Becoming a Frontier Firm: What we are learning

Lessons from Microsoft's AI journey—and three ways to turn insight into action

Today, we stand at the intersection of technology and human ingenuity.

AI isn't just changing our tools. It's changing how we work, collaborate, and create value.

> **“On our journey to the Frontier Firm, we’ve gained valuable insights on building the foundation for a human-led, agent-operated enterprise.**
>
> **We approach this work with a growth mindset—as learners first. Like every organization, we are still at the beginning of this journey, continually evolving as technology and human ingenuity advance together.”**
>
> Kathleen Hogan
> Executive Vice President, Chief Strategy and Transformation Officer, Microsoft

The future belongs to Frontier Firms—human-led, agent-operated organizations that buy intelligence like electricity, help their employees put it to work to generate value, and compound it like interest.

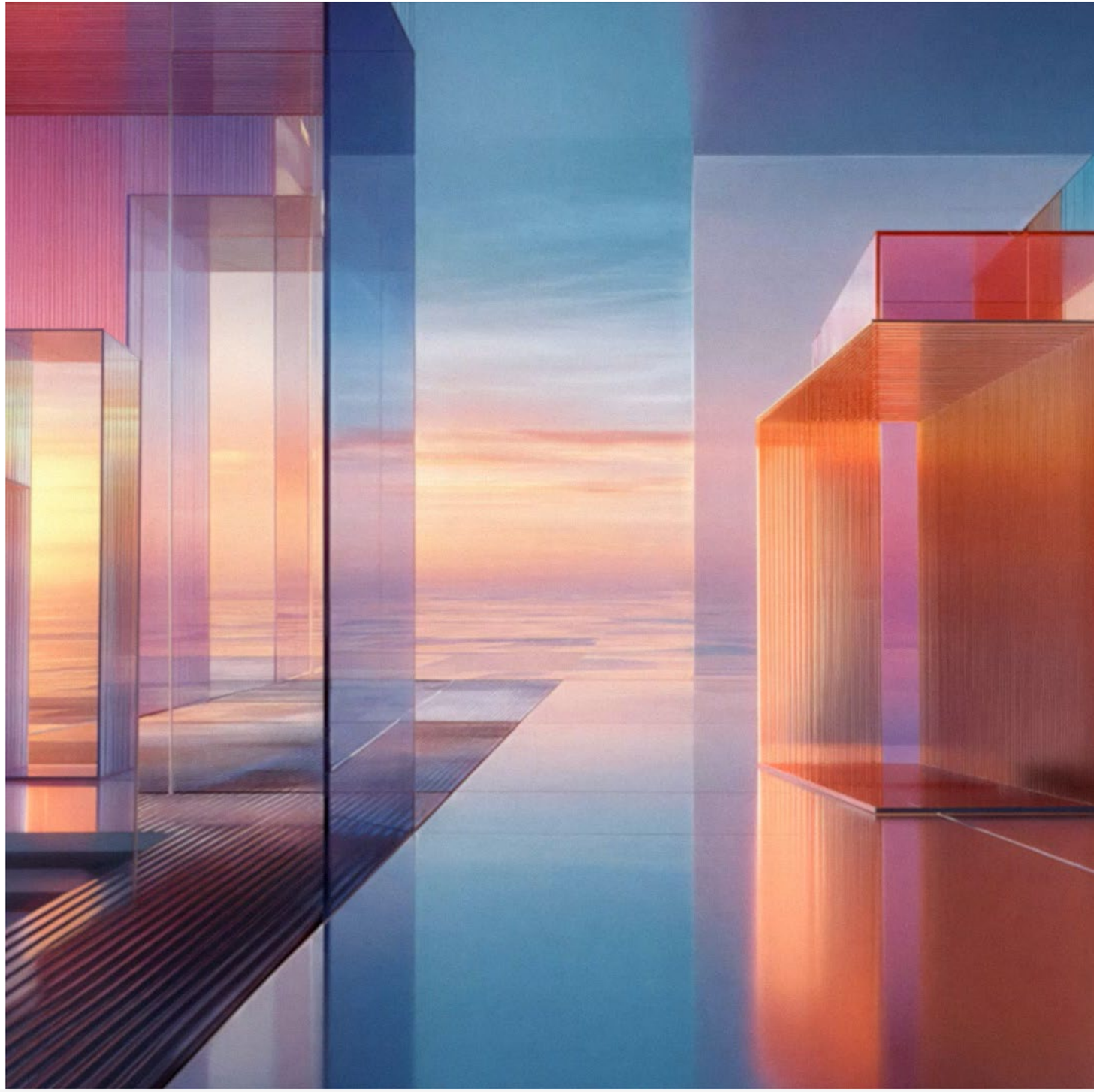
At Microsoft, we want to help every organization unlock value and overcome challenges on their journey to becoming a Frontier Firm. AI can transform business performance, but we see the need to create a new “science of knowledge work”—a replicable and scalable methodology for connecting AI solutions to knowledge workflows and business performance—to capture the full potential value.

To do that, we’re listening deeply to our customers, studying emerging research, and reflecting on our own experiences applying AI across Microsoft.

In this resource, we share the key insights we’ve learned and three ways to turn those insights into action.

But first, let’s lay the groundwork for what this journey requires.

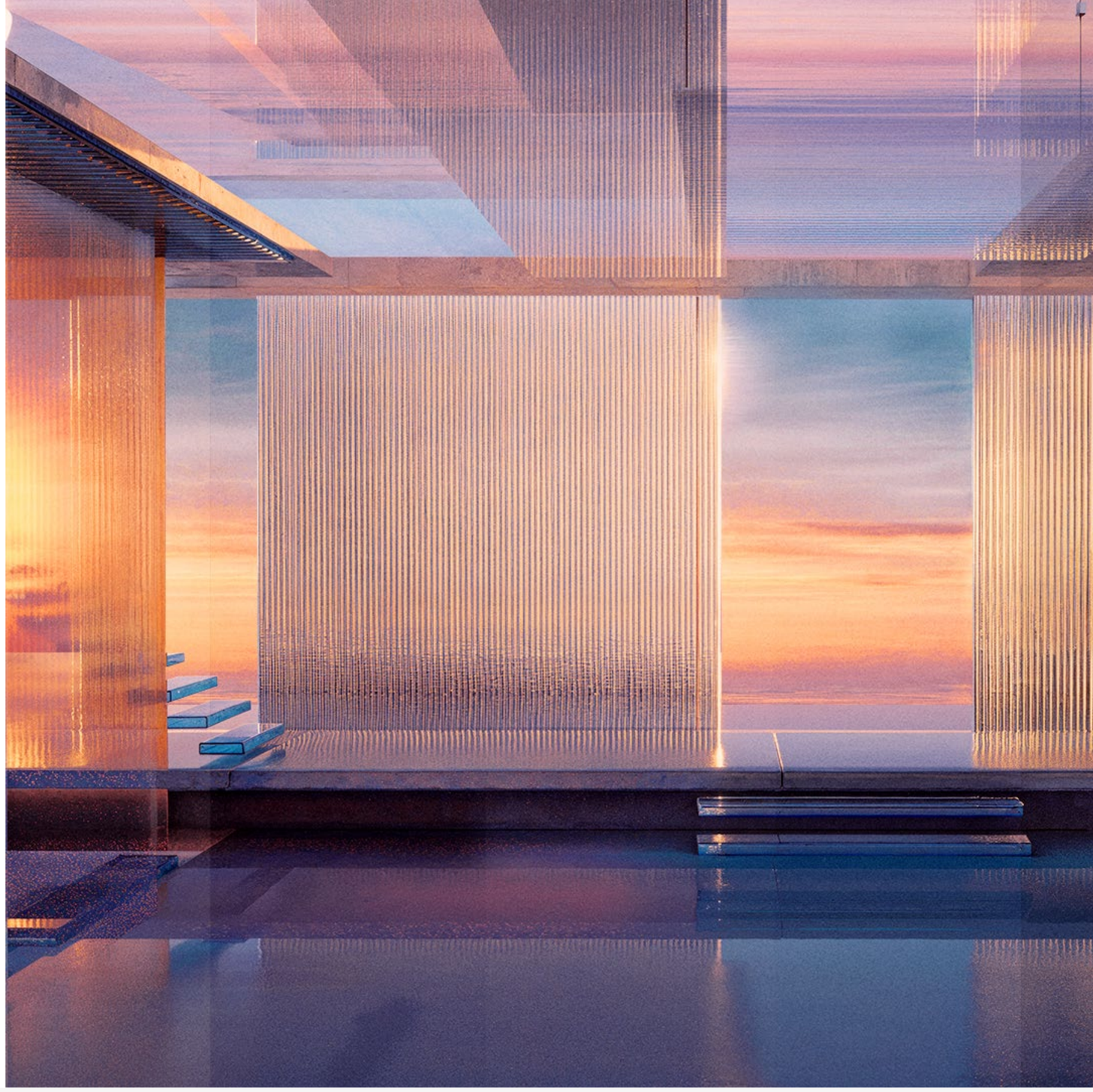
Getting to the AI frontier requires a new way to think about technology, process, and people.



For every organization, it starts with reimagining how we think about technology, process, and people.

This is not an IT transformation or a product launch; it’s a business transformation.

Business leaders must be clear about what objectives really matter.



As in any business transformation, it starts by being clear about which objectives really matter. AI will help you reset performance benchmarks in many ways; you need to decide what will matter most for you.

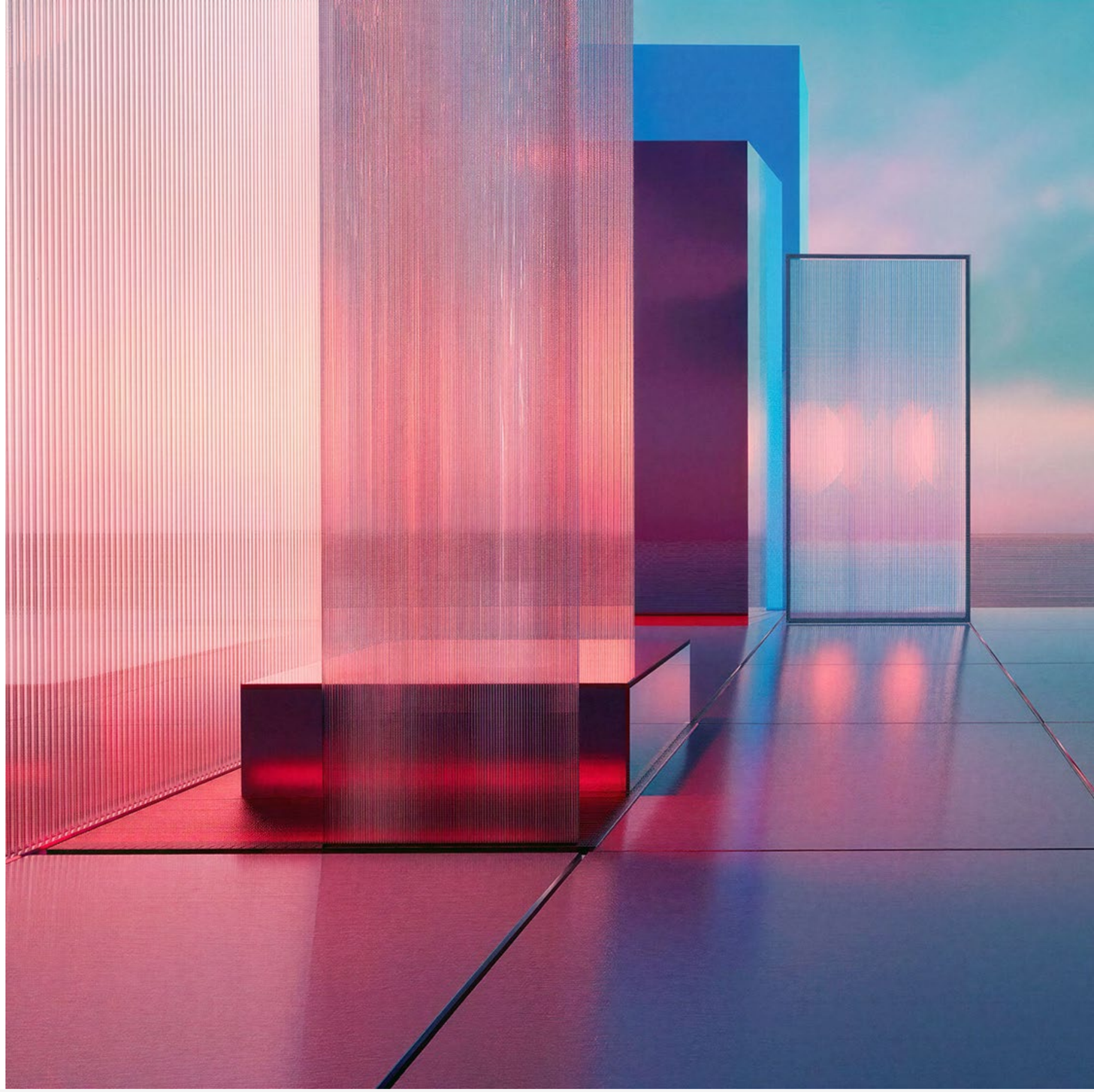
- In customer support, your goal might focus on improving speed to resolution.
- In engineering, your goal might focus on tracking quality.
- In sales, your goal might focus on revenue growth.

Yet the hurdles to AI success have never been higher.

Knowledge work is difficult to measure and automate.

Organizations need to be AI-ready.

Continuous experimentation is critical.



At the same time, the hurdles to success have never been higher. Leaders need to be ready for the challenges ahead as they move knowledge work from an art to a science.

Here are some common challenges we see at Microsoft and with our customers:

Knowledge work is difficult to measure and automate:

Tasks are often invisible and not standardized. Outcomes are hard to measure. It requires real effort to make knowledge work visible–think Gemba walks, persona mapping, and Kaizen.

Organizations need to be AI-ready:

Tech maturity can be a limiting factor. Data can be fragmented and low-quality. Legacy systems and APIs can slow integration of AI. You must have proper access rights, documentation, and compliance with data requirements.

Continuous experimentation is critical:

This is about individual humans changing the way they work and how they see themselves as part of the larger organization. We can't simply change a production line or system in order to change people's behavior and way of working.

Key insights from our learnings:

A	**Make knowledge work visible**	Expose how actual work happens so AI opportunities are concrete
B	**Define risk boundaries**	Ensure trust and guardrails are in place before scaling
C	**Design the AI solution set**	Choose the right mix of no-code, low-code, and pro-code solutions to match business needs
D	**Redesign roles and organization for sustainability**	Redesign jobs and team structures so new ways of working stick
E	**Instill continuous-experimentation culture**	Build a culture to keep pace with evolving AI

So how do you overcome these hurdles?

Looking back at Microsoft's own transformation to date, we've identified some key insights that have helped us start to unlock transformation at scale.

- **Make knowledge work visible.** Explore how work really happens so you can spot concrete opportunities for AI. The more visible the work, the easier it is to redesign.
- **Define risk boundaries and responsible AI principles.** Put the right guardrails in place before you scale. Be clear about which decisions should stay human-led and human-implemented and build that into your design.
- **Design the right AI solution set.** Choose the mix of no-code, low-code, and pro-code tools to best fit your business needs.
- **Redesign roles and organization for sustainability.** Update jobs and team structures so humans are focused on the highest value, and the new ways of working will last.
- **Instill continuous-experimentation culture.** Build a culture that's always testing, learning, and adapting as AI evolves.

“Redesigning with AI doesn’t begin with technology. It begins with understanding how people actually work. You can’t transform what you can’t see.”

Katy George

Corporate Vice President, Workforce Transformation, Microsoft

Three ways to implement AI in your organization:

1 Accelerate personas

2 Reinvent workflows

3 Cultivate AI-first incubation

With these key insights as our foundation, we identified three ways to put them into action.

First, **accelerate personas**. Firms need to identify the AI interventions that accelerate performance of critical roles to deliver greater business impact. This allows companies to ensure that every employee is using the best AI prompts and agents, on par with the most AI-literate and innovative employees at the company. It moves AI success from an individual to a team sport. It also ensures that AI solutions are driving the performance that matters to the organization.

To **reinvent workflows**, a different approach is required. Instead of looking at just one persona or role, the company reinvents the way an entire end-to-end process works. This is more complicated but also more powerful. AI is used to dramatically reduce time, waste, effort, and to inject new insights and capabilities.

Finally, leaders need to cultivate AI-first incubation so that expert teams can create entirely new ways of working with AI at the core.

Let's walk through each.

1

Accelerate personas

Focus on specific roles and skills in an organization

First: **accelerate personas** by targeting specific roles within the organization.

This discovers how work really gets done by uncovering persona-driven insights to redesign daily tasks with Copilots and agents and by building habits that sustain AI adoption across roles.

Accelerate personas

A	**Make knowledge work visible**	Day-in-the-life or week-in-the-life persona journeys
B	**Define risk boundaries**	Escalation paths
C	**Design the AI solution set**	Human with assistant
D	**Redesign roles and organization for sustainability**	Adoption nudges
E	**Instill continuous experimentation culture**	Habit building

Here's how to get started:

- Use day-in-the-life or week-in-the-life studies and persona journeys to map work, surface bottlenecks, and prioritize AI opportunities.
- Set clear escalation paths and decision rights (e.g., RACI) to ensure responsible AI use and trust.
- Match solutions to their context: Copilot for routine tasks, light automation for gaps, and agents for complex workflows.
- Use peer influencers and adoption nudges to reinforce new ways of working.
- Shift from copilots to sustainable change by embedding daily use, rituals, and reinforcement mechanisms toward building habits.

Accelerate personas

Example

Microsoft Communications

The AI challenge

Increase individual employee adoption of AI tools and deliver meaningful performance improvements across the organization

How it was achieved

Built custom Copilot with persona-specific prompts to accelerate day-to-day communications tasks and agentic AI for earned media measurement and reporting tools

Outcomes

- ✓ Increased impact and efficiency of core tasks
- ✓ 100% daily usage for mandated tasks
- ✓ Reduction in vendor spend

Let's make this real with an example from Microsoft.

At **Microsoft Communications**, we accelerated personas by transforming media impact reporting and strategic positioning with AI-powered tools:

- We mapped a "day in the life" for communications professionals by tracking how time is spent to surface recurring rhythms and bottlenecks and to capture the full workflow.
- We deployed an AI-driven media measurement tool, built on third-party data and integrated into Teams, to democratize access to reporting and insights.
- We launched Communications Copilot, an agent that automates repeatable tasks like social media posts, story creation, and FAQs.
- And we're exploring how the Researcher agent can automate media briefing documents and reporting even further.
- This approach has helped increase impact and efficiency of core tasks, embed AI into the fabric of daily operations, and reduce vendor speed.

2

Reinvent workflows

Enable new human-agent processes

The second way is to **reinvent workflows** by redesigning end-to-end business processes.

This starts with analyzing workflows to see how work gets done, embedding guardrails, scaling AI copilots, and designing new agentic systems. From there, you can proceed to redefining human roles to enable sustainable, high-impact collaboration among humans and AI.

Reinvent workflows

A	**Make knowledge work visible**	Gemba, process mining, and task decomposition
B	**Define risk boundaries**	Domain-specific guardrails
C	**Design the AI solution set**	Human-agent teams
D	**Redesign roles and organization for sustainability**	Job redesign
E	**Instill continuous-experimentation culture**	A/B testing

Here's how to get started with workflow enhancement:

- Make knowledge work visible by using Gemba walks, process mining, or value stream mapping. Apply AI-driven solutions and prioritize based on ROI and strategic fit.
- Establish domain-specific boundaries by setting clear escalation paths, checkpoints, and audit controls to ensure automation is safe and trusted.
- Choose the right human-agent team approach with build-versus-buy decisions, and scale copilots and agents through dedicated "agent factories."
- Retrain employees for AI-era roles, update job descriptions, and evolve team structures for effective human–AI collaboration. Adopt a "test-and-learn" mindset by using structured experimentation methods to continually test and embed new AI use cases into existing workflows.

Reinvent workflows

Elevating human-agent processes

Example

Microsoft Finance

The AI challenge

Focus innovation and drive impact around six critical business-prioritized workflows

How it was achieved

Combined top-down prioritization with bottom-up innovation from the people who know the work best

Enabled citizen-developer, low-code and IT-built, pro-code AI/ML solutions to uplevel daily impact

Outcomes

- ✓ Faster forecasting
- ✓ Reduction in compliance processing time
- ✓ Faster growth of revenue than headcount

Here's another example.

At **Microsoft Finance**, we used end-to-end workflow reinvention to focus innovation and drive impact around the most important business workflows.

The leadership team defined the six end-to-end workflows that mattered most and the metrics they would use to define reinvention success. The team combined these top-down priorities with ideas from the people closest to the work. Both citizen developers and IT experts worked together to build and implement AI solutions where they'd make the biggest difference.

As a result, Microsoft Finance saw faster forecasting, reduced compliance processing time, and revenue growth that outpaced headcount.

3

Cultivate AI-first incubation

Create AI-first work approaches

The third way to put insight into action is **AI-first incubation**, or creating AI-first work approaches.

Here, companies start with skilled teams who are very clear about the inputs and outputs of the process they are driving. They immerse themselves in the new capabilities that AI can bring, and they start by redesigning the way that they will work together. They redefine roles and team processes as a starting point.

Cultivate AI-first incubation

A	**Make knowledge work visible**	Zero-based redesign
B	**Define risk boundaries**	Sandbox governance
C	**Design the AI solution set**	Human-led, agent-operated
D	**Redesign roles and organization for sustainability**	Agentic teams
E	**Instill continuous-experimentation culture**	Innovation Flywheel

To get started with AI-first incubation:

- Gather an expert team together. Ask them to define the smallest and simplest way that they could imagine getting a job done.
- Question all assumptions to completely reimagine processes and create AI-first workflows.
- Put strong governance in place, like policy-as-code, so teams can experiment safely without putting the enterprise at risk.
- As the team starts to operate in a new way, “add back” people and agents as needed. This way, you are starting at a “zero base” to build up, rather than starting from the old process and trying to simplify down.
- Operate an innovation flywheel by piloting new ideas, conducting A/B testing, codifying what you learn, and building reusable patterns and guardrails for the future.

Cultivate AI-first incubation

Creating AI-native work approaches

Example

Microsoft Industry Solutions Engineering

The AI challenge

Redefine team collaboration to accelerate customer-ready end products

How it was achieved

Created “firefly squads” with E2E ownership to work in an experimentation-driven model

Created AI-generated reference patterns and GitHub Copilot agents powered rapid prototyping and code reuse across customer builds

Outcomes

- ✓ Cost reduction for customers
- ✓ Increased customer satisfaction
- ✓ Significant reduction in project time for selected cases

At **Microsoft Industry Solutions Engineering**, we wanted to rethink team collaboration and speed up delivery of customer-ready solutions.

To do this, experts identified ways AI could accelerate work within each of their disciplines. They redefined how they would structure their team and work together. They created “firefly squads,” small groups of senior experts with end-to-end ownership. They worked in an experimentation-driven model, using modular patterns and AI-generated reference solutions.

GitHub Copilot agents powered rapid prototyping and code reuse across customer projects.

The outcomes were clear: cost reductions for customers, higher customer satisfaction, and a significant reduction in project timelines.

The experiment showed how starting with AI at the center can unlock new ways of working and deliver real results.

Across each case, insights drive action:

	Accelerate personas	Reinvent workflows	Cultivate AI-first incubation
	Set clear objectives and vision		
A **Make knowledge work visible**	Day-in-the-life or week-in-the-life persona journeys	Gemba, process mining, and task decomposition	Zero-based redesign
B **Define risk boundaries**	Escalation paths	Domain-specific guardrails	Sandbox governance
C **Design the AI solution set**	Human with assistant	Human-agent teams	Human-led, agent-operated
D **Redesign roles and organization for sustainability**	Adoption nudges	Job redesign	Agentic teams
E **Instill continuous-experimentation culture**	Habit building	A/B testing	Innovation Flywheel

Across each case, the insights drive the action—helping to quickly scale learnings across teams, functions, and the entire organization.



We hope these learnings from Microsoft will spark ideas for your own AI transformation.

Every organization is on its own journey to becoming a Frontier Firm—but none of us can do this alone. It's critical that we share what we're learning along the way, embracing experimentation, modeling curiosity, and being willing to learn as we go. We're committed to learning alongside you and continuing to share what we know.

The path forward isn't always clear, but progress comes from trying, iterating, and sharing what works.



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