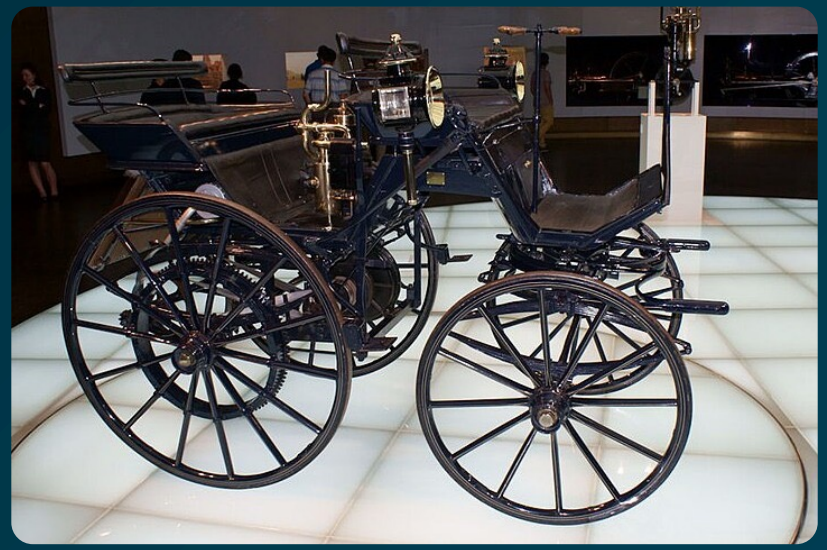
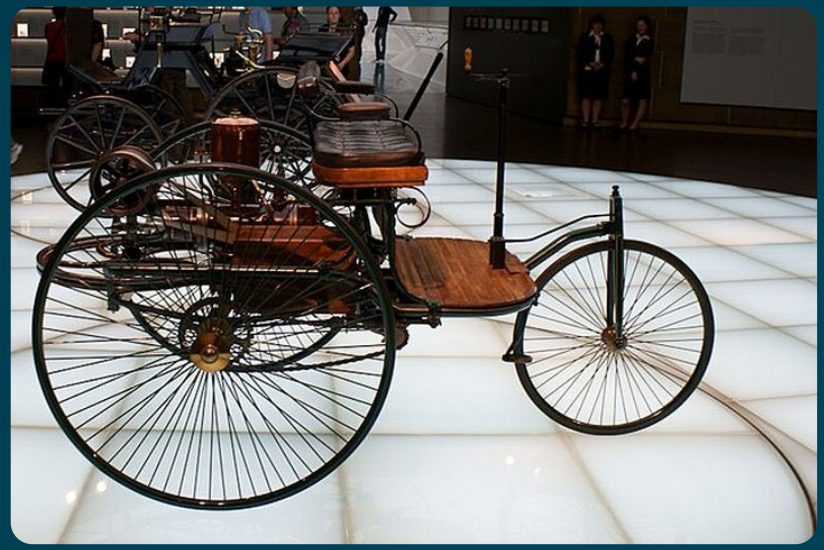
encourageventures

# AI Is Not a Tool.
# Rebuilding Beats Retrofitting.



**Retrofit** · Daimler motor carriage, 1886



**Rebuild** · Benz Patent Motor Car, 1886

Photos: Mercedes-Benz Museum, Stuttgart · Valder137 via Wikimedia Commons, CC BY 2.0

encourageventures

# Tool or actor

## Bolted-on AI accelerates processes at the margin. Built-in AI becomes an actor in the system.

1

### AI as a tool

**Retrofit** – a person operates it. Process and responsibilities stay as they are.

2

### AI as an actor

**Rebuild** – AI takes over steps of the work, prepares decisions and shifts roles.

## The technology was there. The rebuild was missing.

Electrification of factories: Paul A. David, “The Dynamo and the Computer”, American Economic Review 80 (2), 1990

encourageventures

# Four tests for investors

## 1 What remains if you strike the AI?

**Strike test** – for a builder, the business model depends on it.

## 2 What will your team look like in 24 months?

**Org chart** – for a builder, mixed domain and tech teams, new AI roles.

## 3 What if your model provider doubles its price?

**Operations** – for a builder, the team swaps models and measures quality itself.

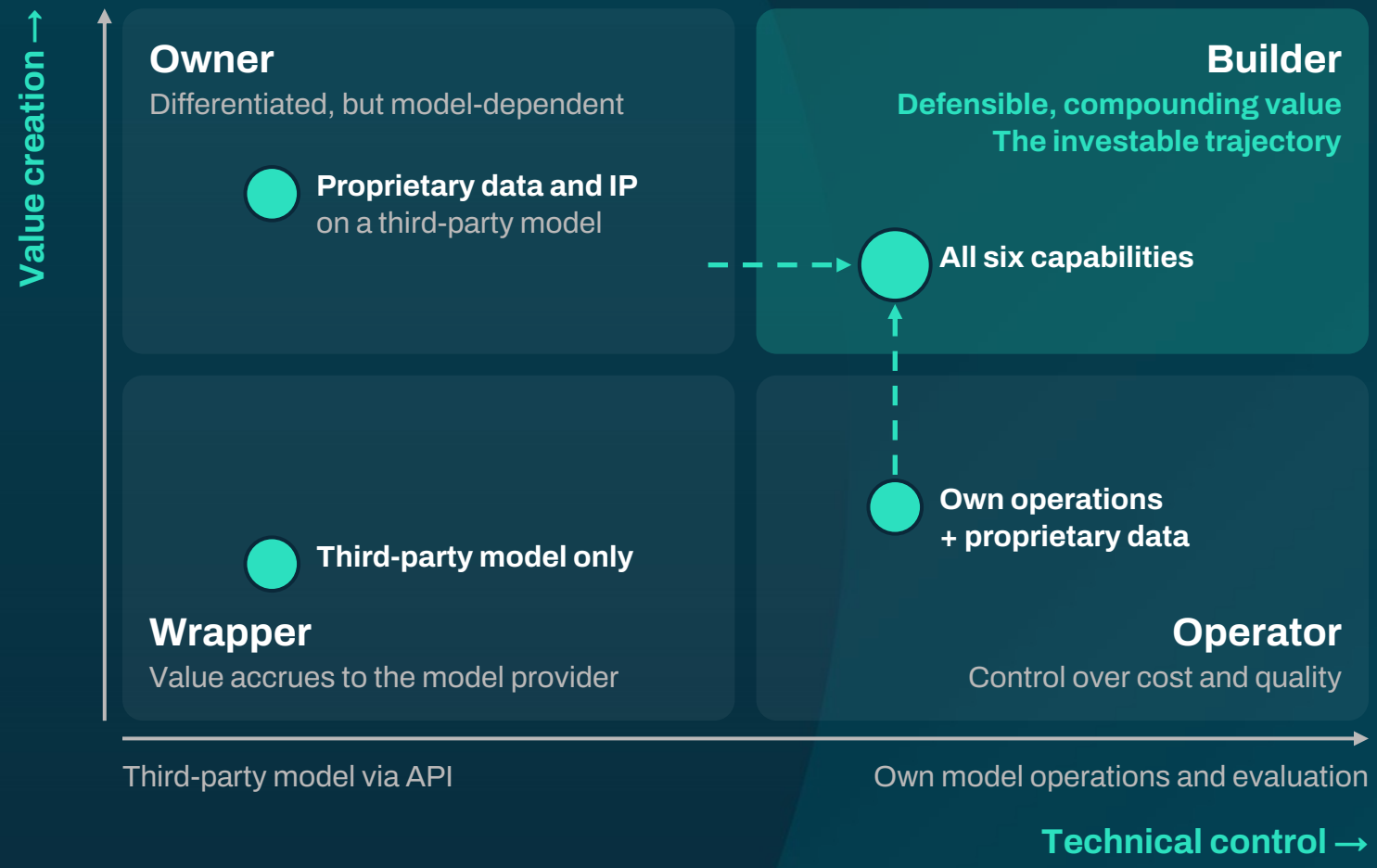
## 4 What will your system learn in 12 months, and from where?

**Learning loop** – for a builder, operating data improves the product.

**Sovereignty isn't having the best AI.**
**It's being able to run it yourself.**

encourageventures

# AI models are becoming a commodity.
## Defensibility lies in proprietary data, culture and IP.




**Organisation and culture**
Test 2 · mixed teams, new roles

**Learning loop**
Test 4 · operating data

**Proprietary data and IP**
exclusive, rights secured

**AI-native business model**
Test 1 · strike test

**Value creation**

**Own operations**
Test 3 · swappable, evaluated

**AI model**
commodity · API access

**Tech**

encourageventures

# Three lessons for incumbents

1

## Founding question first

How would we build this if we founded the company today? Tool selection comes last.

2

## Rebuild beside the core

A separate unit with mixed domain and tech teams, its own process and budget.

3

## New roles, own capability

Leadership redefines roles and decision paths. Run and evaluate AI in-house.

**The same four tests apply to every incumbent. Leadership decides.**

encourageventures

# AI models are a commodity. The opportunity: build new, faster than ever.

**hendorf.com**

Alexander C. S. Hendorf

hendorf.com/en/blog