# Presidential Innovation Fellows AI Strategy for Senior Leaders An exploration for Organizational Leadership and Business Strategists.

Matthew R. Versaggi, MS, MBA PIF : AI Cohort of 2024



### Your Presenter: Matthew Versaggi



- Has been in the AI Space since the Mid 80's
- Senior Leader in the AI Space @ Fortune-5 Healthcare Level.
- Seen hundreds of use-cases while running our COE.
- Distinguished Engineer UHG TLCP program.
- AoT ('Academy of Technology') Inaugural Inductee.
- Built the organization's "College of Artificial Intelligence".
- Introduced Cognitive AI Technology and Quantum Computing.
- Chaired multiple Patent Review Boards (awarded multiple patents).
- Experienced public speaker, strategist, and mentor.
- Adjunct Professor (10yrs) Won Teaching Award.
- Al Engineer Military Contractor + CNA Insurance.
- Entrepreneur (16yrs) with 60+ clients.
- Consulting in the AI Business Strategy Space.
- Presidential Innovation Fellow AI (Special Cohort '24)

#### AGENDA:

- 1. Global Context
- 2. Future Ready Orgs
- 3. The Nature of AI
- 4. AI Strategy Exploration
- 5. Developing Strong Al Use-Cases
- 6. Agentic Technology's Promise

### **Global Context**

VUCAD World: Volatile, Uncertain, Complex, Ambiguous, Digital.



#### Al as a GPT General Purpose Technology



#### <u>**REASON</u>**: These affect AI <u>Strategy</u> and <u>Tactics</u> significantly.</u>

### The VUCAD World

#### The VUCAD World.



- 1. Global Technology Arms Race
- 2. Accelerating Rates of Change Time Dominates
- 3. Multiple Disruptive Tech Maturing Simultaneously, 3 are GPT's.
- 4. Accelerating Innovation on Global Scales
- 5. Foresighting > Strategic Planning (Inventing the Future)
- 6. Business Model Life Cycle Decline
- 7. Occupational Perturbances / Workforce Effects

### The VUCAD World.



**Speed Dominates!** Line between Online and Physical Worlds blurs.

Predatory Pricing

Mastery of Techr

Multiple Disruptive Tech's Maturing Simultaneously



Three are GPT's!

inding Suppliers

Learning Curve

#### Accelerating Innovation Globally



#### **Foresighting >** Strategic Planning



#### Entry Barriers to Scale Evaporating **Barriers to Entry Capital Costs** legal Barriers Marketing Barriers imited Market -Types

Economies of Scale





#### **Resulting Workforce Perturbances**



Al as a GPT General Purpose Technology

#### AI as a GPT.

#### GPT's alter Geo-Political Power, Wealth, and Social Structures.



#### Three Key Attributes:

1.	Pervasive	
2.	Evolve	
3.	Spillover	Effects

#### AI as a GPT.

#### A as a GPT





**#3:** Create Spillover Innovation through Complementarities.

#### Spillover Effect

(economics) The phenomenon in which an economic event in one context occurs because of something else in a seemingly unrelated context.

#### **#2:** Ability to Evolve over time.



#### GenAl Economic Complementaritie



#### AI as a GPT.

**Spillover Effects** 

Date

GPT

GF	РТ'	S	а	r	е
S p	e c	i a		!	

Domestication of plants	Neolithic Agricultural Revolution	9000-8000 BC
Domestication of animals	Neolithic Agricultural Revolution, Working animals	8500-7500 BC
Smelting of ore	Early metal tools	8000-7000 BC
Wheel	Mechanization, Potter's wheel	4000-3000 BC
Writing	Trade, Record keeping	3400-3200 BC
Bronze	Tools & Weapons	2800 BC
Iron	Tools & Weapons	1200 BC
Water wheel	Inanimate power, Mechanical systems	Early Middle Ages
Three-Masted Sailing Ship	Discovery of the New World, Maritime trade, Colonialism	15th Century
Printing	Knowledge economy, Science education, Financial credit	16th Century
Factory system	Industrial Revolution, Interchangeable parts	Late 18th Century
Steam Engine	Industrial Revolution, Machine tools	Late 18th Century
Railways	Suburbs, Commuting, Flexible location of factories	Mid 19th Century
Iron Steamship	Global agricultural trade, International tourism, Dreadnought Battleship	Mid 19th Century
Internal Combustion Engine	Automobile, Airplane, Oil industry, Mobile warfare	Late 19th Century
Electricity	Centralized power generation, Factory electrification, Telegraphic communication	Late 19th Century
Automobile	Suburbs, Commuting, Shopping centres, Long-distance domestic tourism	20th Century
Airplane	International tourism, International sports leagues, Mobile warfare	20th Century
Mass Production	Consumerism, Growth of US economy, Industrial warfare	20th Century
Computer	Digital Revolution, Internet	20th Century
Lean Production	Growth of Japanese economy, Agile software development	20th Century
Internet	Electronic business, Crowdsourcing, Social networking, Information warfare	20th Century
Biotechnology	Genetically modified food, Bioengineering, Gene therapy	20th Century
<b>Business Virtualization</b>	Paperless office, Telecommuting, Software agents	21st Century
Nanotechnology	Nanomaterials, Nanomedicine, Quantum dot solar cell, Targeted cancer therapy	21st Century
Artificial Intelligence	Autonomous car, Inventory robot, Industrial robot	21st Century





#### <mark>Nano</mark>-Technology



#### Al-Technology



~ Same Time Window

Spillover Innovations are massive.

Future Ready Organizations

### Future Ready Organizations



# Future Ready Organizations AI (GPT) + VUCAD Amplifies Time.





Time **Dominates**!



**Strategic Products & Services** 









Intelligent Agents





### The Nature of Al

#### Al is a Portfolio of Technologies



Much of Al is Hidden.



Governments



Universities



Terrorists / Organized Crime

#### Al has a Dark Side.



#### Al Ready Organizations Perform Better

AI maturity measures the degree to which organizations have mastered AI-related capabilities in the right combination to achieve high performance for customers, shareholders and employees.



Al changes fundamental business processes.

(Organizations)

Significant financial benefits from their AI initiatives



10x more likely to change success measures

(KPI's)

#### Al success depends on Organizational Digital Maturity



Al Adoption depends on Organizational Culture



It is highly <u>unlikely</u> that technical factors <u>alone</u> will increase performance.

Organizations also need to consider the **organizational factors** to increase their performance.

Investments in Change Management are directly linked to financially successful AI implementations.

Al Strategy Exploration

# The Nature of AI & Strategy Implications AI Readiness requires both <u>strategies</u>.



#### Al success requires Organizational Maturity



#### When to NOT Use AI / ML Techniques?

#### Do <u>not</u> use AI / ML when:



#### **Big Arguments Against**:

- 1. Non-ML solutions superior results.
- 2. Non-ML solutions adequate results far cheaper.
- 3. Problem can't tolerate ambiguity (experimental Nature) of Al/ML.
- 4. No Adequate data and/or infrastructure.

#### There are others ...

#### **Domain Complexity in AI Use-Cases**



Required Business Domain Specific Knowledge + Experience

# Developing Strong Al Use-Cases

#### **CCIIO: AI Governance Process**

#### Executive Orders Old & New : Al



#### Al Governance Pattern:

- 1. Curate Impactful Use-Cases => Biz Performance
- 2. Focus on Speed to Production (Under Control)
- 3. De-Risk on both Biz & Tech Fronts





"Strategic Trajectory" and "Improved Performance". TIME Dig Here Last. Dig Here Third. Dig Here Second. Dig Here First. Disregard Time. Now Near-Term Future Long-Term Focus **Short-Term** Focus **No-Term** Focus Focus **Compliance Demands Strategic Goals Organizational Concerns Business Objectives** or FOMO Group Department Company Organization **Moderate Fertility** 

Least Fertile

**Most Fertile** 



Invisibility of use-cases: Fn of a Restricted view of whole chess board





Invisibility: High

Consultants & Vendors.



Invisibility: High

Biz SME's



Invisibility: Low

Sr Leadership



Invisibility: Low

# Agentic Technology's Promise
### Exploring Intelligent Agents.

### Brain Mechanics Inspired Computation



### **Brain Mechanics**

### **Autonomous Entities**



## Agent Do Work !

### **Exploring Intelligent Agents.**

Transformation Projects will only deliver the expected benefits if they

produce an Intelligent Organization

Agents are important strategically.





Portfolio of Discrete Al Projects in Org

Advanced Intelligence Optimizing the Entire Org

## **Exploring Intelligent Agents.**

### Different Tech Approaches/ Spaces.

**Cognitive Agents** 

Game / Military AI Agents Artificial Intelligence



## AI Strategy for Sr Leaders.

## Discussion

### AI Strategy for Sr Leaders.





## AI Strategy for Sr Leaders.

# Appendix

### The VUCAD World.

### We're in a Global Technology Arms Race where Al is one of three GPT's.





### AI as a GPT.

### **GPT's are Special**

#### #1: Pervasive Across Sectors.



#### 2: Ability to Evolve over time.



#### **Create Spillover Innovation** through **Complementarities.** Economic Sustainable Growth and Development Competitiveness Technology User Innovation Enhanced Empowerment Efficiency and and Engagement Productivity Scientific and Improved Technological Quality of Life Advancement Addressing Societal Challenges

#### Spillover Economic Effect

### Spillover Effect

/スピローバー・エフェクト/ (economics) The phenomenon in which an economic event in one context occurs because of something else in a seemingly unrelated context.

#### Economic



### The Nature of AI

### Al is Old and has a Long history.



### The Nature of AI

### Al is Evolutionary



#### **Intelligent Agents**









### The Nature of AI

### Al will be Everywhere.





Strategy Aspects

### When **To** Use ML Techniques?

**Big Arguments** For using Al

Classical Techniques don't work.



Problems the Org gave up on.



**Scope** of the problems exceeds the normal programming techniques.



Problem Dimensions / Complexity exceeds human capacity.



Problem maps well to AI / ML Techniques.



#### There are others ...

Al Governance Pattern:





#### **Organizational Objectives –**

(Lens on Maturing AI for ROI on Biz Problems)

- Resist Creative ROI Practices the urge to inflate ROI estimates.
- Know your business and ROI thresholds and stick to them.
- Understand what "Good Enough Means" on projects, go no further.

![](_page_52_Picture_7.jpeg)

#### Management of Investment Cost -

(Prefer many inexpensive smaller wins over big investment projects)

- Avoid the Home Run Hero, they strike out a lot!
- More singles are better than home runs for value delivery with AI.
- It's not incrementalism, because biz value adds up quickly.

![](_page_52_Picture_13.jpeg)

**De-Risking Al Use-Cases** - ( Do the hardest things first, not first things first)

- Do the scariest / hardest part of the project first, to fail fast.
- Cut your losers and let winners run instead to maximize portfolio results.
- Don't get attached to any one problem you can't solve to add biz value.

![](_page_53_Picture_1.jpeg)

#### Adoption Issues –

(How will the existing business process tolerate something new)

- Adoption cannot be an afterthought parallel process to actual development effort.
- Requires Comms, Education, Relationship building by evangelists.
- Flip-the Switch Strategy doesn't work! Gradual adoption works better.
- Work from the Edges (Very Sure)
- Leverage human in the middle with reduced role (given to the AI).

![](_page_53_Picture_9.jpeg)

#### Al Use-Case Vetting for ROI – Stakeholders

(Prioritization: Hard Metrics, Soft Metrics, Effort vs Value)

- You and stakeholders <u>must</u> agree on how to measure value (early, middle, late).
- You must measure costs as well for ROI calculations.
- Only claim lift over <u>existing</u> classical solutions.

![](_page_54_Picture_1.jpeg)

#### **Success Metrics: -**

(Opportunity, Data, Measurability)

- Biz opportunity statement defines how you will add value, scope to right size.
- Be very specific with data (amount, years, physical location, actual columns names)
- Have a formula to measure lift that your stakeholders agree on.
- Formula's do not have to be linear; the calculations can be variable.
  - Symmetry doesn't often exist in the wild!

![](_page_54_Picture_9.jpeg)

#### Other Issues with AI adoption – (Data, Infrastructure, Talent, management ranks, etc)

- The big three are (Talent, Data, Infrastructure)
- The hidden 4<sup>th</sup>, 5<sup>th</sup> are the Managerial Ranks + Org Reward Structures

Digging for the most impactful AI use-cases for organizational performance.

![](_page_55_Figure_2.jpeg)

#### Journey:

- 1. Department Level
- 2. Group Level
- 3. Organization Level
- 4. Company Level \*\*\*

Shift the mindset of tools seeking a use-case, to a Sr Leader advancing a strategic plan.

"Strategic Trajectory" and "Improved Performance". Dig Here First Dig Here Second. TIME Near-Term **Future** Long-Term Focus Short-Term Focus **Strategic Goals Business Objectives** Organization Company Increase Customer Base by 10% Enter New Markets • Increase Revenue by 20% Enhance Competitive Advantage Decrease Costs by 30% BUSINESS BUSINESS **Develop New Products / Services** • Improve NPS / Customer Experience by 5 pts. PURPOSE PURPOSE Increase Market Share Reduce Response Times by 10%. Exploit a Market Opportunity Reduce Workforce by X%. **Creating Strong Brand Reputation**  Anticipate Market Behavior • Optimize Operations by 15% Increase Fraud Detection by 90% Improve User Experience ٠ No Tech No Tech

Business Objectives are designed to guide the organization's direction over a short-term, often a quarter or year. They are very specific in nature.

Strategic Goals are designed to guide the company's direction over a significant period, often several **years** or more

### "Example"

From Business Objectives to Al use-cases: Increase Profit margin by 10%

![](_page_57_Figure_3.jpeg)

Goal => Objectives => Strategy => AI Use-Case

# Getting Better at Identifying

Becoming a better AI use-case spotter.

### Phenomenon Observed the Wild

Tool Focus : Use-Cases

![](_page_59_Picture_3.jpeg)

Strategic Focus: Use-Cases

![](_page_59_Picture_5.jpeg)

You've been likely conditioned to look for use-cases only through the lens of AI tools you've become <u>aware</u> of, instead of through the lens of business leaders focused on advancing their strategic plan.

![](_page_60_Picture_1.jpeg)

### Strategy #1

![](_page_61_Figure_2.jpeg)

#### As Perspective Widens:

- 1. More use-cases
- 2. Higher value
- 3. Performance Impacting
- 4. Wider segment of business affected.

![](_page_61_Figure_8.jpeg)

### Strategy #2

Become Tech Agnostic and then Strategic in your perspective.

![](_page_62_Picture_3.jpeg)

![](_page_62_Picture_4.jpeg)

Work to **adjust your perspective** from an AI Tool frame to business strategy frame, so Tech doesn't play a role until after the key business issues are both **identified** and **understood**.

### "Rubric on Adding Value: Examples"

Inductive Reasoning Approach

#### **Business Objectives: (**tactical in nature)

- Increase Customer Base
- Increase Revenue
- Decrease Costs
- Improve NPS / Customer Experience
- Reduce Response Times
- Reduce Workforce
- Anticipate Market Behavior
- Optimize Operations by
- Increase Fraud Detection
- Improve User Experience

#### Strategic Goals: (master plan in nature)

- Enter New Markets
- Enhance Competitive Advantage
- Develop New Products / Services
- Increase Market Share
- Exploit a Market Opportunity
- Creating Strong Brand Reputation

Factors Influencing Identifying AI Use-Cases

#### Where the org is on its digital journey influences use-case available choices.

![](_page_65_Figure_2.jpeg)

**Unique Projects** 

**Sophisticated Solutions** 

Propensity to look at use-cases only through the simple awareness of tools.

IF THE ONLY TOOL YOU HAVE IS A HAMMER, IT IS TEMPTING TO TREAT EVERYTHING AS IF IT WERE A NAIL "

"When you only have a hammer – everything looks like a nail".

![](_page_66_Figure_3.jpeg)

## Exploring Intelligent Agents. Doing Agents since the 90's.

**RETE** Algorithm

![](_page_67_Picture_2.jpeg)

**Automated Reasoners** 

![](_page_67_Picture_4.jpeg)

Logical Rational Agents

![](_page_67_Picture_6.jpeg)

Inference Engines

Drools

#### Game AI Agents

![](_page_67_Picture_10.jpeg)

SOAR

![](_page_67_Picture_12.jpeg)

#### Cognitive Architectures

![](_page_67_Picture_14.jpeg)

Multi-Agent Systems

![](_page_67_Picture_16.jpeg)

GenAl

![](_page_67_Picture_18.jpeg)

**Multi-Agent Systems** 

![](_page_67_Picture_20.jpeg)

# Exploring Intelligent Agents.

### Agents Human & Digital

Human (Intelligent) Agents

![](_page_68_Picture_3.jpeg)

AI Agent Ecosystem

![](_page_68_Picture_5.jpeg)

Digital (Intelligent) Agent

![](_page_68_Picture_7.jpeg)

Halo's Cortana

![](_page_68_Picture_9.jpeg)

Example: Nvidia's GROOT

![](_page_68_Picture_11.jpeg)

Advanced Humanoid Robotics Platform

Multi-Agent System (MAS)

![](_page_68_Picture_14.jpeg)

Thousands of Intelligent Agents

## Exploring Intelligent Agents. Agents are old and have evolved.

#### 1950's - 1970's

Samuel Checkers-Playing Program (1959) :- AI that could improve its game strategy over time

Eliza (1966) :- Introduced NLP and Chat Bots

Dendral (1965) :- 1st Expert System, could ID unknown organic molecules

#### 1971 – 2000's

**Prolog** (1971) :- programming language used to build the early intelligent systems

**HEARSAY-II** (1971) :- early example of speech understanding leveraging automated problem solvers

**Deep Blue** (1997) :- defeats world champion Garry Kasparov

**Charles Forgy's RETE Algorithm** (late 1970's) :- Algorithm that powered inference engines

**XCON/XSEL [R1]** (1979) : - expert system designed to configure orders (systems integration) for new computer systems

**LSTM** (1997) : - LSTM (Long Short-Term Memory) networks are a type of Recurrent Neural Network (RNN) that could remember information for long periods

**SOAR Cognitive Architecture** (1983):- first manifestation of the unified theory of cognition in a complex technological architecture -widely used by AI researchers to create intelligent agents and cognitive models of different aspects of human behavior

**MIT's Kismet** (Late 1990's): - a robot designed to exhibit and perceive emotions, marking the advent of affective computing

Honda's ASIMO (2000): - humanoid robotics (significant leap in capabilities)

iRobot's Roomba (2002): - autonomous robotic vacuum cleaner

#### 2010 - Present

**Apple's Siri** (2011): - allowed users to perform tasks and get information through voice commands

**Amazon's Alexa** (2004): - enabled users to control smart home devices, play music, get information, using voice commands

**DeepMind's AlphaZero** (2017): - It could teach itself to play and excel at chess, shogi, and Go from scratch - underscored the potential of AI to learn and excel in areas requiring strategic thought and planning.

**DeepMind's AlphaStar** (2019):- showcased Al's potential in real-time strategy games

**GenAl Agents [Agentic Tech]** (2020) : - Agents (multi-agents) based in LLM's appear along with complex agent architectures

**Nvidia's Project GROOT** (2024):- general-purpose foundation model for humanoid robots

## **Exploring Intelligent Agents.**

Agents Evolve. RPA + AI = MAS => CI.

![](_page_70_Figure_2.jpeg)

![](_page_70_Figure_3.jpeg)

#### Multi-Agent Systems

![](_page_70_Figure_5.jpeg)

#### **Collective Intelligence**

![](_page_70_Picture_7.jpeg)

## Exploring Intelligent Agents. Different Kinds of Agents

Autonomous reasoning capabilities for intelligent decision-making

Robot Vacuum Cleaners

Has Rule Based, is Explicit / Inflexible, No Memory, relatively dumb.

Thermostat, Street Lamp

An advanced form of goal-based agents, equipped to analyze outcome risks and comprehensively assess scenarios. (Utility Fn Max)

Trading Robots

![](_page_71_Figure_7.jpeg)

Can learn from past interactions and, over time, improve their performance.Virtual Personal Assistants

Chooses actions based on a **plan** to achieve its objectives and uses **search** algorithms to find the efficient path to the goal.

Game AI

Agents in the lower-level hierarchy execute the tasks, and the agents higher above them supervise them.

Report Generators, Analysis
## Agents and Platforms.



### Agents' vs Machine Learning.

### Machine Learning - & - Cognitive Technology

#### - Complementary (yet very different) Technologies.

#### Machine Learning: (ML)

Machine Learning is made for tasks that require learning from data and then predicting, classifying or clustering information, images, or language elements.



ML is not good at augmenting humans, explaining its decisions, and tasks requiring reasoning. Example Use-Cases:

ML needs raw data to learn from.

# 

### Cognitive Technology: (CT)

What can CT do well today?

Cognitive Technology is made for tasks that require human cognitive skills, most particularly reasoning and problem solving skills. This type of AI "thinks" like humans do.

#### Thinking: cognitive skills



CT is not good at crunching big data, data analytics, or business intelligence.

CT needs situational context and experts to learn how to "think" from.

- Example Use-Cases:
- Example Soc Succes
- Clinical Decision Support Engine
- Automated Plan of Care Creation
- Augmented Medical Diagnostics
- Ambient Monitoring for Elderly Facilities
- Telemedicine Automated Triage
- Medical Digital Assistants
- Patient / Provider Matching

Emergency Room Predictions

Provider Fraud Predictions

Medical Coder Classification

Automated Benefits Inquiry

EOB language Translation

X-Ray / CT Scan Classification

Anti-Fraud Location Classification

## Computational Cognition.



#### **Definition:- Human Cognition**

- 1. Attention
- 2. Knowledge
- 3. Memory
- 4. Judgment
- 5. Reasoning
- 6. Problem Solving
- 7. Decision Making
- 8. Comprehension
- 9. Language
- 10. Learning



#### **Definition:- Computational** Cognition

	Attention
<u>)</u>	Knowledge
3.	Memory
ŀ.	Judgment
5.	Reasoning
5.	Problem Sol
	Decision Ma
3.	Comprehens

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- 9. Language
- 10. Learning

### Anatomy of an Intelligent Agent - An Entity that:



# Exploring Intelligent Agents. Programming Agents.

#### Agent Brain Capabilities



Expose to New Things







Declarative:What needs doing.



THS





Imperative:How exactly to do it.

# Developing Strong AI Use-Cases

