Part III

For Executive Leadership

26 Budgeting for Copilot

How might an organization go about funding Copilot's ongoing $30 per user per month service charge? And how about all these pay as you go add-ons? This chapter provides some thoughts about sources of that funding, which transitions into the next chapter about how to predict and measure ROI.

Unimaginable Upside, Unorthodox Funding?

Clearly, AI can produce unconventional results. Take two popular examples:

- DeepMind's AlphaZero *taught itself* to play chess with unorthodox tactics. It sacrificed pieces that humans consider vital, *including its queen*. Its self-taught domination led Grand master Kasparov to declare, "Chess has been shaken to its root by AlphaZero."
- MIT's Halicin project triumphantly *killed strains of previously resistant bacteria*. Traditional R&D would've been *"prohibitively expensive"* and instead, AI learned and identified attributes that *had eluded human conception*[1].

When such unconventional and often unimaginable results are possible, it's no wonder 99% of executives plan to amplify their investments in AI[2]. But it begs the question: Should the cost be borne 100% by IT budgets, or ***should AI funding come from unconventional sources?***

Who's Investing and How?

Broadly, early adopters have been divided into two camps:

a) Some orgs try the tech for a subset of users, assess its value, then expand to additional users. They rarely commit to go all-in.

b) A few "Frontier" organizations have gone all-in, providing licenses to everyone. They have seen the promise of the future of work and are investing.

There's a third camp, to be sure… those still investigating ROI before making any investment. This camp is primarily SMBs who lack the technical or R&D wherewithal to experiment. Such organizations have certainly missed out on the early mover advantage, and may even face the "Midmarket Squeeze.[3]"

No matter the camp, a CFO is right to scrutinize the investment. Copilot's new pay as you go fees on top of it $30/user/month is a significant cost increase over the existing 365 productivity stack ($60/month for the entire M365 E5 bundle or $99 for E7). That's challenging for squeezed IT budgets.

From Where is the Funding Coming?

KPMG's Global CEO Outlook of 2025 showed that 69% of CEOs planned to spend 10-20% of their overall budget on AI in that year.[4] That doesn't yet appear to be the case.

In a 2026 eGroup Enabling Technologies poll, only 6% of organizations are funding GenAI from centralized corporate budgets, 62% from IT's budget, but *31% have no formal GenAI budget*. In a 2025 IBM poll, 18% of leaders surveyed said *GenAI funding is coming from net-new spend*, but 71% of them said GenAI *should be self-funding* to justify the investment.[5]

Most IT department budgets can only support GenAI experiments, not full-scale access. *Organizations who spread AI's costs across the lines of businesses that will leverage it will improve their chances of seizing a competitive advantage*. The remainder of this chapter provides evidence of how and why.

Sources of Line of Business Funding

Organizations who agree that IT can't fund all GenAI investments have ample places to share the load. They seek to share the budget with the lines of business where Gen-AI's gains are most evident. Options include:

Product Development. Organizations are using AI to conceive of new products and improve existing ones. We've shown organizations how, with some simple prompts, GenAI can ideate new market opportunities, specify levels of investment, identify constraints, and suggest industry partnerships. When augmenting the prompts with info from existing, internal content, Copilot provides startlingly precise results.

For organizations who provide products or services, Gen-AI shouldn't be delayed. That's because GenAI has already proven to create more innovative ideas than creative humans. A study conducted at UPenn's Wharton's school in 2023 turned this assumption on its head. **Wharton found that ChatGPT is a better "Ideator" than UPenn's prestigious MBA students**.[6] Product developers without Gen-AI may soon be at a disadvantage, and fronting the $30/month would keep their trade secrets out of public models like ChatGPT.

Business Operations. AI allows businesspeople to create their own formulas and charts which not only frees up the time of Power BI and Excel coders, but also gives greater business insights to more people using BI tools. One early adopter shaved off time from their "pursuits" (bidding) process, reducing cycle time from 10-14 days down to less than one.[7]

Sales. If top performers already generate 2.6x ROI of their peers[8], it's a good bet that AI's meeting notes and post-call to-do's can keep them selling, not wasting cycles on follow-ups. Salespeople bemoan wasting time in CRM systems and non-customer-facing tech, but GenAI provides them with tangible benefits. Investing in top performers by providing them with Copilot (and Cowork) can keep them from eyeing the exit door, while also amplifying revenue.

Learning and Development – Imagine making the vast knowledge of the organization available in a digestible and clear format. People can inquire and learn in their flow of work, rather than only while in a course or module. Budgeting from HR or L&D is feasible, especially when tied to an upskilling initiative. See Chapter 31.

Research and Development –Everyone is in AI-experimentation mode these days, so R&D may be a suitable catch-all to spread out some costs.

Summary

AI's unconventional results may require unconventional funding sources. If constrained by conventional IT budgets, the risk averse or budget strapped will miss out on early and potentially sustainable advantages of GenAI. To reduce that chance, CIOs should investigate funding from the lines of business where the gains of AI are most evident. When that's unknown, consider drawing from the developing examples from the business world.

If you haven't yet, strongly consider this approach for the next budget cycle, since some of these powerful pay as you go services, like Copilot Cowork, were not anticipated just 12 months ago.

Whether funded by the IT department or a business unit, assessing and measuring ROI is still necessary. That's the next topic!

References and Resources

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