Microsoft

The AI Decision Brief: A Guide to Frontier Transformation

Microsoft's latest research insights, leadership advice, and practical tips on how to become a Frontier Firm

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Foreword

Artificial intelligence is reshaping the global economy and the way organizations operate at remarkable speed and scale. Over the past year, AI has moved from experimentation to real-world impact across industries throughout the world. At the same time, a clear divide is emerging between organizations testing isolated AI use cases and Frontier Firms that are redesigning core workflows, decision-making, and governance to apply AI responsibly at scale. The difference is no longer defined by access to technology, but by the operating discipline required to turn innovation into sustained business value.

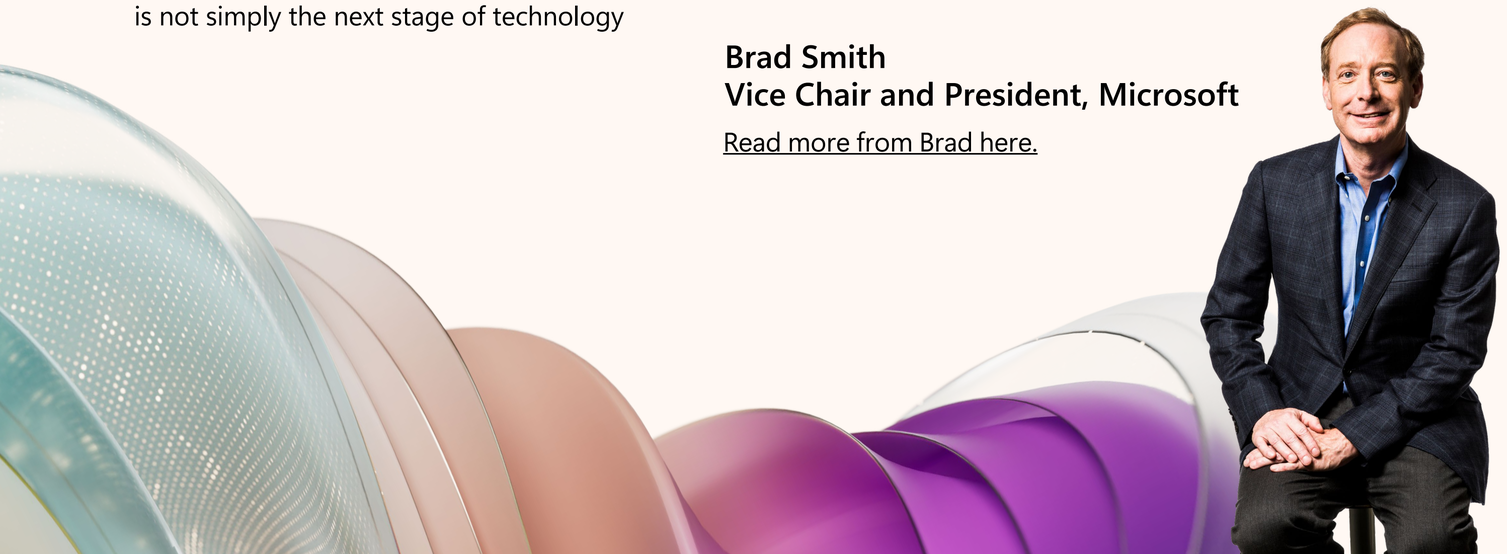
We are entering what we refer to as the era of Frontier Transformation. This is not simply the next stage of technology adoption. Frontier Transformation is a leadership moment that asks organizations to fundamentally rethink how people, processes, and decisions work together. The organizations that succeed will invest not only in technology, but also in the skills, culture, and leadership practices needed to guide change across the enterprise.

As AI becomes more capable and more deeply woven into everyday work, leaders have a responsibility to ensure intelligence is broadly diffused to expand opportunity rather than concentrated in ways that limit it. They must also treat security, governance, and responsibility as a foundational requirement for progress, not an afterthought.

Brad Smith
Vice Chair and President, Microsoft

Read more from Brad here.

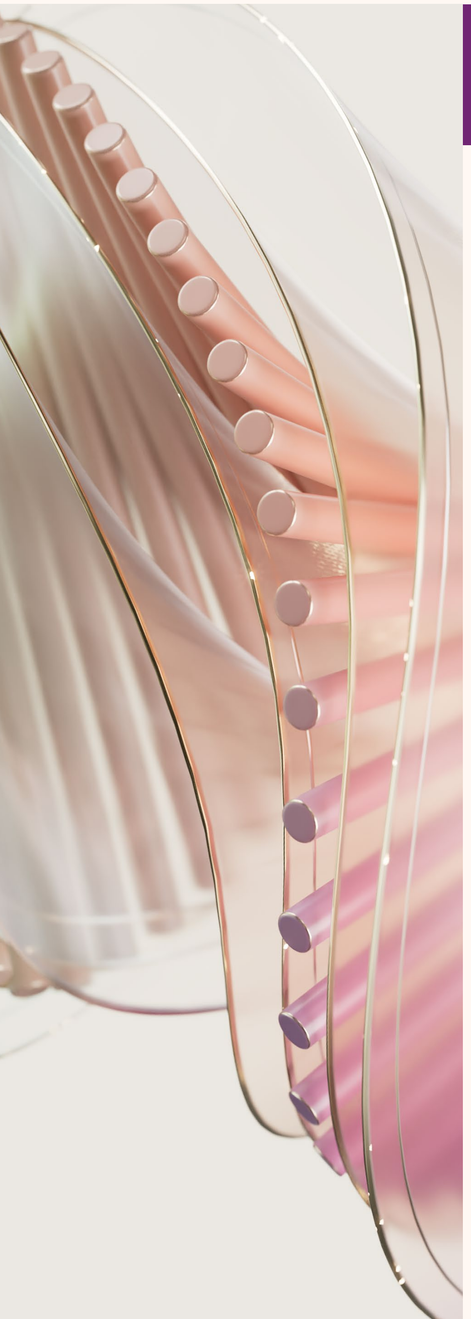
"Frontier Transformation isn't just about deploying AI tools, it's about empowering leaders to rethink how people, processes, and decisions come together."



A guide to Frontier Transformation

This AI Decision Brief is intended to help leaders navigate this leadership moment. It brings together research, real-world examples, and perspectives from across Microsoft on what it takes to move from pilots to production, experimentation to impact. The package does not prescribe a single path forward, because there isn't one. The goal is to help leaders understand the mindset, disciplines, and choices that define successful Frontier Transformations.

There is a real opportunity to leverage agents for immediate and measurable impact. With thoughtful leadership and a commitment to responsible innovation, AI can become a vital force that amplifies human potential, strengthens organizations, and contributes to broader economic and societal progress. How leaders choose to act now will shape not only the trajectory of their organizations but how work itself evolves in the years ahead.



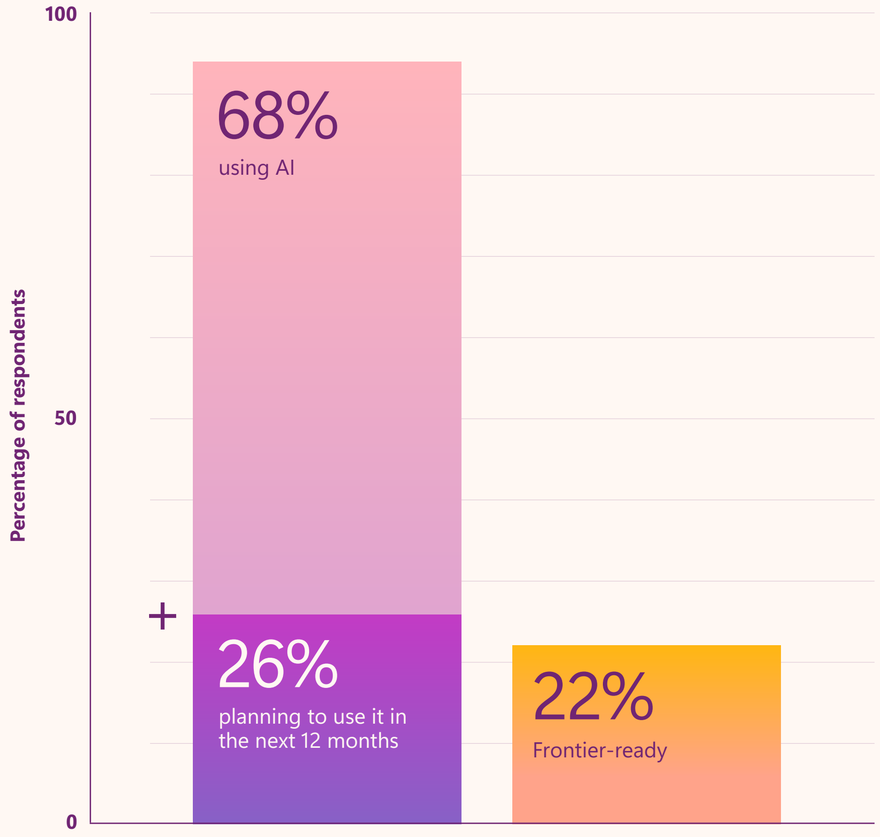
Introduction

Welcome to the Frontier era

Today, 68% of organizations are using AI, and 26% plan to use it in the next 12 months, according to a global IDC study. But Frontier Transformation begins when AI moves beyond isolated pilots and becomes part of the operating fabric of teams, workflows, and decisions across the enterprise. This shift is what enables organizations to scale impact and unlock new sources of value.

Yet a leadership gap remains. While 68% of companies are using AI, only 22% are Frontier-ready, realizing measurable impact and moving with speed. This handbook is the resource leaders need to close that gap, providing the clarity, confidence, and practical guidance to turn AI ambition into impact.

94% of organizations are using or planning to use AI. But only 22% are truly Frontier-ready.



Source: IDC InfoBrief, sponsored by Microsoft, What every company can learn from Frontier firms leading the AI revolution, #US53838325, November 2025

A toolkit for leaders

This is not a guide to the latest AI tools or models. Instead, it focuses on the foundation leaders need to build so their organizations can adapt continuously and responsibly as AI evolves. Tapping the technology's potential will require pairing human ambition with the readiness, guardrails, and governance needed to scale.

Beyond illustrating what's possible, this guide helps leaders translate their own ambition into action. Leaders who take in its insights will learn how Frontier Transformation can take shape in real organizations across work, customers, and innovation.

Chapter 1

What leaders need to know *right now* about Frontier Transformation

AI adoption is no longer the differentiator—scaling is. AI must work in the flow of human ambition, with trust at its center. It also must be ubiquitous and accessible for all people across every function. The organizations that win the next phase won't be those that are only experimenting on the cutting edge, but those who embed AI into their core operations with discipline and purpose. This is the moment when AI stops being an experiment and becomes a strategic decision.

What defines a Frontier Firm?

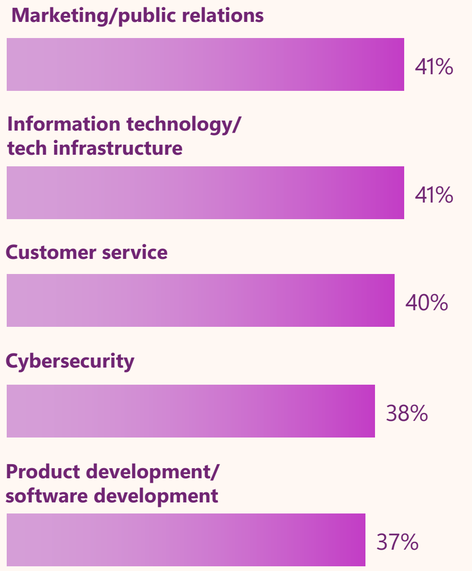
Frontier Firms include every kind of company, from disruptive startups to legacy brands. The commonality is that they foster a culture that is able and ready to adapt to new ways of working. They operate with AI at the center of their business, combining human expertise, data, technology, and governance to drive AI-powered innovation. By doing so, they can scale faster, operate with more agility, and unlock real business value. These organizations integrate AI across:

- **People:** Equipping employees with AI assistants, agents, and new skills
- **Processes:** Redesigning workflows with embedded automation and intelligence
- **Decisions:** Enabling strategic, real-time decision-making through data and predictive insights

Among Frontier Firms surveyed, over 70% are already using AI in customer service, marketing, IT, product development, and cybersecurity. (For general survey respondents, the rates in those industries were 29% to 33% lower.) Frontier Firms embrace the transformational potential of the technology, while keeping human ambition and cross-functional integration at the core of their decisions and processes.

Building this kind of adaptability requires continuous learning across the organization. How should Frontier Firms think about skilling? Find practical guidance on creating an AI learning culture in Chapter 2.

Organizations currently using AI



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How do agents change the AI equation?

Agents are AI-powered systems designed to reach a set goal. They can plan across steps, use approved tools and data, and operate within defined boundaries—ranging from suggesting next actions to executing tasks with the right oversight.

Agents can:

- **Automate tasks, such as streamlining repetitive and mundane work.** For example, they can automate customer inquiries through chatbots, manage scheduling, and process transactions.
- **Analyze data to identify patterns and trends.** Agents can process customer feedback, sales performance, and market signals to identify patterns and help teams make faster, more informed decisions.
- **Support and make decisions using data and algorithms.** Agents can prioritize tasks, recommend actions, or even act autonomously—for example, optimizing inventory levels based on sales forecasts.
- **Improve through feedback and iteration.** With monitoring and user feedback, you can refine agents to become more accurate, helpful, and aligned to policy over time.

What Frontier Firms do—and what they don't do

Frontier Firms DO:

1. Embed AI into core systems rather than treat it as a separate tool.

2. Focus on carefully chosen high-impact use cases to concentrate investment on what will materially move the business.

3. Treat AI as a shared enterprise capability, so AI initiatives are aligned across functions.

4. Reinvest efficiency gains into innovation, allocating freed-up time to higher-value work.

5. Build trust, governance, and observability from day one, enabling AI to scale responsibly and confidently.

Frontier Firms DO NOT:

1. Limit experimentation to isolated pilots. Instead, they embed AI into core workflows and operating models.

2. Treat AI as an IT project or a single line item, but rather as a business capability.

3. Optimize only for short-term productivity gains.

4. Deploy AI without clear ownership, governance, or accountability.

5. Assume transformation happens automatically. AI delivers value only when paired with intentional leadership, cultural change, and redesigned ways of working.

What makes these distinctions urgent is that the market has entered a new phase. AI adoption is widespread—but the ability to scale it into sustained business impact is not.

Leaders can begin their Frontier journey by using AI as a thought partner—to clarify priorities, surface risks, explore options and tradeoffs, and pressure-test decisions. For examples, see the smart prompting strategies section in Chapter 2.

The business value of Frontier Transformation

More than two-thirds (68%) of companies are now using AI. What sets some apart is how they are using it. Frontier Firms are realizing 3x higher returns compared to slow adopters, and they're doing it by leveraging the technology to unlock efficiency, as well as with timely decision-making and the ability to adapt as markets change.

Expanding AI across the business

- Frontier Firms are using AI across seven business functions, on average.

Unlocking industry-specific value

- 67% of Frontier Firms are monetizing industry-specific AI use cases.

Building bespoke AI solutions

- 58% of Frontier Firms use custom AI, and 77% say they plan to in the next 24 months.

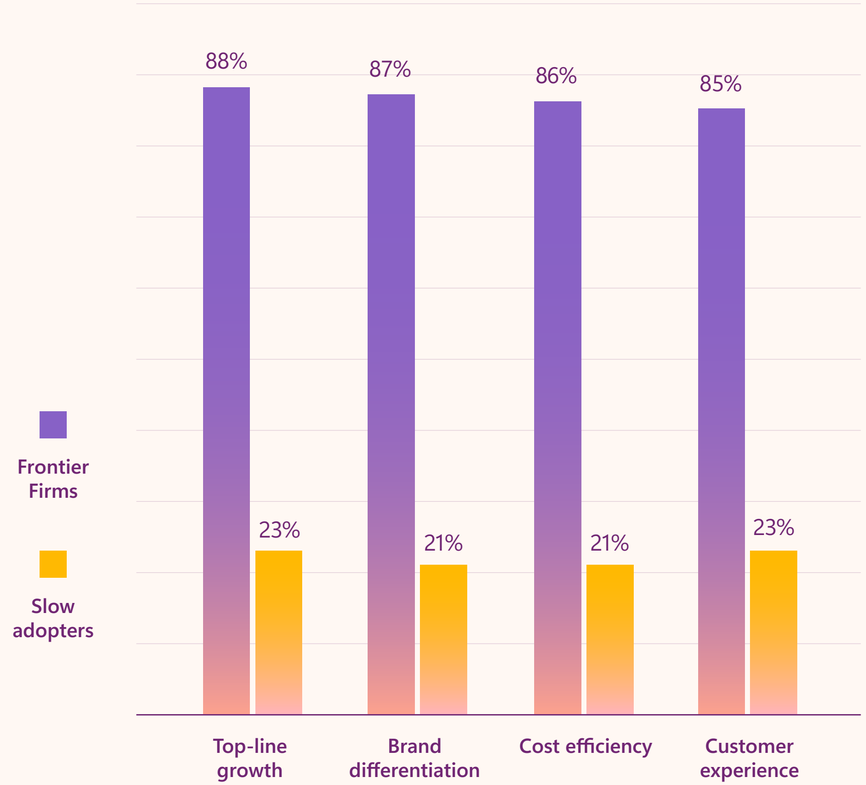
Agents are now the key differentiator

- The number of companies using AI agents are estimated to triple over the next two years.

AI budgets and funding sources are growing

- Over 70% of organizations plan to increase AI budgets.

While those who are slow to adopt AI see limited or unclear returns, organizations that invest earlier and more deliberately in AI capabilities are already seeing improved growth, brand differentiation, cost efficiency, and customer experience.



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Executive Spotlight

Judson Althoff

CEO, Microsoft commercial business

A critical moment: The shift from AI Transformation to Frontier Transformation

"The two most important elements of Frontier Transformation are intelligence and trust."

Frontier Transformation is a holistic reimagining of business, aligning AI with human ambition to achieve an organization's highest aspirations and growth potential. It is the next evolution of AI Transformation—not only do we need to deliver efficiency and productivity, but we need to do more for humanity. We must democratize intelligence to unlock creativity, innovation, and growth for organizations and people around the world.

People argue about what the most important ingredients in AI are today. Is it the model? Is it silicon? At Microsoft, we believe the two most important elements of Frontier Transformation are intelligence and trust. Organizations need to harness their own work intelligence as they build agents and solutions; and all AI artifacts across the technology stack must be observed, managed, and secured to ensure they are delivering what they should. Microsoft is uniquely positioned to deliver both—at global scale. We are not just imagining the future of AI, we are empowering organizations everywhere to build it.

Read more from Judson here.

Leaders must understand how Frontier Transformation can:

1. **Enrich the employee experience**
2. **Reinvent customer engagement**
3. **Reshape business processes**
4. **Bend the curve on innovation**

To learn what it takes to put each of these into practice, see Chapter 2.

Customer Story

AI Transformation in action: AT&T

A Frontier approach to enterprise AI set a new benchmark for innovation and reliability, reducing customer care resolution time by 33%

AT&T needed to modernize customer care and internal workflows to handle millions of interactions daily, reduce resolution times, and ensure compliance using scalable, secure AI solutions. By deploying Microsoft Foundry, Azure OpenAI in Foundry Models, Azure Kubernetes Services (AKS), Azure API Management, Azure Cosmos DB, and Azure Storage, AT&T built a highly secure, scalable AI framework that streamlined customer care and improved compliance.

"With Microsoft, we've deployed 71 unique generative AI solutions serving over 100,000 employees—every one of them governed, trusted, and delivering ROI," says Mark Austin, Vice President of Data Science at AT&T. The company reduced customer care resolution time by 33% and saved millions annually through improved efficiency and governance.

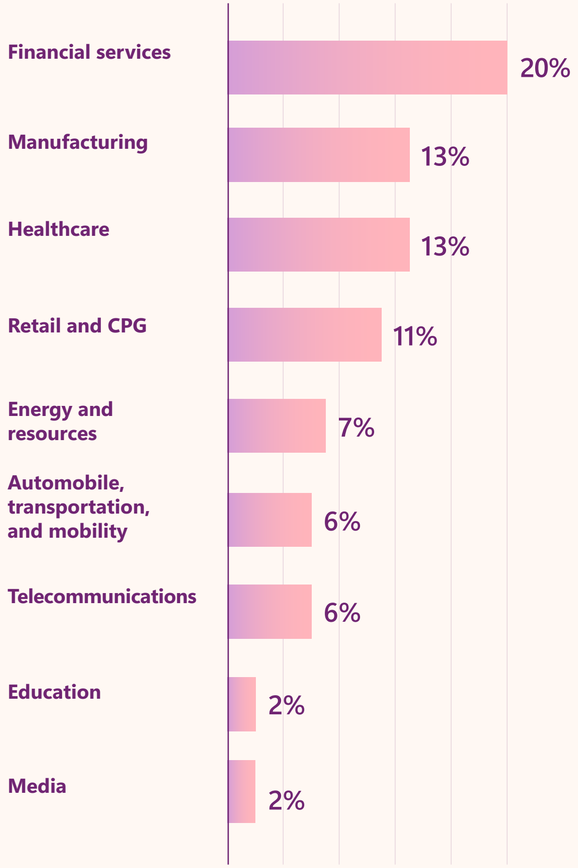
Read full case study

Market signals: How the Frontier era is already taking shape

Across industries, organizations are tapping intelligent agents that enable more autonomous workflows. Department-led transformation is rising, with **44% of organizations reporting that business leaders have complete or shared ownership of AI budgets**, signaling a shift from centralized experimentation to function-driven execution.

Industry-level acceleration is also happening quickly. The highest concentrations of Frontier Firms are in financial services (20%), manufacturing (13%), healthcare (13%), and retail and consumer packaged goods (11%)—industries where complexity, compliance, and innovation pressures intersect. This momentum creates pressure—not just to adopt AI, but to operationalize it at scale.

Research suggests that some industries are leading the way with Frontier Transformation.



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Why scale is a differentiator—and a challenge

Recent research highlighting momentum around AI adoption also notes the friction some organizations face as they consider scaling. According to the 2025 Work Trend Index Report, fully 46% of leaders say they are using AI and agents to automate workflows or processes, and almost all organizations reported that they struggle to scale and operationalize AI.

The most persistent barriers to scaling AI include:

- **Integration:** When AI solutions are siloed outside of core systems and workflows, it's difficult to embed intelligence where the work actually happens and to realize sustained business impact.
- **Governance:** Organizations may lack clear frameworks for accountability, oversight, and responsible use. This slows decision-making and limits confidence as they scale AI.
- **Compliance:** Evolving regulatory and data privacy requirements create uncertainty, particularly when AI is deployed across regions, functions, and sensitive use cases.
- **Alignment:** Without shared priorities and cross-functional coordination, AI initiatives remain fragmented—and fail to create real value.

Frontier Firms can't sidestep these challenges. They must build the operating discipline to surmount them.

At the same time, a meaningful shift is underway: **business decision-makers are no longer distant sponsors of AI initiatives.** They are becoming more technically fluent, more hands-on, and more accountable for outcomes. When BDMs actively shape strategy, evaluate ROI, and co-own implementation, organizations are better positioned to embed AI into core workflows and turn early momentum into durable advantage.

What differentiates organizations that scale AI is clarity on outcomes, not just adoption. For practical guidance, see how to define outcomes in the Frontier era in Chapter 3.

The takeaway: A new imperative for organizations

Leaders must shift from incremental gains to enterprise reinvention. Simply adopting AI is not enough. **A commitment to true AI readiness will determine which organizations lead, which follow, and which fall behind.** What differentiates leaders now is the ability to scale value with intent.

Executive Spotlight

Alysa Taylor

CMO, Commercial Cloud and AI

The market has moved from AI adoption to AI execution

"Frontier leaders understand how AI can help grow revenue, increase customer acquisitions, reshape processes, and improve operational efficiency in the long term."

The market has crossed a threshold. According to IDC research, the global economic impact of AI will reach $22.3 trillion by 2030. AI adoption is widespread, and decision-makers are increasingly focused on turning AI investment into measurable value. All of this indicates that we are entering a new phase: the Frontier Firm.

What sets Frontier Firms apart?

They are ready to scale. Seventy-six percent of Frontier Firms describe their adoption of AI as scaling, or realizing consistent value across the organization.

They have a hands-on approach. Business decision-makers are more technically fluent and hands-on than ever before. They are not relying on IT teams or AI specialists. Instead, they are actively shaping strategy, evaluating ROI, and driving discussions about AI.

They think long-term. Early productivity gains from AI are now expected. In fact, 59% of Frontier Firms say that their productivity use cases boost revenue, and 61% report that it decreases costs. But Frontier leaders see beyond those short-term efficiency wins. They understand how AI can also help grow revenue, increase customer acquisitions, reshape processes, and improve operational efficiency in the long term. The conversation has moved decisively from "can we use AI?" to "how do we make AI pay off at scale?"

They embed AI as core to the business. Successful organizations approach AI as a core business capability embedded into workflows and decision-making, not as a set of disconnected tools. When AI becomes part of the infrastructure, organizations uncover new capabilities and dramatically speed up their development.

What's ahead for Frontier Firms

Leaders face a near-term choice: continue incremental experimentation or commit to enterprise-wide Frontier Transformation. Those who act decisively will gain momentum and build lasting competitive advantage.

Read more from Alysa here.

Chapter 2

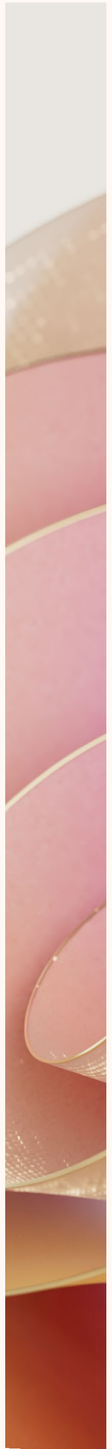
Advancing AI in your organization: Frontier Transformation

More than two-thirds of companies report plans to increase AI investment over the next 24 months. But the organizations leading the Frontier Transformation aren't merely adopting tools—they're developing the conditions for the entire enterprise to thrive.

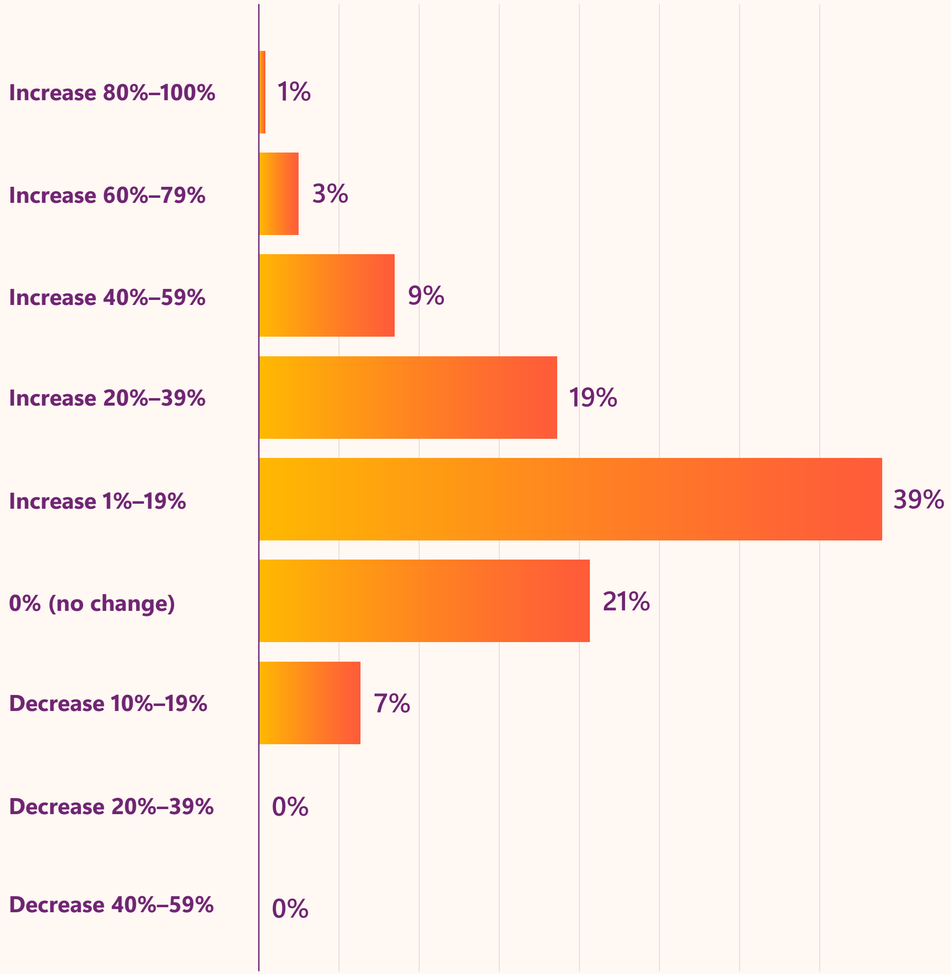
Frontier Firms share three core principles in their approach to AI. Together, they enable resilience, agility, impact, and true transformation:

- **AI embedded into the flow of human ambition:** Frontier Firms embed trusted AI directly into tools, workflows, and decision-making. When AI is automatically present in everything the team uses, it amplifies creativity, judgment, and efficiency.
- **Ubiquitous innovation:** Frontier Firms democratize creation, lower technological barriers, and empower employees at every level to build agents and solutions. This establishes a maker mindset—and a culture of innovation—throughout the entire organization.
- **Observability at every layer:** As AI scales, visibility, safety, control, measurement, and trust become increasingly important. It's crucial to have observability, which means being able to monitor how AI behaves and to understand why it behaves that way. Frontier Firms trace every interaction, evaluate response quality, flag anomalies, and continuously work to improve their systems.

These principles come to life across four domains. In this chapter, we will explore how Frontier Firms apply an AI strategy built around these principles to enrich employee experiences, reinvent customer engagement, reshape business processes, and bend the curve on innovation.



More than 70% of organizations expect to increase AI investment over the next 24 months



Source: IDC InfoBrief, sponsored by Microsoft, What every company can learn from Frontier firms leading the AI revolution, #US53838325, November 2025

Enrich employee experiences

When employees automate repetitive tasks and use AI to connect their tools and data into intelligent workflows, they reduce their cognitive load and win back time to focus on higher-level work. They become more efficient, productive versions of themselves. This also shifts employees from being operators to being creators—those who are stuck in routine, process-driven work to those who are empowered to think, innovate, and design new solutions.

What can this look like in practice?

Intelligent onboarding
AI-assisted onboarding guides new employees through training and their first tasks with personalized support. See this case study to learn how Epiq is using Microsoft Copilot Studio and other Power Platform tools to save approximately 2,000 hours of onboarding work each month and over USD$500,000 annually.

Intuitive automation
Employees use AI to accelerate processes, automate tasks, and improve response times. See this example of how the French national postal service, La Poste, is exploring the potential of Microsoft 365 Copilot across 15 key job functions, sparking creativity, enhancing compliance with rules and processes, saving time, and contributing to employee wellbeing.

AI integration
Employees delegate routine tasks like note-taking or scheduling meetings to agents. See this case study to learn how Danone deployed Microsoft 365 Copilot and autonomous agents to automate HR and order-to-cash processes, reducing manual errors, speeding up order handling, cutting billing disputes, and improving cash flow.

Customer Story

AI Transformation in action: Games Global

Saving over 22,000 hours per year with automated workflows

Games Global wanted to streamline everyday operations by replacing manual processes with automation. Approvals, audits, and reporting relied on email chains and spreadsheets, slowing teams down and limiting efficiency. The company hosted two transformative workshops where employees were trained to build real automation using Microsoft Power Platform and Copilot Studio.

"We saved 22,370 hours per year through the automated workflows we built in our two workshops. Thanks to Microsoft Power Platform and Copilot Studio, we can dedicate more effort to innovation, customer engagement, and strategic projects," says Jen Cohen, Chief Information Officer at Games Global. "Removing unnecessary friction internally allows us to deliver better services externally. That's where the real value lies."

Read full case study

Executive Spotlight

Nathalie D'Hers

CVP, Employee Experience

What leaders must get right to scale AI internally

"Scaling AI is less about deploying tools and more about preparing people."

As organizations look for the most effective ways to help the workforce navigate the shift toward AI, leaders should take a holistic approach to transforming the employee experience. At its core, this means using AI solutions that deliver personalized and effortless touchpoints throughout the workday continuum, while fostering a culture rooted in trust. At Microsoft, we use an end-to-end "hire to retire" employee experience roadmap to help us prioritize investments and ensure we're building solutions that deliver the greatest impact.

Rethinking how employees work

Scaling AI is less about deploying tools and more about preparing people. A workplace culture grounded in a growth mindset is more important than ever. We're exploring not only what it means to embrace continuous learning but also how to "unlearn" traditional ways of working, balancing both as we reimagine processes from the ground up. The AI platform shift requires that we move beyond making incremental changes to the ways we work, pushing teams to fundamentally rethink processes for a world that needs radically new approaches.

Core elements of AI success

Organizations successfully making this shift are being thoughtful about how they embrace responsible AI practices, manager enablement, and clear communications that help employees trust and understand how to leverage the opportunities AI creates for their work. Being intentional about measuring early signals like adoption, sentiment, and workflow improvements is helping leaders refine and scale success with speed and agility.

As we lead through AI transformation, it's critical that we put employees at the center of our actions, empowering them with the solutions they need to be productive, providing skilling opportunities that prepare them to navigate an AI-enabled workplace, and empowering them to successfully reimagine and reshape their roles with AI.

Read more from Nathalie here.

Action Plan

Creating an AI learning culture

Five considerations for fostering a Frontier mindset

As AI becomes embedded across departments, teams, and workflows, skilling cannot be treated as a one-time training effort. Frontier organizations approach learning as an always-on, enterprise-wide capability—one that evolves continuously alongside business priorities and the technology itself. The goal for leaders is to help all employees build the skills needed to apply AI effectively, responsibly, and confidently in the flow of work. There are five key considerations:

1. Map the road to proficiency.
Don't start with generic AI tips—start by identifying the skills that matter most for priority workflows and outcomes. A skills-first approach focuses on validated capabilities and continuously reassesses gaps as business needs evolve.

2. Strengthen teams for the future.
Traditional training programs and annual curriculum refreshes can't keep pace with AI. Frontier organizations supplement formal learning with presentations and lunch-and-learns from internal experts, peer-to-peer knowledge sharing, open-source foundation resources, and vendor training materials like Microsoft Learn. The goal is to create a living education system that adapts as fast as the technology does.

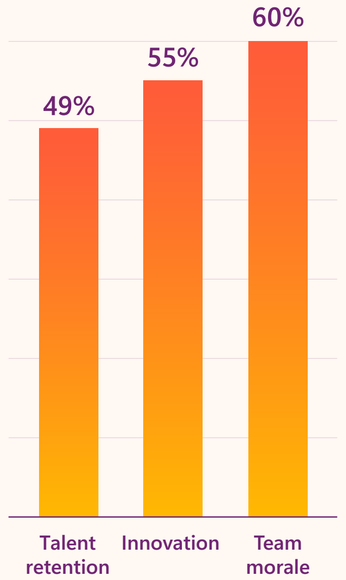
3. Solve the time and budget puzzle.
Learning must happen alongside your workflow, not in competition with it. Leaders prioritize the most impactful skills, reinvest time saved through automation, and tie skilling efforts directly to business outcomes to demonstrate ROI and sustain momentum.

4. Reduce friction by aligning motivation.
Employees feel more engaged when learning is connected to career growth, recognition, rewards, and purpose. By linking skilling to role evolution and advancement, organizations turn learning from an extra burden into a pathway for progress.

5. Build on success to foster a learning culture.
Sustainable skilling starts at the top. Leaders create space for learning, reinforce what works, and encourage employees to teach and learn from one another. Over time, this builds a culture where continuous learning is simply how work gets done.

Read the full report, Create an AI Learning Culture: Five considerations to empower teams with AI skills here.

In a recent LinkedIn survey, 88% of respondents were concerned about employee retention. Providing learning opportunities is the number one retention strategy, and it's proven to also boost innovation and morale.



Source: LinkedIn Learning. Workplace Learning Report 2025: The Rise of Career Champions. 2025

Reinvent customer engagement

Customer experience is where disciplined AI scaling can show up quickest in market outcomes. Frontier Firms rethink how AI can interact with consumers and clients to meet the need for more efficient and meaningful experiences. AI is reshaping sales, support, retention, and customer experience operations throughout the customer journey. This is about moving from reactive, generic interactions to proactive, personalized experiences. And it becomes an invaluable growth lever, not just a service function.

What can this look like in practice?

AI-driven support
Chatbots or virtual agents handle common customer questions instantly, while escalating more complex issues to human support teams. See this case study on how Commerzbank AG used Foundry Agent Service to build an AI-powered agent that automates customer interactions. The agent manages 30,000-plus customer conversations every month, resolving 75% of requests autonomously and delivering around-the-clock support.

Predictive insights
AI surfaces what customers might need next, whether on an individual or global level. Learn how JLL worked with Databricks on implementing Azure OpenAI in Foundry Models to condense and democratize data, delivering a year's worth of real estate insights in a week.

Dynamic experiences
With AI insights, companies react in real time based on customer behavior, needs, engagement, and feedback. Read this case study about how SK Telecom built a personal AI assistant app to deliver intelligent, hyper-personalized digital experiences and real-time insights to its millions of subscribers, using Microsoft Foundry for its multi-agent orchestration.

Customer Story

AI Transformation in action: Ralph Lauren

Redefining customer interaction with an AI-powered, brand-native conversational shopping tool

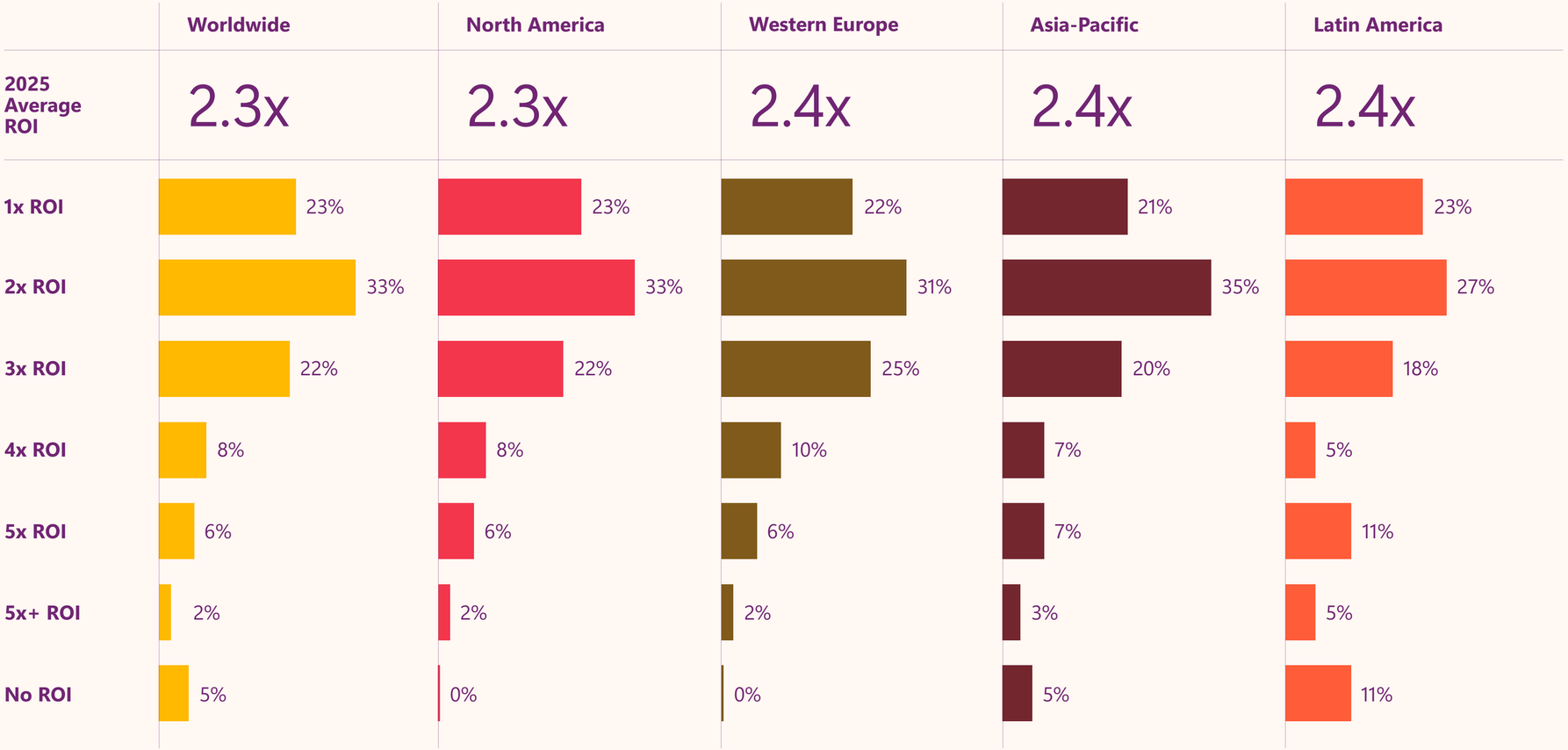
Ralph Lauren worked with Microsoft to develop Ask Ralph, powered by Azure OpenAI Foundry Models. This conversational styling companion provides outfits for any occasion, styling tips, and gift inspiration from the Polo Ralph Lauren brand.

Shoppers can interact with Ask Ralph through conversational prompts like, "Show me some women's Polo Bear sweaters," or styling queries like, "How can I style my navy-blue men's blazer?" Ask Ralph responds with visually displayed head-to-toe outfits, styling advice, and gifting ideas from across the Polo Ralph Lauren brand.

"As AI shopping tools continue to become more personal and more intuitive, the way consumers shop and search for style inspiration will also continue to evolve," says Naveen Seshadri, Global Chief Digital and AI Officer at Ralph Lauren. "Ralph Lauren and Microsoft share the goal of continuing to make the shopping experience as inspirational and engaging as possible."

Read full case study

Organizations worldwide are seeing a 2.3x average ROI on investments in agentic AI



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Reshape business processes

AI can reinvent almost any business process. This goes beyond one-off task automation and includes human-assistant workflows as well as hybrid human-agent teams. When companies automate at scale and coordinate AI intelligently, they can radically streamline, transform, and improve their business practices.

What can this look like in practice?

Intelligent supply chains
Teams use predictive analytics to boost system resilience, improved key SAP transaction times, and enable real-time collaboration and predictive analytics. Read this case study about how Medline deployed a cloud-native SAP solution on Microsoft Azure, bringing together Copilot, Azure OpenAI in Foundry Models, Power BI, and the Microsoft Intelligent Data Platform to enable real-time, AI-powered supply chain management.

Finance automation
AI can quickly extract key information from lengthy, complicated forms in various formats, reducing manual handling. See this example of how EY used Azure Document Intelligence in Foundry Tools and advanced machine learning in Foundry Models to automatically and accurately pull essential data from documents.

Knowledge sharing agents
Agents can assist with onboarding new talent, transitioning to new roles or sharing expertise relevant to specific tasks in practical and impactful ways. Learn how ANDRITZ developed an agent-powered ecosystem with Microsoft 365 Copilot, Copilot Studio, and Azure OpenAI in Foundry Models that guides users to relevant content, converts audio and video into structured reports or guidance, and supports more streamlined onboarding and field service operations.

Customer Story

AI Transformation in action: Carlsberg

Building a robust AI knowledge base for supply chain teams in just two days

Read full case study

Carlsberg, one of the world's top beer and beverage producers, ensures operational excellence across its 30-plus direct markets via Carlsberg Excellence, the company's Integrated Supply Chain operational transformation program.

As part of its efforts to promote industry differentiation, Carlsberg teamed with Microsoft Unified, embracing AI-driven solutions to transform its supply chain knowledge into actionable insights and the foundation for ongoing business improvement.

The program's new Global Brain large language model (LLM) knowledge assistant reduces time-to-query operational templates by ~99% to ensure adoption and application of Carlsberg's global standards for over 10,000 supply chain workers.

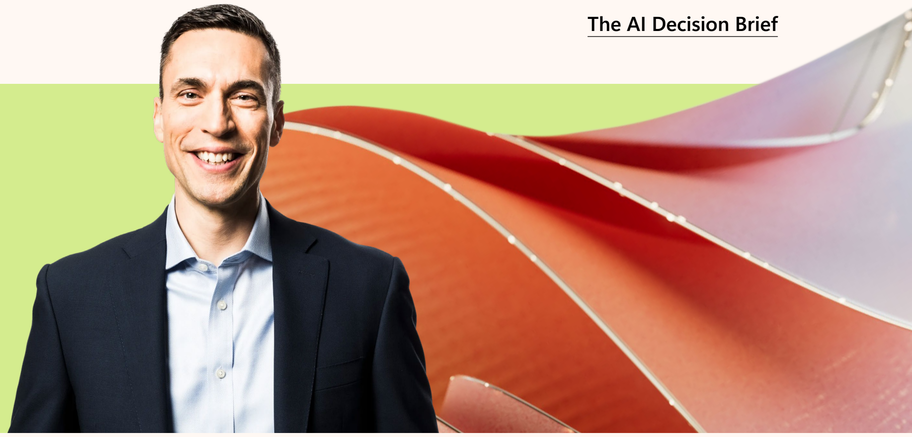
"It has been a pleasure working with Microsoft Unified to rapidly develop a powerful AI agent with a modern architecture linked to several resources in only two days," says Nikos Floudas, Director of Carlsberg Excellence. "It's a great example of collaboration and innovation in action."

Executive Spotlight

Jared Spataro

CMO, AI at Work

Why processes, not tools, are the bottleneck on your Frontier journey



"When AI makes expertise abundant, workflows, roles, and organizations must reform around it."

AI integration is often framed as a technical problem: which models to use, how to connect systems, how to mitigate risk. But for most organizations, the real constraint on value is not technology, it's how work is organized and governed. The bigger challenge is centered on management. It's difficult to get this type of change—this level of change—to happen bottom-up.

Most failures in AI integration aren't caused by insufficient model capability. They're caused by management systems designed for a world where humans did all the work. Decision rights, review cycles, accountability, and trust all need to be rethought when outputs are co-produced by people and machines. When leaders don't redesign these systems, AI gets trapped in pilots or narrow productivity gains instead of compounding into durable business impact.

This is the beginning of what I think of as "the model eats the world": when AI makes expertise abundant, workflows, roles, and organizations must reform around it.

Frontier Firms are discovering that human-AI collaboration doesn't fit neatly into existing structures: Delegation changes. Oversight changes. The source of expertise changes. Value comes not from adding AI to existing processes, but from redesigning those processes end to end—so people and agents can work together toward shared outcomes. This isn't a plug-and-play upgrade. It's a reconfiguration of how organizations learn and operate, and the leaders who move fastest are those willing to rethink how work gets done, not just which tools they deploy.

Read more from Jared here.

Action Plan

How leaders can prepare their companies to become Frontier

The largest shifts will be organizational, not technical. Leaders can begin by:

- **Getting clear on desired outcomes to set AI systems up for success.**
- **Preparing for delegation at scale. As agents take on more work, reconsider ownership, accountability, and review processes.**
- **Fostering adaptability so teams are comfortable with change—and have the permission, skills, and guardrails to experiment and learn quickly.**

Action Plan

Smart prompting strategies

Want help scrutinizing business processes and planning a transformation? AI can be a great thinking partner, but the quality of your outcome depends on the clarity of your prompt. Using these prompt patterns can help leaders move from experimenting with a tool to driving toward a result.

Outcome + constraints
"Help me achieve [outcome]. Constraints: [time/cost/risk/compliance]. Success looks like [metric]."

Options + tradeoffs
"Give me 3 approaches. For each: benefits, risks, effort, and what I'd need to believe for it to work."

Assumptions + risks
"What assumptions are we making? What could break? What would you monitor early?"

Decision brief
"Summarize the decision I need to make, the recommendation, and the top 5 factors that should drive it."

First 30 days
"What are the first steps in the next 30 days? Who owns what? What should be true by day 30?"

Stress-test for trust
"Where could this fail from a security, privacy, or governance perspective—and what guardrails reduce that risk?"

For more actionable advice, see the Prompt Guide for Business Leaders.

Bend the curve on innovation

AI can change the trajectory of innovation, making it faster and more impactful. Rather than simply leveraging the technology to make traditional processes more efficient, Frontier Firms leverage AI to accelerate and redefine R&D, lower barriers to creation, explore new ideas and opportunities, run experiments, and reduce time to market. This is at the heart of how AI accelerates growth to help Frontier Firms break through and stay ahead of the competition.

What can this look like in practice?

Accelerated development
AI can research new concepts, materials, and drug molecules, drastically shortening the time from concept to discovery to execution. See this example of how AImirall used Azure OpenAI in Foundry Models, Azure AI Search, and Azure Databricks to create a custom assistant that helps scientists search R&D documents in three different languages and access decades of data in seconds versus hours or days, thereby boosting productivity, reducing R&D cycles, and minimizing duplication.

Personalized product recommendations
AI can enable dynamic simulations, predictive modeling, and hyper-personalized solutions. Find out how Haut.AI built its AI ecosystem on Microsoft Cloud using Azure Machine Learning Studio, a part of Microsoft Foundry, and Visual Studio Code to develop scalable, secure, and innovative skincare solutions that enable hyper-realistic skin simulations. The platform attracted global brands and powered new R&D collaborations, as well as clinical testing and personalized consumer experiences.

Delivering insights
AI can collect real-time sensor data and pull information from reports. Read this case study on how Giatec utilized Azure OpenAI in Foundry Models and Azure IoT Hub to develop tools to optimize concrete mixes, reducing 2.5 million tons of carbon emissions, saving time and costs for construction projects, and increasing profit margins.

Customer Story

AI Transformation in action: NielsenIQ (NIQ)

Cutting time spent on item coding by 90% and unlocking global market research insights in hours instead of weeks

Read full case study

NIQ's manual item coding—extracting structured product data from packaging images—was limiting scalability. The company sought an automated solution to accelerate insights and cut operational costs. It used Microsoft Foundry—Azure OpenAI in Foundry Tools, Azure Document Intelligence in Foundry Tools, and Azure AI Search—to build Capture as a Service (CaaS), automating item coding for faster, more accurate, and scalable product data coding.

With Foundry, the company cut item coding time by 90%, expanded market reach, sped up client delivery, and launched services in 25 new markets. It now processes tens of thousands of products in hours, instead of weeks, to unlock real-time global insights. "Grounded in NIQ's data and decades of expertise, and accelerated by Foundry, we created a solution that would have been impossible to deliver so quickly otherwise," said Gabriel Harris, Principal Data Scientist at NIQ.

Automation

↓

Reallocation

↓

Innovation

Automation creates capacity—but innovation depends on how leaders choose to reinvest it

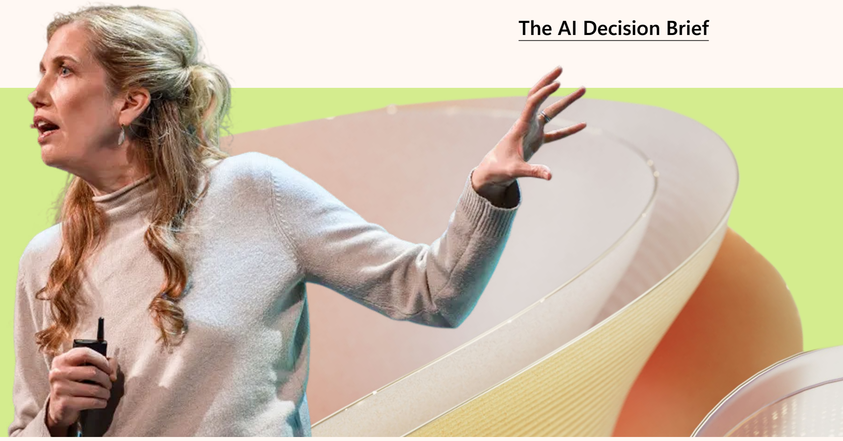
Frontier Firms don't stop at efficiency gains. They deliberately reallocate time, talent, and insight toward higher-value work, redesigning workflows and decision-making so AI accelerates learning, experimentation, and growth. Over time, this intentional shift turns early ROI into durable competitive advantage.

Executive Spotlight

Jaime Teevan

Chief Scientist & Technical Fellow at Microsoft

Work is collaborative. AI needs to be collaborative too.



"The next chapter isn't AI for individuals, it's AI that helps teams collaborate and innovate across boundaries."

We've gotten good at using AI for individual productivity: drafting documents, summarizing meetings, and automating the tedious parts of our jobs. Microsoft research shows that people are using AI to create more documents and spend less time on email.

But the real opportunity is bigger: not just helping individuals work faster, but enabling teams and organizations to work better, together.

Human collaboration often breaks down at boundaries—languages, time zones, or just when too many people are involved. AI can bridge these gaps, shortening the distance between question and insight, idea and prototype. But to do so, we need to shift our focus from individual productivity to shared purpose.

This shift requires AI to develop social intelligence: understanding conversational dynamics, anticipating rhythms, and knowing when to speak up or stay quiet. AI must learn to reconcile conflicting instructions, balance diverse perspectives, and adapt to collective norms. To make this happen, Microsoft is investing deeply in collaborative data, feedback loops, and new training methods.

As AI bridges boundaries and learns to collaborate, it's also transforming how knowledge is created and used. Instead of going straight to a document, people now ask AI to summarize, gather insights across files, or answer questions grounded in meetings, chats, and notes. Knowledge is increasingly created, stored, and reused in conversations and transcripts through collaborative activities and beyond static documents. In the process, AI surfaces insights and connections that would otherwise stay siloed or lost, and we get smarter through shared conversations.

We're still in the early days of AI, but it's clear that the next chapter isn't just about AI working for individuals. It's about AI helping all of us work better together so that organizations can innovate faster.

Read more from Jaime here.

Action Plan

Six ways to operationalize your Frontier strategy

Frontier Firms share a set of practices that enable sustained, enterprise-wide impact without sacrificing trust, accountability, or valuable human judgment. Here's how:

Build a culture of experimentation
Try running a lightweight prompt engineering lab or a cross-functional hackathon where teams prototype and refine a simple agent. Frontier leaders encourage teams to test, learn, and iterate quickly—and create an environment where experimentation can safely and confidently take place.

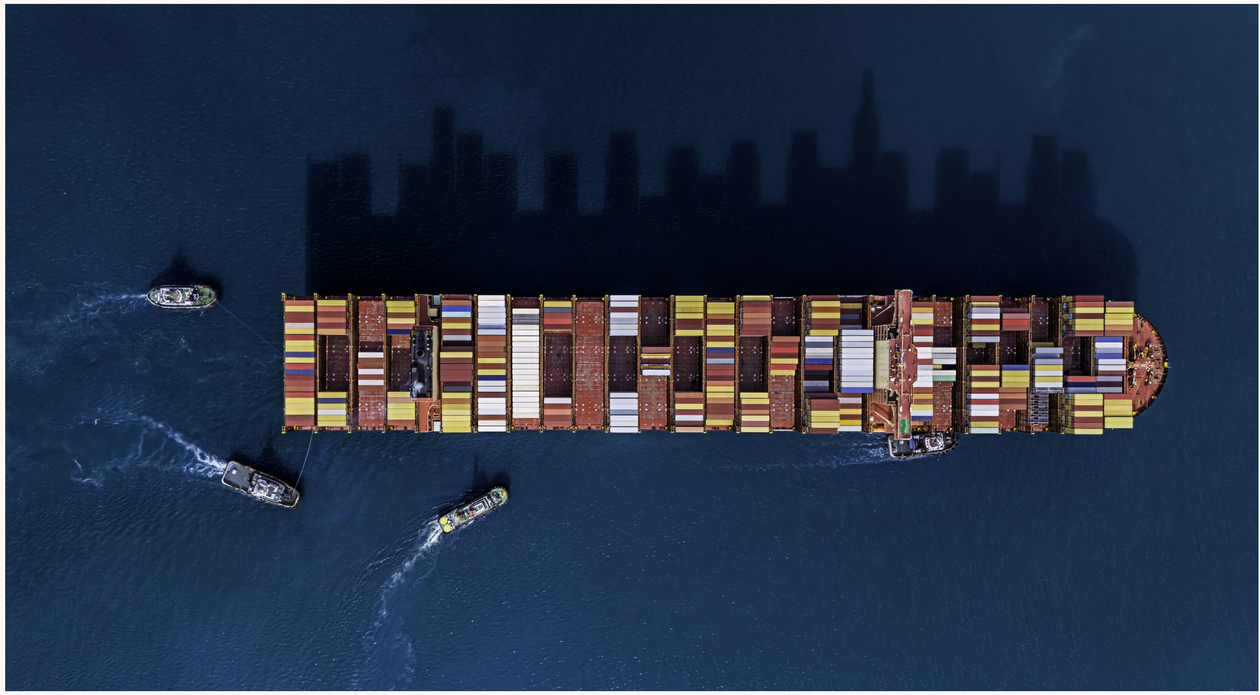
Empower employees
People in Frontier Firms have the tools, skills, trust, and autonomy to apply AI in their daily work. Intelligence is embedded directly into workflows to help people make better decisions and focus on high-value contributions. Try building structured skilling paths so experimentation isn't limited to specialists—our interactive AI Skills Navigator can help you develop your approach.

Establish practical, transparent governance frameworks
Define guardrails early with policies that address security, compliance, and responsible use. Assign clear ownership and make sure the owners audit and enforce standards.

Embed AI into workflows
Pick one end-to-end workflow and do the unglamorous integration work. You'll quickly see the impact when data flows seamlessly and agents can work from governed, traceable inputs.

Define what success looks like, and share that vision broadly
Executives, leaders, and teams must get aligned on their priorities, investments, and change management plans.

Design responsible, human-centered systems
Leaders should share a vision of AI being employed to augment human capabilities rather than replace people. Set expectations early about what the tech can and can't do, and design systems with safeguards, ethical standards, and accountability.



Chapter 3

The future Frontier—innovation you can trust

As organizations move deeper into the agentic era, the challenge is whether they can scale AI responsibly, securely, and in ways leaders can trust. The Frontier is being defined by systems that are increasingly autonomous, interconnected, and capable of acting on behalf of the business. This chapter explores what leaders need to understand to navigate that future with confidence. We will dive into how trust, observability, and governance make autonomy possible; how sustainability and responsibility enable AI to scale over time; how agentic systems will reshape software and work itself; and how organizations can prepare their people, structures, and operating models for what comes next.

Building trust with observability, governance, and security

As AI systems shift from making suggestions and recommendations to planning, coordinating, and taking actions across workflows, the cost of mistakes rises. Observability, governance, and security are the backbone of AI transformation. Together, they build trust with your customers, citizens, patients, regulators, boards, and employees. And while that may be perceived as restrictive, it is in fact a competitive advantage and helps you get more out of your investment.

Frontier Firms place trust at the core of everything they do. When organizations maintain observability across all layers and implement a comprehensive governance strategy that involves every business stakeholder, they can advance more efficiently and securely.

Observability at every layer: IT leaders need to be able to track every AI application and agent being used, built, or brought into the organization, eliminating blind spots and reducing risk. Developers need to be able to track every agent they build and operate. Security leaders need to be able to secure and govern those agents. And AI teams need insight into AI agent risk. This is observability at every layer, across every role.

Governance of AI includes data, AI and agents, and compliance with AI regulations. Through policies and processes, it ensures data quality, security, and responsible handling throughout its lifecycle. Since AI systems are only as reliable as the data they're built on, poor data governance can lead to biased, inaccurate, or unreliable AI outputs. AI governance provides the framework for policies and processes that guide responsible adoption, deployment, and monitoring of AI applications and agents across your organization. Since AI systems can significantly impact business operations and customer experiences, proper governance helps ensure they remain safe, transparent, and aligned with organizational values. AI augments and enhances human capabilities rather than replacing them. Systems are responsibly designed with safeguards, ethical standards, and accountability.

Security using Zero Trust for AI

Zero Trust is the security framework for AI, and it follows these rules:

- **Explicit verification:** Always confirm who or what is requesting access through identity, device health, location, and risk level.
- **Least privilege access:** Give every user, AI agent, or system only what they need—no more.
- **Assume compromise can occur:** Design systems with the expectation that attackers will get inside.

Trust is the foundation for innovation and AI adoption. Observability, effective governance, and security must be part of the adoption plan and implemented before organizations roll out their AI applications and agents. Leaders who act now to put guardrails in place won't just mitigate threats—they'll unlock faster innovation, protect customer trust, and build a durable advantage in an AI-driven economy.

Executive Spotlight

Vasu Jakkal

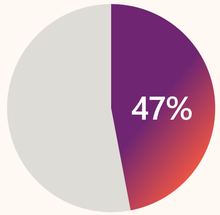
CVP, Microsoft Security Business

Scaling agents safely: why observability and Zero Trust come first

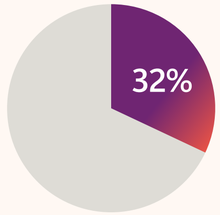
As AI agents move into the center of enterprise workflows, trust becomes the condition for scale, and trust starts with security. The opportunity is enormous, but speed without observability, governance, and security opens the door to significant risk. When deployment outpaces controls, agents can become an attack surface, enabling shadow AI, prompt injection, privilege misuse, and data leakage.

According to the Microsoft Data Security Index 2026, less than half of organizations surveyed are implementing AI controls. At the same time, nearly a third of surveyed organizations' data security incidents involve AI.

Less than half of organizations are implementing AI controls...



...while **nearly a third** of their data security incidents involve AI.



Source: Microsoft Data Security Index 2026

This is concerning, as organizations that do not have clear visibility into the foundational issues necessary for safe AI adoption increase the risk of vulnerability. A few things organizations should consider:

- **Inventory and ownership:** How many agents exist across the enterprise? Who is accountable for their actions?
- **Access and identity:** What systems, data stores, and workflows does each agent touch?
- **Policy and compliance:** Have data loss prevention, retention, and legal/ compliance policies been applied to agents and the content they generate? How do the agents behave?
- **Cross-functional ownership:** This isn't a security team–only issue, it's a board-level risk that requires shared responsibility across security, IT, legal, compliance, HR, and business leaders.

In the agentic era, security using Zero Trust principles must be extended to deal with autonomous and semi-autonomous systems.

Observability, governance, and security work in tandem to ensure continuous

Executive Spotlight: Vasu Jakkal, continued

improvement and trust. The path to reining in AI risks is clear: Treat AI agents with the same rigor you would for any employee or software service account. This includes:

- **Define scope and least privilege:** Document each agent's purpose and give them access only to what they need. No broad privileges.
- **Extend data loss prevention and compliance:** Apply data protection rules to AI channels. Maintain audit trails and label AI-generated content.
- **Provide sanctioned AI platforms:** Offer secure alternatives to curb shadow AI. Block unauthorized apps.
- **Foster a culture of secure innovation:** Train employees on safe AI use. Encourage transparency and collaboration.
- **Plan for AI incidents:** Update business continuity playbooks for AI scenarios. Run tabletop exercises and track observability metrics across identity, data, and threat planes.

Agents will define the next era of productivity and competitive advantage. But the future won't belong to those who deploy AI the fastest—it will belong to those who deploy it judiciously and thoughtfully, with observability, governance, and trust at the center.

If we get this right, and we will, AI becomes more than a breakthrough in technology. It becomes a breakthrough in human ambition.

Read more from Vasu here.

Action Plan

Addressing digital sovereignty requirements

Digital sovereignty is increasingly central to enterprise strategy in a world shaped by geopolitical shifts, accelerating AI adoption, and rising expectations for accountability. As organizations deploy AI across borders and industries, leaders must re-examine where data resides, who can access it, and how digital systems are governed to meet regulatory obligations, maintain operational control, and strengthen long-term resilience.

Sovereignty is not simply a policy consideration. It is a strategic capability. Leaders should embed it into enterprise risk management, align it with cybersecurity and responsible AI practices, and ensure their cloud architecture can adapt as jurisdictional requirements evolve. That means evaluating how workloads are placed, how access is controlled, and how governance models support innovation without increasing exposure.

Microsoft's approach to digital sovereignty is grounded in empowering customers with that flexibility. We design our cloud to support diverse operational needs—from public cloud environments with built-in sovereign controls to private and fully disconnected scenarios to national partner clouds tailored to country-specific requirements. This integrated model enables organizations to manage risk, build trust, and innovate at scale.

To learn about Microsoft's approach, its European digital commitments, and the Microsoft Sovereign Cloud, click here.

AI growth is built on trust. Trust is built on responsibility, sustainability, and diffusion

Trust extends beyond security into environmental and social responsibility. Responsible AI isn't a tradeoff, it's a multiplier. Organizations that design for efficiency, sustainability, and democratization of technology are better positioned to scale AI, manage risk, and develop long-term business advantage. Sustainable AI leadership shows up in three ways: how organizations design systems, how they operate infrastructure, and how they ensure benefits are broadly shared.

Elements of a Frontier sustainability strategy

Model efficiency: Responsible, sustainable AI growth starts with efficiency at the design level.
This is good for the environment and helps AI run more effectively. AI can improve operational efficiency, reduce energy consumption, and find smarter solutions to current processes.

Resource efficiency: Optimizing electricity and water use
As with any digital tool, AI can pose a resource challenge. But importantly, AI can be a force multiplier for decarbonization by helping streamline operations to consume less energy, optimize grid capacity, and design low-carbon solutions. Powering datacenters with lower carbon electricity and increasing these resources on the grids supporting datacenters helps decarbonize their operations. Related, new AI datacenter designs that use zero water for cooling significantly reduce the water consumption of datacenters.

Zero waste
Frontier Firms minimize waste by maintaining high-quality data, refining their methodology, tracking products in their supply chain, and avoiding unnecessary processing. Microsoft's own approach to accelerating progress toward zero waste is laid out here.

Equitable diffusion and responsible innovation
Despite the acceleration of AI, nearly 4 billion people lack the basics needed to use AI. Some don't have electricity or internet access, while others face language barriers or lack digital skills. True progress means that the benefits of AI are broadly shared across geographies, languages, and industries. That requires intentional investments in infrastructure, accessibility, AI skilling, and inclusive support. Microsoft provided internet access to over 117 million people across Africa, surpassing the original goal of reaching 100 million Africans by the end of 2025. And in 2025, the company helped train and certify over 38 million people across more than 200 countries and territories, expanding access to AI and digital skills on a global scale.

For a clear, actionable roadmap of how organizations can align AI transformation with sustainability goals, download **our strategic guide**.

Executive Spotlight

Melanie Nakagawa

Chief Sustainability Officer

Why sustainability is a leadership imperative in the AI era

AI and sustainability are often treated as separate agenda items, but they are fundamentally connected. As Microsoft grows its datacenters to meet the demand for AI, we are building with sustainability in mind. That means constantly innovating to build with more sustainable materials and operate more efficiently.

At the same time, AI is emerging as one of our most critical tools for accelerating climate progress, from optimizing the electricity grid to driving decarbonization. Leaders should understand both sides of that equation: the resource footprint of AI as well as the opportunity it brings to help them operate more efficiently, build smarter, more resilient systems, and lower carbon emissions.

When understood and applied, AI can be a force multiplier for climate action. Here's a snapshot of just a few exciting projects AI has helped make possible:

- The discovery of new materials to build high-capacity batteries, which are critical for renewable energy systems. AI models surfaced the most viable materials out of 32 million options—analysis that would have otherwise stretched into years was done, with AI, in one long weekend.
- Improving the water efficiency of farms in the Maipo Region of central Chile by 13%, saving enough water to fill about 600 Olympic-size swimming pools.
- Improving grid resilience by enabling power utilities to better meet growing energy demand by completing required forecast testing in minutes rather than days.
- Helping to locate 33 tons of ghost nets—a term for abandoned fishing gear, which makes up nearly 30% of ocean plastic waste—in the Baltic Sea.

This is just scratching the surface of possibility. But progress depends on trust. Organizations can demonstrate meaningful progress by prioritizing low-carbon procurement and supply-chain transformation.

Microsoft is committed to ensuring that the communities hosting our datacenters see real benefits, like improved connectivity and increased water access, as well as new pathways for employment and prosperity.

A forward-looking sustainability strategy is essential for unlocking the full potential of AI—and ensuring that this transformation delivers lasting value for people and the planet.

Growth goes beyond individual performance. Organizations must design efficient and equitable systems, aligned with long-term environmental and societal goals. This is good for the planet and good for business.

Read more from Melanie here.

Customer Story

AI Transformation in action: ABB

Leveraging AI to help meet emissions and sustainability goals leads to 25% efficiency gains in datacenters

ABB wanted to help energy-intensive industries meet stricter emissions and sustainability goals while maintaining efficiency, performance, and reliability. Traditional maintenance methods couldn't keep up, creating the need for AI-driven resilience.

ABB used Microsoft Azure and Azure OpenAI in Foundry Models to build the Genix Industrial AI Suite and Genix Copilot, an AI assistant that turns live data into instant guidance for engineers, combining ABB's expertise with Microsoft's cloud and AI strength.

Genix AI platform helps ABB customers deliver measurable changes across industries, from 25% efficiency gains in datacenters to 18% energy savings in cement industries, while helping frontline engineers solve problems faster and avoid costly downtime.

"AI helps our customers in many different areas," explains Gino Hernandez, Head of Global Digital Business, Energy Industries at ABB. "We focus on asset optimization, predicting failures, analyzing energy use, and helping customers improve efficiency. With Genix Asset Performance Management (APM), we use generative AI to improve the reliability of critical assets by up to 15% for our customers."

Read full case study

The next horizon of agentic systems

The real value of putting trust, governance, and responsibility in place isn't what it prevents—it's what it unlocks. Strong security allows AI systems to act with more autonomy, while sustainable and responsible design ensures those systems can scale over time.

The next iteration of AI will be more capable and interconnected than ever before. Agents and task-based assistants are evolving into adaptive systems that can pursue targeted results, retain context, and collaborate with one another. These shifts fundamentally change what AI can do. But they also change what core skills organizations must have. And the organizations best positioned for this next phase are those that have already aligned their ambition (outlined in Chapter 1) with execution inside the organization (Chapter 2). Here are a few examples of what Frontier Firms are planning to take advantage of in the future.

Outcome-based software creation
AI is shifting from fixed tools to flexible systems that can be configured around specific business goals. Rather than building a new solution for every use case, organizations can adapt what they already have—recombining data, agents, and capabilities as needs change.

Memory and reasoning inside agent workflows
Today's agents are transactional—they retain enough information to complete specific tasks within a specific context, but they don't have long-term memories. Agents will soon be able to recall previous solutions and remember interactions to become more personalized and deliver even more impact.

Agents as collaborators across enterprise processes
As systems mature, agents will be increasingly able to collaborate with one another to take on more complex work, with the ability to hand off projects, validate outputs, and complete entire processes. For example, one agent might draft a contract, another conducts a compliance review, and a third emails the completed assignment to a human team member.

Executive Spotlight

Kevin Scott

CTO

Designing for intent, autonomy, and accountability in an agentic world

"When AI systems can plan and execute over many steps, leadership and engineering rigor become the real bottlenecks."

As software becomes more agentic, how we build it is going to change in a pretty substantial way. For the first time since Ada Lovelace and the dawn of computing, programming is making a fundamental shift away from writing detailed instructions and toward describing intent—what outcome we're trying to achieve, what constraints matter, and how we know if we're doing a good job. **That doesn't make the work easier. But it makes our own clarity, judgment, and discipline much more important.**

When AI systems can plan and execute over many steps, leadership and engineering rigor become the real bottlenecks. You need teams that are explicit about goals, careful about feedback and evaluation, and thoughtful about where autonomy is earned versus constrained.

Over the next year or two, what will be easy to underestimate is how quickly orchestration, memory, and tool use are going to start to compound. Agents won't just assist, they'll coordinate work and adapt in production. The organizations that recognize this as a new systems problem to solve rather than just a productivity upgrade will have a significant advantage.

Read more from Kevin here.

Action Plan

How to define outcomes in the Frontier era

Start by choosing one priority workflow—not "AI adoption" in general. Write a one-sentence outcome statement that ties to a business metric. For instance, "Reduce time to resolution for customer escalations by 30% while maintaining quality and compliance." Then define what "good" looks like in plain terms (speed, quality, risk, cost, revenue) and pick three to five measures that reflect those dimensions.

Customer Story

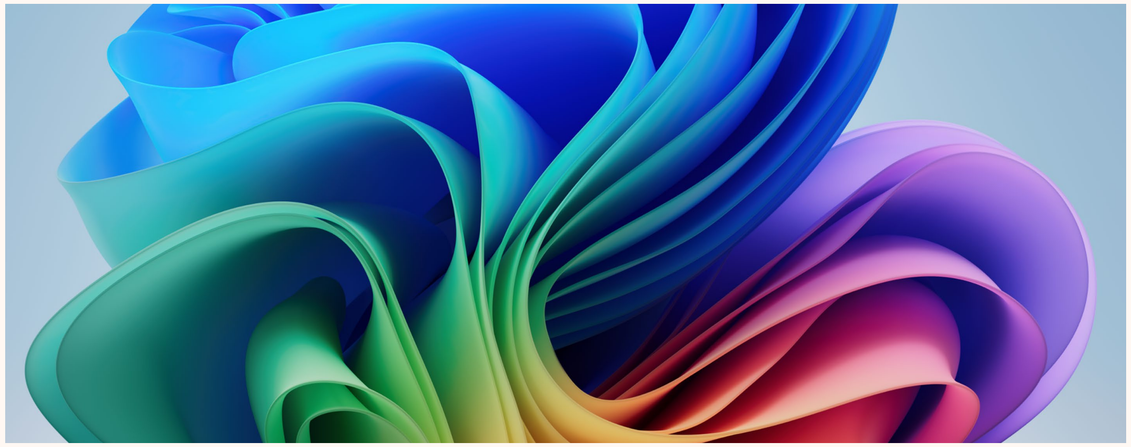
AI Transformation in action: Volkswagen

Future-proofing product development with manufacturing partner PTC

Volkswagen Group is leveraging Microsoft Copilot in PTC's Codebeamer to navigate the increasing complexity of modern vehicle engineering. By integrating Microsoft's generative AI technologies, including Microsoft Copilot and Microsoft Cloud for Manufacturing, Volkswagen is enhancing efficiency, reducing development time, and future-proofing its software development and engineering teams.

Codebeamer manages vast quantities of data and provides workflows for authoring, reviewing, and validating requirements. "Codebeamer is used throughout the entire Volkswagen Group, and the number of active users continues to grow," says Robert Kattner, Head of Volkswagen Group IT Engineering. "By having a copilot in the Codebeamer software, it can assist with creating new requirement specifications and test cases using our specific data and business context."

Read full case study



AI designed for Frontier Transformation

Microsoft's ecosystem—spanning Azure, Microsoft 365 Copilot, Microsoft Fabric, and Microsoft Foundry—is built to help organizations achieve their Frontier Firm priorities.

AI at the core of work: Microsoft embeds Copilot directly into the tools people already use daily—like Outlook, Excel, PowerPoint, and Teams. This makes AI intuitive and doesn't disrupt workflows. Leaders can extend their capabilities with custom AI solutions tailored to their business. And our low-code tools and natural language interfaces empower anyone to build apps, agents, and automations—without the need for deep technical expertise.

A unified, adaptive intelligence: Innovation thrives when data, workflows, and applications work together. Our unified foundation enables secure data flow across enterprises. Meanwhile, intelligence layers like Work IQ, Fabric IQ, and Foundry IQ connect organizational knowledge and wider context.

Responsible by design: Trust is the foundation of all our AI tools. Microsoft builds AI on the principles of fairness, reliability, safety, privacy, inclusiveness, transparency, sustainability, and accountability. With enterprise-grade security, built-in governance, and observability at every layer, leaders have the confidence to scale AI responsibly.

Chapter 4

Practical tips for activating your Frontier strategy

Frontier Transformation is not about chasing the latest AI capability—it's about aligning innovation, trust, and human ambition so AI becomes a durable source of value. The organizations that lead this phase will define the next decade of business, but the opportunity is not limited to early adopters or industry giants. It is open to any organization willing to act with intention and treat AI as an enterprise-wide capability.

Action Plan

Leadership mindset: The next 24 months

Across industries, Frontier Firms share a common leadership mindset. Leaders who succeed will consistently do the following:

- **Lead with a long-term vision**
  Look beyond pilots and point solutions to define how AI reshapes work, decisions, and value creation over time.
- **Remain outcome-oriented**
  Shift the question from “Where can we use AI?” to “What outcomes must we achieve—and how will we measure them?”
- **Design for trust from the start**
  Treat security, governance, observability, and responsibility as enablers of scale, not constraints.

- **Invest in people and workflows—not just technology**
  AI delivers the most impact when people know how to collaborate with it. Prioritize workforce readiness, continuous upskilling, and redesigning workflows around intelligent systems.
- **Be willing to rethink roles and ways of working**
  Agents will change the fundamental nature of work. Remain open to redefining roles, decisions, and accountability in an organization where humans and AI work together.

Change management for the agentic era

AI adoption doesn’t fail because people resist change—it fails because leaders don’t design for new habits. Treat adoption like an operating rhythm, not a launch moment. Start with a clear “what changes now” message for the priority workflow, then equip managers to reinforce it in weekly routines. Build a lightweight support system (office hours, champions, and a place to share what worked) and create incentives that reward learning and reuse—not just output. Most importantly, close the loop: collect feedback from real users, fix friction fast, and use those wins to expand to the next workflow.

Action Plan

Creating an agent

Here's a practical roadmap to get started on your Frontier journey.

0–30 days: Planning

- **Assess your current AI maturity:** This includes data quality, current tools, and the state of internal skills, as well as risks.
- **Identify high-value opportunities:** Early efficiency gains can help build momentum, but leaders should focus on how AI assistants and agents can fundamentally reshape priority workflows.
- **Set your vision:** Define success and clear AI pilot ownership. Set early adoption KPIs and secure leadership buy-in across your organization.

30–60 days: Implementation

- **Governance kickoff:** Establish security and responsibility guardrails; build in observability.
- **Train teams:** Teach employees to use AI and create a culture of trust around experimentation. (Our AI Skills Navigator can help guide your learning plan.)
- **Deploy and measure usage:** Establish a continuous feedback, learning, and improvement loop.

60–120 days: Refinement

- **Operationalize governance:** Formalize your responsible AI policies, monitor observability, and document both AI use and decision paths.
- **Assess early adoption and usage patterns:** Measure adoption and business impacts against KPIs to see if your goals are on track and identify more opportunities.
- **Expand into new workflows:** Using early results to guide scale, continue to experiment and innovate across functions.

Frontier Transformation is ultimately a leadership choice. Organizations that move now—grounded in trust, focused on outcomes, and committed to empowering people—will not only keep pace with the evolution of AI but help shape what comes next.

Want personalized guidance on agent adoption, with practical steps to help launch, integrate, support adoption, and manage risks? Take our Agent readiness assessment.

Agent life cycle management

Treat agents like you would a new employee or a privileged service account: they need a manager, boundaries, and ongoing oversight. Before launch, define the agent's purpose, success criteria, and what it is not allowed to do. Assign a named accountable owner, limit access to only what's required, and establish logging and evaluation from day one. After launch, review performance and risk signals regularly, recertify access on a regular cadence, and have a clear "pause/retire" process if behavior changes or the business needs shift.

We're building the Frontier together

Microsoft is committed to sharing what we're learning as organizations move from early AI adoption to Frontier Transformation. As AI systems become more capable and more agentic, no organization will have every answer on day one. Success will depend on leaders who stay outcome-oriented, invest in people and operating discipline, and continuously refine how their teams work with AI—safely, responsibly, and at scale.

We hope these perspectives from Microsoft leaders, paired with real-world examples from customers, help you navigate what's next with clarity and confidence. The frontier isn't reserved for a few—it's open to every organization willing to learn, adapt, and lead with human ambition at the center.

Next steps

Click here to access a curated set of resources to help your organization achieve its AI transformation goals. You'll learn how to assess the value of AI, identify high-impact areas for AI adoption, and establish safe, responsible AI practices. Start with actionable strategies for successful AI implementation, then explore resources that'll help you strengthen and optimize your approach.

Resources

Frontier Firms

"What every company can learn from Frontier firms leading the AI revolution," IDC InfoBrief Sponsored by Microsoft, November 2025.

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"Work Trend Index Annual Report 2025: The year the Frontier Firm is born," Microsoft WorkLab, April 23, 2025.

"Becoming an AI-first Frontier Firm: A leader's guide to building a resilient, AI-first organization," Microsoft

Toby Bowers, "Frontier Firms in action: Lessons from the AI adoption surge," Microsoft, September 29, 2025.

Kathleen Mitford, "From legacy to Frontier: How 100-year brands are leading AI innovation," Microsoft, November 20, 2025.

Jared Spataro, "What happens when the model eats the world?" AI@Work newsletter, January 15, 2026.

"Meet the inaugural class of the Frontier Firm AI Initiative," Microsoft WorkLab, November 18, 2025.

"Agents are here—is your company prepared?," Microsoft WorkLab, February 6, 2025.

AI adoption and skilling

AI Skills Navigator: Guidance for your AI-powered growth, Microsoft

AI Strategy Roadmap, Microsoft

Jeana Jorgensen, "Discover three skilling insights that set Frontier Firms apart," Microsoft, September 18, 2025.

Agent Readiness Assessment, Microsoft

Cloud Adoption Framework: AI adoption plan, Microsoft Learn

Prompt Guide for Business Leaders, Microsoft

Create an AI Learning Culture: Five considerations to empower teams with AI skills, Microsoft Learn

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Observability and security

"2026 Microsoft Data Security Index," Microsoft

"Grow Your Business with AI You Can Trust: Considerations for business leaders to plan their AI transformation with confidence," Microsoft.

Vasu Jakkal, "Ambient and autonomous security for the agentic era," Microsoft Security, November 18, 2025.

Vasu Jakkal, "80% of Fortune 500 use active AI Agents: Observability, governance, and security shape the new frontier," Microsoft Security, February 10, 2025.

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Dr. Nathan Baker, "Unlocking a new era for scientific discovery with AI: How Microsoft's AI screened over 32 million candidates to find a better battery," Microsoft, January 9, 2024.

"Kilimo helps farmers save water Using AI and data to optimize irrigation in Chile's Maipo Basin," Microsoft

"Surplus datacenter heat will be repurposed to heat homes in Denmark," Microsoft Local

"Saving marine life with every dive," Microsoft Unlocked

Brad Smith, "Building Community-First AI Infrastructure," Microsoft on the Issues, January 13, 2026.

"Accelerating progress towards zero waste," Microsoft Corporate Responsibility

AI Economy Institute, "Global AI Adoption in 2025 – A Widening Digital Divide," Microsoft Research

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"Epiq uses Microsoft Copilot Studio and other Power Platform tools to drive efficiency and reduce costs," Microsoft Customer Stories, April 1, 2025.

"La Poste empowers the employee experience with Microsoft 365 Copilot," Microsoft Customer Stories, April 24, 2025.

"Danone: transforming critical business operations at scale with Microsoft AI & Autonomous Agents," Microsoft Customer Stories, October 24, 2025.

"Games Global saves over 22,000 hours per year with Microsoft Power Platform and Copilot Studio," Microsoft Customer Stories, April 8, 2025.

"Commerzbank AG fuels 30,000 monthly conversations with Foundry Agent Service," Microsoft Customer Stories, November 18, 2025.

"JLL transforms real estate with Azure AI Services, delivering a year's worth of insights in a week," Microsoft Customer Stories, March 31, 2025.

"SK Telecom deepens customer connections with agentic workflows in Microsoft Foundry," Microsoft Customer Stories, November 18, 2025.

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