



## In the age of AI, business transformation should pay for itself



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### What's out?

IT continuing to pile up decades of technology, data, and process debt (triple-debt) in the face of stagnant budgets, curtailing growth and innovation.

#### What's in?

Self-funding, AI-led business reinvention, adopting AIOps, and AI-enabled software development. Realizing business value and investing back the resulting savings to fund innovation, transforming the customer experience, reimagining cost-structures, and delivering perpetual agility for the enterprise.



# The dawn of widespread, scalable AI is upon us

Technology, data, and process debt have far-reaching consequences on enterprise innovation and growth, stalling AI enablement, fluency, and impact, repeatedly.

With GenAI-, AI-, and machine learning-enabled solutions—as well as the rapidly developing agentic AI world—promising exponential growth, jumping headfirst into the AI wave is alluring. As more companies feel comfortable using AI, they are setting their sights on reimagining business operations to spur innovation and growth.

According to the TCS AI for Business Study, 86% of senior leaders are using AI to enhance or create entirely new value chains, while 72% are using AI to improve productivity.

Despite these upbeat findings, deploying AI at scale has not been without its share of challenges. These include a trio of legacy IT debt roadblocks (technology, data, and process debt, collectively called *"triple-debt"*), insufficient funding for foundational AI building blocks, and the absence of quantifiable business impact tracking. Compounding these challenges are the increasing upfront investments needed to improve the quality of data used to train AI models, organizational change management, governance, security, compliance, and the organizational commitment needed to help people acquire new AI skills.

Therefore, it is no surprise that today, many organizations are struggling to showcase real, tangible benefits from AI. According to the TCS AI for Business Study, while 94% of businesses have adopted AI, only 12% of use cases have realized business outcomes. As one-time costs and triple-debt continue to pile up, the exponential benefits promised by AI seem like a hard-to-realize dream.

Al enables businesses to lean into the power of data and insights to not only enable better, more informed decision-making and new ways to predict and respond to market trends, but also to reimagine operations, customer experiences, and products. While Al has real potential to change how enterprises create value and grow, the promise of the technology mirrors historical transformational technology cycles before it, such as the internet, mobile computing, and the cloud. These massive waves of change offered companies a tremendous business advantage. Yet at the same time, firms that failed to adapt, adopt, and scale them faced the risk of extinction. With AI, that danger of not adopting looms today.

One constant challenge through each of these waves has been prioritizing the right transformation initiatives, while effectively articulating the cost vs. complexity vs. business value over time to the CFO. This has been a dilemma for every technology executive. Inevitably, in the battle of sustain vs. grow, the underlying fear of disrupting the current ways of working has caused organizations to continue operating in their "as-is" state—an IT purgatory—while executing piece-meal transformations based on urgent business needs or access to one-off funding.

This has invariably led organizations to avoid retiring legacy systems, live with fragmented data, miss the opportunity to harmonize disparate business processes, and propagate antiquated ways of working. While there may be seemingly valid short-term justifications for taking this approach, in the long-term it becomes a significant drain on budget, people, and other critical resources.

Whatever the rationale, the result is that IT gets repeatedly blamed for stifling or slowing down enterprise growth due to decades of tripledebt—the accumulation of built-up technology, data, and process debt. Unfortunately, in the age of AI, the distance between industry leaders and laggards exponentially increases on two dimensions: growth and innovation. That is why it is now critical for companies to tackle their triple-debt with a sense of urgency.



#### Triple-debt: A roadblock to becoming the enterprise of the future

Many technology executives in large enterprises have spent a large part of their careers trying to secure funding to pay down the triple-debt they have inherited, but with limited success. In fact, if any have already secured the necessary funding, emerged nearly debt-free, and delivered quantifiable business value, they are truly the superstars in their industry.

For the ones still fighting the urge to pay down triple-debt, I implore you to reconsider. Are you standing between your enterprise and the promise of growth, market opportunities, and innovation? IT executives often strike down large transformation initiatives out of a supposedly legitimate concern that disrupting the current state will be detrimental to their enterprise. Yet many of these decisions turn out to be short-sighted, leading enterprises to continue building on top of outdated systems, data, and processes, just to keep the lights on.

Eventually, IT leaders arrive at a point where they have no option but to step back from all the patchwork initiatives and seriously begin addressing their enterprise triple-debt.

It can be intimidating to take bold, concrete steps to reimagine your business. However, the fact is that AI cannot unlock business value without companies paying down decades of legacy technology, data, and process debt. Add to that stagnant technology funding, and you are in a tough predicament.

Yet, eliminating triple-debt can reap big dividends. While technology-led business transformation accelerated by AI is undoubtedly complex, making it pay for itself through a selffunding model doesn't have to be. That's why, *in the age of AI, business transformation should pay for itself*.

## Self-funding: An integral part of the perpetual transformation journey

As a technology executive, you would have encountered the following transformation (capex) funding pushbacks:

- Why should we pay down our triple-debt now? What happens if we delay or do nothing?
- What is the quantifiable and tangible ROI? How soon will we see measurable financial returns?
- How will you ensure execution success? What happens if we don't achieve the intended outcomes?

A self-funding business case is about saving on operational costs for *keeping the lights on* (KLO) and investing the unlocked savings to perpetually *transform as you go*. At its core, it focuses on:

- Significantly accelerating the KLO savings generated by deploying cost efficiency levers such as autonomous IT operations, optimized labor and technology consumption costs, GenAI-enabled hyper-productivity, etc. and
- Reinvesting the savings to tackle triple-debt and building a robust digital foundation. Erected upon the right digital foundation, AI enablement will not only accelerate and scale, it will also turbocharge transformation initiatives to achieve business value-driven outcomes, accelerate growth, and build a competitive moat.

Let's take a deeper dive into the self-funding approach. You should start by benchmarking your *IT cost-to-serve* against the best-in-class to quantify the savings potential before embarking on the quest to calculate IT capital funding needed for enterprise transformation.

## Defining the right IT cost-to-serve model to generate savings

When it comes to IT expenditures, most organizations have historically only focused on keeping labor costs in check. But what about the dramatic increase in non-labor spend due to increased use of technology and consumptionbased models in the last five years? What about the additional, year-on-year cost increases due to the proliferation of IT tools, unused software licenses, overprovisioned hardware, rampant cloud charges, looming explosion of AI costs, etc.? The list can quickly get long.

Defining the right IT cost-to-serve model goes beyond labor costs. It should also focus on finding the right size and an optimized model for technology by applying levers such as rightsizing infrastructure, rationalizing tools and applications, and eliminating cloud waste, among other items. In our experience, with the right sequencing and pacing of these options, organizations can achieve up to a 30% reduction in cloud consumption costs, a 25– 30% reduction in license spend, and a 15–20% reduction in hardware costs. Better yet, the savings can be rapidly repurposed towards paying down triple-debt and building a strong digital foundation.

Enterprises should also shift their focus to simplifying and standardizing operations, using AI-enabled levers to drive cost and productivity efficiencies. Whether by adopting standard processes across their organization, touchless operations, autonomous IT, AIOps, or GenAIenabled engineering, they should aim to simplify, automate, and modernize processes and evolve towards a unified, services-led model.

#### Acknowledge technology debt and begin to chip away at it

To begin tackling tech debt, ask the basic questions:

- When did we last quantify the scale of the tech debt in our enterprise?
- What would it cost to pay it down?
- How much additional funding is being spent in disparate silos to build separate technology bases and data repositories to enable our AI use cases because the current tech stack is outdated?

Al requires modernized and scalable environments built on a robust data foundation to enable rapid experimentation, rollout, and adoption at scale. Investing in the right technology foundation components while shedding outdated legacy technology becomes fundamental to this enablement.

This begins by evaluating your current IT landscape and identifying areas of potential debt reduction. Whether it is modernizing legacy systems, revamping aging hardware, moving to the cloud, or rationalizing software applications, it is actually possible to do all of this while keeping the lights on and ensuring your company is transforming.

If you are serious about enabling and then deploying your AI initiatives at scale, eliminating your technology debt is no longer optional. Nor is addressing it on a need or one-time basis. The solution is to acknowledge, plan, and eliminate your tech debt. Then review and repeat.

#### Tackling data debt: Build an information superhighway, not a data swamp

Paying down enterprise data debt is the first prerequisite to harnessing the full potential of AI in the enterprise. Companies simply can't truly benefit from AI or scale it if they don't have a robust architecture to support it and the meaningful data to train and leverage AI models. It is not enough to have a data warehouse or data lake and then process data and generate insights for specific use cases in silos. Enterprise business leaders are often frustrated by the difficulty of working with this *data swamp*.

To truly democratize access to information and unlock its value, data must be unlocked, cleaned, aggregated, and enriched so that information and insights can flow across the entire enterprise. This requires firms to evolve their enterprise data to data products, invest in the right data platforms, and design data preparation factories. Simply put, the full value of enterprise data cannot be harnessed until you develop an integration hub to enable real-time flow of data through streaming and events.

IT leaders need to ask themselves if they have the right data and whether it is flowing through the right channels to enable the right insights. The key to addressing data debt is to make data enterprise-world ready and discoverable so that you can harness the true power of connectivity and derive real-time insights to enhance Alpowered decision-making.



### Process debt reduction: Standard, efficient, and harmonized processes

Most process debt is generated due to the tendency of enterprises to let their processes move towards gradual obsolescence and then rushing to deploy workarounds as they are forced to realign, integrate, or retire them. Given the spread and diverse nature of the key processes across your enterprise, tackling your process debt may seem daunting. But not taking action will be tantamount to paving cow paths as you start to tackle your tech and data debt and build your digital foundation for Al enablement.

Fundamentally, addressing process debt involves identifying inefficiencies in your current processes and workflows, harmonizing multiple flows, and bringing in standardization, agile, and lean principles to critical process areas. Whether it is core, supporting, business, or management processes, creating a process debt reduction plan as you transform will not only help your company adapt faster to the transformative changes, it will also drive standardization while eliminating redundancies and waste systematically. It is also important that as you pay down your process debt by transforming to new and standardized processes, you monitor and measure their effectiveness and move to an iterative approach to ensure you drive continuous improvement.

As you start to build out your roadmap to retire your tech and data debt, bake in process debt reduction plans in your integrated roadmap to tackle triple-debt. The ongoing effort to standardize, optimize, and refine processes as you transform and modernize the enterprise will pave the way for enterprise AI enablement, adoption, and scale.



## The simplicity of self-funding

The recipe for a self-funded transformation business case can be as simple as three steps.

**Step 1:** Start with executive leadership commitment (Business, Finance, and IT) and align on the top three to five metrics to quantify and measure business value unlock for your enterprise. Benchmark your *IT cost-to-serve* and commit to clear, quantifiable IT operating cost savings (using levers such as AI/machine learning-led autonomous IT, right target operating model, etc.). Then model the cash flow for how you wish to invest these savings to retire triple-debt.

**Step 2:** Measure your triple-debt, quantifying the cost and time needed to retire the minimum debt to become a future-ready enterprise. Build the right data and technology components for a strong digital foundation. Resist every temptation to muddle your base digital foundation and prepare the enterprise for changes in ways of working.

**Step 3:** With a strong digital foundation base established, deploy AI and GenAI solutions at scale to accelerate business outcomes. While some of these high impact use-cases may be polarizing, the potential upside is too promising. Measure, track, and report the business value unlock using the top three to five metrics defined in Step 1 to your executive leadership team (Business, Finance, and IT).

All three steps are equally important to creating a self-funded transformation business case. I recommend starting the future state blueprinting with a four to eight week fit/gap analysis to define the roadmap and business case for your organization.

However, if *detail-oriented*, *change-agent*, and *visionary* aren't words that describe you, consider only going with Step 1. Benchmarking your *IT cost-to-serve* may be your worst enemy, but as the phrase goes, "Love your enemy."

In the age of AI, business transformation should pay for itself. It is time to embrace self-funded perpetual transformation to become an enterprise of the future.

#### Talk to a transformation expert

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#### About the author

Sushant Tripathi leads TCS' Tech & Digital Transformation, AI/GenAI, Data, and Cybersecurity work in North America, helping leading enterprises across industries accelerate business value from their technology investments. Collaborating with CTOs, CDOs, CIOs, and business unit heads, he creates execution-ready blueprints and roadmaps for multi-year, technology-led business transformation, and digital transformation journeys. Sushant focuses on future proofing enterprise architecture for growth and technology operating

model transformations. He also helps large enterprises and private equity firms with M&A integration and divestiture initiatives. Sushant frequently speaks about technology-led business transformation at industry events, academic institutions, and conferences. A resident of Houston, Texas, he earned a bachelor's degree in technology from IIT Bombay and an MBA from Faculty of Management Studies (FMS), University of Delhi, India.

#### **Tata Consultancy Services Ltd (TCS)**

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