

The enableUC logo is positioned in the top left corner. The background of the entire slide features abstract, overlapping geometric shapes in shades of blue, purple, and black. In the top right corner, there is a network diagram consisting of several blue dots connected by thin white lines, forming a complex, interconnected web.

enableUC

Driving Business Value Through Smarter Microsoft Licensing

A practical approach to cost optimization,
adoption, and maximizing business impact



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The logo for enableUC is positioned in the top left corner. It features the text "enableUC" in a white, sans-serif font. Above the text is a network diagram consisting of several white dots connected by thin white lines, forming a geometric shape. The background of the top half of the page is a vibrant blue with abstract, curved shapes in shades of purple and black.

enableUC

AUTHOR

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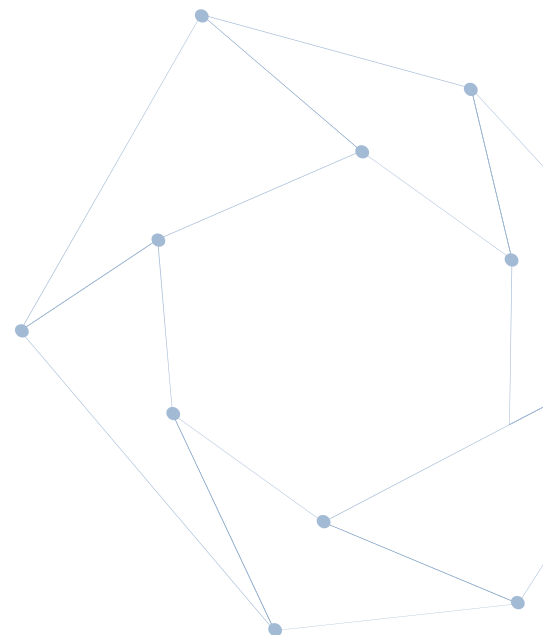


Kevin is a globally recognized unified communications, collaboration, AI and technology thought-leader, strategist, and implementation leader. He was recently honored as the top UC Today UC All-Star.

Kevin is part analyst and part consultant, which ensures he understands both the "big picture" and the real-world realities. He helps organizations plan for and effectively implement new technologies. He works with vendors to provide competitive intelligence, product strategy, and to help refine and amplify key messages to generate demand.

He has led the development of many technology strategies for medium and large organizations and managed the deployment of hundreds of thousands of Microsoft calling and collaboration seats.

A long time ago Kevin created an award-winning game for the Commodore 64 and ever since has been focused on using technology creatively to deliver effective value.





Preamble

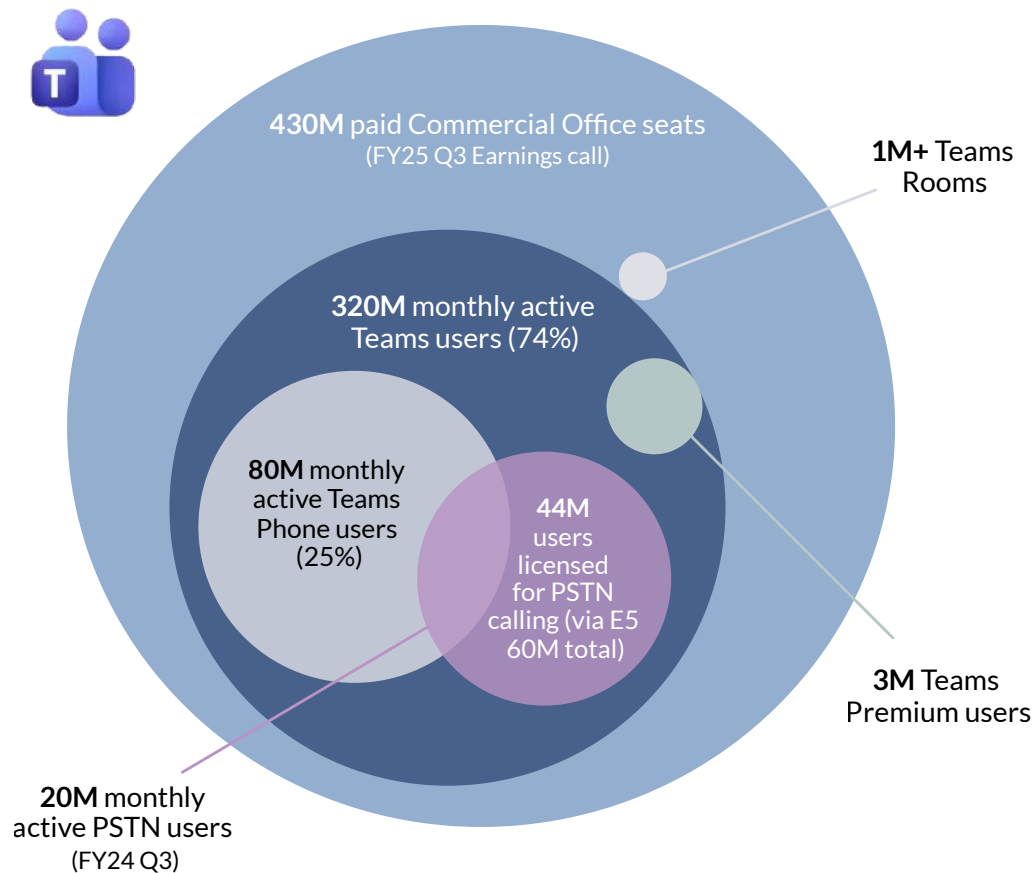
On a macro level, the hundreds of millions of commercial Microsoft Office users spend between \$7 billion USD and \$9 billion USD a month on software licenses. On an annual basis, this \$100 billion spend is larger than the entire U.S. movie industry, and roughly equal to the spend on federal education. Put differently, it's the scale of a national economy, bigger than countries like Slovakia or Ecuador.

Overall, the usage of Microsoft Office licenses drives an estimated \$1.2 trillion in annual economic output.

At roughly \$1.2 trillion in annual economic output, the productivity enabled by Microsoft 365 is on the scale of a G7 economy, larger than the entire GDP of Mexico or Spain, roughly equal to South Korea's economy, and greater than the combined GDPs of Switzerland and Sweden. It rivals the U.S. federal Medicare budget, and in the corporate world it is more than twice Amazon Web Services (AWS) revenue.

At a micro (or individual organizational) level, appropriately assigning and then maximizing the business value of the Microsoft licenses you are paying for, along with ensuring you are paying for the licenses you need, can drive revenue and reduce costs.

Effective license management is even more important given recent changes Microsoft has made to licensing, meaning that renewing an enterprise agreement (EA) could incur a 10-20% cost increase.

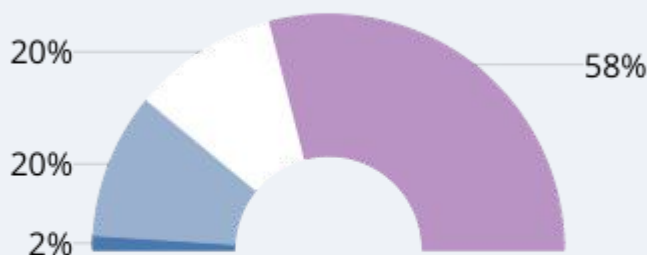


100 million
monthly active Copilot users
(consumer & commercial - FY25 Q4 Earnings call)

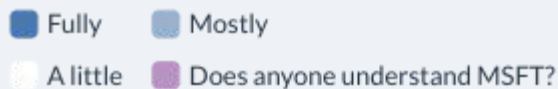
≈25-45 million
paid Copilot for M365 licenses
(≈10% of paid Office seats)

Understanding Microsoft licensing

Microsoft licensing can be complicated. A recent, albeit non-scientific, poll we conducted on LinkedIn captures the consensus.



To what degree do you understand Microsoft licensing and all the associated add-on licenses?



An overview of Microsoft licensing

Microsoft's commercial licensing offers a tiered approach to equipping organizations with productivity and security tools.

The enterprise standard: E-Series (E3 and E5)

Designed for the knowledge workers within an organization, the Microsoft 365 E3 and E5 licenses provide a comprehensive suite of applications and services.

- **Microsoft 365 E3** serves as a baseline for many enterprises, offering the full desktop versions of Microsoft Office applications (Word, Excel, PowerPoint, etc.), Windows Enterprise, and a robust set of security and device management features. It includes core functionalities like email, file storage, and collaboration tools.
- **Microsoft 365 E5** is the premium offering, encompassing all the features of E3 and adding advanced security, voice, and analytics capabilities. Key additions in E5 include Microsoft Defender for Endpoint, advanced threat protection, Power BI Pro for in-depth data analysis, and audio-conferencing capabilities. This tier is geared towards organizations with stringent security and compliance requirements or those looking to leverage advanced analytics.

Empowering the frontline: F-Series

The F-series licenses are tailored for frontline workers—employees who are often the first point of contact with customers or are involved in the day-to-day operations of a business. These licenses are designed to be more cost-effective and provide a focused set of tools accessible primarily through web and mobile applications. This allows for essential communication, collaboration, and task management without the full desktop application suite of the E-series.

Tailored for the public sector: Government licensing

Microsoft provides dedicated licensing for government entities, operating within a secure and compliant cloud environment. These licenses, often designated with a "G" (e.g., **G3**, **G5**), mirror the features of their enterprise counterparts (E3 and E5) but are hosted in a government-specific cloud infrastructure that meets stringent federal, state, and local compliance standards. This ensures that sensitive government data is handled in accordance with regulatory requirements.

Other notable licensing tiers

- **A-Series:** These licenses are specifically designed for academic institutions, providing students and educators with access to Microsoft's productivity tools.
- **Business Premium:** Tailored for small to medium-sized businesses with a user count ranging from 25 to 300 users, this license combines the Office applications with advanced security features and device management.

Office 365 vs. Microsoft 365 licenses

From a licensing perspective, the fundamental difference between Office 365 and Microsoft 365 lies in the scope of the offering.

Office 365 primarily bundles Microsoft's suite of productivity applications (like Word, Excel, and Teams) and cloud services (like Exchange Online and SharePoint Online).

Microsoft 365 is a more comprehensive package. It includes everything in the corresponding Office 365 plan and adds the Windows Enterprise operating system license and the Enterprise Mobility + Security (EMS) suite. EMS provides advanced security features for identity and access management, threat protection, and information protection. Microsoft 365 is intended as a holistic solution that covers the operating system, productivity applications, and advanced security and device management under a single license.

Key license add-ons

Microsoft 365 and Office 365 add-on licenses provide specific features and capabilities not included in a base subscription plan, depending on the plan. These add-ons allow organizations to modify their services by adding certain functionalities for users or departments, such as security or voice calling, without upgrading their entire organization to a different plan.

The availability of communication add-ons has changed, particularly with Microsoft **Teams**. Previously bundled, Teams is now offered as a standalone add-on in certain regions like the European Economic Area to comply with regulatory requirements. For communication, the **Teams Phone** add-on gives the application business phone system functionalities, enabling cloud-based PBX capabilities to make and receive calls to traditional phone numbers. This requires a connection to the Public Switched Telephone Network (PSTN) via a Microsoft Calling Plan, Direct Routing, or Operator Connect.

The **Teams Premium** add-on introduces additional features, including AI-generated meeting notes, live translated captions, and security options like watermarking for meetings and webinars.

For productivity, **Copilot for Microsoft 365** is an AI assistant integrated into the Microsoft 365 applications. This add-on allows users to draft documents in **Word**, analyze data in **Excel**, and summarize meetings in **Teams** using text prompts. For security, the **Microsoft Defender suite** offers several add-on products. These include **Defender for Office 365**, which protects email and collaboration tools from phishing and malware; **Defender for Endpoint**, which provides security for devices like laptops with antivirus and threat detection; **Defender for Identity**, for protecting on-premises Active Directory; and **Defender for Cloud Apps**, which provides visibility and control over third-party cloud application usage.

Beyond these areas, Microsoft offers add-ons for employee experience, hardware, and privacy management. The **Microsoft Viva suite** is an employee experience platform integrated within **Teams**, with modules for workplace analytics, learning, and knowledge management. For meeting rooms with certified hardware, the **Teams Rooms Pro** license is applied to the device, enabling certain features and remote management capabilities. To address privacy requirements, Microsoft **Priva** add-ons help organizations manage personal data, automate responses to subject rights requests under regulations like GDPR, and identify privacy risks.

Additional add-on licenses are available to meet other business needs. These include project and portfolio management with **Project plans**, diagramming with **Visio**, and business analytics with **Power BI Pro or Premium**.

The **Power Platform**, including **Power Apps** and **Power Automate**, allows for the creation of custom low-code applications and automated workflows. Other add-ons include **Microsoft Intune** for mobile device management, **Exchange Online Archiving** for email retention, and **Windows 365 Cloud PC** for streaming a Windows desktop experience from the cloud.

Microsoft's **Multi-Geo license** is an add-on for Microsoft 365 that allows a single organization to store its user data (for services like **Exchange Online**, **SharePoint Online**, **OneDrive**, and **Microsoft Teams**) in different geographical datacenters around the world. This is primarily for large, multinational corporations that need to meet specific data residency requirements, ensuring that user data remains within a particular country or region.

Consumption billing

Most Microsoft 365 services have fixed per-user fees, but you can incur variable, consumption-based charges. These extra costs almost always happen when you connect M365 to external services or use the underlying Microsoft Azure platform for advanced capabilities. All consumption charges are typically billed through a linked Azure subscription.

Within Microsoft 365, one of the most common areas where organizations face consumption-based billing is in **telephony and conferencing services**. **Teams Phone with Calling Plans** allows users to make and receive calls on the public switched telephone network (PSTN).

While bundled minutes are included with many plans, once those thresholds are exceeded, additional domestic and international minutes are billed on a per-minute basis. Similarly, Audio Conferencing dial-in is covered by licensing, but dialing out to add participants incurs metered charges. Pay-as-you-go PSTN usage also applies when using Direct Routing or Operator Connect if billing is handled through Microsoft.

Another category of consumption charges is tied to **Azure and security services that integrate with Microsoft 365**. For example, Defender for Cloud Apps and Defender Vulnerability Management can create incremental costs if additional assessments or high volumes of app activity are monitored. Microsoft **Sentinel** is also tightly linked to 365 security and compliance logging. If an organization chooses to ingest Microsoft 365 audit and security logs into Sentinel, Azure billing applies for both log ingestion and long-term retention, making it a significant variable expense. (Customers with certain premium licenses, such as Microsoft 365 E5, E5 Security, or A5, receive a data grant benefit, which covers the cost of ingesting a certain amount of data from specific Microsoft sources into Sentinel each day.)

Storage and archiving represent another area where consumption billing is triggered. Exchange Online Archiving provides an included archive mailbox quota, but if more capacity is needed, extra storage is billed on a per-gigabyte, per-month basis. The same applies to SharePoint Online and OneDrive, where each tenant receives a pooled storage allocation and overages are billed monthly. Microsoft Purview compliance features such as eDiscovery and long-term retention can also generate additional costs when large volumes of data are collected, stored, or exported.

The **Power Platform services** are another key source of variable billing. Power BI Premium is generally sold as a dedicated capacity license, but autoscale capacity—used during spikes in usage—is charged on a pay-as-you-go basis. Power Automate workflows that exceed the base allocation of API calls also drive incremental charges, as do Power Apps using the pay-as-you-go model. AI Builder credits, used in both Power Automate and Power Apps, are consumed based on the number of operations performed and can lead to additional billing through Azure.

Finally, newer **AI and Copilot services** can introduce usage-based charges depending on the scope of deployment. Copilot Studio, which evolved from Power Virtual Agents and AI Builder, includes a base set of entitlements but bills extra sessions, API calls, and advanced AI workloads on a consumption basis. Similarly, Copilot extensibility through custom connectors or plugins may invoke underlying Azure billing when external compute or APIs are used. Even traditional services like Project, Visio, and Teams Rooms are generally flat-licensed, but their reliance on SharePoint or Azure for storage, telemetry, or monitoring means they can indirectly lead to additional storage or compute charges.

Taken together, the main drivers of Microsoft 365 consumption billing are **telephony minutes, extra storage, log ingestion and retention, Power Platform and AI capacity, and certain advanced security and compliance workloads**. Organizations should keep a close eye on these categories when forecasting costs, since they extend beyond the predictable per-user licensing model.

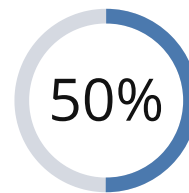
Where does this leave organizations?

For most, the necessity of dealing with Microsoft licensing combined with the complexity, increasing with recent changes, leaves most organizations dealing with...

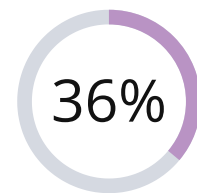
1. Being unsure exactly what licenses to purchase.
2. Having trouble allocating licenses to the right people.
3. Tracking assigned licenses (and deallocating when roles change or people leave).
4. Difficulty ensuring licenses are being used effectively.
5. Risk related to overage and consumption charges.
6. Increased financial risks related to vendor software audits.

A recent LinkedIn poll reinforced key challenges:

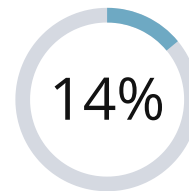
What is the biggest challenge you have related to managing Microsoft licensing?



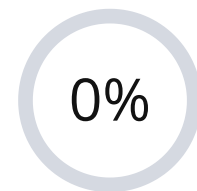
Tracking allocation



Licenses not being used



Controlling consumption costs



We don't have challenges

Given the many challenges related to effective software licensing, let's pivot and examine strategies to address and overcome these challenges.

Licensing, adoption, and business value

Regardless of how complex Microsoft licensing can be, the objective for organizations is to derive the maximum business value from the significant investment made.

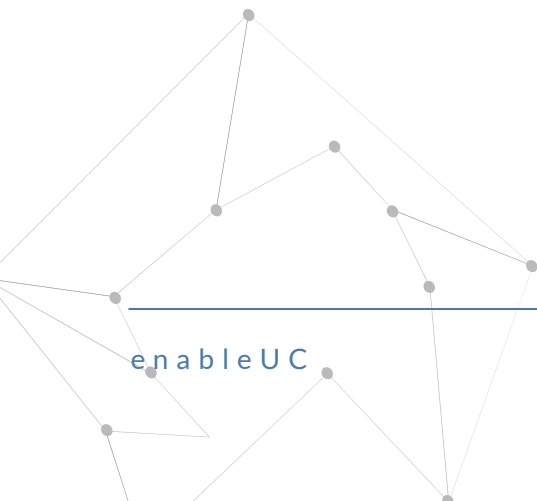
Understanding Microsoft licenses

Given the number of Microsoft products and the variety of ways these products are bundled, there is no simple way to quickly develop an in-depth understanding of Microsoft licensing. The beginning of this guide serves as a high-level Microsoft licensing overview.

To help understand the details, Microsoft has developed a complete “[licensing hub](#)” that consolidates hundreds of documents related to understanding the various product licenses.

Microsoft previously offered the Microsoft Certified Technology Specialist (MCTS): Volume Licensing Specialist (exams like 70-671 and 70-672), but those specific certifications are now retired. Current role-based certifications, especially those for administrators, often include sections on licensing, pricing, and support for the relevant products. For example, Microsoft 365 Certified: Fundamentals (MS-900) and Microsoft 365 Certified: Administrator Expert (MS-102) both cover aspects of Microsoft 365 licensing.

Given Microsoft’s new approach around licensing curriculum, licensing knowledge is likely distributed to various administrators or admin groups in larger organizations.



Tracking license assignment

For the most part, Microsoft administrative tools support a centralized license management capability.

Ideally, local license administrators could manage pools of licenses, assigning and revoking them based on the immediate needs of end users in a standardized and simple manner.

While Microsoft supports Administrative Units (AUs) in Microsoft Entra ID (formerly Azure AD), which can play a part in license management, AUs are designed primarily for scoping administrative roles to a smaller subset of users and groups. When it comes to license management in the Microsoft 365 Admin Center, there are several notable limitations:

- **No direct license assignment:** AUs cannot be assigned licenses directly. Management is indirect, relying on adding users to licensed groups or individually licensing each user.
- **Clunky workflow:** The process is inefficient. Admins must manage group memberships to assign licenses rather than managing licenses for users within their scope.
- **Limited reporting:** Delegated admins have a restricted view, making it difficult to track overall license availability and usage beyond their specific AU.
- **Incomplete user control:** An AU admin can add a user to a licensed group but may lack other necessary user management permissions (like password resets) if the user isn't also scoped to their AU.

- **Flat structure:** AUs cannot be nested, preventing the creation of hierarchical administrative models that mirror complex organizational structures.

Ironically, fully utilizing AUs requires additional licenses. Using AUs requires a Microsoft Entra ID P1 license for each AU administrator. In addition, if using rules for dynamic membership groups for AUs, each AU member requires a Microsoft Entra ID P1 license.

If you are part of a large or complex organization, or if you want hierarchical administrative capabilities, you will likely require a third-party administration tool.

Assigning and unassigning licenses

Establishing an automated process to assign groups of licenses based on specific roles helps standardize capabilities and streamlines training and adoption processes. Further, combining license and policy assignment helps improve an organizations security profile.

Various Microsoft admin centers provide a graphical user interface (GUI) that is suitable for assigning licenses to an individual or small group of users; however, at scale the GUI approach is slow and error prone.

And while some, like the M365 Admin Center, allow you to upload a CSV file to setup basic user information for a group of users, for more complex or large-scale operations, PowerShell, leveraging the Microsoft Graph PowerShell SDK, is often required.

PowerShell scripting, like many things Microsoft creates, is powerful, but it is not simple and starts to create a support problem as the scripts evolve! While you can learn the basics in a few weeks to months, proficiency typically takes 3 to 6 months of consistent learning and practice.

For automating license (and policy) assignment at scale, many organizations look to third-party tools

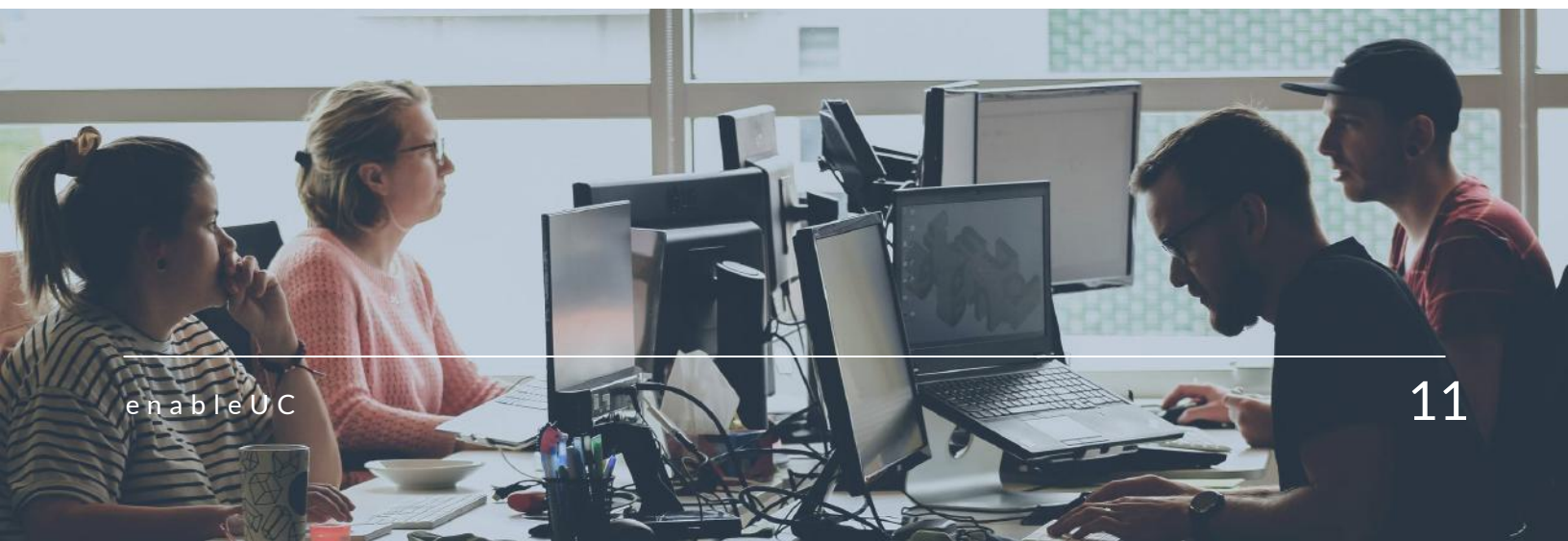
that work with M365, and often other non-Microsoft software-as-a-service portals as well.

Equally important and often forgotten is a process which deallocates licenses when a user leaves the organization or changes roles within the organization.

Chargebacks

Many organizations implement a chargeback system where software license costs are allocated to specific business units or cost centers. In this model, a business unit, office, regional, or country administrator is provided with a purchased pool of licenses, for which the respective entity is charged, and then is responsible for allocating these licenses to individuals within the business or geographical unit. This administrator is likely also responsible for “right sizing” the overall license pool.

The native Microsoft tools do not directly support this type of chargeback administration. If your organization requires detailed chargeback capabilities, you should investigate third-party tools.



Monitoring usage and adoption

Effective usage, which is about volume and includes items such as number of emails sent, Copilot prompts submitted, calls made, and more importantly adoption, which is focused on who is using which applications and features, is critical to achieving a return on your Microsoft license investment.

Usage and adoption information is key to accurately assigning or reassigning appropriate licenses to individuals. This information is also key in identifying opportunities to unlock further value through additional training, communication, and change management activities.

There are 9 major and 12 specialized Microsoft portals. All the administrative-focused "major" portals, and several of the "specialized" ones that deal with high-volume services (like Power

Platform or Purview), offer dedicated usage or adoption reporting features.

While this provides administrators with lots of reports, it is challenging to combine this disparate information into an effective usage and adoption dashboard.

In larger organizations, it is also difficult to segregate the usage and adoption information into groups that align with the organizational structure.

Third-party tools can help consolidate M365 usage and adoption information into a "single pane of glass" and can also better align this information with more complex, and hierarchical organization structures.



Increasing adoption and business value

To achieve return on the investment in Microsoft licenses, end users need to adopt the capabilities and features of the purchased applications on a regular basis. Ideal adoption is wide (many people using) and deep (many capabilities) on a regular basis (incorporated into daily or weekly workflows).

Driving adoption requires three key components:

- Intentional initial and on-going training.
- Concise, clear, and consistent communication (especially given capabilities are rapidly changing).
- Effective change management, helping users revise existing processes or to incorporate new capabilities into their existing processes.

With respect to training and adoption, Microsoft provides extensive training resources as part of the [Microsoft Learn](#) site.

Additional training is also available through Microsoft's [LinkedIn Learning](#) platform (requires a subscription). Given the quantity of training resources, an important activity is often curating the resources to the most applicable ones for your organization, to avoid overwhelming end users.

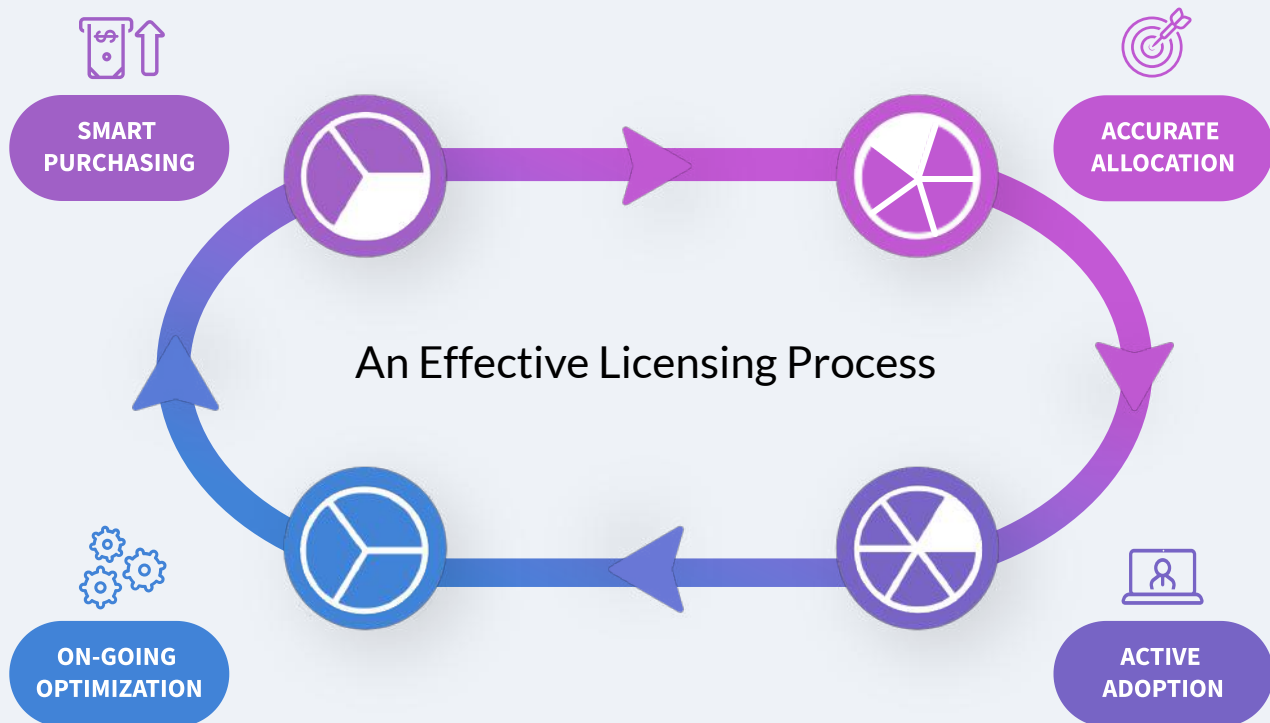
Microsoft also has created a focused [Microsoft Adoption](#) site. Microsoft describes the site as helping, "Get started, experiment with our services, and onboard employees at scale while being confident that you are improving the employee experience."

Effective change management requires a deeper understanding of your specific organization. To truly bring about sustainable change, M365 capabilities need to be woven into current workflows or, increasingly with tools such as Copilot, enable a reimagining of workflows. The Microsoft Adoption site includes some information, such as the Champions program, that may assist with change management.

A licensing effectiveness model

To help visualize where an organization is with respect to achieving effective licensing, we have created a “Licensing Effectiveness Model”. In the simplest terms, you want to purchase the right licenses in the right bundles, assign them to the people who need and know how to use them, monitor adoption, adjust and repeat.

Accomplishing this both improves the productivity and output of the organization, likely driving revenue, and right-sizes the aggregate IT expenditure, contributing to increased profitability. You also want to ensure that administering this process does not place an undue burden on your IT admin staff. More specifically, effective licensing requires smart purchasing, accurate license allocation, practices to drive active adoption, and a commitment to on-going optimization.



Each stage of an effective licensing program is represented by a circle. If you answer 'yes' to a question the corresponding slice is filled in. The more filled segments the more mature your licensing program is — whitespace in any stage represents an opportunity for improvement

A LICENSING EFFECTIVENESS MODEL

In considering these questions, “you” refers to yourself and your extended team, including partners or consultants assisting in the Microsoft licensing function.



SMART PURCHASING

- ☐ Do you understand current applicable Microsoft licenses, license bundles, add-ons, and Enterprise Agreement (EA) or Microsoft Customer Agreement (MCA) options?
- ☐ Do you understand the features and activities that will incur consumption billing charges?
- ☐ Do you have a defined process to keep informed of Microsoft changes to licensing?



ACCURATE ALLOCATION

- ☐ Are you able to effectively delegate license management to resources who can assess end user requirements?
- ☐ Do you have a mechanism to standardize the assignment of licenses to streamline administration and avoid paying for duplicated capabilities?
- ☐ Do you have an automated process to deallocate licenses when a user leaves the organization or changes roles?
- ☐ Do you have an established cadence to audit the accuracy of license allocation? Does this include polling end users to confirm that they have the licenses they need?
- ☐ If applicable, do you have an automated mechanism to process departmental chargebacks associated with licenses?



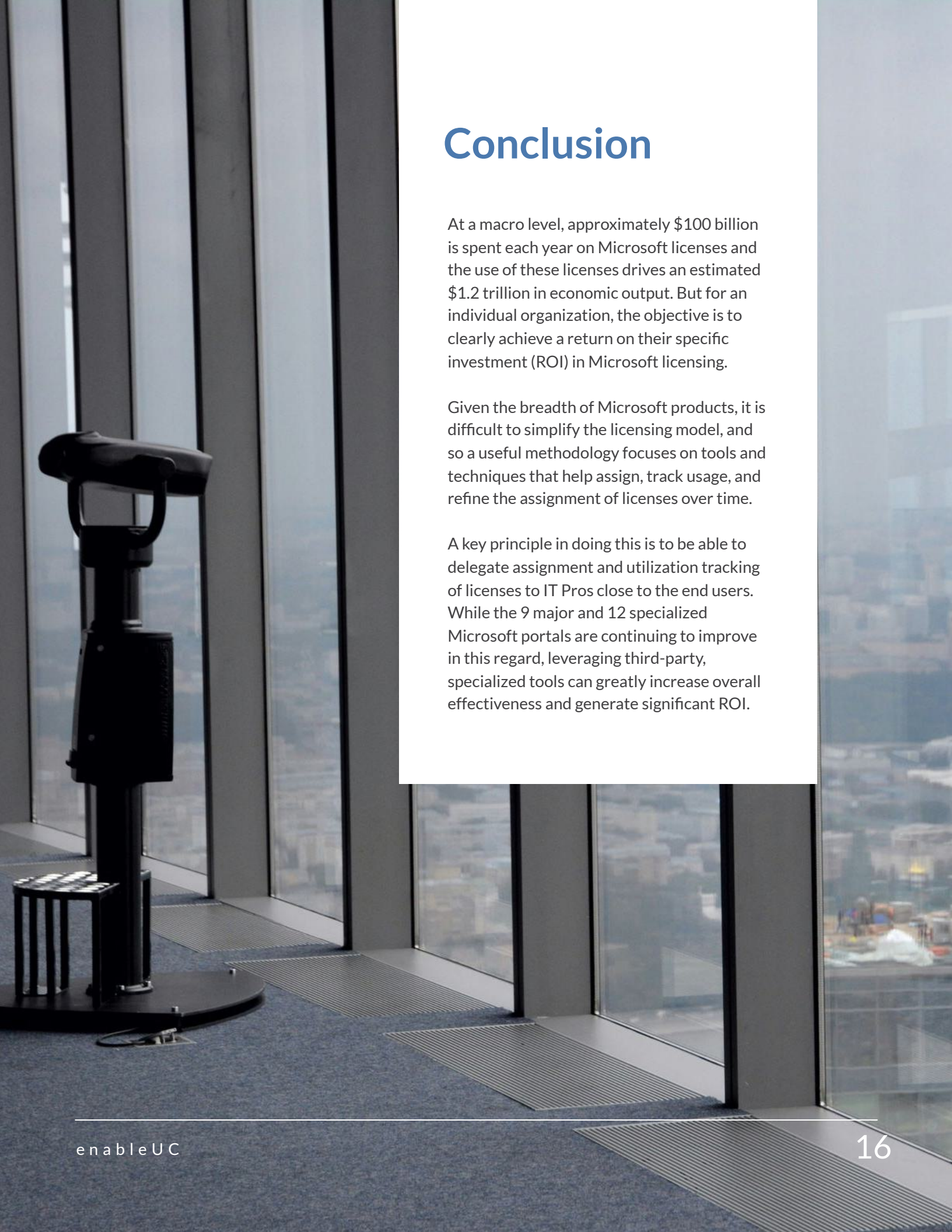
ACTIVE ADOPTION

- ☐ Do you survey end users with respect to M365 training and do most users indicate they have received adequate initial and on-going training?
- ☐ Is M365 training a defined component of your on-boarding process?
- ☐ Do you have a mechanism to keep IT Pros and Admins up-to-date related to both end-user and admin M365 features?
- ☐ Are local IT resources able to easily monitor application and feature adoption to identify the need for additional training and opportunities for better leveraging M365 capabilities?
- ☐ Do you regularly communicate valuable new M365 features and capabilities to the appropriate end-user groups?
- ☐ Is there a simple mechanism a user can employ to get help related to a particular M365 application?



ON-GOING OPTIMIZATION

- ☐ Are local IT resources able to regularly leverage the various usage and adoption reports to assign, unassign, or reassign licenses as may be required?
- ☐ If you have deployed Copilot licenses, are IT Pros leveraging the Copilot Control System?
- ☐ Specifically related to Teams telephony, do you regularly (at least annually) review Calling Plans or SIP trunk options (Direct Routing / Operator Connect)?



Conclusion

At a macro level, approximately \$100 billion is spent each year on Microsoft licenses and the use of these licenses drives an estimated \$1.2 trillion in economic output. But for an individual organization, the objective is to clearly achieve a return on their specific investment (ROI) in Microsoft licensing.

Given the breadth of Microsoft products, it is difficult to simplify the licensing model, and so a useful methodology focuses on tools and techniques that help assign, track usage, and refine the assignment of licenses over time.

A key principle in doing this is to be able to delegate assignment and utilization tracking of licenses to IT Pros close to the end users. While the 9 major and 12 specialized Microsoft portals are continuing to improve in this regard, leveraging third-party, specialized tools can greatly increase overall effectiveness and generate significant ROI.

Support for this research / content

VOSS commissioned EnableUC to develop this information related to effective Microsoft licensing and the associated licensing effectiveness model.

We appreciate VOSS' support allowing us to invest the time to research and compile this document. We hope that it assists you and your organization in achieve increased business value from your investment in M365.

About VOSS

VOSS is a global leader in digital workplace automation and analytics, helping organizations simplify the management and optimization of their Microsoft environments. With deep expertise across Microsoft 365, Teams, and hybrid UC ecosystems, VOSS provides the tools and insights that IT teams need to efficiently manage users, services, and licenses at scale.

VOSS' Microsoft license management solution gives organizations complete visibility and control over their licensing landscape. By automating allocation, optimizing usage, and identifying underutilized or redundant licenses, VOSS enables businesses to manage costs, improve compliance, and get the most out of their Microsoft investment.

Visit www.voss-solutions.com/tech-partners/microsoft/ for more information.





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