Software License Audits: Myths, Facts, and Microsoft

A SCALABLE SOFTWARE WHITEPAPER

Executive Summary

Due to the increase in the number and frequency of Microsoft software license audits, it is no longer “if” but “when” for a Microsoft audit for IT departments in organizations of all sizes. The costs, time, complexity, and expensive true-up bill associated with software license audits, and the ongoing offer of software vendor “help,” may make it seem as if large software vendors like Microsoft are wolves in sheep’s clothing.

In this report, you’ll learn how ITAM and SAM in the Cloud “reboot” Microsoft software license audit preparation. By “reboot,” we mean shuttering some processes, optimizing others, erasing the problem, and starting a fresh new approach to audits. You’ll get a step-by-step action plan to prepare for an audit now, and you’ll learn the specific areas in which ITAM and SAM on the Cloud slash time-to-compliance-position while increasing accuracy and reducing organizational angst. With the ease, speed, and agility provided by Cloud-based ITAM and SAM, Microsoft audits become just “sheep in wolves’ clothing.”

First, a review of the “state of the software license audit”

According to a 2012 survey by IDC, almost 75% of software vendors believe their customers do not manage software license entitlements effectively. Based on these findings, it’s logical to conclude that most software vendors identify audits and true-ups as a compelling opportunity to add revenue. Given that the frequency of software audits more than doubled from 2008-2011 as reported by Ray Wang and others, software vendors are indeed accelerating mining their increased license complexity for gold.

In the increased rush to audit, Microsoft is the current leader. Microsoft not only performed almost double the number of audits of other large software vendors, as shown in IDC research they audited small to midsized enterprises (those with revenues < $100 million) at a staggering 3x their closest audit competitor, Oracle.

These facts point to a disturbing sequence of impacts on IT beyond direct costs:

1. Vendor Revenue Pressure + New Tech + License Complexity = Increased Audits
2. Increased Audits = Decreased IT Productivity
3. Decreased IT Productivity = Lagging Alignment with Business Goals
Large vendors have armies of IT auditors who know exactly where license complexity might yield true-up revenue. Those who’ve experienced an audit may well consider large software vendors to be wolves in sheeps’ clothing. In this report, we will show the converse to be the case. There is a better approach to ITAM and SAM, one where large vendors like Microsoft might prove to be sheep in wolves’ clothing, one that leverages the Cloud.

A recap and rebuttal of myths and “used to be trues” surrounding Microsoft license audits

**Myth:** Getting a complete and accurate picture of ALL relevant license usage is exceedingly difficult.

**Fact:** Improvements in ITAM derived from new agile approaches, Cloud-based tools, and crowdsourced, mediated inventory enrichments takes the complexity out of fallible human hands and radically speeds time-to-position.

**Myth:** Due to the complexity of licensing agreements, it takes an army of experts to prepare for Microsoft’s voluntary Software Asset Management audit.

**Fact:** With ITAM rebooted for the Cloud, trusted system integration providers, Large Account Resellers (LARs)—or even your own team—can rapidly and accurately prepare a comprehensive, actionable compliance position.

**Myth:** The large vendor (in this case, Microsoft) always has the upper hand.

**Fact:** ITAM in the Cloud helps neutralize their power by enabling you to get much faster, much more accurate insights into your IT assets.

Yes, large software vendors have built complexity into their licensing agreements. Yes, they have armies of auditors whose sole purpose is to extract revenue by looking at the “gotchas” in their agreement and finding flaws in your compliance position. But the speed, agility, and thorough optimization provided by ITAM in the Cloud can rapidly cut through complexity and level the playing field.

High-level stages in software license audit preparation and processes before and after ITAM in the Cloud

Given the following factors, it’s no wonder many organizations struggle with SAM pre-audit response and project management when preparing their compliance position:

- Increasing levels of license complexity
- Constraints on internal resources and manpower
- Internal organizational complexities caused by staff turn-over, mergers and acquisitions, and hybrid procurement and processing systems

“Regardless of how it is presented, Microsoft is ...audit[ing] customers [to] extract incremental revenue...”

– John C Dvorak

“An Audit by Another Name: An Insider’s Look at Microsoft’s SAM Engagement Program”

www.scalable.com 1-866-722-5225  sales@scalable.com 2
This complexity is illustrated by the diagram below, showing what a typical SAM partner engagement involving LARs might look like “before ITAM and SAM in the Cloud.”

There are key leverage points where ITAM and SAM in the Cloud can help IT organizations take back control and increase accuracy, while saving costs and resources.

Cloud-based ITAM and SAM significantly reduce the costs and time associated with traditional approaches to self-audit and audit preparation, by enabling greater accuracy while reducing manual processes.

By rationalizing or killing old processes and starting anew, this “reboot” of ITAM and SAM:

- Automates discovery and inventory even of off-network devices
- Normalizes disparate manufacturer naming through automatic, mediated, crowd-sourced repository enrichment
- Speeds the capture and reconciliation of purchase orders, advanced shipping notices (ASN), and invoice—the three pillars of asset management
Fig. 3. After implementing ITAM and SAM in the Cloud, the process of establishing an accurate, actionable compliance position is considerably streamlined, saving time and resources.

Additional savings are those offered by Cloud-based tools—reductions in onsite server hardware and manual processes, financial advantages (OPEX versus CAPEX), and increased agility.

Fig. 2. By implementing Cloud-based ITAM and SAM, speed and accuracy are increased, and IT can rationalize the discovery process by performing rapid, far-reaching self-audits, even with limited resources.

The rationalization of software license audit preparation is made less complex through Cloud-based asset management. This is “ITAM, rebooted” in action. Some key leverage points in the process are noted in Fig. 2, and include:

- **Faster updates to the registry.** Dynamic, ongoing registry enrichment is enabled through the Cloud.
- **Automatic improvements in registry accuracy.** Cloud-enabled discovery and inventory—even of off-network devices—in combination with mediated, crowd-sourced normalization, make improved accuracy automatic.

- **Faster, less complex self-audit processes.** Automation and dynamic processes “reboots” ITAM by reducing the friction caused by manual processes.
- **Cost reductions through optimization.** By automatically capturing usage data via integrated, Cloud-based ITAM, expenses can be cut quickly by license harvesting and recycling/retirement.

The end output—automatic ITAM intelligence and analysis—can be provided in easy-to-understand visual reports, reducing the time spent on discovery while strengthening the organization’s position.
Further benefits from ITAM and SAM in the Cloud

While Cloud is not a new technology, its use in ITAM and SAM is new. In addition to the audit preparation advantages offered by Cloud-based ITAM and SAM, Cloud offers broader business benefits familiar to many in IT management. These include:

- **Subscription pricing models.** This shift to a more favorable OPEX cost center enables organizational agility, freeing resources for activities that provide competitive advantage.
- **Reduction in time spent on maintenance.** Patches, fixes, and improvements can be seamlessly and automatically deployed, supporting a “zero touch” approach to maintenance.
- **Reduction in hardware needed.** By using a proven and secure multi-tenant model, ITAM and SAM in the Cloud enable the organization to recycle or reduce the hardware needed for on-premise tools.
- **Elimination of costly upgrade and migration cycles.** Seamless and automatic release deployment enables organizations to easily stay current with the latest release.

Significant initial TCO reductions have been reported by those who have transitioned from on-premise to Cloud-based ITAM and SAM. Over time, the positive impact on TCO will be even greater, as increased accuracy reduces shelfware costs and compliance risk.

![TCO Comparison: On-Premise vs SaaS](image-url)

*Fig. 4. Projected Total Cost of Ownership (TCO) savings over five years for typical on-premise versus Cloud use cases. See footnotes for details and assumptions.*

Significant initial TCO reductions have been reported by those who have transitioned from on-premise to Cloud-based ITAM and SAM. Over time, the positive impact on TCO will be even greater, as increased accuracy reduces shelfware costs and compliance risk.
A sample step-by-step action plan for Microsoft audit preparation

These are the major steps an organization can take in performing a thorough self-audit:

1. **Take a baseline inventory of all installed software, as well as related usage.** Don’t forget off-network devices, virtualized applications, and IT assets for which ASNs have been received (if they are due to arrive soon). By adding usage to the inventory process, you can identify shelfware and license compliance risk issues.

2. **Identify all entitlements and related documentation.** Be sure to prepare documentation that addresses disparate usage terms, such as applications that are licensed by the core, by the seat, by the device.

3. **Analyze the results of the software inventory and license information.** Identify asymmetries among purchase orders, ASNs, and invoices for further research.

4. **Evaluate your compliance position and prepare for negotiations.** Note whether additional licenses may be required, and whether your organization has overbought licenses and can recycle or cut spending.

Due to the increasing frequency of Microsoft audits, performing a self-audit at least twice a year will reduce the risks of paying huge fees for true-ups. By using ITAM and SAM on the Cloud, the time it takes to accurately self-audit is greatly reduced, making what had been a painful time-sink a new, easier best practice.

---

**The myth spread by large software vendors like Microsoft: compliance is difficult, and customers have little leverage**

The fact: with Cloud-based ITAM and SAM, software audit preparation is (almost) easy, and organizations have more leverage than before

The costs, time, complexity, and true-up bill associated with software license audits, and the ongoing offer of large vendor “help,” may make it seem as if large software vendors are wolves in sheep’s clothing. However, due to the ease, speed, and agility provided by Cloud-based ITAM and SAM, they really are just “sheep in wolves’ clothing.” ITAM and SAM on the Cloud slash time-to-compliance-position while increasing accuracy, reducing costs associated with audits, and mitigating organizational angst.

While preparing for a Microsoft audit may not be fun, it is much less painful with ITAM and SAM in the Cloud. Cloud-based ITAM and SAM reduce the complexity of Microsoft audit preparation, and make it (almost) easy.
About Cloud-based ITAM and SAM from Scalable Software

Scalable Software, an innovator in IT Asset Management software since 1999, publishes the WinINSTALL® suite of products and is the company behind Asset Vision®, a unified Cloud-based ITAM tool.

Asset Vision redefines software audit preparation

Asset Vision Self Audit enables direct, native format import of vendor licensing statements and Large Account Reseller procurement history data. Using built-in maps and entitlement calculations for vendor upgrade models, it generates a baseline entitlement with virtually no effort. Since vendor (or publisher) procurement data is used to construct the report, this provides a solid proof of entitlement. From this baseline, manual entitlements from retail purchases can easily be added.

Asset Vision Self Audit uses the highly efficient discovery mechanism of Asset Vision Registry. This includes the recovery of software recognition data including the Microsoft Digital Product ID (DPID). Leveraging its Cloud-based software recognition engine, Asset Vision Self Audit provides the most accurate way to identify installed software. Not only is the version of software identified, and whether it’s installed on a per processor or per server basis, other key details are made clear with Asset Vision Self Audit.

Business intelligence on expenditures can be easily understood via the powerful visual displays provided by Asset Vision Self Audit.

Determining the organization’s compliance position for inventory is faster with Asset Vision Self Audit, and complex trend analysis over time is made simple.
What Asset Vision offers you to make Microsoft audits less painful

**Reports your actual inventory position.** It reports on what’s installed where, and with which entitlements.

**Saves time in managing software licenses and entitlements.** Asset Vision Self Audit provides easy-to-use importing for bulk data, as well as options for manual entry.

**Accurately reports your Enterprise License Compliance Position (ELP).** Correlates inventory and entitlement positions to tell you where you stand.

**Highlights areas of noncompliance.** Easy-to-read dashboards quickly highlight areas of concern, product by product.

**Users no longer need to be experts when preparing for an audit.** Automated recognition and normalization of Inventory and License terms reduces the need for deep user knowledge.

**No infrastructure costs.** Since it is Cloud-based, no infrastructure is required, and Asset Vision is always available with the latest release.

**Developed to meet audit challenges now and in the future.** Cloud-based means it is quick to deploy, easy to update and enhance, and is rapidly responsive to change.

**Flexibly priced.** Asset Vision SaaS subscriptions are offered with multi-year options based on a simple pricing model.

Asset Vision drives expense out of IT, slashing the cost of administering, supporting, and updating traditional on-premise ITAM solutions. Asset Vision’s agentless discovery easily populates, reconciles, and normalizes IT assets. Along with its comprehensive Software Asset Management layer, it swiftly enables accurate compliance reporting, reduces waste through application usage analytics, and precisely identifies unused software and features on all types of devices, even in BYOD scenarios.

For a free trial of Asset Vision on our demo instance site, go to: http://www.scalable.com/products/assetvision-editions/asset-vision-professional-registration

For more information: www.scalable.com or info@scalable.com.

About Scalable

Scalable Software, an innovator in IT Asset Management software since 1999, publishes the WinINSTALL suite of products and is the company behind Asset Vision®, a unified Cloud-based ITAM tool. Asset Vision drives expense out of IT, slashing the cost of administering, supporting, and updating traditional on-premise ITAM solutions. Asset Vision’s agentless discovery easily populates, reconciles, and normalizes IT assets. Along with its comprehensive Software Asset Management layer, it swiftly enables accurate compliance reporting, reduces waste through application usage analytics, and precisely identifies unused software and features on all types of devices, even in BYOD scenarios. For more information: www.scalable.com or info@scalable.com.

© 2013 Scalable Software, Inc. All rights reserved. Scalable, the Scalable logo, Asset Vision, WinINSTALL, and Scalable LIVE! are registered trademarks of Scalable Software, Inc. All other marks are the property of their respective owners.