
**Software License
Management Compliance
and additional SAM advisory
services**

SourcePulse llc



S O A & B P M C O M P A N Y



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Introduction

For some time, Software Asset Management (SAM) has been a critical issue for companies and organizations. Choosing the wrong license structure can saddle an organization with costly license fees, and inventories of "shelf ware" (software purchased but never installed). This combination can increase licensing costs as much as 60 percent. With increased compliance audits by software vendors, SAM has become important for managing risk as well.

SourcePulse can assess the SAM compliance and audit preparedness of an organization even if an organization has operations in international markets around the world. We help organizations develop SAM compliance and audit response frameworks, and guide them in the deployment and testing of these frameworks within their organization.

Microsoft has recently announced 30,000 extra compliance audits worldwide

SAM Compliance Situation in the Industry

Many organizations have put in place some sort of SAM initiative. However the implementation and deployment of SAM compliance frameworks is very complicated. Most organizations are inconsistent in their deployment, leading

to a failure to establish standard reporting throughout the organization. Many companies use internal audits to assure themselves of adherence to SAM policy, but often the exact data to support this conclusion does not exist. Without the exact data referenced in licenses and contracts, a reliable risk and exposure assessment of compliance cannot be established regarding software licenses and contracts.

The gap is usually very large between the data that organizations have about their software use, and that referenced in licenses and contracts with vendors. This puts organizations in a vulnerable position should a software vendor choose to target them for a software compliance audit. Such an audit would be set up according to the instructions of the software vendor, and carried out by a party chosen by the software vendor. Most organizations find themselves in a position where they have no control over the audit itself, and are unprepared for the various possible outcomes. This is not just a theoretical concern. *Microsoft has recently announced 30,000 extra compliance audits worldwide.* Companies with more complex business structures, distributed offices, and procurement procedures are prime targets for these audits.

Approach

We believe that the appropriate approach to address SAM compliance issues consists of four steps:

Step 1: Execute SAM Maturity and Compliance Exposure Risk Assessment

Step 2: Develop a Software License Compliance Audit Response Plan

Step 3: Develop a Software License Compliance Audit Plan

Step 4: Establish an Organizational SAM Framework

Each of these steps will be explained below.

Step 1: SAM Maturity and Compliance Exposure Risk Assessment

First, the maturity of the SAM processes and tools of an organization will be assessed against the SourcePulse SAM Maturity Model. The SourcePulse SAM Maturity Model provides a framework to accurately evaluate an organization’s SAM processes, policies, and tools.

The SourcePulse SAM Maturity Model provides a SAM maturity assessment based on 4 stages of Maturity (Basic, Standardized, Rationalized, and Dynamic), and 10 SAM key competencies. Please refer to **Appendix A** for a detailed overview of the 10 competencies. These stages and competencies are based on well-established and objective criteria and are applied as the industry-wide SAM standard. Figure 1 shows an overview of the SAM Maturity levels.

The first step is to set a goal. We determine the desired level within the SourcePulse SAM maturity model for an organization.



Figure 1 - Software Asset management Maturity levels

Next, a compliance audit test based on the SourcePulse SAM Maturity Model will be performed to assess the level of SAM maturity and the compliance exposure risk present. Where organizations are built from multiple departments, regions, or companies, this compliance audit will be performed on one of these components of the organization. In that case, this compliance audit of a part of the organization will be viewed as a pilot test.

In complex organizations, the pilot audit allows us to make any needed adjustments to the compliance audit test. The goal is to tune the audit to the needs of the



organization. The pilot audit will reveal any major compliance issues that might be present, and will allow an organization to immediately undertake corrective actions, actions that can be executed in parallel with the audit process. In smaller organizations, the process is similar, but applied to the entire organization rather than just a part.

After the successful completion of the pilot, the process (with the refined adjustments) will be repeated for the remaining parts of a large organization. As before, this process will assess the compliance exposure risk, and any major compliance issues can be addressed as they are revealed.

This maturity assessment in combination with the compliance risk assessment may lead to an SAM improvement plan. A SAM improvement plan would detail the steps required to bring the organization into compliance with the target maturity level. Again, with large organization, this process is applied and adjusted for each component of the organization (company/office/department).

Please note that we are proponents of a pragmatic approach. If the identified risks are low and the maturity level is sufficient, we normally do not recommend starting any SAM improvement programs. Additionally, we believe that SAM improvement programs beyond the target maturity level should only be pursued on high risk environments such as Virtual Desk Top environments and data centers.

Step 2: Software License Compliance Audit Response Plan

In addition to the SAM maturity and compliance risk assessment (as well as any improvement plans), an organization may elect for us to provide an audit response plan. This plan will be a guide for an organization or sub organization to the proper response when they receive either a so-called 'friendly offer of help' in sorting out their SAM activities by Microsoft or other Large Account Reseller (LAR). The response plan will also be useful should an operating company receive a hostile compliance audit notification.

Step 3: Software License Compliance Audit Plan

In the case where the execution of a hostile audit cannot be avoided, an organization needs have an Audit plan in place. This plan details how the organization should audit their organization for compliance with their software licenses and contracts.

Step 4: Organization SAM Framework

The maturity levels and compliance risks as identified in Step 1 – 3 may stem from the current diversity of local and global organizational SAM policies, processes, and tools. In that case we recommend taking the organization's SAM policies, processes, and tools to the next level. The consolidation of these policies, processes, and tools would result in one organizational SAM Framework. The SourcePulse SAM maturity model is a tested mechanism for this process, and would form the foundation for defining an organizational SAM Framework.

End results

Steps 1 – 3 will lead to the identification and correction of any significant compliance risk currently present. The end goal of these three steps for the organization is to have:

The goal is for our clients to fully control their current and future software compliance positions

- A comprehensive and accurate understanding of its current SAM maturity and software licence compliance status in each of its operating companies,
- Any current compliance situations solved, and
- A plan of action for any future external software licence audit.

Step 4 will:

- Define the organization's SAM Framework,
- Establish within that framework global, consistent, mature, and comprehensive software asset management systems, and
- Put processes in place within the organization's various operational components that insure all parts of an organization remain within the organization's SAM Framework

The goal is for our clients to fully control their current and future software compliance positions.

Note: This approach is not limited to Microsoft software only. The approach can be applied to any other software vendor product so long as the appropriate data is available.

Unique approach

The SourcePulse SAM Maturity Model approach:

- Is applicable to the Software Asset Management processes of all the organization's components, even if located worldwide;
- Provides reporting on the Software Asset Management maturity level of each operating group of an organization, based on objective criteria and in a global, standard way; the SourcePulse SAM Maturity Model thus provides a better governance tool at the corporate level;
- Provides detailed insight into the non-compliance risk exposure position per operating company;
- Is not limited to one software provider;
- Eliminates "shelf ware" (uninstalled/unused software) and unnecessary software support contracts which cost organizations on average **\$125 per user per year**;
- Has proven to achieve overall software license fee reductions of **up to 60%**.

[Software Licenses] may be assigned or "sold" to another part of the organization, thus balancing license requirements across the Organization

Data collection

The development of the organization's SAM Maturity Framework requires the collection of appropriate data. This data allows us to determine the current maturity score of the organization for each of the 10 SAM key competencies.

The most complicated and time consuming part of this step is the collection of data at the pilot company in order to:

- Verify the Software Asset Management inventory,
- Assess which software applications are actually installed on the devices (PC, laptop, I-pad, home PC, etc.),
- Identify which software applications are actually being used, and
- Establish which software applications have been used in the last 3 months

The goal is to identify which software licenses are available for reassignment to a different user or to even a different operating company.

Note: In a large organization, one part of the organization may own licenses that are not used. These may be assigned or "sold" to another part of the organization, thus balancing license requirements across the organization.

Many companies are currently deploying software registry usage tools to facilitate the collection of the required software application installation and software application usage data. While this approach is good for measuring which software programs installed on a PC or laptop are actually used, most such tools are not able to translate the data collected into a license compliancy statement suitable for SAM purposes and/or contract management.

Software registry usage tools cannot directly link to the licencing positions of applications. This is because the licencing rules which software providers like Microsoft deploy are legal documents, not applications. An example of this is the so called Client Access License (CAL). This CAL cannot be measured by simple registry usage SAM tools because a CAL is not physically installed but it is only a legal right. So the number of CALs can only be calculated based on analysis of actual software used applying the licencing rules of Microsoft.

SourcePulse License Advisor

To establish the licencing position of an organization, we use SourcePulse’s own unique tool: **The License Advisor**.

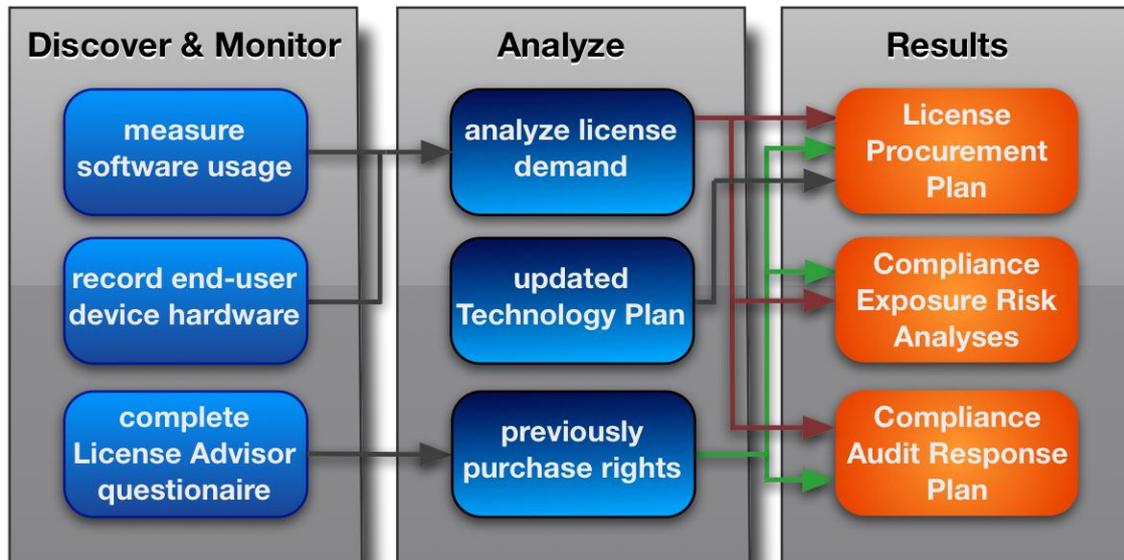


Figure 2 SourcePulse License Advisor system overview

The License Advisor is the only tool currently available in the industry which is able to determine which license agreement is most suitable considering the organization’s actual use, the technology requirements, the frequency of updates needed, the level of technical support desired, and the licenses that have been purchased. The License Advisor is able to determine which licenses are needed to meet all of these constraints to maintain compliance while minimizing costs.

The License Advisor is based on a powerful rules engine, encompassing all relevant licensing rules of each software provider it covers, while applying all the latest fees and discount information. In the License Advisor the usage data as measured is matched with the outcomes of a SAM questionnaire which establishes the organization’s current contract position and future IT plans.

Figure 3 shows a sample output of the License Advisor for a Microsoft Office upgrade scenario.

License Advisor: Results

Home Questions Results

License Advisor : Microsoft Licensing Overview

VolkerWessels

Corporate C

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[Based on the inputs provided we believe a Select Plus agreement may be suitable for your organisation. Software Assurance appears not to be beneficial in this Case.]

Select Agreement

Pool	Part Number	Item Name	Product Type	Unit Count	Purchase Unit	Purchase Period	Current Net Price / Unit / Year	Estimated Retail Price / Unit / Year	Number of Licenses to Buy	Cost for 1 Year	Cost for 3 Years
Applications	021-09744	OfficeStd 2010 SNGL MVL	Standard	2	Each	Non-Specific	278,04	338	11250	3.802.500	3.802.500
	021-02910	OfficeStd SNGL WAH MVL	Work At Home	2	Each	Non-Specific	126,12	154	11250	1.732.500	1.732.500
Servers	UZD-00010	VDIPremStewMDOP SNGL SubsVL MVL PerDvc	Monthly Subscriptions-VolumeLicense	1	1 Month(s)	Non-Specific	3,31	4,02	2500	120.600	361.800
	W06-00426	CoreCAL SNGL LicSAPk MVL UsrCAL	License/Software Assurance Pack	3	3 Year(s)	3 Yr(s) Remaining	284,4	348	11250	1.305.000	3.915.000
General	4ZF-00030	VDA SNGL SubsVL MVL PerDvc	Monthly Subscriptions-VolumeLicense	2	1 Month(s)	Non-Specific	6,3	7,65	2500	229.500	688.500
	FQC-02452	WinPro 7 SNGL Upgrd MVL	Upgrade	2	Each	Non-Specific	139,68	170	10000	1.700.000	1.700.000
Total										8.890.100	12.200.300

Figure 3 – Example of results coming out of the License Advisor

Although the example in Figure 3 relates to Microsoft software, the License Advisor is able to optimize the license requirements for various brands of software such as Oracle, Adobe, IBM, etc.

The License Advisor can be configured to assist organizations in a decentralized procurement situation to enforce centralized SAM policies and monitoring, as well as ensuring the decentralized operating companies purchase the correct software components against a shared contract. Such contracts can be regional, national, and even worldwide. Procurement consistent with the organizational contracts can save up to 60% of uncoordinated software license fee costs.

The License Advisor can be integrated with SourcePulse's own software registry usage tool. In this configuration, the License Advisor gives real time and online insight into the organization's software license compliance position.

The additional license cost for SourcePulse's own software registry usage tool is approximately \$10 per user per year. We believe that this is a very small fee considering the benefits.

Alternatively, other software registry usage tools can be used to collect data on application installation and usage. Data from these tools can be fed into the License Advisor manually, giving insight into a software license compliance position based on the data at the time.

Appendix A. SAM optimization criteria

The table below identifies the 10 SAM optimization criteria per maturity level.

Key Competency	Basic	Standardized	Rationalized	Dynamic
SAM Throughout Organization	Project Manager assigned but SAM roles & responsibilities not defined.	Direct SAM responsibility is identified throughout organization.	Each functional group actively manages SAM.	SAM responsibilities defined in job descriptions across organization.
SAM Improvement Plan	No SAM development or communication plan.	SAM plan is defined and approved.	SAM improvement is demonstrated.	SAM goals part of executive scorecard; reviewed regularly.
Hardware and Software Inventory	No centralized inventory or < 68% assets in central inventory.	Between 68% and 95% of assets in inventory.	Between 96% and 99% of assets in inventory.	> 99% of assets in inventory.
Accuracy of Inventory	Manual inventory; no discovery tools.	Inventory sources reconciled annually.	Inventory sources reconciled quarterly.	Dynamic discovery tools provide near real-time deployment details.
License Entitlement Records	Procurement manages contracts; not accessed by IT managers.	Complete entitlement records exist across organization.	Entitlement records reconciled with vendor records.	SAM entitlement system interfaces with vendor entitlement to track usage.
Periodic Evaluation	IT operations managed on ad-hoc basis.	Annual sign-off on SAM reports.	Quarterly sign-off on SAM reports.	System reconciliations and ITAM report available on demand.
Operations Management Interfaces	SAM not considered part of M&A risk plan and company integration.	Operations manages separate asset inventories.	Operations manages associated asset inventory.	All business units follow the same strategy, process, & technology for SAM.
Acquisition Process	Assets purchased on a per project basis; without a review of current availability.	Software purchases use approved vendors.	Software purchases based on deployment/entitlement reconciliation.	All purchases are made using a pre-defined asset catalog; based on metered usage.
Deployment Process	Assets deployed by end -users in distributed locations; no centralized IT.	Only approved software is deployed.	Software deployment reports are accessible to stakeholders.	Software is dynamically available to users on demand.
Retirement Process	No organized retirement process.	Software retirement is tracked.	Retired software is reused.	Software is retired using a comprehensive, automated process.

Appendix B. Software License Compliance Audit: Response Plan

DOCUMENT PURPOSE: To identify a pre-defined and standard plan to guide the organization's response to a request (demand) from an external party (e.g., software publisher or compliance organization) for a software license compliance audit.

PLAN OBJECTIVES:

- ◆ To respond to license compliance audits initiated by an external party in an appropriate and efficient manner with minimal risk (financial, legal, reputation) and minimal disruption to the organization.
- ◆ To identify instances (by product) of under and over licensing based on which appropriate corrective action can be taken; in particular, removal of unlicensed software and/or purchase of additional licenses as appropriate.

PLAN BENEFITS:

- ◆ Minimize financial, legal, and reputational risk that may result from a license compliance audit initiated by an external party.
- ◆ Minimize impacts to operations and staff due to license compliance audits.

WHO IS INVOLVED: Likely to include but not limited to:

- ◆ Legal counsel
- ◆ IT Executives
- ◆ Finance Executives
- ◆ Software Asset and License Manager
- ◆ IT Managers
- ◆ Business Managers
- ◆ Procurement

RESPONSE PLAN ACTIVITIES:

1. Review audit request with legal counsel and selected internal parties; considerations include, but are not limited to:
 - Timeframe for the response
 - Scope: publishers, products, platforms, environments, locations, active/inactive devices etc.
 - Purpose
 - Conditions (e.g., no purchases until audit conducted or completed)
 - Tools to be used to collect software installation and/or usage data
 - Timeframe for the audit
 - Purchases before/during audit – business as usual
 - Confidentiality
 - Audit process
 - Auditors (could be internal resources and/or independent neutral third party)
 - License metrics
 - Accepted data sources: license, installation, use
 - Audit fees: who pays, limits
 - Software fees, including additional licenses (true-up), maintenance, interest and any penalties (publishers generally do not charge penalties, only compliance organizations)
 - Audit and license terms in applicable contracts
 - Audit deliverables (e.g. reports and formats)
2. Review applicable license agreements to identify and assess applicability of any audit terms and conditions
3. Conduct industry research (e.g. Gartner) as to similar audits; contact other organizations (for the appropriate party involved)
4. Conduct an audit response meeting with internal team
5. Decide who will manage the audit (e.g. IT versus legal)
6. Conduct an initial meeting with external party to clarify and negotiate audit terms (ref: list above)
7. Formulate and issue appropriate response to audit request: agree as requested (unlikely), agree with conditions, reject, other
8. Prepare, negotiate and execute audit agreement; reference considerations above.
9. Develop a communication plan: what should be communicated, to whom, when, how
10. Develop and execute detailed audit plan, per audit agreement terms. (Reference Software License Compliance Audit Plan.doc)
11. Conduct an internal audit team meeting to validate results prior to sharing with the external party
12. Review validated results with the external party



13. Negotiate a settlement (if results are unfavourable), per the audit agreement or as otherwise more favourably negotiated
14. Obtain a signed release (closure agreement) from the external party absolving organization from any liabilities beyond this audit

Appendix C. Software License Compliance Audit Plan

DOCUMENT PURPOSE: To identify a standard plan to conduct a license compliance audit. Most of the audit activities as described apply to audits initiated by:

- ♦ An external party (e.g., software publisher or compliance organization); or
- ♦ Your organization in support of the company's IT asset management objectives.

SOFTWARE LICENSE COMPLIANCE AUDIT ACTIVITIES: Will include, but are not limited to:

1. Determine the **purpose** of the audit (e.g., to demonstrate license compliance to an external party, determine license requirements for contract renewal).
2. Determine the **scope** of the audit: publishers, products, platforms, environments, locations (home users vs. office users), active/inactive devices.
3. Determine the audit **approach** (e.g., phased versus all at same time) and **schedule**.
4. Define any relevant **assumptions/facts** (e.g., accuracy/completeness of the installation data).
5. Identify the participants to be involved in the audit, likely to include, but not limited to:
 - ♦ Software Asset and License Manager
 - ♦ IT Managers
 - ♦ Procurement
 - ♦ Finance
 - ♦ Business Units/Lines of Business
 - ♦ Publishers of software subject to the audit
 - ♦ Reseller(s)
 - ♦ *Additionally, for an external audit:*
 - ♦ Legal Counsel
 - ♦ IT Executives
 - ♦ Finance Executives
6. Define required report content and format. (For external audits, may be specified in the Audit Agreement.)
7. Identify data sources for software installation and/or usage
8. Identify license agreements and data sources for software *licenses and terms*.
9. Identify the tools (e.g., inventory discovery) and/or methods (e.g. manual inventory) to be used for the audit
10. Develop a communication plan (internal and for in-scope publishers): What should be communicated, to whom, when and how
11. Obtain and review applicable license agreements; identify relevant license terms (grants and restrictions)
12. Develop and test scripts for collection of software installation and/or usage data
13. Schedule collection of software installation and/or usage data for in-scope software, using selected tools and/or methods



14. Obtain proof-of-license documentation (see below) and an aggregate count of licenses for the in-scope software
15. Reconcile the software licenses to software installation and/or usage, not only as to counts, but other license parameters such as use by non-employees
16. Investigate the variances (under or over licensed)
17. Review and submit a report of the audit results to management and stakeholders with recommendations; in particular, removal of unlicensed software and/or purchase of additional licenses as appropriate. Reports would typically include:
 - ♦ License summary (by title)
 - ♦ Software installation and/or use summary (by title)
 - ♦ Reconciliation/comparison report between license and installation and/or usage (by title)
 - ♦ Other Observations (e.g., trends or product not used, etc.)
18. Implement recommendations as approved