AlixPartners

2026 Enterprise software technology predictions report

How AI will reshape the industry in 2026

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AlixPartners has an inside look at the disruption industry participants are facing.

We have worked with over 300 software companies, standing shoulder to shoulder with investors and CEOs through major industry transitions. When software moved from on-prem to cloud, we were there. Today, as the industry transforms with AI, we are again on the front lines—working every day to help enterprise software companies through the pains and possibilities. We see how legacy metrics and playbooks are failing to present the right levers to drive future growth. And we see how many companies—especially in the mid-market—are floundering. It is impossible to know the future, but our experience helps us to see it, and that is what we have done here.

Introduction

The dawn of a disrupted era

In our March 2025 report, "The End of a Software Era," AlixPartners predicted that mid-market enterprise software companies would face an unprecedented squeeze—caught between nimble AI-native startups rapidly reimagining what business software can be, and tech behemoths pouring hundreds of billions of dollars into an AI infrastructure arms race.

Nine months later, the reality of that disruption is arriving faster than anticipated. In 2026, the industry that has driven digital transformation for decades will face its own extraordinary disruption.

Big software's challenges have been brewing for years. The volatile macroeconomic conditions of the post-pandemic era negatively impacted demand—at the same time that competition, commoditization, and longer sales cycles led to decelerated growth and shrinking margins. That left the SaaS industry vulnerable. And now comes AI.

The astonishingly rapid improvement of generative and agentic AI tools is fundamentally reshaping how business gets done. They are striking deep into every aspect of how enterprise software companies build, sell, and capture value. The industry that once coasted on predictable recurring revenue and consistent growth will now learn to navigate a new era organized around fundamentally different economics.

In 2026, the industry that has driven digital transformation for decades will face its own extraordinary disruption.

In this 2026 Enterprise software predictions report, we examine seven critical dynamics reshaping the enterprise software landscape and explain the specific transformations companies should execute to respond effectively.

These predictions reflect the inflection points we clearly observe across the industry, as AI forces fundamental changes across software development, interfaces, trust architectures, go-to-market operations, pricing models, valuation frameworks, and business structure itself.

We believe that companies mastering these transitions will define the next era of enterprise software leadership, and we predict that those unable to adapt will be sidelined as the industry landscape redraws itself.

Key analysis

As enterprise software evolves in the AI era, labor and business models will be disrupted.

- As coding races ahead, the shape of the development funnel shifts. New bottlenecks emerge in product strategy and roadmap development—once the wide part of the funnel. AI's technological innovation may live in coding, but concurrent business innovation should emerge from strategy. Human judgment, strategic thinking, and cross-functional coordination now create even more of the value. Smart organizations are already preparing for this transformation. (Prediction #1).
- Usage- and outcome-based pricing will decisively end the per-seat dominance that defined the SaaS era. (Prediction #5).
- Enterprise software valuations will abandon ARR multiples in favor of impact measurements, as companies are forced to demonstrate the measurable value created by AI tools. (Prediction #6).
- AI-driven changes will force major consolidation, driving M&A deal volume up 30-40% year-over-year in 2026. (Prediction #7).

This report aims to predict and guide:

It identifies the **risks** and **opportunities** of AI's inevitable arrival.

And suggests how organizations can **prepare** and **respond.**

Part I
Innovation

How and what enterprise software developers build

Prediction 1: AI-accelerated coding

AI-accelerated coding tools deliver 20-30% productivity gains, yet those gains vanish before they materialize into reduced R&D spending or faster product cycles.

Prediction 2: Conversational interfaces

Legacy vendors fail to deploy conversational interfaces as interaction methods, even as AI-natives ship them as defaults—and seize market advantage.

Prediction 3: Trust infrastructure

Trust infrastructure remains an afterthought rather than a foundational capability, making it the crucial barrier to broader AI adoption.

Part II
Path to market

How AI is changing the way software is sold and priced

Prediction 4: AI sales tools

Despite their new AI tools, sales teams struggle to demonstrate improved win rates and deal velocity, in the face of poor underlying data and point solutions.

Prediction 5: Pricing strategies

Companies fail to align revenue models with the value AI creates, relying on ad hoc new pricing strategies rather than disciplined transformations.

Part III
Strategic implications

The difficult new math of how companies are valued, and how they should adapt to survive

Prediction 6: Valuation frameworks

New valuation frameworks emerge, as investors recognize that ARR multiples now fail to capture value.

Prediction 7: Mass consolidation

Companies struggle to survive the squeeze between the emerging AI behemoths and the nimble AI-native startups.

Part I

Innovation

How and what enterprise software developers build

Prediction

1

Part I: Innovation

AI-accelerated coding

Enterprise software companies will struggle to capture strategic gains from AI-accelerated software development.

The AI productivity paradox

20-30%

productivity increase from AI-accelerated software development

In 2025, AlixPartners set out to understand how leading enterprise software teams were benefiting from AI development tools. Across our client engagements and a broader set of interviews, it became clear that the vast majority were using AI to build their products and seeing a formidable 20-30% increase in productivity. But that acceleration was not translating directly to new profits. Amid the complexity of the software development process, executives found themselves at a novel fork in the roadmap: they could use those AI-driven productivity gains to yield the same software output with 20-30% less labor. Or they could aim to generate 25-43% more output with their existing teams.

Generative AI has brought remarkable innovation to software development, resulting in unmistakable and quantifiable productivity gains. But how could leaders capture the business impacts? Should they measure AI-driven productivity gains as a potential reduction against current spending? Or as a capacity increase in product development?

And there, AlixPartners' research found, the fork in the road turned into a roadblock. Among the majority of organizations queried, the answer seemed to be: "neither." Despite increased software development productivity, most companies were not reporting a reduction in R&D spend (in the form of increased company EBITDA). Nor were they identifying top-line growth explicitly attributed to increased capacity and output.

Despite increased software development productivity, companies did not report a reduction in R&D spend or an increase in top-line growth.

There was a clear AI productivity paradox:

How could the AI productivity gains be real, even as reduced costs were rare? A challenge for 2026 emerged: Enterprise software companies will struggle to capture strategic gains from AI-accelerated software development.

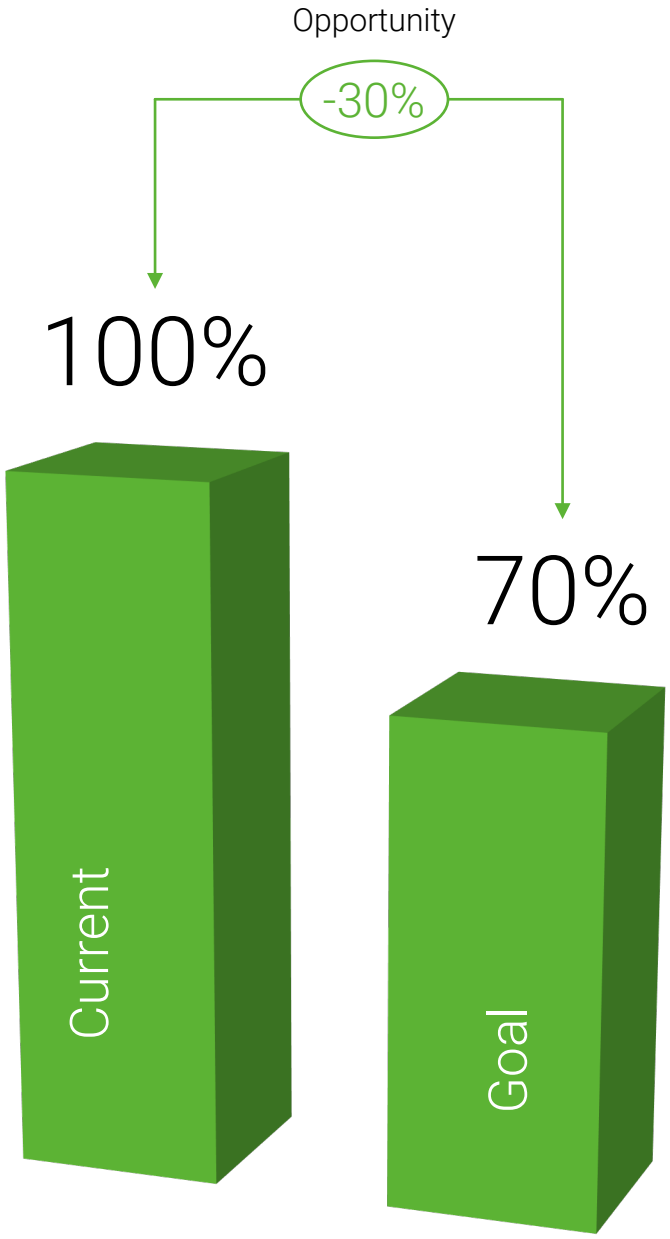
30%

less labor,
same capacity

OR

43%

increase in capacity,
same labor



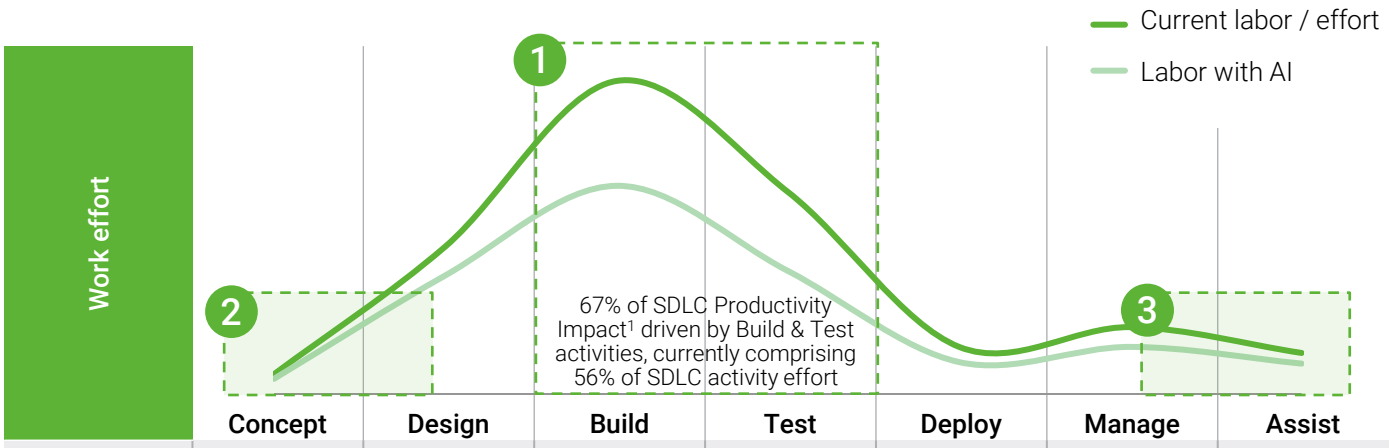
Source: AlixPartners analysis

Problem

The vacuum

AI accelerated software development creates a vacuum in the form of excess capacity. With productivity increased 20-30%, software development teams might find their week's work completed by lunchtime Thursday. Rather than sitting idle, most teams will absorb more work—tackling low-priority development activities that previously sat untouched. For AI-accelerated software organizations, the execution challenge is to identify and pursue activities that create business value, while deprioritizing those that don't. Winning organizations cannot live without a plan to reap the benefits of AI.

AI driven productivity gains across SDLC



	Concept	Design	Build	Test	Deploy	Manage	Assist
Impact[1]	23%	20%	33%	33%[3]	32%	30%	26%
Productivity increase[2]	25%	25%	50%	50%[3]	45%	40%	34%

1 Productivity increases in Build & Test activities are mathematically equivalent to:

- **Same output with 2/3 the labor;** OR
- **Same labor, 150% more output**

Investing gains in throughput requires maturing the 'book-end' capabilities

2 **Top of funnel**
(e.g., product strategy, roadmap, prototyping, feedback and iteration, etc.)

3 **Bottom of funnel**
(e.g., launch, architecture and application optimization, etc.)

✚ Investing in increased throughput requires confidence that what will be worked on is accretive

✚ Harvesting gains to the bottom line indicates low confidence that companies will effectively invest the resources

✚ No planned decisioning on capacity creates vacuum that will be filled OR your SW dev teams are working a 3.5 day work week

Source: AlixPartners analysis

1. Impact reflects the reduction in labor effort for each stage of the SDLC; a 50% gain in productivity is equivalent to a 33% reduction in effort (1 / (1 + 50% improvement = 66.7% of previous effort, or 33% productivity impact) 2. Midpoint of range of research study findings of productivity increase 3. Test stage includes engineering efforts to remediate QA findings; Productivity Increase % includes reduced efforts related to increased code quality and related reductions in remediation efforts

The engine is more powerful, but the driver can't yet handle the speed.

Across the software development lifecycle, AI solves the problem of productivity while creating a new challenge of evaluation and prioritization. For as long as the enterprise software industry has existed, companies have been limited by their level of engineering resources. AI removes that constraint, which is a thrilling innovation. And yet, in many organizations, it exposes weaknesses in their strategic approach to product development. If a minimum viable product that used to cost $2 million now costs $200,000, what does that mean for how capital is deployed? And if a feature can be replicated by a similarly accelerated competitor within weeks, how can development earn a sustainable competitive advantage? When prototypes are ten times cheaper, the constraint is no longer capacity, but strategic clarity. AI tools may drive innovation, fatten margins, and allow engineering functions to launch differentiating capabilities faster.

But those productivity enhancements are not inherently met by commensurate human review, strategic oversight, and deliberate prioritization. Development teams race ahead, while business innovation groups lag behind. The engine is more powerful, but the driver can't yet handle the speed. Even more challenging, it becomes more difficult to create sustainable competitive advantages from feature innovation—because competitors can quickly catch up.

Solution

Turning speed into advantage

We believe software development teams must seize the opportunity to treat AI-enabled productivity gains strategically—as capital to be invested or harvested. Organizations will need to be intentional about what they're doing with the gains. Specifically, AI-accelerated software tools could be used to:

1

Meet customer demand, with faster delivery of desirable features, helping teams meet market expectations for "more."

2

Complete peripheral tasks, like documentation, minor bug fixes, and code refactoring—but only when they support performance, security, or maintainability goals, not simply because they're now feasible.

3

Resuscitate "zombie ideas," putting low-priority concepts back onto the product roadmap—but only with sharp evaluation criteria in place.

In all cases, productivity gains should be coupled with process changes that properly reflect the implications of faster, cheaper product development. R&D transformation needs to be connected to other transformations within that part of the value chain, and across the entire enterprise. As engineering gets more done, other functions should step up to support them—and leaders should recognize that they do not necessarily have the same benefit of new tools.

AI-accelerated software development needs a smart strategy. Productivity on its own will not fulfill business goals, especially in the current climate of rapid innovation. We believe organizations must be laser-focused on surfacing and prioritizing the activities that create a competitive advantage. CEOs and CFOs confronting an investment in AI coding tools should also invest in strategic processes to gain an upfront understanding of what they can fully achieve.

Analysis

Labor value moves to the edges

As AI adoption matures across the software development lifecycle, the labor curve is in for a fundamental transformation. Development will be faster and cheaper. New requirements will emerge for processes augmented by AI. And there will be the opportunity to reduce workforces while maintaining the same output at a lower overall cost.

Yet those changes expose a capability gap at the bookends of the process. As coding accelerates, the bottlenecks shift to the top and bottom of the funnel. At the top, product strategy, roadmap development, and prototyping all require heightened attention. At the bottom, launch capability, feedback iteration, and optimization all gain broader scopes of opportunity.

Crucially, these edges are now the places where value is created—and where human judgement, strategic thinking, and cross-functional coordination become most important. The point on the labor curve seeing the lowest productivity gains from AI is also the place where the most value is potentially created. The technological innovation may be in coding, but the business innovation should lie elsewhere.

This shift has important implications for how organizations are structured. We believe product managers will become less technical, as they focus less on the mechanics of software delivery and more on the business as a whole. They will have to significantly increase their attention to the "why are we doing this?" questions on the front end, and the launch and feedback loop questions on the back end. Smart organizations are already preparing for this transformation, recognizing that the labor curve and value creation have tilted away from engineering.

The point on the labor curve seeing the lowest productivity gains from AI is also the place where the most value is potentially created.

Prediction

2

Part I: Innovation

Conversational interfaces

In 2026, 75% of enterprise software companies will embed conversational interfaces into their products as a critical method by which users interact with business data and execute core operational tasks.

A shift in interface

Once consumer applications demonstrate new interaction paradigms, corporate users follow.

Interface evolutions are rare. In the half-century of business computing, there have only been a handful: from the command line to graphical user interfaces, from static monitors to mobile touchscreens. Each redefined not merely the mechanics of software interaction, but the scope of what software could accomplish—and by whom.

Enterprise software is now undertaking the next fundamental transition, in the shift to conversational interfaces driven by the natural language capabilities of generative AI.

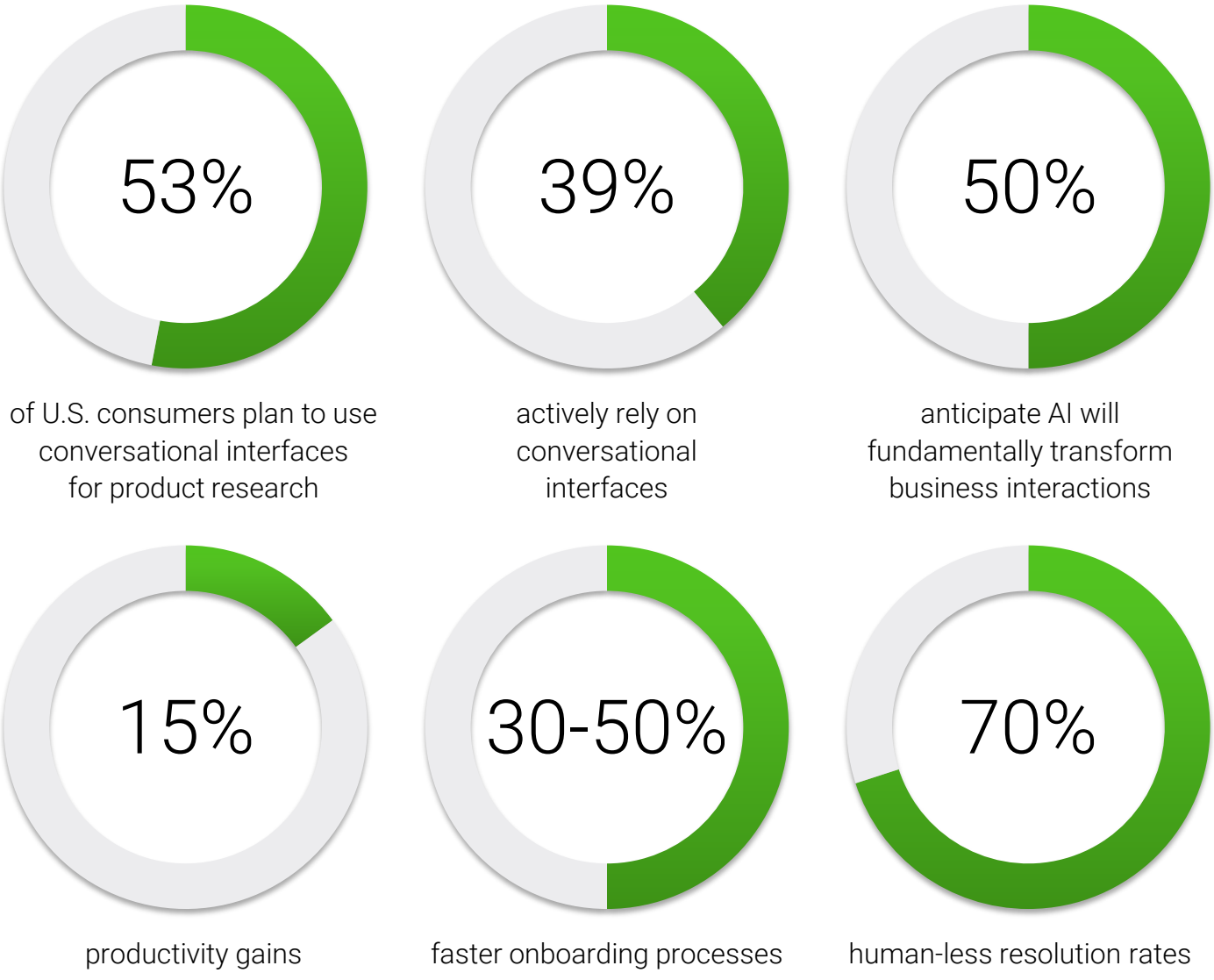
The velocity of this change is remarkable. ChatGPT's launch in 2022 marked a clean break from the chatbots of the last decade. Generative AI reset expectations, with its ability to perform complex analytical functions, and power true conversational systems capable of data analysis, pattern recognition, and insight generation. Consumers have embraced it, driving ChatGPT and its competitors past a billion monthly users.

Enterprise software veterans know what happens next. Once consumer applications demonstrate new interaction paradigms, corporate users follow. Just as social media's endless scrolls moved from consumer platforms to professional networks to collaboration tools, conversational AI is following the same technology diffusion pathway. Recent research indicates that 53% of U.S. consumers plan to use conversational interfaces for product research, with 39% actively relying on such platforms. Over half anticipate that AI will fundamentally transform business interactions within two years.

The enterprise has taken notice. Major platforms—such as customer relationship management systems, analytics packages, and productivity suites—are shipping conversational features as default functionalities rather than optional modules. Early adopters are seeing the impacts, with conversational interfaces driving 15% productivity gains, 30-50% faster onboarding processes, and 70% human-less resolution rates, across specific cases. According to industry projections, 80% of enterprises will deploy generative AI via APIs or embedded applications by the end of 2026.

The interface transition is accelerating.

Recent research indicates growing interest in conversational interfaces



Problem

Conversational becomes the norm

The conversational interfaces arriving in 2026 mark a fundamental departure from existing enterprise software architectures. In most organizations today, daily operational systems remain built on traditional graphical interfaces requiring structured interaction through menus, forms, and dashboards. The emergent conversational paradigm replaces these predetermined interaction pathways.

The implications for business analytics and data access are profound. In the dominant model of business intelligence, review dashboards display predefined metrics, and analysts translate strategic questions into SQL queries—serving as intermediaries between leadership and data. The underlying assumption is that actionable interaction with business data requires specialized infrastructure and technical expertise.

Conversational interfaces powered by generative AI invalidate that assumption, shifting the baseline interaction from "display the relevant dashboard" to "provide the answer to my specific question." We believe this transition will eliminate the need for human intermediation in data manipulation, pattern analysis, metric definition, and inference generation—functions that currently exist across every business unit in some form. The organizational implications are substantial: Roles requiring expertise in data manipulation face fundamental disruption.

We believe data governance frameworks will also struggle to adapt. Traditional permission structures allow users access to clearly defined data and reports. Conversational interfaces will complicate this model, requiring the AI system to understand not only what information is being requested, but also what information that specific user is permitted to access. Enterprise software companies embedding conversational capabilities will have to rethink their data governance frameworks (most likely employing AI to do so). The challenge becomes significant, especially in regulated industries and jurisdictions with stringent data protection requirements, and where the consequences of access control failures are significant. (See Prediction #3.)

All told, building production-quality conversational infrastructure requires investment across natural language understanding, dialogue management, context handling, and hybrid interface frameworks.

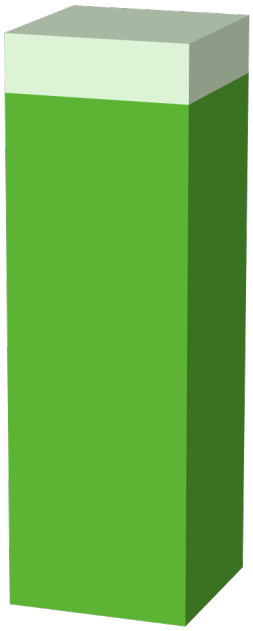
Conversational interfaces will eliminate the need for human intermediation in data analysis and inference generation.

Solution

Establishing a market strategy for the new interface

Enterprise software companies will not be able to watch this transformation from the sidelines. The deployment of conversational interfaces is a strategic imperative with direct market consequences. Conversational capabilities should be embedded into core products immediately, positioned not as auxiliary features but as primary interaction methods.

We believe organizations that fail to offer conversational interfaces—built in-house or third-party supplied—will risk being perceived as technologically stagnant. Organizations that embrace the transition can expect clear market advantages. Current data suggests that public companies that have announced conversational AI capabilities are experiencing measurable appreciation in their share prices, while private companies embracing the shift are securing funding at elevated rates. Research on customer experience leaders indicates that 90% of organizations implementing AI copilots report positive ROI. We see the market systematically rewarding companies that demonstrate conversational AI capabilities, even when these features represent relatively straightforward implementations compared to more sophisticated AI applications.



90%

of organizations implementing AI copilots report positive ROI

We believe enterprise sales functions must similarly respond. Conversational interfaces will reshape the buyer profile in ways that demand fundamental changes in go-to-market strategies. While enterprise software procurement has always centered on IT buyers evaluating technical specifications and integration requirements, the ability of executives to directly interact with software will shift the nexus of purchasing authority. We expect ideal customer profiles will migrate from technical evaluators to functional leadership. Sales teams will need to adapt, reorienting around these new buyers—a process that inevitably will require sales-team retraining and repositioned value propositions. We expect the entire demo environment to change to showcase conversational interaction rather than traditional click-and-pick workflows. Data governance and access control frameworks should also be redesigned for conversational contexts, with permission frameworks sophisticated enough to handle both natural language requirements and varied regulatory environments.

If your product can’t talk, your market will.

Prediction

3

Part I: Innovation

Trust infrastructure

In 2026, trust infrastructure will become the critical innovation enabling widespread AI adoption.

Why AI demands a different approach to trust

"Trust" is not a soft concept, but an operational requirement.

Software has always been deterministic: engineers write code that executes consistently. Security is a surmountable challenge because a system's behavior is fundamentally predictable. AI fundamentally changes this equation.

The non-deterministic nature of generative and agentic systems creates new categories of risks that scale in unpredictable and unprecedented ways. AI systems that can reason, generate content, and take autonomous actions are also AI systems that can create unexpected havoc—categorically beyond what traditional software controls were designed to contain.

In this context, "trust" is not a soft concept, but an operational requirement. In AI, trust means the ability to verify, govern, and safely operate models and agents end-to-end, from identity and data access all the way through decision quality, compliance, audit, and liability. Trust is a product innovation domain that blends technical controls, operational safeguards, and accountability mechanisms so AI can usefully act across teams, vendors, and jurisdictions— without unacceptable risk.

The absence of trust infrastructure remains a primary constraint on enterprise AI adoption. Trust—not capability—is often the hurdle separating stalled pilots from scaled deployments. Generative and agentic systems may be marching ahead in sophistication, but their real-world use remains limited by the inability to verify, govern, and audit their actions adequately.

Trust represents a fundamental innovation challenge. Unlike previous technology transitions, where governance frameworks emerged after adoption, AI's inherent risks require trust infrastructure to precede scaling. We believe the companies that recognize trust as an innovation imperative—not merely a compliance obligation—will define the next generation of enterprise software.

Problem

The trust deficit and the quantifiable costs of the "trust tax"

Enterprise AI faces a trust deficit. Despite widespread AI experimentation, C-level executives remain deeply cautious about granting full operational autonomy to AI systems. Recent research indicates that 44% of C-suite leaders in the United States would override their own decisions based on AI recommendations, while 62% would not permit AI to make decisions independently. Among AI decision-makers, 29% identify trust as the single largest barrier to generative AI adoption in their organizations.

This caution is not misplaced. One widely debated study indicated that approximately 95% of enterprise AI pilots fail to deliver meaningful P&L impact, primarily because of inadequate workflow integration and governance, rather than technical limitations. Accordingly, the majority of AI deployments are still in lower-stakes functions, like customer success, rather than in core functionalities. The trust deficit is not merely a risk management problem, but an innovation gap that should be closed before AI can fulfill its transformative potential.

95%

of enterprise AI pilots fail

The "trust tax" is the quantifiable drag on AI value realization caused by insufficient trust infrastructure. It shows up in eight distinct forms:

1 Time-to-production delays from compliance reviews and security approvals.	2 Manual review burdens requiring human oversight of AI outputs.	3 Shadow AI deployments where users circumvent official systems, creating security vulnerabilities.	4 Direct incident losses from hallucinations, data leakage, or rogue actions.
5 Compliance rework and audit failures requiring system redesigns.	6 Redundant infrastructure investments to satisfy vendor and regulatory requirements.	7 Performance penalties from slow verification processes and missed sales or SLAs.	8 Opportunity costs from deferred use cases deemed too risky without proper trust controls.

Worldwide end-user spending on information security (network, services, and software) reached

$213bn

in 2025, and is projected to rise an additional 12% in 2026.

67

avg. deployed AI tools

90%

AI tools lack IT approval

81%

workers unaware of official AI policy

80%

organizations that have experienced negative AI incidents

46%

experienced AI-related data leaks

Early indicators show the cumulative financial impacts to be substantial. AI-driven fraud alone is projected to escalate from $12 billion in 2023 to $40 billion by 2027. "Shadow AI" deployments far exceed official adoption, with 90% of companies discovering personal AI tools, while 40% maintain corporate subscriptions. Discovery challenges are significant: Organizations deploy an average of 67 AI tools, with 90% lacking IT approval, and 81% of workers remaining unaware of any official AI policy. This visibility gap creates severe risks: 80% of organizations have experienced negative AI-related data incidents, and 46% reported data leaks. Associated security incidents now cost organizations an average of $670,000 more per breach than standard incidents, with 20% of breaches currently involving such tools.

Security investments are rising to match. 80% of organizations expect security budgets to grow to address AI threats, with worldwide end-user spending on information security (network, services, and software) reaching $213 billion in 2025, and projected to rise an additional 12% in 2026. Drawing from these trends, we expect AI and agentic programs to have earmarked 10-15% of budgets to trust capabilities in 2025, with expectations to increase to 20-30% by 2027, as regulatory demands and incident risks intensify.

Regulatory demands will accelerate this shift, as trust evolves from best practice to legal mandate. The EU AI Act, in force since August 2024, requires transparency, risk assessments, and auditability for AI systems, with violations incurring fines up to 7% of global revenue. State-level regulations, including California's automated decision-making requirement, demand AI risk assessments and vendor transparency. Globally, frameworks across the G7 and Australia are establishing requirements centering on transparency, human oversight, and traceability. Each requires dedicated compliance infrastructure: policy frameworks, technical controls, audit capabilities, documentation systems, and ongoing monitoring.

And yet, organizations should realize that trust is the key to enabling broader AI adoption—not merely defensive. 75% of security leaders believe that AI-driven cyber threats will outpace traditional defenses soon and 61% believe that AI advancement makes it more important to protect their data—underscoring how trust elements are increasingly becoming decision drivers. We believe closing the trust gap requires treating trust infrastructure as a product innovation problem, not a compliance afterthought.

Trust elements are increasingly becoming decision drivers.

Solution

How to build Trust-as-a-Product infrastructure

Enterprise software companies should recognize trust infrastructure as a foundational requirement that determines which platforms are deployed at scale and which remain confined to pilot programs.

The solution emerging across the industry is a Trust-as-a-Product (TaaP) approach that moves trust functions from internal controls, stuck inside the black box of AI systems, to standard and transparent features. TaaP treats requirements as core capabilities that customers can verify, audit, and depend upon—rather than the realm of compliance checklists or post-deployment additions.

To support TaaP, software companies should build comprehensive trust infrastructures encompassing multiple integrated capabilities, crossing software types and functions. These include:

1. **Identity and policy frameworks** that establish strong agent, human, and workload identity systems, with attribute-based and role-based access controls.
2. **Proof and attestation systems** that provide verifiable credentials, claims management, and attested tool executions that customers can audit.
3. **Privacy-enhancing protocols** like tokenization, data-masking, clean-room connectors, trusted execution environments, and differential privacy.
4. **Safety guardrails** that implement content filters, jailbreak protections, refusal modes, and constraints on tool usage.
5. **Observability and audit capabilities** with signed logs, lineage graphs, and provenance registries that satisfy regulatory requirements.
6. **Evaluation and red-team functions** that enable pre-production testing harnesses, bias and fairness assessments, and continuous security probes.
7. **Interoperability protocols** to ensure bridges across emerging standards.

For 2026, companies that treat trust infrastructure as foundational will separate themselves from competitors still treating it as an afterthought.

Technology leaders are beginning to offer products that include TaaP capabilities as competitive differentiators. Notably, Google's Agent2Agent (A2A) protocol, open-sourced through the Linux Foundation in April 2025, provides a model for secure inter-agent discovery, capability sharing, and authentication. Anthropic's Model Context Protocol (MCP), released in November 2024 and rapidly adopted by OpenAI and Google DeepMind, demonstrates how standardized secure connections between agents and data sources can become industry infrastructure.

Enterprise software companies should decide whether to embrace these emerging open frameworks and reap the benefits of ecosystem integration and customer confidence—or pursue proprietary approaches that risk market fragmentation and slow adoption.

For 2026, we predict that companies that treat trust infrastructure as foundational will separate themselves from competitors still treating it as an afterthought. In regulated verticals including healthcare, finance, and insurance, we expect that trust-native platforms command pricing premiums—and will continue to, as enforcement intensifies and buyers prioritize systems that de-risk regulatory scrutiny.

For leading companies, we believe the choice is not whether to build trust capabilities, but whether to build them early enough to capture premium market positioning.

Part II

Path to market

How AI is changing the way software is sold and priced

Prediction

4

Part II: Path to market

AI sales tools

By the end of 2026, AI will fundamentally reshape enterprise software's go-to-market operations. An average of 70% of activities—spanning client acquisition, onboarding, value realization, and expansion—will be AI-enabled.

The GTM transformation

AI will no longer be a differentiator in enterprise software sales—it will be the operational baseline.

AI is transforming enterprise software sales processes, extending far beyond the automated customer support tools in use for years. Comprehensive operational integrations have become the norm, with AI now widely embedded in marketing, sales, pricing, sales operations, and customer success functions. The primary catalyst is availability, with major software makers now putting AI tools directly into their products. With adoption barriers lowered, AI has become normalized as a default functionality, rather than an optional add-on. Key to driving this transformation is that in enterprise software, vendors become early adopters of their own technologies. Everyone eats their own dog food. As first-mover demonstrate measurable improvements in win rates, deal cycle times, and customer engagement, pressure builds for others to follow.

Competition accelerates adoption. By the end of 2026, we expect

75-80%	of enterprise software companies to deploy AI tools in marketing functions
60-70%	in sales, sales operations, and customer success;
30-40%	in pricing teams.

Yet even as AI transforms GTM processes, it is not expected to upend the fundamentally human nature of enterprise software sales. The personal engagement of presentations and negotiations will persist, even as they become more AI-enabled.

The challenge now facing organizations is how effectively they can adapt their workflows and scale.

Problem

The integration gap

Despite the promise of AI-enabled sales operations, significant obstacles still stand in the way of capturing its transformative effects. Even as 70% of go-to-market activities tap AI tools, capturing their business value requires solving core problems.

The first hurdle is data quality. Many teams lack the clean data AI systems require. Companies of all sizes often cannot provide basic profitability numbers, revenue attribution, or sales productivity metrics. Leaders struggle to explain what their revenue actually is, or how sales productivity should be measured. Without clear visibility into business performance, AI implementations cannot deliver meaningful insights. To respond, we believe organizations must invest in the underlying data infrastructure.

The second challenge is demonstrating the ROI from these new and expensive tools. To move past pilots, boards and CFOs require clear links to productivity metrics. Efficiency alone is not enough. As with software development, there is a real risk of missing the opportunity to direct those gains towards business value realization. New processes demand new scrutiny.

The third challenge is navigating the fragmentation of the first-generation tools. Today's software is spread across conversation intelligence, enablement, pricing, and forecasting. Until these functions consolidate within enterprise platforms, their usefulness will suffer. Even the most powerful AI platforms will struggle to deliver value if they do not fit easily into daily workflows. Expect rapid evolution of existing offerings.

The final challenge is maintaining the human element. Sales recommendations should be contextualized and aligned with brand values, strategy, and customer trust. AI tends to lack wisdom. Without it, even the most successful technical integration will disappoint.

Four challenges to adopting AI in sales:

1. Data quality
2. Demonstrating ROI
3. Navigating fragmentation
4. Maintaining the human element

Solution

Building AI-native commercial operations

The strategic imperative is to recognize that the successful adoption of AI tools is not a matter of procurement, but organizational transformation. AI requires new measurements, new tools, and extensive training. It will inevitably have broad impacts on the staffing and operation of marketing, sales, and customer service functions. Success will come from execution, not merely adoption.

That varies starkly by function:

Marketing teams

For marketing, AI enables the scaling of personalization and content in ways that have always been too expensive or slow.

Marketing teams should aim to deploy AI-driven campaign systems capable of generating dynamic and engagement-optimized content at scale. The goal is to ramp engagement rates past what manual processes could match. Most often, that means using AI to create starter content, to be edited and refined.

Pricing functions

For pricing, teams can now analyze massive data sets and uncover new patterns, allowing them to deliver customer-specific recommendations and true personalization (rather than broad segmentation).

Pricing functions can use AI to move away from broad segmentation and towards customer-specific recommendations, thanks to platforms that analyze real-time data to tailor prices individually and prevent margin leakage. AI promises a sensitivity that traditional tools cannot capture—but only if organizations have the data infrastructure in place.

Sales teams

For sales, new tools like AI-generated call-summaries, real-time coaching, and AI-guided content recommendations are bringing a new evidence-driven approach to a process that has always been dominated by intuition. The shift is partly individual; new sellers can be onboarded faster, and playbooks executed more consistently. But it is also organizational, in that the new tools allow for better and far broader visibility into customer interactions.

Sales teams should equip every seller with AI-powered conversation intelligence, objection-handling tools, and deal risk detection. Applications like Gong listen to live calls and provide guidance simultaneously. At the organizational level, AI can surface pipeline risks, enable better visibility into customer interactions, and embed data-driven recommendations directly into seller workflows—shifting execution from intuition-driven processes to evidence-driven ones.

Sales operations

For sales ops, AI is automating routine tasks, optimizing workflows, and unifying data—changing the function from a reactive problem solver to an execution accelerator.

Sales operations should use AI to shift from reactive problem-solving to proactive execution enablement. That means implementing AI-driven lead scoring, pipeline risk detection, and revenue forecasting.

Prediction

5

Part II: Path to market

Pricing strategies

Hybrid SaaS pricing models featuring usage- and outcome-based elements will comprise a majority of enterprise software revenue by 2026, marking a shift from today's per-seat dominance.

The second pricing transformation

The golden age of SaaS is over. AI solutions are driving a wildly disruptive business paradigm: usage- and outcome-based pricing.

Enterprise software is undergoing its second major transformation in the last fifteen years—one that may redefine the notion of software itself. The first shift came when the industry moved from one-time licenses to subscription-based pricing. Untethered from the need to manually install software on servers, developers leveraged the flexibility of the cloud and "Software as a Service" to change how they built, sold, and valued their product. Rather than annual releases, SaaS made it possible to offer continuous innovation. Priced "per seat," customer relationships deepened as procurements scaled. By many measures, the SaaS era has been a golden age for enterprise software.

But now AI-enabled and AI-native solutions are driving a new and wildly disruptive business paradigm: usage- and outcome-based pricing. Per-seat charges are predictable and directly linked to annual revenue. But they are poorly suited to the way that AI software creates value. For an autonomous agent, work is measured in completed tasks and delivered outcomes. The work itself may be overseen by one person or many. Often, that relationship is inverse: the better the AI software performs, the fewer seats required. At scale, the impacts become dramatic. One AI customer service system already performs work equivalent to 700 human agents, while a single AI-augmented security analyst is managing a workload that required 20-30 humans before.

Per-seat pricing norms buckle under this reality. In the face of rapidly evolving agentic capabilities, SaaS buyers will seek comfort in pricing clearly linked to measurable outcomes and productivity gains. While SaaS sellers will embrace pricing disconnected from dwindling seat counts.

These structural changes cannot be ignored. By 2026, we believe hybrid pricing models combining usage- and outcome-based elements will capture a majority of enterprise software revenue, ending per-seat dominance.

Problem

The AI-native pricing advantage

AI-native companies are disrupting established software categories with fundamentally transformative product models built on autonomous agents and outcome-based delivery. They often price based on results, charging only when customers realize tangible value, such as in tickets resolved or customer issues closed. As new as this is, the interest in the commercial model is soaring. For buyers, it offers an implicit promise that the software itself might reduce the need for the seats occupied by humans. ROI is baked in. For established SaaS sellers, the shift represents an existential threat: outcome-based pricing from AI-native competitors directly cannibalizes recurring revenue streams by ending per-seat annual contracts. In an effort to defend these installed bases, legacy vendors are racing to embed AI copilots and agents into existing suites and experimenting with new pricing strategies. Yet these adaptations are inevitably—and irredeemably—reactive, given the enormous structural advantages that AI-native entrants bring.

Not surprisingly, the software stack used by large organizations is rapidly diversifying. Agent ecosystems are likely to emerge as the default architecture because of their ability to integrate and orchestrate across AI capabilities. Legacy vendors cannot miss the urgency. Agents are now present in at least one workflow at 85% of organizations. By 2026, 40% of enterprise applications will include task-specific agents, accelerating the transition to usage- and outcome-based pricing.

We believe established software companies must now consider dismantling the pricing models their businesses were built to deliver. They face a prisoner's dilemma: maintaining seat-based pricing encourages customer defection to consumption-based competitors. But transitioning means accepting immediate initial revenue declines and infrastructure investments. The per-seat era may well be ending. Adapting to what comes next is unfortunately proving considerably more complex than defending against it.

Outcome-based pricing from AI-native competitors directly cannibalizes recurring revenue streams.

Solution

Implementing hybrid pricing strategies

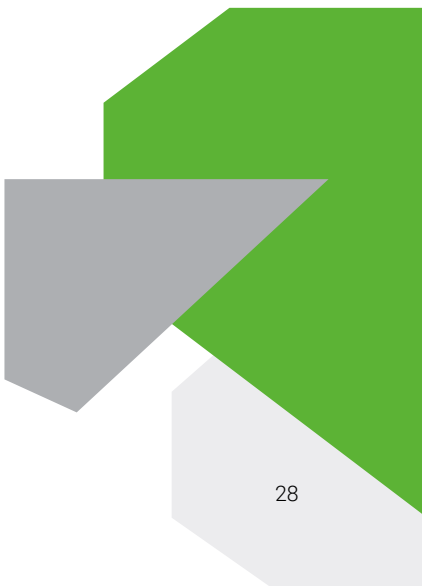
Enterprise software companies should prepare by fundamentally redefining their role from "vendor" to "partner." That shift requires more than pricing experimentation. Selling the seat license is no longer enough. Customer success should be invested in as a core capability—either built in-house, via partnerships with specialized consulting firms, or acquired through M&A. "Features" should give way to "outcomes." Most often, that means adding implementation specialists who ensure solutions actually address customer problems. We believe the core value proposition must shift. Software is no longer a cost center but a component of how business value is realized.

This transformation need not mean abandoning revenue predictability. Hybrid pricing models can preserve committed contracts while offering flexibility about how the new tools are used. A customer's commitment may still be for $10 million annually, but instead of locking into 1000 seats for three years, they may be committing to a certain volume of resolved conversations or delivered outcomes, changing as their needs evolve. The unit changes, but the recurring revenue remains. Through carefully structured contracting, major enterprise customers can still be counted on to maintain their spend, within the flexibility the new tools afford.

Executed properly, this shift represents an expansion opportunity. Many established vendors already find themselves at the limit of wallet penetration, as they run out of empty seats to chase. Outcome-based pricing unlocks growth by enabling upselling in ways that per-seat pricing cannot. The premiums shift from bundled seats to tailored solutions. Executed correctly, the pitch is mouth-watering for both vendors and customers: If an agentic tool can replace a $75,000-per-year phone operator with a $30,000 solution that delivers equivalent or superior outcomes, the potential value capture on both sides is startling.

Legacy vendors ready to leverage existing customer relationships and implementation expertise will have a strong hand to play. The per-seat era is ending, but recurring revenue doesn't have to disappear with it.

Outcome-based pricing unlocks growth by enabling upselling in ways that per-seat pricing cannot.



Part III

Strategic implications

The difficult new math of how companies are valued, and how they should adapt to survive

Prediction

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Part III: Strategic implications

Valuation frameworks

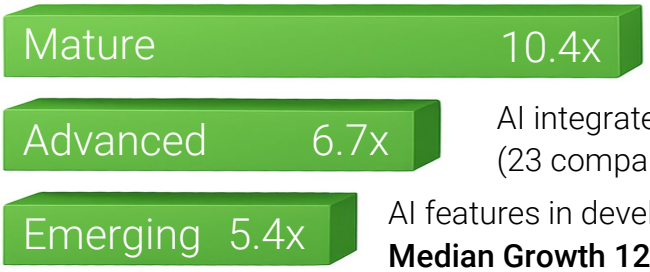
In 2026, enterprise software valuations will shift from ARR multiples toward hybrid models that incorporate AI leverage ratios and outcome-based metrics—because traditional multiples alone no longer capture value in the AI era.

A valuation transformation

The transformative potential of new AI tools is scrambling traditional investor valuation processes. Throughout the SaaS era, the dominant method has been straightforward: some multiples of ARR, adjusted for growth and profitability. That paradigm is buckling against AI's winds of change. Historically, ARR multiples explained most of enterprise software valuations; by 2026, that share is projected to drop significantly, as investors expand their understanding of AI's costs and business impacts. They are now more likely to scrutinize how effectively companies use AI in their operations, what ROI they generate from AI investments, and how strong their outcome-based metrics are.

The shift reflects the simple recognition: in an AI-driven world, recurring revenue matters less than demonstrable business impact. As AI-natives scale and incumbent SaaS companies embrace AI capabilities, investors are inevitably weighing outcome-based economics more heavily. The focus is less on speculative growth and more on the operational readiness that supports sustained customer outcomes. In many ways, this shift in valuations represents a return to basics: growth and profitability still matter, even as the mechanisms generating them have fundamentally changed. Investors remain confident. The AI transformation is proving to be an incredible creator of value.

According to our analysis of 58 publicly traded software companies, the ones with higher levels of AI maturity exhibit higher growth, higher profitability, and 4-5x higher valuations.



Proven AI revenue generation (13 companies) **Median Growth 20% | Median OpInc 11%**

AI integrated into core products with measurable adoption (23 companies) **Median Growth 13% | Median OpInc -4%**

AI features in development/pilot stage (22 companies) **Median Growth 12% | Median OpInc -1%**

Source: The SaaS Capital Index (https://www.saas-capital.com/the-saas-capital-index/) with AlixPartners analysis

Problem

The reliability gap

The fundamental shift in value creation enabled by AI potentially exposes the limits of ARR as a reliable proxy for durable value. When outcome-based pricing replaces per-seat subscriptions, revenue becomes inherently more variable. ARR becomes meaningless if revenue fluctuates quarterly based on consumption rather than contract values. In that scenario, investors should focus instead on actual customer impact and the consistency of value delivery mechanisms. Established practices are rapidly evolving, with 85% of SaaS companies experimenting with some form of usage-based pricing. And new forecasting metrics are emerging, like "time to usage" (measuring onboarding speed), "usage ramp rate" (measuring consumption growth), and "usage volatility" (measuring stability after ramp-up).

But not all companies face this transition equally. AI-native companies arrive with an advantage. Unburdened by legacy pricing structures, they tie fees to client outcomes, giving investors higher confidence that revenue growth reflects real value creation, rather than seat expansion. For those companies, the path to fully outcome-based valuation is already wide open: their metrics already align with investors' eagerness to assess value via impacts.

To keep up, incumbent enterprise software companies face a complex challenge. They should balance the predictability of ARR-based contracts with the credibility of outcome-based metrics. Leaders will layer outcome-linked components onto traditional subscriptions and migrate customers at a carefully planned pace (following the hybrid pricing strategies outlined in Prediction #5). Those that cannot show progress risk being valued at legacy SaaS multiples even as their AI-native peers earn premiums.

This valuation gap reflects investor uncertainty about which incumbents can successfully navigate the transition—and which will be disrupted by it.

Emerging forecasting metrics

Time to usage

measuring onboarding speed

Usage ramp rate

measuring consumption growth

Usage volatility

measuring stability after ramp-up

Solution

Building hybrid valuation frameworks

Investors should move to valuing enterprise software companies through hybrid models that blend three distinct components: traditional ARR multiples, AI leverage ratios, and outcome-based performance benchmarks. AI leverage ratios are calculated as revenue or gross margin growth relative to AI-driven opex, headcount, and inference cost base. They indicate how effectively a company scales its business relative to its AI-driven cost base—essentially measuring operational efficiency gains from AI adoption.

Outcome-based performance benchmarks tie software value to demonstrable business impact, such as customer margin expansion, reduced task completion time, or increased output per employee. The more ROI a company generates in its operations from AI, the stronger its profitability profile—and the higher its valuation multiple.

Within these hybrid frameworks, certain capabilities will separate leaders from laggards and determine which companies justify premium multiples:

Data
Companies that own high-quality data and leverage it to continuously improve AI models will receive data quality premiums.

Platforms
AI offerings that evolve into platforms enabling ecosystems will command higher multiples than standalone tools.

Engagement
Customer stickiness, engagement, and usage metrics will carry increased importance. Companies demonstrating higher user adoption rates, frequent AI agent interactions, and expanding use cases will receive valuation premiums.

Defensibility
Defensible platforms and sustained customer impact will become the core drivers of valuation.

These frameworks will become the standard language for AI-era software valuations, creating benchmarks that determine market leadership.

For software companies, pricing should evolve, data assets should strengthen, and adoption metrics need to tie directly to customer business results. Accordingly, investor diligence should pivot from ARR growth alone to AI leverage, outcome proof points, and operational readiness.

The companies that master this transition—demonstrating both the operational discipline to capture AI productivity gains and the strategic clarity to measure and communicate customer impact—will command the valuation premiums that define the next era of enterprise software leadership.

Prediction

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Part III: Strategic implications

Mass consolidation

In 2026, AI disruption will force major consolidation in the mid-market enterprise software industry, with M&A deal volume increasing 30-40% YoY.

The inflection point

AI is the ubiquitous and relentless forcing function.

The enterprise software industry has reached a once-in-a-generation inflection point, as the rapid adoption of AI redefines how companies build, scale, and compete. With hundreds of billions of dollars in infrastructure already spent, the extent of the disruption to “legacy” enterprise software is becoming clear. An entire ecosystem of generative AI startups has sprung into being, with AI-native companies rapidly capturing mindshare and investment capital. To serve them and their own burgeoning AI products, hyperscalers are pouring eye-watering resources into cementing their role as unavoidable AI backbone providers.

Most mid-market SaaS companies struggle to keep pace. As we highlighted in "The End of a Software Era," the traditional SaaS model is no longer capable of driving sustainable growth. AI is the ubiquitous and relentless forcing function. AI agents are reshaping product strategies, redefining value creation, and resetting the bar for competitive differentiation. The inevitable outcome is significant disruption across the industry. We expect that no aspect of the enterprise software business escapes unscathed. Most dramatically, many mid-market software companies face an imminent existential threat, leading to significant consolidation.

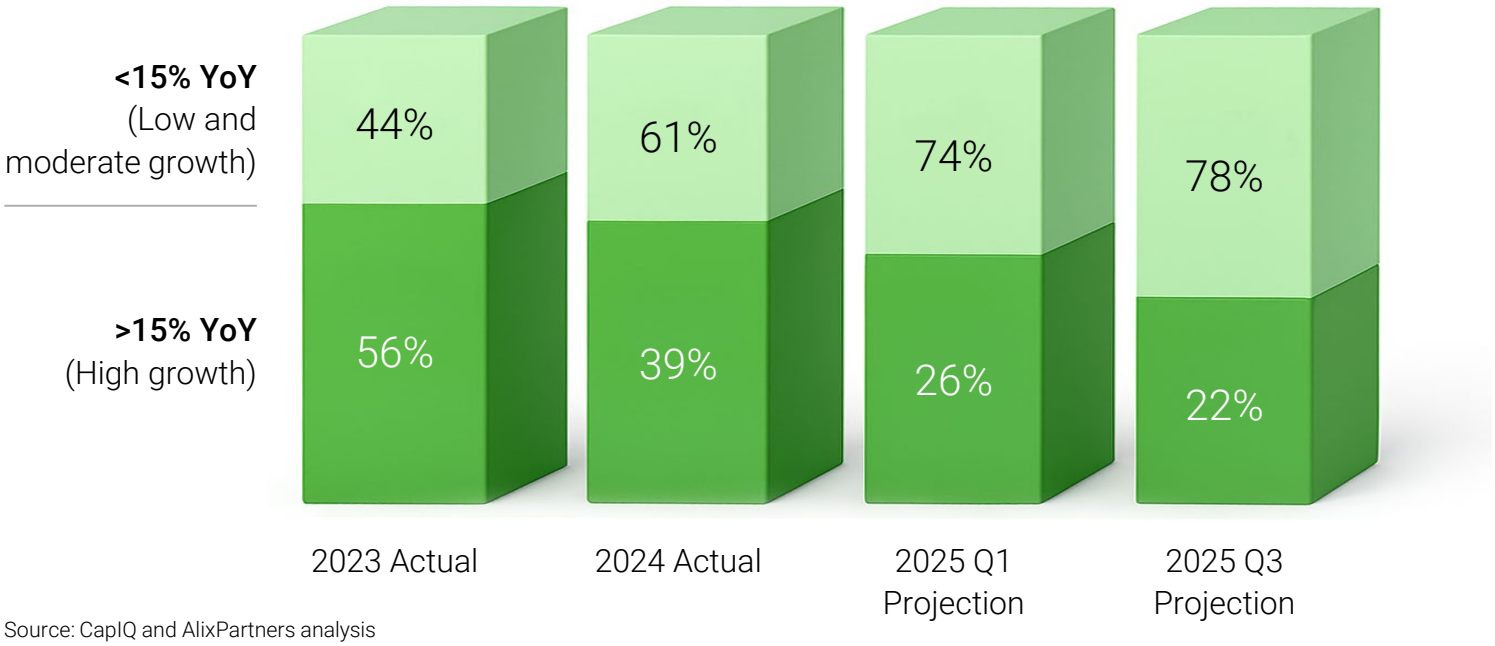
Problem

Mid-market feels the squeeze

Mid-market enterprise software companies are being squeezed from three sides.

First, growth is slowing. Analyst projections for 85 publicly listed mid-market companies ($0.5-$5 billion annual revenue—predominantly U.S.-based) in Q3 2025 indicate that only 22% are expected to achieve 15%+ YoY growth—down from 56% in 2023. That trend is global: 89% and 86% of analyzed companies have a strong presence in EMEA and APAC, respectively. The scaling dynamics that once defined the sector are slackening under AI's pressures.

Only 22% of mid-market companies are expected to grow at 15%+, down from 56% from 2023.



Source: CapIQ and AlixPartners analysis

Global investment in AI-focused companies accounted for:

53%
of all VC funding worldwide

64%
of U.S. VC dollars in 2025

Second, venture capital is flowing to AI startups at unprecedented levels. Global investment in AI-focused companies accounted for 53% of all VC funding worldwide and 64% of U.S. dollars in 2025. In absolute terms, the numbers are staggering. Concentrated funding in AI companies drove the sector to astonishing heights, accounting for roughly $150 billion in the first three quarters of 2025.

Third, the size of tech giants' bets all but guarantees the mid-term direction of travel. These investments are driving new technologies in-house, raising the competitive bar for speed and scale, and enabling new market entrants by providing access to compute capabilities.

Many legacy mid-market companies lack the resources to withstand these pressures. Their sales are likely declining (or will soon), yet they remain too large to pivot easily to fully AI-based products. Startups will challenge them, trying to take their place. Incumbents will need to determine when to share their data and when to stonewall. The level of disruption will vary by subsector. General-purpose productivity and workflow automation software will be hit hardest—CRMs, collaboration suites, and commodity vertical applications face direct threats as AI automates routine work, analytics, and customer support. Incumbents in regulated industries and infrastructure will fare better. Healthcare companies with HIPAA-compliant patient data platforms will hold ground as AI upstarts struggle to establish necessary trust infrastructure. Core infrastructure software in cybersecurity and network management remains powerfully entrenched—even as these companies face intense competition among themselves to adopt AI capabilities for competitive advantage.

The universal challenge across the mid-market is to fundamentally rethink their strategic positioning to withstand the pressures of this squeeze. Companies need both technical and GTM transformations to survive—yet resourcing both simultaneously is hard to achieve. The danger is that they end up abandoning one transformation to salvage the other, even as single-transformation strategies prove insufficient for survival.

Global AI spending will have increased 60% year-over-year to $360 billion in 2025, then rise another 33% to reach $480 billion in 2026.

Solution

Three paths forward

Caught between AI-native startups and deep-pocketed hyperscalers, mid-market enterprise software companies do not have the option of standing still. Leaders should make bold moves to thrive—or merely survive—in an era defined by the velocity and scale of AI-native entrants.

There are three possible paths for the mid-market, all requiring careful reassessment of positioning and organizational readiness to act:

1 Build

Developing AI capabilities in-house provides control and highly tailored solutions, but demands significant investment in talent, technology, and capital. As laid out in Predictions #1, #2, and #3, developing innovative software in the current era requires adapting to new paradigms of interfaces, trust architecture, and the software development lifecycle itself. AI-accelerated sales processes can help (as described in Prediction #4), if the fundamentals of the business model—like pricing (Prediction #5)—can adapt. Limiting new rivals' access to data may be a short-term defense, buying time to build.

2 Buy

As structural disruption spreads, acquisition opportunities will bring specialized expertise and accelerate time-to-market. However, integration and cultural challenges—already difficult in normal circumstances—are accentuated by broader disruptions to sales processes, pricing, and the technology itself.

3 Sell

For companies where transformation carries excessive risk, executives can focus on operational efficiency and disciplined financial management to maximize near-term value and position for a successful exit. But valuation processes are changing fast, as laid out in Prediction #6.

Mid-market enterprise software companies do not have the option of standing still.

The window for independent survival is closing, as consolidation accelerates and AI-driven giants set the rules of competition.

Given all these pressures, we expect M&A activity to increase, driving consolidation. Software and tech-enabled deal volume is on pace to achieve 19% YoY increases in 2025 in North America. The mix of mid-size deals—specifically in the $50 million to $1.0 billion value range—is accounting for 34% of total volume now, up from 28% a year ago. One survey predicts global M&A deal volume could grow by 26% in 2026, driven by enterprises aggressively pursuing AI capabilities through strategic acquisitions. An inevitable consolidation endpoint emerges, with a small group of hyperscalers and AI-native platforms likely establishing a long-lasting oligopoly.

All told, this is a serious moment. The window for independent survival is closing, as consolidation accelerates and AI-driven giants set the rules of competition. Only a minority of laggards will successfully complete modernization; the remainder face distressed M&A or shutdown in the face of insurmountable competitive barriers. Leaders of mid-market enterprise software companies should reevaluate their strategic positioning now, consider targeted M&A, pursue rapid integration of AI across product suites, and reimagine business models that embrace outcome-based value. By moving swiftly and with discipline, they can avoid being sidelined as the industry landscape is redrawn.

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ABOUT US

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges—circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

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