WHITEPAPER

The AI Cost Out Playbook

Cutting Costs and Accelerating Performance

AI-driven cost-out is the fastest way for mid-sized companies to unlock structural advantage.

Key Findings

1. **AI Leaders Are Pulling Away Faster.** Fewer than 10% of firms are capturing material AI-driven cost advantage, but those that do are widening the structural cost gap every quarter.
2. **Pilot Purgatory Is the Dominant Failure Mode.** More than 70% of organisations remain stuck in fragmented pilots, with <15% scaling into production or delivering P&L impact.
3. **Cost-Out Is the Fastest Path to Value.** Firms prioritising workflow-level cost reduction achieve faster payback and self-fund broader digital transformation without new capital.
4. **Workflow Rewiring Determines Success.** Technology choices matter far less than redesigning how work flows; rewired workflows deliver 2–3× more value than tooling alone.
5. **Programmatic Execution Outperforms Projects.** Organisations running structured, sequenced, 12–18 month AI programs realise higher adoption, faster deployment, and recurring savings.
6. **Inaction Creates a Compounding Disadvantage.** Delaying AI adoption widens cost, productivity, and reinvestment gaps, making late catch-up significantly more expensive.

The AI Cost Out Playbook

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Introduction

The pace of technological change is reshaping how organisations compete, operate, and deliver value. Emerging digital capabilities—ranging from advanced analytics to automation, cloud architectures, and AI—are accelerating expectations for performance while increasing the complexity of investment decisions. For many medium and large enterprises, the challenge is no longer awareness of new technologies but determining where, when, and how to apply them to generate measurable advantage.

Technology Connect operates at this intersection of opportunity and complexity. As an independent digital transformation advisory firm, the company helps organisations translate fast-moving technology developments into clear strategic choices, executable investment roadmaps, and operating models that support long-term competitiveness. Its work focuses on aligning technology decisions to business capabilities, freeing capital for reinvestment, and ensuring that transformation efforts produce immediate and sustainable value.

Over the past decade, Technology Connect has advised on more than **$2.5 billion in technology investments** and supported clients in realising significant financial benefits—often exceeding **20 percent within the first year of implementation**—while strengthening service quality, supplier relationships, and risk profiles. The firm's consultants bring over 15 years of executive experience from Tier 1 strategy consultancies and global technology organisations, enabling a practical and commercially grounded approach to transformation.

About Technology Connect

- 15+ years of executive experience
- Proven backgrounds in Tier-1 global consulting firms
- Deep expertise in AI strategy, technology, and transformation
- Track record of delivering measurable cost and growth impact
- Ability to navigate complex organizational and technical challenges

As organisations navigate rising competitive pressure, shifting supplier dynamics, and the convergence of digital technologies, Technology Connect provides the strategic clarity, independent perspective, and execution discipline required to convert emerging capabilities into durable competitive advantage.

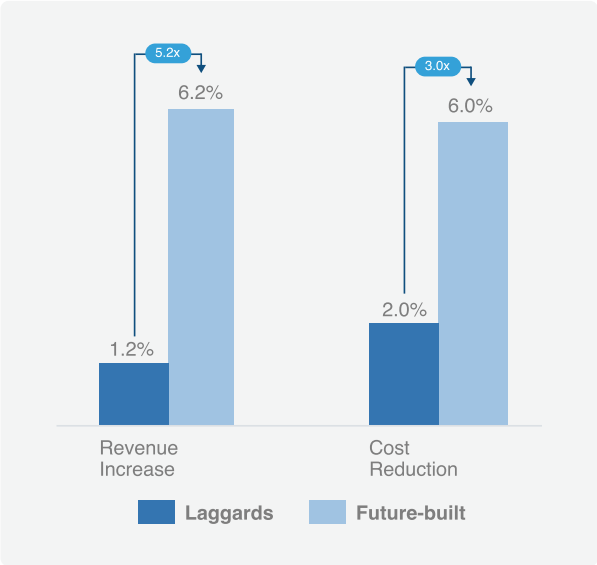
1. The Urgency of AI-Driven Cost Advantage

A new **cost-performance gap** is emerging in the business landscape. Companies that aggressively deploy **Generative AI (GenAI)** and autonomous **"Agentic AI"** systems to **rewire workflows** are pulling ahead of those that don't. As illustrated in Figure 1 *below*, early adopters are already reporting up to *3× higher cost reduction and 5.2× higher revenue growth* compared to AI laggards – a staggering advantage in efficiency and top-line performance[1].

This is not just hype; it reflects a structural shift. Recent research finds that only about 5% of firms ("future-built" AI leaders) are achieving AI at scale, while the majority (60%) are seeing **minimal gains** – and the gap is **widening fast**[2]. In Australia, the story is similar: most firms remain in experimental or pilot stages with AI, and true enterprise-wide adoption is rare[3] . The message is clear and urgent – **companies must act now** to implement AI-driven cost-out programs or risk being left permanently behind in the race for efficiency and growth.

This white paper outlines why mid-sized companies (annual revenue ~A$200M–$1.5B) need to move swiftly to capture an AI-driven cost advantage. **Speed and scale in AI adoption** are now critical to competitiveness. We cover the emerging gap between AI "haves" and "have-nots," why many firms are stuck in pilot purgatory, and how a structured AI cost-out program can rapidly deliver savings to fund investments in AI-enabled productivity improvements. We present a **mindset shift** – from automating discrete tasks to **redesigning entire workflows** – as the key to unlocking transformative AI-enabled cost reduction. We also introduce a four-phase roadmap (Discover, Model, Execute, Sustain) for scaling AI cost initiatives.

Figure 1: AI-driven Efficiency & Performance Gaps



Source: BCG - The widening AI value gap (2025)

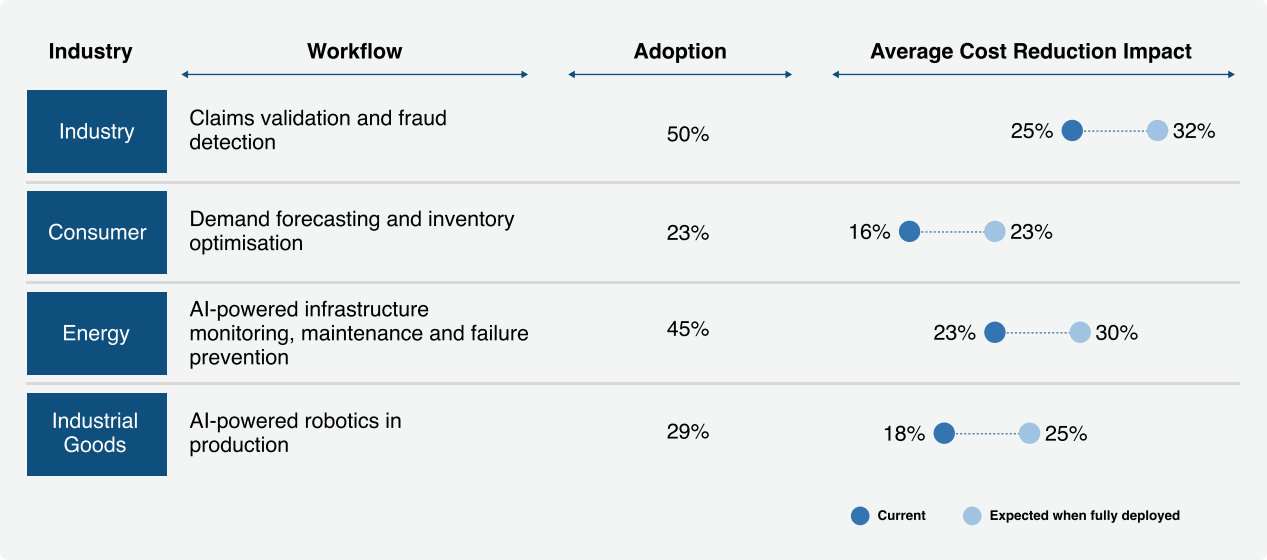
1. The Widening AI Value Gap: Build for the Future 2025. BCG, September 2025
2. AI Leaders Outpace Laggards with Double the Revenue Growth and 40% More Cost Savings. BCG, September 2025
3. Technology Investment and AI: What are firms telling us? Reserve Bank of Australia Bulletin, November 2025

2. The Widening Gap in Cost and Performance

AI is reinventing how work gets done, and early movers are reaping outsized benefits. Leading companies have begun **redesigning core processes** with GenAI and Agentic AI, enabling them to drastically cut costs while simultaneously boosting output and revenue. In contrast, slower adopters who dabble in isolated use cases see little to no material impact. Multiple studies confirm this growing divergence in performance:

- **AI Leaders vs Laggards:** The top 5% of companies("future-built" AI leaders) are achieving significantly higher financial gains from AI than the rest. These AI leaders plan to invest heavily and expect **double the revenue increase** and **40% greater cost reductions** than laggard firms in the areas where AI is applied[4]. They also report **1.7× faster revenue growth and 1.6× higher profit margins** than companies still stagnating or experimenting with AI[5]. The result is a **virtuous cycle**: early movers use AI to save money and drive growth, then reinvest those returns into even more AI capabilities, widening their lead. Laggards, lacking tangible AI benefits, risk falling further and further behind as this *compounding advantage* accelerates.
- **Agentic AI as a Game-Changer:** A key factor in the widening gap is the rise of *agentic AI* – AI systems (or "AI agents") that can make decisions and act autonomously in workflows. Agentic AI is an emerging force driving the next leap in value for future-built companies. By entrusting routine decisions and multi-step processes to AI agents, firms can operate at unprecedented speed and efficiency. For example, agentic AI might handle an entire customer onboarding or claims handling workflow with minimal human input. Companies employing these AI agents are **not just automating tasks – they're** reshaping how their business works **end-to-end.** This allows them to **deliver services faster, with fewer errors and lower labor costs**, translating into superior financial outcomes. The laggards, by contrast, are often still using AI in a piecemeal way (if at all), missing out on the transformative gains of full workflow automation.
- **Core Functions See the Most Impact:** Crucially, the greatest AI-driven gains are coming from core business functions and workflows. An estimated **70% of AI's potential value is concentrated in core areas** like operations, supply chain, manufacturing, sales and marketing[6]. This means the biggest cost reduction and performance improvements are available to those who apply AI at the **workflow level in core processes** (e.g. claims processing in insurance, production scheduling in manufacturing, demand forecasting in retail). Companies that aggressively target these high-impact areas have achieve step-change improvements. *Figure 2* illustrates how industries like **Insurance, Consumer, Energy and Industrial Goods** have unlocked substantial cost savings by redesigning workflows (e.g. automating claims handling, demand forecasting, infrastructure monitoring and supply chain planning), especially when adoption moves from pilots to scale.

Figure 2: Cost Reductions with AI-enabled Workflows



Source: BCG – The widening AI value gap (2025)

In contrast, companies applying AI only in peripheral or minor use cases will see relatively limited benefits. The implication is stark: a **growing chasm** is opening between companies that embrace AI to **reinvent workflows** versus those that stick to business-as-usual. In financial terms, leaders are cutting costs far beyond traditional efficiency programs (often reducing costs by 16–25% or more in target areas) while simultaneously driving new growth. For example, AI-driven automation in insurance **claims management** can reduce processing time by up to 75%, yielding a **30–35% reduction in operating costs** for that function. Similarly, manufacturers using AI in supply chain and maintenance are saving **8–12% of expenses with 10–15× ROI within three years**[7]. These gains directly boost the bottom line and free up capital for innovation. Firms that fail to pursue comparable AI initiatives risk higher cost structures, slower processes, and stagnating revenues – an untenable position as competitors surge ahead.

4. AI Leaders Outpace Laggards with Double the Revenue Growth and 40% More Cost Savings. BCG, September 2025
5. The Widening AI Value Gap: Build for the Future 2025. BCG, September 2025
6. Ibid

3. Stuck in Pilot Purgatory: Why Many Firms Aren't Scaling

If the benefits of AI at scale are so compelling, why are most companies not there yet? The reality is **many organisations remain stuck in "pilot purgatory"**, running limited AI experiments that never translate into broad impact. Two big obstacles underpin this stagnation: **use case–focused thinking and lack of scalable implementation**.

Fragmented Use-Case Thinking

Too often, companies approach AI as a collection of individual use cases (e.g. "let's try a chatbot here, automate a report there") rather than a strategic transformation. This mindset yields some quick wins but fails to achieve enterprise-level change. The Reserve Bank of Australia (RBA) notes that for many firms, AI adoption so far has been **"shallow…piecemeal, and often employee-led rather than driven by management"**. In an RBA liaison survey, two-thirds of firms said they have some AI in place, but nearly **40% have only minimal usage** – typically limited to off-the-shelf tools like ChatGPT assistants for discrete tasks (summarizing emails, research, etc.). In other words, most companies dabbling in AI are *stuck at the pilot stage*, applying AI only in isolated pockets. This aligns with BCG's finding that a full 60% of organizations report **"minimal revenue and cost gains"** from AI initiatives to date. These firms have not moved beyond experimentation to capture real savings.

Why the struggle to scale? Common pitfalls include: **no clear AI value ambition from leadership, lack of an integrated plan, spreading efforts too thinly across dozens of small pilots, and cultural resistance or fear of automation**. Many executives "talk the talk" on AI but haven't committed to a bold program or the governance to see it through. Instead of focusing on **end-to-end workflows** where AI could drive major efficiency, they tinker with narrow use cases that don't add up to much. The outcome is a proliferation of disconnected initiatives that consume resources without generating coordinated value. Without a strategic blueprint, these companies cannot break out of pilot mode.

Lack of Scalable Implementation

Even when high-impact AI opportunities are identified, execution at scale is hard. Mid-sized companies often lack the **technical infrastructure, talent, and change management** to implement AI broadly. Scaling an automation from one team to an entire enterprise requires robust data pipelines, integration with legacy systems, training or re-skilling staff, and managing process changes. Many pilots stall because they cannot be industrialized beyond a prototype. The RBA survey supports this – it found that **enterprise-scale AI adoption is still in a *very early* stage** for most firms, with only ~30% making even "moderate" progress in integrating AI across multiple business lines. Smaller organizations in particular lag behind larger ones in AI adoption due to resource constraints. In practice, this means a mid-sized company might successfully test an AI model in one department, but without a cross-functional rollout plan and sufficient investment, the project doesn't expand further.

Moreover, many firms lack a mechanism to **track and realize savings** from AI, which undermines momentum. It's one thing to automate a task; it's another to actually

remove the cost (e.g. redeploy staff time, eliminate vendor spend) and capture the financial benefit. Companies stuck in pilots often haven't connected the dots between technical potential and P&L impact. As a result, **"most companies are not capturing real savings from their AI investments"** to date. This can lead to disillusionment ("AI isn't delivering value for us") when in fact the issue is the **lack of a structured program to turn AI improvements into cost reduction**.

In summary, the majority of firms are *busy experimenting* with AI but **not materially lowering their cost base or boosting revenue**. They remain trapped by a use-case-by-use-case approach and an inability to scale what works. The cost-performance gap will continue to widen until these organizations break out of pilot purgatory. The next section explores how they can do exactly that.

7. How Does AI Reduce Costs? Save 5–20% Across Operations. Master of Code Global. September 2025

4. A Programmatic Path Forward: Launching an AI Cost-Out Initiative

To escape pilot purgatory and start realizing substantial benefits, companies must shift from ad hoc efforts to a **structured AI Cost-Out program**. Unlike open-ended innovation labs or isolated use cases, an AI cost-out initiative is a **focused, outcome-driven program** with a singular mandate: **rapidly reduce costs through AI, at a scale that "moves the needle."** Done right, such a program not only delivers quick financial wins but also builds the foundation (skills, data, workflows) for sustained AI-driven performance improvement.

Key characteristics of a successful AI cost-out program include:

- **Tangible Targets and Quick Payback:** The program should identify specific cost savings targets (e.g. $X million in OPEX reduction within 12 months) linked to AI use cases within a workflow, and execute fast enough to **"fund itself."** In other words, early wins generate savings that cover the program's costs and provide excess to reinvest. This self-funding model is crucial for momentum. For example, if automating IT support tickets with an AI assistant saves $500k this year, those funds can finance the next automation project. Leading AI adopters typically achieve **faster time-to-impact** – often realizing value in 9–12 months versus the 12–18+ months that laggards take[8]. An AI cost-out program explicitly aims to **bank savings within the fiscal year,** creating a positive feedback loop for further AI investment.
- **Holistic Cost Reallocation:** It's not enough to deploy AI and hope for efficiency; the program must **actively redesign the cost structure** to capture the gains. This means linking every AI-driven improvement to its associated cost pool (people, software, outsourcing, etc.) and then **removing or repurposing that cost.** For instance, if an AI system handles routine vendor invoices, perhaps the finance team can eliminate a temp contractor role (labor cost) and reduce processing fees. If a GenAI tool automates customer email responses, the company might consolidate redundant software licenses or BPO contracts. By **"rewiring" work,** AI often reveals overlaps and inefficiencies that can be eliminated. One approach is to categorize cost-out levers as *People, Platform, or Vendor*: e.g. **people cost redeployment, SaaS license rationalization, vendor contract optimization,** and even simplification of entire value chains. A structured program will systematically go through these cost categories to **extract the savings enabled by AI.** This ensures the AI deployments translate to real P&L impact, not just productivity on paper.
- **End-to-End Workflow Focus:** Critically, an AI cost-out initiative should prioritize **full workflow redesigns over isolated tasks.** This is a shift in mindset (explored more in the next section) – the program looks at major business workflows (such as order-to-cash, claims

handling, procurement, customer service) and asks: *"How can we do this entirely differently using AI and automation?"* By redesigning whole workflows, companies can achieve breakthroughs in efficiency that wouldn't emerge from piecemeal automation. For example, instead of automating just one step of claims processing, reimagine the entire claims workflow with AI: an AI agent collects claim data, validates it against policies, flags fraud, calculates payouts, and communicates with the customer, with human oversight only for exceptions. Such a re-engineered workflow could cut end-to-end processing time from days to minutes and drastically lower cost per claim. **The goal is to use AI to *streamline, eliminate, or accelerate* every possible step in the process,** fundamentally lowering the cost structure of that activity. The real value comes when organizations "aren't just automating – **they're reshaping and reinventing how their businesses work"** to harness AI at scale.

8. The Widening AI Value Gap: Build for the Future 2025. BCG, September 2025

5. Structured Execution and Governance

A programmatic approach imposes structure and accountability that one-off projects lack. Leading companies employ a **phase-gated methodology** to drive AI cost-out initiatives from concept to impact. In practice, this often involves four phases: **Discover, Model, Execute, Sustain:**

- In the **Discovery** phase, the team analyzes business processes and identifies where AI can automate or augment work to unlock performance (e.g. pinpointing bottlenecks, high-friction tasks, or costly manual workflows).
- The **Model** phase quantifies the opportunity – linking AI use cases to specific cost pools, estimating savings potential, and prioritizing initiatives to build a business case and roadmap.
- **Execute** focuses on implementation: deploying the AI solutions (automation tools, agentic AI systems, etc.), **rationalizing** any redundant vendor contracts or software, **redeploying** staff as needed, and crucially **tracking the savings** realized.
- **Sustain** institutionalizes the gains via continuous cost governance – live dashboards to monitor savings, benefit tracking to validate results, automated controls to prevent cost creep, and an ongoing pipeline of new AI opportunities.

This phased approach, refined through experience, ensures that cost reductions are driven *by tangible AI-enabled performance improvements, not arbitrary cuts.* It also embeds a cycle of continuous improvement so that each wave of savings paves the way for the next.

Many mid-sized companies may not have all the in-house capabilities to run such a program alone – and that's okay. Partners like **Technology Connect** specialize in guiding organisations through AI Cost Out transformations. Technology Connect's team uses a **proven 4-phase framework** (as per the outline above) to help mid-sized firms identify high-impact AI opportunities, quickly convert them into financial gains, and build internal capability along the way. The advantage of a structured program with expert support is speed and certainty: it provides a roadmap to move from a handful of pilots to company-wide impact **within a year or two**, while instituting the governance to make the savings stick. The program becomes a **funding engine** for the company's AI journey – cost reductions pay for themselves and free up resources to invest in more innovation.

The way forward for companies languishing in pilots is to **get serious and programmatic** about AI-driven cost reduction. That means setting bold targets, focusing on big-ticket workflows, and executing with discipline. Those who do so can rapidly unlock savings to bolster the bottom line *and* fuel growth initiatives. They transition from AI dabblers to AI-powered cost leaders.

6. Act Now or Risk Falling Permanently Behind

The evidence is undeniable: **AI-driven cost-out is the fastest way to unlock both immediate savings and future growth potential.** It directly improves profitability by eliminating inefficiencies, and it lays the groundwork for agility and innovation by redesigning how work is done. Perhaps most importantly, it creates a self-funding cycle – early savings finance further AI investments, which generate more value, and so on. This **compound advantage** is exactly what the leading 5% of companies are exploiting today. They are not only cutting costs more quickly but also **reinvesting in capabilities** that distance them from competitors. As these front-runners surge ahead, late movers may find it incredibly difficult to catch up.

For mid-sized companies, **the window to act is open now**. AI technology (especially GenAI and agentic AI) has matured to a point where even smaller firms can deploy very powerful solutions via cloud platforms and partnerships. We are at an inflection point where **the cost of inaction is rising and compounding.** Every quarter spent "experimenting" while others are industrializing AI is a lost opportunity and a widening gap. In Australia, surveys indicate many firms plan to increase AI adoption, and those that delay could be "locked into a vicious cycle of losing ground" as others accelerate. The risk is not just falling behind in efficiency but becoming **structurally uncompetitive** on cost-to-serve and speed-to-market in the coming years.

On the flip side, the prize for decisive action is huge. By launching an AI cost-out program today, a mid-sized business can potentially reduce its cost base by 20–30% or more over the next 1–2 years (depending on starting point), while also improving service levels and freeing up investment capacity. These savings can bolster resilience in uncertain economic times and fund strategic growth initiatives (new products, market expansion, etc.). Moreover, the organization will cultivate an AI-first culture, giving it a strategic advantage beyond just cost – in innovation, customer experience, and talent attraction (people want to work at efficiency leaders, not laggards).

5. Conclusion

In conclusion, we urge AI and business leaders at mid-sized companies to seize this moment. **AI-driven cost transformation is no longer a futuristic concept – it is a here-and-now competitive differentiator.** Those leaders who move fast and purposefully – treating AI as a strategic lever to reinvent their operations – are already reaping outsized rewards. Others who remain cautious or slow will increasingly find themselves at a permanent disadvantage, as the gap in cost structure and capability becomes too great to bridge. The call to action is clear: **embrace a structured AI cost-out approach, start the journey now, and secure your place among the winners of the AI era.** In this race, complacency is fatal – the companies that *act with urgency* today will be the ones defining the market tomorrow.

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About Technology Connect

Technology Connect is an experienced and independent artificial intelligence (AI) advisory firm.

We help companies turn GenAI and Agentic AI capabilities into their competitive advantage.

Our services help you define why, what, where and how to execute strategic investments in AI to future proof your AI-driven business model transformation to deliver immediate and sustainable results aligned to your strategic capabilities and business objectives.

We have deep expertise in guiding medium and large organisations on technology-based strategies, operating models and investment road maps. We have extensive experience in accelerated cost-out initiatives to free-up capital for re-investment in new AI-driven ventures, products and services to maximise return on investment and create a sustainable competitive advantage.

We have a passion for technology-driven innovation and helping teams reimagine how to exponentially grow their businesses by leveraging new and converging technology solutions and digital practices.

Technology Connect has advised clients on technology investments with a combined total value of $2.5 billion. Clients have realised more than 20% tangible financial value in the first 12 months of their technology implementations, whilst significantly improving their customer relationships, supplier relationships, service quality and business, technical, legal and commercial risks.

We are technology agnostic and vendor independent. Our consultants all have 15+ years of executive experience and have all worked in Tier 1 strategy consulting firms and global technology organisations..

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