



Executing on Your Software Compliance Strategy

Michael Fauscette
Group Vice President
Software Business Solutions

Magnitude of the Compliance Problem



Customers admit that there is no way they can be 100% compliant.



Vendors estimate non-compliance at 20%. This amounts to a \$40B problem.

More than 1/3 of the largest software vendors are relying on the honor system to ensure compliance.

Industry Trends Exacerbate the Problem

- Major changes to licensing will occur as a result of new technology scenarios (virtualization)
 - Usage-based, more granular, increased need for metering
- New licensing models (utility, proliferation of concurrent) also lead to need for better tracking
- Consolidation activity in the software industry increases the amount of moving parts
 - Co-mingling of licenses types and technology approaches



Industry Trends Exacerbate the Problem



.Financial concerns

- Companies putting projects on hold... “non-core” projects harder to get attention.
- Reigning in non-compliance becomes higher priority

What Do Customers Think?

.Contrary to what some vendors think, customers DO do NOT like the honor system



- Makes it too easy for them to go out of compliance, thus needing to pay more \$\$ for software they might not of needed if they had a better way of tracking/controlling usage

.They want to be in compliance, but see the process as a necessary evil

- It often involves audits, inventory, purchasing, and other items that aren't a flashy part of the IT profession

What Do Customers Think?



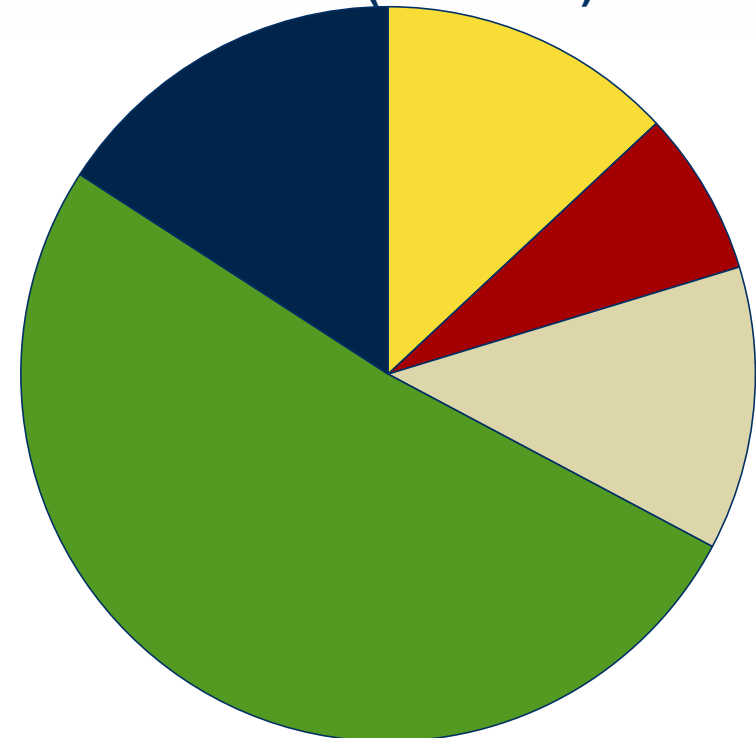
- .They are receptive to using tools provided by the vendor
 - . As long as it improves the process for IT, and as long as data is not reported automatically back to the vendor

Software Publishers are Investing In Compliance-Related Tools



- **Control-** Tools that identify, manage, and “lock-down” software license assets
- **Installation-** Tools that facilitate software installation and configuration
- **Delivery-** Tools for electronic software distribution/fulfillment
- **Entitlement-** Tools that enable electronic transfer and management of software licenses and keys
- **Internal development**
- ***Other-** Tools that are included in IDC’s forecast but aren’t directly related to compliance

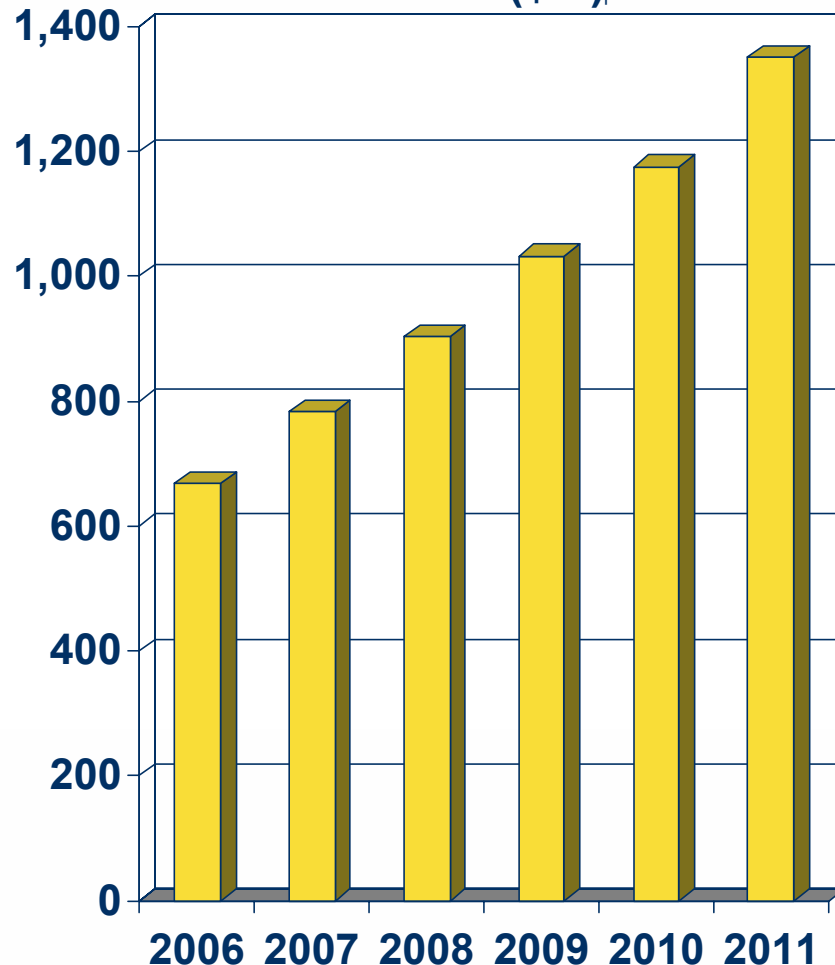
2008 Licensing Technologies Revenue (Forecast)*



Source: Worldwide Software Product Lifecycle Forecast, 2007-2011, (IDC #209493 December 2007)

Companies Are Investing in Licensing Technologies

Worldwide Licensing Technologies
Forecast (\$M)



What is the current state of your company's license management systems and processes?

Source: Worldwide Software Product Lifecycle Forecast, 2007-2011, (IDC #209493 December 2007)

Typical Software Company Environment

- Multiple licensing technologies and approaches that vary by product line and division
- Mix of 3rd party and homegrown technologies
- Lots of manual work-arounds
- Stakeholders dispersed throughout operations, sales, customer support, finance, legal, product management-making it hard to build a critical mass of support
- Lots of finger-pointing but no clear owner
- The messy state of licensing technologies a problem, but not a priority



Executing on Your Compliance Strategy

New ideas pass through three periods:

1) It can't be done.

2) It probably can be done, but it's not worth doing.

3) I knew it was a good idea all along!

-Arthur C. Clarke, science-fiction writer (1917-2008)

- ✓ **Build a business case with hard data and examples with customer and partner dissatisfaction**
- ✓ Quantify cost of noncompliance- potential revenue recovery
- ✓ Identify all manual interventions that touch the current licensing process, and quantify lost productivity cost
- ✓ Highlight customer and partner dissatisfaction. Use specific examples. Name names.

✓ **Clear Determination of Ownership**

- ✓ Who is accountable for the success or failure of the strategy? Who is responsible for the budget? Likely falls into operations role.

✓ **Top-Down Directive and Strategy**

- ✓ These strategies are only successful when top management supports them

Business Essential Guidance



- ✓ Obtain internal and external constituent buy-in.
- ✓ Cross-functional group of stakeholders.
- ✓ Run a pilot

- ✓ Company-wide strategy that is applied uniformly to all products is optimal.
- ✓ But probably not likely, especially early on. Start small, focus on one product line to start
- ✓ Grandfather-in existing customers and products, and rollout with a new product launch.
- ✓ Develop a standard framework for acquisitions

Technology Essential Guidance



- ✓ Make sure back office systems are ready to handle this for products with high volume.
- ✓ Preparing systems and processes for interfacing with field and customers is a key step.

Technology essential guidance

- ✓ Best practices include
 - ✓ 24x7 self service capabilities
 - ✓ up-to-date and comprehensive reporting
 - ✓ flexible key generators.
- ✓ Technology road map to plot current capabilities and include a strategy for filling the gaps with investment in 3rd party technologies or internal development. Include integration priorities and plans, such as linking the electronic licensing with back office systems.

Questions, Feedback?



Michael Fauscette

mfauscette@idc.com

follow me @ www.twitter.com/mfauscette

Blog: www.mfauscette.com