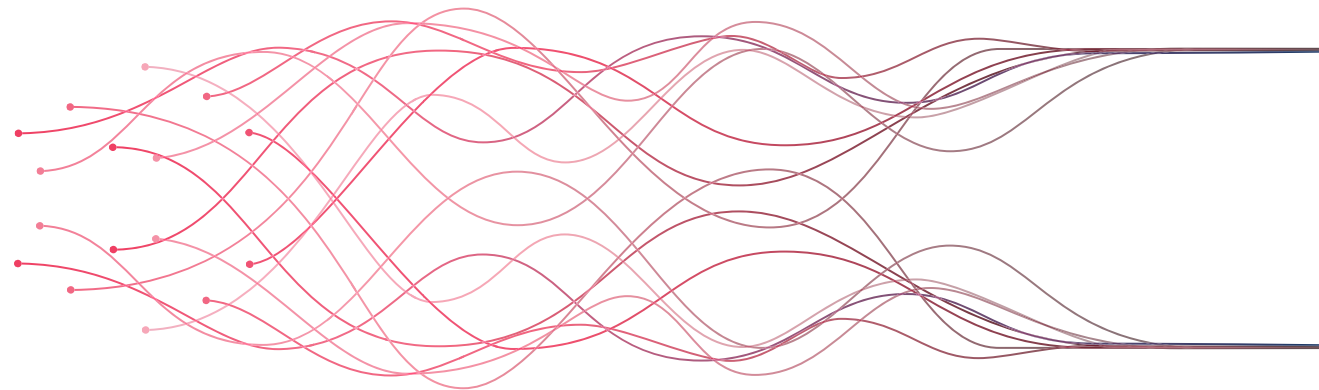
"The growing preference for purchasing AI solutions and partnering with external experts underscores the imperative for specialized expertise and accelerated deployment.
However, it also surfaces the need for a well-defined organizational strategy and enterprise architecture framework to harness AI's full potential. Without this, businesses risk creating fragmented systems that hinder its transformative impact.
Effective integration of external partnerships within a coherent strategic blueprint is essential to realizing AI's transformative benefits while ensuring alignment with broader business goals."

Paul Pallath

VP - Applied AI, Searce

The Future of AI adoption: Beyond the Hype

The findings of this whitepaper paint a clear picture: the AI revolution is here, and businesses are eager to capitalize on its transformative potential. Despite challenges related to data, talent, and ROI measurement, organizations are actively investing in AI and exploring the immense possibilities of Generative AI.

From financial services to retail, AI is fundamentally changing the way that organizations operate today as well as helping them prepare for their next phase of future growth. Yet, while organizations recognize the potential that AI can have on their operations, many are still finding it challenging to adopt AI in a way that allows them to tackle their own specific goals and achieve real business outcomes with as little friction as possible. This year's research looks into significant AI adoption trends but more importantly, the key opportunities and priorities that need to be addressed so that AI spends can be optimized and ROI increased.

The path forward lies in navigating these challenges strategically. Businesses must prioritize clear use cases, invest in data quality, and embrace a culture of experimentation.

Organizations often pour money into their AI initiatives without a clear vision of what they want to achieve, leading to disappointing results. To truly generate ROI, organizations need to move away from blindly investing in these initiatives and hoping for the best, and instead embrace an outcome-centric approach underpinned by proper governance, measurable frameworks and change

management processes. This will allow projects to be built from the outset in an accountable way with a clear set of end benefits in mind.

To navigate the complexities of AI adoption, it's essential to identify high-impact use cases, build and implement effective solutions, and ensure measurable results. By focusing on what matters and how to measure it, businesses can unlock AI's full potential and drive real results.

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