HFS

MARKET IMPACT REPORT

Transforming GBS to generative business services: Tech-Led challenges and aspirations

Authors:

HFS Research
Ashish Chaturvedi, Practice Leader
Saurabh Gupta, President, Research and Advisory Services
Anushka Mukherjee, Senior Analyst

Foreword

Phil Fersht
CEO and Chief Analyst, HFS Research

The GenAI era is finally driving much-needed change in business operations

In most of today's Global 2000 enterprises, stodgy shared services are failing to deliver value beyond back-office support, provide exciting career tracks for ambitious professionals, and rarely provide anything to support the growth and innovation their companies so desperately crave.

However, after persisting with this tired old business operations model for so long, GenAI is forcing a major shift for ambitious enterprises striving to attract the talent they need to remain competitive and innovative. Many enterprises firmly glued to the old GBS model are in real peril of being left behind, lacking the culture, mindset and direction to remain relevant, viable businesses.

The ability for generative business services, where advancing AI technologies such as Large Language Models and autonomously-capable apps are driving the speed and predictive capability of enterprises to function with so much more agility, creativity, and intelligence.

Simply put, the time to make the move from back office to OneOffice is finally upon us (we introduced OneOffice seven years ago) and GenAI is the *catalyst* to force this change.

However, at HFS, we see two massive problems the current GBS proposition must overcome:

1. **Cost and efficiency are now hygiene. Enterprises are on a mission to find new sources of value.** Cost savings are important but no longer sufficient to keep most operations leaders in their jobs. Minimizing costs to a desired level is one ceiling of achievement, but ambitious enterprise C-Suites have to keep striving for new sources of value to stay competitive in today's era of rapid AI deployment.

2. **Young people don't see GBS as an attractive career opportunity.** Why would today's bright young talent want to suffer a life of soul-crushing work for a company that still operates the same way it did 30 years ago? And can you blame staff for preferring to work from home than suffer from the monotony of a stuffy cube kingdom where most of the management isn't even *there*? Let's be blunt: it's often the management who have become self-entitled, not the staff. The problem ultimately lies with bad leadership, not bad working attitudes, which is the reason why GBS has failed to provide real career options for our best and brightest.

The bottom-line. Focusing on the old way of doing things is no longer the way forward for GBS

Successful GBS of the future needs to be training grounds for talent, data, and AI business models. GBS needs to be *generative*… by driving and promoting new ideas and ways of thinking and operating. The back office perpetuated by tired old GBS models has held back enterprises for far, far too long. The tools, know-how, and competitive realization are forcing the move to a generative mindset for those companies desperate to propel themselves forward into the GenAI era. Don't get left behind…

Anup Kapoor
COO, Infosys BPM

Digitization and data insights are key drivers for understanding and staying ahead of the rapid evolution in global market. Industry leaders face an existential threat if they do not learn, embrace, and adapt to the changing business environment.

A collaborative industry study, conducted with HFS Research, highlights the opportunities for C-suite leaders in adopting advanced technologies such as AI, automation, and cloud computing. Despite strong aspirations, it also reveals how organizations struggle with systems, data fragmentation, and skill gaps. Suggestion from this report serves as a blueprint for how to prepare and avoid these landmines. As C-suite continues orchestrating digital transformation within their organizations, service providers with a strong pedigree in technology and business operations are well positioned to help clients navigate this journey.

Infosys' expertise and deep, AI-led learning experience enables clients to reimagine an AI-first enterprise and guide them through this strategic shift. It's no longer about implementing technology but creating an environment that fosters cross-functional collaboration. Whether it's integrating technologies like generative AI or helping enterprises redefine their business outcome indicators, right partnerships will shape the future of business.

Read this transformative study to explore how visionary leaders are revolutionizing their organizations and preparing for what's next.

Contents

Executive summary

A study conducted by **HFS Research** in collaboration with **Infosys BPM Limited** explores the evolving business objectives and challenges enterprise leaders encounter in a technology-driven era. The research involved thorough interviews with **20 C-suite executives** across **five key business functions: finance, HR, supply chain, marketing, and IT**. It reveals a significant disparity between technology's potential and its practical implementation.

The key findings indicate a strong desire to utilize advanced technologies such as AI, cloud computing, and automation, but organizations struggle with legacy systems, data integration issues, and talent shortages. The study underscores the importance of building a robust data infrastructure, automating routine operations, and fostering cross-functional collaboration to bridge the gap between aspiration and reality.
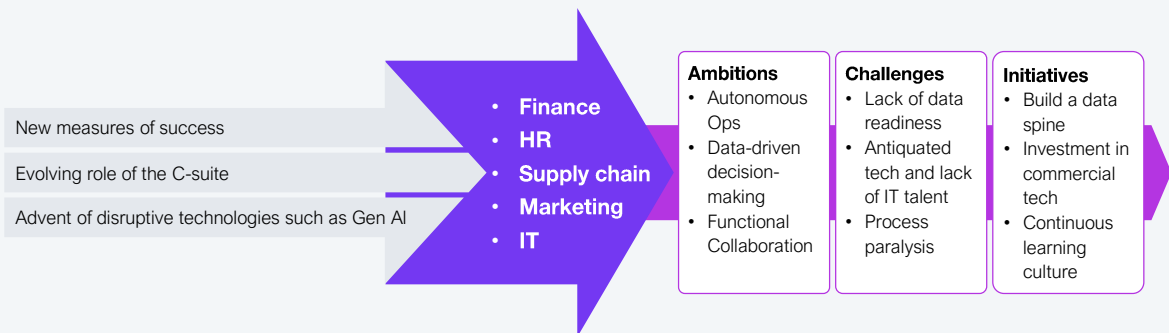
Furthermore, the research emphasizes the critical role of business services providers in helping enterprises select the right technology platforms, integrate new technologies such as generative AI, and develop new KPIs to measure success in this rapidly changing landscape.

The study also sheds light on the evolving role of the C-suite in addressing these challenges. As technology becomes more essential for driving business outcomes, C-suite leaders are transitioning from their traditional focus on operational efficiency to becoming orchestrators of digital transformation. They are increasingly involved in strategic decision-making, cross-functional collaboration, and working closely with vendors to ensure the successful implementation of new technologies.

Summary chart

Each business function's scope of work differs, leading to distinct maturity levels and a unique set of ambitions and challenges—discussed later in the report. Nevertheless, each business function manifested a standard set of characteristics, illustrated in Exhibit 1.

Exhibit 1: The need for cross-functional collaboration and a focus on data bind different business functions together

New measures of success

Evolving role of the C-suite

Advent of disruptive technologies such as Gen AI

- **Finance**
- **HR**
- **Supply chain**
- **Marketing**
- **IT**

Ambitions
- Autonomous Ops
- Data-driven decision-making
- Functional Collaboration

Challenges
- Lack of data readiness
- Antiquated tech and lack of IT talent
- Process paralysis

Initiatives
- Build a data spine
- Investment in commercial tech
- Continuous learning culture

Source: HFS Research – Interviews with 20 C-suite executives

Research scope

This Market Impact research report presents insights from in-depth discussions with 20 C-suite executives of G2000 companies spread across the globe representing the following business functions:

- Finance
- Human Resources (HR)
- Supply Chain (and Procurement)
- Marketing
- Information Technology (IT)

Report synopsis

Reality vs. Hype—a significant tech void exists between what's possible and what's being practiced

Business leaders recognize the gap between technology promises and real-world implementation. For instance, platforms such as Globality can enable AI-assisted procurement in the procurement domain, including automating the RFI process. Based on ongoing conversations, this can improve productivity by more than 50% while reducing people costs by a staggering 60%. However, most procurement departments still follow a manual people-dependent approach across all procurement activities.

Aspirations and Challenges are tied to autonomous operations, data integration, and functional collaboration

1 The finance function wants automated and autonomous operations

- Finance leaders aspire to enhance visibility and control (supplier transparency), increase automation of processes (touchless processing), and adopt an integrated workflow (interconnected procurement, finance, and inventory).
- Challenges include issues of visibility and control, data management, compliance/regulations, and integration and technology debt.

2 The human resources (HR) function wants to play a pivotal role in adapting to new technology paradigm changes but is struggling with talent

- HR leaders want to develop a diverse and inclusive culture by leveraging AI for resume screening and candidate assessment. They also want to promote learning as part of the culture and develop transparent and intuitive performance measurement tools.
- Challenges include attracting and retaining talent, streamlined onboarding, learning and development programs that fail to keep pace with industry advancements, managing remote working and a diverse workforce, and effective performance management.

3 The supply chain (and procurement) function aspires to be more responsive, but there are growing macroeconomic complexities

- Supply chain and procurement leaders aspire to optimize supplier management, become more resilient, build autonomous factories and warehouses, and focus on sustainable fulfillment and reverse logistics practices.
- Currently, they are grappling with managing multi-supplier relationships, accurate forecasting, rising fuel costs, and frequently changing regulations.

4 The <u>marketing</u> function aspires to enable a customer-centric strategy but is plagued by poor data quality

- Marketing leaders want to achieve a unified customer view, run hyper-personalized campaigns, deliver seamless omnichannel experiences, and empower and incentivize employees.
- They are grappling with data integration, meeting diverse expectations, legacy system limitations, and incentivizing the workforce for a positive customer experience.

5 The <u>IT</u> function wants to become an engine to drive business transformation but is currently focused on overcoming technology debt

- IT leaders aspire to achieve data-driven decision-making, continuous quality engineering, accelerated cloud-native transformation, and application modernization through technology.
- They are grappling with aligning technology and business objectives, the need for data quality and governance, technology debt (legacy systems), and cybersecurity threats.

Business services providers are helping enterprises overcome challenges by making the right technology choices, implementing use cases that deliver the most value, bridging the talent gap, and formulating fresh KPIs

- **Making the right technology choices**

  Most enterprise leaders emphasized that they rely heavily on business service providers to recommend the right technology platform.

- **Integration of generative AI across business processes**

  Providers are increasingly integrating GenAI into business processes such as customer services, workflow management, and process automation.

- **Bridging the talent gap**

  Service providers are deploying specialized teams that are globally distributed and adept at managing and maintaining diverse systems and using new technologies such as GenAI.

- **Help formulate the new measures of success to coexist with traditional KPIs**

  Business leaders are working with business services providers to continue using most of their traditional KPIs while creating enough provisions to incorporate new ones.

Business function-level initiatives being undertaken in partnership with service providers include:

1 The finance function is focusing on **AI-first BPaaS, enhanced data management, process optimization, and cross-collaboration.**

2 The HR function is focusing on **building world-class learning management systems (LMS) and leveraging tech to attract and retain talent.**

3 The supply chain function is focusing on **optimization and collaboration**

4 The marketing function is focusing on **data integration and hyper-personalization**

5 The IT function is focusing on **modernization and scalability** for faster tech adoption across the organization

The enterprise C-suite is evolving to complement the new tech-led paradigm

The role of leaders across business functions is undergoing considerable transformation.

- New specialized roles such as chief transformation officer in IT or VP of employee experience are being established.
- Business leaders are becoming orchestrators and accelerators of new technology adoption and are working closely with business service providers, technology vendors, and system integrators.
- Technology enables leaders to shift their focus away from daily operations and rethink their business strategy over a two- or three-year horizon.

The Bottom Line: Enterprise leaders must prioritize building a data spine and investing in AI, automation, and collaboration platforms to succeed in a rapidly evolving AI-first digital landscape.

Reality vs. Hype—a significant tech void exists between what's possible and what's being practiced

A noticeable gap exists between emerging technologies' promises and their real-world implementation. While the potential of technologies like AI, machine learning, and cloud computing is immense, their actual integration into business operations often reveals a more complex reality. Executives across various functions acknowledge the challenges in demonstrating tangible business returns and navigating the complexities of technology adoption.

The CIO of a leading electrical supply distributor in Australia states: "The biggest challenge is demonstrating the tangible business return on investments in new technologies such as GenAI."

Furthermore, the adaptation to new technologies is not uniform across all functions, with some areas lagging due to legacy systems and skill gaps. For instance, platforms such as Globality can enable an AI-assisted procurement process

in the procurement domain, including automating the RFI process. Based on HFS' ongoing research, this can improve productivity by more than 50% while reducing people's costs by a staggering 60%. However, most organizations still follow the rudimentary people-dependent procurement approach.

"With the average age of our employees being 41, there is a significant challenge in adapting to new technologies and work environments"

— Chief Financial Officer of a leading global conglomerate.

Despite these challenges, the future aspirations of leveraging GenAI and other advanced technologies remain high. There is a clear focus on bridging the gap between current capabilities and these technologies' potential benefits.

Aspirations and challenges are tied to autonomous operations, data integration, and functional collaboration

1 The finance function wants automated—and autonomous—operations

Senior finance leaders want to leverage technology to automate routine tasks, enhance data security, and provide real-time financial insights that drive strategic decision-making.

Aspirations

Finance leaders aspire to transform their functions by adopting advanced technologies and innovative practices to achieve the following:

1. **Enhanced Visibility and Control**
   - **Supplier transparency:** Achieve higher visibility around suppliers to reduce fraud risks and ensure compliance.
   - **Streamlined management:** Streamline contract and supplier management to improve efficiency and reduce anomalies.

> "Greater visibility into our suppliers will allow us to mitigate risks and streamline our operations, leading to more efficient financial management."
>
> — CFO, global energy company

2. **Automation and Efficiency**
   - **Touchless processes:** Implement touchless invoice processing to eliminate errors and enhance operational efficiency.
   - **Predictive analytics:** Use predictive analytics for better forecasting and scenario planning, allowing for more strategic decision-making.

3. **Seamless Integration**
   - **Integrated systems:** Ensure seamless integration of procurement, inventory, and financial systems to provide accurate, real-time data.
   - **Digital workflows:** Digitalize invoice management processes to enhance accuracy and efficiency.

4. **Regulatory Compliance**
   - **Compliance assurance:** Maintain robust compliance mechanisms to navigate changing regulatory environments and reduce risks.

The dream state is to consolidate data infrastructure and improve data quality, enabling real-time, data-driven decision-making and fostering a data-driven culture within the organization.

Challenges

1. **Visibility and Control**
   - **Supplier management:** The lack of visibility and control over suppliers creates significant risks, including fraud and non-compliance.
   - **Invoice and PO discrepancies:** Errors, duplicities, and discrepancies in invoices and purchase orders complicate financial management.

2. **Data Management**
   - **Data retrieval and accuracy:** Difficulty retrieving accurate data from disconnected systems hinders effective financial reporting and decision-making.
   - **Manual processes:** Reliance on manual processes increases the risk of errors and reduces operational efficiency.

   > "Our manual processes are not only time-consuming but also prone to errors, which hampers our ability to make informed decisions quickly."
   >
   > — James Hensley, CFO, The Hartford.

3. **Compliance and Regulation**
   - **Regulatory challenges:** Navigating complex regulatory landscapes requires robust systems to ensure compliance and reduce the risk of penalties.

4. **Integration and Technology**
   - **Disconnected systems:** Disconnected procurement, inventory, and financial systems lead to inefficiencies and inaccuracies in financial data.

2 The human resources (HR) function wants to play a pivotal role in adapting to new technology paradigm changes but is struggling with talent

Senior HR executives want to enhance employee engagement and performance management, with the goal of building a resilient and agile workforce.

Aspirations

HR leaders aspire to transform their functions by adopting advanced technologies and innovative practices to achieve the following:

1. **Develop a Diverse and Inclusive Culture**
    - Build an employer brand that attracts top talent and enhances employee engagement and satisfaction.

2. **Leverage Technology in Recruitment and Talent Development**
    - Using AI-driven tools for resume screening and candidate assessment to shorten time-to-hire and improve recruitment efficiency.
    - Leverage Gen AI for knowledge management and talent self-service.

3. **Build an AI-Proficient Continuous Learning Culture**
    - Enable organizational readiness to adopt and leverage AI by business users to amplify human potential
    - Support continuous growth and align learning programs with business goals through learning management systems (LMS) and personalized development programs.

> "My long-term aspirations revolve around transforming our human resources function into a strategic cornerstone that actively contributes to the organization's overarching goals. By leveraging technology, I plan to establish a predictive analytics framework that will enable proactive decision-making across all levels of HR, from talent management to organizational development."
>
> — Michael Newman, Chief HR Officer, Geo Energy

4. **Create Transparent Performance Management Systems**
    - Encourage ongoing feedback and development while linking performance to rewards and career progression.

5. **Foster a Positive Work Environment**
    - Ensure legal compliance, mitigating risks, and resolving conflicts quickly and fairly to maintain a supportive work environment.

> The dream state is to foster a workforce that is not only highly skilled and diverse but also deeply engaged and resilient to industry changes and global challenges.

Challenges

1. **Adapting to Workforce Demographics**
    *   **Retention of top talent:** Organizations are struggling to attract and retain top talent in a competitive market.
    *   **Managing remote and hybrid work environments:** Adapting to new hybrid and remote work models presents logistical and cultural challenges. Additionally, different generations of employees, such as Gen Z and millennials, have different expectations and motivation criteria, making it difficult for one policy/culture to work for all.
    *   **Streamlining recruitment:** Efficiently manage the recruitment process to ensure a good fit and timely hiring.

2. **Learning and Development**
    *   **Keeping pace with change**: Ensure employees continuously develop new skills to stay relevant.
    *   **Personalized learning experiences:** Provide tailored learning opportunities that meet individual needs.

> "Introducing skill academies and external certifications can help our employees stay sharp and move to new roles or promotions."
>
> — VP, Career and Employee Experience, Global Investment Bank

3. **Performance Management**
    *   **Continuous feedback:** Move from annual reviews to a continuous feedback system.
    *   **Aligning Performance with Goals:** Ensure individual performance aligns with company goals.

4. **Employee Relations and Welfare**
    *   **Ensure well-being:** Focus on employee well-being in demanding work environments.
    *   **Navigating Regulations:** Comply with labor laws and effectively handling conflicts.

3   The Supply Chain (and Procurement) function aspires to be more responsive, but there are growing macroeconomic complexities

During the pandemic disruption, supply chain prominence rose from operational conversation to boardroom discussion. This will continue as senior supply chain executives leverage technology to optimize supplier relationships, manage production, streamline distribution, and efficiently handle returns.

Aspirations

1. **Optimized Supplier Management**
   - **Supplier mix optimization:** Switch between suppliers for best rates and robust risk management.
   - **Dynamic control tower solutions:** Real-time visibility and control over supply chain operations.

   > "Optimizing our supplier mix and having dynamic control tower solutions are key to managing risks and ensuring supply chain resilience."
   >
   > — SVP, Global Procurement, Global Automotive Supplier.

2. **Autonomous Factories and Smart Manufacturing**
   - **Resource optimization:** Autonomous factories that optimize resource utilization and adapt quickly to disruptions.
   - **Preventive maintenance:** Leverage dark data for preventive maintenance to reduce downtime.

3. **Efficient Logistics and Green Practices**
   - **Route optimization:** Implement route optimization software to manage fuel costs and improve efficiency.
   - **Eco-friendly fulfillment:** Use green packaging and eco-friendly fulfillment practices to reduce the carbon footprint.

4. **Effective Returns Management**
   - **Streamlined processes:** Automated claims management and efficient handling of returns to improve customer satisfaction.
   - **Recycling and reselling:** Focus on recycling and reselling returned goods to minimize waste.

> The dream state is to build autonomous supply chains driven by advanced AI that provide end-to-end visibility and foster real-time responsiveness to market changes.

Challenges

1. Supplier Management

- **Multi-supplier relationships:** After the pandemic, most companies are trying to follow a China+X supplier strategy. Balancing cost and complexity with multiple supplier set-ups while mitigating risks such as rising input costs and inflation is becoming a significant challenge.

- **Regulatory compliance:** Ensuring compliance with international regulations is becoming difficult especially as geographic borders and sustainability regulations are frequently changing.

> "Managing multiple suppliers while keeping costs in check and adhering to global regulations is a significant challenge for us."
>
> —VP Supply Chain, Germany-based medical industry OEM.

2. Production and Manufacturing

- **Accurate forecasting:** Minimize over-/under-production and maintain overall plant health.
- **Standardization:** Streamlining production processes while reducing human dependency remains a top challenge.

3. Distribution and Fulfillment

- **Rising fuel costs:** Optimizing routes to manage fuel costs effectively is difficult, especially in countries such as the US with widely distributed populations.
- **Inventory management:** Ensuring inventory levels are optimized to avoid overstocking or stockouts is extremely difficult.

4. Returns and Reverse Logistics

- **Value recovery:** Maximizing value recovery from returned items and reducing wastage remains a problem.
- **Efficient returns management:** Handling returns efficiently to minimize impact on the bottom line.

4   The marketing function aspires to enable a customer–centric strategy but is plagued by a lack of data quality

Senior marketing executives want to create seamless, personalized customer experiences across various touchpoints.

Aspirations

1. **Unified Customer View**
   - **360-degree customer view:** Achieve a comprehensive view of customers by integrating data across all touchpoints.
   - **Data-driven insights:** Utilize data analytics to gain deeper insights into customer behaviors and preferences.

> "Having a 360-degree view of the customer is the wish list of any CMO."
>
> — Chief Digital Officer and CMO, India-based conglomerate.

2. **Hyper-Personalization**
   - **Targeted campaigns:** Implement hyper-personalized campaigns that cater to individual customer preferences and behaviors.
   - **Behavioral insights:** Leverage AI and analytics to predict and influence customer behaviors.

3. **Seamless Omnichannel Experience**
   - **Consistent interactions:** Ensure consistent and seamless interactions across all customer touchpoints.
   - **Digital portals and self-service apps:** Develop user-friendly digital portals and self-service apps to enhance customer experience.

> "Our new customer self-service app allows customers to manage their policies and file claims easily, providing a consistent experience across channels."
>
> — Rafael Mihanovich, CMO, MetLife Mexico.

4. **Employee Empowerment and Incentivization**
   - **Training and development:** Invest in continuous training and development programs for employees.
   - **Effective incentives:** Create incentive programs that reward employees for delivering exceptional customer experiences.

The dream state encompasses integrating existing systems, building data platforms, and implementing AI and GenAI to drive hyper-personalized experiences and campaigns, keeping the customer at the center.

Challenges

1. **Data Integration and Customer View**
   - **Siloed and fragmented data:** The lack of integrated data across departments hinders the creation of a 360-degree customer view.
   - **Data inaccessibility:** Limited access to comprehensive data affects decision-making and customer insights.

2. **Personalization and Customer Expectations**
   - **Meeting diverse expectations:** Different generations have varying expectations and proficiencies with digital and non-digital channels. While AI-powered digital channels can significantly improve efficiency and personalization, enterprises are grappling with significant challenges to get customers to adopt these digital channels.
   - **Hyper-personalization:** Achieving hyper-personalized campaigns requires significant data and technological capabilities.

3. **Technology and Digital Transformation**
   - **Legacy systems:** Integrating new technologies with legacy systems is complex and resource-intensive.
   - **Omnichannel experience:** Developing consistent and seamless experiences across multiple channels is difficult, especially with disparate systems.

4. **Employee Incentivization**
   - **Incentivizing positive customer experience:** Create effective incentives for employees to enhance customer satisfaction.
   - **Training and upskilling:** Ensure employees have the necessary skills to meet evolving customer demands.

> "We don't know how to incentivize our workforce when they deliver positive customer experiences."
>
> — Chief Digital Officer and CMO, India-based conglomerate.

5 The IT function wants to become an engine to drive business transformation but is currently busy working to overcome technology debt

Senior IT leaders want to align technology with business objectives, efficiently manage cloud transformations, and enhance decision-making.

Aspirations

1. **Cloud Native Transformation**
   - **Scalability and flexibility:** Building a cloud-native foundation to support scalable and flexible operations.
   - **Cost Efficiency:** Reducing operational costs through cloud optimization.

2. **Data-driven Decision-making**
   - **Real-time analytics:** Leverage real-time data processing and analysis to drive business decisions.
   - **Enhanced data accessibility:** Ensure data is democratized and accessible across the organization.

> "Real-time data processing and analysis are crucial for making informed business decisions."
>
> — Chief Digital Officer, multinational automotive manufacturer.

3. **Quality Engineering (QE)**
   - **Continuous Integration:** Integrate QE into the software development lifecycle to ensure quality and reliability.
   - **Automation and AI:** Utilize automation and AI to enhance software testing and quality assurance.

4. **Application Modernization**
   - **Modernizing legacy systems:** Update legacy systems to improve efficiency and support new business models.
   - **Agile development:** Adopt agile methodologies to accelerate time-to-market for new applications.

> "Application modernization is essential for enhancing user experience and supporting new business models."
>
> — CTO, global telecommunication company.

The dream state is to apply leading-edge technology for rapid application deployments, ensure data security, and drive value through end-to-end solutions.

Challenges

1. **Aligning Technology with Business Objectives**
   - **Strategic alignment:** Ensure technology initiatives support and drive business goals.
   - **Executive buy-in:** Convince stakeholders of the tangible benefits of new technologies such as GenAI.

2. **Overcoming Technology Debt**
   - **Legacy systems:** Integrating new technologies with existing systems can be complex and resource-intensive.
   - **Dependency management:** Manage dependencies across various systems and workflows.

   > "Overcoming technology debt and integrating new technologies with existing systems are significant hurdles."
   >
   > — Chief digital officer, US-based health insurance provider.

3. **Data Modernization**
   - **Data quality and accessibility:** Ensuring data is accurate, accessible, and real-time is a longstanding industry challenge.
   - **Data governance:** Implementing robust frameworks to maintain data integrity and security is a continuously evolving process.

4. **Security and Compliance**
   - **Data security:** Protect sensitive data and ensure compliance with regulations.
   - **Risk Management:** Mitigate risks associated with data breaches and cyberthreats.
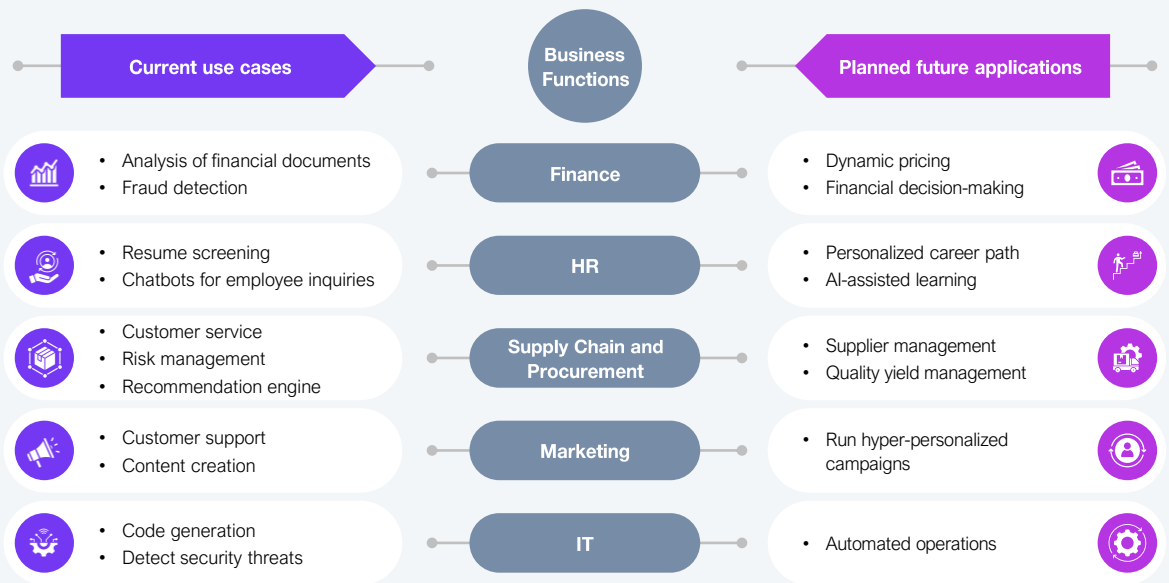
Business Services Providers are helping enterprises overcome challenges, make the right technology choices, bridge the talent gap, and formulate fresh KPIs

Service providers are playing a critical role in bridging the gap between the potential of existing technology and the limited progress currently occurring in terms of real-world implementations:

- **Making the right technology choice:** Most enterprise leaders emphasized they heavily rely on business services providers to select the right technology platform for their business. For instance, an HR leader attributed much of their people's success to implementing the Oracle HCM tool, which was brought to the fore by their existing business services provider.

- **Integration of generative AI across business processes:** Providers are increasingly integrating GenAI into business

processes such as customer services, workflow management, and process automation. This shift enables business units to be more directly involved in defining requirements, reaping productivity gains, and running more responsive operations. The current use cases are about tactical wins and showcasing quick ROI to stakeholders. For example, the finance function utilizes GenAI to analyze contractual documents. However, as GenAI is integrated into and offered as part of existing tech stacks, enterprises want to leverage it for more strategic work. An example is GenAI-driven pricing strategies that self-correct based on changing market conditions.

Exhibit 2: Executives are gradually planning to integrate GenAI in their business processes

Current use cases	Business Functions	Planned future applications
• Analysis of financial documents • Fraud detection	Finance	• Dynamic pricing • Financial decision-making
• Resume screening • Chatbots for employee inquiries	HR	• Personalized career path • AI-assisted learning
• Customer service • Risk management • Recommendation engine	Supply Chain and Procurement	• Supplier management • Quality yield management
• Customer support • Content creation	Marketing	• Run hyper-personalized campaigns
• Code generation • Detect security threats	IT	• Automated operations

Source: HFS Research – Interviews with 20 C-suite executives

Leaders have a conservative implementation strategy, with 16 of the 20 leaders still only planning or piloting the technology. Nevertheless, all the business leaders are convinced of the potential and estimate GenAI will become a de facto part of their day-to-day operations in the next 24 months.

- **Bridging the talent gap:** As the integration of advanced technologies such as AI becomes more common, the need for skilled talent is growing. Business services providers are helping bridge this gap by providing specialized, globally distributed teams adept at managing and maintaining diverse systems.

- **Help formulate the new measures of success to coexist with traditional KPIs:** Business leaders are working with business services providers to continue with most of their traditional KPIs and creating enough provisions to incorporate new ones. Here's a list of traditional and new success metrics

under consideration or incorporated by business functions.

> "In this future state, success would be defined by several key business outcomes. First and foremost, it would be evident in our ability to drive innovation and adaptability within the workforce. This success would also be reflected in our retention rates and employee satisfaction scores, demonstrating that our strategic HR initiatives effectively engage and support our staff. Additionally, our success would be quantified by aligning HR metrics with business outcomes, such as the impact of talent management on operational efficiency and profitability."
>
> — Michael Newman, Chief Human Resources Officer, Geo Energy Resources

More specifically, different initiatives are underway across different business functions in collaboration with provider partner(s).

Exhibit 3: These new indicators reflect the integration of advanced technologies, the emphasis on data-driven decision-making, and the pursuit of strategic objectives

Business Function	Traditional Metrics	New KPIs and Measures of Success
Finance	• Cost control and reduction • Budget adherence • Financial reporting accuracy	• Automation success (% of financial processes automated) • Predictive accuracy (accuracy of financial forecasts using predictive analytics) • Real-time data utilization (extent of real-time data usage in financial decision-making)
HR	• Employee turnover rates • Time-to-hire • Employee satisfaction scores	• AI-driven recruitment efficiency (time and cost savings) • Employee development (% of employees in continuous learning programs) • Diversity and inclusion metrics (workforce diversity and inclusivity initiatives) • Enhanced employee engagement and retention scores (due to personalized career development plans)
Supply Chain and Procurement	• Inventory turnover • Supplier lead times • Cost of goods sold (COGS)	• Real-time supply chain visibility (extent of IoT and blockchain integration) • Sustainability metrics (reduction in carbon footprint, green fulfillment) • Autonomous operations (% of processes automated) • Demand forecast accuracy (improvement using advanced analytics)
Marketing	• Customer acquisition cost (CAC) • Return on marketing investment (ROMI) • Customer satisfaction scores (CSAT)	• Personalization effectiveness (success of hyper-personalized campaigns) • Customer lifetime value (CLV) improvements through predictive insights
IT	• System uptime and availability • Incident response times • IT budget adherence	• Cloud adoption progress (extent of cloud transformation and migration) • Quality engineering integration (impact of QE in the software development lifecycle) • Cybersecurity posture (effectiveness of threat detection and incident response)

Source: HFS Research, 2024 – Interviews with 20 C-suite executives

1 The finance function is focusing on AI—first BPaaS, enhanced data management, process optimization, and cross—collaboration

1. **Investment in Advanced Technologies**
   - **AI and machine learning:** Invest in AI, machine learning, and analytics to automate and standardize financial processes. Achieve increased traction by using AI-first BPaaS, especially in fraud management. A few companies have been able to reduce fraud management by as much as 25% in the first year of deployment.
   - **Cloud solutions:** Adopt cloud-based financial systems to enhance data accessibility and integration.

> "We are leveraging AI as much as we can across all our processes and making use of GPO contracts for all major purchases to bring down costs"
>
> — CFO, leading US healthcare company.

2. **Enhanced Data Management**
   - **Single data source:** Establish a single source of truth for financial data to ensure accuracy and real-time availability.
   - **Data security:** Prioritize data security measures to protect sensitive information and comply with privacy regulations.

3. **Foster a Culture of Collaboration and Innovation**
   - **Cross-functional collaboration:** Drive cross-functional collaboration to break down silos and streamline processes across departments.
   - **Continuous learning and development:** Nurture and retain talent by providing continuous learning opportunities and fostering a culture of innovation.

4. **Working Toward Process Optimization**
   - **Standardize processes:** Adopt global financial process standards and best practices to ensure consistency and efficiency.
   - **Automation:** Automate repetitive and low-impact tasks through process mining and RPA tools to free resources for strategic initiatives.

Success story—Touchless Invoice Processing at Global Manufacturing Company

A global manufacturing company implemented an AI-driven touchless invoice processing system, reducing errors by 50% and improving operational efficiency. They achieved real-time data visibility, enhanced compliance, and strategic decision-making capabilities by integrating their procurement, inventory, and financial systems into a single cloud-based platform.

2 The HR function is focusing on building world-class learning management systems and leveraging tech to attract and retain talent

1. Investments in Leadership and Management Development
- Implement HR analytics to enhance decision-making and strengthen onboarding processes and continuous learning opportunities.

2. Leverage Technology for Recruitment and Onboarding
- Use AI-driven tools for candidate assessment and create engaging onboarding programs to ensure new hires are productive and engaged from day one.

3. Implement Learning Management Systems (LMS)
- Offer a mix of e-learning, workshops, and mentorship programs; track the progress and impact of learning initiatives.

> "Our LMS allows us to provide personalized learning experiences and measure the ROI of our training programs."
>
> — VP, Career and Employee Experience, global investment bank.

4. Enhance Performance Management
- Train managers on effective feedback techniques and use performance management software to track goals and feedback, linking performance to rewards.

> "Effective feedback mechanisms and performance tracking tools are crucial for aligning individual performance with organizational goals."
>
> — Sr VP, HR, global advertising and marketing services company

5. Prioritize Employee Well-Being
- Provide access to wellness programs and resources, stay current with changes in employment law, and develop structured approaches to resolve conflicts.

> "Employee well-being programs and legal compliance are integral parts of our HR strategy to support our workforce"
>
> — Executive Vice President, leading global apparel retailer.

Success story—US-based energy firm leveraging AI in recruitment

The company utilized AI-driven tools for resume screening and candidate assessment, significantly accelerating the recruitment process and improving the quality of hires. This initiative reduced the time-to-hire and ensured a better match between job candidates and roles, enhancing overall employee satisfaction and retention.

3   The supply chain function is focusing on optimization and collaboration

1. **Investment in Supplier Collaboration Platforms or in the Aggregator Model**

   - **Real-time collaboration or outsourcing:** Develop platforms to enable real-time collaboration and communication with suppliers. Many firms are adopting the aggregator model, where they outsource the supplier relationship to a services firm. This model brings together products or services from multiple suppliers or vendors and offers them as a consolidated option.

2. **Focus on Smart Manufacturing**

   - **Technology integration:** Invest in IoT, blockchain, and robotics to increase efficiency and transparency.

3. **Implement Route Optimization Software**

   - **Efficiency and cost reduction:** Use advanced software to optimize delivery routes and reduce fuel costs.

4. **Enhance Returns Management**

   - **Automated systems:** Implement automated claims management systems to streamline returns and improve customer satisfaction.

Success story—A Germany-based manufacturer has made multilevel changes

Post-pandemic, the company consciously moved away from disparate to centralized systems, data, and processes. This gave the company visibility into its entire network of suppliers, enabling it negotiate the best deals while remaining resilient to hostile macroeconomic factors.

4 The marketing function is focusing on data integration and hyper—personalization

To achieve these aspirations, marketing leaders must take strategic actions across people, data, technology, and processes:

1. **Investment in Data Integration and Analytics**
   - **Unified data platforms:** Develop unified data platforms to integrate and analyze customer data from various sources.
   - **Advanced analytics tools:** Use AI and machine learning tools to gain actionable insights and predict customer behaviors.

> "We have been developing portals and integrating our data sources in the cloud to enable real-time decision-making."
>
> — Rafael Mihanovich, CMO, MetLife Mexico.

2. **Enhance Personalization Capabilities**
   - **AI-driven personalization:** Implement AI-driven personalization engines to tailor marketing messages and offers.
   - **Behavioral analytics:** Leverage behavioral analytics to create targeted and relevant marketing campaigns.

> "Investments in AI have increased the speed at which we generate creatives and experiment with personalized campaigns."
>
> — Chief digital officer and CMO, India-based conglomerate.

3. **Develop Seamless Omnichannel Strategies**
   - **Digital and self-service platforms:** Build and optimize digital portals and self-service platforms for customers.
   - **Omnichannel coordination:** Ensure coordination across all channels to deliver a unified customer experience.

4. **Empower and Incentivize Employees**
   - **Continuous learning programs:** Implement training programs to update employees on the latest technologies and customer service techniques.
   - **Performance-based incentives:** Develop incentive programs that reward employees based on customer-satisfaction metrics.

Success story—Insurance firm leveraged cloud to streamline customer data

Faced with challenges from legacy systems and shifting consumer expectations, the company adopted advanced CRM systems and cloud-based data analytics to deliver personalized, omnichannel experiences. This shift to digital portals and AI-driven automation streamlined customer interactions and drove significant business growth by aligning marketing efforts with sales outcomes. As a result, the company enhanced customer engagement and established itself as a leader in the insurance industry.

5   The IT function is focusing on modernization and scalability for faster tech adoption across the organization

1. **Investment in Cloud Technologies**
   - **Cloud strategy:** Develop and implement a comprehensive cloud strategy that aligns with business goals.
   - **Hybrid cloud solutions:** Consider hybrid cloud setups to address data privacy concerns while leveraging advanced cloud technologies.

2. **Enhance Data Management**
   - **Data governance frameworks:** Implement robust frameworks to ensure data quality and security.
   - **Data literacy programs:** Develop programs to educate employees on data principles and analytics.

> "Implementing data governance frameworks and developing data literacy programs are vital for improving data quality and utilization."
>
> — Chief digital officer, multinational automotive manufacturer.

3. **Adopt Quality Engineering Practices**
   - **Continuous testing:** Integrate continuous testing into the development process to ensure high-quality software releases.
   - **AI-driven QA:** Leverage AI to enhance quality assurance and automate repetitive testing tasks.

4. **Modernize Applications**
   - **Legacy system updates:** Prioritize the modernization of legacy systems to improve functionality and user experience.
   - **Agile methodologies:** Adopt agile methodologies to enhance development efficiency and reduce time-to-market.

Success story—Multinational automotive company

By prioritizing data governance and analytics, the company has extracted valuable insights from vast amounts of data, optimizing operations and reducing risks. Integrating emerging technologies such as artificial intelligence, cloud computing, and IoT has enhanced the company's ability to deliver superior customer experiences and improve operational efficiency. Furthermore, a strong focus on cybersecurity awareness and training has ensured robust protection of digital assets.

The enterprise C-suite role is evolving to complement the new tech-led paradigm

The role of leaders across business functions is undergoing considerable transformation (see Exhibit 4).

- New specialized roles, such as chief transformation officer in IT or VP of employee experience, are being established.

- Business leaders are becoming orchestrators for new technology adoption and are working closely with technology vendors and systems integrators.

- Technology is enabling leaders to shift their focus away from daily operations and rethink their business strategy along a 2- to 3-year horizon .

> "Marketing is experiencing a profound cultural and digital transformation. We are changing roles, processes, and tools to better serve the company."
>
> — Rafael Mihanovich, CMO, MetLife Mexico.

Exhibit 4: A quick snapshot of the changing roles and responsibilities for the C-suite by business function

Traditional Role		Evolving Role
• Focus on traditional financial reporting, compliance, and manual processes • Emphasize on cost control and efficiency	Finance	• Strategic financial management using predictive analytics and real-time data • Lead digital transformation initiatives
• Manage recruitment, employee engagement, and performance evaluations • Implement basic HR technologies for operational efficiency	HR	• Utilize AI-driven tools for personalized recruitment and employee development • Create a diverse and inclusive culture through continuous learning programs
• Oversee supplier relationships, logistics, and inventory management • Manage risks and ensuring compliance with regulations	Supply Chain and Procurement	• Cross-functional collaboration • Driving sustainability initiatives
• Develop marketing strategies, managing campaigns, and enhancing customer engagement	Marketing	• Create seamless omnichannel experiences • Lead digital transformation to enhance customer interactions
• Manage IT infrastructure, security, and system integrations	IT	• Lead cloud transformation initiatives • Drive innovation and agility through automated IT operations

Source: HFS Research – Interviews with 20 C-suite executives

The Bottom Line: Enterprise leaders must prioritize building a data spine and investing in AI, automation, and collaboration platforms to succeed in a rapidly evolving digital landscape.

The journey involves overcoming current challenges, leveraging future opportunities, and fostering a culture of continuous innovation and cross-functional collaboration. For example, supply chain and finance teams can collaborate on integrated financial planning and analysis to optimize supplier relationships and manage risks. Similarly, marketing insights can be used to improve demand forecasting and inventory management in supply chains, ensuring supply chain operations are responsive to market trends.

A unified data strategy, enterprise adoption of AI and automation, and a collaborative culture with continuous learning will help business functions and, in turn, enterprises achieve their ambitions and next paradigm.

Appendix: The interviewed C-suite executives

We led this business services research study over the course of Q2-Q3 2024, conducting deep-dive interviews with 20 executives in the roles of CFO, CDO, CIO, CMO, CPO, CSCO, CHRO, and CTO from the world's leading Global 2000 companies across diverse sectors, including BFSI, healthcare, manufacturing, energy and utilities, telecom, and high-tech.

- Chief digital officer and procurement director, multinational automotive manufacturer

- CFO, US-based insurance provider

- CIO and managing director, US-based bank

- CTO, global telecommunications company

- CMO, Mexico division of a global insurance company

- Chief data "and" transformation officer, global insurance company

- Chief marketing and digital officer, India-based conglomerate

- CFO, global energy company

- Chief financial officer, healthcare provider

- SVP global procurement, global automotive OEM

- CFO, global financial services company

- VP, talent, career, and employee experience, a leading global investment bank

- Former CPO, leading investment bank

- EVP, human resources, large apparel company

- VP global head of supply chain planning, medical device OEM

- CTO architect, global bank

- CIO, Australia-based electrical supply distributor

- Chief digital officer, US-based health insurance company

- Chief HR officer, US-based energy company

- SVP strategic global HR operations, premier global advertising and marketing services company

HFS Research authors

Ashish Chaturvedi
Practice Leader

Ashish covers supply chain operations, the retail and CPG industry, and the quadfecta of AI, analytics, data platforms, and automation (AADA). He is an accomplished IT industry analyst who is featured regularly in various IT news articles and is part of RetailWire BrainTrust. With more than 15 years of technology research experience, Ashish has authored more than 100 research reports covering retail technologies, enterprise modernization, platform economy, future supply networks, and digital-driven growth.

Saurabh Gupta
President, Research and Advisory Services

Saurabh Gupta is president, Research and Advisory Services for HFS Research. He sets the strategic research focus and agenda for HFS Research, understanding and predicting the needs of the industry and ensuring that HFS maintains its position as the strongest impact thought leader for business operations and services research. Saurabh oversees HFS' global research function, managing the team of analysts and operations across the US, Europe, and Asia.

Anushka Mukherjee
Senior Analyst

Anushka is a senior analyst at HFS Research, covering business services focusing on finance and accounting, sourcing and procurement, and the manufacturing industry. She has nine years of experience in research, corporate strategy, and project management, focusing on the manufacturing, automotive, education, and food and facility management sectors.

About Infosys and Infosys BPM

Infosys is a global leader in next-generation digital services and consulting. Over 300,000 of our people work to amplify human potential and create the next opportunity for people, businesses and communities. We enable clients in more than 56 countries to navigate their digital transformation. With over four decades of experience in managing the systems and workings of global enterprises, we expertly steer clients, as they navigate their digital transformation powered by cloud and AI. We enable them with an AI-first core, empower the business with agile digital at scale, and drive continuous improvement with always-on learning through the transfer of digital skills, expertise, and ideas from our innovation ecosystem. We are deeply committed to being a well-governed, environmentally sustainable organization where diverse talent thrives in an inclusive workplace.

Infosys BPM Limited, a wholly owned subsidiary of Infosys Limited, was established in April 2002. We help clients re-imagine business with AI-first operations, and offer integrated end-to-end transformative business process management (BPM) services, having journeyed through the table stakes of effectiveness and efficiency with an ever-increasing focus on enhancing stakeholder experience and empathy.

About HFS

- **INNOVATIVE**
- **INTREPID**
- **BOLD**

HFS is a leading global research and analysis firm trusted at the highest levels of executive leadership. Our mission is to help our clients' clients—major enterprises, tech firms, and service providers—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.

🌐 www.hfsresearch.com

in hfsresearch

💬 www.horsesforsources.com