LUMO INSIGHTS

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AI investment boom, ROI reality check: hard truths emerge

Executive Summary

In the last 48 hours, new data has delivered an uncomfortable reality check for leaders betting big on AI. Despite record investments, most AI projects still aren't delivering promised returns, and surging AI costs - plus some high-profile stumbles - are prompting CFOs and boards to demand real value. A few organisations are starting to unlock genuine returns by taking a markedly different approach, offering a blueprint for how to finally realise AI's business value.

The ROI gap: hype vs reality

Over the past two days, a wave of new analysis has laid bare the gap between AI hype and actual results. Fresh evidence indicates that roughly 80% of enterprise AI projects fail to deliver their expected business value. In a global review, only about 5% of companies report achieving "substantial" AI benefits at scale, while the majority see minimal or no gains (masterofcode.com [1]). Similarly, IBM recently disclosed that just 25% of its clients' AI initiatives have met their original ROI targets, and a mere 16% of those were successfully scaled across the enterprise. In short, despite years of tech investment, most organisations are still waiting to see meaningful financial returns from AI.

Paradoxically, many companies are continuing to pour money into AI even when returns disappoint. Bain & Company's latest survey found nearly 40% of firms that measured AI-driven cost savings saw less than a 10% reduction in costs - roughly half of what they were aiming for - yet about 90% of those companies plan to keep increasing AI spending (www.bain.com [2]). This suggests a powerful fear of missing out: even if results are underwhelming, executives worry that pulling back on AI might mean falling behind competitors. But chasing the hype without clear returns is a strategy that's looking increasingly risky.

Part of the confusion comes from how "AI success" is measured. Some surveys paint a rosy picture: a recent Wharton study reported that roughly three-quarters of firms claim positive ROI for at least some AI use cases. However, such claims often refer to narrow pilot projects or efficiency anecdotes rather than broad, bottom-line impact. In contrast, a global CEO poll by PwC revealed 56% of companies saw no boost to revenue or reduction in costs from AI over the past year (almcorp.com [3]). The message is clear - there's a vast difference between experimenting with AI and achieving real business value, and stakeholders are growing sceptical of anecdotal wins that don't translate into financial outcomes.

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Rising costs, rising scrutiny

For much of the recent AI boom, companies wrote blank cheques for AI initiatives - but 2026 is bringing a financial reality check. Gartner projects worldwide AI spending will reach about $2.59 trillion this year, a startling 47% jump from 2025. Yet fewer than one-third of corporate decision-makers can identify specific financial benefits from their AI investments so far. That disconnect is prompting CFOs and boards to ask tough questions. According to Forrester research, roughly 25% of planned 2026 enterprise AI spending is already being postponed to 2027 amid heightened ROI scrutiny. The era of unchecked AI budgets is ending as finance chiefs demand to see business impact before signing off on more funding.

Individual examples underscore why the purse strings are tightening. An Axios investigation recently revealed how one large company inadvertently racked up an eye-watering $500 million cloud bill in a single month on an AI project that lacked proper usage controls. Even tech giants have felt the sting of ballooning costs: Microsoft had to rein in employees' use of a third-party AI coding assistant after internal bills surged, with insiders noting the move was driven as much by financial pressure as by policy alignment (www.forbes.com [1]). These cautionary tales highlight the need for disciplined cost governance - without it, AI initiatives can spiral into budget nightmares, regardless of their promise.

Meanwhile, the competitive dynamics of the AI industry are adding another twist to the ROI challenge. According to a Wall Street Journal report, OpenAI is weighing significant price cuts for its flagship GPT models to counter upstart rival Anthropic, foreshadowing an AI "price war" among vendors (techstartups.com [2]). In fact, the first half of 2026 saw virtually every major AI provider slash usage fees by 30% - 70% in a scramble for market share. For enterprise buyers, lower AI prices are a welcome relief - but they also signal that early AI services may have been overvalued, and profitability for providers is under pressure. Investors, too, are growing wary: even leading AI firms have missed revenue targets and face surging infrastructure costs. OpenAI's own CFO has reportedly warned that the company might struggle to pay its massive cloud computing bills if revenues don't keep pace (www.forbes.com [3]). The bottom line is that the days of chasing AI at any cost are numbered. Both providers and customers are now being forced to rationalise costs and prove that these investments can deliver real, sustainable returns.

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Why so many AI projects underperform

Why do so many AI initiatives fall short? Analysts point to a pattern of basic missteps. Many projects have been "overly ambitious or poorly scoped" relative to what the organisation can realistically support (techstartups.com [1]). Too often, teams treat AI as a magic fix for deep-seated problems and expect immediate transformation; when that doesn't happen, confidence plummets and projects lose momentum (techstartups.com [2]). As one Gartner research director warned, an AI solution that doesn't mesh with a company's existing operations and workflows 'simply can't deliver ROI' (techstartups.com [3]). In the rush to see quick gains, some firms even tried to cut headcount expecting AI to fill the gap, only to find no improvement in performance compared to peers that kept their staff. In short, unrealistic expectations and poor alignment with business reality are undermining

many AI efforts from the start.

A lack of organisational readiness is another major culprit. Companies often plunge into AI experiments without the data quality, infrastructure, or talent needed to succeed. In one survey, 38% of AI project leaders cited inadequate expertise on their teams as a key reason for setbacks, and an equal 38% pointed to poor data quality or access issues (techstartups.com [4]). Change management is also being neglected: many organisations are deploying AI without sufficiently preparing the people and processes that must work with these new systems. An HCLTech study warns that nearly 43% of large-scale AI initiatives are likely to fail, not due to technical limitations, but because organisations struggle to adapt their structures and talent to the demands of AI-driven change (www.hcltech.com [5]) (www.hcltech.com [6]). In other words, the technology might be ready, but the enterprise often is not.

The fallout from these missteps is now evident across industries. In healthcare, AI-powered diagnostic tools that performed well in trials turned out to be ineffective on messy, real-world patient data at scale. Financial services firms deployed AI trading models that aced historical tests but couldn't cope with live-market volatility. Retailers implemented AI demand forecasting systems, only to find their predictions were no more accurate than the spreadsheets they were meant to replace. Even a tech leader like Salesforce had to scale back a high-profile AI initiative: after its CEO hailed the new "Agentforce" customer service AI as a game-changer, four top sponsors of the project left within months, and the company laid off nearly 1,000 employees tied to the programme when ROI failed to meet expectations. The common thread in these failures is not that AI technology doesn't work - it's that business processes, data practices, and change management were not up to the task of turning promising AI pilots into sustainable, real-world results.

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Blueprint for realising AI value

A small percentage of companies are bucking these trends and proving that meaningful AI ROI is achievable - but they are doing it with a very different approach. Studies show that the ~12% of enterprises getting full value from AI share a key trait: they treat AI not as a fad or stand-alone tech project, but as a strategic business transformation initiative (almcorp.com [1]). These leaders start with clear business outcomes in mind and align AI projects tightly with corporate strategy and core operations. Rather than scattering pilot projects everywhere, they focus on a few high-impact, data-rich areas, and redesign those workflows to incorporate AI where it truly moves the needle.

Crucially, successful adopters use AI to empower their workforce, not replace it. An extensive analysis of enterprise AI programmes found that companies which augmented employees with AI achieved roughly twice the cash-flow margin gains of those that focused on headcount reduction. This finding flips the script on the assumption that automating jobs is the quickest path to ROI. High performers instead pair AI with training and change management so employees can work alongside new tools effectively, boosting productivity and quality without eroding morale.

Leaders who have cracked the AI ROI code also maintain strong oversight and iterative investment discipline. They establish concrete ROI metrics (for example, cost per AI-assisted transaction or time saved per process) and track them rigorously, pulling the plug on projects that don't show early value. Early wins are used to fund subsequent phases, creating a flywheel of reinvestment. A financial services CIO recently explained that his team only greenlights AI use cases with "ROI very top of mind" from day one - weighing each project by its expected impact on revenue, cost, or customer satisfaction, just as they would any other investment (www.cio.com [2]). By treating AI with the same rigour as other strategic initiatives, these organisations ensure that AI actually delivers business results, not just interesting demos.

This emerging AI value playbook - strategic alignment, strong data foundations, empowered employees, and relentless focus on measurable outcomes - is what separates the AI winners from the rest. Enterprise leaders under pressure to justify AI spend should take note: the goal isn't to invest more in AI for its own sake, but to invest smarter. The true promise of AI will be realised by those who pair ambition with accountability, turning targeted automation into tangible returns.

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Key Statistics

- Only ~5% of companies achieve "substantial" ROI from AI at scale ([masterofcode.com](https://masterofcode.com/blog/ai-roi#:~:text=Wrapping%20Up%20FAQ%20How%20Do,ROI%20and%20competitive%20effects%20typically))
- 56% of CEOs report no boost in revenue or reduction in costs from AI over the past 12 months ([almcorp.com](https://almcorp.com/blog/ai-roi-crisis-56-percent-ceos-no-revenue-gains-pwc-survey-2026/#:~:text=Global%20CEO%20Survey%2C%20which%20polled,immediate%20business%20transformation%20tool%20and))

KEY TAKEAWAY

Pause the AI hype and demand tangible results. No more blank cheques - require a robust business case and clear ROI metrics for every AI project. Strengthen data foundations and change management, and focus on high-value, "AI-ready" use cases that truly enhance (not just replace) your workforce for real business impact.

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