HFS 2030 Vision for the Future of Services-as-Software

We Must Fight our Fobo...
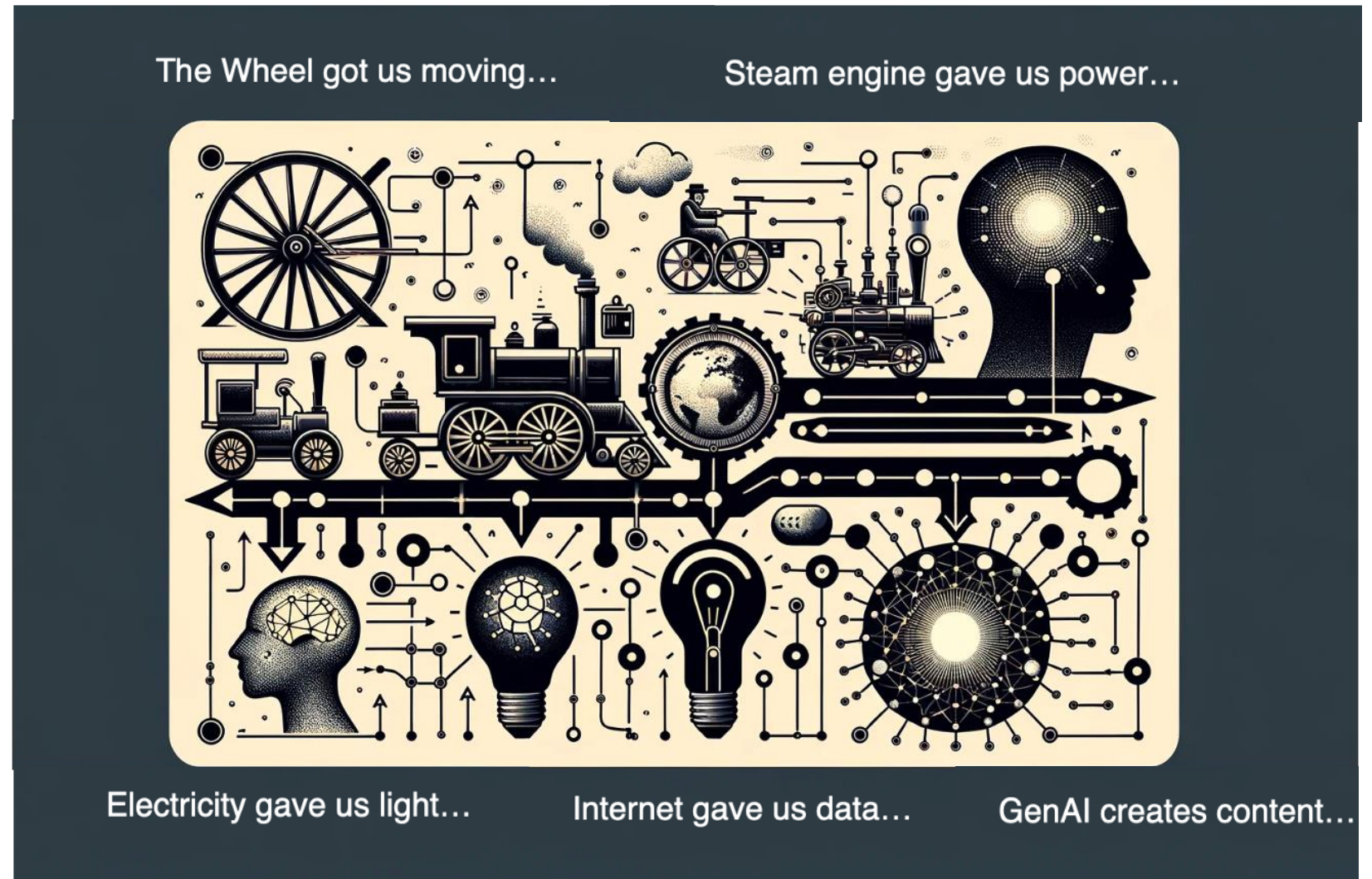*Our **F**ear **O**f **B**ecoming **O**bsolete!*

Phil Fersht, CEO and Chief Analyst

Firstsource CXO Summit Americas, February 20th 2025

Five Seismic Human-made Disruptions

Disruption…

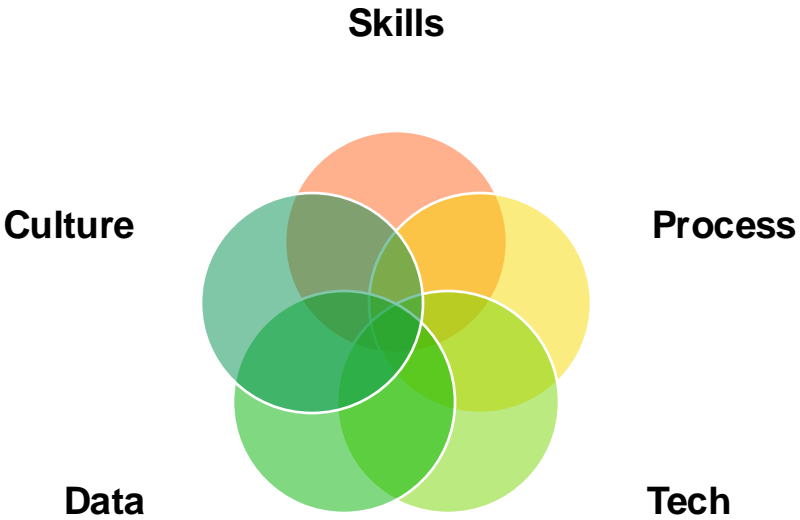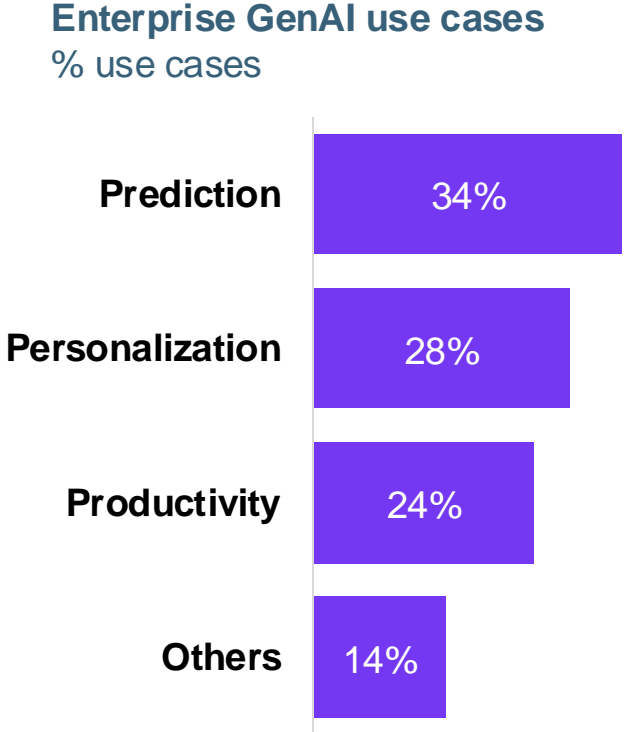*"Radical change to an existing industry or market due to technological innovation"*

The Wheel got us moving… Steam engine gave us power… Electricity gave us light… Internet gave us data… GenAI creates content…

Source: HFS Research, 2025

2023 was about the WHAT

2024 was about the WHY

2025 is about the HOW

AI

ML

GenAI

Enterprise GenAI use cases
% use cases

Use case	%
Prediction	34%
Personalization	28%
Productivity	24%
Others	14%

Skills

Culture

Process

Data

Tech

HFS
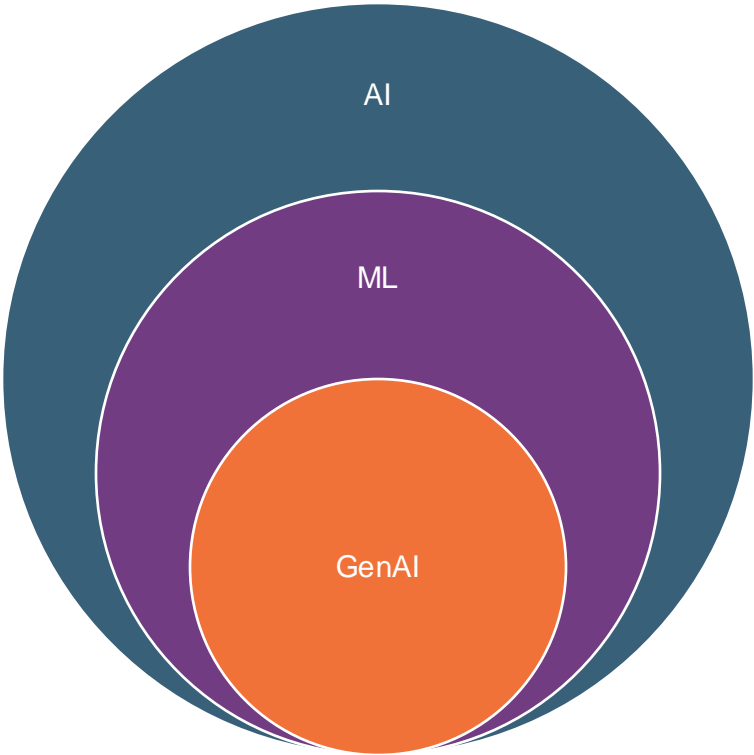
IT/BPO Services since 2021

Legend: 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
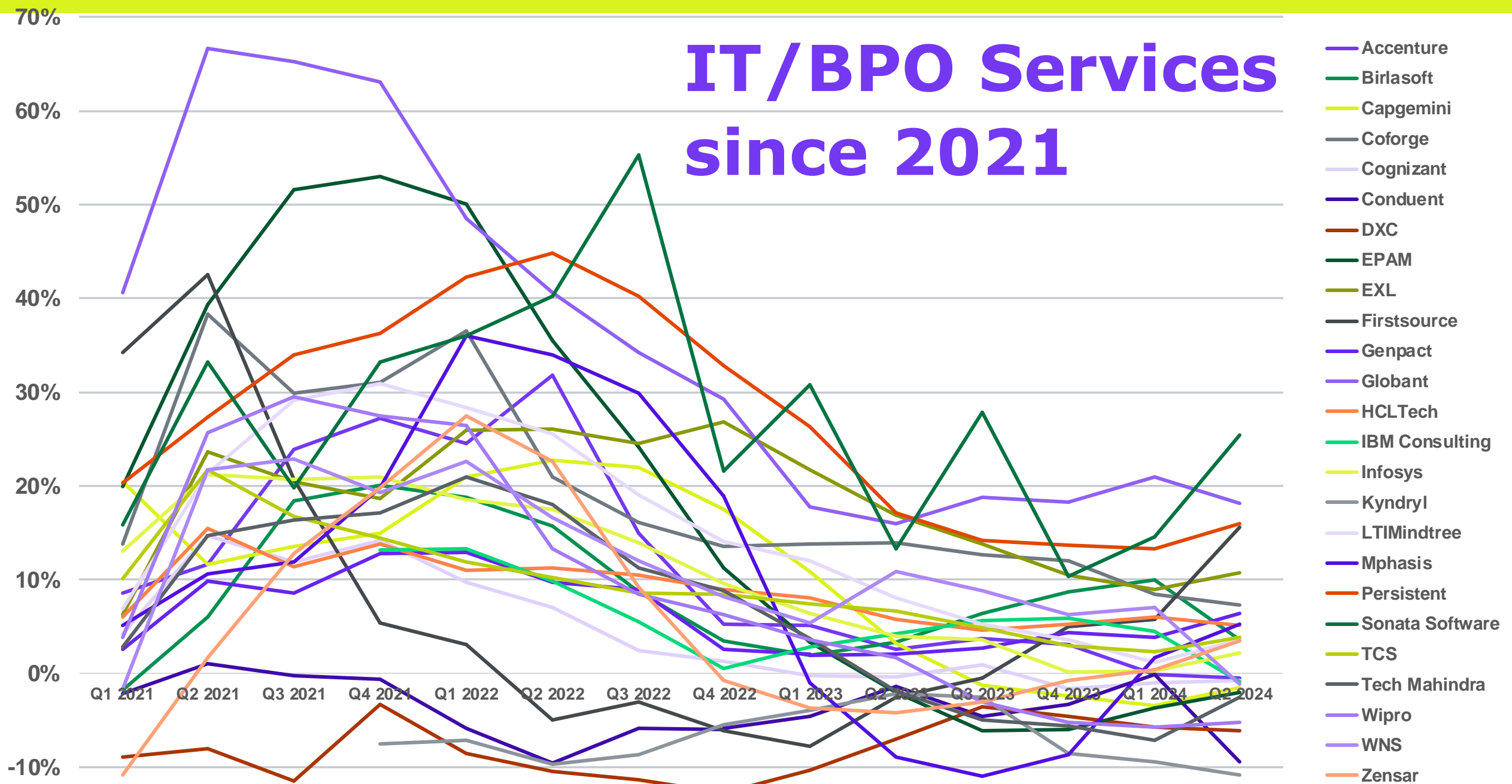
Vast Majority of Enterprises will renegotiate with their Services and SaaS Providers
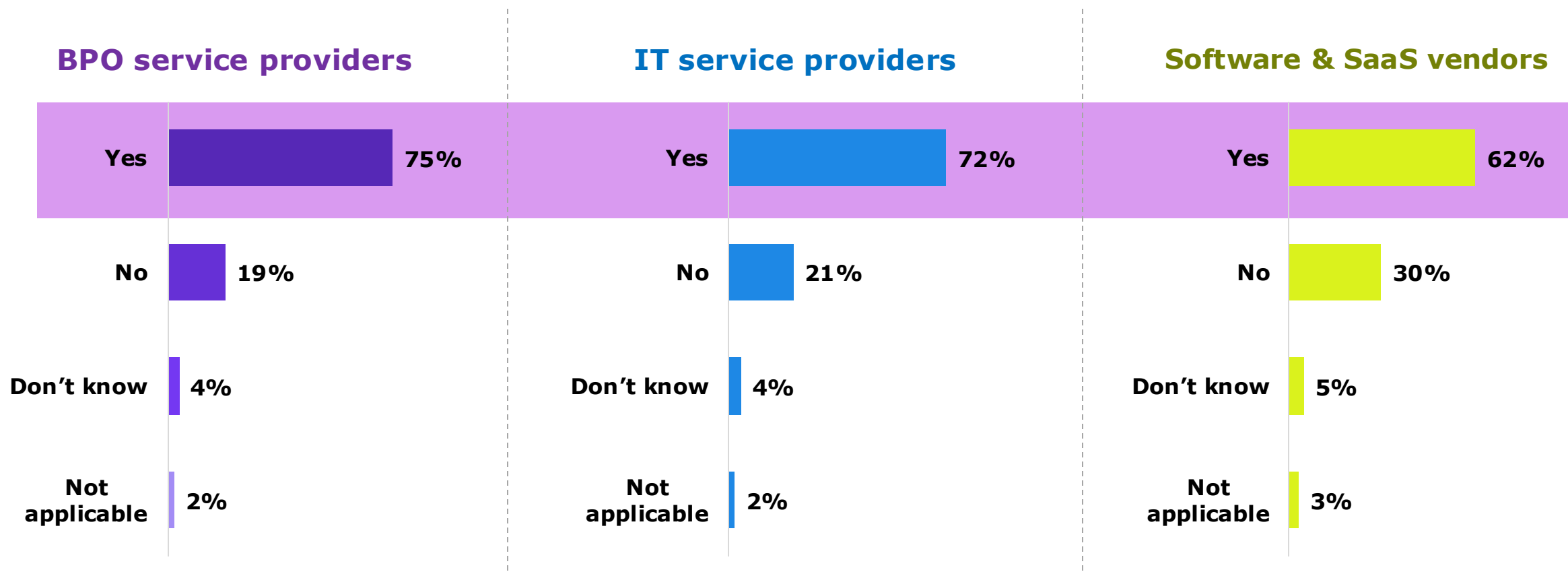
Is your firm seeking to renegotiate contracts with your service and SaaS providers in 2024?

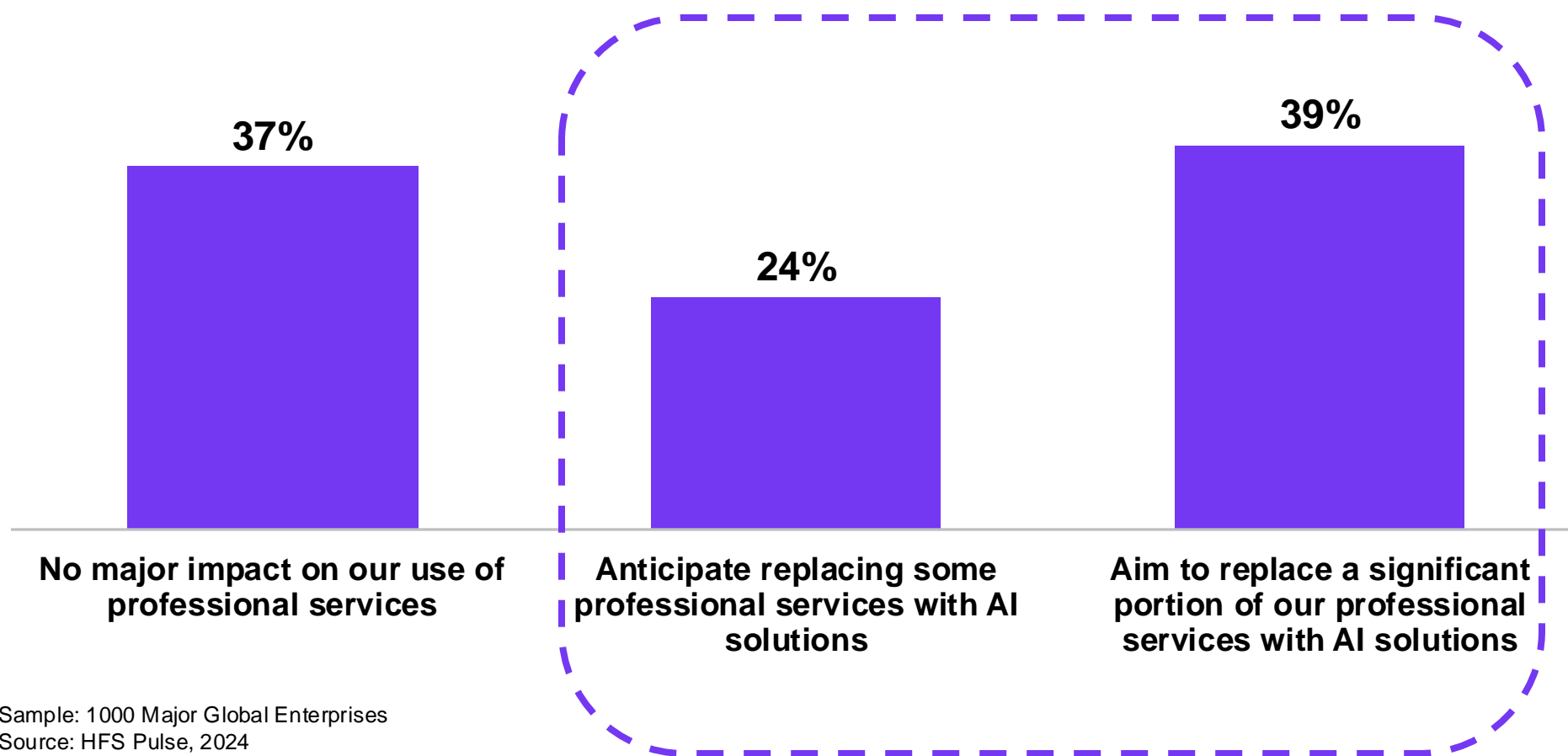| BPO service providers	IT service providers	Software & SaaS vendors
Yes — 75%	Yes — 72%	Yes — 62%
No — 19%	No — 21%	No — 30%
Don't know — 4%	Don't know — 4%	Don't know — 5%
Not applicable — 2%	Not applicable — 2%	Not applicable — 3%

Sample: 605 executives across Global 2000 enterprises
Source: HFS Research, 2024

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

Enterprises' approaches to adopting AI to replace professional services

■ **In 3-5 years**

37%

24%

39%

No major impact on our use of professional services

Anticipate replacing some professional services with AI solutions

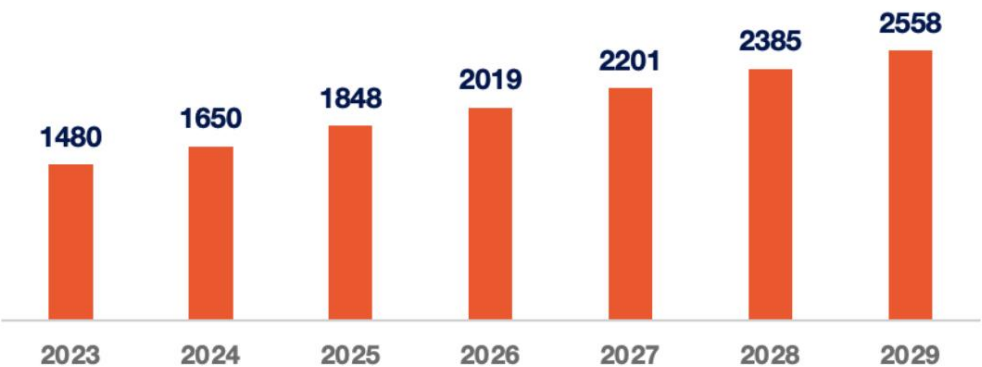Aim to replace a significant portion of our professional services with AI solutions

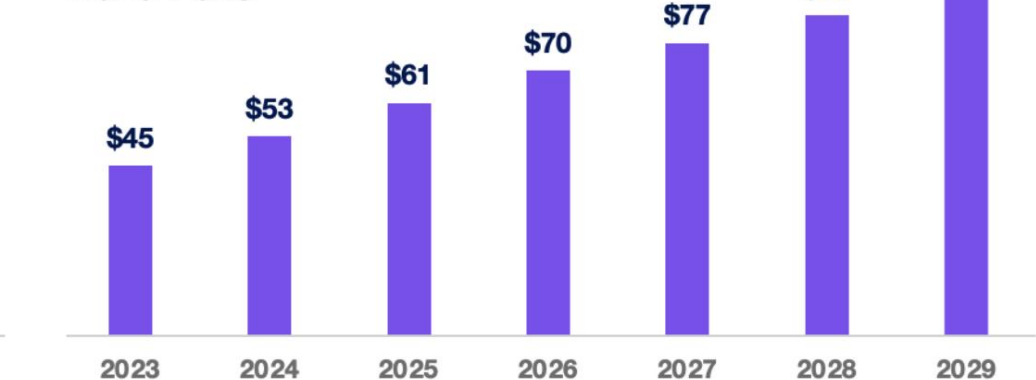**Six out of ten enterprises plan to replace *people-run* services with *software-run* services before 2030**

Sample: 1000 Major Global Enterprises
Source: HFS Pulse, 2024
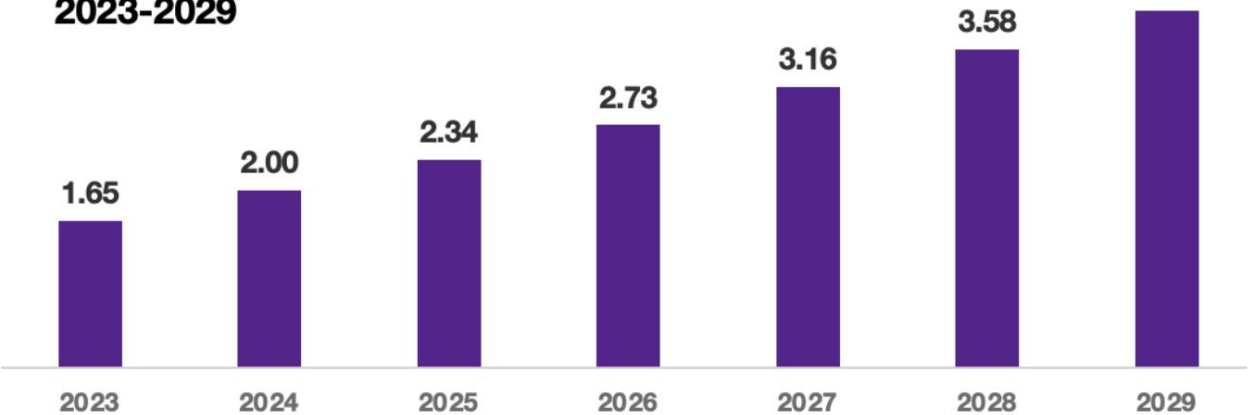
India's GCCs on double-digit growth trajectory

Number of GCCs, 2023 - 2029

Year	Number
2023	1480
2024	1650
2025	1848
2026	2019
2027	2201
2028	2385
2029	2558

$ GCC Annual Expenditure ($bn), 2023-2029

Year	Expenditure
2023	$45
2024	$53
2025	$61
2026	$70
2027	$77
2028	$85
2029	$92

GCC Headcount (millions), 2023-2029

Year	Headcount
2023	1.65
2024	2.00
2025	2.34
2026	2.73
2027	3.16
2028	3.58
2029	4.02

HFS Forecast:

- Number of GCCs expected to grow at a CAGR of ~10% by 2029

- Annual expenditure on GCCs growing at a CAGR of ~13%

- Headcount of India-based staff in GCCs growing at a CAGR of 14%

Source: HFS Research, 2024

Forget FOMO…. You need a big dose of FOBO

FEAR
OF
BECOMING
OBSOLETE !

Why you need to have real FOBO about Services-as-Software

- SaaS is a bloated, overpriced mess that forces companies to pay for features they don't need

- IT Services and Consulting are a glorified human labor business masquerading as innovation

- CIOs are still spending billions on static tools and labor-heavy services when AI-first solutions can do more for less

- Enter Services as Software—an AI-first, automated service layer that's coming to obliterate everything in its path. No more billable hours. No more clunky SaaS

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 WeGA.

- **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, Firstsource Quintessence, 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, Ema, GitHub, Lyzr, Copilot, Replit's Ghostwriter, Google Gemini, 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
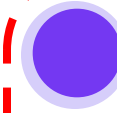
Services-as-Software

- 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, Daybreak.ai, Now Platform, builder.ai, and Salesforce's AgentForce 2.0.

- **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+

SaaS versus Services versus Services-as-Software

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

Services as Software will be a $1.5 trillion market by 2035

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

Global Software and SaaS

~$2.5 trillion (CAGR = 10-15%)

Global Technology Services
(IT Consulting, ITO, BPO, Managed Services, etc.)

~$3 trillion (CAGR=5-7%)

~$1 trillion

~$1.5 trillion

2024　　　　　　　　2035
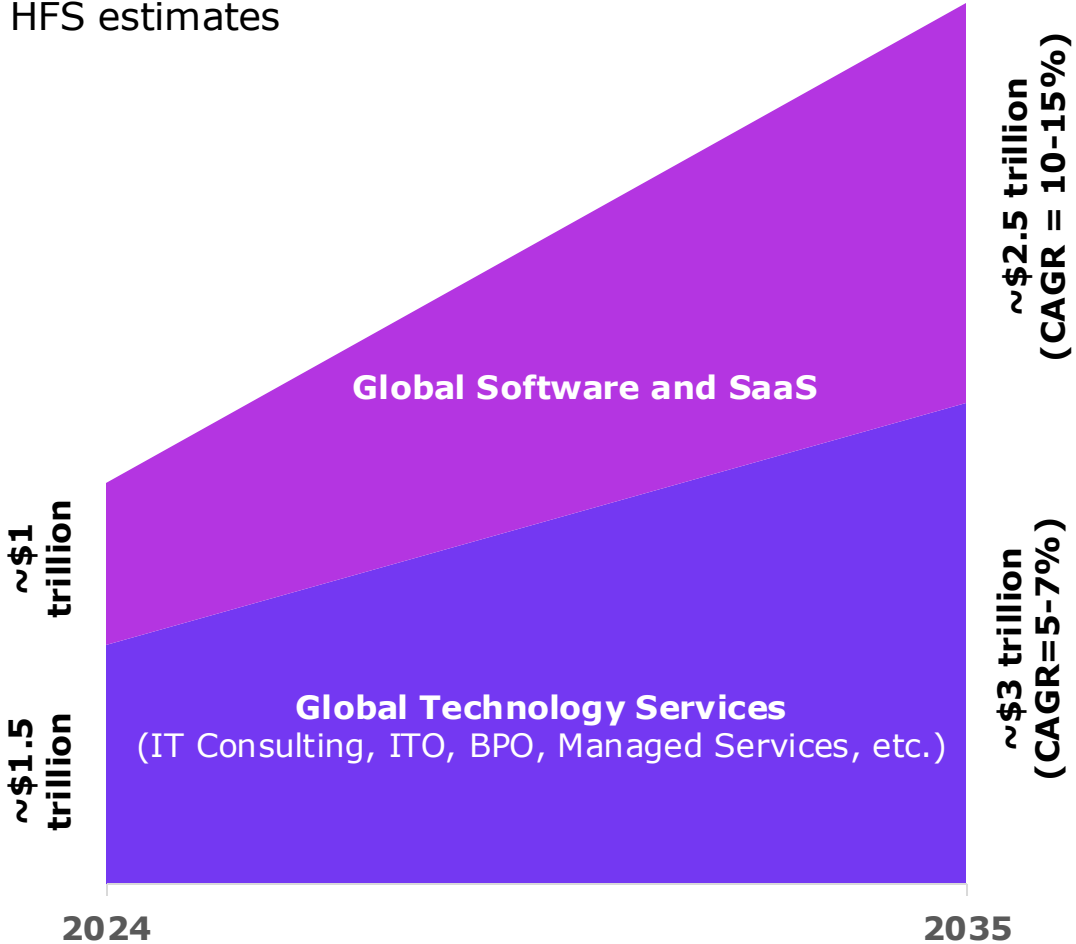
Projected market forecast for Software and Services (Including Services as Software)
HFS estimates

Global Software and SaaS

~$1.5 trillion (CAGR = 5%)

Services as Software

Global Technology Services
(IT Consulting, ITO, BPO, Managed Services, etc.)

~$1 trillion

~$1.5 trillion

~$1.5 trillion

~$1 trillion (CAGR= Negative 3-5%)

2024　　　　　　　　2035
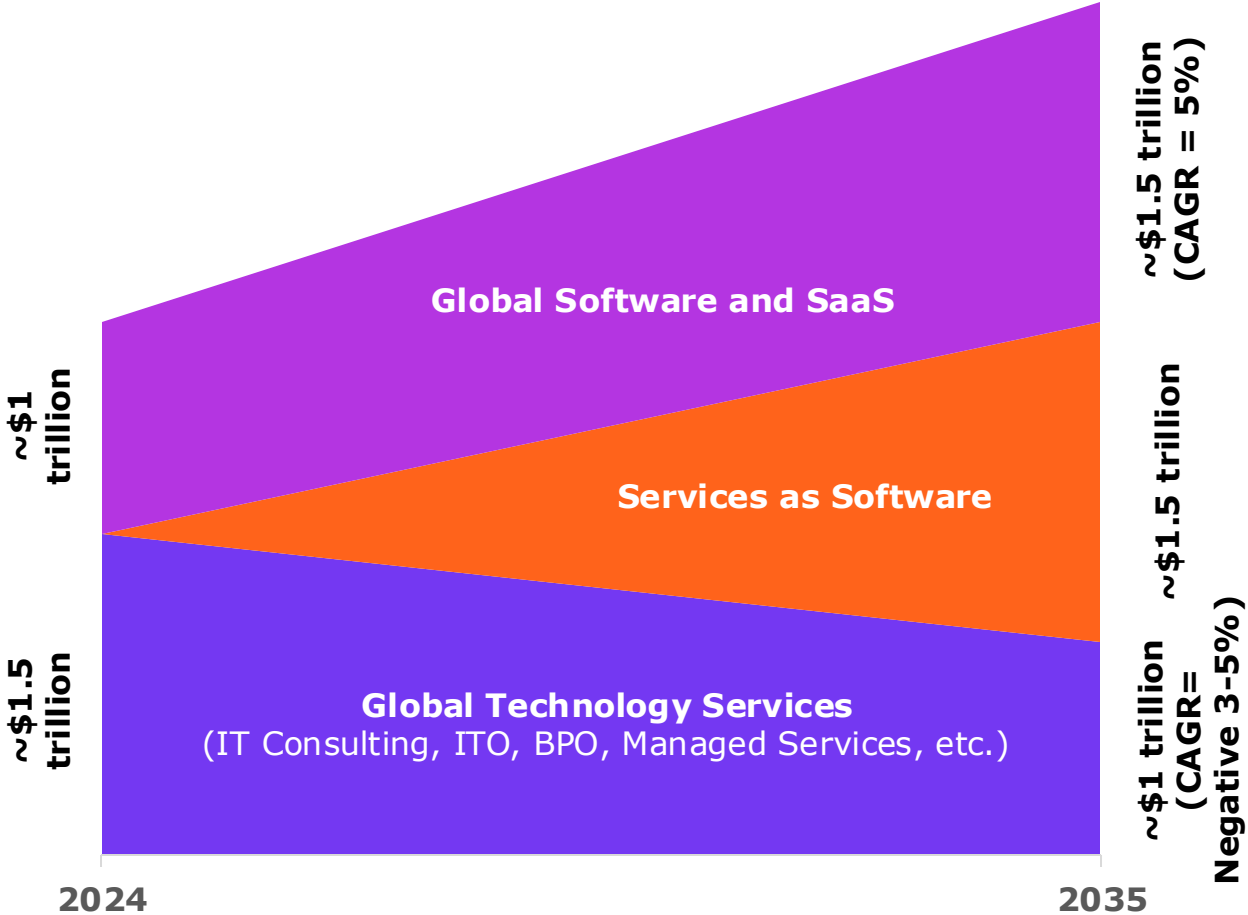
The Generative Enterprise™ Ecosystem

Services Ecosystem Orchestration

accenture · Capgemini · IBM · firstsource · Mphasis The Next Applied · HCLTech · pwc · LTIMindtree · Infosys Navigate your next · TECH mahindra · U·ST

cognizant · EY · KPMG · Deloitte. · Persistent · Hitachi Digital Services · publicis sapient · tcs TATA CONSULTANCY SERVICES · genpact · wipro
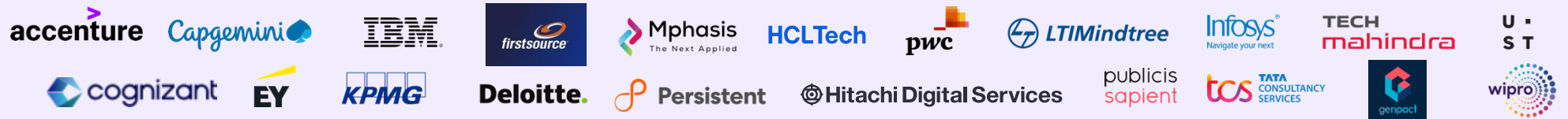
Applications

Consumer uses

Entertainment	character.ai, Midjourney
Productivity	OpenAI, ChatGPT, perplexity
Other	DeepSeek, waabi

Enterprise stack

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

Open-source models & frameworks

Hugging Face · LLAMA · Stanford Alpaca · Gemini · GitHub

Full-stack large language models

OpenAI · ANTHROP\C · 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

Defining our AI Future

The HFS AI Continuum:
From Task Automation to Super 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

Artificial Super Intelligence
"I can outperform human intelligence"

ASI is a fully autonomous intelligence **that surpasses human cognitive capabilities** and can solve problems and innovate on an exponential scale.

Key Characteristics:
- Surpasses human problem-solving and reasoning
- Forms independent goals and innovates autonomously
- Continuously self-improves and evolves
- Applies superior intelligence across all domains
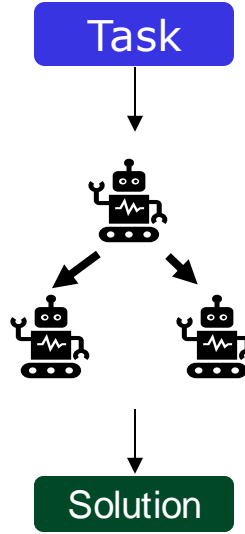
Agentic systems range from simple task performers to complex cross-functional teams

Single agent

Task

Solution

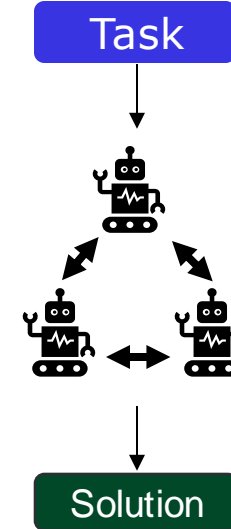> A standalone agent that handles one specific task or function
>
> e.g., email writer or meeting scheduler.

Functional Multi-agent

Task

Solution

> 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

Task

Solution

> 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.

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 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.
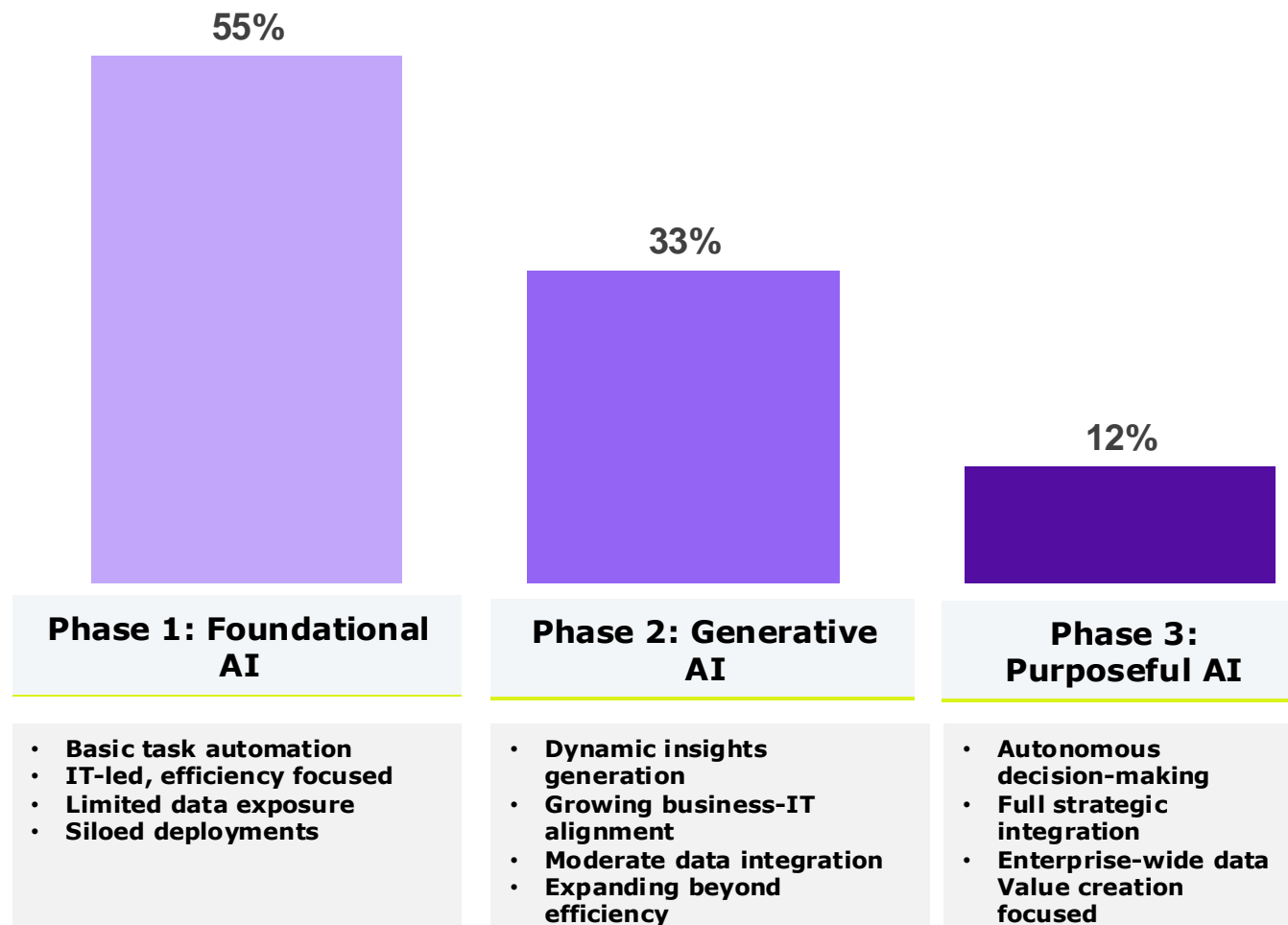
Example of a multi-agent workflow

Agentic with Eyes...

Reality Check – AI maturity remains low

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

55%

33%

12%

Phase 1: Foundational AI	Phase 2: Generative AI	Phase 3: Purposeful AI
• Basic task automation • IT-led, efficiency focused • Limited data exposure • Siloed deployments	• Dynamic insights generation • Growing business-IT alignment • Moderate data integration • Expanding beyond efficiency	• Autonomous decision-making • Full strategic integration • Enterprise-wide data Value creation focused

21

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

What are your company's top internal challenges?

Cultural debt — 22%
- Cultural resistance to change
- Lack of C-level direction
- Managing a remote or hybrid work environment

Technical debt — 21%
- Tech. leadership is out of step with business
- Legacy technology impeding our competitiveness
- Staying on top of the recent advancements in AI

Data debt — 18%
- Data security issues
- Lack of centralized data governance

Skills debt — 16%
- Hiring and developing staff
- Attrition of quality staff

Process debt — 13%
- Operations leadership perpetuates silos
- Limited automation of processes or data

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

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?

- **25%** — There is some concern about job loss, but we are cautiously exploring GenAI's benefits.
- **20%** — Our culture is resistant to GenAI due to fears like job loss and disruption.
- **20%** — It is too early to say
- **19%** — Our culture is becoming more adaptive, recognizing the benefits of GenAI while addressing concerns.
- **9%** — We embrace GenAI, viewing it as a key driver of innovation and improvement in job roles.
- **6%** — GenAI is fully integrated, with a strong culture of support, continuous learning, and innovation.

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?

Pie chart:
- Tech Spend Outside of IT control, 46%
- Tech Spend Under IT control, 54%
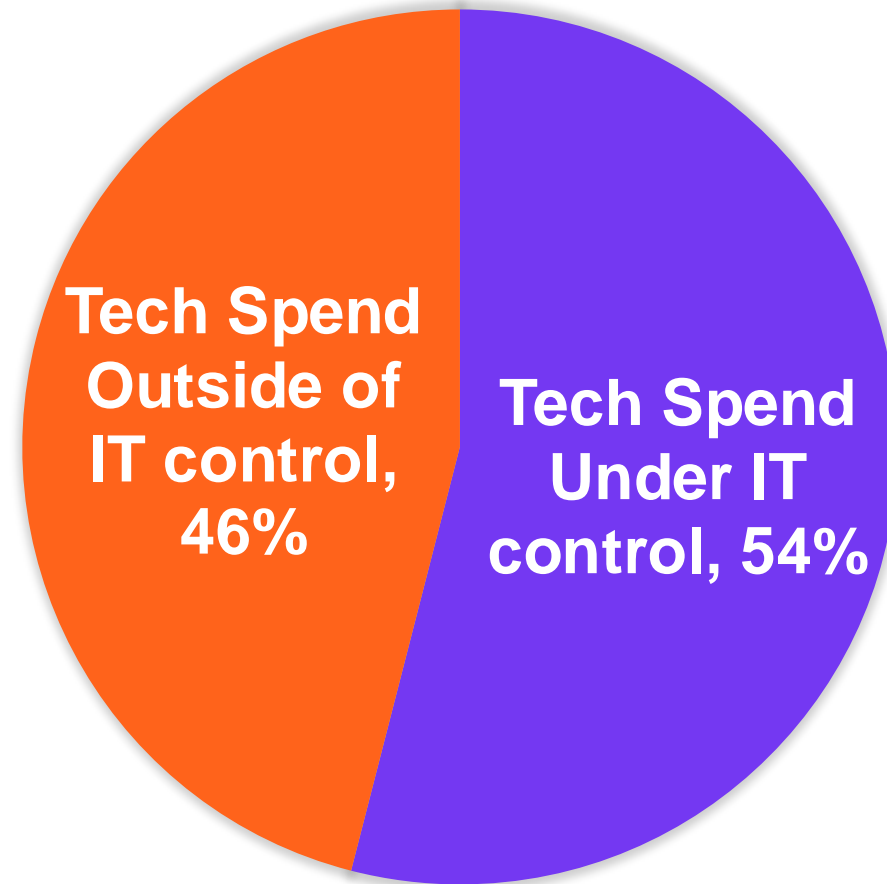
Sample: 551 Global 2000 enterprise executives
Source: HFS Pulse, 2023-24

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

Skill	%
The ability to combine business skills with technical knowledge	44%
Understanding of ethical AI practices	41%
Critical thinking and analytical problem-solving	39%
Effective project management and execution	39%
Adaptability and agility	36%
Strategic planning and business acumen	36%
Industry-specific knowledge (e.g., healthcare, finance, etc.)	30%
Communication and collaboration skills	28%

Technical skills needed to drive successful GenAI initiatives
N =550

Skill	%
Data science and machine learning expertise	53%
Data analysis, interpretation, and visualization	41%
The ability to combine technical knowledge with business skills	35%
Software development and engineering skills	29%
Cloud computing and deployment experience	29%
Data engineering and big data technologies	25%
Data Security and Privacy Awareness	23%
DevOps and model maintenance skills	21%
Natural Language Processing (NLP) knowledge	20%
Prompt Engineering	16%

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 and be FOBO—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. Fear becoming obsolete!