What is the General Perception of the "AI Bubble"?

Where the “AI Bubble” Is Really Coming From

The “Two AI Bubbles”

From my perspective, there are actually two AI bubble concerns in play right now:

1. The financial bubble driven by circular investing among firms like Nvidia, OpenAI, Oracle, and others, where equity stakes, chip purchases, and cloud commitments flow in closed loops, potentially inflating valuations beyond underlying end-user demand.

2. The execution bubble caused by companies that aren't seeing ROI on their AI projects yet continue to fund them without delivery discipline.

The first is a macro-financial risk that central banks and investors are watching closely. The Bank of England has warned that AI company valuations look "particularly stretched," with projected infrastructure spending exceeding $5 trillion over five years.

Much of it, is debt funded with massive capital flowing into AI infrastructure and platforms (at a rate we haven't seen since the cloud gold rush), equity markets concentrating in AI-linked stocks, with data centres funded on debt.

But I'm not writing as a financial advisor, I'm writing from a project delivery perspective.

And from that lens, the second bubble is the one companies can do something about.

The Wrong Bubble Question (Execution)

The current AI debate asks: "**Are AI models overhyped?**"

That question dominated conversations even at Davos a few weeks ago, when they weren't talking about job replacements or Greenland.

The reality is:

- Models are improving rapidly
- Investment is accelerating even faster
- Confidence in outcomes is weakening

That disconnect isn't technical. It's structural.

Returns aren't being demonstrated yet. They're being assumed or expected.

The hype question is less useful than this one: "**Are organisations funding AI without delivery discipline?**"

The delivery problem: AI delivery is non-linear, uncertain, and highly context-dependent.

Additionally:

- What works in one business domain doesn't transfer cleanly to another
- What works in a pilot doesn't automatically scale
- What works with clean data breaks with real data

Investment timelines expect predictable returns. AI projects deliver uncertain outcomes.

This is classic bubble pressure, not because the technology is bad, but because the funding model doesn't match the delivery reality.

AI Spend Without Business Cases

Several studies on this subject reveal a consistent pattern:

Organisations are buying capability instead of funding outcomes:

- Platform-first procurement
- Vague success criteria
- Pilots with no "kill" conditions
- Scaling pressure before validation

The business case, if it exists at all, justifies the spend, but doesn't set the right expectations for results.

And once the money is committed without clear metrics:

- **Spend becomes political**. Cutting a failed AI initiative means admitting poor judgment.
- **Decisions become hard to reverse**. Platforms create lock-in. Teams get attached.
- **Weak results get hidden, not fixed**. Dashboards show activity. They don't show impact.

I saw this pattern repeatedly during my years leading PMO and transformation programmes in financial services. Projects that started with "we need this project" instead of "we need to reduce this cost by X%" or "we need to improve this metric by Y%."

The difference mattered enormously:

- When you fund capability, success becomes subjective.
- When you fund outcomes, you have measurements, KPIs, and kill conditions built in from day one.

This isn't innovation. It's hope disguised as strategy, and hope is expensive.

Governance Is Lagging Behind Autonomy

Deloitte and others are right to sound the alarm: AI agents are entering production faster than governance models can adapt.

The pressure points are clear:

- **No clear decision ownership.** Who owns the outcome when an AI system routes a case incorrectly?
- **No escalation paths**. What happens when the model's confidence is low but the decision still needs to be made?
- **Limited audit capability**. Can you explain why the system did what it did?
- **Few rollback mechanisms**. If it goes wrong, how quickly can you revert?

No other operational project would be accepted like this.

No company would deploy a payments system without reconciliation. You wouldn't launch a trading platform without circuit breakers. You wouldn't roll out client-facing changes without rollback plans.

Having redesigned treasury operations and regulatory change programmes, I can ensure that controls aren't bureaucracy. They're what enables them to scale. They're what builds confidence. They're what prevents a pilot success from becoming a production disaster.

But AI projects seem to be treated differently, driven by "**AI FOMO**", because they seem appropriate, competitive, urgent, and they sound intelligent.

Intelligence without accountability isn't innovation. It's liability waiting to materialise.

Why This Creates "Bubble Conditions"

Bubble dynamics don't require bad technology, just misaligned incentives.

And right now, we have three critical misalignments:

1. Investment timelines vs delivery realities

Investors expect results in quarters. AI initiatives measure progress in learning cycles, data quality improvements, and adoption curves. The clock is ticking faster than the capability is maturing.

2. Technical promise vs organisational readiness

The models can do impressive things. But organisations lack the data infrastructure, process clarity, and change capacity to use them well. You can't skip steps—but business expectations assume you can.

3. Autonomy vs accountability

Systems are being given decision rights without corresponding audit frameworks, human oversight, or governance controls. Autonomy is being confused with maturity.

The Pressure Is Building in the Wrong Place

The AI bubble narrative exists not because AI lacks potential, but because execution risk is being ignored.

The risk isn't technical failure. It's structural failure—projects that can't be stopped, outcomes that can't be measured, and capital that can't be recovered.

That's where bubbles burst.

This Is Not an Anti-AI Argument

What This Is Not:

- Not a claim that AI has no value
- Not a claim that models are failing
- Not a call to stop investing

What This Is:

A warning about how AI is being funded, deployed, and governed. The technology works, but the delivery models are the ones who do not seem to.

In Part 2, I'll argue that this risk is not inevitable. Organisations that treat AI as a delivery problem, not a technology race, are already avoiding these traps.

#ArtificialIntelligence #AIAdoption #AIGovernance #AIDelivery #RiskManagement

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