

Recoding the core: scaling AI across complex business functions

How AI-first managed services
transform critical functions from
cost centers to strategic enablers




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Executive summary

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- The global services economy is being reshaped by technological disruption and a multipolar geopolitical landscape. Organizations must continuously reinvent business models, diversify revenue and build resilience across increasingly complex value chains.
 - Legacy systems and outdated operating models create barriers to modernization, limiting the ability to scale AI and other emerging technologies to create sustainable value for the organization and customers.
 - The solution is to recode the core - redesigning foundational business functions through AI-led, tech-first models that deliver efficiency, speed and agility at scale.
 - But many organizations remain people-led, with technology only supporting rather than driving transformation. Adopting a tech-first paradigm requires deep cultural and operational change that few companies are ready for.
 - Three major barriers dominate: poor integration into workflows, failure to move beyond pilot projects and a tendency to view AI as a technology upgrade rather than a business transformation.
 - Partnering with an AI-first managed services provider can help. The most effective model combines internal ownership with external specialist capabilities - balancing control with flexible access to advanced technologies and scalable delivery frameworks.
 - EY delivers AI-first managed services with a focus on transforming complex, mission critical business functions such as tax and risk into strategic capabilities. Our structured framework and proven adoption model helping clients recode the core through AI, deliver sustainable value and build AI-powered enterprises positioned to thrive in a fast-evolving economy.

1

The world is shifting faster than operating models can keep up

Organizations must recode the core through AI-first processes

Two powerful megatrends are transforming the global business landscape – technological disruption and a multipolar geopolitical order. Competing in this environment demands continual reinvention of business models, diversification and resilience across the value chain.

This transition calls on organizations to balance technological advancements with human expertise, but progress is slow due to critical structural barriers:

■ Geopolitical shifts:

The globalization playbook centered around efficiency, scale and cross-border arbitrage is eroding as governments pursue “de-risking” strategies, such as in-shoring critical manufacturing, national security-aligned trade policies and incentives to domestic investment. Multipolarity is fragmenting markets, pushing enterprises to diversify supply chains and localize operations. According to [EY's Geostrategic Outlook report](#), 70% of global CEOs now prioritize resilient, localized supply chains over traditional cost-saving models.

■ Technology acceleration:

The pressure to adopt advanced technologies is growing.

Yet, transformation is hindered by fragmented legacy systems, cultural inertia and uncertainty over how to realize value from tech.

■ Cost and revenue growth pressures:

Economic volatility and geopolitical risk create an imperative to transform cost structures and drive revenue growth. Organizations are moving forward with innovation, digital channels and new business models but structural barriers, operational complexity and limited technology and AI-readiness challenge progress.

■ Outdated operating models:

Many organizations remain caught between “tech-first” and “people-first” models for complex core functions. The former offers efficiency and scale but lacks contextual nuance; the latter enables agility but can be slow to scale. The real challenge is to blend both models to avoid silos, reduce costs and build resilient, future-ready enterprises.

The way forward is clear: enterprises must “recode the core” – redesigning critical processes through tech-driven, agile operating models that boost resilience and deliver value at speed.

More than

70%

of Asia Pacific organizations anticipate business-model disruption from agentic and autonomous technologies within 18 months, [IDC](#) reports.

2

Readiness gaps making scaling AI difficult

Organizations are struggling to realize the technology's potential to transform complex core functions.

Recoding the core of the enterprise by embedding AI at the heart of operations can transform legacy processes into **intelligent, adaptive and scalable systems**. It's a shift that does more than enhance efficiency and decision-making - AI, automation and analytics give businesses the predictive capabilities to innovate faster, respond proactively to market dynamics and achieve sustainable, long-term growth in an increasingly data-driven economy.

But while organizations largely recognize the strategic potential of AI to turn functions once considered non-core into strategic levers for growth, our experience suggests many are unprepared to scale the technology across the enterprise. Readiness gaps can be categorized around:

- 1 **Lack of change management**, leading to disruptive AI integration and employee resistance.
- 2 **Skill gaps** in data science and AI talent which slow adoption and maintenance.
- 3 **Inability to identify use cases** as organizations struggle to pinpoint where AI can deliver the greatest value or prioritize areas for initial improvements.
- 4 **Poor data** and fragmented sources that undermine AI effectiveness.
- 5 **Absence of benchmarking** or clear metrics, making it difficult to measure AI's impact and progress.
- 6 **Regulatory and compliance constraints** that present additional complexities for highly regulated sectors.
- 7 **Siloed execution** that prevents AI from being fully integrated into business processes.

Why are organizations failing to realize ROI from AI?

An **MIT study** shows that, despite global investment of US\$30-40b in GenAI, 95% of enterprises report no measurable return. Key barriers include:

- Weak business integration - AI tools are misaligned with workflows
- Pilot-to-production gap - only 5% of organizations scale AI with measurable P&L impact
- Treating AI as a technology program rather than a business initiative.

These gaps highlight that driving AI-led transformation across complex core functions such as tax, risk and cybersecurity requires an approach that goes beyond technology alone. Success calls on deep domain experience and knowledge, sophisticated contextual decision-making and coordinated cross-functional collaboration - to seamlessly integrate AI-driven technologies with human expertise, to enhance agility, resilience and long-term value creation.

3

Three strategic pathways guide the journey to recode the core

A collaborative, hybrid model gives organizations the benefit of managed services capabilities without relinquishing control.

We see companies taking bold steps to drive this business model transformation, with many choosing to modernize via three strategic pathways:

- **In-house execution:** Organizations lead AI and technology enablement internally, often leveraging global capability centers (GCCs) for cost advantages. This approach offers control and strategic autonomy but demands significant investment and specialized talent, slowing time to value and limiting scalability.
- **Full-service partnership:** Transformation is fully outsourced to a third-party provider. While this model can accelerate deployment through a proven delivery

infrastructure, it risks eroding institutional knowledge and weakening alignment with core business priorities, particularly in high-context, domain-driven functions.

- **Collaborative, hybrid model:** A balanced approach that combines internal ownership with external expertise. In this increasingly preferred approach, core functions are transformed in partnership with trusted providers that bring domain and technology capabilities, while non-core operations are operated by traditional managed services vendors. This model helps companies remain focused on transformation goals, optimize delivery at scale and access flexible executive support.

Bold shifts are required to realize the ambition and address sector and enterprise challenges

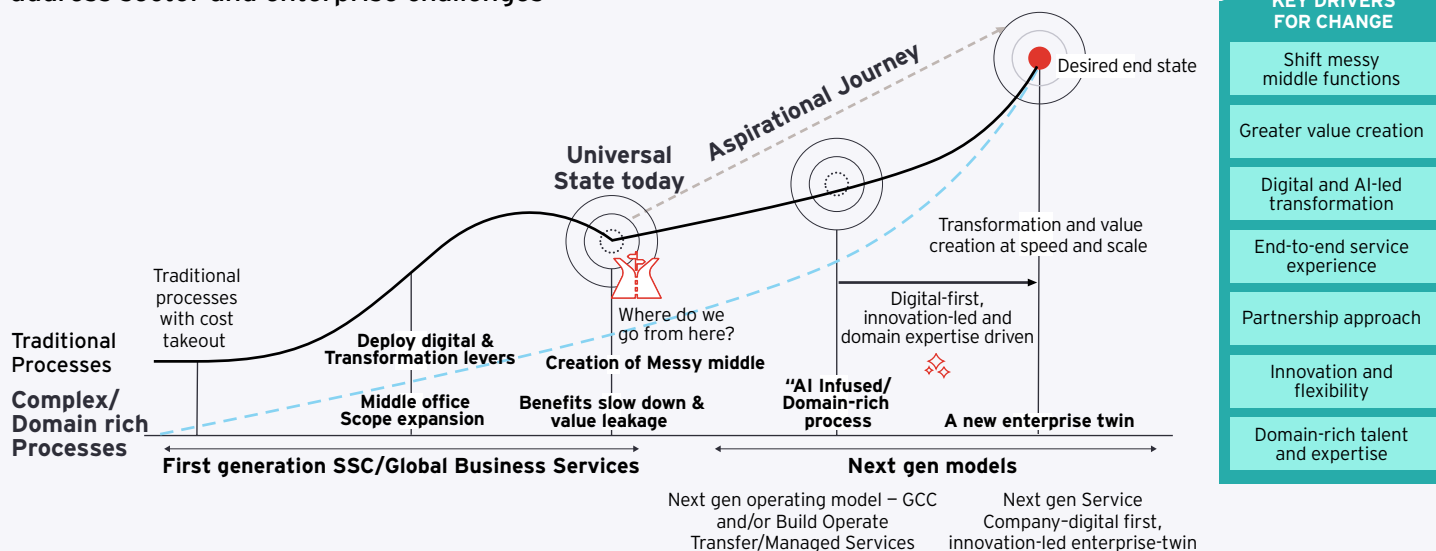


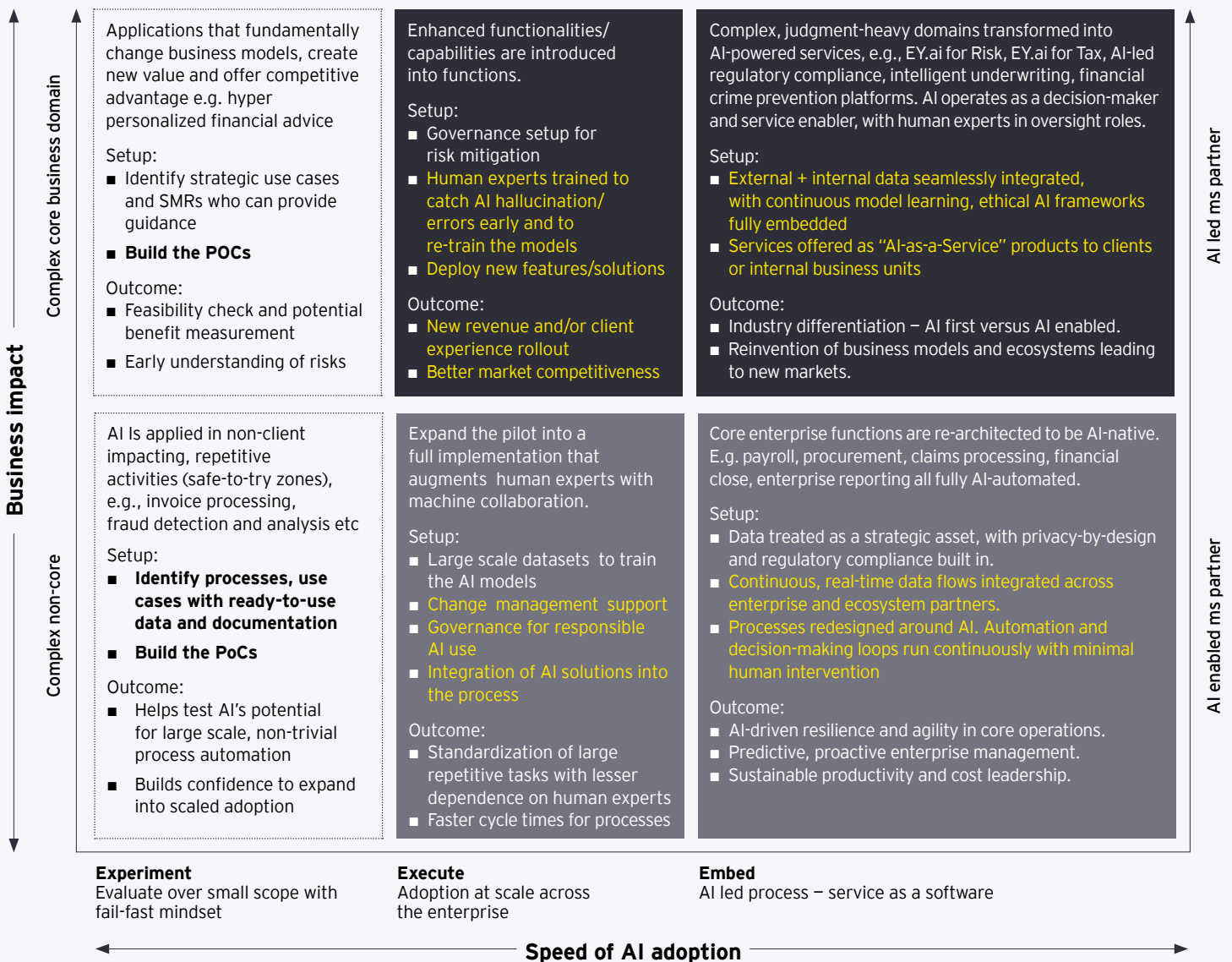
Figure1.0

The collaborative, hybrid model is the optimum solution for the majority of companies, helping overcome readiness gaps to scale AI-led transformation.

But success depends on selecting a premium services provider that brings deep domain expertise, advanced AI capabilities and scalable delivery frameworks to transform through AI via a strategic, phased journey as illustrated in Figure 1.1. As organizations move

from isolated experimentation to scaling and ultimately embedding AI into core operations, a clear division of responsibilities between the enterprise and their managed services partner will drive sustained success.

Gameboard for recoding the core by adopting AI to complex functions of the business



- Partnering with MS/domain specialists with ready AI models will accelerate your adoption.
- Organization can drive AI adoption, but incremental activities/functions can go into a AI-led MS.

Figure 1.1

(The gameboard illustrates this trajectory—experiment, execute, embed—as the structured pathway for organizations to recode the core with managed services provider by adopting AI across complex functions, from the peripheral to the mission-critical)

The uneven path to AI adoption

AI adoption rarely follows a straight line. Its pace and payoff depend on whether it begins in non-core functions or core business domains.

Non-core functions, which are often repetitive and rules-based, tend to be the safest proving ground. Controlled pilots here allow organizations to validate feasibility, test ROI and build confidence before scaling.

Core domains, by contrast, demand deeper workflow integration, stronger governance and sharper domain expertise. Progress typically follows a structured path from pilot to enterprise rollout, supported by robust data foundations and managed services partnerships.

Managed services become pivotal in the execute and embed stages, making sure adoption is scalable, compliant and sustainable.

- **Core functions:** Specialist providers with AI-ready models accelerate full-scale execution and embedding.
- **Non-core functions:** Partnerships advance incremental AI deployment while internal teams drive broader enablement.

Ultimately, both streams converge in the embed stage, where AI ceases to be an add-on and becomes part of the operating model itself, re-architecting processes for resilience, agility and cost leadership.



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EY's proven framework drives successful AI adoption across complex, core functions

Seven-stage framework for enterprise AI adoption

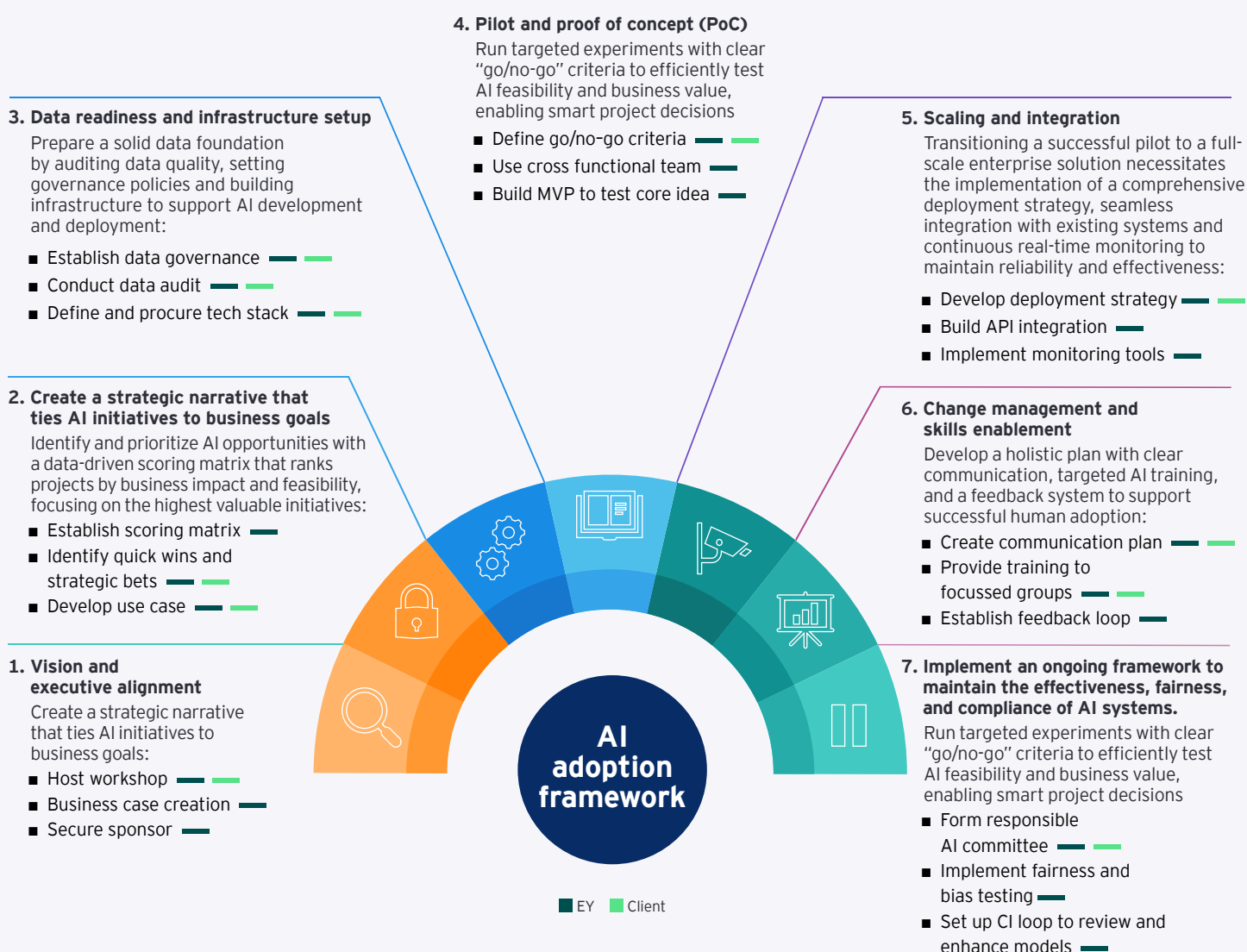


Figure1.2

This adoption framework is structured, highlighting that successful transformation is an integrated sequence of reinforcing moves. It starts with executive alignment and use-case prioritization, linking every initiative to measurable business value. Once data foundations are in place, organizations pilot and prove high-impact use cases, then scale and integrate what works across enterprise systems. Sustained adoption depends on change management and skills enablement that make new ways of working stick. Finally, governance and ethics frameworks safeguard fairness, compliance and enduring value.

This model is designed to balance the speed and capability of managed services-led enablement with the control of client-owned execution. It has underpinned our development of specific offerings including EY.ai for Tax and EY.ai for Risk, which are supporting clients to transform what are perhaps the most complex, but critical core business capabilities.

EY.ai for Tax: Rewriting the rules of tax

We developed EY.ai for Tax based on our experience supporting multiple clients to transform tax operations through AI.

Many organizations face common barriers to AI-led tax transformation, including fragmented data, skill shortages and growing regulatory concerns. We introduced a hybrid operating model where:

- EY leads AI implementation, platform management, compliance assurance and continuous innovation
- Clients' tax teams use AI insights to manage day-to-day operations, make strategic decisions and build internal capability over time

Our seven-step adoption framework helps align technology with the right processes, people and governance to unlock true transformation.

Early impact typically comes from focusing on high-priority processes, such as indirect tax, transfer pricing and compliance reporting, where AI can deliver immediate and measurable impact. **Working collaboratively with client teams to integrate AI in a way that enhances internal skills helps minimize disruption and drives greater adoption.**

A unified data platform with standardized models and validation layers overcomes the challenge of fragmented data. Embedded compliance controls, audit trails and explainable AI logic give clients the confidence of knowing data is consistent, accurate and AI-ready across all jurisdictions. Cross-functional governance prevents silos and agile delivery models continually align with evolving business needs.

EY.ai for Tax evolves manual tax operations into an intelligent, AI-powered ecosystem. With enhanced efficiency and compliance, tax professionals are enabled to focus on higher-value, strategic activities.

Powered by EY's alliance ecosystem

EY's vast network of alliances, including with **Microsoft, IBM, and NVIDIA**, help keep EY.ai at the leading edge of AI development. Together they support EY to deliver solutions with the scale, security, and innovation needed to automate complex processes, surface deeper insights, and accelerate transformation across tax and risk functions.



EY.ai for Risk: Redefining risk management through AI at scale

EY's experience implementing AI across sectors shows how organizations can transform Risk functions from reactive control models to predictive, insight-led enablers that enhance resilience and intelligence at scale.

The journey begins by identifying high-value use cases. Third-party risk management (TPRM) is a focus for many clients, including Uber, which leveraged the EY.ai for Risk platform to automate due diligence processes. In our collaborative model, AI-led processes and workflows are

co-designed and embedded as intelligent automation that augments, rather than replaces, human oversight. This is critical to drive adoption and trust.

With a real-time view of emerging threats and the burden of manual review and due diligence lifted, assessors are elevated from transactional gatekeepers to strategic advisers, confident that traceable logic, aligned to local and global regulatory standards, provides defensibility with both internal and external stakeholders.

Powered by EY's alliance ecosystem

EY's Trusted AI Platform supports scalability, resolving fragmented data by harmonizing taxonomies, embedding residual risk scoring and enabling dynamic risk modeling. Visibility into algorithmic risk, design deviations and emerging exposures are supported by intuitive dashboards for business users and compliance teams.

At the heart of EY.ai for Risk is its hybrid operating model:

- EY leads the design, implementation and management of the AI platform – providing domain and regulatory knowledge and AI engineers to configure, monitor and continually evolve the solution
- Clients retain ownership of key insights and decisions, integrating EY.ai for Risk outputs into escalation paths, committee reviews and enterprise risk reporting. Business risk leaders define model tolerances, approve automation thresholds and drive change management, supported by EY teams that help uplift capabilities in preparation for transitioning ownership as maturity increased.



Some clients opt to add in the EY Regulatory Compliance Manager, powered by GenAI, which automates the summarization of regulatory texts and obligation mapping and reporting obligations. This significantly cuts manual compliance workloads while improving accuracy and response times.

Beyond the platform, leveraging EY Risk Managed Services allows clients to drive end-to-end AI-led transformation across the risk lifecycle – from risk identification and control testing to issue remediation and ongoing monitoring.

Building AI-first enterprises ready for what's next

I Recoding the core through EY Managed Services

The global services economy is at a pivotal crossroads. Rapid advances in AI, coupled with rising geopolitical and economic complexity, are compelling organizations to reinvent operating models to enhance economic diversification, value chain resilience and deliver sustained growth. But legacy systems and fragmented processes continue to slow transformation, limiting the ability to scale AI and emerging technologies effectively and meet evolving customer expectations.

Strategic partnerships with specialized AI service providers can overcome these barriers. A collaborative, hybrid model combines a provider's deep domain knowledge, advanced AI capabilities and scalable delivery frameworks with the operational support of generic service providers.

Rather than simply outsourcing execution, organizations co-design and co-own their transformation, helping **recode the enterprise core** at speed while mitigating risk and maximizing measurable value from AI investments.

The EY organization's AI-first Managed Services exemplifies this hybrid approach, leveraging proven frameworks, sector depth and alliance partners to help clients operationalize AI at scale across complex and mission-critical functions - and sustain success over time. Through solutions such as EY.ai for Risk and Tax, EY collaborates with clients to turn ambition into advantage and build future-ready, AI-powered enterprises ready to navigate disruption, capitalize on new opportunities and realize competitive advantage.

To find out more, visit https://www.ey.com/en_gl/services/managed-services

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Contributors

Raj Sharma

EY Global Managing Partner - Growth & Innovation

raj.sharma@eyg.ey.com

Vivek Nijhon

EY Global Vice Chair - Managed Services

vnijhon@uk.ey.com

Milan Sheth

EY Global Technology Managed Services Leader

milan.sheth@in.ey.com

Ullas Nambiar

GMx Service Excellence Lead

ullas.nambiar@gds.ey.com

Tracy Wood

EY Global Managed Services Growth and Strategy Leader

twood@uk.ey.com

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