Executive Perspectives

AI and the Future of Software

Software Applications and Platforms

April 2026

Introduction

We meet often with CEOs to discuss AI—a topic that is both captivating and rapidly changing. After working with over 2,000 clients in the past 2+ years, we are sharing our most recent learnings in a new series designed to help CEOs navigate AI. With most sectors going through major shifts, the focus in 2026 is on how to leverage AI to fully transform organizations and create new sources of competitive advantage.

In this edition, we explore **the role AI will play in driving P&L transformation and growth in enterprise software.** We address the key questions on the minds of software executives and investors:

- How can AI deliver real P&L impact through both transformed value proposition (revenue) and internal operations (productivity)?
- What does it truly mean to operate as an AI-first software company?
- How should leaders prioritize reshaping the core SaaS business operations while inventing new AI-first products?
- What tactical moves should CXOs make now?

This document is a practical guide for software executives and technology investors to cut through the hype around AI and capture real value.

In this BCG Executive Perspective, we articulate how AI can drive real P&L impact in enterprise software

Executive summary | Enterprise software incumbents can transform their P&L in light of AI, but must act now to win

WHY is now the right time to act?

- AI is the greatest-value creation opportunity for enterprise software since cloud: unlocking over $3T TAM and productivity gains
- Rapid advances in AI technology and well-funded AI-native startups are challenging incumbent software players
- As a result, enterprise software leaders must act now. We believe incumbents that make the right moves over the next 6 to 12 months have a clear right to win in AI, while those that delay, risk long-term erosion of growth and relevance and in some cases, full displacement

WHAT does incumbent success look like?

Software leaders should make three distinct plays, focusing on Invent and Reshape to transform the P&L in light of AI:

- **INVENT** – Build transformative AI-first products and agents that expand TAM and redefine the customer value proposition
  - Unlock **1.5 to 2 times ACV uplift** by ringfencing a team and P&L focused on AI product development, not just incremental feature builds
  - **Software incumbents should isolate the P&L** and fund the scaling AI business from the core SaaS business: expect lower margin profiles in the short term (50%–60% gross margins) and not attempt to build a $1M/FTE business similar to startups (enterprise $ per FTE are much lower given the sales motion)
- **RESHAPE** – Prioritize redesigning internal functions that represent the highest share of the P&L—and where AI can 'force multiply' the output of the human workforce today: software **R&D and go-to-market**
  - **Approximately 20 points of EBITDA** improvement possible, but requires full change management of operating model, not just AI tool adoption
- **DEPLOY** – Roll out general-purpose AI tools across the enterprise to improve individual productivity
  - Necessary, but insufficient on its own; rarely drives measurable P&L impact

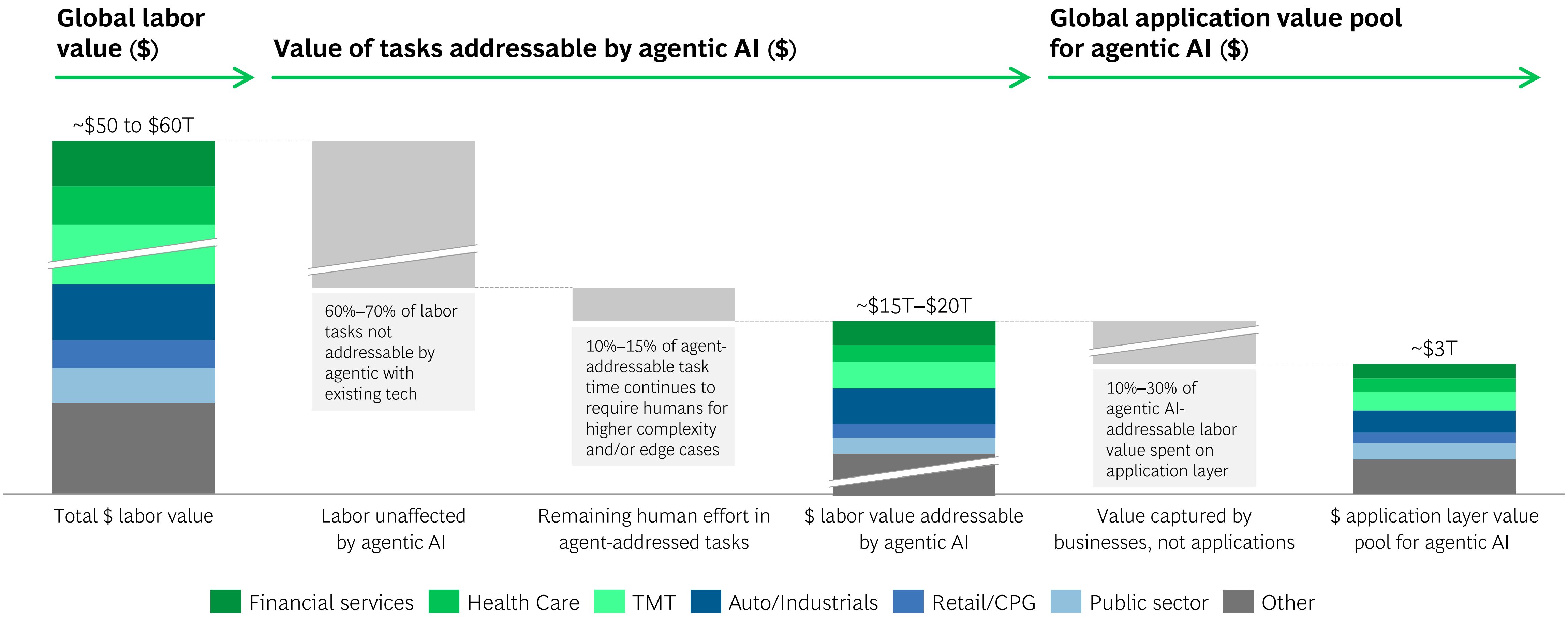
HOW to start the AI journey

Incumbents have every right to win in the market, but CEOs must take action to win:

- **Set a bold, CEO-led AI vision** across both product innovation and operation. Lead by example by gaining real AI fluency at the top
- **Bifurcate the P&L:** Split the business into a ruthlessly efficient SaaS core and a ringfenced, product-obsessed AI startup
- **Pick the <u>Invent</u> lighthouses:** Prioritize two or three AI 'lighthouse' products/use cases to drive material revenue (vs. long tail of incremental features)
- **Get the <u>Reshape</u> operating model right:** Deploying tools is not enough, intentional change management is necessary to realize full impact
- **Embrace experimentation in this time of peak ambiguity:** Set clear targets, take risks and move fast, compare notes, learn, refine, and adapt

Globally, around $15 to $20 trillion of labor tasks is addressable by agentic AI, translating to about $3 trillion of application software revenue opportunity

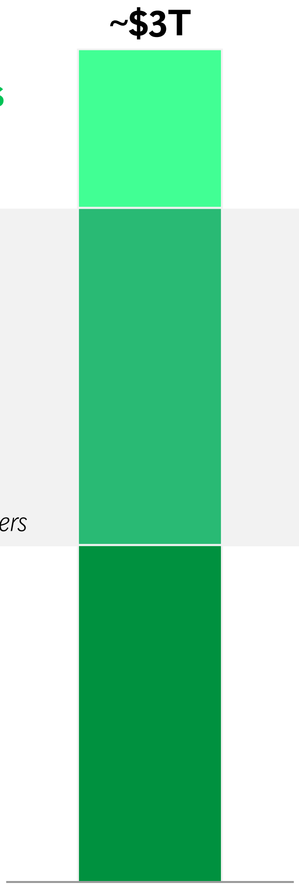
Bridge from global labor value to the agentic AI application layer ($)



Source: Google + BCG AI TAM model. See https://services.google.com/fh/files/misc/agentic-ai-tam-analysis.pdf

The fight for AI opportunity will happen on three distinct battlegrounds

Vertical and domain specific software and systems of record will be the critical battleground to win for application players



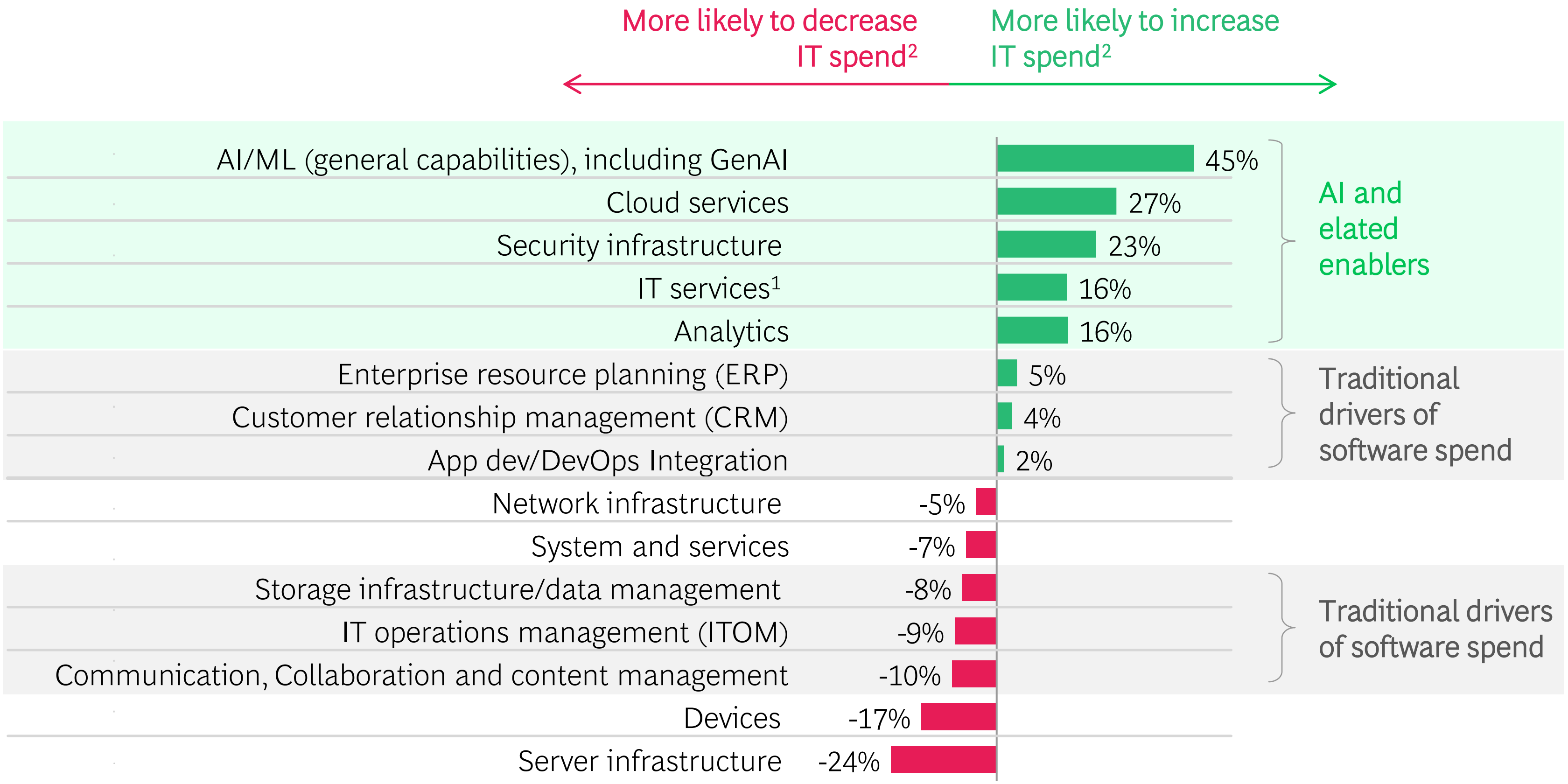
Three distinct battlegrounds	Structural traits	Examples		Rate of diffusion
General purpose agents $300B–$400B	• **Low context, general purpose agents** • **Fewer segments:** TAM/app segment >$50B • **Model companies well-positioned** to own the application layer	• Coding agents • Chatbots • General purpose productivity tools • Knowledge mgmt. • Personal assistants	Cursor Claude Code Lovable	*Fast*
Vertical and domain-specific agents, workflows, and systems of record $1T–$2T *Critical battleground for application players*	• **Specialized agents** built around vertical or function-specific contexts, requiring deterministic guardrails • **Hundreds of segments:** TAM/app segment = $1B–$15B • **Strong systems of record adjacency** • **Third-party applications positioned to own** application layer	• Vertical and workflow overlays • High-context, domain-trained AI • Workflow platforms across vertical use cases • Full-stack workflow and data platforms/core systems	Abridge Salesforce Harvey Epic	*Medium*
Company-specific agents/automation $1T–$2T	• **Enterprise level custom builds,** with context and data engineered around company needs • **Thousands of builds:** TAM/custom build: $50M–$200M • **In-house builds** (model companies + consultant/SI) or scaled app specialists as primary deployment in scaled functions in the enterprise (e.g., BPO)	• Contact center automation • BPO replacement • Enterprise ontology layers • Fully custom AI deployments • Large-scale process automation	OpenAI Anthropic	*Gradual*

IT budgets are growing, but future spend is shifting away from SaaS and toward AI and related enablers

IT budgets are growing…

Expected 2026 IT spend change

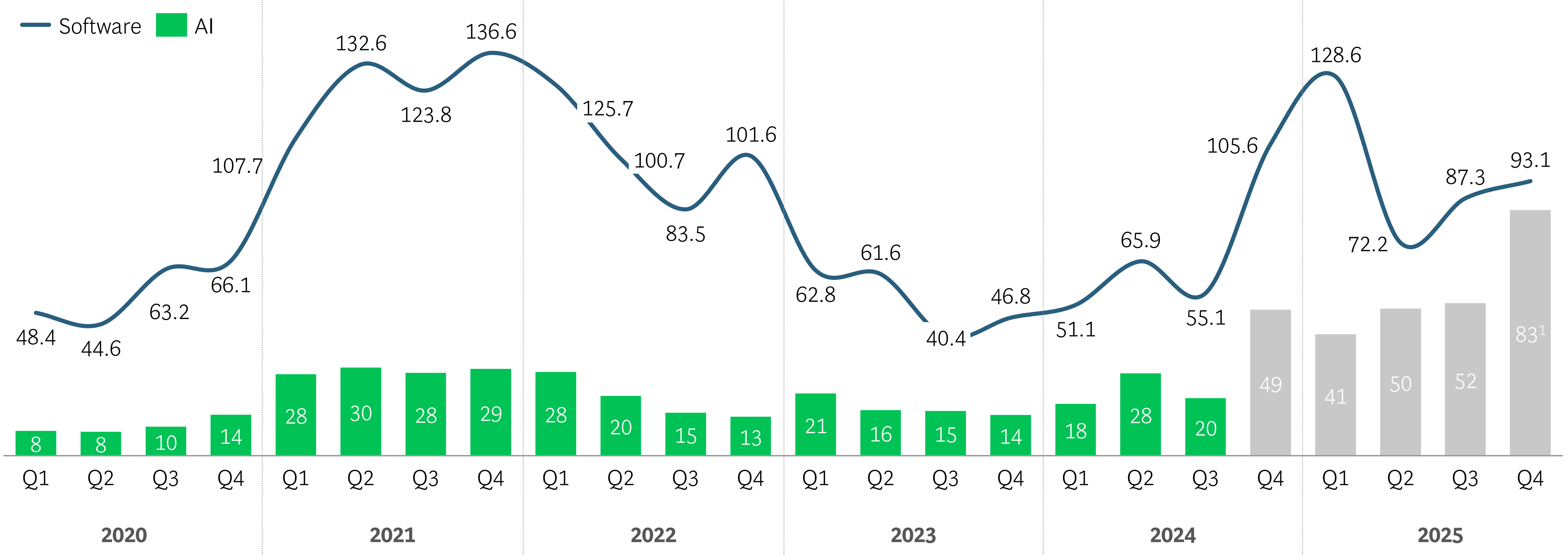
…with spend shifting from SaaS toward AI and related enablers



1. Respondents indicated relative amount of spending increase/decrease via multiple choice options, weighted average calculated based on the lowest absolute value for the range (such as increase/decrease. by 2%-5% assigned value of +/- 2%); 2. Percentages are the net respondent spend change (percentage calculated by percent of respondents increasing spending minus percent of respondents decreasing spending) | Source: BCG IT Buyer Pulse Check 9.0 (July 2025), N = 434; BCG IT Buyer Pulse Check 8.5 (April 2025), N = 313

In light of the massive opportunity, VCs are pouring billions into the AI space, with investments accelerating faster than investments into traditional SaaS

Quarterly venture capital investment in AI vs. Software ($B)



1. Includes an estimated $20B+ investment in OpenAI on by SoftBank and ~$15B investment in Anthropic by Microsoft, NVIDIA, etc.
Source: CB Insights, Pitchbook, BCG analysis

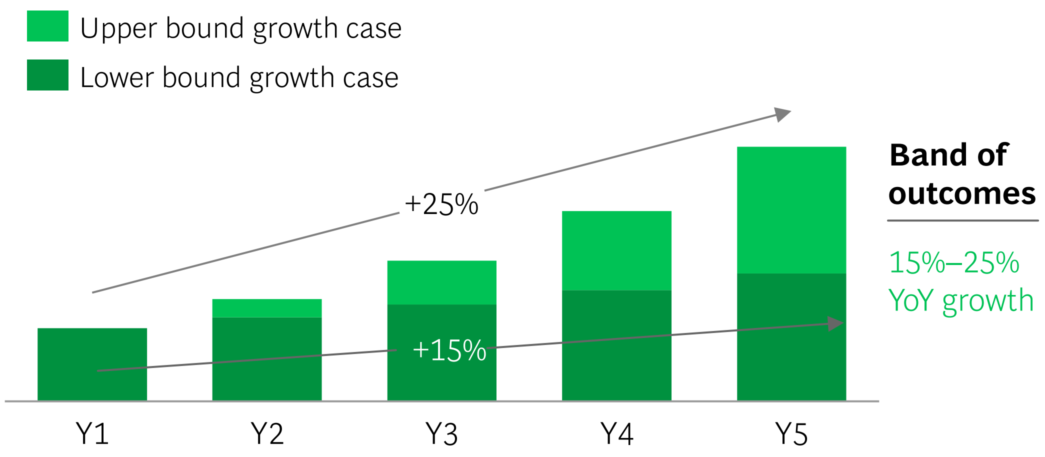
Many incumbents have a wider band of growth outcomes. Growth is dependent on innovation and execution more than structural traits

Before: Predictable growth profile

Predictable SaaS incumbent growth with tight band of outcomes

15%–25% YoY topline growth driven by market tailwinds, whitespace adoption, and seat and product expansion on a sticky foundation

Illustrative pre-GenAI SaaS company top-line growth

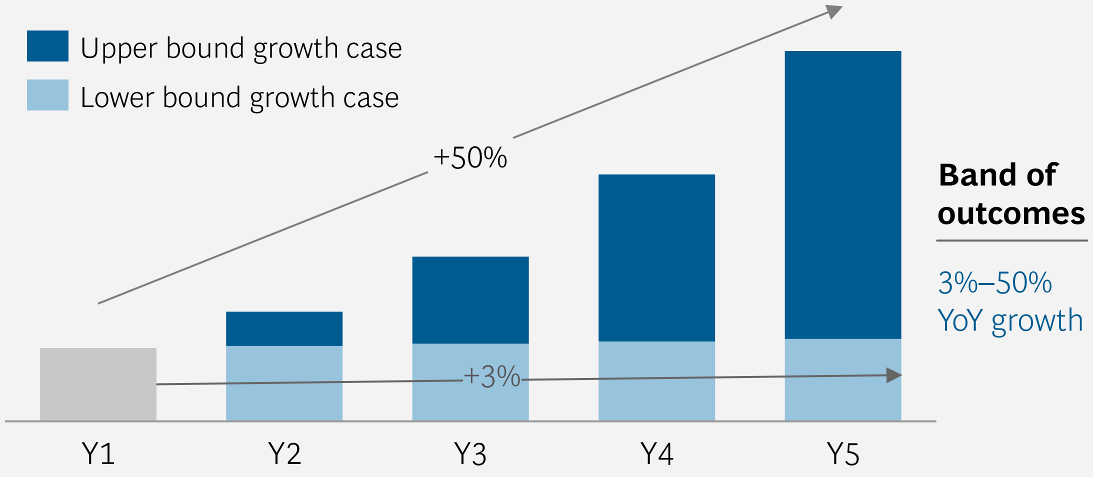


Going forward: Wide range of growth outcomes

Wider band of topline growth outcomes for SaaS incumbents as AI-native challengers gain share of future customer spend

For most incumbents, outsized growth depends on strategic product innovation and speed of execution rather than structural constraints

Illustrative post-GenAI SaaS company top-line growth



Source: BCG Internal Research; BCG Analysis

In an AI-first world, incumbents have critical advantages. They must build great products to retain that advantage

Drivers of software company advantage	Incumbent advantages (vs startups) in an AI-first world
Contextual expertise and data	• **Highly specialized business expertise and workflows;** benefit from long history of understanding end-customer nuances • **Access to proprietary or customer data** stored within SaaS platform provides a 'headstart' on agentic solutions • **But… AI-native solutions will access client data and build expertise**
Customer relationships	• **Established trust and distribution contacts;** capitalize on bias toward buying from established vendors • Customers with high regulatory and compliance needs are particularly inclined to work with incumbents (government, health care, etc.) • **But… customers are increasingly open to trialing startups**
Embeddedness	• **Core platforms** likely to remain source of truth, and are deeply connected in customer tech stacks, creating organizational inertia • Other technological entrenchment drives additional stickiness: acting as 'plumbing' or infrastructure, connectivity in tech stack, driving network effects, ties to hardware • **But…this is defense, not offense**

But to date, a series of missteps have caused some incumbents to lose to AI-native challengers

Key reasons incumbents have lost AI-native advantage

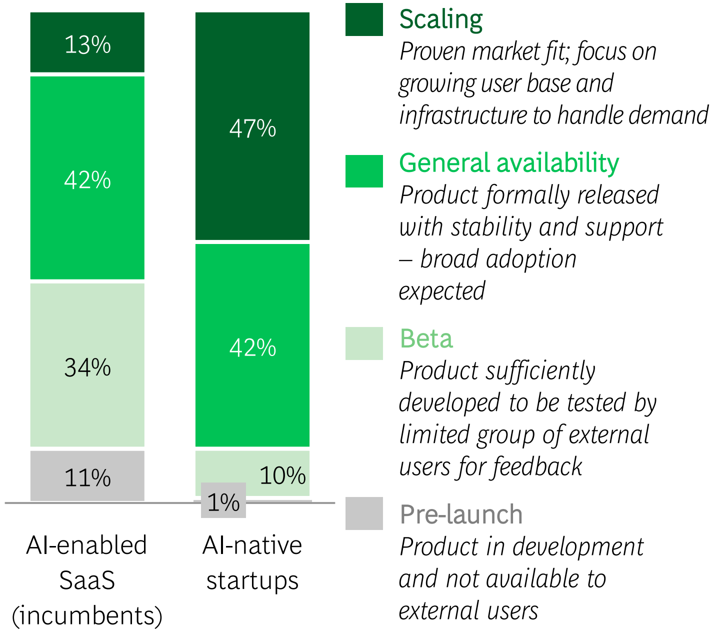
AI tacked onto legacy	• AI-native challengers re-architected workflows, while incumbents layered chatbots onto legacy • As users started to work in the new tools, legacy UX was exposed as slow and outdated
Moved too slowly	• While challengers released rapidly and iterated quickly, many incumbents remained stuck in pilots across coding and legal, resulting in an 18- to 24-month execution gap
Data compound elsewhere	• Challengers turned real deployment data into continuous model improvement • Meanwhile, incumbents lacked live feedback loops and quality stagnated
Missed PLG moment	• Product-led challengers won individual users before enterprise IT reacted • Behavioral lock-in formed early, making formal procurement follow usage
Missed change management	• Challengers embedded change management into the product • Early executive sponsorship accelerated adoption and workforce transition

Source: BCG analysis

Today, incumbents lag startups in AI monetization

AI startup products are more mature than incumbents…

Maturity of software players along the AI development cycle (ICONIQ)
% of respondents, N=291



… leading more of them to meaningful monetization…

Companies known to have $100M+ in annual AI product revenue[1] (not exhaustive)

Incumbent SaaS companies

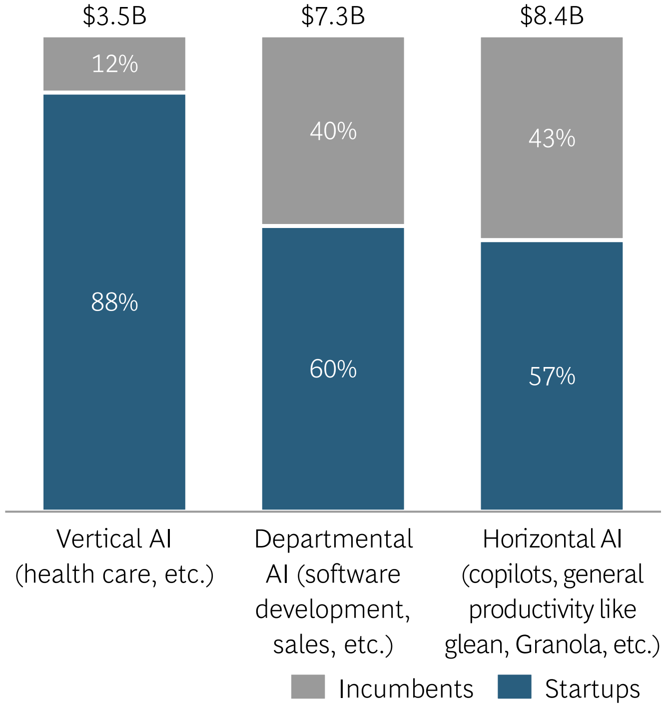
Adobe, Intercom, Salesforce, ServiceNow

AI native startups

Cognition, Cohere, Crescendo, Cursor, ElevenLabs, Elise, Gamma, Glean, Harvey, Lovable, Manus[2], Open-Evidence, Replit, Sierra, Suno

… and to capturing more share across software application categories

Share of startups vs incumbents, by application type (Menlo Ventures)



1. Incumbents exclude hyperscalers and data infrastructure and have $100M in organic AI application revenue or 5% of revenue from AI. 2. Prior to acquisition by Meta.
Source: ICONIQ 2025 State of AI Report – ICONIQ GenAI Survey (April 2025); CapitalIQ; Company announcements and investor releases; Menlo Ventures 2025: The State of Generative AI in the Enterprise; BCG analysis

The February 2026 software selloff reflects a belief by investors that SaaS incumbents will fail to reinvent their offerings

	1	2	3	4
	Existential risk	**Fundamental market shift**	**"Messy middle"**	**AI beneficiaries**
Software category (examples)	Various niche point solutions	MarTech, DevOps, CCAS, eCommerce, AdTech, BI, etc.	Vertical SaaS, HCM, CRM, ITSM, ERP, etc.	Infrastructure, Cybersecurity
Implications	**Workflow layers performing general tasks can be displaced by LLM/model capabilities or large platforms**	**Fundamental shifts in certain end markets make existing software offerings less relevant**	**Revenues are durable, but ability to drive compounding growth is under attack**	**Players provide core enabling infrastructure for AI and will see increased demand to benefit from the AI tailwind**
Outlook	Terminal value drops to 0	Requires radical transformation	Requires development of transformative AI product on top of durable SaaS foundation	Core business accelerated by AI tailwinds, with significant upside from AI transformation
Prevalence	Very few companies	Majority of software incumbents		

Source: BCG Analysis

Software leaders can make three distinct plays to capture new AI product revenue and unlock operational productivity

Software leaders should 'bifurcate' the P&L between their core SaaS business (Reshape) and a scaling AI-application business (Invent)

	DEPLOY Adopt general-purpose AI tools for use cases across daily work	RESHAPE Redesign core business functions to be AI-first	INVENT Selectively invest in new business models or value propositions
Strategic AI play	**Build the AI table-stakes muscle** • Buy enterprise-wide AI tools (e.g., ChatGPT, Perplexity, Glean, low-code/no-code platforms like n8n)[1] • Ensure robust training and enablement to deliver impact • Negotiate cross-portfolio enterprise buying agreements with the largest tool providers	**Transform full operating model: processes, tools, talent** • Prioritize the greatest opportunity functions where there are mature third-party tools and the function is a sizable portion of P&L • Sufficiently invest in change management across the E2E workflow	**Design new revenue streams or business models** • Create a new customer value proposition with a high-risk, high-reward bet; often vertical- or end-market-specific • Be prepared to invest heavily; beneficial to have ringfenced funding to manage pressures to balance with original deal terms
Measurable P&L impact	Table stakes; tangible ROI is hard to measure	Unlock productivity gains and capture cost reduction and margin improvement	Monetize AI products to drive step function revenue growth

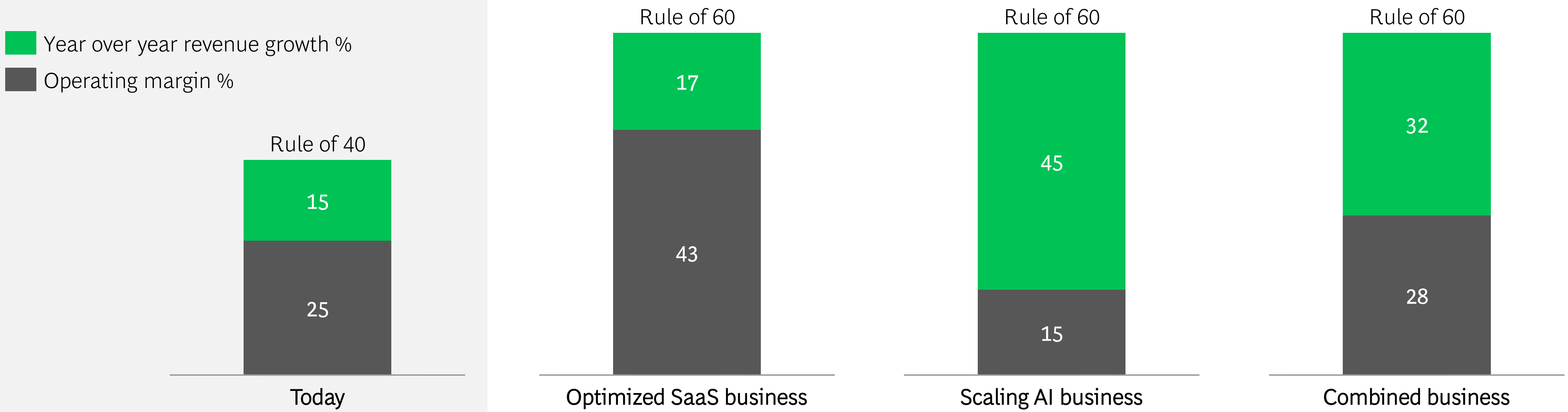
Focus of this document

Deploy, Reshape, and Invent are not a progression; they are separate AI plays that should be considered and pursued independently or in tandem

1. Not an exhaustive list of examples; not an endorsement of specific tools or software partners
Source: BCG analysis

Bifurcate the P&L: Use productivity/spend unlocked in core SaaS business to scale AI product business. Can take a Rule of 40 company to Rule of 60

Today Rule of 40 SaaS business	**Reshape only** Optimized SaaS business standalone	**Invent only** Scaling AI business standalone	**Reshape + Invent** Fully optimized combined business

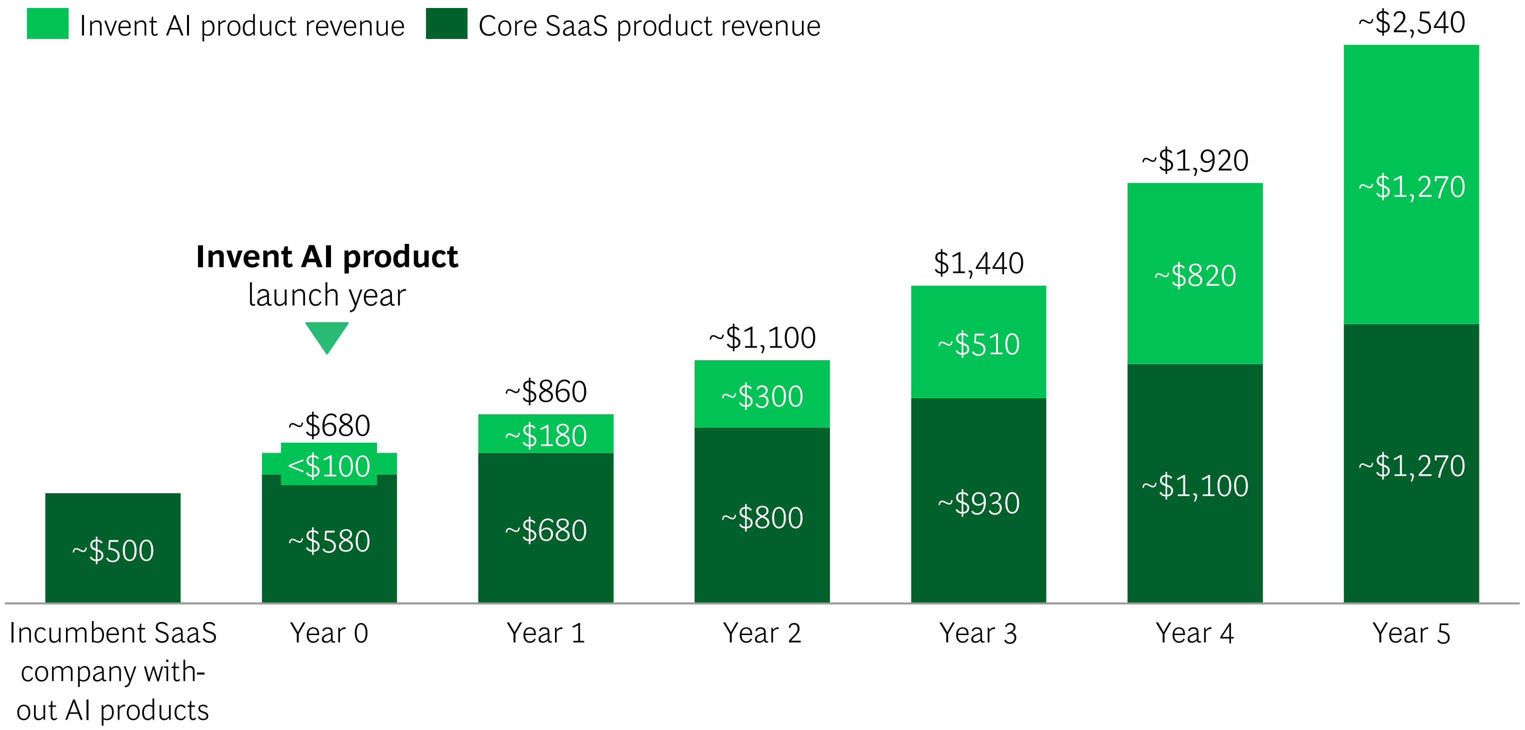


	Today	Optimized SaaS business	Scaling AI business	Combined business
Gross margin	~85%	~85%	~60%	~70%
R&D cost/revenue	~20%	~15%	~30%	~20%
S&M cost/revenue	~20%	~10%	~15%	~12%

Note: Figures rounded and approximate
Source: BCG case experience; BCG analysis

Invent | When done right, Invent can double revenue, though with a very different margin profile in the medium term

Illustrative revenue for a software company launching an Invent AI product in Year 0



	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue uplift from Invent AI product	1.2x	1.3x	1.4x	1.6x	1.8x	2x
Invent AI product gross margin	50%	52%	53%	55%	56%	58%

Source: BCG case experience; BCG analysis

Financial and operational metrics used to monitor progress in AI-first future:

Expect material ACV uplift–cross-sell from SaaS-only to 'SaaS + AI' should be 1.5-2X or more

- AI products that are given away free or rolled into an API or tiered offering are by definition not transformative to the customer value proposition

Gross margins in 50%-60% range should be tolerated to start, but increase over time as AI intelligence costs reduce

- Apps requiring frontier models may never hit 80%-90% gross margins

Successful and timely AI product builds require meaningful investment in R&D

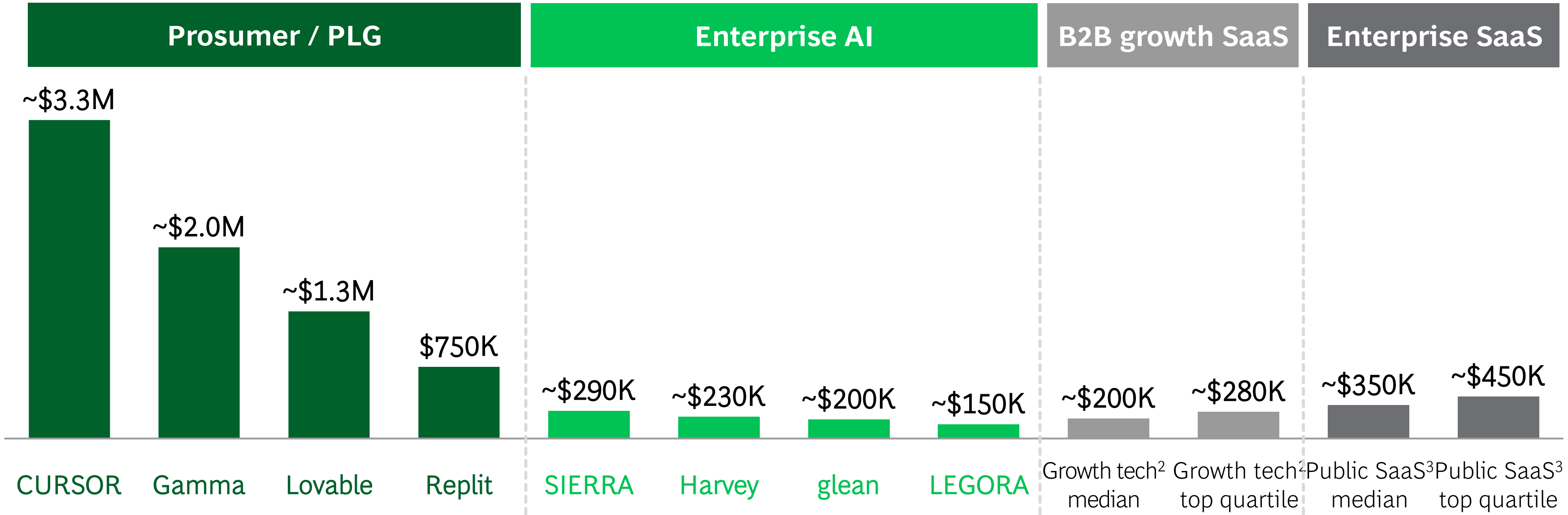
- Bifurcate the P&L and overinvest in R&D for AI product – the profile may look like a scaling startup

Invent | Enterprise AI requires real headcount to build, sell, and support

2025 annual revenue per FTE

[1]Figures shown are directional, outside-in estimates

Note: critical to bifurcate the P&L: fund the scaling AI business with the core SaaS business



	CURSOR	Gamma	Lovable	Replit	SIERRA	Harvey	glean	LEGORA	Growth tech[2] median	Growth tech[2] top quartile	Public SaaS[3] median	Public SaaS[3] top quartile
2025 revenue (estimated)	~$1B	~$100M	~$200M	~$150M	~$100M	~$200M	~$200M	$25–40M	$25–100M		$500M–2B	
2025 headcount	~300	~50	~150	~200	~350	~850	~1K	~220	100–1,000		1,500+	

1. Outside-in estimates based on company press releases and/or third-party publications as of year end 2025 2. Benchmark of ~100 PE-backed growth equity B2B software companies FY 2024; 3. Benchmark of 120 public SaaS companies
Source: Company and third-party press releases; Revelio; BCG analysis

Invent | The monetization 'playbook' is shifting, though outcomes-based pricing models are in vogue, for most vendors usage-based is a better fit

Examples – not exhaustive

	SaaS playbook		AI applications playbook
Pricing meter	• Seat-based • Enterprise footprint • Sometimes consumption	>	• Usage + seat hybrid for most high value apps • Rarely outcome based
Importance of usage	• Usage an indicator of LTR, often not even tracked	>	• Usage is core driver of value to customer and app developer • Usage is critical for renewals
Role of sales	• Most value 'locked in' at time of sale • Typically three-year contracts with ARR	>	• Most value delivered post-sale • Pilots common
Revenue stability	• Recurring revenue • Numbers generally just go up	>	• This is not ARR • Wide variability in contract value based on usage
Margin stability	• COGS predictable • Gross margins are stable, 80%+ • Gross margins go up with scale	>	• GMs vary wildly based on pricing structure, usage and model management

AI product benchmarks don't exist yet, but look for indicators of value

AI product metric	What to look for	Why it matters
ACV uplift	Meaningful ACV uplift 1.5 to 2x for most platforms	• Meaningful customer spend indicates real customer value • 5%–15% uplift and/or bundled with software an indicator of incremental (rather than transformative) customer value
Usage-based metrics	Usage trends per user: Trajectory of token consumption daily, monthly (as well as time spent, output generated)	• Usage is best indicator of direct value created, and will often lead to higher ACVs with usage-based pricing structure • Token usage growth per user as a proxy for users getting value from the solution and then increasing usage • User time spent in platform is not a sufficient metric given work often done off-platform
Pricing structure/ meter	Tied to usage to capture the upside and protect margins	• Standalone AI pricing structure/meter indicates product value (vs bundled into SaaS package upgrades or price escalators) • Common approach: tiered usage-based with caps (at times hybrid with seats)
Gross margin	50%–60% on AI product	• Modest but improving margins indicate proper usage by customers–margins will grow over time • Lower gross margins (<25%) may signal inference reseller • >80% may indicate low token usage, proxy for low value

Invent | Five guiding principles for Invent to enable incumbents to win with AI products

Five factors to drive Invent success

1 **Bifurcate the P&L:** fund the ringfenced, product-obsessed AI startup from the core ruthlessly efficient SaaS core business

2 **Go all-in on the lighthouses:** prioritize two or three products or use cases that transform value proposition over a long tail of incremental features (such as a chatbot) and fully dedicate top talent in product and engineering to the build

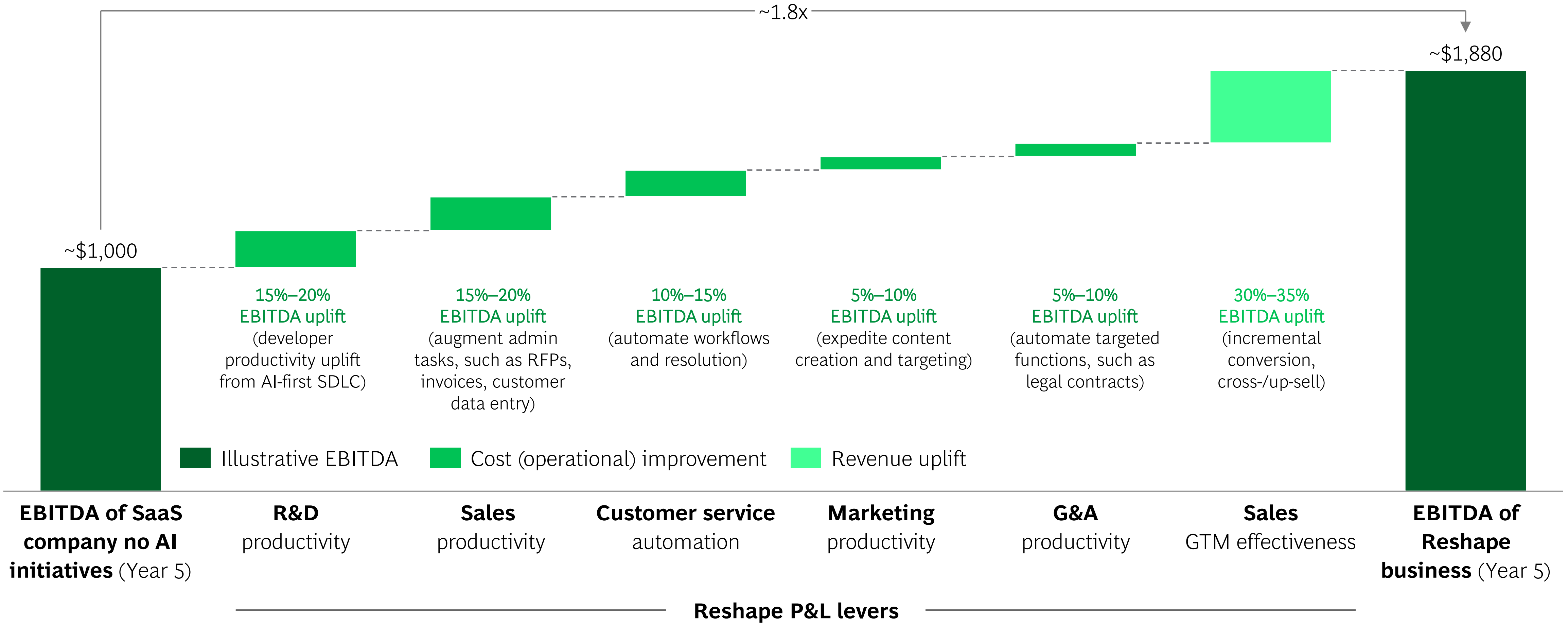
3 **Invest ruthlessly and take risks:** build a new, unproven product, but tolerate unattractive margins in the short term and do not expect AI PLG startup revenue-to-FTE metrics

4 **Be closer to customers than ever before:** co-develop offerings 'FDE-style' and invest in a product marketing team that fully understands and articulates the value

5 **Adopt the AI monetization playbook:** for most, usage-based pricing with sales capacity designed around maximizing usage (and ACV) will be optimal

Reshape | Reshaping functions across the company can enable 1.8x EBITDA uplift realized in the P&L or to unlock productivity

Illustrative P&L for baseline SaaS business in Year 5 vs. fully optimized Reshape business in Year 5



Source: BCG case experience; BCG analysis

Simply 'deploying' AI tools will not impact your P&L

Deploy

Adopt general purpose AI tools for daily work

Gemini | ChatGPT | Copilot

- Buy enterprise-wide AI tools
- Provide robust training and enablement to maximize adoption and individual impact

Outcome: Hard to measure tangible ROI/ P&L impact; table stakes

vs.

Reshape

Redesign core business functions to be AI-first

- Prioritize functions with biggest impact on software P&L (such as R&D, GTM) and third-party tool maturity
- Transform the full operating model across processes/ workflow, tools, talent structure, etc.

Outcome: Cost reduction and margin improvement

Reshape | AI ability to reshape each function can be categorized as a 'force multiplier' or 'substitute'

	AI as a Force Multiplier	AI as a Substitute
	Allows humans to be significantly more productive, but AI only performs certain tasks and not the full job; **augments** human workforce	AI/agents can do most of the job done by a human today as a direct replacement; **automates** the human workforce
Description	• Creates complexity around path to P&L impact • Requires transformation of workflows and effective tool usage to unlock productivity • Today, productivity release is not always redirected toward high value-add activities	• More streamlined path to organization restructuring and P&L impact • Replaces high-cost human effort with lower-cost AI agents and limited human oversight • However, few roles can be fully automated
Level of organizational change required	**High** Requires reshaping of organization, operating model, workflows, etc. to capture the full value	**Medium/Low** Organization/process changes relatively lower; largely 1:1 structural change (vs. behavioral)

Source: BCG analysis

Reshape | Majority of AI opportunity unlocked in roles where AI is a 'force multiplier' (software R&D and go-to-market)

	AI as a force multiplier						AI as a substitute			
	Particularly effective in functions with demand elasticity									
Role	**Software engineer**	**Product manager**	**Sales (account execs, etc.)**	**Customer success**	**Marketing**	**Finance**	**Customer service**	**Legal contracting**	**Sales dev rep**	**HR**
AI opportunity	●	◑	◕	◕	◑	◕	●	●	◕	◕
Share of OpEx	15%-25%	<5%	10%-20%	5%-10%	~10%	~5%	5%-10%	<5%	5%-10%	<5%
Cumulative share of OpEx	**~50%-70%**						**~15%-20%**			
Effort and outcome	**Higher lift but greater rewards**						**Lower lift and smaller rewards**			
Example AI use cases	Debugging, testing, writing code	Initial planning /timelining, writing requirements	Lead prioritization, personalized pitches	Prioritized upsell opportunities	Rapid content creation, analytics	Automated accounts payable/ receivable	Agentic support	Fully automated contract review and drafting	BDR for SMB	Automated candidate screening

Detailed in this section (Software engineer, Product manager, Sales, Customer success, Marketing)

R&D focus (Software engineer, Product manager) | GTM focus (Sales, Customer success, Marketing, Sales dev rep)

● High AI applicability ○ Low AI applicability

Note: Non-exhaustive roles, AI opportunity varies significantly by company. Source: Revelio; BCG analysis

Reshape | When AI serves as a force multiplier, driving value requires meaningful change management of operating model and talent

Algorithms
10%

AI, model, etc.

Technology
20%

Data management, integrations, AI platforms and tools, secure machine language and large language model (LLM) operations, and product development pipeline

People, organizations, and processes
70%

Change management,
adoption of tech,
roles and responsibilities,
process reimagination,
talent, responsible AI governance

> *The greatest returns on AI investment come not from the tools themselves, but from a strategic focus on the underlying organizational system.*
>
> — *Google Cloud DORA report 2025*

Source: BCG analysis

Case study | Transforming SDLC at a hyperscaler

Client context

- **1,000+ person engineering org** within large tech enterprise
- High AI adoption rate: **80%+ AI weekly users**
- Goal to 2X productivity, but **minimal uplift to date (~10%)**

BCG approach and impact

Demonstratable value proof of **60%+ productivity uplift**

- Tenfold increase in “power” users (5% to over 50%) with 80% productivity uplift, 30% of “medium” users with 40%+ productivity uplift

Productivity gains driven by **tailored six-week adoption sprints** focused on techniques and behaviors to sustain GenAI ways of working

Approach focused on **improve adoption quality**—across **depth** (unit tests only to E2E feature development), **breadth** (coding only to full SDLC) and **frequency** (uplift in number of GenAI interactions per day)

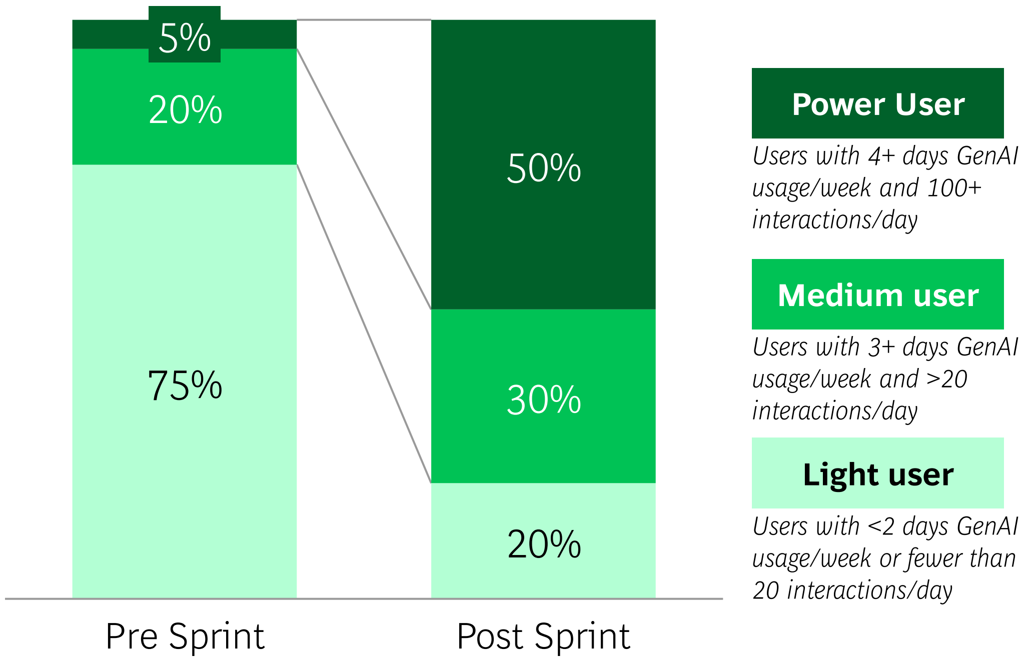
Credible path to 2X value—currently scaling

Source: BCG case experience

Case study | Measurable productivity uplift

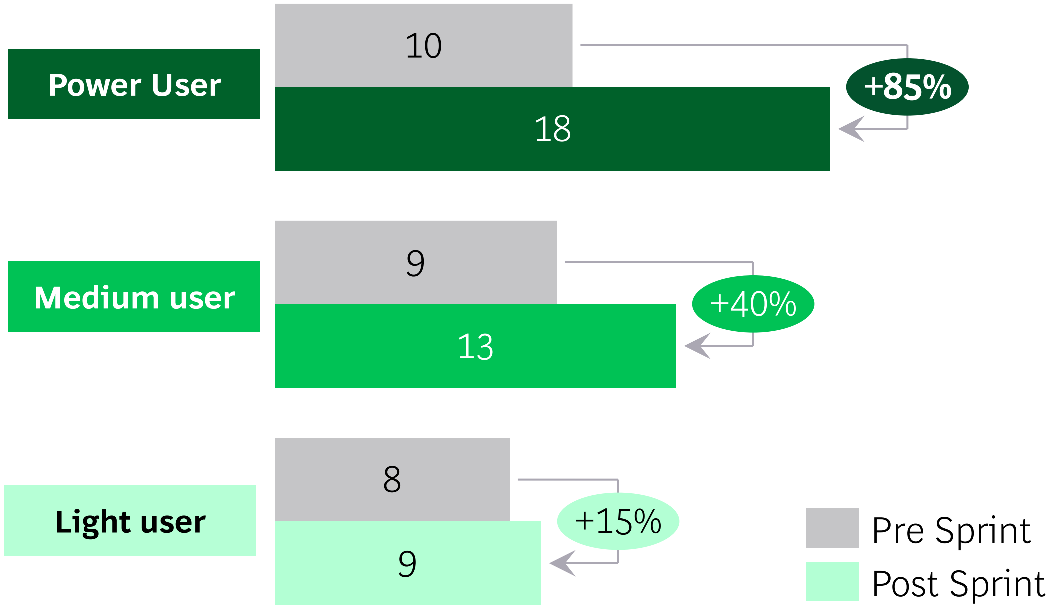
Tenfold increase in power user cohort

% of users by GenAI usage cohort



… with demonstrable increase in throughput

Number of PRs before and after pilot by GenAI usage



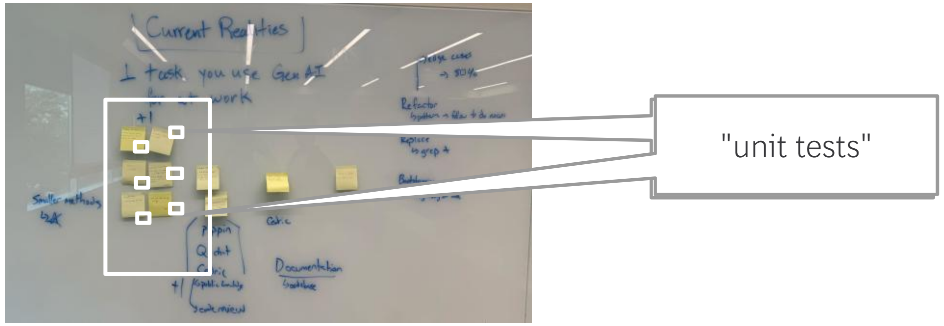
PR = pull request

Source: BCG case experience

Case study | Significant shifts in usage, trust, and team-leader engagement

From "Starting point of the organization"

Narrow set of use cases



Low trust in AI – "Hallucination"

> It hallucinates - I usually just say implement X and it doesn't work."
>
> — Developer

Team leads not establishing expectations

> Are we "allowed" to spend time experimenting with AI? There are many use cases I'd like to try."
>
> — Developer

To "An evolution where we see 2x productivity"

Broad uses

- ✓ Drafted release-readiness documents: **half a day, now 30 mins**
- ✓ Resolved long-standing bug: **3 hours, now 5 to 10 minutes**
- ✓ Developed end-to-end feature: **build done in 30 minutes**

Shipped out 5 CRs in 3 days relying entirely on Kiro spec driven development, no manual coding at all. Good steering documents and detailed specs are the key to getting it to work accurately.

Increased trust in tools

> My understanding developed over the last few weeks
> … we are just idea generators and AI creates the code
> … would have said a month ago that this velocity was impossible."
>
> — Engineer

Team lead led mentoring and accountability

> If it takes an extra hour to figure out how to use GenAI to deliver, I'm O.K. with it being an hour later."
>
> — Team Lead

Case study — engineer adoption | Step change impact in engineer adoption frequency and quality

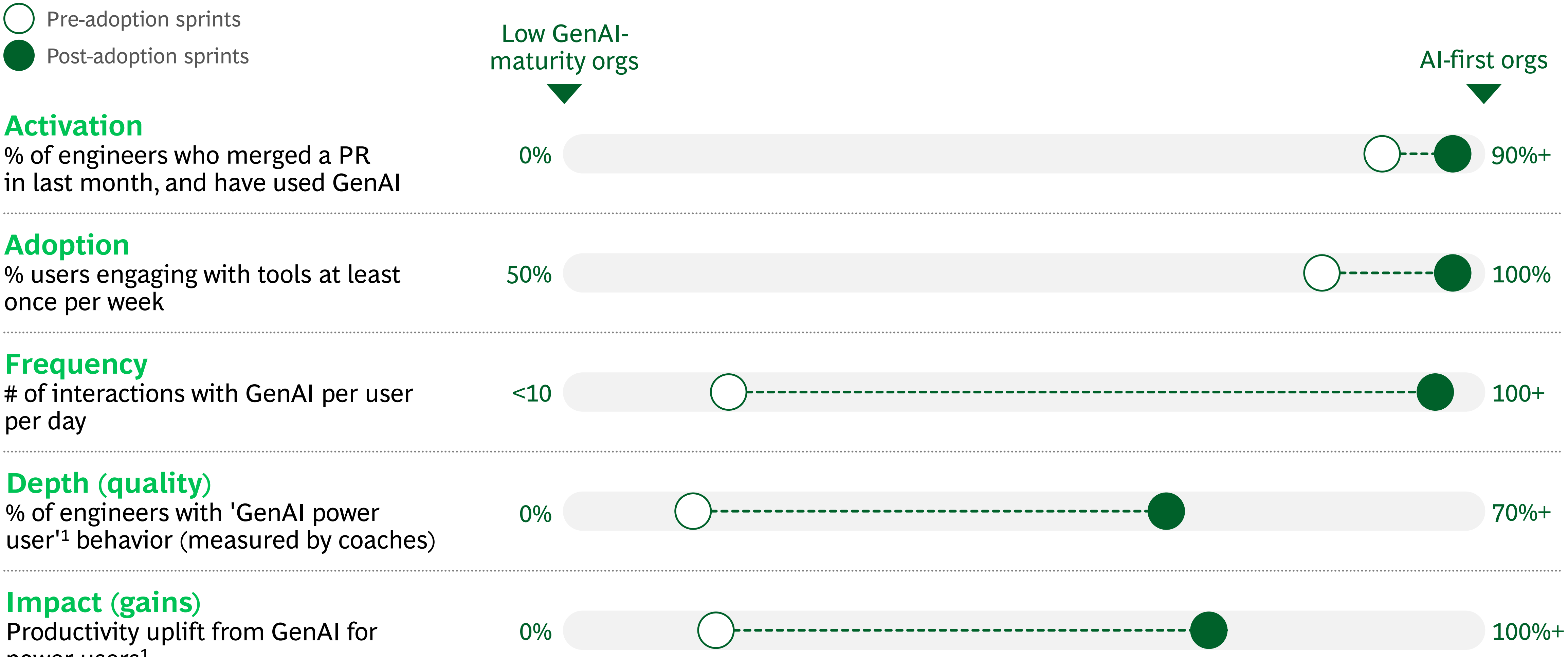
Activation
% of engineers who merged a PR in last month, and have used GenAI

Adoption
% users engaging with tools at least once per week

Frequency
# of interactions with GenAI per user per day

Depth (quality)
% of engineers with 'GenAI power user'[1] behavior (measured by coaches)

Impact (gains)
Productivity uplift from GenAI for power users[1]



1. Defined based on number of days of usage per week and number of interactions with the GenAI tool per day.
Source: BCG case experience

Reshape | Five guiding principles for reshaping a software organization to unlock productivity gains and/or drive real margin improvement

Five factors to drive Reshape success

1. **Prioritize key functions and use cases:** Force multiplier functions with demand elasticity (such as R&D) or straightforward substitutes (such as customer service). Avoid the temptation to reshape the entire organization at once

2. **Redesign operating model workflows end-to-end:** Simply deploying tools is not sufficient. Roles, org structure, ways of working should transform to capture the uplift

3. **Default to buying third-party tools:** Build tools only when function is core to business strategy (like optimization for logistics)

4. **Hardwire value tracking to P&L impact with adoption and behavior incentives** (R&D throughput, service headcount, upsell rates, etc.). Be willing to refine metrics and benchmarks

5. **Realize the impact:** Be intentional about where to capture gains as EBITDA uplift and where to redeploy productivity toward Invent

Take action as an AI-first SaaS CEO

Seven factors to drive success as an AI-first SaaS company

1. **Set a bold vision for your company with AI at the forefront** for both product innovation and operational improvement
2. **Be a role model and get your hands dirty:** Build fluency in AI similar to SaaS. (Re)learn to code and leverage AI tools in daily workflows
3. **Bifurcate the P&L:** Split the business into a ruthlessly efficient SaaS core and ringfenced, product-obsessed AI startup
4. **Stay focused and pick the Invent lighthouses:** In product innovation, the value comes from two or three killer apps and not a long tail of LLM wrappers
5. **Get the Reshape operating model right:** Simply deploying tools will not be enough, end-to-end workflows need to change
6. **Establish targets for success, but be willing to redefine targets or strategy:** There is no well-proven playbook or bench for AI product strategy
7. **We have reached peak ambiguity, embrace it:** It will be too late if you wait until all the right answers and benchmarks exist before starting. Lead with optimism. Be bold. Compare notes. Experiment, then update priors and take risks

BCG experts | Key contacts for AI in software companies

North America

Greg Emerson
Tech Capital sector Global leader & AI topic expert

Tawfik Hammoud
Private Equity & AI topic expert

Akash Bhatia
Tech sector Global leader

Derek Kennedy
Tech, Media, and Telco NAMR leader

Matthew Kropp
Tech & AI topic expert

Vikram Sivakumar
Tech & AI R&D topic expert

Japjit Ghai
Tech expert & AI GTM leader

Amit Kumar
Tech & AI topic expert

Kamila Rakhimova
Tech & AI topic expert

Europe, Middle East, and South America

David Panhans
Tech, Media, and Telco EMESA leader

Florian Schmieg
Tech Capital EMESA leader & AI topic expert

Nicolas Schmidt
Tech, Private Equity, and AI topic expert

Asia-Pacific

Vaishali Rastogi
Tech, Media, and Telco Global leader

Rajiv Gupta
Tech, Media, and Telco APAC leader

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