Avoiding inefficiencies and audits depends on adopting a sound strategy along with the right tools.

Over the last decade, the complexities of managing enterprise software have grown exponentially. Cloud computing, virtualization, mobility and an array of trends — including bring your own device (BYOD) and new software licensing models — have transformed the way organizations use and manage applications.

Navigating this landscape can prove daunting. For many organizations, tracking licenses is a difficult, time-consuming and expensive task. What’s more, organizations face the constant threat of a vendor audit along with potential fines for noncompliance.

Under U.S. Copyright Law, the amount of a fine can hit $150,000 in statutory damages per violation, but the actual cost can run significantly higher due to legal fees and other expenses.

Unfortunately, many organizations do not address licensing issues adequately. “A lot of executives wind up feeling overwhelmed and they sweep the issue under the rug,” states Andrea Hoerr, solutions manager for software asset management at CDW. “Today’s licensing schemes are quite complex,” she says. “They require more than a spreadsheet and occasional attention. It’s crucial to apply a more strategic focus and base decisions on real-world needs. Best practice organizations take a lifecycle approach to software licensing management.”

Taking License

Software license management (SLM) has evolved out of a pressing need for structure in an increasingly chaotic marketplace. Today, vendors often deliver painfully long and often convoluted end user license agreements (EULAs). The stipulations vary greatly by software publisher and, sometimes, even within a vendor’s portfolio of product offerings.

What’s more, as IT executives dip into virtualization, cloud computing and mobile technologies — often relying on real-world needs. Best practice organizations take a lifecycle approach to software licensing management.”

Adopting a Lifecycle Approach to Software

Application lifecycle management (ALM) has emerged as a viable way to tackle the task of tracking and managing software assets. By incorporating a variety of functions — including governance, maintenance, release management and application license tracking — it’s possible to stay ahead of the software curve. Quite simply, ALM attempts to help businesses smooth out their budgeting and P&L processes,” she says. Dennis Drogseth at Enterprise Management Associates says that a key to success is establishing a dedicated software management team to oversee ALM.

In the end, entities that tap into ALM effectively realize significant benefits. These include: an accurate discovery process that allows IT to identify software that has been installed on servers, personal computers and mobile devices; better control over software versioning and patches; improved governance, better compliance and security; and reduced risk migration. Says Hoerr: “It’s an approach that offers benefits for every organization.”
In addition, businesses tackling mergers and acquisitions or dealing with large number of independent contractors often find software licensing daunting. Likewise, consumer trends in IT — such as BYOD and clouds — create other obstacles. For instance, IT executives might struggle to manage software licensing issues for employees that use a nonenterprise owned mobile device to access an enterprise database or application. Finally, it’s critical to recognize that so-called shadow IT — different departments procuring software and services independent of the IT department — is a growing issue for organizations.

What’s more, licensing models are changing. In addition to traditional licensing based on a price per seat, some vendors — particularly those providing software-as-a-service (SaaS) and cloud-based applications — are rolling out annual subscription fees. In some cases, this approach can greatly simplify licensing but in other instances it can further complicate an already complicated situation.
The advantage to a software-as-a-service approach is that it removes the dependency on local hardware,” explains Dennis Drogseth, a vice president at Portsmouth, N. H. consulting firm Enterprise Management Associates. “As a result, it typically creates a clearer model.”

In the end, the lack of an effective licensing strategy can lead to inefficiencies, increased costs, violations and fines. It can also create a chaotic IT environment that leads to over-provisioning and under-provisioning of resources. “In many cases, organizations fail to take a proactive approach to software licensing and asset management. They do not fully support the business of IT,” Drogseth says. “As a result, software asset management teams often spend a great deal of time preparing for audits and coping with the aftermath. It is not a productive use of enterprise resources.”

“Here’s how to get the most out of SLM:

Develop a Strategy.
Every organization requires a set of policies and practices for managing software licenses – particularly in an era of BYOD and cloud computing. ISO 19770-1 provides companies with a measurement to establish performance against an agreed standard of corporate governance, lifecycle management and effective IT service delivery.

Centralize License Management.
Too often, organizations approach software licensing in a haphazard manner. As a result, information about licenses is scattered across the enterprise and in some cases huge gaps exist. “A centralized approach helps an organization obtain an accurate license count and optimize staffing and purchases to match its exact needs,” CDW’s Hoerr explains.

Obtain Accurate Numbers and Analyze Data.
Even a relatively small error in calculating software requirements can lead to enormous overspending. In many cases, an error of only 1 or 2 percent can result in hundreds of thousands – even millions – of dollars over the life of the contract. An SLM tool can analyze usage and patterns and provide insights into how to buy and renew software optimally.

Automate Processes.
Spreadsheets and manual processes are a recipe for errors, glitches and problems. A robust software asset management tool can remove many of the obstacles to effective SLM. Among other things, it can provide accurate data about usage, identify unauthorized licenses and rogue installations, and identify licenses that are about to expire. The software can link together numerous discreet processes and enable a lifecycle approach.

Coping with an Audit
In recent years, as the economy has stalled and revenues have waned, software vendors have increasingly viewed audits as a tool to boost revenues. According to various industry studies, about 60 percent of firms undergo at least one software audit each year — a number that has doubled in the last six years. In fact, nearly 20 percent of firms say they have been audited at least three times during the last year, according to a 2011 IDC/Flexera study.

“Typically, auditors examine devices and check to see if licensing requirements match the actual systems. They look at the number of licenses held by an organization, license expiration dates, and the hardware on which the software is installed. In some cases, auditors may overlook minor violations. In other instances, they may crack down aggressively – even when an entity has made a good-faith effort to comply with licensing terms. The lack of clear reporting can create a more stressful and lengthy auditing process. There are numerous steps an enterprise can take to streamline software licensing management and minimize the odds of an audit. One of the most effective ways to address the situation is through the use of a software licensing management tool. (See the accompanying article, Software Licensing Management Goes Mainstream.)

These applications not only generate a database of devices and licenses, they identify potential discrepancies and provide insights into how to maximize cost efficiencies. Many applications provide detailed reports and graphs that provide an at-a-glance view of the enterprise. Enterprises are also turning to strategies and tools to rein in consumer devices and BYOD. Although mobile device management (MDM) applications can provide some help –
and a growing number of organizations are establishing internal app stores to better manage and track the distribution of mobile apps — Drogseth says that business and IT executives must approach mobility seriously. In many instances, “It’s necessary to use discovery and inventory tools — and have a dedicated team in place to track assets and software licenses across the entire spectrum of devices and systems,” he explains.

Organizations are also turning to automated and physical self-audits to better understand the software resources they have deployed within the organization — and gain a more complete picture of an IT environment. A self-audit can also provide feedback about the effectiveness of overall enterprise governance and how closely the organization is adhering to policies. Many audit executives find this approach attractive because they’re able to approach software licensing in a more flexible way — including how they allocate resources toward the task. A physical audit typically involves examining contracts, purchase invoices, bills of lading, end-user agreements, certificates of authenticity and actual software boxes.

Although a self-audit usually isn’t as precise as a physical audit, it may help an organization avoid licensing discrepancies or, at the very least, prepare for an outside audit more effectively. In some cases, too, a vendor will accept a formal self-audit in lieu of conducting its own investigation. In fact, some vendors will provide a complimentary software asset management (SAM) program to an organization that has IT asset management (ITAM) software in place.

Some vendors are also willing to assist organizations in complying with terms of their end-user agreements. For example, Microsoft offers customers Software Assurance (SA) benefits such as deployment days (where Microsoft experts help IT learn deployment tools, training days (where Microsoft experts help IT staff deploy, manage and support new software) and e-learning (online courses that are aligned with the software a business owns). Many vendors also offer licensing reviews and a variety of other programs and benefits.

Regardless of the exact approach an enterprise takes, it’s critical to develop a viable strategy. “The idea that it’s possible to survive from audit to audit isn’t cost or time-effective over the long run,” says Jenny Schuchert, content director of the International Association of IT Asset Managers (IAITAM).

“Not surprisingly, organizations that take a proactive approach to software licensing management...
realize other benefits. They’re able to ensure that they have the most cost-effective licensing programs in place, they’re able to engage in better IT forecasting and planning, they pay only for the software they use, and they’re able to more effectively eradicate rogue applications as well as the use of applications among unapproved groups. Simply put, these businesses are able to approach licensing in a more holistic way and track use across the lifecycle of applications and IT resources.

Scott says that it’s a dollars-and-sense proposition. A key to managing software licensing effectively is ensuring that a strategy and the right technology are in place at the onset of a relationship. In some instances, he says, it’s also possible to negotiate more favorable terms upfront. However, it’s also possible to periodically revisit terms with a vendor. “Too often, businesses fail to streamline licensing after the initial purchase. They do not take steps that directly improve the terms of the relationship and reduce their exposure,” he points out.

Ultimately, Scott and other experts say that a software lifecycle management approach transforms licensing from a bane into a manageable task. Those that involve consultants and legal experts in the process from the beginning usually realize the best results.

“Too often, companies discover that they’ve made mistakes only after they’ve been audited and they’re facing a huge fine,” he states. “There’s no one-size-fits-all approach to software licensing management. The nuances and situation are different for every organization and the situation is constantly changing. But organizations that take the task seriously come out ahead.”

As organizations look for a better way to track the use of software and avoid costly disputes with vendors, many are turning to software license management (SLM). This approach relies on a software tool to oversee almost every aspect of software management, including activation, trial periods, and the payment of different types of fees.

Unlike broader software asset management (SAM), software license management focuses more narrowly on the key issues surrounding licensing. The benefit of this approach is that it automates a number of processes, says Dennis Drogseth at Enterprise Management Associates. This includes: recording various types of licenses against respective owners, identifying deployed licenses across a network, accounting for all software within the organization and enforcing policies in order to maintain compliance.

Remarkably, only about 20 percent of organizations have a formal software management program in place, according to consulting firm Ernst & Young. More than half continue to use spreadsheets to manage software licenses, research firm Opinion Matters reports.

“Spreadsheets are human capital intensive and those who use them are prone to errors,” CDW’s Hoerr warns. On the other hand, SLM solutions manage licenses for conventional software, bring-your-own-device (BYOD) environments, SaaS implementations and enterprise app stores used for mobile app distribution. Leading vendors in the space include: CDW, IBM Tivoli, LANDesk, McAfee, Microsoft, Novell and Symantec.

Regardless of the exact approach, it’s wise to establish a strong relationship with an SLM partner, experts say. The vendor should fully understand the steps and processes required and it should take the time to understand an organization’s unique requirements so that it can choose the appropriate plan or approach.

Using on-premises or a hosted approach, the solution handles technology validation; provides licensing purchase assistance by analyzing TCO and ROI; streamlines contract management and compliance; and oversees deployment, including budgeting and future planning.