



Senate Communications & Technology Committee

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Public Hearing

Senate Communications & Technology Committee

Thursday, May 8, 2025, 10:00 a.m. to Noon

Ben Franklin Technology Partners of Northeastern Pennsylvania

116 Research Dr, Bethlehem, PA 18015 and via Zoom

AGENDA

“Powering Artificial Intelligence’s Future in Our Commonwealth”

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Testimony by:

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The AI Chasm

"There are more AI pilots in companies than there are pilots in United and American airlines combined."

Tom Davenport, AI thought leader, author and professor, told me that in 2019—which made us start the Return on AI Institute to help companies maximize economic and social return on AI. Unfortunately, this is still true today with the advent of GenAI and Agentic AI.

Distinguished Chair and committee members, thank you for the opportunity to address you today. As founder of Return on AI Institute and an AI advisor/executive with over 15 years in the field, I've observed a striking pattern I call **"The AI Chasm."**

According to Salesforce's Small & Medium Business Trends Report(December 2024), while **75% of SMBs are experimenting with or using AI, only 34% have fully implemented AI in their operations.** This gap between experimentation and implementation represents massive unrealized potential.

Why does this chasm exist? My experience points to two fundamental issues:

Many founders, business owners and management teams **simply don't understand AI enough to develop the conviction needed for meaningful transformation.** They approach AI as a technology initiative rather than a business capability.

More critically, I frequently witness the **"solution chasing problem"** syndrome—organizations starting with AI first, then searching for problems these tools might solve. This backwards approach virtually guarantees underperformance.

As 71% of SMBs plan to increase their AI investment over the next year, addressing the root causes of this chasm is essential to prevent widespread misallocation of capital.

Opportunities

"What PCs did for computing in the 80s, generative AI is now doing for small and medium businesses—democratizing access to computational power that was once the privilege of giants."

We're witnessing an unprecedented democratization of AI capabilities. For Pennsylvania's economy, where SMBs represent over 99% of our business community, this creates potential for widespread economic transformation.

The business opportunities fall into two distinct categories:

First is the **efficiency opportunity**. AI excels at automating routine tasks, streamlining operations, and enhancing personal productivity across virtually every business function. A commercial real estate owner in Bethlehem, PA explained how AI could automate their maintenance tracking - from refresh schedules and inspection records to service tickets and lease renewals - saving countless hours of manual data entry while ensuring nothing falls through the cracks.

More transformative is the **growth opportunity**. AI enables entirely new products, services, and business models that weren't previously possible. This includes personalization at scale, real-time decision systems, and entirely new customer experiences. This same business owner highlighted how AI could enhance tenant acquisition by analyzing market rates, customizing lease terms, and calculating optimal incentives that balance tenant fit-out expenses with revenue goals - helping close tenants faster while preserving profit margins.

What makes this moment significant is that **desired business outcomes —not technical capability—is now the limiting factor**. The companies that succeed will be those that **look beyond simple cost reduction** to identify how AI can **fundamentally enhance their value proposition or their business model**.

Challenges

"Having powerful tools doesn't matter if you don't know how to use them—or are afraid to try."

Despite these opportunities, Pennsylvania businesses face significant hurdles in AI adoption.

First is the **intuition gap**. Many SMB leaders approach AI with misconceptions about its capabilities. Without foundational knowledge, decision-makers struggle to identify viable use cases or evaluate potential returns. This isn't about technical expertise—it's about developing **"AI intuition"**—the practical judgment to match AI capabilities to specific

business problems. A CEO of a mid-size manufacturing firm said “I'm afraid that once I integrate an AI system, I don't know how to reverse and back them out if they don't work as expected”. This fear of being locked into unproven technology creates significant adoption barriers.

Second is the lack of **standardized methodologies**. Unlike software engineering with its mature practices, AI implementation lacks proven frameworks. This immaturity leads companies to invest without clear business objectives, resulting in wasted resources. A small business owner described her hesitation “There's so much noise out there that it's hard to identify trusted AI solutions. Unlike established software categories with recognized leaders, in AI there's no obvious evidence of winners you can just trust to sign up with”.

Finally, there's **employee anxiety**. Workforce concerns about displacement create resistance that can undermine even well-designed AI initiatives. Without thoughtful change management, organizations face internal headwinds that technical solutions cannot overcome.

Other challenges include talent shortages and privacy/security concerns, which further complicate successful implementation for SMBs.

Outlook and Recommendations

"The future of work isn't humanity versus AI—it's humans leveraging AI versus humans who don't."

Looking ahead, Jensen Huang, CEO of NVIDIA says that **some jobs will be lost to automation, new positions will emerge, but virtually all jobs will be fundamentally changed**, requiring new skills and approaches.

At the Return on AI Institute, we believe the **challenge with AI is not primarily technical but rather creating a clear path to value**. Our methodology focuses on business outcomes first, then determines which AI capabilities can deliver those outcomes—the reverse of how most organizations approach implementation.

I recommend three specific actions:

First, the Commonwealth supports an **"AI Readiness" program for business leaders** to build the practical AI intuition needed to make strategic decisions about AI investments.

Second, create **standardized methodologies and toolkits specifically designed for SMBs** to provide clear, repeatable paths to value and reduce implementation risks.

Third, we need **workforce transition programs** that help employees adapt to AI-augmented roles. The future demands both domain expertise and the ability to collaborate effectively with AI systems.

The organizations that thrive won't be those with the most advanced technology—they'll be those with **the clearest understanding of how to align AI capabilities with human potential and business objectives**.

I look forward to serving as a resource to this committee as you navigate these important issues. With thoughtful preparation, Pennsylvania has the opportunity to lead in this transformation rather than merely respond to it.