

The \$5-to-\$1 Ratio Your Board Isn't Asking About

Why AI Transformation Is a Leadership Team Design Problem

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McKinsey's "State of Organizations 2026" survey of more than 10,000 senior executives delivers a statistic that should stop every board conversation about AI investment: 88 percent of organizations are now deploying AI, but 81 percent report no meaningful bottom-line gains. Only 1 percent of C-suite respondents describe their generative AI rollouts as mature.

The disconnect runs deeper. Eighty-six percent of leaders feel their organizations are not prepared to adopt AI in day-to-day operations. One in six have no clear C-level owner for AI adoption. Only 14 percent see leaders consistently championing adoption with clear strategies and action.

I have spent 25 years advising CEO-led leadership teams through transformations of every kind. And I can tell you that this pattern is not a technology problem. It is a leadership team design problem. The question boards should be asking is not "How is our AI strategy progressing?" It is "Does our leadership team have the configural capacity to govern AI transformation as a collective enterprise agenda?"

The \$5-to-\$1 Ratio

Buried in McKinsey's research is perhaps the most consequential ratio in organizational transformation: for every \$1 spent on AI technology, \$5 should be spent on people. This is not a casual observation. It reflects the documented reality that capturing AI's full value depends as much on organizational transformation as on technology deployment.

Yet in nearly every leadership team I assess, the ratio is inverted. Technology budgets dwarf people investment. The CTO owns the technology. The CEO delegates oversight. The CHRO is excluded from the conversation. The CFO

manages the budget. And no one governs the human-technology integration that determines whether the investment produces value or becomes an expensive science project.

McKinsey's data confirms what I see in practice: organizations that redesign end-to-end workflows and reimagine entire domains see the greatest EBIT impact from AI. Organizations that pursue fragmented use cases, the piecemeal approach that characterizes 88 percent of current deployment, see minimal returns. The difference is not technology sophistication. It is leadership team governance.

Why Piecemeal AI Adoption Fails

The pattern is predictable. A technology leader identifies AI use cases within their domain. Individual contributors get efficiency tools. Pilot projects launch in isolated functions. Each functional leader optimizes within their silo. And the enterprise-level transformation that would actually produce the "double transformation," both technological and organizational, that McKinsey identifies as the requirement for value capture never materializes.

This happens because piecemeal adoption is the natural output of a leadership team that treats AI as a technology problem. When the CTO owns AI strategy, the conversation stays technical. When the CHRO is not at the table, the people side of the \$5-to-\$1 ratio goes unaddressed.

When the CEO delegates rather than architects, the cross-functional integration that end-to-end workflow redesign requires never gets the governance it needs. In my assessment work, I call this the AI Adoption Inhibitor: the configural pattern where low AI Leadership Orientation combines with fragmented AI governance and

low Psychological Safety to produce exactly the 88-percent-deployed, 81-percent-no-gains outcome McKinsey documents. It is not a technology failure. It is a team configuration failure.

The Leadership Team as AI Governance Mechanism

The organizations that will capture AI's value are the ones that treat AI transformation as a leadership team design problem. This means three things.

First, AI Strategy Ownership must be explicitly assigned at the C-suite level, not as an additional responsibility layered onto an existing role, but as a primary accountability with resources, authority, and board visibility. McKinsey found that organizations where CTOs lead AI adoption scale faster than those where CEOs lead alone, but this only works when the CTO operates within a team governance structure that integrates technology with people, operations, and finance.

Second, AI Governance must be a collective team function, not a compliance exercise. This means explicit decision rights for which AI-assisted processes require human judgment, which can operate autonomously, and what escalation triggers exist. It means human accountability for AI-generated outputs, including the courage to investigate and correct AI errors that are commercially convenient to ignore.

Third, the leadership team must have the configural capacity to govern the people side of transformation. This means Psychological Safety high enough that team members will challenge AI assumptions and surface implementation failures. It means Courage Critical Mass sufficient that the

team will have the difficult conversations about workforce transformation, role redesign, and capability gaps. And it means a CEO who functions as a Transformation Catalyst, sequencing change initiatives to build organizational capacity rather than overwhelming it.

What Your Board Should Be Asking

If you sit on a board or lead a PE portfolio, here are the questions that matter more than any technology roadmap review.

Does our leadership team have an explicit, collective AI governance structure, or is AI strategy owned by a single function? Is our investment ratio closer to \$5-on-people-for-every-\$1-on-technology, or is it inverted? Can our leadership team members name the three to five "must-win battles" that AI transformation serves, or does each function have its own AI agenda? Does our CEO function as a Transformation Catalyst who sequences change to build organizational capacity, or as a delegator who assigns AI to the technology function? Is Psychological Safety on our team high enough that members will surface AI implementation failures, or do we have a culture where bad news travels slowly?

These are not soft questions. They are the diagnostic questions that predict whether your AI investment will produce the enterprise value it promises or join the 81 percent that produces no meaningful bottom-line gains.

The \$5-to-\$1 ratio is the most consequential investment decision in organizational transformation. And it is a decision that can only be governed by a deliberately designed leadership team.



The Art of Executive Strategy

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