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AI’s ROI reality check: hard truths behind the hype

Executive Summary

After years of surging AI investment, measurable returns remain stubbornly elusive for most enterprises (www.beri.net [1]). New findings over the past 48 hours reveal a widening gap between soaring AI spending and actual business value delivered (www.uctoday.com [2]) (hoolahoop.io [3]). A small minority of companies is capturing outsize gains from AI by taking a fundamentally different approach, forcing other business leaders to rethink their own AI strategies (www.pwc.com [4]).

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Soaring Investments, sober returns

Enterprise investment in AI is at an all-time high, but the business returns are not keeping pace. Global corporate AI spending is projected to reach $2.59 trillion in 2026, a staggering 47% jump from last year and the fastest-growing category of enterprise tech spending ever recorded. Many companies have dramatically increased their AI budgets - one Q2 2026 survey of large firms found an average of $188 million spent per organisation on AI initiatives (www.uctoday.com [1]) - under intense pressure to stake a claim in the AI race.

Yet for all this spending, a majority of organisations have little to show in bottom-line impact. One recent analysis revealed that only 21% of S&P 500 companies can cite any measurable business benefit from AI as of late 2025 (www.beri.net [2]). Similarly, 56% of global CEOs reported no significant cost reductions or revenue increases from their AI investments over the past year (www.forbes.com [3]). Only 12% of those chief executives reported achieving both higher revenues and lower costs through AI - a striking indication that true, broad-based ROI from AI remains rare (www.forbes.com [4]).

Part of the challenge is that many companies still aren’t sure how to measure AI’s impact on financial performance. In an IBM CEO survey, while 79% of executives said they saw productivity gains from AI, just 25% of AI projects were actually delivering their expected ROI, and only 16% of initiatives had scaled successfully across the enterprise (www.ibm.com [5]). Fewer than one in three organisations today feel confident they can quantify the returns on their AI investments (www.ibm.com [6]). The bottom line: efficiency improvements alone are not translating into tangible business value for most companies, exposing a growing disconnect between the AI hype cycle and operational reality.

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The hidden costs come due

A second factor dragging down AI ROI is an epidemic of underestimated costs. New data shows that the biggest "bills no one saw coming" are operational expenses, not the upfront cost of AI software itself (www.beri.net [1]). Enterprises budgeted for AI licenses and development, but far fewer planned for the ongoing costs of running AI at scale - including the skyrocketing cloud compute bills for model inference (i.e., the processing needed every time an AI generates an output), the monitoring and quality-control infrastructure for AI outputs, and the teams of humans needed to oversee and fine-tune these systems (www.beri.net [2]). In one survey of 240 global companies, the difference between top-quartile and bottom-quartile AI programmes was not model sophistication but "operating discipline" - meticulous tracking of unit costs per AI query, strict guardrails to prevent wasteful use, and a willingness to shut down pilots that aren't delivering measurable value (www.beri.net [3]).

The consequences of poor cost control are now coming to light. An eye-opening investigative report this week described how one large enterprise ran up a stunning $500 million cloud AI bill in just 30 days by failing to implement basic usage caps and monitoring. While $500 million in a month is an extreme case, the root cause is not unique: when companies give virtually unlimited access to expensive, usage-based AI services without clear budgets or oversight, costs can spiral from $5 million to $500 million in the blink of an eye. This kind of scenario, once unimaginable, has prompted many CFOs to question how easily AI spending can overshoot, especially if adoption outpaces financial governance.

Even tech giants at the forefront of AI are feeling the pinch of these expenses. Nvidia's VP of applied research, Bryan Catanzaro, admitted that for his team, "the cost of compute is far beyond the costs of the employees" - a remarkable statement that underscores how AI-related cloud bills are rivaling or exceeding payrolls in cutting-edge companies. Likewise, Uber's CTO recently revealed the company blew through its entire 2026 budget for AI-powered coding tools by April. In response, Uber imposed a firm limit of $1,500 per employee per month on these AI coding assistants and started migrating developers to more cost-effective in-house tools, after some employees racked up individual AI bills as high as $2,000 in a single month. These anecdotes reveal a sobering truth: even for the world's most tech-savvy firms, "cheap" generative AI tools can carry heavy ongoing costs that threaten to outrun their perceived benefits.

Facing these unsustainable economics, organisations are re-evaluating their build-vs-buy decisions. For the last few years, conventional wisdom held that buying off-the-shelf AI services was cheaper and faster than building custom models. That assumption is now being challenged. As of June 2026, some open-source "open-weight" AI models can be run at roughly 10 - 12× lower cost than comparable proprietary AI offerings, thanks to efficiency gains and dropping hardware costs

(www.digitalapplied.com [4]). This dramatic cost inversion means businesses must reassess where it makes sense to rely on big cloud AI providers versus when developing or fine-tuning their own models could yield a better return on investment. In short, the rush to adopt AI is giving way to a more cost-conscious approach, as companies seek to control the long-term operating expenses that come with these powerful new systems.

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Where AI falls short

The drumbeat of AI success stories in the media obscures a more uncomfortable statistic: most AI initiatives simply aren't delivering. Gartner's latest figures estimate that roughly 80% of AI projects ultimately fail to generate any business value for the organisations that funded them. A report from S&P Global found that 42% of enterprises abandoned at least one AI project in 2025 due to poor outcomes - a rate of project abandonment that more than doubled from the year prior. This high fallout underlines how frequently AI pilots and proofs-of-concept never translate into productive systems, often because initial use cases weren't tied to a clear business need or lacked executive support to endure early setbacks.

Some of the missteps are becoming apparent. One counterintuitive finding: cutting staff in hopes of a quick AI-driven efficiency boost does not guarantee higher returns. Gartner observed that companies which reported AI-driven layoffs saw no correlation with improved ROI - they cut headcount without seeing the technology pay for itself. Meanwhile, an analysis by Workday indicates that even when AI tools do save employees significant time, much of those gains are lost to the extra work of correcting errors and refining AI output before it can be used (mexicobusiness.news [1]). In other words, if an AI system drafts a report or answers a customer query incorrectly, humans still spend hours cleaning up after it. These kinds of inefficiencies can erase the expected benefits of automation.

The growing acknowledgment of underperformance is leading some companies to hit the brakes on AI projects. In the financial services and tech sectors, there are already examples of high-profile retreats. For instance, Salesforce - after making a big splash with its "AI for everyone" vision - quietly scaled back its internal "Agentforce" AI initiative, cutting staff and seeing the departure of four senior AI executives in the span of a few months. And in a recent tech restructuring, Fidelity Investments eliminated up to 1,000 jobs while explicitly stating that none of the roles would be replaced by AI, signalling tempered expectations for AI-driven productivity gains. These course corrections send a clear signal: even industry leaders will pull support from AI efforts that are not delivering tangible returns, especially in a climate where patience for experimentation is wearing thin.

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Boardroom pressure: show us the ROI

The enthusiasm that once shielded AI projects from tough questions is giving way to sharp scrutiny from boards and investors. Gone are the days when directors simply asked, “What’s our AI strategy?” - today they’re more likely to demand, “What are we getting from our AI spend, and how do we know?” (hoolahoop.io [1]). According to Kyndryl’s late-2025 global survey of 3,700 business leaders, 61% say they feel more pressure to prove AI ROI now than they did a year ago (hoolahoop.io [2]). Top executives who championed ambitious AI programmes are finding themselves in the hot seat to justify those bets in concrete financial terms.

Investors, too, are signalling that the period of unchecked AI enthusiasm is over. Nearly a quarter of business leaders globally report direct pressure from investors to demonstrate real returns on AI initiatives (www.uctoday.com [3]). Market analysts have begun factoring AI ROI into company valuations and even the cost of capital. Recent stock performance data shows that companies deemed leaders in both AI infrastructure and ROI measurement beat the broader S&P 500 index by roughly 1,200 basis points (about 12%) over the last year (www.beri.net [4]). On the flip side, corporate borrowers identified as aggressive "AI adopters" - those investing heavily in AI without evidence of payoff - are facing roughly 30 bps higher credit spreads on their debt, as lenders grow wary of funding AI projects that lack clear returns (www.beri.net [5]). In short, financial markets are beginning to reward organisations that can quantify and prove their AI value, while penalising those that can’t.

This shift means C-suite leaders must now be prepared to discuss AI initiatives in the language of business outcomes. As one industry advisor noted this week, many technology leaders who oversaw a flurry of AI projects are "now being asked to retroactively justify those decisions in financial language they were never tracking" (hoolahoop.io [6]). CIOs and CTOs can no longer get by with anecdotes about pilot projects and platitudes about innovation. Boards are asking for hard numbers, standardised "AI P&L" reporting, and evidence that AI investments are contributing to revenue growth, cost savings, or other concrete metrics of success (www.forbes.com [7]). The goalposts have moved - and the onus is on executives to show that AI is not just cutting-edge, but cost-effective.

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Bridging the ROI Gap

Is there a way to turn AI’s promise into practice? The experiences of the small minority of AI winners suggest a strategic pivot that others can learn from. These leading companies approach AI with a clear focus on business value from day one. They start by identifying high-impact, feasible use cases and setting a concrete financial hypothesis for each: for example, expecting an AI system to reduce a specific cost (say, claims processing from $18 to $11 per claim, saving $6 million annually) or increase a key performance metric by a target amount within a defined timeframe (www.beri.net [1]).

This ensures every project begins with measurable success criteria and a plan to track progress within the first few months - and to pull the plug if the metrics don't move in the right direction.

Another differentiator is that AI leaders bake rigorous measurement and cost management into their deployments. They instrument AI initiatives with dashboards and analytics that map model usage to business KPIs and unit costs (www.forbes.com [2]), giving finance teams an "AI ledger" to monitor value creation versus expenditure. By enforcing cost-per-use thresholds and cultivating the organisational will to terminate underperforming pilots, these companies prevent pilot sprawl and resource wastage (www.beri.net [3]). They treat AI projects as business transformation efforts, not science experiments - meaning the goal is not to deploy fancy algorithms for their own sake, but to move the needle on efficiency, customer satisfaction, revenue, or other strategic metrics.

Crucially, successful AI adoption is as much about people and processes as technology. Top-performing firms are twice as likely as others to revamp business processes and workflows to integrate AI, rather than simply layering new tools onto old routines (www.pwc.com [4]). They invest heavily in change management and workforce development - 48% of organisations in a recent KPMG study are actively upskilling employees to work effectively with AI, and 71% report significant progress in human-AI collaboration (up from 60% just one quarter earlier) (www.uctoday.com [5]). These companies treat AI as a means to augment their workforce, not replace it. The payoff: enterprises using AI to empower employees (instead of cutting staff) are achieving roughly 2× higher cash-flow margin growth than their peers.

Finally, there is a pattern of strong leadership and governance among the ROI-positive outliers. Many of the organisations seeing the greatest returns have clear executive ownership of AI outcomes - often at the very top. In fact, firms where the CEO is ultimately accountable for AI's impact are nearly four times more likely to realise meaningful ROI from AI projects than those where accountability is diffuse (www.uctoday.com [6]). These leaders also build trust and guardrails around AI, implementing robust responsible AI frameworks and cross-functional governance boards to ensure the technology is used ethically and effectively (www.pwc.com [7]). By coupling visionary goals (like new revenue streams) with disciplined execution and oversight, the leading 20% of companies are not only generating remarkable ROI themselves, they are rewriting what "successful" AI adoption looks like in practice (www.pwc.com [8]) (www.pwc.com [9]).

The lesson for other senior executives is clear: capturing real value from AI requires a paradigm shift from opportunistic experimentation to strategic, accountable integration. That means applying the same financial rigour to AI projects as any other major investment - define target returns upfront, monitor progress with meaningful metrics, and be ready to course-correct or cancel projects that aren't delivering. As one industry expert put it, the honeymoon phase of AI magic is over, and competitive advantage now "will accrue to the organisations that stop celebrating pilots and start auditing outcomes" (www.forbes.com [10]). In 2026's climate of heightened scrutiny, success with AI will belong to those who treat it not as a shiny experiment, but as a scalable business transformation lever that must earn its keep.

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Key Statistics

- 56% of CEOs report no significant cost reductions or revenue increases from AI in the past 12 months ([www.forbes.com](https://www.forbes.com/sites/guneyyildiz/2026/01/28/56-of-ceos-see-zero-roi-from-ai-heres-what-the-12-who-profit-do-differently/#:~:text=provides%20the%20definitive%20checkpoint%3A%2056,transformation%20required%20to%20monetize%20them)), and only 12% achieved both types of gains - revealing how rare true AI ROI has been so far ([www.forbes.com](https://www.forbes.com/sites/guneyyildiz/2026/01/28/56-of-ceos-see-zero-roi-from-ai-heres-what-the-12-who-profit-do-differently/#:~:text=provides%20the%20definitive%20checkpoint%3A%2056,transformation%20required%20to%20monetize%20them)).
- Just 7% of global business leaders say they have established ROI from their AI initiatives ([www.uctoday.com](https://www.uctoday.com/productivity-automation/kpmg-ai-cost-visibility-roi-survey-2026/#:~:text=million,AI%20deployment%2C%20the%20majority%20of)), while 24% are already facing pressure from investors to demonstrate value from AI spending ([www.uctoday.com](https://www.uctoday.com/productivity-automation/kpmg-ai-cost-visibility-roi-survey-2026/#:~:text=million,AI%20deployment%2C%20the%20majority%20of)).
- Nearly three-quarters (74%) of AI's economic value is being captured by only 20% of organisations (the top AI performers) ([www.pwc.com](https://www.pwc.com/gx/en/news-room/press-releases/2026/pwc-2026-ai-performance-study.html#:~:text=technology,The%20research%20shows%20that%20these)) - leaving the vast majority of companies still stuck in pilot mode.

KEY TAKEAWAY

It's time to scrutinise AI investments with the same rigour as any business expenditure. Insist on clear ROI hypotheses, track costs and outcomes closely, and focus AI on high-impact, measurable use cases - or risk sinking resources into initiatives that won't pay off.

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