



The Government Contractor's Guide to AI Implementation

A 2024 GAUGE Report eBook

ANNUAL INDUSTRY ROADMAP OF BENCHMARKS AND TRENDS
Guiding Government Contractors into 2025 and Beyond

Introduction

About the eBook

The goal of this eBook is to illuminate industry attitudes and perspectives towards artificial intelligence strategies and tools, examine benchmarks and behaviors, and provide insights for how government contractors can use AI to achieve sustainable efficiencies, and scalable growth in the current business landscape. It focuses on applying AI to business tasks, financial data, and internal operations at your firm that can add greater efficiencies and insight for more success.

Findings are from our [2024 GAUGE Report - Balancing Efficiencies & Compliance w/ AI Insights](#) - based on 1,255 contributors gathered from a wide range and variety of self-identified government contracting professionals and related communities. Survey responses were collected between February and April of 2024. The survey, which lasted 15-20 minutes, consisted of closed-ended questions.

The current state of government contracting

In a fluctuating market landscape, the government contracting industry stands as a bastion of stability and reliability. Growth is anticipated to remain steady, the President's Department of Defense budget has gone up 3% from last fiscal year, and no major upheavals are expected going into the election season.

However, survival is never assured. For government contractors, uncovering opportunities and winning new business are ongoing and urgent concerns. Business development is a continued challenge. Resource recruiting and retention is top of mind for leaders.

Additionally, compliance burdens are intensifying. Business systems are appearing more frequently on RFP solicitations. **A QUARTER OF FIRMS SPEND OVER 40 HOURS A MONTH ON COMPLIANCE, AND OVER A THIRD ARE CONCERNED WITH GAINING EFFICIENCIES.** With CMMC 2.0 coming into effect as early as December 2024 and likely to include some ESG component in the future, compliance costs will increase quickly and soon. To get ahead, GovCons need to find ways to become more profitable and efficient without compromising compliance.



Kim Koster
VP of Product Marketing, Unanet

A handwritten signature in black ink that reads "K. Koster".

Key findings from the 2024 GAUGE Report:

You can find the 2024 GAUGE Report at: info.unanet.com/2024-gauge-report

57%

list new revenue resources as their most or second-most significant financial challenge

69%

experience issues winning new contracts

45%

cite lack of business development resources as a challenge

47%

find lack of qualified talent to be an operational challenge

44%

are worried about resource recruiting and retention

37%

are concerned with gaining efficiencies

Where does AI come in?

Firms are always looking to drive smart, strategic, informed business development decisions on emerging opportunities, what contracts to pursue, how to price themselves, and how to predict win probability. Meanwhile, day-to-day operations—accounting, resource management, project management—must continue apace while firms find ways to streamline these, too.

This is not easy to do, especially for small or midsize businesses (SMBs) with annual revenues under \$25M, which often face greater cost pressures and resource shortages. Fortunately, artificial intelligence can help firms do more, faster, with less.

What GovCons need to know about AI

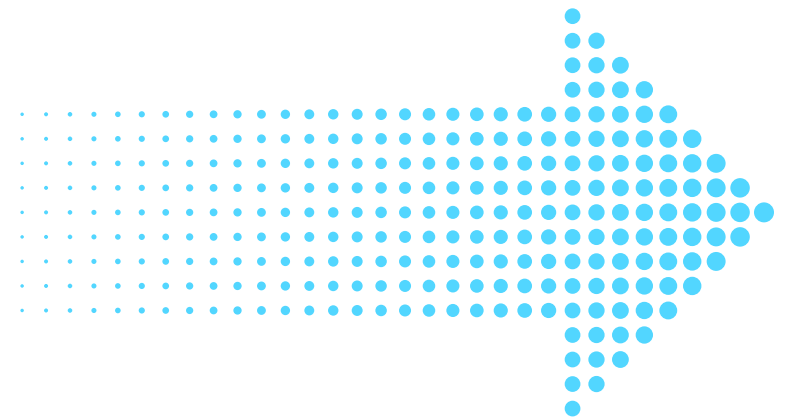
Many fear that AI technology will soon replace people. This is not true—but people using AI will replace those without AI. Though AI's full impact on our industry is yet to be seen, there is no doubt that it will prove a valuable ally in navigating the pressures facing GovCons today.

There are many types of AI, from natural language processing (NLP) tools like the famous large language model (LLM) ChatGPT, to predictive tools and machine learning (ML) algorithms, each with its own advantages.

Growth-minded GovCon businesses can no longer afford to ignore AI's many beneficial enhancements: automating tasks, validating data, predicting and forecasting, preparing proposals, checking clauses, and acting as a virtual assistant. AI can analyze data trends and offer strategic recommendations, detect operational issues and flag anomalies, turn a photo of an invoice into a cost entry, or pull information from multiple platforms into a single dashboard in real time without requiring human intervention.

While a measured approach is needed to manage any regulatory, security, and ethical risks, using AI to optimize operations where possible allows GovCons to focus more on building and maintaining relationships—the lifeblood of our industry's economy.

Not all organizations or areas are ready to incorporate AI into their core strategy and operations. Before getting started, assess your readiness with our AI maturity model on the next page.



AI Maturity Model

Where do you and your company stand?

LEVEL 1 Resistant

1. Siloed data. Large amounts of unprocessed (dark) data.
2. Limited business intelligence. Basic or unreliable forecasts.
3. Unclear or rarely reviewed processes.
4. Heavy reliance on spreadsheets or manual tools. Little automation and no AI usage.
5. No dedicated committee for governance. No expert stakeholders.
6. Limited understanding of secure, compliant AI implementation.
7. Disjointed tools and processes make auditability a challenge.
8. People are resistant to or uninterested in the idea of using AI.
9. There are no internal champions. Leadership is minimally engaged.

LEVEL 2 Curious

1. Some data systems are integrated. Data occasionally reviewed and cleansed.
2. Static business intelligence. Regular performance of key forecasts.
3. Clear, occasionally reviewed procedures.
4. Mix of spreadsheets and purpose-built platforms. Some automation. Ad hoc AI use.
5. Governance falls within other committees. Some knowledgeable stakeholders.
6. Compliance and security considerations for AI implementation are understood.
7. Some audit challenges due to partial integration and basic processes.
8. People are interested in using AI for core business functions in the future.
9. There are a few identifiable internal champions. Leadership is supportive.

LEVEL 3 Emergent

1. Significant integration of key data systems. Regular data management.
2. Dynamic business intelligence. Comprehensive, frequent, and regular forecasting.
3. Detailed, regularly reviewed policies and procedures.
4. Mostly purpose-built platforms. Significant automation. AI use in many business areas.
5. Standalone technology committee with experienced and knowledgeable stakeholders.
6. AI implementation follows industry best practices for compliance, with adoption and change management still needed.
7. High level of auditability from centralized platforms and defined processes. Audit deficiencies defined and assessed.
8. People are comfortable with and actively use AI for core functions in their business area.
9. Internal champions lead AI initiatives. Leadership provides guidance.

LEVEL 4 Mature

1. Full, seamless integration of data systems. Robust, proactive data management.
2. Real-time dynamic business intelligence with advanced analytics and predictive forecasting.
3. Robust governance framework with regular audits and updates.
4. Purpose-built platforms customized to business needs. Significant automation. Firm-wide AI use.
5. Cross-functional technology committee. Stakeholders with deep subject matter expertise.
6. AI implementation fully compliant to regulatory standards and full change management phases implemented.
7. Clear audit trail from centralized infrastructure and standardized operating procedures, with rotational audits occurring utilizing AI.
8. People are proficient at using AI and identifying potential new applications. AI competency is assessed in performance evaluations.
9. Internal champions are a part of key management positions. Leadership collaborates to drive AI strategy.

How an AI strategy can drive growth and efficiency

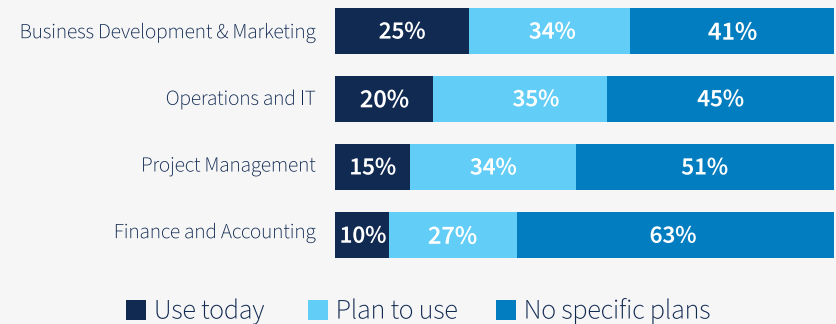
How is the government contracting industry using AI?

One third of the industry is using artificial intelligence; AI has gained a real foothold in Business Development and Marketing, areas where tools like ChatGPT and predictive AI are very attractive. Generative AI can help streamline proposal generation by reducing effort through simple prompts and past data, allowing teams to focus on assessing fit and planning pursuits, while also summarizing competitors, customer contacts, and key requirements – a big lift for these departments. More than half of GovCon firms either currently use or plan to use AI in these business areas in the next year. Finance and Accounting remains a no-go zone for most firms.

The most prolific users of AI tend to be firms with revenues between \$25M and \$50M—not only are they leading the charge for AI usage today, they also plan to more significantly increase AI usage in Business Development and Marketing. It seems these firms have been particularly quick to recognize the value of AI in achieving growth and efficiency as they navigate the tricky transition from midsize company to other than small business (OTSB) enterprise.

Getting risk-averse functions like Finance and Accounting to buy into an AI-driven strategy may be a question of investing in training, education, and socialization. It's an investment worth making now, before the gap between AI users and non-users becomes impassable.

What areas of your business are leveraging AI technology today or plan to in the next 12 months?

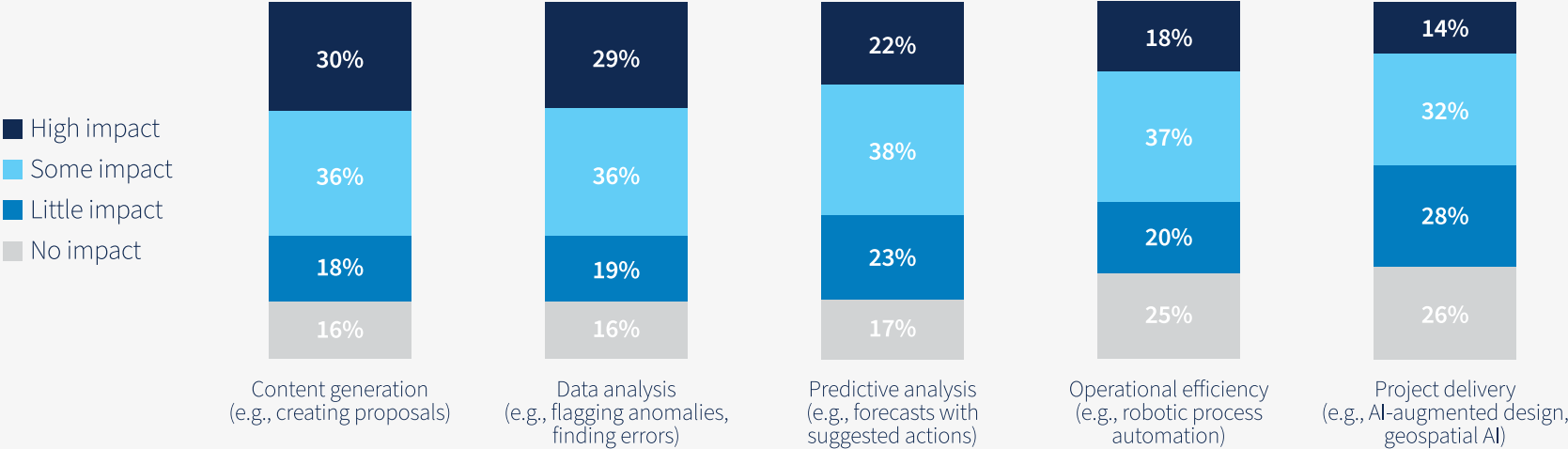


		2024 Annual Revenue				
		Total	\$0 - <\$10M	\$10 - <\$25M	\$25 - <\$50M	\$50M+
Business Development & Marketing	Use today	25%	20%	27%	33%	22%
	Plan to use	34%	34%	28%	41%	34%
	No specific plans	41%	46%	45%	26%	44%
Operations & IT	Use today	20%	11%	18%	35%	21%
	Plan to use	35%	34%	36%	33%	38%
	No specific plans	45%	55%	46%	32%	41%
Project Management	Use today	15%	9%	16%	28%	12%
	Plan to use	34%	35%	34%	35%	34%
	No specific plans	51%	56%	50%	37%	54%
Finance & Accounting	Use today	10%	6%	9%	17%	10%
	Plan to use	27%	26%	27%	28%	28%
	No specific plans	63%	68%	64%	55%	62%

About two-thirds of firms believe AI will offer some level of benefit for content generation and data analysis—key disciplines for business development. The applications are wide-ranging: writing proposals, analyzing market data, triaging opportunities, examining historical performance, validating compliance for bids, predicting win probability, and more.

AI also holds tangible benefits for utilization and efficiency. OTSBs more frequently believe AI will greatly benefit predictive analytics, operational efficiency, and project delivery. Top-earning firms also tend to believe it will highly improve data analysis.

Please rate the potential positive impact of AI technology on the following areas of your business



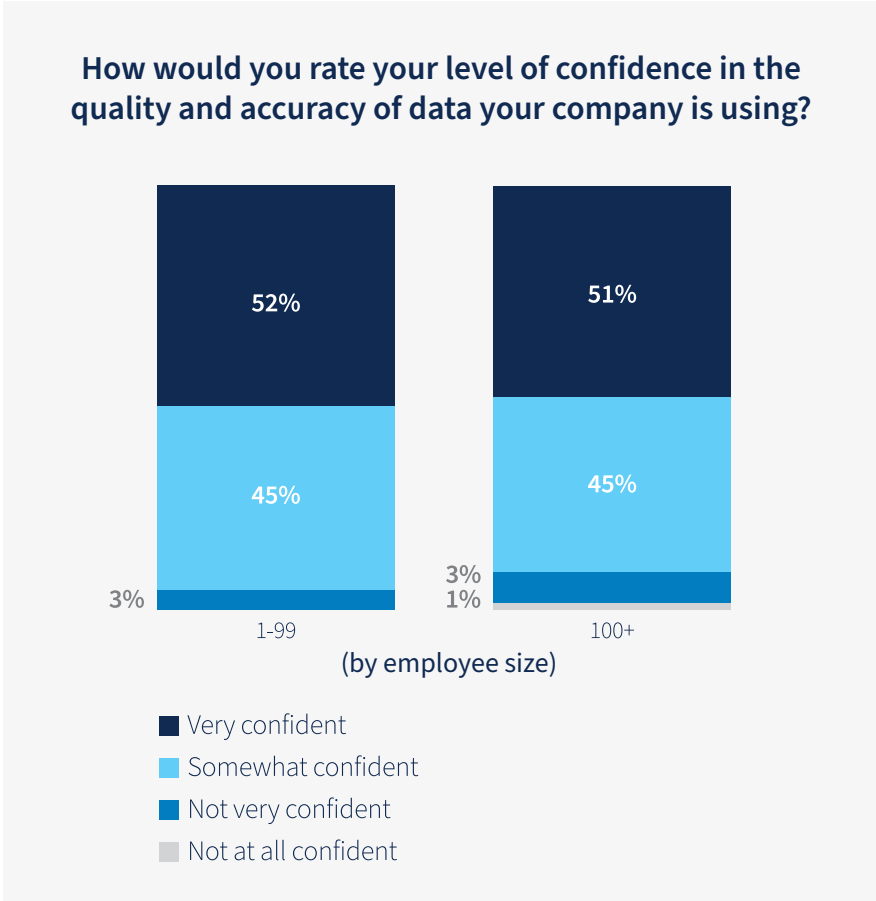
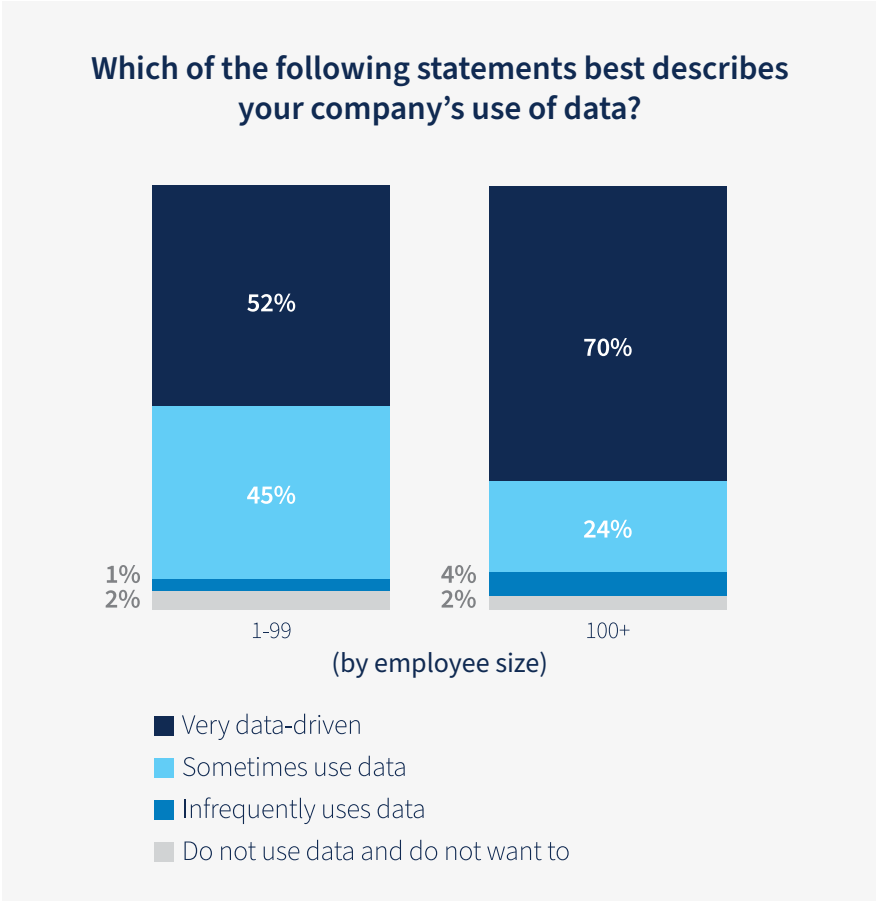
Laying the groundwork to extract the most benefit from AI

AI runs on data; the better the data, the more effective the AI. It follows, therefore, that OTSBs who more frequently use AI would also more frequently consider themselves “very data-driven,” meaning they use data on a regular or daily basis to drive business activities, to assess performance, and to make decisions.

Interestingly, the firms that are most confident in the accuracy and quality of their data are those with revenues between \$25M and \$50M—the

same cohort that is most actively using AI today. These trends are a clear indication that data integrity must be a strategic focus for SMBs and OTSBs alike.

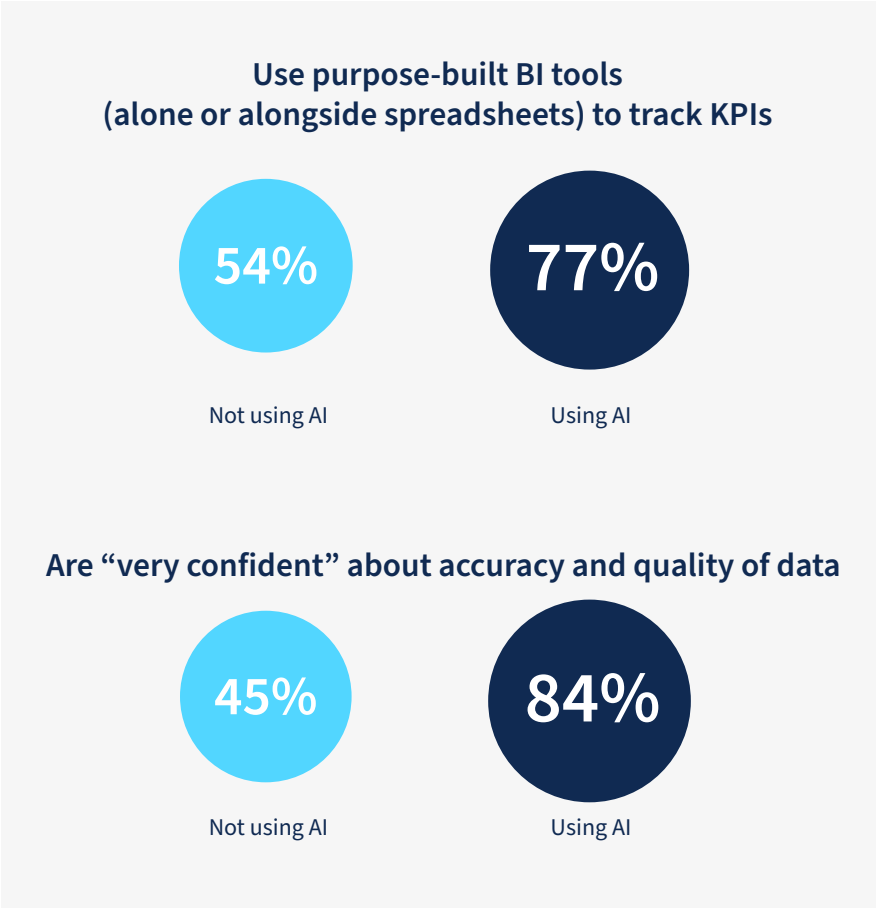
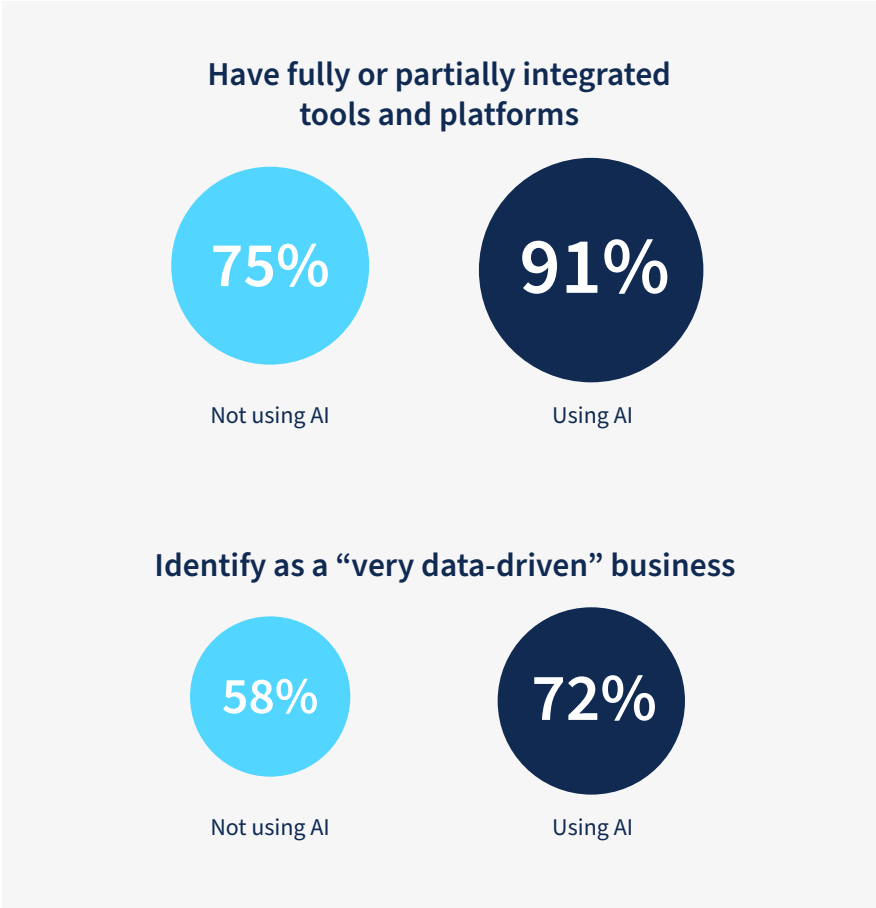
It’s clear from the research that firms with the scale to maintain data hygiene, integrate their systems, and invest in the right tools are reaping the benefits of AI.



Mature tech practices are an indicator for successful use of AI

Data maturity is not the sole predictor of successful AI use. Firms that use AI—whether with or without organizational governance—tend to have more mature tech practices: they more often use purpose-built tools to capture and report on business intelligence (BI) data, and have more fully integrated software infrastructures that permit data to flow seamlessly across business areas, teams, and applications.

It's clear from the research that firms with the scale to maintain data hygiene, integrate their systems, and invest in the right tools are reaping the benefits of AI.



About the risks of using (and not using) AI

Widespread AI usage is still so new that there are few regulatory frameworks and safeguards, and no laws mandating their use. AI introduces new possible points of failure and raises concerns about auditability, accountability, and cybersecurity. Some government contractors leverage AI for defense services like intelligence and data analysis, but face significant challenges in this application - including legal concerns over IP and data provenance in these highly regulated areas. From an ESG perspective, the economic and environmental cost of AI must be considered—including tracking carbon footprint, water use, waste, and even human capital data.

There are also ethical considerations to address. Bias in the training data means bias in the AI model—a troubling phenomenon that has been observed in AI-enhanced hiring practices. Better data can mitigate, but never entirely eliminate, the risk of bias or hallucination, which occurs when AI models blatantly fabricate incorrect information.

Though these risks are real, and many remain mistrustful of using AI, it may be that greater risk is in not using AI. Firms must proceed with caution, but they must nevertheless proceed.

SEVEN STEPS TO KICK-START YOUR AI TRANSFORMATION PLANNING

- 1. Identify** processes and systems where AI can provide the most benefit.
- 2. Build** internal expertise with leaders and key personnel who understand AI governance.
- 3. Prepare** organizational data, ensuring its security, cleanliness, accuracy, and relevance.
- 4. Assess** your cybersecurity and privacy risk profile; implement measures to enhance security where needed.
- 5. Map** processes and tools to compliance requirements, keeping industry regulations in mind.
- 6. Pinpoint** AI-based tools and platforms to enable the outcomes desired by the business.
- 7. Plan** for a phased implementation across core systems and find areas where quicker AI implementation wins are possible.

Take our quiz: what kind of AI is right for you?

Which of these business development activities do you currently find most challenging?

- A) Writing compelling custom-made proposals
- B) Using past data to score and qualify opportunities
- C) Consolidating data across multiple systems

Which of these would be most valuable to you when creating a proposal?

- A) Validating the proposal for compliance against the contract
- B) Calculating its probability of win (Pwin)
- C) Seamlessly sharing data across departments when writing

Which of these possibilities do you find most exciting?

- A) Developing innovative ideas to generate customer demand
- B) Getting data-driven recommendations to bid/no-bid
- C) Allocating more hours to growth initiatives

Which of the following do you most want to scale?

- A) Creating customized, high-quality content
- B) Analyzing bigger, more varied sets of data
- C) Optimizing resource utilization and efficiency

Which of these statements best describes your data situation?

- A) The main issue isn't data; it's knowing how to frame it persuasively
- B) Too much time is lost combing through massive datasets when preparing bids
- C) The data exists, but it's a pain to find, export, and use

What would you love to start doing/do more of?

- A) Create case studies, white papers, and industry reports to showcase our expertise
- B) Leverage market trends, competitor data and customer insights to inform our strategy
- C) Streamline our pipeline management with things like automated follow-up emails

Which of these is holding your business development team back?

- A) We don't have enough time to devote to RFPs
- B) We aren't getting enough insight out of our data
- C) Our data is scattered across too many systems

How did you score?

If you answered mostly A's:

Look into generative AI solutions, which are great for writing, content creation, and coming up with new ideas.

If you answered mostly B's:

A predictive AI tool will help you pull out the incisive insights you're looking for to really level up.

If you answered mostly C's:

You would benefit from predictive and automation AI tools to take over routine tasks so you can focus more on growth.

MANY SOLUTIONS ARE MULTIFUNCTIONAL. TO FIND THE RIGHT ONE, BE SURE TO DEFINE CLEAR, SPECIFIC AI SOFTWARE CRITERIA.

A Big Thank You!

The goal of the the GAUGE is to provide the government contracting industry with a reliable, insightful, timely benchmarking resource—one that GovCon execs can trust, reference, and use to guide their decision-making. We're immensely grateful to everyone in the GovCon community who took the time to share the insights, data and experiences that shape every GAUGE Report. Thank you for your continued support. Without you, there is no GAUGE.

About Unanet

Unanet is a leading provider of project-based ERP and CRM solutions purpose-built for government contractors, architecture, engineering and construction firms, and professional services firms. More than 4,000 project-driven organizations depend on Unanet to turn their information into actionable insights, drive better decision-making, and accelerate business growth—all backed by award-winning support delivered by a people-focused, forward-thinking team for whom the success of your projects, people, and financials is paramount. For more information, visit www.unanet.com.

Contact Us

Have questions or comments about the GAUGE Report? Want to share your insights by taking part in future surveys? Reach out to Unanet, and let us know how we can make the GAUGE even better for you.

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8TH EDITION

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