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Where Should We Spend Money?

Companies today are increasingly faced with the question of how much of their IT spend should go to AI enablement versus other tech priorities like infrastructure and applications. This is especially difficult right now considering the collective fever dream that we are all participating in where AI related companies have insane valuations and whose narrative says that AI will solve all our problems and allow corporations to operate with almost no employees. At MCTK, we think it is important to have a clear understanding of what the current generation of AI is and is not, both now and in the most likely future.

There seems to be an enormous amount of confusion around what the current LLM based AI models are. In a nutshell, they are pattern matching engines, not reasoning engines. Their entire purpose is to, as accurately as possible, predict the next word or action that should come in a sequence based on history and current conditions. This sometimes looks like reasoning, but it absolutely is not. It is autocorrect on steroids. This is why every time, without exception, these models have been given complex reasoning tasks to solve they have failed miserably to the point of shutdown. This is true even if they were provided with the algorithm which would lead them to a solution. See this link for Apple's latest research on this subject: https://www.theguardian.com/commentisfree/2025/jun/10/billion-dollar-ai-puzzle-break-down

As we see it, there are several clear implications of this basic fact:

1) The current AI models will never lead to General AI no matter how much money is spent on them or how large they get.
2) The problem of hallucination in the current AI model is inherent to their design and can be lessened but never completely overcome.

3) While there are many low-level pattern matching tasks in companies that can be assisted with AI, the current path of AI development will never lead to decision making agents that can take full responsibility for corporate functions
4) It is likely that, over the next 10 years, the regulatory environment will catch up with the current path of tech development and limit the use of AI in critical areas where hallucinations can have outsized impacts such as healthcare, finance, utilities and defense.

So, what do you do?

Don't lose sight of what your business is. Unless you are a company that is actually building and deploying technology, your business is not tech. It's shipping or banking or groceries or oil refining or whatever. Concentrate on your business and understand that technology is an enabler, not a goal. This is especially true for the next few years as, regardless of your perspective on them, I think we can agree that the coming AI rollouts are going to be extremely disruptive.

Don't pay for the hype. The front end of any technology adoption curve is by far the most expensive as people try to figure out what will and will not work and to what degree. Over the last 10 years, we have seen this play out with Hadoop and 5G as a couple of examples where people got excited by the potential of these technologies. Significant investments were made and lost.

Be Careful Who You Trust. Be careful about listening to what consultants have to say on this subject (including me) because frankly, we are all guessing. Where this gets tricky is when a consultant gives you an opinion where they stand to benefit from the choices you make. Somewhat related, don't forget that hallucinations will always exist so be careful of how quickly you accept what AI tells you.

Pick the Low Hanging Fruit With a Clear ROI. Rather than spending a lot of money on deploying unproven technology, look around with a Pareto mindset at the processes in your company that, if they were fixed, would really streamline operations and save or make you money. Most of the time, these fixes involve integration of information between systems.

Make Sure AI Has Good Data to Work With. Garbage In Garbage Out has always been a mantra for systems development and it is even more true with these new AI systems. If you want to leverage AI and make it more positively impactful and less hallucinatory, make sure the data you give it to work with is clean, clearly related and readily accessible.