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Imagine what you'll do when your people are supercharged by copilots

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Avanade Insights

Avanade AI Readiness Report

Generative AI is disrupting human and AI collaboration

AI is transforming the way we work, collaborate and create. But are organizations and their people ready to embrace an AI-first mindset and harness the full potential of generative AI through the use of tools such as Microsoft Copilot?

To find out, Avanade surveyed 3,000+ business and IT executives around the world through quantitative and qualitative research. The insights from our survey highlight stark divergences among different industries and between the perspectives of CEOs and other leaders on the readiness of organizations and their people for generative AI. Overall, 92% of respondents agree their organization needs to shift to an AI-first operating model within the next 12 months to stay competitive. However, while 59% of COOs are very confident in their organization's ability to harness AI faster than competitors, only 34% of CEOs have that same level of confidence.

Our quantitative and qualitative research also surfaces concerns about the AI fluency of top management teams, with one respondent noting that while leaders are excited about the potential of AI, "they don't necessarily have the understanding of what it means to be AI-ready." This shouldn't be a surprise. We're at the very beginning of an era where AI will unlock the potential for every individual to imagine and create new possibilities. The democratization of AI with tools such as ChatGPT and Microsoft Copilot brings unprecedented challenges for leaders to navigate to ensure their organizations and people responsibly innovate and work with AI through continual change.

This Avanade report calls out key insights and practical recommendations from our global research to enable leaders to take actions that realize value from generative AI faster. We also share insights from our own experience working with clients on AI and as an early adopter of Microsoft Copilot ourselves, to help leaders supercharge their people, processes and technologies with generative AI to unlock greater success in 2024.

Imagine what we will do, when we do what matters.

Executive summary

Research approach

$500M
minimum annual revenues of organizations surveyed

3,000
business and IT employees surveyed

10
countries represented: around the globe

9
major global industries sharing perspectives

4
employee levels across organizations, from the C-Suite to specialists

Read on for an overview of our key findings and insights from the research[1], centered around the themes of **AI readiness**, **impacts of Microsoft Copilot**, and **unlocking continuous value**:

Key findings

Organizations and their people aren't fully ready for AI

Most employees (95%) are optimistic about AI and almost all (96%) are confident their organizations' IT professionals have the knowledge and resources to scale AI.

But less than half (48%) say their organizations have put in place a complete set of specific guidelines/policies for responsible AI.

Generative AI will disrupt how we work

Almost eight in ten (79%) employees anticipate that generative AI tools like Microsoft Copilot will impact up to 20 hours – half of their work week.

But the majority (63%) say they'll need some new skills or a completely new set of skills by the end of 2024 to seize AI's benefits.

AI-first is key to competitive advantage

Most (92%) believe they must shift to an AI-first operating model in the next 12 months to stay competitive, prompting the majority (94%) to increase their digital investments in 2024 to accelerate their AI journey.

To meet their organization's ambitious AI timelines, IT employees are prioritizing their investments in data and analytics platforms (such as Databricks or Microsoft Fabric) to unify their data and analytics under one digital roof to scale AI.

How will the democratization of AI impact humans?

AI is rapidly moving from simply automating tasks to supercharging human capabilities. And while there are many forms of AI, generative AI 'copilots' from leading technology companies like Microsoft are set to have the biggest impact throughout 2024. This brings both excitement and trepidation. We asked over 3,000 employees – leaders and their teams – what they think.

"AI will lead to task – not job – displacement. The job now looks different. The challenge is for each knowledge worker to be told enough about AI so they can displace the tasks themselves."

AI Executive, Multinational Financial Institution, United Kingdom

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Democratization of AI

Overall, employees across levels are positive about AI and excited about its potential at work:

- 97% use AI in their current role at least weekly, with 57% using it daily – most often for automating regular repetitive tasks.

- By the end of 2024, AI will offer more than efficiency gains, with employees expecting it to largely impact their day-to-day jobs by inspiring creative ideas and innovation.

This expectation that AI will supercharge human intelligence is contrary to hyped fears it will replace the work humans do:

- The majority (64%) across industries disagree that AI will reduce the number of human roles required for their organization, with most anticipating headcount to grow by up to 9% by end of 2024. The only industry outlier? Government, where 50% of employees foresee a decrease in staffing levels due to AI.

While there is general optimism among employees that their organization will harness the benefits of AI faster than competitors, the clock is ticking:
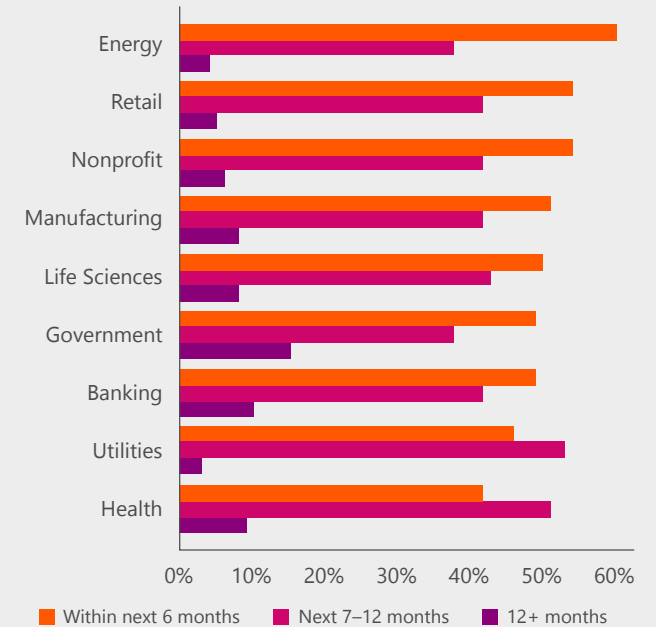
- Almost all (92%) believe their organization needs to shift to an AI-first operating model within the next 12 months to stay competitive and meet customer expectations.

- 85% believe their customers will be ready for most, if not all, of their interactions and processes to be done through AI by the end of 2024.

Industry outlook

Do all industries feel the same level of urgency to embrace AI?

Figure 1: Pace of AI-first operating model adoption by industry

Energy, retail and nonprofit employees show the strongest indication to make an accelerated leap to an AI-first operating model, outpacing other sectors. Comparatively, utilities and healthcare employees feel the least rushed to make this shift.

92% agree their organization needs to shift to an AI-first operating model within the next 12 months to stay competitive.

How ready are organizations and their people to use generative AI?

While generally optimistic, there are mixed levels of confidence regarding how leaders are prioritizing actions to ready their people, processes and platforms for generative AI. For example, while 59% of COOs are very confident in their organization's ability to harness AI faster than competitors, only 34% of CEOs have that same level of confidence. Divergences also exist among countries and industries, as highlighted in Figure 1 above. Not only do many leaders need to better understand how generative AI tools like Microsoft Copilot can drive business outcomes, survey responses suggest they may be overlooking how to protect their organizations and people as generative AI is scaled. Is there potential for unintended consequences from a lack of AI readiness among organizations and their people?

"Leadership has excitement about the potential of AI but they don't necessarily have the understanding of what it means to be AI-ready."

Director, Software Engineering, Global Financial Services Organization, United States
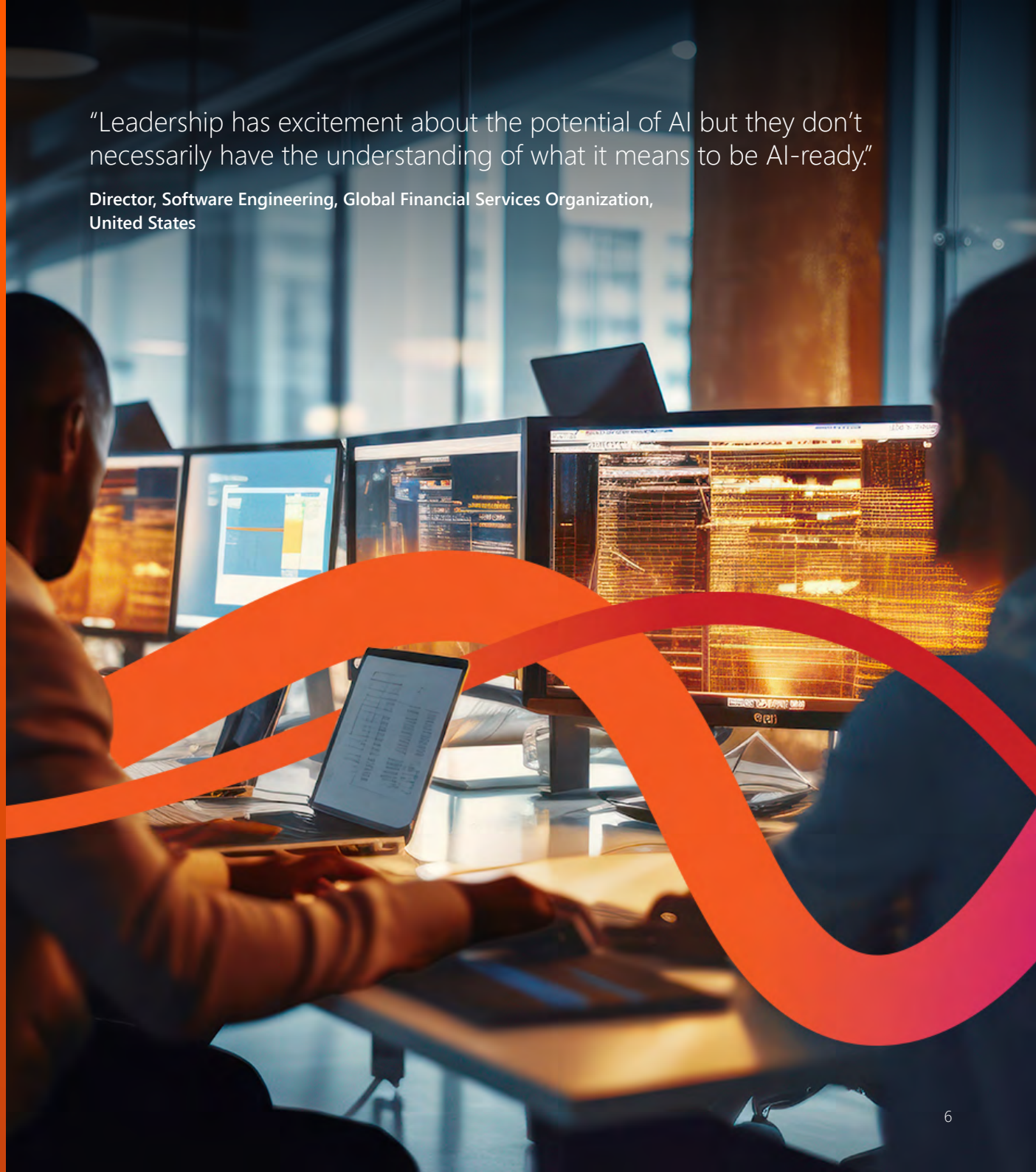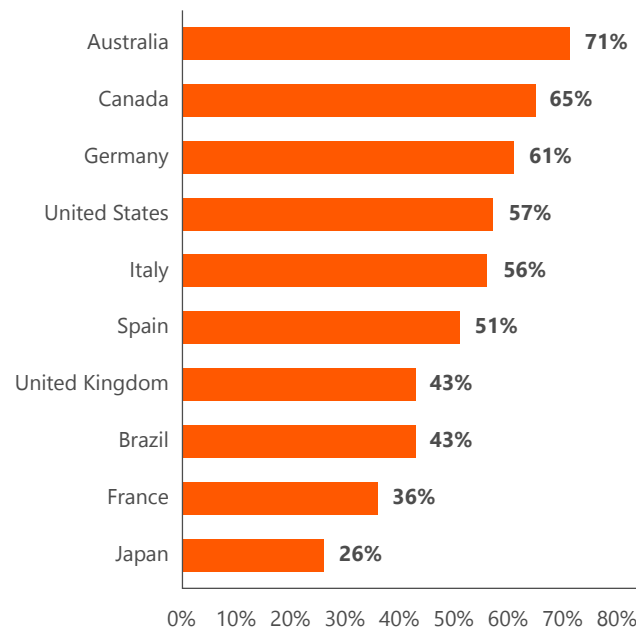
Our research suggests a wide gap in the level at which organizations are prioritizing the outputs of the AI technology versus the necessary investments in people that must also be made.

- 95% anticipate their organization will have the capacity to assess performance management augmented by generative AI within 12 months.

- But only 52% say their organization has complete human capital and workforce planning processes in place to safeguard roles as generative AI is scaled.

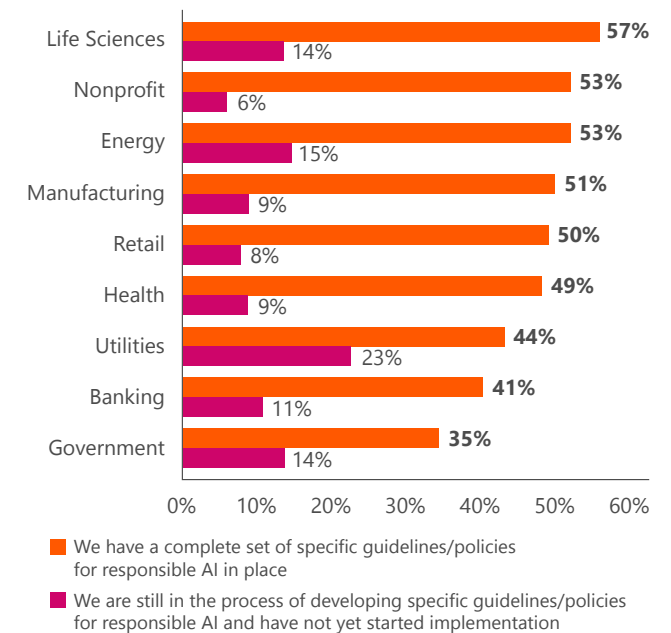Doubts also emerge when it comes to AI risk and responsibility.

- About half (49%) are not fully confident that their organization's risk management processes are adequate for an enterprise-wide technical integration of generative AI.

- Less than half (48%) of employees say their organization has put in place a complete set of specific guidelines/policies for responsible AI.

Figure 2: Most confident in their organization's risk management processes for enterprise-wide generative AI

Country	Percentage
Australia	71%
Canada	65%
Germany	61%
United States	57%
Italy	56%
Spain	51%
United Kingdom	43%
Brazil	43%
France	36%
Japan	26%

Confidence levels differ significantly globally when it comes to mitigating risk exposure with AI.

Figure 3: Industries most and least ready for responsible AI

Industry	We have a complete set of specific guidelines/policies for responsible AI in place	We are still in the process of developing specific guidelines/policies for responsible AI and have not yet started implementation
Life Sciences	57%	14%
Nonprofit	53%	6%
Energy	53%	15%
Manufacturing	51%	9%
Retail	50%	8%
Health	49%	9%
Utilities	44%	23%
Banking	41%	11%
Government	35%	14%

■ We have a complete set of specific guidelines/policies for responsible AI in place

■ We are still in the process of developing specific guidelines/policies for responsible AI and have not yet started implementation

Life sciences outpaces the other industries when it comes to having a complete set of responsible AI policies in place, but significant work remains for all industries to implement proper guardrails.

Only 36% of CEOs say they are very confident about their leadership's understanding of generative AI and its governance needs today.

Figure 4: Who has responsible AI policies in place?

Country	Complete set	In process
Italy	57%	7%
United States	53%	10%
Canada	51%	14%
Brazil	48%	7%
Spain	47%	13%
Australia	47%	12%
United Kingdom	46%	17%
Germany	46%	16%
France	44%	21%
Japan	43%	2%

■ We have a complete set of specific guidelines/policies for responsible AI in place

■ We are still in the process of developing specific guidelines/policies for responsible AI and have not yet started implementation

Organizations operating in Italy, the United States and Canada have shown the greatest progress with regards to developing responsible AI guidelines and policies.

"Identifying a top-down approach to AI application has been challenging. But I think that has improved a lot, given the press that's been behind AI, but we still need coaching for users and the adopters in a way where they're helping empower and enable it themselves, to make better decisions, as opposed to looking at it as a potential adversary."

Former Supply Chain & Ecommerce Leader, Large Retailer, United States

Key insight

To drive value from AI, you need to know your why. There will always be a temptation to rush to production, especially as generative AI makes artificial intelligence more accessible across levels of an organization. However, the path to value is not just about technology. Leaders also need to ready their people and processes for AI. This requires a clear AI strategy informed by the organization's vision and values.

Leaders should first take a step back and assess how their organizations will sustainably drive value and growth with AI – not just short-term efficiencies. Next, it's critical to establish proper governance to scale behaviors and processes by engaging diverse user groups to experiment and learn. Then, because there is no end point to AI readiness, it is an imperative to continually evaluate success in terms of outcomes rather than outputs, always in parallel being intentional about understanding and managing the emotional impacts on employees – as well as customers and ecosystem partners.

Recommendations

Any organization using AI – and generative AI in particular – needs to accept that increased scaling inherently means increased risk. A responsible AI framework helps to mitigate that risk by enabling organizations to continually ask the right questions about the technology's impact on people and vice versa, including:
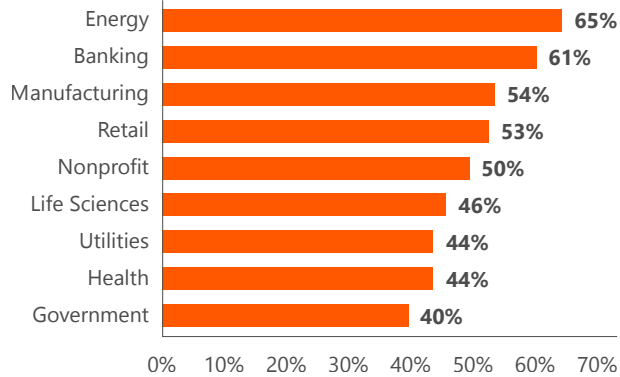
• Does the automation of tasks allow employees to become more creative and innovative in their work? How will the use of an AI copilot transcribing a meeting impact communication norms?

• Will users who report fewer challenges in using AI effectively be more likely to utilize the technology more, now and in the future?

• How does the use of an AI copilot influence a user's overall job satisfaction?

• For development tools like GitHub Copilot that use AI to produce code, how are engineers trained to recognize when and how to use intelligent generated code?

AI Readiness: Industry outlook

Figure 5: Most confident in their organization's risk management processes for enterprise-wide generative AI

| Industry	Percentage
Energy	65%
Banking	61%
Manufacturing	54%
Retail	53%
Nonprofit	50%
Life Sciences	46%
Utilities	44%
Health	44%
Government	40%

The energy sector and banking, two industries that operate in heavily regulated spaces, expressed the greatest confidence in their risk management processes, while only 40% in government felt any degree of high certainty in their risk management approach.

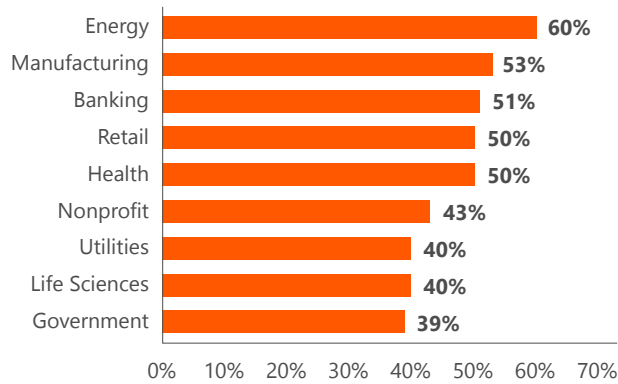Most and least confident in their risk management processes:

Energy	65%
Banking	61%
Government	40%
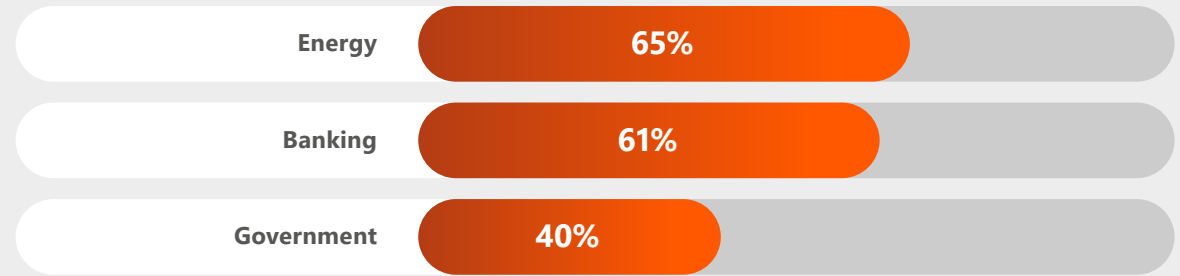
Who expressed being very confident in their organizations' leadership and its understanding of generative AI and its governance needs:

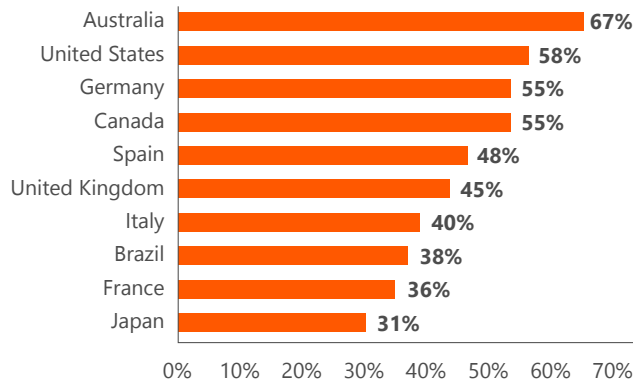|	
Energy	60%
Government	39%

9
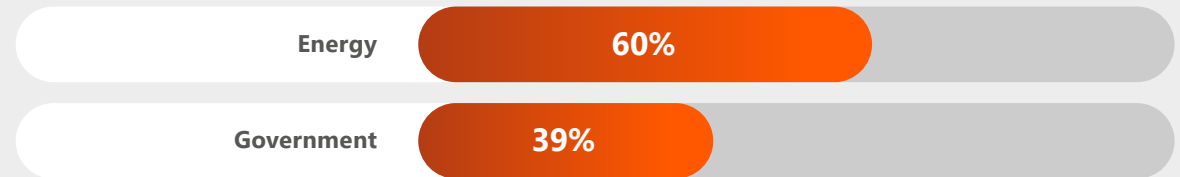
AI Readiness

Figure 6: Most confident in their leaders' understanding of generative AI and its governance needs

Industry	%
Energy	60%
Manufacturing	53%
Banking	51%
Retail	50%
Health	50%
Nonprofit	43%
Utilities	40%
Life Sciences	40%
Government	39%

Respondents from energy organizations showed the most confidence in the AI fluency of their leaders, while government executives were the least confident of all industries surveyed.

Figure 7: Most confident in their leadership's understanding of generative AI and its governance needs

| Country	%
Australia	67%
United States	58%
Germany	55%
Canada	55%
Spain	48%
United Kingdom	45%
Italy	40%
Brazil	38%
France	36%
Japan	31%

Respondents in Australia, the United States, Germany and Canada demonstrated the most confidence in the AI fluency of leaders in their organizations.
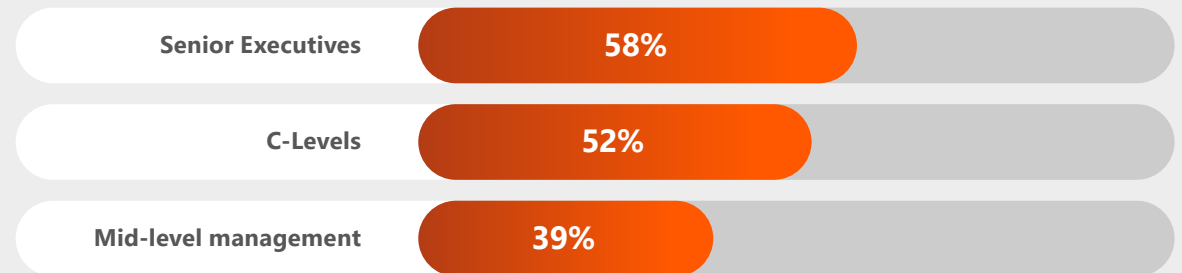
C-Suite disparities: Can leaders be laggards?

Even the most senior leaders lack consensus when it comes to getting their people, processes and platforms ready for AI. Here's a view into who's feeling the most confident about their process readiness – and their leadership's AI fluency.

Agrees their organization has complete human capital and workforce planning process in place:
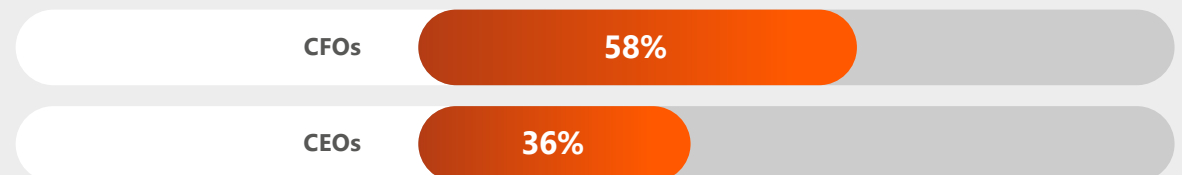
CTOs	69%
CEOs	34%
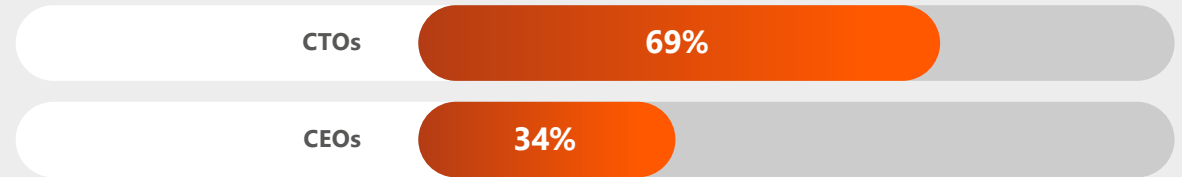
High confidence in the understanding by leaders of generative AI and its governance needs.

Among job levels:

Senior Executives	58%
C-Levels	52%
Mid-level management	39%

Within the C-Suite:

CFOs	58%
CEOs	36%

How will roles change in 2024 with generative AI tools?

The next generation of AI tools, such as Microsoft Copilot, will supercharge human intelligence and evolve collaboration between humans and AI. But there is a gap between what employees aspire to achieve with AI and how prepared they are. What will it take to ensure employees feel safe and confident as they navigate the future working alongside generative AI?

"AI provides an opportunity to give people more time back for their own lives. It gives you more of an opportunity to be more efficient as a business. It can do a lot of positive things for society. I think that's got to be the narrative. AI is part of a solution, not a scary monster that's going to take your job."

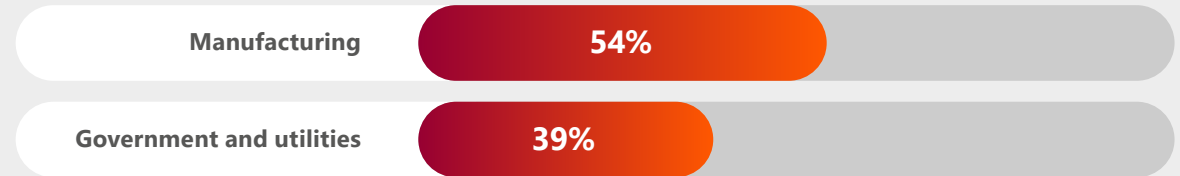**University Professor and Independent Consultant, United States**

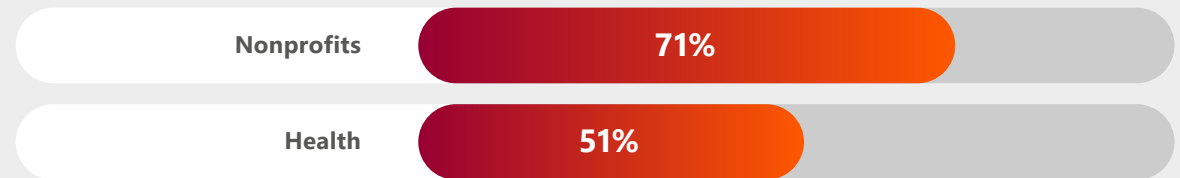98% agree that support will be required to onboard/train employees to use generative AI tools, like Microsoft Copilot.

Impact on roles: Industry outlook

Who's very excited about using AI in their roles?

Manufacturing	**54%**
Government and utilities	**39%**

Who expressed needing some new or completely new skills to work with generative AI in their day-to-day roles by end of 2024:

Nonprofits	**71%**
Health	**51%**

Impacts of Microsoft Copilot

Most employees anticipate positive impacts and outcomes from AI, including:

- Helping them feel more efficient, innovative and empowered in their roles.

- Saving a significant amount of time. 79% anticipate that generative AI tools like Microsoft Copilot will impact up to 20 hours, or half, of their work week.

While excited to seize the benefits of generative AI at work, 63% of business and IT executives in our survey said that employees will need some new skills or a completely new set of skills. Specifically, 98% agree that support will be required to onboard/train employees to use generative AI tools like Microsoft Copilot, and 50% agree this training effort will demand significant support.

Among the C-Suite, 60% of COOs agree significant support will be necessary, but only 47% of CEOs share the same sentiments.

> **41% of CEOs believe their employees will need fewer skills since their AI copilot will do more of their work.**

Key insight

Much like the advent of the internet, generative AI tools like Microsoft Copilot will profoundly reshape how people work and what they focus on in their roles. And survey respondents expect the change will happen fast. The research finding that generative AI tools like Microsoft Copilot will impact up to 20 hours, or half, of their work week by the end of 2024 indicates seismic shifts in working styles and new opportunities for employees to do more. However, as leaders evaluate the impact of AI on their teams, it would be short-sighted to quantify AI's impact solely by productivity or hours gained. Even a modest time saving through automation will give people more time to create, innovate and imagine – all of which will enable organizations to lead their sectors and act on new ideas in ways never imagined before.

Recommendations

Our survey indicates leaders and their teams are eager to use generative AI tools, like Microsoft Copilot. However, their responses echo what we hear from clients: there is concern and nervousness about the level to which people will feel comfortable using generative AI within the enterprise throughout 2024.

As an early adopter of Microsoft Copilot, Avanade has learned that one of the most critical skills for driving business value from generative AI is to help all employees understand how to finetune their prompt questions and instructions to optimize outputs. Indeed, targeted AI capabilities enablement should be built into the learning paths of all employees. Ongoing training is critical, as well as establishing new ways of working with human and AI collaboration.

Highlighting and enabling benefits for employees from generative AI from the outset is also key. Taking responsible AI seriously and demonstrating the principle that 'AI-first is people-first' will more effectively engage employees to adapt and evolve ways of working with tools like Microsoft Copilot – and that will position organizations to drive business value from generative AI faster than competitors.

Are organizations positioned to continually unlock value and growth with AI?

The successful implementation, use and scaling of generative AI tools requires a solid data foundation paired with ongoing testing, learning and adapting. It necessitates a sustainable, durable AI-centric transformation, enabling organizations to adapt and evolve through continual change. When it comes to investing wisely to gain more value from AI, are all organizations equally ready?

"People often think AI is magic and it's not. It often doesn't work, so we expect most of our proof of technology or proof of concept projects not to go through to full scale up because that's just not how it works. You do it to test it out and then the ones which are working well you continue on with. You need to try lots of different things to see what works and to see if they'll work in your context."

AI Executive, Multinational Oil & Gas Organization, United Kingdom

Only 48% percent of employees completely trust the results of AI.

By the end of 2024, organizations expect to harness the most value from enabling better strategy and actions informed by the collaborative intelligence of humans and AI. But if data accuracy is questionable, employees may struggle to derive value from it.

Right now, organizations are evaluating their digital investments to scale generative AI:

- Nearly all (94%) of organizations are increasing their digital investments due to generative AI.

- While both workplace platforms (like Microsoft 365 and Microsoft Teams) and security/cyber resilience are likely to see investment, IT employees say their data and analytics platform (such as Databricks or Microsoft Fabric) are top priorities to scale AI in 2024.

Across industries, that investment isn't equally prioritized: despite AI not being achievable without a strong data foundation being in place:

- Nonprofits, utilities companies and government agencies ranked data and analytics platforms as one of their lowest investment priorities in 2024.

- In comparison, banks, retailers and energy companies have identified data platform as their top investment priority.

Key insight

Driving value from AI requires good data, but that isn't enough. A data platform that breaks down data silos for the benefit of the entire organization is essential. Avanade is an early adopter of Microsoft Fabric, which unifies an organization's data and analytics so it can be an asset for all employees – and value can be extended to customers and ecosystem partners with responsible AI guardrails. A robust data platform like Microsoft Fabric enables an organization to drive value from generative AI faster now, and to quickly embrace new innovations into the future.

Because AI-centric transformation isn't just about the technology, there's still opportunity to transform operating models with existing IT investments and by reimagining processes, products and services with AI to unlock new business value.

Recommendations

The challenge for leaders to prioritize investments to achieve near-term and long-term business value from AI is reflected in responses to our survey. For example, while banking was the most conservative industry when it came to increasing digital investments spurred by generative AI, it also has the most bullish timeline for accelerating to an AI-first operating model.

When people are supercharged by AI copilots, opportunities to imagine and create are exponentially increased. However, organizational risks are also exponentially increased if the data, cloud and security technologies that enable AI are not being responsibly and effectively scaled. To transform and drive sustainable value with generative AI, organizations need to build the muscle to repeatedly experiment, ready and scale within a responsible AI framework. A clear "north star" is necessary to help guide the ongoing journey of experimentation, readiness and scaling required for AI innovation, but also to unlock more value from existing investments in cloud, data and security.
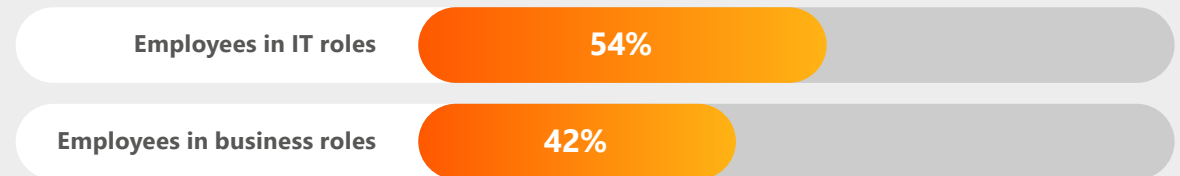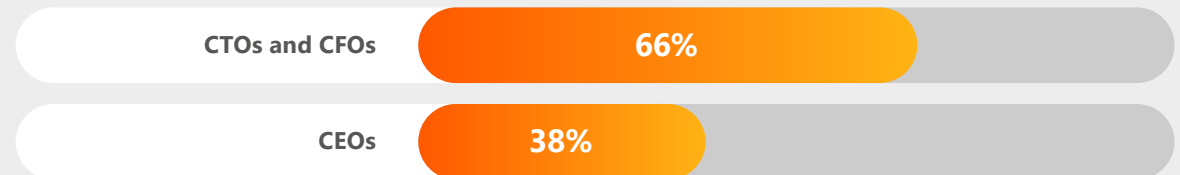
Are AI copilots trusted enough?

An essential component to scaling and realizing the value of AI is also one of its less tangible: trust. If data accuracy is questionable and/or the risk of using AI seems too high, employees will be less willing to use it. Even though AI is primarily used for automation today, less than half (48%) of employees completely trust its results. Here's a closer look at who completely trusts the results of AI:
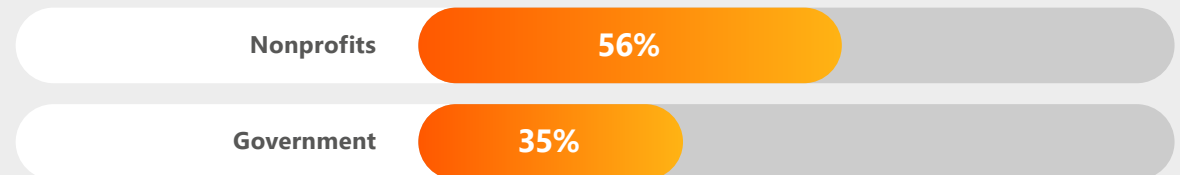
IT and business:

Employees in IT roles	**54%**
Employees in business roles	**42%**

In the C-Suite:

CTOs and CFOs	**66%**
CEOs	**38%**

Among industries:

Nonprofits	**56%**
Government	**35%**

"People say that data is the new gold or new oil. That's really true. Getting clean and proper data, and managing your data, and maintaining your data, that doesn't come cheap. That's quite a task. Organizations have to understand that without that, they can just forget using AI on their internal processes."

Consultant, Industrial Manufacturing, Switzerland

Ready or not: AI is here

Our research shows that leaders and their teams look forward to using generative AI to supercharge how work gets done. But organizations need to invest more to ready their people, processes and platforms for the impacts of generative AI. In our work with hundreds of clients around the globe – and our own use of generative AI at Avanade – we see four key imperatives to success:

AI-first is people-first.
The benefits of AI should not just be measured by minutes saved. The bigger opportunity is how AI will help people be and do their best by sparking creativity and innovation. To do this, employees will need to unlearn existing work routines and (re) learn how to work with AI in their roles. Prepare to invest in the support and skills needed to maximize employee comfort and proficiency with AI with protections in place for safe experimentation.

Know your why to drive sustainable business value.
With so many exciting possibilities, there will always be a temptation to rush to production. That's why a clear "north star" is necessary to help guide the ongoing journey of experimentation, readiness and scaling required to continually achieve business outcomes with AI. For these reasons and more, leaders must continually improve their own AI fluency to help their organizations adapt and evolve with AI through continual change.

**A strong data platform is essential to scale AI.**
Data platforms manage enterprise data in one unified foundation to create a single source of truth. A strong data platform complemented by employees' understanding of prompt engineering and prompt refinements increases the level of trust in the outputs of AI and will help organizations harness value faster.

Encourage organizational curiosity while prioritizing durable responsible AI.
AI changes the game for what it means to be a responsible business. A durable and scalable framework for responsible AI can help determine how to assess and deal with new AI risks – whether caused by technologies, processes or people. However, establishing a responsible AI framework also creates an opportunity for your organization to bring its values to life in new ways and to enshrine principles and behaviors that tangibly reflect those values in governance processes.

"If you were to insert generative AI anywhere along the pipeline, we have to now ensure that the interpretation, translation, as well as the implementation of it to the end node was very specific. How do we do that? Get the regulators comfortable around our use of generative AI, and ensure consistency over the long haul of the generative nature."

**Director, Software Engineering,
Global Financial Services Organization,
United States**
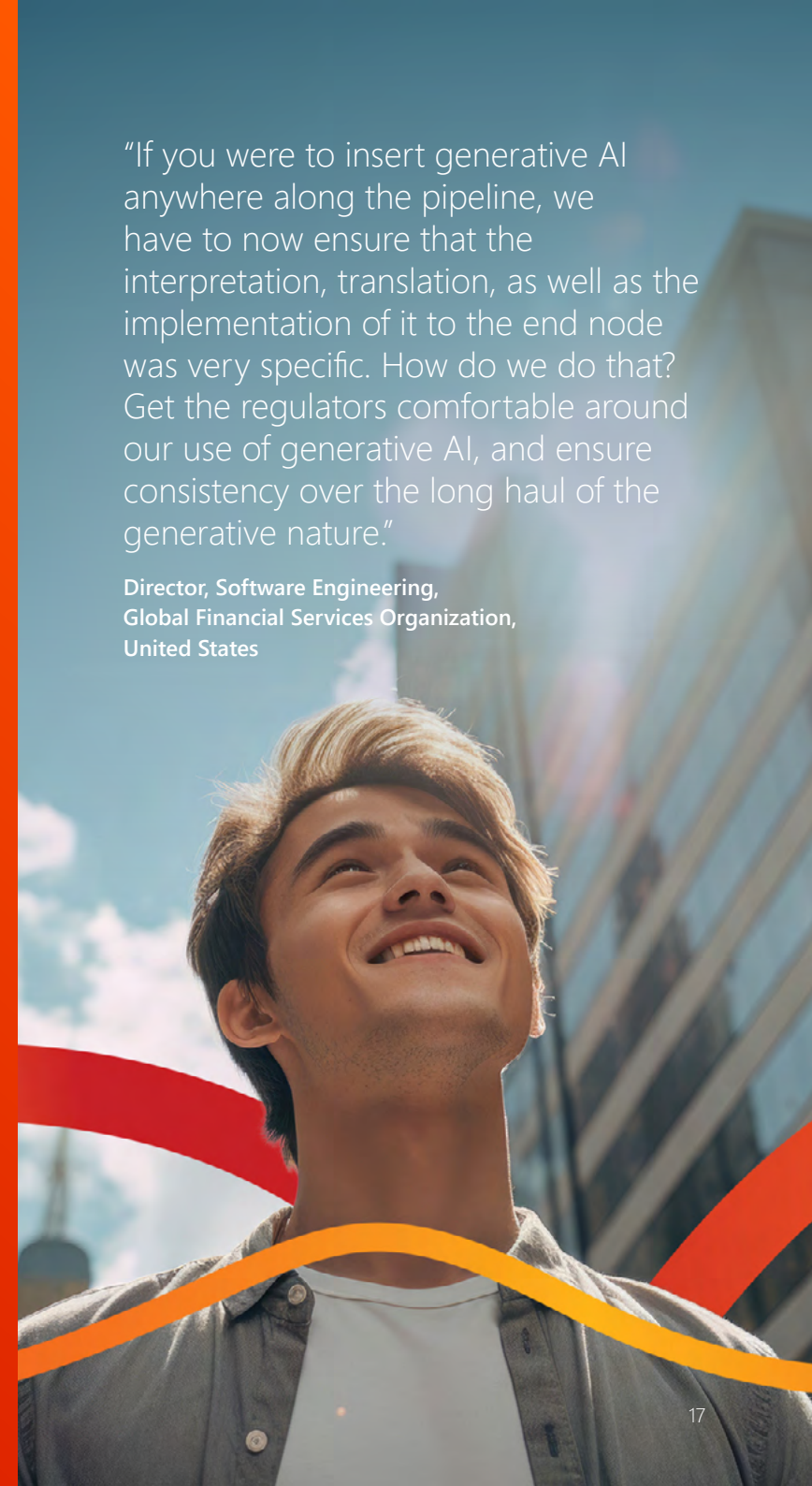
Balance AI and human intelligence to succeed in 2024

There is no end point to AI readiness – it's an ongoing journey. However, the organizations that effectively transform to an AI-first operating model will be best positioned to continually experiment, ready and scale to drive business value from generative AI through continual change. Success starts at the top: in a global study, MIT CISR found that as the percentage of top management team members with digital savviness increases, so too does an organization's net margin, revenue growth, and valuation[3].

Take the next step

Avanade's research shows there is scope for leaders to increase their AI fluency to help guide their organizations and people to embrace and drive value from generative AI. Consider using some of these conversation starters with your peers to identify and prioritize opportunities to improve the readiness of your organization and people to transform:

01
How are you going to enable your people to do the things that will benefit them the most?

02
What is the primary objective of your organization's AI strategy?

03
Are you confident that the people-focused processes and roles that will be impacted by generative AI are clearly understood in your organization?

04
Has your organization's long-term business strategy been updated to account for predicted generative AI growth? What about your long-term IT strategy?

05
Does your organization have human capital/workforce planning processes in place to safeguard roles as generative AI is scaled?

06
Does your organization currently have specific guidelines and/or policies in place for responsible AI?

07
How much support do you think will be required to onboard/train workers to use generative AI tools, like Microsoft 365 Copilot?

08
How confident are you that leaders in your organization understand generative AI and its governance needs?

09
When will your organization have the capacity to assess performance management augmented by generative AI?

10
Will AI challenge established boundaries of what it means to be a knowledge worker? What kind of new divisions might it create between enabled and unenabled employees?

How humans and AI collaborated to build this report

Born from Accenture and Microsoft, Avanade is in a unique position to help organizations and their people get ready for AI, elevate work and human experience with AI copilots and drive growth and value with AI.

We're also practicing it ourselves. For example, we've used AI in several ways to create the report you're reading now[1]. AI has served as our copilot and contributed to this report by:

- Extracting insights and formatting quotations from hours of live human discussion during qualitative interviews

- Assisting with copywriting – including initial headlines and body copy – based on human-built outlines and story concepts

- Influencing the design of the report with generative AI-created imagery

This human-AI collaboration was made possible by our global team's expertise of Azure OpenAI Service as well as our early access to Microsoft 365 Copilot, with the help and sponsorship of our emerging technology research division.

[1] This report was built in collaboration with AI.

Key Resources
[2] Prepare now for the AI-powered future of work
[3] MIT CISR Study: Companies with a digitally savvy top management team perform better
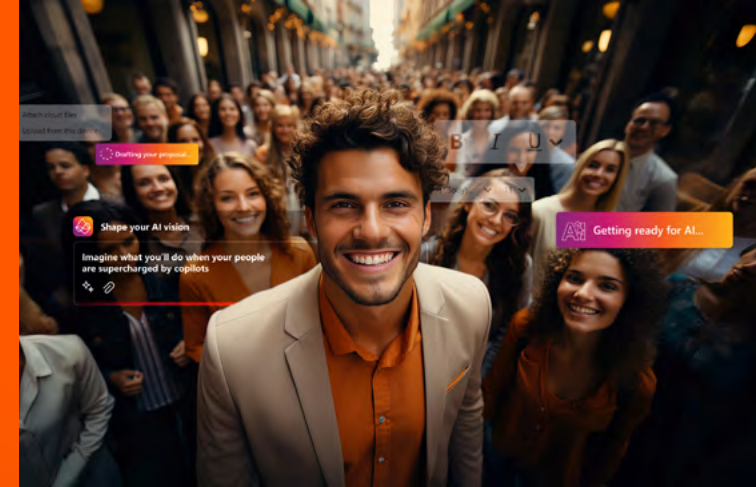
Survey methodology

The survey was conducted in August 2023, by McGuire Research Services on behalf of Avanade. 3,000 qualified respondents were self-reported to be between the ages of 18 and 65; located in and working for a company headquartered in one of the following countries: Australia, Brazil, Canada, France, Germany, Italy, Japan, Spain, United Kingdom, and United States; working for a company in one of the following industries: Banking, Energy, Government, Health, Life Sciences, Manufacturing, Nonprofit, Retail, and Utilities; working for a company with annual revenue of or greater than $500 million; with a job title level of staff or specialist, mid-level management, senior executive, or C-level; a role in AI decisions for their company for mid-level management titles or higher; and awareness of their company's current AI strategies for staff and specialist titles. Respondents were not asked to identify the name of their company. The survey was conducted in both English and in the native languages of the countries included, with respondents choosing the language.

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