# Why AI Projects Fail: Key Causes and Lessons





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### **Management Summary**

Academic research and industry case studies consistently show that most AI projects fail to meet their objectives, **largely due to human and organizational factors rather than technical limitations**. **Unrealistic expectations, insufficient understanding of the IT and data landscape, and a lack of clear value focus are common reasons for failure.** Projects driven by hype, without proper planning or appreciation of data requirements, are especially prone to being cancelled or delivering poor results.

Successful AI initiatives take a different approach: they set realistic, business-aligned goals, invest in data readiness and infrastructure, build relevant talent, and integrate AI into the organization through strong governance and change management.

Industry-specific challenges also play a role. In finance, for example, strict regulation and risk sensitivity mean that data quality and compliance are critical to success. In IT and technology, the challenge lies in moving from innovation to operational impact by balancing technical skill with effective processes and clear strategic intent.

Across all sectors, the primary drivers of success include: **clear strategic alignment**, **robust data governance**, **realistic expectations**, **sufficient resources**, **and a human-centric**, **iterative approach**. Failures typically result from the absence of these elements.

Fortunately, organizations can learn from past failures. By combining diligent planning, early assessment of the data landscape, targeted investment in talent and tools, and a focus on tangible business outcomes, companies can significantly increase their chances of achieving real and scalable benefits from AI.

## **About This Document**

When reading current news and articles about AI, AI agents, and related projects, there is often a sense of widespread enthusiasm reminiscent of previous technological hypes. It frequently appears as if success is straightforward: one simply needs an idea, a concept, chooses a platform, and proceed – seemingly simple and easy.

However, this perspective shifts when addressing a specific task or problem, particularly, though not exclusively, in small business environments where financial resources are limited and personal investment is at stake or if regulatory and compliance aspect need to take into considerations. Such aspects quickly prompt a more critical and cautious approach.

Having supported various organisations in navigating digital transformation projects and recognising recurring patterns, I undertook a deeper analysis of the key factors determining AI project success or failure.

The insights presented in this document are grounded in academic research, case studies, surveys, as well as my own professional experience and observations. All sources are cited directly in the following sections to facilitate easy reference.

Please note that the figures and percentages referenced should be interpreted as *indicative*, not absolute. The data are drawn from diverse sources, including a 2018 Gartner Group report, 2024 Boston Consulting Group reports, and recent articles from 2025, reflecting different contexts and timeframes. Due to these variations, the figures serve as directional indicators, rather than definitive scientific evidence.

Nevertheless, the core challenges underlying AI project failures remain consistent: unrealistic expectations, limited understanding of the technology, inadequate IT infrastructure, poor data quality and structure, and significant compliance risks.

This document aims to help reduce AI project failure rates by highlighting these critical factors and offering practical insights for successful implementation.

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## **AI Project Failure and Causes**

## Introduction

Multiple studies and surveys indicate that a majority of AI initiatives fail to deliver their intended value. By some estimates, over 80% of AI projects ultimately fail, roughly double the failure rate of standard IT projects <sup>1</sup>. Recent data suggest this challenge is not abating. For example, a 2025 survey found 42% of companies had abandoned most of their AI initiatives, up sharply from 17% the year prior <sup>2</sup>. On average, organizations reported scrapping nearly half of their AI proof-of-concepts before production, citing obstacles like high costs, data privacy concerns, and security risks. In short, despite heavy investments and hype, only a minority of AI projects reach successful deployment and value realization.

A 2024 Boston Consulting Group (BCG) study of 1,000 executives across industries found that only 26% of companies have moved beyond pilot stages to generate tangible AI value, meaning about 74% are still struggling to achieve or scale AI benefits. <sup>3</sup> This trend holds true across sectors, making it crucial to understand why so many AI projects falter and what differentiates the successes.

### **Common Causes of AI Project Failure**

**Research and case evidence point to recurring failure patterns** in AI initiatives. Notably, most causes have little to do with the sophistication of AI, but far more with strategy, data, and organizational factors<sup>4</sup> Key failure drivers include:

Unrealistic Goals and Problem Selection: A top pitfall is starting projects with ill-defined or overly ambitious objectives. Many organizations chase AI due to hype or pressure rather than a clear business need <sup>5</sup>. A RAND Corporation study found that a leading cause of failure is misidentifying or miscommunicating the problem to be solved <sup>6</sup>. In practice, teams often *"think too big"*; expanding project scope wildly or tackling "impossible" use cases, until the effort loses focus and becomes infeasible <sup>7</sup>. Without a well-scoped, value-driven use case, projects can drift or address non-critical problems, yielding no real ROI. Unrealistic expectations can also stem from misunderstanding AI's capabilities and the way e.g. LLMs work. For example, business leaders expecting AI to deliver perfect, deterministic outputs. In reality, AI models are probabilistic, and leaders who expect certainty often become disillusioned

<sup>&</sup>lt;sup>1</sup> <u>The Root Causes of Failure for Artificial Intelligence Projects and How They Can Succeed:</u> <u>Avoiding the Anti-Patterns of AI | RAND</u>

<sup>&</sup>lt;sup>2</sup> <u>AI project failure rates are on the rise: report | CIO Dive</u>

<sup>&</sup>lt;sup>3</sup> AI Adoption in 2024: 74% of Companies Struggle to Achieve and Scale Value | BCG

<sup>&</sup>lt;sup>4</sup> Business School - University of Queensland

<sup>&</sup>lt;sup>5</sup> <u>8 Ways to Make Artificial Intelligence Fail in Your Bank</u>

<sup>&</sup>lt;sup>6</sup> <u>The Root Causes of Failure for Artificial Intelligence Projects and How They Can Succeed:</u> <u>Avoiding the Anti-Patterns of AI | RAND</u>

<sup>&</sup>lt;sup>7</sup> (PDF) Failure of AI projects: understanding the critical factors

when results carry uncertainty, causing them to lose faith in the project <sup>8</sup>. In short, inflated promises and unclear goals set AI initiatives up for failure from the start.

- Lack of Data Readiness and Understanding of the IT Landscape: AI systems are highly data-dependent, yet poor data quality and availability are frequently cited as the number-one failure cause <sup>9</sup>. Organizations often **lack the necessary** data (or data of sufficient quality) to train effective model <sup>10</sup>. In a Deloitte study, bad or missing data was identified as a root cause in over 70% of failed AI projects. In many cases, data resides in silos or legacy systems, and project teams underestimate the effort to access, clean, and integrate this data into a usable form <sup>11</sup>. This ties into a broader issue: a **poor understanding of the** organization's IT and data landscape. Teams may not realize the limitations of existing infrastructure, data pipelines, and governance. Indeed, inadequate supporting infrastructure is a known failure factor. Many companies "might not have adequate infrastructure to manage their data and deploy completed AI *models,"* greatly increasing the likelihood of failure <sup>12</sup>. Without a robust data architecture and platform, even a promising AI model cannot be deployed or scaled. In essence, failing projects often suffer from "garbage in, garbage out": they attempt AI without high-guality, well-governed data or misalign with the IT environment, dooming the effort to underperform.
- Talent and Skills Gaps: A significant challenge is the lack of experienced AI professionals and domain experts. According to Gartner, the shortage of skilled talent is a leading reason for AI project failures, even more so than data-related issues <sup>13</sup>. Many organizations begin AI initiatives without the necessary combination of data scientists, engineers, and business analysts who can apply AI effectively. Typical failure pattern is: *"Undefined goals, skill gaps, overreliance on data,"* which together can derail projects. Even with sufficient data, the absence of skilled personnel to define the problem, develop and refine models, and interpret outcomes can hinder success. The talent gap also affects integration and maintenance; AI solutions must align with existing processes and IT systems, but many teams lack experience in deploying AI in production environments. As a result, solutions may be fragile and not adopted by the business. In short, a lack of AI and IT expertise across the project lifecycle: from design through to deployment, often leads to stalled initiatives or poor results.
- **Integration, Change Management, and Organizational Factors:** Beyond technicalities, AI projects live or die by how well they mesh with the business. If an AI tool operates in a vacuum or users can't easily incorporate it into daily

<sup>&</sup>lt;sup>8</sup> <u>8 Ways to Make Artificial Intelligence Fail in Your Bank</u>

<sup>&</sup>lt;sup>9</sup> How to make sure your AI project isn't one of the 80% that fail?

<sup>&</sup>lt;sup>10</sup> <u>https://www.rand.org/content/dam/rand/pubs/research\_reports/RRA2600/RRA2680-</u> <u>1/RAND\_RRA2680-1.pdf</u>

<sup>&</sup>lt;sup>11</sup> <u>https://business.uq.edu.au/momentum/why-80-per-cent-ai-projects-fail</u>

<sup>&</sup>lt;sup>12</sup> <u>https://www.rand.org/pubs/research\_reports/RRA2680-1.html#</u>

<sup>&</sup>lt;sup>13</sup> <u>The Surprising Reason Most AI Projects Fail – And How to Avoid It at Your Enterprise</u> <u>Informatica</u>

operations, it may be abandoned despite technical success. Related to this, lack of stakeholder buy-in and change management can sabotage AI initiatives. Projects that ignore end-user needs or organizational readiness frequently hit resistance <sup>14</sup>. Studies note that neglecting to build a genuine *business need* for the AI solution is a top reason projects fail to gain traction <sup>15</sup>. Furthermore, governance and process issues can hinder progress: for example, McKinsey found many transformations (AI included) falter due to inadequate leadership support and neglect of the procedural elements (i.e. project management, data governance, etc.) <sup>16</sup>. Especially in larger enterprises, **AI initiatives require** cross-functional collaboration, clear ownership, and compliance alignment Without these, even technically sound projects may never reach production. This is evidenced by surveys of IT leaders, where governance, regulatory compliance, and data security consistently emerge as top barriers to AI adoption. In essence, successful AI projects need strong alignment between technical teams, business stakeholders, and IT operations; many failures can be traced to a breakdown in this alignment.

Overhype and Timeline Pressures: The current climate of intense AI hype plays a subtle, but important role in project failures. Many managers feel pressure "to do something, *anything*, with AI" to show they are keeping up with technology trends <sup>17</sup>. This can lead to rushing projects, **unrealistic timelines**, or deploying AI in inappropriate areas. Teams may overpromise quick wins to executives, only to underdeliver when the complexities surface <sup>18</sup>. A lack of patience and long-term view is problematic because AI projects often require significant time to iterate, clean data, and refine models. If leadership expects immediate transformative results, they may deem a project a failure prematurely. Researchers stress that **AI projects require time and patience**, and leaders should choose enduring problems and set expectations accordingly <sup>19</sup>. When timelines and resources don't match the ambitious goals, projects run out of budget or executive support before they can succeed. In sum, **unrealistic expectations about speed and impact**, fueled by AI's hype cycle, frequently contribute to projects being declared failures.

It's important to note that these factors often **compound one another**. For instance, an overly ambitious goal (unrealistic scope) might be paired with underestimation of data challenges and insufficient expertise; a recipe for disappointment. Indeed, analysts observe that **most AI project failures boil down to issues of strategy**, **people, data, and process, rather than the AI technology itself**. When organizations counter the hype with "a healthy dose of realism" about what it takes to implement AI,

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https://www.researchgate.net/publication/357723288\_Failure\_of\_AI\_projects\_understanding\_th e\_critical\_factors

<sup>&</sup>lt;sup>15</sup> <u>https://business.uq.edu.au/momentum/why-80-per-cent-ai-projects-fail</u>

<sup>&</sup>lt;sup>16</sup> <u>https://www.atomicwork.com/blog/ai-in-it-challenges</u>

<sup>&</sup>lt;sup>17</sup> <u>8 Ways to Make Artificial Intelligence Fail in Your Bank</u>

<sup>&</sup>lt;sup>18</sup> <u>https://nortal.com/insights/how-to-make-sure-your-ai-project-isnt-one-of-the-80-that-fail</u>

<sup>&</sup>lt;sup>19</sup> <u>https://www.rand.org/pubs/research\_reports/RRA2680-1.html</u>

they set a stronger foundation for success.

#### **Failure Factors**

While there is broad agreement on the high failure rate of AI projects, studies sometimes differ on which factor is the **primary** culprit, highlighting the multifaceted nature of these failures. For example, one global survey by Deloitte found that **poor data quality was the single biggest reason AI initiatives fall short**, implicated in 70% of failed projects <sup>20</sup>. This perspective suggests that many organizations technically know what they want to achieve, but their data is not up to the task, causing projects to stall or produce weak results. On the other hand, some industry experts argue that lack of human expertise is an even greater bottleneck <sup>21</sup>. From this view, companies may accumulate large datasets and modern tools, but without skilled data scientists, engineers, and domain experts, the projects cannot translate data into business value.

There are also nuanced takes on the role of expectations. Some analyses put a stronger emphasis on organizational and cultural readiness. For instance, Shellshear and Gray's 2023 research (University of Queensland) concluded that ultimately, the two biggest causes of failure were neglecting to build a need in the organization for the project and a lack of quality processes to have the right data in the right place at the right quality." <sup>22</sup> This underscores that even if the technical team does everything right, an AI project will fail if it isn't solving a pain point that the business recognizes (no internal buy-in), or if basic data processes aren't established. In contrast, other studies cite leadership and vision issues: for example, McKinsey notes many digital transformations fail due to inadequate leadership aspiration or poor change management, which certainly apply to AI projects as well.<sup>23</sup>

Crucially, these perspectives do not truly contradict each other so much as they **highlight different slices of the problem**. AI projects typically require a convergence of factors for success – data, talent, clear goals, executive support, and integration all matter. A deficiency in any one can cause failure. Indeed, case studies often reveal multiple failure points in the same project. For example, one Stanford observational study followed two AI initiatives within a company; the one that failed suffered from **unclear domain ownership (no clear stakeholders), low task relevance to end-users, and inconsistent processes**, despite having the same technical team as the successful project. <sup>24</sup> This illustrates how *organizational factors* (clarity, stakeholder buy-in) tipped the outcome.

In summary, there is consensus that most AI projects have struggled to meet expectations, but scholars and practitioners may weight the causes differently – one focusing on data readiness, another on expertise, another on management and scope.

<sup>&</sup>lt;sup>20</sup> 2025 Manufacturing Industry Outlook | Deloitte Insights

<sup>&</sup>lt;sup>21</sup> Why most AI projects fail & what can you do about it

<sup>&</sup>lt;sup>22</sup> <u>https://business.uq.edu.au/momentum/why-80-per-cent-ai-projects-fail</u>

<sup>&</sup>lt;sup>23</sup> <u>https://www.mckinsey.com/about-us/new-at-mckinsey-blog/harry-robinson-how-companies-</u> <u>must-transform-for-success-in-the-next-normal</u>

<sup>&</sup>lt;sup>24</sup> Why Corporate AI Projects Succeed or Fail | Stanford HAI

The evidence broadly validates the hypothesis that unrealistic expectations (whether about goals or timelines) and a poor grasp of one's data/IT environment are central reasons for failure, while also indicating that these are part of a constellation of issues. Notably, the *flip side* of this discussion is instructive: examining what successful AI adopters do can further clarify which factors are vital. We turn next to sector-specific findings, including how finance and IT industries fare, and what drives success or failure in each.

## **Sectors-Specific Findings**

#### Finance

The financial services sector (banking, insurance, investment firms) has been both highly interested in AI and cautiously deliberate in its adoption. Finance organizations recognize AI's potential in areas like fraud detection, algorithmic trading, risk modeling, and customer service. Indeed, a 2024 BCG survey identified banking and fintech as among the top sectors with the highest concentration of AI leaders. Firms that have developed advanced AI capabilities and are realizing significant value. <sup>25</sup> However, the industry's stringent regulatory environment and low risk tolerance present unique challenges for AI projects. In fact, a recent report noted **30% of financial institutions outright banned the use of generative AI internally** in 2023, reflecting fears around accuracy, security, and compliance. This cautious stance means that finance AI projects often undergo heavy scrutiny. Any solution must meet high standards for data quality, explainability, and error tolerance to satisfy regulators and avoid costly mistakes. As a result, many banks have been slow to move past proofs-of-concept, and those that do face the same pitfalls seen elsewhere, sometimes amplified by regulatory demands.

Common failure modes in finance AI projects mirror general issues with added industry-specific twists. A frequent problem is **aiming too high, too fast**. Financial firms sometimes launch AI initiatives spurred by excitement around new tech but without a narrow focus. It's common for teams to "attempt to do too much, too soon" with AI. such as implementing enterprise-wide intelligent systems in one sweep. These projects often lack a well-defined scopes and goals. According to a financial technology expert, many GenAI projects in banks fail because they are started without "a focused goal and *well-defined scope"*, so the effort lacks clear direction and success criteria. <sup>26</sup> This leads to months of work and significant investment wasted on an AI solution that doesn't solve a concrete problem or fit the business workflow. Unrealistic expectations in finance can also be exacerbated by the hype cycle; bank executives may push AI projects to demonstrate innovation to boards and customers, even when the use case is vague. The RAND Corporation's findings have strong resonance in finance: it notes many business leaders fundamentally misunderstand AI's nature and limitations. In banking, this might manifest as expecting an AI model to *perfectly* predict market movements or credit risks. When the delivered model shows probabilistic outcomes or the need for ongoing tuning, leaders who expected certainty can become disillusioned, labeling the project a failure

<sup>&</sup>lt;sup>25</sup> <u>AI Adoption in 2024: 74% of Companies Struggle to Achieve and Scale Value | BCG</u>

<sup>&</sup>lt;sup>26</sup> Why generative AI projects fail in highly regulated industries — and how yours can succeed | Stardog

<sup>27</sup>. Additionally, data issues pose a serious challenge. Banks are awash in data, but it's often siloed across legacy core banking systems, trading platforms, customer databases, etc. Integrating these for AI is non-trivial. Poor data quality or inaccessible datasets have derailed many promising finance AI pilots. Privacy and compliance requirements (like strict customer data protections) can further limit data usage, causing projects to stall if not planned with those constraints in mind <sup>28</sup>.

Despite these challenges, the finance sector has seen notable success stories and identified key success factors for AI projects. Successful financial institutions tend to take a measured, incremental approach rather than a big-bang deployment. As one industry advisor put it, "start small" is crucial – leading banks identify narrow, high-value use cases where AI can be applied with a lower bar for accuracy or risk (for example, automating a routine back-office process or improving a segment of fraud detection. By demonstrating quick wins in a controlled scope, they build confidence and expertise before scaling up. Another success factor is having a clear champion and crossfunctional buy-in. Banks that succeed often appoint an influential business sponsor who understands AI capabilities and can advocate for the project across departments. This helps align the data science teams with domain experts (e.g. loan officers, traders) so that the AI solution truly addresses business needs. Strong data governance and **preparation** are also pivotal in finance. Given the high accuracy bar, leading firms put heavy upfront effort into data quality-auditing data for reliability, ensuring it's centralized or accessible, and addressing privacy concerns. They often establish crossdepartment data governance committees to oversee AI data usage compliance. Moreover, transparency of AI models is emphasized: successful GenAI or ML projects in banking build in explainability (or at least interpretation layers) so that results can be understood and justified to regulators and executives. Banks that treat AI development as a joint tech-business endeavor, combining technical prowess with domain knowledge and compliance input, tend to avoid the worst pitfalls. Indeed, research suggests that finance organizations can achieve substantial AI benefits with a "cautious, thorough, and well-planned effort <sup>29</sup>. In practice, this means setting **realistic expectations** (both in scope and timeline), ensuring the project addresses a strategic business priority, and verifying that the necessary data and IT infrastructure are in place from the outset. Financial institutions that follow these principles (and learn from early missteps) have managed to deploy AI for competitive advantage, such as in fraud reduction or customer analytics, whereas those that don't often end up contributing to the industry's "AI graveyard" of failed experiments <sup>30</sup>.

#### IT & Technology

The IT sector, encompassing software companies, tech firms, and IT functions within organizations, is at the forefront of AI development, yet it is not immune to the high failure rates of AI projects. In fact, many surveys specifically of IT departments show similar or even higher failure statistics. One 2024 study focused on AI in IT operations

<sup>&</sup>lt;sup>27</sup> <u>8 Ways to Make Artificial Intelligence Fail in Your Bank</u>

<sup>&</sup>lt;sup>28</sup> <u>AI project failure rates are on the rise: report | CIO Dive</u>

<sup>&</sup>lt;sup>29</sup> Why generative AI projects fail in highly regulated industries — and how yours can succeed | Stardog

<sup>&</sup>lt;sup>30</sup> <u>8 Ways to Make Artificial Intelligence Fail in Your Bank</u>

noted that **"70–80% of AI initiatives fail" in IT organizations, not due to the technology itself but because of strategic and implementation flaws.** Each company often have strong technical talent and more AI familiarity, but they can still fall victim to pitfalls like poor alignment with business goals, inadequate project management, or governance issues. A **paradox in the IT realm** is that being enthused about technology can lead to implementing AI for AI's sake. As one report quipped, when you have a hammer, everything looks like a nail. Some IT teams deploy AI tools without focusing on the most pressing problems, resulting in solutions looking for a problem <sup>31</sup>. This highlights the need for the IT sector to apply the same discipline of clear goal-setting and ROI focus, rather than getting carried away by the latest AI capabilities alone.

Key challenges affecting AI projects in the IT/tech sector include: integration and legacy compatibility, data governance, and scaling from pilot to production. Ironically, even tech firms face legacy system issues; an AI initiative might need to integrate with existing software products or IT service management systems. Many projects fail when the AI prototype cannot be smoothly integrated into the operational environment. Another major barrier is governance and compliance, especially for enterprise IT departments. A 2025 survey of IT professionals found the number one barrier to AI adoption was governance and regulatory compliance, cited by 51% of respondents. Concerns around data security and privacy followed close behind (around 43–47% noted these as major issues) <sup>32</sup>. This indicates that IT leaders are grappling with how to implement AI solutions while maintaining security standards, compliance (e.g. with data protection laws), and internal governance policies. **Data issues** are also pertinent: even tech companies need well-curated data for AI. Without effective data pipelines and platforms, AI projects in IT struggle, similar to other industries. It's saying that expert recommendations for AI readiness often emphasize a "clear data strategy, effective data governance, and a robust technology platform" as non-negotiable foundations <sup>33</sup>. Many IT-driven AI projects that falter simply did not have these foundations in place - for example, not consolidating relevant data from various tools, or lacking cloud infrastructure to deploy models at scale. Additionally, the **culture and process within** IT teams can influence outcomes. IT organizations accustomed to traditional software development may underestimate the experimental, iterative nature of AI development. This can lead to misaligned expectations (expecting AI solutions to fit into fixed requirements and timelines like other IT projects) and insufficient iteration time before declaring failure.

Despite these challenges, the IT/tech sector also boasts some of the most successful AI implementations, and these provide a blueprint for success. According to BCG's global research, the **software/IT industry is among those with the highest proportion of AI leaders**, alongside fintech and banking. These AI leaders in tech reap significantly higher business returns – for instance, over a three-year period, AI leader companies achieved ~1.5× higher revenue growth and ROI than others, demonstrating the payoff of getting AI right. What sets these successful organizations apart? Studies find a few **common success factors**. First, leading tech companies **focus on strategic, high-impact** 

<sup>&</sup>lt;sup>31</sup> 70-80% of AI projects in IT organizations fail. Here's why.

<sup>&</sup>lt;sup>32</sup> State of AI in IT 2025

<sup>&</sup>lt;sup>33</sup> How to make sure your AI project isn't one of the 80% that fail?

**applications of AI** rather than scattering efforts. They choose a handful of priority use cases tied to core business goals and invest deeply there, instead of doing dozens of adhoc experiments. This focus helps ensure sufficient resources and attention for each AI project. Second, they back up ambition with investment in people and processes. BCG reports that AI leaders "put 70% of their resources into people and processes, 20% into technology and data, and only 10% into algorithms". In practice, this means successful IT organizations heavily emphasize training their staff, hiring experienced AI practitioners, establishing cross-functional AI teams, and adjusting business processes to integrate AI outputs. This finding reinforces that technology alone (the algorithms) is only a small part of success. The bulk of effort goes into organizational enablement (reskilling, process change, data prep). Third, successful IT sector projects maintain a **strong link** between AI teams and business outcomes. Rather than innovation in a silo, they integrate AI into both cost-side and revenue-side initiatives, aligning projects with tangible performance metrics <sup>34</sup>. For example, a successful software company might embed AI in its core product to improve user experience (revenue impact) while also using AI internally to optimize cloud infrastructure costs (cost savings), and they track these benefits.

Moreover, the tech sector has learned the importance of **iterative development and scalability**. Many tech companies adopt DevOps-like practices for AI, which ensure that a promising model doesn't languish in a lab but is continuously integrated, tested, and deployed in production environments. This addresses the common gap where two-thirds of enterprises struggle to move AI pilots into production <sup>35</sup>. Leading IT firms often build robust pipelines that allow them to deploy AI solutions and update them regularly, which in turn increases trust and adoption among users. Additionally, **leadership support and vision** are critical in tech companies. Those with C-level advocacy for AI (and realistic understanding of its timeline) create an environment where AI projects get the necessary runway to prove value. For instance, companies that allocated **more than 10% of their IT budget to AI saw far higher rates of positive ROI**, whereas those spending less than 10% experienced more failure and negative returns. <sup>36</sup> This underscores that adequate resourcing, a decision often driven by leadership, is a determinant of success.

In summary, the IT/technology sector demonstrates that **when AI projects succeed**, **it is due to careful alignment of technology with business strategy, substantial investment in data and people, and strong governance**. Conversely, even tech-savvy organizations find that without those elements, AI initiatives will flounder. The difference between an AI project that becomes a breakthrough product and one that gets shelved often comes down to the *organizational execution*. These lessons from the tech sector echo across all industries: **AI success is less about algorithms, and more about managing expectations and integration within the real-world context of the organization**. <sup>37</sup>

<sup>&</sup>lt;sup>34</sup> <u>AI Adoption in 2024: 74% of Companies Struggle to Achieve and Scale Value | BCG</u>

<sup>&</sup>lt;sup>35</sup> <u>AI project failure rates are on the rise: report | CIO Dive</u>

<sup>&</sup>lt;sup>36</sup> 70-80% of AI projects in IT organizations fail. Here's why.

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