

Software License Compliance Remains a Problem for Many Companies

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Results from a Gartner poll suggest that, although awareness of software asset management practices is spreading, many companies still are not doing an adequate job of managing the risk associated with software license noncompliance.

WHAT YOU NEED TO KNOW

An effective IT asset management program that covers people, policy, process and tools is critical to mitigate the potential impact of a software audit. These processes are akin to insurance: You know you will eventually need it, you just don't know when. To gain greater control and savings on software license costs, IT organizations should:

- Persuade senior management that license compliance mitigates risk.
- Continue to conduct "true-ups" annually.
- Purchase IT asset management tools that include features monitoring software usage.

ANALYSIS

Your risk of being audited by a software company has never been greater, given the large number of vendors active in the market today, the decrease in new license revenue, and vendors' need to find additional sources of revenue. Noncompliance with software usage rights can be extremely costly, with penalties exceeding \$100,000, and also can result in negative publicity for your company. Results from an interactive poll given at Gartner's 2004 Symposium/ITxpo in Europe suggest that awareness about software license compliance is spreading. However, poll results also indicate that many companies still are not doing an adequate job of managing the risk associated with noncompliance.

About the Poll

The poll was given to audience members who attended a Gartner presentation, "A Primer for Software License Compliance," at Gartner's Cannes Symposium/ITxpo in October 2004. The presentation was intended to provide guidance on steps to take to ensure license compliance. If an audit had already occurred, it described the appropriate steps to respond and provided tips to maintain software compliance. The interactive poll was designed to enable audience members to compare themselves with other companies that were interested in license compliance. Although the results compiled from the session survey are not statistically valid — many of the 63 attendees who responded to the polling questions attended the presentation chiefly because they had concerns that their company faced a risk — they are useful for companies that wish to compare themselves with a sampling of European companies.

Not All Senior Managers Understand the Risk of Noncompliance

The question asked in Table 1 was posed after we described the copyright legislation that protects a software vendor's intellectual property and the information a company must provide to prove it has achieved compliance.

Table 1. Does Senior Management Recognize Software License Compliance as a Corporate Problem?

Yes, definitely	55 percent
Somewhat reluctantly	34 percent
No, not at all	11 percent

Source: Gartner Research (October 2004)

Those poll respondents who stated that their senior management recognized the risks associated with being noncompliant would certainly have executive support for their asset management initiatives. However, 45 percent of respondents indicated that senior management still had a difficult time understanding that software compliance could be a problem within their companies. Companies are at risk if they fail to establish centralized asset purchasing and asset tracking. Those that don't have ongoing executive sponsorship are unlikely to have in place the proactive processes and policies that would limit the negative impact of being noncompliant. Lacking asset management processes, these companies will probably go into "firefighting" or reactive mode when they receive notice of a vendor audit. They will not be prepared to negotiate with the vendor and may end up paying whatever the vendor demands.

Many Companies Say They Are Not Prepared for a Software Audit

The questions asked in Table 2 and Table 3 were posed after a discussion describing what constitutes software piracy and the financial and legal penalties that could be imposed by the vendor or by the local police authorities, depending on the severity of the crime.

Table 2. If You Were Audited by a Vendor or Third Party Today, How Confident Are You That Your Company Would Be in Complete Compliance With All of Your Licenses?

1	25 percent
2	18 percent
3	14 percent
4	32 percent
5	11 percent
Scale of 1 to 5, with 1 being least confident and 5 being most confident	

Source: Gartner Research (October 2004)

Approximately 43 percent of the audience gave responses that were in the lower part of the range, indicating that they were concerned that their companies did not have the proper policies, processes and tools in place to ensure that all of the software that was currently installed was properly licensed. Fourteen percent were in the middle, assuming that their risk was not high but that they needed to do more work. Many companies will balance the compliance risk by focusing their software asset management program only on the vendors that are most likely to audit. This is not a good approach, because many smaller vendors are now recognizing they could be losing revenue and therefore are auditing. Furthermore, noncompliance with their licensing violates the laws that protect intellectual property and copyrights in most countries.

Table 3. How Often Do You Conduct a "True-Up" to Ensure All of Your Installed Software Licenses Are Properly Licensed?

Monthly	2 percent
Quarterly	17 percent
Annually	81 percent

Source: Gartner Research (October 2004)

The results in Table 3 bear out what Gartner has observed in inquiries we receive from our clients. Conducting a "true-up" — that is, reconciling a company's authorized software inventory by comparing what the company is authorized to use with what is actually discovered or deployed in the company — is a great deal of work. Thus, many companies conduct their true-up or compliance check just once a year. On the other hand, IT organizations that lack a tightly

controlled environment where the PCs are locked down to prevent the installation of unauthorized software recognize that they must review their licensing situation on a monthly or quarterly basis. Companies that annualize maintenance will be the ones that ensure software licenses are compliant on an annual basis.

Asset Management Practices Are Maturing

Comparing discovered software licenses to licensed software does not provide a complete picture of the status of a company's licensing. Table 4 indicates that many companies are aware of the different software usage tools that can ensure if a company is licensed based on actual need, rather than peak workload.

Table 4. Do You Track Software Usage Data as Part of Your Compliance Program?

Yes	52 percent
No	48 percent

Source: Gartner Research (October 2004)

The almost even split between the responses to this polling question are a positive sign. As recently as 2003, very few asset management implementations took into account whether or not the software that is installed was actually being used. There are two different tools that report on software installation and usage:

- An autodiscovery/inventory tool will report on what is installed in the environment.
- A software usage tool will illustrate how often that application is being used.

Many applications are installed as part of a standard desktop image. This standard image may not reflect whether all of those applications are needed by the employee. Companies that have software usage tools installed will often harvest software licenses that have not been used within a period of time (such as four months) and redeploy those unused licenses to new systems. A company that uses this tool and finds that it is overbuying licenses can ensure that the licenses can be redistributed more efficiently within the company or even resold outside the company, depending on the application and contract terms.

Key Issues

What strategies and best practices should enterprises pursue to achieve process maturity and excellence in asset management?

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