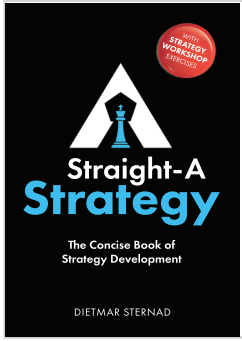
Using AI in strategy



This bonus chapter accompanies the book ***Straight-A Strategy: The Concise Book of Strategy Development*** by Dietmar Sternad, © 2025 by econcise publishing.

The book is available in print and ebook editions on Amazon and wherever good books are sold.

This chapter will enable you to:

- Analyze how AI is reshaping the practice of strategy.
- Evaluate how AI supports market analysis, competitive intelligence, scenario planning, decision-making, and strategy execution.
- Explore the role of AI as a creative thought partner in generating strategic options.
- Identify the challenges of integrating AI into strategic work.

When ChatGPT was introduced to the public in late 2022, it marked a tipping point. Artificial intelligence (AI) was no longer the preserve of data scientists and tech companies. It suddenly became a tool that millions of people could use directly, in everyday language. In a remarkably short time, AI has begun to transform how we write, search, learn, and even imagine our work. Just as the internet reshaped communication, commerce, and the way knowledge is created and retrieved, AI now promises to reshape how we think about business and strategy.

One of the key tasks of a strategist is to **make sense of complexity**: markets shift, competitors launch new products and services, technologies disrupt established models, and fresh opportunities and risks constantly emerge. Traditionally, managers have relied on analysis, experience, and intuition to navigate this complexity. AI adds a new layer: the ability to process vast amounts of data, detect hidden patterns, and generate insights at a speed and scale beyond the capacity of any human team. This does not mean replacing human judgment; instead, AI can handle the heavy lifting of scanning markets, spotting patterns, and testing scenarios, allowing strategists to concentrate on judgment, creativity, and selecting the best course of action.

In this bonus chapter accompanying the book *Straight-A Strategy*, we explore how AI can support different aspects of strategic work. We begin with **market analysis**, where AI helps uncover trends and customer needs that might otherwise go unnoticed. We then turn to **competitive intelligence**, showing how AI can sift through signals to reveal where competitors are heading. We also look at **scenario planning** and **risk analysis**—areas where AI's predictive power helps anticipate alternative futures. From there, we consider AI as a thought partner, capable of **generating fresh strategic options**, and as a **tool for decision support and execution**. Finally, we discuss the **challenges of using AI** so that it can be applied wisely and responsibly, ensuring that it strengthens rather than weakens human strategic thinking.

AI cannot "do strategy" for us. But it can change the way we practice strategy—grounding strategy in richer data, enhancing foresight, and opening space for more imaginative strategic options.

Using AI for market analysis

Market analysis has always sought to **turn scattered information into insight**. As a strategist, you want to know how big a market is, how fast it is growing, how it is structured, and what customers really want. In the past, this work relied heavily on surveys, industry reports, and the painstaking collection of competitor and customer data. While these tools remain useful, AI adds new possibilities that expand both the speed and scope of market analysis.

AI is particularly powerful in **dealing with unstructured data**—information that does not come neatly packaged in tables or reports. Today, much of the world's market information exists in the form of customer reviews, social media conversations, web searches, online videos, and other digital traces of behavior. AI-powered natural language processing (NLP) and machine learning models can sift through millions of such signals in real time, detecting emerging trends, unmet customer needs, and shifting sentiment. What once took a research team months to analyze can now be surfaced in days or even hours.

For example, a consumer goods company might analyze thousands of Amazon reviews to discover recurring complaints about packaging design, or a food manufacturer could monitor TikTok and Instagram to spot a viral flavor trend before it shows up in traditional sales data. Travel companies could use AI to track flight searches and online travel discussions to forecast demand surges for specific destinations months ahead of time. What once took a research team months to compile and interpret can now be surfaced in days or even hours—giving strategists a head start in responding to shifts in demand.

Market size and growth. Traditional methods of estimating market size—such as extrapolating from customer or competitor data—can be complemented with AI-driven approaches. For example, AI can analyze online purchasing data, web traffic, and search behavior to estimate demand more dynamically. Instead of relying solely on backward-looking studies, strategists can now track real-time demand signals and use machine learning models to forecast growth based on a much broader range of variables.

Consider a food company evaluating whether to expand its plant-based product line into new categories such as dairy alternatives or ready-made meals. Instead of relying only on historic sales reports, the company can use AI to combine signals such as supermarket transaction data, recipe searches on Google and YouTube, sentiment in online reviews, and social media conversations about healthy diets. By layering in demographic data and policy developments—such as government dietary guidelines or school nutrition programs—AI can project not just short-term demand shifts, but also the long-term structural growth of the plant-based

market. This enables strategists to judge whether the opportunity is large and durable enough to justify investments in new production facilities, partnerships, or brand positioning.

AI PROMPT EXAMPLE

A prompt for analyzing market size and growth

Here is an example for a prompt that could be used in the deep research mode of an AI tool to estimate market size and growth of a specific market segment:

"You are a market analyst specializing in the food industry. I want to evaluate the market size and growth potential of plant-based dairy alternatives in Europe. Please do the following:

1. *Estimate the current market size and recent growth rates for plant-based dairy alternatives in Europe, using the most relevant data available.*
2. *Identify key drivers of market growth (e.g., health trends, environmental concerns, demographic shifts, government policy, retail availability).*
3. *Highlight potential barriers or risks (e.g., pricing compared to traditional dairy, regulatory challenges, supply-chain issues).*
4. *Provide a projection of how the market could evolve over the next 5–10 years, including scenarios for optimistic, base-case, and conservative growth.*
5. *Suggest useful data sources or signals I could track with AI tools (e.g., supermarket transaction data, online recipe searches, social media sentiment around plant-based diets, policy changes).*

Please present the results in a structured format with bullet points and, where possible, include quantitative estimates. Please also include links to sources that you used for your analysis."

Market composition. AI can also improve segmentation analysis. By clustering large datasets of customer transactions, online browsing histories (such as which products people view or compare), or geolocation data (for example, where and when customers shop), AI can help reveal hidden subsegments that may not appear in traditional surveys.

For example, a retail chain might discover through AI analysis of loyalty card data and mobile app usage that there is a growing group of customers who consistently shop late at night, purchase premium convenience foods, and engage heavily with the store's sustainability content. This subsegment may not show up in a standard demographic breakdown but could represent a profitable niche worth targeting with new late-hour services, curated product assortments, or tailored promotions. These micro-segments can then be evaluated for their profitability and growth potential, enabling more precise targeting.

Customer insights. Perhaps the most transformative use of AI in market analysis is in understanding customers. Beyond static demographic profiles, AI can uncover what really drives customer choices by analyzing sentiment, preferences, and motivations across a wide variety of data sources. Product reviews, customer service chat logs, and social media interactions all provide (previously unstructured) feedback that AI can scan at scale. Instead of reading through thousands of reviews manually, AI can detect recurring themes such as frustrations with delivery speed, excitement about new product features, or shifting expectations around sustainability.

AI also enables companies to pinpoint what features customers value most and where competitors are falling short. For example, a smartphone manufacturer might learn that while customers praise camera quality in competitor models, they consistently complain about battery life—an opportunity to differentiate its own offering. Similarly, in financial services, banks use AI-driven sentiment analysis to track how customers discuss mobile banking apps online, spotting pain points long before they appear in churn statistics.

Combined with customer journey mapping, AI offers a much deeper view of not only what customers buy, but why they buy, and where along the journey the decision is made. Retailers already use AI to analyze clickstream data and purchase histories to see whether customers are

influenced more by peer reviews, promotions, or brand storytelling. This helps strategists fine-tune messaging, adjust channel investments, and design interventions at exactly the moment of decision.

Trend analysis. Keeping up with market trends has always been a challenge, since the signal is often buried in noise. AI can process massive datasets—news articles, patents, research publications, or even satellite images—to highlight weak signals of change. For instance, AI might detect a sudden uptick in discussions around sustainable packaging, or link shifts in mobility data with new commuting patterns that affect retail demand. Such foresight allows organizations to adapt proactively, rather than reacting once a trend is obvious to everyone.

AI-powered "trend radars" can detect rising topics of conversation before they hit the mainstream, giving companies a head start in adapting their offerings. A food brand, for instance, may notice a sudden surge of online discussions about protein-rich snacks among health-conscious consumers, allowing it to launch or reposition products while competitors are still focused on traditional categories.

Of course, AI-driven market analysis is not without pitfalls. **Data quality** remains critical; biased, incomplete, or outdated data will produce misleading results no matter how advanced the algorithms. Strategists must also be careful **not to treat AI outputs as answers but as inputs**—hypotheses to be tested with human judgment and contextual knowledge.

AI in competitive intelligence

As we discussed in the chapter on competitive strategy (Chapter 6 in *Straight-A Strategy*), companies do not create their strategies in a void. Every move you make in the market will provoke a response, and every advantage you build may be contested by other players. **Competitive intelligence** helps strategists anticipate these dynamics by systematically gathering, analyzing, and interpreting information about competitors and the broader competitive environment.

Traditionally, competitive intelligence relied on industry reports, trade fairs, press releases, customer feedback, and occasionally industry gossip received through informal networks. While these sources remain import-

ant, they often leave strategists with a rearview mirror perspective—seeing what competitors have done, but not always what they are about to do. AI changes this equation by enabling a more proactive, data-driven, and continuous form of competitive intelligence.

Scanning the competitive landscape at scale. AI tools can aggregate and analyze vast streams of competitor-related data from websites, press releases, e-commerce platforms, job postings, patent databases, social media, and financial filings. For example, a surge in job ads for AI specialists and data scientists at a competitor might signal a push into AI-powered services. Patent filings analyzed through natural language processing can reveal R&D directions before products hit the market. Monitoring supply-chain data can flag when a rival is preparing to scale up production capacity.

Detecting weak signals of competitive moves. In competitive strategy, surprises are costly. AI excels at detecting anomalies that human analysts might overlook. For instance, sudden shifts in a competitor's digital ad spend, pricing on e-commerce platforms, or product feature updates can be picked up quickly by machine-learning algorithms. This allows strategists to spot early warning signals of a product launch, a new geographic entry, or a potential price war. The earlier you notice such signals, the more options you have for shaping your response.

In Chapter 6, we discussed how strategists can use game theory to **analyze competitive interactions** such as price wars (the prisoner's dilemma game) or market entry games. AI can bring these models to life by feeding them with real-world data. Competitive simulations can now integrate AI-powered forecasts of demand, pricing, and customer sentiment, creating richer scenarios that better capture how competitors are likely to behave. Instead of relying only on judgment, strategists can test responses in a simulated environment that blends qualitative insights with quantitative predictions.

Benchmarking strengths and weaknesses. A critical step in competitive analysis is mapping your performance against rivals on key purchasing criteria (KPCs) such as quality, price, or convenience. AI makes this process sharper by analyzing millions of customer reviews, social media mentions, or B2B client surveys to quantify where competitors are outperforming you—and where they are vulnerable. A hotel chain, for exam-

ple, could use AI to benchmark its ratings on cleanliness, staff service, or food quality against those of competitors across several online platforms, revealing patterns invisible to manual review.

The real promise of AI in competitive intelligence lies not just in monitoring what competitors are doing today, but in **anticipating what they will do tomorrow**. Machine-learning models trained on historical patterns can suggest likely next moves—for example, whether an aggressive price cut is a temporary promotion or the start of a long-term strategy. Combined with contextual analysis of a competitor's resources, capabilities, and core advantages, this foresight can help strategists prepare counter-moves before competitors strike.

As powerful as AI is, strategists must respect legal and ethical boundaries. Scraping competitor data beyond public sources, violating intellectual property, or engaging in corporate espionage crosses the line. Moreover, AI predictions can be wrong if based on biased or incomplete data. Overreliance on "black box" outputs (without knowing the underlying sources) risks strategic missteps.

AI PROMPT EXAMPLE

A prompt for analyzing a competitor's current and anticipated strategy

Here is an example of a prompt that can be used to analyze a competitor's strategic position and anticipate their likely next moves. Be sure that the AI model you use has access to up-to-date data.

"You are a competitive intelligence analyst. Please analyze the strategy of Company X [replace with the actual competitor]. Do the following:

1. *Summarize the company's recent strategic moves (e.g., product launches, pricing changes, geographic expansion, hiring trends, partnerships, acquisitions).*
2. *Identify patterns in these moves: what do they suggest about the company's current strategic priorities?*
3. *Analyze signals of the company's likely next moves using available public data (e.g., job postings, patent filings, press releases, product updates, digital ad spend, social media engagement).*
4. *Assess the company's underlying strengths and weaknesses compared to key purchasing criteria in the industry (e.g., price, quality, convenience, sustainability, brand, etc.).*
5. *Provide scenarios for how the company's strategy might evolve over the next 12–24 months.*
6. *Suggest early warning signals I should monitor (e.g., unusual hiring spikes, sudden changes in marketing, supply-chain movements, or new partnerships) to anticipate shifts in their strategy.*

Please present your analysis in a structured format with bullet points, and include references or links to relevant public sources where possible."

Anticipating in AI: Scenario planning and risk analysis

"Anticipating"—looking ahead and preparing for an uncertain future—is a key element of the strategy development cycle (see Chapters 1 and 5 in *Straight-A Strategy*). No matter how carefully you analyze today's market, tomorrow will bring surprises: new technologies emerge, customer preferences shift, regulations change, and competitors take unexpected actions. Traditional **scenario planning** has long helped organizations cope with such uncertainty by developing a set of plausible futures and considering how strategy would need to adapt in each case. Similarly, **risk analysis** has provided frameworks for identifying threats and assessing their likelihood and impact.

AI does not replace these methods but makes them faster, richer, and more dynamic. It allows strategists to move from static, one-off scenarios toward continuous anticipation and monitoring.

Traditionally, scenario planning involves experts brainstorming possible futures and combining them into a few structured narratives (for example, a "high-growth" vs. "low-growth" scenario, or "technological disruption" vs. "status quo"). AI expands this process by analyzing vast datasets—such as macroeconomic indicators, consumer behavior data, patent activity, or even climate models—to **identify potential drivers of change** that humans might overlook. AI tools can also scan news articles, blogs, and research reports to detect emerging issues, such as public debates on potential new regulations or early signals of shifting consumer preferences. Strategists can then weave these signals into scenarios that are both more evidence-based and more varied.

A major limitation of traditional scenario planning is that it often happens only once every few years. With AI, **scenarios can be continuously refreshed** as new data becomes available. For instance, machine-learning models can simulate how different shocks—such as a supply-chain disruption, a change in interest rates, or a competitor's market entry—might ripple through the system. Instead of treating scenarios as static documents, organizations can maintain "living scenarios" that evolve as reality unfolds.

Risk analysis has also been transformed by AI. Algorithms can assign probabilities to different risks by analyzing historical patterns and real-

time data. For example, an airline can use AI to model the likelihood of fuel price spikes by combining oil market data, geopolitical events, and climate patterns. A bank can use AI to assess credit risks by analyzing thousands of non-traditional data points about borrowers. These quantitative insights help strategists move beyond gut feeling toward a more systematic assessment of risks.

One of AI's strengths lies in its a**bility to simulate complex interdependencies**. A drought in one region might not only affect agricultural yields but also food prices, supply-chain stability, and political stability. Machine-learning models trained on historical correlations can highlight such ripple effects. This makes it possible to anticipate "second-order risks"—the indirect consequences that often prove most disruptive.

Imagine a consumer-goods company evaluating expansion into Southeast Asia. Traditional scenario planning might consider three futures: strong economic growth, stagnation, or political instability. With AI, the company can enrich these scenarios by integrating signals such as changes in e-commerce adoption, shifts in social media sentiment toward similar brands, climate-related disruptions to agriculture, and local regulatory debates. AI-generated simulations can show not only the probability of each scenario but also how quickly conditions might shift from one to another, giving strategists a more dynamic view of uncertainty.

Despite its advantages, AI cannot predict the future. It works with probabilities that may mislead if data is biased or incomplete. Scenario planning still relies on human judgment to decide which futures matter and how to prepare. Used well, however, AI can help organizations shift from reacting to risks toward anticipating them, spotting both obvious threats and subtle signals of change.

AI PROMPT EXAMPLE

A prompt for conducting a scenario analysis

Here is an example of a prompt that you can use for conducting a scenario analysis:

"You are a strategy consultant supporting Airline X [insert the company name]. Please conduct a scenario analysis for the next 5–7 years. Do the following:

1. *Develop at least three plausible scenarios (e.g., stable growth with moderate fuel prices, strong travel rebound with rising sustainability regulations, or prolonged volatility due to geopolitical tensions and fuel price spikes; you may also propose additional or alternative likely scenarios).*
2. *For each scenario, identify the main drivers (fuel and energy costs, passenger demand trends, regulatory changes, climate-related risks, competition from low-cost carriers).*
3. *Assess the potential risks and opportunities for the airline in each scenario.*
4. *Recommend strategic actions the airline could take under each scenario.*
5. *List early warning signals or indicators that should be monitored to anticipate which scenario is unfolding.*

Present the analysis in a clear, structured format with bullet points or tables, and include references to relevant public sources where possible."

AI as a strategic thought partner: Generating options and insights

As the strategy development cycle (see Chapter 5 in *Straight-A Strategy*) shows, once you have analyzed your environment, anticipated possible futures, and clarified both the competitive situation and your distinct advantages, the next challenge is to **generate strategic options**, alternative paths your organization might take to create value and build an edge. Traditionally, this stage has been shaped by workshops, brainstorming sessions, and leadership retreats. These will remain central, but AI is increasingly emerging as a **thought partner** that can expand the range of ideas and sharpen the insights available to strategists.

One of the risks in strategy development is narrowing the field of vision too quickly. Teams may fall back on familiar ideas or converge on a "safe" option before alternatives are fully explored. AI can counteract this tendency by suggesting a wide range of possibilities, including options that might otherwise be overlooked. For example, by analyzing industry data, patents, and adjacent markets, AI can highlight potential diversification plays or ecosystem partnerships. A pharmaceutical company might be prompted to explore digital health services, while a retailer could identify opportunities in logistics or data-driven advertising.

AI models trained on diverse datasets can also surface analogies and ideas from outside a strategist's immediate domain. A manufacturer facing supply-chain disruptions, for instance, might be prompted by AI to explore solutions pioneered in other industries—such as the real-time inventory tracking and dynamic routing used by e-commerce platforms, or the predictive maintenance and demand-matching algorithms developed by mobility providers. Such **cross-industry insights** and cross-pollination of ideas has always been valuable in strategy, but AI makes it faster and more systematic by scanning and synthesizing knowledge from other industries.

AI PROMPT EXAMPLE

A prompt for generating cross-industry insights

Here is an example of a prompt you can use to generate ideas from other industries on how a specific strategic challenge might be addressed:

"You are a strategy advisor for [company X]. I want to explore how companies in other industries have solved challenges similar to those we face in [insert industry]. Our current challenge is [describe challenge, e.g., reducing last-mile delivery costs in retail logistics]. Please do the following:

1. *Identify at least three examples from other industries where similar challenges have been addressed (e.g., e-commerce, mobility, healthcare, manufacturing; you may also propose additional or alternative industries).*
2. *Explain the solutions they used and the results they achieved.*
3. *Suggest how these approaches could be adapted and applied to our industry context.*
4. *Highlight any risks or limitations in transferring these practices across industries.*

Present the findings in a structured format with bullet points or short case-style examples, and include references to relevant public sources where possible."

Once options are on the table, strategists want to test them against different assumptions with **"what if" questions**. AI can support this by modeling the potential consequences of alternative choices. For example, a bank might ask: *What if we expand into green lending at scale?* AI could combine data on customer demand for sustainable finance, upcoming regulatory changes, carbon pricing trends, and competitors' product launches to simulate potential market share, compliance costs, and profitability. While these simulations are not crystal-ball predictions, they give strategists a structured way to explore trade-offs and implications before committing to a path.

AI tools can also act as **creativity catalysts in workshops**. Instead of starting from a blank sheet, teams can use AI-generated ideas as provocations—options to debate, refine, or reject. This can accelerate discussions and prevent groupthink. For example, in a strategy offsite, leaders might prompt an AI model with: "*Suggest ten unconventional growth strategies for our company in the next five years, based on customer trends and competitor moves.*" Even if only one or two of the outputs are useful, the exercise can open new avenues of thought.

Beyond generating ideas, AI can provide **evidence-based insights** that strengthen strategic reasoning. For example, if AI highlights that customer sentiment is shifting strongly toward sustainability, this insight can translate into specific options: redesigning products with recyclable packaging, sourcing raw materials from certified suppliers, rethinking logistics to reduce emissions, or adjusting brand messaging to emphasize environmental responsibility. In the automotive industry, for instance, companies can use AI-driven consumer trend analysis to decide how quickly to ramp up investment in electric vehicles versus improving efficiency in traditional models.

By grounding creative options in hard data, strategists can bridge the gap between imagination and execution. In this way, AI does not replace human creativity but enhances it—broadening the range of possible futures and giving leaders a stronger basis for choosing the path that will create the greatest impact.

AI in decision support and strategy execution

Making good strategic choices is only half the battle; the other half lies in executing them effectively. Many strategies fail not because the ideas were poor, but because the decisions and follow-through were slow, inconsistent, or poorly aligned across the organization (see Chapter 4 in *Straight-A Strategy* on effective strategy implementation). AI is also beginning to play an important role in both areas: supporting more informed, **data-driven decision-making** and enabling smoother, **more adaptive execution**.

Strategists often face **complex decisions with incomplete information**: *Should we enter this market now or wait? Should we invest heavily in innovation or focus on efficiency?* AI can help by pulling together large and diverse datasets, analyzing patterns, and presenting evidence to guide choices. For example, a retailer considering expansion into a new city can use AI to analyze demographics, purchasing power, competitor presence, mobility data, and even local social media sentiment. Rather than relying on intuition alone, leaders can weigh these insights to make a more grounded decision.

AI can also help decision-makers **assess trade-offs**. In capital allocation, for instance, machine-learning models can simulate different investment options under varying economic conditions, showing how each would affect profitability, risk, and resilience. This doesn't replace executive judgment, but it provides a more systematic basis for weighing alternatives.

Once a strategy is defined, the challenge is ensuring that countless decisions across the organization remain consistent with the chosen strategic direction (the "5A choices" in the *Straight-A Strategy* model). AI can play a critical role here by monitoring whether actions on the ground align with strategic intent and by providing guidance when they start to drift. Traditional dashboards display key performance indicators (KPIs) but leave it to managers to interpret whether performance truly supports the strategy. **AI-powered decision-support systems** go further: based on the strategically relevant KPIs, they detect deviations, highlight priorities, and recommend concrete actions linked directly to strategic objectives.

AI PROMPT EXAMPLE

A prompt for comparing strategic options

Here is an example of a prompt you can use to assess and compare different strategic options:

"We are considering three strategic options for the next five years: (1) expand into two new European markets, (2) double investment in digital innovation, or (3) focus on cost efficiency by restructuring operations. Using available data on market growth, competitor activity, customer demand, financial projections, and macroeconomic trends, compare these alternatives in terms of expected profitability, risk exposure, and long-term resilience.

Present the analysis in a comparative table and highlight the top two trade-offs executives should be aware of."

For example, rather than simply showing that customer churn is increasing, an AI system could identify which customer segments are most important for the company's long-term positioning and suggest targeted retention measures.

One of the biggest challenges in execution is that **strategies often become outdated as framework conditions change**. AI makes it easier to update plans continuously. By monitoring market signals, customer behavior, and internal performance in real time, **AI can alert managers when assumptions no longer hold**. For example, if demand in a core product line weakens while a new segment shows unexpected growth, AI can recommend reallocating marketing spend or shifting production capacity. This enables strategy execution to become more adaptive and responsive, rather than rigidly tied to outdated plans.

Challenges for using AI in strategy

The growing influence of AI in strategy brings tremendous potential but also significant challenges. While AI can sharpen insights and accelerate execution, it cannot replace the **distinctly human tasks of strategic leadership**: exercising judgment, managing trade-offs, reconciling conflicting priorities, and inspiring people around a shared vision. Overreliance on algorithmic recommendations risks creating a false sense of certainty, particularly when the underlying data is incomplete or biased. Leaders must therefore view **AI as a powerful support system, not a substitute**. The ultimate responsibility for strategic choices remains with people, who bring the context, values, and judgment that no machine can replicate.

One fundamental challenge lies in **data quality and distinctiveness**. AI is only as good as the data it draws from. If all companies rely on the same public data and generic models, they will converge on the same insights—a recipe for sameness rather than competitive advantage. To avoid this, organizations must invest in **proprietary data ecosystems**: unique customer insights, specialized market intelligence, or partner-generated data that competitors cannot easily replicate. At the same time, **data governance** is critical. If inputs are inaccurate, outdated, or biased, the AI's outputs will mislead rather than guide. Building distinctive, high-quality data foundations is therefore a non-negotiable first step.

A second challenge involves **bias, explainability, and trust**. AI models can inadvertently reinforce historical biases, highlight spurious correlations, or generate outputs without transparent reasoning. Generative AI adds the further risk of "hallucinations"—plausible but false answers. Leaders cannot simply take recommendations at face value; they must interrogate the evidence, test the logic, and apply human judgment. Best practices here include "AI auditing," where one algorithm checks another's outputs, and keeping humans firmly in the loop. Critical thinking and demand for explainability must remain central to any strategy process involving AI.

A third challenge is **separating signal from noise**. AI makes it easy to generate endless reports, scenarios, and insights. This abundance can overwhelm rather than clarify, leading to analysis paralysis. Strategy teams must therefore discipline themselves to frame sharp questions for

AI to address ("*What are the two most important risks to our advantage in this market?*") rather than allowing tools to flood them with data.

Finally, integrating AI into strategy requires **new skills and cultural change**. Tomorrow's strategists need to understand how AI works—not as programmers, but as informed users who can judge when to trust a model and when to rely on intuition. Collaboration with data scientists will also be essential.

From these challenges, three priorities stand out, which were also identified in a recent McKinsey study:[1] First, the importance of building **AI literacy**—investing in training so strategists understand what AI can and cannot do. Second, experimenting through pilot projects in areas such as market scanning or scenario generation to build momentum and confidence, while ensuring data quality and reliability. And third, creating **distinctive data and insight ecosystems** by combining internal and trusted external data with tailored AI models to generate guidance that competitors cannot easily replicate.

When used thoughtfully, AI can strengthen strategy work and help close the gap between strategy and execution. It should be seen not as an autopilot, however, but as an amplifier of human strategic thinking. Organizations that combine the creativity and judgment of their leaders with the analytical power of AI will be best positioned to execute strategy with greater speed, precision, and resilience.

USING AI IN STRATEGY: A BRIEF SUMMARY IN FIVE POINTS

1. AI is **reshaping the practice of strategy** by expanding the strategist's capacity to process complex data, scan markets, and anticipate shifts at a speed and scale no human team can match.
2. In **market analysis and competitive intelligence**, AI uncovers hidden trends, segments customers more precisely, and detects weak signals of competitor moves—providing strategists with a sharper information edge.
3. As a **thought partner**, AI broadens the range of options, surfacing unconventional ideas, cross-industry analogies, and evidence-based insights that enrich creativity and strategic choice.
4. In **decision support and execution**, AI offers a systematic basis for weighing trade-offs, tracking alignment with strategic intent, and adapting plans dynamically as conditions evolve.
5. **Effective use of AI in strategy** requires care: building AI literacy, running pilots to learn by doing, ensuring data quality and distinctiveness, and always combining machine-generated insights with human judgment.

Footnote:
[1] D'Amico, A., Delteil, B., Hazan, E., Tricoli, A., & Montard, A. (2025). How AI is transforming strategy development. https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/how-ai-is-transforming-strategy-development#/. Published 5 February 2025, accessed 29 August 2025.

Note:
This chapter was developed with the assistance of AI tools (ChatGPT 5, Perplexity). Given that AI itself has rapidly expanding knowledge on its own applications in strategy, it served here as both a source of information and an example of how AI can be used as a thought partner in the strategic thinking process.