AI - hype versus the reality

Gareth Hetherington

Director, Ulster University Economic Policy Centre

It seems every business meeting and conference presentation at least touches on the subject of AI and dominates thinking across many organisations, but how widely is it actually being used? This is more difficult to answer than one might think. The Office of National Statistics estimate that across the UK, only about one in five businesses are currently using some form of AI and even among larger businesses, it is around one in three.

This is a consistent theme, larger businesses particularly in technology, finance and manufacturing have been quicker to adopt AI because they have the expertise, resources and data to take full advantage. In contrast, many smaller firms have yet to see AI play a significant role in their operations, such as small retailers or hospitality businesses which remain in "wait and see" mode.

However, this reported level of usage could be a significant underestimate because AI adoption differs from previous technology roll-outs. Usually, the deployment of any new technology or innovation in an organisation requires senior management approval and investment. However, AI usage is being driven by employees, often under the radar. A recent survey in the US found that 78% of employees were using AI tools at work that were *not* officially approved by their employer
.
Employees clearly see value in these AI tools to boost their productivity, completing tasks such as drafting emails, analysing data or coding and they are not waiting for corporate IT to catch up. However, this also raises very significant governance and data security risks for the organisation.

In contrast, business leaders must take a more considered approach. On one side, executives are constantly hearing that AI is the future and could be a 'game-changer' for delivering efficiency and growth.

This is reflected in most business surveys with leaders indicating AI is of high strategic importance and they plan to increase AI investment in the years ahead. There is a lot of pressure not to miss the AI wave.

At the same time, many leaders acknowledge they are out of their depth when it comes to implementing AI. As a result, initiatives can stall due to lack of direction or companies focus on the wrong kind of projects.

In practical terms this all suggests that senior leadership teams need more education and support to understand what AI can do for their organisation and how to align AI with their broader strategy. The employee can focus on individual tasks, but leaders need to think about risks, ethics, data security and return on investment.

Although staff adoption is reasonably high, particularly in some industries, the technology also raises significant concerns for employees. The most obvious and significant question is: will this technology take my job? This is a valid reaction but underscores the importance of transparency and training across organisations. Without that understanding, employees will either resist AI roll-out or will not use it to its potential.

Separate to the impact on staff, there is also the important issue of whether the technology is delivering significant benefits at the organisational level. Research from the Boston Consulting Group suggests that even among companies that have adopted AI, there is a divide between superficial use and transformative impact.

In the 2024 research, BCG found that only 26% of companies had moved beyond pilot projects to generate real value from AI. That leaves approximately three-quarters of firms still struggling to obtain real impact from their AI initiatives.

It is perhaps not surprising that only a small group of organisations win big as a new technology emerges, while the majority scramble to understand how to scale their AI pilots. Broader adoption takes time, and AI must be treated as a strategic priority with investment in staff training.

Amid these challenges, it is important to recognise that AI is delivering value in some business areas. Typically, it works best in areas with rich data and repeatable processes such as data analysis, manufacturing and customer service. That said, the technology is improving at a such pace the number of business functions and sectors that can benefit will continue to grow.

Overall, the experience of the past couple of years provides some key take-aways. Despite the hype, AI is not the silver bullet to solve all problems and there will continue to be leaders and laggards. But as AI tools become more user-friendly and the number of successful use-cases continues to grow, the barriers to adoption, particularly for smaller firms, will fall.

Importantly, it also means tempering expectations with realism. Not all AI pilots will succeed, and not every company will immediately see huge performance improvements. But the genie is out of the bottle, AI will become as ubiquitous as the internet itself and the sooner organisations bridge the knowledge gap, the sooner productivity and innovation gains can be realised across the economy and society more generally.

Put simply, you cannot afford to fall too far behind in a race everyone knows has already started.

Gareth Hetherington

Director, Ulster University Economic Policy Centre

g.hetherington@ulster.ac.uk

About UUEPC
UUEPC is an independent economic research centre focused on producing evidence-based research to inform policy development and implementation. It engages with all organisations that have an interest in enhancing the Northern Ireland economy. The UUEPC's work is relevant to government, business and the wider public with the aim of engaging those who may previously have been disengaged from economic debate.

Ulster University

UUEPC
Ulster University Economic Policy Centre