

LECTURE 2: MACHINE LEARNING AND LLMS



DEPARTMENT OF MANAGEMENT
AARHUS UNIVERSITY

10 SEPTEMBER 2025

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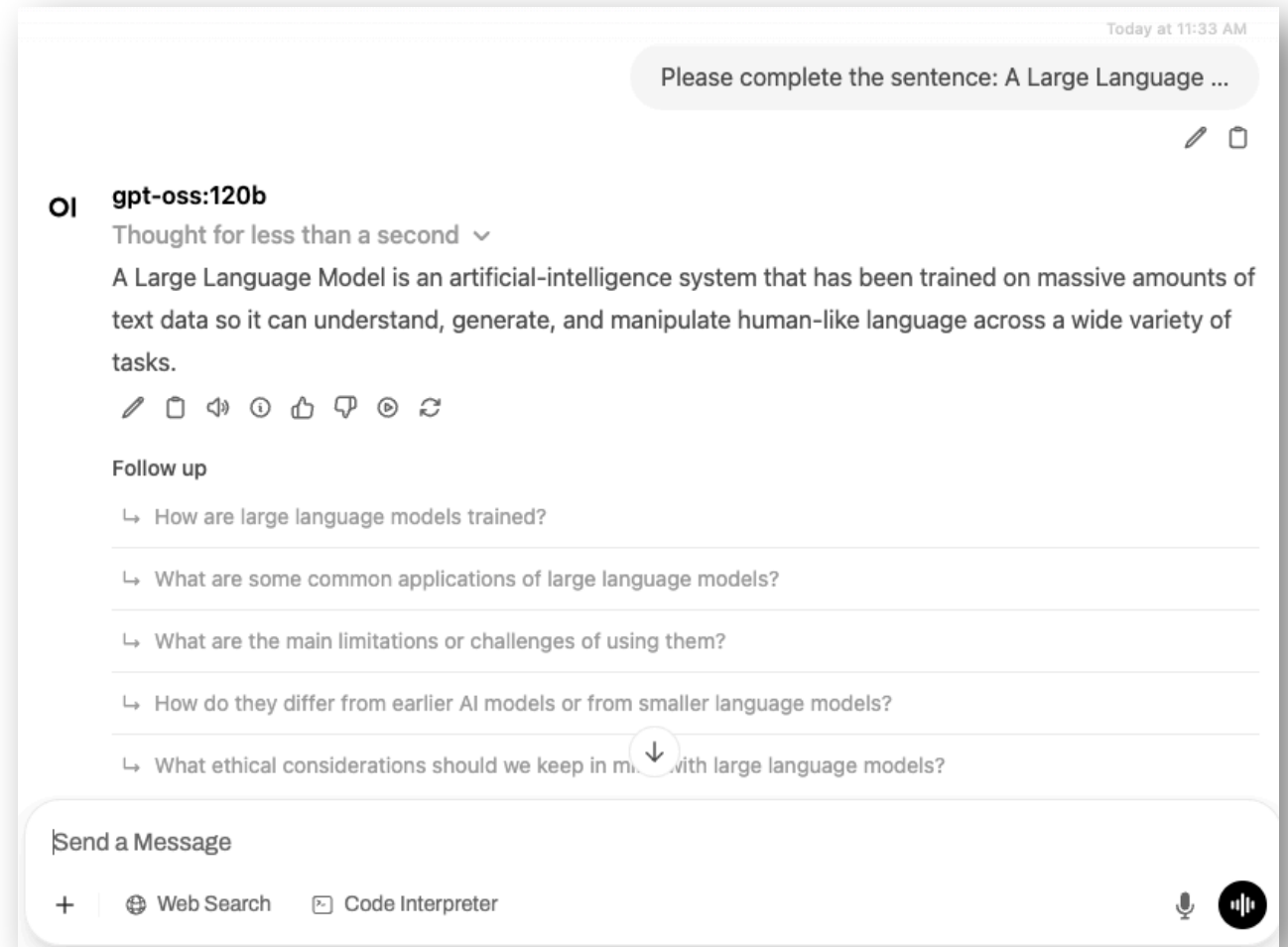


TUTORIALS

1. Quick recap on last week's tutorial
2. Outlook on this week's tutorial
 - Topic:
Python basics and data types
 - Recommended:
Complete the Datacamp courses
 - Introduction to Python for Developers
 - Intermediate Python for Developers

TODAY'S LECTURE

- Central question:
„How to answer a prompt?“
 - Steps and terms
 1. ChatBot
 2. Artificial Intelligence
 3. Large Language Model
 4. Machine Learning
- ➔ Important insights on capabilities and limits of AI



WHY TODAY'S LECTURE?

- Public discourse on LLMs and the future of AI is full of *bullshit* claims
- Your future manager reads it and believes most of it. A true story...
- In your future jobs, you will have to help people understand what AI, LLMs, and Machine Learning **can** and **cannot** do
- Knowing how they work is the only way. We have to **demystify LLMs and the terms around it**.

#	Faulty claim (presented as a quote)
1	"AI will replace all human workers within the next decade."
2	"When an AI says it 'feels' something, it really experiences emotions."
3	"A single AI system can understand any domain it reads about, just like a human expert."
4	"If an AI is trained on a massive dataset, it becomes unbiased."
5	"AI can predict the future with near-perfect accuracy."
6	"All AI systems are self-learning and need no human supervision after deployment."
7	"If an AI passes a Turing test, it is truly intelligent."
8	"AI can replace doctors and make flawless medical diagnoses on its own."
9	"AI will inevitably become hostile and try to 'take over the world.'"

[gpt-oss:120b asked for „ \(faulty\) claims about AI“](#)

BACK TO THE TOPIC

Respond to a prompt.

THE PROBLEM

- Input
 - Any type of (textual) prompt.
 - Freely written by a human
- Response
 - Any type of textual response
 - Automatically generated by the „system“
- Difficulties
 - No prior knowledge about input, topic, ...
 - *High quality* of response expected

Difficulties?

A FIRST TRY

Goddag

OI **gpt-oss:120b** Today at 7:20 PM
Thought for less than a second ^

"User says "Goddag" which is Danish/Norwegian/Swedish for "Good day". Likely they are greeting. We respond in same language. Maybe ask how we can help. "

Goddag! Hvordan kan jeg hjælpe dig i dag?



Today at 3:06 PM

Good morning



OI **gpt-oss:120b**
Thought for less than a second v

Good morning! 🌞 I hope your day is off to a great start. How can I help you today?



if prompt == „Good morning“:

 respond(„Good morning! 🌞 I hope your day is off to a great start. How can I help you today?“)

else if prompt == „Goddag“:

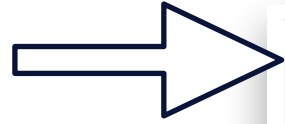
 respond(„Goddag! Hvordan kan jeg hjælpe dig i dag?“)

else if ...

ARTIFICIAL INTELLIGENCE

Arrange the terms: ChatBot, Artificial Intelligence, Large Language Model

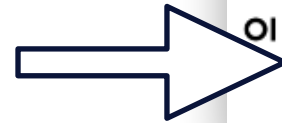
CHATBOT



Thought for 1 seconds ^

"The user asks: 'What is Aarhus BSS?' Likely they refer to Aarhus Business School? Actually Aarhus BSS stands for Aarhus Business School? Let's think: Aarhus BSS is part of Aarhus University, Denmark. BSS stands for Business and Social Sciences. It's a faculty within Aarhus University offering programs in business, economics, social sciences. So answer: it's a faculty, its history, programs, research, campuses, etc. Provide overview. Maybe also mention that BSS stands for Business and Social Sciences, includes Business School, Department of Business and Management, Department of Economics and Business Economics, etc. Also mention location, international orientation, rankings. Provide details. "

- Responds to prompts
- More than just *generate text*
 1. Analyzes prompt and decides about next step → „Thinking“
 2. Possibly does a web search
 3. Analyzes results of web search
 4. Generates response
- Backend by a Large Language Model, e.g., GPT, LLama, Gemma, ...



oI

gemma3:27b

Searched 3 sites v

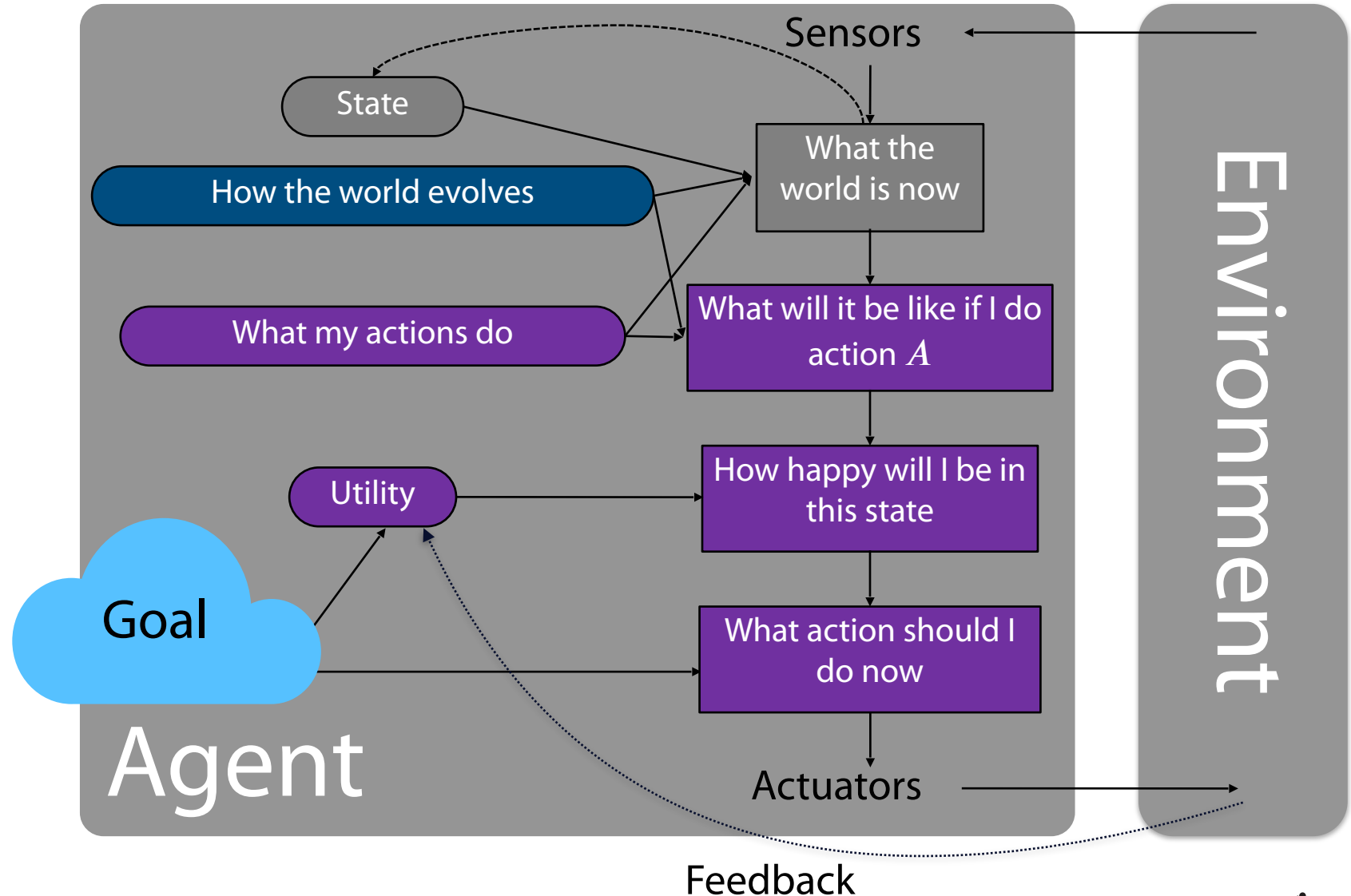
Aarhus BSS is Aarhus University Business and Social Sciences, and its programs

What is Aarhus BSS?

ChatBot	Models
ChatGPT	<ul style="list-style-type: none">• GPT 5• GPT 4o• ...
Gemini	<ul style="list-style-type: none">• 2.5 Flash• 2.5 Pro• ...

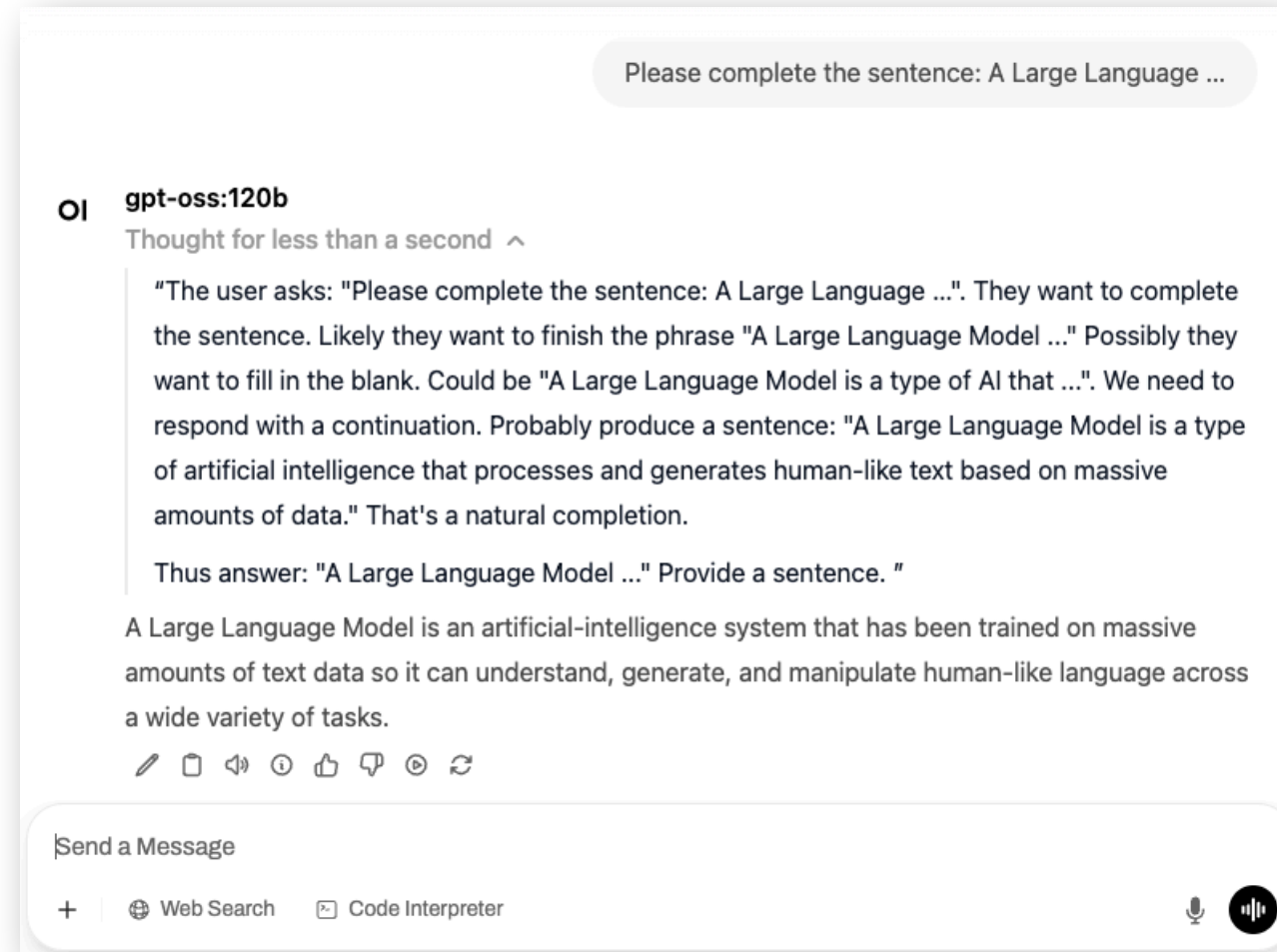
ARTIFICIAL INTELLIGENT AGENTS

- Intelligent systems, but not necessarily *intelligent* in a human sense
- Agents
 - ... have goals
 - ... have a perception of their environment (sensors)
 - ... can change their environment (actuators)
 - ... plan their actions
 - ... update their goals → learn during runtime



HOW TO ANSWER A PROMPT?

- Prompt
 - „Please complete the sentence: A Large Language ...“
 - Consists of two parts:
 1. Task: „Please complete the sentence:“
 2. Data: „A Large Language ...“
- ➔ Analysis of prompt to identify task and execution of task on data can be done with the help of an LLM



LARGE LANGUAGE MODELS

Hands on the field of Natural Language
Processing

PREDICT *REASONABLE* WORDS

Let's guess words!

„The red ____ rolled down the hill.“

- What do we infer from context?
 - It must be a noun, referencing a rollable object
 - It is probably something that is typical of this situation.
- What could ____ be, but is probably not??

Menti „Word Cloud“

WHY ARE LLMS SO GOOD? "SELF ATTENTION"

Let's guess words again! (heads up: more tricky!)

„The **cat** drank the **milk** because it was ____.“

- Popular choices:
 - „**hungry**“, „**thirsty**“
 - „**delicious**“, „**cold**“
- The definite article „it“ can refer to:
 - „the **cat**“
 - „the **milk**“

Menti „Word Cloud“

WHY ARE LLMS SO GOOD? "SELF ATTENTION"

Let's guess words! (heads up: more tricky!)

The **cat** drank the **milk** because it was **hungry**, because it had been ...

... out hunting all night.

➔ Cause for **cat** being **hungry**

The **cat** drank the **milk** because it was **delicious**, because it had been ...

... in the fridge all night.

➔ Cause for **milk** being **delicious**.

Menti
„Ranking“

DEMO: COMPLETE THE SENTENCE

Interactive token builder

Model:

deepseek-r1:8b

Load

Start of sentence:

The cat drank the

Go

The cat drank the

milk (20.74%)

,

(20.15%)

the (27.87%)

dog (55.28%)

ate (32.92%)

the (96.91%)

cat (54.13%)

,

(96.29%)

and (73.20%)

the (91.18%)

bird (38.22%)

ate (39.09%)

the (99.16%)

dog (98.36%)

.

(88.95%)

The (

fish 15.69%

)

,

(25.73%)

the (46.50%)

dog (98.24%)

,

(96.95%)

and (98.09%)

the (99.79%)

bird (99.11%)

are (61.90%)

History

Log

✓ generation complete (model stopped)

deepseek-r1:8b loaded ✓

✓ generation complete (model stopped)

llama3.2:1b loaded ✓

✓ generation complete (model stopped)

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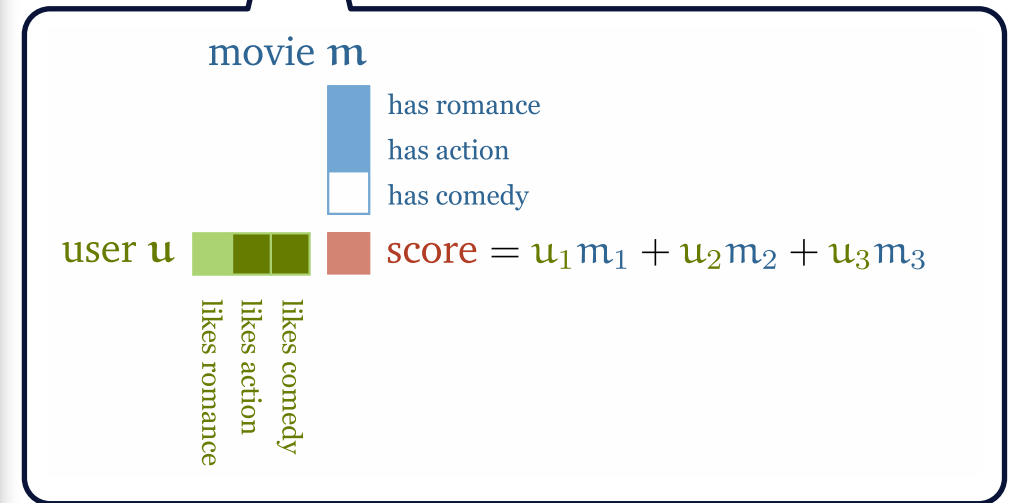
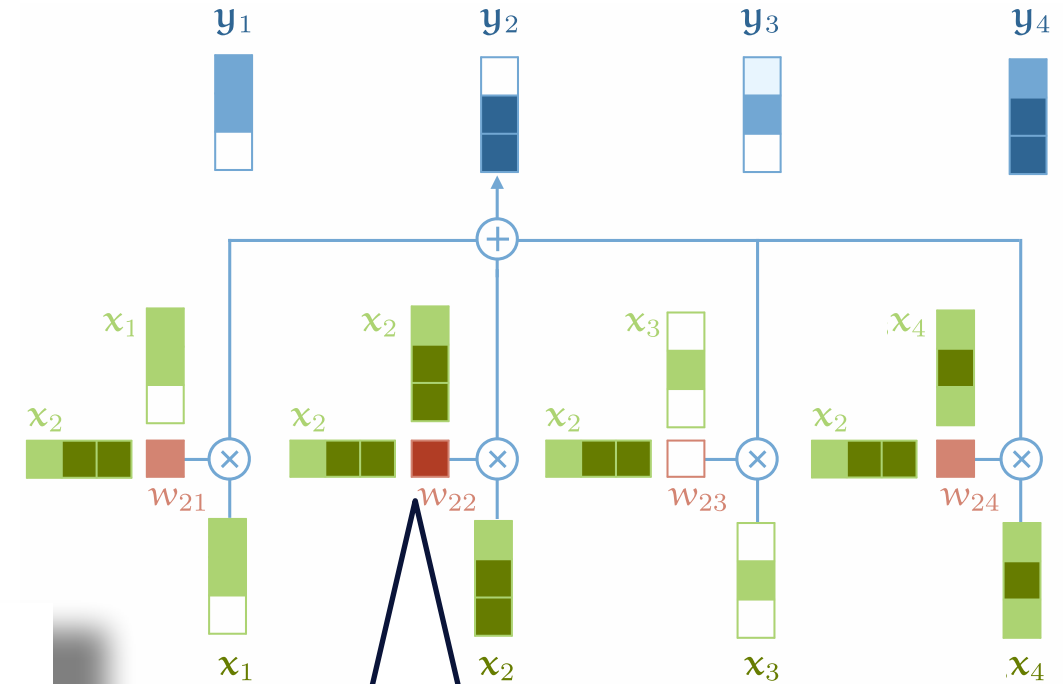
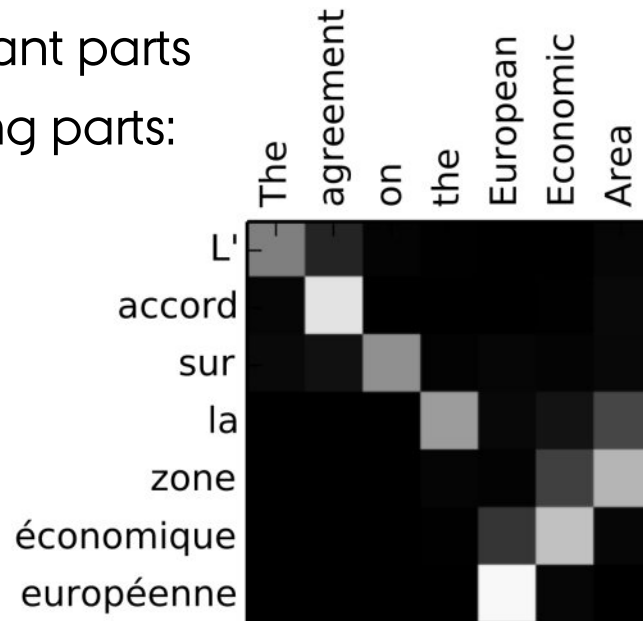
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ACCREDITED

16

SELF-ATTENTION

- Transformation of one sequence of vectors x_1, x_2, \dots, x_i (representing words) to another sequence of vectors y_1, y_2, \dots, y_i
 - Emphasize important parts
 - Fade-out less important parts
 - Identify corresponding parts:



INTERMEDIATE SUMMARY: CONDITIONAL PROBABILITIES, GIVEN SURROUNDING WORDS

We can think of context as giving us

a **possibility** space

- Of all the possible words in the world, which could be there?
- More importantly, which cannot?

and a **probable** space:

- Which words are the more likely?

Internally an LLMs use vectors
representing words.
How to get these?

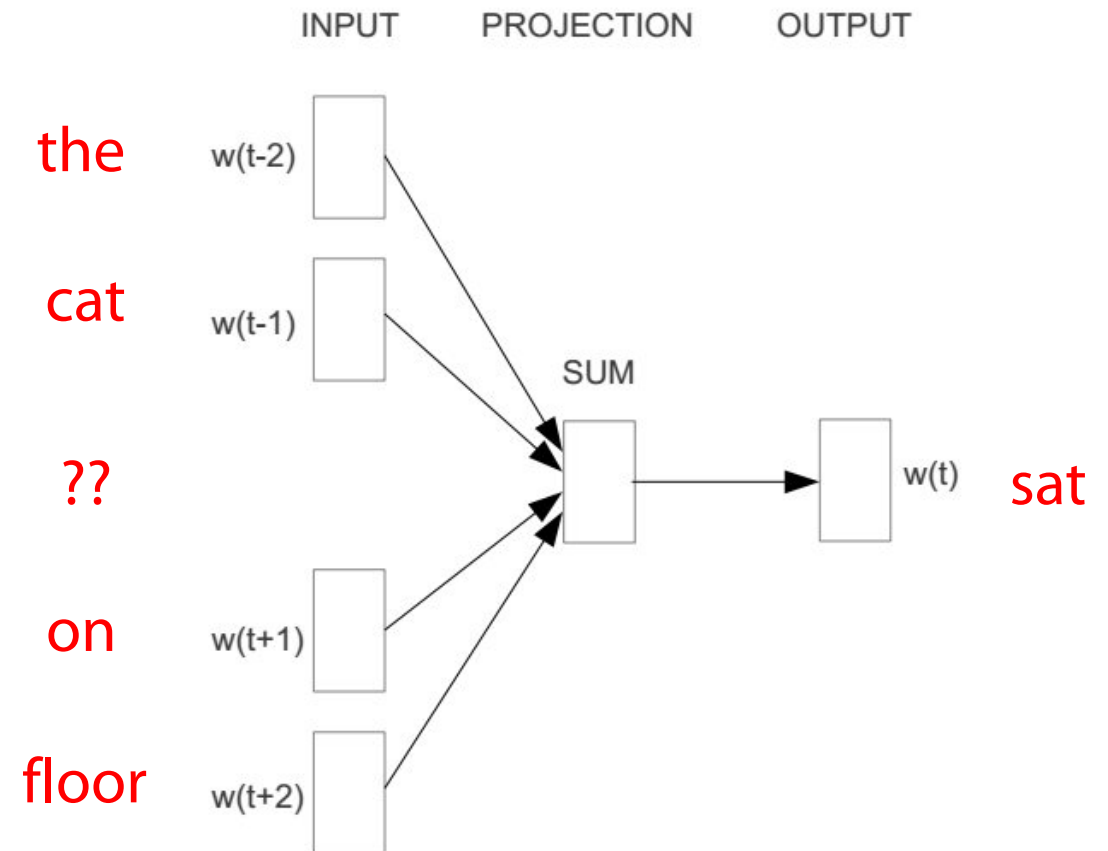
Formally, these are all probabilities (where the impossible ones have a probability of 0.0)

TRANSFORMER LANGUAGE MODELS

Let's get technical: The Transformer architecture of
LLMs

WORDS AS VECTORS

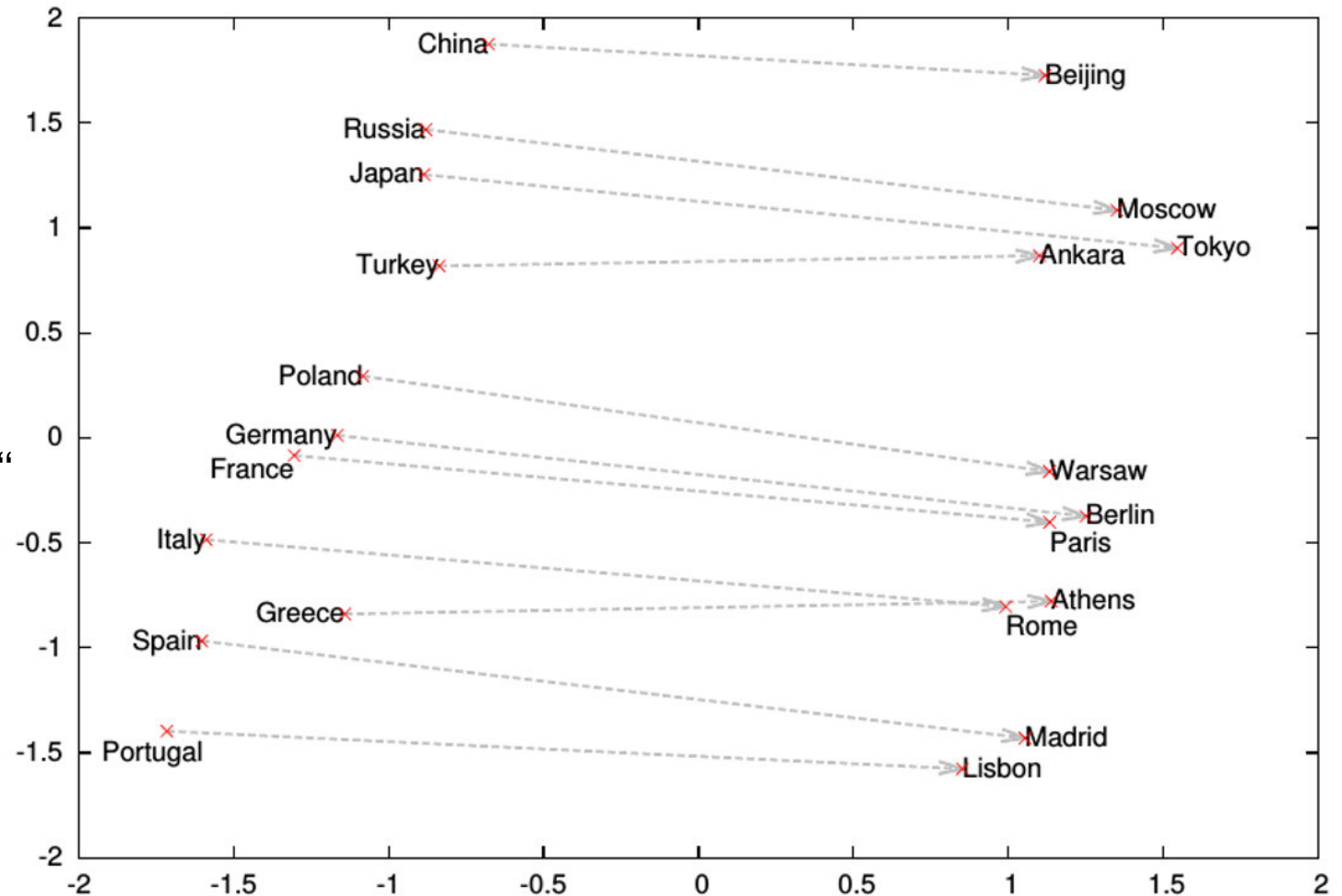
- Represent the meaning of words in vectors
- Example:
 - Continuous Bag of Words (CBOW) from the so-called Word2Vec approach
 - Use a window of words to predict the middle word
- Generally:
 - A vector representing a word (or token) is called an embedding
 - Embeddings are trained/ crafted to represent a words as vectors useful for the current use-case!



EXAMPLE: WORD2VEC

- Known vectors (positions) for:
 - Man
 - Woman
 - King
- Known vectors (differences) for:
 - Man \rightarrow Woman
- What is the corresponding word for „King“ in the relation „Man \rightarrow Woman“
 - King \rightarrow ?
 - King - Man + Woman = Queen

Representing words by vectors in a multi-dimensional vector space



LLMS DO THE SAME

- We said „A word is represented by a vector“
- But what to do with special names or very uncommon words
 - Less common „barrel“
 - Name „Aarhus“
 - Typo „class“
- Words are split into tokens
 - Each token may represent a full word, a part of it, or only one character or symbol.
- LLM is able to get any sequence of text as input and to create any sequence, too.
 - The outputs are again vectors representing tokens which are transformed to their corresponding word or character.

GPT-4o & GPT-4o mini (coming soon) GPT-3.5 & GPT-4 GPT-3 (Legacy)

Hi, what is your job?

Clear Show example

Tokens	Characters
7	21

Hi, what is your job?

<https://platform.openai.com/tokenizer>

DEMO: TOKEN

„Hej, jeg bor i en by, og jeg har en 1-0-0-m-² stor by-g-ning, ...“

- No token representing the word „bygning“
 - Model groups multiple tokens, representing substrings to form the word „bygning“
- ➔ Thus, possible to represent any word by letters and efficient to represent common words by their token.

Interactive token builder

Model:

qwen3:4b



Load

Start of sentence:

Hej, jeg bor i

Go

Hej, jeg bor i en (31.80%) by (43.08%) , (37.04%)
og (51.80%) jeg (93.43%) har (56.30%) en (63.00%)
1 (37.27%) 0 (30.02%) 0 (49.88%) 0 (40.10%) m (29.92%)
² (75.96%) stor (6.48%) by (16.78%) g (97.33%)
ning (99.96%) , (48.24%) der (41.59%) er (63.50%)
1 (34.63%) 0 (60.29%) 0 (66.17%)

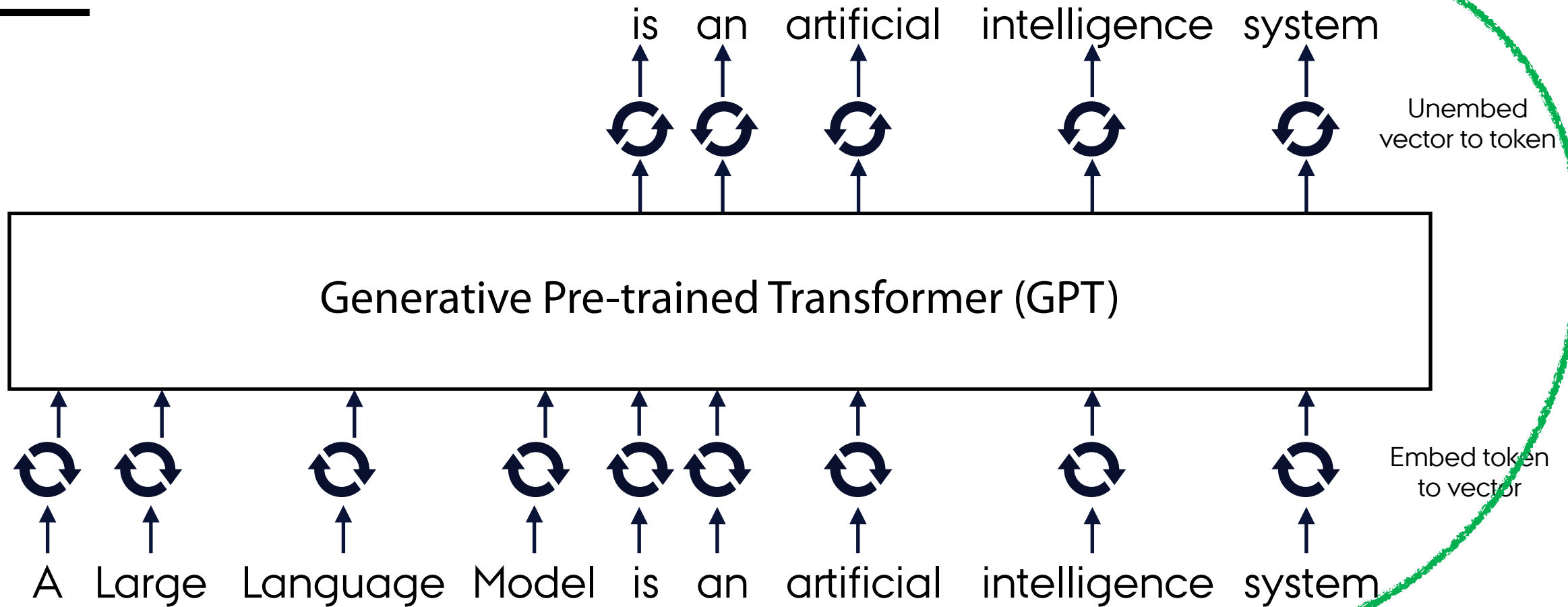
History

Log

✓ generation complete (model stopped)

qwen3:4b loaded ✓

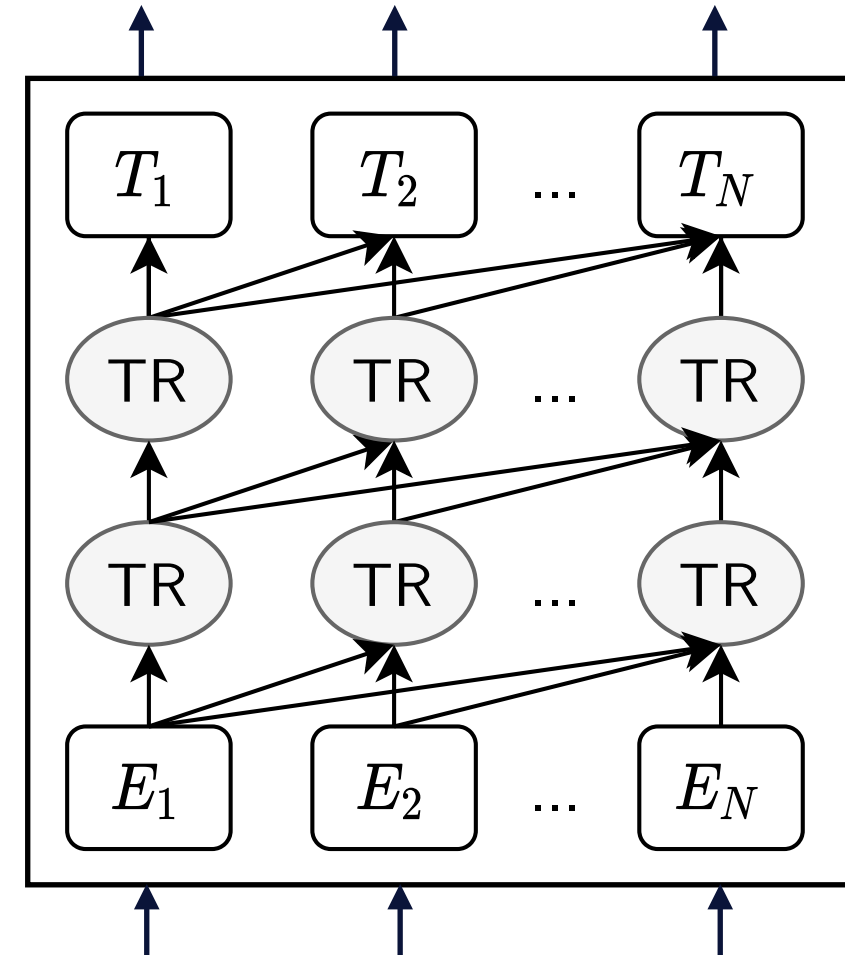
TRANSFORMER BASED LLM



GENERATIVE PRE-TRAINED TRANSFORMER (GPT)

- Internal view of the GPT block we had on last slide
- Multiple so-called *transformer blocks* (TR) one after another per token
 - Attention used in each TR
 - Left-to-right connections between blocks → Focus on generation of text

How to get the statistical values → so-called *weights* in each TR block



Radford et al., „Improving Language Understanding by Generative Pre-Training“, 2018

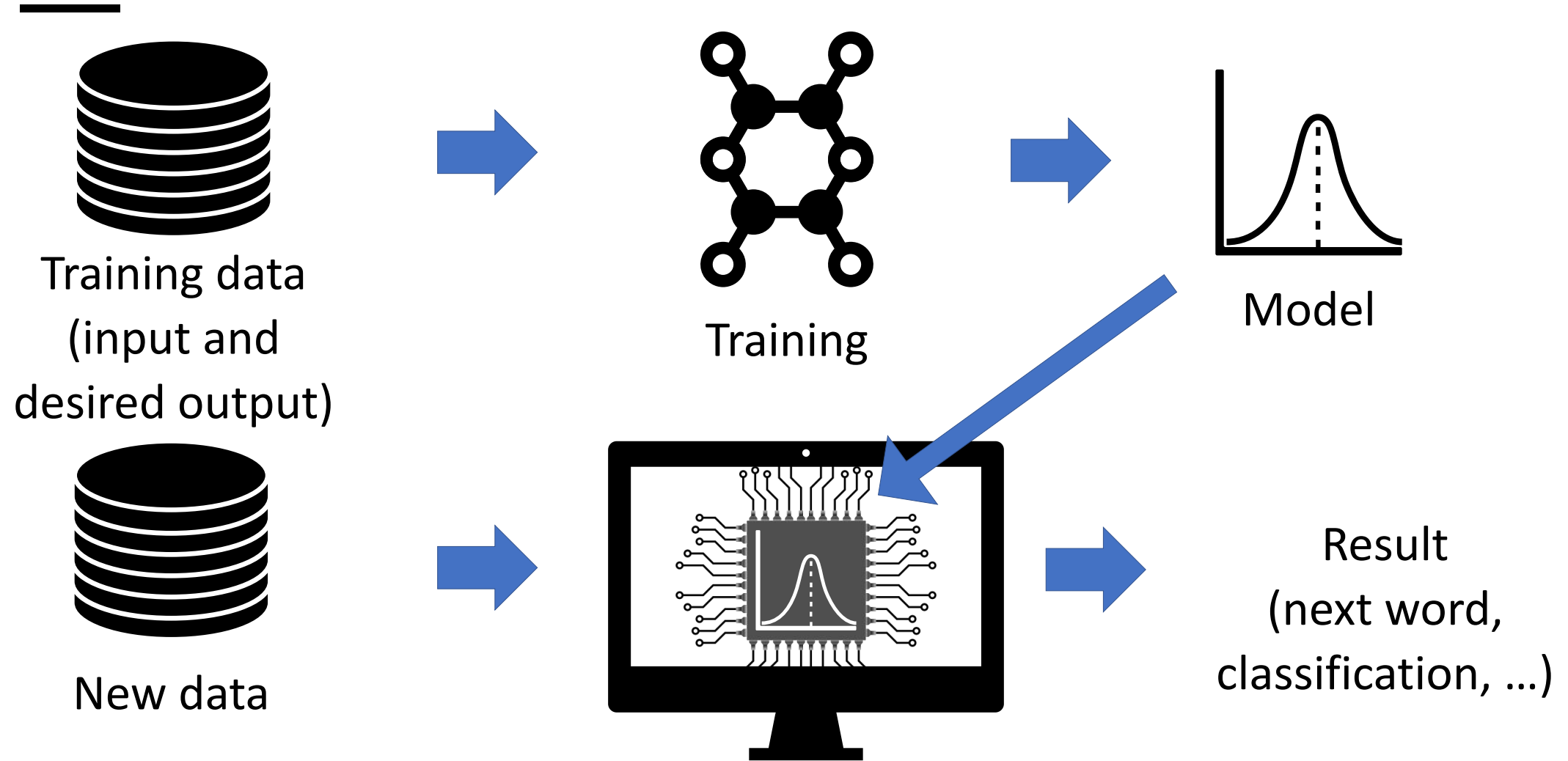
Radford et al., „Language Models are Unsupervised Multitask Learners“, 2019

Brown et al., „Language Models are Few-Shot Learners“, 2020

MACHINE LEARNING

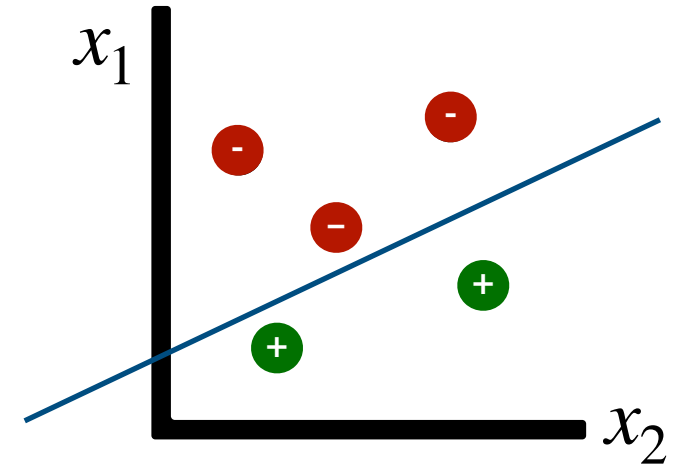
How to obtain the statistical values used by the model?

MACHINE LEARNING



SIMPLE PERCEPTRON

- Goal:
Classify points as „+“ and „-“
- Training data:
5 points with known label
- Model:
Straight line
 - $f(x) = ax + b$
 - Two parameters (decimal numbers): a and b
- Classification:
Is point below or above line?

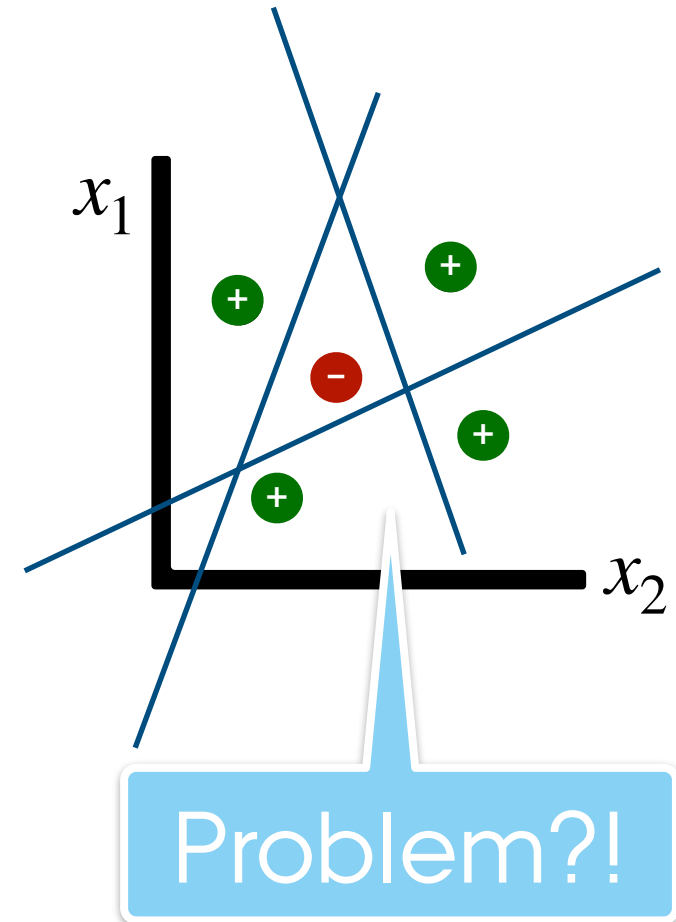


- Some call such perceptron an „(artificial) neural neuron“
- Multiple perceptrons then form an „(artificial) neural network“

MORE DIFFICULT INSTANCE

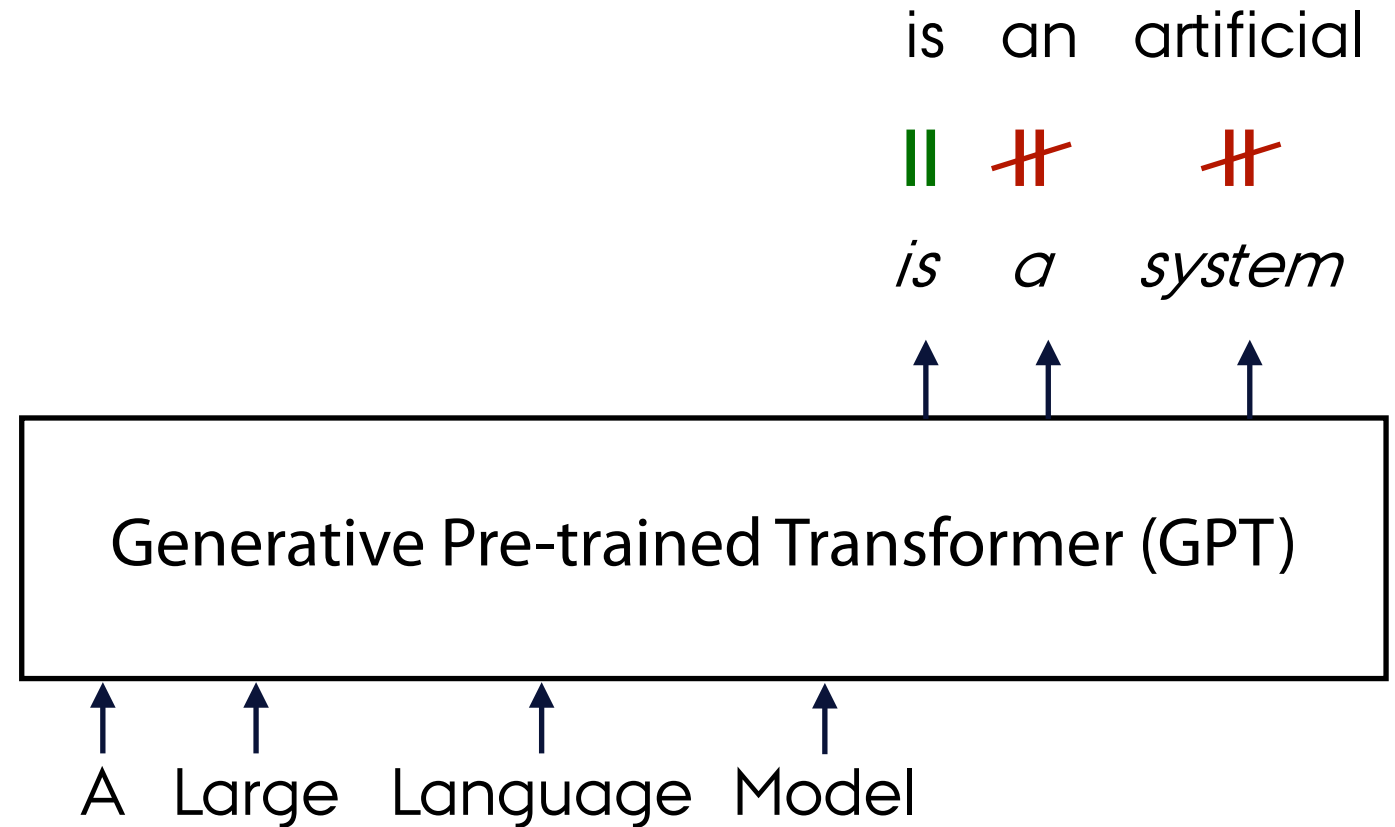
- Same goal: Classify points as „+“ and „-“
- Training data: 5 points with known label
- Model:
 - Straight line?
 - Multiple lines!
- Classification:
 - For each line: Is point below or above line?

- More parameters:
 - Model: three lines with two parameters → six numbers
 - Classification: below or above for each line
- ➔ Still easily possible to solve
- ➔ More parameters, higher capacity



APPLIED TO LLMS

- LLMs have billions of parameters (decimal numbers)
- Trained using machine learning on natural language texts
 - Input part of a text having the full text, i.e., the desired output
 - Possible to assess the error and reduce it by improving parameters



BACK TO LLMS & CHATBOTS

Implications and limitations

LLMS ARE INCREDIBLY — CAPABLE

Hey, can you describe the differences between the epistemologies of Plato, Aristotle and Socrates? Explain them to me like I am five years old.

OI **llama3.1:70b**

Oh boy, are you ready for an adventure in ancient Greek philosophy?

Imagine we're on a journey to discover what knowledge is. We'll meet three friends: Plato, Aristotle, and Socrates. Each of them has a special way of thinking about how we know things.

Socrates (the Curious Questioner)

Socrates says that the best way to learn is by asking questions! He thinks that true wisdom is realizing how little we actually know. It's like playing "I Spy" – you have to ask lots of questions to figure out what something is.

Imagine you see a cat, and someone asks, "What's that?" You might say, "It's a cat!" But Socrates would ask, "How do you know it's a cat? What makes it a cat?" He wants us to think deeply about our answers and not just accept things at face value.

Plato (the Dreamer)

Plato has a big imagination. He thinks that the world we see around us is like a shadow or a copy of something more perfect and real, which exists in another realm called the "World of Forms." It's like he's saying, "You know how you can draw a picture of a cat? Well, there's a perfect 'Cat-ness' out there that all cats are trying to be like."

For Plato, knowledge is about understanding these perfect forms or ideas. He thinks we can't really know things just by looking at the world around us; we need to think deeply and imagine what the perfect version of something might be.

Aristotle (the Observer)

Aristotle is more down-to-earth than Plato. He says that knowledge comes from observing the world around us, using our senses, and figuring out how things work. It's like being a scientist – you collect information, make observations, and try to understand patterns.

Imagine you're watching a cat chase its tail. Aristotle would say, "Hey, let me study this! What does the cat do? How does it move?" By observing and thinking about what we see, we can gain knowledge about the world.

So, in short:

- Socrates asks questions to make us think deeply about our answers.
- Plato imagines perfect forms or ideas that exist beyond the physical world.
- Aristotle observes the world around us to understand how things work.

Which one do you think is most like you?



Follow up

- ↳ How did these philosophers influence each other, especially since they were related in teacher-student relationships?
- ↳ Can you give more examples of how Plato's 'World of Forms' applies to everyday objects or concepts?



LLMS ARE INCREDIBLY

INCAPABLE

Hey, how many Rs are there in strawberry?

OI **llama3.1:70b**
There is no R in strawberry.

Are you sure?

OI **llama3.1:70b**
Actually, yes! There is no R in the word "strawberry". But wait... I made a mistake! There are two Rs in the word "strawberry"

Are you sure there are only two?

OI **llama3.1:70b**
There are actually three Rs in the word "strawberry". Thank you for correcting me!



Follow up

↳ What's the correct spelling of strawberry so I can double-check?

↳ How many other common words have more than one R in them?

↳ Can you give an example of a longer word with even more Rs?

PRACTICAL IMPLICATIONS

PRACTICAL IMPLICATIONS: SPELLING

Tokens are great, because they reduce the calculations we need. But it means that there is an abstraction between the word **as humans read it** and the word **as LLMs "understand" them**.

Let's look at how strawberry is tokenized:

An LLM has **no concept of spelling** words one word at a time like we do.

GPT-4o & GPT-4o mini (coming soon)

GPT-3.5 & GPT-4

GPT-3 (Legacy)

Hi, what is your job?

Strawberry picker.

Clear

Show example

Tokens

15

Characters

41

Hi, what is your job?

Strawberry picker.

<https://platform.openai.com/tokenizer>

PRACTICAL IMPLICATIONS: KNOWLEDGE

Because LLMs guess words one token at a time, they don't have knowledge of the world – most of the time, words we use are not even individual words to an LLM.

Any knowledge in an LLM is a pure coincidence. When LLMs produce "correct answers", it is just because they have been trained on text that contained those sequences of tokens enough times that their probability distributions allow for those correct answers.

PRACTICAL IMPLICATIONS: INTERRELATED MEANING INCREASES UNCERTAINTY

Because of the attention mechanism, the meaning of a sentence can be completely shifted by changing one word or even one symbol.

This is fundamentally good, because it is what makes LLMs as powerful predictors as they are.

This makes it difficult for us, because we don't always agree on how the meaning of a sentence should be changed by the words in it.

PRACTICAL IMPLICATIONS: LLMS WANT TO REPRODUCE THEIR TRAINING DATA

For good and bad, LLMs learn from their training data.

The good:

This is how they know what tokens are likely to follow a specific sequence of tokens.

The bad:

If they have seen the same tokens together many times, they will stick with them.

KEY TAKEAWAYS FOR CONTROLLING LLMS

Never rely on LLMs for

- spelling,
- knowledge,
- reasoning, or
- thinking outside the box about established ideas (e.g., Schroedinger's dead cat)

LLMs generate words based on input text. Your **input text is your primary way to control** what words are generated. Even if you don't know exactly how it will interpret your words.

Using **model parameters** can help us constrain, or move away from or towards typical responses.

WHY SO MANY NEW TERMS?

- You need a rough intuition of these terms to understand the field of AI
- You will need to withstand in a world where everything is called „an AI“
 - Companies frame mostly everything as „AI“
 - Having an intuition of all the terms allows you to correctly value a product
 - You will have to answer questions like:
 - It this possible using AI?
 - It this worth the price?
- ChatBot
- Artificial Intelligence
- Large Language Model
 - Attention
 - Transformer Architecture
 - Embedding
- Machine Learning

TODAY'S TL;DR

Large Language Models are exceptional at some things, and very poor at other things.

These strengths and weaknesses are easy to understand and explain if we know how they work.

We should consider their strengths and weaknesses when deciding what to use them for, and what not to use them for.

We can use our understanding of how they work to control them.

Keep in mind:

We (heavily) simplified things in this lecture!

QUESTIONS & COMMENTS

Menti „Q&A“



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