



Methodology

Given the lack of standardization across the technology provider ecosystem in how AI metrics are disclosed — and the fact that many providers do not explicitly report AI metrics at all — we have developed the ISG AI Index™, an ongoing barometer of AI's impact on the global technology and business services sector.

The ISG AI Index is designed to measure changes in AI investment momentum, real-world adoption, enterprise sentiment and organizational readiness. The ISG AI index aggregates and weights multiple operational and market indicators across a curated basket of public companies that collectively represent leadership across the AI technology stack. Constituent companies in the ISG AI Index were chosen for their leadership in the sector, either as key enablers or scaled adopters of AI, spanning hyperscalers, software, cybersecurity, and managed service providers. Together, these component firms represent the foundational “economic rails” of AI: cloud-based distribution and scale, data and security layers, and the physical infrastructure required to operate AI at enterprise and hyperscale levels.

Constituents are selected through a research-driven framework that prioritizes demonstrated AI enablement, adoption and monetization rather than traditional valuation screens. The ISG AI Index will be periodically rebalanced to capture evolving adoption bottlenecks and emerging beneficiaries as the AI cycle progresses. At launch, the ISG AI Index covers nearly 60 technology providers, ranging from hyperscalers and enterprise software leaders such as AWS, Microsoft, Workday, Salesforce, and Accenture, to many India-headquartered technology services leaders.

The ISG AI Index sizes the impact of AI on three segments: Infrastructure-as-a-Service (IaaS), Software-as-a-Service (SaaS) and Managed Services. These segments capture the critical layers that turn AI pilots into production systems and keep AI data centers operational at scale, generating OPEX-linked revenues tied to deployment rather than speculation. By meaningfully weighting each of the three segments, the ISG AI Index reduces reliance on a small number of mega cap stocks, while tracking enterprise AI spending more directly. Strategically, this creates a full-stack exposure to AI execution, emphasizing the spend required to operationalize AI over the next 3–5 years.

We will evaluate each segment using a consistent set of growth-oriented metrics, weighted by company size. The core metrics will include revenue growth, profitability improvement (measured through EBITDA or operating margin expansion), and stock price performance. These indicators collectively capture business momentum, operating leverage, and market sentiment, which together provide a balanced view of AI adoption and optimism across the ecosystem.



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Because our objective is to build an AI-sensitive index — rather than a generic technology factor — we augment the core metrics with additional, segment-specific indicators that capture the unique drivers within each sector. The movement in these indicators are incorporated into each sector's core value as previously defined. In infrastructure, we focus on capital expenditures, as CapEx provides a direct signal of how much capacity hyperscalers are building in advance of demand. In software, we use current remaining performance obligations, or cRPO, which effectively represent backlog — revenue that has been contracted but not yet recognized — making it one of the most forward-looking indicators of demand. In services, we use revenue per employee, as it offers a straightforward view of productivity and how much output firms are generating from their workforce as AI begins to reshape how work is performed.

Since the inception of the current AI era, marked by ChatGPT's release date of November 30, 2022, the ISG AI Index will apply a market-weighted methodology across the three segments, establishing a neutral baseline. Historical analysis will be anchored to the ChatGPT public release as the base period, normalized to an index value of 100, enabling clear comparisons of quarter over quarter, year over year, and cumulative growth since the start of the modern generative AI cycle. The framework will also allow for periodic rebalancing to overweight or underweight specific segments as AI trends and monetization dynamics evolve.

Finally, it is important to emphasize that this is a measurement framework, not a pure attribution model. We are not asserting that all performance from this point forward is driven by AI. Rather, this approach provides a consistent baseline for understanding directional change over time.