Software License Compliance: 10 Best Practices

Taming software license compliance through automation

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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 compliance have risen as license types proliferate and grown more complex, especially as new open source licenses evolve. Software vendors are finding new tools for detecting violations—46% of software companies use network licensing to enforce compliance, up from 28% in 2009. Likewise, cloud computing is changing the licensing game—60% of software vendors expect to change licensing in some way in the next 24 months to adapt to the cloud.

In parallel, an explosion of malicious software targeting enterprise networks underscores the message to IT: Know what software is running on your network.

Traditionally, software compliance conjures up fears that massive purchases of new licenses will be required. However, compliance efforts also can optimize the use of software assets by assigning licenses to the people who need them most, a way of working smarter. Software license compliance also can save organizations money, not only avoiding damages for noncompliance, but also by eliminating or reallocating underused licenses.

Broad changes in enterprise software practices have created a situation in which IT can reframe software licensing into a process driven by best practices, giving IT the chance to bolster the business, not be perceived as a cost center. These trends include:

- **Virtualization** makes it easy to replicate server images containing licensed software, risking non-compliance with licensing terms. IDC estimates that by 2014, 70% of server workloads will run on VMS.

- **Virtualization on the desktop** makes license compliance more challenging. Windows 7 machines have the built-in capability to run XP applications in “Windows XP Mode,” creating licensing issues for XP apps. Likewise, Macintosh computers can run virtual versions of Windows apps, with similar compliance consequences.

- **The software licensing landscape** is changing. Concurrent user pricing or usage-based models are becoming more common—and more complex. Meanwhile, the Business Software Alliance (BSA) and Software & Information Industry Association (SIIA) still aggressively push license compliance. 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.

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2. IDC, “2010 Key Trends in Software Pricing and Licensing Survey” of 234 software companies and enterprise IT directors.
Pirated or unlicensed software—particularly software downloaded from the Internet—can carry another cost: Malicious code. For instance, 59 percent of the counterfeit software or software key generators downloaded from peer-to-peer sites contained malicious code that could lead to identity theft or other security breaches.  

2.0 10 Best Practices for Software License Compliance

Facing those software licensing challenges, IT departments seek proactively to help their organizations stay in compliance as well as save money and resources, especially IT’s time. These Best Practices outline a program for IT to tame software license compliance through 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 articulate when obsolete software is no longer supported. 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 property.

A truly tight license policy may stipulate that all software purchase requests be in writing with department manager. Employees may not buy software directly, charge it to their expense accounts or download software from the Internet without special approval.

No. 2: Take inventory of all software. All installed software must be accounted for, including usage statistics (software metering). By identifying seldom-used licenses, for example, these underutilized licenses become available for other users before IT buys new licenses. Under-used licenses also may suggest inadequate training on the software, or that the software has become obsolete and no longer worth the investment. Include in your inventory not only commercial software but open source, freeware and shareware that employees are using.

With Windows XP approaching end of life, having a handle on installed software and metering makes migration to Windows 7 easier. With an accurate inventory, IT can anticipate possible compatibility issues and can plan to upgrade or replace applications as part of the migration.

No. 3: 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.

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The results of your software inventory (and usage stats) should point to 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: Collect records of all software licenses. For organizations with decentralized purchasing of software, 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. Use the repository to manage the purchases, costs, depreciation, warranty, and support information.

No. 5: Run regular reports to match licenses to installed software as proof of license compliance for a software audit. Use reports to monitor usage to 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 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 to employees clear policies about license violations, guidelines for adherence, how the policy will be enforced 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 and unapproved programs that should not be downloaded onto corporate machines. Emphasize the benefits to users of protecting their computers and devices from malicious code and privacy breaches.

No. 7: Ensure that only latest approved versions of software are running by enforcing the software licensing policy (Best Practice No. 1). Utilize a blacklist of software that cannot 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. Implement automated software patching and distribution processes to keep systems up-to-date in a scalable and efficient way.

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 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 for IT asset management and improved total cost of ownership (TCO). Software license compliance should be part of a broader effort to optimize IT assets to support the organization’s business goals. By linking license compliance 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 exploding use of iPhones®, BlackBerry® smartphones, iPads® and other mobile devices, employees and executives not only want to but must link their devices to corporate systems. IT needs to support that requirement because otherwise users will resort to unsupported software. Avoid the need for users to be non-compliant by supporting their requirements.
3.0 Partnering with Dell KACE™ to Implement Best Practices

Dell KACE helps organizations of all sizes implement software license compliance that allows 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 through optimal use of purchased licenses, renegotiate contracts in a timely manner and avoid exposure to security threats. Organizations that are looking to save money by reclaiming and reallocating underutilized and non-utilized software licenses can benefit from these features of the Dell KACE K1000 Management Appliance that support the best practices above:

- **Software inventory**: To take inventory of all software, use the KACE Management Appliance to auto-discover software installed across the network. This provides visibility into which applications are installed on which systems so that organizations have a comprehensive view of what software is where at any time.

- **Asset management**: By collecting and organizing records of all software licenses, use the K1000 Appliance as a step to 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**: For running regular reports, the K1000 Appliance generates detailed, regular 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.

- **Blacklisting**: To ensure that only approved software is running on the network, the K1000 can prevent identified, harmful software from being installed. This feature also assures that rogue software can be removed from any machine on the network.

- **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.

Dell KACE offers a comprehensive software license compliance solution that equips organizations with tools to track software installation and usage statistics, automatically distribute and patch software, easily run reports on software utilization, and effectively manage software assets by saving time and money. Organizations of all sizes can benefit from optimal utilization of purchased licenses, renegotiating contract in a timely manner, and avoid exposure to security threats. Organizations can also realize huge cost savings by harvesting and reallocating underused or under-utilized software applications and squeeze greater value out of software assets.
About The FactPoint Group

The FactPoint Group is a boutique market research and consulting firm based in Silicon Valley that has been helping customers use and sell technologies since 1993.

www.factpoint.com

Dell KACE Corporate Background

Dell (NASDAQ: DELL) creates, enhances and integrates technology and services customers count on to provide them reliable, long term value. Dell provides systems management solutions for customers of all sizes and system complexity. The award-winning Dell KACE family of appliances delivers easy-to-use, comprehensive, and affordable systems management capabilities.

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 Virtual Appliances

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