

S2E TRANSFORMATION — WHITE PAPER

Driving AI Strategy Through the Capability Lens

Connecting AI Investments to
Business Strategy and Value

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Ground AI in the Business You're Trying to Build

Every new wave of innovation brings excitement and urgency, and artificial intelligence is no exception. Boards are asking about it, leaders feel pressure to respond, and organizations are moving quickly to define their “AI strategy.” At the same time, a familiar pattern keeps repeating: the technology-first approach.

Too often, the starting point is “How will we leverage AI?” and “What are others doing?” These are important questions, but they shift the focus to the technology rather than the business. This leads to teams across the enterprise launching pilots, exploring use cases, and experimenting with tools that become duplicative, disconnected, and do not necessarily move the needle on real business performance or strategic goals.

What is often missing is a deeper conversation and grounding back to the business strategy: Who do we want to become? What are we trying to achieve? How should the organization evolve? Without this anchor, AI efforts become fragmented and disconnected from business value.

At the end of 2025, Gartner found that at least 50% of generative AI projects were abandoned after proof of concept due to poor data quality, inadequate risk controls, escalating costs, or unclear business value.

Technology waves may change, but organizational behavior often stays the same. Even before tackling new technologies, implementing systems effectively remains a challenge, not only because of the technology itself, but because the people, process, and change factors are often underestimated or inadequately addressed. As the technology landscape grows more complex, the greater challenge is understanding how multiple technologies converge, and deciding what to use, where, why, and how they interact.

AI Strategy Is Not Separate From Business Strategy

When something new and transformative emerges, organizations tend to create a dedicated strategy around it. We have seen this with digital strategies, data strategies, sustainability strategies, and now AI strategies. Each are often accompanied by the rise of specialized leadership roles such as Chief Digital Officer, Chief Data Officer, or Chief AI Officer.

There is value in a dedicated AI strategy which can help to create momentum, focus effort and investment, and accelerate early progress. However, it is important to acknowledge that this separation is temporary. Over time, these standalone strategies become embedded into how the business operates. Digital is no longer separate, data cannot be treated as an isolated concern, and sustainability is increasingly built into core decision making. AI will follow the same path.

Two Dimensions, Not Equal in Purpose

In practice, most organizations are trying to accomplish two things with their AI strategies. First, they establish the foundations required to enable AI, including data, technology platforms, and governance. Second, they define where AI will be applied to create business value. This includes improving operations, enhancing decision making, and enabling new products, services, and business models. Both are necessary, but they are not equal in purpose.

VALUE DIMENSION

Aligned with strategy, defines how AI changes the business, where it matters most, and how it contributes to outcomes.

FOUNDATION DIMENSION

Enables business value value to be delivered consistently and at scale through data, platforms, and governance.

Many organizations over-invest in foundational activities because they are tangible and easier to define. However, building strong foundations without clear value leads to well-architected solutions that lack purpose. On the other hands, focusing only on use cases without investing in foundations leads to fragmentation, duplication, and an inability to scale. Leaders must manage both perspectives together and ensure they are actively connected in decision making and investments.

The end state is not an organization with an AI strategy alongside its business strategy – it is one where AI is simply part of how the business functions, competes, and creates value.

A Capability Lens Changes the Conversation

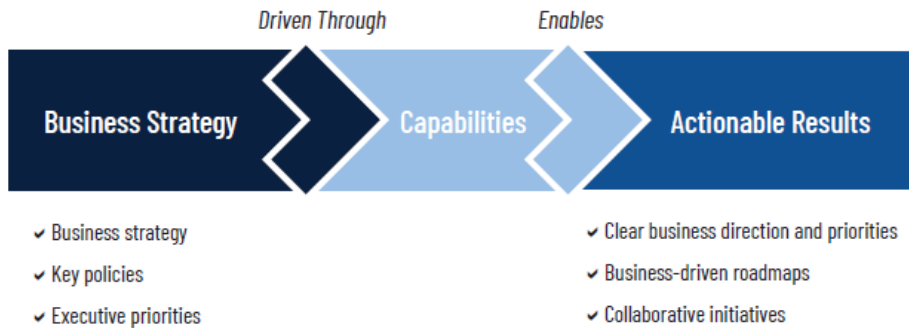
A common pitfall is building technology-focused roadmaps that emphasize tools, platforms, and isolated use cases without a clear connection to business strategy and outcomes. A more effective approach begins by reframing the conversation entirely.

Instead of asking broadly “Where can we leverage AI?” or “Which AI tools should we implement?”, start with the business strategy and goals and what the organization is trying to achieve in measurable terms. From there, the question becomes: what does the organization need to be good at, or do differently, to deliver those outcomes? This shifts the focus from technology to capabilities.

When the AI conversation is anchored in capabilities, thinking shifts from “What can we build with AI?” to “What must we be able to do better and where can AI help?”

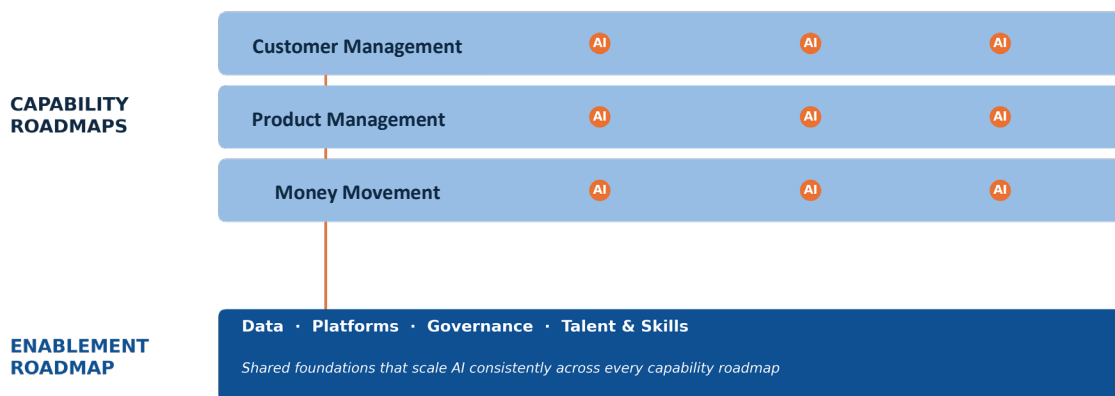
Capabilities describe what an organization must be able to do to execute its strategy. They are the high-level, reusable business building blocks required to deliver products and services and support operations – independent of organizational structure or process.

A capability-driven mindset also shifts planning toward a more enterprise approach. Instead of building one-off initiatives, organizations focus on strengthening and evolving capabilities across people, process, information, and technology, often maintaining multiple coordinated strategic capability roadmaps across the enterprise.



AI Belongs Inside the Capability Roadmap

In a capability-driven organization, AI does not sit on a separate roadmap. It is embedded within capability roadmaps as an enabler, alongside other technologies. At the same time, a separate but aligned enablement roadmap is necessary to build the shared foundations including investments in the data, platforms, and governance that ensure AI scales consistently rather than being re-built use case by use case.



AI is embedded within capability roadmaps as an enabler — fueled by a shared, well-governed enablement layer.

What This Creates

- ✓ Strategy becomes priorities
- ✓ Priorities become funded, capability-aligned investments
- ✓ Funded investments become coordinated, executable work
- ✓ A continual thread between strategy, capabilities, and AI initiatives

The result is greater clarity on where to focus, stronger alignment across leaders and teams, and maximized use of resources. It also improves the organization's ability to sequence and coordinate change, creating more adaptable, enterprise-minded decision making over time.

Putting the Capability Lens to Work

Capabilities create a golden thread that connects strategy to execution: strategic objectives link to the capabilities needed to achieve them, which in turn connect to the initiatives and solutions designed to enhance those capabilities. This helps leaders see how AI investments support priorities, and where efforts overlap or compete for resources. Whether you are defining a new AI strategy or already in the midst of one, here is a practical way forward.

- 1. Ground AI discussions in business strategy.** Define what the organization is trying to achieve and who it wants to become, then allow AI to expand what is possible within that context.
- 2. Identify the capabilities that matter most.** Identify which capabilities are most important to deliver on the strategy.
- 3. Determine where AI can enhance, transform, or enable those capabilities.** The capability lens highlights the value of AI in that area, the impact on stakeholders, and how it fits with other planned changes.
- 4. Develop a primary roadmap based on these capabilities.** Develop a capability-based roadmap with AI as an enabler alongside other technologies or work it into existing roadmaps if the organization is already capability-driven.
- 5. Define a parallel enablement roadmap.** Build the shared foundations of data, platforms, governance to enable scale, reuse, and consistency.
- 6. Prioritize existing pilots by capability.** Align existing AI pilots and initiatives to capabilities to identify duplication, misalignment with strategic objectives, or other coordination opportunities.

Treat AI as Part of How the Business Operates

AI will continue to advance rapidly, and organizations must continue to experiment and learn. However, experimentation without direction leads to fragmentation. The most successful organizations are not those with the most pilots or the most advanced tools – they are the ones that clearly understand what they are trying to achieve and intentionally embed AI into how they operate.

There is one business strategy. AI is an enabler, and a capability-driven approach connects investments back to strategy and meaningful value. With the right foundations in place, AI becomes a powerful force for shaping the future of the business.

The ability to translate business direction into action, and constantly innovate and adapt to change, has now become competitive advantage. The organizations that can execute in a coordinated way – and with agility – will win.

— Whynde Kuehn, *Strategy to Reality*

ABOUT S2E TRANSFORMATION

S2E Transformation, Inc. is a global business consulting firm devoted to connecting strategy to execution at the enterprise level. Recognized for leadership in strategy execution and transformation enabled by business architecture, S2E helps organizations design and operate in ways that enable clearer alignment and a greater ability to make decisions and deliver change in complex environments, including how they adopt AI as part of a coherent enterprise strategy.



ABOUT THE AUTHOR

Whynde Kuehn is Founder and Managing Director of S2E Transformation and is recognized globally as a highly sought-after pioneer, thought leader, advisor, and educator in strategy execution, transformation, and business architecture. She is the author of *Strategy to Reality* and co-author of *The Execution Challenge*.

Let's discuss how to bring the capability lens to your AI strategy.

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