# AI Inflections 2026 - Chapter 9: The End of SaaS as We Know It?

## Why software is moving from seats and screens to agents, orchestration and outcomes

**SaaS is not disappearing. It is being re-architected from tool access to workflow execution.**

**By: Logan Sivanasen - 3rd March 2026**

This paper examines how AI is changing the SaaS model, where old assumptions are failing, and what leaders should consider to do next, grounded with research and insights from Microsoft, McKinsey, Gartner, and Stanford HAI.

# From Software as Access To Software as Execution

**Software evolves from providing tool access to agents executing tasks, prioritizing finished work and outcomes.**

**1**

### Old Model: Access

Buy seats. Open the app. Navigate screens. Perform steps manually. Export outputs.

**2**

### Transition: Assistance

AI suggests next steps. Users still drive execution. Value is still measured in adoption and logins.

**3**

### New Model: Execution

State intent. Agents route, execute, and complete defined workflows. Humans approve, audit, and manage exceptions.

**Gartner forecast via [Reuters](#):** Agentic AI is expected in 33% of enterprise software by 2028, up from near zero in 2024.

# Why the Old SaaS Model Is Breaking

**The old SaaS model's app sprawl, manual work, and fragmented workflows are now breaking under new pressures.**

## The Cost of Sprawl

- Redundant seat licensing across overlapping tools
- Manual handoffs between disconnected systems
- Governance blind spots at integration seams
- IT overhead managing API connections and access controls

## What Buyers Want Instead

- Fewer tools with deeper workflow coverage
- Faster throughput without manual steps
- Tighter governance and auditability
- Clearer ROI linked to outcomes, not seats



**McKinsey 2025**: Agentic AI is spreading, but only one-third of organizations report scaling AI, meaning redesign work is still underway.

# What the Market Data Already Tells Us

**This isn't a niche shift; broad, global market data confirms a behavioral transition already in progress.**

## 82%
### Leaders Rethinking Strategy

Share of leaders who say 2025 is a key year to rethink core strategy and operations, per **Microsoft's 2025 Work Trend Index**.

## 31K
### Workers Surveyed

Global respondents across 31 countries forming the foundation of Microsoft's annual workplace intelligence research.

## 33%
### Enterprise Software

Share of enterprise software expected to include agentic AI by 2028, per **Gartner's forecast reported by Reuters**.

## 15%
### Daily Decisions Autonomous

Share of daily business decisions expected to be handled autonomously by agentic AI by 2028, per **Gartner via Reuters**.

# What Survives

Trusted systems of record and deep domain knowledge are critical for AI agents to act safely and accurately.

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## Systems of Record

Clean data, permissions, and audit history are the fuel agentic systems run on. Record-system vendors gain leverage, not exposure.

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## Workflow Owners

Products embedded in daily operating rhythm, with control over routing, approvals, and exceptions, hold the coordination chokepoint.
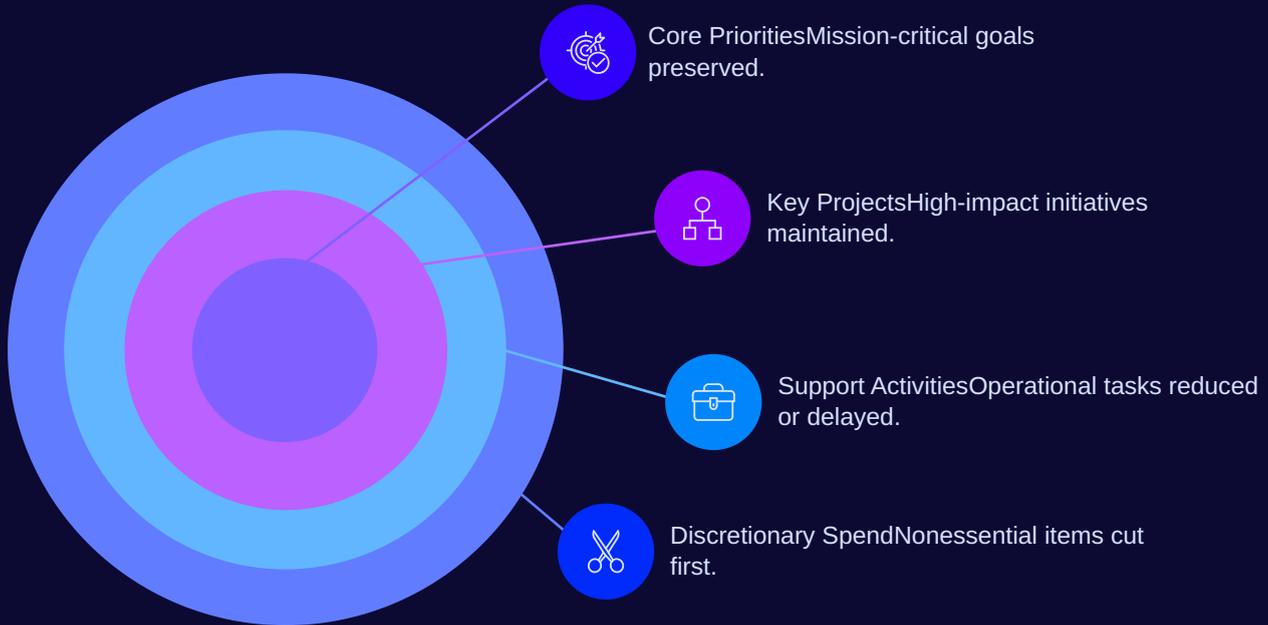
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## Deep Domain Logic

Industry-specific rules, validation logic, and error-cost awareness cannot be replicated by horizontal AI layers. Vertical depth wins in rules-heavy workflows.



> **Strategic inference:** Trust and domain depth are increasingly valuable in an agentic world, supported by **Microsoft** and **Gartner**.

# What Gets Squeezed

**Core Priorities**Mission-critical goals preserved.

**Key Projects**High-impact initiatives maintained.

**Support Activities**Operational tasks reduced or delayed.

**Discretionary Spend**Nonessential items cut first.

## Enterprise software with shallow data, weak integration, or no core workflow ownership will be squeezed by AI platforms.

### Thin Wrappers

Products that add a UI layer over commodity APIs with no proprietary data or logic. Platform vendors absorb this value as a built-in feature within 18 to 24 months.

### Isolated Point Tools

Single-function products with weak integration depth and no workflow ownership. When agents handle the workflow end-to-end, the isolated tool loses its activation trigger.

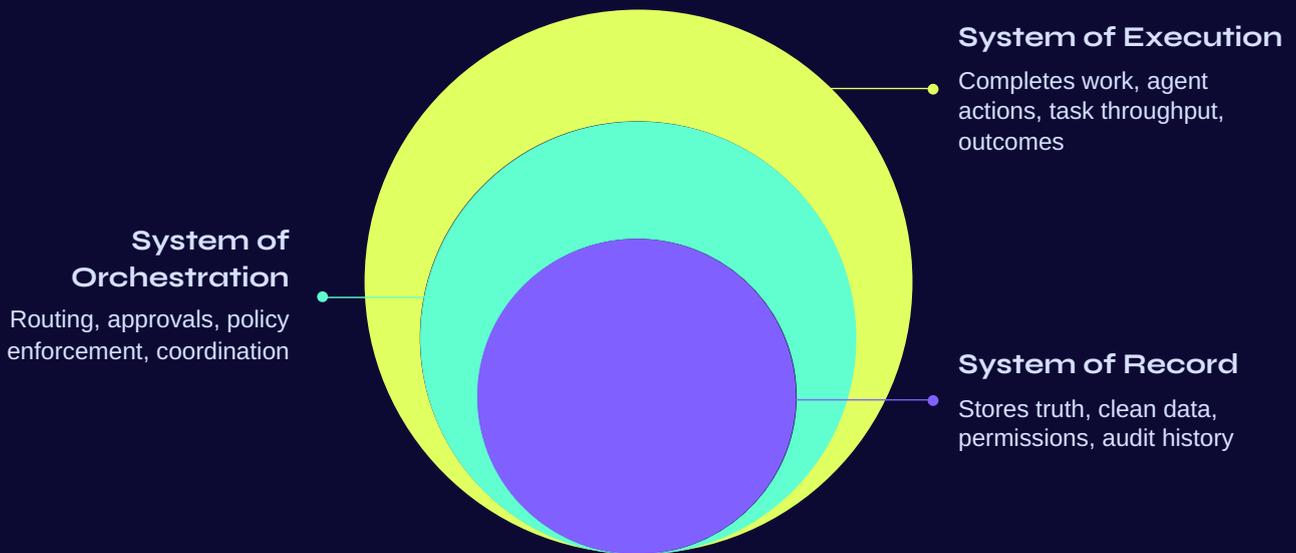### Undifferentiated Features

Products whose core capabilities are replicable by foundation models. Without domain logic or trusted data, these vendors face rapid price compression and churn acceleration.

**Reuters reporting on Gartner:** Weak point products and hype-led AI projects face failure by 2027 due to lack of business value.

# The New Software Stack

**Infrastructure**  **Data & AI**  **Experience**

**Platform**  **Applications**
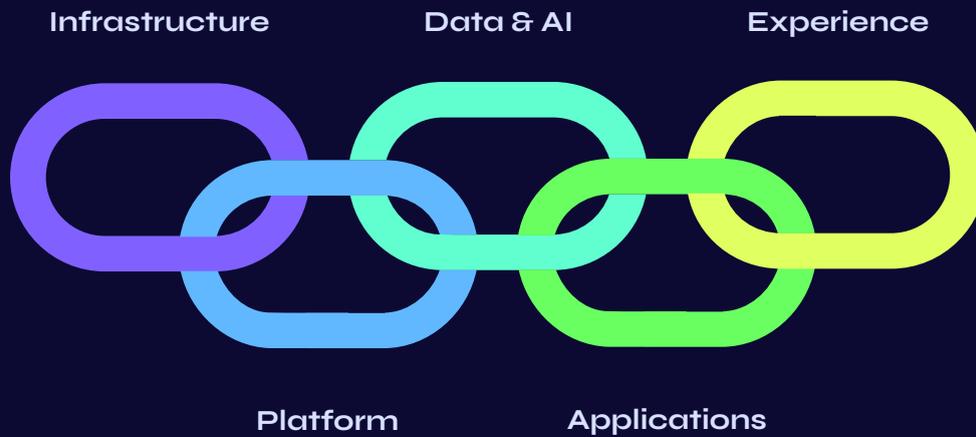
**Enterprise software is restructuring into three functional layers: record, orchestration, and execution, each with unique value and dynamics.**

**System of Execution**
Completes work, agent actions, task throughput, outcomes

**System of Orchestration**
Routing, approvals, policy enforcement, coordination

**System of Record**
Stores truth, clean data, permissions, audit history

## Why Orchestration Wins

- Controls decision layer (agent actions, approvals, data reference).
- Determines outcomes.
- Owning orchestration means owning the operating model.

## McKinsey Evidence

- McKinsey: Stronger operating models and data practices drive AI value.
- This validates orchestration's role in software design.
- It's a new center for competitive advantage.

# The New Economics

## From seats to usage to outcomes

### Seat Pricing

Pay for user access. Value measured in logins, adoption, and license count. Buyer pays for potential, not proof.

### Usage Pricing

Pay for API calls, compute, and task volume. Value measured in activity. Buyer pays for utilization, not outcomes.

### Outcome Pricing

Pay for finished work, cycle time reduction, and business movement. Value measured in throughput and accuracy. Buyer pays for proof.



**Reuters via Gartner:** Agentic AI is accelerating the shift toward outcome-linked pricing models in enterprise software.

# The Governance Reset

*Governance is product design*

**As AI becomes autonomous, robust governance features are critical product design, not just compliance checkboxes.**

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### Audit Logs

Every agent action recorded with timestamp, data reference, and outcome. Non-negotiable for regulated industries.

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### Approval Gates

Human validation checkpoints embedded in workflow execution, not bolted on afterward.

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### Role-Based Controls

Granular access and action permissions tied to organizational roles and workflow context.

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### Exception Routing

Defined escalation paths when agents encounter ambiguity, error, or policy conflict.

**McKinsey 2025:** Organizations with defined human validation processes are more likely to realize AI value at scale.

# The Hard Truth on Agentic AI

**Adoption will rise. Failure will rise too.**

## The Promise

- 33% of enterprise software includes agentic AI by 2028
- 15% of daily business decisions handled autonomously
- Faster throughput, lower cycle time, measurable ROI
- Orchestration vendors gain structural market control

## The Waste

- Gartner projects that over 40% of agentic AI initiatives may be scrapped by 2027 if business value and governance are not clearly defined.
- Hype-led builds without outcome proof fail first
- Governance gaps create enterprise trust failures
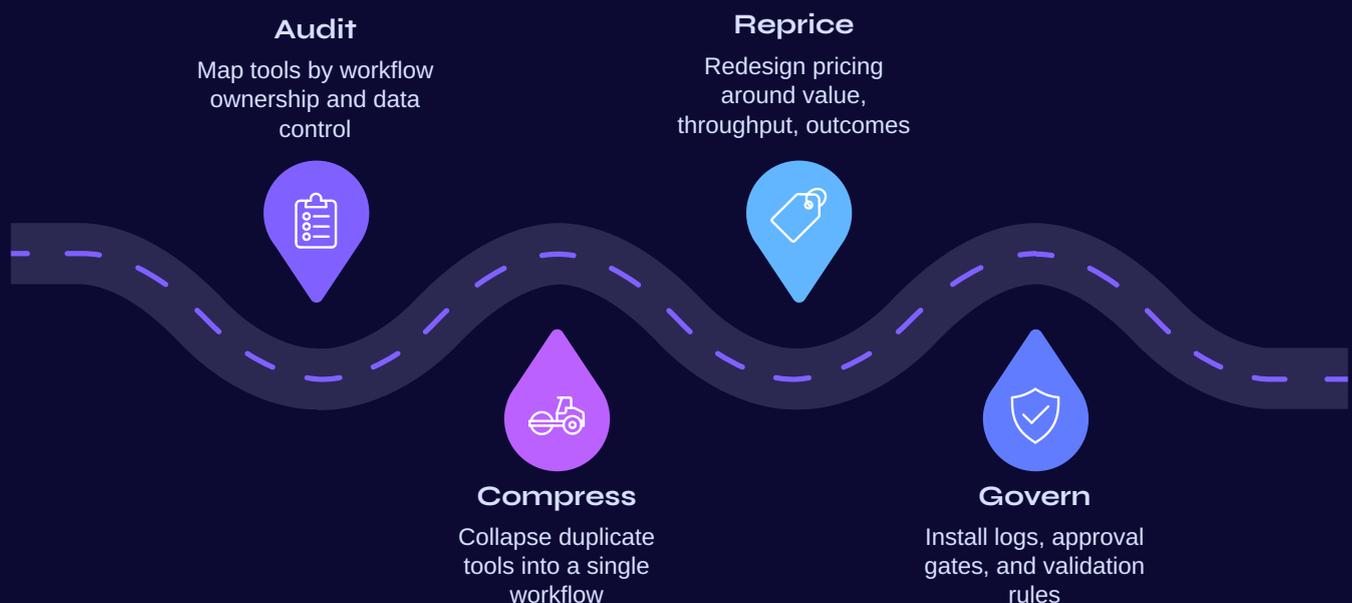- AI theatre delays real operating model redesign



The Promise          The Waste
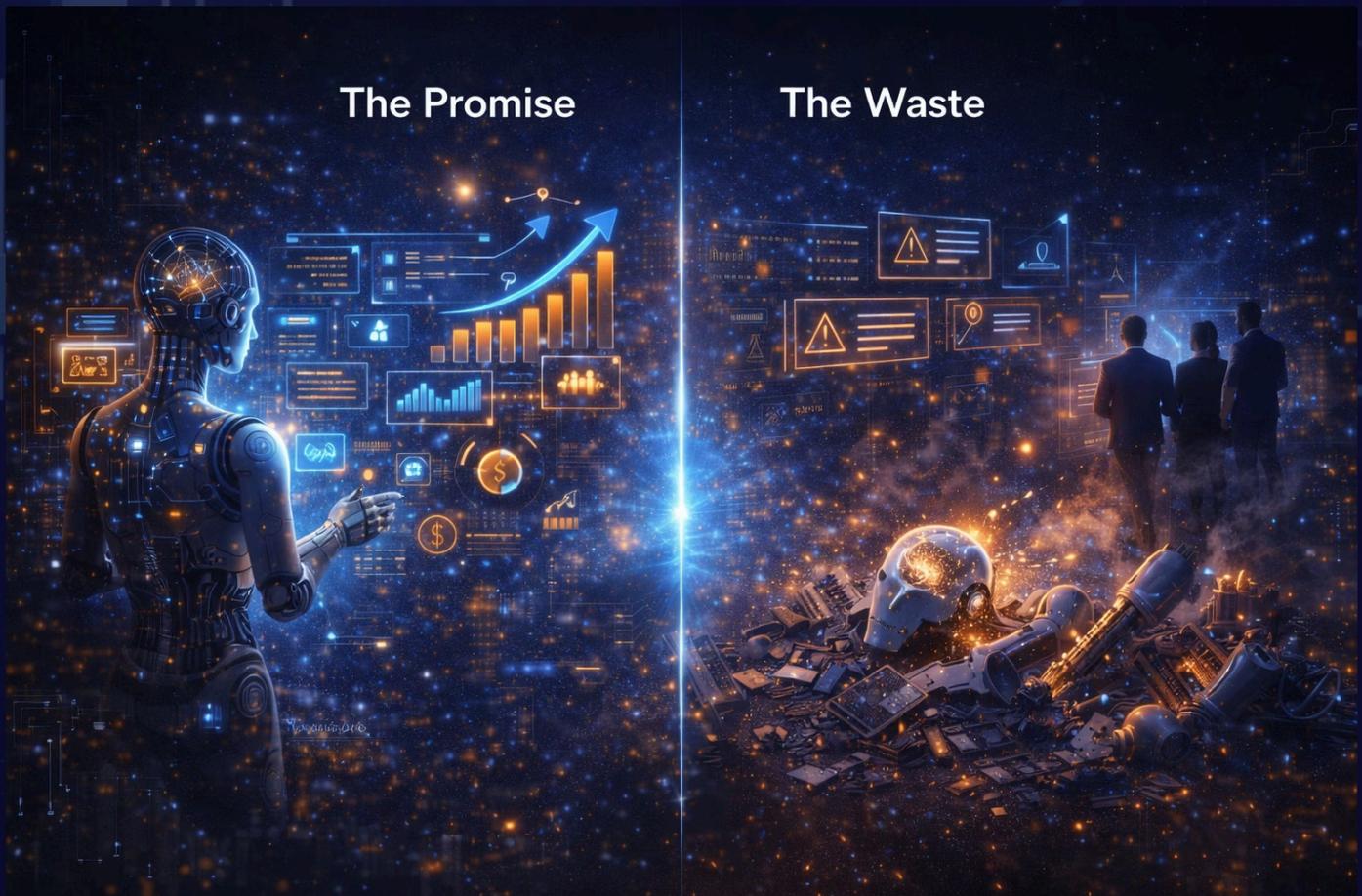
🗒 **The message is simple:** Execution matters more than announcements. Workflow design matters more than model capability. Business proof matters more than feature lists.

# What Leaders Should Do in the Next 12 Months

## Redesign your operating model and software strategy to unlock the full potential of agentic AI.

The next two quarters are not a window for experimentation; they are a structural decision point. The enterprise software leaders who act now will define the operating models that dominate the next decade. Those who wait will find themselves locked into legacy cost structures, fragmented tool stacks, and seat-based contracts that AI platforms will systematically undercut. McKinsey's 2025 research confirms that 78% of companies are using gen AI but the vast majority report no meaningful bottom-line impact: the "gen AI paradox." The gap between deployment and value is not a technology problem. It is an operating model problem. Leaders who redesign workflows, consolidate tool stacks, and install governance at the workflow level are already pulling ahead.

This four-step sequence (Audit → Compress → Reprice → Govern) represents the essential operating logic for maximizing AI value. Each step builds on the last: you cannot compress what you haven't audited, you cannot reprice what you haven't compressed, and you cannot govern what you haven't repriced. This sequence is not arbitrary; it mirrors how AI value actually compounds in enterprise environments. McKinsey's "Agentic Organization" research (September 2025) describes this as the largest organizational paradigm shift since the industrial revolution: humans and AI agents working side by side at near-zero marginal cost. But that future only materializes for organizations that have done the foundational work: clean data, owned workflows, and governance infrastructure that treats AI agents as managed participants in the operating model, not bolt-on tools.

**Audit**
Map tools by workflow ownership and data control

**Reprice**
Redesign pricing around value, throughput, outcomes

**Compress**
Collapse duplicate tools into a single workflow

**Govern**
Install logs, approval gates, and validation rules

📄 **Microsoft "Frontier Firm" alignment:** [McKinsey](#) confirms value comes from integrated practices across strategy, operating model, data, technology, and adoption.

# What the Evidence Actually Says

**Four nuanced readings of the data that sharpen the narrative beyond simple optimism.**

## The market is moving under uneven maturity

**McKinsey's 2025 results** show adoption is broadening, yet scaled value remains concentrated. The right line is not "AI has already replaced SaaS." It is: "The operating model has changed first, and the software stack is being forced to follow."

## Governance is part of product-market fit

**McKinsey's 2025 data** on human validation and hiring for compliance and ethics supports a hard commercial truth: trust is becoming a buying criterion in enterprise AI, not a policy afterthought.

## Cost curves are accelerating category compression

**Stanford HAI's 2025 AI Index** flags inference-cost reduction as a major structural force. Lower cost and faster models make it easier for software vendors to move AI from a premium add-on into the product core — strengthening the case for workflow automation and point-tool compression.

## The market will punish AI theatre

**Reuters' reporting on Gartner** gives a strong counterweight to hype. If more than 40% of agentic AI projects are likely to be scrapped by 2027, the winners will not be the loudest firms. They will be the firms with the cleanest workflow design and the clearest business proof.

# Six Key Predictions for 2026

**The structural shift towards agentic AI means winning products will own trust, execution, and proof.**

### 1

### 1. Interfaces Lose Strategic Weight

Users will spend less time inside the app and more time reviewing outcomes, exceptions, and approvals. The visible product shrinks. The execution layer grows. This follows from **Microsoft's 'on-demand intelligence' framing** and **Gartner's projected rise of agentic AI** in enterprise software.

### 2

### 2. Orchestration Becomes the Control Point

The vendor that controls routing, approvals, and policy enforcement controls the operating model. Orchestration is the new center of competitive advantage in enterprise software. AI raises the value of clean data, permissions, and audit history — making system-of-record control more valuable, not less.

### 3

### 3. Point SaaS Categories Compress

The tighter the category and the weaker the workflow ownership, the faster broader platforms and AI-native layers will pressure price and retention. **Gartner's projected software penetration** and its forecast on project failure both support a shakeout already underway.

### 4

### 4. Outcome-Linked Pricing Rises

As software executes tasks, buyers shift from paying for user access to paying for delivered work, throughput, and business movement. **Reuters' coverage of Gartner's forecast** supports this direction — agentic AI is moving into the core of the enterprise software stack.

### 5

### 5. Governance Becomes a Product Feature

As software becomes more active, enterprises will buy control, traceability, and approval logic as part of the product itself. **McKinsey's 2025 research** supports this through its emphasis on human validation and AI compliance roles. Trust is becoming part of product-market fit in enterprise AI.

### 6

### 6. Vertical AI Wins Where Domain Logic Is Deep

Where domain logic is dense, trust matters, and error costs run high, vertical depth beats generic chat-based interfaces. AI value rises when workflow context and validation are strong. This is the operator reading of the same evidence base.

# Your Decision Framework: Keep, Rebuild, Merge, or Retire

Evaluate products by workflow ownership and data differentiation to guide strategic decisions in an AI-driven market.

**High Workflow Ownership**

Rebuild - Owns workflow, weak data

Keep & Deepen - Owns workflow and data

**Low Data Differentiation**

**High Data Differentiation**

Merge - Strong data, weak workflow

Retire - Weak workflow and data

**Low Workflow Ownership**

## The Survival Test

- Does this tool own trusted data no other system controls?
- Does this tool sit in the daily operating rhythm of the buyer?
- Does this tool encode domain logic that takes years to replicate?

## The Compression Signal

- Can a horizontal AI platform replicate 80% of the function as a built-in step?
- Is the primary value a UI over commodity APIs?
- Is the switching cost measured in convenience rather than operational trust?

**Stanford HAI 2025:** Lower AI inference costs will accelerate the absorption of narrow-tool functionality by platform vendors.

# Key Takeaways

**The five things every enterprise software leader should walk away knowing.**

### The interface is not the product anymore

Execution is. Users will judge software by what it completes, not what it displays.

### Systems of record and domain depth are the new moats

Trusted data and workflow ownership are what agentic systems need to act safely and accurately.

### Point tools without workflow ownership will be absorbed

If a platform can replicate 80% of your function as a built-in step, your pricing power is already eroding.

### Outcome pricing will replace seat pricing

Buyers will pay for throughput, cycle time reduction, and accuracy — not for login credentials.

### Governance is a product requirement, not a policy

Audit logs, approval gates, and exception routing are buying criteria in enterprise AI deployments.

**Download this framework:** Use the Decision Framework on the previous card to audit your portfolio. Map every tool by workflow ownership and data differentiation. Act before the market forces the decision.

# The Next Software Winners Will Not Sell Access to Tools. They Will Sell Finished Work.

**Future software success means selling finished outcomes, not just tools. Shift from apps to execution, delivering trusted results.**

## Own the Workflow

Control the routing, approvals, and execution path. The workflow owner sets the operating rhythm.

## Sit on Trusted Data

Systems of record gain leverage in an agentic world. Clean data is the fuel agents need to act safely.

## Prove Outcomes

Throughput, cycle time, and accuracy replace logins and adoption metrics as the basis for renewal and expansion.

**Microsoft's "Frontier Firm" thesis** and **Gartner's enterprise software forecast** both point in the same direction. The center of value is moving from the screen to the system. Get there before the buyer asks why you are not already there.

## Sources

Microsoft. (2025, April 23). **2025: The year the Frontier Firm is born. Microsoft WorkLab.** | Microsoft. (2025, April 23). **The 2025 annual Work Trend Index: The Frontier Firm is born. Microsoft Blogs.** | Stanford Institute for Human-Centered AI. (2025, April 18). **AI Index Report 2025.** | McKinsey and Company. (2025). **The State of AI: Global Survey 2025.** | McKinsey and Company. (2025). Agents, innovation, and transformation. | McKinsey and Company. (2025). **The State of AI: How organizations are rewiring to capture value.** | Gartner. (2024, October 21). **Gartner identifies the top 10 strategic technology trends for 2025.** | Reuters. (2025, June 25). **Over 40% of agentic AI projects will be scrapped by 2027, Gartner says.**