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HFS

Your Generative Enterprise Playbook for the Future

Insights from generative AI innovators
provide a 12-part playbook for success for
business and technology leaders

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ASCENDION



Insights from generative artificial intelligence (GenAI) innovators provide a playbook for success for business and technology leaders, researched and written by Ascendion and HFS Research. The first-of-its-kind study distills lessons from enterprise trailblazers already reimagining work and unlocking the massive potential of GenAI.

The report provides keen insights and tactical recommendations honed from extensive quantitative surveys and in-depth interviews with more than 120 AI innovators who are already working with GenAI to build a bridge to the future.

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01

How to win the race to become a Generative Enterprise™

In this chapter, Ascendion CEO Karthik Krishnamurthy shares the hard lessons that can help us all unlock value with GenAI.

Karthik Krishnamurthy is on a mission. He aims to make his company the first Generative Enterprise™ in software engineering, and he is moving fast.

Founded in 2022, digital engineering and services company Ascendion is free of the potential drag of legacy ways of working as the GenAI revolution takes off. With years of experience applying AI to software engineering and talent orchestration, Ascendion was born with GenAI in its DNA.

Karthik, Ascendion's CEO, enthused, "I've been an AI and data guy for 25 years. I don't need any convincing of the importance of AI. This is something I personally believe in, and our team believes in." The Generative Enterprise, coined by HFS Research CEO and Chief Analyst Phil Fersht, in May 2023, refers to an enterprise that implements AI technologies based on large language models (LLMs) like GPT-4, LaMDA, Constitutional AI, and others that power increasingly sentient-seeming conversational AI systems like Bard, Claude, and ChatGPT.

The intent is to reap business benefits that include (so far) improved productivity, new ideas, and better consumer experiences to ultimately redefine how work gets done and disrupt business industrial economy models steeped in decades or more of antiquated processes and technology.

What does it take to be a Generative Enterprise?

In practice, a Generative Enterprise must meet some specific criteria and demonstrate specific capabilities:

- It must display strong GenAI and LLM models, use cases, and capabilities in active deployment across jobs, workflows, and consumer experiences.
- It is deploying robust frameworks for responsible and ethical AI.
- It has maturing ecosystem partners that drive co-innovation, new products and services, dramatically improved processes, and higher productivity.
- It has well-rounded capabilities across all value creation levers: talent, domain, technology, data, and change management.
- It has deep partnerships with AI technology leaders, possibly including joint IP creation.
- It has made substantial investments in GenAI.
- It has evidence of purpose-based (co-creation) partnerships with clients and an increasing number of performance-based relationships in its portfolio.
- Clients must recognize it as a thought leader.
- Its referenceable and satisfied clients drive new business models with partnerships.
- It needs a demonstrated ability to redefine how work is done in a way that materially impacts enterprise-wide core business metrics, such as 30%–70% additional productivity, data-driven decision making, creative content generation, improved customer experiences that drive growth, or new partnership ecosystems encouraging AI-powered business models

Successful AI deployment impacts the entire organization

HFS named Ascendion a Horizon 3 Market Leader in its [inaugural report](#) on how service providers support enterprises in their journey to becoming Generative Enterprises. Karthik explains that Ascendion's focus on becoming a Generative Enterprise goes beyond what it offers to clients and how it executes. It extends to applying GenAI to enhance everybody within the organization—it is an organization-wide effort.

“Firstly, this means getting the entire organization comfortable and trained on AI. We've already trained more than 1,500 Ascenders on GenAI. I'm not just talking about client partners, account managers, engineering managers, and delivery people. I'm talking about finance, HR, marketing, and talent experts,” said Karthik.

The result is buy-in and hunger that have identified many opportunities to create value with AI across multiple processes. Ascendion's CIO now leads the charge to build tools to embed them in new ways of working across the company, and the head of software engineering continues to develop and deploy Ascendion AVA—powered by AI—to improve how the company delivers services.

AI and GenAI have cut recruitment time by a third; AI + people pods next

Another example of the application of GenAI at Ascendion is talent acquisition. Ascendion has built a platform that, with the help of machine learning (ML) and GenAI, reframes job applications as they come in to align them better with matching roles. It provides scores matching the right candidate for the right role, and AI is helping keep more than 15,000 candidates engaged for current and future roles.

GenAI even supports pre-screening by generating relevant initial questions for recruiters to use in interviews. A detailed time and motion study clocked a 34.5% reduction in the time to complete the interview process. Ascendion is productizing the approach for sale to clients.

Such results inspire rapid take-up of GenAI in sales, marketing, quality engineering, and software development. Other early work includes proposals to create working “pods” in which teams comprise “Digital Ascenders”—AI-enhanced human developers and engineers.

“We are looking at the economics right now. We think where you may have had a team of about 10 people in a pod, we may be able to do it with six when they are fully enhanced by AI,” predicted Karthik.

Understand your data to build the right foundation

Karthik identifies data and cloud maturity among the key accelerants for any business seeking to journey to the Generative Enterprise.

“People who do not have a data strategy will really struggle to figure out how to apply GenAI,” he warns. “They need a well-integrated and modernized data platform.” He asserts that understanding all the inherent relationships within your data is critical to this so that you know the impact on any other data points you touch. “A lot of modernization efforts are just a lift and shift. They just take a bunch of data, put it on a new platform, and think they’ve modernized it. No. That will not lend itself to the appropriate use of AI and GenAI,” warns Karthik.

Insights from the journey toward a Generative Enterprise

Karthik’s journey has already taught important lessons, including technical capabilities to double down on and behaviors to adopt:

1. Learn to prompt: Developing depth in prompt engineering will be essential; there is not enough talent currently in the market.
2. Learn to consume: The market is short on what Karthik refers to as “consumption intelligence”—the kind of expertise required to consume the outputs of GenAI in a way that enhances the context it delivers. For Karthik, this consumption intelligence manifests in the ability to write algorithms to better adjust to outcomes and learn lessons from hallucinations toward greater value for the business.
3. Balance patience and urgency: The person leading the GenAI effort should be curious about new ways of working but be willing to start now! Also, plan for the long haul. Follow a plan with clearly defined expectations and milestones. Recognize that changes of this magnitude won’t happen overnight.
4. Be reasonable: Don’t quit on GenAI if it hallucinates incorrect responses from time to time. Humans make many more mistakes, yet we are happy to keep working alongside them. People working with GenAI should consider the relationship a partnership in which you can help each other improve.

The Bottom Line: It takes inspired leaders and organization-wide commitment to progress toward becoming a Generative Enterprise.

Embracing the potential of becoming a Generative Enterprise and embarking on the journey toward it requires an organization-wide commitment and conviction from the top. Karthik and Ascendion can tackle all this without the massive demand for change management that most organizations will need—but the lessons learned can and should be taken on board by every leader taking their first steps.

02

Points, waves, and fields: The new physics of work

In this chapter, we explore what early innovators have learned about how GenAI will reshape enterprise value over the coming quarters and years.

When will GenAI have its peak impact on tasks, workflows, experience, and business models?

Most current studies don't try to get at *when* a certain kind of business impact will take place. It's a bit unfortunate. Timing is the number one variable for virtually every strategic decision, so we asked a cohort of superstar early innovators what they thought.

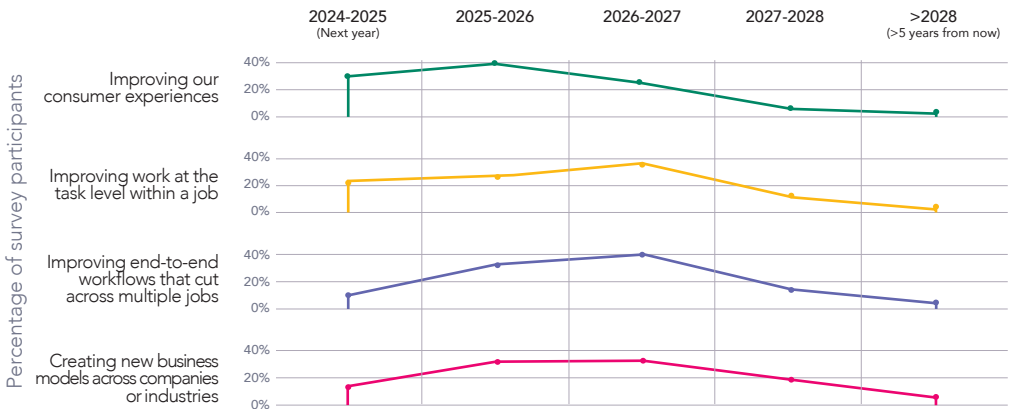
Even the most impactful business and technology shifts don't happen overnight. We can look at earlier revolutions, or we can stick to common memory. The "cloud" started becoming The Next Big Thing in the late 90s—and we're still on that journey. You get the picture.

AI ripples in the business pond

Early movers in GenAI solutions value impact playing out in a pattern constant with history. Like pebbles being dropped in a pond, GenAI will impact very specific experiences and tasks at the beginning. Most respondents think the impact on consumer experiences will peak in the next few years (see Exhibit 1). This will help early adopters improve customer engagement, drive growth, and set expectations for more adaptive and personalized commercial engagements. Brand equity will rise for the winners and deflate for late adopters.

Exhibit 1: Are you ready for the peak impact of GenAI? Our early innovators see it coming sooner than you may think

Q: For each of the following types of work, when do you expect the peak overall impact of GenAI to happen?



Source: 104 enterprise leaders actively exploring and deploying GenAI across the Global 2000
 Source: HFS Research in partnership with Ascension, 2023

Task-level solutions will also be part of the first wave of value generation. For value chains within firms of nearly every sector— point by point, step by step GenAI will reshape how work gets done, slowly changing the productivity curve day after day.

Points, waves, and fields: The new physics of the enterprise

Think of this shift rolling out first as single points as GenAI delivers impact at the level of a specific work task or consumer experience.

As these points grow in number, like daubs of paint in a pointillist painting, the bigger picture emerges. Tasks connect to form jobs, which will become much more productive.

Think of these emerging pictures as waves of enhancement flowing across your enterprise job by job. Jobs will change at different rates. Depending on the work being done—GenAI won't fix your leaky toilet (though its multi model-capabilities will [show you how](#) if you show it the problem)—but for virtually every knowledge worker, things will be different.

New business models will emerge as AI reshape commerce and capitalism

As jobs become increasingly AI-enabled and workers become AI-enhanced, jobs will connect, and the business will shift. New business models will form as AI reshapes commerce and capitalism. In physics terms, think of this as new “fields” emerging over time (but not too much time).

“*The last horizon for GenAI for me is the creation of wholly new, highly disruptive business models. When the Ford Model T was produced, entirely new industries emerged — like the tire industry. We're in the middle of that phase with GenAI—the phase in which the Ford Model T has been created. What's our modern-day version of the tire industry? What's our version of the gas station industry? While the answer remains to be seen, that's the shift in mindset that must take place. That is where you must be willing to bet on the new. It's also the place where most people stop.*”

Andy Fanning, Vice President and Global Leader for GenAI,
Intelligent Automation and Tech Innovation at Evernorth
Health Services

This is no fever dream or mythical future; the GenAI transformation is happening today

This probably sounds like something from an [Ayahuasca](#) retreat, but the impact of the GenAI transformation is getting very real. Just consider healthcare. There are hundreds of jobs (comprised of thousands of tasks) and workflows across jobs and divisions that make a healthcare company run. Primary workflows include drug discovery, clinical trials, and pharmacovigilance.

Already, innovators are using GenAI to discover and design new drugs to keep us healthy. Others are leveraging AI to improve clinical trials. Still others are using GenAI to help identify adverse drug events. GenAI-driven innovation is not a fever dream or a mythical future; it is happening today.

Our early adopters think the peak impact of GenAI will happen in the next five years, so don't sleep on this big idea. Look out beyond your own company. As jobs in your firm morph from industrial economy to digital economy processes, start looking at what this change means outside the borders—physical, digital, and cultural—of your own firm. New business models and partnerships that cut across traditional industry and company boundaries will emerge. Unless you work for Google, AWS, Anthropic, or Microsoft, you should start small but do not wait.

The Bottom Line: Find your wow moments, and start making waves.

Don't bet the house on “automation.” Do seek out moments of friction where GenAI, by manipulating more data than you can imagine, can enhance consumer and worker value chains.

Find your own “wow” moments as something that took six hours or six days now takes 30 seconds. Knit those moments together until the ripples form a wave. Watch as jobs are profoundly changed as the people doing the work become more and more productive, focusing more on tasks humans do best.

03

GenAI success depends on talent, data, cash, and culture

In this chapter, we explore lessons from early innovators about the factors that can help ensure successful value creation with GenAI.

Want to win with GenAI? Here's a leg up from those who have learned the lessons for you—a cohort of enterprise leaders already experienced in using GenAI in their businesses.

We asked GenAI early adopters and enterprise AI experts what goes into creating the optimal conditions for the effective deployment of GenAI; they ranked the options in Exhibit 1.

It all starts with talent, data, cash—and a culture that embraces innovation.

GenAI runs on chips, but its value is powered by (human) talent

It may be a great irony, but it's true: As technology becomes more essential to generating value, people become even more critical.

The need for sufficient talent (people) skilled in creating and using GenAI is ranked #1 or #2 by 83% of our experienced cohort.

The talent requirement is not overlooked by the massive global service providers, many of which have already announced huge investments in acquiring and training talent. Accenture, among others, is set on doubling its AI-related talent from 40,000 to 80,000.

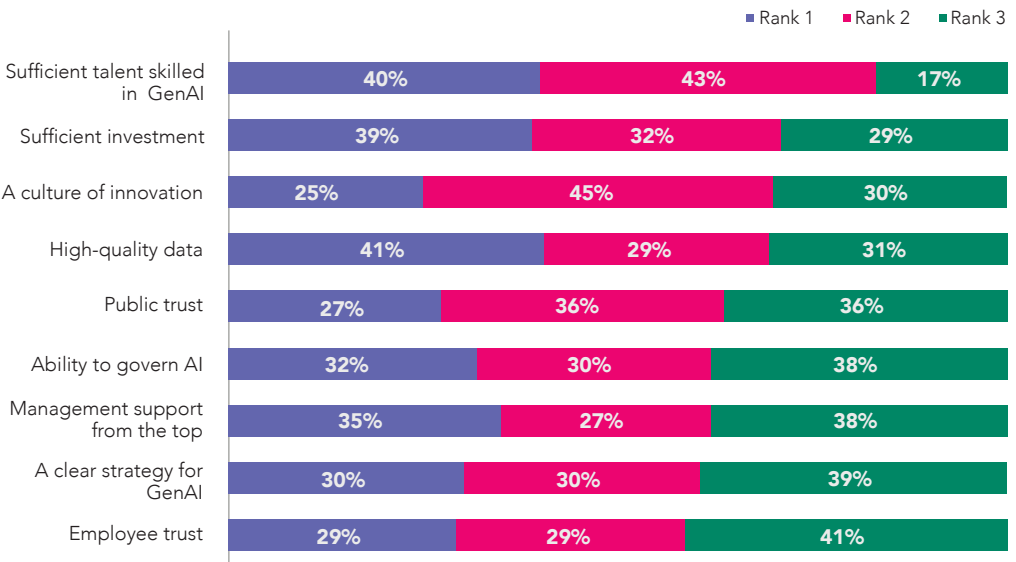
“Our \$3 billion investment is an important part of how we’re going to help create value for our clients. So, it includes what we’re doing with talent. We’re training thousands of people to be able to be relevant to GenAI.”

Julie Sweet, Chair & CEO, Accenture

Fausto Artico, Global Head of Data Science (models and tech stack) at GlaxoSmithKline (GSK), believes having the right talent and high-quality data are crucial. He said, “If you have the right talent, in the long run, the models you use will make less difference than the data you can access and that talent can make use of.” Exhibit 1: Sufficient talent, investment, a culture of innovation, and high-quality data are the leading ingredients for success, according to those experienced with GenAI.

Exhibit 1: Sufficient talent, investment, a culture of innovation, and high-quality data are the leading ingredients for success, according to those experienced with GenAI

Q: Which of the following conditions will best support effective deployment of GenAI?





Source: 104 enterprise leaders actively exploring and deploying GenAI across the Global 2000
 Source: HFS Research in partnership with Ascendion, 2023

High-quality data was ranked the most important success factor

High-quality data is also among our top four critical success factors; it's the success factor ranked number one by more respondents than any other. GenAI in the real world is voracious for data—the bigger and cleaner, the better. Our early adopters recognize this, and our findings reveal a concerning truth. Without high-quality, accessible, secure, and accurate data, enterprise leaders will have a hard time creating value with GenAI. At the end of the day, GenAI looks for patterns in data and only generates its responses based on the data made available to it. Technologists have been saying “GIGO”—garbage in, garbage out—since the 1960s, but with LLMs and conversational interfaces, this issue is magnified beyond human comprehension.

Sheri Sullivan, Global Payroll Operate Leader at EY, fed payroll regulatory updates for countries, anatomy of payslips, along with individual client company policies into an LLM to deliver improved employee experiences in a multi-lingual and multi-national deployment. In initial testing, she found HR leaders were thrilled with the results but in a few of the chatbot responses, there were inaccurate answers.

When Sheri's team asked those HR leaders to check the data — specifically, the policies they had provided and were using — they found it was the policies that needed to be corrected. We are in a world of garbage in-garbage out at massive scale with profound implications for how our organizations operate.

 *GenAI can reveal upstream issues enterprises didn't know they had. We had a couple of cases in which an HR agent told us the bot was wrong, but they found it was their policy that was wrong.* 

Sheri Sullivan, EY Global Payroll Operate Leader

The need for investment the survey identified is fairly obvious, particularly in these early days of exploration and innovation and seeking a march on the competition. But our GenAI superstars told us that another powerful success factor is a culture of innovation, and it's trickier to put your finger on.

Sheri called out the necessity for culture to embrace rapid decision-making and reaction. “We learned a lot from our client interacting with the tools.” This rapid, iterative, test-and-learn mindset is core to working within a culture of innovation. Just as “design thinking” suggests, get prototypes in the hands of your intended users as quickly and as cheaply as you are able.

The Bottom Line: Fix your data first, but don't overlook talent, cash, and culture.

Leaders should recognize that our Big Four—talent, data, cash, and culture—are interdependent and essential. Still, there is no getting away from the importance of data to succeed with GenAI. Without the right data, all the smart people, capital, and healthy context for exploration won't amount to real business impact.

Our survey data shows a clear—but tough—road ahead for companies that haven't yet cracked the code on their own data. Many organizations will finally have to bite the bullet and improve the quality of the data they generate, store, and flow throughout the enterprise. No amount of skilled people, bags of cash, or willingness to innovate will make up for data failings. Start there, and don't wait.

04

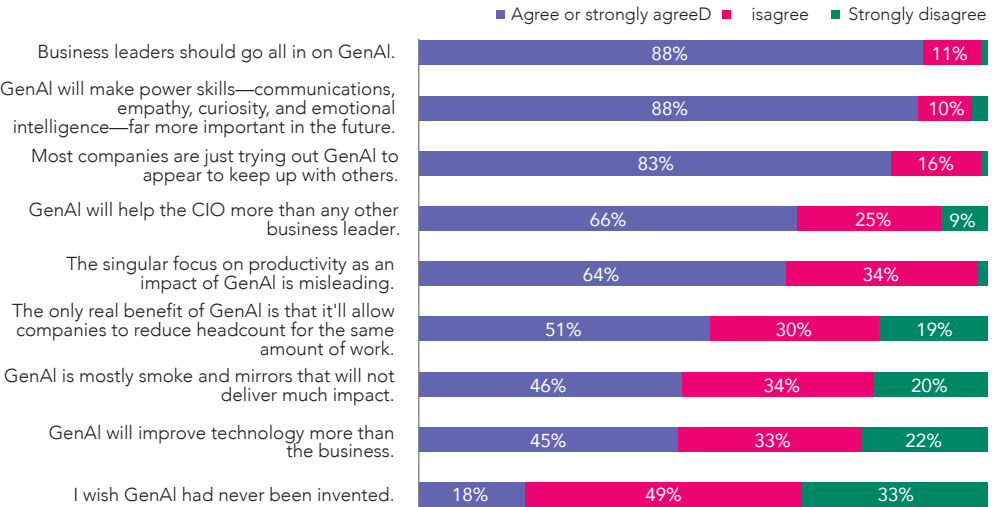
Expect some turbulence as GenAI takes off

In this chapter, we explore the most impactful GenAI deployment obstacles identified by an exclusive cohort of early enterprise adopters.

Our survey of early adopter superstars provided clear guidance (see Exhibit 1) on their biggest obstacles to deploying GenAI. GenAI is ready for prime time, but don't expect it to work "out of the box." Get ready to pedal up a steep learning curve in the coming quarters.

Exhibit 1: Early adopters agree businesses should go all-in on GenAI

Q: Please indicate your opinions about each of the following.



Source: 104 enterprise leaders actively exploring and deploying GenAI across the Global 2000
Source: HFS Research in partnership with Ascendion, 2023

Four challenges that require leadership focus and action

The four biggest speed bumps every company needs to roll over are trusting the bots, getting the right humans in the loop, ensuring real return (vs. creating another investment sinkhole), and managing data to ensure the bot can deliver value.

Learn to trust the bots

GenAI solutions probably seem as magical to us as the first wireless radios and grainy television images must have seemed to our forebears. We naturally tend to mistrust things we can't explain, so it's little wonder that experienced GenAI users rank "inability to explain and govern the AI black box" as the biggest blocker to rolling out GenAI in the enterprise.

Get the right humans in the loop

GenAI solutions will not arrive on your company's doorstep and self-inflate like a bouncy castle. Bringing GenAI solutions "to life" takes an ecosystem of technologies like data platforms, LLM engines, massive compute resources, and conversational layers. They all need (and will continue to need) people — that's us. Early adopters recognize that keeping the right humans in the loop during the creation, deployment, and ongoing management of GenAI solutions is a must. No magic wand can get the ideal people in the ideal place at the best possible cost.

Ensure real return

Nobody "likes" constantly upgrading enterprise platforms, managing data center power, or tracking laptops. This work needs to be done, even though demonstrating real business productivity improvement has traditionally been difficult for CIOs and their teams. GenAI return on investment (ROI) remains uncertain amid complex pricing models with rapidly changing unit prices. Budget holders are, reasonably, uncomfortable with high levels of uncertainty and are wary of locking into another technology that requires endless investment. All but the most exuberant leaders should expect to justify and often constrain risk exposure by limiting scaling without clear, logical, bottom line returns on investment. This may slow progress, but it's the right thing to do for the company.

Manage data to ensure the bot can deliver value

For years, pundits and consultants have declared, "Data is the new oil/air/gold/soil/bacon" (even bacon...). With the maturation of GenAI, this cliché has advanced to become an essential business truth. GenAI is ravenous for data — the more, the better, and the cleaner, the better. The average enterprise has hundreds of terabytes of data, but much of it is locked up, walled off, sitting on a sales manager's laptop or a customer's mobile device. Getting that data into the maw of an LLM safely and securely is one of the few no-regrets decisions a business can make today.

Trust, faith, and computer science

We asked our respondents to rank obstacles to GenAI deployment, and the top four ranked #1 or #2 include an inability to explain and govern the AI “black box,” a lack of skills, and poor data quality tied at #3 with a lack of trust. The honorable mention goes to an uncertain ROI, which nearly half of respondents ranked as #1.

Humans act based on the stories we believe. The core capability of GenAI is to create, abstract, and illustrate stories with content, calculations, and imagery. Business leaders must ask themselves what they believe in.



With a neural network that’s architected as a probabilistic model, it will attempt to give you the answer it believes you’re looking for, and that maybe wrong. Governing a technology like that really requires a different approach.



Cliff Justice, Partner, US Leader, Enterprise Innovation, KPMG

Whoa. Suddenly, this got serious—and personal.

Let’s be honest. Content from a box we don’t understand called forth by incantations we call “prompts” does not inspire confidence. We’re trusting that the data we feed the bots and the people who manage the signs and messages from those bots can keep us and our companies “safe.”

The fact is, this minute, “safety” hasn’t been proven. Creating output, we believe in is really the task at hand for innovators. Questions about data, skilled talent, and value all spring from doubt. Can we believe this? The biggest hurdle for GenAI, looming largest among the obstacles enterprises face, is—paradoxically—faith.

Enterprise leaders love GenAI’s potential for productivity boosts and human enhancement, but they have to balance that with the risks of employing something they struggle to trust. The hard truth is that there is no surefire path to 100% responsible AI. This is the real challenge at hand.

The Bottom Line: Welcome to the era of innovators with the will to act.

As humans, we’ve waited thousands of years for absolute truth to be revealed, and we’re still waiting.

As business leaders, we can’t wait. Life is full of choices and ambiguity. Deciding we can’t move forward without absolute certainty is deciding to stay on the sidelines as the most impactful revolution in centuries passes you by. Like it or not—and believe it or not—we are all in an era for innovators with a will to act.

05

GenAI Impact to surpass every other technology

In this chapter, we asked early innovators and adopters to rank the overall impact of generative AI over the next few years against other major technologies throughout history.

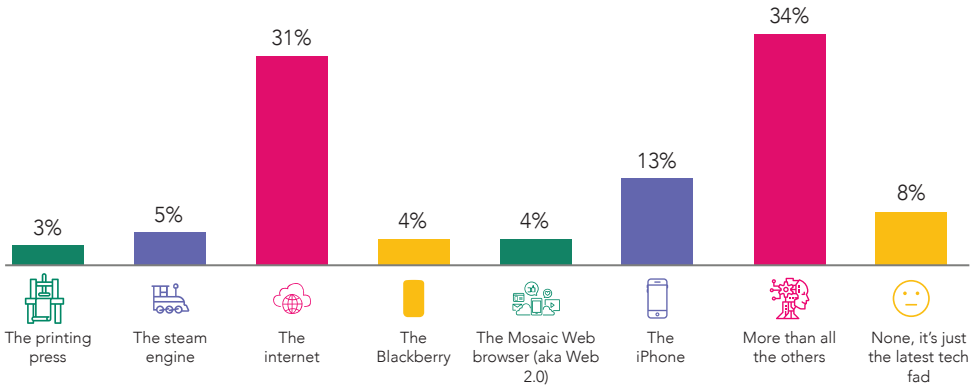
Buckle up! GenAI is set to be one of the greatest disruptors to impact business and society in our lifetimes (and our parents', grandparents', and great grand parents' lifetimes).

That's what our expert users believe right now, looking out to 2025. A third of them say GenAI will have a greater impact than the steam engine, the internet, the iPhone, and even the printing press. In fact, our study of "people who know" suggests that GenAI will likely have a more disruptive impact than the internet or any other innovation we asked them to consider (see Exhibit 1).

It's perhaps easy to take such a giddy expectation with a large pinch of salt. There's ample evidence that humans are not great at predicting the long-term future of any specific technical innovation. Just consider the froth around the metaverse, blockchain, or even the Zune. Loads (even most) new technologies suffer from a failure to launch widespread change.

Exhibit 1: Buckle up—our survey respondents believe that by 2025, GenAI will be more disruptive than any other tech has been

Q: In 2025, will GenAI tools be considered as disruptive as what other technology or innovation?"



Source: 104 enterprise leaders actively exploring and deploying GenAI
Source: HFS Research in partnership with Ascendion, 2023

It's perhaps easy to take such a giddy expectation with a large pinch of salt. There's ample evidence that humans are not great at predicting the long-term future of any specific technical innovation. Just consider the froth around the metaverse, blockchain, or even the Zune. Loads (even most) new technologies suffer from a failure to launch widespread change.

So, what's different this time?

We see three big differences that help explain what our respondents told us: mature enabling technologies, democratized innovation at scale, and the economics of improving knowledge work.

We started this journey in 1956

For most of us, it feels like Gen AI sprouted overnight, but the fact is that this shift started decades ago. The first instances of artificial intelligence emerged in the late 1950s. What is happening now is the concurrent maturation of a confluence of enabling technologies such as processing power (thanks, Nvidia!), ubiquitous connectivity, and the internet as a shared platform (thanks, Sir Tim Berners-Lee).

We democratized innovation

Thomas Edison had about a dozen people at any time working in his Menlo Park laboratories (which gave us the light bulb, the phonograph, and more than 1,000 patents). Now imagine if he had a billion people working there. This sounds ridiculous, but that's exactly what is happening with GenAI. Companies like Microsoft,

OpenAI, Google, Anthropic, and other GenAI “foundries” have basically outsourced innovation to all of us. Some researchers estimate that at least 70% of companies are experimenting with GenAI. Right now, countless people worldwide are figuring out what these bots can do, even while inventing thousands of new systems that take advantage of the underlying technologies.

We’ll look back on this period of history as perhaps one of the greatest waves of innovation in human history (and certainly the fastest). It took more than 60 years for 80% of US households to get a telephone. It took cell phones 15 years. It’s too early to say how fast GenAI adoption will go, but the adoption curve is already steeper than smartphones and tablets.

Knowledge workers will absorb the impact

Finally, perhaps the biggest difference between GenAI and other more recent technology leaps is that the economic impact won’t be on our physical economy, such as providing electricity and transportation, but on every experience shaped by software. This impact will land squarely on knowledge workers. That’s us, and if you’re reading this, that’s probably you.

GenAI is the next technology to profoundly impact how knowledge work gets done. This doesn’t mean wholesale employment carnage unless that job truly does not rely on capabilities still within the sole provenance of humans.

‘Twas ever thus.

☞☞ *Technology has always given, and technology has always taken away. Automation and technological substitution of human labor are facts of life. More important, these dynamics are a good thing. More tools mean more leverage, which means more efficiency, which means more productivity. This results in more margin, which means the ability and opportunity to do higher value work and to use higher order skills (i.e., to grow). This is the route to protecting jobs, not destroying them.*

☞☞

Malcolm Frank, Paul Roehrig, and Benjamin Pring,
Authors of “What to Do When Machines Do Everything”

CFOs and investors love productivity. The economics of bots enhancing human work will be the grease that lubricates disruptive innovation and deployment and makes GenAI at least as impactful as the steam engine. Gen AI will alter every job, enhancing every knowledge worker.

“ In every job, in every task we perform with it, something aiding us, making us faster, more productive, more mindful, is a future that I’m looking forward to. That means elevation of work, elevation of everything that I do, really elevating our focus on the business of our business. ”

Sandeep Dadlani, EVP, Chief Digital and Technology Officer,
United Health Group

This vision gets tactical quickly. The transformation happens at ground level, where real work is done.

Sheri Sullivan is a Partner and Global Payroll Operate Leader at EY. She is not a computer scientist or techie, but she is on the hunt for better ways to do payroll across 156 countries. It’s a massively complex, data intensive operation that has to work predictably and within compliance every week, perpetually, or else the whole business grinds to a halt.

Sheri has worked across a massive organization, including the legal, audit, finance, and technology departments, to do the work better. It’s working already. Sheri and her team and partners have already deployed ChatGPT to bring customer experience levels of satisfaction to employee payroll experiences, reducing average issue resolution time from 2.1 days to 23.5 seconds! Customer and employee satisfaction scores have rocketed to 95%.

“ I really feel like GenAI is going to be a key determinant in how successful you are, what kind of company you have in the future versus going the way of the dinosaur when somebody else comes in out of left field and takes over. ”

Sheri Sullivan, Partner and Global Payroll Operate Leader at EY

The Bottom Line: GenAI isn't hyped enough...

We know you've heard it all before—metaverse, blockchain, Web3, quantum computing—they'll all rip the rug from under you unless you act fast.

If anything, according to our findings, the bigger likelihood is that the hype around GenAI is not high enough! Our data on GenAI disruption includes observations from those best qualified to help us plan for the future, as they have practical experience applying it to real business problems. Those with GenAI experience are dreaming big and accelerating.

If you think this is a mirage, that the GenAI hype will blow over like yesterday's Apple Newton or MySpace, please—please—think again. Do yourself a favor and take this disruption seriously..

06

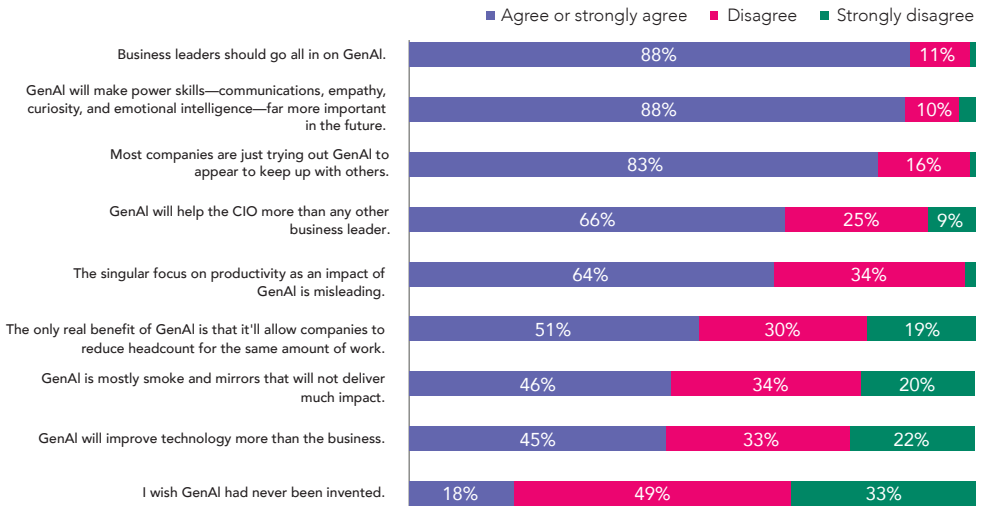
Going all-in on GenAI brings promise (and peril)

In this chapter, we explore lessons from early innovators about balancing overwhelming enthusiasm for adopting GenAI with concerns about delivering on its promises.

The authors of this study have more than a century of combined experience researching and deploying enterprise technology (ouch, but in this case, it's useful), including analyzing and assessing thousands of years of historical trends. We can learn a lot from the past, but the rapid rise of GenAI is poised to be a historical outlier. We've never seen anything like this, and our study data give this another exclamation mark.

Exhibit 1: Early adopters agree businesses should go all-in on GenAI

Q: Please indicate your opinions about each of the following.



Source: 104 enterprise leaders actively exploring and deploying GenAI across the Global 2000
 Source: HFS Research in partnership with Ascension, 2023

We are nearly all all-in

Almost 90% of the AI leaders we surveyed have seen enough evidence to say business leaders should go all in on GenAI. This is remarkable for a technology still in the earliest days of broader adoption. Importantly, most see the impact as company-wide vs. being an “IT thing.” About two thirds (64%) warn that focusing only on productivity gains is missing the point of GenAI, which could improve experiences, drive growth, and create new business models. Early adopters have learned that GenAI will impact the CIO’s office first and fastest, but a third have already identified that GenAI will help other business leaders just as much.

If you are just starting, you probably aren’t seeing the big picture yet. You need to look beyond automating tasks and making processes better. You need to consider how the business will change.

Andy Fanning, Vice President and Global Leader for Gen AI, Intelligent Automation and Tech Innovation at Evernorth Health Services

“GenAI allows us to leverage our existing data in completely new ways and create new solutions and new value propositions to solve problems that we could never imagine solving otherwise.”



Sandeep Sacheti, EVP, Customer Information Management & Operational Excellence, Wolters Kluwer

AI arbitrage is being greeted with open arms

We asked, a little tongue-in-cheek, if early adopters wished “GenAI had never been invented.” What came back showed an overwhelming endorsement for the future. Only a scant 18% were pining for the pre GenAI days, meaning 82% effectively shouted, “Bring it on!”

Leaders have all heard the starting gun

There is little doubt that the sudden impact of consumer facing versions such as ChatGPT and Dall E placed a lot of pressure on boardrooms to react. 80% say that most companies are only trying GenAI to “appear to keep up with others.” Even if FOMO drives some of the passion around GenAI, it’s a strong force driving real investment and forward motion.

And yet, many see GenAI as smoke and mirrors

For all the positivity around GenAI, there are still those who have yet to see a real impact. More than 45% of those surveyed agreed that GenAI is mostly smoke and mirrors and will not deliver much impact. Much of this is likely rooted in concerns around governance, regulation, and deployment speed bumps.

Fausto Artico, Global Head of Data Science at GSK (models and tech stack), warned that enterprises face “scalability hurdles.” It is one thing to run some AI models in a sandbox and quite another to scale them across an enterprise of thousands of people. The devil is in the detail: compute power, architectural choices, and costs, he said.

Double down on being more human

Our GenAI early adopters see the rise of the bots as an opportunity for all of us to be more human and demonstrate the skills where humans have, and will have, an advantage over the bots. Most (87%) of those with experience in GenAI recognize its value in making power skills more important communications, empathy, curiosity, and emotional intelligence. These are singularly human skills. Practitioners are finding that GenAI is not only about doing more work; it also supports humans in doing better work. It augments rather than replaces. It offers opportunities to reimagine how work gets done rather than simply doing things the old way but faster.

“*The more technology enhances us, the more it creates the opportunity for a human touch. When the computer does what it does well, it allows us to focus more on what we do well: being empathetic, building relationships, and making sense of complex situations Analytical, communication, and learning skills, as well as the ability to relate to other people, have always been and will remain vital for business success..*”

Malcolm Frank, Paul Roehrig, and Benjamin Pring,
Authors of “What To Do When Machines Do Everything”

The Bottom Line: Early adopters say businesses should get very serious about GenAI, but they have learned where to be cautious, too.

With 82% of companies eager to adopt the emerging technology, the clear advice of our early adopters is that enterprise leaders should adopt at least a fast follower strategy when it comes to GenAI—that means having the agility and budget prepared to move fast. GenAI is set to impact almost everything we do; however, concerns remain about governance, regulation, and enterprise deployment.

To capitalize on GenAI, businesses should look beyond productivity gains to improve experiences, enable growth, and create new business models. The key will be augmenting human skills like communication, empathy, and emotional intelligence rather than replacing workers. With the right strategy, GenAI can transform how work gets done rather than just doing old work faster. But business leaders must thoughtfully address risks around data, ethics, and job impacts alongside the technology’s breathtaking possibilities.

07

GenAI will reshape business economics

In this chapter, we explore how GenAI will re-configure essential business economics, such as costs, revenue, and valuations

The next 12 to 18 months will see generative GenAI deliver significant, if not spectacular, benefits for business economics in most companies, according to those with experience in the field. But for companies not making the right moves right now, the velocity of this shift will likely become an existential threat.

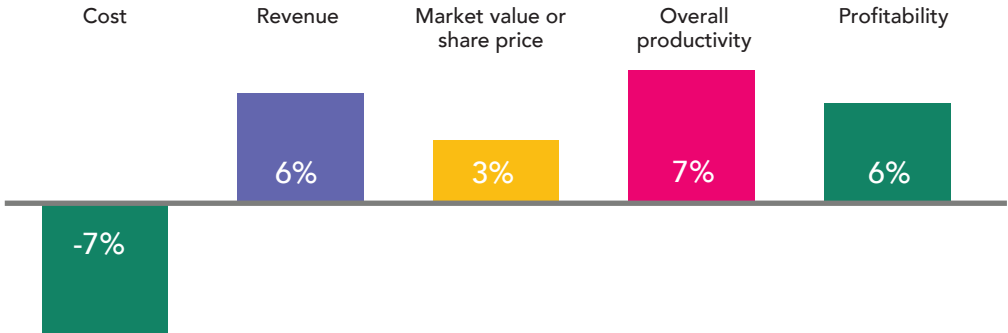
It's too easy to be shrill about outsized risks and existential dread— “Do X, Y, Z, or your company will IMplode!!!” —but in this case, our data shows expectations that will change the competitive landscape based on how companies execute knowledge work.

We don't intend to spread panic, but based on our data in Exhibit 1 (and other sources), ignoring critical lessons learned and informed opinions from our GenAI pioneers is unwise.

Exhibit 1: Our cohort of experts predicts a relatively conservative positive impact on business economics over the next 12 to 18 months

Q: How much do you expect GenAI to impact company business economics over the next 12 to 18 months?

(Weighted average of 104 responses, by industry)



Source: 104 enterprise leaders actively exploring and deploying GenAI
Source: HFS Research in partnership with Ascendion, 2023

Grab savings impact first, but don't overlook other value levers

Imagine your company becomes 15% more cost efficient in the next 18 months. Even if that sounds impossible, 40% of our respondents (see Exhibit 2) expect up to a 10% decrease in costs over the next 18 months due to GenAI driven productivity gains. A further 33% expect the cost decrease to be in the 10%, 20% range, and 8% predict an even greater impact (20% plus).



The cost of individual content is so much reduced.



Michael Fitzke, Director Next Generation Technologies, Mars

In addition, as we've pointed out throughout our research series, GenAI's impact will start small but scale quickly. Cost at the task or workflow level will be impacted first as productivity improves, but a significant number of our respondents also expect an early impact on profitability, revenue, and market valuation to appear in the next several quarters. We expect this impact will continue to increase over the coming years for every company, job, process, or experience deriving value from software that can be turbocharged with GenAI.



How do you become more efficient? How do you become effective? How do you actually get ahead of the curve? And AI is coming exactly at the right time to allow us to leverage these new capabilities to solve a problem that was just becoming untenable.

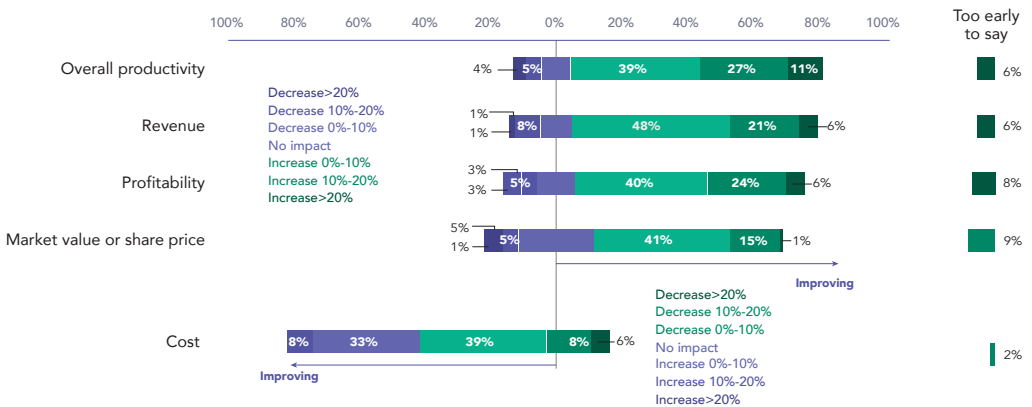


Sandeep Sacheti, EVP of Customer Information Management & Operational Excellence", Wolters Kluwer

Exhibit 2: GenAI's impact will surpass quick wins and savings, rapidly affecting revenue and market valuation

Q: How much do you expect GenAI to impact company business economics over the next 12 to 18 months?"

(Percentage predicting each category; horizontal axis shows total increasing vs. decreasing responses)



Source: 104 enterprise leaders actively exploring and deploying GenAI

Source: HFS Research in partnership with Ascendion, 2023

Don't let doubt inject risk into your business

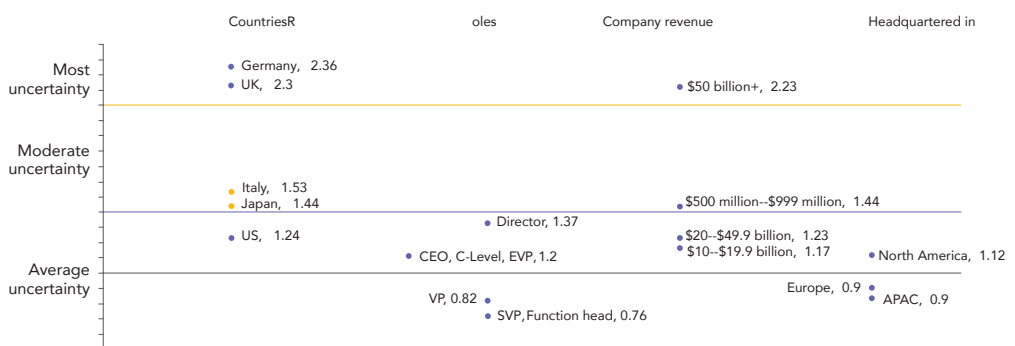
Uncertainty among some early adopters could prove a drag on investment and progress. We measured levels of certainty related to GenAI's impact, creating a potentially useful cautionary view.

Exhibit 3 shows respondents' uncertainty level by their country, role, scale of the enterprise they work for, and location of that enterprise's headquarters. We define the uncertainty factor as the number of times more likely than average that respondents report uncertainty about GenAI's impact on business economics. For example, respondents in Germany reported uncertainty by a factor of 2.36 times more than the average for all countries.

We found the groups showing up as most uncertain in Exhibit 3 were those most likely to select "no impact" or "too early to say" regarding GenAI's impact on business economics. The "uncertain" group is relatively small compared with those expressing positive sentiments (as represented by those identifying positive business impacts). We're not saying, "Leaders who are uncertain about GenAI value are wrong." We are pointing out that certain demographics correlate with higher degrees of uncertainty, so be careful not to fall into a potential bias trap where doubt slows essential progress. Where there is doubt, there is drag. This uncertainty is important to note as it is likely to dampen investment and the pace of adoption.

Exhibit 3: Some groups are more likely to be uncertain about the impact of GenAI on business economics

Uncertainty factors by country, role company revenue, and headquarters location



Source: 104 enterprise leaders actively exploring and deploying GenAI across the Global 2000
 Source: HFS Research in partnership with Ascendion, 2023

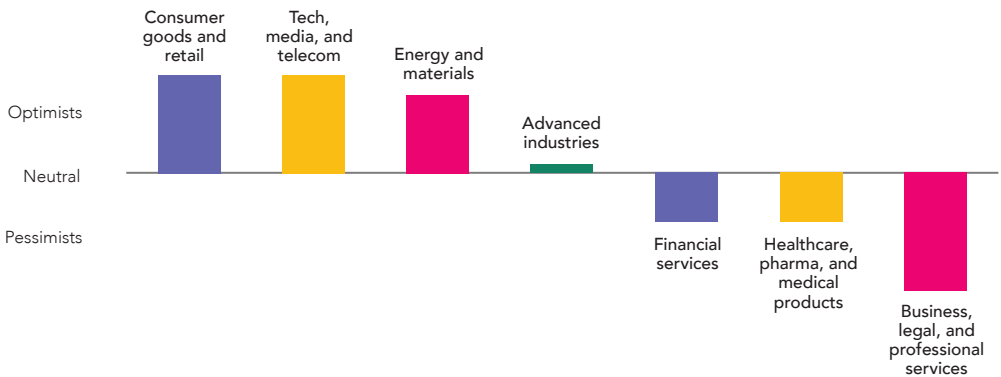
Optimism about GenAI is unevenly distributed

We dug into our data to identify which industries are overrepresented among positive responses, indicating these industries (see Exhibit 4) have the greatest near term (12 to 18 months) hopes for GenAI in their businesses.

Exhibit 4 represents industry leaders' overall sentiment about GenAI's impact on their industry over the next 12 to 18 months. In optimistic industries, such as consumer goods and retail, leaders were more likely to provide a positive response when we asked them about the impact of GenAI on their business. In the most pessimistic industry, business, legal, and professional services, leaders were more likely to provide a sharply negative response.

Exhibit 4: GenAI experts working in consumer goods and retail, and tech media and telecom are most optimistic about GenAI; those in business, legal, and professional services are least optimistic

Relative optimism; positive vs negative responses by industry when asked about the impact of GenAI in the next 12 to 18 months



Source: 104 enterprise leaders actively exploring and deploying GenAI
Source: HFS Research in partnership with Ascendion, 2023

The Bottom Line: Neglecting value levers could put some companies on a path to extinction.

Our early GenAI innovators are, unsurprisingly, more likely to envision a positive impact on business economics. In the near term, most see cost being meaningfully impacted as productivity increases, but in the longer term, we can anticipate GenAI tugging at nearly all significant value levers.

Even among our study cohort, the first generation of GenAI leaders, optimism about the future was unevenly distributed. In these early innings of broader GenAI deployment, caution makes good business sense. That said, the next quarters and years will be a rocket ride for companies correctly timing innovation and successfully balancing investment with return. Leaders sitting on the sidelines hoping this all blows over could be facing an extinction event.

08

Waves of AI value will peak at different times

In this chapter, we explore early innovators' predictions about the peak impact of GenAI on key business levers.

The market is going up. The market is going down. New technologies are emerging. People are protesting new technologies. The world will end. Predicting the future is easy if you ignore time and leave out practical guidance on what to do.

But what about GenAI? Is this whole AI thing going to blow over? Would it be best just to let it glide past?

Some things are true. NFTs are not really a “thing.” The metaverse is now in meta reverse.

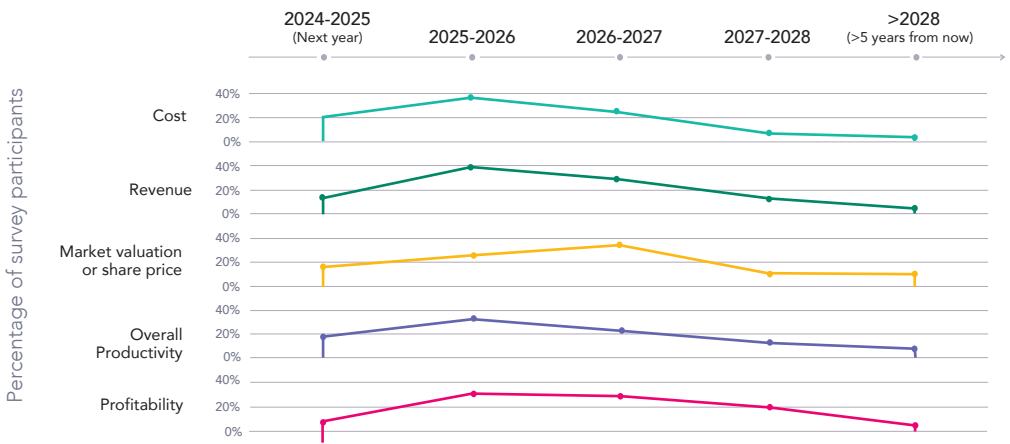
The world is not flat. Our take and new findings show the truth about GenAI: This is no mirage. It's not a solution in search of a problem (#blockchain). It's also not just market hype (although there is plenty of hype). How do we know? Data and analysis.

Be prepared to pull different value levers as peak impact varies

Our AI superstars give us practical strategic guidance on when we can expect to really see these technologies pay off (see Exhibit 1). In short, be prepared to pull different value levers over the coming years. First up? Cost, revenue, and productivity!

Exhibit 1: AI superstars predict the impact of GenAI's peak across critical levers

Q: Please indicate when you think GenAI's impact will likely peak for each of the following value levers.



Source: 104 enterprise leaders actively exploring and deploying GenAI across the Global 2000
 Source: HFS Research in partnership with Ascendion, 2023

Cost is the nearest-term objective

As of late 2023, COVID cash is drying up, and interest rates make capital expensive. The world seems a little nuts with elections and conflict, so it's no surprise that cost is the nearest term objective for our early adopters.

Impact on revenue will hit its first peak over the next 24 months

Our leaders expect GenAI's impact on revenue to peak over the next 24 months. Based on the use cases we're seeing and the interview data with our experts, we expect this trend to continue growing for several years after the first peak.

Most companies will strive to balance cost control with productivity gains

Our early adopters are also dialing into GenAI's productivity potential. Economists know cost and productivity are two sides of the cube. It's easy to cut costs, but it's harder to do that while improving productivity: the output of your job, team, or company. A response balancing near term cost containment and productivity improvement is a perfect snapshot of what's likely to happen as companies begin deploying GenAI meaningfully at the task and job levels. One enterprise technology leader told us, "With code automation... all the early pilots we have done show that there is, I don't know, 20, 30, 40 percent productivity to be gained."



We are working through the economics of what it would mean for us to [create] a combination of human plus AI. We built a digital GenAI productivity platform, which we're using to do work for clients.



Karthik Krishnamurthy, CEO, Ascendion

Where should forward-thinking leaders focus beyond the near term?

What about in four years? In AI time, that seems like an eon, so what value levers do our AI leaders think will peak after 2026? What should forward-thinking leaders have their eyes on today?

Embracing GenAI makes firms more valuable

GenAI's peak impact on market valuation is expected in 2026 and 2027. It's early days, of course, but capital markets are already starting to price in expected productivity increases in specific sectors, so our leaders have solid ground to stand on for that prediction.

Profit improvement will peak after 2026

Our findings also show that leaders expect profit improvement to peak after 2026. As investments bear fruit, companies should be relentless in delivering higher returns on capital after the first innings of the GenAI revolution conclude.

The Bottom Line: GenAI will impact *all* the money... but not at the same time.

It's time for business and technology leaders and practitioners to pay attention to what they are doing and how they're doing it. Then, look with fresh eyes at how a new "engine" can improve each step, workflow, and job.

Imagination, learning, and exploration will win the day. Tasks, jobs, companies, and sectors will all have different levels of exposure to the potential value offered by AI. Look at how you are working and imagine how you could do this differently and better. The challenge is not easy, but it's vital to enable you to pull all the GenAI value levers.

If your work is susceptible to being impacted by GenAI, it's time to become a learn it all and lean into using new technologies to become an essential human in the loop. Here again, expecting this to all blow over without impacting you is only a decent bet if your 401K is fully stocked.

For business leaders, heed what our superstar early adopters are saying. Actively explore where GenAI can improve your team's productivity (without injecting unmanageable risk into how you work). There is no one size fits all implementation, so the sooner you start figuring out what works for your company, the better. Or don't in which case, your successor will have a steeper hill to climb.

09

AI will unlock value from every business function

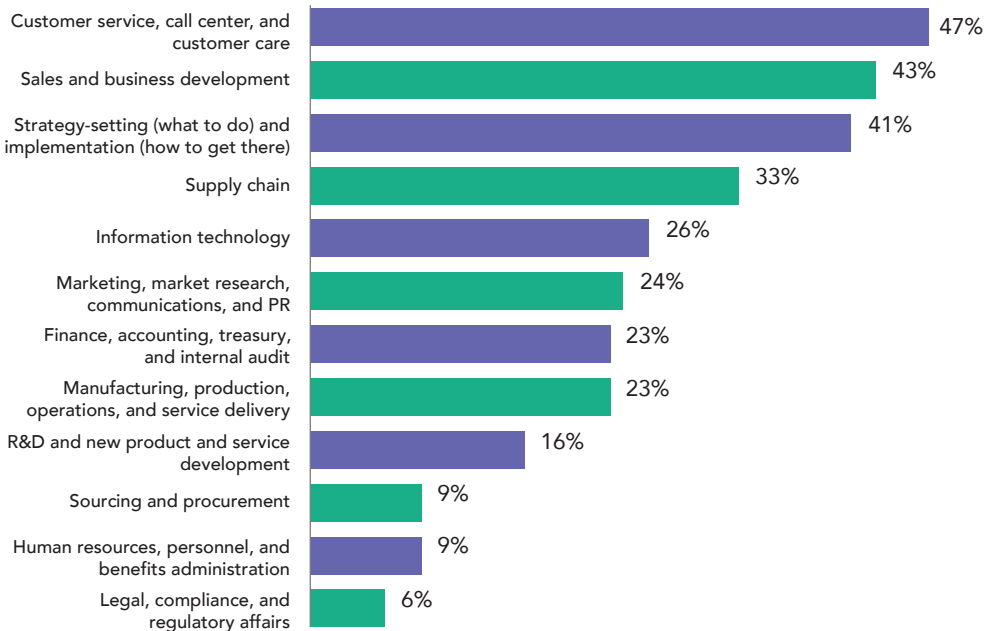
In this chapter, early innovators predict which functions will be impacted most by GenAI.

Whether a retailer, bank, healthcare company, or high-tech giant, every enterprise has functions that make the business an actual business. When we asked our market leaders if GenAI would impact business functions—soon within the next 12 to 18 months—the answer was yes.

The answer remained yes for almost every function we inquired about (see Exhibit 1). Leaders predict the power of bots will meaningfully impact pretty much every function, starting at the task level. Only legal, HR, R&D, and sourcing seemed even slightly immune (in the very near term). Every other function was ranked 1-3 for impact by a significant chunk of leaders—more than 20% in each case.

Exhibit 1: GenAI will mine value from marketing and sales ops and every other function

Select the top three business functions where you think GenAI will create very high value over the next 12 to 18 months.



Sample: 104 enterprise leaders actively exploring and deploying Gen AI
Source: HFS Research in partnership with Ascendion 2023

GenAI won't fix everything, but it is going to disrupt most processes—in a good way

GenAI will not fix all your problems, but early indications are that it can help extract value from the kinds of work nearly every company must perform to be a company.

Our findings suggest that GenAI will disrupt (in a good way) some of the most complex and traditionally human-only work processes more quickly and comprehensively than any other technology.

To be done well, customer service, sales, and strategy require a high level of empathy, complex abstraction, problem solving, and communication.

These are functions that computers have traditionally been pretty terrible at supporting (e.g., “Press one for English.” and “Please listen to the entire 30-minute menu as our options have been randomized.”). Those days are fading in the distance as AI matures.

“ There is a force multiplication now for copywriters, software developers, and customer service representatives. For the first time in industrial history, halfway decent chatbots are available, and they are trained on domain-specific knowledge. I believe areas such as market intelligence and strategic planning are also poised for drastic improvements, which in turn can increase quality in executive decision making. ”

Dr. Armen Kherlopian, CEO and Partner, Covenant Venture Capital

The Bottom Line: Memento robota when reimagining every business function to unlock GenAI value.

The ancient Stoics remind us that death is always around the corner, *memento mori*. Leaders today should *memento robota*, remember the robots, when reimagining work, and help their teams do the same.

It's up to leaders to help teams grasp the potential available by working *with* the bots, not with a smash-the-bots Luddite 2.0 stance. That didn't work well for Ned Ludd and his fellow textile workers, and it won't work today.

“ Those who master the technology, who understand the models, who get their digital core established because you need a strong digital core data foundation to benefit from GenAI—those who are first movers in those ways will have a sustainable advantage going forward. That doesn't mean jobs are going to go away, but it means jobs will change substantially, and you'll see that in areas such as customer care and customer service. ”

Cliff Justice, Partner, US Leader, Enterprise Innovation, KPMG

Our data suggests that those who learn to use the new tools will have plenty to do and plenty of fun doing it. But our data also shows that GenAI will reshape every business function (i.e., our jobs!), so it's time to start learning and applying “the new steam engine” to every corporate function to mine every sales, customer care, and back office process for gold.

10

IT investment will rebalance toward AI-powered value

In this chapter, early innovators share their plans for investment across the GenAI ecosystem.

If our superstar respondents are pointing correctly to the way ahead, we can be bullish about the future of every ecosystem partner needed to bring GenAI to life where most of us work.

Respondents told us that for every category we asked about, they expect spending to increase in the near term—from chips to software to services.

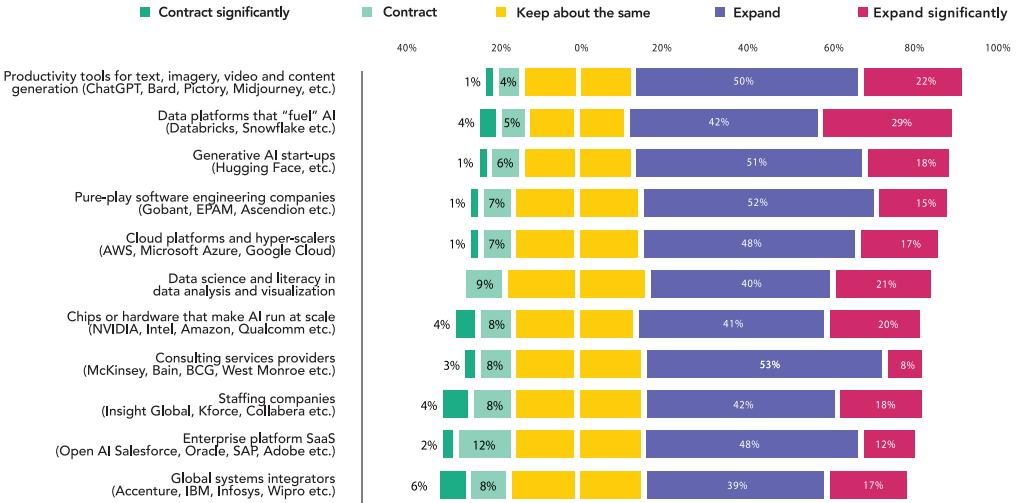
Expect GenAI to start hoovering up investment cash across the enterprise

We don't expect overall IT spending to bloat overnight. Still, we interpret Exhibit 2 to mean that firms will aggressively allocate their available budget to provide the fuel needed to move toward the future. Some money will come from new allocations transferred from other parts of the business (or operating margin). Some will undoubtedly come from productivity improvements, partner consolidation, and cuts from discretionary investment pools. If your science project won't deliver real impact in the near term, expect to see your budget move on down the GenAI road.

Exhibit 2: GenAI will rebalance technology investments to focus on the future

How do you expect your overall spending to change across different ecosystem partners for generative AI deployment in the coming 12 to 18 months?

(Percentage predicting each category; horizontal axis shows total increasing vs. decreasing responses)



Sample: 104 enterprise leaders actively exploring and deploying GenAI
 Source: HFS Research in partnership with Ascension 2023

IT buyers are hunting for something new

Investment is likely to shift toward GenAI overall, but some ecosystem participants will grow faster than others because even though GenAI tools are technically impressive game changers, they don't work out of the box. Companies will invest more in those tools directly, but we expect that partners who can help with software engineering, data, productivity tools, and new GenAI ideas will see that table tilt their way more dramatically over the coming quarters.

“Clients are focused on the foundational elements of an AI-powered organization: data readiness, privacy, security, and making responsible AI and functional grade AI. They want to build their own tech muscle because technology is so core.”

Ravi Kumar S, CEO, Cognizant

Of course, traditional powerhouses will continue to play a critical role. Oracle and Cognizant aren't going anywhere. However, our data suggests that growth could slow for global system integrators and enterprise platforms such as Salesforce, Oracle, and SAP in favor of transformation dollars going elsewhere.

The Bottom Line: GenAI will reshape the IT partner investment landscape.

GenAI is the kind of technology with the potential to impact knowledge work, which today comprises most of the modern economy. We should not treat it like a data center, chip, app, or platform. Our respondents told us that GenAI could have a bigger impact than any other technology.

In that context, it's perhaps not surprising that our early adopter cohort told us they expect investment dollars to shift across the IT partner ecosystem. IT leaders can and should expect GenAI to deliver productivity improvements, so ROI is the new name of the game. The net is that the rise of GenAI impact will require rebalancing investment toward partners who can help solve issues around data, software, and business processes to deliver business impact.

11

Classics over coding? Skills to power success in the GenAI economy

In this chapter, we explore which skills organizations will demand more as they strive to capture value from GenAI.

Study data and opinions, including those shared here by early adopters of GenAI, showcase a real optimism around applied GenAI. Paranoia and negativity don't drive us forward, so being a tech optimist during disruption is a feature, not a bug.

But naïveté isn't a good foundation for enterprise technology strategy. Business decision makers need the complete picture, so we asked our early GenAI superstars about what they consider hindrances to effective innovation.

Despite machines doing more and more, the top need they identified for GenAI success is *humans*—more specifically, human talent with the right skills.

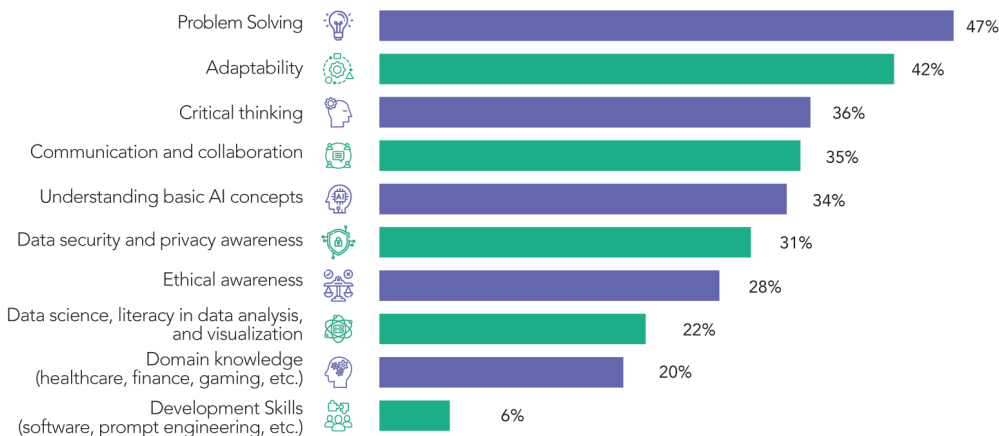
Invest in humanities to meet the GenAI talent gap

In our study (see Exhibit 2), 76% of early GenAI adopters ranked a lack of skills as the first or second top obstacle to deploying GenAI solutions. When we asked about conditions that would best support the effective deployment of GenAI, 83% ranked having sufficient talent skilled in GenAI as a top enabler.

But which skills? What should our teams (and our kids and ourselves) invest in learning? This is one of our most interesting findings because the lowest-scoring skill sets were hard-core tech skills. The highest? Problem-solving, adaptability, and critical thinking. The list reads like a humanities curriculum.

Exhibit 2: Problem solving and adaptability top the list of essential-yet-lacking skills; development skills and prompt engineering prop up the bottom of this table

Please select the top three skills today’s workers need-but lack-to succeed using GenAI in the next 12-18 months.



Source: Sample: 104 enterprise leaders actively exploring and deploying Gen AI
 Source: HFS Research in partnership with Ascension 2023

Software eats software engineering

This focus on the humanities contradicts a lot of common assumptions about GenAI being “a tech thing.” A scant 6% of enterprise leaders feel that a lack of hard-core development skills will be a gating factor. Software is now eating software engineering. Basic literacy in data and security will be a must have for every job. Those skills are already necessary for millions of knowledge work jobs, but they will never go out of style, and their importance will only increase. As the technology matures and bots do more and more, what makes us human—our creativity, curiosity, empathy, ethics, and imagination—will become essential to getting the most out of GenAI.

Is this the end of software engineering? Quite the opposite. Software engineering will evolve rapidly as bots take over more basic, routine work. The best software pros will be worth even more because they are the engineers most acutely tuned into customer and worker experiences.

The Bottom Line: Embrace the bots, but don't under-value human skills.

We will need more creative writers, poets, anthropologists, designers, ethicists, and sociologists to help us embrace the bots. We'll need people who can look at a process running the same way for decades (or longer) and ask—with a “beginner's mind”—if we can do it differently with new tools.

One of the great ironies of digital transformation is that humans armed with a solid liberal arts foundation will be among the best suited to help our organizations leverage GenAI bots to unlock value, improve experiences, and create unimaginable new business models, companies, and jobs.

Bard, Claude, and ChatGPT are all amazing technologies, but we are still in the very early days of a shift that will take years to play out fully. Life will never be the same for those with the skills and desire to enhance their work with GenAI .

12

GenAI can fix the IT productivity paradox

In this chapter, our cohort of experts suggests that generative AI may finally fix a productivity paradox

Is GenAI the catalyst for the business alchemy of simultaneous lower costs and rocketing productivity for knowledge work, unlocking overall business productivity with IT?

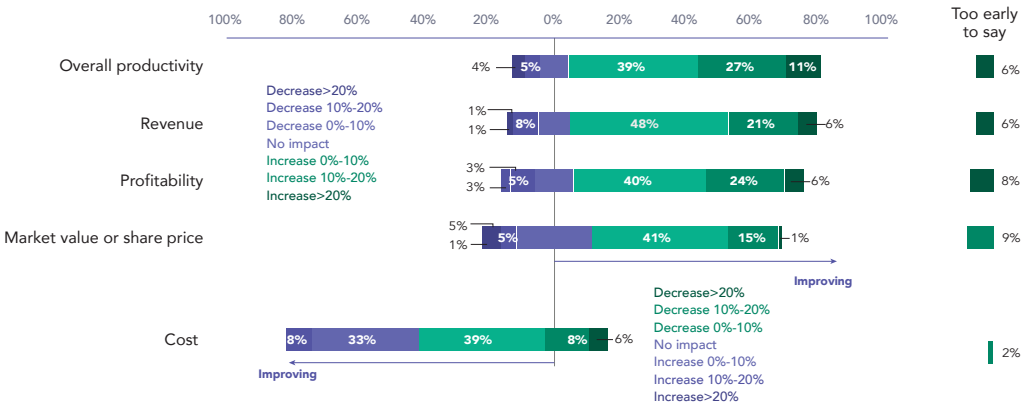
People who know—the respondents in our study actively deploying GenAI solutions—see the impact of GenAI on cost more than anything else over the next 12 to 18 months (see Exhibit 1). Four in five of all respondents see a significant impact on cost. In fact, 40% expect a decrease in costs of greater than 10%, with nearly 10% of respondents expecting a more than 20% reduction.

We fully recognize that the economists in the audience will quibble with the actual metrics of productivity; please don't. We understand how “productivity” is not technically independent of the other metrics. Our study cohort was intentionally ordinary business people, not economics graduate students, and we wanted to get at what people are thinking about during their workday, not ask them to sit a GMAT test.

Exhibit 1: Experienced GenAI users see impact on cost first, and productivity is close behind

Q: How much do you expect GenAI to impact company business economics over the next 12 to 18 months?"

(Percentage predicting each category; horizontal axis shows total increasing vs. decreasing responses)



Source: 104 enterprise leaders actively exploring and deploying GenAI

Source: HFS Research in partnership with Ascendion, 2023

Bureaucracy stymies productivity... Paging Dr. Solow...

After cost savings, the name of the game is productivity. Humans have sought new technologies to improve productivity since we tamed fire. Steam engines, water wheels, electricity... all of these are tools that enhance our productivity. But what about computers? We intuitively think, "Of course!" But not so fast. "You can see computers everywhere but in the productivity statistics," wrote Nobel Prize winning economist Dr. Robert Solow in 1987. From an economist and dismal science perspective, things haven't changed over the past three and a half decades.

We're left with a paradox (the Solow Paradox, if you're interested). Computers seem like they make us more productive, and they probably are. But it turns out they are just as good at creating bureaucracy, which leeches productivity. What used to be a typed memo has metastasized into 50 emails, five video conferences, a working group, and an after hours office party. Rinse and repeat, and repeat, and repeat. This probably sounds all too familiar.

The GenAI productivity boost could change how our economy works

So, is GenAI likely to improve productivity by stripping out untamed bureaucracy, freeing humans to do more value added work? Or will it make our knowledge work jobs more hellish? The data shows that this round of innovation will go to the optimists.

About 85% of the leaders we surveyed see a productivity improvement driven by GenAI. It may be true that recent headlines have trumpeted GenAI's productivity promise. What is more surprising is that nearly 40% of our respondents expect an increase of 10% or more in productivity. In economic terms, this is enough to change how our economy works.

Just for scale, if the companies of the Fortune 500 were all 10% more productive, and valuation increased a conservative 10%, the financial impact on the US economy would be more than \$2.25 trillion.



We will alter our conception of business. What holds that back is human prejudice and bias about how the world can and should work, as opposed to what the technology is capable of.



Ted Shelton, Expert Partner and global product leader for business process redesign, Bain & Company

The Bottom Line: Get ready to embrace the new economics or face extinction.

Yes, we're trying to extrapolate a complex future from some data in the early days of a shift. Still, we have enough to call the coming trend. Imagine that in the next two quarters, your competition is 10% (at least) better at everything COGS, EBITDA, all the numbers that matter to investors, public and private.

We are facing the heaviest lift business leaders have faced since adapting to alternating current. Get ready to embrace the new economics of business or face extinction.

Some will look at this with gleeful excitement. Others will start looking for farmland in Vermont. Applying new technologies is never easy, so leaders hoping to thrive must become well versed in risk management. Will everything work the first time out? Not at all, but soon. Sooner than you think, it will be impossible to compete without the productivity boost offered by applied generative AI.

Companies that wait too long will have C suite occupants gazing wistfully at the backsides of more aggressive competitors.

Authors



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Paul is the Chief Strategy and Marketing Officer for Ascendion. He is a co-author of multiple award-winning and best-selling books and a sought-after presenter at public, academic, and industry events. He is regularly featured in major publications all over the world.



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Saurabh Gupta is President, Research and Advisory Services at HFS. He sets the strategic research focus and agenda for HFS Research and oversees HFS' global research function, managing the global team of analysts and operations across the US, Europe, and Asia.

About this research

Your Generative Enterprise Playbook for the Future is a research program from Ascendion and HFS Research based on more than 20 in-depth interviews and a survey of more than 100 C-suite leaders and practitioners with firsthand experience implementing GenAI in organizations.

About Ascendion

ASCENDION

Ascendion is a leading provider of AI-first software engineering services. Our applied AI, software engineering, cloud, data, experience design, and talent transformation capabilities accelerate innovation for Global 2000 clients. Ascendion is headquartered in New Jersey. In addition to our remote/hybrid workforce, we have 30 offices across the U.S., India, and Mexico. We are committed to building technology powered by Generative AI with an inclusive workforce, service to our communities, and a vibrant culture. For more information, please go to www.ascendion.com.

About HFS



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HFS is a leading global research and analysis firm trusted at the highest levels of executive leadership. Our mission is to help our clients tackle challenges, make bold moves, and bring big ideas to life by arming them with accurate, visionary, and thought-provoking insight into issues that impact their business.

Our analysts and strategists have deep, real-world experience in the subjects they cover. They're respected for their independent, no-nonsense perspectives based on thorough research, demand-side data, and personal engagements with industry leaders.

We have one goal above all others: to propel you to success.

Your Generative Enterprise playbook for the future

ASCENDION

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