The Hot Pursuit of the Generative Enterprise™

The most significant enterprise disruptor since the advent of offshoring and globalization 20 years ago

PRESENTED BY:

Phil Fersht, CEO and Chief Analyst

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New York City
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The Generative Enterprise™

Agenda…

- The "Digital Dichotomy" facing enterprises desperate to combat this assault on their stability

- The road to Autonomous Operations takes a Generative Detour

- A new S-curve emerges fueled by Disruption and Value creation

- The Leadership Panel

HFS Research

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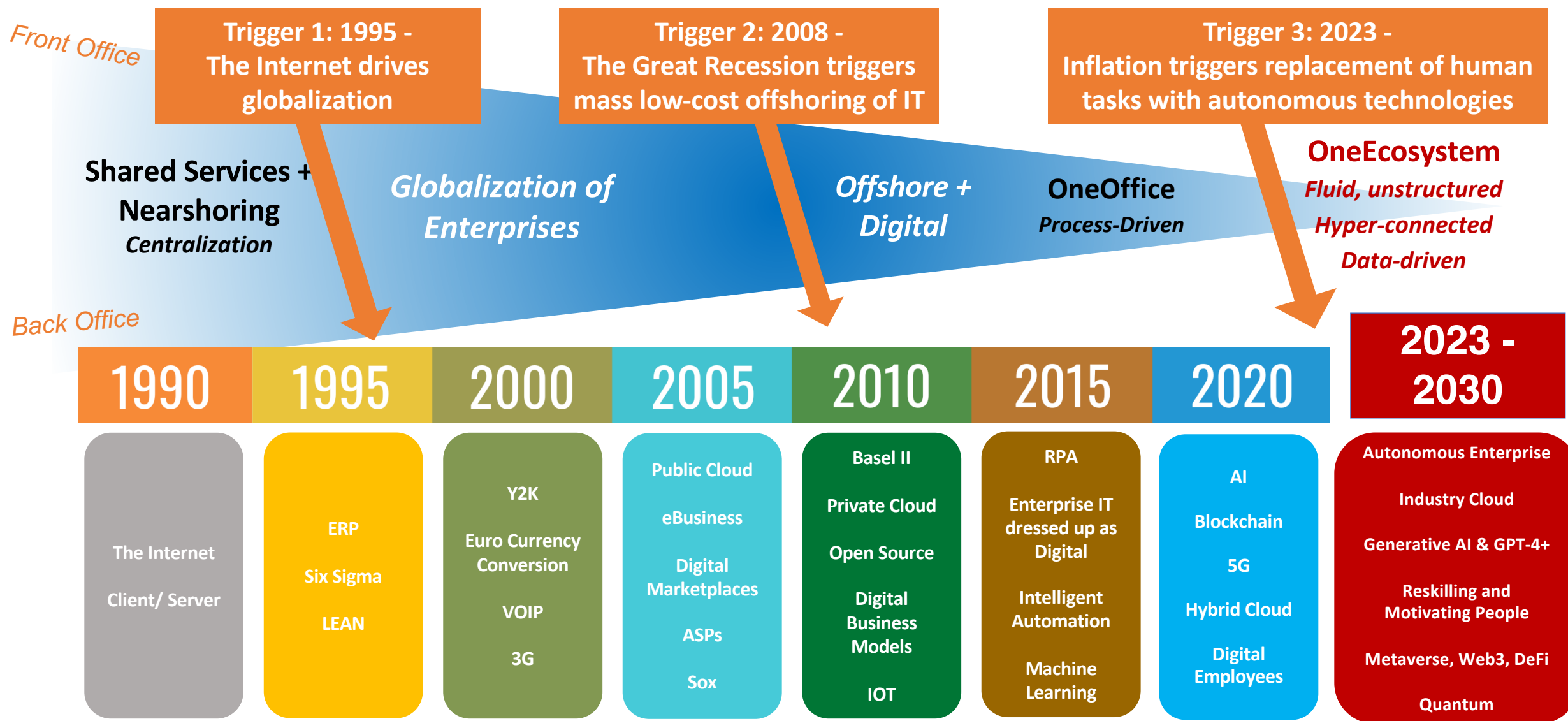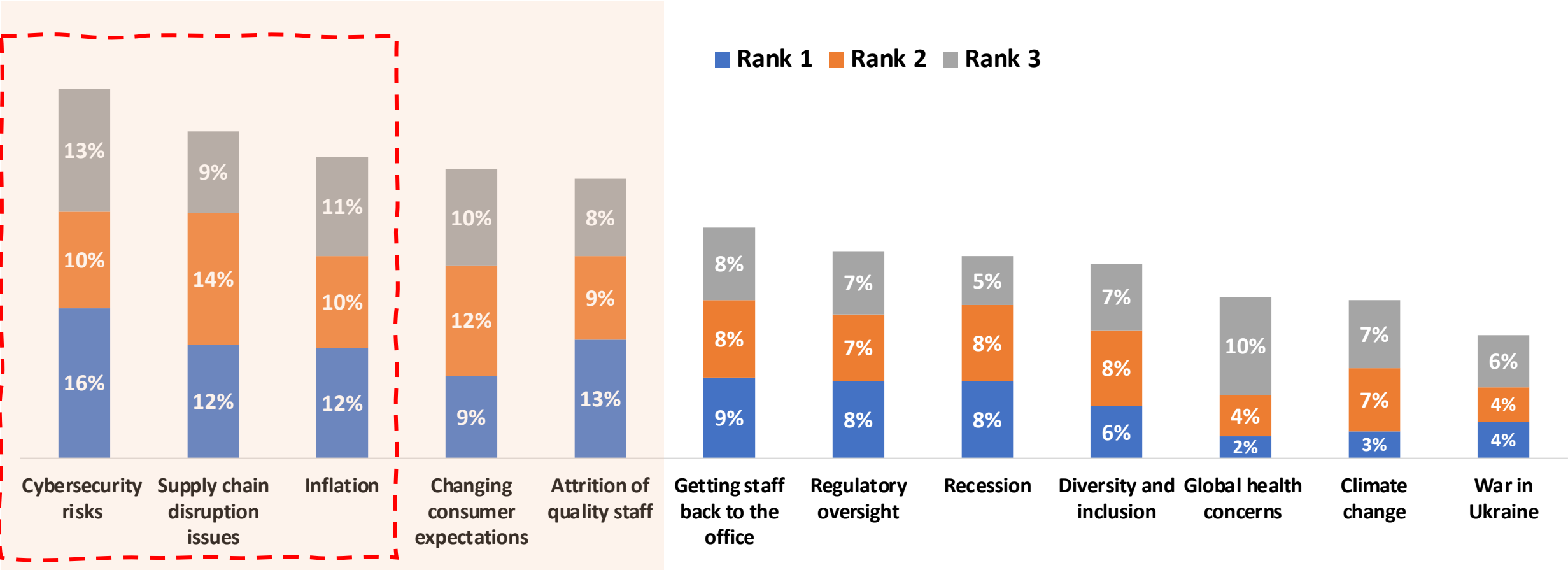- A new S-curve emerges fueled by Disruption and Value creation

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The Three Triggers of Business Operations Change

Front Office

Trigger 1: 1995 - The Internet drives globalization

Trigger 2: 2008 - The Great Recession triggers mass low-cost offshoring of IT

Trigger 3: 2023 - Inflation triggers replacement of human tasks with autonomous technologies

Shared Services + Nearshoring
Centralization

Globalization of Enterprises

Offshore + Digital

OneOffice
Process-Driven

OneEcosystem
Fluid, unstructured
Hyper-connected
Data-driven

Back Office

1990	1995	2000	2005	2010	2015	2020	2023 - 2030
The Internet

Client/ Server | ERP

Six Sigma

LEAN | Y2K

Euro Currency Conversion

VOIP

3G | Public Cloud

eBusiness

Digital Marketplaces

ASPs

Sox | Basel II

Private Cloud

Open Source

Digital Business Models

IOT | RPA

Enterprise IT dressed up as Digital

Intelligent Automation

Machine Learning | AI

Blockchain

5G

Hybrid Cloud

Digital Employees | Autonomous Enterprise

Industry Cloud

Generative AI & GPT-4+

Reskilling and Motivating People

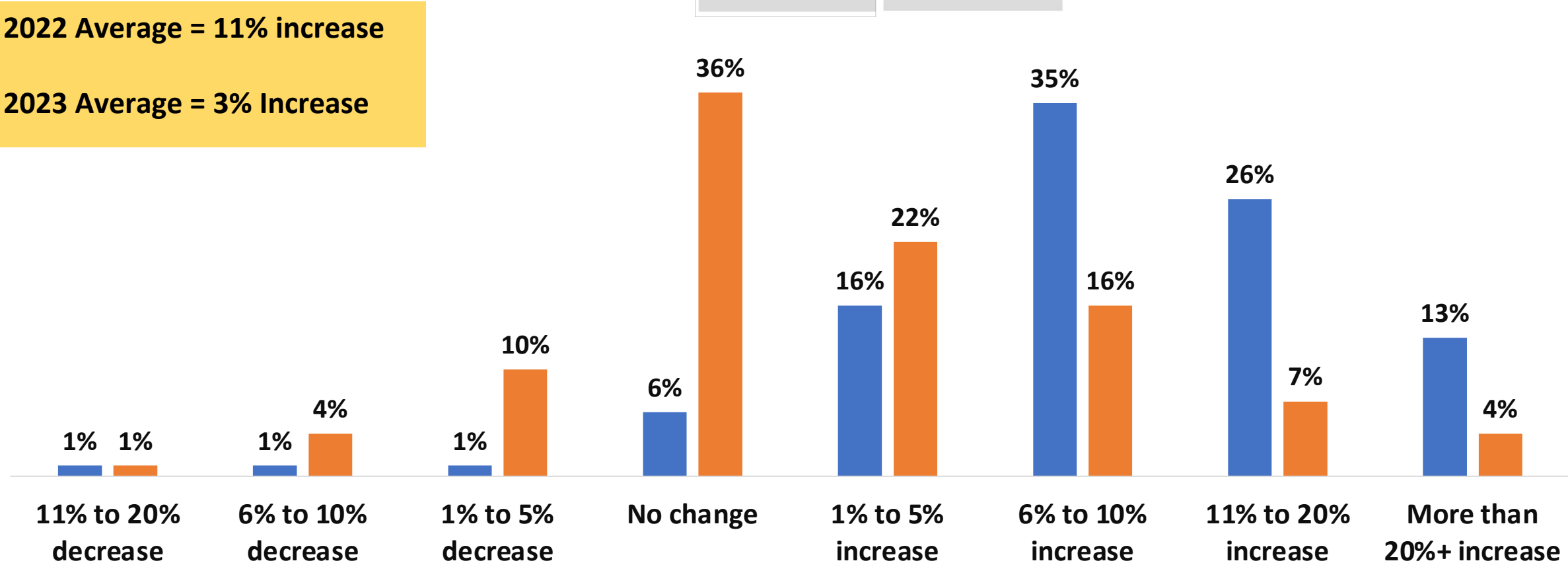Metaverse, Web3, DeFi

Quantum |

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Cybersecurity, supply chain and macro-economic headwinds are assaulting enterprises' strategic goals

What are the most concerning macro-environmental factors adversely impacting your organization's goals?

■ Rank 1   ■ Rank 2   ■ Rank 3

Factor	Rank 1	Rank 2	Rank 3
Cybersecurity risks	16%	10%	13%
Supply chain disruption issues	12%	14%	9%
Inflation	12%	10%	11%
Changing consumer expectations	9%	12%	10%
Attrition of quality staff	13%	9%	8%
Getting staff back to the office	9%	8%	8%
Regulatory oversight	8%	7%	7%
Recession	8%	8%	5%
Diversity and inclusion	6%	8%	7%
Global health concerns	2%	4%	10%
Climate change	3%	7%	7%
War in Ukraine	4%	4%	6%

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IT Budgets rapidly tightening as Macroeconomic Concerns take hold

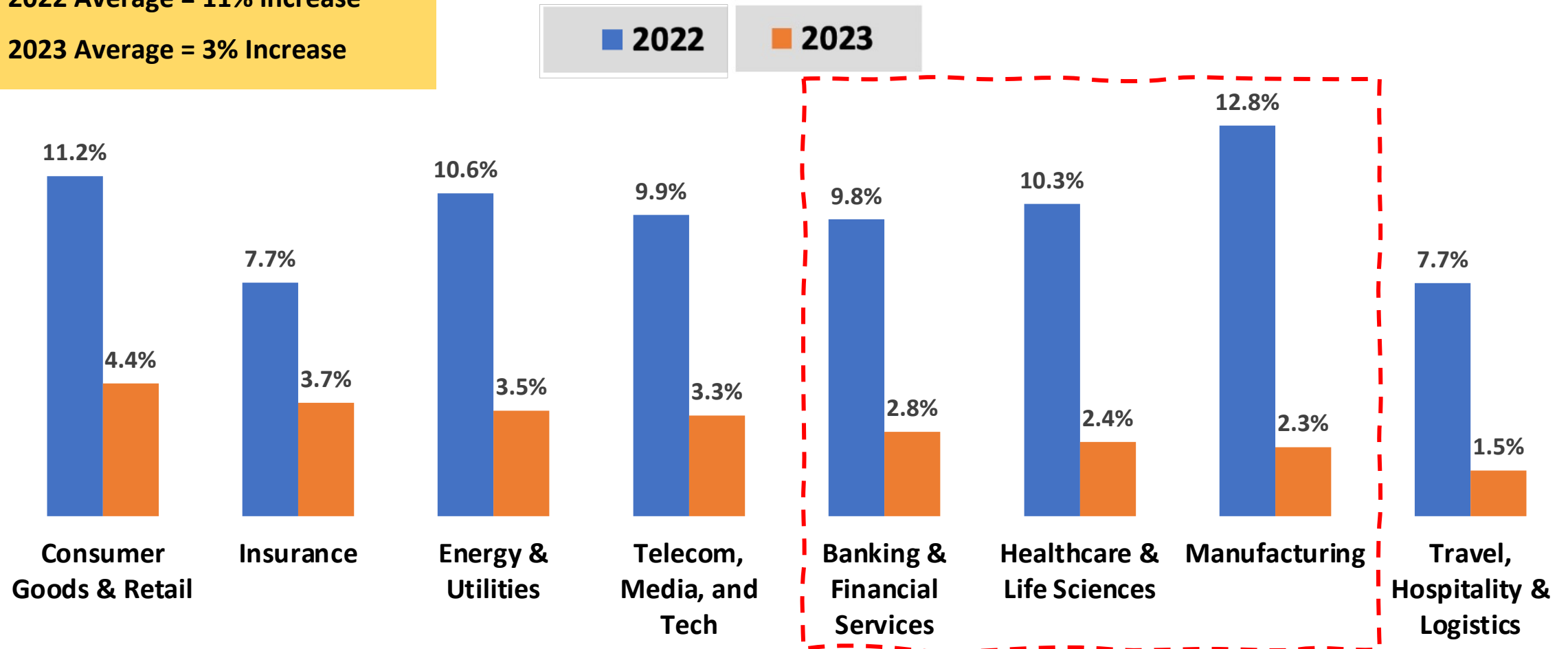*How is your IT-related budget expected to change in the next 12-18 months?*

2022 Average = 11% increase

2023 Average = 3% Increase

Legend: ■ 2022 ■ 2023

Category	2022	2023
11% to 20% decrease	1%	1%
6% to 10% decrease	1%	4%
1% to 5% decrease	1%	10%
No change	6%	36%
1% to 5% increase	16%	22%
6% to 10% increase	35%	16%
11% to 20% increase	26%	7%
More than 20%+ increase	13%	4%

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Banking, healthcare, manufacturing and travel cutting tech spend the most in 2023…

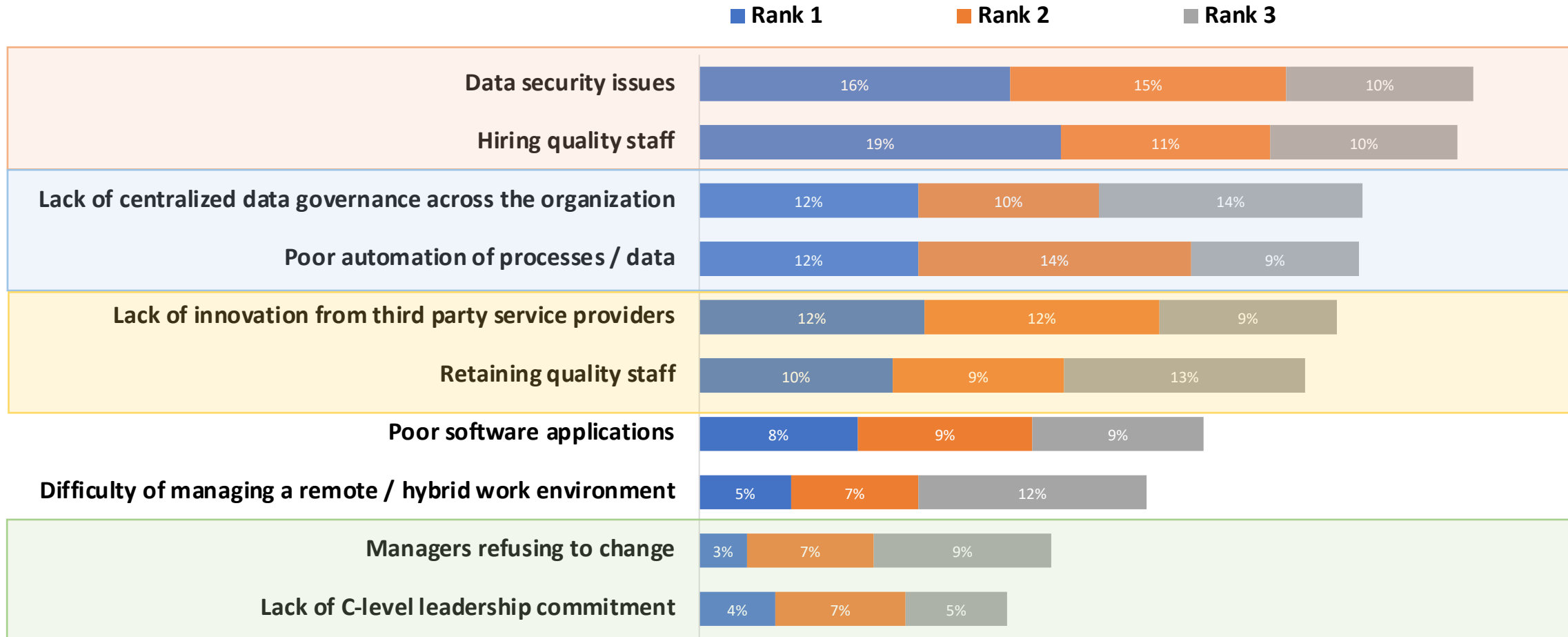*How is your IT-related budget expected to change in the next 12-18 months? (By industry)*

2022 Average = 11% increase

2023 Average = 3% Increase

Legend: ■ 2022 ■ 2023

Industry	2022	2023
Consumer Goods & Retail	11.2%	4.4%
Insurance	7.7%	3.7%
Energy & Utilities	10.6%	3.5%
Telecom, Media, and Tech	9.9%	3.3%
Banking & Financial Services	9.8%	2.8%
Healthcare & Life Sciences	10.3%	2.4%
Manufacturing	12.8%	2.3%
Travel, Hospitality & Logistics	7.7%	1.5%

Sample: 602 Enterprises (2022) and 600 Enterprises (2023)
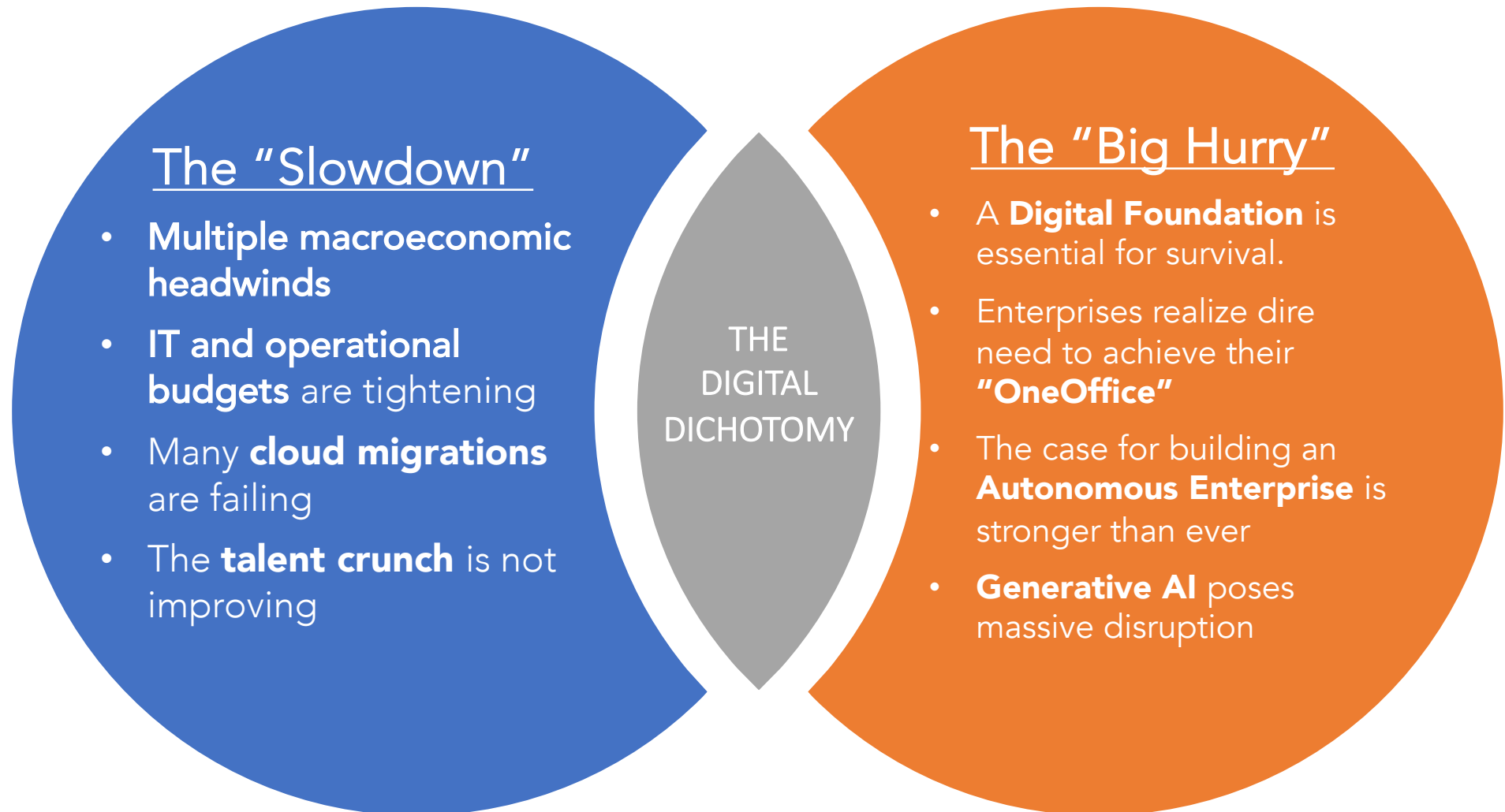**Source: HFS Pulse, 2022 and 2023**

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Companies are struggling to achieve their goals due to lack of quality staff, data security, data quality and service provider issues

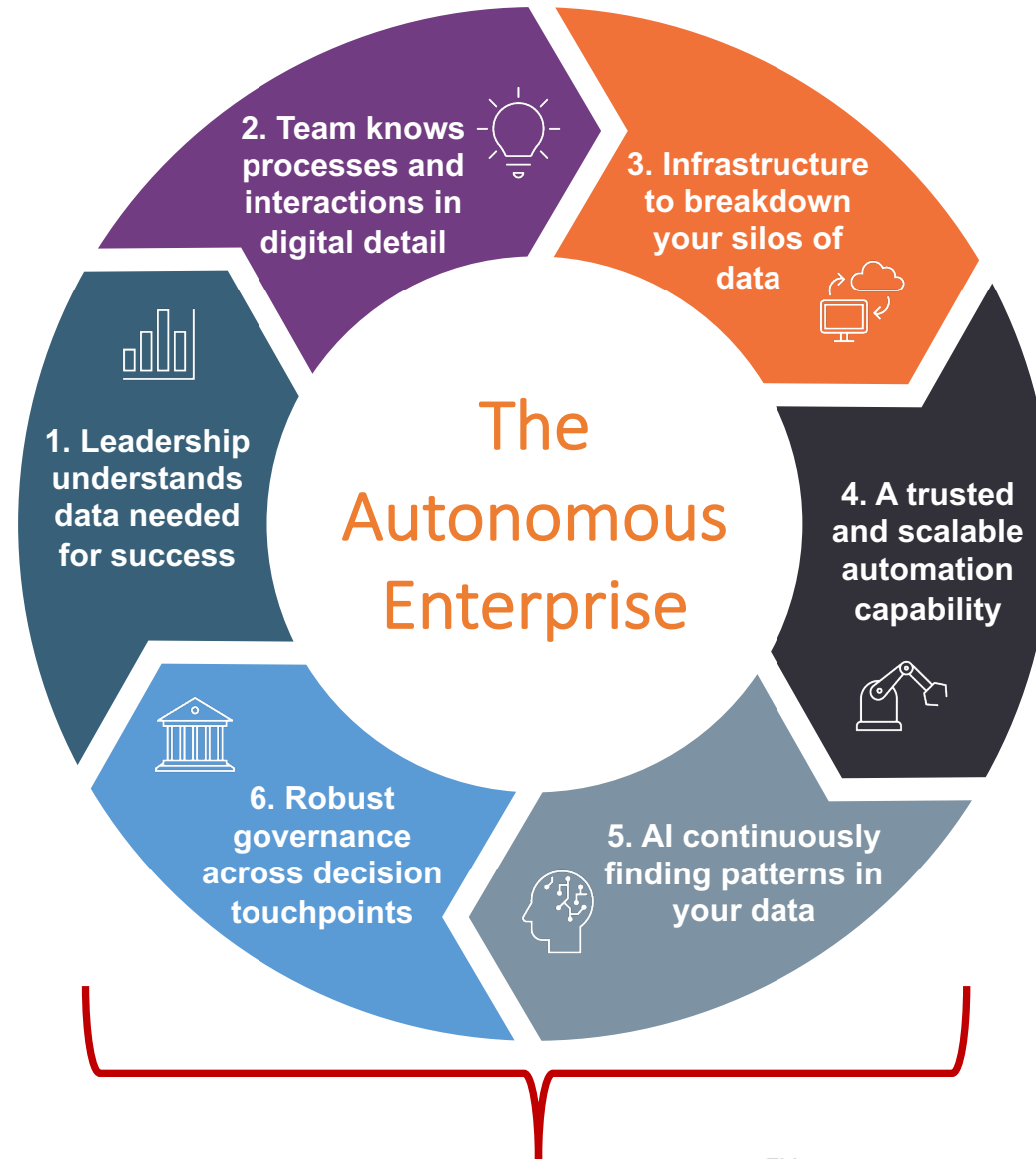*What are your company's <u>internal challenges</u> to meet your strategic objectives?*

	Rank 1	Rank 2	Rank 3
Data security issues	16%	15%	10%
Hiring quality staff	19%	11%	10%
Lack of centralized data governance across the organization	12%	10%	14%
Poor automation of processes / data	12%	14%	9%
Lack of innovation from third party service providers	12%	12%	9%
Retaining quality staff	10%	9%	13%
Poor software applications	8%	9%	9%
Difficulty of managing a remote / hybrid work environment	5%	7%	12%
Managers refusing to change	3%	7%	9%
Lack of C-level leadership commitment	4%	7%	5%

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Balancing the macroeconomic "Slowdown" with the "Big Hurry" to Innovate

The "Slowdown"

- **Multiple macroeconomic headwinds**
- **IT and operational budgets** are tightening
- Many **cloud migrations** are failing
- The **talent crunch** is not improving

THE DIGITAL DICHOTOMY

The "Big Hurry"

- A **Digital Foundation** is essential for survival.
- Enterprises realize dire need to achieve their **"OneOffice"**
- The case for building an **Autonomous Enterprise** is stronger than ever
- **Generative AI** poses massive disruption

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Failing to build an "Autonomous Enterprise" is not an option…

The Autonomous Enterprise

1. Leadership understands data needed for success

2. Team knows processes and interactions in digital detail

3. Infrastructure to breakdown your silos of data

4. A trusted and scalable automation capability

5. AI continuously finding patterns in your data

6. Robust governance across decision touchpoints

The Generative Enterprise™

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HFS Research

ChatGPT and the Dunning–Kruger effect | We are somewhere between stage 1-3

Wow. ChatGPT is able to answer all my questions. It quickly generates very elaborated answers that are credible and coherent. Finally, a chatbot that behaves like a super human.

Ready now. Now I understand where the real value of ChatGPT resides. It can definitely give my productivity a boost, but it's important to recognize when it gets things completely wrong.

Wait a minute. ChatGPT is powered by a large language model (LLM), which is ultimately a statistical tool used to predict language without understanding it and produce "statistically plausible" answers.

Damn. This means that ChatGPT will occasionally generate incorrect answers by unintentionally stitching wrong snippets of information together.

Got it. ChatGPT is great when there isn't a precise "right answer." But it cannot be trusted when the answer must be "perfect" to be reliably useful.

100%

0%

Confidence level in ChatGPT

1 2 3 4 5

No knowledge
(believe the hype)

Knowledge of ChatGPT

Enough knowledge
(understand the reality)

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The shift from GPT-3.5 to GPT-4

- **Scale, speed and power - up to 10x for information synthesis and language patterns.** GPT-3.5 had a max request value of 3,000 words. GPT-4 has two variants, one with 6,000 words and another with 24,000.

- **Code-writing significantly improved.** Its ability to generate code snippets or debug existing code can reduce workloads of several weeks down to mere hours.
  - "Write code to train A with dataset B."
  - "I'm getting this error. Fix it."

- **Greater ability to respond to <u>emotions</u> expressed in the text.** GPT-4 can recognize and respond sensitively to a user expressing sadness or frustration, making the interaction feel more personal and genuine.

- **Handle more complex <u>natural language</u> processing tasks** - such as natural language understanding, automatic text generation, and dialogue systems.

- **Can accurately generate and interpret text in various dialects and languages** - such as semantics in regional or cultural differences to meet the needs of global users.

The shift from GPT-3.5 to GPT-4

- **GPT-4 can properly cite sources when generating text.** Critical to help individuals, enterprises and academia govern risks of plagiarism and inaccuracy. GPT-4 performs exceptionally well in various standardized tests, including the BAR, LSAT, GRE, etc.

- GPT-4 solves **complex mathematical and scientific problems,** such as astronomy, physics, chemistry and biology.

- **Much more creative and collaborative.** It generates stories, poems, essays and even jokes with improved coherence and creativity. Can edit and collaborate with users to generate creative and technical writing tasks, marketing copy, process design, even song compositions, while learning a user's writing style.

- **GPT-4 has eyes.** GPT-4 has the ability to analyze images. Users can ask ChatGPT to describe a photo, analyze a chart, or even explain a meme... let's explore further

When ChatGPT gets eyes...

Let's hook up GPT-4 to an eye tracker and give it

"People have been talking about ChatGPT as a separate person or an assistant, but this prototype acts more as an extension of your internal thoughts"

"AI's potential is not how it can act convincingly like a human, but how it could eventually act as an extension of ourselves"

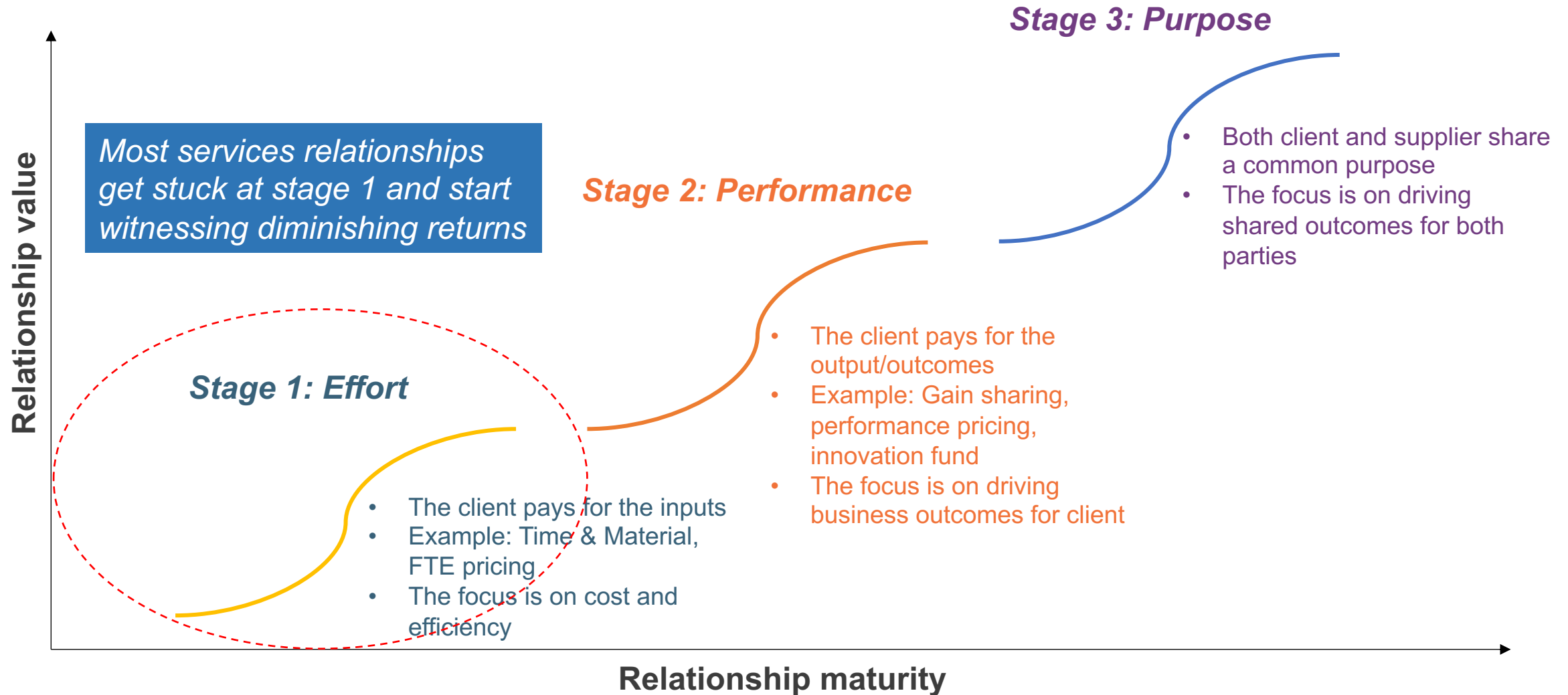-- Alvin Foo Managing Partner, Chain Valley Capital --
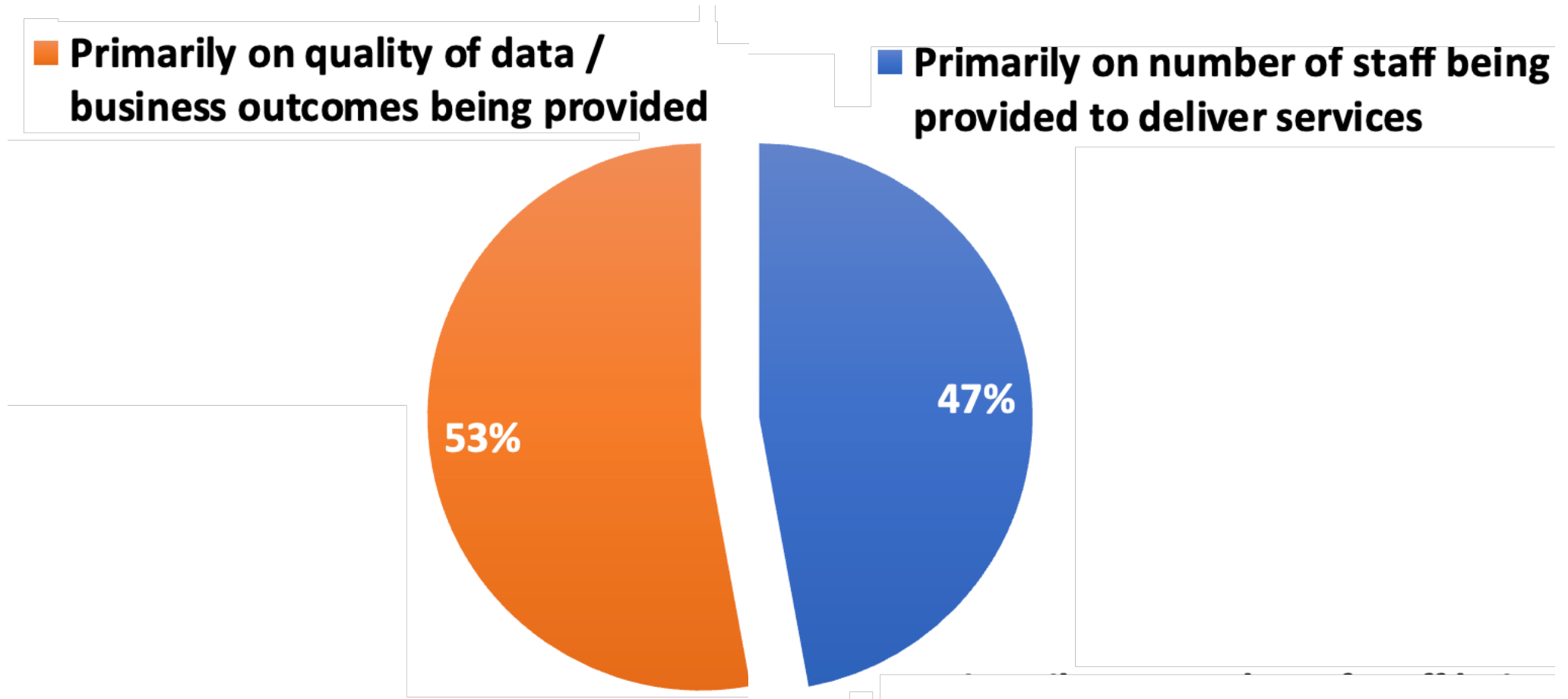
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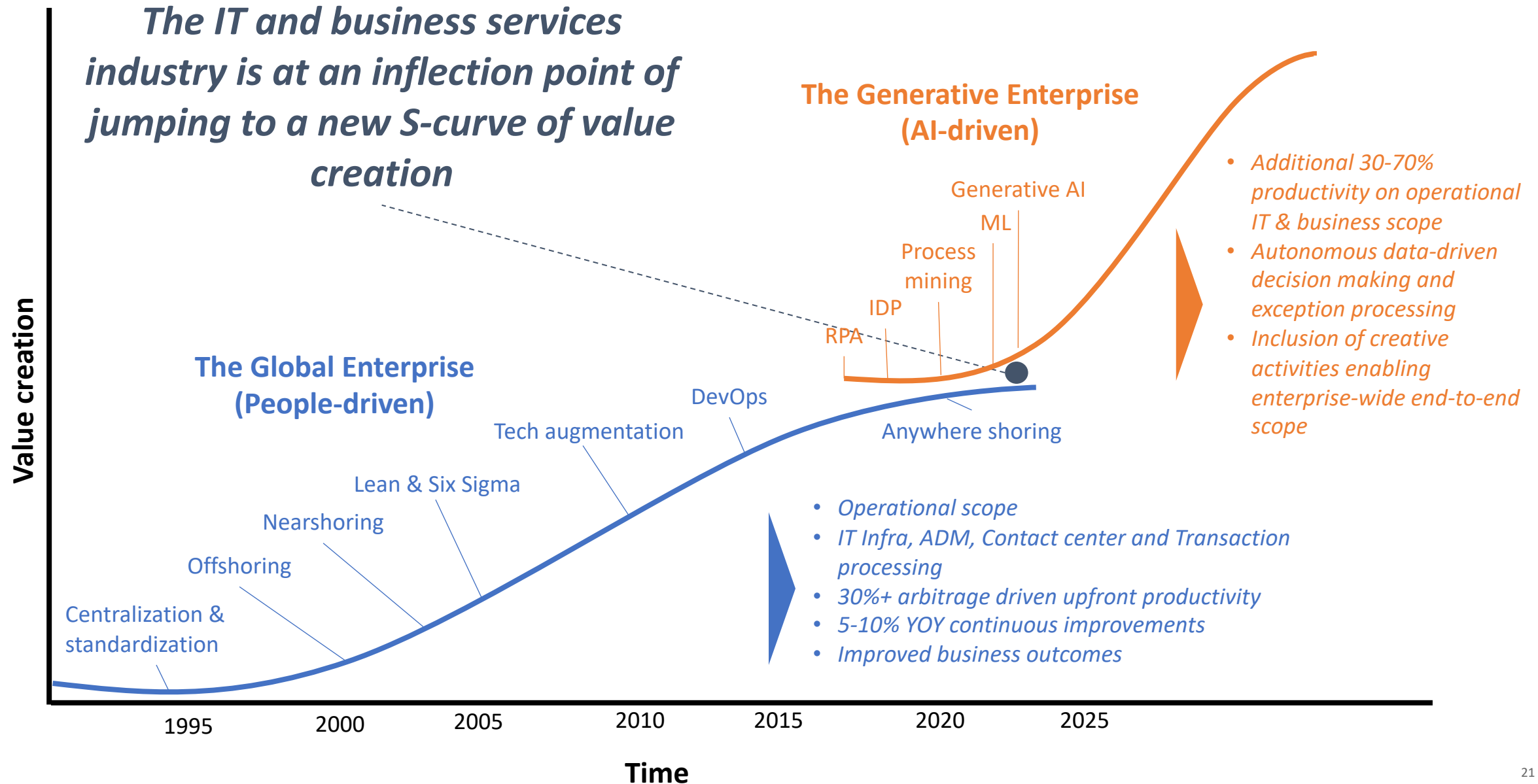# Effort, Performance, Purpose: The Three "Traditional" Evolutions of Services

Stage 3: Purpose

Stage 2: Performance

Most services relationships get stuck at stage 1 and start witnessing diminishing returns

Stage 1: Effort

- Both client and supplier share a common purpose
- The focus is on driving shared outcomes for both parties

- The client pays for the output/outcomes
- Example: Gain sharing, performance pricing, innovation fund
- The focus is on driving business outcomes for client

- The client pays for the inputs
- Example: Time & Material, FTE pricing
- The focus is on cost and efficiency

Relationship value

Relationship maturity

Stop buying and selling services by effort. Pay for quality of data and outcomes

How would you prefer to pay for services?

■ Primarily on quality of data / business outcomes being provided

■ Primarily on number of staff being provided to deliver services

53%

47%

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The Generative Enterprise inspires a new S-curve of Value Creation

The IT and business services industry is at an inflection point of jumping to a new S-curve of value creation

The Generative Enterprise (AI-driven)

Generative AI

ML

Process mining

IDP

RPA

The Global Enterprise (People-driven)

DevOps

Anywhere shoring

Tech augmentation

Lean & Six Sigma

Nearshoring

Offshoring

Centralization & standardization

- *Additional 30-70% productivity on operational IT & business scope*
- *Autonomous data-driven decision making and exception processing*
- *Inclusion of creative activities enabling enterprise-wide end-to-end scope*

- *Operational scope*
- *IT Infra, ADM, Contact center and Transaction processing*
- *30%+ arbitrage driven upfront productivity*
- *5-10% YOY continuous improvements*
- *Improved business outcomes*

Value creation

1995 2000 2005 2010 2015 2020 2025

Time

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What makes your job exposed to ChatGPT?

An early look at the Labor Market Impact of Large Language Models
Source: OpenAI March 21, 2023
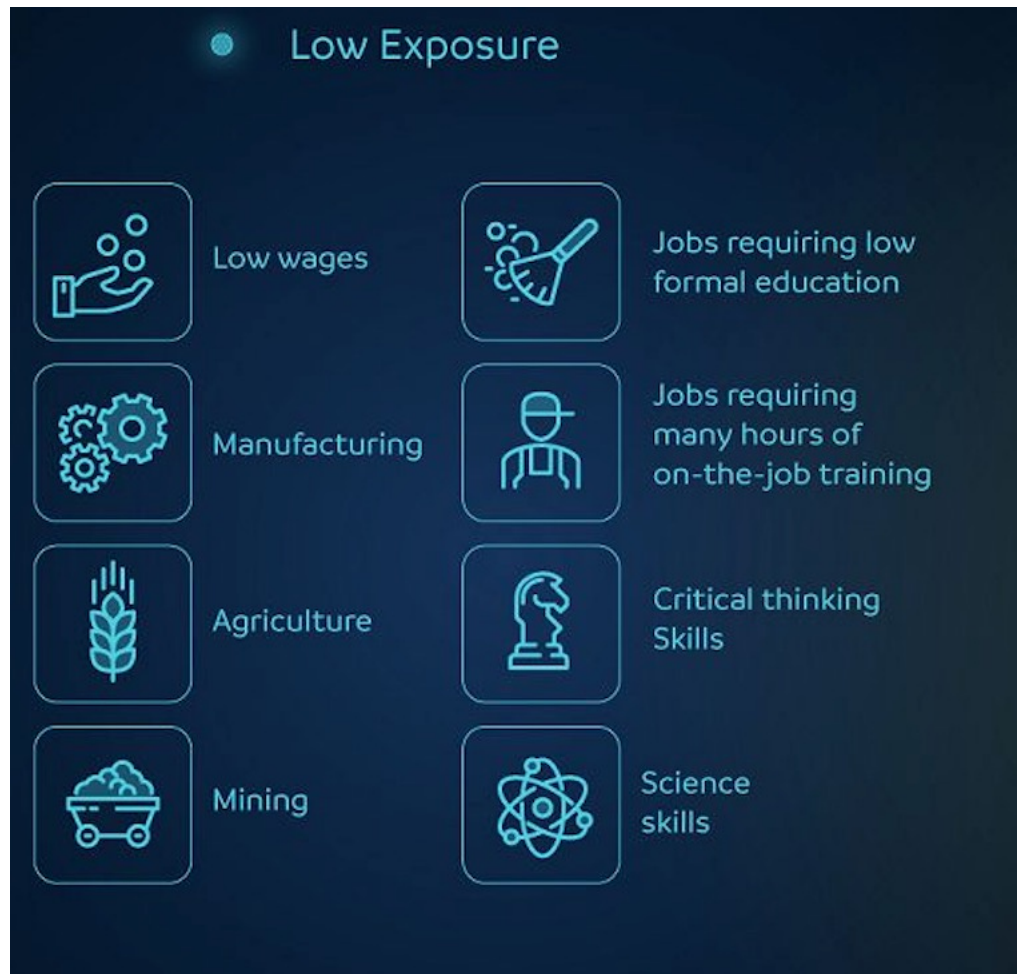
Which jobs are exposed to ChatGPT?

Low Exposure
- Athletes
- Automotive Repairers
- Cement Masons
- Cooks
- Pile Driver Operators
- Stonemasons
- Tire Repairers and Changers
- Dishwashers
- Carpenter Helpers

High Exposure
- Interpreters + Translators
- Survey Researchers
- Writers and Authors
- Public Relations Specialists
- Tax Preparers
- Mathematicians
- Blockchain Engineers
- Proofreaders and Copy Markers
- Accountants and Auditors

An early look at the Labor Market Impact of Large Language Models
Source: OpenAI March 21, 2023

So what do we take from this assault on our stability?

- **We're in a greater "more for less" squeeze than ever before.** Focus on measuring outcomes we need and the *smartest* way to achieve them. Work with people who share that *mentality*.

- **The way business works has changed and will keep changing.** Accept the way things are emerging are not necessarily a *mirror of the past*… how we interact, invest our time, communicate, influence, focus, relax etc. Get used to change and embrace it.

- **Our world is hybrid, not remote.** Prioritize meeting in-person with clients, colleagues *more* than ever. Don't fade away in your cave… the world is

- **Have an autonomous mindset.** Make a real effort to stop yourself and others wasting time on tasks, interactions and processes that can be automated. Focus your time on making smart decisions based on data your systems and teams create for you.

- **Invest a lot of your time understanding AI tools and capabilities.** Don't be a dinosaur and get with the program. Generative-AI and GPT-4 is changing business as we know it… and at pace.
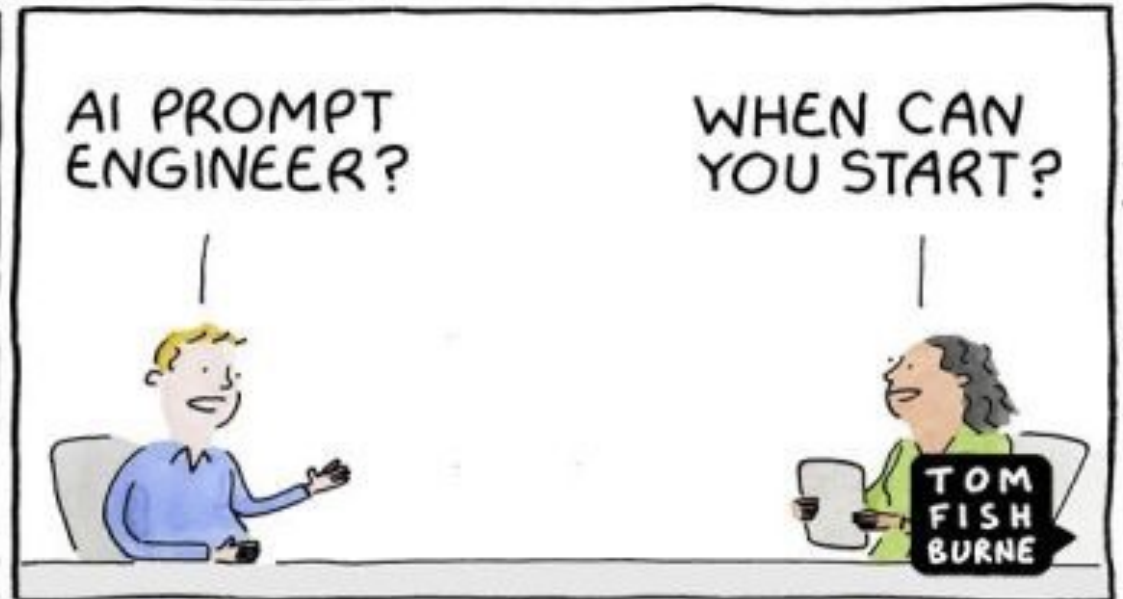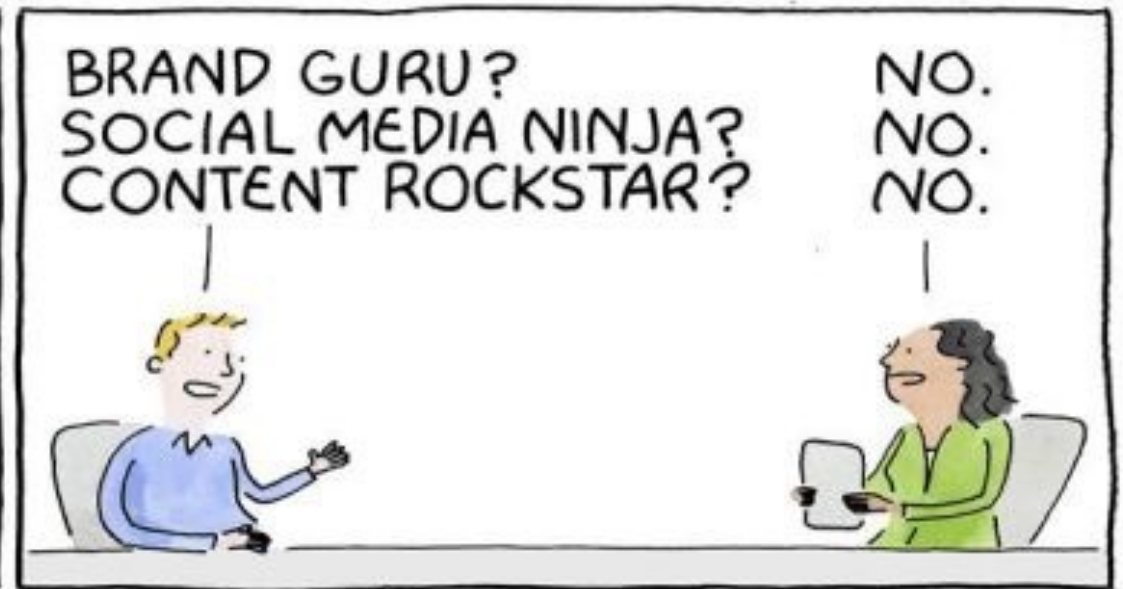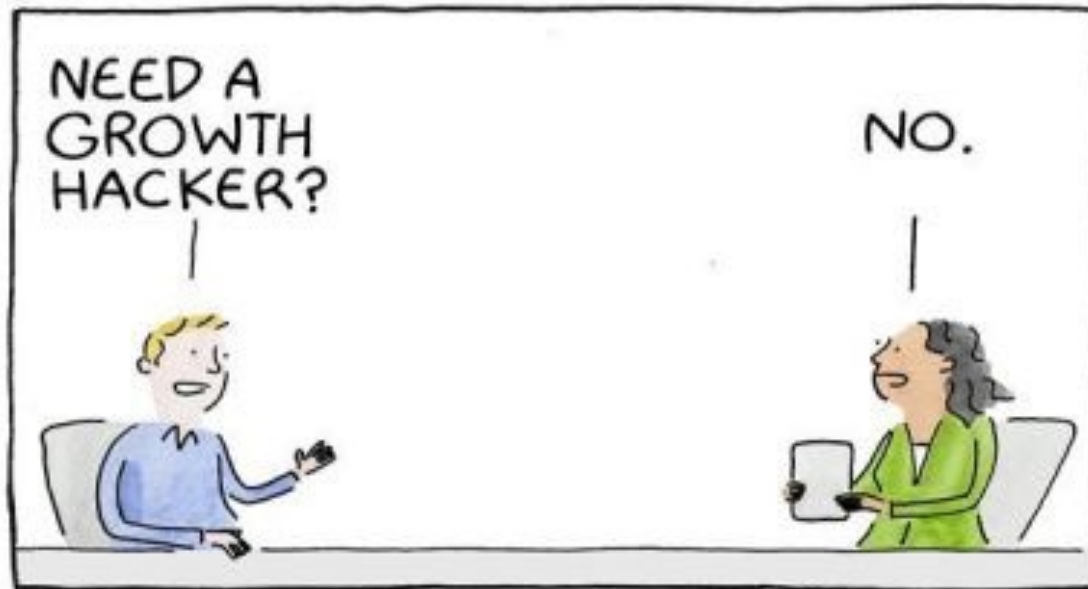
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