

Chapter 3: The 6 Stages of AI Transformation

It helps to know where you are before you decide where to go next

Most organizations struggle with AI adoption not because they lack smart people or good intentions, but because they don't understand the terrain they're navigating.

But AI transformation follows predictable patterns. There are stages that build on each other, gates that must be passed through, and common places where companies get stuck.

So, think of this as your roadmap. These six stages represent where you are now, where you're going, and what needs to happen to get there successfully. Each stage has its own characteristics, common failure points, and specific requirements for advancement.

[Stage 1: Awareness](#)

[Stage 2: Experimentation](#)

[Stage 3: Adoption](#)

[Stage 4: Value](#)

[Stage 5: Transformation](#)

[Stage 6: Just How Things Work](#)

Let's dig in to see how these play out.



Stage 1: Awareness

Understanding what AI is and recognizing that it could create significant value for your organization or customers.

What This Stage Looks Like

Your leadership team is beginning to take AI seriously. Maybe competitors are gaining advantages, customers are asking new questions, or operational challenges feel increasingly solvable with better technology.

The conversation has shifted from "Is this real?" to "What could this mean for us?"

Key Insights

- Often triggered by competitor advantages, customer demands, or operational pain points
- Leadership realizes AI represents competitive opportunity, not just a technology fad
- Initial understanding may lack specificity but focuses on business impact potential
- Many companies get stuck here due to uncertainty about where to start



Common Roadblock

Endless research and planning without committing to action.

The Way Forward

- Set a deadline for moving to experimentation with a specific budget allocation.
- Stop researching and start learning through action.

Gate to Stage 2

Leadership gives **explicit permission** to teams to experiment and **allocates resources** for AI exploration



Stage 2: Experimentation

Testing workflows and use cases to discover how AI can improve tasks currently done without AI.

What This Stage Looks Like

Your teams are actively trying things. Some experiments work beautifully, others fail completely, and most fall somewhere in between. You're learning what AI can and can't do in your specific context, building internal expertise, and starting to see patterns in where it adds value.

The conversation has shifted from “What could this mean for us?” to “Does it really work?”

Key Insights

- Starts with targeted pilots focused on specific business problems
- Emphasis on learning what works and what doesn't before scaling
- Project selection will make or break this stage; focus on small, low risk projects using existing or off-the-shelf AI tools
- Failed experiments provide valuable insights for future initiatives
- Critical stage for building organizational confidence and capability
- Many companies skip proper experimentation and jump to adoption without learning



Common Roadblocks

Getting paralyzed by mixed results or rushing to scale before you've learned enough.

The Way Forward

- Define specific success criteria before you start experimenting, then stick to them.
- Accept that some projects will fail, and learn from them.
- Require clear evidence that AI works for specific use cases and documented understanding of how to replicate those wins before moving forward.

Gate to Stage 3

Demonstrated wins plus a **clear plan** for pursuing larger opportunities



Stage 3: Adoption

Regular use of AI across multiple use cases and teams.

What This Stage Looks Like

AI tools have become part of your team's regular workflow. People are using them consistently, you're seeing productivity gains, and adoption is spreading organically.

The focus is on getting AI integrated into how work actually gets done.

Key Insights

- Transition from pilots to routine integration in daily work
- More use cases and broader participation signal progress
- Still largely about individual tool adoption rather than systemic change
- Success measured by usage metrics rather than business outcomes
- Risk of adopting AI tools without measuring real value creation
- Easy to assume benefits without verification



Common Roadblock

Mistaking activity for progress. Just because people are using AI doesn't mean it's creating business value.

The Way Forward

- Establish baseline metrics before AI implementation.
- Ask the hard question: "Is this actually improving our bottom line?" and demand data-driven answers.

Gate to Stage 4

Management **requires measurement of business impact**, not just AI use. The shift from "this feels helpful" to "this must move our key metrics."



Stage 4: Value

Shifting focus from using AI to ensuring AI use delivers real business value.

What This Stage Looks Like

You're no longer satisfied with people just using AI - you need proof it's working. Metrics are in place, baselines are established, and you can point to specific business improvements.

This is where AI moves from "nice to have" to "competitive advantage."

Key Insights

- Focus shifts from usage to proving AI delivers real benefits
- Baseline metrics established to track improvements in key performance areas
- Separates companies achieving real competitive advantage from those just using AI
- Creates foundation for justifying larger transformation investments
- Critical for securing executive support for comprehensive transformation

Strategic Note

With careful project selection during Adoption, stages 3 and 4 can be collapsed into a single stage. This helps avoid wasted time on adoption without value measurement.



Common Roadblock

Getting comfortable with isolated wins and not pushing toward systematic integration.

The Way Forward

- Prove AI value in specific areas.
- Don't let success in one area become an excuse to avoid the bigger transformation opportunity.

Gate to Stage 5

Decision to **systematically consider AI integration** across all your functions and processes.



Stage 5: Transformation

Integrating AI into every function, role, and process. In other words, **building AI into your organizational DNA.**

What This Stage Looks Like

This is the big one. You're not just using AI for specific tasks - you're rethinking how your entire organization operates. Every department is asking how AI changes their function. Processes are being redesigned. Job descriptions are evolving.

This stage is comprehensive, messy, and transformative.

Key Insights

- Most complex stage - requires fundamental rethinking of how work gets done
- Every process, policy, and workflow examined for AI integration opportunities
- Starts with legal/compliance frameworks, then HR/strategy, then all functions
- Goal is building AI into your organizational DNA for sustainable competitive advantage
- Requires significant executive commitment and change management
- Success depends on being *systematic*



Transformation Sub-Stages (Variable Order)

Your organization will experience these challenges in different orders:

- **Integration:** Making AI work in existing systems and workflows
- **Expansion:** Broadening AI use to new functions and processes
- **Governance:** Establishing policies, oversight, & risk management
- **Regression:** Setbacks and failures that require recovery plans

The Hidden Sub-Stage: Chaos

Change management can be messy. At some point during transformation, you'll likely experience a period of feeling like things have gotten out of control. This is normal, expected, and resolvable

Common Roadblock

Trying to micromanage the transformation.

The Way Forward

- Build systems and culture that can handle complexity rather than trying to avoid it.
- Create frameworks and guidelines, and trust your teams to execute them.

Gate to Stage 6

Culture shift. AI transformation becomes **self-sustaining** at all levels of your organization, rather than leadership-driven.



Stage 6: Just How Things Work

AI stops being something new or different that requires special effort, and becomes "just how things work."

What This Stage Looks Like

Your organization has become AI-native. New employees naturally adopt AI-first approaches because that's just how things are done here. Innovation happens continuously because applying AI is a core part of all your review and improvement processes.

AI integration doesn't require special projects anymore. It's an integral part of how you naturally approach any business challenge.

Key Insights

- Employees naturally think "how could AI improve this?" without direction or encouragement
- Experimentation with new AI applications becomes part of everyone's job
- Your organization becomes inherently adaptive to AI opportunities
- Not a static end state - dynamic condition of continuous evolution
- Achievement of true AI-native operating model
- New employees naturally adopt AI-first approaches through organizational culture



The Ultimate Goal

Reaching this stage means you're not just using AI - you've become an AI-first organization that continuously evolves with the technology.

Common Roadblock

Thinking you're done.

The pace of change in AI technology is accelerating, and what works today may be obsolete tomorrow.

The Way Forward

- Make re-evaluating the state of AI technology and its applications part of your normal strategy and operational review processes, so continuous evolution just happens naturally.

When It Ends

It doesn't. That's kind of the point.



So, Now What?

The first step in taking control of your AI transformation is brutally simple: **figure out where you actually are right now**. Not where you think you should be, not where you wish you were, but where the evidence shows you really are in these six stages.

Note, though, that in practice these stages aren't always clean. Many organizations push ahead into later stages without actually learning what they need to, completing the groundwork, or passing through the gates properly.

If this describes you, I have good news and bad news.

Bad news first: You're going to have to go back and finish what you missed. Otherwise, those missing pieces will act as anchors on your progress, slowing you down and creating roadblocks you don't understand how to navigate.

But here's the good news: You don't have to re-start all the prior steps from scratch. You just need to complete the pieces you missed, and ensure you pass through the gates properly. Once you've done that, you can jump back to where you thought you started. And don't be surprised if this time, things "magically" seem to move much faster.

Now let's examine the **AI-First Transformation Roadmap**. It defines 3+3 phases – covering both strategy and execution – which guide you through the 6 Stages of AI Transformation progressively and systematically, ensuring you always keep moving forward.

