



EXECUTIVE SUMMARY

ORGANIZATIONAL DESIGN FOR THE AI ERA

Recompose

A complete method for evaluating an organization and redesigning it around AI.

Your AI works. Your operating model doesn't.

The Problem, and Why It Persists

Enterprises are spending record sums on artificial intelligence, yet most initiatives never deliver measurable value, and the decisive reason is not the technology. It is the organization. When capable tools are layered onto an operating model built for a pre-AI world, they accelerate the status quo rather than change it, and the value shows up in demonstrations but never on the income statement.

The evidence is consistent across sources. A 2025 MIT study found that roughly **95%** of generative AI pilots produced no measurable return. S&P Global reported that the share of companies scrapping most AI initiatives rose to **42%** in 2025, up from **17%** a year earlier. The exact figures vary by method, but the direction does not: most AI initiatives stall, and they stall for organizational reasons.

WHAT DETERMINES AI SUCCESS

Source: Boston Consulting Group, 2025



BCG finds roughly 70% of what determines AI success is people and process, not the algorithm.

Most programs invest in the measurable **30%** (the algorithm, the platform), declare technical victory, then discover months later that the metric never moved, because the **70%** was never built.

THE THESIS

The binding constraint on AI value is organizational design, and it is the one lever leaders control.

The Recompose Model

Recompose evaluates an organization and rebuilds its operating model around AI. It runs as a continuous loop because AI capabilities keep advancing, and a design frozen today is obsolete tomorrow. The method has two parts that work together: a four-phase engagement loop that sequences the work and a seven-element design core that you bring into alignment.

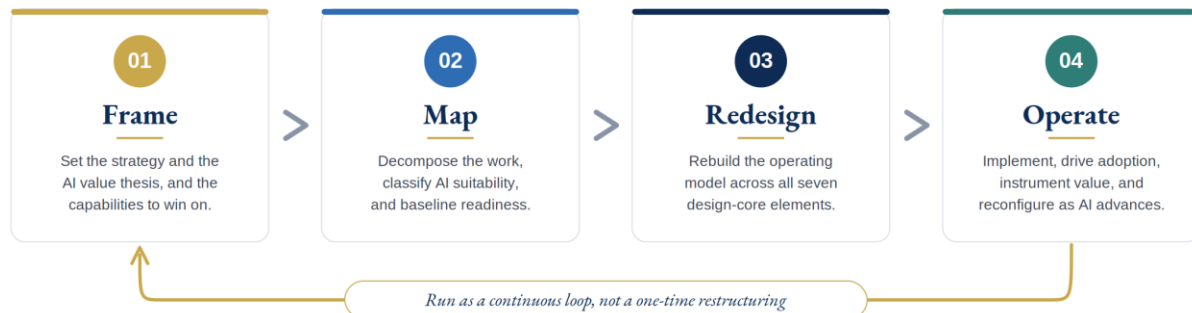


Figure 1. The Recompose engagement loop. The seven-element design core is built in the Redesign phase.

PHASE	WHAT HAPPENS	WHAT YOU GET
Frame	Set the strategy, the AI value thesis, and the few capabilities to win on.	Agreement on where AI creates advantage, before anyone touches the org chart.
Map	Decompose the work, classify each activity for AI, and baseline readiness.	An evidence base of work, readiness, and where the current design no longer fits.
Redesign	Rebuild the operating model across all seven design-core elements.	A target operating model whose elements reinforce, rather than undercut, one another.
Operate	Implement, drive adoption, instrument value, and reconfigure.	Adopted change, measured value, and a model that re-tunes itself as AI advances.

The loop matters as much as the phases. Because the Operate phase feeds the next round of framing, the organization is designed to be reassembled as the technology changes, rather than being correct once and obsolete soon after.

The Design Core: Five Inherited, Plus Two for AI

The design core is what you redesign. Five elements come directly from Jay Galbraith's Star Model and are carried forward because the research behind them is settled. Two are added because AI creates design problems that the classic model treats only implicitly: the human-AI division of labor and decision rights and governance. The principle that binds all seven is alignment: move one, and the others must move with it.

ELEMENT	THE DESIGN QUESTION	THE AI-SPECIFIC MOVE
Strategy	Where does AI create an advantage for our strategy?	Set the AI value thesis before any structural change.
Work & task architecture	Which activities should AI do, assist, or leave to humans?	Classify every activity; treat AI as a new actor and redraw roles.
Structure	How should we group capabilities, and how flat can we be?	Re-baseline spans and layers for AI's added capacity.
Processes	Where does AI route work, or sit inside a decision?	Use AI as a routing layer, embed ML at decision points, and cut handoffs.
Decision rights & governance	Who decides what AI may decide, and how risk is governed?	Set decision rights, thresholds, escalation, and model risk controls.
Rewards	Do our metrics encourage adoption rather than resistance?	Measure value delivered; reward adoption and outcome quality.
People	What capabilities and roles does the design need?	Build AI literacy; add product, orchestration, and oversight roles.

Shaded rows are the two elements AI makes unavoidable.

Read together, the seven elements turn an AI transformation from a procurement decision into a design decision. The question is no longer which tool to buy but how the work, structure, decisions, incentives, and people should be arranged once AI is one of the actors doing the work.

Why It Works

Alignment. The seven elements are interdependent, so Recompose changes together. A new structure is not quietly undone by old incentives or stale decision rights, as single-thread fixes usually are.

Reconfigurability. The loop builds an organization that can be reassembled as AI advances, balancing today's capabilities with the search for new ones, rather than freezing a design that this year's technology will outgrow.

Sequencing. The people side is built into the method from the start, not bolted on at the end. That is where the evidence says AI value is won or lost, and it is the step most programs skip.

Designed for People, and for the Risk

Because AI value lives in the seventy percent that is people and process, Recompose treats the workforce transition as a designed part of the method: redeployment before reduction, honesty where roles contract, named new roles with funded reskilling, and co-design with the people who do the work. Adoption is earned, not assumed.

Putting AI inside a decision also changes who is accountable. Recompose designs decision rights and governance alongside the workflow: a named human accountable for every consequential decision, auditable decisions with managed model risk, fairness testing where decisions affect people, and clear human-in-the-loop thresholds. That stance also aligns with where regulation is heading, from the EU AI Act to the NIST risk framework.

THE NEXT STEP

Start where the evidence starts: measure where you stand.

Take the Watson AI Organizational Readiness assessment to see your organization across culture, structure, workforce capability, and strategy, and exactly where a redesign should begin.

Book a discovery call www.AI-Watson.com · Matt@AI-Watson.com

ABOUT WATSON AI CONSULTING

WatsonAI is a Boise-based firm that helps mid-market organizations succeed at AI transformation. Our conviction is that most AI transformations fail at the organizational and human layer, not the technology layer, and we close that gap with assessments, organizational design, and change management grounded in a scientific methodology.

Matt D.M. Watson, PhD, SPHR, PMP, is an author and leader in organizational transformation with more than 25 years of building high-performing organizations across the military, energy, technology, retail, and government sectors.