HFS

HFS RESEARCH FALL SUMMIT

THE SERVICES-AS-SOFTWARE ECONOMY: DISRUPT OR BE DISRUPTED

The leaky bucket of AI ambitions

Closing the gaps between hype, reality, and results

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There is a lot of excitement about the potential of agentic AI

Help patients navigate social service systems

“Agentic AI essentially creates this dossier for the individual where they would have given up… or taken months and found people to help them.”
- Chief Strategy Officer, Leading US Healthcare Provider

Auto-generate client certificates

“We’re using AI agents to instantly generate certificates—what used to take hours, now takes seconds.”
— Global Operations EVP, a top-tier insurance brokerage

Support factory workers with real-time answers

“Instead of waiting for experts, agents let our shop floor teams solve problems in the moment.”
— VP, Supply Chain Strategy at a global consumer goods company

Autonomous finance operations

“We’re done just analyzing. The next step is agents that flag anomalies, generate reports, and kick off workflows—so finance becomes real-time and self-correcting.”
— Finance Leader, a global financial services firm

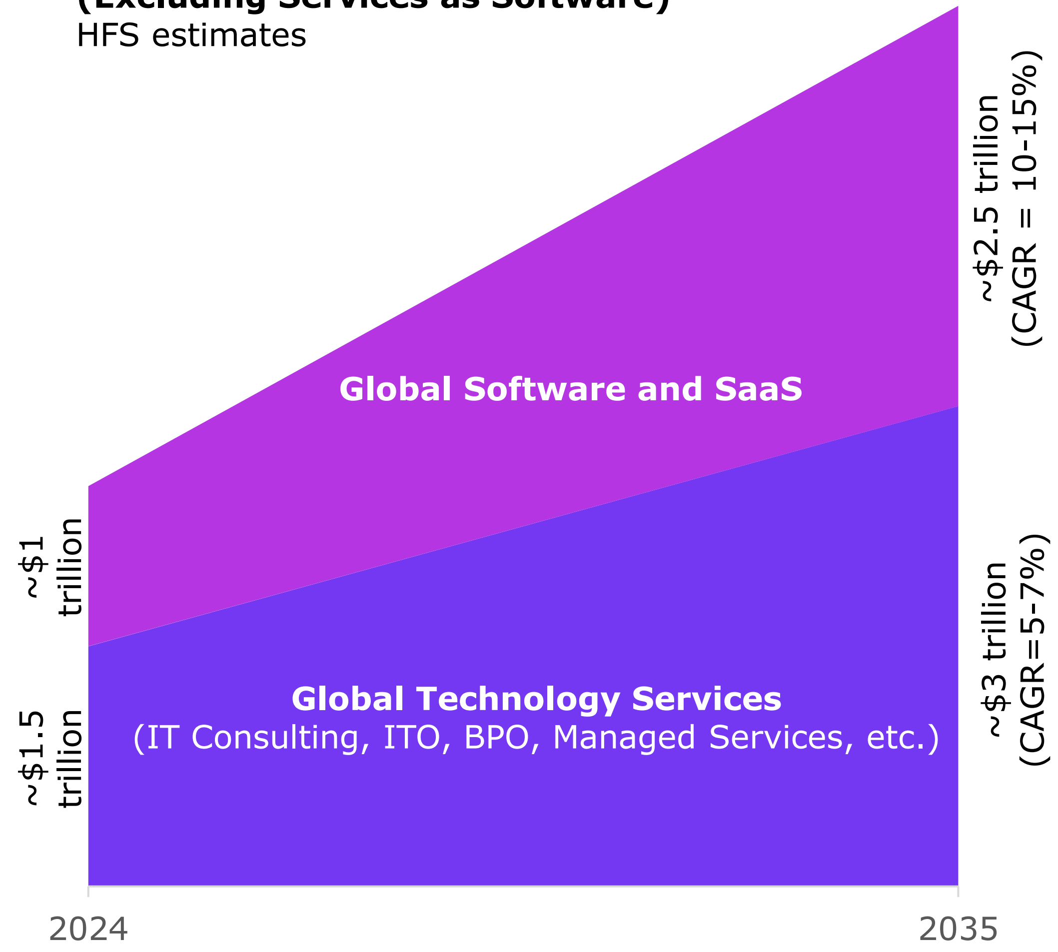
Forecast clinical supply with live data
“Our AI agents query real-time and historical ERP data to recommend clinical supply plans—no more guesswork.”
— Finance Transformation Leader, a top-10 pharmaceutical firm

Assist physicians with ambient documentation

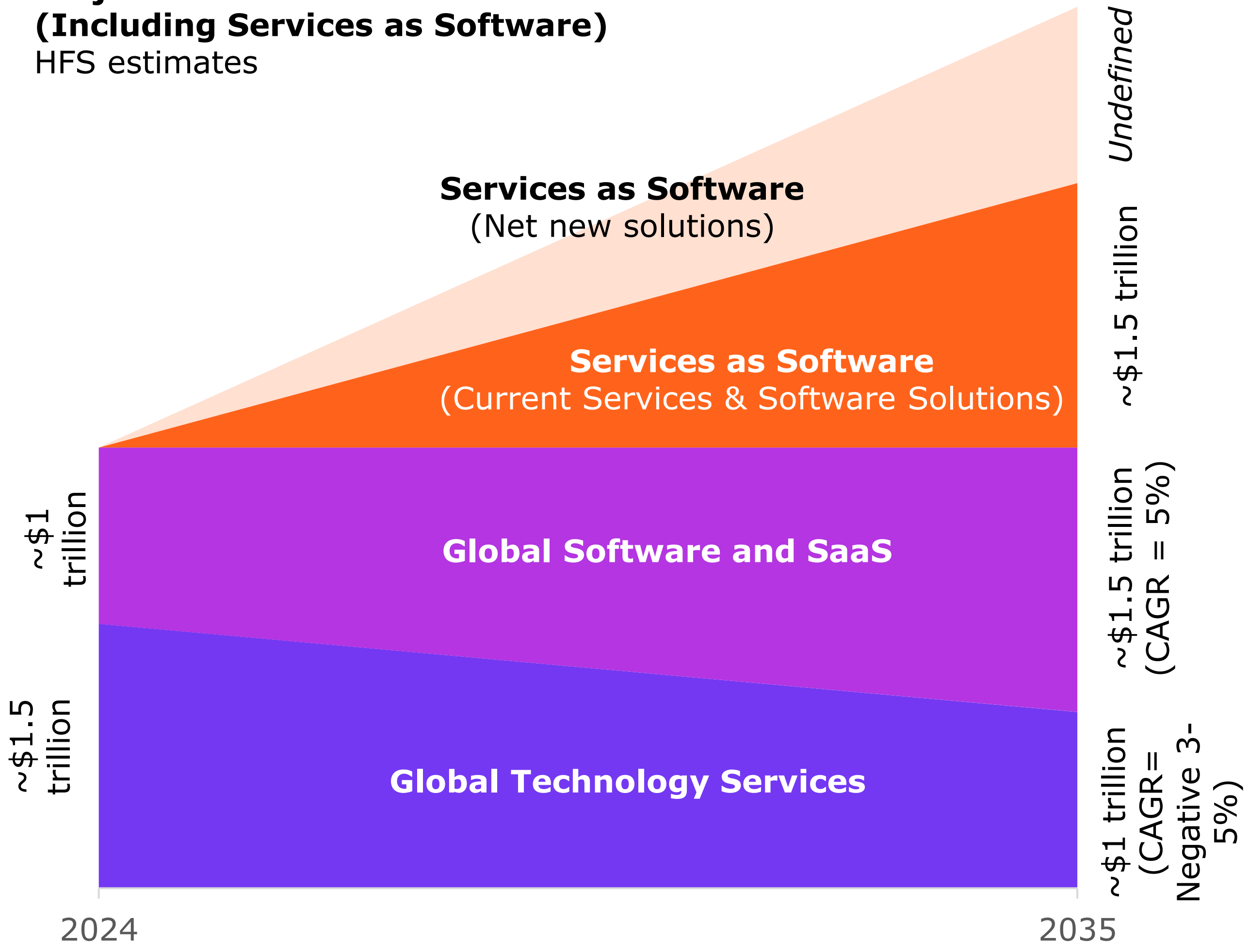
“We assumed patients wouldn’t trust AI-powered virtual nurses. We were wrong. They preferred them over humans—no wait times, no judgment, just clarity and consistency.”
— Strategy Lead, a major integrated health system

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

Current market forecast for Software and Services (Excluding Services as Software)
HFS estimates

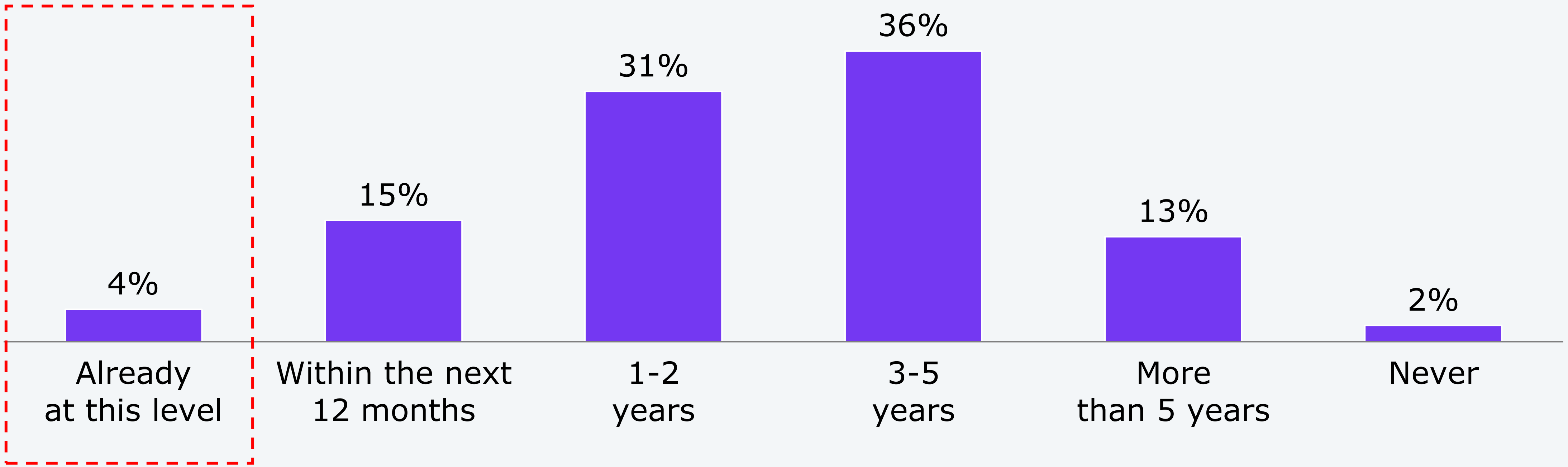


Projected market forecast for Software and Services (Including Services as Software)
HFS estimates



Despite the all the excitement, only 4% of enterprises use agentic AI at scale today

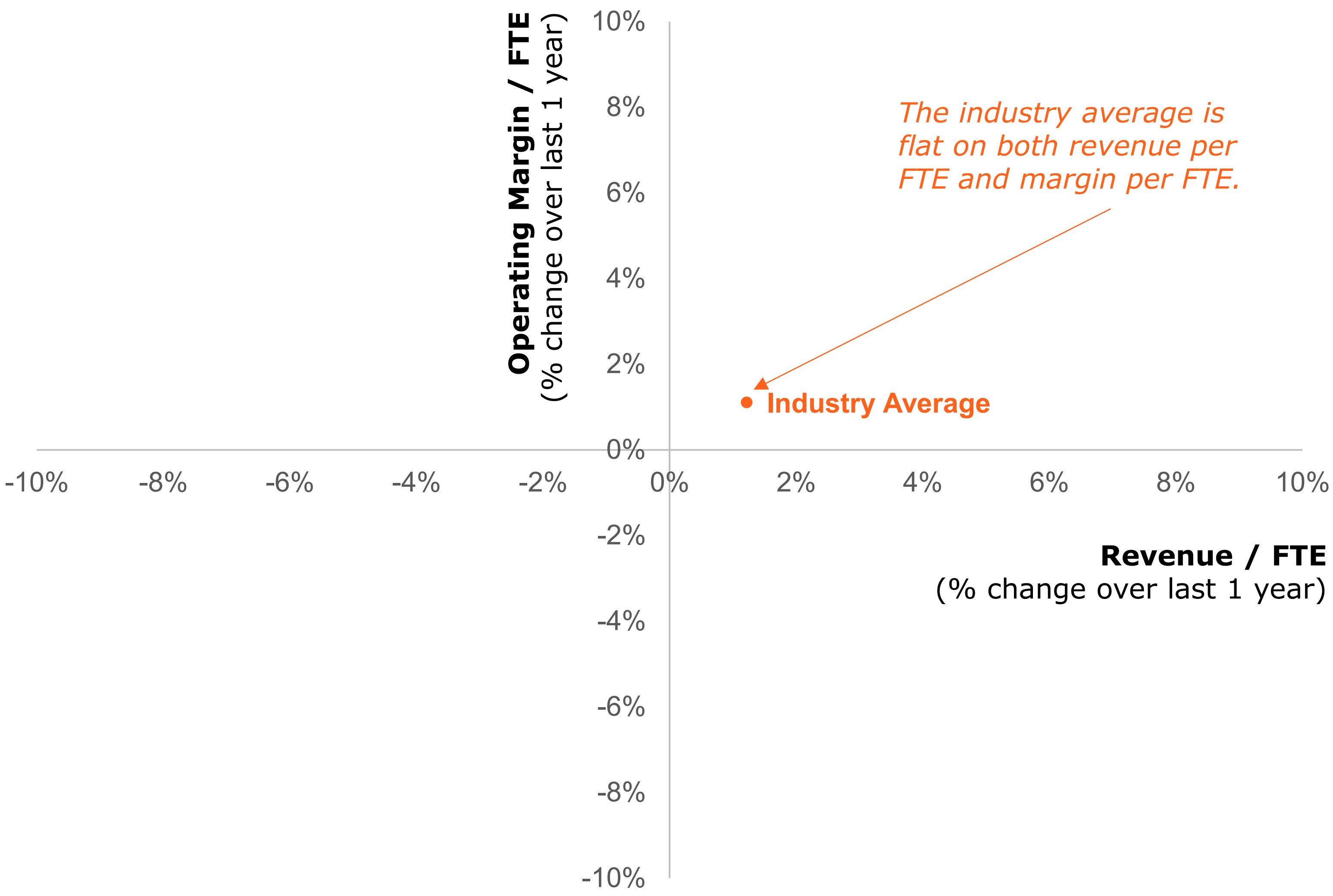
Future Vision. By when do you expect – particularly agentic AI solutions - to replace or significantly augment human-led consulting in your organization?



Sample: 1002 survey participants
Source: HFS Research, 2025 (NOT PUBLISHED)

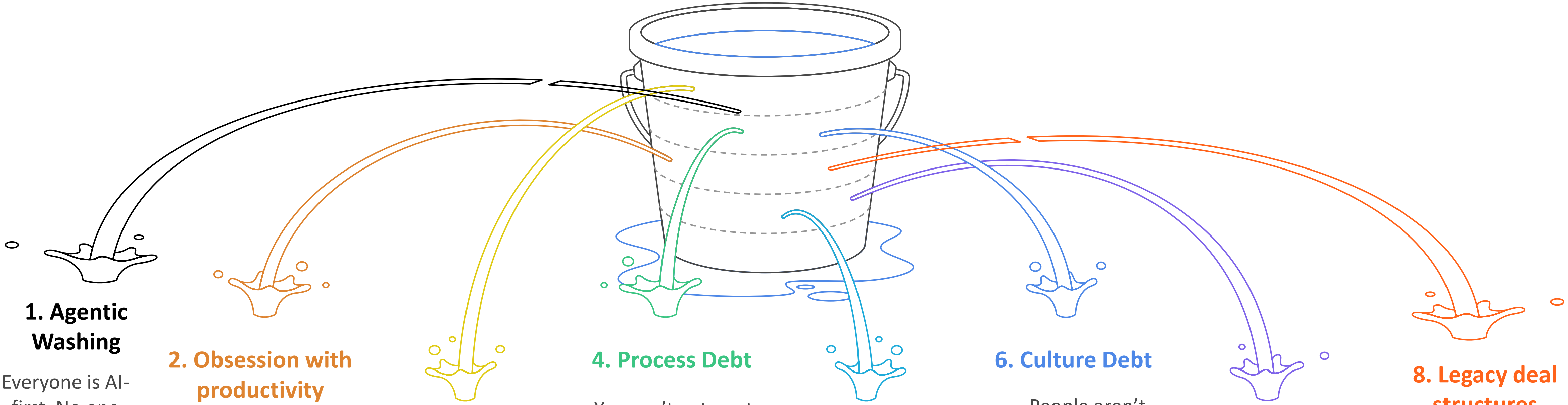
For all the hype around GenAI and Agentic AI, growth in the services industry is still chained to headcount

Are service providers decoupling revenue and margin from headcount?



Based on publicly reported financial reports across 17 services providers including Accenture, Birlasoft, Capgemini, Coforge, Cognizant, EPAM, EXL, Firstsource, Genpact, HCLTech, Infosys, LTIMindtree, Mphasis, Persistent, TCS, Tech Mahindra, and Wipro

How Agentic AI ambitions drain away?



1. Agentic Washing

Everyone is AI-first. No one wants to be AI-second

2. Obsession with productivity

Narrow business cases fixated on headcount

3. Data Debt

The AI gold rush is here—but it won't reward the data-rich. It will reward the data-ready

4. Process Debt

You can't automate chaos. AI is not a band-aid

5. Tech Debt

Introducing AI into a spaghetti of legacy systems doesn't create efficiency—it creates a butterfly effect of failures

6. Culture Debt

People aren't excited about AI when it's sold as a job killer.

7. Ecosystem Challenges

You can't bolt AI onto yesterday's ecosystem and expect tomorrow's outcomes

8. Legacy deal structures

Buying and selling AI-led solutions in "FTE equivalents" is like measuring streaming bandwidth in "DVDs shipped."

The 4Ps of Agentic AI: Performance, Personalization, Prediction, and Productivity

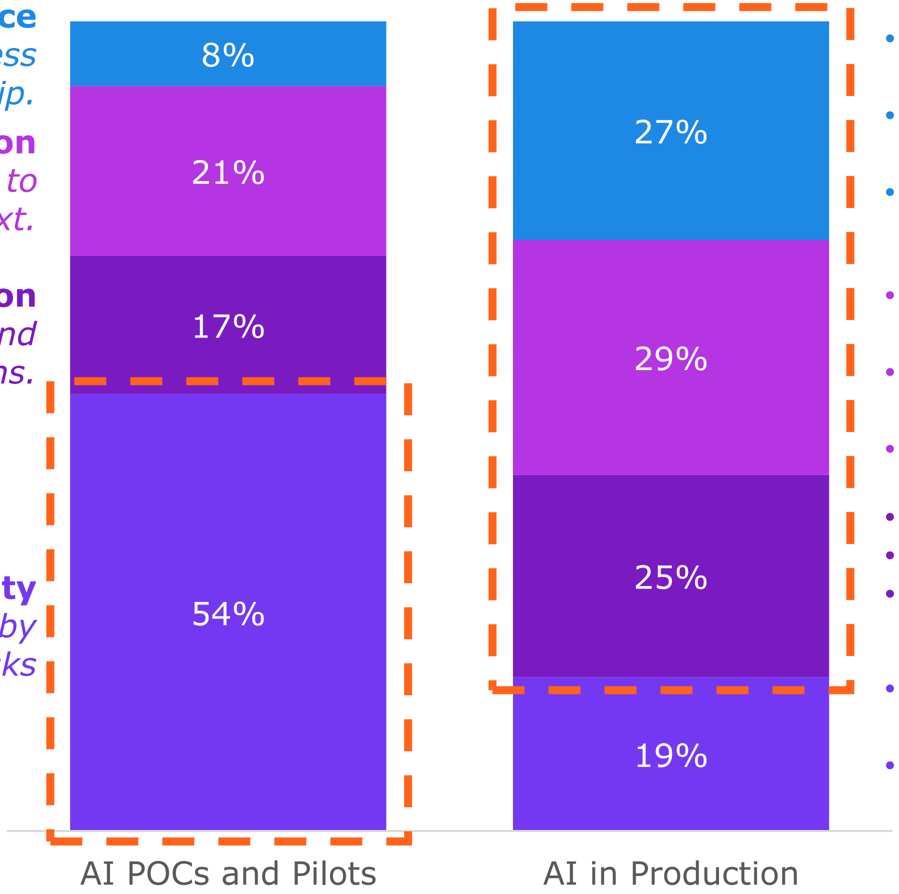
Distribution of GenAI and Agentic AI Outcomes by Stage of Deployment
% use cases

Performance
Strategic outcomes — growth, new business models and competitive leadership.

Personalization
Tailoring experiences and interactions to individual needs/context.

Prediction
Using data and AI to anticipate, forecast, and optimize decisions.

Productivity
Enhancing speed, efficiency, and scale by automating or augmenting tasks



- Competitive advantage (via differentiated outcomes)
- Faster revenue growth and increased market share
- New revenue streams and business models

- Improved customer engagement and satisfaction
- Enhanced employee engagement and satisfaction
- Enhanced creativity and innovation

- Better decision making and insights
- Enhanced security and risk mitigation
- Improved agility in aligning operations with market strategy

- Improved productivity and efficiency for cost take-out
- Accelerated product development and time to market

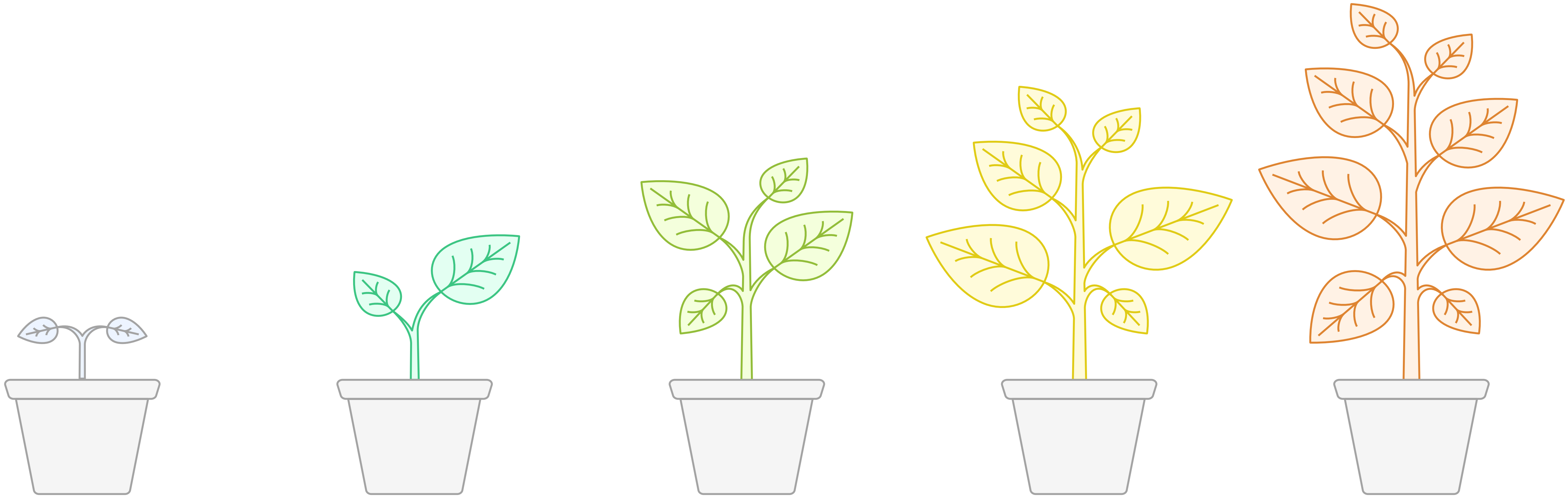
Sample: 979 GenAI and Agentic AI use cases collected by HFS over the last 12 months
Source: HFS Research, 2025

AI-first deal structuring requires rethinking the entire sourcing lifecycle

The traditional outsourcing model was built for a labor-arbitrage world, not for services-as-software, where value is delivered through AI, data, intelligence, and IP.

	Old Model (Tired & Expired)	HFS AI-First Deal Lab (Future-Ready)
Strategy & Planning	Location choice, cost savings, concentration risk.	• Business case built on 4Ps: Performance, Personalization, Prediction, Productivity. • Includes automation potential, bias, IP, explainability.
Evaluation & Selection	Lengthy RFPs, transactional SLAs, vendor commoditization.	Data-driven testing, automation %, AI performance SLAs, outcome-based experimentation.
Contracting & Commercials	FTEs, delivery centers, attrition clauses, complex gain-sharing.	Outputs and AI metrics, governance clauses, tiered flat-fee & consumption pricing.
Onboarding & Transition	Process documentation, vendor handovers, lift-and-shift.	Data portability, adaptive ramp-ups, AI model rebuilds.
Performance & Improvement	Monthly SLAs, QBRs, incremental tweaks.	Continuous AI assurance: monitoring drift, bias, hallucinations; retraining and model swaps.
Governance, Risk & Compliance	Traditional audits: ISO, SOC2, GDPR, HIPAA.	Algorithmic accountability: bias audits, model cards, explainability, responsible AI guardrails.
Financial Management	Linear budgets = FTEs × rates; rigid and predictable.	Variable budgets: model fees, compute, storage, upgrades; flexible innovation funding.
Renewal & Exit	Vendor swaps with knowledge handovers, manageable risk.	Data + model portability, AI model rebuilds; higher transition risk but greater enterprise control.

Leadership demands to realize your AI ambitions



Don’t fall into the trap of “thinking small.” Don’t confuse cost-cutting with transformation

Stop obsessing about technology. Make technology the last step, not the first.

Start paying your debts. There is a limit to how much you can borrow off your credit card.

Beware of the “moral hazard”. Align incentives, kill silos. Build a OneOffice where success is shared.

Leadership is a verb. Stop talking disruption. Start making the hard calls that drive it.

Thank you.

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