Building AI into the Institution, Not Around It

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> "*AI creates lasting value only when it becomes part of how the institution thinks, decides, and operates—not when it remains an external tool applied to isolated problems.*"

1 Introduction

Many organizations have made significant progress in adopting artificial intelligence, deploying models across functions such as marketing, finance, operations, and supply chain. These initiatives often deliver measurable improvements, demonstrating that AI can enhance forecasting accuracy, automate workflows, and generate valuable insights. However, despite these successes, most organizations remain in a state where AI operates at the edge of the enterprise rather than at its core.

The central issue is not technical capability, but integration. AI is frequently implemented as a set of tools or projects, rather than as a system that shapes how decisions are made across the organization. As a result, the impact of AI is localized, fragmented, and difficult to scale. This paper argues that the next phase of enterprise AI requires embedding AI into the institution itself, transforming it into a core capability that informs planning, operations, and leadership.

2 The Limits of Edge-Based AI

In many organizations, AI exists as an overlay on existing processes. Models are developed to address specific problems, and their outputs are incorporated into workflows on an ad hoc basis. While this approach enables rapid experimentation, it does not fundamentally change how the organization operates.

Edge-based AI has several limitations. First, it leads to fragmentation, as different teams build independent solutions that are not aligned. Second, it creates inconsistency, as decisions are made

using different data, assumptions, and methodologies. Third, it limits scalability, as each new use case requires a separate implementation.

Most importantly, edge-based AI does not influence the core decision processes of the organization. It provides input, but it does not define how decisions are evaluated or coordinated.

3 From Tools to Institutional Capability

To realize the full value of AI, organizations must move from viewing AI as a collection of tools to treating it as an **institutional capability**. This requires embedding AI into the processes through which decisions are made, rather than applying it to individual tasks.

An institutional capability has several defining characteristics. It is persistent, meaning it operates continuously rather than on a project basis. It is integrated, meaning it connects data, models, and decisions across functions. It is governed, meaning it operates within a framework that ensures consistency, accountability, and alignment with organizational objectives.

Building such a capability requires a shift in both architecture and mindset. AI must be designed as part of the operating system of the enterprise, not as an add-on.

4 Embedding AI into Planning

Planning processes are a natural starting point for institutionalizing AI. Strategic planning, financial planning, and operational planning all involve forecasting, scenario evaluation, and resource allocation.

Embedding AI into planning means moving beyond static plans based on single forecasts. Instead, plans are developed using scenario-based frameworks that incorporate uncertainty and allow for dynamic adjustment. Decision-makers can evaluate alternative strategies, understand trade-offs, and update plans as new information becomes available.

This transforms planning from a periodic exercise into a continuous, adaptive process.

5 Embedding AI into Operations

Operational processes provide another critical opportunity for integration. Decisions related to inventory management, pricing, logistics, and workforce allocation are made frequently and have immediate impact.

By embedding AI into these processes, organizations can create systems that continuously evaluate conditions and recommend actions. These systems can incorporate real-time data, simulate outcomes under different scenarios, and optimize decisions within constraints.

Importantly, this does not eliminate human involvement. Instead, it provides a structured framework that enhances decision-making and ensures consistency across operational activities.

6 Embedding AI into Leadership Processes

Perhaps the most significant transformation occurs at the leadership level. Executive decisions often involve complex trade-offs, long time horizons, and high levels of uncertainty. Traditionally, these decisions rely heavily on experience, intuition, and fragmented analysis.

Embedding AI into leadership processes means providing executives with systems that integrate data, scenarios, and decision evaluation into a coherent framework. This enables more rigorous

analysis of strategic options, better understanding of risks, and improved alignment across the organization.

It also supports more effective communication, as assumptions and trade-offs are made explicit and can be discussed transparently.

7 The Role of a Decision Platform

A key enabler of institutional AI is the development of a **decision platform**. This platform serves as the connective layer that integrates forecasting, simulation, causal modeling, and optimization into a unified system.

The decision platform standardizes data definitions, aligns assumptions, and provides a consistent framework for evaluating decisions. It allows different parts of the organization to operate using shared scenarios and models, reducing fragmentation and improving coordination.

Rather than replacing existing systems, the platform orchestrates them, ensuring that their outputs are used in a coherent and consistent manner.

8 Governance and Operating Model

Institutionalizing AI also requires a governance framework and operating model that support its use. This includes defining roles and responsibilities, establishing standards for data and models, and creating processes for monitoring and improving decision quality.

Governance ensures that AI is used responsibly and effectively, while the operating model defines how it is integrated into daily activities. Together, these elements create the conditions for AI to function as a core capability rather than an isolated tool.

9 Enterprise Implications

Organizations that successfully embed AI into the institution gain several advantages. They achieve greater consistency in decision-making, as actions are evaluated using shared frameworks. They improve resilience, as decisions are designed to perform across a range of scenarios. They also increase agility, as systems can update and adapt to new information.

In contrast, organizations that continue to treat AI as an edge capability may achieve localized improvements, but struggle to realize its full potential. The gap between these two approaches will become increasingly significant over time.

10 Conclusion

The future of enterprise AI is not defined by the number of models deployed, but by the extent to which AI is embedded into the institution.

Organizations must move beyond applying AI to isolated problems and instead build systems that integrate AI into planning, operations, and leadership processes. This requires a shift in architecture, operating model, and mindset.

The organizations that succeed will be those that treat AI as a core institutional capability and build decision systems that support it. In doing so, they will transform AI from a tool into a foundation for how the enterprise thinks, decides, and operates.