A DIAGNOSTIC FOR STALLED AI INVESTMENTS

The 94% Problem

Why most AI investments aren't generating returns — and what's actually stalling them.

Terence Milstead, PhD

Founder & Principal · Second Mind Solutions, LLC

According to McKinsey's 2025 State of AI report, 78% of organizations reported using AI in at least one business function. Yet only 6% qualified as AI high performers, defined as organizations attributing more than 5% of EBIT to AI. Nearly as many companies reported no significant bottom-line impact from generative AI as those who reported using it at all.[1]

That is a value-creation problem, not an adoption problem. And the gap between the two is where most AI budgets are being wasted.

However, if your organization sits in the 94% that hasn't yet reached high-performer status, the diagnosis you arrive at matters more than the budget you spend next. Most executives default to one of two explanations: 1) the tools aren't good enough; or 2) people don't know how to use them. The first triggers another procurement cycle, while the second triggers another training program. Both usually fail to move the numbers that matter, because both are responses to the wrong question.

The real question is: what is stopping the productivity the business case promised (i.e., what is causing the gap?)

In this paper I propose an answer. I also maintain that the gap is closable. In a 12-month ChatGPT Enterprise study I co-led at the Commonwealth of Pennsylvania involving 175 employees across 14 state agencies, 85% of participants reported a positive experience and users estimated saving an average of 95 minutes per day through structured AI use. The published findings identified four primary adoption barriers: habit formation, workload constraints, prompt fluency, and trust.[2] Mapped onto a framework, those barriers reveal a pattern I've now seen in every organization I work with.

I call it the Adoption Gap Framework: the Incentive Gap, the Competence Gap, and the Culture Gap. Each one will stall value creation on its own. Together, they explain why the 94% looks the way it does.

The Incentive Gap

Most organizations deploy AI tools into an incentive vacuum. Using the tool is encouraged, but it isn't measured, rewarded, or expected. Adoption is left to individual motivation.

That's a structural problem, not a willpower one. Stanford behavioral scientist BJ Fogg's Behavior Model shows that behavior change requires three elements: motivation, ability, and a prompt.[3] When organizations deploy tools without building incentive structures or environmental cues around them, two of the three conditions for behavior change are missing. Without external structure, people default to what they already know how to do well.

> *Resistance to AI isn't usually resistance. It's the path of least effort doing what it always does.*

The companies pulling away from the 94% have figured this out. Accenture told senior staff in early 2026 that promotions would require regular AI use, with the company monitoring weekly log-ins.[4] Microsoft told employees in mid-2025 that AI usage "is no longer optional" and asked managers to factor it into performance reviews.[5] KPMG made 2026 evaluations partly contingent on meeting AI objectives.[6] Amazon Ring now requires every promotion application to demonstrate AI use in the role.[7] Meta made "AI-driven impact" a core 2026 expectation for all employees.[8]

The specific mechanism matters less than the signal: adoption is an expectation, not an invitation. Until that signal exists in your organization, dashboards will keep showing activity while EBIT stays flat.

The Competence Gap

Every new tool creates a window between first exposure and genuine proficiency. During that window, using the tool feels slower and less productive than the familiar approaches it's meant to replace. The learning curve is real and the payoff isn't immediate.

This is where many adoption efforts fail.

Samuelson and Zeckhauser's foundational work on status quo bias provides a possible explanation why.[9] People systematically overweight the costs of change relative to its benefits, making the familiar option disproportionately attractive even when the alternative is objectively better.

AI tools trigger this dynamic at scale. In the Pennsylvania research, the pattern was strikingly consistent: employees would attempt a task with the tool, get a mediocre first result, and quietly revert to doing it the old way.[2] Not because the tool couldn't help, but because the friction of getting to a good result was higher than the friction of falling back.

What makes this gap particularly difficult is that it's invisible. The employee who reverts after three attempts looks identical to the one who never tried. Usage data doesn't capture abandoned attempts. Adoption statistics don't measure the valley; they only measure who made it across.

Crossing it requires two things organizations rarely provide together: enough time to practice without full-productivity pressure, and enough psychological safety to be bad at something new without it reflecting badly. Where both exist, adoption holds. Where either is missing, the familiar wins.

The Culture Gap

Every organization sends a signal about how it expects people to engage with uncertainty, learning, and not yet knowing something. That signal rarely appears in a policy document. It lives in the smaller moments: whether asking a question in a meeting is read as curiosity or incompetence, or whether admitting you're still figuring something out is safe or professionally costly.

Harvard's Amy Edmondson established the concept of psychological safety: the shared belief that a team is safe for interpersonal risk-taking.[10] Her research demonstrated that this belief directly predicts learning behavior, which in turn drives team performance. The mechanism that governs AI adoption is the same one she identified more than two decades ago: when the cost of being wrong feels high, people stop experimenting.

Two organizations can deploy identical tools, identical training, identical leadership commitment, and produce wildly different results. The one where expertise is currency and being wrong is costly will see adoption happen privately, if at all. People use the tools as a secret competence aid rather than a visible change in how work gets done. The one where curiosity is valued and learning out loud is normal will see workflows spread laterally: one person figures something out, shows three colleagues, those three show others.

But there is also a deceptive, counter-intuitive aspect to this: the first organization may show higher early usage numbers. When people feel unsafe asking openly, they may turn to AI privately to avoid exposure. The dashboard looks good. The adoption is brittle.

McKinsey's data confirms the organizational pattern. AI high performers are three times more likely than peers to have senior leaders who actively model AI use themselves.[1] The culture signal starts at the top, or it doesn't start.

Closing the Gap

The 94% remains the 94% not because the tools don't work, but because the response to flat returns is almost always more training, more communication, or another procurement cycle. Those are responses calibrated for a knowledge problem. The actual problem is behavioral and organizational, and it requires a different toolkit.

Closing the Incentive Gap means understanding how people respond to signals, incentives, and social norms in your specific context. It means knowing how loss aversion shapes engagement, how social proof accelerates or stalls adoption depending on who the early adopters are, and how the framing of an expectation determines whether it motivates or threatens. This is design work, not communication work.

Closing the Competence Gap means knowing exactly where people are abandoning the curve and why. That knowledge doesn't come from dashboards. It comes from observing real workflows, conducting structured interviews, and mapping the specific moments where the familiar wins. The findings are concrete enough to act on, which is why generic adoption assessments rarely produce ROI movement and targeted ones do.

Closing the Culture Gap means leaders treating the signals they send about learning, uncertainty, and experimentation as a design problem rather than an afterthought. It's about how leadership models learning out loud, how early wins get surfaced, and how the language around experimentation either creates safety or quietly undermines it. The signal can be shaped, deliberately.

None of this is what a 90-minute workshop delivers. It requires a different kind of diagnostic, a different set of methods, and a willingness to treat AI adoption as the behavioral and organizational challenge it actually is.

> That is the work Second Mind Solutions was built to do. If you are navigating an AI investment that isn't generating the returns you projected, and you suspect the standard playbook isn't going to close the gap, I'd like to hear about it. The first conversation is always a diagnostic, not a pitch. Visit **secondmindsolutions.com** or message me directly.

Terence Milstead, PhD is the founder of Second Mind Solutions, LLC, an AI adoption and workflow advisory practice, and a lecturer at the Wharton School of the University of Pennsylvania. He previously co-led generative AI research at the Commonwealth of Pennsylvania, where his team's findings shaped one of the largest public-sector AI pilots in the United States.

Sources

1. McKinsey & Company, *The State of AI: How Organizations Are Rewiring to Capture Value* (2025).
2. Commonwealth of Pennsylvania / Beeck Center, *A Sandbox for GenAI in the Commonwealth of Pennsylvania: A Digital Service Network Spotlight* (Digital Government Hub, 2024).
3. BJ Fogg, Stanford Behavior Design Lab, *Fogg Behavior Model*.
4. Fortune, "Accenture trained 550,000 workers in AI — now promotions hinge on using it," (February 2026).
5. Entrepreneur, "'No longer optional': Microsoft staff mandated to use AI at work," (June 2025).
6. Bloomberg, "KPMG staff to be rated on AI usage in yearly performance reviews," (October 2025).
7. Fortune, "Amazon Ring staff must prove they've used AI for promotion," (July 2025).
8. HR Grapevine, "Meta to formally review employees' AI performance from 2026," (November 2025).
9. Samuelson & Zeckhauser, "Status Quo Bias in Decision Making," *Journal of Risk and Uncertainty* (1988).
10. Amy C. Edmondson, "Psychological Safety and Learning Behavior in Work Teams," *Administrative Science Quarterly* (1999).