

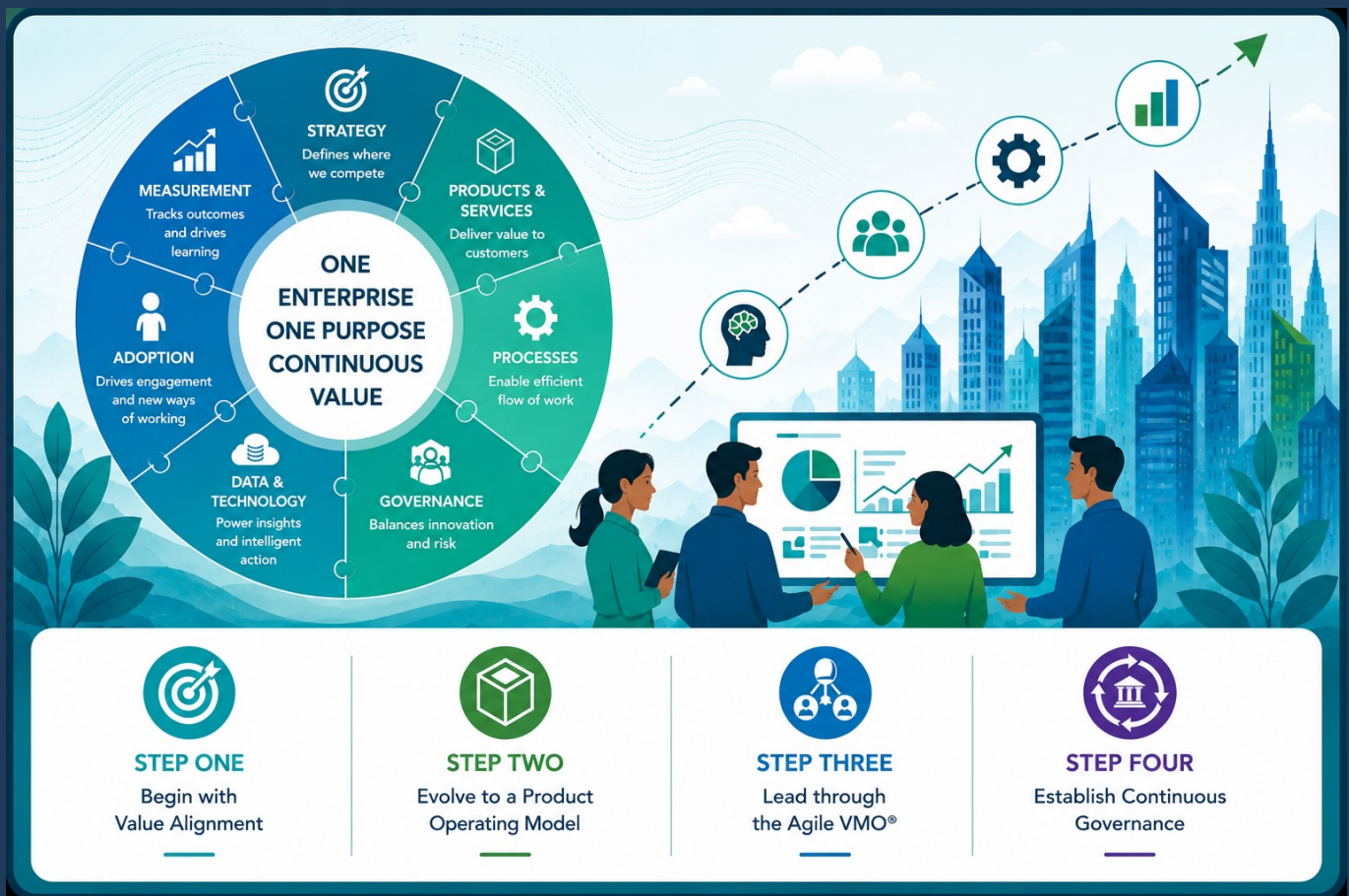


FOUR STEPS TOWARD AN AI-NATIVE ENTERPRISE

Redesign your operating model.

Unlock AI at scale.

Deliver measurable business value.



70–80%
of AI Projects Fail

Source: “How to Run Successful AI Projects and Avoid Failure”, Kathleen Walch, PMI

Organizations don’t have an AI problem. They have an operating model problem.

Artificial Intelligence (AI) has become the defining business conversation of our time. Executive teams are investing heavily in generative AI, intelligent agents, copilots, and automation. New governance committees are forming. Chief AI Officers are being appointed. Every organization is searching for the next breakthrough use case.

However, beneath this wave of activity lies a more fundamental question: **how do some organizations turn new technologies into sustained competitive advantage while others struggle to move beyond isolated successes?**

The answer has less to do with AI than most executives think. It has to do with the enterprise itself. For more than two decades, organizations have modernized technology while leaving much of the enterprise operating model unchanged. Agile improved software delivery. Product Operating Models improved customer focus. Cloud modernized infrastructure. Each represented meaningful progress, but most organizations evolved these capabilities independently, with continued disconnects:

- Strategy often operates separately from execution
- Governance remains disconnected from delivery
- Funding cycles reinforce annual planning while markets change weekly
- Technology advances faster than leadership systems

AI is now exposing these disconnects. Unlike previous technologies, AI doesn't simply improve existing work. It accelerates decision-making, compresses learning cycles, reshapes knowledge work, and increasingly acts alongside people. Organizations built around functional optimization, project-based funding, and periodic governance struggle to fully benefit from technologies that operate continuously.

The challenge, therefore, is not adopting AI, it is **redesigning the enterprise to thrive with AI.**

From our experience helping organizations evolve from project-centric management toward Product Operating Models and Agile VMOs, we've identified four incremental steps toward building an AI-Native Enterprise. Each addresses a different dimension of enterprise performance. Together, they redefine how organizations create value in the AI era.

STEP ONE

Begin with Value Alignment

WHY IT MATTERS

Organizations that begin AI transformation by selecting technology consistently struggle to achieve enterprise-wide impact. Value Alignment ensures that every investment, every product, and every AI initiative contributes toward shared customer and business outcomes, creating the strategic clarity AI requires to deliver measurable results.

STEP ONE

BEGIN WITH VALUE ALIGNMENT

Align the enterprise around the outcomes that matter most.



STRATEGY

Where we play and win



PRODUCTS & SERVICES

How we deliver value



PROCESSES

How work gets done



ROLES

Who is accountable



GOVERNANCE

How we decide and manage risk



DATA & TECHNOLOGY

What powers our decisions



ADOPTION

How people embrace new ways of working



MEASUREMENT

How we track what matters



Clarity on value creates the foundation for enterprise-wide readiness.

KEY OUTCOMES



Strategic Clarity



Enterprise Alignment



AI Readiness

Step One: Begin with Value Alignment

Every operating model begins with a definition of value. That sounds obvious, yet it is surprisingly uncommon. Many AI initiatives begin with technology. Organizations evaluate large language models, identify automation opportunities, launch pilots, or search for high-impact use cases before establishing a shared understanding of the business outcomes they are trying to improve. The result is predictable: individual teams become more productive, isolated processes become more efficient, and isolated AI successes emerge across the organization. Yet enterprise performance changes very little because every function is suboptimizing toward a different definition of success.

The optimal starting point is Value Alignment. Value Alignment establishes a common understanding of the outcomes the enterprise exists to create and ensures that every part of the organization contributes toward those outcomes. Rather than viewing strategy, operations, governance, technology, and people as independent functions, Value Alignment connects them into a single system focused on delivering customer and business value.

Executive Insight

Instead of asking 'Where can we apply AI?', executive teams should ask: 'Where can AI help us create the greatest customer and business value?' This single reframe shifts AI from a technology initiative to a strategic capability.

Value Alignment operates across eight interconnected dimensions: strategy defines where the organization competes; products and services deliver that value to customers; processes determine how work flows; roles establish accountability; governance provides the decision framework; data and technology power modern capabilities; adoption ensures people embrace new ways of working; and measurement continuously evaluates whether intended outcomes are being achieved. Weakness in any dimension limits all the others.

"Only 5% of companies are currently capturing significant value from AI at scale, while 60% report little or no measurable benefit from their AI investments."

— BCG / Business Insider

This alignment transforms the conversation around AI. Instead of asking "Where can we apply AI?," executive teams begin asking the far more important question: "Where can AI help us create the greatest customer and business value?" When strategy, products, processes, governance, people, data, technology, adoption, and measurement are all aligned around the same outcomes, AI can be introduced with clarity, purpose, and confidence to deliver outcomes.

★ Executive Takeaway

Organizations shouldn't begin AI transformation by selecting technology. They should begin by aligning the entire enterprise around measurable customer and business outcomes. Value Alignment creates the foundation every other capability depends on.

What leaders should do next:

- ⇒ Map your eight dimensions to shared strategic outcomes
- ⇒ Establish a common definition of “value” across executive leadership
- ⇒ Evaluate every AI initiative against enterprise-level outcome contribution

Questions for Your Leadership Team

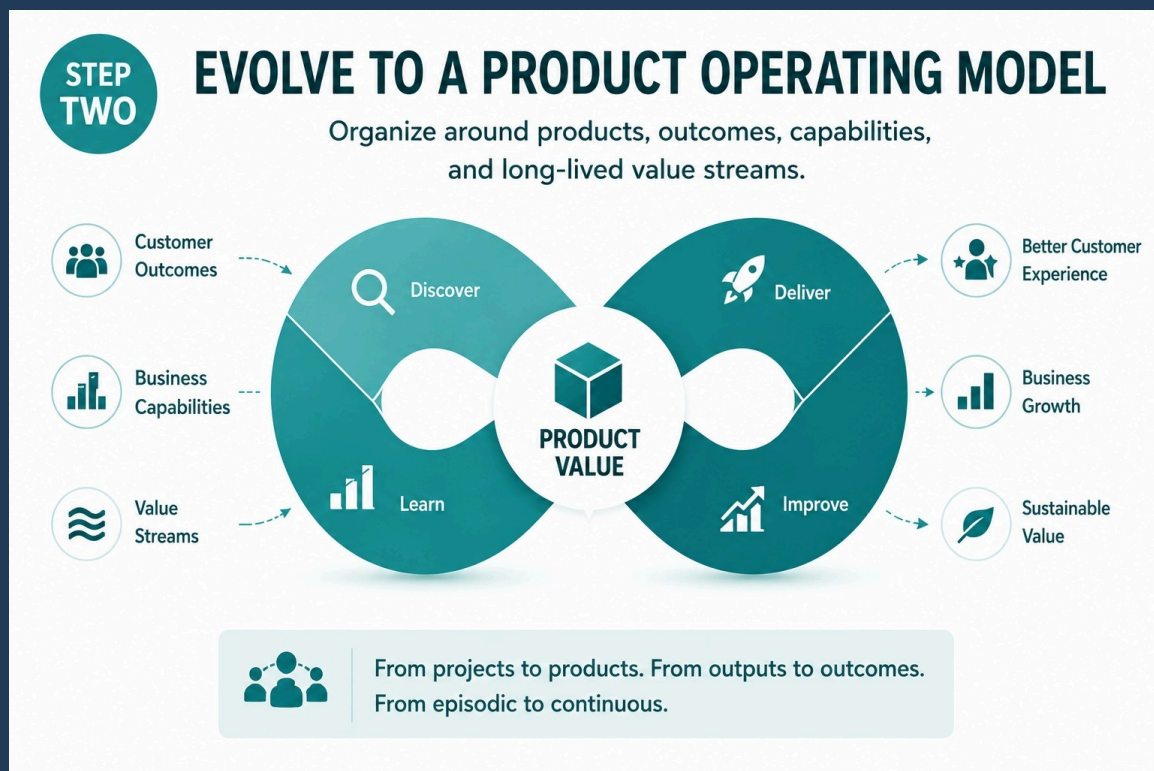
1. Are all executive leaders aligned on what “value” means for our enterprise?
2. Who owns customer outcomes across our organization?
3. How do we currently measure whether AI investments are delivering business value?
4. Do we have a clear governance process for prioritizing AI initiatives based on strategic value rather than technical novelty?
5. Where is AI creating measurable value today, and where is it creating outputs and activity without outcomes?
6. What would change if every team optimized for the same, enterprise definition of success?

STEP TWO

Evolve to a Product Operating Model

WHY IT MATTERS

Customer expectations evolve continuously. Markets shift rapidly. Competitive advantage increasingly depends on an organization's ability to learn, adapt, and improve faster than its competitors. The Product Operating Model provides the organizational architecture for continuous value creation, organizing work around enduring products, customer outcomes, and long-lived value streams rather than temporary projects.



KEY OUTCOMES

- ✓ Continuous Learning
- ✓ Cross-Functional Ownership
- ✓ Customer Outcomes

Step Two: Evolve to a Product Operating Model

Alignment alone does not create value. Once we have established a shared understanding of the outcomes we want to achieve, we must evolve the way work is organized to deliver those outcomes continuously. This represents one of the most significant shifts in enterprise management over the past decade.

Traditional enterprises were designed around projects because projects were an effective mechanism for delivering predefined outputs within fixed budgets and timelines. But today's turbulent environment rewards something fundamentally different: the ability to learn, adapt, and improve faster than competitors. The Product Operating Model (POM) provides the organizational architecture for exactly that capability. Popularized by Marty Cagan, Melissa Perri, and others, and as illustrated below, the POM has at its foundation three dimensions (how products are built, deciding which problems to solve and how problems are solved), five concepts (product strategy, product discovery, product delivery, product teams and product culture) and four baseline competencies (product managers, product designers, technical leads and product leaders).



Source: Adapted from <https://www.prodpad.com/blog/product-operating-model/>

Rather than organizing around temporary initiatives, the Product Operating Model organizes around enduring products, business capabilities, customer outcomes, and long-lived value streams. Instead of assembling teams to deliver projects and then dismantling them for the next initiative, organizations establish stable, cross-functional teams that retain ownership and accountability throughout the product lifecycle. Their objective is no longer to complete work, but to continuously improve the products and services to deliver increased customer and business value.

Executive Insight

The shift from projects to products is not just a methodology change, it is a management philosophy change. Organizations no longer ask whether they completed a project. They ask whether they improved the product, strengthened the business capability, and delivered greater value than they did yesterday.

"AI accelerates product delivery, but only a Product Operating Model enables organizations to consistently convert AI capabilities into business outcomes."

— Sanjiv Augustine, LitheSpeed

Product Role Transformation

AI is reshaping our product organizations as much as it is reshaping technology. Product Managers spend less time creating Product Requirement Documents and Jira backlogs. Instead, they spend more time validating customer problems, prioritizing opportunities, and making strategic tradeoff decisions. Product Owners increasingly orchestrate AI-assisted delivery, validate AI-generated work, and ensure rapid development on delivery teams remains aligned with customer outcomes. Product Analysts augment traditional reporting with AI-powered insights that identify emerging trends, customer behavior, and product performance in near real time. Rather than replacing product roles, AI elevates them. Routine analysis, documentation, backlog refinement, and specification generation become increasingly automated, allowing product professionals to focus on discovery, experimentation, governance, and value realization.

AI dramatically accelerates this learning cycle. It enhances customer discovery, supports product managers with market analysis, assists engineers through AI-assisted development, improves operational performance through automation, and, most importantly, shortens the time between observation, insight, decision, and action. As organizations repeatedly execute this cycle, improvements compound, better discovery leads to better product-market fit, which creates better experiences that drive sustainable business growth.

AI Development Lifecycle (AIDLC)

As AI becomes embedded within products, organizations must also evolve from traditional software development lifecycles to an **AI Development Lifecycle (AIDLC)**. Beyond designing, building, testing, and deploying software, the AIDLC incorporates AI-specific activities including data preparation, prompt and model evaluation, guardrail design, responsible AI reviews, continuous model monitoring, and ongoing performance optimization. Because AI systems continue to learn and evolve after deployment, the lifecycle becomes a continuous loop of discovery, development, evaluation, deployment, monitoring, and improvement. Within a Product Operating Model, stable cross-functional teams own this lifecycle end-to-end, enabling AI capabilities to evolve safely while continuously delivering customer and business value.

Technology Enablement

A modern Product Operating Model also depends upon platforms that connect strategy, investments, products, teams, and outcomes. Enterprise platforms such as **Planview** can provide the digital backbone for managing product portfolios, roadmaps, value streams, capacity, and strategic investments. When integrated with AI-assisted product management capabilities, these platforms provide leaders with unprecedented real-time visibility into customer outcomes, investment performance, delivery flow, and portfolio health.

★ Executive Takeaway

The Product Operating Model organizes the enterprise around enduring products, customer outcomes, and long-lived value streams. It creates the continuous learning engine that AI needs to deliver compounding business impact.

What leaders should do next:

- ⇒ Identify the products and value streams that define your enterprise
- ⇒ Transition from project funding to product investment portfolios
- ⇒ Establish stable, cross-functional teams accountable for product outcomes
- ⇒ Define how Product Managers, Product Owners, and Product Analysts will evolve in an AI-enabled enterprise.
- ⇒ Integrate an AI Development Lifecycle (AIDLC) into existing product delivery practices.

Questions for Your Leadership Team

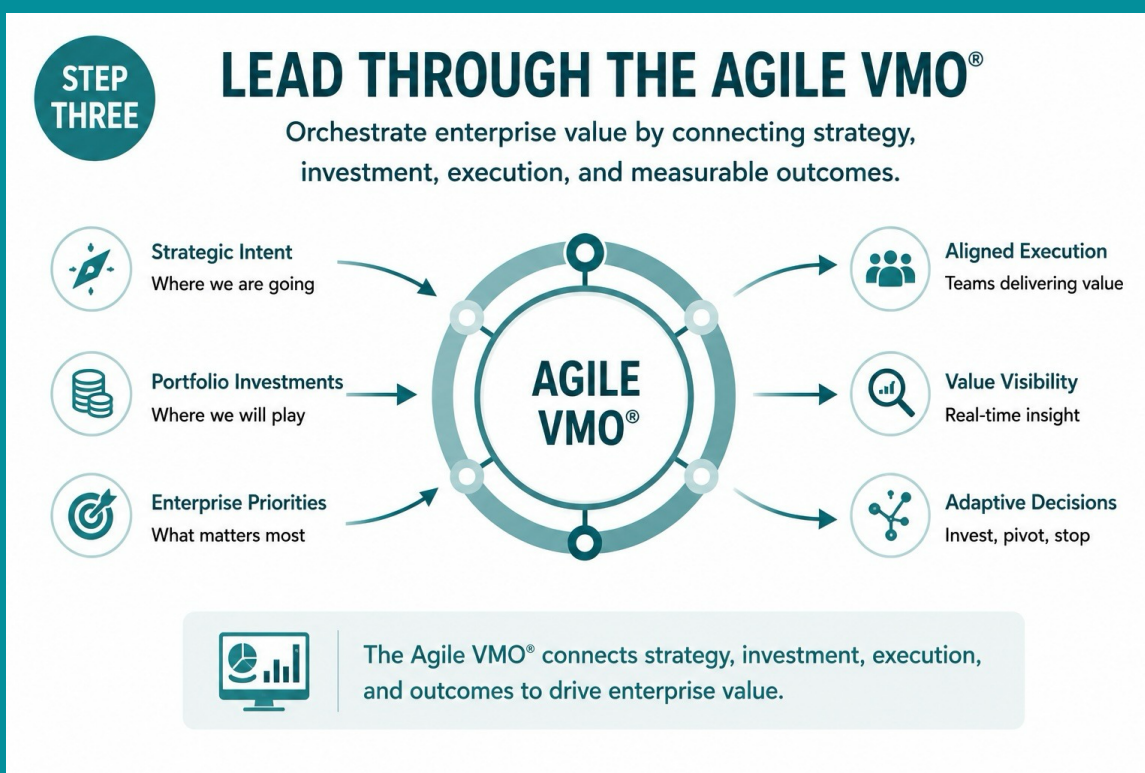
1. Are our teams organized around products and outcomes, or projects and outputs?
2. Do we have stable, cross-functional teams that own the full product lifecycle?
3. How do we currently measure product performance versus project completion?
4. How quickly can we respond when customer needs or market conditions change?
5. How do we need to evolve our software and product development cycles?
6. Are we funding projects that end, or products that evolve?

STEP THREE

Lead Through the Agile VMO®

WHY IT MATTERS

As organizations become increasingly product-centric, a new leadership challenge emerges: who keeps the enterprise aligned? Empowered product teams create speed and innovation, but autonomy alone does not produce enterprise performance. The Agile VMO® continuously connects strategic intent, portfolio investments, and enterprise priorities to the work being performed across the organization, becoming the connective tissue between executive leadership and operational delivery.



KEY OUTCOMES



Aligned Execution



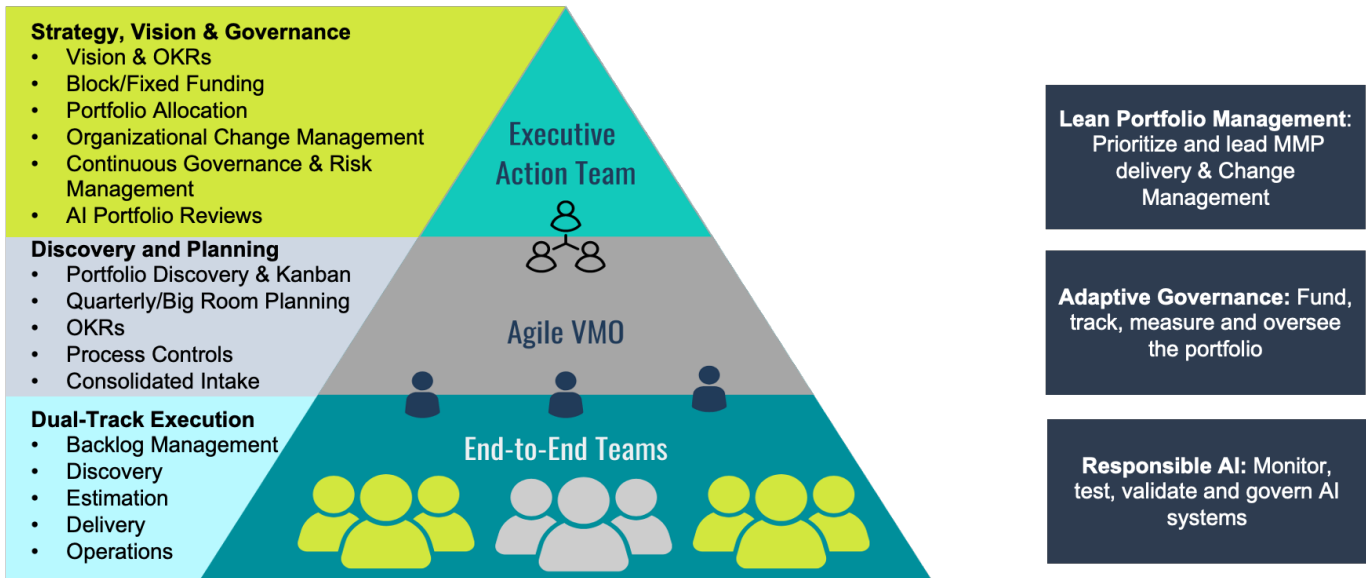
Value Visibility



Adaptive Decisions

Step Three: Lead Through the Agile VMO®

The Agile VMO, as illustrated below, was designed to address exactly this challenge. Unlike the traditional PMO, which focused on project execution, planning, reporting, and compliance, the Agile VMO continuously connects strategic intent, portfolio investments, and enterprise priorities to the work being performed across the organization. It ensures that strategic direction is translated into investment decisions, investment decisions become portfolio priorities, and portfolio priorities drive the execution of product teams.



Executive Insight

The Agile VMO's purpose is not just to govern projects. It is to continuously connect strategy, investment, execution, and measurable business outcomes across the enterprise. That distinction fundamentally changes how organizations lead.

This continuous orchestration creates three critical enterprise outcomes. First, aligned execution: product teams retain the autonomy to make local decisions while remaining connected to enterprise strategy. Second, value visibility: rather than reporting on schedule, scope, and budget, leaders gain real-time insight into customer outcomes, portfolio performance, value realization, and strategic progress. Third, adaptive decision-making: leaders can continuously evaluate investments, reallocate capacity, pivot priorities, and stop initiatives that no longer contribute to strategic outcomes.

“The purpose of a VMO is no longer simply to govern portfolios, it is to continuously align AI, products, people and investment decisions with measurable business value.”

– Sanjiv Augustine, LitheSpeed

The capabilities and impact of AI make the Agile VMO even more important. AI dramatically increases both the speed and complexity of enterprise decision-making. New opportunities emerge almost daily. Intelligent agents automate analysis and execution. Products evolve more rapidly than traditional governance structures were designed to accommodate. The Agile VMO provides the leadership system that accelerates enterprise adaptation.

AI Portfolio Management

Artificial Intelligence introduces an entirely new category of portfolio management. Beyond allocating people, budgets, and delivery capacity, organizations must now manage AI investments across models, agents, platforms, and consumption-based services. AI spending often occurs outside traditional budgeting processes through cloud subscriptions, API usage, departmental copilots, and experimental pilots, creating a growing class of "invisible" investments that can consume significant resources without corresponding visibility into business value.

The Agile VMO provides enterprise-wide visibility across both human and AI investments. Leaders can monitor traditional delivery capacity alongside AI consumption, including token utilization, inference costs, model subscriptions, agent activity, and AI-enabled productivity gains. This holistic view enables informed tradeoff decisions about where to invest people, where to automate with AI, and where to discontinue initiatives that no longer deliver measurable value.

Executive Insight

AI-native enterprises manage both human and AI capacity. Leaders need visibility into tokens, models, agents, and AI services with the same discipline applied to budgets, staffing, and other investments.

Executive leaders should be particularly alert to **token maxxng**. That is, the rapid growth in AI consumption caused by increasingly capable models, autonomous agents, and widespread experimentation. Without enterprise governance, seemingly small AI pilots can expand organically across business units, creating duplicated capabilities, escalating operating costs, inconsistent security controls, and fragmented data usage. By making AI investments visible alongside traditional portfolio investments, the Agile VMO enables organizations to optimize the combined portfolio of people, products, and AI, ensuring that every dollar contributes to measurable customer and business outcomes.

★ Executive Takeaway

The Agile VMO is the leadership operating system that connects strategy, investment, execution, and outcomes across the enterprise. It gives leaders the visibility and adaptability to lead at the speed AI enables.

What leaders should do next:

- ⇒ Define how strategic intent flows to portfolio priorities to product execution
- ⇒ Build dashboards that show value creation, not just project status
- ⇒ Create decision cadences that match the pace of your environment
- ⇒ Establish enterprise dashboards that track AI adoption, AI-enabled value realization, and portfolio impact.

Questions for Your Leadership Team

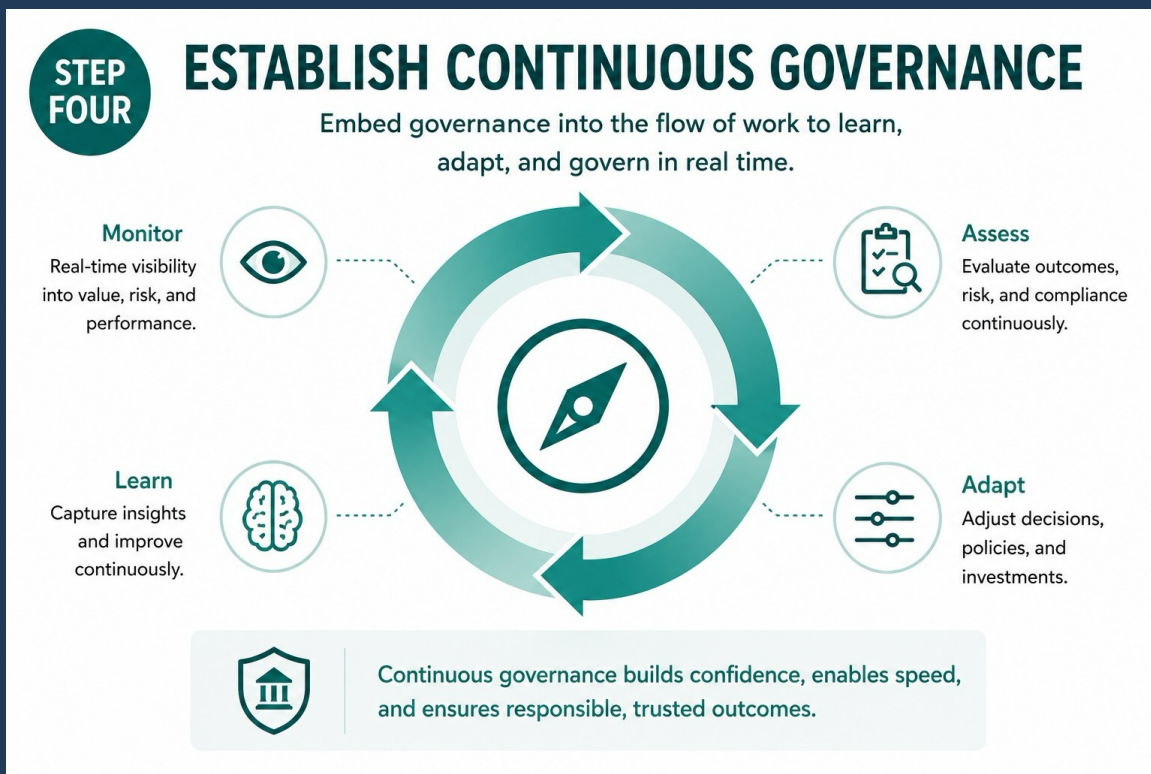
1. How do we currently connect enterprise strategy to team-level execution?
2. What visibility do leaders have into actual value being created?
3. Can we reallocate investments mid-year when priorities change?
4. How quickly can our leadership respond when AI creates a new competitive opportunity?
5. Who owns the connection between strategy, investment, and outcomes in our organization?
6. Can we measure the business value created by AI investments separately from traditional technology investments?

STEP FOUR

Establish Continuous Governance

WHY IT MATTERS

Every operating model requires a management system. But traditional governance, built for a world where business conditions changed relatively slowly, was never designed for an environment where products evolve continuously, markets shift rapidly, and AI learns in real time. Continuous Governance transforms governance from a periodic oversight function into an always-on enterprise management system that enables leaders to learn, adapt, and govern at the speed of their environment.



KEY OUTCOMES

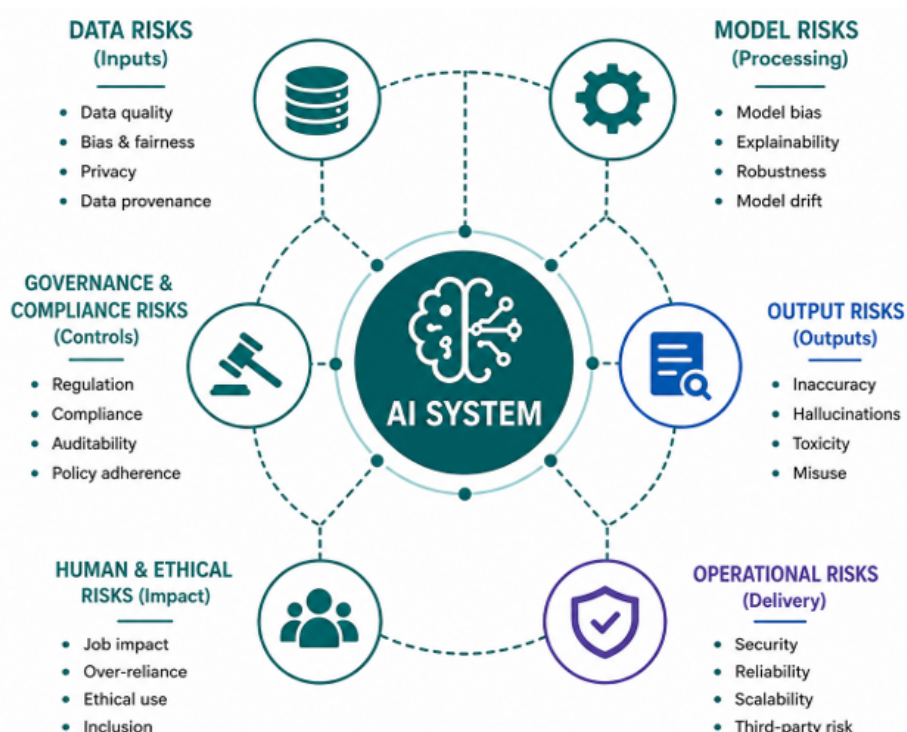
- ✓ Real-Time Visibility
- ✓ Adaptive Decisions
- ✓ Organizational Learning

Step Four: Establish Continuous Governance

Continuous Governance transforms governance from a periodic oversight function into an always-on enterprise management system. Rather than relying primarily on scheduled reviews, governance becomes embedded directly into the flow of work, providing leaders with continuous visibility into enterprise performance while enabling rapid learning and adaptation. It operates as a continuous feedback system built around four complementary activities: Monitor, Assess, Adapt, and Learn.

Continuous AI Risk Governance

As organizations increasingly depend upon AI to make recommendations, generate content, automate decisions, and interact with customers, governance must extend beyond traditional operational controls to continuously monitor AI-specific risks throughout the lifecycle.



AI governance should continuously evaluate the six illustrated interconnected categories of risk: Data Risks (quality, bias and fairness, privacy, provenance); Model Risks (bias, explainability, robustness, drift); Output Risks (inaccuracy, hallucinations, toxicity, misuse); Operational Risks (security, reliability, scalability, third-party risk); Human and Ethical Risks (job impact, over-reliance, ethical use, inclusion); and Governance & Compliance Risks (regulation, compliance, auditability, policy adherence).

Executive Insight

AI accelerates decisions. Leadership remains accountable for judgment. The competitive advantage of an AI-native enterprise is that it consistently makes better decisions, faster.

Organizations establish real-time visibility into customer outcomes, product performance, portfolio flow, AI behavior, operational risk, and business value. They continuously assess what those signals mean, evaluating performance data, AI outputs, compliance obligations, customer feedback, and emerging risks together. When priorities shift, leaders adapt by adjusting investments, refining policies, rebalancing portfolios, strengthening controls, or redirecting capacity without waiting for the next planning cycle.

"The greatest challenge to organizations is the balance between continuity and change. You need both."

— Peter F. Drucker

The cycle concludes with learning. Every decision, experiment, customer interaction, product release, and AI-assisted outcome generates new insight. Rather than treating governance as a mechanism for enforcing yesterday's decisions, Continuous Governance captures those learnings and feeds them back into strategy, products, investments, policies, and operating practices. AI continuously expands the organization's ability to monitor complex systems, detect emerging patterns, and recommend adaptive actions, augmenting leadership judgment rather than replacing it.

AI Governance Technology

Continuous Governance is increasingly supported by AI Control Plane platforms that provide centralized policy enforcement, model evaluation, prompt security, observability, audit logging, and compliance controls across multiple AI models and providers. Solutions such as **Prediction Guard** help organizations secure prompts and data, evaluate model outputs, enforce organizational policies, and maintain comprehensive audit trails while enabling responsible AI adoption.

Continuous Governance extends beyond business oversight to include continuous AI governance. Organizations that monitor AI risks alongside operational performance build greater trust, strengthen compliance, and enable AI innovation to scale responsibly.

★ Executive Takeaway

Continuous Governance embeds governance directly into the flow of work, enabling leaders to monitor enterprise performance in real time, adapt investments continuously, and build organizational learning into every decision. It is the operating system for responsible, adaptive leadership in an AI-driven enterprise.

What leaders should do next:

- ⇒ Establish real-time monitoring of enterprise performance and AI outputs
- ⇒ Create decision cadences that enable adaptation between planning cycles
- ⇒ Build organizational learning loops into governance practices
- ⇒ Continuously monitor AI data, models, outputs, operational resilience, ethical impacts, and compliance risks.
- ⇒ Implement AI Control Plane capabilities that provide model evaluation, policy enforcement, prompt security, observability, and auditability.
- ⇒ Establish executive dashboards that combine business performance, AI performance, and AI risk indicators into a single governance view.
- ⇒ Which enterprise decisions should remain human-led, which should be AI-assisted, and which can be safely automated?

Questions for Your Leadership Team

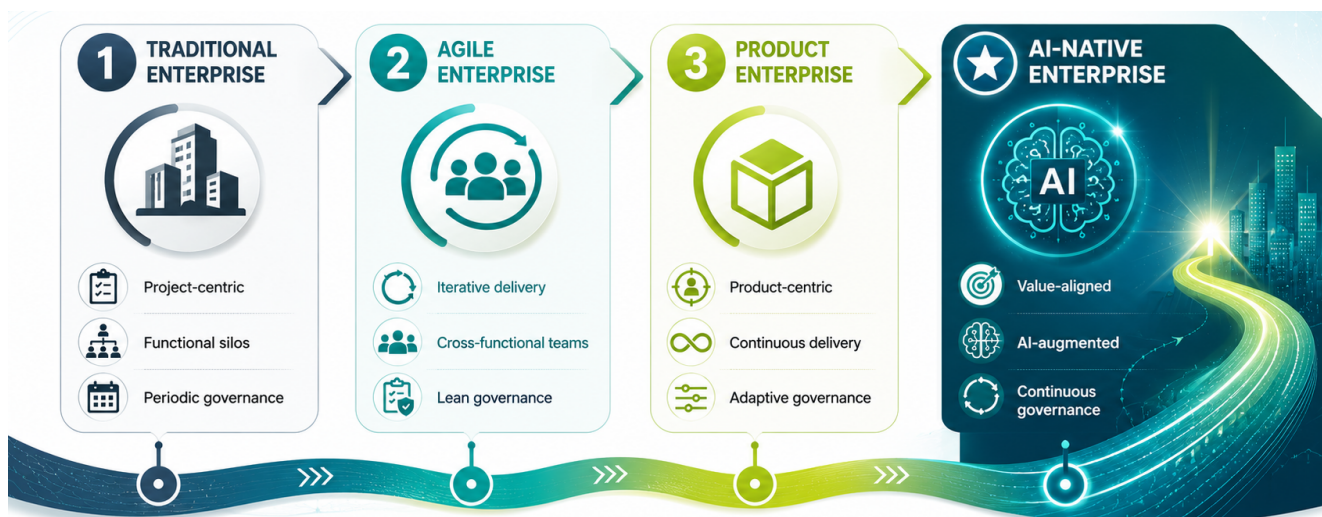
1. How do we currently monitor enterprise performance; in real time or through scheduled reports?
2. When did we last meaningfully update our governance approach?
3. How quickly can leaders respond to emerging risks or AI-related issues?
4. How do we capture and apply learnings from AI experiments and product decisions?
5. What would change if governance was embedded into the daily flow of work?

From Traditional Enterprise to AI-Native Enterprise

Traditional Enterprise	AI-Native Enterprise
Projects	Products
Outputs	Outcomes
Annual Planning	Continuous Learning
Functional Silos	Value Streams
Periodic Governance	Continuous Governance
Fixed Funding	Adaptive Investment
Compliance Focus	Value Focus

The Journey to an AI-Native Enterprise

Taken individually, each of the four steps addresses a different leadership challenge. Together, they become an integrated enterprise operating model, one that continuously aligns around value, organizes around products, leads through adaptive value management, and governs through continuous learning. They are sequential capabilities that build upon one another, moving the enterprise progressively toward AI-native performance. For years, we have treated Agile, Product Operating Models, AI, governance, and portfolio management as separate transformations. In reality, they are complementary capabilities within a single enterprise system.



AI is changing the way enterprises create value. For decades, organizations improved performance by making work faster, more efficient, and more predictable. Today, AI accelerates learning, shortens decision cycles, and continuously reshapes how value is created. Competitive advantage increasingly depends on an organization's ability to learn faster, adapt more quickly, and make better decisions. Becoming AI-native therefore requires redesigning not just how work gets done, but how the entire enterprise operates.

Therefore, the organizations that will lead over the next decade will not simply deploy more AI. They will build enterprises that continuously align around value, organize around products, lead through adaptive value management, and govern through continuous learning. AI will accelerate that transformation.

An adaptive enterprise is the destination. AI is a powerful means to that end, not an end in of itself.



Ready to Become an AI-Native Enterprise?

LitheSpeed helps organizations build the operating models, leadership systems, and governance capabilities that turn AI into sustained competitive advantage.

- ✓ Build Product Operating Models
- ✓ Modernize Governance
- ✓ Develop AI-Native Leadership
- ✓ Establish Agile VMOs®
- ✓ Scale Responsible AI
- ✓ Executive Coaching & Training

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