



# The ROI of AI - The Guide



**Purpose:** Build a CFO-ready business case for AI transformation using the frameworks from *The Focused AI Captain*.

"Most AI business cases fail because they focus on the wrong metrics or underestimate what transformation actually requires."

## Part 1: Current State Analysis

### Quantify Your Current Costs

Before you can project returns, you must understand what you're spending today.



**The Back-Office Opportunity:** While marketing and sales capture ~50% of AI budgets, the **highest returns** often come from less glamorous functions: **Operations, Finance, Procurement, and Legal**. Why? You're eliminating structural costs entirely, not just making things slightly more efficient.

### Step 1: Map Your Cost Categories

Cost Category	What to Include	Your Annual Cost	Notes / Source
External Vendor Contracts	BPO, outsourcing, consulting fees for services AI could replace	\$	
Legacy Software	Licenses + maintenance for systems AI could retire	\$	
Manual Process Costs	FTE hours × loaded hourly rate (see calculator below)	\$	
Error & Rework Costs	Compliance violations, corrections, delays, quality issues	\$	
Opportunity Costs	Revenue lost due to slow cycle times or capacity constraints	\$	
TOTAL CURRENT STATE COST	\$		

## Step 2: Manual Process Cost Calculator

Use this to calculate the true cost of manual work that AI could automate or augment.

Process / Task	FTEs Involved	Hours/Week on Task	Loaded Hourly Rate	Annual Cost
			\$	\$
			\$	\$
			\$	\$
			\$	\$
			\$	\$
<b>TOTAL MANUAL PROCESS COST</b>	\$			



**Formula:** Annual Cost = FTEs × Hours/Week × 52 weeks × Loaded Hourly Rate

**Tip:** Loaded hourly rate = Base salary ÷ 2,080 hours × 1.3-1.5 (benefits multiplier)

## Part 2: Investment Planning

### The 10-20-70 Rule (Capsize Ratio)



**Critical:** Organizations that spend 80% on technology and 20% on people **consistently fail**. The 5% who successfully scale AI follow this ratio:

Category	% of Budget	What It Covers	Your Allocation
<b>Algorithms</b>	10%	Models, AI tools, platform licenses, API costs	\$
<b>Infrastructure</b>	20%	Data architecture, integration, security, MLOps	\$
<b>People &amp; Processes</b>	70%	Training, change management, workflow redesign, champions	\$
<b>TOTAL INVESTMENT</b>	\$		

### Breaking Down the 70% (People & Processes)

Investment Area	% of 70%	Your Amount
<b>Training &amp; Upskilling</b> (hands-on workshops, role-specific pathways, continuous learning)	30-35%	\$
<b>Change Management</b> (communication, adoption support, stakeholder orchestration)	20-25%	\$
<b>Workflow Redesign</b> (process re-engineering with domain experts + AI engineers)	15-20%	\$
<b>Change Champions</b> (dedicated internal roles for evangelism and trust-building)	10-15%	\$
<b>Career Pathway Development</b> (formal transition paths to AI-supported roles)	5-10%	\$

## Part 3: The 3-Year Reality

### Set Realistic Expectations



**Hard Truth:** Organizations that rush deployment without building Year 1 foundations are part of the **95% that never scale**. Patience in foundation-building separates success from failure.

Year	Phase	What Happens	Expected Returns
Year 1	INVEST	Pilots, training, workflow redesign, building foundations	Negative or break-even
Year 2	SCALE	Broader deployment, continued learning, proving concept	Positive returns emerge
Year 3	MATURITY	Optimization, full adoption, sustained value	Strong positive returns

### Your 3-Year Financial Projection

Line Item	Year 1	Year 2	Year 3	3-Year Total
<b>INVESTMENT</b>				
Technology (10-20%)	\$	\$	\$	\$
Infrastructure (20%)	\$	\$	\$	\$
People & Processes (70%)	\$	\$	\$	\$
<b>Total Investment</b>	\$	\$	\$	\$
<b>RETURNS</b>				
Cost Elimination	\$	\$	\$	\$
Capacity Gains	\$	\$	\$	\$
Risk Reduction	\$	\$	\$	\$
Revenue Impact	\$	\$	\$	\$
<b>Total Returns</b>	\$	\$	\$	\$
<b>NET VALUE</b>	\$	\$	\$	\$
<b>Cumulative ROI %</b>				%

## Part 4: Return Categories Deep Dive

### Projecting Your Returns

#### 1. Cost Elimination (Structural Savings)

*Which external contracts can you terminate? Which systems can you retire?*

What You'll Eliminate	Current Annual Cost	% Reduction	Annual Savings
BPO / Outsourcing Contract #1:	\$	%	\$
BPO / Outsourcing Contract #2:	\$	%	\$
Legacy System #1:	\$	%	\$
Legacy System #2:	\$	%	\$
Consulting / External Services:	\$	%	\$
<b>TOTAL COST ELIMINATION</b>	<b>\$</b>		

## 2. Capacity Gains (Productivity)



**Messaging Tip:** Frame productivity as "increased capacity without hiring" rather than headcount reduction. This maintains trust while showing value.

Process / Workflow	Time Before	Time After	Hours Saved/Week	Annual Value
				\$
				\$
				\$
				\$
<b>TOTAL CAPACITY GAINS</b>	<b>\$</b>			



**Benchmark:** Harvard research shows trained employees save an average of **2+ hours per week** with AI tools.

## 3. Quality & Risk Reduction

Risk / Quality Issue	Current Cost of Errors	Expected Reduction	Annual Value
Compliance violations avoided	\$	%	\$
Error/rework reduction	\$	%	\$
Fraud/anomaly detection	\$	%	\$
Faster cycle times (value of speed)	\$	%	\$
<b>TOTAL RISK REDUCTION</b>	<b>\$</b>		

## 4. Revenue Impact

Revenue Driver	Calculation	Annual Value
Conversion rate improvement		\$
Deals closed faster		\$
Customer retention improvement		\$
New product/service revenue enabled		\$
<b>TOTAL REVENUE IMPACT</b>	<b>\$</b>	

## Part 5: The Dual-Metric Framework

### Track Both ROI AND Adoption



**Critical Insight:** Neither dimension alone tells the complete story.

- High adoption + no business value = People using AI but not solving real problems
- Strong business value + low adoption = Found valuable applications but they're not scaling

**You need both working together.**

### Business Value Metrics (Lagging Indicators)

Metric	How to Measure	Baseline	Target
Productivity Gains	Time saved on specific workflows (before/after)		
Capacity Gains	Additional output with same headcount		
Quality Improvement	Error rate reduction (e.g., 12% → 3%)		
Cycle Time	End-to-end process completion (e.g., 3 weeks → 5 days)		
Risk Reduction	Compliance violations, incidents prevented		
Revenue Impact	Conversion lift, retention improvement, new revenue		

### Adoption Indicators (Leading Indicators)



**Why This Matters:** Adoption metrics **predict** whether you'll realize your financial returns. Track them as rigorously as ROI.

Metric	What It Measures	Your Current	Target
Daily Active Usage	% of target users using AI tools daily	%	>60%
Training Completion	% completing hands-on training programs	%	>90%
Shadow AI Usage	% using unapproved tools (lower is better)	%	<10%
Breadth	% of target users who have tried AI tools	%	
Depth	Frequency of use (daily/weekly/monthly)		
Persistence	Still using at 3-6 months post-training	%	
Sophistication	Progression from basic to advanced use cases		

### Trust & Change Management Metrics

Metric	Survey Question	Current	Target
Psychological Safety	"Do you feel comfortable trying new AI tools even if you might not succeed?"		
Trust in AI	"Do you trust the AI tools provided by your employer?"		

Metric	Survey Question	Current	Target
Confidence	"How confident do you feel using AI in your daily work?"		
Learning Culture	"Do you believe sharing AI challenges will be seen as learning or weakness?"		



**Research Finding:** Employees with hands-on training report **144% higher trust** in employer-provided AI tools, making them **3x more likely** to use AI daily.

## Part 6: Red Flags & Decision Triggers

### When to Adjust Strategy

*Pre-commit to action. Set explicit triggers before problems become crises.*

Red Flag	What It Means	Required Action
Adoption <30% after 6 months	Fundamental resistance or lack of perceived value	Return to use case validation; intensify change management
High initial adoption (60%+), then steep drop-off	Tools don't deliver sustained value in real workflows	Deep-dive user research; examine integration gaps
Strong adoption in Dept A, near-zero in Dept B	Use case relevance or change management gaps	Study successful departments; adapt approach
Business value lags 6+ months behind adoption	Superficial adoption; not used for high-impact work	Refocus on fewer, higher-value use cases
Shadow AI proliferation despite official tools	Official platforms aren't competitive	Improve platform UX; assess capabilities honestly
Psychological safety scores declining	Pressure creating fear instead of learning	Pause expansion; increase support; reduce pressure
AI Champions reporting burnout	Volunteer support network unsustainable	Formalize structures; provide resources

### Your Decision Triggers

*Complete these statements before you begin:*

Trigger	Action
If adoption is below ___% at 6 months, we will...	
If psychological safety scores drop below ___, we will...	
If shadow AI usage exceeds __%, we will...	
If Year 2 returns are below \$___, we will...	

## Part 7: CFO Conversation Prep

### Addressing Executive Pushback

CFO Question	Your Answer
<i>"Why does 70-80% go to transformation instead of technology?"</i>	McKinsey found organizations achieving <b>2x ROI</b> invest heavily in the human operating system. This prevents the <b>95% failure rate</b> of projects that treat AI like software deployment.
<i>"Can we accelerate the timeline?"</i>	You can deploy faster, but you won't scale. The 5% who succeed take time to build trust, redesign workflows, and develop capability before scaling.
<i>"What if adoption is lower than projected?"</i>	That's exactly why we include trust metrics as <b>leading indicators</b> . Low adoption in pilots means we pause and fix the foundation before scaling—preventing expensive failures.
<i>"How do we know this won't be another failed pilot?"</i>	Unlike typical pilots, we're measuring adoption indicators alongside business value. If adoption stalls, we diagnose and fix before committing more resources.
<i>"Where's the quick ROI?"</i>	Back-office functions (Finance, Procurement, Legal, Ops) deliver the fastest structural savings through BPO contract elimination and legacy system retirement—real dollars, not fuzzy productivity.

## Part 8: Executive Summary Template



### AI Transformation Business Case: [Your Initiative Name]

**Use Case:**

**Function/Process:**

**Current State Annual Cost:** \$

**3-Year Investment:** \$

- Technology (10-20%): \$
- Infrastructure (20%): \$
- People & Processes (70%): \$

**3-Year Projected Returns:** \$

- Cost Elimination: \$
- Capacity Gains: \$
- Risk Reduction: \$
- Revenue Impact: \$

**3-Year Net ROI:** \$ ( \_\_\_ %)

**Key Success Metrics:**

Metric	Target
Daily Active Usage	>60%
Training Completion	>90%
Shadow AI Usage	<10%
[Business Metric 1]	

**Decision Triggers:**

- If adoption <30% at 6 months: [Action]
- If returns <\$\_\_\_ at Year 2: [Action]

**Executive Sponsor:**

**Primary Owner:**

**Target Start Date:**





## The Bottom Line

*"Build your business case around structural cost elimination, especially in back-office functions. Use realistic multi-year timelines. Make explicit investments in adoption foundations. This is what separates compelling cases that secure resources from pilot proposals that die in year two."*

**The numbers matter, but the story behind them—the story of how you'll actually make transformation happen—matters even more.**

**Source:** *The Focused AI Captain* by René Esteban, CEO FocusFirst

<https://focusfirst.com/ai>

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