2025 AI Business Predictions

If we would make one prediction to sum up all the rest, it would be this: Your company's AI success will be as much about vision as adoption. That means that your AI choices may be the most crucial decisions not just this year but of your career. It's now clear that AI can deliver value at scale — and we're just getting started. Nearly half (49%) of technology leaders in PwC's October 2024 Pulse Survey said that AI was "fully integrated" into their companies' core business strategy. A third said AI was fully integrated into products and services.

Making AI intrinsic to the organization is vital, because making "big leaps" (such as new business models) is only one source of game-changing AI value. The other is the cumulative result of incremental value at scale: 20% to 30% gains in productivity, speed to market and revenue, first in one area, then another — until the company is transformed.

To help navigate this transformation, we offer a set of predictions covering the most important areas that demand your attention. These are based on real-world experience in helping our clients reinvent their business with AI, the transformation of our own firm with AI and PwC's strategic alliances with leading tech companies in the AI ecosystem.

There are pockets of hype around AI. Not every promise will pan out. But AI's pace of innovation, investment and business buy-in are unprecedented. Even the internet (invented in 1983) didn't move so fast. Our predictions are designed to indicate what to expect in the next 12 months, what may come after that and what to do right now.

Explore the predictions

1. **Your AI strategy will put you ahead — or make it hard to ever catch up**
2. **Your workforce could double — thanks to AI agents**
3. **ROI for AI depends on Responsible AI**
4. **AI will be a value play — and a boon for sustainability**
5. **AI will cut product development lifecycles in half**
6. **AI will transform industry-level competitive landscapes**

"Top performing companies will move from chasing AI use cases to using AI to fulfill business strategy."

Dan Priest

1. Your AI strategy will put you ahead — or make it hard to ever catch up

AI strategy is about value that starts right now — and this value is not just productivity or efficiency. Some AI systems can now reason independently and "understand" the impact of their decisions. That helps AI perform complex tasks such as designing new services or go-to-market strategies. It also helps AI catch its own mistakes. With AI

increasingly powerful and reliable, it's time to embed it in your operational fabric. If you don't, your competitors who do may establish lasting advantages.

2x

more likely to realize value from GenAI than other companies — top-performing companies highlight the benefits of making AI intrinsic to your business.

PwC's 2024 Cloud and AI Business Survey

An effective AI strategy, designed to deliver value at scale this year, takes a portfolio approach. One part of the portfolio develops a strong "ground game" to deliver many small wins. It's a systematic approach that harvests additional value from a growing number of more engaging experiences, higher revenue-generating products and services and more productive workflows. This approach depends on scale, but it also requires carefully setting priorities in a phased approach, with each phase generating value that helps pay for the next. The second part of the portfolio picks some "roofshots," projects that are attainable but require dedicated attention and resources such as all-new ways of working, interacting with customers or designing products. The third part of the portfolio approach focuses on a few high-reward and highly challenging "moonshots" such as new AI-driven business models. Since the roofshots and moonshots require serious resources — including AI specialists' time — business owners or the C-suite should choose and lead them.

What won't matter as much for AI strategy is your choice of large language model (LLM). There will be many good options. Everyone will be using them. A shrewd strategy will instead emphasize what can set you apart — how you leverage AI with

your institutional knowledge and proprietary data, with the help of AI-powered cloud architectures.

"AI adoption is progressing at a rapid clip, across PwC and in clients in every sector. 2025 will bring significant advancements in quality, accuracy, capability and automation that will continue to compound on each other, accelerating toward a period of exponential growth."

Matt Wood

PwC US and Global Commercial Technology & Innovation Officer

Beyond 2025: Very few companies will establish dominance

Several decades ago, a few companies built platforms, e-commerce models and other internet-centered business models, all of which remain dominant to this day. We expect something similar with AI. Because AI offers such transformative potential for new operational and business models, those that pull ahead of the pack — whether AI native companies or established companies that reinvent themselves quickly — will likely stay there. The growing gap between AI leaders and laggards will extend to economies too.

Businesses in the US, with its relatively flexible regulatory environment, may outperform those in the EU and China, which have more rigid regulations.

What to do now

Conduct a formal strategy assessment. To set priorities for both AI at scale and your moonshots, identify what AI can and will do for your company and industry — where it will take out costs, create new value, raise customer expectations, threaten core businesses and support new business models. AI may, for example, squeeze margins in one line of business but help another boom with cost-effective, hyper-personalized offerings.

Take a less-is-more approach to data. AI will "pay you back" for data modernization, if you do it right. You will need an enterprise-wide approach to data, but you don't need to make it all perfect at once. Instead, as part of your core strategy, set priorities for which segments of your data architecture you should harvest value from first. Then focus on finding just the right data to modernize — no less but also no more. AI today can often fulfill its mission with a small but high-quality subset of data. It can then create synthetic data to close any gaps. The tax function, with its data-heavy, rules-based processes, is often a good place to start, but your business probably also offers many AI-driven data monetization opportunities.

Apply an operational, KPI lens. Measure business-relevant metrics for AI such as new revenue, accelerated project delivery, productivity and experience. At the

same time, take care that your metrics don't encourage people to automate too much. Human oversight and leadership of AI will always be needed.
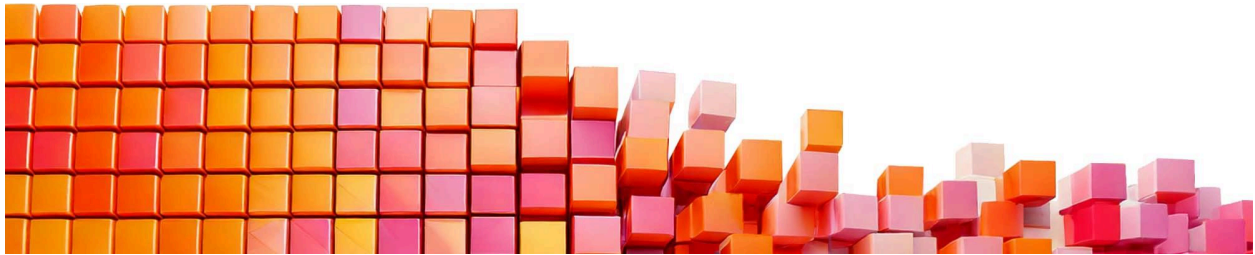
2. Your workforce could double — thanks to AI agents

If you think AI will shrink your workforce, think again. You're going to welcome a host of new members to the team this year: digital workers known as AI agents. They could easily double your knowledge workforce and those in roles like sales and field support, transforming your speed to market, customer interactions, product design and so on. An AI agent can autonomously perform many tasks, such as handling routine customer inquiries, producing "first drafts" of software code or turning human-provided design ideas into prototypes. Workflows will fundamentally change, but humans will still be instrumental since game-changing value comes from a human-led, tech-powered approach. People instruct and oversee AI agents as they automate simpler tasks. People iterate with agents on more complex challenges, such as innovation and design.

And people "orchestrate" teams of agents, assigning tasks and then improving and stitching together the results.

41%

of executives say that workforce issues, such as training, culture, or change in work are among the top-five challenges their organizations face in using GenAI.

PwC's 2024 Workforce Radar

Thinking about agentic workflow as a fundamental part of your workforce strategy may be a big leap for many companies. It will, for example, involve new management roles responsible for integrating digital workers into workforce strategies, then monitoring and governing them. But the sooner you begin thinking this way — and transforming your operating model to plan, train and manage a blended digital and human workforce — the better positioned you are to capitalize on AI. When you have both digital and human workers on the job, for instance, you can plan for greater agility and shift resources more quickly to meet changing demands.

As AI agents rise, they'll do in-house some of what you currently outsource. Their advantages go beyond cost savings. You will have greater control, greater ability to customize and a greater ability to please end users. For customer service, AI agents may enable you to offer customers both faster, more satisfying self-service, and better equipped human specialists for high-touch, high-value interactions. AI agents can push the right information in front of your people at the right time so they can quickly and effectively address even complex customer needs. With AI agents, long-term plans for

your geographic footprint may need an update. At the very least, consider how your current growth curve for outsourced services will change.

"AI agents are set to revolutionize the workforce, blending human creativity with machine efficiency to unlock unprecedented levels of productivity and innovation."

Anthony Abbatiello

PwC Workforce Transformation Practice Leader

Beyond 2025: Centers for agents will replace Centers of Excellence

As companies become more skilled in orchestrating and governing AI agents, they may "offshore" by, for example, creating AI-agent based workforces in low-cost geographies. The intellectual property (IP) created in developing agents and where that IP sits geographically could offer tax benefits. Building "centers for agents," as opposed to renting agents from vendors, might have an upfront cost but produce greater ROI within a few years.

What to do now

Shift mindsets. People will have to adapt as the way they perform workflows will greatly change. They might interact with AI agents like they do with independent, creative teammates now. For this shift in mindset, leadership will need to model these new ways of working — and provide assurance that AI is meant to enhance people's value, not displace them.

Give HR a new playbook. As HR manages a workforce that has both humans and AI agents, it will need different skills of its own and new ways to source, develop and measure human talent. Once AI is doing almost all entry-level work, you will need ways (such as partnerships with universities) to prepare new recruits to enter higher-level roles directly.

Prepare to manage digital workers. Since AI agents are partly autonomous, they require a human-led management model. You'll need to balance costs and ROI as you deploy them, develop metrics for human-AI teams and conduct rigorous oversight to prevent agents from conducting unexpected, harmful or noncompliant activity. A holistic Responsible AI strategy can provide the framework for addressing this.
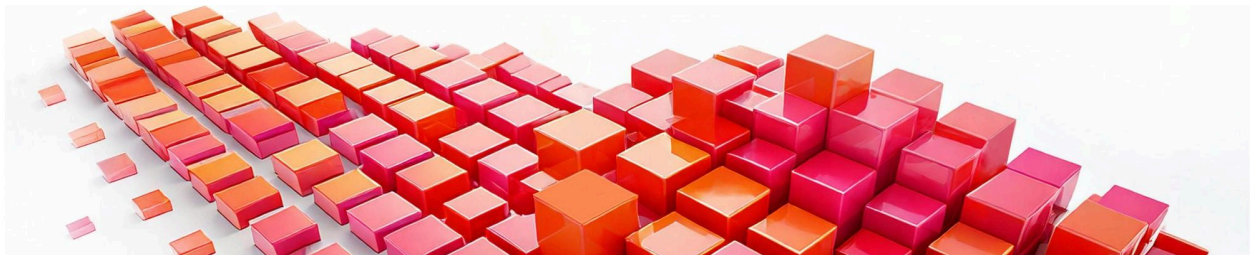
3. ROI for AI depends on Responsible AI

Risk management and Responsible AI practices have been top of mind for executives, as we predicted last year when we said 2024 would be a moment of truth for trust in AI. Yet there has been limited meaningful action. That will change. In 2025, company leaders will no longer have the luxury of addressing AI governance inconsistently or in pockets of the business. As AI becomes intrinsic to operations and market offerings, companies will need systematic, transparent approaches to confirming sustained value from their AI investments. They'll also need to manage the risks of large-scale deployment. Rigorous assessment and validation of AI risk management practices and controls will become nonnegotiable. Even if the specifics of AI assessment and validation are not mandated, stakeholders will demand it — just as they demand confidence in other decision-critical information (such as financial results) or in cybersecurity or privacy practices.

46%

of executives say that differentiating their organization, their products and their services is one of their top-three objectives for investing in Responsible AI practices.

PwC's 2024 US Responsible AI Survey

Business leaders, especially those driving AI transformations, will begin to champion this necessary oversight. They won't wait for regulatory clarity. AI is moving too quickly and is too business-critical for that. When AI was only in isolated use cases, there was a limit to the damage that disappointing ROI, inaccurate outputs or compliance failures

could cause. Now, employees rely on it daily. Customers regularly engage with AI-powered experiences and services. And it will be essential for revenue growth. If AI isn't trusted by stakeholders, if it's subject to a cyber breach or other risk issue or if initiatives run behind schedule or over budget, your company will take a hit.

To implement AI oversight that unlocks value, you'll need a second set of eyes. This could come from appropriately upskilled internal audit teams or a third-party specialist conducting an assessment based on leading industry practices and standards. Regardless of how it is achieved, an independent perspective on your AI governance and controls will be critical in 2025 and beyond.

"Successful AI governance will increasingly be defined not just by risk mitigation but by achievement of strategic objectives and strong ROI."

Jennifer Kosar

PwC AI Assurance Leader

Beyond 2025: AI regulatory approach will enable continued innovation

The November elections make it likely that federal regulations will continue to be supple, enabling continued rapid advances in AI technology and deployment. But companies will need to pay attention to state rules, which are advancing quickly and can create a hodgepodge of sometimes contradictory regulations, especially regarding

privacy. Even so, the overall regulatory environment in the United States should remain among the world's most favorable for AI innovation.

What to do now

Assess risk comprehensively. If you haven't already done so, an AI risk assessment is the starting point for **Responsible AI**. You'll also need a standardized, AI-focused risk taxonomy to help make governance decisions consistent and repeatable. The AI risk taxonomy we use covers AI models, data, systems and infrastructure; users; legal and compliance; and process impact. One important area of focus is vendors and service providers — how they use AI in the products and services they provide and whether they can provide validation through reports like SOC-2.

Pick your oversight. Determine how you'll add a layer of independent, ongoing validation of AI system and outputs — whether from specially trained internal teams or experienced external providers. Start with the highest-risk areas, those with the broadest exposure or financial impact.

Focus on industry differences. While AI governance and oversight are needed across the board, industry-specific issues will inform approaches. Financial services, for example, need to consider how to meet existing compliance requirements that were designed with older tech in mind. Aerospace and defense companies and others that work closely with the public sector will need to focus on regulatory developments globally. To see how your organization stacks up

with industry peers on critical AI governance foundations, take this short **survey** for a benchmark report.

4. AI will be a value play — and a boon for sustainability

AI will accelerate the energy transition. It will also help companies meet their sustainability goals – especially those in emissions-intensive sectors like manufacturing, construction and transportation – if they take the right approach. AI requires so much energy that there's not enough electricity (or computational power) for every company to deploy AI at scale. More chips are coming, models are advancing and the energy supply is expanding. But we won't hit an equilibrium of supply and demand in 2025. That will make it wise to treat AI as a value play, not a volume one. Use it in more and more areas, yes, but also be strategic about how and where you roll AI out. You can, for example, design AI interfaces to encourage users not to waste AI time and tokens.

63%

of top-performing companies are increasing cloud budgets in order to leverage GenAI, while 34% say sustainability considerations are driving expected budget increases.

PwC's 2024 Cloud and AI Business Survey

But these near-term challenges shouldn't overshadow the big picture. AI will be a driver for sustainability. Globally, it will likely speed up the shift to renewables. In the United States, neither economics nor stakeholder pressure will permit a massive rollout of new fossil fuel plants. Instead, business will encourage more renewable supplies (including nuclear) and a more modern grid that uses energy more efficiently and brings it where it's needed. Some pressure may come from your company. Even if AI vendors bear most of AI's carbon footprint, you are the end user, so it should show up on your carbon balance sheet. To reduce the impact, you'll want AI vendors to be green.

Inside your company, AI can potentially simplify compliance with a new wave of sustainability disclosure regulations in the United States, the European Union and elsewhere. The November election means the SEC's climate-related disclosure rules will likely remain on hold, which may create a void that is filled by states following California's lead and developing their own rules and requirements.

AI can automate internal and external data collection needed to meet these regulations, analyze the data and generate reports (which can be refined by the finance function). AI's capacity for data collection and analysis will also help you optimize sustainability across your supply chain. Thanks to AI, even small suppliers will be able provide granular sustainability data such as their monthly or annual energy consumption. AI can

quantify new kinds of value like the benefits of commercializing low-carbon products. As these AI capabilities are embedded into corporate strategy and everyday enterprise applications, everyone, not just ESG specialists, will be able to access and use sustainability data to help make decisions.

"It's just not true that AI is anti-sustainability. If you use it right, AI makes not just carbon targets, but every sustainability goal more accessible."

Sammy Lakshmanan

Sustainability Principal, PwC US

Beyond 2025: Costs will drop to near zero

Over time, new sources of computational power and new, renewable energy supplies will come online — dramatically lowering costs and enabling AI in every aspect of your company and industry.

What to do now

Be strategic. Even if everyone in your company should have access to basic AI functionalities, carefully choose where to deploy more high-powered solutions.

The C-suite will need to make this call, in line with your company's strengths, source of data and priorities.

Transform sustainability data. AI can help you collect and analyze data once and then report it many times over to cut compliance costs and help you better measure — and reduce — your carbon footprint and broader sustainability impact. As part of this effort, account for AI's direct and indirect impact (via AI vendors) on your carbon balance sheet. The more you measure this impact, the more pressure your vendors will feel to reduce their own. You can use this sustainability data to enhance marketing as well. Determine, for instance, which customers would pay more for products with a lower carbon footprint.

Reap new sustainability benefits. AI-driven efficiencies can slash your energy needs, cutting costs as well as carbon impacts. When you slash R&D time in half (and do the same for other processes too), energy usage falls too. Or when you use AI to help make office buildings and energy management systems smarter and more efficient, sustainability wins too.

5. AI will cut product development lifecycles in half

If your company makes tangible goods and your product development teams aren't using AI for design, prototyping and testing, now is the time to start. Multimodal AI — capable of processing and generating diverse data types, from CAD files to simulations — is now revolutionizing product design and broader R&D processes. For example, GenAI tools can propose improved configurations for a car chassis, simulate performance under different conditions and even suggest designs that engineers might have overlooked.

AI can help you iterate designs in hours not weeks, test solutions virtually before building prototypes and troubleshoot more problems before you move to production. Based on PwC's work with clients and our analysis of technology and industry trends, we're confident that adopting AI in R&D can reduce time-to-market 50% and lower costs 30% in industries like automotive and aerospace. In many pharmaceutical companies, AI has already helped reduce drug discovery timelines by over 50%.

67%

of top-performing companies are already realizing value in using GenAI for products and services innovation.

PwC's 2024 Cloud and AI Business Survey

Most companies are unprepared for this revolution in physical product design. AI is ready to deliver — but the skills gap is often a hurdle. Engineers with deep expertise in

design and manufacturing often lack even foundational data science skills. Upskilling these teams and recruiting AI-savvy talent must begin now. Those who embrace AI's potential in product development will enjoy faster speed to market, lower costs and increased personalization — and that can add up to more satisfied end users.

"We're just starting to feel the impact of how the multimodal vision and generation capabilities of AI will change product design and more."

Scott Likens

PwC US and Global Chief AI Engineering Officer

Beyond 2025: A new age of innovation begins

As the design and engineering workforce is completely reskilled or replaced to work with AI, companies' R&D capacity will multiply — leading to an age of increasingly rapid innovation in product design and development.

What to do now

Deploy next-gen engineering. To leverage AI for things like product design, your company will need up-to-date cloud and data architectures, including ones that can push "edge AI" to your engineering teams.

Reinvent IT. AI itself can help IT transform to better support your broader AI initiatives, including transforming **software development**, enhancing cybersecurity, accelerating data modernization and so on.

Reorganize tech teams. Even more than in other areas, the balance of skills your technologists need will change. Even teams that work purely with physical objects will need computer and data science skills.

6. AI will transform industry-level competitive landscapes

AI will transform every industry, but some will move faster than others — and it may not be the "usual suspects" taking the lead. Here's how we see several major sectors advancing with AI over the next year.

73%

of executives say they'll use GenAI to make changes to their company's business model.

PwC's Pulse Survey, June 11, 2024

Consumer markets

Consumer-facing companies will deploy AI across their operations and business. AI will enhance marketing, supply chain management, financial operations and customer service. Many will revamp customer services with a mix of more engaging chatbots and AI agents that provide human staff with the exact information they need to assist customers. Other AI agents will (under close human supervision) help automate interactions with customers, using multiple touchpoints to impress and engage.

Further revenue boosts will come from more sophisticated AI-driven dynamic pricing, designed to adjust instantly to market shifts and competition. More consumer markets companies will use AI's data analysis and automation capabilities to accelerate due diligence for deals and to navigate the regulatory landscape. Some leading companies will also start with AI-enhanced product design, but most companies in the sector still lack the skills and technology infrastructure to fully seize this R&D opportunity in the near term. These laggards will have to make up for lost time soon.

Financial services

The impact of AI is broad, but we've seen measurable impact concentrated with AI native startups and large financial institutions. There's been a resurgence in the fintech space with AI native businesses focused on solving old problems with new platforms and business models. Similarly, we've seen many of the largest financial institutions experimenting with several common use cases. This experimentation has not only helped them build confidence with new tech but also refine their risk and control models in ways that position them to benefit at an accelerated pace. While AI native startups and large financial institutions continue to progress their strategies, there is a risk that firms that continue to evaluate their entry strategy will begin to fall behind noticeably starting in 2025.

Health industries

The use of AI in 2025 should be accelerated by a more flexible regulatory environment. The new administration is likely to shift oversight in this sector toward self-governance, creating more space for innovation. Pharmaceutical and medtech companies will be in the forefront of using AI to revolutionize their value chains, especially for drug and product development. Health payers and providers will deploy more AI applications to optimize revenue and volume and to help fill clinical labor shortages and assist doctors in making diagnoses, contributing to better clinical outcomes.

Top AI priorities in healthcare will include workforce transformation, personalization, tech upgrades, eliminating "process debt" (from pre-AI processes) and, above all, the responsible use of AI — as even with a more favorable regulatory framework, health industries organizations are responsible for sensitive data and for life-and-death outcomes.

Industrial products

In 2025, a smaller group of industry leaders will begin to pull ahead of their peers. Those industrial products companies with higher quality data and more standard processes will use AI to improve efficiency and insights, accelerate R&D and slash go-to-market time. Many other companies will still be focused on upgrading tech infrastructure, data governance and AI skills, but the pace of experimentation will accelerate and create additional questions on operating models, organization structures and talent requirements.

In 2025, AI agents will start to reshape demand for software platforms, as companies use them to fill the gaps of existing systems, such as ERPs. With AI agents customizing and extending the life of software platforms, some companies may choose to invest less in premium upgrades. This shift may prompt a change in software business models from seeking large-scale infrastructure investments to offering tailored AI solutions. Telcos will likely advance with hybrid AI solutions that blend GenAI with other technologies like machine learning and digital twins — boosting their own AI capabilities and reducing their dependence on traditional partners.

2024 Cloud and AI Business Survey

Are we still in an AI hype cycle? It depends on who you ask. But regardless of whether they're an AI skeptic, champion or realist, they'd likely agree that AI has already fundamentally changed business. It has reset expectations, enabled new cloud architectures and opened up a world of possibilities unimaginable just a few short years ago. As a maturing technology, we've moved from a focus on experimentation and singular AI use cases to an imperative to think bigger and bolder about its role in business reinvention. Organizations will soon be AI-first and cloud-powered — adopting these technologies not as tools, but as fundamental components at every level of the business, driving innovation, efficiency and competitiveness across the business landscape.

The question business leaders should be asking: *What does success look like in an AI-led, cloud-powered economy that redefines how industries operate, compete and thrive?* As leading companies are already proving, the decisions you make today will shape your organization's future, determining whether you emerge as an industry leader or get left behind.

Our recent survey of more than 1,000 business and tech execs, conducted between June and July 2024, sheds light on this shift. We identified a select group of companies — 12% of those surveyed — that we call the "**Top Performers**." These companies are already reaping the rewards of their investments in AI and cloud technologies, setting the pace for what it means to be a successful, modern enterprise. This isn't just a fleeting trend; it's a strategic trajectory toward becoming AI-first, much like the transition to cloud-first businesses before them. For a personalized report that benchmarks your responses against survey respondents, explore our **always-on survey** feature, which provides real-time insights and shows how you compare to others in your industry.

It's not just Top Performers that are seeing results. Among the rest of the companies in our survey (88% of respondents), many are also seeing early returns on their GenAI investments. For example, 41% say they've already seen improved customer experience through GenAI while 40% say they've already achieved increased productivity. Across each of the 10 categories we asked about, many companies say they've already achieved value — but Top Performers stand out because they're 2X more likely than other companies to have done so.

As with any big opportunity, there's risk. AI, for all its potential, carries inherent challenges —missteps in accuracy, organizational readiness and process optimization can derail progress. But the greater risk lies in doing nothing. Everything else can be addressed through hard work and **Responsible AI** practices, which can help mitigate risk while unlocking value.

In this report, we'll look at what the Top Performers are doing right, the areas where they still have room to grow and where your company should focus its efforts to stay ahead in this rapidly evolving environment.

AI and cloud investments pay off for many companies —especially Top Performers

Cloud
AI

Bar chart showing Cloud-powered value

Top performers

Other companies

Improved profitability

74%

32%

Increased productivity

72%

39%

Faster time to market

69%

35%

Improved customer experience

69%

40%

Products and services innovation

69%

34%

Cost savings

65%

35%

Optimized tax technology strategy

61%

30%

New channels to engage customers

60%

32%

New revenue streams

59%

30%

Market expansion

53%

29%

Q: Which of the following best describes how cloud technology is, or is not, delivering measurable value in your company in relation to revenue/cost/profitability? Which of the following best describes how generative AI is, or is not, delivering measurable value in your company in relation to revenue/cost/profitability? *(Response to 'Already achieved measurable value'.)*

Base: Top performers 124, Other companies 906

12%

of respondents are Top Performers whose companies are 2X more likely to realize value than other companies.

How 'intrinsic AI' is resetting strategy

AI is fast becoming integral to every aspect of business — your strategy, your customer offerings, your capability systems (people, process and technology), even how you manage risk and preserve value. As AI rapidly becomes a natural part of how businesses operate and grow, it will bring disruptive change to every industry. Even companies that aren't yet going big on AI will be affected by market shifts and need to consider how it changes business models, service provider relationships, the talent pool, stakeholder expectations, reporting requirements — everything.

So, what does an intrinsic-AI company look like? That will vary to some extent from industry to industry, but the unifying element will be AI-based systems and processes embedded into every level of the business and its strategy. Consider our Top Performers.

Top Performers are twice as likely than other companies, on average, to have already:

Of non-Top Performers, most report planning to implement these initiatives within the next 12 months, but up to a fifth of them are still two to three years out.

Consider the economics of your cloud and AI investments. Given AI's rapid pace of advancement, you'll want to make sure you're positioned to take advantage of new capabilities as they become available. You'll need to allocate funds to start your transformations, but a well-thought-out strategy will consider the savings that AI-enabled workflows and processes can deliver. Consider, too, how inflation will affect your technology budget. Ninety-two percent of Top Performers expect to increase cloud budgets in their next planning cycle, and 63% plan to increase cloud budgets by 6% or more — significantly higher than inflation.

The ability to leverage AI is cited most often as the reason for increased investments, with Top Performers more often citing it (63%), as well as other drivers like the need for improved scalability and flexibility, accelerated R&D and demand for cloud custom apps. And while AI might be the No. 1 budget driver they point to, its reach and influence throughout organizations can help meet most every other business need on the list. One example is sustainability, where AI can help businesses advance their goals. About

a third (34%) of Top Performers noted that sustainability was a driver for increasing cloud budgets.

The biggest mistake we see businesses making regarding investments is looking at AI mainly from a tech angle, greatly undercutting its value. What's often missing is a recognition that AI is becoming essential and integral to business sustainability. That shift to an AI-intrinsic business requires fundamental change across the value chain. Integrating all that takes time, but the rewards are clear.

Tech budgets are increasing — driven by AI

Source: PwC's 2024 Cloud and AI Business Survey

*Note: Data recalculated to show respondents who selected increase and GenAI, those who selected increase and did not select GenAI, and those who did not select increase. Data is recalculated based on the following two questions.

Q: How is your organization's cloud budget expected to change, if at all, in your next planning cycle? *(Select one.)* What is driving the expected increase in your company's cloud budget? *(Select all that apply.)* Totals may not add to 100 due to rounding.

Base: Top performers 124, Other companies 906

63%

of Top Performers are increasing cloud budgets in order to leverage GenAI.

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How to get more value from cloud and AI investments

To position your company as an AI-led, cloud-powered business, identify your business and technology needs and the investments that can help you see your goals met. The actions our Top Performers are taking provide a good framework. Drawing on our extensive experience working with Fortune 1000 companies to modernize their data, platforms and business strategies, we've broken down four things you can do right now to better position your organization as a leader in your industry.

1. Prioritize AI-powered cloud architectures to redefine strategy

As AI becomes ingrained in how companies do business, next-generation cloud architectures that take advantage of the latest AI capabilities are fueling modern business strategies. While most companies still think about AI as part of their technology strategy — or worse, spinning up disconnected AI initiatives across the business — Top Performers are going all-in, making it an integrated part of the business plan across functions. Two-thirds of Top Performers (67%) tell us they have a formalized strategy, including an approach to identifying, implementing and tracking the use of AI across the organization. Just 37% of other companies say the same.

While responsibility for technology architecture and cloud engineering typically falls to a company's CIO and other tech leaders, the choices made establish a foundation that make AI-centric transformation and new business models possible — and that's a CEO-level consideration. It's crucial for CIOs to partner with their CEOs, perhaps in new ways, to make the right technology choices and inspire the rest of their organizations. Together, you can set expectations and continually demonstrate how various AI initiatives are fundamental to business strategy and growth.

Given AI's applicability and impact to all areas of the business, every C-suite executive has an important role to play. In the near term, we expect more companies to appoint **chief AI officers** to help establish that vision and drive strategy together with senior leadership from across the business. We're seeing this strategic teaming happen in many areas. In the front office, for instance, CIOs team with CMOs to focus on

hyper-personalization and loyalty ecosystems. At the same time, we see chief revenue officers looking at how their sales teams leverage AI to accelerate deal cycles, curate proposals and presentations, and accelerate general time to market for products.

In the middle office, CIOs work with COOs and their teams — including procurement, customer service, risk and sustainability leads — using AI to modernize and streamline their processes, which in turn helps the front office better meet customers where they are. It also provides internal teams with the ability to run the business at a higher velocity with less tech debt and cumbersome systems. In the back office, CIOs and their IT teams can drive new ways of working and reinvent backend systems to accelerate delivery and drive business strategy.

Far and away, the biggest behavioral difference between Top Performers and other companies in our survey is that 72% of the former say they've achieved "all-in cloud adoption" when it comes to modernizing data, compared to just 33% of other companies. By moving their data to cloud and making it more easily ingestible by large language models (LLMs), Top Performers are more readily able to unlock new value from their data as they integrate new AI capabilities.

Top Performers are also more mature than other companies when it comes to other cloud engineering disciplines — by a factor of more than 2X. For example, they're all-in on cloud — meaning they've broadly adopted cloud — for security (70% versus 37%), AI (60% versus 27%), migration (59% versus 25%), app modernization (57% versus

27%), native app development (57% versus 24%) and industry-specific solutions (54% versus 25%), among other areas.

Top performers are all-in on cloud engineering

Top performers are all-in on cloud engineering

Top performers

Other companies

Data modernization

72%

33%

Security

70%

37%

Innovation and prototyping

61%

28%

Artificial intelligence

60%

27%

Migration

59%

25%

Application modernization

57%

27%

Native app development

57%

24%

Infrastructure and operations

57%

30%

Industry-specific applications

54%

25%

Integration platforms

53%

31%

Q: How would you assess the technical adoption of your company's cloud activities across the following areas? *(Response to 'All-in cloud adoption'.)*

Base: Top performers 124, Other companies 906

72%

of Top Performers are all-in on cloud data modernization.

To better understand where and how AI will impact your business and industry the most, begin by considering what's possible now that couldn't be done before. Think about what can be done differently and how you can better serve customers, with AI performing work in new ways alongside your employees. Many companies undertake a formal assessment to quantify potential revenue impacts to current business models while also identifying the areas most ripe for AI-driven growth. Then based on that high-level outlook, they'll prioritize cloud modernization, AI capabilities and training and upskilling as they move toward an AI-centric operating model.

At the same time, it's important to remember that you can't always predict where the biggest impact could come from. Many companies we've worked with in the pharma industry, for example, started by using AI to improve data analysis and insights. This

exploration ultimately led to wholly new approaches and a complete redesign of the clinical trials process — reducing time to market from 7–10 years to less than 2 years.

2. Double down on data modernization

That data is essential to success is nothing new, but GenAI raises the stakes. On the one hand, GenAI is helping companies do more with less. It can often find insights in unstructured data, whether customer phone call logs or holistic policy documents. It can also do more with more, like scanning and summarizing text, audio or imagery to find value in data sets that were too obscure, too poorly organized or too vast for employees to make use of.

As GenAI becomes a commodity product — with everyone using similar models from the same few vendors — it's your data and specialty knowledge that will set you apart. Your data will allow you to customize models to help you offer unique products, services and experiences. To do that requires a new architecture and operating model, which includes an AI-ready data platform and appropriate governance.

Doing this hard work is an effective way to fully leverage AI and modern cloud architectures. Top Performing companies are already ahead of their competition here — 98% agree that their company is well equipped in terms of its data architecture and governance needed to leverage GenAI. More than two-thirds (69%) say they've already implemented data modernization to take advantage of GenAI (compared to just 31% of other companies). And they're looking at all areas of the business. Eighty-two percent of Top Performers say most of their company's front office data is in cloud, compared with 63% for other companies. Similarly, 74% have most of their middle-office data and 79% of back-office data in cloud. By comparison, other companies have just 52% of middle-office data and 61% of back-office data in the cloud.

Given that their data is more widely accessible, it's no surprise that Top Performers are more than twice as likely to report being all-in on GenAI adoption across the business. Across the front, middle and back offices, they're more than twice as likely as other companies to broadly use GenAI.

Data modernization driving GenAI adoption across the business

Source: PwC's 2024 Cloud and AI Business Survey

Q: Which of the following best describes how generative AI is being adopted across the following areas of your business? *(Response to 'All-in adoption'.)*

Base: Top performers 124, Other companies 906

98%

of Top Performers say their company is well equipped in terms of its data architecture and governance to leverage GenAI.

Some companies start in the front office, such as with customer call centers where AI has helped boost customer satisfaction and significantly reduced average call center handling time, call abandonment and misrouting. It's a powerful example of the new way of working that will be the norm in AI-led businesses. We'll see fewer human team members while AI agents or "AI team members" take on more tasks. Your employees will have a critical role to play in orchestrating the work of their AI counterparts and will focus on other aspects of the work.

Other companies are first applying this new operating model in back-office functions like finance and IT. Wherever you start, it's crucial to think beyond singular use cases. Most GenAI use cases fall within six repeatable patterns. Consider the pattern of "deep retrieval" — applying a model to search for specific information within documents or data. If you successfully customize the model to extract key terms from legal contracts,

you can then apply that same model to do the same for tax regulations, financial reports, employee resumes and so on. That can lead to exponential value creation.

To Top Performers, cloud and AI aren't merely operational tools. They're strategic assets that drive business success and produce value from data. Mirroring this thinking can help set your company up as a leader in the future AI-led, cloud-powered economy.

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3. Evolve the IT function with AI to become a strategic powerhouse

With an AI-led company as the new North Star, reinventing IT is critical — and more feasible. The technology function's role in driving new capabilities, products and services, and business models is contingent on embracing new ways of working through AI-powered workflows (also called agentic workflows). While this shift to a new operating model in which AI seamlessly performs work in concert with humans is happening across business functions, for many businesses IT is a natural place to start.

AI's influence on the **software development life cycle** is drawing significant attention as it drives revolutionary changes across the discipline. Software developers work alongside AI agents that can autonomously take ideas and turn them into requirements, then turn requirements into user stories, user stories into test cases, test cases into code and code into documentation. It's an early example in which companies are already seeing considerable payback, with efficiency gains upwards of 30%, along with enhanced quality and speed to market.

But other areas of IT can see similar gains. Top Performers in our survey understand this potential. Sixty-five percent say they've holistically adopted AI in IT, including in app development and app management. This compares with just 28% of all-in adoption for other companies in our survey. Looking more closely, across 15 different IT areas Top Performers are consistently more likely than other companies to have broadly adopted GenAI. Eighty-two percent have broadly adopted GenAI for modernization versus 53% of other companies. In software development, 75% of Top Performers have broadly adopted GenAI, compared with 51% of other companies. Across the 15 IT categories, the delta for broad adoption between Top Performers and everyone else averages 23 percentage points.

The ways AI is changing IT extend well beyond internal capabilities. Most companies look to third parties for at least some software and application development, application maintenance, help desk IT service management and cybersecurity. How these suppliers leverage AI can also be transformative for you. Across industries, AI has reduced the hours IT vendors need to provide high-quality services to their customers. Given this shift, tech leaders can identify efficiencies and other KPIs that vendors should be

achieving. This might drive companies to renegotiate contracts or select new solutions and suppliers.

GenAI is reinventing how IT drives and supports business strategy

Source: PwC's 2024 Cloud and AI Business Survey

*Note: Showing 7 choices out of 15 options

Q: To what extent is generative AI being utilized in the following areas of your IT processes? *Response to 'Adopting broadly'.)*

Base: Top performers 124, Other companies 906.

75%

of Top Performers have broadly adopted GenAI across the software development life cycle.

4. Reset cloud provider relationships and expectations

Even the most effective strategy can falter if you fail to maintain that same level of intention and engagement when dealing with suppliers and third parties. Cloud service providers (CSPs), from hyperscalers to LLM specialty vendors, are instrumental to your success as they continue to invest in and develop next-generation cloud and AI capabilities. They're the bedrock that will make possible an AI-first economy, which could be here sooner than many of us expected.

With an abundance of providers and advanced tech offerings to choose from, how you manage your CSP strategy, contracts and interactions is key. That includes determining which and how many CSPs to employ based on your unique needs and industry requirements. CSP strategy was consistent from our last survey. A little over half of respondents, 56%, tell us they primarily use one CSP for more than half of their workloads and other CSPs for specialized tasks, up just a bit from 53% in 2022. Just over a quarter (27%) say they use one CSP exclusively, down from 34% in our last survey. Interestingly, Top Performers are more likely to say they use a single CSP (38%). About one-third (34%) report using public cloud in all areas of their businesses,

and another half (51%) use it in at least some areas. Just 5% of all companies surveyed said they don't use public cloud at all.

When asked about how well their primary CSPs were meeting expectations, most respondents rate them favorably, with Top Performers more likely to "strongly agree" that their CSPs are delivering. For example, they rate their CSPs favorably in providing them with KPIs and performance monitoring to get a handle on cloud usage (61% versus 39% for other companies), providing needed tech support (60% versus 46%) and engaging them around how the CSP is evolving its capabilities (61% versus 43%), along with similar sentiment in five other areas.

While that's an indication that Top Performers are fairly engaged with their CSPs, our survey revealed a lot of room for growth in CSP and other IT service provider relationships — for both Top Performers and other companies. When asked about how they expect to change these crucial relationships, their responses are somewhat surprising. In most areas, only a minority of companies expect to evolve their relationships. One striking area is whether they plan to renegotiate pricing, contracts and SLAs. Just 35% of Top Performers (and 38% of other companies) say they're doing so. With AI rapidly changing how tech services are deployed — at efficiencies of 20% to 40% — it's an obvious area for discussion. That includes considering whether there are new AI-based solutions that might replace many existing ones. We've seen companies revisit their sourcing strategies and vendor management to recover significant value in the multi-millions — savings that can be invested in new AI capabilities and offerings.

The top CSP focus area for both Top Performers and other companies is around managing and monitoring security and compliance (55% and 52% respectively). One important factor is that multinational organizations should address global data residency, availability and privacy requirements, such as those specified in the General Data Protection Regulation (GDPR), Digital Operational Resilience Act (DORA) or the India Companies Act. CIOs and data leaders should make sure their CSPs provide hosting solutions that can accommodate those requirements. These requirements also affect a company's ability to apply AI to this data, so it's an important area to consider.

One area where Top Performers are notably more engaged than other companies is in assessing carbon footprint impact (39% versus 29%). This is an area that will become even more important as businesses focus on meeting net zero goals and **new reporting requirements**, at the same time as they look to build AI-centric businesses. Understanding and managing the carbon impacts of both CSP offerings and in-house data centers is also likely to become more important. Along with sustainability considerations, CIOs should be looking at how well positioned providers are to deliver the compute they'll need to power next-generation architectures and capabilities. Looking more broadly, tech leaders are even starting to think about implications for the US power grid and business sustainability. They'll also want to work closely with sustainability leaders and chief risk officers to make sure that their sustainability goals are considered when choosing providers.

Considerable potential to cultivate more strategic CSP relationships

Considerable potential to cultivate more strategic CSP relationships

Top performers

Other companies

Monitoring and managing security and compliance

33%

33%

Evaluating types of services provided

33%

33%

Collaborating on future-state capabilities

33%

33%

Leveraging for next-gen capabilities

33%

33%

Assessing carbon footprint sustainability impact

33%

29%

Renegotiating pricing, contracts and SLAs

33%

33%

Collaborating on data governance and privacy matters

33%

33%

Conducting regular vendor audits

33%

33%

Q: In what ways, if any, are you changing your relationships with third-party cloud service providers? *(Select all that apply.)*

Base: Top performers 124, Other companies 906

39%

of Top Performers are changing their relationships with CSPs by assessing the sustainability impact of its carbon footprint.

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What are cloud and AI Top Performers?

We identify Top Performers based on two indexes of performance, cloud and generative AI (GenAI). We develop a cloud performance index based on the company's cloud maturity and the measurable value it has achieved in areas such as revenue growth, profitability, capabilities and security. The scoring system awards 100 points for companies that have already achieved measurable value, 66 points for those expecting to achieve it within the next 12 months, 33 points for those expecting to achieve it in 12 or more months and 0 points for those not expecting measurable value in the next 12 months. Similarly, we develop a GenAI performance index based on a company's current adoption of generative AI and the measurable value they have already achieved across those same areas. Finally, we classify 124 respondents (12% of the total sample) as overall Top Performers. These respondents score at the top range for both cloud and GenAI performance indexes.

About the survey

Between June 4, 2024 and July 9, 2024, PwC surveyed 1,030 executives in the United States (308 in business roles, 722 in technology roles) on topics related to cloud and generative AI. Respondents are from companies that have at least $500 million in revenue.

Respondents operate across a range of industries, including tech, media, telecom (22%), financial services (21%), consumer markets (18%), health (17%), industrial products (13%) and energy, utilities and mining (6%).

PwC Research, PwC's global Centre of Excellence for market research and insight, conducted this survey.