FORRESTER®

The Value Of Copilot For Microsoft 365 On Public Sector Organizations

Copilot for Microsoft 365 is an AI-powered workplace productivity tool that reduces repetitive tasks, automates processes, and accelerates creativity — all in a secure environment. Copilot for Microsoft 365 has the potential to transform public sector organizations by making them more efficient, secure, and adaptable. Specifically, Copilot for Microsoft 365 embeds AI into Microsoft Outlook, Microsoft Teams, Microsoft Word, Microsoft Excel, Microsoft PowerPoint, Microsoft Loop, Microsoft Whiteboard, and Microsoft OneNote.

Microsoft commissioned Forrester Consulting to interview representatives at public sector organizations and conduct a Total Economic Impact™ (TEI) study to better understand the benefits, costs, and risks associated with Copilot for Microsoft 365 in the public sector.[1] This study will focus on the use and value of Copilot for Microsoft 365 to governmental and educational organizations, and it builds on an earlier study looking at the value of Copilot for Microsoft 365 at for-profit organizations; additional information regarding benefits from Copilot for Microsoft 365 can be found in the original study.

The use cases and financial analysis presented in this study are based on interviewees' early successes since Copilot for Microsoft 365 became generally available in November 2023. Because the application of generative AI in the workplace is so new, the full transformational potential and range of value-add use cases is not yet fully understood, which may improve the financial results presented in this study in the future. A key enabler to realizing the full potential of Copilot for Microsoft 365 is providing users with the training and resources they need to become AI savvy.

Decrease in general fund expenditures :
Up to $208 per user per month

Additional employee productive days during new-hire onboarding (Year 3):
Up to 1,215 days

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed five representatives from public sector organizations that utilize Copilot for Microsoft 365 and surveyed 27 business and IT decision-makers responsible for AI strategy at global organizations with 500 to 20,000 or more employees.[2]

The five interviewees included:

- A head of digital for a government organization in EMEA with 4,700 employees.

- An IT services director for a government organization in APAC with 200 employees.

- A senior director, IT for a government organization in North America with 4,300 employees.

- A chief digital officer for a higher education organization in EMEA with 4,400 employees.

- An assistant superintendent of technology for a K-12 education organization in North America with 15,000 employees.

Prior to using Copilot for Microsoft 365, interviewees shared limited budget as a constraint to organizational success. Most of the interviewees' organizations were impeded in their ability to raise taxes, and it was time-consuming to find other revenue sources, such as grants. Budget limitations made it difficult to deliver services in a timely manner, innovate on existing services, and ultimately achieve their organizational goals to better serve the public.

Interviewees also discussed how their day-to-day processes were inefficient with employees spending a lot of time performing mundane and repetitive tasks, such as responding to frequently asked questions and summarizing meeting notes. This took time away from higher-value activities that could result in better services to the public by creating more personalized and innovative programs and services. As a result, the interviewees' public sector organizations could not optimize employee productivity, which led to a decrease in employee satisfaction and an increase in organizational costs. A potential impact of low satisfaction levels could include difficulty in recruiting and retaining employees.

> "The challenge we face is dwindling revenues and limited statutory ability to raise taxes. We need to be more efficient, and we see AI as a way to reduce costs. It's all about the ROI."

HEAD OF DIGITAL, GOVERNMENT

NEW TECH TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews and survey, Forrester constructed a New Technology: Projected Total Economic Impact™ (New Tech TEI) framework for those public sector organizations considering an investment in Copilot for Microsoft 365.

The objective of the framework is to identify the potential cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the projected impact that Copilot for Microsoft 365 can have on a public sector organization.

Due Diligence

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Copilot for Microsoft 365.

Early-Implementation Interviews

Interviewed five representatives at public sector organizations using Copilot for Microsoft 365 in a pilot or beta stage and surveyed 27 business and IT decision-makers to obtain data about projected costs, benefits, and risks.

Composite Organization

Designed a composite organization based on characteristics of the interviewees' organizations.

Projected Financial Model Framework

Constructed a projected financial model representative of the interviews and survey using the New Tech TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.

Case Study

Employed four fundamental elements of New Tech TEI in modeling the investment's potential impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

INVESTMENT DRIVERS FOR PUBLIC SECTOR

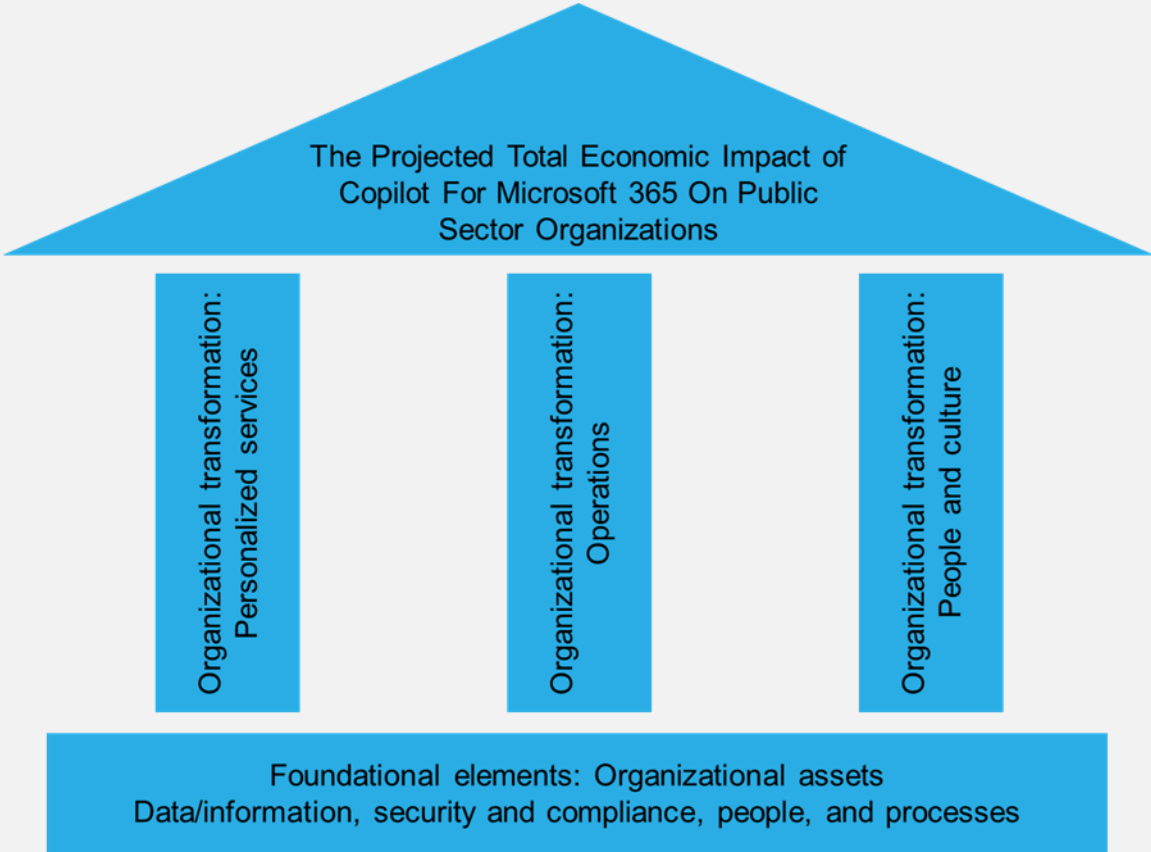The interviewees' organizations searched for a solution that could:

- Provide better service and outcomes to external and internal stakeholders.

- Increase employee productivity and satisfaction.

- Reduce cost.

- Accelerate broader AI initiatives.

- Mitigate risks pertaining to cybersecurity and ensure the protection of data privacy concerns associated with unauthorized uses of third-party technologies.

COMPOSITE ORGANIZATION

Based on the interviews and survey, Forrester constructed a TEI framework, a composite organization, and an ROI analysis to better understand the benefits, costs, and risks associated with an investment in Copilot for Microsoft 365. The composite organization is representative of the five interviewees and 27 survey respondents, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The composite organization is a governmental entity with 10,000 full-time workers. It has total budget of $10 billion, 20% of which goes to the general fund. The composite organization plans to roll out Copilot for Microsoft 365 to 1,000 users in Year 1 and 1,500 users in Years 2 and 3.

After the investment in Copilot for Microsoft 365, the interviewees and survey respondents leveraged their internal data, security and compliance solutions, people, and processes to achieve transformation across three pillars: personalized services; operations; and people and culture. The following benefits section explores these transformation opportunities, both quantitatively and qualitatively.

The Projected Total Economic Impact of Copilot For Microsoft 365 On Public Sector Organizations

Organizational transformation: Personalized services

Organizational transformation: Operations

Organizational transformation: People and culture

Foundational elements: Organizational assets
Data/information, security and compliance, people, and processes

ANALYSIS OF BENEFITS

ORGANIZATIONAL TRANSFORMATION: PERSONALIZED SERVICES

Evidence and data. Interviewees shared that deploying Copilot for Microsoft 365 enabled their organizations to better serve all external constituents (e.g. citizens, resident, students, local businesses, etc.) by more efficiently personalizing services to individual needs and increasing agility/speed. Improved services contributed to higher constituent satisfaction, which yielded many positive impacts.

From a financial perspective, more personalized and faster services improved revenues by helping taxpayers better understand what they owe and pay on time. It also helped government workers more efficiently collect taxes and fees and created a larger tax base by fostering a more friendly business environment. Anything that could help increase revenues and optimize budgets was of particular interest to administrators because budgets were coming under increased stress. Interview and survey examples of how Copilot for Microsoft 365 improved services included:

- Sixty-seven percent of government survey respondents and 60% of education respondents said Copilot for Microsoft 365 helped their organization achieve greater innovation.

- The head of digital at a government organization discussed how automating administrative processes, such as note-taking and writing follow-up emails, led to better services. They stated, "The benefit for us is providing better services more efficiently."

- The IT services director at a government organization discussed how automation created better constituent experiences, stating, "If we give our staff the tools they need to do their job and automate the mundane, we will become more customer focused."

- The assistant superintendent of technology at a K-12 education organization shared, "We want to automate noncreative parts of the education process and enable teachers to put more creativity into teaching students."

- The chief digital officer at a higher education organization discussed how expediting administrative tasks created efficiencies in their proposal writing: "Researchers write 10 grant proposals for every one they win. If we get that down to one a day that will be helpful."

- The chief digital officer added: "AI for students with special needs is a huge thing. If a teacher can get specific coaching plans based on student's personalized needs — that is the dream for many of our students."

- The same interviewee continued: "The perception is that we are a good place for companies to set up. If we can respond faster, that could be good for getting more companies to move here."

- The chief digital officer at a higher education organization also talked about using Copilot for Microsoft 365 to generate new content ideas: "For us, it is about generating ideas and helping people generate content. One thing people talk about is if you go to a whiteboard, you need help getting started."

- They continued, "If a teacher can create better lesson plans, it will improve exam pass rates."

Modeling and assumptions. Based on the interviews and survey, Forrester assumes the following for the financial analysis as applied to the composite organization:

- For the financial model, Forrester looked at how improved services in terms of personalization and agility can result in increased revenues and budget optimization. These revenues can be used to further deliver services and achieve the composite organization's mission.

- Twenty percent of the composite organization's $10 billion annual budget comes from charges and fees, income taxes, other taxes, grants, and corporate income taxes. These are areas in which Copilot for Microsoft 365 can have a positive impact. (Intergovernmental transfers and sales tax are excluded because they are not directly tied to interactions between government and constituents.)

- The extent to which these revenues can increase varies based on the level of services personalization and acceleration. For the low scenario, little personalized service transformation is achieved. For the high scenario, the transformation objectives are fully realized. The middle scenario sits somewhere in between. (These three scenarios are used for all quantified benefits.)

- The benefit ramps up over time for several reasons, including more Copilot for Microsoft 365 users, increased familiarity and competence in using Copilot for Microsoft 365, better data analysis, and further transformation of business processes. (For the same reasons, a ramp-up is used for all subsequent quantified benefits.)

Results. This yields a three-year projected present-value (PV) ranging from $3.1 million (low) to $11.5 million (high).

Organizational Transformation: Personalized Services					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Annual budget	Composite	$10,000,000,000	$10,000,000,000	$10,000,000,000
A2	Annual budget revenue streams affected by Copilot for Microsoft 365	A1*20%	$2,000,000,000	$2,000,000,000	$2,000,000,000
$A3_{Low}$			0.00%	0.05%	0.15%
$A3_{Mid}$	Increase in revenues	Interviews	0.02%	0.10%	0.30%
$A3_{High}$			0.04%	0.20%	0.50%
At_{Low}			$0	$1,000,000	$3,000,000
At_{Mid}	Organizational transformation: Personalized services	A2*A3	$400,000	$2,000,000	$6,000,000
At_{High}			$800,000	$4,000,000	$10,000,000
Three-year projected total: $4,000,000 to $14,800,000			**Three-year present value: $3,100,000 to $11,500,000**		

ORGANIZATIONAL TRANSFORMATION: OPERATIONS

Evidence and data. Interviewees noted that Copilot for Microsoft 365 increased employee efficiency and productivity by streamlining administrative tasks, such as, note-taking, writing email summaries, and creating job descriptions. Freeing up time meant employees could spend more time on value-add priorities and activities that resulted in better services to external communities. Making

employees more efficient and productive is especially important in the public sector because budget constraints make it difficult to add headcount to cover the ever increasing level of work that needs to get done. Additionally, Copilot for Microsoft 365 had the potential to reduce some categories of external spend.

- Forrester's survey found that the top five ways governmental organizations saved time included information searching, content creation, email writing, help desk ticket resolution, and email summarization. At educational organizations, the order was information searching, email writing, email summarization, help desk ticket resolution, and content creation.

- The head of digital at a government organization said, "Across all use cases, which makes up 50% of our workforce, we can probably save 5% to 10% of employee time [using Copilot for Microsoft 365]." This savings translates to between 104 and 208 hours per year for each of this organization's 4,700 employees using Copilot for Microsoft 365.

- The IT service director at a government organization explained: "As a part of government, we are required to write a lot of bureaucratic, wordy documents. Something that could take half a day we should be able to do in 1 hour."

- The head of digital stated the contact center at their government organization was measured by overall call time. This interviewee stated: "The average call time is currently 6 minutes, and their goal is to get it down to 2 minutes. This would allow workers to take more calls in a day."

- The head of digital at a government organization noted Copilot studio chatbots could reduce call time by 50%.

- The assistant superintendent of technology for a K-12 education organization used Copilot to quickly draft job descriptions and expedite the hiring process during organizational change: "We were doing a reorg and had to rewrite a bunch of job descriptions. Copilot reduced the time by 80%."

- The chief digital officer at a higher education organization stated, "The IT staff saves 25% to 30% of time on activities like reading and writing emails and attending meetings."

- The assistant superintendent of technology said their K-12 education organization used Copilot to write policies in the ed-tech and enterprise application department, stating, "It is saving us a lot of time when writing these policies."

- The chief digital officer at a higher education organization discussed how employees in assistant roles saved time using Microsoft Copilot for 365, stating, "Administrative assistants saved an average of 90 minutes a day on activities like receiving transcript recordings from meetings."

- This interviewee also stated: "Professors have a pile of research papers they collect. They would like to use Copilot for things like note-taking."

- The assistant superintendent of technology at a K-12 education organization discussed how Copilot for Microsoft 365 helped teachers catch up after vacation, stating, "If I have been out for a week, I can come back and say summarize my inbox and summarize the top 12 things from my boss."

By making employees more efficient, Copilot for Microsoft 365 helped employees improve external services, making them more personalized, faster, more reliable, and more value for their constituents. (The potential financial impact of this was discussed in the prior transformation pillar.)

- The head of digital at a government organization described how they used Copilot for Microsoft 365 and AI for adult and children's social services. One example was using Copilot for Microsoft 365 for initial assessments of reported at-risk children. This resulted in faster interventions.

- The chief digital officer for a higher education organization highlighted the impact of Copilot for Microsoft 365 on neurodivergent students' learning experiences, stating, "Lecture capture/record tools help learning for students with special needs."

- The assistant superintendent of technology at a K-12 education organization emphasized how Copilot for Microsoft 365 gave educators more time in the workday which, in turn, allowed them to dedicate more personal attention to their students. They remarked, "It will free up teachers' time and brain capacity to work with kids."

- This interviewee also expanded on the benefits that Copilot for Microsoft 365 brought to test creation and grading processes, expressing that the automation of these tasks was a game changer for educators. They shared: "I don't want to create the multiple-choice questions. Copilot for Microsoft 365 could create it. That's life-changing for a teacher."

- The assistant superintendent of technology also underscored the potential of AI in enhancing parent-teacher communication: "AI helps us communicate with parents. In the future I would imagine AI assistance for phones and websites that can answer questions like 'Is it an early release day?'"

The increased efficiency also reduced external spend because more could be done by in-house employees and Copilot for Microsoft 365 could replace/reduce the use of other technologies.

- The head of digital at a government organization said: "We struggle to hire social workers, so we use external agency workers. Saving time here will reduce external spending."

- Some examples of technologies that could be replaced or reduced with Copilot for Microsoft 365 included lecture capture tools, other AI solutions/initiatives, data analysis tools, and translation tools/services.

- Survey respondents from government organizations said that the top three external service provider costs that could be reduced were administrative support, consulting, and graphic design. For education, the top three were data analysis, consulting, and graphic design.

> "As a part of government, we are required to write a lot of bureaucratic, wordy documents. Something that could take half a day we should be able to do in one hour."
>
> **IT SERVICE DIRECTOR, GOVERNMENT**

Modeling and assumptions. Based on the interviews and survey, Forrester assumes the following for the financial analysis as applied to the composite organization:

- For the financial model, Forrester looked at how improved, more efficient operations can result in cost savings.

- The general fund consists of 20% of the total budget with the remainder going to earmarked areas like transport and housing. Efficiencies — both internal and external — translate into financial savings more quickly in the general fund.

- These costs are reduced by up to 0.5% because of employee efficiencies, supply chain/operational process improvements, and decreased external spend on labor and technologies. The potential cost savings ramp up over time as external contracts come to an end and internal efficiencies result in quantifiable savings.

Results. This yields a three-year projected PV ranging from $5.7 million (low) to $11.7 million (high)

Operational Transformation: Operations					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
B1	Annual general fund budget	A1*20%	$2,000,000,000	$2,000,000,000	$2,000,000,000
B2$_{Low}$			0.00%	0.07%	0.30%
B2$_{Mid}$	Decrease in general fund expenditures due to internal and external efficiencies	Interviews	0.00%	0.10%	0.40%
B2$_{High}$			0.05%	0.20%	0.50%
B3	Number of Copilot for Microsoft 365 users	Composite	1,000	2,500	4,000
B4$_{Low}$			$0	$47	$125
B4$_{Mid}$	Operational cost savings per user (monthly)	B*B2*B3/12 months	$0	$67	$167
B4$_{High}$			$83	$133	$208
Bt$_{Low}$			$0	$1,400,000	$6,000,000
Bt$_{Mid}$	Organizational transformation: Operations	B3*B4*12 months	$0	$2,000,000	$8,000,000
Bt$_{High}$			$1,000,000	$4,000,000	$10,000,000
Three-year projected total: $7,400,000 to $15,00,000			Three-year present value: $5,700,000 to $11,700,000		

ORGANIZATIONAL TRANSFORMATION: PEOPLE AND CULTURE

Evidence and data. Interviewees noted that increases in employee productivity and replacing mundane tasks, such as summarizing meetings, with more valuable tasks, such as interacting with citizens, impacted employee satisfaction. In the short term, Copilot for Microsoft 365 accelerated new-hire onboarding and existing employee upskilling because they could more quickly find the information and people they needed to do their jobs. Longer term, increased employee satisfaction helped with employee recruitment and retention. Additionally, Copilot assisted employees with special needs, such as neurodivergence, in improving equitability and making their day-to-day job more enjoyable. Examples included:

- The IT service director at a government organization noted that Copilot was a must-have for employee satisfaction. They explained: "In a little while, AI will be table stakes for employee satisfaction. Employees will complain if not given a license."

- The head of digital at a government organization discussed how Copilot for Microsoft 365 improved the employee experience for employees with special needs: "This is really good for disability and accessibility use cases. Deaf employees said this is life-changing for how they work."

- The chief digital officer at a higher education organization said: "Copilot helps people move from mundane tasks into something more valuable. People want to do more fun things."

- The assistant superintendent of technology at a K-12 education organization discussed how Copilot improved employee satisfaction, stating, "I think that Copilot will be life-giving to a teacher by doing some of the tasks such as the initial reading of a student's work."

- The survey found that Copilot for Microsoft 365 reduced the time to onboard a new hire by 15% in government and 10% in education.

- The survey also found that Copilot for Microsoft 365 reduced the time it took to upskill an existing employee in government by 15% and in education by 25%.

> "Copilot helps people move from mundane tasks, such as reading emails, to something more valuable. People want to do more fun things."
>
> **CHIEF DIGITAL OFFICER, HIGHER EDUCATION**

Modeling and assumptions. Based on the interviews and survey, Forrester assumes the following for the financial analysis as applied to the composite organization:

- For the financial model, Forrester includes faster onboarding because it is more quickly achieved compared to improved employee retention.

- Prior to Copilot for Microsoft 365, it takes 45 days to onboard a new employee. This is reduced by up to 15% by Year 3.

- The fully burdened daily cost for a new hire is $463.

- New hires only contribute 30% of the value that a fully onboarded, experienced employee does. The faster a new hire is onboarded, the sooner they provide value to the organization.

- Not all time savings is used for completing additional work, so the total potential increase in productivity/value creation is 50%.

- Copilot helps expedite the onboarding process, allowing new hires to engage in high-value tasks, such as teaching or engaging with citizens, sooner. This is incremental to the time savings discussed in the prior benefit categories.

Results. This yields a three-year projected PV ranging from $376,000 (low) to $706,000 (high).

	Operational Transformation: People And Culture				
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Number of new hires per year	10,000*15%	1,500	1,500	1,500
C2	Percentage of new hires using Copilot for Microsoft 365	2x overall usage percentage	20%	50%	80%
C3	Number of new hires using Copilot for Microsoft 365	C1*C2	300	750	1,200
C4	Days for onboarding prior to Copilot for Microsoft 365	Interviews	45	45	45
$C5_{Low}$			2.5%	5.0%	10.0%
$C5_{Mid}$	Acceleration in new hire onboarding due to Copilot for Microsoft 365	Composite	5.0%	7.5%	12.5%
$C5_{High}$			10.0%	12.5%	15.0%
$C6_{Low}$			1	2	5
$C6_{Mid}$	Days saved per new hire onboarded (rounded)	C4*C5	2	3	6
$C6_{High}$			5	6	7
C7	New hire average hourly fully burdened daily cost	Composite	$436.03	$436.03	$436.03
C8	Productivity of new hire during ramp	Interviews	30%	30%	30%
C9	Time recaptured	Forrester standard	50%	50%	50%
Ct_{Low}			$22,074	$110,371	$353,186
Ct_{Mid}	Organizational transformation: People and culture	C6*C7*C8*C9	$44,148	$165,556	$441,482
Ct_{High}			$88,296	$275,927	$529,779
Three-year projected total: $486,000 to $894,000			**Three-year present value: $376,000 to $706,000**		

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify or that may be realized in the future:

- **Improved security and compliance.** Using generative AI in secure, compliant, and responsible ways was a top priority for interviewees and survey respondents.

- For governmental organizations, Microsoft's commitment to security was a main driver for why interviewees chose copilot. Our survey found the 67% of government respondents said Copilot for Microsoft 365 helps with IT/data and security. Further, the senior director of IT at a government organization said: "As a government organization, security and governance is top of mind for us. Microsoft's model where none of the data is shared solved a lot of those risk for us."

- Within education, organizations were confident in the security of Microsoft's Copilot for 365. The survey found that 87% of education respondents said Copilot for Microsoft 365 helps with IT/data and security. Further, the chief digital officer at a higher education organization said: "Microsoft is a company that has strong security and commitments to security. This is much better than using any public AI tools."

- **Improved interdepartmental coordination.** Interviewees were hopeful that Copilot for Microsoft 365 would help with transparency and coordination across departments. The chief digital officer at a higher education organization hoped using AI will increase transparency and decrease politics. The assistant superintendent of technology at a K-12 education organization added, "Having AI chatbots or assistants continuously training on your data can improve interdepartmental coordination."

- **Increased support and accelerated broader AI initiatives.** Copilot for Microsoft 365 helps organizations move towards their AI goals. The IT Services Director at a government organization discussed their organizations aggressive AI strategy, endorsed by their executive team. They said, "We want to be a leader in AI in our industry. Some of our goals are to give staff AI tools to do their jobs, automate the mundane, and use AI to provide information to customers."

ANALYSIS OF COSTS

COPILOT FOR MICROSOFT 365 LICENSES

Modeling and assumptions. For the financial analysis as applied to the composite organization, Forrester assumes the following:

- The composite organization scales its Copilot for Microsoft 365 licenses to 4,000 employees over three years.

- The cost of Copilot for Microsoft 365 is $30 per user per month.

- All Copilot for Microsoft 365 users in the composite organization already have either a Microsoft 365 E5 or E3 license, and those associated costs and benefits are not included in this analysis.

Risk and results. Results may not be representative of all experiences and the benefit will vary between organizations. In this case, no risk adjustment was made because the list price is used. The three-year total PV cost (discounted at 10%) is $2.2 million.

Copilot For Microsoft 365 Licenses						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
D1	Number of employees using Copilot for Microsoft 365	Composite		1,000	2,500	4,000
D2	Cost of Copilot for Microsoft 365 per user per month	Microsoft list price		$30	$30	$30
Dt	Copilot for Microsoft 365 licenses	D1*D2*12 months		$360,000	$900,000	$1,440,000
	Risk adjustment	0%				
Dtr	Copilot for Microsoft 365 licenses (risk-adjusted)			$360,000	$900,000	$1,440,000
Three-year total: $2,700,000			Three-year present value: $2,200,000			

IMPLEMENTATION AND MANAGEMENT COSTS

Modeling and assumptions. For the financial analysis as applied to the composite organization, Forrester assumes the following:

- Initial implementation takes four months, requiring 4 FTEs on technical and change management

- Ongoing technical and change management requires 3 FTEs in Years 1 and 2, increasing to 4 FTEs in Year 3.

- The monthly fully burdened cost for an FTE is based on an hourly cost of $60.56.

Risk. The size of this cost can vary based on the following factors:

- The level of implementation and management of Copilot for Microsoft 365 will vary between organizations depending on industry, region, regulations, complexity, size, maturity, expertise, technical environment, and other factors.

- The extent of data clean up required can vary greatly.

- Readers should carefully consider both internal and external costs associated with the activities listed above, which are necessary for successful implementation and management of Copilot for Microsoft 365.

Results. To account for these risks, Forrester adjusted this cost upward by 20%, yielding a three-year, risk-adjusted total PV of $1.4 million.

Implementation And Management Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Number of FTEs involved in technical and change management activities	Interviews	4	3	3	4
E2	Number of months	Interviews	4	12	12	12
E3	Fully burdened monthly rate for an FTE	Composite	$10,497	$10,497	$10,497	$10,497
Et	Implementation and management costs	E1*E2*E3	$167,953	$377,894	$377,894	$503,859
	Risk adjustment	↑20%				
Etr	Implementation and management costs (risk-adjusted)		$201,544	$453,473	$453,473	$604,631
Three-year total: $1,700,000			Three-year present value: $1,400,000			

FORMAL AND INFORMAL EMPLOYEE TRAINING

Modeling and assumptions. For the financial analysis as applied to the composite organization, Forrester assumes the following:

- Each new user receives 2 hours of formal training and spends an additional 3 hours in informal training/discovery. Informal training/discovery can include playing with prompts and leveraging learning materials that Microsoft Learn makes available[3].

- In subsequent years, an existing user receives 1 hour of formal training and spends an additional 2 hours in informal training/discovery.

- The fully burdened hourly cost for a user is $60.56.

Risk. The size of this cost can vary based on the following factors:
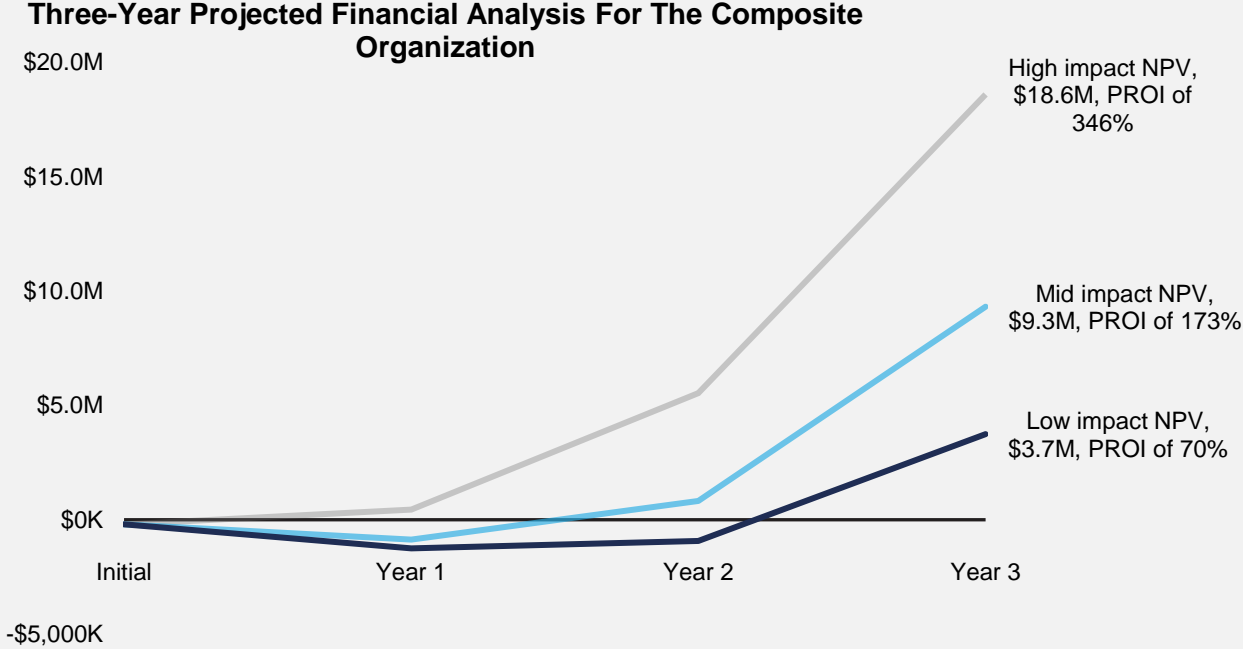
- While interviewees found that Copilot for Microsoft 365 did not require extensive training, roles with more involved usage of Copilot for Microsoft 365 may need more time.

- Similarly, new user and ongoing training may need to be extended longer than this analysis assumes depending on the complexity of the organization's environment. Forrester Research's point of view is that training is a critical success factor and that organizations should spend more time on training than many currently are.

Results. To account for these risks, Forrester adjusted this cost upward by 20%, yielding a three-year, risk-adjusted total PV of $1.8 million.

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
	**Formal And Infomal Employee Training**					
F1	Copilot for Microsoft 365 users added	D1		1,000	1,500	1,500
F2	Hours new user formal training per user	Interviews		2	2	2
F3	Hours spent on new user informal training/discovery per user	Interviews		3	3	3
F4	**Subtotal: Total hours of new user formal and informal training**	**F1*(F2+F3)**		**5,000**	**7,500**	**7,500**
F5	Total number of previously added Copilot for Microsoft 365 users	F1$_{PY}$		0	1,000	2,500
F6	Hours ongoing formal training per user	Interviews		1	1	1
F7	Hours spent on ongoing informal training/discovery per user	Interviews		2	2	2
F8	**Subtotal: Total hours for ongoing user formal and informal training**	**F5*(F6+F7)**		**0**	**3,000**	**7,500**
F9	Fully burdened hourly rate for a user	Composite		$60.56	$60.56	$60.56
Ft	Formal and informal employee training	(F4+F8)*F9		$302,800	$635,880	$908,400
	Risk adjustment	↑20%				
Ftr	Formal and informal employee training (risk-adjusted)			$363,360	$763,056	$1,090,080
	**Three-year total: $2,200,000**			**Three-year present value: $1,800,000**		

Financial Summary

Consolidated Three-Year, Risk-Adjusted Metrics

Three-Year Projected Financial Analysis For The Composite Organization

High impact NPV, $18.6M, PROI of 346%

Mid impact NPV, $9.3M, PROI of 173%

Low impact NPV, $3.7M, PROI of 70%

The financial results calculated in the Benefits and Costs sections can be used to determine the PROI and projected NPV for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted PROI and projected NPV values are determined by applying risk-adjustment factors to the unadjusted results in each Cost section.

Cash Flow Table (Risk-Adjusted)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($201,544)	($1,176,833)	($2,116,529)	($3,134,711)	($6,629,617)	($5,375,745)
Total benefits (low)	$0	$0	$22,074	$2,510,371	$9,353,186	$11,885,631
Total benefits (mid)	$0	$0	$444,148	$4,165,556	$14,441,482	$19,051,187
Total benefits (high)	$0	$0	$1,888,296	$8,275,927	$20,529,779	$30,694,002
Net benefits (low)	($201,544)	($1,154,759)	$393,841	$6,218,475	$5,256,013	$3,746,197
Net benefits (mid)	($201,544)	($732,685)	$2,049,027	$11,306,771	$12,421,569	$9,320,734
Net benefits (high)	($201,544)	($201,544)	$711,463	$6,159,397	$17,395,068	$24,064,385
PROI (low)						70%
PROI (mid)						173%
PROI (high)						346%

TOTAL ECONOMIC IMPACT ANALYSIS

For more information, download the full study: The Total Economic Impact™ Of Microsoft Modern Work, a commissioned study conducted by Forrester Consulting on behalf of Microsoft, July 2024.

STUDY FINDINGS

While the value story above is based on 14 interviews, Forrester interviewed representatives at 30 partner organizations with experience using the Modern Work and constructed a financial model representative of the interviews using the TEI methodology. The model normalizes all results as a per-user per-month opportunity during a 36-month customer journey.

APPENDIX A: NEW TECHNOLOGY: PROJECTED TOTAL ECONOMIC IMPACT

New Technology: Projected Total Economic Impact (New Tech TEI) is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The New Tech TEI methodology helps companies demonstrate and justify the projected tangible value of IT initiatives to both senior management and other key business stakeholders.

TOTAL ECONOMIC IMPACT APPROACH

Projected Benefits represent the projected value to be delivered to the business by the product. The New Tech TEI methodology places equal weight on the measure of projected benefits and the measure of projected costs, allowing for a full examination of the effect of the technology on the entire organization.

Projected Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The projected cost category within New Tech TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.

PROJECTED NET PRESENT VALUE (PNPV)

The projected present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made unless other projects have higher NPVs.

PROJECTED RETURN ON INVESTMENT (PROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.

DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.

APPENDIX B: SURVEY DEMOGRAPHICS

GEOGRAPHY	HEADCOUNT
APAC (41%)	500 to 999 employees (26%)
EMEA (30%)	1,000 to 4,999 employees (37%)
North America (26%)	5,000 to 19,999 employees (19%)
LATAM (4%)	20,000+ employees (19%)

Note: Percentages may not total 100 due to rounding.

APPENDIX C: ENDNOTES

[1] Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

[2] In this study, Forrester conducted an online survey of 27 decision-makers at organizations in North America, APAC, EMEA, LATAM to evaluate their potential use of Copilot for Microsoft 365. Survey participants included decision-makers in IT with responsibilities in AI strategy. The study began in December 2023 and was completed in May 2024.

[3] www.learn.microsoft.com

ABOUT FORRESTER CONSULTING

Forrester provides independent and objective research-based consulting to help leaders deliver key outcomes. Fueled by our customer-obsessed research, Forrester's seasoned consultants partner with leaders to execute their specific priorities using a unique engagement model that ensures lasting impact. For more information, visit forrester.com/consulting.

FORRESTER®