Microsoft

The AI Readiness Landscape

A comprehensive study to help businesses assess and advance their AI readiness toward Frontier Transformation

Table of contents

Executive summary

Enterprises worldwide are racing to capture the promise of AI and unlock Frontier Transformation, but only a fraction are positioned to achieve measurable impact. This study isolates the segment of organizations that have already realized business outcomes in operational efficiency, customer experience, innovation speed, workforce productivity, and revenue growth. The data show a clear pattern: AI readiness is the foundation for Frontier Transformation and readiness is correlated to performance. Organizations with advanced AI readiness—**Frontier Firms**—outperform peers by 47% to 64% across these metrics.

A **Frontier Firm** is an AI-powered organization that deeply aligns technology with human ambition to achieve its most aspirational goals. These firms lead with AI-first differentiation, embedding intelligence across every layer of the business from employee experiences to customer engagements and business processes for measurable growth.

The **AI Readiness Advisor Framework** translates these insights into an actionable model for leaders. By quantifying both technology and organizational readiness across ten domains, it identifies where the most value is created and why. Only 17.7% of organizations qualify as AI leaders or Frontier Firms,[1] organizations that are furthest along on the path to Frontier Transformation. Their success stems from deliberate sequencing, continuous improvement, and operationalized Responsible AI practices that turn trust into scale.

This paper provides an overview of the AI Readiness Advisor Framework across six core components:

- **Definition and measurement:** Defines AI readiness through ten measurable domains scored on a 1–5 scale and combined into technology and organizational dimensions.
- **Empirical segmentation:** Classifies organizations into four segments—observers, operators, innovators, and leaders (Frontier)—based on composite readiness scores and fixed percentile thresholds.
- **Leadership or Frontier Firm benchmark:** Identifies the characteristics, distribution, and performance advantages of leaders across industries and company sizes, highlighting which organizations are closest at achieving Frontier Transformation.
- **Leaders and the cloud:** Analyzes how leaders use cloud platforms to balance scalability, security, and integration across workloads.
- **Leaders and technology strategy:** Examines how leaders apply technology strategies and design patterns to operationalize AI and sustain measurable impact.
- **On-ramp to action:** Outlines how organizations can use the AI Readiness Advisor and workshop to benchmark, interpret, and accelerate their progress.

[1]Throughout the paper, Frontier Firms and AI leaders will be used interchangeably.

AI readiness assessment—top ten findings

1. **AI readiness is correlated to business performance:** Organizations with high readiness scores report 47–64% stronger performance across operational efficiency, customer experience, and revenue growth. Additionally, 62% of leaders strongly agree that they '*track the value of AI initiatives with clear financial and operational business outcomes*' compared to 27% of overall population.

2. **Only ~18% qualify as Frontier Firms:** AI leaders meet the top 70th percentile in both technology and organizational readiness.

3. **Readiness is balanced, not siloed:** Roughly 30% of organizations meet either the technology or organizational threshold individually, but only those that achieve both reported sustained value realization. About 97% of Fronter Firms agree or strongly agree that their organization '*is taking a unified, cross-functional approach to its AI strategy rather than operating in siloes*' compared to 70% survey population average.

4. **Cloud maturity is a critical differentiator:** Among AI leaders, ~60% run their workloads on Azure, underscoring how integrated governance, compliance, and data management features enable large-scale, secure AI operations. Cloud maturity aligns with higher readiness and stronger enterprise outcomes.

5. **Leaders are platform-first:** Nearly half of AI leaders (~48%) invest in cloud, data, and model infrastructure before deploying applications, creating stable foundations that support KPI achievement. 58% of leaders strongly agree they '*have established data standards and classifications (requirements, format, cleanliness) to ensure high quality and reliable data*', and 68% of leaders strongly agree their '*organization has a clear technical design and decision framework to support AI and agentic solutions*', compared to 29% and 22% of the overall population.

6. **Integration drives advantage:** Over 84% of Frontier Firms report fully or mostly optimized infrastructure, enabling AI to function as a connected system across production environments and their IT estate. This is more than double the rate of other groups. Conversely, only 22% of organizations strongly agree that their organization '*can effectively integrate AI tools and complementary technologies into our existing IT systems to support business activities.*'

7. **Continuous improvement compounds value:** Leaders maintain and update AI environments at higher rates (~56% rating "excellent" or "very good"), ensuring sustained adaptability and innovation. 57% of Frontier Firms strongly agree their employees '*embrace a culture of innovation by building with AI-powered tools (e.g., creating new agents, AI hackathons, community projects, trainings),*' compared to 26% of overall population.

8. **Responsible AI is operationalized:** AI leaders score highest on responsible AI, with structured frameworks (90%), oversight committees (81%), and monitoring systems (80%) that turn trust to measurable capability.

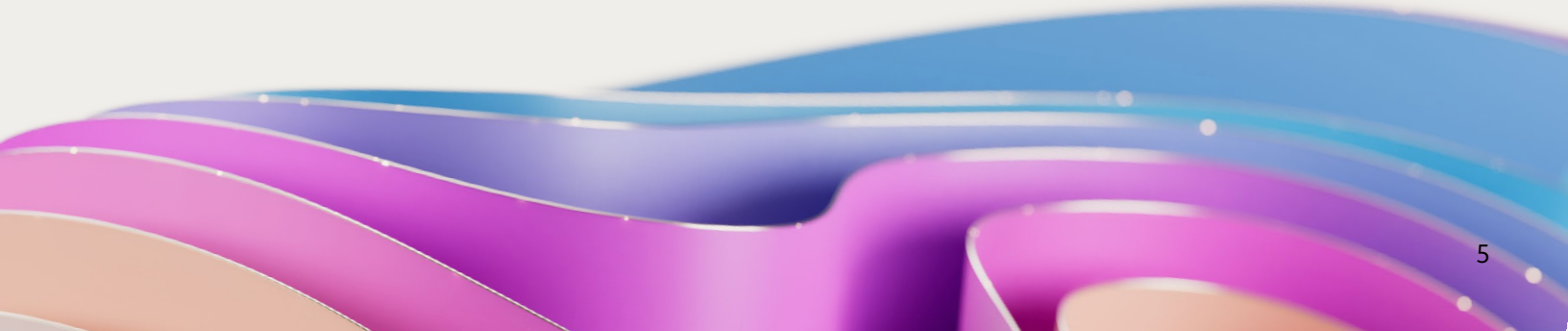
9. **Leadership spans industries:** AI leaders appear across every industry, from ~14% in Insurance to 20% in banking and capital markets, indicating that transformation is a function of capability versus industry.

10. **Readiness grows over time:** The gap between innovators and Frontier Firms widens as organizational readiness grows, showing that structured investment in cloud, governance, and integration produces cumulative advantage. 100% of leaders agree or strongly agree that '*AI investments at my organization are viewed as essential to achieving long-term business goals*', compared to 79% of overall population.

There are a number of benefits that accrue fast when organizations embrace a cloud-based ecosystem while accelerating cloud migration and modernization initiatives of IT solutions. Yet most still fall short of realizing maximum ROI, constrained by gaps in organizational readiness, skills, and measurement.

Top benefits of a cloud-based ecosystem for AI		
01	**Access to pretrained models**	Cloud platforms offer a library of advanced models, enabling quick prototyping and avoiding the need for specialized hardware.
02	**Scalability on demand**	Resources adjust automatically to match workload needs, supporting optimal performance during peak times without waste.
03	**Real-time data integration**	Direct connections to cloud storage keep models up to date with the latest information, increasing accuracy and confidence. Collocating data with models can also reduce input/output costs and improve performance.
04	**Cost efficiency**	Flexible, usage-based pricing aligns expenses with business needs, reducing unnecessary spending.
05	**Streamlined deployment and management**	Automated processes in the cloud simplify setup, updates, and scaling, minimizing hands-on management.
06	**Security and compliance**	Comprehensive data protection features and regulatory support help maintain privacy and adherence to standards like the General Data Protection Regulation (GDPR).
07	**Centralized monitoring and optimization**	A single interface for overseeing operations provides the observability necessary to develop trustworthy AI solutions.
08	**Integrated development tools for rapid innovation**	A unified cloud environment accelerates model customization, testing, and deployment.
09	**Continuous updates**	Ongoing enhancements to models and infrastructure help ensure access to the latest capabilities and optimizations.
10	**Collaboration and access control**	Built-in tools facilitate highly secure teamwork and regulate access for streamlined and controlled project development.

Yet most still fall short of realizing maximum ROI, constrained by gaps in organizational readiness, skills, and measurement. To bridge this divide, we developed the AI Readiness Advisor Framework, a data-driven, market research based, and industry-centric methodology that helps organizations assess, benchmark, and ultimately accelerate their AI readiness following industry best practices. The framework translates complex insights into peer-based scoring, cross-domain benchmarks, and guidance that connects strategy to execution. By measuring correlation between outcomes and technology and organizational readiness, it highlights which capabilities tend to align with higher returns.



This paper summarizes key findings from the study and introduces a practical approach for organizations to evaluate their current position, understand where industry peers are succeeding, and use those insights to plan and prioritize investments. These insights form the cornerstone of Microsoft's AI Readiness Advisor methodology, delivered through self-assessments and executive workshops. The workshops help organizations interpret their results, identify priorities, and turn readiness scores into targeted action.

What "AI readiness" means

We surveyed one thousand organizations to learn more about their ongoing AI initiatives, evaluate relative readiness across commonly cited success factors, and tie these responses to the quantified business outcomes that their organizations have been able to achieve via the scaled deployment of AI-enabled solutions. The findings indicate that there is no single foundational capability alone that is a direct indicator regarding an organization's ability to achieve better business outcomes via their AI initiatives. Instead, AI readiness entails cultivating a balanced set of critical capabilities to build organizational proficiency. These capabilities span not only data and infrastructure, but also organizational strategy and execution, providing companies with a competitive advantage to develop and scale AI across their organization.

AI readiness is the degree to which organizations have mastered the foundational capabilities needed to develop and integrate AI-related solutions in the right combination to achieve better business outcomes. Frontier Firms are at the forefront of AI readiness and are best positioned to achieve Frontier Transformation. Microsoft can help organizations work toward becoming Frontier Firms by aligning AI with human ambition to enrich employee experiences, reinvent customer engagement, reshape business processes, and bend the curve on innovation.

AI readiness is assessed across ten domains (Table 1) that correlate strongly with enterprise performance outcomes. The ten domains are aligned with the five drivers of AI readiness that we have previously introduced and further expand the 'Technology and data strategy' pillar reported below:

Figure 1: Five drivers of AI readiness

Each domain captures a critical dimension of readiness, spanning both technology and organizational readiness. Together, these domains form a structured model that links the technical foundations that enable AI with the capabilities required to scale it effectively. This measurable framework gives leaders a clear, data-backed view of where their organization stands today and how effectively they are positioned to capture tangible ROI from AI investments.

Table 1: Technology and organizational readiness domains

Domain	Definition	Impact
Generative AI models	Organizations build and maintain GenAI models that are trained on diverse datasets to ensure robustness and accuracy. These models are continuously monitored and updated to adapt to new data and evolving business requirements, ensuring they remain relevant and effective.	Drives accuracy, efficiency, and cost savings.
Generative AI applications	Organizations develop GenAI-enabled applications and agents to embed the technology into their business workflows. These AI-enabled apps and agents are then accessed and utilized to enhance and optimize business activities.	Streamlines operations and boosts efficiency.
Cloud and hosting	Organizations utilize cloud-based hosting to provide scalable, flexible, and secure infrastructure to support their AI initiatives for data storage, processing, model deployment, and ensuring high availability and performance.	Delivers flexibility, speed, and cost efficiency.
Data	Implementation of comprehensive data management strategies to collect, store, and analyze data from various sources, including ensuring data quality, governance, regulatory compliance, and enabling reliable and actionable insights for AI apps.	Enables trustworthy insights and compliance.
Information security	Organizations' activities to protect sensitive data and AI models from cyber threats, including implementing security measures, conducting regular audits, and staying updated with latest security practices to safeguard against vulnerabilities.	Safeguards assets, reduces risk, and builds trust.
Integration	Organizations focus on seamless integration of AI solutions with existing systems and processes. This involves ensuring that AI applications can communicate and operate effectively within the broader IT ecosystem and key business applications.	Improves adoption and overall business impact.
Business strategy	Organizations not only have a core AI strategy aligned to the overall business strategy, but they also dedicate tools and tactics to execute it and continuously track their performance against that strategy.	Ensures AI delivers measurable business value.
Organization and culture	Organizations establish clear operating models, leadership support, and change-management processes. This includes defining roles and responsibilities, setting up cross-functional teams, and fostering a culture of collaboration and innovation to drive AI adoption and success.	Creates an atmosphere that encourages experimentation and continuous learning to drive innovation.
AI strategy and experience	Organizations implement execution plans to bring AI strategies to life. This involves detailed project planning, resource allocation, and performance monitoring to ensure that AI projects are delivered on time, within budget, and meet desired outcomes. Continuous improvement practices are also employed to refine and optimize AI solutions.	Increases success rates and continuous improvement.
AI governance	Organizations establish structured frameworks and governance models to manage AI initiatives effectively. Organizations have an industrialized, responsible approach to data and AI across the complete lifecycle of their AI models—an approach that can meet changing regulatory requirements, mitigate risks, and support sustainable, trustworthy AI.	Builds internal and external trust in AI adoption with structured frameworks.

The study analyzed organizations that achieved measurable business impact and identified the readiness characteristics that differentiated them from peers. Business outcomes measured included **operational efficiency, customer experience quality, time-to-market for new products, employee productivity, and revenue growth.**

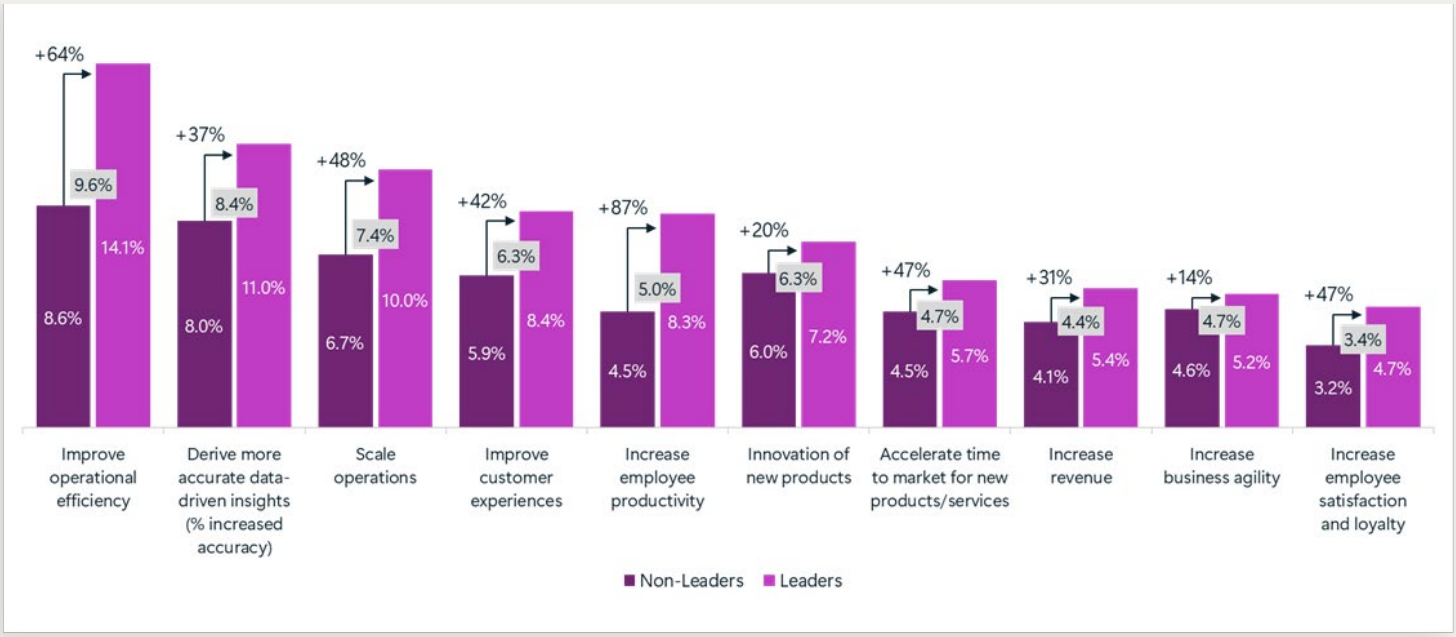


Figure 2: Cross-industry leaders' realized value, from Accenture analysis of Gen AI readiness survey

Across these outcomes, improvements among higher-readiness organizations (Frontier Firms), across the ten domains identified, ranged from **47% to 64%**, underscoring the connection between readiness and realized business value.

Empirical segmentation

The goal of this study was to assess organizations' current and planned AI initiatives across strategy, technology, and adoption dimensions in relation to the expected and realized business outcomes. We examined how companies are using cloud and adjacent capabilities to enhance AI outcomes, providing a data-backed view of what differentiates high-performing organizations.

The research was conducted using a structured questionnaire consisting of 35 areas, administered to a global sample of 1,000 respondents representing eight industries. The instrument captured readiness across ten readiness domains, which were grouped into two composite dimensions:

- **Technology readiness:** AI models, GenAI applications, cloud and hosting, data, information security, integration.
- **Organizational readiness:** Business strategy, AI strategy and experience, organization and culture, AI governance.

AI readiness assessment—top ten findings

Each response was rated on a one-to-five scale and then analyzed to create scores for ten readiness domains and two overall dimensions—technology readiness and organizational readiness. These were combined into a single overall AI readiness score that captures an organization's balance between technical capability and organizational preparedness. To understand what readiness means in real business terms, the results were compared against reported performance indicators, allowing us to identify how different readiness factors relate to measurable outcomes. We also ran separate analyses for organizations that took a "platform-first" approach versus those that focused on "use-case-first" deployments, revealing how technology foundations and organizational readiness interact to accelerate AI success.

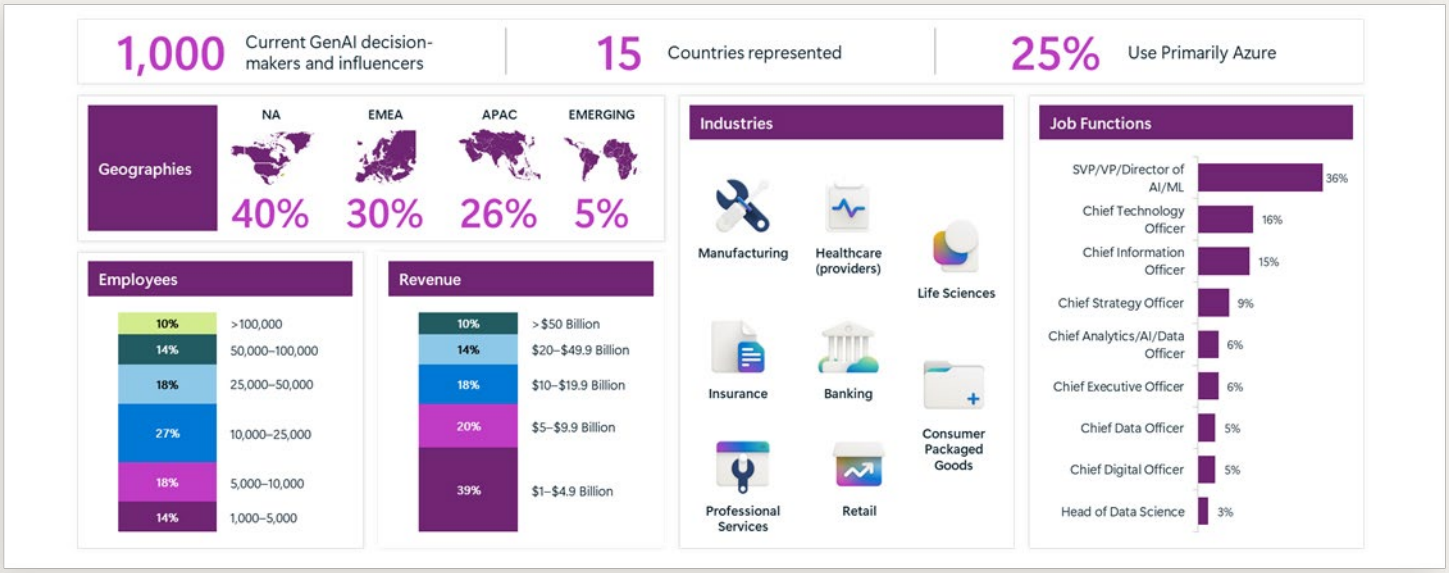


Figure 3: Survey demographics

AI readiness segments

Organizations were classified into four segments based on their technology readiness and organizational readiness scores. These quadrants illustrate how technological readiness and organizational capability intersect to drive measurable AI outcomes.

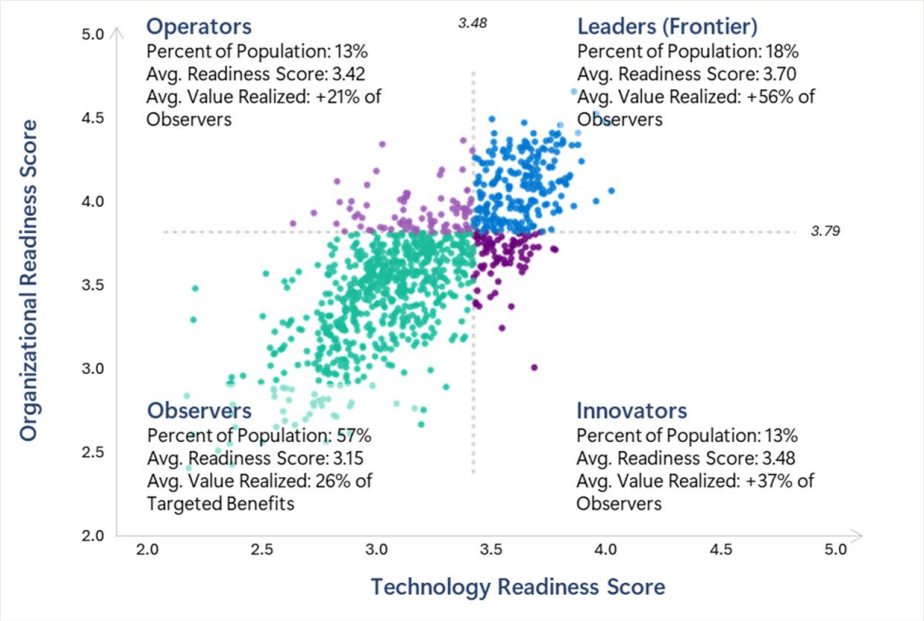


Figure 4: Distribution of organizations across AI readiness

Frontier Firms (high technology and high organizational readiness)

Frontier Firms are AI leaders who operate with mature platforms, governed data, and well-defined operating models that deliver consistent production results at scale—putting them on the leading edge of Frontier Transformation. Their focus has shifted from experimentation to optimization, with emphasis on standardization, cross-domain reuse, and managing ROI across the full AI portfolio.

Innovators (high technology and lower organizational readiness)

Innovators demonstrate strong momentum in model and application deployment but lag in adoption, change management, and governance. Their bottleneck is operational cadence. Readiness typically advances as they formalize product operations, clarify accountabilities, and strengthen organizational readiness to translate usage into measurable value.

Operators (lower technology and high organizational readiness)

Operators excel in strategy, governance, and execution discipline but remain under-invested in platforms, data, and integration layers. Their value realization is constrained by these technical foundations. Moving upward often requires expanding cloud-based data access and integration patterns to unlock scalability.

Observers (early across both readiness dimensions)

Observers are in exploratory stages with limited measurement and fragmented data access. Their progress usually starts with small, well-governed pilots that generate early signals of value and build organizational confidence for broader scaling.

Quadrants are defined by a 70th percentile threshold across industries (technology readiness score = 3.66; organizational readiness score = 4.02 on a 1 to 5 scale). Each point represents an organization, illustrating where capability constraints and progression paths typically emerge.

Frontier Firms (AI leaders)

The Frontier Firms segment sits in the upper-right quadrant of the readiness landscape, **meeting the top 70th percentile** in both technology readiness and organizational readiness. These organizations have achieved a balance between technical capability and operational readiness, where investments in cloud infrastructure, model deployment, and data governance are matched by strong leadership, accountability, and change enablement. In this context, **"Frontier Firms" refers to organizations with the highest composite readiness scores across both dimensions**, reflecting readiness-driven performance in terms of business outcomes associated with the deployment of AI solutions, rather than leadership roles or hierarchies within a given industry. These AI leaders are focused on:

1. Improving customer experience
2. Increasing revenue
3. Scaling operations
4. Innovation of new products
5. Increasing employee productivity

Across the 1,000 organizations analyzed, **only 17.7% qualify as Frontier Firms**, yet this group consistently outperforms all others. As shown in Figure 5, leaders report an average of 7.9% value realized from AI, which is 56% higher than observers, 35% higher than operators, and 19% higher than innovators. It's important to note that the top realized outcomes for AI leaders have a relatively wide range. While the performance gap between Innovators and leaders appears modest at first, the difference grows substantially when looking across a wider set of performance indicators. This pattern suggests that readiness compounds over time: strong technical foundations combined with organizational alignment drive broader, more sustained enterprise performance.

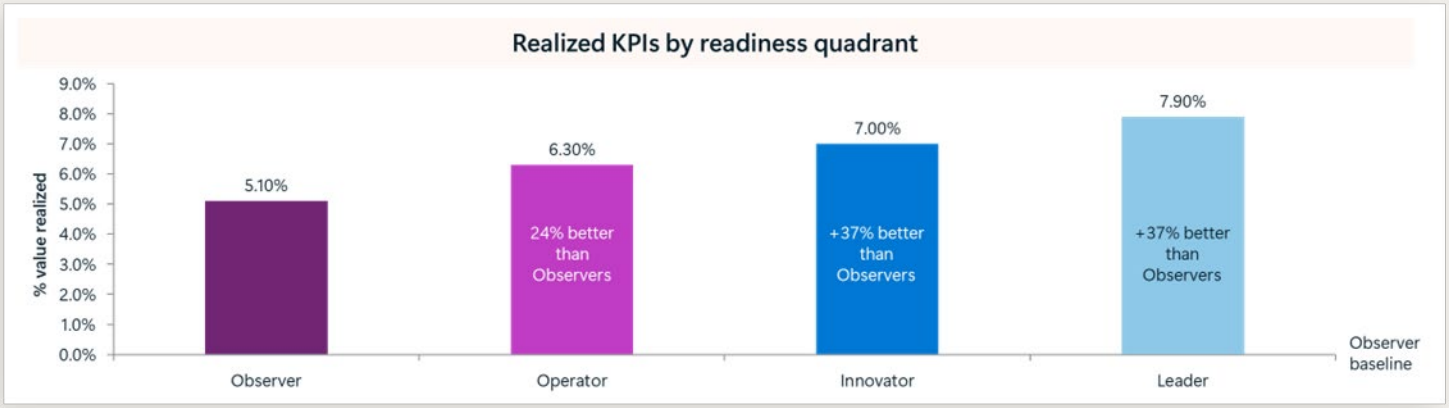


Figure 5: Realized KPIs by readiness quadrant

Frontier Firms by industry

AI leaders are present across every industry that was analyzed. Figure 6 shows their distribution, ranging from 13.6% in insurance to 20.0% in banking and capital markets, with retail, manufacturing, life sciences, and healthcare providers all near 19%. This diversity underscores that the advantage comes from AI readiness, not sector positioning.

AI leaders are present across all sectors (13.6–20%). The AI Readiness Assessment can position you within your industry sector.

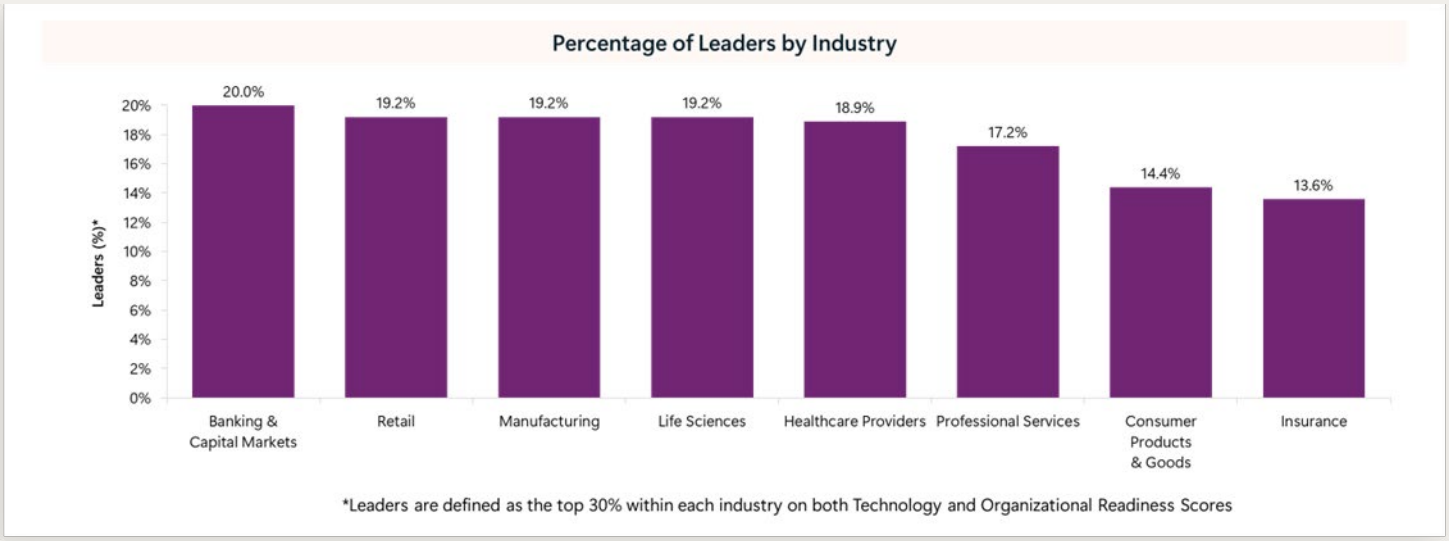


Figure 6: Percentage of AI leaders by industry

Industry	Top outcomes	% realized	Second outcome	% realized
Banking and capital markets	Increase employee productivity	17.6%	Derive more accurate data-driven insights (% increased accuracy)	15.4%
Consumer packaged goods	Accelerate time to market for new products/services (decrease in time to market)	30.8%	Improve customer experiences (improve CSAT/ NPS)	20.0%
Healthcare providers	Improve operational efficiency	47.4%	Improve customer experiences (improve CSAT/ NPS)	37.5%
Professional services	Decrease costs	50.0%	Improve operational efficiency	45.5%
Retail	Risk reduction (elimination of fraud or errors)	33.3%	Derive more accurate data-driven insights (% increased accuracy)	30.0%

Table 2: Top two business outcomes by industry (AI leaders)

Across industries, Frontier Firms report distinct areas of business impact from AI. Professional services saw the strongest gains, with 50% reporting cost reductions and 45.5% citing improvements in operational efficiency. Healthcare providers followed closely, with 47.4% reporting enhanced efficiency and 37.5% realizing improvements in customer experience. Consumer packaged goods organizations emphasized speed to market (30.8%) and customer satisfaction (20.0%), while retail leaders reported notable gains in risk reduction (33.3%) and data-driven accuracy (30.0%). These results show that AI can be adapted to address each industry's most pressing needs, reinforcing that greater readiness directly enables stronger, more measurable outcomes.

Leader threshold

About 30.3% of organizations reach the technology threshold and 30.4% reach the organizational threshold, but only 17.7% clear both. Many firms excel on one side, yet true value is unlocked only when both domains are optimized together. This dual-readiness dynamic defines what separates experimentation from transformation.

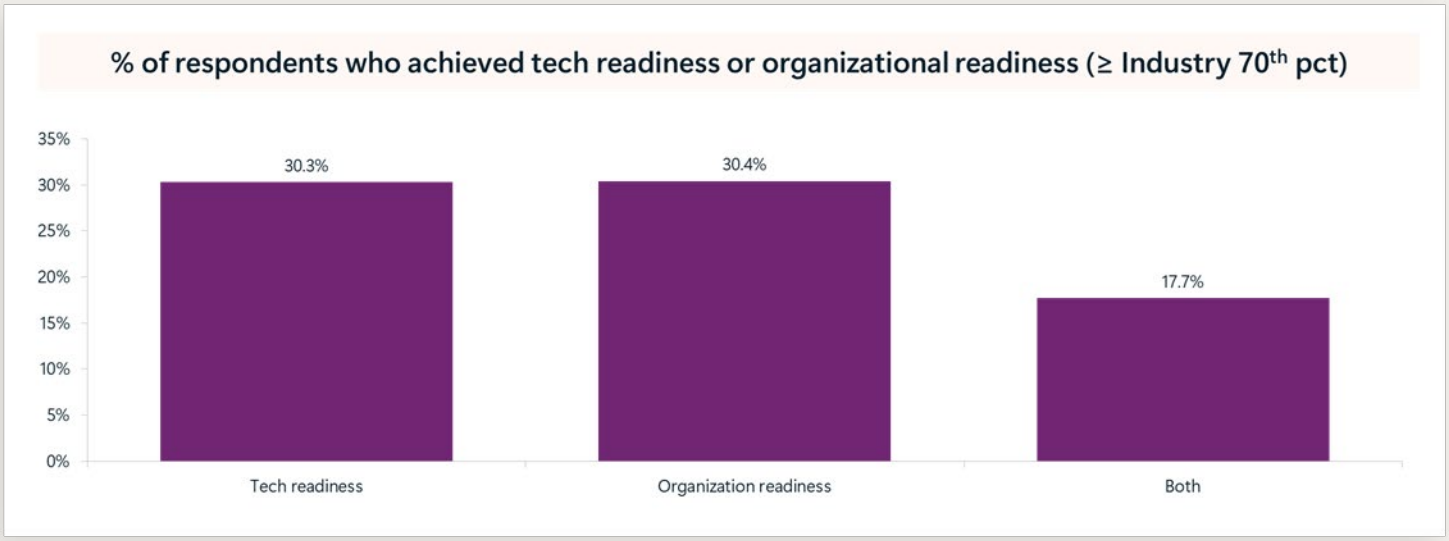


Figure 7: Percent of respondents who achieved technology and organizational thresholds

Leaders distinguish themselves by turning AI into a platform for growth. They invest in aligning strategy, data, and execution so value scales beyond pilots. Their readiness is intentional, built through focused progress across both technology and organizational readiness. This balance is what widens the gap between experimentation and sustained performance. The next step is understanding how AI leaders maintain that advantage with the cloud.

AI leaders and the cloud

Leaders are evolving beyond foundational AI use to build multi-model ecosystems that span LLMs, agents, diffusion models, and GANs. Their AI strategies are deeply tied to cloud environments that act as a control plane for data, models, and applications operating securely and at scale. Among all organizations, Azure, AWS, and Google Cloud show balanced representation, yet 59.9% of AI leaders report running workloads on Azure. This pattern reflects how integrated governance, model management, and compliance features in Azure support enterprise-grade AI adoption. While the data does not establish causation, organizations with mature, Azure-enabled integration consistently demonstrate higher AI readiness and stronger alignment between technical capability and organizational performance.

Key AI leaders' strategies:

- **Adopts a multi-model strategy:** Expands from LLMs and foundation models to agents, diffusion models, and GANs to support specialized use cases.
- **Uses cloud as a control plane:** Treats the cloud as the operational core where data, models, and applications work together securely and efficiently.
- **Leverages Azure integration:** 59.9% of leaders run AI workloads on Azure, aligning readiness with scalable, well-governed architectures.
- **Prioritizes system-level design:** Connects data, model development, and deployment within a unified, cloud-based architecture.
- **Balances flexibility and governance:** Builds adaptable yet compliant environments capable of supporting advanced model ecosystems.
- **Shows measurable correlation:** Cloud maturity aligns with higher AI readiness and improved enterprise performance outcomes.

While most organizations are still building foundational capabilities, Frontier Firms are already evolving toward a **multi-model AI approach**. Their planned adoption of AI remains anchored in general-purpose models such as LLMs and foundation models, but they are also advancing into a broader range of techniques, including Agents, Diffusion Models, and GANs. This pattern suggests that enterprise AI strategy is shifting from a multi-cloud paradigm to a multi-agent, multi-model reality, where each model is designed to perform specialized tasks aligned with either specific industry use cases or cross-industry needs such as HR and customer engagement. Frontier Firms are not simply diversifying models for experimentation; they are building model ecosystems that reinforce scalability, precision, and adaptability across their organizations.

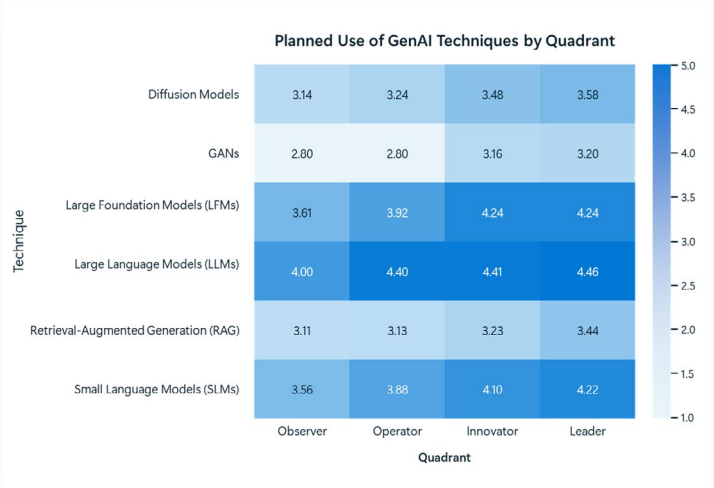


Figure 8: Planned use of GenAI techniques by quadrant

Technique	Observer	Operator	Innovator	Leader	Δ Leader–Observer (pp)
Small Language Models (SLMs)	16.5	37.0	37.3	44.1	27.6
Large Language Models (LLMs)	26.1	52.8	46.8	53.1	27.0
Large Foundation Models (LFMs)	14.0	20.5	36.5	39.5	25.5
Retrieval-Augmented Generation (RAG)	4.6	6.3	7.9	12.4	7.8

Table 3: Leaders report higher planned use of AI techniques compared to other quadrants

The evolution toward a multi-model ecosystem is closely tied to cloud strategy. AI leaders treat the cloud not as a hosting environment but as the control plane where data, models, and applications operate together securely and at scale. The diversity of models they deploy, ranging from LLMs to domain-specific agents, depends on cloud architectures that provide both flexibility and governance. Understanding platform distribution helps reveal how organizations are building this foundation.

Cloud platform usage among all participants

Before examining platform-specific outcomes, it's important to note that our survey captured a diverse cross-section of cloud users across multiple providers. Figure 9 shows that 23.8% of participants use Azure, 22.5% use AWS, and 11.9% use Google Cloud for deploying AI applications or storing data. This balanced distribution suggests the findings that follow reflect insights from organizations operating across multiple cloud environments, not just a single provider ecosystem.

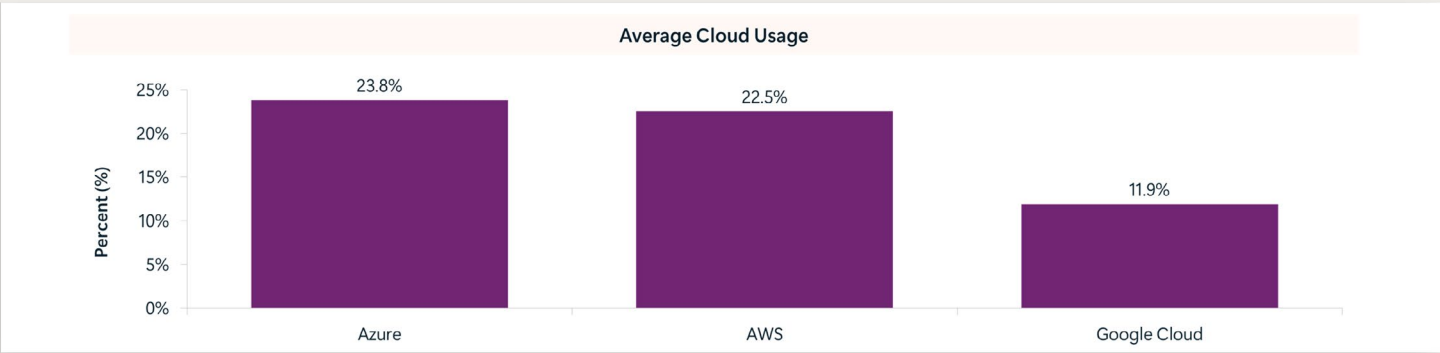


Figure 9: Average cloud usage among all participants

Azure usage among AI leaders

The relationship between cloud maturity and AI outcomes is also reflected in platform patterns. Figure 10 shows that 59.9% of Frontier Firms report running AI applications or storing data in Azure environments, while ~40% do not. This distinction reflects Azure's role as a primary environment for executing or hosting AI workloads, rather than necessarily being the organization's exclusive cloud service provider. The distribution suggests a strong alignment between higher readiness scores and cloud ecosystems that emphasize integrated governance, security, and AI-ready data services. Across industries, Azure's built-in identity, compliance, and model management capabilities appear to support the operational needs of these high-performing organizations.

It is important to note that leaders represent 17.7% of the total sample, meaning this concentration is not simply a function of Azure's overall presence but of its weighting within the top readiness tier. While correlation does not imply causation, the finding suggests that organizations with advanced cloud integration, particularly those operating on Azure, are more likely to demonstrate balanced progress across both technology and organizational readiness dimensions.

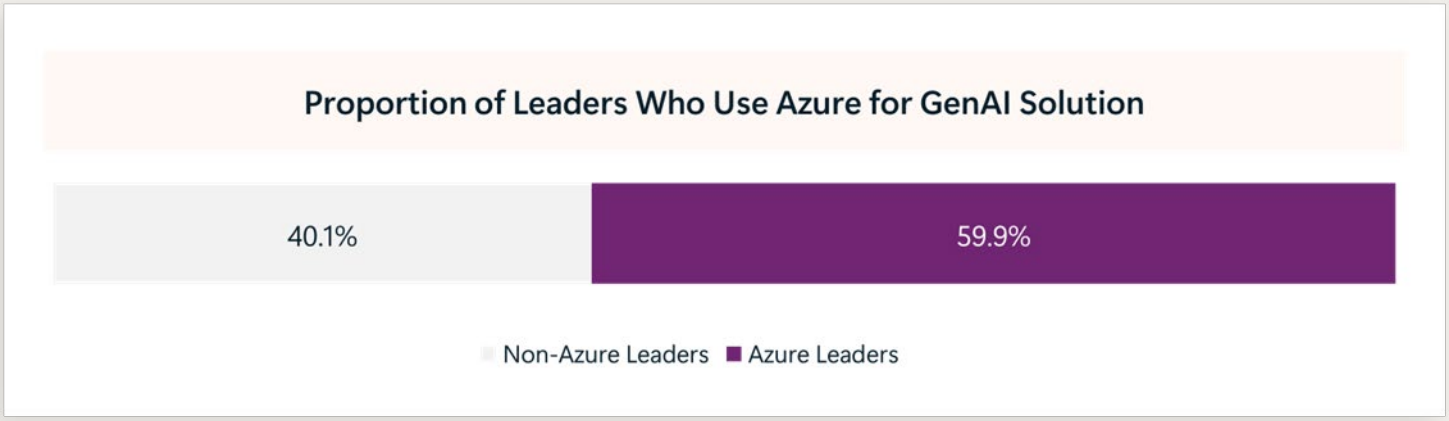


Figure 10: Proportion of leaders who use Azure for AI solutions

The findings suggest that cloud maturity is not a single architectural decision but a system-level capability that amplifies readiness across domains. AI leaders use the cloud as a unifying layer for data, models, applications, and governance, enabling smoother scaling and faster feedback loops between experimentation and production. Those operating on Azure demonstrate strengths in this integration, leveraging its unified data fabric, identity services, and platform capabilities provided by **Microsoft Foundry** to connect innovation with operational discipline. Microsoft Foundry is a unified platform-as-a-service for enterprise AI operations, model building, and application development. It combines production-grade infrastructure with robust security, compliance, and data management capabilities, allowing organizations to focus on building AI applications rather than managing infrastructure. Across the sample, organizations with mature cloud practices show stronger alignment between AI strategy and measurable business outcomes, reinforcing the view that infrastructure and organizational readiness evolve together.

While causality cannot be established from this dataset, the relationship is consistent: higher levels of Azure-enabled integration are closely associated with higher overall AI readiness. The next section explores how Frontier Firms translate this readiness into practice, focusing on the technology strategies and design patterns that distinguish them from their peers.

AI leaders and technology strategy

Frontier Firms stand out not just for adopting AI, but for how they build and manage it. They combine a disciplined technology strategy with strong organizational readiness, ensuring that cloud, data, and governance capabilities evolve together. Frontier Firms follow a deliberate platform-first approach, laying the foundation for scale and resilience before deploying AI applications. They optimize and integrate infrastructure across the enterprise, treating AI as a system-level capability rather than isolated pilots. Continuous improvement and maintenance are central to their success, enabling faster adoption of new technologies and consistent performance over time. Finally, Frontier Firms embed Responsible AI principles throughout their operations, making ethics, transparency, and accountability core components of their readiness.

> Having organizational readiness can help break through barriers in technical readiness; **that's why AI leaders focus on both**.

Key AI leaders' technology strategy:

- **Platform-first approach:** About 48% of AI leaders strengthen their cloud, data, and model infrastructure before deploying applications, resulting in smoother scaling and higher realized AI value.
- **Optimized infrastructure:** Over 84% report their systems as fully or mostly optimized, compared with 30% of observers.
- **Enterprise integration:** Frontier Firms embed AI directly into production systems, achieving more than twice the rate of effective integration seen among observers.
- **Continuous improvement:** 56% of AI leaders rate their maintenance and upgrades capabilities as excellent or very good, ensuring adaptability and sustained performance.
- **System-level thinking:** Frontier Firms view AI as part of an interconnected ecosystem where technology, governance, and people advance together.
- **Structured execution:** Analysis shows that building structured governance and execution practices is a defining factor in advancing technical capability.
- **Responsible AI practices:** Frontier Firms report the highest maturity across ethics frameworks (90%), AI committees (81%), and monitoring in production (80%), showing a proactive approach to ethical scaling.

AI leaders distinguish themselves not only by what they build with AI but how they build it. A strong technology strategy marks the turning point between experimentation and scalable transformation, guiding decisions about architecture, integration, and sequencing of investment. Frontier Firms approach AI as a system-level capability, where cloud foundations, data governance, and operating discipline evolve together to enable enterprise-wide value creation. Statistical testing reinforces this connection, showing that organizations with structured governance, disciplined execution, and clear accountability advance more quickly through higher tiers of technical capability (with significance below 0.05 across multiple deciles). This is where leadership and architecture converge, in the ability to align technology direction with organizational intent removes friction, allowing progress to compound. Technology strategy, therefore, is not just about tools or platforms but about orchestrating readiness across both human and technical systems.

AI leaders are platform first

Frontier Firms demonstrate a deliberate sequencing of technology investments that reflect strategic planning rather than opportunism. They overwhelmingly adopt a platform-first approach, with nearly half (48%) strengthening their cloud, data, and model infrastructure before deploying AI applications (Figure 11). This sequencing matters: organizations that prioritize platform readiness achieve smoother scaling, more consistent governance, and higher realized AI value across use cases. Most observers (54%) instead take an apps-first approach, implementing solutions without a cohesive foundation, which often limits performance and repeatability. When technology foundations come first, each application compounds value rather than operating as an isolated pilot, turning technical maturity into enterprise capability.

> AI leaders who take a platform-first approach outperform peers by creating stable foundations before scaling applications. This sequencing reduces friction and accelerates value.

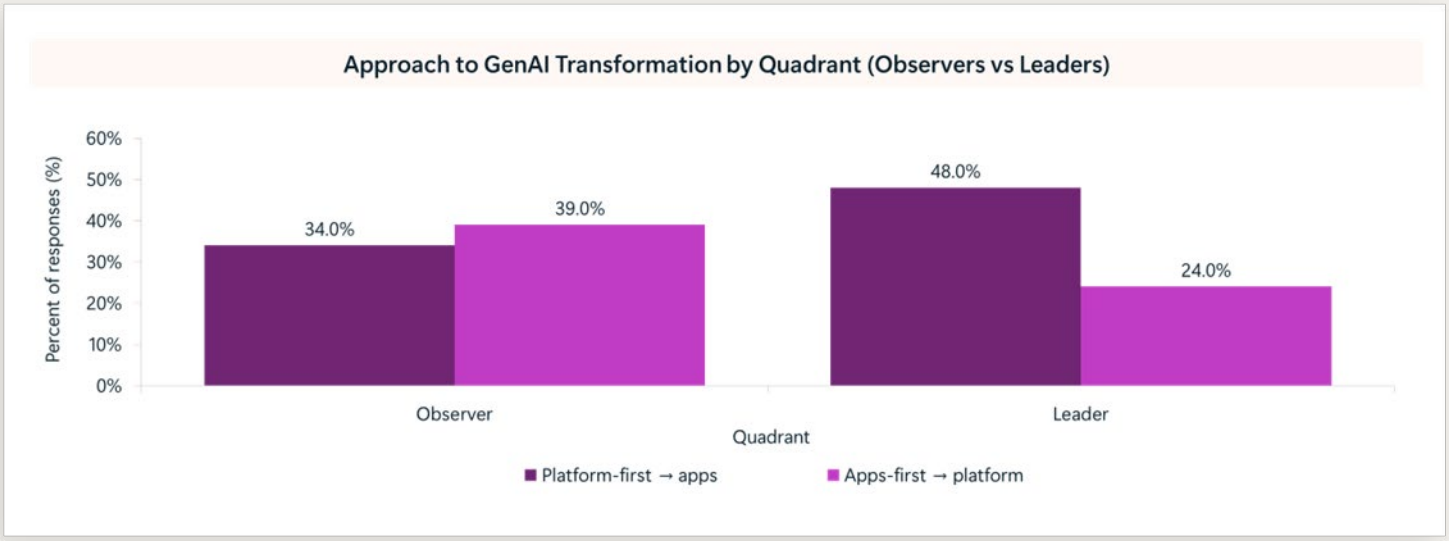


Figure 11: Approach to GenAI transformation by quadrant (observers versus leaders)

Infrastructure optimization and maintenance

Optimization of infrastructure remains a defining trait of the leader group, demonstrating how sound technology strategy translates into sustained advantage. **Over 84% of AI leaders report their infrastructure as fully or mostly optimized** compared to only 30% of observers, showing how optimization becomes a foundation for scaling AI with speed and control (Figure 12).

Frontier Firms achieve stronger business outcomes because they integrate AI deeply into their IT systems, turning infrastructure and their digital core into a strategic enabler of agility and scale.

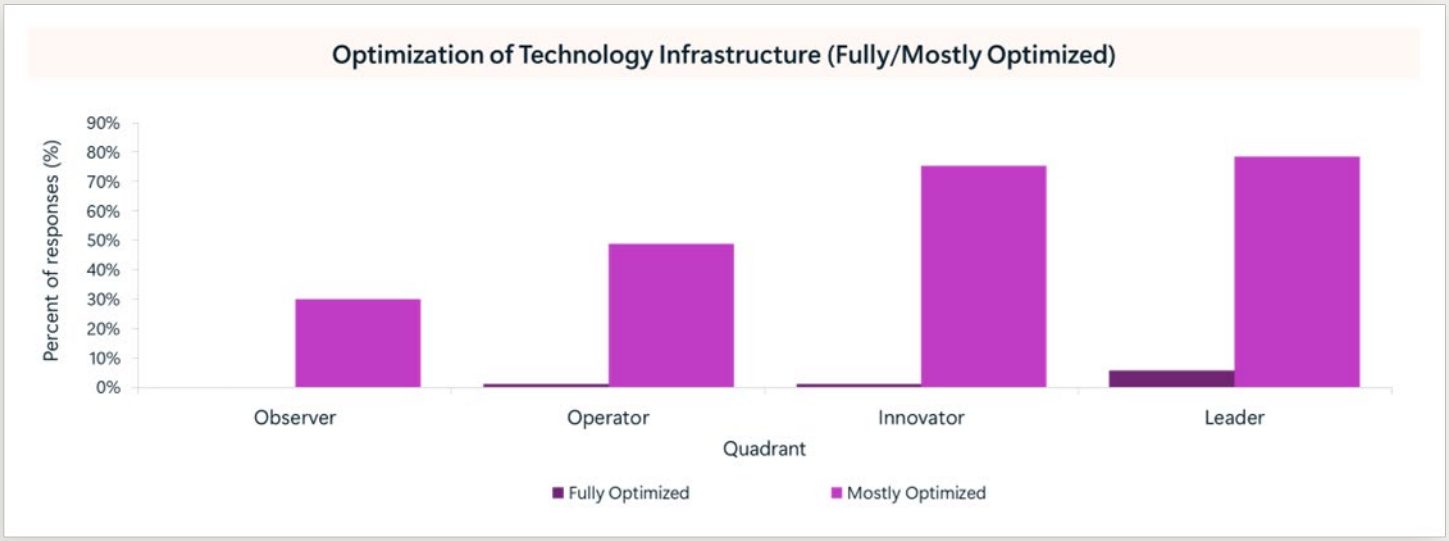


Figure 12: Optimization of technology infrastructure

Integration of AI with core systems

Frontier Firms stand apart through their ability to integrate AI seamlessly into the core fabric of their IT environments. While many organizations still treat AI as a collection of disconnected pilots, leaders embed it directly into production systems where they can continuously learn, adapt, and deliver measurable business value. This integration transforms AI from a tool into an operational capability that reinforces agility, reliability, and performance. AI leaders report more than twice the rate of effective AI integration compared to observers, underscoring how deeply connected infrastructure enables innovation at scale.

AI Leaders that report fully optimized infrastructure are significantly more likely to have reliable, resilient AI operations that scale across business functions.

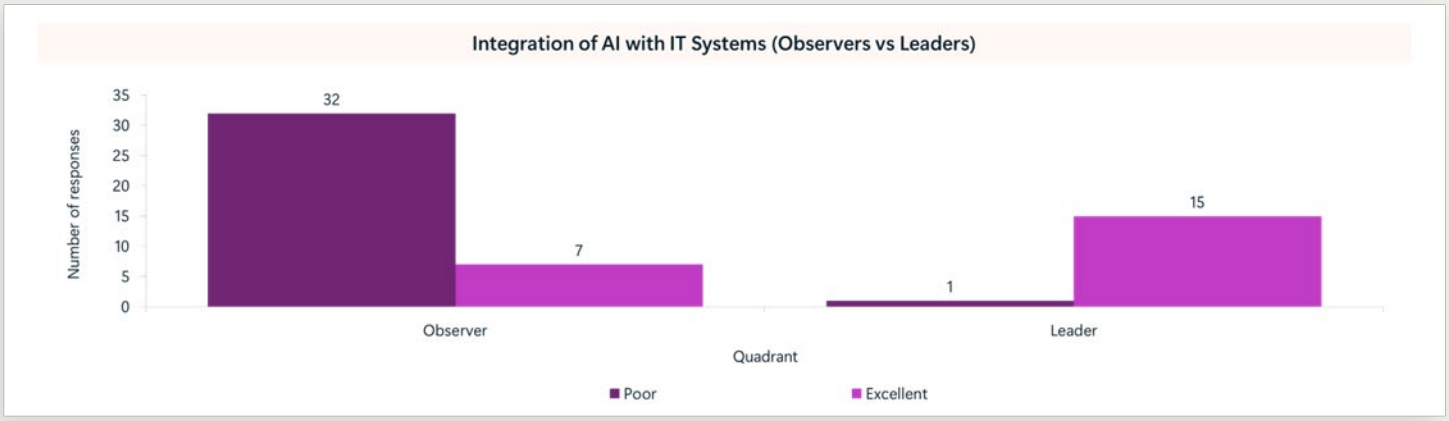


Figure 13: Integration of AI with IT systems

Continuous improvement and emerging technology readiness

Frontier Firms continue to distinguish themselves through their ability to maintain, evolve, and improve their AI environments. This discipline ensures that their systems remain adaptable as new technologies emerge and business priorities shift. According to the dataset, 56% of AI leaders rate their maintenance capability as excellent or very good, nearly double that of operators and more than triple that of observers, demonstrating how operational resilience compounds strategic advantage (Figure 14). Their proactive approach to lifecycle management reduces downtime, accelerates implementation of new AI models, and supports continuous innovation across domains.

Frontier Firms demonstrate superior ability to maintain and update their AI infrastructure, enabling faster adoption of emerging technologies and sustained innovation at scale. Across all readiness groups, AI leaders report the highest maintenance and update performance, with 56% indicating strong or very strong capabilities.

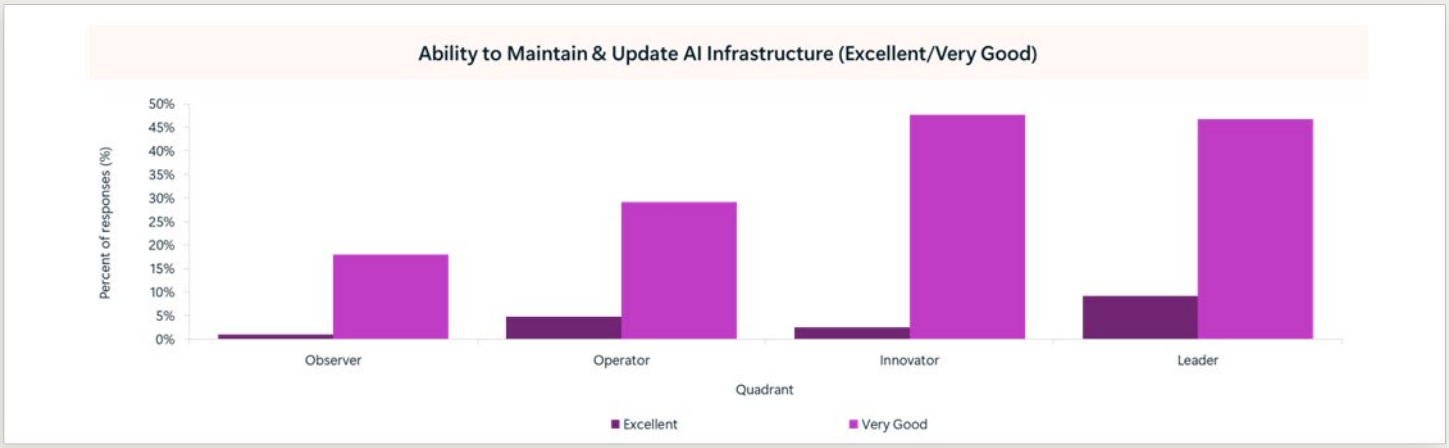


Figure 14: Ability to maintain and update AI infrastructure

We found that leaders demonstrate an effective technology strategy is the mechanism that turns readiness into sustained advantage. Their success is driven by the orchestration of interdependent systems: cloud, data, models, and governance advancing together in a disciplined cycle of improvement. Statistical testing confirms that this coherence matters. Structured governance and disciplined execution correlate strongly with higher tiers of technical capability, showing that transformation is cumulative, not incidental.

Responsible AI

Frontier Firms distinguish themselves not only through technical and organizational Readiness but through how they embed ethics and accountability into their AI programs. Responsible AI is not treated as a compliance requirement but as a system of governance that enables innovation. Leaders consistently report on the highest levels of maturity across Responsible AI principles, including defined ethics frameworks (90%), AI ethics committees (81%), and continuous monitoring in production (80%) (Figure 16). This reflects a shift from reactive oversight to proactive integration, where ethics guide model development, deployment, and lifecycle management.

Leaders turn ethics into infrastructure. By operationalizing Responsible AI through company-wide training, defined principles, and active oversight, they transform trust from a value statement into a measurable capability that scales innovation responsibly—an essential enabler of Frontier Transformation.

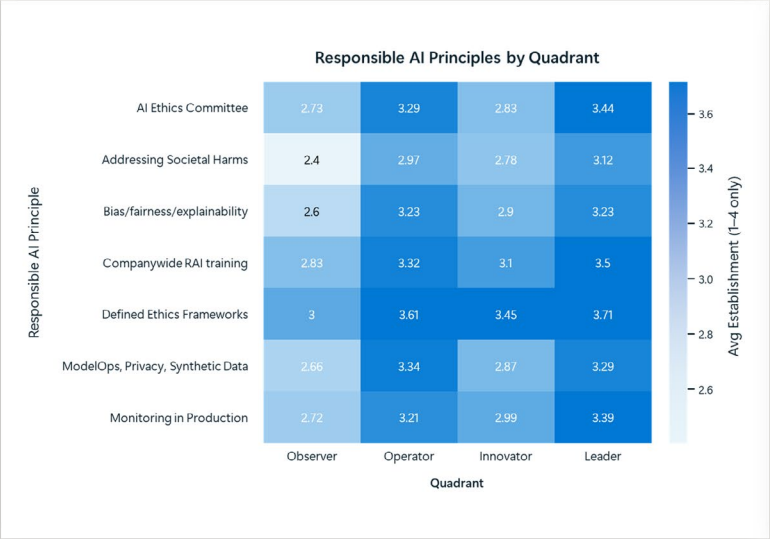


Figure 15: A value of 1 indicates no plan to establish the principle, while 4 means the principle is fully established

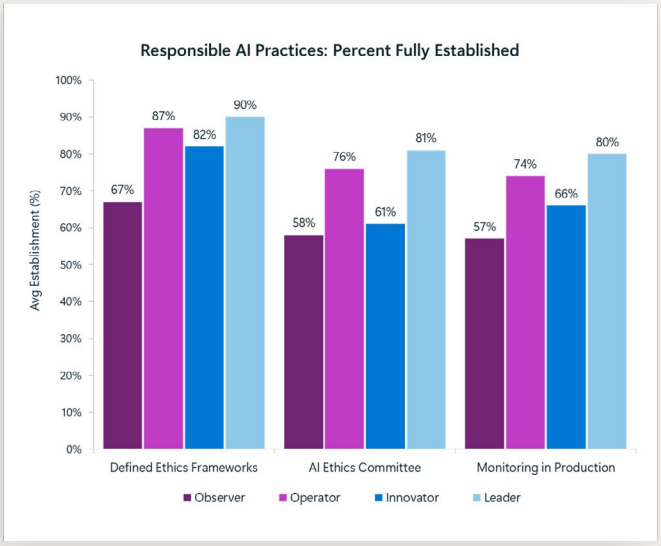


Figure 16: Responsible AI practices: Percent fully established

Findings

Across the dataset, AI readiness, measured across ten domains and summarized into technology and organizational readiness dimensions, is associated with stronger value realization. The four segments highlight distinct patterns. Leaders combine high scores on both dimensions and report higher realized KPI values than other segments. Cloud is a common foundation, with workloads balanced across multi-cloud, platform services, and managed platforms, and a large share of leaders reporting Azure usage. Leaders tend to sequence platform first, report higher rates of infrastructure optimization and upkeep, and integrate AI into core IT more consistently. These associations are observed from survey data and based on correlation analysis, not evidence of causality. Leaders' strength lies in treating AI as a connected ecosystem where cloud, data, and people advance together, converting experimentation into enterprise impact. AI readiness continues to evolve with every investment, deployment, and insight. Advancing along this readiness curve is what unlocks the capabilities of a Frontier Firm and sets the stage for Frontier Transformation.

From insight to action: Evaluate your readiness and accelerate with confidence

The **AI Readiness Advisor Snapshot** is your organization's starting point for understanding where you stand today, where to focus next, and how far you are from achieving Frontier Transformation. In just minutes, it translates your current AI capabilities into a measurable overall readiness score. You'll see how you compare against industry peers and receive a high-level perspective based on a quick self-assessment. The results are primarily diagnostic but provide a clear line of sight to performance outcomes.

Building on these insights, the **AI Readiness Advisor workshop** turns data into direction. Guided by Microsoft and partner experts, this executive session interprets your assessment results and connects them to real business decisions. We can help you align technology and organizational readiness, identify quick wins, and define a roadmap for scaling AI responsibly and effectively, anchored in Azure. Together, the assessment and workshop give your team the clarity, benchmarks, and practical steps needed to move from readiness to measurable transformation—positioning your organization on a clear path toward Frontier Transformation.

Appendices

Demographics

Industry representation: Participants were drawn from eight major industries, with relatively balanced coverage:

Industry	Count	Percent (%)
Professional services	128	12.8%
Manufacturing	125	12.5%
Life sciences	125	12.5%
Banking and capital markets	125	12.5%
Retail	125	12.5%
Insurance	125	12.5%
Consumer products and goods	125	12.5%
Healthcare providers	122	12.2%
Total	**1,000**	**100%**

Geographic distribution: Respondents were globally distributed.

Region	Count	Percent (%)
North America	399	40%
Europe, Middle East, and Africa (EMEA)	299	30%
Asia-Pacific (APAC)	255	26%
Other (Brazil)	47	5%
Total	**1,000**	**100%**

Revenue distribution: Organizations represented in the survey spanned a wide range of annual revenues:

Annual Revenue (USD)	Count	Percent (%)
$1–4.9 billion	385	39%
$5–9.9 billion	203	20%
$10–19.9 billion	178	18%
$20–49.9 billion	139	14%
$50 billion or more	95	10%
Total	**1,000**	**100%**

Job Functions: Surveyed across many different job roles:

Category	Count	Percent (%)
SVP/VP/Director of AI/ML	357	36%
Chief Technology Officer	155	16%
Chief Information Officer	151	15%
Chief Strategy Officer	93	9%
Chief Analytics/AI/Data Officer	61	6%
Chief Executive Officer	56	6%
Chief Data Officer	51	5%
Chief Digital Officer	49	5%
Head of Data Science	27	3%
Total	**1,000**	**100%**

Employee count: Firms varied substantially in size, measured by number of employees:

Employees	Count	Percent (%)
1,000–5,000	144	14%
5,000–10,000	175	18%
10,000-25,000	271	27%
25,000–50,000	176	18%
50,000–100,000	135	14%
100,000 or more	99	10%
Total	**1,000**	**100%**

Methodology and disclaimer

Methodology (summary). Microsoft analyzed an anonymized, self-reported survey fielded by Gerson Lehrman Group (GLG). The instrument covered strategy, technology, adoption, and outcomes. Responses were normalized to common scales, aggregated into domain scores, and segmented into readiness groups for comparative reporting. Results are reported at an aggregate level only; no individual firm data is disclosed.

Disclaimer: This report was authored by Microsoft using survey data fielded by GLG through its research platform. GLG sourced respondents and administered the questionnaire; all analyses, interpretations, and conclusions are Microsoft's alone. Data are self-reported and aggregated and are directional, not advice. Findings may change as new information becomes available. No warranties or endorsements are made. All trademarks are the property of their respective owners.

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Take the next steps in your Frontier Transformation journey

- Start your assessment with the **AI Readiness Advisor Snapshot**
- Discover how Microsoft is empowering organizations to become Frontier with trusted AI solutions