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HFS WINTER SUMMIT

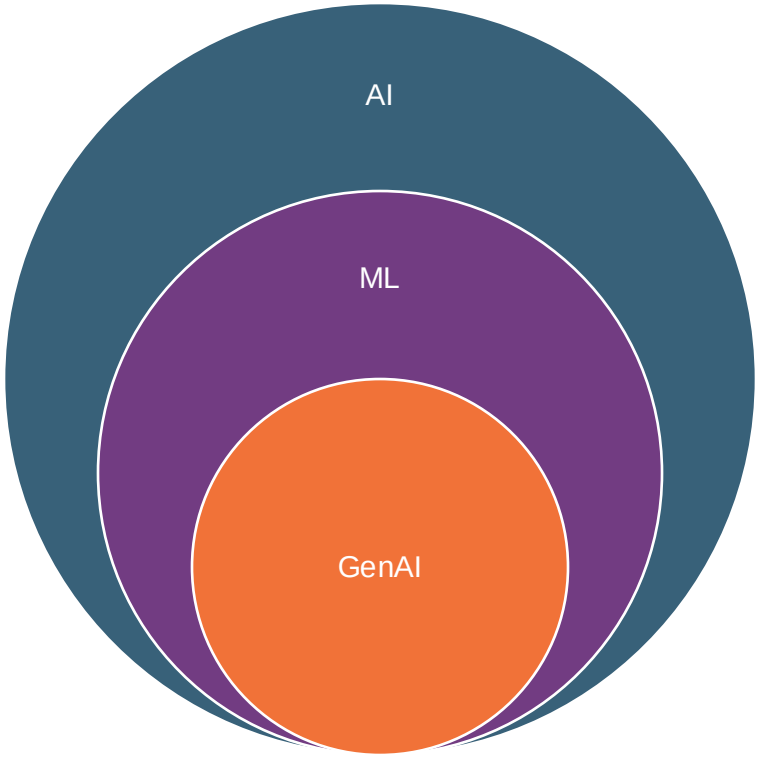
THE GREAT ENTERPRISE REGENERATION

2030 HFS Services Technology Vision: The Lines They are A-Blurrin'

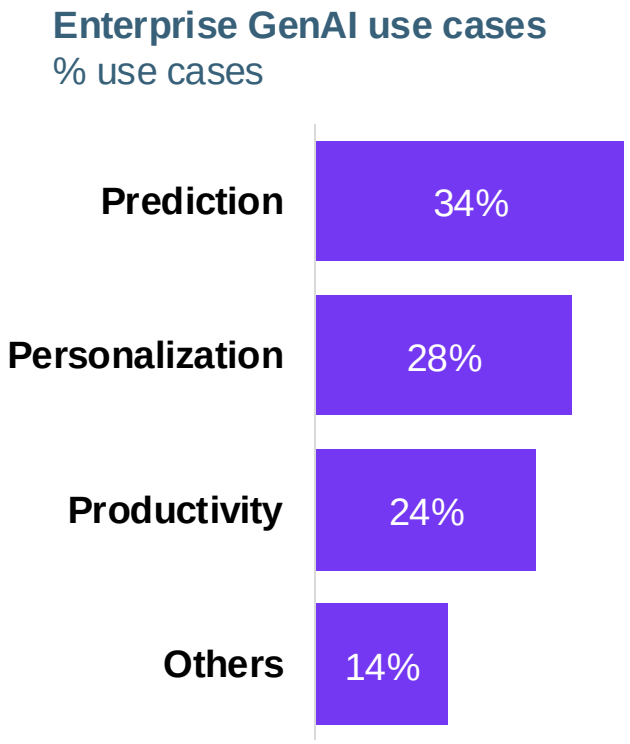
Phil Fersht, CEO and Chief Analyst

HFS Winter Summit, NYC December 3rd 2024

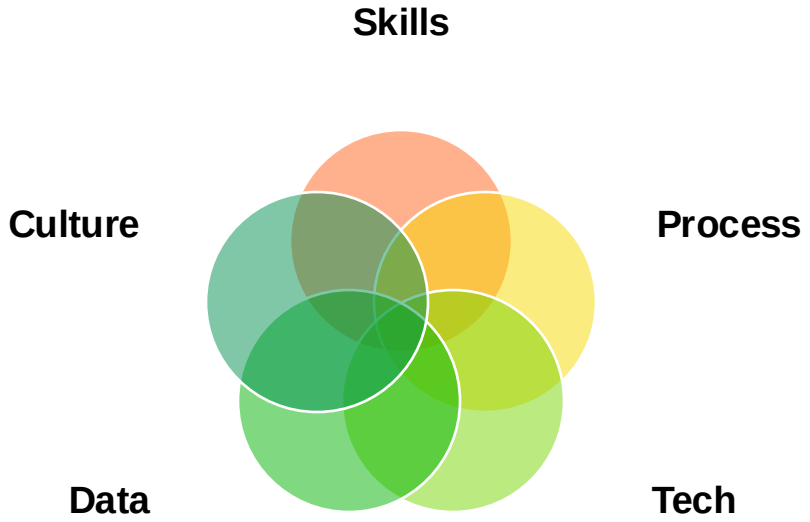
2023 was about the WHAT



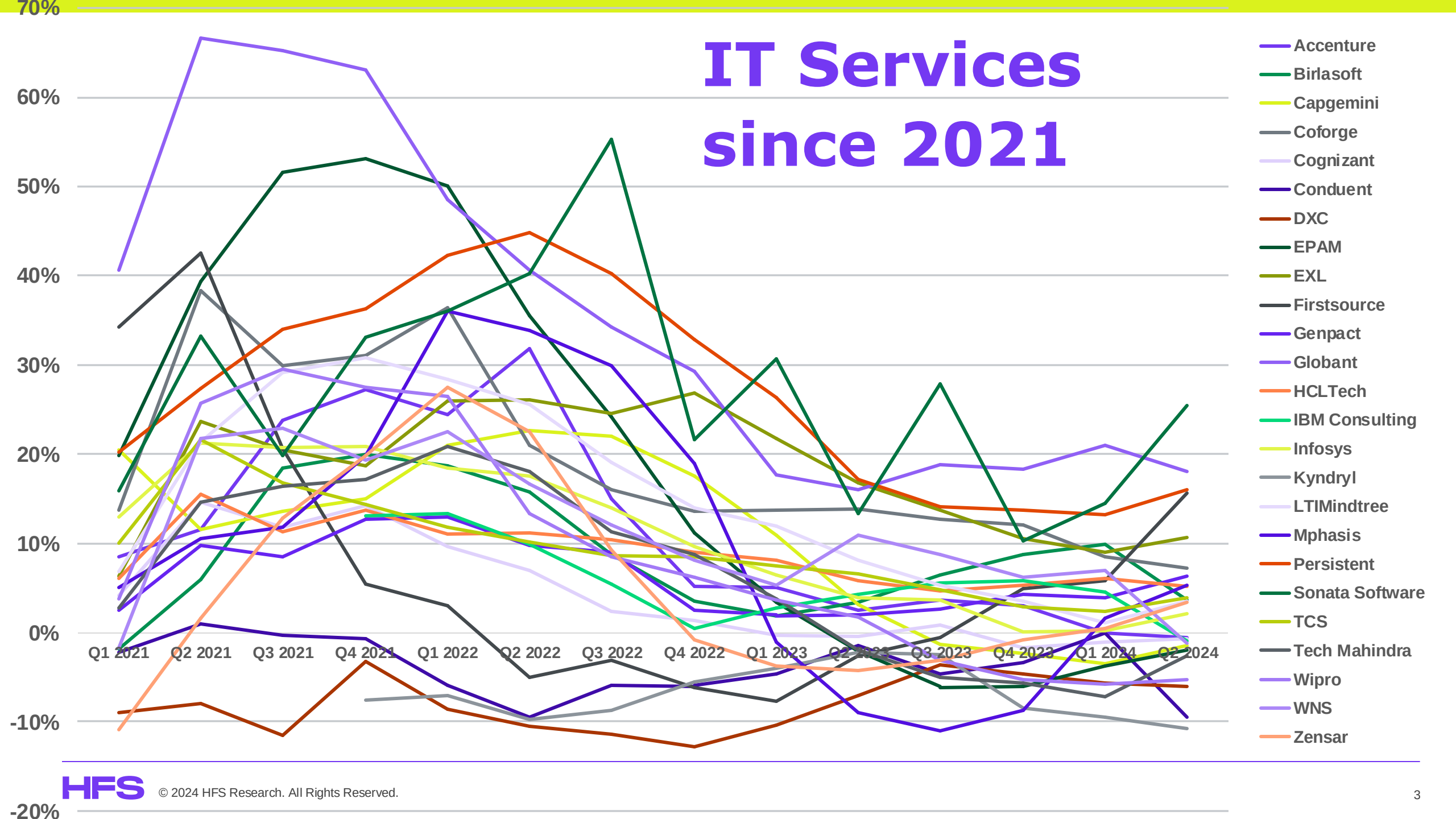
2024 is about the WHY



2025 will be about the HOW

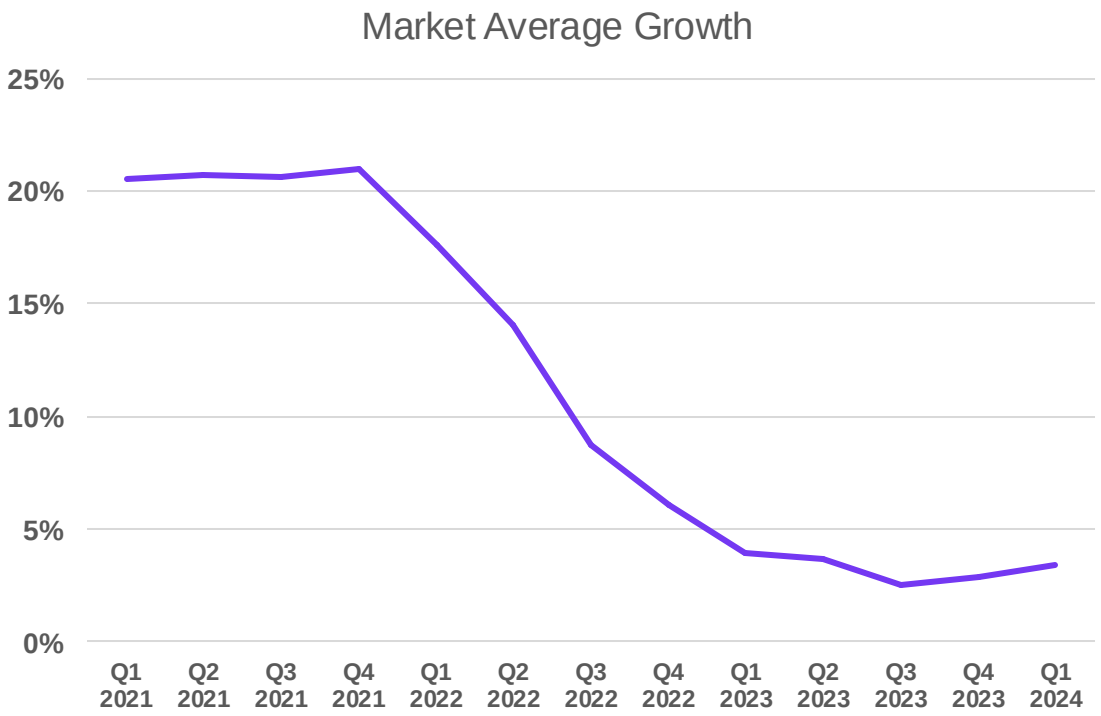


IT Services since 2021



The traditional services model is already breaking down

The average growth rate for service providers fell by 83%, dropping 17 percentage points



Sample: Accenture, Birlasoft, Capgemini, Coforge, Cognizant, Conduent, DXC, EPAM, EXL, Firstsource, Genpact, Globant, HCLTech, IBM Consulting, Infosys, Kyndryl, LTIMindtree, Mphasis, Persistent, Sonata Software, TCS, Tech Mahindra, Wipro, WNS, Zensar

Companies are renegotiating deals while looking to spend more with diverse partnerships

72% Plan to renegotiate their IT Service contracts

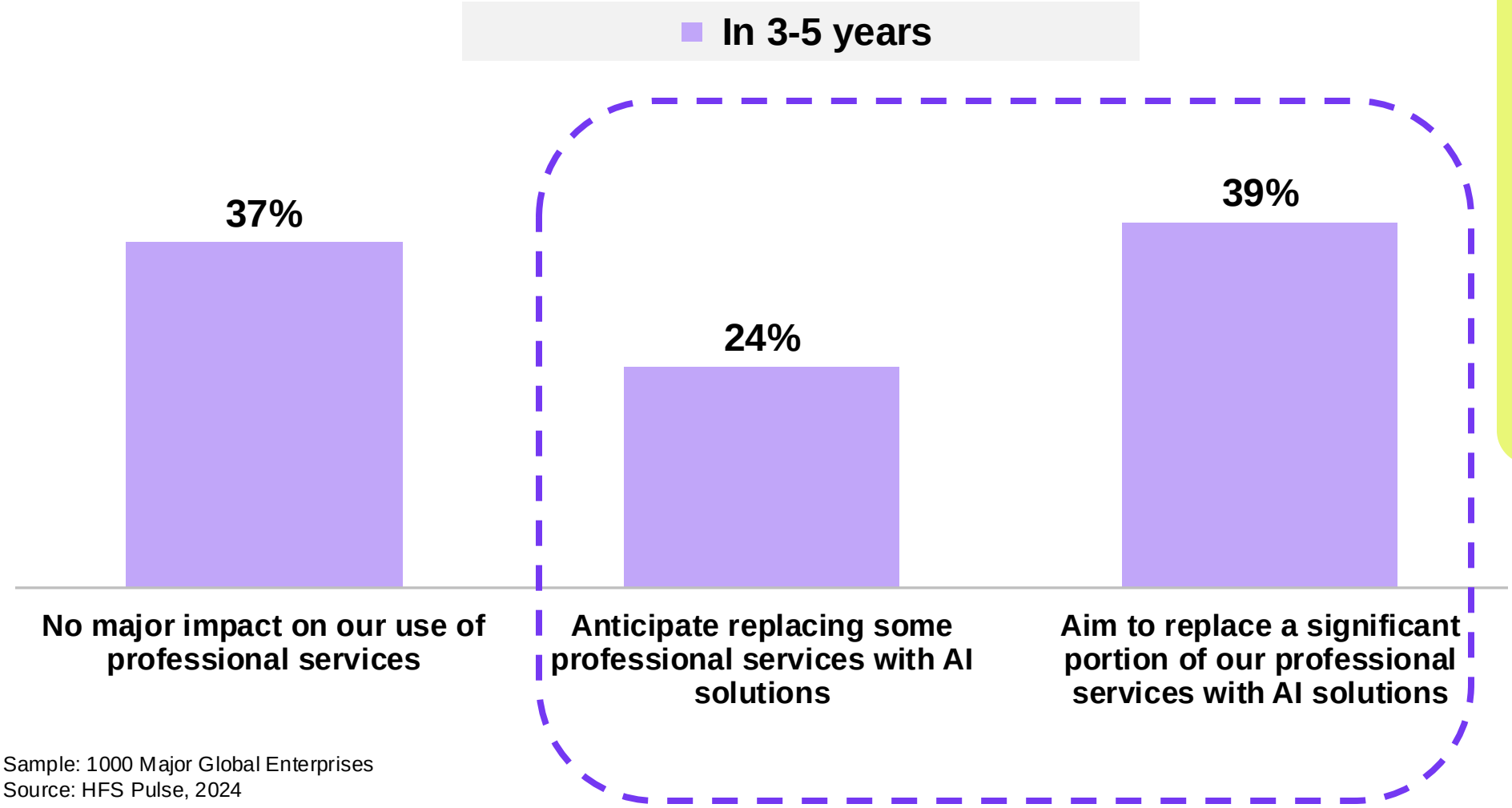
62% Plan to renegotiate their Software and SaaS Vendors

10% The annual increase in Enterprise Technology Spending in 2024-2025

Source: HFS Pulse, 2024
Sample: 605 Enterprise leaders

Organizations are planning a phased implementation strategy to replace services with AI by 2030

Enterprises' approaches to adopting AI to replace professional services



Six out of ten enterprises plan to replace *people-run* services with *software-run* services before 2030

Sample: 1000 Major Global Enterprises
Source: HFS Pulse, 2024

HFS Services Tech Vision 2030

Human | Machine

Staff augmentation

- Allows companies to quickly fill skill gaps, scale teams up or down as needed, and maintain control over project execution without the long-term commitments associated with permanent hires.

- **Key Features:**
  - **Flexibility:** Easily adjust team size based on project needs.
  - **Expertise:** Access specialized skills not available in-house.
  - **Control:** Maintain direct oversight of projects and processes.
- Typical commercial model: rate card

Technology-enabled services

- Primarily driven by people but supported by proprietary solution accelerators, tools, and software.
- Most service providers use this model to optimize processes and deliver value efficiently, such as Cognizant Neuro, Infosys Topaz, TCS WisdomNext & Wipro Lab45

- **Key Features:**
  - **Human-Centric:** Primarily driven by skilled professionals.
  - **Tool-Supported:** Utilizes a variety of technology tools and accelerators.
  - **Efficient:** Enhances service delivery through tech integration.
- Typical commercial model: FTE-based pricing

Platform-led services

- Leverage built-in delivery platforms to enhance service delivery and efficiency.
- Examples include Accenture SynOps, TCS Cognix, and Cognizant TriZetto, which streamline operations and provide consistent, scalable solutions.

- **Key Features:**
  - **Integrated Platforms:** Uses cohesive platforms for service delivery.
  - **Scalability:** Easily scalable and consistent across various operations.
  - **Efficiency:** Enhances productivity and efficiency through platform support.
- Typical commercial model: Transaction-based pricing

AI-led Agentic services

- Augmenting human capabilities with smart AI agents to optimize processes and decision-making.
- Examples of platforms include Amazon Q, GitHub, Lyzr, Copilot, Replit's Ghostwriter, Google Gemini, Einstein Agent, Mindcorp.
- Organizations like IBM and the Big 4 consulting firms are increasingly adopting this model.

- **Key Features:**
  - AI-Augmented: Combines human expertise with AI agents.
  - Cost-Effective: Achieves lower TCO through optimization.
  - Enhanced Capabilities: Expands service potential with AI-driven insights.
- Typical commercial model: Augmented FTE-based pricing or outcome-driven performance pricing

Service-as-a-Software

- Unlike traditional software-as-a-service (SaaS), this model focuses on delivering services primarily through technology, minimizing human intervention, and maximizing efficiency.
- Examples include startups like rhino.ai, Noodle.ai, Now Platform, and builder.ai

- **Key Features:**
  - Technology-driven: Primarily led by advanced software solutions.
  - Minimal Human Intervention: Reduces reliance on human resources.
  - Efficient and Scalable: Provides efficient, scalable, and consistent service delivery.
- Typical commercial model: License / Subscription-based

Current 2000-2025 → Emerging 2025-2030

HFS

The Generative Enterprise™ Ecosystem

Services Ecosystem Orchestration

accenture, Capgemini, IBM, Mphasis (The Next Applied), Persistent, HCLTech, genpact, LTIMindtree, Infosys (Navigate your next), TECH mahindra, wipro, UST, cognizant, EY, KPMG, Deloitte., AKKODIS, Hitachi Digital Services, publicis sapient, KPMG, pwc, tcs

Applications

Consumer uses

Entertainment	character.ai, Midjourney
Productivity	OpenAI, ChatGPT, neeva
Other	trigo, waabi

Enterprise stack

General productivity	ADEPT, glean, tome, AlphaSense
General and administrative	Ironclad, synthesia, eightfold.ai, Copilot
Sales and customer support	GONG, RevComm, Clari, PolyAI
Marketing	Jasper, WRITER
EPD, IT, security	Moveworks, Abnormal, VECTRA, GitHub Copilot

Industry verticals

Law firms	Harvey.
Creative	runway, Midjourney, imagen, descript
Health	iz.ai, BAYESIAN HEALTH, insitro, PathAI, UNLEARN
Defense	ANDURIL, Shield AI, SLINGSHOT AEROSPACE, VANNEVAR Labs
Agriculture and climate	Pachama, FarmWise
Construction	CANVAS

Enterprise apps

Adobe, PEGA, salesforce, SAP, servicenow, workday.

Infrastructure

Deploy and monitor

watsonx, Hugging Face, arize

Train and fine-tune models

Weights & Biases, mosaicML, PyTorch, watsonx, JAX

Open-source models & frameworks

Hugging Face, LLAMA, Stanford Alpaca, Gemini, GitHub

Full-stack large language models

OpenAI, ANTHROPIC, cohere, character.ai, Inflection

Store and compute

Label and process data	Data warehouses or lakehouses	Cloud service providers
Snorkel, scale, surge, COACTIVE	snowflake, databricks	Google Cloud, aws, Azure

Hardware

NVIDIA, AMD, intel


2027
2026
2025
2024

The Evolution towards Autonomous Intelligence

RPA

"I follow instructions exactly"

RPA is the **task automation** that eliminates manual effort wasted on repetitive tasks

Key Characteristics:

- Executes structured, rule-based processes
- Performs repetitive digital tasks
- Operates within defined system boundaries
- Follows exact step-by-step procedures

GenAI

"I can create based on prompts"

GenAI is a **productivity amplifier** that accelerates creative and analytical work that bottlenecks humans

Key Characteristics:

- Assists with specific tasks (writing, analysis, coding)
- Requires human direction and oversight
- Improves individual productivity
- Works within existing job roles

Agentic AI

"I can understand goals and figure out how to achieve them"

Agentic AI is a **collaborative actor** that removes the need for constant human oversight of complex processes

Key Characteristics:

- Acts as virtual coworker completing end-to-end processes
- Self-directs and coordinates multiple tasks
- Transforms entire workflows
- Creates new organizational paradigms

AGI

"I can think, reason, and learn like a human in any domain"

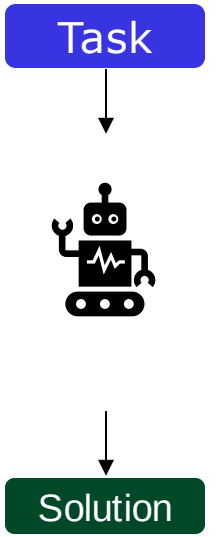
AGI is a **self-directed intelligence** that overcomes human cognitive limitations across all domains

Key Characteristics:

- General problem-solving ability across domains
- Autonomous learning and adaptation
- Human-level reasoning and understanding
- Transfer learning between different types of tasks
- Self-improvement capabilities

Agentic systems range from simple task performers to complex cross-functional teams

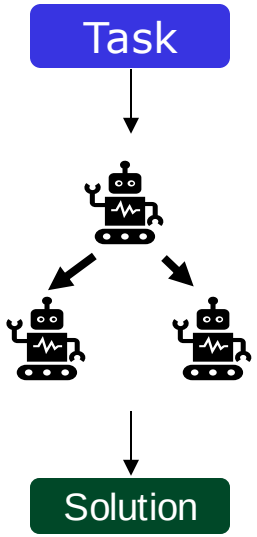
Single agent



A standalone agent that handles one specific task or function

e.g., email writer or meeting scheduler.

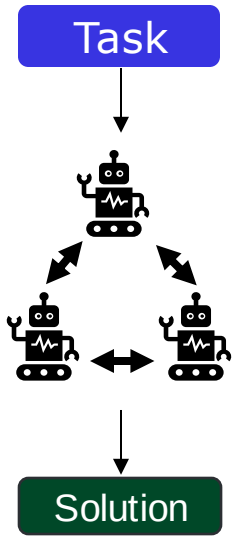
Functional Multi-agent



Multiple agents work together within a single business function

e.g., a sales team of agents handling prospecting, qualification, and follow-ups.

Horizontal Multi-agent



Different agents collaborate across various business functions and supply chain partners

e.g., sales agents work with marketing and customer service agents.

We are already seeing agentic take over work

Front Office

- **Regional Bank**: AI agents enhance customer service by assisting call center staff with quick responses and accurate solutions, increasing customer satisfaction.
- **Investment Firm**: Integrated into applications to deliver personalized financial insights and real-time responses, enhancing client interactions and experience.
- **Automotive company**: An agent-based system that automates data extraction from various document types (e.g., emails, PDFs, handwritten notes) to create unified invoices.
- **Healthcare:** A healthcare-specific agent that records and transcribes physician-patient interactions, integrates them into electronic medical records, and generates clinical notes.
- **Online Retailer**: This agent provides personalized shopping experiences by understanding user preferences and merging physical and digital shopping experiences.

Back office

- **Regional Bank**: AI agents monitor regulatory compliance and assess risk factors, automating routine checks to reduce back-office workloads and ensure financial integrity.
- **Insurance Provider:** Intelligent agents extract and validate data from policy documents, claims forms, and invoices, creating unified records for streamlined processing.
- **Pharmaceutical Company:** AI automates clinical trial data integration into regulatory reports, reducing submission timelines and improving accuracy.
- **Medical Equipment Manufacturer:** Predictive AI agents monitor critical part inventory levels, automating reorders to prevent supply shortages.
- **Supermarket Chain:** Intelligent systems process vendor invoices, matching them with purchase orders and identifying discrepancies for quick resolution.

ADNOC

The Abu Dhabi National Oil Company (ADNOC) collaborated with G42, Microsoft, and AIQ to deploy autonomous AI in the energy sector.

Aims to analyze extensive datasets and improve operational efficiency, such as accelerating seismic surveys (from months to days) and enhancing production forecast accuracy.

INTUIT

Intuit is integrating agentic AI capabilities across its suite of platforms and products to streamline onboarding and classify customer information with minimal manual input.

The AI also assists internally in navigating tax code changes, acting as a co-pilot for developers by identifying updates, linking them to the existing codebase, and suggesting modifications needed to stay compliant.

Example of a multi-agent workflow

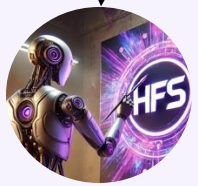
Launch our Q4 marketing campaign

Planning Agent

Strategic coordinator that breaks down CMO's campaign request into specific tasks. It then uses task planning and dependency mapping to create workflow structure.

Working Agents

Research Agent
Gathers market intelligence using analytics tools and research databases.



Creative Agents
Develop compelling campaign creative assets and messaging

Strategy Agent
Optimize campaign reach and engagement across marketing channels

Campaign Coordinator Agent
Synthesize inputs from all agents into a cohesive campaign

Review Agent
Ensure campaign alignment with objectives, brand, and budget

This workflow uses AI agents that can think, create, and collaborate adaptively like humans

Agentic is laying the foundation for AGI

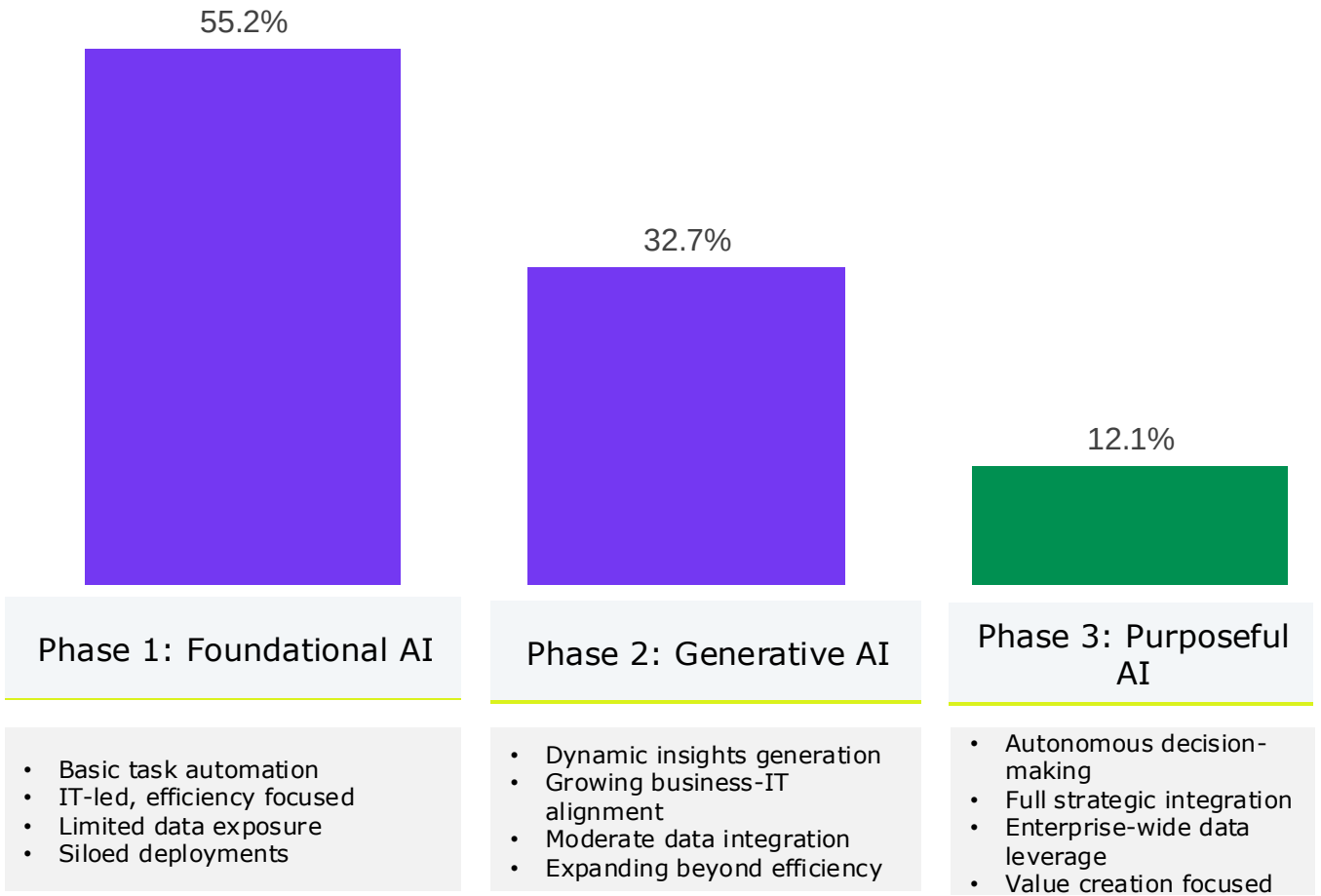
Agentic AI	Artificial General Intelligence
Autonomy: Executes specific tasks autonomously within a predefined scope.	**Full Independence:** Fully *independent decision-making* across domains, setting its own goals and adapting to new challenges.
Learning: Limited to predefined models, with updates requiring retraining.	**Lifelong Adaptation:** Lifelong learning and adaptation, improving dynamically *without* explicit human retraining.
Narrow Domain: Specialized in narrow domains, performing tasks like customer support or workflow automation.	**Generalized Intelligence:** Generalized knowledge and capability across *diverse domains* without task-specific programming.
Context Awareness: Understands immediate task-specific context (e.g., chatbots using context for follow-up questions).	**Deep Understanding**: Deep *contextual* understanding across scenarios, integrating physical, social, and abstract knowledge.
Problem Solving: Solves problems within predefined parameters using algorithms and rules.	**Creative Reasoning:** Creative and flexible problem-solving, generating novel solutions *without predefined constraints*.

Agentic with Eyes...


CHALLENGES
AHEAD

Reality Check – AI maturity remains low

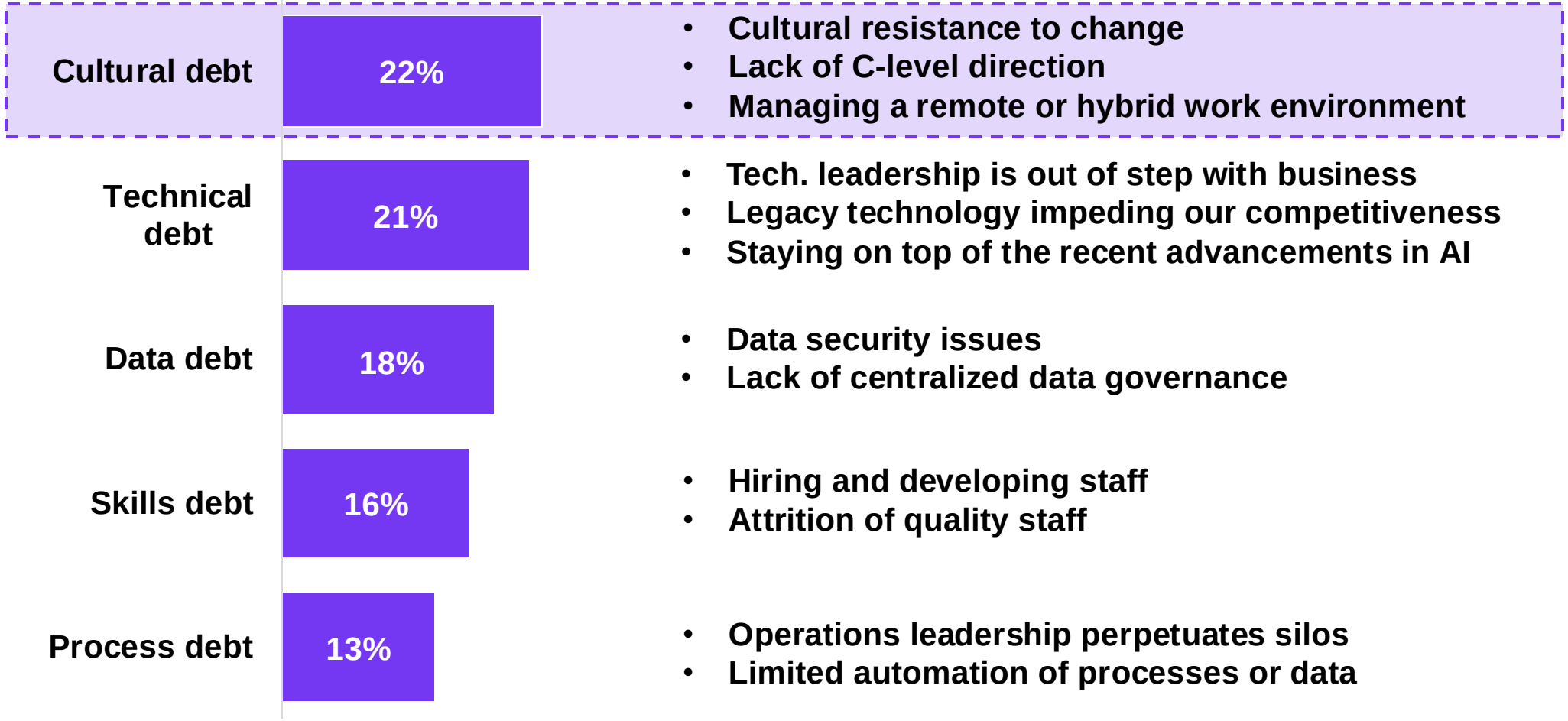
88% of enterprises are stalled in basics —only **12%** have embedded AI strategically to drive true transformation.



Sample: 550 survey participants
Source: HFS Research, 2024

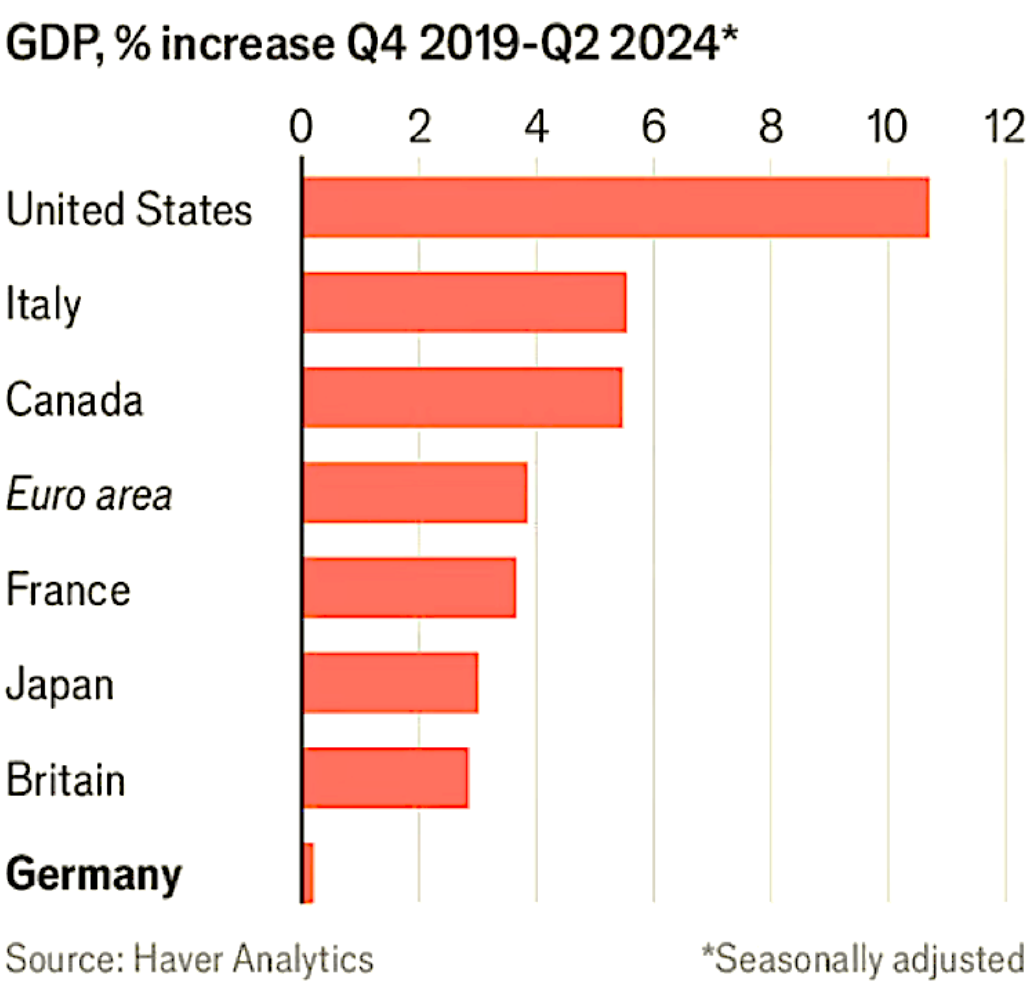
Enterprises are struggling to resolve the dilemma of fast-tracking innovation amidst rising debts

What are your company's top internal challenges?



Sample: HFS Pulse, 2024; 605 Global 2000 enterprise executives
Source: HFS Research, 2024

Germany struggles to adjust to the modern global economy



Recent Layoffs

Deutsche Bahn	–30.000
ZF	–14.000
Continental	–13.000
Thyssenkrupp	–11.000
Volkswagen	–10.040
SAP	–5.300
Audi	–4.500
Bosch	–3.760
Deutsche Bank	–3.500
Tesla	–3.000
Ford	–2.900

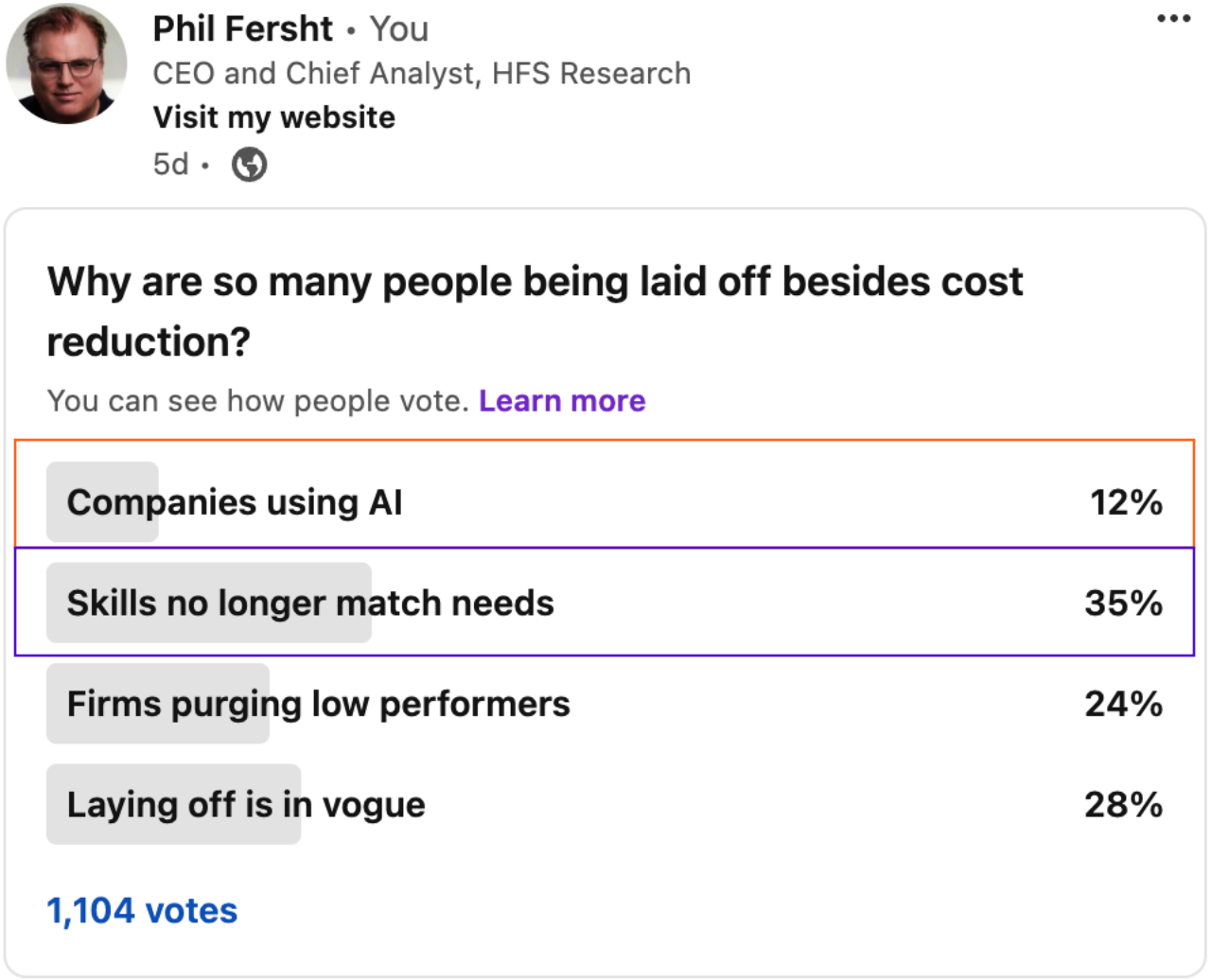
Source INSM, November 2024

Enterprises thinking they can play regulatory arbitrage may be in for a rude awakening.

	EU	US	India
Regulatory Status	Comprehensive AI Act adopted (effective Aug 2026); AI Liability Directive proposed	No comprehensive federal law; relies on existing laws and agency guidance; state-level initiatives emerging	No specific AI laws; operates through frameworks and guidelines
Enforcement Authority	EU AI Office, National competent authorities, Market surveillance authorities, Penalties up to 7% global turnover	Distributed across existing federal agencies, no dedicated AI regulator	No dedicated AI regulator; Ministry of Electronics & IT leads policy development
Impact on AI development	• Most restrictive environment for AI development • High compliance costs due to detailed documentation requirements • Clear but complex rules create "development guardrails" • Potential to become global standard through market size • Provides certainty for businesses through clear framework • Strong focus on trustworthy AI could build public confidence	• Mixed regulatory environment enables flexible development • Lower initial compliance costs but regulatory uncertainty • State-by-state variation creates compliance complexity • Focus on innovation over restriction drives rapid deployment • Agency enforcement creates sector-specific considerations • Market-driven approach may lead to varying standards	• Most permissive environment for AI development • Voluntary guidelines allow maximum flexibility • Lack of clear rules may limit international adoption • Focus on sectors rather than systems may create blind spots • Lower regulatory burden enables rapid prototyping • May face challenges integrating with EU/US standards
Bottom line	**EU's regulatory hammer drops serious process debt on everyone, but delivers the playbook we all secretly know we need**	**US developers get a sugar rush of innovation freedom, but the state-by-state hangover will hurt.**	**India is still setting up the game board with voluntary frameworks**

Trump's AI agenda signals a dramatic shift from Biden's regulatory framework to a market-driven approach focused on beating China, though internal tensions between his advisors' competing visions - from Vance's deregulation stance to Musk's safety concerns - could shape a more nuanced policy reality than campaign rhetoric suggests.

AI isn’t replacing jobs… but may get replaced by someone who understands AI



Phil Fersht • You
CEO and Chief Analyst, HFS Research
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5d •

Why are so many people being laid off besides cost reduction?

You can see how people vote. **Learn more**

Companies using AI	12%
Skills no longer match needs	35%
Firms purging low performers	24%
Laying off is in vogue	28%

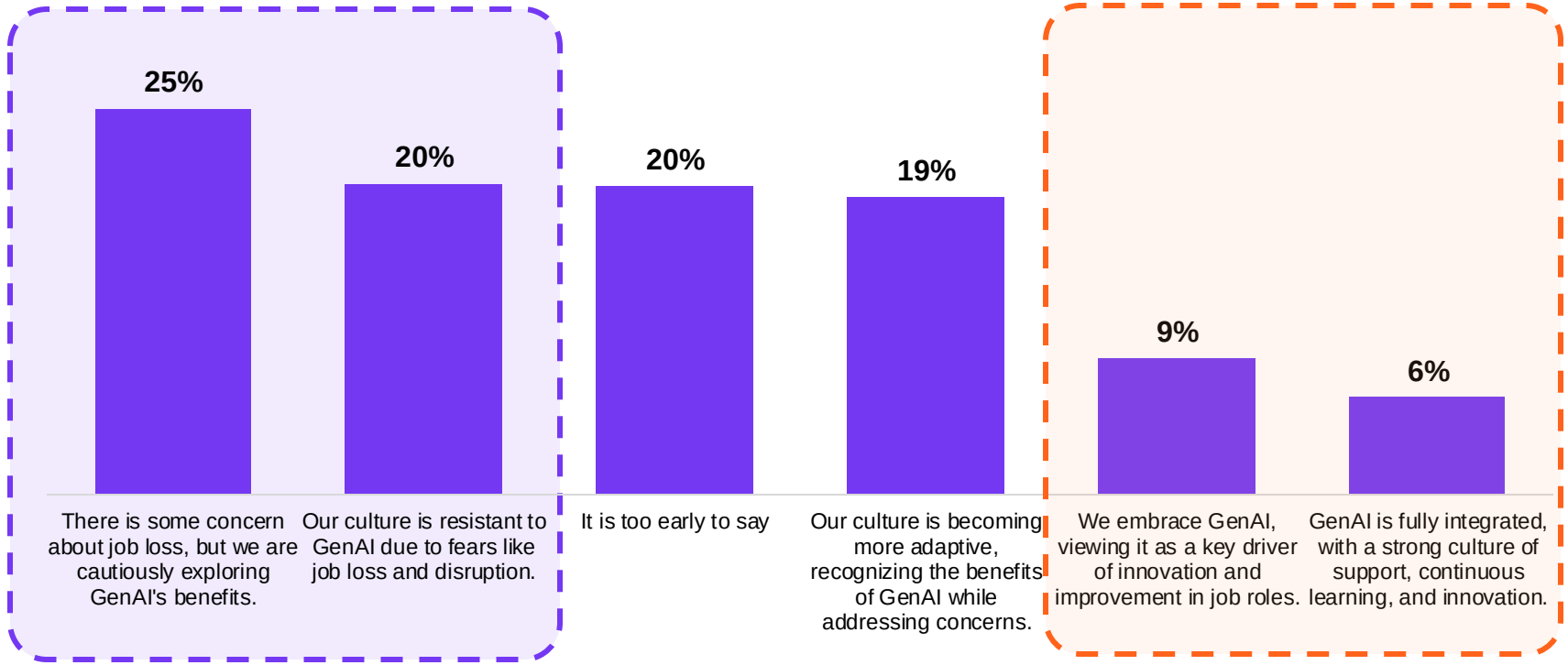
1,104 votes

Talent Debt: Nearly half of your employees are not ready for AI

45% of employees are either worried about job loss or resistant to change

Only **15%** of employees are genuinely *positive* about AI adoption

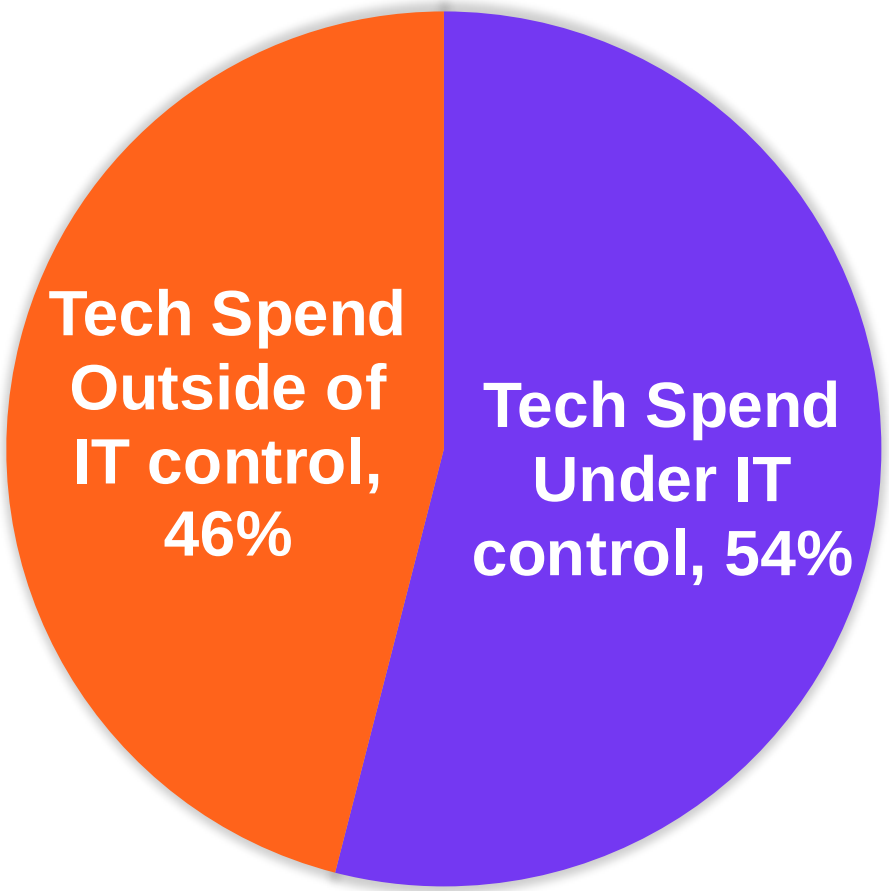
How would you describe the culture within your organization regarding GenAI adoption?



Sample: 550 survey participants, Global 2000
Source: HFS Research, 2024

AI is a deep collaboration led by the business and supported by technology

What percentage of your enterprise's technology-related spending is controlled by IT?



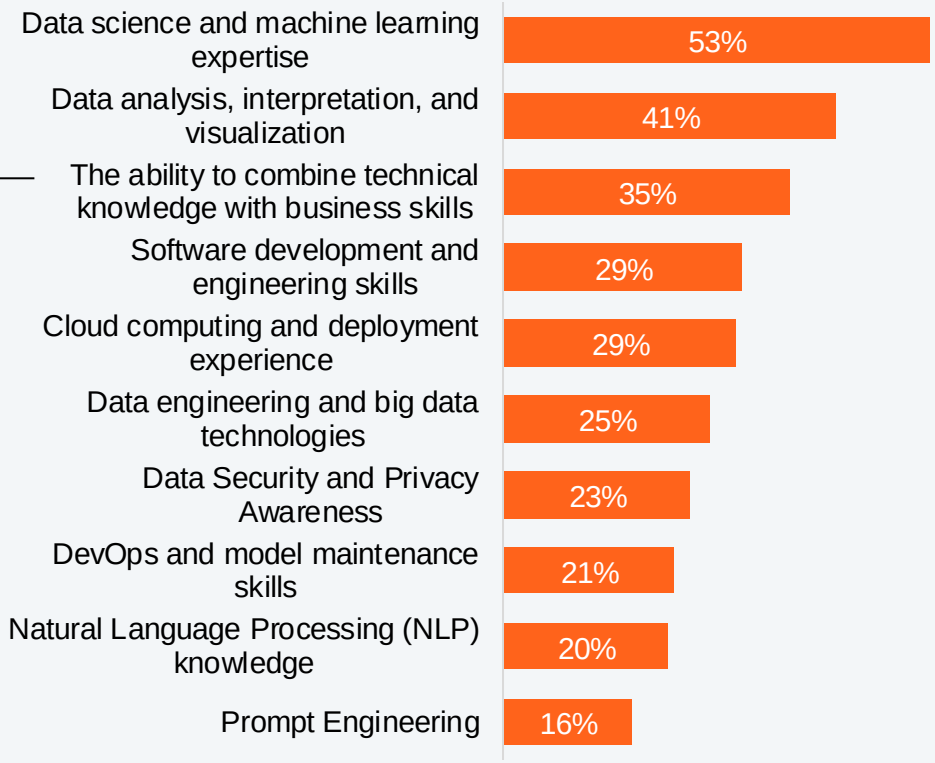
Sample: 551 Global 2000 enterprise executives
Source: HFS Pulse, 2023-24

The ability to combine business and technical skills will be critical to succeed in the AI-led era

What are the top three business skills you believe are most crucial to drive the success of your GenAI initiatives?

Business skills needed to drive successful GenAI initiatives
N =550

Technical skills needed to drive successful GenAI initiatives
N =550



Sample: 550 enterprise leaders
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Bottom-line: The lines are a-blurring, but what does this really mean?

Most firms just aren't ready— Only 12% of enterprises are prepared for the AI revolution. Outdated mindsets and debts shackle the rest.

Half of YOU aren't ready – Nearly half of employees are fearful of AI. Employers need to reward and recognize their people based on their ability to embrace change and technology.

The technology is here—Agentic AI isn't a far-off dream; it's ready, working, and evolving fast.

Volatility is the new normal — From geopolitical unrest to breakneck technological progression, chaos feels inescapable. Prepare your organizations to thrive amid this volatility—resilience is non-negotiable.

Look to your ecosystems—You can't do this alone. Work with your networks, leverage new partnerships and embrace available tools and talent. Collaboration is the antidote to uncertainty.

Be brave—This is the moment to act—be bold, be decisive, and embrace this discomfort of transformation. The future will reward the leaders who take risks and seize the moment.

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