

AI Strategy as Business Strategy: Competing in the Intelligence Stack

Executive Summary

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For most organizations, artificial intelligence is not something to build. It is something to deploy, integrate, and learn from. The real competitive question is not whether to invest in AI, but how to embed it into the architecture of the firm in ways that create durable advantage. This note argues that AI does not replace the fundamental questions of strategy — where to compete, how to win, and what capabilities to build — but changes how they must be answered. The shift is from thinking about strategy as market positioning to thinking about strategy as intelligence design.

The AI Intelligence Stack

At the center of this shift is what the paper calls the AI Intelligence Stack: five interdependent layers through which intelligence is generated, refined, and executed. Firms that integrate these layers effectively build compounding advantage; those that leave them fragmented lose it.

The first layer is **data** — the signals a firm captures about customers, operations, and environments. The strategic question is not how much data a firm possesses but how distinctive and compounding it is. Visa's advantage comes not from processing volume alone but from observing patterns across billions of transactions globally. Tesla's edge lies in continuously collecting driving data from its entire fleet, feeding improvements back into its systems in real time. Data that becomes more valuable as it improves the system that generates it is the foundation of durable intelligence advantage.

The second layer is **models** — the algorithms that interpret data and generate predictions. Few firms need to build frontier models. Differentiation comes from how models are adapted and deployed in specific competitive contexts. The key trade-offs are familiar but newly intensified: control versus cost, proprietary capability versus dependence on external platforms, differentiation versus standardization. Winning firms are not those with the most advanced models but those that apply models in ways that competitors cannot easily replicate.

The third layer is **decisions** — where predictions become economic outcomes. Pricing, lending approvals, risk thresholds, clinical recommendations: this is where intelligence is converted into value. JPMorgan Chase and UnitedHealth Group have both redesigned their decision architectures around AI-driven logic. The strategic question is not whether decisions are automated but who defines the rules, how quickly those rules can change, and how much autonomy the system is permitted. Firms that govern this layer well continuously refine how value is created and captured.

The fourth layer is **workflows** — how intelligence actually moves through the organization. This determines when tasks are automated, when they are escalated to humans, and how work is

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allocated between people and machines. Uber's driver-matching system is not merely a prediction problem; it is a workflow problem, balancing speed, efficiency, and fairness in real time. As with earlier manufacturing transformations, automation alone does not create advantage. Redesigning workflows to enable continuous improvement does. Firms that design workflows well achieve not only greater efficiency but also greater resilience.

The fifth layer is **interfaces** — the points at which the firm interacts with customers and users. Amazon and Meta have long understood that interfaces are not delivery channels but engines of experimentation: every customer interaction is an opportunity to test, learn, and adapt. Control of the interface accelerates the feedback loops that improve the entire stack — but it also introduces risk. Over-optimization erodes trust. The strategic challenge is to balance continuous learning with the quality of customer experience.

From Position to Intelligence Flow

Traditional strategy centered on position: choosing where to compete and building defensible advantages through cost leadership, differentiation, or control of scarce resources. AI changes this logic without eliminating it.

In AI-enabled organizations, advantage increasingly depends on how effectively intelligence flows through the firm — from data to models, from models to decisions, from decisions to workflows, and from workflows back to customer interfaces. The real source of competitive strength is not any single layer. It is the integration among them.

The compounding loop works like this: experiments at the interface generate new data. Better data improves models. Improved models refine decisions. Better decisions reshape workflows. Redesigned workflows generate new performance signals that feed the system again. Firms that connect these layers into a continuous cycle of improvement build advantage that compounds over time. Firms that leave layers fragmented — strong data but weak decision logic, powerful models but unredesigned workflows — lose the compounding benefit.

This changes the questions leaders must ask. Not only "where do we compete?" but "how does intelligence move through our organization?" Not only "what AI tools should we buy?" but "where does intelligence get stuck, and how quickly can signals from one layer improve behavior in another?"

The New Strategic Capability

The critical capability for AI-era competition is not AI itself. It is architectural integration: the ability to embed intelligence into the operating model so that data, models, decisions, workflows, and interfaces function as a coherent system rather than a collection of separate tools.

At each layer, this requires clear choices about the human-machine boundary. Who defines the decision rules? Who supervises the models? Who intervenes when decisions are ambiguous? How is feedback captured and applied? These are not IT questions. They are strategic ones. Governance at the data layer, supervision at the model layer, accountability at the decision layer, task allocation at the workflow layer, and trust at the interface layer all become part of a single design challenge.

The goal is not automation alone. It is what the paper calls embedded strategic agility: the ability of the organization to sense, decide, and act through integrated intelligence — faster and more precisely than competitors — and to improve with every interaction it executes.

The Implication for Leaders

Strategy has not disappeared in the age of AI. It has moved into the architecture of intelligence of the firm. The AI Intelligence Stack does not replace decisions about where to compete or how to differentiate. But it redefines what it takes to execute those decisions consistently, reliably, and at scale.

AI does not affect all sectors equally. In software and digital services it can reshape entire business models. In logistics and operations it improves coordination and routing. In physical industries the impact is slower but grows as data, connectivity, and automation become more embedded. Strategy remains context-specific — there is no single AI playbook. But one shift is consistent across all contexts: firms no longer win simply because they occupy the right position. They win because they build systems in which intelligence flows continuously from signal to action.

Firms that understand this will not simply deploy AI tools. They will design organizations in which intelligence flows across every layer — data, models, decisions, workflows, and interfaces — adapting and improving with every interaction. Competitive advantage, in the age of AI, belongs to those who master not just the technology but the architecture through which intelligence creates value.

Disclosure: AI was used for the research and copy-editing of this article