



# A Survivor's Guide to the **AI Hype Cyclone**

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Have you ever considered how surfers are able to find the exact location, time, and duration for the next big wave?

**It's not just a matter of luck or skill – it's science.**

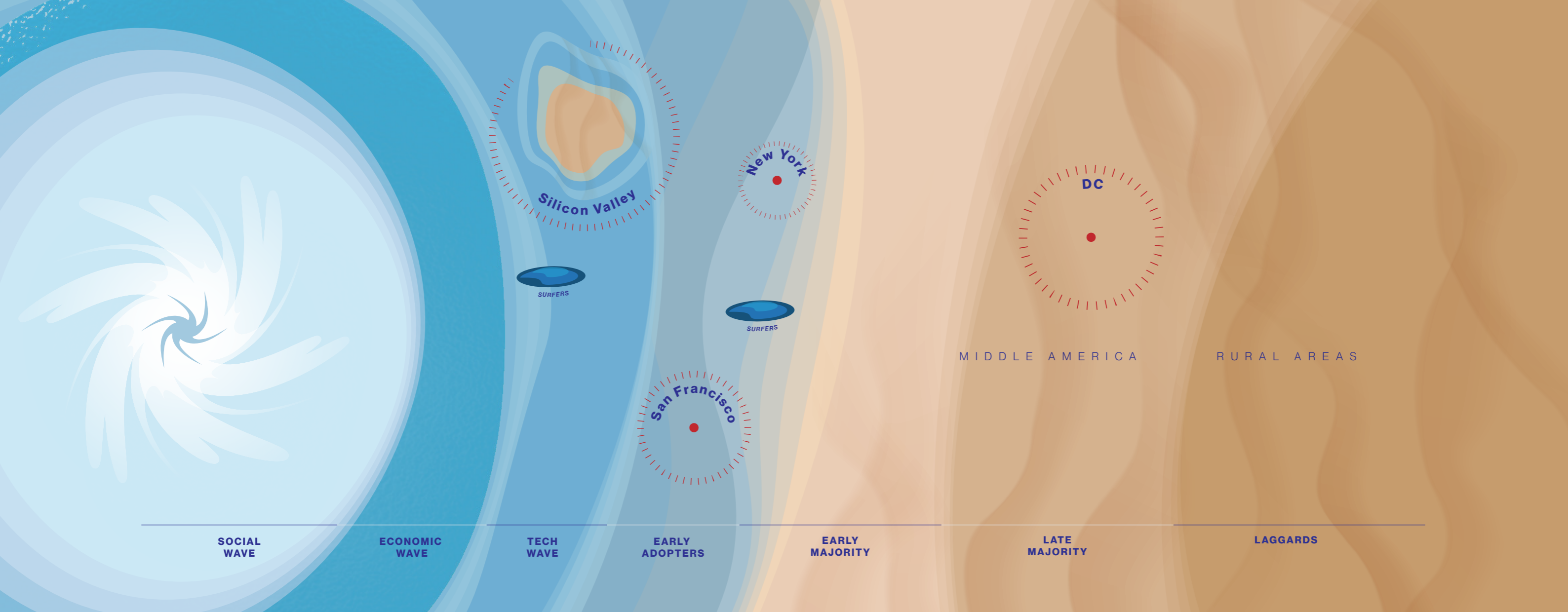
Wave forecasting was invented by Walter Munk, a renowned American oceanographer and geophysicist. During World War II, while studying underwater acoustics and physics of the ocean, Munk found that military landing crafts were affected by waves as they approached the beach. To plan smoother landings, Munk found that by analyzing storms at sea, he could predict when and where big waves could disrupt amphibious landings. Strong storms generate powerful winds that generate massive swells in the ocean, and the direction, size, and duration of these swells determine the quality of waves that will form when they reach the shore. Unintentionally, this became an invaluable tool for surfers around the world. They were now able to focus on surfing mavericks, not chasing them.

The storm we're tracking today is a digital one that's fueled by the exponential advances in artificial intelligence, reorientation of financial markets, and drastic shifts in socio-political dynamics. It's not just a storm either, it's the most powerful Hype Cyclone ever witnessed. Once it hits our shores, it will test the very foundations of our entrenched institutions and norms. As we brace for impact, one thing is certain: it will wipe out the existing status quo for technological innovation, capital investment, and socio-political frameworks as we know them.

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IMPACT ZONE

INSIDE



# Generative AI is the next GPT

(General Purpose Tech).

The recent advancements in Generative AI applications are already changing the way we live. The pace of adoption is faster than any technological innovation in human history. Much like when AOL's 1997 explosion in subscriptions brought on the .com boom, we are witnessing a similar scenario of consumer adoption in Generative AI. But here's the difference: in just 2 months ChatGPT reached 100 million users. AOL never reached 35 million.<sup>1</sup> Generative AI is at the Cambrian Explosion level of innovation. It's much more than a simple innovation milestone.

This level of adaptation has predictably created hype on a grand scale. Fear, uncertainty, doubt, optimism... you name it. With articles spewing everything from sentient search engines to charlatans playing on people's worst fears in the pseudo-intellectual corners of YouTube, it's no wonder people are feeling concerned and confused about what this means for them. Waves are already rippling in the form of breakthrough applications like ChatGPT, but tsunamis are soon to follow. If Amara's Law is any indicator, we will likely

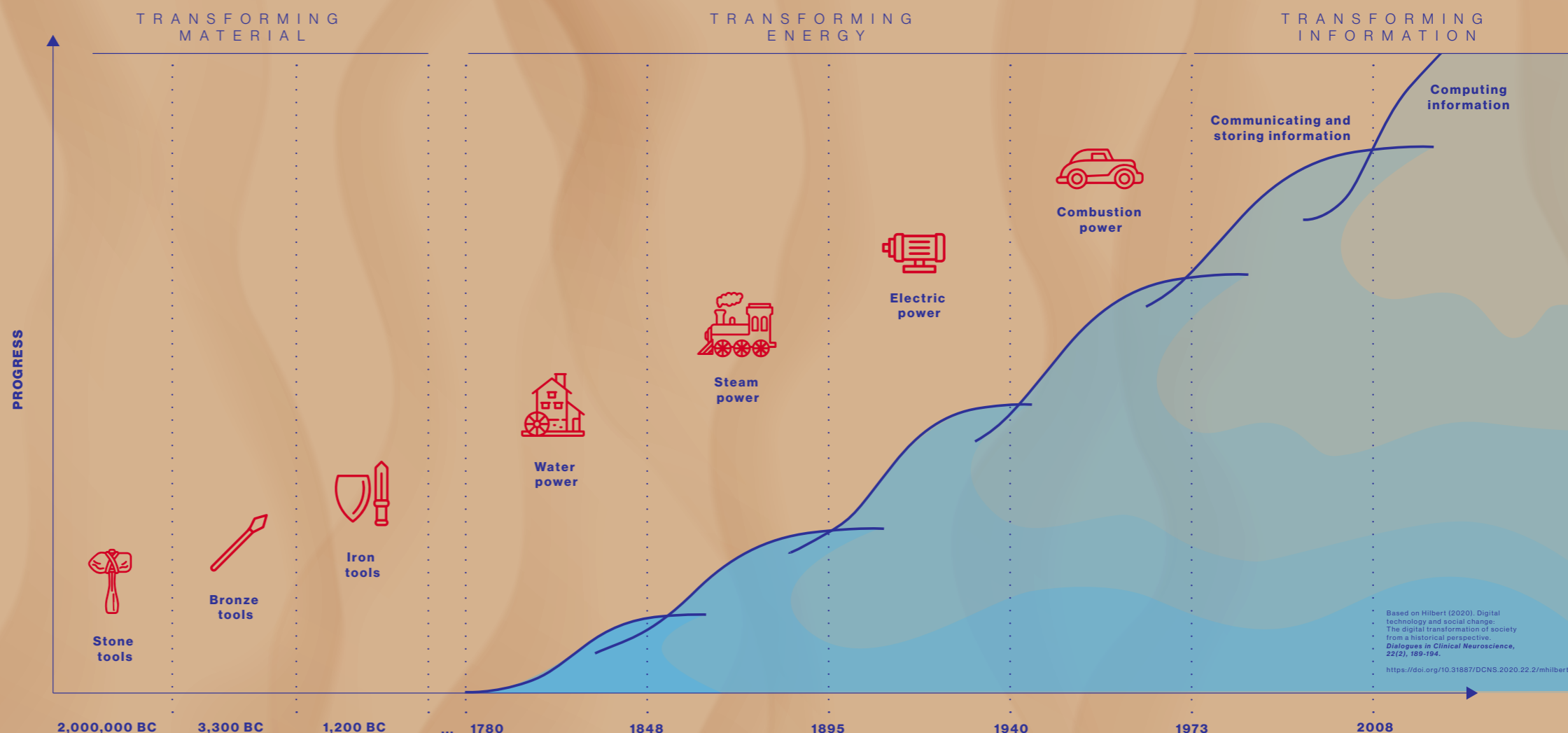
overestimate the effect of this technology in the short run, and drastically underestimate its effects in the long run. If this is true, and we believe that it is, we must shift our gaze from what's in front of us to the next half century.

## Surf's up.

1. <https://time.com/vault/issue/2002-04-22/page/41/>

# With great change comes great responsibility... and investment.

We are witnessing the waning of the Digital Era, something that has dominated investment and attention since the '70s and '80s, with the birth of the internet.



What we are asserting is that the Hype Cyclone is merely the beginning. As Azeem Azhar has pointed out, we're in the dawning of the Exponential Age of innovation. Anually, the cost for development, namely in computing, declines rapidly in price whereas capability increases just as quickly. But societies are governed by institutions and norms that cannot adjust to this pace of innovation – they are built to operate

much more slowly. So new technologies accelerate away from society. Leaving an exponential gap. As organizations and VC's pour investment into cutting edge artificial intelligence-based technology, and start-ups assemble to push the boundaries of what we thought possible, and entrepreneurs seek to carve out their slice, Generative AI will begin to embed in places that most never anticipated. We're not hardwired to

predict the future, and even less capable of understanding exponential growth. The ramp up is already being fueled. The promise of AI has captured the imagination of leaders and investors alike. According to a report by Fortune Business Insights, the global AI market size was expected to reach \$267 billion by 2027, up from \$27 billion in 2019. In fact, a survey by MIT Technology

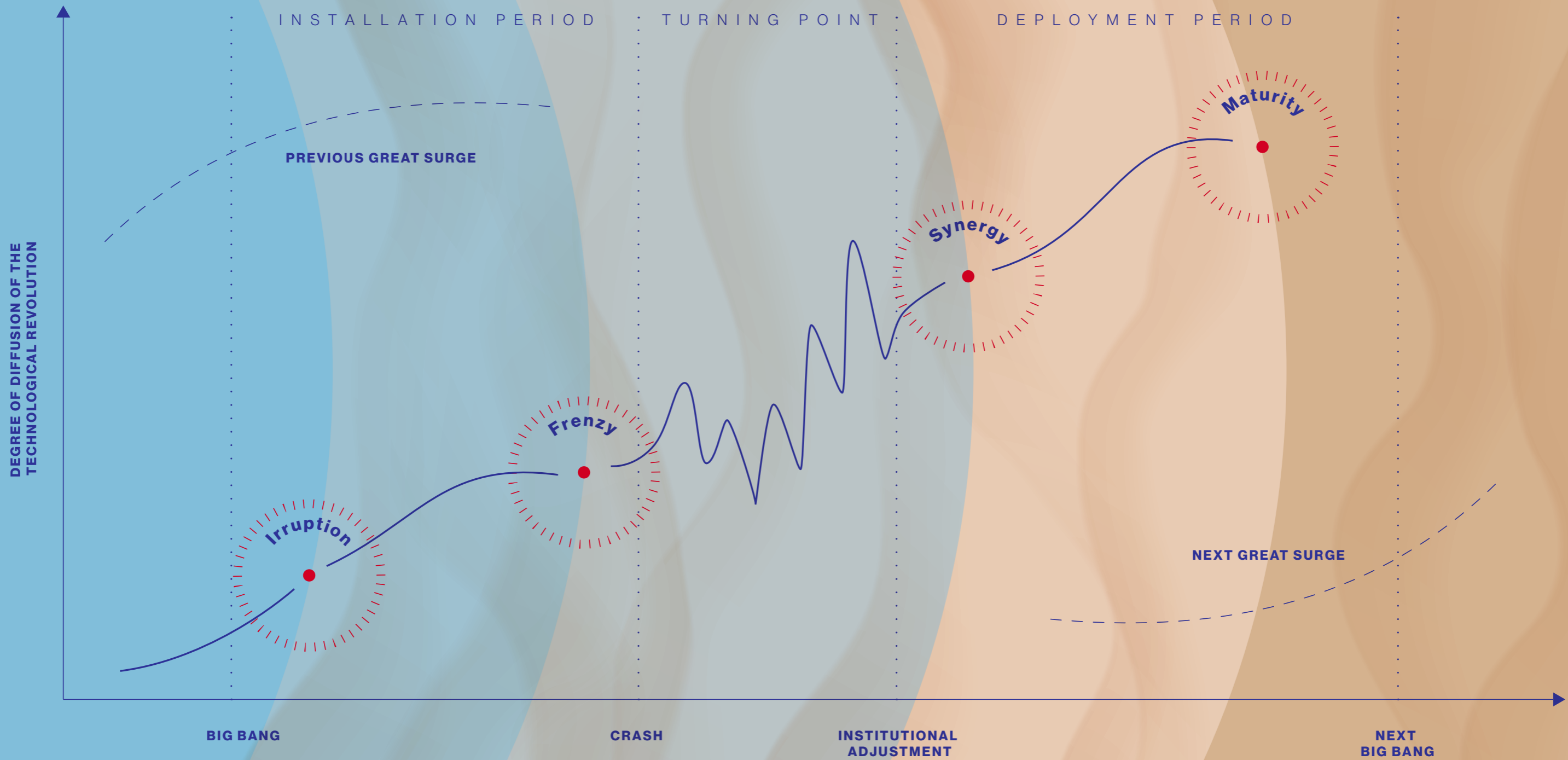
Review found that 85% of executives believe AI will play a crucial role in their business's success. These studies happened before the wave of consumer adoption. Simply put, AI will become the catalyst that ushers in the age of exponential innovation. We are on the cusp of a new era of technological progress. This convergence will result in exponential growth within innovation and throughout endless possibilities.

# The good news: history doesn't repeat itself, but it rhymes.

**This ubiquitous nature of AI could signify the beginning of a new era, one that breaks from the cyclical pattern observed by Carlota Perez.**

According to Carlota Perez, a leading scholar in the field of technological revolutions, these transformative periods are characterized by a cyclical pattern that lasts around 50 to 60 years, consisting of four key phases. The first is the irruption phase, where funding for innovation sparks new inventions and industries. This is followed by a frenzy phase where speculation, financialization, and general hype inflates asset bubbles. The third, a synergy phase, is where political regulation and consolidation repair the link between financial and production capital. Finally, the maturity phase is reached, where technology becomes saturated and idle capital moves to new sectors. Rinse and repeat.

However, the current breakthroughs in artificial intelligence represent a deviation from this pattern. Unlike previous innovations that were limited to specific industries, AI has the potential to exponentially transform every industry it touches. This ubiquitous nature of AI could signify the beginning of a new era, one that breaks from the cyclical pattern observed by Perez.



*Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages by Carlota Perez*

# Either way, we've reached the irruption phase. How do we navigate it?

No phase of technological advancement produces more volatility, uncertainty, complexity, and ambiguity (VUCA) than the irruption phase. But with the right tools, we can conceptualize and plan for the future.

In order to understand how we can navigate the effects from breakthrough innovations like Generative AI, we need to view it through the lens of the adjacent possible, our framework for determining potential near-future developments based on current knowledge, resources, and technologies. Think of it as a compass for guiding organizations and innovators through this cyclone.

The concept of adjacent possible allows us to explore the possibility space of the future by mapping the array of implications when breakthrough innovations occur. Each breakthrough

innovation can open up a multitude of possibility spaces.

By narrowing down scenarios, we have the opportunity to identify the most likely directions that shape the future. To this end, the concept of the adjacent possible offers a powerful lens to navigate the waves of innovation. But simply navigating this won't be enough. The size and scale of this wave of innovation is too massive for organizations to skirt through. Organizations and government entities must embrace their Purpose to ensure that they move towards a future they actually want to live in.

Generative AI will unleash an unimaginable wave of dangerous, nefarious, and outright unethical implications. These are the shadow impacts that if unchecked will turn a

golden age into a gilded one. (Picture a really dark, steampunk Mordor) Generative AI is capable of producing misinformation at scale, it has the potential to automate away jobs and lead to displacement of large groups of people. It also carries bias and discrimination that is inherent in the data it is trained on. Not considering these dangers can exacerbate existing social inequalities. There are also major concerns about the ethical implications Generative AI carries, such as whether it is right to create artificial entities that are indistinguishable from humans. The list goes on and it is impossible to map all of the potential shadow impacts.

To return to the metaphor, adjacent possible is the compass that will allow us to navigate this Hype Cyclone. It can steer us towards probable futures.

But simply navigating the storm isn't enough. We must have an unwavering course of action. A timeless heading that can withstand even the strongest headwinds: A North Star. That North Star is Purpose – one that guides every aspect of decision making, strategy, and yes, innovation! As organizations and companies prepare for the storm ahead, purposeful innovation takes on an increasingly crucial role. It's not enough to simply identify what's probable and plausible through adjacent possible mapping and scenario planning, we must consider how these developments can serve our society at large. That's where the power of Purpose can supercharge strategies and sail us through the darkest of nights.

**By investing in a Purpose-driven path forward, organizations have the power to shape and change the trajectory of the future for good, not just for profit.**

We cannot simply follow the curve; it needs to end it in a direction that benefits all of us. The challenge for companies and innovators is to align their Purpose with the greater good, and to make a positive impact that resonates far beyond their immediate sphere of influence.

The Hype Cyclone is inevitable. But we have the ability, the tools, the foresight, and the power to pave a path forward that is proactive, Purpose-driven, and will shape our futures in a positive way.



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