

# 10 THINGS YOU NEED TO KNOW ABOUT MICROSOFT SOFTWARE LICENSING

## ABSTRACT

Almost every business is dependent upon Microsoft's products, yet few are able to overcome the challenges required to maintain control of license compliance and to optimize procurement of Microsoft software. This whitepaper reviews the issues and proposes some practical steps for the customer to re-assert control by being aware and being prepared when Microsoft comes knocking.

## Introduction

Industry analysts Gartner estimate that the average company is over-licensed on around 30 percent of their inventory and typically at least 30 percent under-licensed in other areas. Software Publishers including Microsoft are stepping up their efforts to perform vendor audits or encourage their customers to perform regular license compliance reviews. This often leads to hasty actions and poor decision making by customers under pressure to achieve compliance. The result is disruption to the business, and an unbudgeted expense. Unfortunately evidence shows that each year, companies' continue to waste millions of pounds purchasing additional licenses that they don't need – simply because they don't put some basic software asset management processes in place after the compliance review.

## 10 Challenges

### 1. LICENSING COMPLEXITY

**BACKGROUND:** Microsoft admits their customers face a challenge trying to understand their licensing options. "We have got a lot of licensing strategies and that is where the complexity comes in," say's Ram Dhaliwal, Microsoft UK Licensing Programme Manager. Dhaliwal believes that many of the reasons people are disenchanted and even angry with licensing is based on misunderstandings. Microsoft, he says, is making every effort to explain licensing strategy, where the high costs come in and where there are savings to be made, but he believes much of it is based around trying to give the customer more information.

**WHAT IT MEANS FOR ME:** There is plenty of information on the Microsoft web site, but there's so much that it's hard for the layperson to know where to start. But failure to get to grips with the licensing implications of Terminal Server Licenses, Client Access Licenses, Virtualisation Licensing to name just a few, means that decisions to procure or deploy software without a complete understanding of the options and consequences can result in over procurement or illegal use of the software. One costly in the short term, the other, even more costly in the long term.

**SOLUTION:** Appoint a person to take responsibility for Software Licensing and improve their knowledge of licensing options. Use SAM specialists to provide impartial and unbiased advice.

## 2. LICENSE REVIEWS

**BACKGROUND:** A recent report from Gartner suggests that despite a cosier 'SAM' language from software suppliers, vendor audits are remaining steady with 35% of companies facing at least one audit a year (NOT including self-audit programs). The 35% reported in 2007 is exactly the same as 2006 and up slightly from the 33% in 2005. In addition Microsoft has introduced a new program called the "Self Start SAM". The aim of the programme is to help organisations formalise their SAM processes and control their assets. Companies and organisations can use Microsoft tools to carry out their own software audits and get help from Microsoft partners. The new programme will allow partners and customers to work together to get to a final accounting of an organisation's Microsoft software assets over a period of three months.

Smaller organisations are also now being targeted. According to Ram Dhaliwal, "We are looking at companies with around 350 licences, the process will involve sending out questionnaires to all Microsoft's mid-range customers that are not part of one of Microsoft's licensing schemes"

Dhaliwal stressed that stolen and unlicensed software continues to be one of Microsoft's biggest worries and, he says, should worry customers too. "Our most recent audits showed that 30 to 40 percent of software that customers believed was legal was actually counterfeit." But Dhaliwal does not believe companies will be put off by the prospect of finding that a third of their software is illegal and will have to be replaced. "Most companies just want to know what their position is," he said. "When they go through an audit, lots of companies find they are overpaying for their software."

**WHAT IT MEANS FOR ME:** The pressure to prove compliance is increasing. You are under no obligation to allow a vendor review unless your license agreement specifically allows it. If it does check the terms and conditions under which it can be performed. Not agreeing to a review will buy you time but put you under the spotlight. Use the time to understand your options and ensure you are correctly licensed.

**SOLUTION:** If you can show Microsoft that you have implemented SAM best practices and are in control of your licensing and use of software it is unlikely that they will pursue a vendor review.

## 3. ENFORCEMENT

**BACKGROUND:** Microsoft normally uses the BSA in the UK to pursue cases where unlicensed software is suspected. Where evidence of unlicensed or counterfeit software is available organisations face prosecution by the BSA. If successful this normally results in an out of court settlement for damages and an amount to cover the license costs of the illegal software. Even if counterfeit software has been procured through authorised vendors the customer is still liable for the full costs of the licenses.

**WHAT IT MEANS FOR ME:** If you do have illegal software you could be liable for unbudgeted costs and disruption to the business. Be prepared for exposure to the press, often seen as a good way to discourage others.

**SOLUTION:** Take legal advice once the extent of under-licensing has been determined. Investigate how and why the under licensing happened and whether the software was actually used or not. Although you are technically in breach of copyright you may mitigate the damages if you have evidence of how the software was used.

#### **4. SOFTWARE VENDORS**

**BACKGROUND:** Microsoft uses their Authorised Software Vendors and Partners to implement Vendor reviews and promote SAM best practices. In fact it is a requirement for their Largest Vendors who sell and support enterprise agreements to engage with their customers and offer SAM services.

**WHAT IT MEANS FOR ME:** You will be encouraged to implement SAM from all angles! You need to decide whether you want to work with your existing software supplier or take advice from an independent SAM advisor.

**SOLUTION:** Check the options available for third party SAM advice

#### **5. SAM TOOLS**

**BACKGROUND:** There are hundreds of inventory tools available, and a smaller number of specialist SAM tools that provide software use metrics and license management features. One thing to remember is that **NONE** of these will provide an automatic solution to License Compliance. It is impossible for any tool, including Microsoft's own tools, to provide all the information you need to prove license compliance for all the Microsoft products and license models. When the software audit team runs into these problems it is normal to blame the tool and seek a better one.

**WHAT IT MEANS FOR ME:** Expect the software audit to take longer than estimated. Expect requests for an improved tool and assistance from a SAM specialist. Don't expect a quick fix and don't believe suppliers who promise one!

**SOLUTION:** Understand the metrics your tools provide to support compliance, and highlight those that are missing. Identify which information will need to be provided by manual processes and consider purchasing new tools if there is still a significant gap in the required information.

#### **6. EVIDENCE OF LICENSE**

**BACKGROUND:** Finding, storing and managing evidence of licenses is one of the most time consuming aspects of SAM. Microsoft can provide a report for licenses procured on volume agreements but this is their view and must be checked for accuracy in case of errors in recording. Ensure all possible legal entities are taken into account when requesting a license report, especially where there have been mergers or acquisitions/disposals. Similarly licenses may have been procured under international agreements but not allocated to the subsidiaries using them! Ensure licenses are authentic and not counterfeit.

**WHAT IT MEANS FOR ME:** Without evidence that is acceptable to Microsoft you may not actually be able to prove you own the licenses that you thought you did! If you have diverse procurement processes you may not be able to record and store the proof of license materials you need for evidence.

**SOLUTION:** Create an evidence repository and discover all evidence of licenses. Review procurement and inventory policies to ensure all future license evidence is recorded.

#### **7. AUDIT ACCURACY**

**BACKGROUND:** It is impossible to perform hardware and software audits to 100% accuracy. Devices may be temporarily off the network when the audit is performed or users may be on holiday. Microsoft uses a simple rule of thumb that you need a license for each employee and or device in the organisation and it's up to you to prove otherwise! The better the inventory tools and internal change management processes the more accurate

the data. Using data from system management tools and mail systems usually provide an inflated view of the estate if good change management and data cleansing is not regularly performed.

**WHAT IT MEANS FOR ME:** It can be costly if you can't ascertain the real usage of software in the organisation. Don't use inflated estimates without checking the validity of the data.

**SOLUTION:** Review the inventory and change management processes for users and devices. Portable devices and home use provide additional challenges for which policies and procedures must be developed.

## **8. INFRASTRUCTURE REFRESH**

**BACKGROUND:** Encouraging adoption of their latest technologies is a high priority for Microsoft. While there are often significant benefits for the customer it usually comes at a cost. What's hard to define is what the optimum cost is? Which license models offer the best value or flexibility in case of future changes in the organisation? New versions often come with new licensing models and changed usage rights, for example Vista.

**WHAT IT MEANS FOR ME:** The technical case needs to be balanced by the commercial reality of the license costs and usage rights. Virtualization and Terminal Services offer flexibility for implementation and hardware but increase the licensing complexity.

**SOLUTION:** Understand how the current software is used to help validate estimates of the future usage of new versions. Ensure the pros and cons of the available license models are well understood before committing to a license agreement. Review whether license for existing software that is to be retired, can be traded in, sold or upgraded.

## **9. ISO 19770-1**

**BACKGROUND:** Software asset management is the effective management, control and protection of software assets within an organization. The SAM processes defined in the ISO/IEC 19770 standard are closely aligned to and intended to closely support IT service management as defined in ISO/IEC 20000. Microsoft is encouraging organisations to adopt the standard through its partner community.

**WHAT IT MEANS FOR ME:** There are Three process areas: Organizational management processes for SAM; Core SAM processes; Primary process interfaces for SAM. These include 27 primary processes containing 183 detailed process outcomes. Achieving certification for the standard is a goal that is likely to be pursued by only the most dedicated SAM teams, but there are many benefits to understanding the full scope of the standard and choosing the processes that are most appropriate and beneficial to your own organisation.

**SOLUTION:** View SAM as a journey. Implement key processes to maintain compliance and reduce risks and cost of ownership to bring short term benefits. Aim to get senior management buy in to expand the scope of SAM over time.

## **10. BE AWARE, BE PREPARED**

**BACKGROUND:** The chances of being the subject of a Microsoft review are increasing. Software vendors are being influenced by Microsoft to offer SAM services to help you ensure you are license compliant. Licensing models are becoming more complex.

**WHAT IT MEANS FOR ME:** Anticipate that you will be subject to a Microsoft Review in the near future. If you are not prepared you will not be in control of the process and it will cause unplanned disruption and unbudgeted costs.

**SOLUTION:** Be proactive in establishing control of your licenses and software by setting your own agenda for implementing SAM. Assign responsibility for implementing SAM and gain management buy in.

## About Itillion

Itillion produces products that help IT Asset Management teams implement SAM best practices and processes around their existing inventory discovery and license management tools.

“essentials for SAM” provides a step by step guide to achieving license compliance for Microsoft and other publishers. It includes project management and documents to implement the key SAM processes necessary to maintain compliance and reduce cost of software ownership.

“accelerator for SAM” builds on “essentials” to manage the implementation and review of the complete ITIL SAM best practices and ISO 19770-1 standard processes.

For more information e-mail [enquiries@itillion.com](mailto:enquiries@itillion.com)