



Do what matters

Avanade Trendlines AI Value Report 2025

Government and Public Service organizations have high hopes for return on AI investment, despite hard questions about people, data and technology



EXECUTIVE SUMMARY

AI Value Report 2025

The gap
between
expectation
and reality in
government
and public
services

AI Value Report 2025: The gap between expectation and reality in government and public services

Government agencies are less optimistic than other sectors about AI returns—although they do expect value to be created from productivity and cost-efficiencies. There is also significant interest in using AI to boost employee retention—amid fears around ethical issues and eliminating bias.

According to Avanade Trendlines: AI Value Report 2025 mid-market organizations have high hopes for their ROI on AI spend despite hard questions about people, data and tech. The government findings were based on 350 interviews with senior agency leaders and expressed mixed levels of optimism on the value from AI, but very clear direction in terms of what they want it to achieve.

Our findings speak to the complexity and scale of implementing AI in government. The sheer volume of stakeholders and participants who need to be taken on the journey can lead to longer implementation times and delayed returns on investment—and that is what our data is showing us.

At a glance: What government agencies are telling us

- **Governments are less optimistic about AI returns than other sectors:** Where most expect up to a 4X return on every \$1 spent on AI copilots and agents, government organizations typically expect up to a 2X return within 12 months.

- **Return on investment for government depends on productivity and cost-efficiency.** When questioned about the main method government agencies use to measure ROI from AI, 39% cited productivity gains, while 27% mentioned operational improvements.
- **There is significant interest among mid-market government agencies in using AI to boost employee retention.** Among the respondents from government sectors, 53% believed that automating tasks to enable employees to engage in more meaningful and fulfilling work is critical for staff retention.
- **Tackling ethical issues and eliminating biases in AI are top priorities for mid-market public agencies.** Approximately 34% of government organizations view building trust and managing ethical concerns as the biggest challenges to harnessing AI's full potential.

Extensive global survey focused exclusively on mid-market organizations

Our insights in this report are based on research with 4,100 decision-makers across Australia, Brazil, France, Germany, Italy, Japan, Netherlands, Spain, UK, and US. Respondents worked in organizations with between \$500M and \$5bn global annual revenue and from a range of private and public sectors. This includes 350 senior government agency leaders.





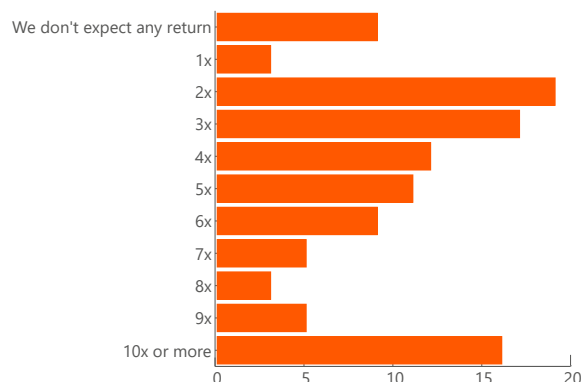
SECTION ONE

Government reports mixed levels of optimism for value from AI

Government reports mixed levels of optimism for value from AI

For every \$1 spent on AI copilots and agents, most expect up to 4X return in less than 12 months. Government respondents come in below the average with the highest percentage expecting 2X in less than 12 months. But 63% of them do want to see a return within 12 months.

Expected return from agencies that have deployed AI copilots and agents



"One of the biggest things that we were looking for when I was the deputy CTO at a **federal agency** was more efficiency."

Former Federal CTO

Our survey revealed varying degrees of optimism about AI's value among government respondents. While the general expectation is for a quadruple return on every dollar spent on AI copilots and agents within a year, the majority of government participants anticipated only a twofold or threefold return, although 63% hope to achieve this within 12 months. This highlights the complexity and scale of implementing AI in the public sector. The numerous stakeholders involved can prolong implementation timelines and delay ROI, as reflected in our findings. Additionally, a cautious approach to new technologies like AI is prevalent in government due to risk aversion, often resulting from heightened public scrutiny.

We recommend that governments identify promising areas for AI exploitation and conduct trials in those domains. Interestingly, 50% of our government respondents anticipate improved strategies and actions through the collaborative intelligence of humans and AI, indicating an acknowledgment of AI's potential to enhance data capabilities for more informed decision-making. This

capability can help governments tackle complex problems more effectively. AI collaboration also enhances ethical, transparent, and equitable delivery of public services. Regarding priorities, 44% of respondents would focus on collaboration and productivity tools, followed by the digitization of business process optimization (37%), improving call center efficiency (30%), and streamlining workflows (28%).

"We were taking tasks that our procurement office had to do, like comparative analyses between vendors and price comparisons... They had people sitting in front of computers doing this kind of research, and we created robotic process automations to do that in the background so that they could then focus on their other tasks."

Federal IT leader



Which of the following objectives is your organization prioritizing over the next 12 months?



Despite challenges, government agencies appear well-prepared for AI adoption, with 50% having fully implemented AI across their organizations and 37% partially implemented. These figures align closely with other sectors, where the average full implementation rate is also 50%. To facilitate this transition, 60% of government respondents plan to increase their AI budget by 10%, to 35%.

"We were achieving in minutes what they would achieve in weeks, and that's the kind of efficiency that I think that AI can help us with in the future."

Former Federal CTO



SECTION TWO

**Government
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Government sees ROI coming from productivity gains and cost efficiencies

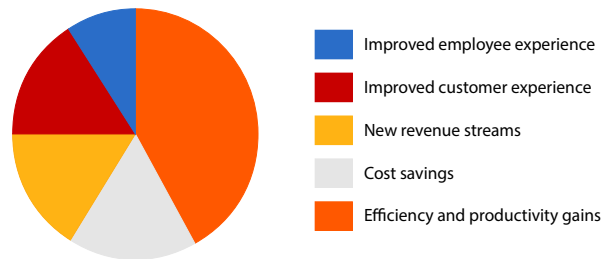
When asked about the primary way government agencies measure ROI from AI, 39% of agencies selected productivity gains and 27% operational improvements.

Governments face pressure to enhance operational efficiency, often delivering more with less funding. AI helps by handling routine tasks, allowing employees to focus on higher-value activities. This improves both productivity and strategic resource use.

Where budgets are tight, we see government agencies prioritizing productivity and cost efficiencies. According to our research, 42% of government leaders expect to realize the most value from AI through efficiency and productivity gains. Opinions about AI's impact on human roles by 2025 are split, with 85% of government respondents believing that AI investments are aimed at replacing employees for cost savings and efficiencies. However, when asked about human roles by 2025, 38% predicted an increase, while only 39% anticipated a decrease.

To deliver AI capabilities, 44% of agencies plan to build customized AI apps and tools. By 2025, 50% expect to derive value from better strategy and actions informed by human-AI collaboration, while 23% anticipate greater outputs from limited resources.

How do you expect your organization will realize the most value from AI by the end of 2025?



Overall, governments are gearing up for AI adoption, with 60% planning to boost AI budgets by 10%-35%. Surprisingly, we found that 50% of respondents have fully implemented AI, and 37% are partially implemented. This aligns with other sectors where the full implementation average is also 50%.





SECTION THREE

Agencies are using AI to increase employee retention

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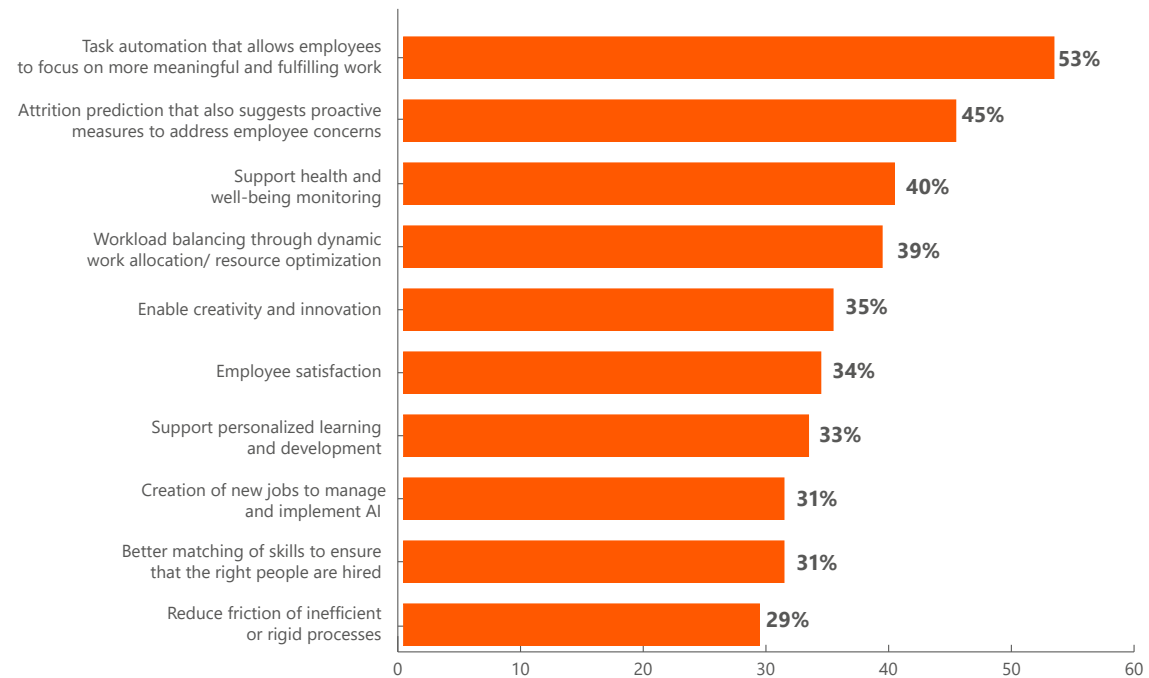
We found a strong desire among mid-market government agencies to adopt AI for employee retention. 53% of government respondents felt that task automation, allowing employees to focus on more meaningful work, was crucial for retention (compared to the cross-industry average of 39%). Additionally, 40% highlighted the importance of using AI for health and well-being monitoring, higher than the 25% in financial services and 27% in health sectors.

Employee retention in government agencies shows some concerning trends. Attrition rates are about 1% higher than cross-industry averages, with young federal employees in North America leaving at nearly 9% in fiscal 2021*. This trend heightens government agencies' enthusiasm for AI to improve retention.

Government respondents are optimistic about AI's potential, with 53% citing task automation as key to staff retention. Furthermore, 43% saw the most value in AI colleagues (e.g., Copilots) compiling information, compared to a 32% cross-industry average. This suggests [AI can help employees](#) focus on more fulfilling work.

* [These Are the Agencies Federal Employees Are Leaving at the Highest Rates - Government Executive](#)

In which of the following ways could the adoption of workplace AI tools lead to better employee retention in your organization?



53% of government respondents felt that task automation, allowing employees to focus on more meaningful work, was crucial for retention.

40% highlighted the importance of using AI for health and well-being monitoring,



We recommend agencies use generative AI and Copilots to automate repetitive tasks like meeting summaries, document drafting, and emails. This frees employees up for strategic initiatives, boosting both productivity and job satisfaction. Generative AI can also enhance training by providing adaptive, scalable, and personalized learning solutions, improving knowledge retention and skill development.

We additionally recommend Microsoft 365 Copilot to streamline documentation tasks. Avanade's Document Management System, can be used to query internal documents effectively, using a large language model. This approach saved one client 70% of their time to summarize Box Notes and Ministerial briefings with Copilot, and they now plan to extend this across 50 agencies.

35%

believe AI will
enable creativity and
innovation

43%

saw the most value in
AI colleagues compiling
information

39%

believe AI will help
workload balancing
through dynamic work
allocation/ resource
optimization



SECTION FOUR

Ethical concerns and the eradication of AI biases

Ethical concerns and the eradication of AI biases

34% of public service organizations believe that building trust and addressing ethical concerns are the most daunting obstacles they face in realizing AI's full potential.

A big priority for mid-market government and public service respondents was addressing ethical concerns and eradicating AI biases. They appear to be emphasizing compliance and regulatory rigor, as a result.

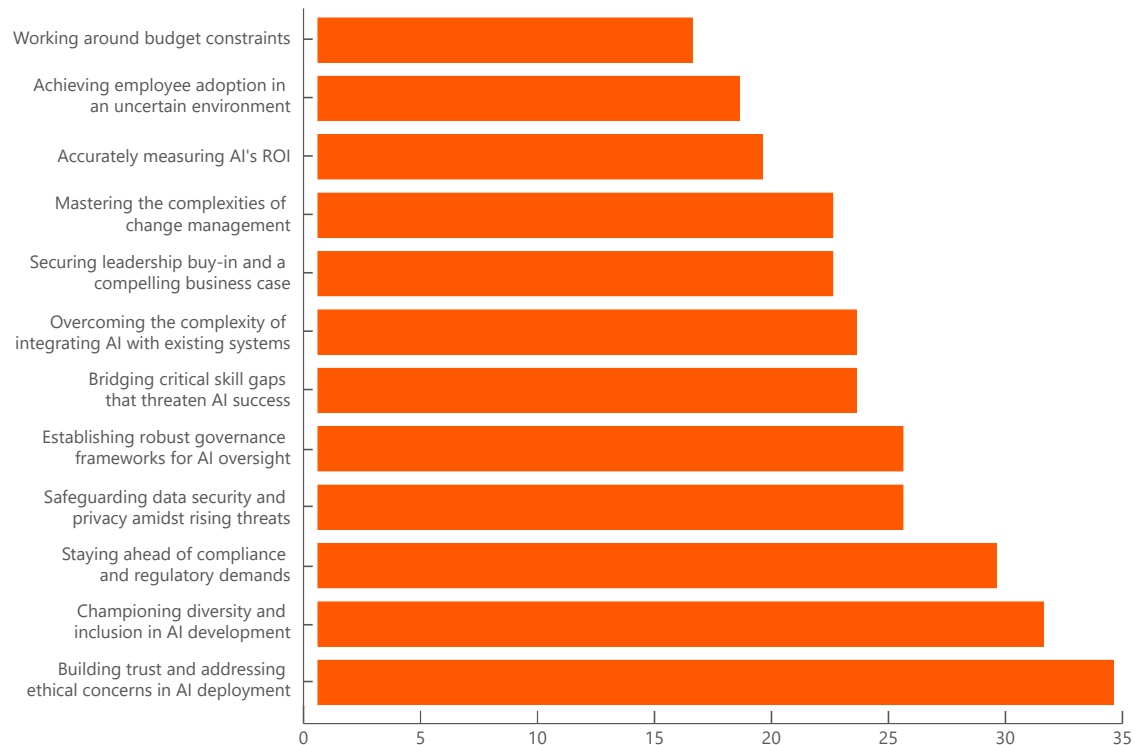
"I think the biggest impediment to that is culture and this cultural phenomenon that my data in my organization is mine and I'm not going to share it."

Former Federal CTO

When asked about legal considerations relating to AI adoption, 36% of public agencies told us they were extremely concerned about the **amplification of biases, leading to discrimination**. Here they were on a par with health organizations, but much higher than financial institutions and manufacturers.

Our findings show that public service organizations often struggle to build trust and address ethical concerns when implementing AI. To gain public confidence, they must clearly communicate their use

What are the most daunting obstacles your organization faces in realizing the full potential of AI?



of AI and decision-making processes. Mistakes in AI deployment can result in a loss of trust. About 49% of public service respondents have developed responsible AI guidelines—a similar number to other industries. Meanwhile, 40% are very worried about compliance with data laws, and 79% are concerned about AI amplifying biases and causing discrimination.

At the same time, 33% of agencies told us they are **targeting the institution of rigorous and formalized processes** for seamless AI Adoption—which again, was higher than average, with financial services citing 23%. In addition, 29% of agencies told us it is important to stay ahead of **compliance and regulatory demands**, compared with only 19% of financial services organizations. When asked to what extent regulations are forcing government agencies to reconsider investment plans in AI, 92% responded that they strongly or somewhat agreed (versus the cross-industry average of 88%).

Avanade recommends that public service agencies create robust, tailored AI governance frameworks that include policies, auditing processes and risk assessment mechanisms. In addition, we recommend they establish clear ethical AI deployment guidelines and frameworks—addressing bias, fairness, transparency and accountability. Involving a diverse range of stakeholders is equally important. This group can include the public in the development

and deployment of AI systems to ensure different perspectives are considered and that the AI systems serve the broader community.

Finally, providing ethical AI practice training and education to employees helps to foster a culture of responsibility and awareness.

“The biggest obstacle I have faced in the last several years... has been the duplication and the unnecessary use of that duplicated data because people don’t want to share it.”

Former Federal CTO



How we created this report

This report was created through collaboration by people across Avanade and select industry leaders. It combines inputs from primary research with our hands-on experience of AI on Microsoft across industry, technology, data, responsible AI, experiences, advisory, sales and marketing.

Survey methodology

Avanade commissioned independent market research firms McGuire Research Services and Vanson Bourne to undertake quantitative and qualitative research to understand the mid-market's experience in developing and implementing AI solutions and emerging technologies.

Across the two separate research projects, a total of 4,100 IT decision makers and senior business decision makers outside of IT were interviewed in August and September 2024, across Australia, Brazil, France, Germany, Italy, Japan, Netherlands, Spain, UK, and US. Respondents worked for organizations with \$500M to \$5bn global annual revenue in these industries: Banking, Consumer Goods and Services, Energy, Government, Healthcare, Life Sciences, Manufacturing, Nonprofit, and Retail.

The interviews were conducted online and were undertaken using a rigorous multi-level screening process to ensure that only suitable candidates were given the opportunity to participate.





Do what matters

For additional information: Avanade Trendlines full report

Avanade is the world's leading expert on Microsoft. Trusted by over 5,000 clients worldwide, we deliver reliable, AI-driven solutions that solve business challenges of all sizes and unlock the full potential of people and technology. We empower organizations to use Microsoft technology to optimize operations, drive growth, and foster innovation, enabling them to excel in delivering exceptional customer experiences.

Together with Accenture, we combine global scale with local expertise in AI, cloud, data analytics, cybersecurity, and ERP to create human-centered experiences. We are committed to doing what matters for our clients, their customers, employees and partners by designing solutions that prioritize people and drive meaningful impact.

Since 2000, Avanade has leveraged its close partnership with Microsoft to bring the latest technologies to market, serving as Microsoft's "Client Zero" and earning, with Accenture, Microsoft's Global SI Partner of the Year Award a record 19 times.

As a purpose-driven and responsible organization, Avanade champions diversity, inclusion, and sustainability, ensuring our work benefits society as well as drives business success.

Avanade. Do what matters. Learn more at www.avanade.com and follow us on LinkedIn.