



Why Traditional CapEx Evaluation Fails in the Age of AI

And How Leadership Teams are Adapting to
Compare, Rank and Defend AI Investments



Foreward



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Capital investment today underpins future strategic success. Throughout my experience, effective capital planning and optimal allocation of capital has depended on robust financial analysis, standardized evaluation and scoring, and rigorous and patient governance.

The transformational opportunities and existential threats of Artificial Intelligence are radically up ending the way critical AI investment decisions are being made. The astounding pace of the AI technology wave has fundamentally altered the investment profile: the precise solution is unknown at project start, costs are highly unpredictable and ongoing, and value evolves as capabilities are adopted and scaled, with a broad diffusion of business benefits.

These characteristics place new demands on capital planning. Evaluation must accommodate uncertainty and progressive value, governance must extend beyond approval into continuous oversight, and portfolio management must support rapid re-prioritization as these technologies evolve.

The biggest risk is not adapting to this new reality and failing to respond to this technological change.

In this eBook, we explore what this shift means in practice, and how finance teams can compare, prioritize, and defend AI-enabled investment decisions with greater confidence, and how to prosper in the age of AI.

Never before have the potential returns on investment been so immense. Or the risks of inaction so existential.

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CHAPTER 1

A Shift in the Nature of Capital Investment

For decades, capital evaluation followed a familiar logic. Define the asset, estimate the cost, forecast the return, and compare it against other projects competing for limited capital. In stable environments, that model worked well because the investment itself was relatively stable. A new production line, a plant upgrade, or a fleet replacement could usually be bounded, costed, ranked, and approved with reasonable confidence.

AI changes that equation.

Financial discipline matters now more than ever. But AI-enabled investments behave differently from traditional asset-heavy projects.

AI technology investments are harder to isolate, harder to contain, and often harder to value using conventional approval logic alone. Costs increase as data sourcing and cleansing, integration, governance, and scale requirements become clearer. Benefits emerge across functions rather than within a single asset or department. The value of the investment increases over time as the technology learns, expands, and is reused in ways that were not anticipated.



FINANCE TEAMS
ARE BEING ASKED
TO EVALUATE AI
INVESTMENTS USING
FRAMEWORKS BUILT
FOR A DIFFERENT
CLASS OF DECISION.



That is why leadership teams are finding themselves in an uncomfortable position. Executives are being asked to compare, rank, and defend AI-enabled investments using frameworks built for a different class of capital decision. **Traditional CapEx evaluation methods assume a level of scope clarity, cost certainty, and predictable value that many AI initiatives do not offer.** The result goes beyond analytical friction. It reflects a growing mismatch between the nature of the investment and the model used to evaluate it.

This matters because AI has moved into the core of the capital agenda. AI now propels automation, productivity, efficiency and scale. AI is infused in every function from product management, marketing and business development, through supply chain optimization and production to customer support. Traditional Finance, IT and Human Resource functions are all being radically transformed. Every member of the C-suite is focused on how best to adopt AI and effectively evaluate investment choices, where the only certainty is that inaction is not an option.

The challenge, then, goes beyond making room for AI within existing processes. It requires modernizing capital planning so that finance teams can evaluate uncertain, capability-based investments with the same rigor applied to traditional projects, without forcing them into approval models that distort their true value, risk, or strategic relevance.

This eBook explores what that shift means for leadership teams. It examines why traditional CapEx evaluation begins to fail in the age of AI, what makes AI-enabled investments fundamentally different, and how finance teams are adapting to compare, rank, and defend these decisions with greater confidence. The goal is to evolve financial discipline for a world in which capital decisions are becoming more dynamic, more cross-functional, and more exposed to uncertainty than the tools of the past were designed to handle.

CHAPTER 2

The Limits of Traditional CapEx Evaluation Models

Traditional CapEx evaluation models are built on four underlying assumptions about how investments behave:

1. **Scope can be clearly defined at the point of evaluation** - The investment can be described with enough precision to support cost estimation, scheduling and return on investment modeling.
2. **Costs are reasonably stable and bounded** - The majority of expenditure can be forecast with confidence, committed early, and managed against a defined baseline.
3. **Value can be attributed and expressed in financial terms** - Expected benefits can be translated into measurable financial outcomes that support comparison across competing investments.
4. **Projects can be evaluated as independent units within a portfolio** - Each proposal can stand on its own, allowing capital to be allocated based on relative return and risk.

These assumptions provide the structure needed for consistent comparison, governance, and disciplined capital allocation.

Many leadership teams are still stuck with these legacy capex evaluation models, even as AI-enabled investments have rattled these underlying assumptions.

As AI introduces rapidly evolving technologies, evolving scope, less certain cost profiles, distributed value, and interdependent outcomes, the model still evaluates these investments as if they are fixed, bounded, and independent.

That is where distortion begins and where optimal capital allocation can catastrophically fail.



How AI Exposes the Limits of Traditional Evaluation

1. DEFINED SCOPE VS. EVOLVING SCOPE

Traditional CapEx evaluation requires scope to be clearly defined at the point of approval, supporting cost estimation, return modeling, and prioritization. AI-enabled investments often evolve as they progress, with early funding establishing direction or capability rather than a fully specified outcome.

Yet the traditional evaluation model still expects completeness. As a result, scope is forced too early, assumptions lock in prematurely, boundaries tighten, and business cases appear more certain than they are. The structure holds, but input integrity erodes.

2. FIXED COST STRUCTURES VS. ITERATIVE INVESTMENT CYCLES

Traditional CapEx assumes costs can be estimated upfront and managed against a stable baseline. In practice, many AI investments do not follow a contained cost profile. Some require staged funding, while others depend on inputs (data, integration, capability) that are not fully visible at the outset. Costs emerge progressively, but the model is not designed for this. As a result, total cost is estimated before it is fully understood, contingency is misaligned, and funding decisions are made on incomplete visibility creating tension between financial rigor and practical reality.

3. DIRECT ROI VS. DISTRIBUTED VALUE CREATION

Traditional CapEx models rely on financial metrics to compare investments, with value expressed as clear, attributable returns within a defined project. AI-enabled investments often create value more broadly through efficiency, reliability, decision quality, or risk reduction across multiple functions.

These outcomes are real but do not always translate into a single ROI figure. To fit the traditional evaluation model, value is simplified, what cannot be easily quantified is excluded, and long-term or compounding effects are underrepresented. Comparability is preserved, but completeness is reduced.

4. SINGLE-PROJECT EVALUATION VS. ECOSYSTEM IMPACT

Capital frameworks are designed to assess projects as discrete proposals. In reality, many AI investments operate within a broader ecosystem enabling others, sharing capabilities, or delivering value only in combination. When evaluated in isolation, dependencies are overlooked, AI investments appear weaker than they are, and combined value is fragmented. The result is decisions that optimize individual projects, rather than the portfolio as a whole.



DISTORTED
EVALUATION
LEADS TO
DISTORTED
CAPITAL
ALLOCATION.

The Implications for Capital Allocation

When evaluation models no longer align with the nature of the investment, the impact shows up directly in how capital is allocated. Decisions are made on a distorted basis, creating three related risks:

1. UNDERINVESTMENT IN HIGH-IMPACT INITIATIVES

Investments that are harder to define, quantify, or isolate often struggle to compete within traditional frameworks. They appear less certain, less comparable, and more difficult to defend. As a result, early-stage or capability-building initiatives are delayed or scaled back, funding is constrained until a level of certainty is reached that may never fully materialize, and opportunities with long-term or compounding value are deprioritized in favor of more immediate returns. The outcome is missed opportunity.

2. MIS-PRIORITIZATION ACROSS THE PORTFOLIO

When all investments are forced into the same evaluation structure, those that align most closely with the model tend to rise to the top. This does not always reflect strategic importance. Projects with clear, contained ROI are favored, while cross-functional or enabling initiatives are undervalued, and decisions skew toward what is easiest to compare rather than what delivers the greatest overall impact. Over time, the portfolio becomes well-justified, but not well-optimized.

3. REJECTION OF INVESTMENTS THAT DO NOT “FIT THE MODEL”

Some initiatives are not just undervalued, they are excluded entirely. If an investment cannot present a clearly defined scope, a stable cost profile, and a direct, attributable return, it may struggle to pass through approval processes built around those criteria. This creates a structural bias that filters out investments that do not conform to the model, rather than those that lack value.

CHAPTER 3

The Unique Economics of AI Investments

The limitations of traditional CapEx evaluation do not exist in isolation. They reflect something more fundamental. A change in the economics of the investment itself.

Traditional capital planning is built around asset economics. An investment is approved to acquire or upgrade a defined asset, with a known cost profile and a return that can be forecast over time. The value of that investment is largely contained within the asset itself.

Many AI-enabled investments do not follow this pattern. They behave less like discrete assets and more like capabilities. This distinction matters, because it changes how cost, value, and risk should be understood.

From Asset Economics to Capability Economics

In an asset-based model:

- The investment delivers a defined output
- Costs are incurred upfront or within a contained timeframe
- Returns are realized in a relatively linear way

In a capability-based model:

- The investment establishes a foundation that can be extended and reused
- Costs and benefits evolve over time
- Value is not confined to a single use case

Finance teams are not just evaluating a project. They are evaluating the potential of a capability to generate value across multiple applications. This is where traditional evaluation approaches begin to lose alignment.

How Cost and Value Behave Differently

ONGOING COST LAYERS, NOT ONE-TIME INVESTMENT

In traditional CapEx, most cost is tied to acquiring or delivering an asset. In capability-based investments, cost is layered, spanning data preparation, model development, system integration, and ongoing monitoring, governance, and improvement. These costs do not sit within a single approval boundary. They unfold over time and often expand as the capability is scaled or extended. This changes the evaluation question. It is no longer “What is the total cost of this asset?” but “What level of ongoing investment is required to build, sustain, and scale this capability?”

BENEFITS THAT SCALE OVER TIME

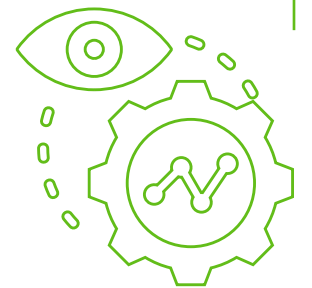
Traditional business cases assume value can be estimated upfront and realized in a predictable pattern. Capability-based investments behave differently. Early returns may be modest, with value expanding as the capability matures across additional use cases, multiple functions, and improved performance over time. The full benefit is rarely visible at approval; it emerges through adoption, refinement, and broader application. Value becomes progressive rather than fixed.

REUSABILITY ACROSS PROJECTS AND FUNCTIONS

In asset-based evaluation, value is tied to a single project or business case. Capability-based investments extend beyond that boundary. Once established, they can be reused across projects, operational areas, and future investment cycles. This creates shared value that is difficult to assign to one initiative and raises practical questions around recognition, justification, and comparison. When assessed in isolation, these investments can appear weaker than they are.

COMPOUNDING VALUE, NOT ONE-TIME RETURN

Traditional CapEx assumes value is realized as a defined return over time, with the asset performing within expected parameters. Capability-based investments can evolve. Value may improve as performance increases, expand as new use cases are added, and interact with other capabilities to generate additional impact. The result is a compounding effect, where long-term value is shaped less by the initial use case and more by how the capability is extended over time.



EVALUATED IN ISOLATION,
CAPABILITY INVESTMENTS APPEAR
WEAKER THAN THEY ARE.

A Different Way to Evaluate AI Investments

AI-enabled investments introduce characteristics that make them different to evaluate within capital planning. The shift from asset economics to capability economics reflects how AI behaves in practice, with:

- Less certainty at the point of approval
- More flexibility in how value is realized
- Greater interdependence across investments

For finance teams, this changes the nature of the decision. It is no longer just about assessing a defined project. It is about assessing:

- The trajectory of an AI-enabled capability
- The potential for reuse and expansion across use cases
- The long-term value beyond the initial business case

This also changes how discipline is applied, as the evaluation questions begin to shift:

- How should AI investments be assessed when value is not fully visible at approval?
- How should cost be evaluated when it unfolds across data, models, and integration over time?
- How should return be measured when it is progressive, distributed, and shaped by future use?

Financial metrics remain essential, but evaluation must evolve to capture how AI-enabled capabilities create value through uncertainty, expansion, and compounding impact.

CAPITAL
EVALUATION
SHIFTS FROM
ASSESSING
PROJECTS TO
ASSESSING
CAPABILITIES.



Adapt how AI investments are evaluated in practice



CHAPTER 4

Rethinking Financial Evaluation: Beyond Traditional Metrics

Once the limitations of traditional evaluation are understood, the question for finance teams becomes practical:

How should AI-enabled investments be evaluated?

Because capital decisions still require a clear outcome:

- Investments must be compared
- Business cases must be justified
- Capital must be allocated with discipline

That requires a financial framework.

Traditional metrics such as NPV, IRR, and payback remain central to that framework. But on their own, they do not fully capture investments where value evolves over time, costs are not fully defined upfront, and outcomes depend on how the investment is extended.

EVALUATION
EVOLVES
TO REFLECT
UNCERTAINTY,
PROGRESSION,
& OPTIONALITY.



Expanding the Evaluation Approach

Leading finance teams are not replacing traditional metrics. They are extending how those metrics are applied. This means moving beyond a single-point estimate and introducing structured ways to evaluate uncertainty, progression, and optionality. Three approaches are becoming increasingly important.

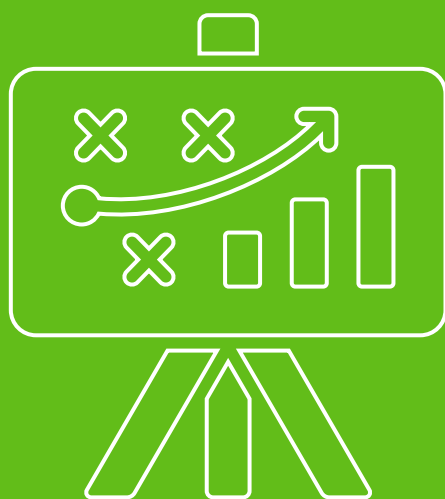
1. SCENARIO-BASED EVALUATION

Rather than relying on a single forecast, scenario-based evaluation recognizes that outcomes may vary depending on how the investment evolves. This allows finance teams to assess:

- A range of potential outcomes
- The sensitivity of value to key assumptions
- The conditions under which an investment becomes more or less attractive

Instead of asking: **“What is the expected return?”** The question becomes: **“How does value change across different scenarios?”**

This provides a more realistic view of both risk and opportunity.



2. STAGED INVESTMENT MODELS

Traditional CapEx assumes that most funding is committed upfront. In practice, many investments are better evaluated as a sequence of decisions. Staged models allow:

- Initial funding to establish direction or capability
- Subsequent funding to be contingent on progress, performance, or validation
- Risk to be managed over time rather than at a single approval point

This shifts the evaluation from a one-time decision to a controlled investment pathway. It also aligns more closely with how value is realized progressively rather than immediately.

3. RISK-ADJUSTED DISCOUNTING

Discount rates are typically used to reflect risk. Higher uncertainty leads to higher discount rates, reducing the present value of future returns. This approach works when risk is relatively stable and well understood. But when uncertainty includes:

- Evolving use cases
- Expanding value potential
- Learning over time

A single discount rate can oversimplify the investment profile. It may:

- Penalize long-term upside too heavily
- Underrepresent the value of flexibility
- Treat all uncertainty as downside risk

This is where a more nuanced approach becomes necessary.

Introducing AI-Adjusted Discount Rates

To better reflect AI-enabled investments, finance teams are adapting how discount rates are applied, making them more responsive to evolving risk and value. AI-adjusted discount rates introduce a more dynamic approach to evaluation by considering:

- **Uncertainty** - Recognizing that not all variables are known at the point of approval and that some will become clearer over time
- **Optionality** - Accounting for the ability to expand, scale, or redirect the investment as new information emerges
- **Learning curves** - Reflecting the fact that performance, efficiency, and value may improve as the capability matures

Rather than applying a single, static discount rate across the entire investment, this approach allows evaluation to better align with how risk actually behaves. It acknowledges that uncertainty is not just something to discount, it is something that can be managed, reduced, and, in some cases, leveraged.

EVOLVING RISK
REQUIRES A
MORE ADAPTIVE
APPROACH TO
EVALUATION.



How to apply AI-adjusted discount rates in practice.



Evolving Discipline, Not Replacing It

This shift does not reduce the need for financial rigor. It increases it. Evaluating investments under uncertainty requires clearer assumptions, greater transparency, and stronger alignment between finance and operational teams.

The objective is to maintain structured evaluation while ensuring that the structure reflects the reality of the investment. Traditional metrics remain essential, but on their own they do not capture investments where value evolves, extends across functions, and depends on future application.

This is why financial evaluation must evolve, to support decisions that are more accurate, more informed, and more aligned with how capital creates value today.

CHAPTER 5

Governance in an Environment of Uncertainty

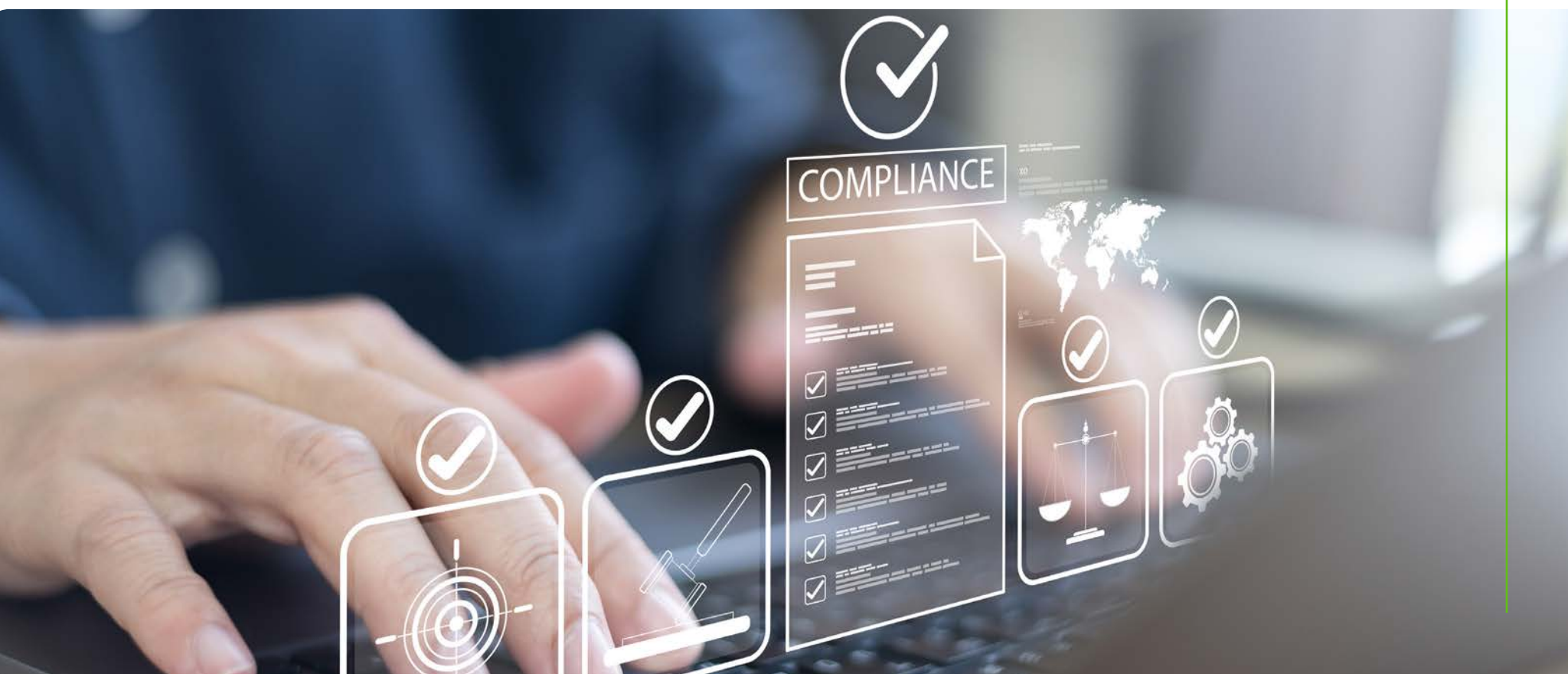
Once financial evaluation begins to evolve, governance must evolve with it. Evaluation feeds directly into how investments are approved, monitored, and controlled over time.

Traditional CapEx governance follows a clear sequence:

- A business case is developed
- The investment is evaluated
- Approval is granted
- Execution begins

Control is applied through defined gates, with each stage requiring a level of certainty before progressing. That structure works when investments can be fully specified upfront. Stage-gate approval becomes harder with AI investments as confidence thresholds are harder to achieve.

GOVERNANCE
SHIFTS FROM ONE-
TIME APPROVAL
TO CONTINUOUS
OVERSIGHT.



From Gate-Based Control to Guided Adaptability

Traditional governance models enforce control through fixed approval points, where each gate determines whether an investment proceeds, pauses, or is rejected. This creates clarity and accountability, but also concentrates decision-making at the point where uncertainty is highest. In practice, many investments require decisions to continue well beyond initial approval. As a result, leadership teams are moving toward a model of guided adaptability, where control is applied continuously as the investment evolves and decisions are revisited as new information becomes available.

Guided adaptability is applied through a set of reinforcing governance mechanisms:

1. ITERATIVE APPROVALS, NOT ONE-TIME DECISIONS

Traditional governance concentrates approval at the start of the investment. Once approved, funding is largely committed, and oversight shifts to delivery against plan. In more dynamic investment environments, this creates risk. Iterative approval models address this by breaking investment into sub-stages, linking funding to progress and validation, and reassessing decisions as new information emerges. Approval becomes a sequence of controlled decisions rather than a single point of commitment.

2. RE-EVALUATION AS A GOVERNANCE MECHANISM

In traditional models, re-evaluation is triggered by variance—cost overruns, delays, or scope changes. In more complex investments, re-evaluation is built into the governance structure. Checkpoints are introduced to reassess whether the investment is delivering expected value, whether assumptions still hold, and whether additional funding is justified. Governance remains aligned with the current state of the investment, rather than the original approval conditions.

3. CONTINUOUS BUSINESS CASE VALIDATION

The business case no longer functions as a static document used to secure approval. It becomes a living reference point. As the investment progresses, assumptions are tested, benefits are refined, and value is validated against actual outcomes. The focus shifts to ongoing validation—whether the business case is still supported by evidence, and whether the investment continues to justify further funding.

4. CROSS-FUNCTIONAL OWNERSHIP OF INVESTMENT DECISIONS

Traditional governance often sits primarily within finance, with input from project or operational teams. More complex investments require broader ownership. Value is delivered across functions, influenced by operational execution, and dependent on technology, data, and process integration. Effective governance brings together finance, technology, and operations, ensuring decisions reflect how the investment performs in practice, not only how it was initially proposed.

Control extends beyond approval, improving alignment, transparency, and decision-making across the lifecycle. Finance shifts from enforcing approval gates to guiding capital through uncertainty.

CHAPTER 6

Portfolio-Level Visibility & Dynamic Reallocation

As evaluation and governance evolve, the focus of capital planning shifts from individual projects to the portfolio as a whole. AI-enabled investments are increasingly interconnected. Each initiative influences others, competes for capital and capability, and may depend on the progress of adjacent investments. This makes portfolio-level visibility essential.

PORTFOLIO DECISIONS REQUIRE ACTIVE MANAGEMENT

Managing capital at the portfolio level introduces a different type of decision-making. The focus moves beyond evaluating individual investments to actively managing trade-offs across the portfolio. Finance teams must balance immediate returns with longer-term capability development, committed investments with emerging opportunities, and performance across initiatives with different risk and value profiles.

These decisions are not made once. They are made continuously. As investments progress and assumptions evolve, the relative position of each initiative within the portfolio changes. This requires a more active approach to capital planning, one that supports ongoing adjustment rather than fixed selection.

THE NEED FOR REAL-TIME VISIBILITY

Effective portfolio decisions depend on visibility throughout the lifecycle of each investment. Finance teams need to understand how investments are progressing, where costs and benefits are shifting, which initiatives are delivering value, and where risk is increasing.

Static reporting cycles are no longer sufficient. By the time information is consolidated and reviewed, conditions may have already changed. Real-time visibility enables faster identification of issues, more informed decision-making, and greater confidence in adjusting course when required.

PORTFOLIO DECISIONS
ARE MADE CONTINUOUSLY.
NOT JUST AT THE POINT OF
SELECTION.

RE-PRIORITIZATION AS AN ONGOING CAPABILITY

In traditional models, prioritization occurs during the annual planning cycle, where projects are ranked, budgets are allocated, and the portfolio is largely fixed. In more dynamic environments, priorities shift as new opportunities emerge, existing investments evolve, and external conditions change.

Finance teams need the ability to reassess priorities based on current performance and strategic relevance, adjust sequencing, and redirect focus toward higher-value initiatives. Prioritization becomes continuous, embedded in portfolio management rather than confined to a single planning cycle.

CAPITAL REALLOCATION DURING THE INVESTMENT LIFECYCLE

Once capital is approved in traditional models, it is rarely revisited unless significant variance occurs. This can lock funding into initiatives that no longer represent the best use of capital.

Dynamic capital allocation introduces flexibility. It enables finance teams to:

- Increase funding to high-performing initiatives
- Reduce or pause investment where value is not materializing
- Redirect capital toward emerging opportunities

These decisions rely on strong visibility and governance to ensure they remain controlled and aligned with overall strategy.



THE ADVANTAGE
LIES IN
CONTINUOUSLY
RESHAPING
PRIORITIES AS
VALUE EVOLVES.



MANAGING INTERDEPENDENCIES ACROSS THE PORTFOLIO

AI-enabled investments rarely deliver value in isolation. They form part of a broader ecosystem, where capabilities are shared, initiatives build on one another, and full value often emerges only when multiple components are in place.

Without visibility of these relationships, dependencies can be overlooked, enabling investments undervalued, and decisions fragmented. Managing these interdependencies requires a portfolio view that connects AI-enabled investments, underlying capabilities, and outcomes, ensuring decisions reflect how value is created across the portfolio, not just within individual projects.

FROM STATIC BUDGETS TO DYNAMIC CAPITAL ALLOCATION

These shifts require a change in how capital planning is structured. Traditional models rely on static annual budgets, where capital is allocated at the start of the cycle and the portfolio remains largely fixed.

In environments shaped by AI-enabled investments, this becomes restrictive. Finance teams are moving toward dynamic capital allocation models, where investment decisions are revisited throughout the year, capital is reallocated based on performance and priority, and the portfolio evolves as conditions change.

Control is strengthened through active management, rather than fixed commitment.

A MORE ACTIVE ROLE FOR FINANCE

As portfolio complexity increases with AI-enabled investments, the role of finance expands from evaluating and approving investments to actively shaping the portfolio over time.

This includes maintaining visibility across investments, facilitating trade-off decisions, enabling re-prioritization and reallocation, and ensuring alignment between capital and strategy. Finance becomes central to how capital is deployed, not just how it is approved.

VALUE IS
CREATED
ACROSS
CONNECTED
INVESTMENTS.

CHAPTER 7

Integrating Financial and Non-Financial Metrics

As AI-enabled investments reshape how value is created, capital evaluation is moving toward a more structured, multi-dimensional approach, one that combines financial metrics with operational, strategic, and risk-based measures to form a more complete view of investment performance. This shift improves decision quality, because the strength of a capital decision depends on more than what can be captured in a single financial model.

OPERATIONAL IMPACT

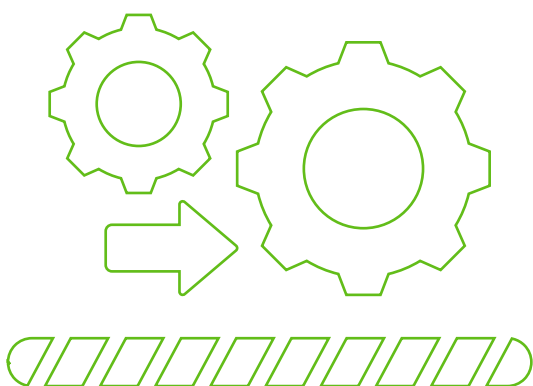
Some of the earliest indicators of value appear in operations. Performance often shifts before financial returns are fully realized, as throughput increases, downtime reduces, and processes become more efficient. These signals provide early evidence of value. Finance teams that incorporate operational indicators gain earlier visibility into performance and can respond more quickly when outcomes diverge from expectations.

STRATEGIC CONTRIBUTION

Some AI investments expand what the organization is capable of delivering. These AI projects enable new initiatives, support future growth, and strengthen competitive position, shaping the direction of the portfolio. Incorporating strategic contribution allows finance teams to balance immediate return with long-term capability, support investments that unlock future value, and align capital allocation with strategic priorities.

RISK AND RESILIENCE

Investment decisions also influence exposure to risk. Some AI initiatives strengthen control, improve reliability, and reduce the likelihood of disruption, lowering operational risk, strengthening compliance and governance, and increasing resilience in critical processes. These outcomes protect value and shape the overall risk profile of the portfolio. However, leadership teams also need to carefully evaluate the twin risks of AI-adoption and delay.



Structure how AI investments are evaluated beyond traditional financial models



IMPLEMENTATION RISK

AI initiatives are undoubtedly risky. As opposed to traditional systems which were deterministic in their processing logic and outcomes, AI-systems are probabilistic. They generate exciting and original content. But their beauty and brilliance are also their weakness. We can never be quite sure how AI systems may behave, or exactly why they act as they do. What may be an acceptable error rate for low-level tasks, may prove catastrophic in more regulated and physical domains. Risk measurement and control systems need to adapt to this new era of independently thinking 'agentic' systems.

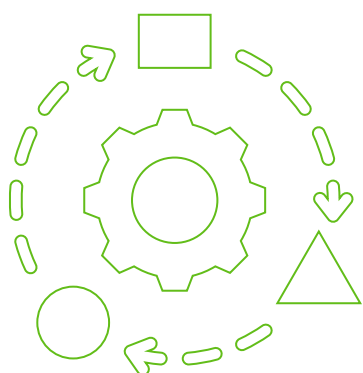
URGENCY

(and the risk of inaction)

The potential of both digital and physical AI system is astounding. Productivity benefits can be 100x the equivalent traditional output. Failure to adopt these AI technologies may leave organizations at an insurmountable competitive disadvantage and pose an existential threat. Leadership teams will need to carefully evaluate the likely impact of AI in their operating environment, rate of adoption by existing competitors, and the threat of new AI-powered entrants. Many leadership teams will conclude that the urgency of adoption is acute, and the risk of inaction far outweighs the implementation risks.

GUARDRAILS

AI is coming whether leaders like it or not. Staff members know that AI won't necessarily take their jobs: but colleagues (or competitors) who use AI effectively will. So either leaders will need to move quickly to equip their teams with effective AI-capabilities that are securely governed and have proper guard rails in place, or employees will find their own solutions. Uncontrolled use of AI-services can critically expose sensitive and confidential information. To mitigate the risk of unauthorized AI adoption, leaders need to move quickly to provide the tools their team require.



A MORE COMPLETE BASIS FOR DECISION-MAKING

Bringing these dimensions together creates a more complete basis for decision-making. Finance teams are better equipped to make balanced trade-offs, recognize value beyond immediate financial return, and align capital allocation with both performance and strategy. Decisions become more informed, and capital allocation becomes more resilient.

The Risk of Reactive Capital Allocation in the AI Era

PANIC AND IRRATIONAL EXUBERANCE

Some leaders are motivated by the fear of the impact that AI technology will have on their business. Doomsday predictions of the impact to jobs and market conditions trigger reflexive spasmodic over-reactions.

Conversely, some leaders become enthralled by the opportunities presented by AI, as proclaimed by their peers, the media, and their technology partners.

The pitfall in both cases is to blindly allocate excessive funding and human resource to this new technology. Blank checks are flung in all directions, and previously productive teams are abruptly re-directed down AI rabbit holes.

Funding may get inappropriately re-allocated from necessary sustenance initiatives. Or to fund the required investment, leaders may over-extend their organization's capital resources, sometimes by taking on excessing debt.

Capital investment decisions are not based on any justifiable basis, but are made impetuously and incoherently.

Getting ahead of this risk, by adapting the CapEx management system to deal with this new investment challenge.

CAPEX VS OPEX

A frequent trap for AI-initiatives is that they can fall between CapEx and OpEx planning processes.

While the long-term costs of AI-initiative may be substantial, the early stages might be accommodated within a departments' annual operating plan and therefore may not be surfaced in the capital planning and budgeting process.

The risk is that investment of time and money in these AI-initiatives is diluted. Too many pilot projects initiate without effective alignment of platforms, resources and consolidation of learnings.

To ensure effective coordination, capital planning processes should be adapted to fit these strategic AI-enabled initiatives that have both CapEx and significant OpEx components. By adopting a comprehensive and standardized approach to CapEx project evaluation and prioritization, leaders can ensure that their investment and returns are optimized.

THE GREATEST RISK
IS NOT AI ITSELF,
BUT ABANDONING
DISCIPLINED CAPITAL
ALLOCATION IN
RESPONSE TO IT.

CHAPTER 8

What Finance Teams Are Doing Differently

Across capital-intensive environments, finance teams are changing how capital decisions are made. The shift is visible in how investments are evaluated, governed, and managed over time, reflecting a move toward more active, informed, and adaptive capital planning.

FROM PROJECTS TO CAPABILITIES

Investment decisions are moving beyond individual projects. Finance teams are increasingly evaluating investments as part of a broader capability, changing the nature of the decision. Instead of asking what a project delivers, the focus shifts to what capability it enables and how it can be extended over time. This allows capital to be allocated with a clearer view of reuse across initiatives, long-term value beyond the initial use case, and the role of each investment within the broader portfolio.

FROM ONE-TIME APPROVAL TO STAGED FUNDING

Capital is increasingly released in stages, with funding linked to validation and performance as investments evolve. This reduces the pressure to define everything upfront and allows decisions to be made with greater confidence as uncertainty is resolved over time.



CAPITAL DECISIONS
ARE SHIFTING FROM
FUNDING PROJECTS
TO BUILDING
CAPABILITIES OVER
TIME.



FROM STATIC EVALUATION TO CONTINUOUS INVOLVEMENT

Finance remains involved throughout the investment lifecycle, with evaluation becoming an ongoing activity. Assumptions are revisited, performance is monitored, and decisions are refined as new information becomes available, ensuring capital decisions remain aligned with actual outcomes.

FROM LIMITED VISIBILITY TO PORTFOLIO TRANSPARENCY

Effective decision-making depends on visibility. Finance teams are strengthening their ability to understand how investments are progressing, where value is being realized, and where risks or constraints are emerging. This visibility extends across the portfolio, connecting investments, capabilities, and outcomes to provide a clearer basis for prioritization and reallocation.

FROM FIXED ALLOCATION TO ACTIVE CAPITAL MANAGEMENT

Capital is actively managed throughout the investment lifecycle. Finance teams re-prioritize initiatives as conditions change, redirect capital toward higher-value opportunities, and adjust investment levels based on performance. This creates a more responsive approach to capital planning, one that reflects current conditions rather than relying on assumptions set at the start of the cycle.

A MORE ACTIVE MODEL OF CAPITAL PLANNING

Taken together, these shifts represent a more adaptive, connected, and responsive model of capital planning—one that aligns more closely with how value is created over time. For finance teams, the role expands from evaluating and approving investments to shaping how capital is deployed, adjusted, and optimized across the portfolio.

This is where capital planning is heading and where the quality of investment decisions is increasingly determined.

**CAPITAL IS
ACTIVELY
SHAPED.
NOT JUST
APPROVED.**



Make AI projects
comparable.

CHAPTER 9

The Role of Technology: Enabling Better Decisions

Evaluation is becoming more dynamic, governance more continuous, and portfolio management more active as AI-enabled investments reshape how value is created. As these practices evolve, the demands on leadership teams increase. Decisions are made more frequently, with greater transparency and a clearer understanding of how AI-enabled investments are performing in real time.

Process alone cannot support this at scale. It requires systems that bring structure, consistency, and scale to how capital is planned and managed.

FROM PROCESS TO SCALABLE PRACTICE

Many of these practices can be applied in isolation. A single AI-enabled investment can be re-evaluated, a decision revisited, or a portfolio reviewed periodically. But as the number of AI-enabled investments grows, and interdependencies between capabilities increase, manual approaches begin to break down. Visibility fragments, consistency becomes harder to maintain, and decision-making slows.

What works at a small scale becomes difficult to sustain across a complex, AI-enabled project portfolio. Technology enables these practices to operate consistently, even as the portfolio expands in size and complexity.



INTEGRATING FINANCIAL AND OPERATIONAL DATA

Effective capital decisions depend on connected information. Financial data provides visibility into cost, budget, and return, while operational data reflects how AI-enabled investments are performing in practice; whether throughput is improving, downtime is reducing, or processes are becoming more efficient.

Bringing these perspectives together gives finance teams a clearer understanding of performance. Financial outcomes can be linked to operational drivers, making it easier to identify where value is being created, delayed, or constrained. Without this integration, decisions rely on partial views of performance.

REAL-TIME PORTFOLIO VISIBILITY

Dynamic capital management depends on visibility that keeps pace with change. Finance teams need to see how AI-enabled investments are progressing, where value is emerging, and where risk is increasing along with how movement in one part of the portfolio affects the whole.

This requires more than periodic reporting. It requires a view of the portfolio that is current, connected, and accessible, so decisions can be made with confidence as conditions evolve.

SUPPORTING SCENARIO MODELING AND REALLOCATION

As evaluation becomes more sophisticated, so does the need to test different paths forward. Finance teams are assessing alternative scenarios, exploring how changes in assumptions affect outcomes, and evaluating trade-offs across AI-enabled investments.

This strengthens decision-making, particularly in uncertain or evolving conditions, and supports more deliberate capital reallocation. Decisions to increase, reduce, or redirect funding can be made with a clearer understanding of their impact across the portfolio.

WHEN
FINANCIAL &
OPERATIONAL
DATA CONNECT,
DECISION
QUALITY
IMPROVES.



Apply structured
approaches to evaluate
interconnected AI
investments





ENABLING GOVERNANCE ACROSS FUNCTIONS

Governance now spans finance, technology, and operations. AI-enabled investments depend on input from multiple stakeholders, each shaping how value is defined, delivered, and measured. Coordinating these inputs requires structure.

Technology provides that structure by supporting consistent workflows, clear accountability, and alignment between evaluation, approval, and execution ensuring governance remains effective as investments evolve.

TECHNOLOGY AS AN ENABLER OF BETTER DECISIONS

Technology plays a critical role in how capital strategy is executed in AI-enabled environments. It enables that strategy to be applied consistently and at scale by bringing together the core elements of effective capital planning: visibility across the portfolio, integration of financial and operational data, support for scenario-based decision-making, and coordination across functions.

As AI-enabled investments increase in scale and complexity, these capabilities become essential. Better decisions depend on having the right information, at the right time, in a form that supports action.

**BETTER CAPITAL DECISIONS
DEPEND ON CONNECTED, REAL-
TIME VISIBILITY ACROSS THE
PORTFOLIO.**

CHAPTER 10

From Control to Adaptive Capital Planning

AI is changing the nature of capital investment. It is also changing how those investments need to be evaluated, governed, and managed. The conditions that once supported stable, predictable decision-making are shifting. Capital planning now operates in an environment where value evolves, outcomes expand over time, and decisions carry greater interdependence across the portfolio.

This requires a different approach. One that is more dynamic in how capital is allocated, more integrated across finance, operations, and technology, and more responsive as uncertainty unfolds.

For leadership teams, this creates an opportunity to lead, to move beyond controlling investment decisions at a point in time and toward shaping how capital is deployed, adjusted, and optimized across the lifecycle of the portfolio.

Strategic advantage from AI adoption will come from making better investment prioritization decisions, more confidently, and in step with how value is actually created.



CAPITAL PLANNING
MUST EVOLVE TO
MATCH HOW VALUE IS
CREATED.



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Make Every Decision Count



What does your CapEx framework need to
evaluate AI-enabled investments effectively?

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