



Software License Optimization and Compliance: 10 Best Practices

Improve efficiency and save money through integrated Software Asset Management

By Tim Clark and Kathy Stershic
The FactPoint Group



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1.0 Executive Summary

Managing software licenses has long been an important, if sometimes overlooked, task for IT, whether the department consists of one part-time administrator or a globally dispersed IT team reporting to a C-level executive.

Over time, the stakes in software optimization and compliance have risen exponentially as license types proliferate and grow more complex, especially as the open source licensing model evolves. With the imperative of controlling software spend, optimizing licenses within an enterprise is now paramount. According to a survey conducted by IDC,¹ 38% of organizations reported that 11% or more of their application spend was associated with out of compliance use and 56% of organizations said that 11% or more of their application spend was for under-used software (shelf ware).

Software vendors continue to aggressively pursue licensing violations. Sixty four percent of enterprises have been audited or reviewed in the past 18-24 months, and 24% paid audit true-ups in excess of \$1 million.² The growth of cloud computing is having an impact—48% of application producers will change their compliance and licensing policies to adapt to cloud technology.³

In parallel, malicious software that targets enterprise networks and productivity-killing applications introduced by users underscore the message to IT: Know what software is running on your network.

Software compliance typically conjures up fears that massive purchases of new licenses will be required. However, compliance efforts can actually optimize use of software assets by assigning licenses to the people who need them most. Such optimization lets organizations work smarter and save money by avoiding damages for noncompliance and eliminating or reallocating under-used licenses.

Even for companies eager to comply, broad changes in enterprise software practices have created trends where non-compliance can proliferate, intentionally or not. These trends include:

- **Virtualization** makes it easy to replicate server images containing licensed software, risking non-compliance with licensing terms. A VMWare survey indicates that 73% of server workloads will be virtualized by 2014.⁴
- **Virtualization on the desktop** creates another layer of complexity. Users may run multiple operating systems on the same hardware infrastructure, for example, Windows mode on Macintosh computers and Windows XP mode on Windows 7.
- **The changing software licensing landscape.** Concurrent user pricing or usage-based models are becoming more common—and more complex. Meanwhile, the Business Software Alliance (BSA) and the Software & Information Industry Association (SIIA), the two leading industry trade groups, still aggressively push license compliance. In fact, the SIIA offers up to a \$1 million reward for reports of software piracy within an enterprise, and statutory damages can run as high as \$150,000 for each program copied.⁵

¹ IDC, “2012 Key Trends in Software Pricing and Licensing Survey” of 334 respondents including 101 enterprise executives and 233 application producer executives (defined as software vendors and intelligent device manufacturer). <http://www.flexerasoftware.com/webdocuments/PDF/wp-SoftSummit-2012-KeyTrendsSurvey.pdf>

² Ibid., IDC, 2012 Key Trends.

³ Ibid., IDC, 2012 Key Trends.

⁴ VMWare Cloud Infrastructure and Management, Raghu Raghuram, August 2012

⁵ BSA, Software Piracy and the Law, Information on Software Piracy in the United States.

- **Pirated or unlicensed software**—particularly software downloaded from the Internet—can carry another cost: malicious code. For instance, IDC reports that downloaded software has a one in three chance of encountering dangerous malware or using pirated software, at a cost of \$114 billion to enterprises and 1.5 billion hours of user intervention worldwide.⁶

By proactively addressing these trends, IT can reframe software licensing into a process driven by best practices, giving this traditional cost center a chance to bolster the business.

2.0 10 Best Practices for Software License Optimization and Compliance

Facing these software licensing challenges, IT departments must proactively help their organizations stay in compliance while saving money and resources through optimization. The following Best Practices outline a program for IT to achieve software license optimization and compliance through integrated Software Asset Management (SAM) and automation:

No. 1: Set policy. If your organization does not have a software licensing policy that encompasses all approved and supported software, now is the time to create one. The policy should govern all software usage, including which versions and platforms are supported. The policy should describe approved licenses including paid licenses, cloud-based software, VMs, open source, freeware, shareware and shelf ware. The policy should also articulate when obsolete software is no longer supported and what should be done with licenses still in use. It should include categories for software that:

- Can be purchased by license type.
- Will be supported by IT and on which specific devices.
- Will not be supported by IT but is not prohibited.
- Is prohibited from being installed on any company asset.

A truly tight license policy may stipulate that all software purchase requests be approved in writing by a department manager. Such a policy would prevent employees from buying software directly, charging it to their expense accounts or downloading software from the Internet without approval.

No. 2: Use a software catalog service. Tracking software assets for licenses and usage has become exponentially harder in recent years for several reasons. First, software on corporate networks has proliferated because of multiple versions and inconsistent naming of software packages and components. Second, licensing structures have become too complex for IT organizations to easily track usage and compliance. Finally, market changes such as mergers, acquisitions, and products' End of Life make it difficult to consolidate support costs and manage software compliance. A software catalog service provides a rich database of information about software assets discovered within an enterprise that IT can use to make sense out of raw asset data and track license usage.

No. 3: Take an inventory of all software. All installed software must be accounted for, including usage statistics or software metering. By identifying seldom-used licenses, for example, underutilized licenses become available for other users before IT buys new licenses. Underused licenses also may suggest inadequate training on the software, or that the software has become obsolete and is no longer worth the investment. Include in your inventory not only commercial software but open source, freeware and shareware that employees are using.

⁶ IDC, "The Dangerous World of Counterfeit and Pirated Software," March 2013 <http://www.microsoft.com/en-us/news/download/presskits/antipiracy/docs/IDC030513.pdf>

With Windows XP fast approaching end of life (extended support ends in early 2014), organizations are urgently looking to migrate to Windows 7 or 8. A solid understanding of installed software and its usage will better enable organizations to plan and implement Windows 7 and 8 migrations by uncovering potential compatibility issues and by accurately sizing the effort to upgrade or replace applications as part of the migration. IT administrators need to capture and report on hardware characteristics to better gauge readiness for OS and application migrations and upgrades.

The results of your software inventory and usage stats should point out redundancies, little-used software and applications that can be abandoned and thus don't need to be made compatible in a migration to a new operating system.

No. 4: Retire old applications. Bloated application portfolios increase IT complexity, raise support costs, make migrations more difficult and multiply the risk of application conflicts. Gartner recommends that enterprises review their application portfolio at least annually and retire applications that aren't in use or are redundant with other applications. "We've found that organizations can reduce their application portfolio size by as much as 25% through this process," Gartner advises.⁷

No. 5: Collect records and run regular reports. For organizations with decentralized software purchasing, this task may be challenging. Enterprises should retain, in a central repository, documentation of software purchases including license agreements, and documentation of open source, shareware, freeware and public domain software acquired. Use the repository to manage purchase, cost, depreciation, warranty and support information, and match the documented licenses to installed software as proof of compliance in a software audit. Use reports to monitor usage and identify unused licenses which can be re-allocated to different users or over-usage that needs to be remedied with new or re-assigned licenses. Utilize reports as a tool to examine broader issues that relate to optimization, such as:

- Is installed software being used effectively?
- Are there spare licenses that could be re-deployed?
- How many copies do we actually need of each application?
- Which applications have been over-licensed so we can save on annual renewals?

No. 6: Create and communicate clear policies to employees on license violations, guidelines for adherence, policy enforcement methods and penalties for violations. Establish a company culture of compliance, including regular self-assessments and performance reviews. Develop training programs to adequately educate employees about software license policies, approved software, unapproved programs that should not be downloaded onto corporate machines, and the permitted usage of company-licensed software on personal devices used for work. Create a clear and consistent policy on BYOD (Bring Your Own Device) for employees who wish to use their own hardware (smartphones, tablets, laptops, etc.) for work. Emphasize the benefits to users of protecting their computers and devices from malicious code and privacy breaches.

No. 7: Ensure that only the latest approved versions of software are running by enforcing the software licensing policy (Best Practice No. 1). Utilize a blacklist of software that may not be installed, then prevent users from installing anything on company machines that is not approved, even if the employee buys his or her own copy or downloads software for free. If employees have independently obtained and installed organization-blacklisted software on their personal devices used for work, IT should detect that software and determine policy for that usage case. Implement automated software patching and distribution processes to keep systems up-to-date in a scalable and efficient way.

⁷ Gartner, "How to Reduce the Cost of PC Support," 9 March 2011.

No. 8: Implement policies in IT to enforce compliance. Address practices such as removing software from old computers when the same licensed software is installed on replacements. Remove demonstration copies of software when a license hasn't been purchased. Ban unauthorized copies of software for employees' own use or for distribution. Establish a system, which includes some level of automation, to re-check installed software for ongoing license compliance.

No. 9: Make license compliance strategic. Approach software license compliance as part of broader strategic efforts around IT asset management and improved total cost of ownership (TCO). Software license compliance and optimization should be part of a greater effort to optimize IT assets in support of the organization's business goals. By linking license compliance and optimization with activities designed to reduce TCO, a thoughtful program can result in both financial savings and higher productivity.

No. 10: Keep up with user requirements for software. With the explosion of smartphones, tablets and other mobile devices, employees and executives not only want to but must link their devices to corporate systems—often even personal devices. Unless IT supports that requirement, users will resort to unsupported software.

3.0 Partnering with Dell KACE™ to Implement Best Practices

Dell KACE helps organizations of all sizes implement software license compliance and optimization, allowing them to track and meter software usage, automate software distribution and patching, and proactively monitor and enforce compliance.

With the Dell KACE K1000 Management Appliance, organizations can save money by optimizing purchased licenses, renegotiate contracts in a timely manner and avoid exposure to security threats. Further, they can reclaim and reallocate underutilized and non-utilized software licenses through unique benefits of the Dell KACE K1000 Management Appliance, in support of the Best Practices above:

- **Software Catalog:** The K1000 integrates with the **Dell Application Catalog** to provide comprehensive software discovery and reconciliation. Updated daily and downloadable on demand, the Dell Application Catalog houses important information, including application version and name variations, normalized publisher names, and categorizing of the applications themselves. This level of detail enables IT administrators to accurately and reliably discover, track and manage software assets, optimize license usage, and achieve compliance. The Dell Application Catalog also automatically maps minor versions to the parent package, enabling licensing and usage tracking across major versions. The K1000 is able to discern whether an application has been installed in a standalone mode or as part of a greater software suite.
- **Software Inventory:** To inventory software, use the KACE Management Appliance to auto-discover software installed across the network. This visibility into which applications are installed on which systems gives organizations a comprehensive, up-to-the-minute view of what software is installed where. The K1000 also captures and reports on hardware characteristics so IT managers can better gauge readiness for OS and application migrations and upgrades.
- **Software Metering:** Software metering provides the ability to see what software is actually being used versus just installed. This allows unused licenses to be reassigned to other users or retired, significantly reducing usage-based software licensing costs. It also allows IT administrators to monitor usage for compliance with license agreements. The K1000 allows IT administrators to view usage information based on when an application is actually run, thereby allowing them to reliably track usage for optimization and compliance.
- **Software Asset Management (SAM):** By collecting and organizing records of all software licenses, the K1000 Appliance helps manage software assets across the entire lifecycle from procurement to end of life. The K1000 can help assign and reconcile software licenses against applications so organizations comply with licenses and track unauthorized software.

- **Reporting:** The K1000 Appliance generates detailed reports on usage and installation statistics. These help IT departments identify and address issues with software usage and provide proof of license compliance in the event of a software audit.
- **Distribution:** To enforce software license compliance, the K1000 Appliance automates software distribution to keep systems up-to-date in a scalable and efficient way. The K1000 allows organizations to automatically install or remove applications from a central point, making it easier for organizations to stay within the term of their licenses with minimal time and effort.
- **Patching:** To assure that installed software is up-to-date, the K1000 can automate software patching. Patching client machines effectively and reliably is becoming a non-stop process for many organizations, demanding a robust, dynamic and automated infrastructure to ensure delivery. Regular deployment of patches using pre-defined policies helps improve IT efficiency, cover the broad range of software on the network and avoid security threats.

Dell KACE offers comprehensive software license compliance and optimization solution that equips organizations with tools to track software installation and usage, automatically distribute and patch software, easily run reports on software utilization, and effectively manage software assets. The benefits include saving time and money and being prepared for a software license audit. Organizations of all sizes can benefit from optimal utilization of purchased licenses, renegotiating contracts in a timely manner and avoiding exposure to security threats. Organizations can also realize cost savings by harvesting and reallocating underused or under-utilized software applications, squeezing greater value out of software assets.

About The FactPoint Group



The FactPoint Group is a market research and consulting firm based in Silicon Valley that has been helping customers use and sell technologies since 1993. Its methodologies involve identifying enterprise user needs and helping technology providers address those needs and create messaging to sell products in ways that take user requirements into account.

www.factpoint.com

Dell KACE Corporate Background

Dell Inc. (NASDAQ: DELL) listens to customers and delivers innovative technology and services that give them the power to do more. The award-winning Dell KACE Family of Systems Management Appliances provides easy-to-use, comprehensive and affordable solutions to fulfill the systems management needs of organizations of all sizes, saving time for systems administration professionals while saving money for their organizations.

Dell KACE is headquartered in Mountain View, California. To learn more about Dell KACE and its product offerings, please visit <http://www.kace.com> or call 1-877-MGMT-DONE.

Helpful Links:

- [KACE Systems Management Appliances](#)
- [KACE Systems Deployment Appliances](#)
- [KACE Mobile Management Appliances](#)
- [KACE Virtual Appliances](#)

Dell KACE Headquarters

2001 Landings Drive
Mountain View, California 94043

(877) MGMT-DONE office for all inquiries

(+1) (650) 316-1050 International

(650) 649-1806 fax

European Sales: emea@kace.com

Asia Pacific Sales: apac@kace.com

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