Beyond Productivity: How to Cut Costs With Generative AI

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Initiatives:CIO Management of Technology Finance, Risk and Value; Artificial Intelligence; Build, Engineer and Implement AI Initiatives; Establish a World-Class AI Strategy and Organization; Executive Leadership; Future of Work Reinvented Resource Center; Procurement Functional Design and Leadership

> Generative AI's ROI is typically measured by increased productivity, yet often fails to deliver short-term cost cuts. CIOs should consider an alternative strategy for GenAI focused on financial efficiency to cut costs, save cash, reduce losses and risk, and increase near-term ROI.

More on This Topic

This is part of 5 in-depth collections of research. See the collections:

- Private Equity Playbook: Artificial Intelligence
- Optimizing Technology Spend in a Volatile Economy
- AI Leaders: Maturity Guide for AI Strategy

Overview

Key Findings

- Generative AI (GenAI) productivity strategies fail to realize short-term cost savings. GenAI's productivity gains are often diluted, leaving CIOs struggling to convert time saved into cost reductions.
- GenAI strategies focused on productivity will result in an IT cost reduction of only 1%, while financial efficiency strategies can reduce IT costs by 12%.
- There is further potential for financial efficiency strategies to unlock enterprisewide cost reductions and cash savings equivalent to 26% of the IT budget.

Recommendations

CIOs focused on gaining increased cost savings from GenAI should:

- Achieve near-term cost cuts by shifting GenAI programs away from internal staff productivity use cases and toward a financial efficiency strategy.
- Pursue cost reductions within their own budgets by renegotiating outsourcing contracts, consolidating third-party variable spend and recontracting managed services.
- Unlock enterprisewide cost reductions by reducing working capital needs, minimizing revolving debt expenses and strengthening contract terms.

Introduction

The Productivity Paradox

Global business leaders are pressing CIOs to adopt GenAI at scale, [1] expecting increased operating margins through organizational productivity to compensate for constrained budgets. Cost reduction in the short term is urgent for enterprises, as the 2025 Gartner CIO and Technology Executive Survey shows "improve operating margins" as the most sought-after outcome of digital technology investments across most industries. [2] Yet delivering measurable cost savings in the short term through productivity alone proves elusive.

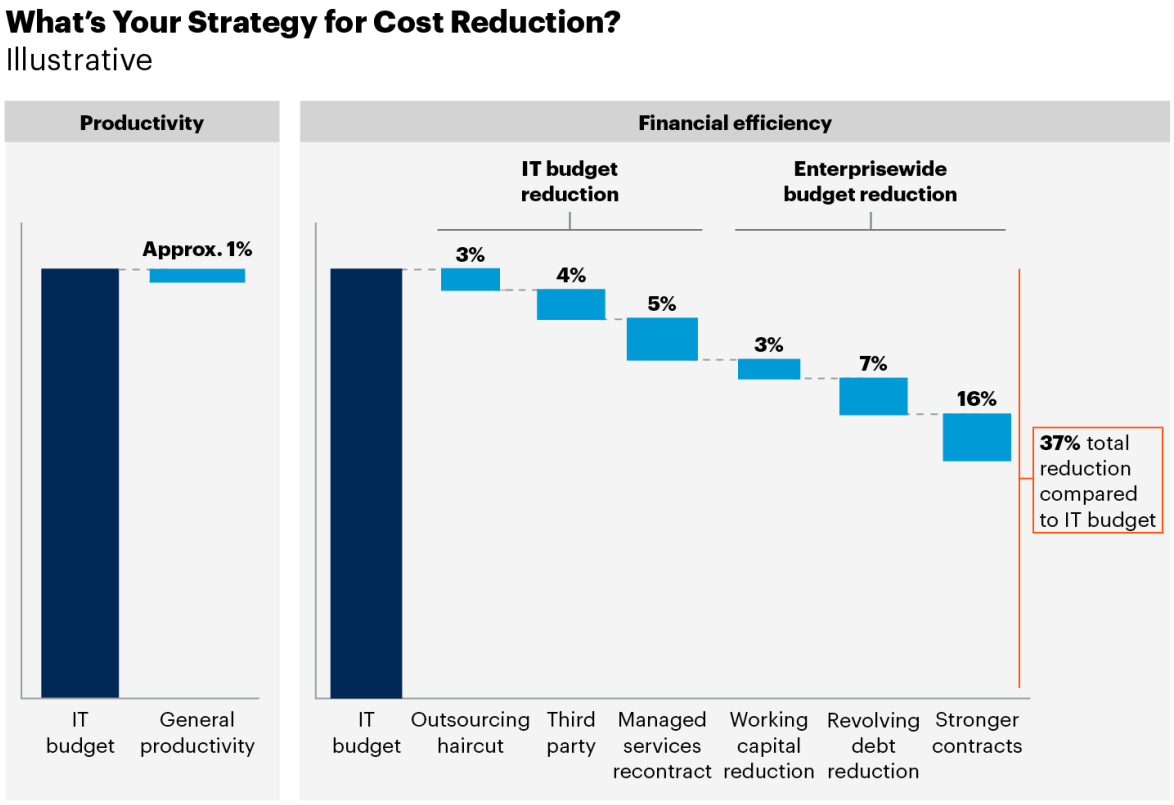
The implicit assumption is that incremental productivity gains from GenAI — faster code development, quicker report generation, swifter customer support — will translate smoothly into financial savings. Yet, this assumption is misguided. Despite persistent executive enthusiasm, CIOs struggle to realize meaningful bottom-line improvements from productivity-focused initiatives. [3]

> **Time saved is not money saved.**

The approach described in this research starts with the line items on the budget itself. It is sometimes related to the direct use of GenAI, but sometimes it is just the existence of GenAI in competitive markets. Productivity initiatives will result in only a 1% reduction of the IT budget in the short term. [4] To achieve ROI of GenAI, shorten the distance between the use case and the budget line.

This alternative strategy comprises six tactics, each with an estimated potential for cost-reduction, along with the calculations used to determine those figures (see Figure 1). CIOs will want to perform their own calculations for the benefit and cost of each tactic, as the potential may be higher or lower for their specific situations. Some tactics have no or very little cost as they rely on commercial or market drivers and, therefore, are all upside. Other tactics will require implementation, the cost of which should also be included based on a CIO's specific circumstances.

Figure 1: What's Your Strategy for Cost Reduction?



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We recommend that CIOs not pursue all tactics at once, but begin with one that will have the highest feasibility and impact for the CIOs' particular organization, recognizing that for many CIOs, these tactics will mean a reshaping of GenAI strategy and focus.

In addition to this research, CIOs can use the presentation slides below to consider and plan a financial efficiency strategy with their executive teams.

Beyond Productivity: How to Cut Costs With Generative AI

The Challenge of Creating Value From Productivity

Time saved in scattered increments rarely translates into cost savings due to the friction of productivity leakage and value harvesting. Without mechanisms like headcount reduction, deferred hiring or streamlined third-party spend, productivity gains remain intangible and fail to yield direct financial returns. These two phenomena create significant friction when attempting to convert "time saved" into financial impact:

- **Productivity leak:** Time saved often disappears due to task switching, coordination or workflow bottlenecks. Even a 10% efficiency improvement by one team member may translate to only a 1% process improvement if other steps remain unchanged. Gartner research shows 20% to 69% of anticipated gains are lost to coordination overhead and downtime. [5]

- **Value harvesting:** Scattered time savings rarely lead to tangible reductions, as incremental efficiencies don't justify cutting teams or vendor contracts. Without consolidating roles, deferring hires or another way to harvest the potential benefit of saved time, productivity never becomes a financial saving. Instead, organizations end up with a slightly more efficient workforce that still costs roughly the same to run.

Friction in value harvesting is a significant issue and can come from many sources, including:

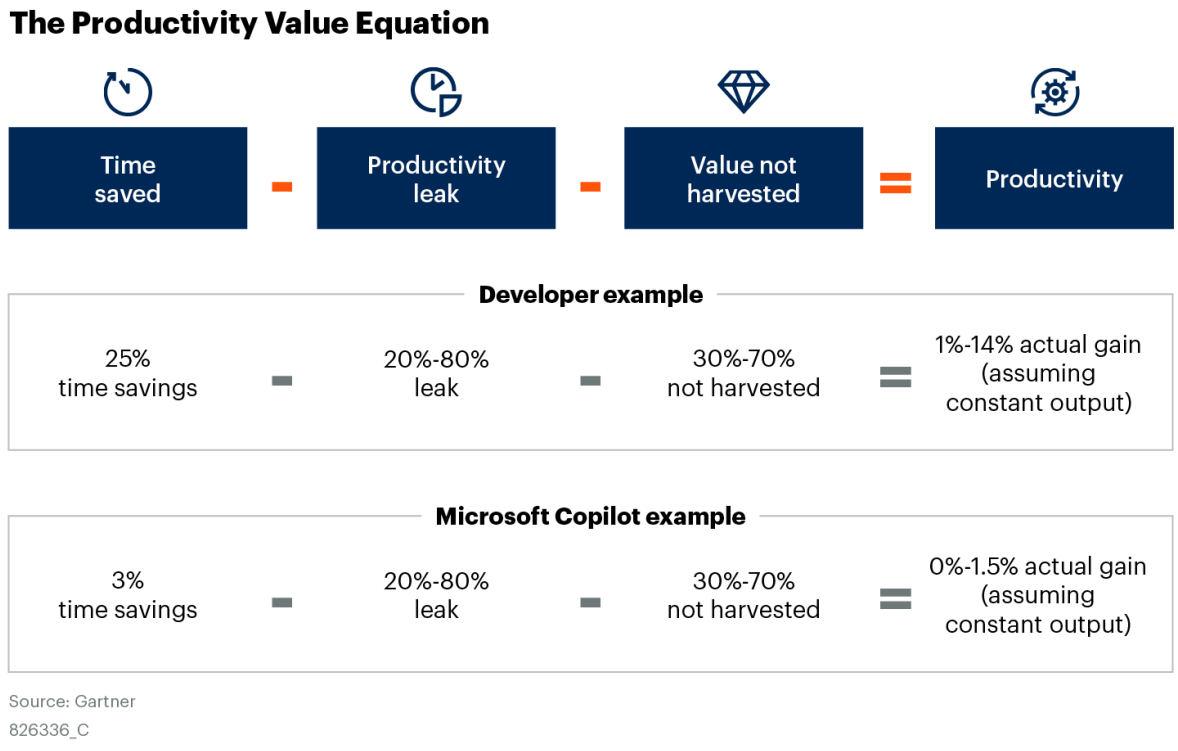
- **Organizational inertia:** Enterprises have deeply embedded processes, cultural norms and reporting structures that resist change. Even if GenAI frees up time, actually reducing staff or renegotiating contracts may run counter to long-standing practices. Middle management might have an incentive to hold onto team size for influence or promotional prospects. Regulatory and compliance requirements also add inertia; fewer staff might mean losing critical oversight roles. This inertia means that even if the CFO demands cost savings, the organization may struggle to enact structural changes that realize them.

- **Interdependent complexity:** Global companies are ecosystems of interlocking roles, departments and systems. Productivity in one unit doesn't always translate to downstream cost advantages unless multiple components align. For example, faster code delivery is useless if QA cycles, release management or change approval boards remain slow. Accelerating the legal team's contract review process by 10% might not matter if supplier negotiations still hinge on product management timelines. Broader GenAI adoption in specific areas may be part of the solution, provided that GenAI can resolve the other bottlenecks. Interdependent complexity dilutes efficiency gains, making them hard to isolate and monetize.

Productivity is a potential benefit, not an automatic cost reduction. Without active conversion, saved time remains a latent asset that never hits the bottom line.

Because of these challenges, even dramatic productivity claims often shrink to negligible financial improvements. For example, as seen in Figure 2, a 25% time savings in software development might yield only 1% to 14% real gains if downstream bottlenecks persist. Similarly, a 3% daily time saving from an AI assistant for knowledge workers might be effectively zero on the bottom line. [6] GenAI alone cannot resolve structural constraints limiting organizational throughput. When the cost of implementing GenAI — licensing, integration, training — is factored in, many productivity-focused initiatives fail to achieve positive ROI.

Figure 2: The Productivity Value Equation



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While there are exceptions, without significant organizational will to reconfigure processes, alter staffing models or reprice supplier agreements, even substantial efficiency gains remain trapped as potential, not profit.

Analysis

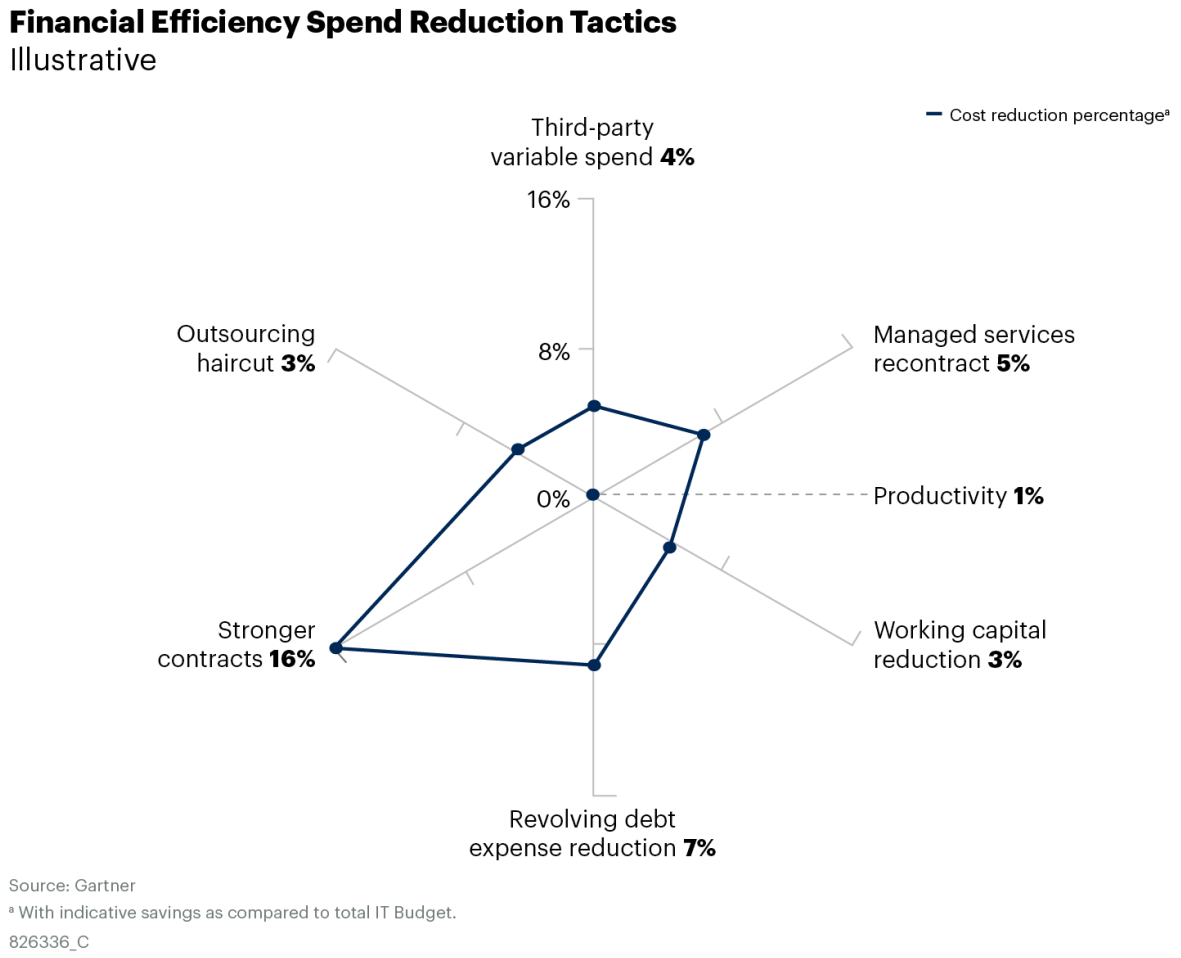
A Strategic Alternative: Adopt a Financial Efficiency Strategy

The better path to short-term cost reduction from GenAI is to focus on initiatives that produce direct financial outcomes, such as preventing fraud, negotiating more favorable supplier terms or improving the precision of cash flow forecasts.

Shifting focus from productivity to direct "financial efficiency" changes the game.

By emphasizing loss reduction, risk mitigation and capital efficiency, CIOs can leverage GenAI to reduce top-line expenses, improve balance sheets and cut operational costs. GenAI's unique strengths in areas that don't involve risky strategies like cutting jobs make it a dependable and measurable alternative approach. Figure 3 shows the significant difference in total cost reduction between these two strategic alternatives. Unlike productivity benefits, which must be harvested through complex organizational changes or cost-cutting measures, financially oriented gains flow straight to the bottom line, extending GenAI's value well beyond incremental time savings.

Figure 3: Financial Efficiency Spend Reduction Tactics



In 2024, The U.S. Internal Revenue Service (IRS) announced savings of $4 billion through enhanced fraud detection using AI, representing a direct cash benefit that did not require conversion. [7] This pattern applies to many industries. AI can write better loans and avoid bad debt; it can improve healthcare access and outcomes; [8] and it can reduce churn. All of these are examples of reducing losses (just like the IRS achieved) and improving financial efficiency.

CIOs have six specific opportunities to use GenAI to cut costs — three opportunities within their own budgets and three opportunities across the entire organization. This involves shifting from incremental productivity gains to market recalibration. By leveraging GenAI's knowledge equalization, CIOs can drive pricing adjustments, consolidate contracts and overhaul outsourcing to eliminate entire cost layers. The outcomes are direct: lower service fees, better terms and reduced external dependencies.

Pursue Cost Reduction Within IT

There are three tactics CIOs can use to implement a financial efficiency strategy within their own function and directly reduce the IT budget.

IT Budget Tactic No. 1: Outsourcing Haircuts

Outsourcing represents over 13% of the IT budget, on average, [9] and offers CIOs opportunities to renegotiate contracts using GenAI. CIOs have achieved 5% to 20% price reductions through uniform "haircuts" or targeted line-item cuts, such as application support or service desk costs. [10] Vendors may stipulate that reductions are contingent only on certain other changes like installing the latest ServiceNow version. Such savings directly improve the bottom line by reducing contracted service costs.

These cost reductions are paradoxical in some ways; vendors report challenges in achieving productivity savings, and yet CIOs believe vendors are more likely to achieve productivity-related cost reductions. Therefore, this cost savings is likely due to competitive pressure, rather than changes in fundamental productivity. Nonetheless, CIOs report success in outsourcing haircuts.

Action steps:

1. **Benchmark current supplier agreements:** Assemble data on current outsourcing costs, SLAs and performance metrics.

2. **Engage new suppliers:** Ask if alternative providers can achieve lower price points because of scale efficiencies in implementing productivity programs.

3. **Renegotiate or switch:** Armed with competitive bids, demand price cuts from incumbents. A 5% to 20% reduction is achievable if the incumbent knows GenAI is forcing competitive pressure on the market.

Indicative cost savings: This tactic could reduce the IT budget by 3%. [11]

IT Budget Tactic No. 2: Third-Party Variable Spend Reduction

Most organizations have numerous small, variable contracts with external specialists — especially in areas like legal, design and marketing. GenAI can equip internal staff with on-demand expertise — basic legal guidance from a language model or marketing copy drafts from a generative tool — reducing the frequency and scope of external engagements. Since this third-party spend is often variable, even a modest shift of work to in-house staff cuts direct costs immediately. This is not about saving minutes; it's about eliminating discrete invoices.

Toshiba America's legal department demonstrates this. [12] General counsel Tim Fraser instructed staff to consult ChatGPT before engaging outside counsel. This approach reduced external legal spend without replacing in-house expertise. By using ChatGPT for a fraction of cases, the team cut external costs while maintaining quality.

Shave off even a fraction of external variable spend, and you get immediate cost relief — no conversion needed.

As external requests decline, so do variable costs, leading to immediate savings without the friction of productivity conversion. For IT, this means identifying tasks like translation or regulatory documentation that can be handled in-house with GenAI, avoiding outsourced costs. GenAI enhances internal capabilities, capturing direct savings without complex "headcount harvesting." Such examples move beyond time saved and directly trim expense lines.

There may be an increasing value to these activities over time. While there is immediate benefit now, building the organizational "muscle memory" by using GenAI as advisor of first resort and always looking to use these technologies may amplify the benefit over time as AI gets better.

Action steps:

1. **Map external dependencies:** Identify budget line items with small, variable-cost specialist firms and contractors.

2. **Empower internal staff:** Give in-house teams GenAI-powered advisory tools (e.g., business analysis, project management reporting, translation or regulatory document creation) so they can handle incremental tasks previously outsourced.

3. **Set a strict internal policy and expectations of spend reductions:** Internal teams must consult GenAI first; if the query is resolved, no external invoice is triggered.

Indicative cost savings: This tactic could reduce the IT budget by 4%. [13]

IT Budget Tactic No. 3: Managed Services Recontracting

Traditional outsourcing providers have long relied on knowledge asymmetries and client switching costs to maintain price premiums. The incumbent advantage rests on familiarity with processes, data and systems, and on clients' dread of the hurdle of transitional disruption for up to nine to 18 months while the new provider gains familiarity and transfers knowledge. It's also a period during which productivity and service quality often dip.

GenAI neutralizes these asymmetries. Large language models (LLMs) and related tools dramatically compress the learning curve for new service providers, particularly in contact centers, service desks and application support. Aided by GenAI, contact center and service desk workers are able to do in two months with GenAI what it would take their peers one year to do without GenAI. [14]

> **The experience compression phenomenon particular to GenAI flattens the learning curve for new vendors, reducing the risk of switching providers — and giving CIOs stronger negotiating leverage.**

By providing next best action based on documentation and historical support logs, GenAI can arm challengers with near-instant organizational and process knowledge. This levels the playing field, reducing the time and complexity it takes for a new vendor to become competent. Note that this tactic is specific to the use of GenAI in lowering the risk to switch providers and has two critical prerequisites. First, the CIO must have control and ownership of historical support logs and other related information; and second, the new provider must have the technical sophistication to utilize that data effectively to increase the experience of its staff at an accelerated rate.

This transformation expands CIOs' bargaining power. They can now invite competitive bids from lower-cost providers who can ramp up quickly. The result is a direct reduction in IT services costs with no need to harvest incremental time savings.

Action steps

1. **Assess incumbent lock-ins:** Identify key managed services contracts where incumbents leverage their institutional knowledge to their own price advantage.

2. **Identify knowledge ownership:** Ownership of raw data on good and bad performance, such as service desk interactions and code changes, is vital. CIOs must be at liberty to transfer this raw information to new suppliers, making it easier for challengers to ramp up.

3. **Invite competitive bids:** Compare challenger quotes with incumbent costs. Push incumbents to match or beat these offers.

Indicative cost savings: This tactic could reduce the IT budget by 5%. [15]

Unlock Enterprisewide Cost Reductions

There are three tactics CIOs can use to implement a financial efficiency strategy in nontechnology functions to reduce enterprisewide budgets and save cash.

Enterprisewide Tactic No. 1: Working Capital Reduction

Excess working capital ties up cash that could otherwise fund innovation or reduce debt, and it is increasing, raising boardroom concerns. [16] CIOs can lower capital costs by using GenAI-based predictive analysis to improve sales, [17] reducing the need for excessive working capital that often sits idle. GenAI excels at identifying patterns and correlating historical reports with surprising accuracy. [18] For this tactic, GenAI should be used, at present, in conjunction with nongenerative machine-language (ML)-based forecasting, with particular focus on the ability of GenAI to incorporate unstructured data (especially sales data [19]) and identify unknown factors and the rate of improvement of frontier models. By producing accurate sales and cost forecasts, GenAI enables CFOs to reduce excess working capital, redirecting liquidity to growth initiatives or the bottom line. [20,21,22 ,23]

Unlike productivity-driven initiatives that save scattered minutes across an organization, improved forecasting accuracy directly reduces financial overhead. Working capital — cash reserves maintained to cover timing mismatches between payables and receivables — can be cut when leaders trust their predictions of revenue inflows and expense outflows.

In summer 2024, a multinational manufacturing company tested ChatGPT by uploading five years of public annual reports and quarterly earnings statements. They asked ChatGPT to predict the 3Q24 earnings statement. When Q3 ended, they compared ChatGPT's prediction with actual results, finding it was only 1% off despite using limited public data. With better internal data, accuracy could improve further, freeing millions in working capital. [24, 25,26]

GenAI-powered working capital reduction goes straight to the top or bottom line and can immediately be realized in cost savings. This dynamic is reflected across industries:

- Insurance needs reserves for paying out insurance premiums.
- Investment services need capital reserves for trading operations.
- Aviation needs capital reserves because of changing customer demand.
- Oil and gas needs capital reserves because of fluctuating commodity prices.
- Government needs capital reserves because of variation in tax collection.

Even modest forecasting improvements can release millions in trapped cash. Unlike productivity gains requiring complex conversions, freed working capital offers direct, measurable savings for reinvestment, growth or shareholder returns.

Action steps:

1. **Secure historical finance data:** Provide GenAI with sales forecasts, accounts payable/receivable patterns and seasonal variations.
2. **Improve forecast accuracy:** Use GenAI to identify patterns and anomalies that human analysts missed.
3. **Adjust cash buffers:** With improved accuracy, the CFO can safely reduce working capital reserves, freeing cash for growth or cost reduction.
4. **Measure the impact:** Track how much cash you free up and where it gets reinvested.

Indicative cost savings: This tactic could reduce the whole organization budget by an equivalent of reducing the IT budget by 3%. [27]

Enterprisewide Tactic No. 2: Revolving Debt Expense Reduction

Revolving debt bridges cash flow gaps but incurs substantial interest costs. GenAI-driven cash flow forecasting allows CIOs and CFOs to minimize dependence on this costly short-term financing. [28,29,30,31] GenAI allows finance teams to refine projections, strategically time payments and reduce credit line usage, lowering interest costs. Even small reductions in interest expenses can yield substantial, immediate cash benefits without requiring operational changes.

GenAI-powered forecasting can trim millions in capital costs, offering tangible savings beyond fractional time reductions. By integrating GenAI with enterprise planning systems, CIOs transform it into a strategic asset that frees funds for innovation and reduces operational costs.

Action steps:

1. **Map cash flow timing:** Analyze monthly inflows and outflows to identify periods of shortfall covered by revolving credit.

2. **GenAI-powered forecasting:** Deploy GenAI to predict cash flow more precisely.

3. **Reduce credit line reliance:** Track interest savings directly in the income statement.

Indicative cost savings: This tactic could reduce the whole organization budget by 0.16%, which is equivalent to reducing the IT budget by 7%. [32]

Enterprisewide Tactic No. 3: Stronger Contracts and Revenue Leakage Reduction

Revenue leakage, caused by weak contract terms, poor compliance or unenforced pricing adjustments, is a significant drain on corporate finances, often reaching 5% of total revenue. [33] This lost income highlights the potential to prevent leakage and strengthen revenue recovery through stronger contract management by deploying GenAI-assisted contract analysis. [34]

Addressing this gap traditionally involves extensive legal reviews and costly external counsel, requiring significant time and resources. GenAI enables a more scalable and systematic approach. Advanced language models trained on contracts, case law and billing data can rapidly identify terms that allow counterparties to escape agreed-upon obligations, spot ambiguous clauses and detect patterns of invoice undercollection.

An electronics manufacturer faced significant revenue loss due to weak contract terms that provided discounts to a phone provider based on high expected orders. When the phone provider underperformed and fewer chips were ordered, the contract lacked provisions to adjust pricing. GenAI can address such issues by analyzing and strengthening contracts to increase revenue and reduce unnecessary losses. [36]

CIOs can partner with general counsel and finance teams to feed GenAI with historical contracts and performance outcomes. The system can propose renegotiations, highlight anomalies and suggest clauses that realign price discounts with actual purchased volumes. GenAI drives a measurable uplift in realized revenue, with every recovered dollar flowing directly to the bottom line, bypassing the complexities of productivity-based savings.

Action steps:

1. **Gather contract portfolio:** Collect supplier, distributor and customer contracts in a centralized repository.

2. **Analyze GenAI clause:** Identify ambiguous language, missed escalation clauses or unenforced penalty terms.

3. **Renegotiate or enforce terms:** Work with legal and procurement teams to correct these weaknesses and recover unpaid revenue.

Indicative cost savings: This tactic should be expected to reduce the whole organization budget by an equivalent of reducing the IT budget by 16%. [3] [7]

Decision

Focusing GenAI investments on direct financial outcomes does more than fix a tactical gap. It changes the strategic conversation within the organization. Instead of defending vague ROI projections — “we save 20 minutes per day per developer” — CIOs can show CFOs and CEOs hard numbers: “We lowered annual managed services costs by $4M,” or “We freed $50M in working capital.” This shift aligns with what top executives truly care about: concrete, auditable financial impact.

The financial efficiency-focused approach shifts GenAI's perception from an abstract efficiency tool to a financial instrument, driving bargaining power, fiscal management and revenue integrity, integrating it into core strategic finance.

CIOs can prioritize direct financial outcome initiatives as the foundation of their GenAI strategy to ensure early ROI. After demonstrating tangible savings, they can selectively address productivity projects with the organizational capital needed for effective restructuring. CIOs must reframe GenAI as a strategic financial tool, not just an operational one, ensuring every dollar spent drives measurable savings.

Evidence

[1] The **2024 Gartner Corporate-Business Alignment Survey** shows that 41% of respondents believe that it is very/extremely important for the IT function to help implement AI solutions for the business area, and the **2025 Gartner CIO and Technology Executive Survey** shows 87% of the aggregate sample indicated increased funding for GenAI. Generative AI is tied with cybersecurity for the technology the most respondents indicated would have an investment increase this year.

[2] **2025 Gartner CIO and Technology Executive** Survey shows "improve operating margins" is the top-rated critical outcome for digital investments across most industries.

[3] Similar positions are held by MIT, Goldman Sachs, Forbes and The Economist:

- The Simple Macroeconomics of AI, MIT.
- Gen AI: Too Much Spend, Too Little Benefit?, Goldman Sachs.
- GenAI Benefits May Be Slower and Lower Than Anticipated, Forbes.
- There Will Be No Immediate Productivity Boost From AI, The Economist.

[4] Productivity budget impact calculation: Personnel and related costs are 35% of the IT budget (IT Key Metrics Data 2025: Industry Measures), of which 76% are in-house employees subject to headcount reduction. Assume 22% of productivity initiatives achieve meaningful success, and 20% of the associated heads will be reduced. This results in a 1.17% reduction in the IT budget.

[5] See How to Calculate Business Value and Cost for Generative AI Use Cases; and the 2024 Gartner Productivity Impact of AI Survey. This study was conducted to understand organizations' most relevant measures of productivity, assess the extent to which technology investments (especially AI) impact productivity and gauge the variation in AI's impact on productivity across different workforce segments. The research was conducted online from 28 June through 25 August 2024. In total, 724 respondents were interviewed across North America (n = 225), Europe (n = 231) and Asia/Pacific (n = 268). Qualifying organizations operated across all industries and reported enterprisewide annual revenue for FY23 of at least $250 million or equivalent. Qualified participants were employed full-time and in their role and on their current team for at least two years. Respondents were asked to report on a technology they were familiar with, and one that was deployed and used by their team at least once per month. *Disclaimer: The results of this survey do not represent global findings or the market as a whole but reflect the sentiments of the respondents and companies surveyed.*

[6] See The 3 Business Cases of Generative AI Value for details of this example.

[7] Treasury Announces Enhanced Fraud Detection Processes, Including Machine Learning AI, Prevented and Recovered Over $4 Billion in Fiscal Year 2024, U.S. Department of the Treasury.

[8] Superhuman Performance of a Large Language Model on the Reasoning Tasks of a Physician, Cornell University

[9] IT Key Metrics Data 2025: Industry Measures - Executive Summary

[10] Client interactions from October 2024 to December 2024.

[11] Outsourcing haircut budget impact calculation: Managed services costs are 13% of the IT budget (IT Key Metrics Data 2025: Industry Measures - Executive Summary). A 20% haircut results in a 2.6% reduction in the IT budget.

[12] The Strategic GC Podcast (2023 Season) Episode 7: Toshiba America's GC Shares How He Uses GenAI to Drive Efficiency and Cut Costs.

[13] Third-party variable budget impact calculation: Personnel and related costs are 35% of the IT budget (IT Key Metrics Data 2025: Industry Measures — Executive Summary). Of all IT staff headcount, 24% are contractors subject to reduction in third-party spend. Assume 170% contractor price premium compared to in-house staff, which results in

[14] 2% of the IT budget. Assume 25% can be reduced, leading to a 3.57% reduction in the IT budget.

Who Benefits Most from Generative AI Productivity.

[15] Managed services recontracting budget impact calculation: Managed services costs are 13% of the IT budget (IT Key Metrics Data 2025: Industry Measures — Executive Summary). A 35% discount with a new vendor results in a 5% reduction in the IT budget.

[16] Working Capital Study 24/25, PwC.

[17] Use AI to Enhance Sales Forecast Accuracy and Actionability.

[18] Harnessing ChatGPT for Predictive Financial Factor Generation: A New Frontier In Financial Analysis and Forecasting, ScienceDirect "Our empirical findings demonstrate that GPT's financial analysis capabilities are quite powerful, and its financial factors possess strong predictive ability for a company's future stock performance. Our results show that if the sign of a financial factor generated by GPT is correctly determined at once, then in a quarterly rebalancing scenario, with long positions in the top 10% of companies by factor value and short positions in the bottom 10%, 19 factors achieve annualized returns higher than 20%, of which 13 have returns over 30%, and a total of 17 factors have a Sharpe ratio higher than 1. The best-performing factor achieves an annualized return of 1.0457 and a Sharpe ratio of 2.9495. This outstanding performance in a quarterly rebalancing scenario fully demonstrates the strong ability and reliability of GPT in constructing factors based on a company's financial statements that predict future company development. Using the Fama — French five-factor model as a basis for regression analysis, we find that 28 out of 30 GPT-constructed factors have statistically significant alpha relative to the five-factor model."

[19] Use AI to Enhance Sales Forecast Accuracy and Actionability.

[20] Can Large Language Models Beat Wall Street? Evaluating GPT-4's Impact on Financial Decision Making With MarketSenseAI | Neural Computing and Applications, Neural Comput & Applic. "Through empirical testing on the competitive S&P 100 stocks over a 15-month period, MarketSenseAI demonstrated exceptional performance, delivering excess alpha of 10% to 30% and achieving a cumulative return of up to 72% over the period, while maintaining a risk profile comparable to the broader market."

[21] ECC Analyzer: Extract Trading Signal From Earnings Conference Calls Using Large Language Model for Stock Volatility Prediction

[22] GPT-4 Is Better Than Humans at Financial Forecasting, New Study Shows, Markets Insider.

[23] Large Language Models for Forecasting and Anomaly Detection: A Systematic Literature Review, Cornell University.

[24] Client inquiry, November 2024

[25] Consistent with Can ChatGPT Forecast Stock Price Movements? Return Predictability and Large Language Models, SSRN.

[26] Another example is the Kurt J. Lesker Company (KJLC). The primary objective for KJLC was to modernize and integrate its business software solutions to improve operational efficiency, enhance sales forecasting and management, and provide near-real-time data insights. The company aimed to transition from a dated Microsoft AX ERP system to a more advanced and integrated Dynamics 365 platform, leveraging generative AI (GenAI) capabilities to further enhance operations. Improved Sales Forecasting: The integration of sales data across various platforms provided a 360-degree view of customers, enabling more effective sales forecasting and nurturing. Search Customer Success Stories, Microsoft.

[27] Working capital reduction budget impact calculation: Addressable working capital is estimated at 1.5 trillion EUR; assume a reduction of 10% of the addressable working capital. Global IT services spend is 1.6 trillion USD (Forecast Alert: IT Spending, Worldwide, 2Q24 Update), 34.4% as a percentage of all IT spend. A 10% reduction results in a reduction in spend comparable to 3.44% of the IT budget.

[28] ChatGPT and Deepseek: Can They Predict the Stock Market and Macroeconomy?

[29] Large Language Models for Forecasting and Anomaly Detection: A Systematic Literature Review, Cornell University

[30] Revolutionizing Finance With LLMs: An Overview of Applications and Insights, Cornell University.

[31] ECC Analyzer: Extract Trading Signal from Earnings Conference Calls using Large Language Model for Stock Performance Prediction, Cornell University.

[32] Revolving Debt Expense Reduction Calculation: As an illustrative example, 3M reported interest expense of 1.3% of revenue in 2022, page 67 (interest expense) and 60 (net sales: 34,229m) and page 27 (margin: 19.1%). Assume total operational expense of 34,229M times 80.9% equals 27,691.3M. Assume total interest expense of 34,229M times 1.3% equals 444.97M. Reduction of interest expense by 10% equals a reduction of operational expense by 44.4m, or X% of operational expense. IT spend as a percentage of revenue is 1.8% for manufacturing companies with USD $10+ billion revenue. Interest expense is 75% as a percent of the IT budget. Assume reduction of interest expense by 10%. This results in a 7.5% reduction of expense in terms of the IT budget.

[33] Drive Margin Improvements with Effective Contract Management, BCG.

[34] Generative AI Use-Case Comparison for Legal Departments

[35] Motorola, Inc. v. Dbtel Inc., CaseTex.

[36] 5 AI Case Studies in Law, VKTR. Another example is PNC Bank. The primary objective for the legal department at PNC Bank was to streamline and enhance the efficiency of evaluating vendor billing guideline compliance. PNC Bank partnered with Wolters Kluwer to implement LegalVIEW BillAnalyser, a tool that combines artificial intelligence with human legal expertise. The solution was designed to transform the manual, attorney-led billing compliance process into a more efficient and cost-effective operation. Billing guideline compliance improved by up to 20%, enhancing the department's ability to enforce billing rules effectively.

[37] Drive Margin Improvements with Effective Contract Management, BCG. Stronger contracts IT budget impact calculation: Revenue leakage is estimated by BCG at 5%-20% of all revenue. The IT budget in terms of revenue is 3.1%. Assume revenue loss reduction which can be achieved with GenAI at 10%. As a percent of total revenue, that is a 0.5% increase, or 16.129% in terms of the IT budget.

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Recommended by the Authors

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The 3 Business Cases of Generative AI Value

How to Calculate Business Value and Cost for Generative AI Use Cases

Who Benefits Most From Generative AI Productivity?

Supply Chain Executive Report: The GenAI Productivity Paradox

Podcast: Toshiba America's GC Shares How He Uses GenAI to Drive Efficiency and Cut Costs