



AI Foundations

WHERE WE ACTUALLY ARE

PAST 3-4 YEARS	WE ARE HERE	NOT YET	THEORY
Narrow AI One task, done extremely well. No reasoning, no flexibility.	Broad AI Wide range of language & reasoning. Real limits on math and judgement.	General AI Anything a human can do, learning new skills on the fly.	Superintelligence Surpasses all human intelligence combined.

HOW THE MODELS LEARN

1 Massive training data

Reads most of the internet, books and code.

2 Finds the patterns

Adjusts billions of weights to predict the next word.

3 Human feedback

People rate outputs. The model learns what's good.

4 You get the product

Wrapped into an app: ChatGPT, Claude, Gemini.

WHY IT HALLUCINATES: It predicts what usually comes next. It is not retrieving facts, so it can state wrong things with total confidence.

THE AI MARKET STACK

	LAYER		TOP SUPPLIERS	LOCK-IN RISK
L1	Foundation Models	The raw intelligence. Companies training and maintaining core LLMs.	OpenAI, Anthropic, Google DeepMind, xAI, Meta AI, Mistral, Cohere, DeepSeek	Medium
L2	Cloud Infrastructure	Hyperscalers and managed platforms that host, serve, and distribute models at enterprise scale.	AWS Bedrock, Microsoft Azure AI, Google Vertex AI, NVIDIA DGX, IBM watsonx, Hugging Face	High
L3	Orchestration & Dev Frameworks	Tools that wire AI components together, prompts, memory, agents, and RAG pipelines.	LangChain, LlamaIndex, LangGraph, AutoGen, CrewAI, Portkey, Kong AI Gateway	Low-Medium
L4	AI Application Platforms	Enterprise platforms to build, deploy, and manage AI products without raw infrastructure.	Microsoft Copilot, Salesforce Einstein, ServiceNow AI, SAP Joule, Coupa AI, Glean, Writer	High
L5	End-User AI Applications	Consumer and SMB products built on foundation models, targeting specific use cases.	Canva AI, Notion AI, Grammarly, Perplexity AI, Harvey AI, Runway, Midjourney, Jasper	Low-Medium
L6	Open-Weight / Self-Hosted	Tools that wire AI components together, prompts, memory, agents, and RAG pipelines.	Meta Llama 4, DeepSeek V3/R2, Mistral/Mixtral, Google Gemma 3, Ollama, VLLM, LM Studio	Very Low



AI Readiness

WHAT DOES 'GOOD' LOOK LIKE FOR AI READINESS

A mature readiness program requires both business and technical preparation before implementation.



Data inventory and classification



Defined use cases



Named accountable business owners



KPIs and business outcomes



Understanding the AI stack layers



Standard AI contract clauses



Data protection & compliance



Exit and transition planning

AI GOVERNANCE

An AI Policy should cover 4 practical questions:

- 1** What is AI allowed to do?
- 2** What data can it access and use?
- 3** Who is authorised to approve and govern it's use?
- 4** What contract clauses enforce those rules?

AI governance should be cross-functional, typically involving:

- Finance / CFO
- Legal
- Security
- IT
- Procurement
- Compliance/ Ethics
- HR
- PMO

Procurement may help establish governance structures, but should focus on enforcement and commercial protection.

SIX THINGS TO DO BEFORE YOU SIGN AN AI CONTRACT

Demand a fully-loaded TCO

Not just license. Setup, training, governance.

Baseline before you approve

No current cost, nothing to check the case against.

Model adoption honestly

The case should still hold at 50% adoption.

Put a review date in the contract

Book the 6 and 12 month check-ins the day you sign.

Own the data handling terms

Do they train on it, how long is it kept, can you delete it?

Build the capability in-house

Trading compute for token spend is now on the table.



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AI Foundations

The 6 Golden Rules of AI Usage

Send these to your team. Everyone needs to know them.

1

Never paste confidential data.

Public AI tools are like a public forum. No client names, financials, or proprietary info.

2

You are accountable.

AI is a tool. You are responsible for what you send, publish or decide.

3

AI predicts, it doesn't think.

AI is finding the most likely next word. Confident tone does not equal accurate content.

4

Always verify facts.

Before you send or publish, check the facts. Confident output can still be wrong.

5

Better prompts, better results.

30 seconds on a better prompt saves 10 minutes of editing. Garbage in, garbage out.

6

AI gets you 80% there.

Use it for the first draft, the summary, the brainstorm. A human closes the last mile.

