Future of ADM services

Global ADM – APAC GTM

Q1 2026

Capgemini

Objective of the deck

This deck presents a strategic **PoV on the future of ADM services**, developed by the **GTM team of the GADM APAC CoE**, in response to evolving enterprise realities and client expectations

It captures how **ADM has shifted from traditional outsourcing to intelligent, Gen AI-enabled delivery models**, reflecting changes in:

The objective is to **equip stakeholders with a clear understanding of how ADM services are becoming more flexible, outcome-driven, and strategically aligned to business value.**

This PoV reflects how **ADM engagements have adapted to enterprise needs.**

Executive summary

Application Development and Maintenance (ADM) is moving decisively from effort-based outsourcing to **platform-orchestrated, AI-assisted, outcome-aligned delivery**.
Three signals anchor this pivot:

AI pricing disruption

Traditional effort-based billing is giving way to complex, AI-driven economics - where costs span IP creation, token consumption, and infrastructure scaling, making transparency and fairness critical.

New commercial paradigms

Models are shifting from T&M and fixed Price to outcome-based, gain-share, and hybrid constructs, aligning **pricing with business impact** and shared accountability rather than effort alone.

Platform for the future

Sustainable pricing frameworks demand **adaptability, proportionality, and risk-aware incentives**, ensuring value exchange remains equitable as Gen AI and agentic delivery reshape ADM.

The winning ADM model is **platform-led**, **AI-assisted with guardrails**, **observability-first**, and **commercially aligned.**

New ADM Paradigm:

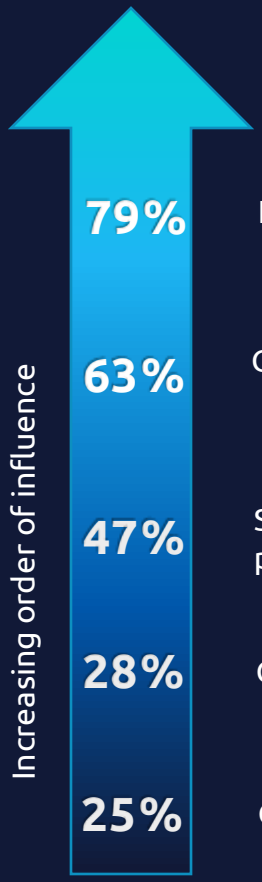
Tech solutions and client-driven models

Technology interventions undertaken by enterprises to overcome business challenges

Key challenges faced by enterprises in 2024	Technology interventions undertaken
Enhance profitability and optimize cost in macroeconomic uncertainty	• **Hyper-automation** and enterprise automation • **Cloud computing** and **FinOps** • **Low-code/No-code** software development
Meet evolving consumer needs and deliver superior customer experience	• **AI-powered chatbots** and virtual assistants • **AR/VR** for immersive experience delivery
Overcome legacy systems and data silos in digital transformation	• **App modernization** and **cloud migration** • **APIs** and **microservices** architectures • **Data lakes** and data warehousing solutions
Mitigate cybersecurity risks and ensure data privacy	• AI-powered **threat detection** • Zero Trust Architecture (**ZTA**) • **Data encryption and tokenization**
Focus on sustainability goals and environmental responsibility	• **Green IT** and sustainable cloud practices • **IoT-enabled** waste management systems • **Data encryption** and **tokenization**

Embracing new technology and evolving consumer behaviors is likely to drive significant business benefits [1]

External drivers contributing to positive business outcomes in 2025



- **79%** Evolution and adoption of new technologies
- **63%** Changes in customer interests and purchasing patterns
- **47%** Shifts in competitors' strategies, market share, and product offerings
- **28%** Government policies and regulations
- **25%** Global macroeconomic conditions

% of respondents, 100%=220

Gen AI evolves very fast on 3 key dimensions

Needing a close understanding of the trends and its implications for ADM services

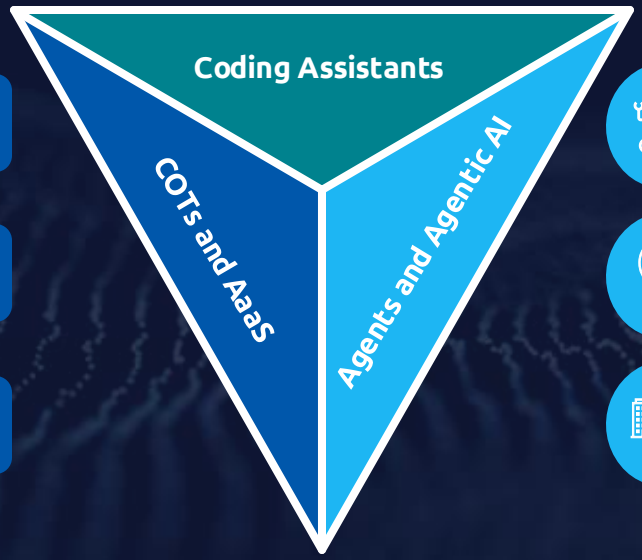
Existing players enhance their solutions with Gen AI agents, e.g. GitHub Copilot, SAP Joule

Startups build promising end-to-end solutions, e.g. Poolside AI, Cursor AI

Agentic roadmap from product vendors, e.g. MCP agents from SNOW, SAP, SFDC, UiPath, Blue Prism, etc.

M365 Copilot and SharePoint agents

More players emerge in the GenAIOps space, like Fiddler, BigPanda, Splunk AI, Dynatrace Davis



The rise of hyper-automation with "AI reasoning"

Domain-specific agents with SLMs

Network of agents (MCP and A2A protocol)

Top three trends in application services

- **Application rationalization** as a precursor to modernization: Prevents technical debt, eliminates redundant systems, and provides visibility for effective modernization
- **Productivity commitment** as the holy grail of gen AI investments: Gen AI is at the center of all investments and productivity gains are the primary expectation
- **Integrated managed services** becoming the norm: Ensures value maximization through unified tools, platforms, talent models, and delivery frameworks

What our competitors are investing into? [2]

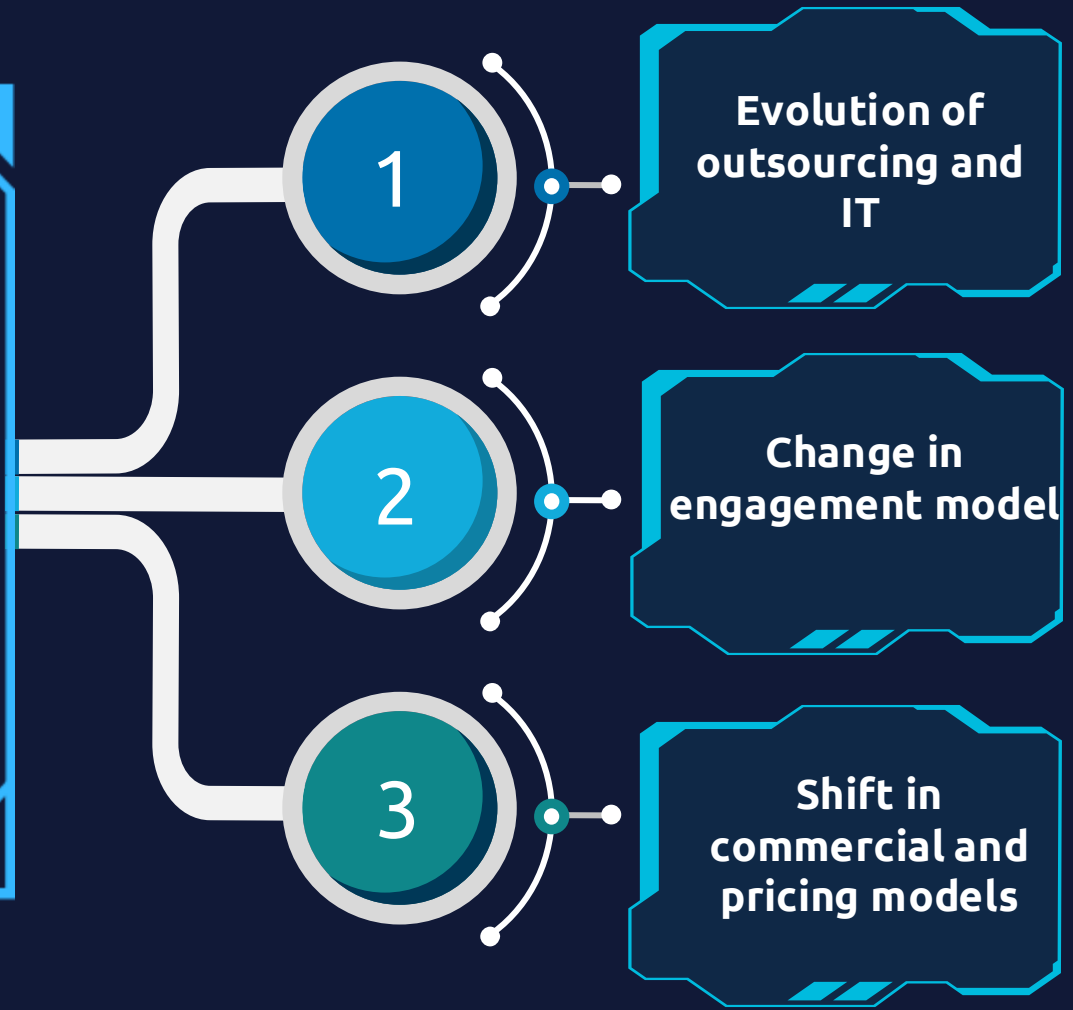
Agentic AI and IT-OT convergence emerge as key investment levers

PEER	FOCUS DIMENSION	INVESTMENT DETAILS
accenture		• **AI Refinery for Industry**: Launched 12 ready-made "agent" solutions (built on NVIDIA AI), with a goal of reaching 100 agents by year-end to accelerate agent-as-a-service adoption • **Integrated Reinvention Services**: Unified strategy, consulting, technology, and operations under a single AI-focused PnL to speed up industrial-scale transformation • **Accenture Siemens Business Group**: Dedicated group to integrate automation, industrial AI, and IT-OT services
cognizant		• **Neuro AI with NVIDIA**: Deployed a multi-agent accelerator, sector LLMs, and a digital-twin toolchain to enable scalable adoption • **GIFT City TechFin Center**: 60,000 sq ft hub for AI-driven BFSI solutions, with plans to build a 2,000 strong workforce over three years • **OMRON partnership**: Strategic collaboration to enable IT-OT convergence in smart factories
HCLTech		• **Insight Smart-Manufacturing agent**: Developed on Google Cortex, MDE and Vertex AI to identify defects and anomalies • **OpenAI partnership**: Multi-year agreement to embed advanced Gen AI models across various services and platforms
Infosys		• **200+ Enterprise AI agents**: Deployed through Topaz on Google Vertex AI for workflow automation • **Agentic AI foundry**: Framework to support responsible and future-ready adoption of AI agents • **E.ON partnership**: Delivered an AI-enabled digital workplace managed service supporting 77,000 users
TCS TATA CONSULTANCY SERVICES		• **Gen AI and agentic AI-Powered TCS MasterCraft™**: Enhanced legacy application modernization, achieving up to 70% cost savings • **SAP Gen AI partnership**: Utilizing pace ports and AI centers to scale Gen AI solutions for SAP customers

Client expectations are reshaping ADM engagements

Key shifts driving change

- Global digital transformation investment is accelerating, increasing pressure on organizations to **deliver speed, reliability, and clear business value**
- Enterprises pivot to **cloud-native, Gen AI-enabled ecosystems** to stay competitive amid economic volatility and regulatory shifts
- **Agile-at-scale and platform-led orchestration** become essential as organizations seek **adaptability** in uncertain markets
- Engagements shift from **reactive support** to **predictive, autonomous operations**, reducing downtime and improving ROI
- Macroeconomic headwinds accelerate the move from **effort-based billing** to **value-linked constructs** like **outcome-based and gain-share models**
- Pricing frameworks now emphasize **risk-sharing, transparency, and measurable impact** to justify Gen AI investments

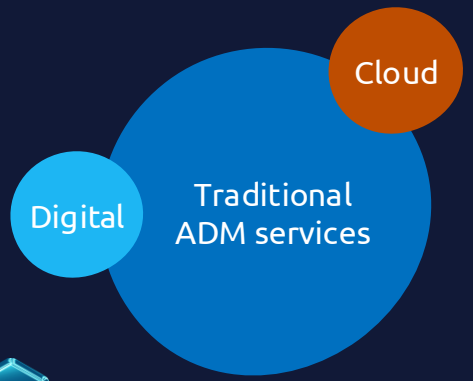


1

Evolution of outsourcing and IT

Outsourcing has evolved from cost-centric outsourcing to autonomous ecosystems

Focused on SLA-driven delivery and cost reduction through offshore models and standardized processes

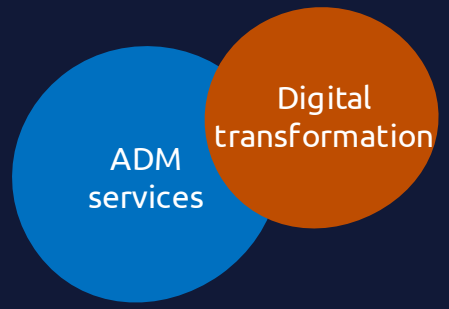


1 Efficiency and cost control

Traditional outsourcing

- Outsourcing started as a cost-cutting approach focused on meeting SLAs and offshore work, reacting mainly to service tickets with standard processes
- Worked for stable settings but lacked flexibility and innovation

Embracing cloud-native architectures, agile-at-scale, and DevOps to accelerate delivery and improve responsiveness

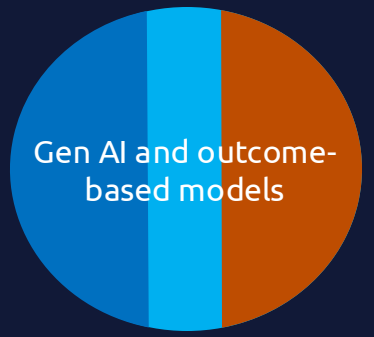


2 Cloud-native and agile delivery

Digital-first managed services

- This phase saw a move to cloud-native designs, agile-at-scale, and DevOps, with managed services
- Focusing on digital transformation and flexible, scalable, platform-based solutions to meet client needs

Leveraging Gen AI, hyper-automation, and outcome-based models to drive intelligent operations and sustainable IT



3 Gen AI, hyper-automation and sustainability

Intelligent managed services

- Intelligent services leverage Gen AI, hyper-automation, and outcome-based models to enhance operations, promote innovation
- Supporting ESG goals, improving efficiency, reducing costs, and boosting UX

Enabling self-healing systems and agentic AI to foster strategic co-innovation and autonomous service delivery

4 Agentic AI and strategic co-innovation

Autonomous and agentic services

- Managed services are evolving with autonomous AI systems that self-heal and adapt, requiring little human involvement
- While collaboration between clients and providers creates intelligent, predictive, and resilient IT operations

Click for more information: Evolving value of applied AI, Evolution of AI

Technology levers address business imperatives for modern enterprises

Evolve your *IT* with AI
and solve for

Cost optimization	Faster time to market	Operational efficiency	Improved CX for IT	Data quality and compliance
DRIVEN by AI-ENABLED…				
Hyper-automation	**Agile delivery**	**Autonomous operations**	**Customer operations and end user support**	**Data management**
Supercharge traditional automation through AI	*Accelerate end-to-end software development life cycle*	*Revolutionize enterprise application support using cognitive and autonomous capabilities*	*Enable autonomous multi-channel, personalized, context-aware customer interactions*	*Optimize data discovery, classification, policy, enforcement and risk monitoring*
Custom applications • AI-powered custom application engineering • AI-powered SAP S/4HANA engineering	**IT agility** • AI-powered application mainframe refactoring • AI-powered ERP legacy code modernization	**IT operations** • AI-powered IT service desk • AI-powered customized M365 copilots • AI-powered application managed services • AI-powered cloud operations • AI-powered security operation center		**Data trust** • Data integration, DQM, data security, data compliance, automation, scalability, observability

Turning clients' AI ambition into measurable business impact

AI vision

Resonance AI Framework

Access | Adapt | Adopt

AI offers portfolio

Human-AI *Chemistry*

Deliver *new value, new experiences* **with AI**

- New experiences
- New, refreshed products
- New products with AI built in

Boost your *GTM* **with AI**

- E-commerce
- Sales
- Marketing

Uplift your *business operations* **with AI**

- Customer operations
- Industrial operations
- Back-office operations

Evolve your ***IT*** **with AI**

Data and AI *foundations*

Data and AI strategy, governance, readiness | AI and analytics | Data management and AI trust | Data platform | Process hyper-automation

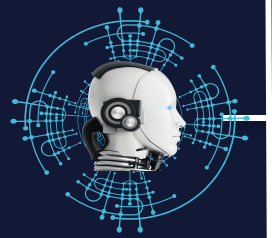
AI assets

RAISE

AI agent's gallery | AI agent's builder

Gen AI at the core: Reinventing ADM roles and delivery

Gen AI is transforming ADM across the lifecycle



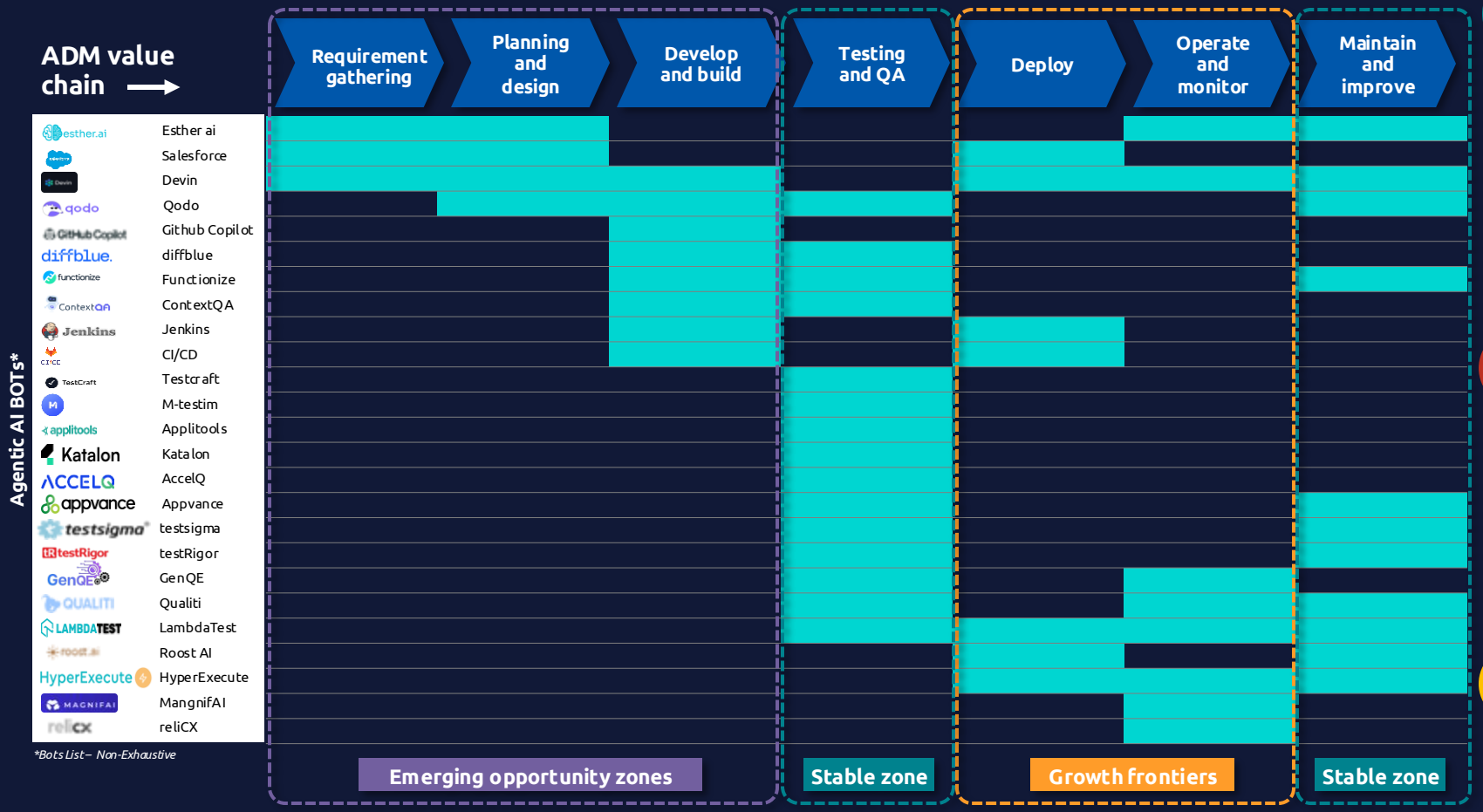
- **PLAN** — **AI-assisted requirement gathering** and user story generation
- **BUILD** — **Code generation** via tools like GitHub Copilot, reducing effort
- **TEST** — **Autonomous test case creation** and execution
- **RUN** — **Predictive AIOps** and self-healing systems
- **OPTIMIZE** — **Continuous improvement** via telemetry and **Gen AI insights**

Gen AI Impact across ADM roles and capabilities

ADM Function	Evolving Role	Automation	Comment
Requirements gathering	Business analyst to prompt engineer	Low – High	High ambiguity and human-centric inputs limit automation feasibility
Development	Software developer to AI engineer	Low – High	Gen AI tools assist coding but human oversight is still critical
Testing and QA	QA tester to autonomous QA agent	Low – High	Structured inputs and repeatable tasks enable high automation accuracy
Operations and monitoring	IT ops specialist to AIOps specialist	Low – High	Mature AIOps systems support incident prediction and resolution
Governance	Delivery manager to AI governance lead	Low – High	Requires human judgment and ethical considerations
User experience	UX designer to conversational designer	Low – High	AI assists in interface design but creativity remains human-led

*Global majors like **Microsoft Azure, AWS, Google Cloud, SAP, Oracle, and Adobe** are not just automating tasks – they are redefining roles, enhancing workflows, and enabling intelligent delivery across the ADM value chain.*

From roles to value chains: How agentic AI bots transform ADM



*AI BOTs mapping- as of Q4 2025

Cluster	Gen AI coverage	Transformation potential	Opportunity themes
Emerging opportunity zones	Low	Very high	Gen AI creativity, autonomous coding, design assistants
Growth frontiers	Medium	Medium-high	Predictive Ops, autonomous deployment, observability
Stable zones	High	Low	Automation, QA acceleration, reliability

What's working?

- ***Gen AI adoption is strong*** in ***testing and QA***, driven by structured inputs, repeatable tasks enabling high automation accuracy
- ***Maintenance and monitoring benefit*** from mature AIOps, handling incident prediction, root cause analysis, and self-healing
- ***Post-production stages*** see ***Gen AI using historical data*** and pattern recognition for continuous improvement

What's not working?

- ***Requirement gathering*** and ***development stages remain under-leveraged*** by Gen AI due to:
  - High ambiguity and human-centric inputs
  - Lack of structured, reusable data
  - Limited training data due to confidentiality and low trust in AI-generated artifacts
- ***Planning and design tools are siloed*** - focused more on backlog automation than holistic design synthesis

Possibilities

- Opportunity to ***invest in mapping requirements, planning and development tools*** - especially Gen AI-driven design assistants and autonomous coding copilots
- ***Future ADM platforms will rely on cross-stage orchestration*** - tools that span plan → build → test → run enabling continuity and traceability

Triggers

Observations

What's changing in outsourcing

- **Evolution of outsourcing:** Outsourcing has shifted from cost-centric SLA-driven models to cloud-native, agile, and now Gen AI-powered ecosystems
- **Gen AI impact:** Redefines ADM roles across planning, development, testing, and operations
- **Agentic AI bots:** Transform value chains, creating new opportunity zones in design and continuous improvement
- Upskilling and talent model redesign are now **foundational,** not optional

What clients need to confront

- Are we still using SLA-driven contracts as outsourcing shifts to autonomous ecosystems? Which can we transition to outcome-based in the coming year?
- Where do we start building the **cross-stage agent** that proves value-chain orchestration?
  - Which area (Requirements → Build → QA → Ops) demonstrates the fastest ROI?
- Is our talent model ready?
  - What is our **reskill vs. redeploy vs. retire** roadmap for Gen AI-era roles before clients dictate it?
- Do we have **structured frameworks and training programs** to manage the shift to Gen AI-enabled, platform-led orchestration?
  - How do we enable **workforce upskilling for intelligent operations** and **predictive service delivery**?

Why ADM engagement models must evolve – Three lenses of transformation

ADM engagement models mature across three lenses - effort, experience, and business value - progressing from assistive to autonomous to agentic stages, powered by Gen AI and platform orchestration

	Key enablers	Strategic drivers	Outcomes of adopting
Effort optimization	• Industrialized delivery • Vendor consolidation • Lifecycle support model • Rightshoring • Low touch applications	• Talent scarcity • Need for speed • Cost pressure	• Effort reduction, shift from effort-based to outcome-based delivery • Reduce toil and cycle time across **plan–build–test–run** • Gen AI can automate large portions of work
Experience enhancement	• Integrated observability • Modernized landscape • Agile delivery and DevSecOps • Product centric	• Consumerization of enterprise tech • Experience-led transformation	• Increase in user satisfaction, reduced friction in workflows • Experience as a differentiator, predictive ops • AI-assisted knowledge lowers MTTx and improve DevEx and user satisfaction
Business value realization	• Experience-aligned services • Business event management • Business insights by value chain	• Board-level focus on ROI • Shift to value-based contracts • Competitive pressure	• Faster time-to-value • Measurable business impact • Innovation-led growth • Connect engineering and runtime telemetry to business observability (revenue at risk, cost-to-serve)

From linear delivery to platform-led orchestration, engagement models are becoming modular, intelligent, and Gen AI-enabled

Shifted from **task-based delivery** to **modular, Gen AI-enabled co-creation** with vendors

Evolved from **efficiency-focused** models to **outcome-driven, intelligent operations**

Moved from **siloed ADM phases** to **platform-led orchestration** across the full lifecycle with **agentic AI capabilities**

Engagement model	Client control	Vendor control	Ability to adapt	Accuracy	Innovation potential	Cost efficiency	Benefits	Builds required	When to use?
Waterfall: Linear delivery with fixed scope and timelines	High	Low	Low	Medium	Low	Medium	Medium	High	When requirements are fixed, timelines are predictable, and adaptability is low
Agile: Sprint-based delivery with continuous feedback	Medium	Medium	High	Medium	Medium	Medium	Medium	Medium	When speed, flexibility, and iterative delivery are critical to success
Cohesive multi-vendor: Joint delivery by strategic, IT, and ops vendors	High	High	Medium	High	High	Medium	High	Medium	When multiple vendors must align on strategic delivery for the client
Outcome-driven: KPI-led delivery focused on business results	High	High	Medium	High	High	Medium	High	Medium	When delivery must be tied only to KPIs and is aligned to business priorities
Platform-led: Modular platform-based delivery aligned to business KPIs	Medium	High	High	High	High	High	High	Medium	When innovation, and enterprise integration are priorities

High - High Medium - Medium Low - Low

Engagement models are no longer static - they are adaptive, intelligent, and outcome-aligned [3]

From innovation to optimization: The evolving engagement model

	Innovation mode	Adoption mode	Optimization mode
What it is	Supports exploratory use cases, pilots, and AI experiments with light governance and flexible architectures	Bridges innovation and optimization; applies lessons from pilots enterprise-wide; ensures governance for new data and scales successful concepts	Focuses on stable, production-ready use cases; heavy investment in pipelines, controls, and governance; precision and repeatability are key
Pros	- Encourages creativity and rapid prototyping - Low barriers to entry - Drives discovery of new ideas	- Structured path to scale - Captures learnings from pilots - Faster time-to-market	- High reliability and predictability - Strong ROI - Integrated with SLAs and compliance
Cons	- High ambiguity and risk - Limited scalability - ROI uncertain in early stages	- Requires strong change management - Governance can slow agility	- Low flexibility - Innovation slows down - High upfront investment

Why this matters?

- Avoid fragmented pilots or “boil the ocean” programs
- Adoption creates a structured path from innovation to optimization
- Keeps experiments connected and optimizations refreshed by new ideas

Enabling AI adoption and business growth through engagement model transformation

Why change in engagement model is critical for successful AI adoption [3]

- Adoption challenges go beyond tech - **organizational readiness** is key
- Agentic AI demands rethinking workflows, roles, and decision rights beyond IT

Human roles evolve:

Developers focus on semantics and knowledge

Managers become orchestrators of automation rather than task supervisors

Analysts shift into curators of context instead of basic data processors

Change management is essential for:

- **Aligning incentives**
- **Redesigning processes**
- **Building trust in autonomous systems**

Without training, communication, and change management, companies often see **poor ROI** from AI projects

Outcomes of adopting a product-led engagement model [1]

Revenue and Profitability Growth
Leverage platform alignment with business priorities to drive incremental revenue streams

Operational Cost Savings
Utilize automation and scalable platforms to sustainably lower operating expenses

Enhance Customer Satisfaction (CSAT)
Adopt a platform-led operating model to enable tailored, agile customer experiences

Increase in employee satisfaction
Build a collaborative workplace culture to drive higher engagement levels

Reduction in time-to-market
Optimize product and platform team structures to enable faster product delivery

AI adoption demands engagement model change - align incentives, redesign processes, and build trust in autonomous systems to unlock growth and efficiency

Contract models: Aligning engagement to system types

Contract models are shifting from rigid, SLA-driven structures to flexible, risk-sharing agreements that enable agility, innovation, and co-creation

Type of contracts	Meaning	Needs	Change velocity	Contract structure	Solutions	Rationale	Pricing and risk sharing	Remarks
System of record → predictability and compliance	To drive foundational, back-end applications that manage an organization's core data	• Core transaction processing • Critical master data		• Longer-term, stable engagement models • Clearly defined scope with controlled change mechanisms • Emphasis on operational continuity and compliance	• Core enterprise platforms • Transaction-processing and master-data systems • Standardized platforms with strong compliance controls	• Predictability • Vendor investment • Cost efficiency	Blended base (FPC/T&M) + SLA/KPI; selective outcome incentives; platform-led for stability	Optimized for reliability and compliance; lower change rates
System of differentiation → agility and flexibility	To enable unique company processes or industry-specific capabilities that provide a competitive edge	• Unique processes / capabilities • Best of breed, SaaS, modules of a suite		• Shorter contract cycles with built-in flexibility • Periodic scope and priority re-alignment • Optionality to scale services up or down	• Configurable SaaS platforms and packaged applications • Modular business capability services • Low-code / workflow-driven extensions	• Competitive pressure • Agility and flexibilty	Higher gain-share/outcome exposure; backlog/feature throughput pricing; story-point catalogs	Best suited where speed and adaptability are strategic differentiators; require agility and co-innovation
System of innovation → rapid pivots and risk mitigation	To drive radical, new ideas and create breakthroughs that have the potential to become future revenue drivers	• New apps, new business models • Consumer-focused		• Time-boxed engagements with flexible exit options • Stage-gated funding tied to learning milestones	• Digital products, new experience layers • AI-enabled features and microservices • Experimental platforms and innovation sandboxes	• Rapid adaptation • Mitigated risk	Milestone-based funding; Outcome-linked pricing elements	Designed to support Agentic pilots; fast stop/start; bake in stage-gate exits

Sources: Industry best practices on application portfolio segmentation, outcome-based IT services contracting, and pricing models

Triggers

Observations

Engagement models are no longer delivery constructs; they are operating models

- Engagement models are evolving from task-based, siloed delivery to **modular, Gen AI-enabled, platform-led orchestration:** driving agility and outcome alignment
- **Clear responsibility and execution matrices** are required across digital, physical, and hybrid work
- **Data integrity, exception handling, and workflow controls** form the core of engagement in AI-driven ADM
- Operating models must ensure **trust, safety, and visibility** across agentic and human tasks
- Success depends on rethinking workflows, roles, governance, and emphasising **change management and trust in autonomous systems**

What needs to be thought about

- Are our engagement models built for AI workflows or still built for human workflows?
  - Who owns **exceptions, nudges, interventions** in an AI-assisted delivery chain?
- How do we guarantee **data sanity, traceability and auditability** across the lifecycle?
- How do we measure and communicate business value realization?
  - Do we have **governance structures that link** outcomes to **measurable business impact** (ROI, time-to-value, innovation growth)?
- Do we have governance for upstream ambiguity?
  - Are we measuring **trust, explainability, and versioning in requirements and design** where Gen AI adoption is still low?


3
Shift in commercial and pricing models

AI pricing: Where model meets market [3]

Pricing is the point where AI's promise meets the realities of enterprise adoption. In 2025, two clear patterns have emerged:

Agents as a software

- Enterprises pay for the code, access to the model(s), and the platform, then take responsibility for running and governing them.
- This feels like SaaS, but hidden costs can accumulate quickly.

Beyond license fees, buyers must also account for:

- **IP creation costs**: Creating, fine-tuning, or domain-training the agent
- **Ongoing maintenance costs**: Continuous monitoring, tuning, and updates
- **Token consumption**: Consumption across inference, multi-model workflows
- **Infrastructure costs**: Hosting, operating, and scaling the agent

Transaction-centric contracts

- Traditional managed service deals priced per invoice, claim, or ticket
- Agents are changing how services are delivered
- Work once performed by people is increasingly handled by agents that suggest, execute, or orchestrate
- Pricing models often obscure more than they reveal

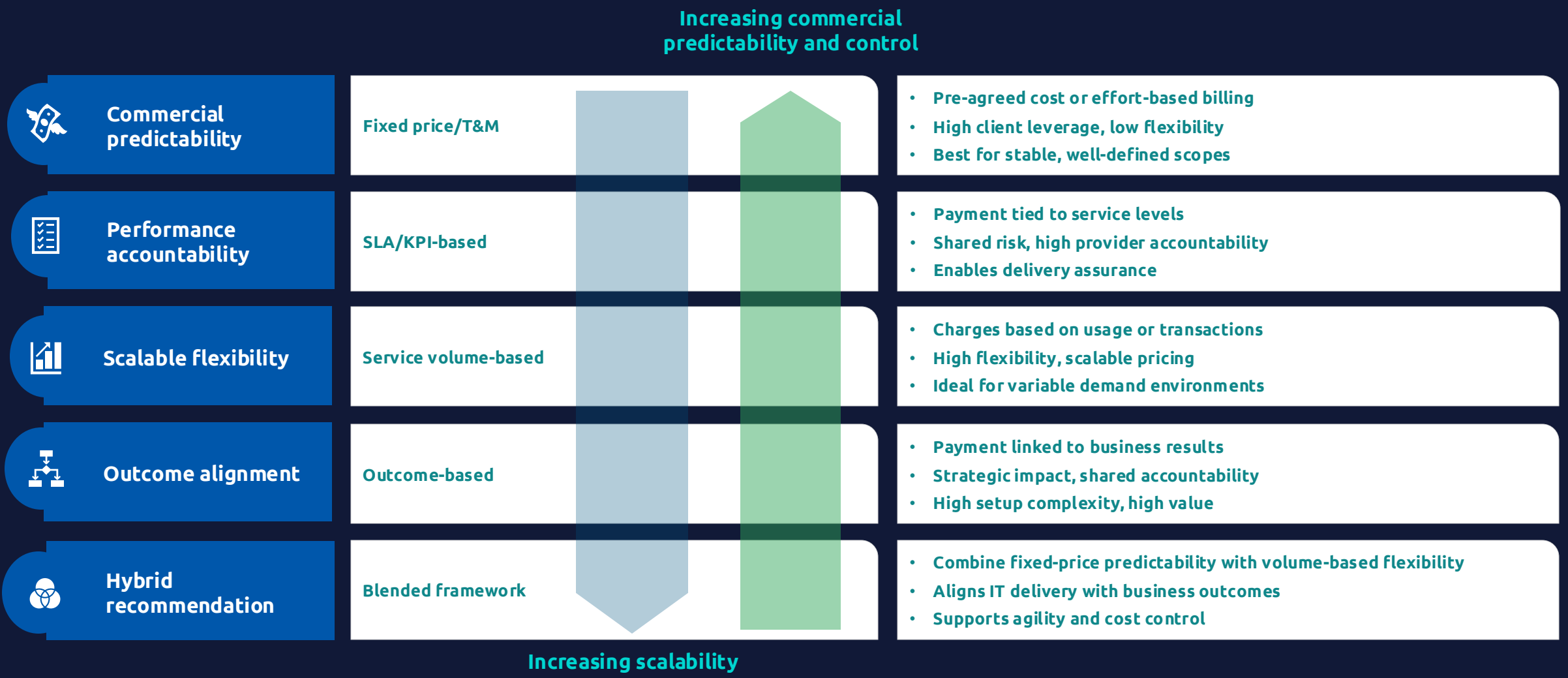
Grounding with 7 pricing principles [3]

As per ISG, any viable model must hold to these principles:

- **Fairness:** Value exchange must be equitable for both parties
- **Variability:** Pricing adjusts based on usage levels or clearly measurable outcomes
- **Consistency:** Pricing structures remain stable and comparable across providers
- **Competitiveness:** Rates are transparent and benchmarkable against prevailing market standards
- **Incentives:** Contractual mechanisms encourage efficiency, performance, and innovation
- **Risk awareness:** Risk allocation is clearly defined and transparent, particularly as autonomy increases
- **Proportionality:** Charges are directly linked to underlying cost drivers rather than indirect proxies

Commercial constructs are evolving from effort-based towards value-driven models:

Enabling flexibility, accountability, and outcome alignment for intelligent ADM



Commercial models are evolving to meet changing client requirements and market dynamics

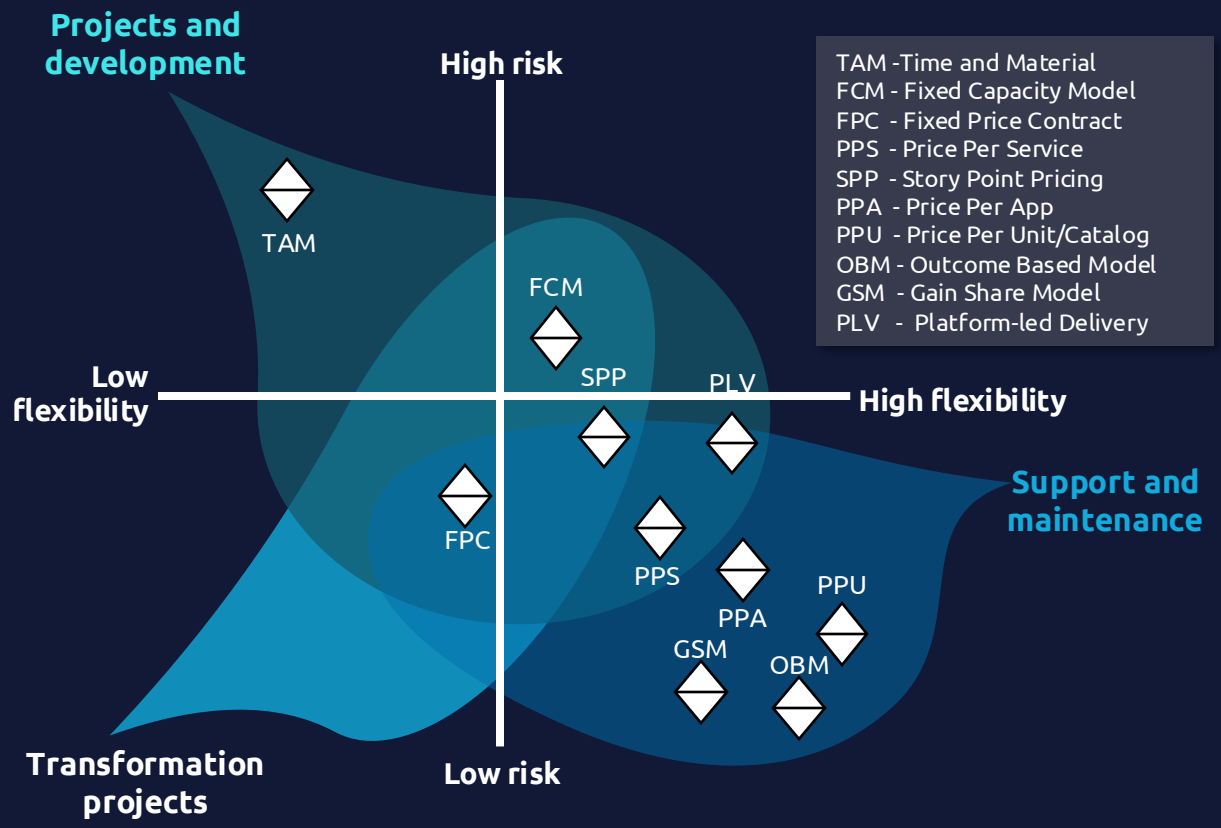
- As Gen AI and agentic delivery reshape ADM; commercial models must enable modularity, flexibility, and shared value.
- Hybrid constructs - like outcome-based, usage-based, and platform-led pricing - are emerging to support intelligent, adaptive delivery

- A wide range of commercial models exists across the market
- Model suitability varies based on client context, maturity, and risk appetite
- In practice, most IT engagements adopt hybrid commercial constructs

The market is moving toward approaches that balance commercial flexibility with controlled risk.

Scope alignment | Risk sharing | Scalable efficiency | Business outcomes

Our points of attention



How various commercial models selectively scale across ADM towers

ADM tower	Usage-based	Outcome-based	Gain-share	Guardrails
 **Support and maintenance**	Per incident / per user-device	MTTR reduction; SLO attainment %	Downtime-cost avoided (audited)	Calibration window; auditability; caps/floors
 **Build and development**	Per story point / per feature / squad	Lead-time days; deploy frequency	Incremental revenue proxies from faster time-to-market	Tie to DORA metrics; batch-size controls
 **Testing and QA**	Per test / automation minute / coverage %	Escaped defects; rollback rate; detection time	Rework cost avoided	Separate Gen AI test-gen cost; audit trail
 **Transformation projects**	Per module/API; 1k AI tokens; wave	Conversion/NPS; latency; resiliency SLO	Run-cost avoided; Revenue uplift (via agreed attribution models or proxies)	Attribution clarity; stage gates; ASC 606 review

Beyond T&M and fixed price, value-aligned constructs include usage/transaction-based pricing, outcome-based pricing (e.g., paying per AI-resolved ticket), and gain-share models tied to auditable value buckets (run-cost avoidance, throughput uplift, CX/NPS)

Why gain-share models are increasingly emerging as a preferred choice

Baseline and benchmarking

- Before the engagement starts, you define a baseline - a snapshot of current performance
- Metrics like: DevOps performance indicators, SLO, downtime hours, cost-to-serve
- Calibration window is the period used to fix starting measures, ensuring fairness and clarity

Metering and auditability

- Value must be measurable and verifiable
- Use third-party sign-off to validate results
- Ensure lineage of business telemetry - i.e., traceable data sources and logic behind metrics

Value buckets and Split

Categories of measurable value:

- **Run-cost avoidance:** Savings from fewer or shorter incidents
- **Delivery throughput uplift:** Faster or more efficient delivery (e.g., more features shipped)
- **CX/NPS uplift:** Better customer experience or NPS, linked via proxies to revenue (e.g., retention, upsell)

Laddered Splits and Windfall Caps

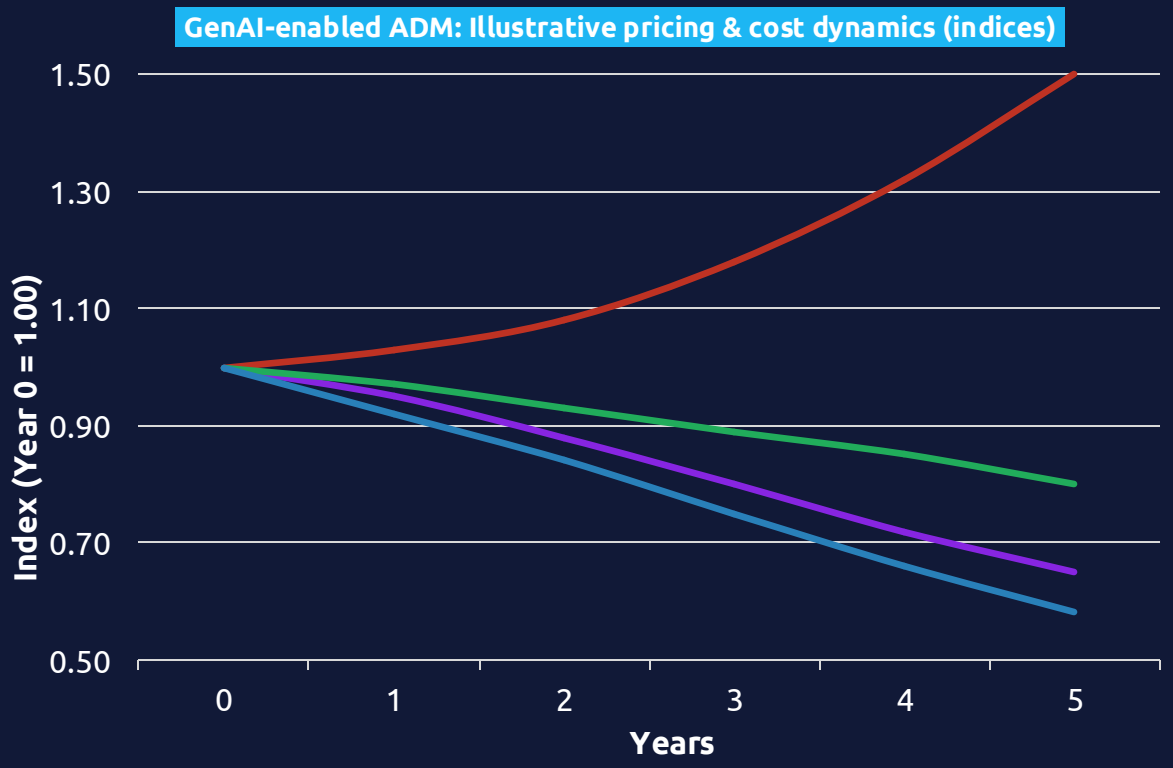
- Laddered splits: Different sharing ratios depending on the value bucket
- Windfall caps: Limits on provider earnings to avoid excessive payouts from unexpected gains
- This ensures balanced incentives and avoids gaming the system

Why this matters?

- Aligns with **outcome-based pricing** used in SaaS/XaaS
- Ensures **financial rigor** and **attribution clarity**, which CFOs demand
- Encourages providers to focus on **real, measurable impact**

The “holy grail” paradox: Price per FTE may rise even as total and unit costs fall

- As Gen AI matures from assistive to agentic, scarce high-leverage roles command premium rates, **raising price/FTE.**
- Yet **FTE counts fall,** and **unit costs drop** **due** to automation, platform-led standardization and reliability economics (less downtime, faster MTTx).
- Industry research (e.g., DORA 2024) suggests that AI-driven productivity improvements are gradual and maturity-dependent. Hence the “lazy-exponential” slope can represent it better rather than a spike.



Lazy-exponential dynamic: Price/FTE ↑ (skills premium) while FTE count, total run-rate, and unit cost ↓ as maturity accrues

*Illustrative scenario (indices)**

Methodology

- **Calibration:** Use current Year 0 baselines.
- **Assumptions:** Apply cautious annual changes for skills premium (+3% to +6%), FTE reduction from automation (-5% to -12%), and cost effects (-3% to -8%) based on productivity improvements.
- **Evidence:** Consider Gen AI’s productivity impact, AI delivery trade-offs, downtime cost reductions, and ROI from full observability.

Inference

- **Price per FTE (index)**: slight early dip as tools ramp, then a **lazy-exponential rise** with “holy grail” proficiency
- **FTE count (index)**: declines meaningfully
- **Total run-rate cost (index)**: goes **down** then net-net
- **Unit cost per feature:** drops steadily as automation deepens

**Note: The numbers are illustrative (scenario modeling), not an externally published dataset. The methodology support the direction and narrative, not the specific curve points.*

Effect on price per FTE with Gen AI maturity

Need for Gen AI

- **Accelerates productivity:** Automates repetitive tasks, enabling faster delivery and reduced turnaround time
- **Reduces operational costs:** Minimizes manual effort and optimizes resource utilization
- **Addresses talent gaps:** Augments human capabilities, reducing dependency on niche skill sets
- **Drives competitive advantage:** Empowers organizations to stay ahead with smarter, faster, and more adaptive solutions

Why pricing increases

- **Early Gen AI adoption** delivers limited automation. Pricing remains traditional
- **Mid-maturity** brings automation in build, test, and run. Pricing shifts to value-based
- **High maturity** enables intelligent, autonomous delivery justifying premium pricing
- **Holy grail point** achieves agentic (semi-autonomous) across ADM, justifying exponential pricing

Cost paradox: Rising FTE cost vs. Falling total cost

As Gen AI matures, **FTE cost may remain high or even increase** due to the need for highly skilled professionals.
However, the **total cost of operations decreases** because:

- **Fewer FTEs are needed** to achieve the same or greater output
- **Automation eliminates** redundant roles and manual tasks
- AI augments decision-making, **reducing time and resource waste**

Observations

Pricing is where Gen AI's disruption becomes real

- Commercial models are shifting to **outcome-based and usage-based** structures focusing on results and shared accountability
  - **Gain-share models** link provider rewards to actual business value
- Many engagements now use **blended pricing**, mixing fixed fees with flexible scaling to align outcomes and manage risk
- Although **price per FTE may increase** with premium skills, **overall operational costs decrease** due to automation lowering FTE needs and manual work

Triggers

What clients must question now

- What is our roadmap to reduce T&M exposure?
  - Which towers (run, build, QA) can immediately move to usage-based or outcome-linked pricing?
- What is our plan to **shift from effort-based to value-driven commercial models?**
  - How can we accelerate adoption of outcome-oriented, gain-share pricing tied to measurable business outcomes and strategic KPIs?
- How should we manage Gen AI's economic impact across pricing tiers?
  - Do we need a **dynamic pricing framework** balancing premium talent costs with automation efficiency to ensure competitiveness and profitability?
- Are we ready for agent-led economics?
  - How do we price scenarios where 30–50% of work is executed by autonomous agents?
- How can we embed financial discipline and **clear attribution in our pricing strategies**?

4

Way ahead

Our future of ADM partner playbook now stands on a joint value governance specially for Gen AI-led transformations

Enterprise mandate – Owns the Why and What

- Define **strategic business value narrative** and **transformation priorities**
- Enable **rapid governance decisions**, fast-track builds, and manage scope pivots effectively
- Ensure **measurable impact** through business-aligned KPIs
- Seek **real-time visibility into KPIs** and operational levers that drive outcomes

Vendor mandate – Owns the How and With What

- Deploy **scalable platforms to standardize, automate, and accelerate** delivery
- Use **Gen AI and analytics** to anticipate needs and resolve issues proactively
- **Link commercial models** to **business KPIs** for shared accountability
- **Continuously infuse emerging tech** and best practices to drive innovation

What works well - Clear roles, shared KPIs, and embedded innovation sprints enable proactive, outcome-driven ADM delivery

What to avoid - Misaligned incentives, opaque metrics, and slow governance reduce AMS to reactive execution and dilute value

Next in ADM: AI-driven transformation

1

What really matters

The question isn't **"Does AI work?"** - it's **"Is ADM ready to adopt proven practices?"**

Key imperatives:

- **Data by design** → Reliable inputs for AI-driven development and maintenance
- **Accelerated adoption** → Move beyond pilots to scaled, automated workflows
- **Governance embedded** → Ensure trust, compliance, and risk control in AI-enabled ADM

2

Winning ADM strategy

Treat AI as **core to ADM strategy**, not an add-on.

Build:

- **Adaptive data operating models** for development and maintenance
- **Change management and ecosystem orchestration** for faster adoption
- **Governance baked into AI workflows** for secure, compliant operations

3

The outcome

Avoid hype-cycle traps

Deliver **intelligent, resilient ADM services at scale** for long-term value

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Appendix

Read more

Evolving value of applied AI: Varying requirements, risks and rewards [3]

Traditional AI

Structured data
↓
Clear answers

- **AI behavior:** Deterministic and rules-driven
- **Data type:** Curated and structured datasets
- **Use cases:** Fraud detection, reporting, and forecasting
- **Governance:** Pre-cleansed data, manual validation processes, and clearly defined data ownership
- **Outcome:**
  - Trusted and explainable insights
  - Narrow, reliable use
  - Low risk

Generative AI

Big data
↓
New content, new risks

- **AI behavior:** Generates new content such as text, images, and other outputs
- **Data type:** Large-scale, heterogeneous data sets
- **Use cases:** Conversational agents, content summarization, and idea generation
- **Governance:** Limited oversight, risks of hallucinations and bias, post-output reviews
- **Outcome:**
  - Expanded capability and potential value
  - Reduced predictability and control
  - **Medium-high risk**

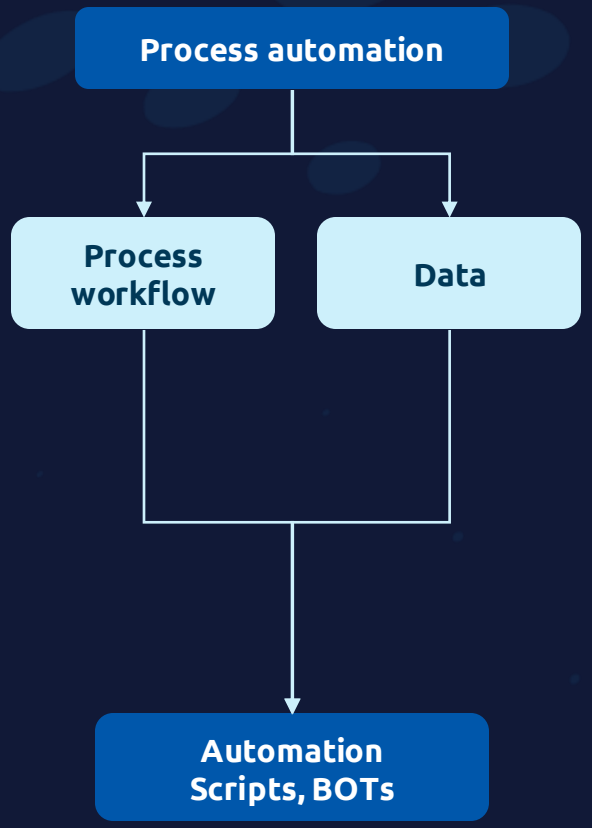
Click to go back

Agentic AI

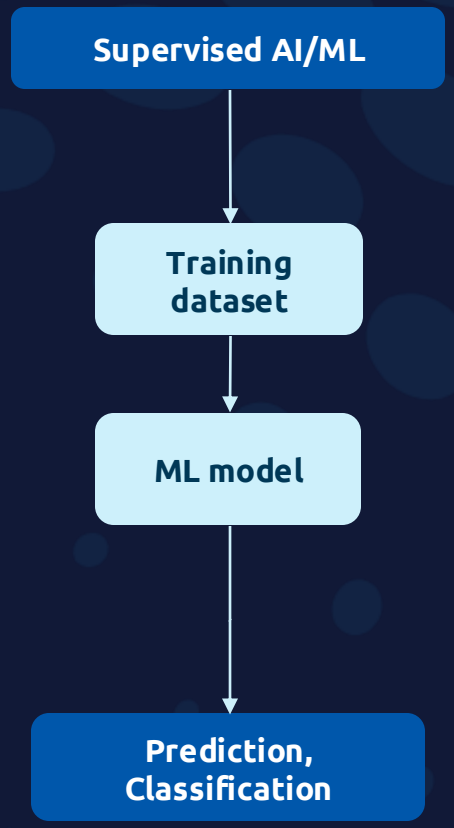
Integrated processes
↓
Structured KPIs, automated delivery, controlled risk

- **AI behavior:** Autonomously makes decisions and executes actions
- **Data type:** Dynamic, raw, real-time application data
- **Use cases:** Supply chain optimization and autonomous systems
- **Governance:** Frequently bypasses traditional data pipelines; manual validation is impractical, requiring real-time, in-line validation controls
- **Outcome:**
  - Direct, business-critical decision-making
  - Invisible data dependencies
  - **High risk of operational failure**

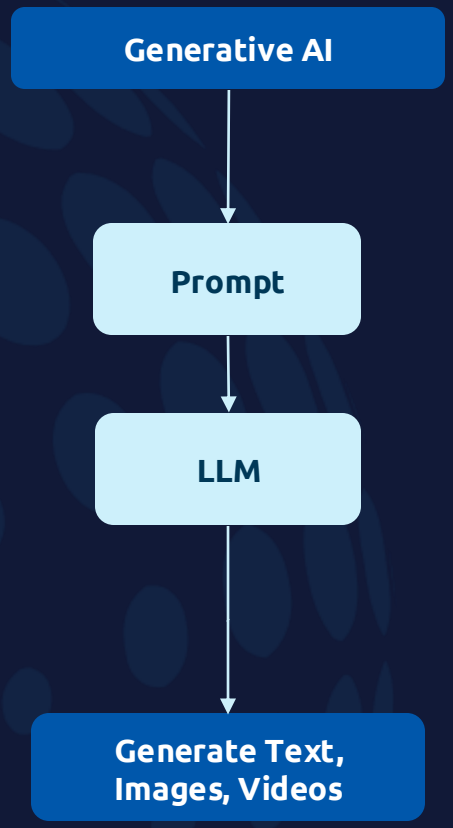
Evolution of AI



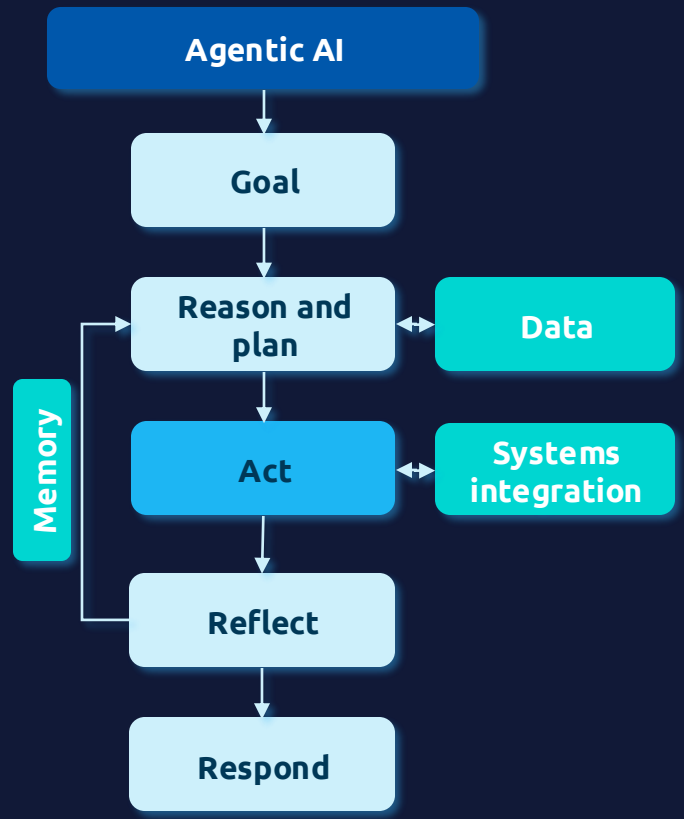
- Batch jobs
- Automated reports
- OCR based invoice processing



- Face detection
- Targeted promotions
- Cricket 3rd umpire



- Chatbots
- Product design and captions
- Campaign slogans



- Customer Support
- Autonomous Cars
- Personal assistants

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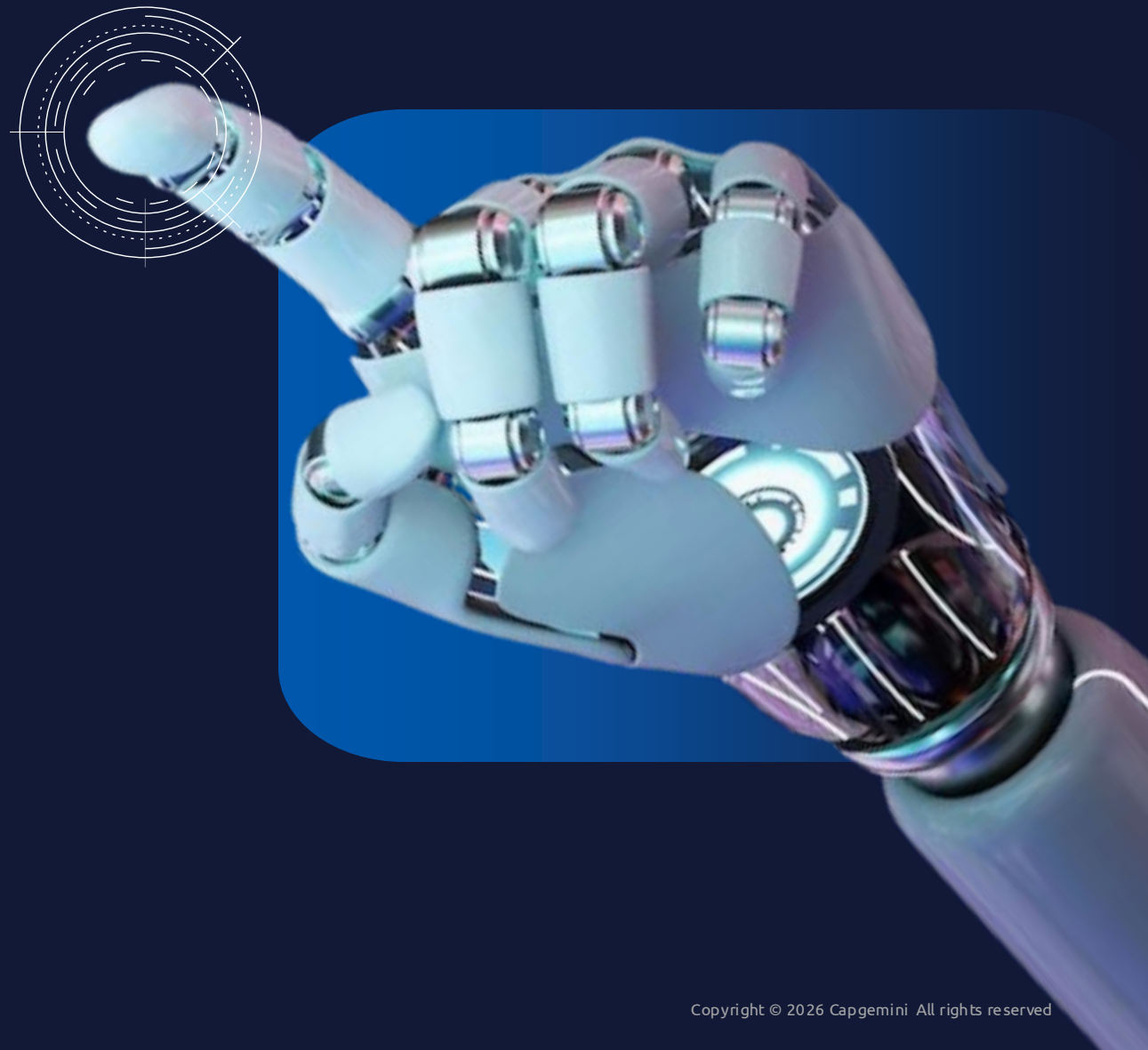

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