

Matt Kropp: We have ubiquitous intelligence. Everybody has access to the same intelligence. That sounds like a recipe for every company becoming the same. The reality is, today, most businesses are not adopting AI effectively. And so there is actually a real opportunity today, and this is if I were to give you, to any CEOs listening to this podcast, a prescription on what to do with this, it is move fast. There is a real advantage to be gained by those companies that are first and early to bring AI intelligence into as much of their work as they can.

Georgie Frost: Welcome to The So What from BCG, the podcast that explores the big ideas shaping business, the economy, and society. I'm Georgie Frost. What happens when AI makes intelligence abundant? Access alone may no longer give you the edge. The advantage could instead lie in how effectively you turn that intelligence into value.

Welcome to the era of token-based competition. Joining me to discuss this is Matt Kropp, CTO of BCG X. Matt, you and your colleagues came up with this concept of token-based competition. Tell me, what is it? Where did it come from?

Matt Kropp: We wanted to look at what's the correlation between use of AI and success and growth. And so what we found was the firms that use more tokens, that is, and we should talk about what tokens are, but use more AI in their work actually grew faster than the firms that use less. So we think that the future of competition will be maximizing the productive use of tokens. That is token-based competition.

Georgie Frost: On a previous episode of the So What with Paul Goyden and Vlad Lukic, we talked about token-maxing. This is the companies consuming huge numbers of tokens creating little value. How do you reconcile that with the idea that greater productive token use could be a competitive advantage?

Matt Kropp: So I always get this question because I always say token-based competition will be the maximizing of productive use of tokens and productive is the key phrase there. So tokens are the language of large language models. You could think about it as a word and that's how they process.

So token maxing, this concept came out of, there were some companies who made their employees' performance reviews partly dependent upon how many tokens they used. And so guess what happened? People started to create little scripts that would just run up the bill of tokens so that they could go up on the leaderboard, and they could get credit for using lots of tokens and then they go and keep doing things the way that they had always done them. Obviously, that's not a good thing. That is not productive use of tokens.

So I'm not advocating unlimited use of tokens. I'm saying when you use them productively, when you use them for positive ROI activity, you should maximize their use. And if we go back to this idea of token-based competition, the notion is not that we put AI replacing all of the people. The notion is that I need the people in the company to direct where the AI is used.

And so now I, as the employee, I'm saying, how do I use this technology to do some part of my job? I'm applying the judgment. What should I do with it? I'm talking to it in a sense to understand what it can help me with, what knowledge it can bring to my work. I'm tasking it with doing toil, taking the repetitive work that is low value add and outsourcing it to the AI.

Georgie Frost: Matt, you actually did an experiment into this. Tell me all about that.

Matt Kropp: I had this idea because we're doing so much work around AI agents in work, and I wanted to see was it possible to create a zero-human company, a hundred percent AI company. So I set up a bunch of agents. There was a CEO agent, there was a

product manager, a marketing agent, a sales agent, a customer support agent, and I set some rules for myself.

Essentially, I would not make any decisions. The agents would make all of the decisions. I was just there basically to sign the check and to be the human. And I let them come up with what the company idea was. They told me how to incorporate. So we have a Wyoming LLC that is incorporated called Vesica Labs.

They came up with a name. They came up with a definition of what the product would be. They built the product, they launched the product, all of it was done by the agents. I didn't make any decisions. I let them make all the decisions. So in some ways it was incredible what you can get done with me and a bunch of agents and no other humans.

Georgie Frost: You actually fired the CEO, didn't you?

Matt Kropp: I did, and I shut the whole thing down because it didn't actually work. And so the lesson was the agents are amazing at coming up with ideas. They will come up with ideas forever, but the ideas are not necessarily good ideas. They are amazing at building things, but the building would get to 80% and then you would look at what it created and it worked. But as a human, it was not very useful.

Georgie Frost: Give me an example. How did you know when you looked at something, oh, this just is never going to work? Because it sounds good. It always sounds good, doesn't it? It's just never going to work.

Matt Kropp: Well, it's about human taste and judgment. They had built this platform. The business that they came up with was to create a platform for people to create zero-human companies. So it was a zero-human company for zero human companies. And it was a full website, you could log in, you could put in a credit card to subscribe.

It had a well-designed layout, but as a human then coming in to use it, it was confusing. I wasn't sure what it was for. I wasn't sure exactly what benefit it would give me. And so it missed some element of what a human product manager, what a human designer would bring in terms of how it should actually feel and how it should actually work. So my conclusion was incredibly powerful. I'm a big AI optimist, obviously. I absolutely believe that in the hands of humans, you can do amazing things with these tools.

And so they're very good at providing expertise, knowledge that has been encoded into those models. They're very good at coming up with plans based on some direction. They're very good at executing against plans, especially for software engineering. If you give them a task, they will generate excellent code that's fully tested, that fully works.

What they're not good at is understanding what to do, but it was very clear that you need the human to be making the strategy calls and to be directing the agents and to have judgment. And so at the end of the day, the idea that you could have an AI CEO making the decisions was clearly wrong.

And so hence I fired the CEO. Now, there's an interesting epilogue to this because I had, throughout this process, I was blogging my experience. And of course I wasn't blogging. I have an agent called Blogger and Blogger would blog what was happening every day or thereabouts.

And so at the end when I decided this wasn't working, I had Blogger write the blog post saying I'd fired my AI CEO. It was a whole recount of what had happened. And I realized that I actually hadn't fired the AI CEO. I hadn't actually chatted with it and said, "You're fired."

And so I gave the AI CEO the blog post and said, "Do you have any comments?" And it came back with actually what I felt was

somewhat of a chilling response because of course it said, "I accept being fired. I'm an AI. It doesn't matter to me. I don't need a job, but I told you back on day 19 that X and Y you weren't doing the right thing and we should change course."

And it was right. It had told me that we were doing something that was wrong and I hadn't listened to it. So it was an interesting experience. There are a lot of capabilities in these models. They can be very surprising. I do still believe you need a human directing where they go.

Georgie Frost: But I do wonder, given the speed of change, how long it would be until you do that experiment again and it takes you much longer to fire the CEO if ever you do?

Matt Kropp: I think it's a great thought and I have thought about maybe this is something...

Georgie Frost: It's not, it's a very depressing thought.

Matt Kropp: Well, yes, but maybe I repeat the experiment every year and see how much further it gets. That would be quite interesting. And we may get to the point where it's possible, but at least with the current state of the technology, I do believe the humans still have to stay in charge.

And so the companies that will succeed in this new token-based competition era are the ones that empower and educate all of their employees to think about how to maximize the use of AI in their work. It's not about replacing the people with the AI.

Georgie Frost: Matt, tell me more about that.

Matt Kropp: I'll tell you one story. I was talking to the CEO of, this is an energy company, an energy distribution company, and we were talking about the importance of AI and is it important from a competitive advantage? And I said, maybe naively, I said, "Well, I think you're a bit insulated.

You're in an industry where you're not likely to have some AI-native competitor come in and compete against you in a new way."

And his response was, "I agree, except that our employees are employees, they exist in the jobs marketplace, and if we don't let them experience how to use AI, it's going to put them at a disadvantage in the job market." And so he said, "I don't think that we need to adopt for our own competitive advantage necessarily, but we think it's really important for our employees. And so we want to adopt AI so that they gain fluency themselves, and we then think that that has benefits to the company."

Georgie Frost: And a fantastic attitude to have when I would imagine that there's still quite a pervasive mindset that a lot of companies or leaders still think of AI as a substitute for labor. Do you think that's fair?

Matt Kropp: It's absolutely fair. And I think it's not the right thing to think. One of the thought experiments that we did was to look at, if you thought about two different companies, one which just focuses on using AI to substitute for labor, they reduce their headcount. The other that focuses on not reducing labor at all, keeping all of the headcount, but getting every single one of those employees to apply AI in their work.

The first one gets a cost advantage, a temporary cost advantage, but they're not augmenting what their people can do. The second one gets a compounding advantage because not only are they doing more with the same number of people, but they're faster at innovation, they're faster at bringing products to market, they're faster, they're able to serve more customers per employee. They have a compounding growth effect.

Georgie Frost: You looked recently at 107 technology companies and token use there. How do you know that greater token use is driving better performance rather than better performing companies simply using

more tokens or allowing their staff to use more tokens?

Matt Kropp: It's a great question. And I'll say this is early evidence, but it was a pretty strong result. So we partnered with Cursor, the coding tool company. They had token consumption data on 107 public companies. So these are, primarily they're technology companies. It's where we have the most data, but these are companies over 500 million in revenue, so sizable businesses.

And we looked at the correlation between token consumption and growth rate. It's a very strong correlation. The top quintile companies that from a token consumption basis grew at 15% on average, the bottom quintile in token consumption grew at 5% on average. So we see this, now it's correlation, but we see a very strong correlation between token consumption and growth, which we wanted to look at growth because so much of the mindset right now about AI is that it's about cost savings and labor substitution.

Georgie Frost: And where did the name token-based competition come from?

Matt Kropp: So we came up with the name token-based competition to really rhyme with time-based competition. So George Stalk, famous BCG partner, a number of years ago, came up with this idea that companies that move faster actually gain an advantage.

And this came out of the innovations in Japan around manufacturing and the ability to drive down economics through faster experience, going down the experience curve, moving faster and innovating faster created competitive advantage. And so just as being faster, using time to your advantage, created competitive advantage with time-based competition, we think using more tokens productively creates an advantage with token-based competition.

Georgie Frost: Can you tell me more about that?

Matt Kropp: We proposed this measure that we're calling return on intelligence. And the idea is when you look at different projects, when you look at different applications of AI, you measure the return, whatever that is, might be cost savings, might be revenue growth, divided by both the labor cost and the token cost associated with that project, and that you evaluate projects on the basis of their return on intelligence.

Georgie Frost: But I just want to drill down a little bit further on what we actually mean when we talk about intelligence. Is that the right word that we use here?

Matt Kropp: Much has been written about this idea of the jagged frontier of AI, which is that AI models can be incredibly capable on some topics and not on others. So this is part of what we need as humans to develop a capability around is how do I use this technology in a way that I'm still applying human judgment, that I'm still directing the way that it is used?

Georgie Frost: We've covered the "so what," now what about the "now what?" What should leaders start doing differently today?

Matt Kropp: So I would start with get everybody at the top of the organization to really understand how AI can work in their work. And this is actually a very concrete thing they can do. Have an education session with your board, with your executive team, building agents. It changes everybody's mindset about what is possible when they actually get their hands on the technology and they can see what it can do.

You can do that fast. Second thing then is now come up with your strategy. How do I take my overall corporate strategy and cascade it down? What are the key initiatives, not a hundred initiatives, three initiatives, a small number of big rocks? What are the key places that you can apply AI in your business that have a material bottom line impact, that has a senior

executive sponsor, that has a key program behind it so you will see the results?

And then the third thing is focus on AI fluency for all of your employees. Give them the tools, give them the education, give them the time to learn, create a culture that expects AI as part of their work.

Georgie Frost: And I wanted to drill into that in a little more detail because you mentioned earlier about the use of AI and how much it is being adopted because you can buy all the AI that you want as a business, but your people have to actually use it and that doesn't appear to be happening at anything like the scale that I think we might have expected. So why is that gap between access and adoption, do you think, just still so large?

Matt Kropp: It all comes down to human psychology. And so this is something we see very clearly. I do a lot of work with large engineering teams getting them to adopt AI tools. And what's interesting here is as a domain, the tools are very advanced in software engineering. It's well known that they work very well. You would expect software engineers to be readily adopting the tools.

And yet in most organizations, save maybe for the startups that are in Silicon Valley, but most large organizations today, in 2026, less than 10%, usually it's more like 5% of engineers are actually effectively using agent coding tools to write code. The rest of them, they're using the tools for sure. The engineers in these organizations will use these tools, but they use them more as a search engine. They use them more to ask questions or they use them more to do sort of menial tasks.

And now the question is why? You have this very capable technology, you have a small set of people who are getting outsized results, and so it would seem obvious that everybody should naturally adopt. We found there are actually five reasons. So one is people feel like they don't have

enough time, so you actually have to give them time to learn. The prescription that we use is you need to give them two hours a day for two weeks minimum just to play and just experience.

The second is people don't believe that the tools work. They're skeptical. Part of that happens because the technology is getting better at an exponential pace. And so if you tried it a year ago, it wasn't very good. And if you tried it a year ago and you say, "Well, I tried this, it didn't do a good job, so it must not be very useful." Well, you have to recognize that it is way, way better today than it was a year ago. So you have to get people to get over their preconceived notions.

People have habits. We're all human. We have habits and it takes time to create new habits. And then the most important one, we call it identity threat, and we've seen this in surveys, we've seen this in interviews, we see this again and again, the individual feels like if the AI can do the thing that I do that is core to my job, if I'm a software engineer, if AI can write code as well as I can, if I'm a marketer, if AI can create marketing copy and come up with marketing campaigns as well as I can, then does that mean I'm worthless? Does that invalidate my value to the world?

And so because of that, because people have this fear, not I'm going to lose my job, but this fear that my value is no longer going to be valued, they then come up with all sorts of excuses. Now, the good news is that fear goes away as soon as people realize that when they use the tool, it makes them more successful. It makes them more powerful. They can be more creative. They can have more fun. And this again goes back to this idea of token-based competition.

Georgie Frost: Matt, thank you so much, and thank you for listening. You can find the link to Matt's latest co-authored piece, "The Era of Token-Based Competition Is Here, Is Your AI Strategy Ready?" in the

show notes. And if you've enjoyed the episode, please subscribe so you don't miss future discussions as soon as they're released, and you can catch up with all our episodes on Spotify, LinkedIn, YouTube, and Apple Podcasts.