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POINT OF VIEW

Addressing SaaS sprawl will free up budget for agentic AI success

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CIOs, your SaaS estate is the AI budget you have not found yet. Nearly half of enterprise technology spend now sits outside IT's control, and HFS estimates that about 30% of this decentralized spend is duplicative, inefficient, or incompatible with the rest of the estate. SaaS is where that money hides best, because business units can buy it on a corporate card and renew it without IT in the room.

The bill does not stop at the subscription. Every $1 spent on a license pulls $2 to $7 for implementation, integration, and upkeep services, and that spend often lands in IT's budget even when the business signed the contract. Vendors add to it by attaching AI add-ons at renewal and metering the agents that read their customers' own data. Even as token prices decline, 73% of enterprises say they are exceeding their AI budgets. This is money that conflicts with the IT budgets needed to keep existing systems running. CIOs have a few other places to find the money.

HFS believes that firms must reign in SaaS sprawl. To do this, they'll need to discover where SaaS licenses are underused, where AI and code can create solutions, and rethink how their SaaS tools ROI is measured. The CIO who can recognize it, document it by capability, and act on it systematically can deliver a plan that releases the funds needed to support a host of new AI programs.

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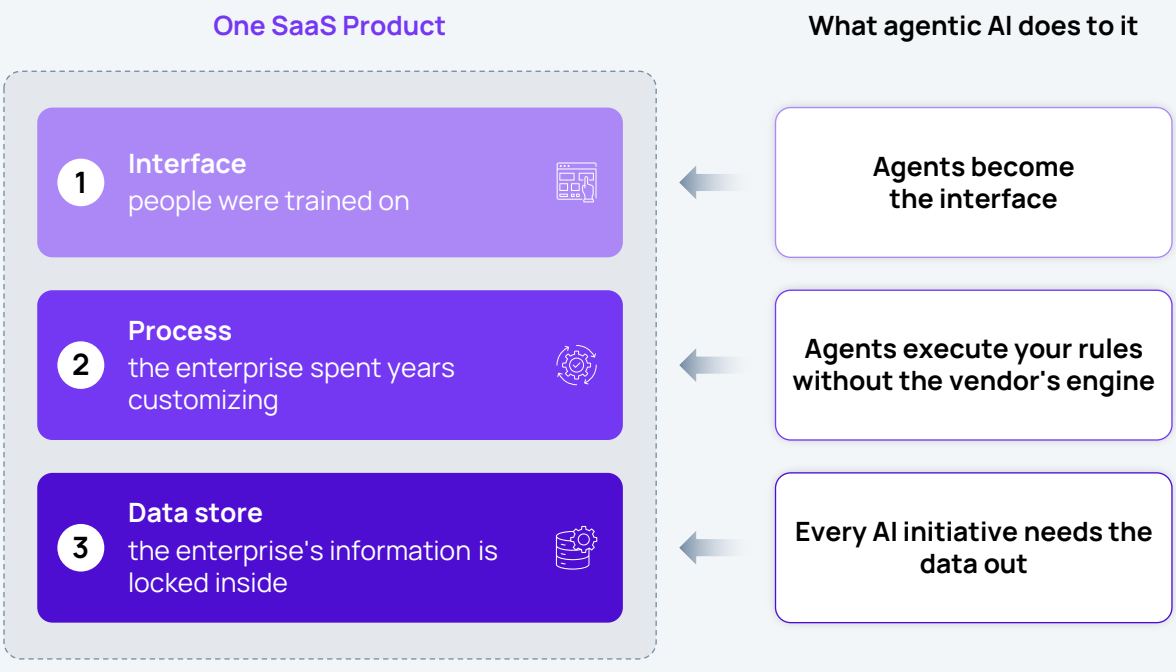
Sprawl is the bill for renting your own process back

SaaS promised best practices, fast deployment, and lower operating overhead. Enterprises took the deal and then did what enterprises do: customized each platform to the hilt, encoded their own workflows, calculations, and decision rules on top of it, and agreed to pay an annual fee to keep using the intellect and data they had put into it. Several hundred subscriptions later, the application estate has become a map of every process the enterprise could not get its primary vendors to support, held together by APIs and connectors.

HFS recognized this in 2021, saying that applications are dead, data is everything, and SaaS had started as a delivery model but morphed into a revenue model: a cost equation for the buyer and a valuation equation for the vendor, rather than a value equation for either. In 2023, we pointed out the conflict between the SaaS vendor's goal of cutting license churn and the CIO's goal of cutting license cost. Nothing in the vendor's incentives will shrink the beachhead that a SaaS tool seeks to establish and hold.

What changed is the economics of the exit. Every SaaS product consists of three things: an interface people were trained on, a process the enterprise spent years customizing, and a data store the enterprise's information is locked inside (see Exhibit 1).

Exhibit 1: Agentic AI solutions are positioning themselves to replace SaaS controls



Source: HFS Research, 2026

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Agentic AI threatens to disrupt the sprawling SaaS estate. As agents increasingly become the interface, they can execute the enterprise's own rules without the vendor's process engine, and every AI initiative needs the data out of the vendor's store. At the same time, AI-augmented engineering has made it affordable to rebuild narrow, high-volume workflows as software the enterprise owns. These developments undermine the SaaS vendor's ability to create feature-enhanced roadmaps that further lock enterprises into their commercial models.

As a result, build-versus-buy is flipping for the right work, shifting ownership back to the enterprise. SaaS vendors saw the shift early, which explains their rush to build their own "SaaS plus AI" lock-in models.

Recognize SaaS sprawl by its symptoms before the full invoice arrives

Most CIOs cannot name the number of SaaS products their enterprise pays for, and counting is the wrong place to start. Sprawl is revealed as a set of operating symptoms, each of which leaves evidence in a system the CIO can already access (see Exhibit 2).

Two signals deserve more attention than they usually get. The first, integration growth, hides infrastructure and services costs that seldom appear on the SaaS budget line. The second, roadmap dependency, leaves the enterprise beholden to a SaaS platform that ships quarterly releases, and no amount of contract negotiation fixes a release calendar the enterprise does not own.

Exhibit 2: Six signals of SaaS sprawl, and where the evidence already sits

	What it looks like	Where the evidence sits
Idle capacity	Seats nobody has opened in 90 days	Single sign-on (SSO) logs and license admin consoles
Overlap	Three tools doing the same job in three business units	Accounts payable data and expense reports by category
Renewal surprises	Uplifts, AI add-ons, and new license types that appear at renewal	Contract repository and renewal notices
Integration growth	Integration spend rising faster than application spend	Integration platform invoices, connector inventory, and ticket queues
Shadow purchase	Apps bought on corporate cards outside procurement	Card and expense data
Roadmap dependency	The business waits on a vendor release for fixes, features, or compliance changes	Change backlog and audit findings

Source: HFS Research, 2026

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The license is the small number, and integration is the big one

A business case that counts only subscriptions understates the true cost of renting SaaS by a multiple. HFS research with 123 Global 2000 decision makers (December 2025) found that 51% of enterprises spend $4 or more on services for $1 of license, within the broader $2–$7 range. This same research identified an over-reliance on systems integrators (77%), custom code proliferation (76%), and missing standards (74%) as the contributors, and 86% said technical debt blocks their strategic goals. Financial services runs hotter: in a February 2026 HFS study of 69 banking, financial services, and insurance leaders, 43% reported that more than 70% of a typical program's budget goes to services rather than software.

Follow the money, and it often lands on the connections between SaaS systems. Integration platform-as-a-service (iPaaS), point-to-point APIs, and data pipeline tools exist mainly to move data between applications that were never designed to share it. That integration carries its own licenses and support teams, fails in ways that generate tickets rather than outcomes, and has no user base or business sponsor to defend it. When the estate is documented as a ledger, the integration layer is usually the first line in the column marked "goes" (see Exhibit 3).

Agentic pricing now stacks a third charge on top of the license and the services behind it. Enterprises pay for the seat, the AI feature uplift attached to it, and a consumption meter on the agent that does the work. Salesforce runs multiple price models at once (per conversation, per action, and per user). Outside agents that read Microsoft 365 data now draw down Copilot Credits. Agents acting on ServiceNow through its Model Context Protocol (MCP) server consume "assists," and Workday prices agent actions in Flex Credits without a published dollar price per credit. Consumption without an owner is a cost without a ceiling.

For the CIO, data access is the clause that matters most at renewal. SAP enforced its API policy on June 9, 2026, blocking legacy ODP-RFC data extraction, with an opt-out that ends December 31, 2026, and third-party agents must now route through SAP gateways. When the vendor controls both the data and the meter reading it, the enterprise pays rent to reach its own information. Before any renewal, the CIO should get data access rights and a dollar price per credit in writing and negotiate for both.

Document the estate per capability, not per contract

The CIO does not need to ask business units to self-report. The evidence already sits in accounts payable, corporate card and expense data, SSO logs, the contract repository, and the configuration management database. Assembling the picture from finance and identity data first has a political benefit as well as a practical one: nobody is put on the defensive before the conversation starts.

For each application, the record that matters to a CFO has eight fields: the business owner; active users against paid seats over 90 days; the full annual cost, including the services shadow; AI add-ons and consumption meters; renewal and notice dates; the data the vendor holds; the integrations that depend on it; and which of its capabilities the business uses. The last field is where the documentation pays off, because the decision is rarely about the whole product.

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SaaS contracts are the wrong unit of analysis. A CRM suite, an IT service management (ITSM) platform, or a low-code workflow tool is a bundle of separable capabilities, and agentic AI unbundles them. HFS recommends recording the estate as a ledger with six capability classes (interface, workflow engine, decision logic, data store, integration, and reporting), each assigned one of three decision points: 1) Stay (**retain** the capability as is), 2) Goes (**reduce** the tier or seat count, **retire** it), and 3) AI replacement (**rebuild** it as owned software on your own stack, or **recode** an existing custom or AI-based code) so it stops carrying platform fees (see Exhibit 3).

Decision logic is the one capability that never leaves the enterprise. It is the context, rules, and operating knowledge that differentiate the business, and AI moves it out of vendor-embedded rules and into owned context that agents reason over. HFS's Services-as-Software™ framework draws the line here: rent the commodity substrate of compute, models, and orchestration, and own the intelligence. Any plan that leaves your decision logic rented inside a vendor's platform has relocated the problem rather than solved it.

Exhibit 3: The SaaS ledger decides what stays, what goes, and what AI replaces, one capability at a time

Capability class	**Stays** (Retain)	**Goes** (Reduce, retire)	**AI replaces** (Rebuild, recode)
Interface	Where the vendor UI is the regulated record of an action	Seats and tiers with no 90-day activity	Agent or voice interface on owned context
Workflow engine	Industry-standard process run unmodified	Workload-priced platforms carrying your own customized process	Agents executing your process on your rules
Decision logic	Always: This is the enterprise's intelligence	Never	Moves from app-embedded rules into owned context, ontology, and inference
Data store	System of record, under your control	Vendor stores that duplicate your platform	Owned data platform feeding agents
Integration	None	iPaaS, point-to-point connectors, pipeline tools	Owned integration and context layer
Reporting	Regulatory reports with audit lineage	Vendor dashboards nobody opens	Conversational analytics on owned semantics

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The CIO does not control most SaaS spend, so lead with a service rather than a policy

Much of the SaaS spend sits with the business because buying it was easy, and a CIO who arrives with freezes and mandates will drive the next purchase further underground. To succeed, the CIO needs to own four things a business unit cannot get on its own: visibility, renewal leverage, the ability to build, and the relationship with the integration partners working across IT and the business.

HFS recommends these five moves to turn a defensive position into a working relationship with line-of-business leaders:

1. **Show each leader their own ledger.** Cost per active user, idle seats, AI add-ons, the services shadow, and renewal dates, presented as information rather than an audit finding.
2. **Run a renewal desk on their behalf.** Aggregated renewals give procurement leverage no single business unit has, and the desk puts data-access rights and a dollar price per credit in writing before any signature.
3. **Agree on the split before the first exit.** The business unit keeps a defined share of the freed run cost to fund its own AI priorities, so retiring an application becomes a budget gain rather than a loss.
4. **Decide per capability with the owner in the room.** Owners keep the parts they use, and the conversation moves from whether they lose their tool to which parts of it they still need.
5. **Offer to build what the vendor will not.** The fastest way to earn a seat at the table is to deliver the feature the business has waited three releases for.

Put finance and procurement in the same steering group as the business owners, with the renewal calendar on the wall. A missed notice window turns an exit into a multi-year extension, and the calendar is the one artifact every party in the room respects.

Handled this way, the CIO becomes the person who found the AI budget rather than the person who took the application away.

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Act in waves, starting in IT's own backyard to show outcomes

HFS recommends ordering exits by two variables, business attachment and exit effort, so early wins arrive where nobody objects and the hardest conversations happen after the savings are visible (see Exhibit 4).

The market is already moving this way. Citi linked a 30% year-over-year cut in technology vendor spend to AI-assisted insourcing on its Q3, 2026 earnings call, and PNC has described building AI agents without vendor support. The pattern among the largest buyers is to build at the edges and keep the core, which is the sequence in Exhibit 4.

A rebuild should not be a clone, because copying the vendor's screens into owned code recreates the problem at your own expense. The target is headless: agents acting on owned data and decision logic, exposed through APIs and MCP to whatever interface the work needs, so the next change does not wait on anyone's release calendar.

Exhibit 4: Sequence SaaS exits by business attachment and exit effort

	1. Wave Start now	2. Wave Co-sponsor	3. Wave Time to renewal	4. Wave Last, per capability
What goes first	Integration, data pipelines, idle seats, duplicate tools	Workload-priced workflow, low-code, and case management platforms	End-of-life products and vertical SaaS charging a license plus an IP fee	Core CRM, ITSM, and ERP suites
Why it sits here	No user base to defend; payback inside a quarter	The business owns the process; IT owns the rebuild	Longer to replace; start a year before the notice date	Keep the system of record; move work to agents one capability at a time
Who leads	IT, with procurement	Business owner and CIO jointly	Procurement, with the business owner	Enterprise architecture

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Governance, not speed, is the constraint: the SaaS-exit reflex is smart where work is high-volume, low-variability, and low-risk, and reckless where deep proprietary logic or regulatory exposure lives. In an HFS study of 100 UK and Ireland firms, 70% of leaders worried about the maintainability and auditability of AI-generated code. A separate HFS study found that while 53% of enterprises name human-in-the-loop as their primary trust mechanism, only 18% can interrogate the reasoning behind what they approve. Every rebuilt capability needs governance at the point of creation, traceability to the rules it relies on, and a named owner who will maintain it at 2 AM. A capability without that owner should not be rebuilt.

Services providers have started to industrialize the exit. Hexaware's Zero License offering, for example, uses deterministic parsers to read a platform's deployed configuration, derives its workflows, data model, and integrations, flags what it cannot read, and rebuilds the work as code and agents the client owns, with gain-share pricing on the simpler categories. Whatever partner you choose, hold it to five tests: shows you what it cannot do before you sign; recommends against more exits than it recommends; hands you the code, agents, and context model; ties its fee to your saving; and names who runs the result.

Take the CFO a self-funding plan for AI, not a budget request

HFS research with 110 enterprise leaders found that only 52% believe they can deliver on their goals, and that disciplined CIOs and CFOs are moving to self-funded programs in which realized savings are reinvested wave by wave. A sprawl plan fits that model if it is built in the CFO's language:

- **Count the full cost.** Seats against 90-day use, workload fees, AI uplifts, the services shadow, and the notice dates that set your exit windows.
- **Start where the meter runs.** Integration, pipelines, and workload-priced platforms first, where savings land inside a quarter.
- **Price the whole build.** Build, hosting, tokens, support, and a named run owner for every rebuilt capability.
- **Own what you build.** Swapping one rented platform for another is not an exit.
- **Report in Tokenomics terms.** Show what you stopped paying for, what you now pay per decision or outcome, and the difference.

Then prove it in 90 days: one capability, one owner, and one decision gate, with the license exit timed to a renewal. The report from that first wave is the CFO's first AI budget that did not require a request for new money.

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The Bottom Line: Every SaaS renewal signed without challenge is a decision to keep paying rent on your own data, processes, and decision logic.

Recognize sprawl by its symptoms, document it per capability, and act in waves that start where nobody defends the application. Engage the business with visibility and leverage rather than policy, use agentic AI to build headless capability over the data you own, and take the savings to the CFO as the funding line for the next wave before the next renewal makes the decision for you.

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