

The Value Of Copilot For Microsoft 365 On Public Sector Organizations

A New Technology Total Economic Impact™ Spotlight Study

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Executive Summary

[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. 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.

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Key Benefits



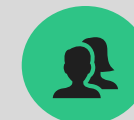
Decrease in general fund expenditures:

Up to \$208 per user per month



Increase in revenue-generating programs' budget contribution:

Up to 0.5%

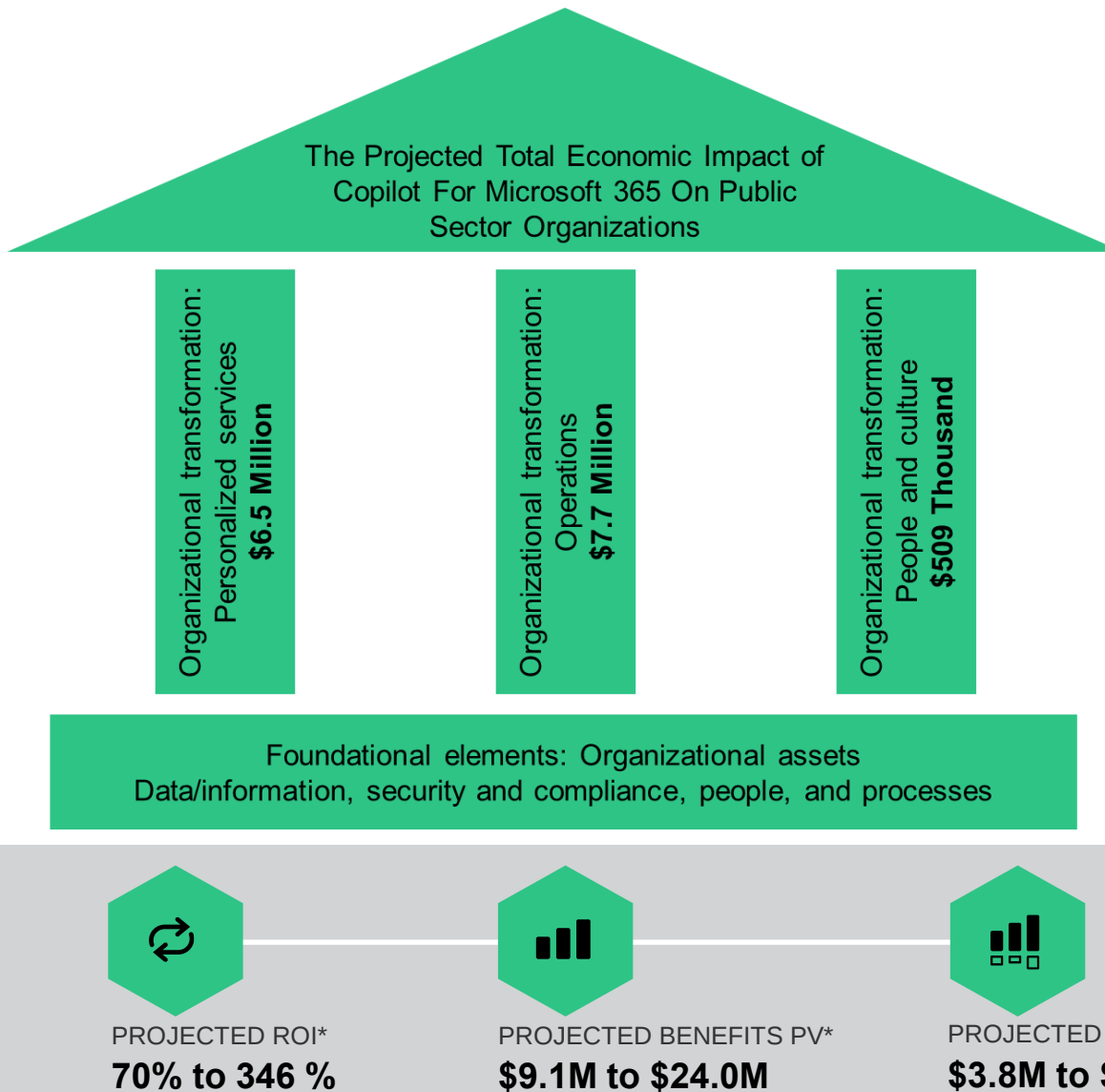


Additional employee productive days during new-hire onboarding period:

Up to 1,215 days

Business Transformation Across Three Pillars

Benefits (Three-Year, Mid-Scenario)



*ROI, PV and NPV definitions on page 11.

New Technology TEI Framework And Methodology



DUE DILIGENCE

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



INTERVIEWS

Interviewed five representatives at organizations using Copilot for Microsoft 365 in a pilot or beta stage and surveyed 27 business and IT decision-makers to obtain data with respect to 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 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.

Composite Organization

Forrester constructed a composite organization to evaluate the Total Economic Impact of Copilot for Microsoft 365 . The composite organization was constructed using characteristics of the five interviewees and 27 survey respondents.

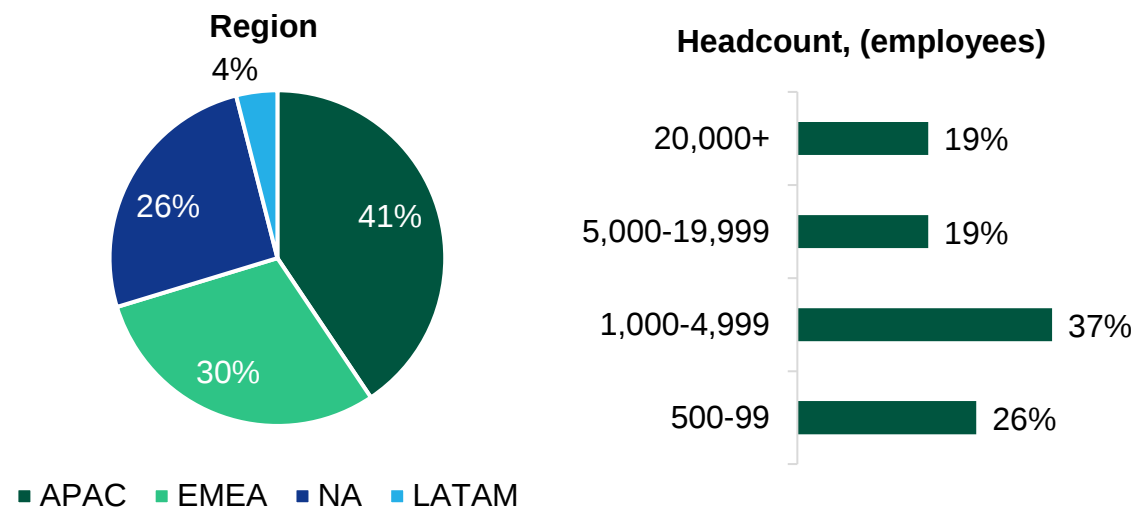
Forrester's composite organization has the following characteristics:

- Governmental entity with 10,000 full-time workers
- Total budget of \$10 billion, 20% of which goes to the general fund
- Plans to roll out Copilot for Microsoft 365 to 1,000 users in Year 1 and 1,500 users in Years 2 and 3

Characteristics Of The Interviews			
ROLE	INDUSTRY	REGION	EMPLOYEES
Head of Digital	Government	EMEA	150,000
IT Service Director	Government	APAC	200
Senior Director of IT	Government	NA	4,300
Chief Digital Officer	Higer Education	EMEA	4,400
Assistant Superintendent of Technology	K-12 Education	NA	15,000

“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



Base: 27 business and IT decision-makers responsible for AI strategy

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft

ORGANIZATIONAL TRANSFORMATION: PERSONALIZED SERVICES

As much as \$11.5 million in increased budget revenues

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.

Benefit Name					
REF.	METRIC	SOURCE	YEAR 1	YEAR 2	YEAR 3
A1	Annual budget		Composite	\$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
A3 _{Low}	Increase in revenues		Interviews	0.00%	0.05%
A3 _{Mid}				0.02%	0.10%
A3 _{High}				0.04%	0.20%
At _{Low}	Organizational transformation: Personalized services		A2*A3	\$0	\$1,000,000
At _{Mid}				\$400,000	\$2,000,000
At _{High}				\$800,000	\$4,000,000
Three-year projected total: \$4,000,000 to \$14,800,000			Three-year present value: \$3,100,000 to \$11,500,000		

“If we give our staff the tools they need to do their job and automate the mundane, we will become more customer focused.”

- IT service director, government

“Researchers write 10 grant proposals for every one they win. If we get that down to one a day that will be helpful.”

- Chief digital officer, higher education

ORGANIZATIONAL TRANSFORMATION: OPERATIONS

As much as \$11.7 million in cost savings



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.

Benefit Name					
REF.	METRIC	SOURCE	YEAR 1	YEAR 2	YEAR 3
B1	Annual general fund budget		A1*20%	\$2,000,000,000	\$2,000,000,000
B2 _{Low}	Decrease in general fund expenditures due to internal and external efficiencies	Interviews	0.00%	0.07%	
B2 _{Mid}			0.00%	0.10%	
B2 _{High}			0.05%	0.20%	
B3	Number of Copilot for Microsoft 365 users		Composite	1,000	2,500
B4 _{Low}	Operational cost savings per user (monthly)	B1*B2*B3/12 months	\$0	\$47	
B4 _{Mid}			\$0	\$67	
B4 _{High}			\$83	\$133	
Bt _{Low}	Organizational transformation: Operations	B3*B4*12 months	\$0	\$1,400,000	
Bt _{Mid}			\$0	\$2,000,000	
Bt _{High}			\$1,000,000	\$4,000,000	
Three-year projected total: \$7,400,000 to \$15,00,000			Three-year present value: \$5,700,000 to \$11,700,000		

“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].”

- Head of digital, government

“The IT staff saves 25% to 30% of time on activities like reading and writing emails and attending meetings.”

- Chief digital officer, higher education

ORGANIZATIONAL TRANSFORMATION: PEOPLE AND CULTURE

As much as \$706 thousand in additional new-hire productivity

Benefit Name						
REF		METRIC	SOURCE	YEAR 1	YEAR 2	YEAR 3
C1	Number of new hires per year			10,000*15%	1,500	1,500
C2	Percentage of new hires using Copilot for Microsoft 365			2x overall usage percentage	20%	50%
C3	Number of new hires using Copilot for Microsoft 365			C1*C2	300	750
C4	Days for onboarding prior to Copilot for Microsoft 365			Interviews	45	45
C5 _{Low}	Acceleration in new hire onboarding due to Copilot for Microsoft 365			Composite	2.5%	5.0%
C5 _{Mid}					5.0%	7.5%
C5 _{High}					10.0%	12.5%
C6 _{Low}	Days saved per new hire onboarded (rounded)			C4*C5	1	2
C6 _{Mid}					2	3
C6 _{High}					5	6
C7	New hire average hourly fully burdened daily cost			Composite	\$436.03	\$436.03
C8	Productivity of new hire during ramp			Interviews	30%	30%
C9	Time recaptured			Forrester standard	50%	50%
Ct _{Low}	Organizational transformation: People and culture			C6*C7*C8*C9	\$22,074	\$110,371
Ct _{Mid}					\$44,148	\$165,556
Ct _{High}					\$88,296	\$275,927
Three-year projected total: \$486,000 to \$894,000				Three-year present value: \$376,000 to \$706,000		



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.

“This is really good for disability and accessibility use cases. Deaf employees said this is life-changing for how they work.”

- Head of digital, government

“Copilot helps people move from mundane tasks into something more valuable. People want to do more fun things.”

- Chief digital officer, higher education

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. Microsoft's commitment to security was a main driver for why interviewees chose copilot.



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.



Increased support and accelerated broader AI initiatives.

Copilot for Microsoft 365 helps organizations move towards their AI goals.



“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.”

- IT services director, government

“Microsoft is a company that has strong security and commitments to security. This is much better than using any public AI tools.”

- Chief digital officer, higher education

Analysis Of Costs



COPILOT FOR MICROSOFT 365 LICENSES

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.



IMPLEMENTATION AND MANAGEMENT

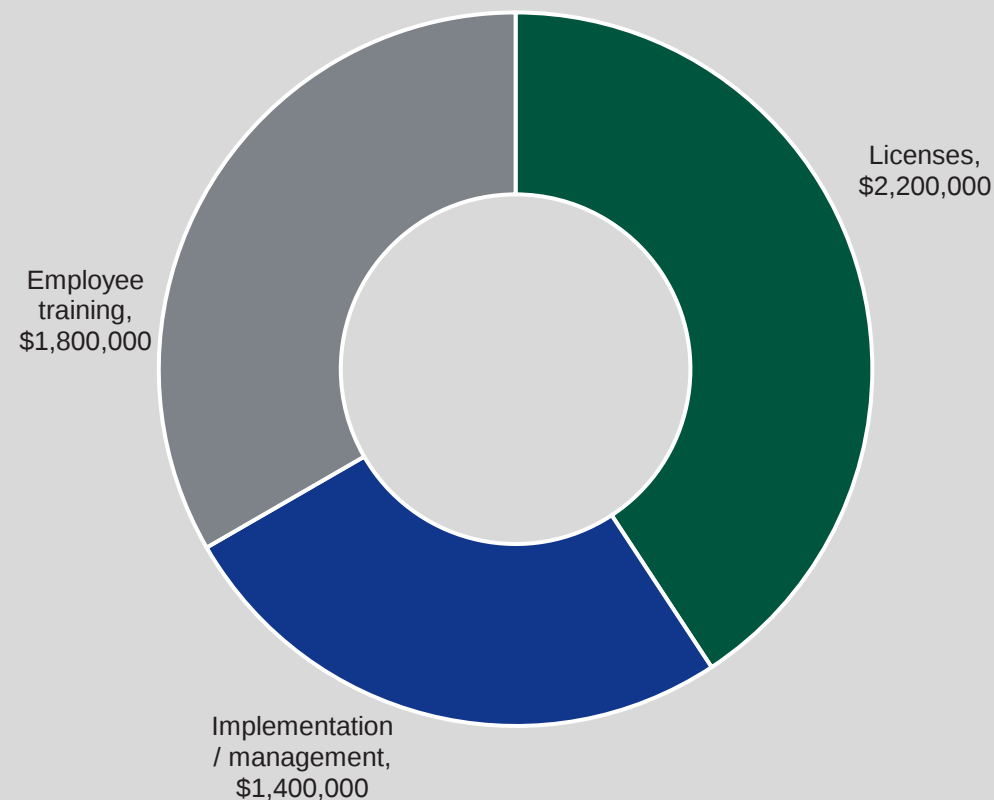
Initial implementation takes four months, requiring 4 FTEs on technical and change management. Ongoing technical and change management requires 3 FTEs in Years 1 and 2, increasing to 4 FTEs in Year 3. The monthly fully burdened cost for an FTE is based on an hourly cost of \$60.56.



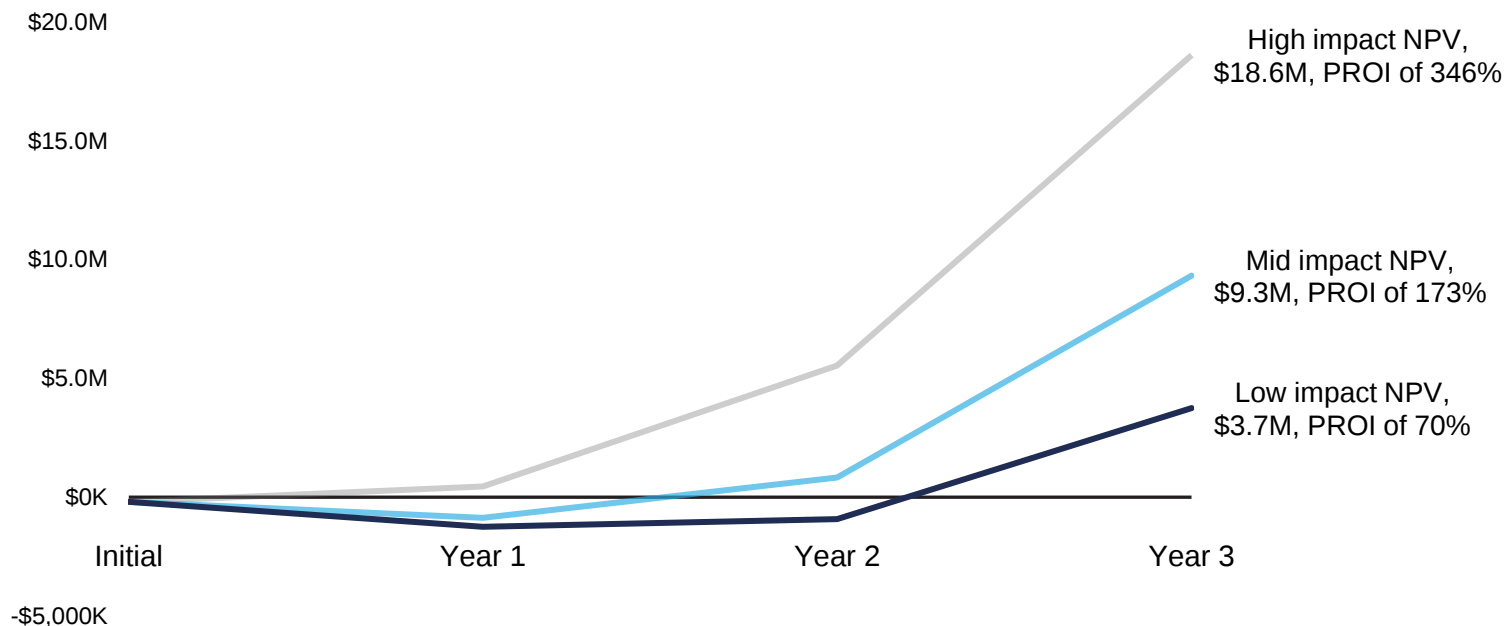
FORMAL AND INFORMAL EMPLOYEE TRAINING

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. 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.

Costs By Category



Three-Year Projected Financial Analysis For The Composite Organization



Cash Flow Analysis (Risk-Adjusted Estimates)						
	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	\$22,074	\$2,510,371	\$9,353,186	\$11,885,631	\$9,121,942
Total benefits (mid)	\$0	\$444,148	\$4,165,556	\$14,441,482	\$19,051,187	\$14,696,479
Total benefits (high)	\$0	\$1,888,296	\$8,275,927	\$20,529,779	\$30,694,002	\$23,980,569
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)	\$711,463	\$6,159,397	\$17,395,068	\$24,064,385	\$18,604,824

Financial Summary



Projected ROI
70% to 346%



Projected NPV
\$3.8M to \$18.6



Projected BENEFITS PV
\$9.1M to \$24.0M

Appendix A: New Technology: 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 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 senior management and 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 of the product. The projected cost category within New Tech TEI captures incremental ongoing costs over the existing environment that are 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."

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.



Projected return on investment (ROI)

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



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.



Net present value (NPV)

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.



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%.



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