

Human + AI Working Together



Going Beyond
Technology

INNOVATE
INFORM
INSPIRE

Chapter 4: The Intelligence Layer

In Chapter 3, we explored how Human-Agent Teams could transform the way organisations operate and examined Microsoft's vision for the Frontier Firm.

But an important question remains. How do intelligent agents know what to do?

The answer lies in what Microsoft increasingly describes as the intelligence layer.

Agents, Autopilots and digital workers are only as effective as the information, context and organisational understanding available to them. Without context, AI remains generic. With context, it becomes capable of supporting meaningful work.

In this chapter, we explore the technologies powering Microsoft's intelligence layer, including Microsoft Graph, Work Graph, Work IQ, Fabric IQ and semantic understanding. We also examine why data readiness is becoming one of the most important foundations for organisations preparing for the Agent First future.



Why Context Is Everything. AI Is Only As Intelligent As The Information It Can Access

Imagine asking a new employee to make an important business decision on their first day.

They don't know the organisation. They don't understand the people. They haven't seen previous projects. They don't know what has already been agreed. They have no awareness of priorities, risks or objectives.

Even if they are highly capable, their ability to contribute will be limited.

Now imagine the same employee after twelve months.

They understand the business. They know the key stakeholders. They understand the culture. They know where information lives. They have context. The quality of their decisions improves dramatically.

The same principle applies to Artificial Intelligence. Without context, AI can generate content and answer general questions. With context, AI can become genuinely useful. This is one of the most important differences between consumer AI tools and Microsoft's vision for Agent First. The real value does not come from the Large Language Model alone. It comes from the intelligence layer surrounding it.

Beyond the Large Language Model

When most people think about AI, they think about the model. The technology that generates text, answers questions and creates content. While these models are incredibly powerful, they are only one component of the overall solution.

On their own, they have limited understanding of:

- Your organisation
- Your customers
- Your projects
- Your policies
- Your data
- Your priorities
- Your people

They may understand language. They do not understand your organisation.





This is why Microsoft has invested heavily in creating an intelligence layer that sits above the model itself.

This layer helps AI understand:

- How work happens
- Where knowledge exists
- How teams collaborate
- What information matters
- What context is relevant

The result is AI that is grounded in organisational reality rather than generic internet knowledge.

Microsoft Graph

The Foundation of Organisational Understanding

At the heart of Microsoft's AI ecosystem sits Microsoft Graph. For years, Microsoft Graph has quietly powered many experiences across Microsoft 365. It acts as a map of organisational activity.

Every day it observes and connects:

- Emails
- Meetings
- Documents
- Teams conversations
- Calendars
- Tasks
- Relationships
- Collaboration patterns

Over time, Graph develops a rich understanding of how people work together. Not the content itself. But the relationships between information, people and activities.





For example:

Graph understands:

- Who works together regularly
- Which documents are important
- What projects are active
- Which meetings relate to specific activities
- How information flows across teams

This becomes incredibly valuable for AI. Rather than responding blindly to prompts, AI can draw upon organisational context. It begins understanding not just information, but how work happens.

Introducing the Work Graph

As Microsoft evolves towards Agent First, the concept of the Work Graph becomes increasingly important. If Microsoft Graph maps information and relationships, Work Graph helps AI understand work itself.

Think about everything that happens inside an organisation.

Projects. Approvals. Decisions. Meetings. Commitments. Actions. Objectives. Deadlines.

Traditionally, these activities are spread across multiple systems. Humans connect the dots.

The Work Graph aims to help AI connect those dots too. This creates the foundation for agents that can:

- Understand priorities
- Track progress
- Monitor commitments
- Support decision-making
- Coordinate outcomes

Without this understanding, an agent can complete tasks. With it, an agent can contribute to meaningful work. This distinction is critical.



Work IQ

Understanding How Work Happens

One of the emerging concepts within Microsoft's Agent First vision is Work IQ. At its simplest, Work IQ is designed to help AI understand organisational activity more deeply. Rather than simply accessing information, Work IQ provides intelligence about how work is performed.

Questions Work IQ helps answer include:

- What are employees working on?
- What activities are consuming time?
- Where are bottlenecks emerging?
- Which priorities require attention?
- How are teams collaborating?
- What commitments have been made?

This creates a richer understanding of organisational behaviour. For leaders, this becomes particularly valuable. AI can move beyond generating outputs and begin supporting better operational awareness.

Imagine asking:

"What are the biggest risks currently affecting programme delivery?"

Or:

"Which teams are experiencing the highest workload pressures?"

Or:

"What commitments made during recent leadership meetings remain outstanding?"

These are not simple search queries. They require organisational understanding. That is the role Work IQ is designed to support.



Fabric IQ

Unlocking Enterprise Knowledge

While Work IQ focuses on understanding work, Fabric IQ focuses on understanding data. Many organisations possess vast amounts of information. The challenge is that it often exists in different systems.

Data warehouses. Business applications. Line-of-business systems.
Operational databases. Reporting platforms.

Traditionally, bringing these sources together has required significant technical effort. Microsoft Fabric changes this by providing a unified data platform designed to connect, manage and analyse organisational information.

Fabric IQ builds upon this foundation. It helps AI reason across enterprise data in a meaningful way. This creates opportunities for agents to:

- Analyse operational performance
- Identify trends
- Support forecasting
- Surface insights
- Provide recommendations

For many organisations, Fabric IQ becomes one of the most important building blocks of Agent First. Because intelligence is only as good as the data supporting it.

Semantic Understanding: Why Meaning Matters

Data alone is not enough. AI must also understand meaning.

Consider the word "case".

- For a local authority, it may refer to a citizen enquiry.
- For a police force, it may refer to an investigation.
- For healthcare, it may refer to a patient record.
- For a university, it may refer to a student support issue.

Humans understand these distinctions naturally. AI requires additional context. This is where semantic models become increasingly important.





Semantic models help AI understand:

- Business terminology
- Organisational language
- Relationships between concepts
- Context-specific meaning

This allows agents to generate more accurate and relevant outputs. Without semantic understanding, AI guesses. With semantic understanding, AI reasons.

Why Generic AI Is Not Enough

Many organisations begin their AI journey using public AI tools. These can provide significant value. However, they often lack access to organisational context.

As a result, they cannot:

- Understand internal policies
- Access business systems
- Interpret organisational priorities
- Learn from enterprise data
- Operate within business processes

This is where Microsoft's approach becomes different. The objective is not simply to provide a powerful AI model. The objective is to combine AI with organisational intelligence.

The result is AI that understands:

- Your people
- Your data
- Your processes
- Your objectives
- Your governance requirements

This becomes increasingly important as organisations move towards autonomous agents and digital labour. The more responsibility agents take on, the more context they require.



Why Data Readiness Matters

One of the biggest misconceptions surrounding Agent First is that success starts with AI. In reality, success often starts with data.

Organisations frequently ask:

"Are we ready for agents?"

The answer depends heavily on questions such as:

- Is our information accessible?
- Is our data trustworthy?
- Are our systems connected?
- Are permissions well managed?
- Do we understand where knowledge exists?

Agents cannot create intelligence from poor-quality information. They amplify what already exists. This means organisations preparing for Agent First should focus on:

- **Data Quality**
 - Can information be trusted?
- **Data Accessibility**
 - Can agents access relevant information?
- **Information Governance**
 - Are controls and permissions defined?
- **Knowledge Management**
 - Do employees know where information lives?
- **Platform Modernisation**
 - Can systems share information effectively?

These foundations become increasingly important as AI capabilities mature.

The Intelligence Layer and Public Services

For public sector organisations, the intelligence layer presents enormous opportunities. Many organisations already possess the information required to improve services. The challenge is accessing it effectively.



Imagine:

- A council agent able to analyse years of policy decisions and service data.
- A healthcare agent able to surface relevant patient information more efficiently.
- A police agent able to identify patterns across large volumes of intelligence.
- A university agent able to support student outcomes through proactive intervention.

The intelligence already exists. The challenge is making it available when needed. This is precisely what the intelligence layer is designed to achieve.

Why This Chapter Matters

It is easy to view Scout, OpenClaw, Autopilot and other agents as standalone technologies. In reality, they are only effective because of the intelligence supporting them. The intelligence layer is what transforms AI from a productivity tool into a strategic capability.

It provides the context required for:

- Better decisions
- More relevant recommendations
- Greater automation
- Improved service delivery
- Human-Agent collaboration

In many ways, the intelligence layer is the foundation upon which the entire Frontier Firm is built.

Key Takeaways

Large Language Models are only one component of Microsoft's Agent First vision. The real value comes from combining AI with organisational intelligence.

Microsoft Graph, Work Graph, Work IQ and Fabric IQ help provide the context agents need to understand people, work and data. Semantic models help AI understand organisational language and meaning.

Data readiness becomes a critical success factor for Agent First adoption. The organisations that gain the greatest value from AI will not necessarily have the most advanced agents. They will have the strongest intelligence foundations. Because in the Agent First era, context is everything.





How CPS Can Help

The success of Agent First depends on strong data foundations. CPS helps organisations modernise data estates, unlock organisational knowledge and build the intelligence layer required to support Copilot, Agents and future AI capabilities through Microsoft Fabric, Microsoft 365 and Power Platform.

CPS | Microsoft Partner of the Year – Copilot & Agents

**AI Strategy | Copilot | Copilot Studio & Agents | Agent Factory | Microsoft Fabric |
Dynamics 365 | Power Platform**

Get in touch via hello@cps.co.uk



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