



Looking back to look forward: What 2025 taught us and where 2026 is taking us

HFS RESEARCH WEBINAR

PRESENTED BY

Phil Fersht, CEO and Chief Analyst

Saurabh Gupta, President of Research and Advisory Services

Dana Daher, Executive Research Leader



Phil Fersht
CEO and
Chief Analyst



Saurabh Gupta
President of Research
& Advisory Services



Dana Daher
Executive
Research Leader

Welcome & housekeeping

Thank you for joining us today!

Important notes:



All participants are automatically muted by the webinar administrator.



There will be a Q&A session following the presentation. Please feel free to send your question(s) at any time using the chat feature.



This webinar will be recorded and posted on the HFS Research webinar page. We'll also email you the recording once it's available

Why HFS?

We Don't Follow the Narrative. We Create It.



HFS Shaping the Narrative

- **RPA (2012–13)**
Pioneered the definition and adoption of robotic process automation.
- **As-a-Service Economy (2014)**
Shift from traditional outsourcing to plug-and-play, outcome-based services.
- **Digital OneOffice™ (2016)**
Unified front-to-back operations driven by data, automation, and customer-centricity.
- **Generative Business Services™ (GBS) (2023)**
Using generative and agentic AI to transform business operations into intelligent, adaptive systems that continuously create value.
- **Services-as-Software™ (2024)**
The convergence of services and software into scalable, IP-led solutions.



HFS Research is the most influential advisory firm at the intersection of services and software

What defines us



We DEFINE the market. We introduce the ideas and frameworks that reset how the industry thinks, from OneOffice, RPA, Generative Enterprise to Services-as-Software.



We give practical guidance, not theory. Our advice is grounded in real work with clients and patterns we see across the industry, not abstract concepts or vendor narratives.



We bring the enterprise voice to the table. Through OneCouncil, 250+ senior leaders shape our research with lived experience, not vendor marketing.



We ground every insight in real enterprise data. Our insights are powered by 12,000+ enterprise leaders and 50+ global surveys each year, giving you a view no one else has.

Our impact

250

Enterprise leaders in OneCouncil

15,000

Enterprises surveyed per year

500K

Data points from enterprises across industries, regions, and functions.

20M+

LinkedIn impressions across the HFS analyst team over the last 12 months

Global presence across North America, Europe, Middle-East and APAC

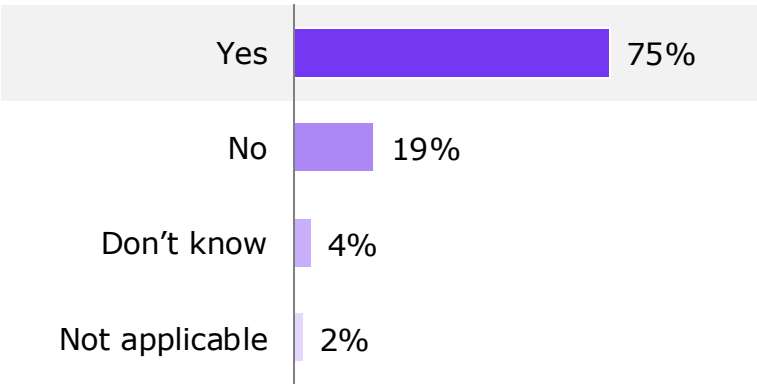
What 2025 taught us

Enterprises lost patience with legacy service models — cost, speed, and value no longer matched AI-era needs

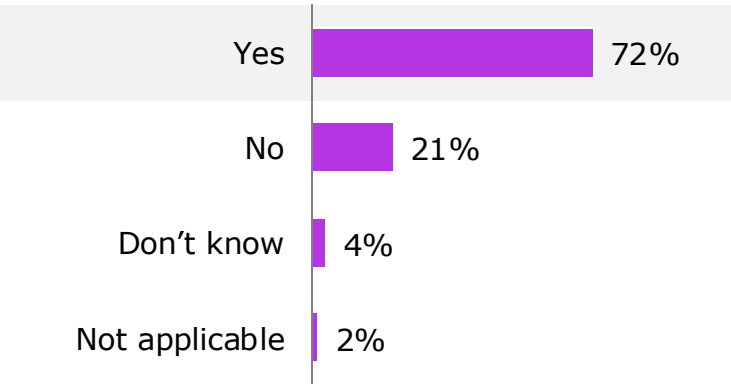
Is your firm seeking to renegotiate contracts with your service and SaaS providers in 2025?

% respondents

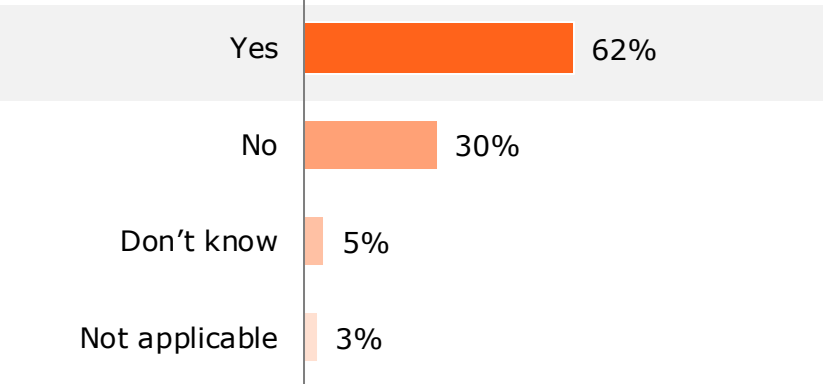
Business process outsourcing (BPO) service providers



IT service providers



Software and SaaS vendors



Services are Overpriced, Slow, and Labor-Heavy

- ✗ **Billable hours and FTE-based pricing measure effort, not outcomes**
- ✗ **Services don't scale efficiently:** Revenue is tied to **human labor**, making profitability **linear**
- ✗ **Service firms profit from inefficiency**

Software is Static, Bloated, and Dumb

- ✗ **Feature bloat:** SaaS platforms keep adding features no one uses
- ✗ **Rigid workflows:** Enterprises have to configure everything manually
- ✗ **Still requires services:** Most enterprise SaaS products still need consultants to make them work

Sample: 605 executives across Global 2000 enterprises
Source: HFS Research, 2025

The HFS AI-First Deal Lab helps enterprises and providers escape the outdated outsourcing model and build sourcing structures designed for the AI era...

Stop RFP theater, beauty parades, and box-checking benchmarks:

- **RFP drag:** 90–120 days of paperwork before any work starts.
- **Inputs, not outputs:** Multi-year, rigid contracts written around FTEs rather than outcomes
- **Deck theater:** Vendors win with slides; you get no observable KPI lift.
- **Wrong incentives:** Input-priced deals disincentivize innovation and gainshare models collapse.
- **Change friction:** Any tweak triggers change orders and delay.
- **Adversarial relationships:** Contract managers, sales teams, and procurement teams stifle innovation.
- **Pitch ≠ delivery:** The team that sold it isn't the team that shows up.

HFS AI-First Deal Labs



Case-Study
Driven



Pressure-Testing
Workshops



Co-Design and
Optimization



100-Day AI-
Readiness Plan

AI-First Deal Lab

Smarter. Faster. Future-proof deals for the AI era.

2025 delivered one of the biggest AI booms we've ever seen



ChatGPT became the 5th most visited website globally at 5.8 billion visits



Generative AI startups raised over US\$49 billion in the first half of 2025, surpassing the total amount raised in 2024



More than half of global venture-capital funding in 2025 flowed into AI startups



AI deal value surged: AI-related M&A/PE/VC transactions increased 127% year over year

Services-as-Software™ emerges as a brand-new category with a **\$1.5T** TAM

Enterprise GenAI investment is set to grow by over **32%** in the next 12 months

On average, enterprises are directing **7%** of their total tech spend to agentic AI

Agentic AI investment is set to surge **~38%** next year — even faster than GenAI spend

Sample: 545 Fortune 20000 leaders
Source: HFS Research, 2025

What was 2025 and moving into 2026...

2025 changed the world because AI became the default interface for work

2025 exposed the next operating model: Services-as-Software™

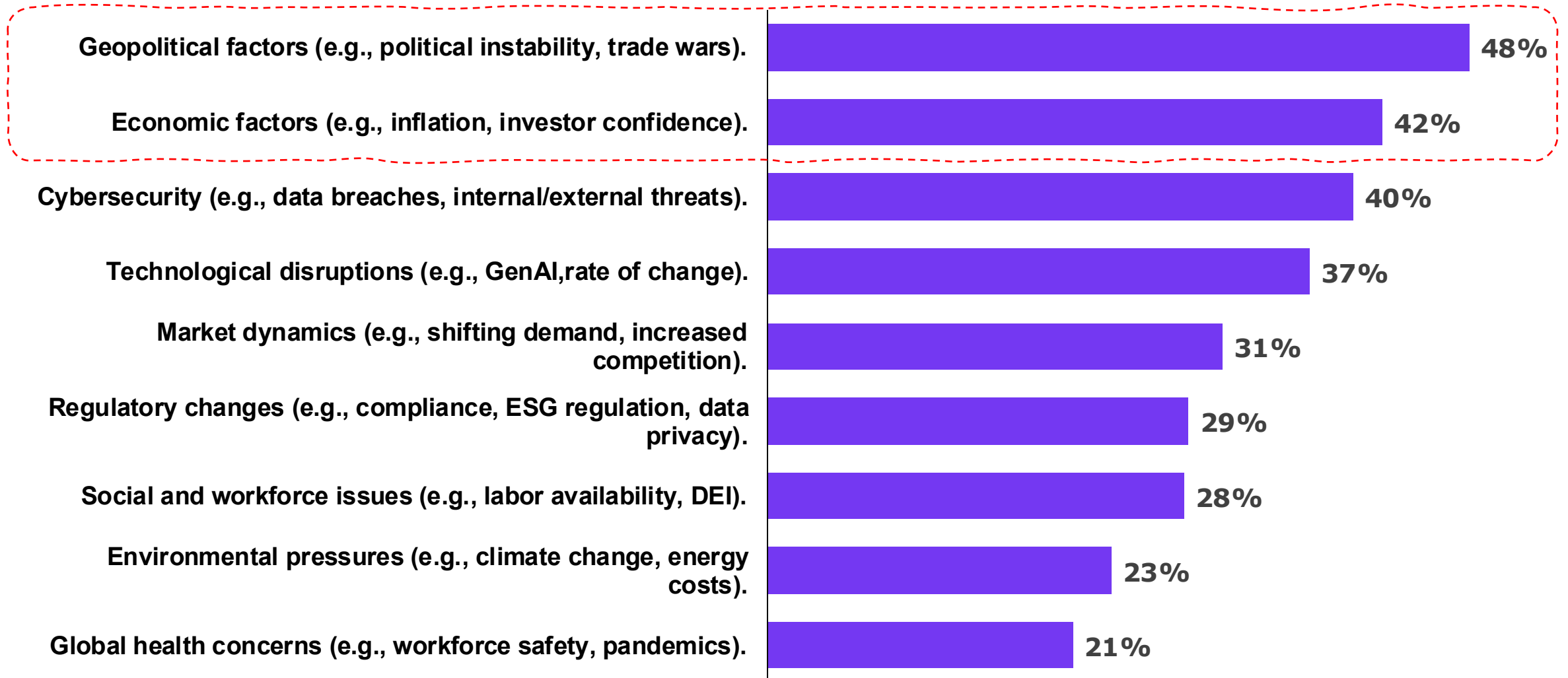
“AI did it” became the corporate belly-fat alibi

Professional services hit an identity crisis: stop eating your young

Why 2026 is the year of “How to AI”...

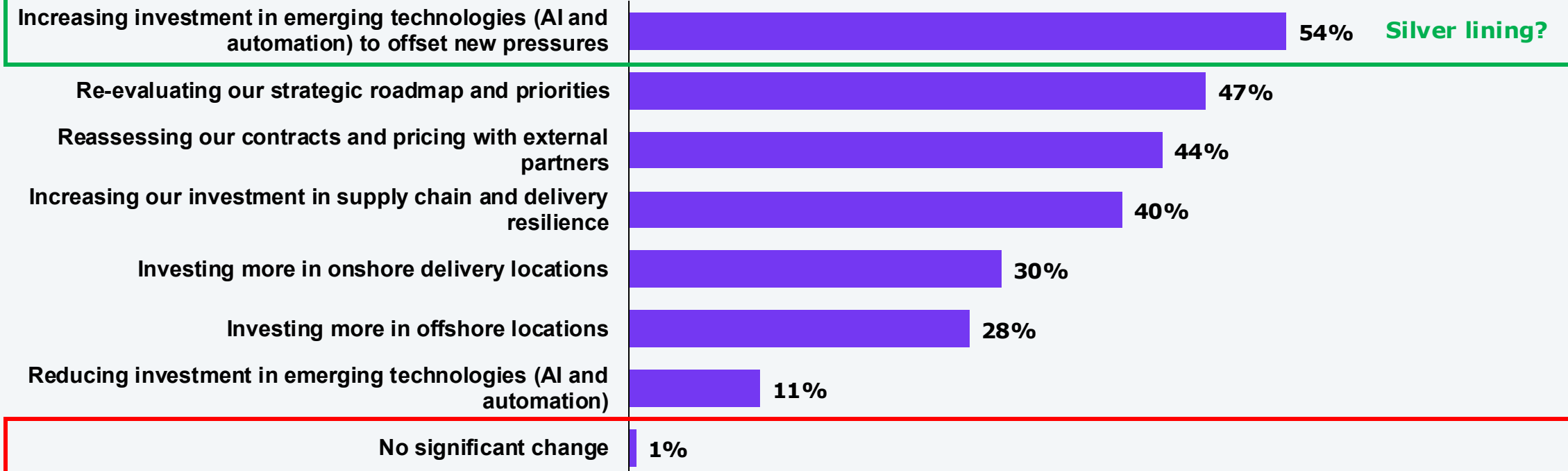
Geopolitics dominated corporate strategy

What are the most concerning external factors impacting your organization's ability to achieve your strategic priorities?



Enterprises reassessed their priorities in response to Trump-era tariffs

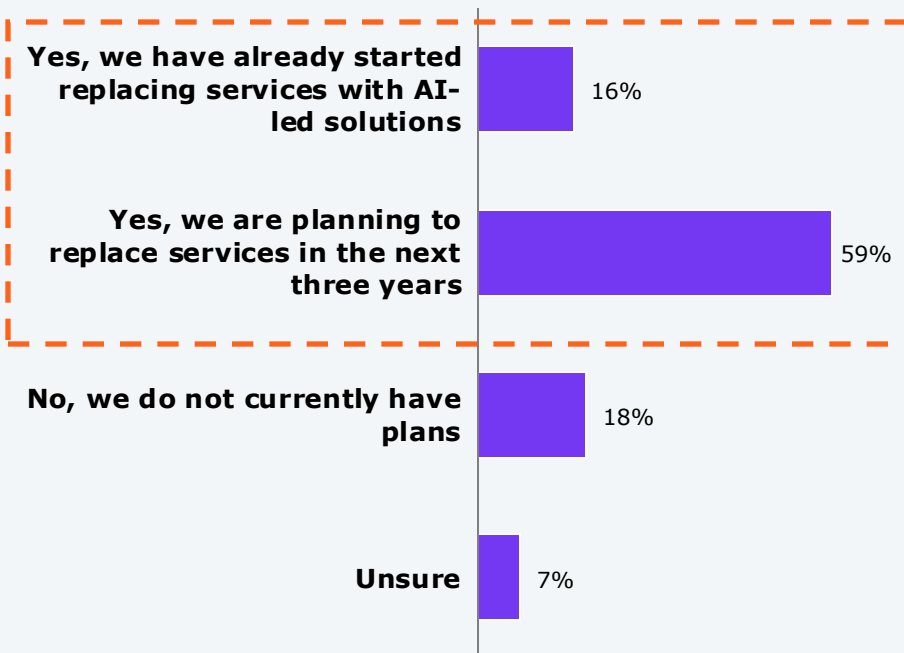
How is your organization's strategy changing in response to Trump-era tariffs?



Sample: 305 major enterprise decision makers
Source: HFS Research Pulse, 2025

AI shifted from enhancement to replacement: 75% are already replacing traditional services

Has your organization started or is planning to replace human-led services or business processes with AI-led solutions?



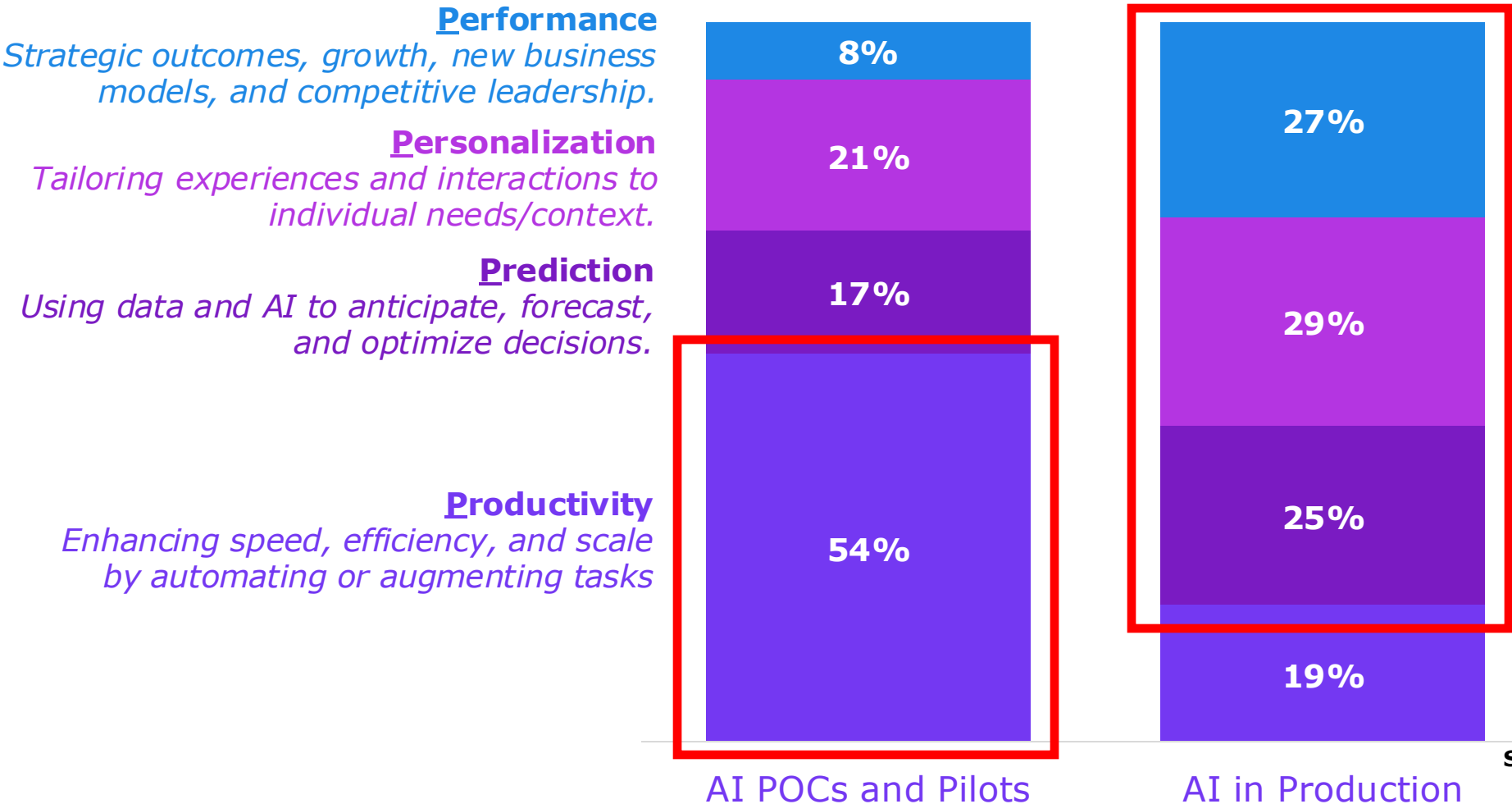
What type of services or processes is your organization considering replacing with AI-led solutions?



Sample: 305 enterprise decision makers across Global 2000
Source: HFS Research Pulse, 2025

Productivity became AI hygiene as focus shifted to Performance, Personalization, and Predictability

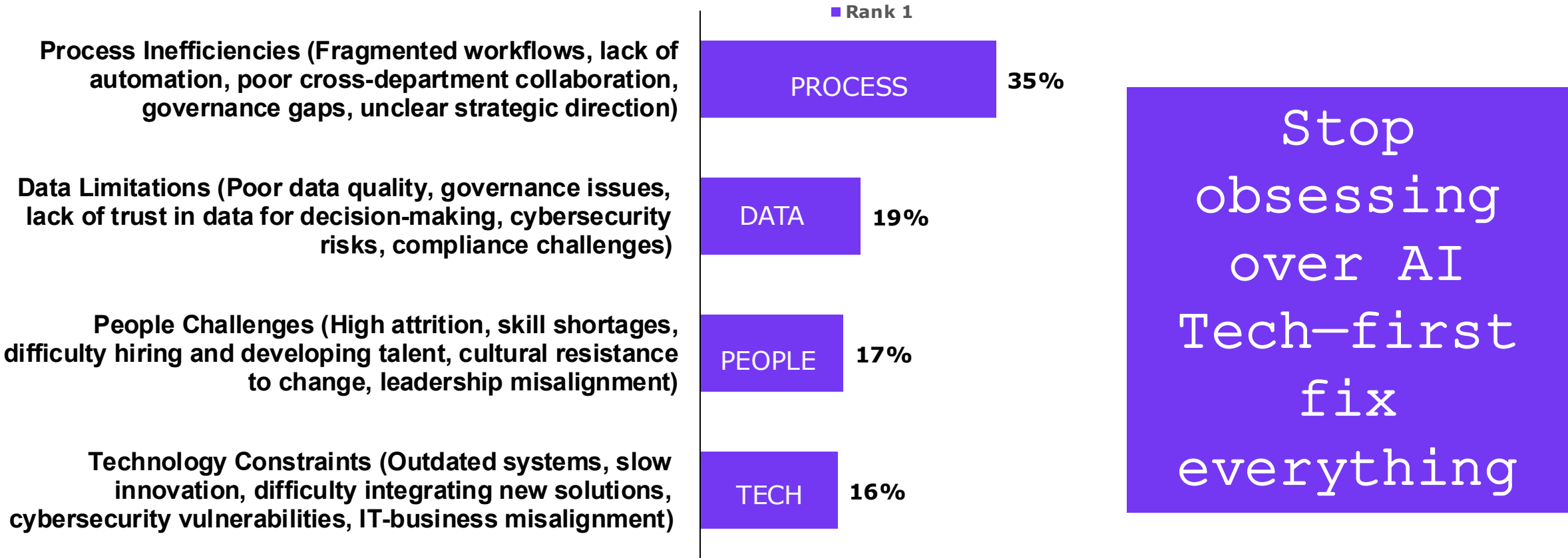
Distribution of GenAI and Agentic AI Outcomes by Stage of Deployment
% use cases



Sample: 979 GenAI and Agentic AI use cases collected by HFS over the last 12 months
Source: HFS Research, 2025

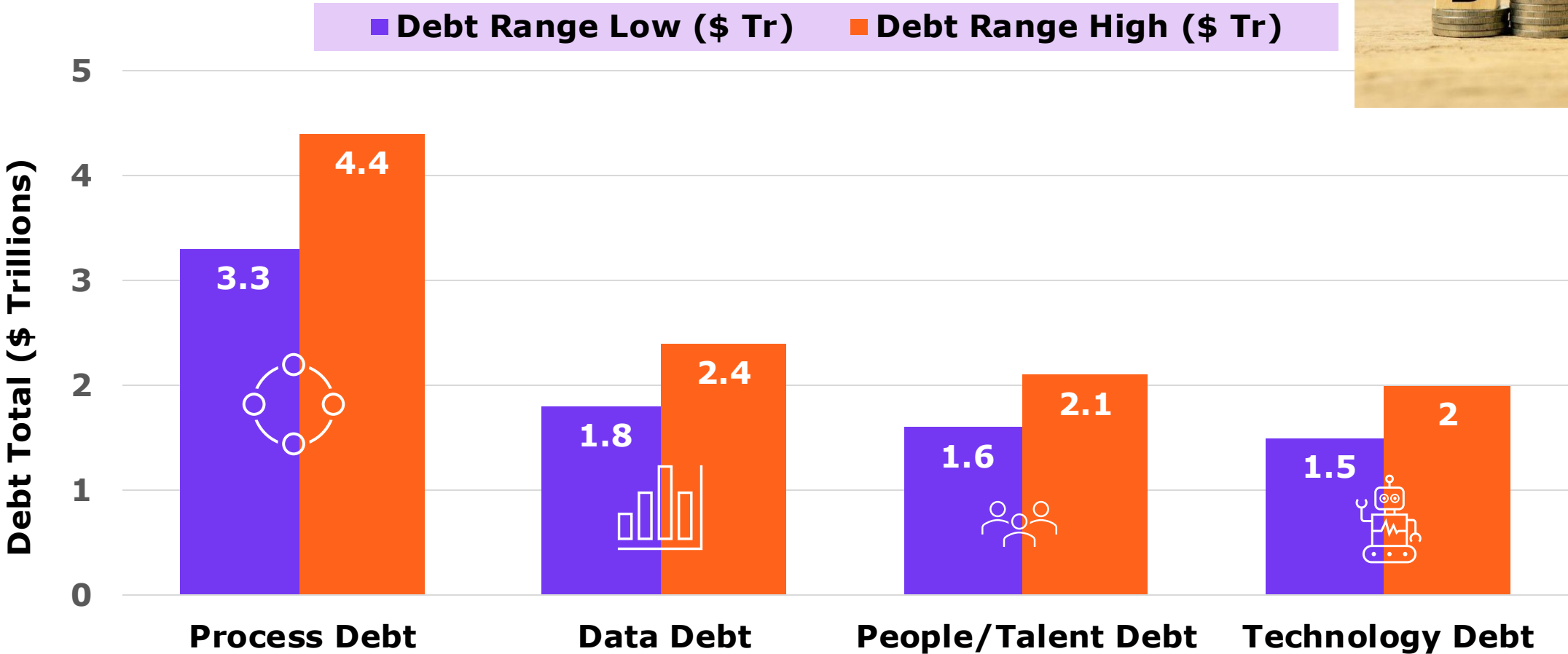
Technology was no longer the excuse...

Please rank the following challenges based on their impact on your organization's ability to achieve its goals



Sample: 305 major enterprise decision makers
Source: HFS Research Pulse, 2025

Total enterprise debts = \$10 Trillion



Sample: 305 major enterprise decision makers, various external data sources
Source: HFS Research, 2025

Closing our AI Velocity Gaps became critical

Individuals are becoming AI-empowered while enterprises fall behind



Individual Advantage

(Sunday experience)

- **Zero Friction Adoption.** Connect your Gmail, calendar, OpenTable. No IT approvals needed.
- **Tolerance for Imperfection.** If AI screws up, you fix it yourself. Stakes are manageable.
- **Immediate ROI.** Save time on routine tasks today. No business case required.
- **Rapid Experimentation.** Test, iterate, and adopt what works. No pilot purgatory.



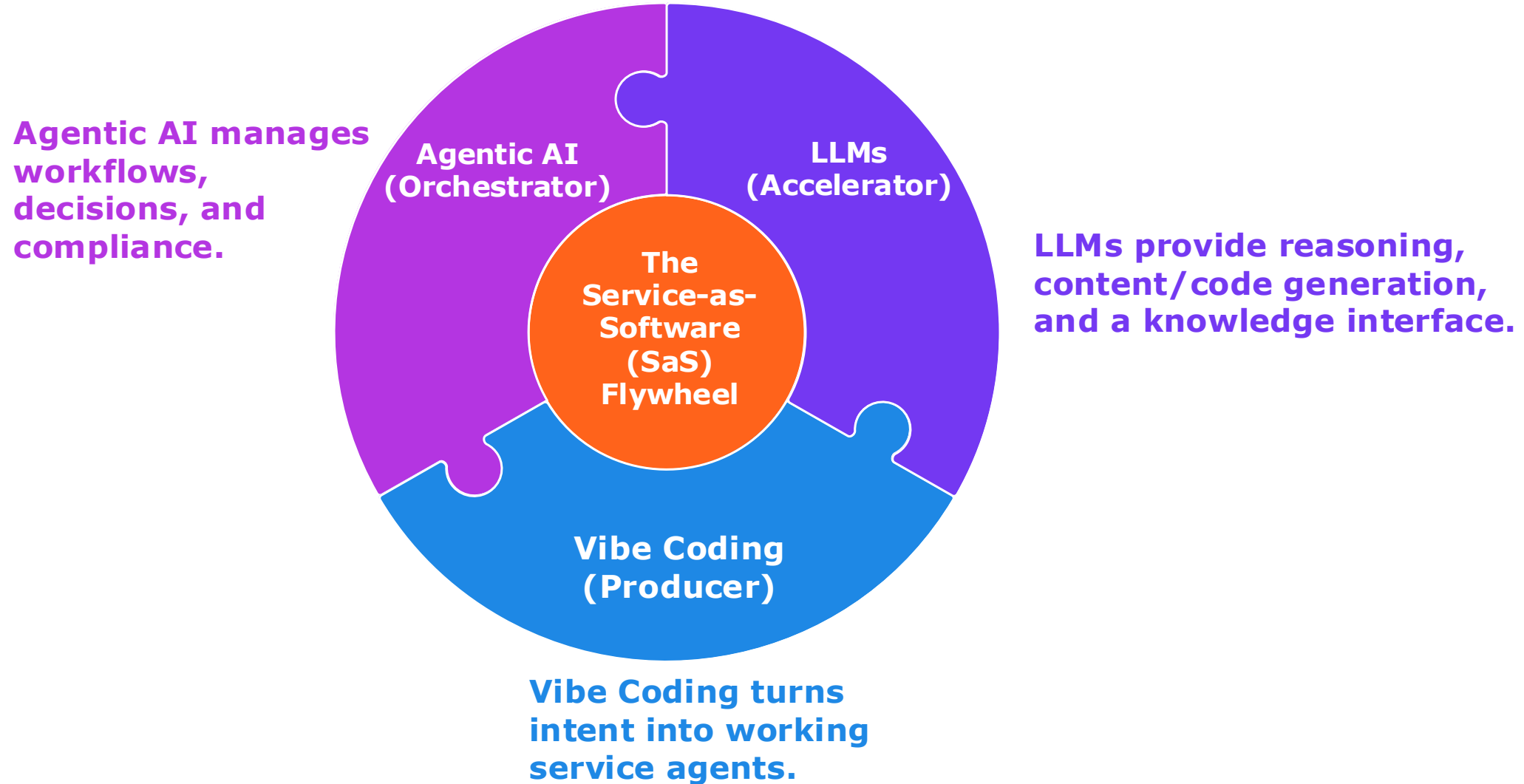
Enterprise Barriers

(Monday experience)

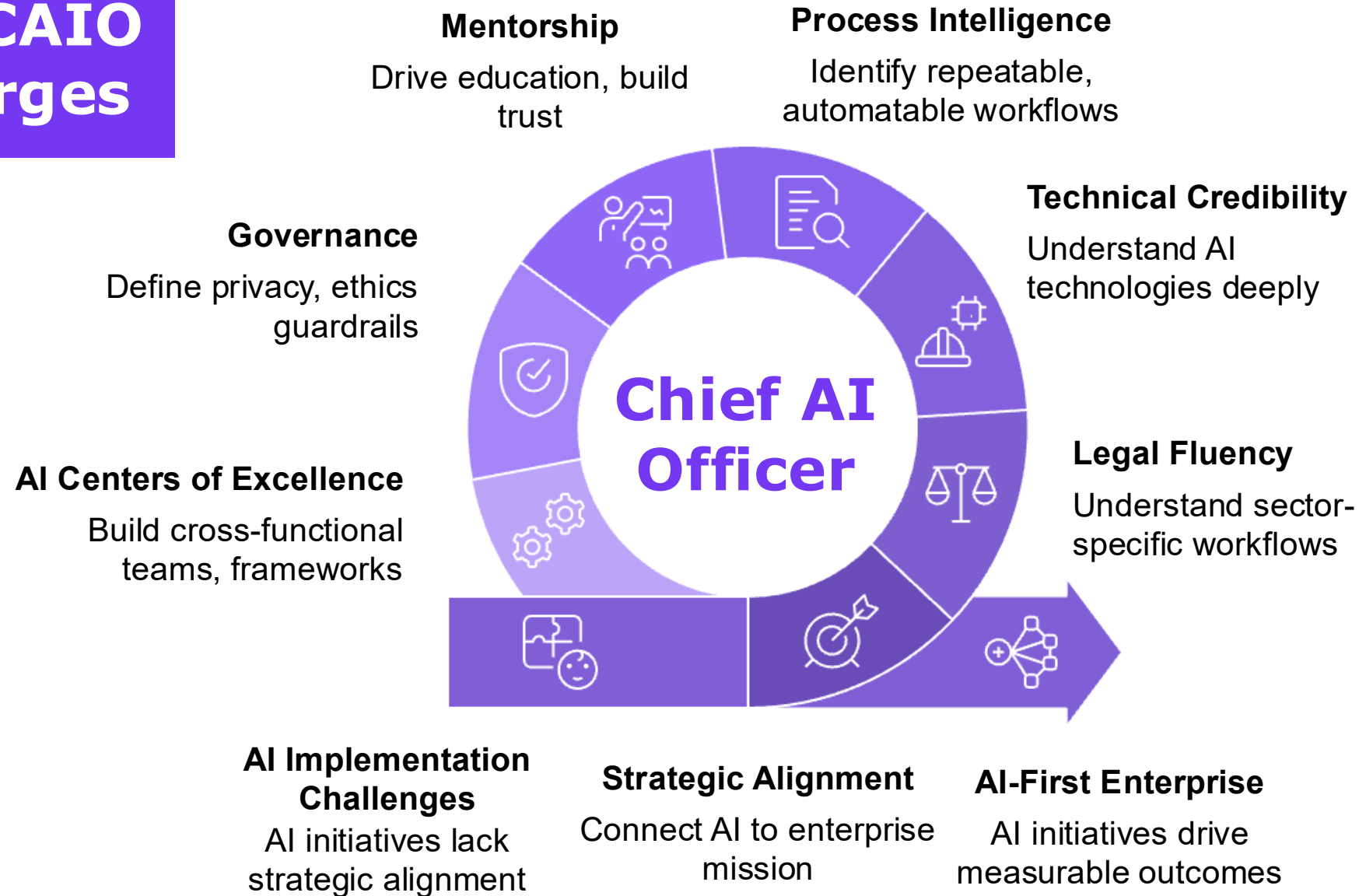
- **Siloed Systems.** Data stuck in Salesforce, SAP, and ServiceNow. No unified access.
- **Tribal Knowledge.** Workflows live in email chains, not documented processes.
- **Compliance Paralysis.** Security teams debate ChatGPT while agents need system access.
- **Governance Vacuum.** Who's liable? How to audit? "Trust infrastructure" doesn't exist.

Your best employees are already AI-augmented...
While your enterprise is forming committees

Agentic, LLMs and Vibe Coding became the triumvirate AI tools enabling Services-as-Software



The CAIO Emerges

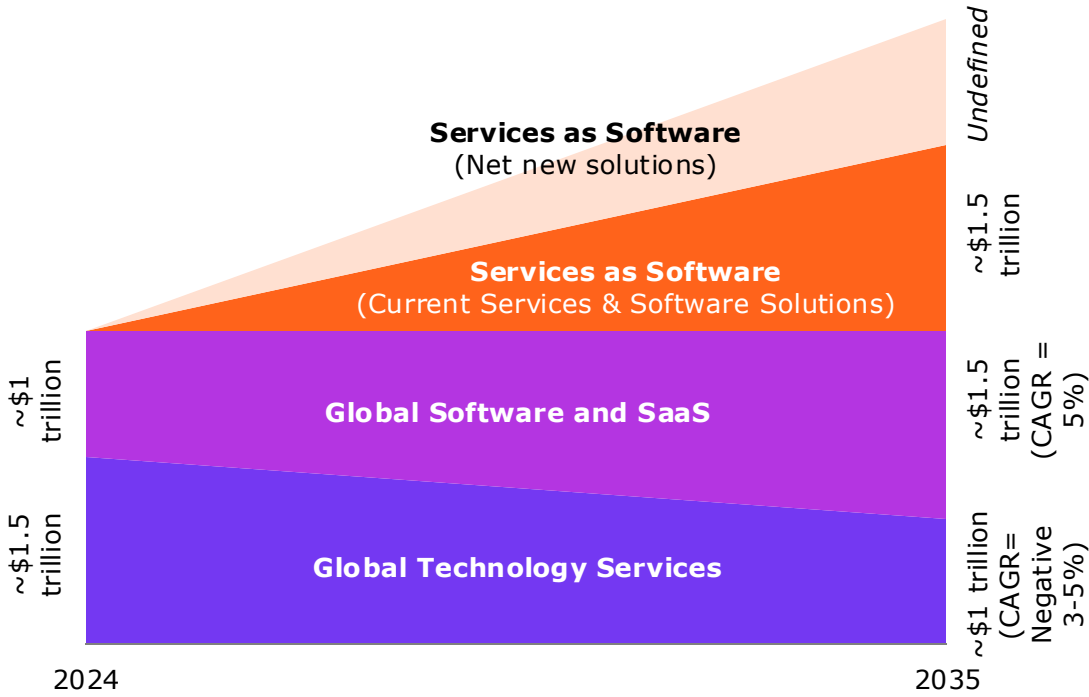


HFS expects Services-as-Software™ will become a \$1.5 trillion+ market by 2035, absorbing revenue from both traditional IT services and SaaS

SaaS versus Services versus Services-as-Software

Feature	SaaS	Services	Services-as-Software
Delivery Model	Static software	People-driven	AI-driven, autonomous
Customization	Limited	Labor intensive	Infinite (AI-led)
Pricing	Per-seat, feature based	Billable hours, FTE-based	Outcome-based, consumption-driven
Adaptability	Pre-set workflow	Custom consulting	Dynamic, real-time

Projected market forecast for Software and Services
(Including Services as Software)
HFS estimates



But it didn't feel like a boom: 2025 was defined by tension



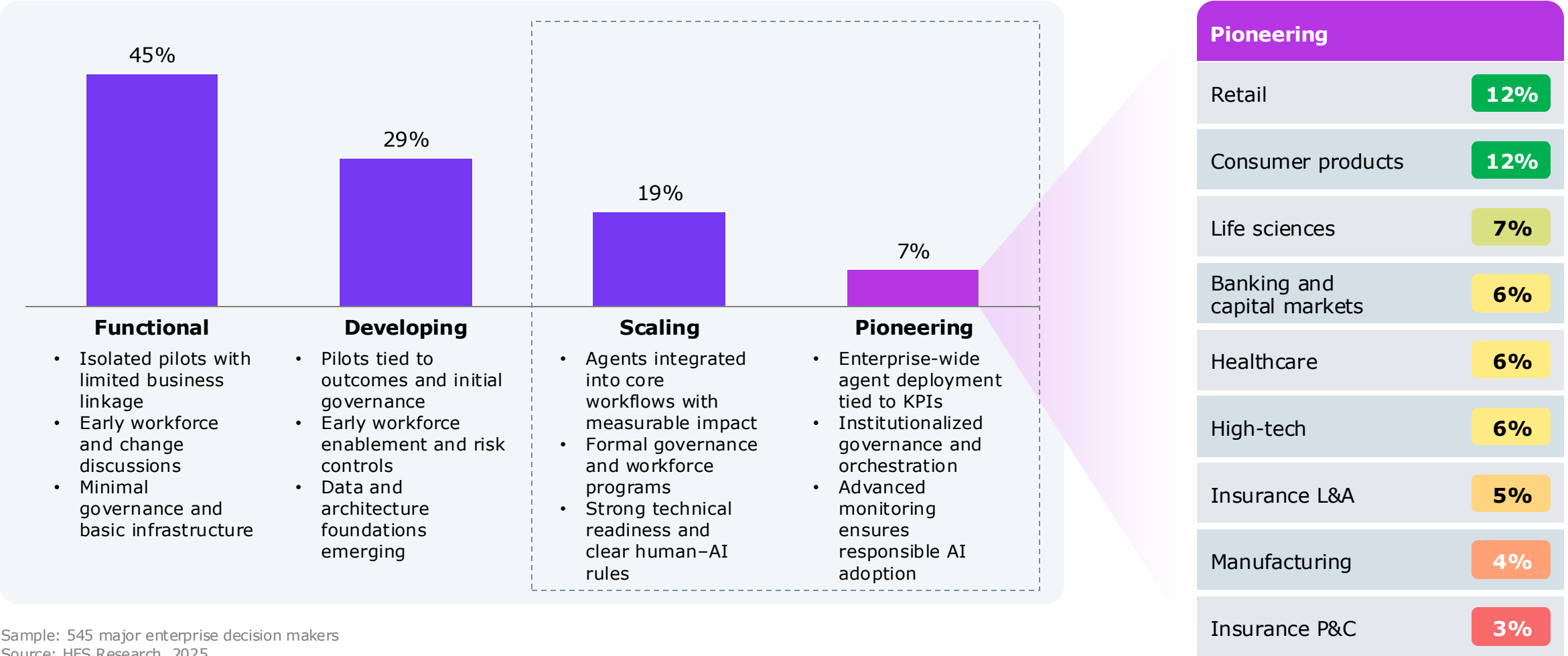
**Geopolitical instability vs. the need
for operational resilience**

**Economic pressure vs. acceleration
of AI investment**

**AI velocity vs organizational
readiness**

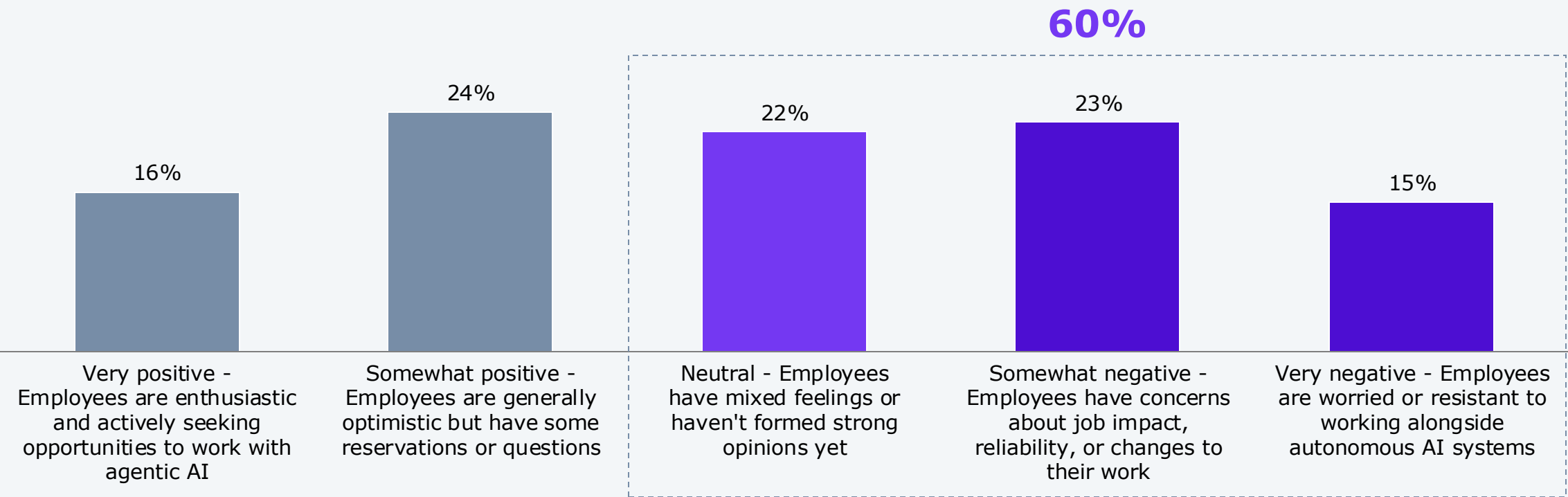
**Tech optimism vs. workforce
anxiety**

A widening maturity gap left only 7% able to scale agentic AI meaningfully



Sixty percent of the workforce sits in uncertainty or concern, not enthusiasm

How would you characterize employee sentiment toward agentic AI in your organization?

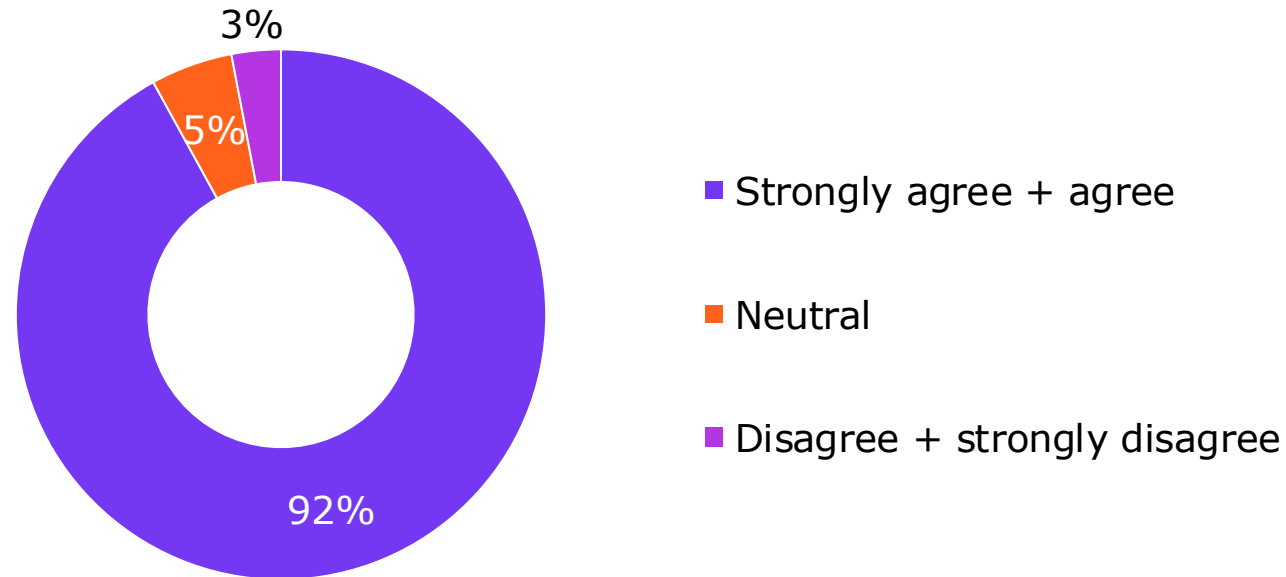


Source: HFS Research, 2025

But this year also gave us a bold ambition to reinvent how work gets done

Q9. To what extent do you agree with the following statements?

Agentic AI will reshape the fundamentals of how work gets done in our organization



Source: HFS Research, 2025

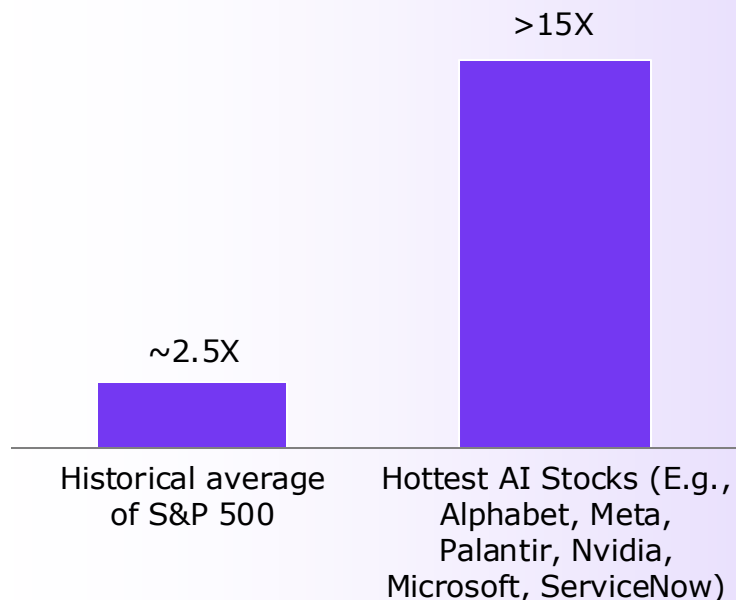
Now it is time to turn that ambition into action.

**2026 is the year of
"How to AI"**

Markets have priced in transformation long before we have figured out HOW to deliver meaningful AI outcomes

Hot AI Valuation

Price to Sales (P/S) Ratios of publicly traded companies



'How to AI'
is the missing link
between
AI Valuations and
Enterprise Adoption
Investors are
treating potential
as if it were
performance

Simmering AI Adoption

Only **7%** global 2000 enterprises have enterprise-wide **agentic AI** deployment

The average IT industry revenue per FTE and margin per FTE (indicators of **non-linear growth**) increased by only **1%** over the last 12 months

2026 will break this disconnect one way or the other!

Source: HFS Research, 2025

The WHY is clear. The WHAT is emerging. But “HOW to AI” remains a black hole.

Why AI? Crystal Clear

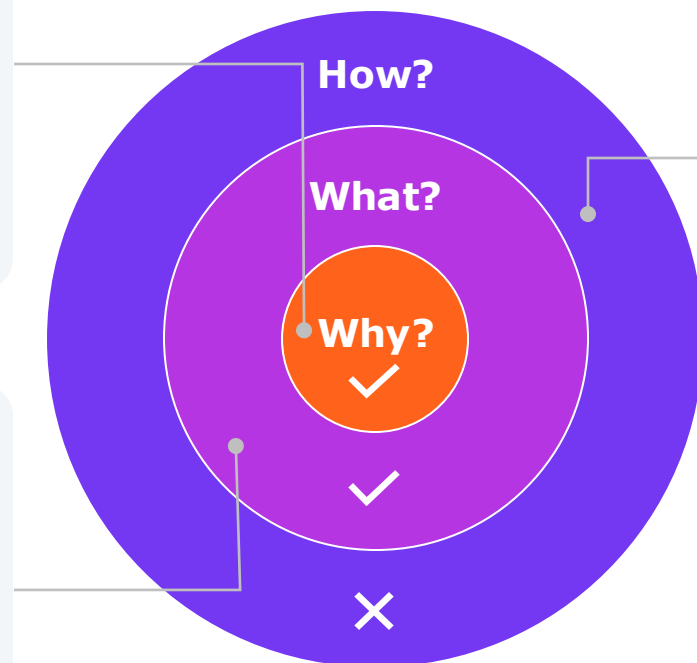
The people-driven model is out of gas

- Global productivity stuck below **1%** (OECD).
- **\$1.5T** Services-as-Software forecasted TAM
- **75%+** enterprises are already replacing or planning to replace services with AI solutions

What? Evolving at Ridiculous Speed

The tech is not the problem anymore

- Hallucinations: ↓ **30–50%**
- Reasoning accuracy: ↑ **500%**
- Agent task success: **15% → 60%+**
- Inference cost: ↓ 70–80%
- Context windows: **100× expansion**
- Multimodal: **near-human** accuracy

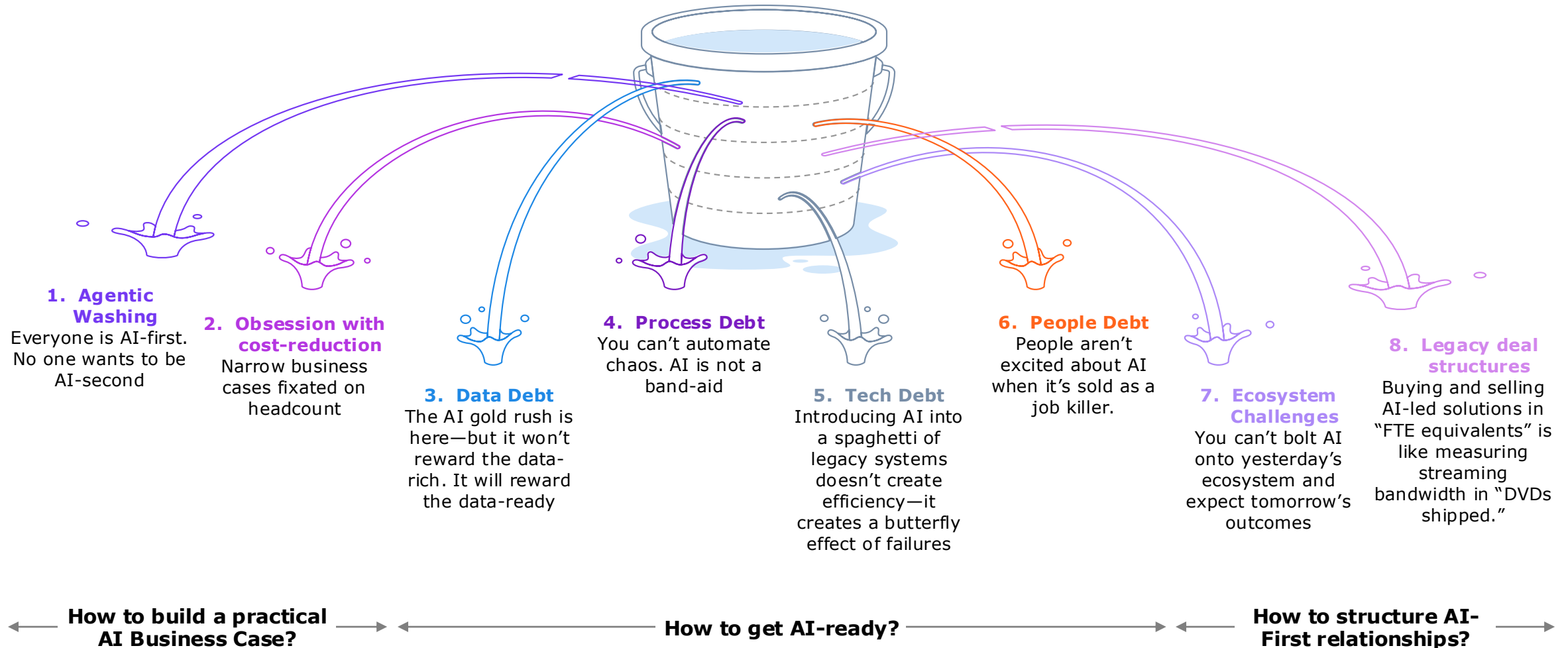


How? Black hole

The strategy-to-execution gap will define 2026

- **How to build a practical AI Business Case?** Obsession with cost-reduction will fail AI ambitions
- **How to get AI-ready?** AI fails if enterprises don't pay their process, data, people, and technical debts
- **How to structure AI-First relationships?** The labor-based commercial model collapses in an AI world.

How to AI? Don't let your Agentic AI ambitions drain away



The HFS AI-First Deal Lab is our bold advisory service that helps enterprises and providers escape the outdated outsourcing model and build sourcing structures designed for the AI era

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Smarter. Faster. Future-proof deals for the AI era.

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HFS AI-First Deal Labs



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Driven



Pressure-Testing
Workshops



Co-Design and
Optimization



100-Day AI-
Readiness Plan

Trends and Predictions

The 10 macro trends guiding the HFS Research Agenda

These 10 trends define where HFS will focus its research in 2026. Each represents a fundamental shift in how enterprises operationalize intelligence and reshape their business systems around AI.

- 01** Dealmaking will be reengineered for the Services-as-Software economy
- 02** Agentic platforms and business systems will break the ERP mold
- 03** Tariffs, localization, and sovereignty will rewire global delivery
- 04** Security and liability will escalate in an AI world
- 05** The GCC-provider divide is collapsing
- 06** The human-AI operating model becomes the next design frontier
- 07** Commoditization and new entrants destabilize markets
- 08** Democratization of AI capabilities' and rise of vibe coding
- 09** Critical mass builds for the energy transition
- 10** Physical AI reshapes real-world operations

Invest in young talent or lose the future



The Challenge

- College **graduate unemployment** at 7% in US - well above national average
- The cadetship model has **eroded** due to a combination of AI and outsourcing
- AI is becoming a symptom of **corporate greed**, and we must address this fast

The Risks

- Firms that rip out junior headcount lose their **identity**.
- Developing young talent creates and shapes your **culture**
- Mid-market firms will **eat your lunch** while you obsess with cost control

The Solution

- The **principles** of scaling talent and tech are the same. It's the **skills** and the **tech** which is changing
- **Learnability** is the new critical capability
- We have a **duty** to create opportunities for young people
- Lean into **both** young talent and AI tech
- Build a culture and identity around what it **means** to work for your firm.

About HFS

- **INNOVATIVE**
- **INTREPID**
- **BOLD**

HFS Research is a leading global research and advisory firm helping Fortune 500 companies through IT and business transformation with bold insights and actionable strategies.

With an unmatched platform to reach, advise, and influence Global 2000 executives, we empower organizations to make decisive technology and service choices. Backed by fearless research and an impartial outside perspective, our insights give you the edge to stay ahead.



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