

The AI Story Arc

Taken from Technology Ecosystem Working Group

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Thinking Ahead Institute | Roger Urwin | Marisa Hall | Anastassia Johnson

AI – What is it? In the context of the investment industry

Solving for better investment outcomes within a more resilient system

What it is

A family of computational tools that process data, apply codified reasoning, & execute defined tasks: predicting, interpreting, generating, deciding

Defined also by how it works- rules, statistical learning, generative modelling. And how it acts – the degree of HI/ human control/AI autonomy

What it does

Augments skill via the HI x XAI stack

Improves scale, speed and accuracy in tightly-defined areas

Reshapes market structure, efficiency and behaviour

What it looks like

The lenses

Human factors

1. Socio-technical system

2. Cultural features

3. Diffusion

4. Disruption

Organisational factors

5. HI x XAI investment

6. Relational system

7. Higher tech spend

8. Capabilities switchover

Meta factors

9. Industry ecosystem

10. Architecture ecosystem

11. AI investment macro

12. AI energy macro

The 12 lenses: a reference guide

Human & Tech factors

Socio-technical factors

AI capability depends not just on technology but on the network of people, governance, and society, and how that system evolves.

Cultural factors

Foundational beliefs about AI, whether a tool, threat, or amplifier, determine whether adoption succeeds or stalls.

Diffusion

How widely and quickly AI is spreading across the industry ecosystem, and what that means for competitive advantage.

Disruption

How AI is redrawing competitive boundaries, business models, and organisational relevance in the investment industry and ecosystem.

Organisational & System factors

HI x AI investing process

Evolution of the intelligence stack and operating model where human intelligence leads, frames and governs; AI executes, scales and augments

Relational features

The gap between visible AI usage and genuine employee commitment determines whether adoption delivers lasting impact.

Technology spend

How AI is shifting technology budgets, build-vs-buy decisions, and where capability investment is flowing.

Capabilities switchover

How roles, skills, and professional identity are changing as AI takes on more of the intelligence stack.

Meta & Macro factors

AI/investment system (technical ecosystem)

Examining the investment system's underlying structures, incentives, and feedback loops, and systemic risks

AI architecture system

The infrastructure, data foundations, and architectural choices that determine whether AI delivers at scale.

AI investment macro

How AI is reshaping capital concentration, factor exposures, market structure, and portfolio construction.

AI energy macro

How energy demand, grid constraints, and sustainability trade-offs are becoming binding limits on AI scalability.

AI work linked to Thinking Ahead 2.0 research

Better models to support organisational capabilities and system health

The '2.0' series in a nutshell



Org-Alpha
The size, shape and effectiveness of organisational capabilities in creating value

System-Alpha
The quality and health of the investment ecosystem in enabling sustainable value creation.

Horizon scanning to support strategic foresight for content & strategy

More accurate beliefs about the future are increasingly valuable

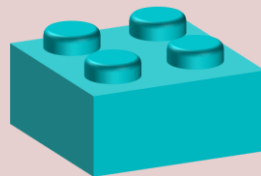
Background

- Scanning the five-to-ten-year horizon and identifying factors that will be critical to mission success, building resilience and adapting strategy
- Horizon scanning plays its part in a spectrum of tools – including scenarios, stress tests, pre-mortems, superforecasting and theory of change models

Goals

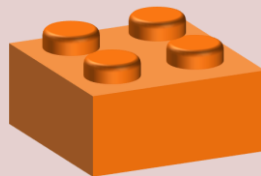
- Improved understanding of key strategic trends: complex & uncertain macro; sustainability and systemic issues
- Building better beliefs – providing more accurate inputs and solid foundations to decisions
- Providing self-awareness of gaps in strategy – producing challenge to group think

Methodology & best practices



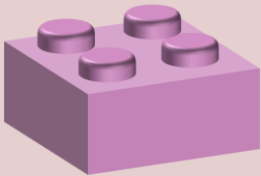
Individual cognitive habits

Probabilistic thinking and active open-mindedness improve forecast accuracy by encouraging flexible, evidence-based judgements.



Team-based processes

Frequent feedback and collaborative deliberation in diverse teams enhance forecasting performance



Methodological tools

Scoring systems, leaderboards, and statistical aggregation methods incentivise accuracy

What are we solving for?

Improved inputs, outputs and outcomes across **organisational capabilities (Org-Alpha)**

Largely HI carried forward

1. Clear understanding of the full objective function – performance, resilience et al
2. Coping with growing complexity & scale
3. Strengthen resilience of decisions
4. Improve decision clarity, ownership, attribution and accountability
5. Reduce key-person and tacit-knowledge risks to build resilience

Largely HlxXAI modernisation

6. Embed technology and vendors without losing control
7. Improve signal quality & measurement based on signal architecture.
8. Improve execution fidelity
9. Strengthen explainability and trust.
10. Institutionalise learning and adaptation.

AI origins in the investment ecosystem have come alongside 3 other mega-forces

How AI has become inevitable for AOs & AMs. The maturity cycle speeding up

Four mega forces requiring investment industry re-setting



Great Acceleration

The speed and scale of interaction and interdependence of matter, energy, data and compute accelerates exponentially and in places exceeds human capacity reshaping Earth's climate, ecosystems, and biogeochemical cycles.— **speed speeding up**



Great Anthropocene

Human activity now operates at a scale that can and does destabilise natural and social systems given the lack of scaled-up governance and biosphere protections (7 out of 9 planetary boundaries breached). The returns funds need rely on a healthy ecosystem – **a reflexive system – two-way feedbacks**



Great AI Transformation

AI is gamechanging because of its scale, adaptability, and generality of analytical capability. It fundamentally reshapes knowledge work within a socio-technical context with culture and governance as superpowers improving thinking, discovery, and systems functions - **it's all about the people**

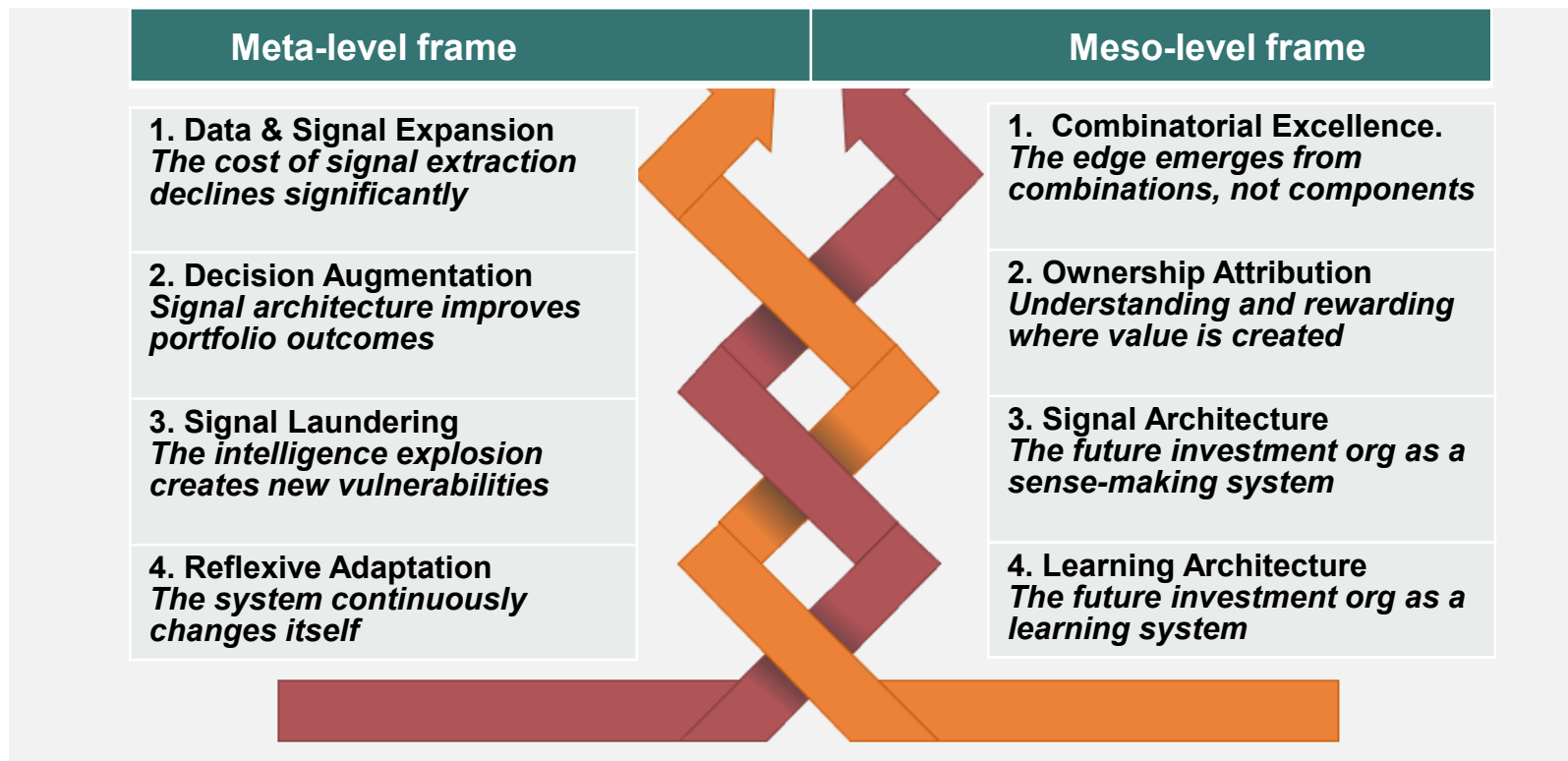


Great Simplification

Organisations (at board level particularly) simplify to smooth out governability. But when proxy measures become substitutes for purpose, they can **hit the target while missing the point**. The deeper failure is often one of signal fidelity: decision-makers overestimate the strength and reliability of the signals they observe,

Our analysis suggests that the investment industry disruption will be greatest from AI

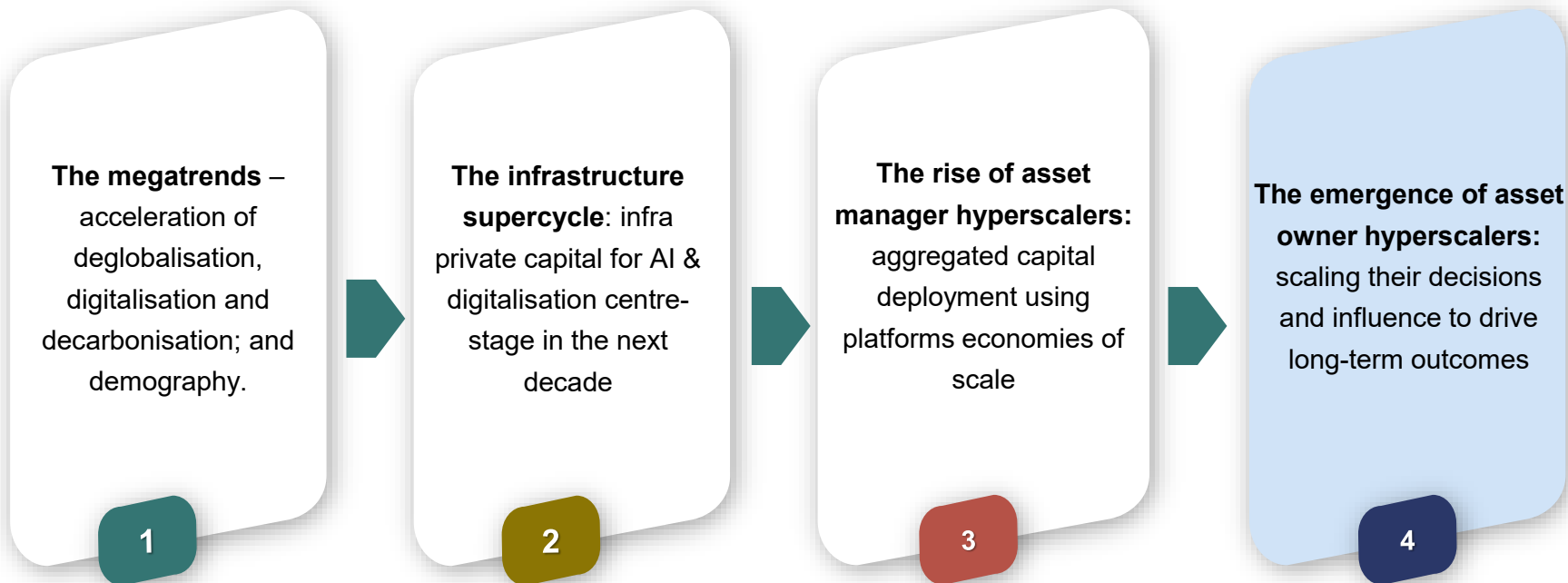
Two story arcs – meta (ecosystem-level) and meso (industry-level)



Catalysts driving a changing ecosystem

The asset management industry is transitioning through a series of structural shifts

Megatrends create extraordinary capital demand | Infrastructure is where that demand concentrates | Hyperscalers emerge as the institutions capable of meeting it. The thesis of hyperscaling is an **adaptive response to a new economic era**



Investment industry hyperscalers defined

Asset Owners and Asset Managers play distinct and complementary roles in leveraging scale and influence

A hyperscaling asset owner

- converts scale, governance, decision capabilities & relationship capital
- into influence on outcomes
- drawing on better access, economics & execution,
- to support enhanced value creation

A hyperscaling asset manager

- converts scale, governance deployment capabilities & relationship capital
- into influence on outcomes
- via origination, platforms, distribution, megatrends; and operating capability
- to support capital capture in scale



The third arc – the skill arc (org-level) and how it will influence industry leadership

Investment skill ultimately determines leadership edge. Skill is mediated by the superintelligence and hyperscaling forces in turning intelligence into scale, and scale into intelligence. Hyperskill = the ability in investing to scale cognition and learning. Hyperscaling = the ability to scale deployment and influence.

Hyperskill	
Intelligence accuracy	The enhanced intelligence stack improves signal accuracy via quality, timeliness, depth of data
Intelligence breadth	The enlarged intelligence stack improves signal breadth via more data width, diversity and independence
Collective intelligence	Collective human intelligence enables talent, culture and governance to combine effectively
Hyperskill/superintelligence determines who can generate, encode and improve capability at cognitive scale Hyperskill attributable to <i>human and artificial intelligence in broadly equivalent amounts</i>	



Hyperskill	Hyperscaling
Working best in combination	

Hyperscaling	
Scaling deployment	Scaling as a multiplier in stronger capital deployment through platforms – and across AMs, AOs, OCIOs
Scaling influence	Scaling via relationships providing combinatorial benefits and access to the very best orgs & products
Scaling learning	Larger networks, platforms and feedback loops accelerate organisational learning and innovation
Hyperscaling determines who can amplify and deploy capability at ecosystem scale. This delivers a dominant <i>economic and organisational advantage</i> by converting capability into leverage through platforms, relationships and system influence.	

Hyperskill and hyperscaling

Wider application, very specific investment industry context

Hyperskill we relate to a range of models of combined intelligence

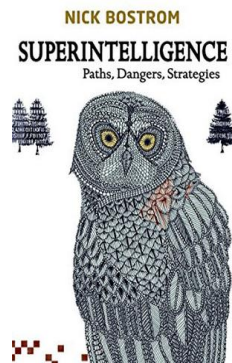
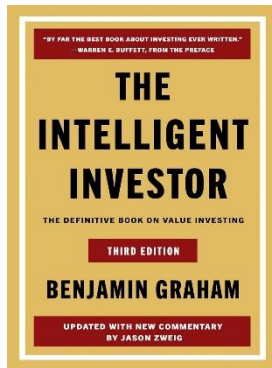
- Collective intelligence
- Superteams
- Human-machine intelligence

Nick Bostrom's superintelligence lens is on combinatorial intelligence

- Superintelligence as intellect greatly exceeding human cognitive results
- Potential for discontinuous change in capability and impact

Our context for hyperskill in investing is:

- Centred on human skill
- Added to through **HI × AI** proposition
- Goal is superior sense-making, learning and adaptation
- Org edge shifts from reliance on individual expertise to institutional intelligence



Hyperscaling covers a range of models of technology-enabled scale

- Platform economics, network effects, learning effects, orchestration
- returns to scale in Paris Marx narrative

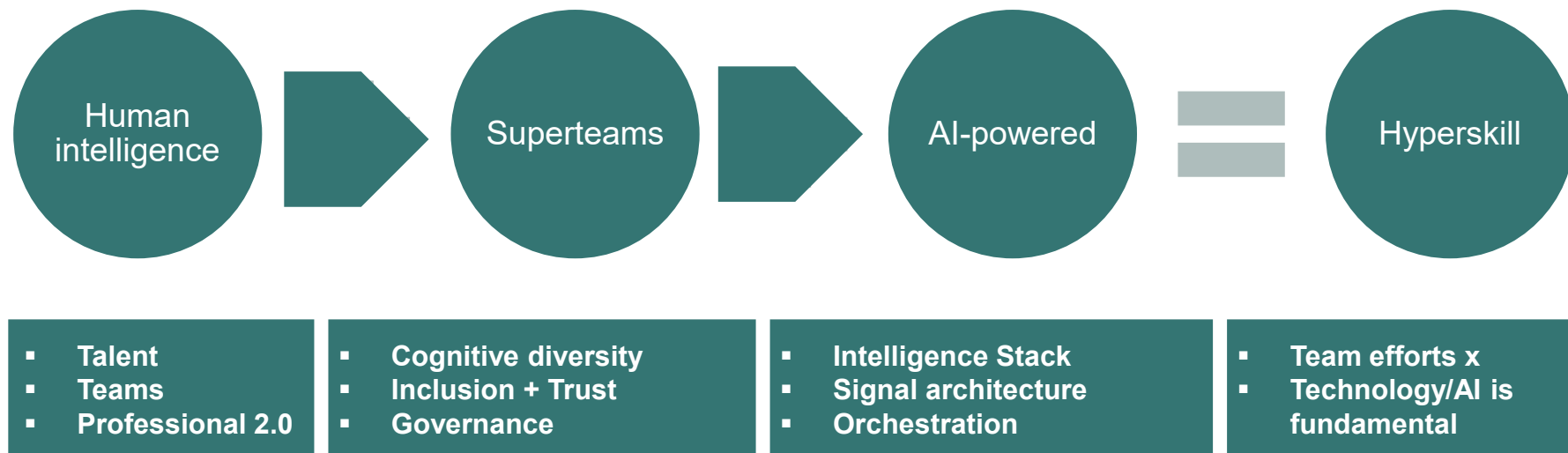
The read-across is strongest from Machine | Platform | Crowd

- Machine scales intelligence & capability
- Platform scales deployment and reach
- Crowd scales learning and innovation

Our context for hyperscaling

- The ability to convert capability into leverage and influence, scaling deployment through platforms and operating models; scaling influence through trusted networks & engagement

Hyperskill moving two steps beyond normal skill



The hyperskill proposition

Evolving value proposition is strong but has medium-term systemic issues

Hyperskill in investing converts the HI x XAI operating model into better accuracy and breadth in decision-making

1. Fundamental law

- Accuracy – measured in information co-efficient
- Breadth – scaling with the root of the number of decisions
- Transmission factors

2. More accurate intelligence

- Data curation from HIXXAI
- Interpretation from more accurate judgement
- Relational additions (e.g. networks, vendor platforms)

3. More substantial breadth

- Widening opportunities from increased dynamism
- Adding factors and themes to the structural exposures
- Expanded asset classes and access points

4. More transmission fuel for skill versus friction

- Total portfolio principles and system
- Hyperscaling relationships, systems influence and learning
- Limiting frictions from benchmarks and short-cuts

But superintelligence can also add to concentration which creates systemic & governance fragility

- **Systemic fragility – concentration risk**
- **Systemic risks – externalities unchallenged**
- **Risks and vulnerabilities could be mitigated with stronger governance and better-specified monitoring**

The hyperscaling proposition

Evolving value proposition is strong but has medium-term systemic issues

Hyperscalers convert scale into better capability, access and effectiveness

1. Scale engine – cost & access efficiency

- Lower cost to investors (scale + technology)
- Broad, low-friction market access

2. Decision & deployment engine – Org-Alpha scaled

- Integrated platforms: origination + structuring + execution
- Ability to deploy capital into large, complex opportunities

3. System influence engine – platform economics

- Long-term capital that can address systemic issues
- Consistent stewardship across markets

4. Relationship engine – access and platform effects

- Preferential access to deals, data, partnerships
- Shaping terms in private markets in global relationships

5. Learning & compounding engine – feedback & adapting

- Data + AI + repetition improves decision quality
- Continuous learning loop in the Intelligence Stack

But hyperscalers also add to concentration which creates systemic & governance fragility

1. Incentive misalignment – agency at scale

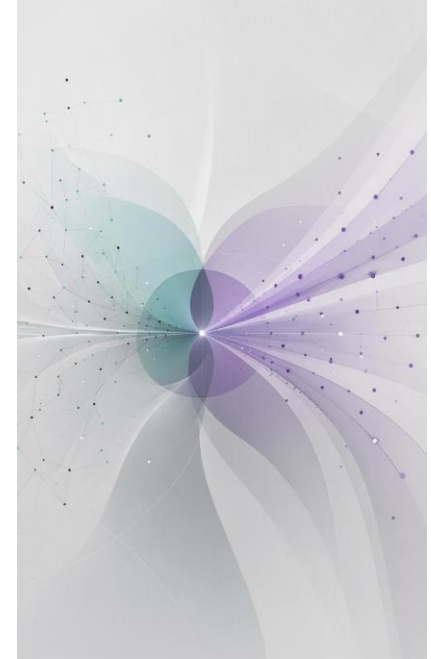
2. Systemic fragility – concentration risk

3. Systemic risks – externalities unchallenged

Risks and vulnerabilities could be mitigated with stronger agency and better-specified mandates

NQUs. The not quite understood places where the highest value is lurking

▪ Value resides in the overlaps.	▪ Overlaps between people, process and technology capabilities are where value is most differentiated
▪ Attribution trails value creation.	▪ Combinatorial value creation and value attribution often diverge.
▪ Soft signals often arrive first.	▪ Soft data often delivers earlier but less precise signals of change
▪ Breadth is a hidden performance multiplier	▪ Breadth compounds performance by expanding the opportunity set
▪ System-level investing gives orthogonal edge	▪ Preserving system integrity is a numeraire opportunity
▪ Stewardship adds to breadth	▪ System-level investing works to reduce systemic risk



The industry 2.0. Operating inside a Red Queen system.

Accelerated clock-speed. Polytrend N-body shocks. Gold rush opportunities. AI-amplified ground-rush

Framing AM 2.0 as a **four-part operating system upgrade**

(1) **Risk 2.0 — from measurement → preparedness**

Shift From: Volatility, tracking error, point forecasts

To: **Systemic risk, scenarios, resilience, survivability, capabilities**

Scenario-based and system-level thinking embedded in governance

Risk of multi-strand poly-trend systemic fragilities

(2) **Governance 2.0 — from oversight → adaptive steering**

Shift From: Periodic committees, static mandates

To: **Continuous, decision-ready governance**

Governance operating at the **same cadence as technology and AI**

Explicit: decision rights, escalation logic, AI validation and accountability

(3) **Professional 2.0 — from portfolio engineer → systems actor**

New core skills. Systems thinking. Sense-making under uncertainty

HI × AI orchestration. Bridge-building across silos

HI shifts from **prediction → interpretation, integration, and judgement**

(4) **Org 2.0 — from siloed machine → integrated org-as-a-system.**

Shift From: People, process, tech as components

To: **A single, designed system producing organisational alpha with**

AI fitness (HI × XAI scalability). Joined-up fitness (design coherence)

Resilience fitness (change-ready execution). Next-gen finesse (adaptive)



AM 2.0 as a system upgrade

The “Red Queen environment”

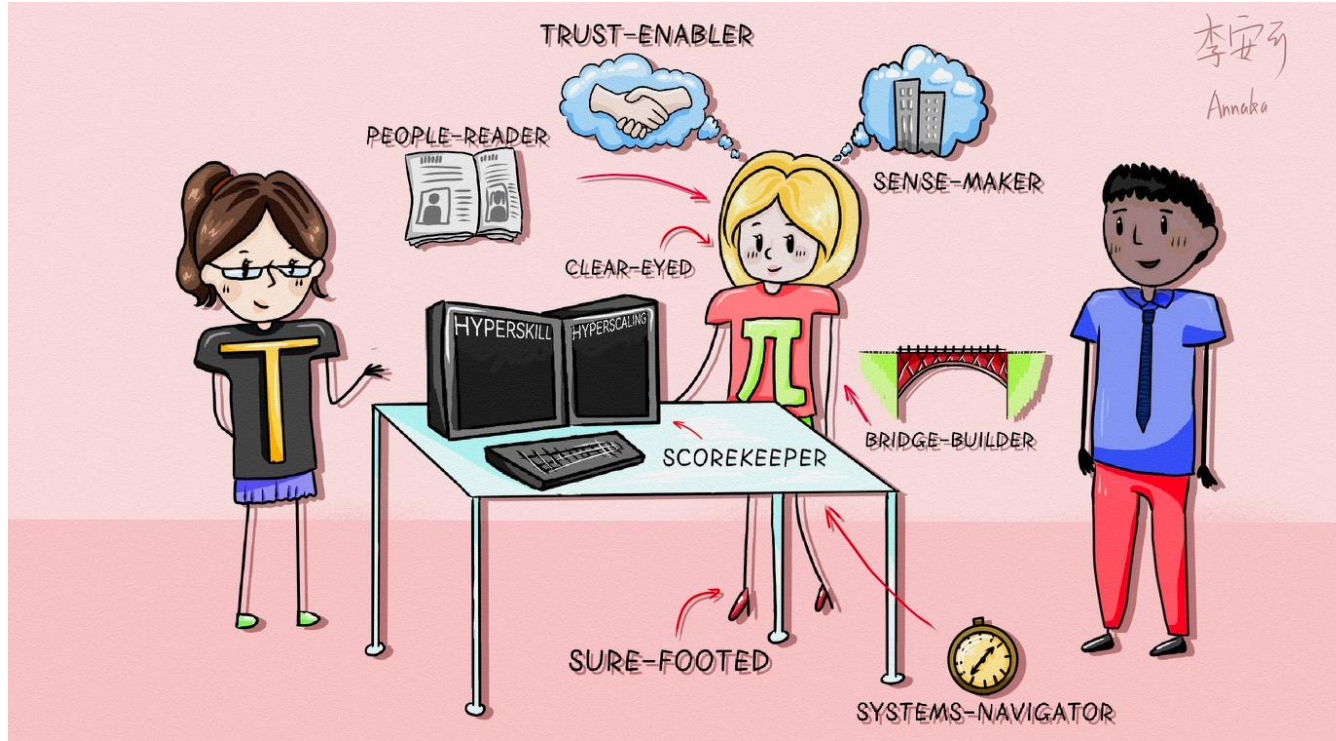
Faster clock-speed compresses “sense → decide → act” cycles

Maintaining baseline performance now requires **continuous adaptation, not episodic change.**

Result: capability must scale just to stand still

And the investment industry becomes a complex adaptive system

The 2.0 Org. Upgraded to address the Red Queen circumstances



- **sense-maker** | zooming out & in to form decision-ready views; integrating past, present and forward signals
- **systems-navigator** | system-level fluency; aligning decisions, incentives & governance
- **score-keeper** | 360 metrics and feedback loops; shaping behaviour & learning across system
- **trust-enabler** | trust-worthy and –willing in organisational and personal trust to support & create relational value

The industry 2.0. Operating inside a Red Queen system.

Accelerated clock-speed. Polycentric N-body shocks. Gold-rush winners and losers . A system too fast for rational responses. The challenge is not simply adapting but adapting at a pace that keeps up with the rate at which the system itself is changing.

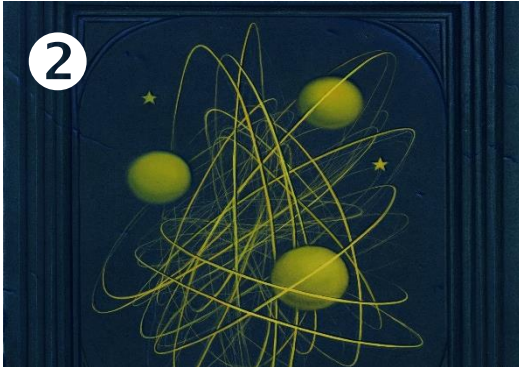


1.AI/hyperscaling increasing system clock-speed, complexity and interaction effects (Red Queen race)

2.Multiple centres of adaptation simultaneously (N-body polycentric system).

3.Opportunities are multiple but differentiated as well as needing competitive defence (gold rush).

4.Change occurring faster than it's possible to deal with adequately (ground rush)



Conclusions. 'WISDOM'. AI beliefs. A straw model

1 **AI is a high-leverage strategic force, not just a tech tool.**

AI will shape outcomes at scale—creating exceptional upside (productivity, access, discovery) and substantive downside (inequity, exploitation, fragility).

→ AOs should treat it like a system-level intervention: *amplify benefits intentionally, constrain harms early, and incorporate second-order effects (and further) in their understanding*

2 **AI success is determined by forces at three levels**

In the near term, outcomes hinge on **micro forces** (incentives, workflows, frontline adoption, talent, data practices). Over the medium term, **meso forces** (institutional capacity, market structure, interoperability, norms) decide things. Over the long term, **governance** (rules, accountability, power, enforcement) is the dominant lever

→ AOs need to treat governance as an upstream imperative and invest time and talent accordingly

3 **AI brings new opportunities and threats from scale and hyperscale.** The hyperscalers are new organisational models that benefit from scale in combination across assets, data, technology, access, governance and distribution. Hyperscaling is converting bigness into speed, reach, optionality, relationship and influence.

→ AOs need to leverage insourcing capabilities and outsourcing excellence.

→ For AMs this is **platform breadth** excellence across strategies, vehicles, and customised client segments

4 **AI-powered strategy is an intelligence makeover that must be proactive, adaptive and behaviourally savvy**

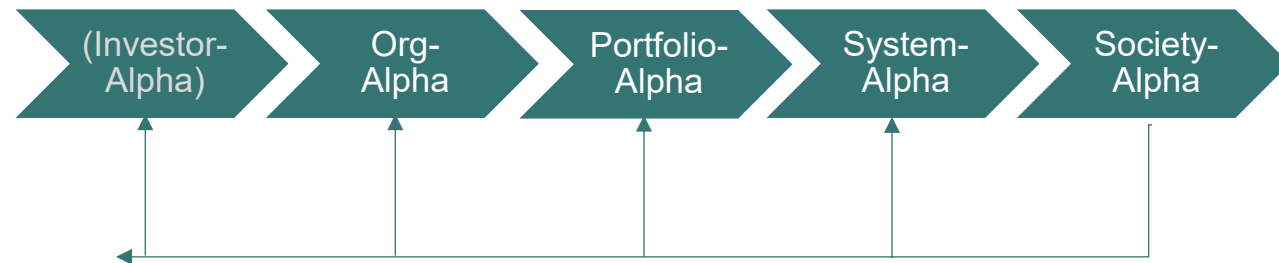
AI strategy can't be "deploy and tweak." – that won't overcome people frictions needing **behavioural adaptation**.

The winners will not be those best join-up technology, incentives, processes and people.

→ *Pair technology with people & process; promote aligned incentives, invest in enablement and operating model modernisation; and move early.*

The full system map

System-level investing in the loop



From: 1.0 Org	To: 2.0 Org
Legacy HI w Signal Judgements	HI×AI w Signal Architecture
Performance measurement	360 metrics interpretation
ESG and stewardship	System-level investing
Alpha skill	Hyperskill
Asset-gathering	Hyperscaling



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Limitations of reliance – Thinking Ahead Group 2.0

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Contact Details

Roger.urwin@wtwco.com

Website: www.thinkingaheadinstitute.org/en

LinkedIn: Thinking Ahead Institute

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