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Taking Control of Software Licensing

Reducing Cost and Mitigating Risk with Accurate, Relevant IT Insight



CONTENTS

3	Strategic Sourcing – Now Also for IT
3	Software Licensing: Making Sense of Constant Change
4	Essentials for Strategic Sourcing and Effective License Negotiation
4	How Do You Get Insight into the Current Environment?
	The manual approach
	Automated solutions
	Comprehensive information in context
6	BDNA Insight: Accurate, Comprehensive and Up-to-Data Information
6	Supporting Effective License Negotiation
	Before the negotiation
	During the negotiation
7	Mitigating Risk
7	Optimizing Software Purchases and Lifecycle
8	Summary

Strategic Sourcing - Now Also for IT

Many businesses are turning to strategic sourcing initiatives to lower costs and improve profits. But applying strategic sourcing to information technology is a difficult task, hampered by the lack of transparency and visibility into the enterprise-wide IT environment.

Whether you want to simply negotiate a better agreement with a strategic vendor or to achieve vendor consolidation through strategic sourcing, you need current and relevant insight into IT.

For example, to develop a strategic sourcing plan, you need to first understand the current technology fact base: what do you have, where is it, and how are you using it. In today's volatile software licensing environment, it is important to have this information in the terms that are relevant to licensing agreements: how much software are you using from vendor X, and what platforms is it running on?

With detailed, vendor-relevant information in hand, you can then develop the sourcing plan, identify the current strategic vendors and find ways to consolidate vendors and reduce maintenance spending while cutting total costs.

Once you have developed a sourcing strategy, the next step is identifying and negotiating with suppliers. Negotiating optimal software licensing agreements requires insight into current and anticipated software needs, usage, and licensing terms.

Unfortunately, the software licensing negotiation process today is fraught with uncertainty and risk: uncertainty about exact requirements and entitlements, and risk of audit and excess spending. Uncertainty almost always works in the software vendor's favor. Without clear insight into their precise needs, many organizations overspend on licensing, buying enough of a buffer to cover their uncertainty and protect them from compliance problems and vendor audits.

By arming negotiators with good information, most companies can reduce software spending and mitigate the risk of vendor audits and non-compliance.

Finally, to track and measure the effectiveness of the sourcing strategy, Procurement must be able to measure and manage the deployment of the negotiated solutions, while reducing or eliminating other solutions that do not meet the strategic sourcing priorities.

BDNA Insight supports each of these phases of the sourcing process with a comprehensive fact base about all assets and layers of IT, and the ability to analyze the information in terms that are relevant to the procurement process. By delivering transparency and visibility into the enterprise-wide IT infrastructure, BDNA Insight helps procurement teams measure and manage the effectiveness of their strategies for optimal IT investments.

Software Licensing: Making Sense of Constant Change

Software licensing is a moving target, full of complexity and factors outside of your control. You may be forced to address changes in licensing in ways that you cannot anticipate today. For example:

- Software vendors frequently change their licensing strategies, basing licenses on named users and numbers of instances, CPU size, cores, etc. Software bundling adds to the complexity.
- Software vendors that merge or acquire other vendors may want to renegotiate licensing terms.
- Vendors may start cutting support for existing products when they release a new product, forcing you to take action before you had planned to.

Technology changes also complicate licensing, and are difficult to predict in the long term. For example, server virtualization makes it very easy to replicate server images containing licensed software—creating risk of non-compliance with licensing terms.

Complexity and change make strategic sourcing and effective negotiation difficult.

“Clients that go into a software negotiation prepared with good asset management information will buy more optimally.”

Gartner, Inc.
“Software Asset Management is a Prerequisite to Good Software Procurement,”
Frances O'Brien
March 2007

Essentials for Strategic Sourcing and Effective License Negotiation

Having good information—reducing uncertainty—is the best strategy for identifying your strategic vendors, negotiating with them, and enforcing sourcing strategies over time.

Before setting strategies, you need to know who your strategic vendors are:

- What vendors' software are you currently running?
- How many competitive vendors do you keep in-house? For example, how many types of enterprise databases do you run?
- Is there an opportunity to consolidate and save on licensing and maintenance?

Having identified strategic vendors, you want to negotiate the best possible terms from them. Before any licensing negotiation, you need to gather the following critical information:

- Information about current entitlements: what are you entitled to use right now? What are the terms and conditions of existing contracts? What software maintenance agreements do you have in place?
- Information about existing installed base and usage of the software: how many licenses do you have deployed? Which versions are you using?

Armed with this information, the negotiation team can make educated decisions about what they need, and understand the true costs of different licensing agreements offered by the vendor. They can better determine whether a site license makes sense or would be unnecessary spending, and evaluate the potential benefits of bundling or other volume purchase agreements. This information can trim spending on licensing and support.

The first task, gathering information about existing entitlements, is a job for the procurement team. It is not a trivial task, particularly if different departmental groups have undertaken purchases, or if your own organization has experienced a merger or acquisition. Except for the most highly automated organizations, this task is often manual, requiring input from cross-functional teams including IT, contracting and even finance. Understanding the terms and conditions of a single contract can be daunting; aggregating many contracts into a single picture can be even more challenging. But this is an essential step to effectively negotiating licenses or understanding compliance.

However, the second task stymies many organizations: gathering accurate information about what software is installed and how it is used, relevant to the licensing terms and conditions.

Understanding your true software needs is essential to effective negotiation. The truth is that uncertainty generally works in the software vendor's favor. Few vendors have detailed insight into exactly what you are running, but they have the potential threat of vendor audit, a threat that software vendors are starting to use more frequently.

Unsure of their exact needs and unwilling to risk a vendor audit or non-compliance with licensing, many companies simply purchase more licenses than they need. By reducing uncertainty, you improve your leverage in negotiations, reducing costs and mitigating risks.

How Do You Get Insight into the Current Environment?

It is surprisingly difficult for most organizations to understand and track their existing software assets. There is no "software ATM" that gives you an instant accounting of what you have. You might have detailed information on your software spending, but little insight into exactly where and how software assets are used. With mergers, acquisitions, and departmental purchases and deployments, the purchasing organization may not know of all purchases, much less where and how those licenses are deployed.

The best approach is to scour your networks and all systems to see what software you are running. This is easier said than done.

The manual approach

A manual software inventory is the default for organizations that have not yet addressed this issue, but the potential problems are obvious.

- A manual inventory can take months to complete, and may be obsolete before it is done.
- It is difficult to have confidence in the results.
- The process drains manpower that can be better spent on other IT projects.

To complicate matters, it is not enough to gather the information once. You need the information to support every negotiation. As your adoption of software changes, the inventory becomes out of date. And as vendors change licensing terms, your inventory efforts can become worthless; you may have an inventory by installed base and users, while the vendor changes to CPU class and core-based pricing. You need an accurate, flexible, and repeatable process for collecting inventory.

Automated solutions

Most automated solutions for gathering software deployment information suffer from cost, complexity and security issues that limit their adoption throughout the enterprise network (and hence they have restricted ability to gather comprehensive inventory).

- Some solutions require access to a privileged account on each system. Security concerns and organizational barriers reduce the widespread adoption of these solutions.
- Other solutions require the installation of software agents on every system to be monitored. Clearly this approach is costly and takes time to deploy. Again, security and operational teams may resist deployment.

And, when they are done, traditional inventory solutions leave you with a huge list of deployed products that may or may not be complete, without the context necessary to support strategic decisions.

Comprehensive information in context

BDNA Insight offers a third approach. It uses high-speed, non-intrusive discovery processes to create a trusted system of record for all assets and layers of IT resources. It enriches the discovered information with corporate ownership data as well as a rich and up-to-date catalog of product and market data. The result is a comprehensive fact base of information relevant to the purchasing and software licensing processes.

"In short, knowing what you have facilitates more-effective decision making about what you need, which, in turn, assists in making more timely and cost-effective decisions."

Gartner, Inc.
"Software Asset Management is a Prerequisite to Good Software Procurement,"
Frances O'Brien
March 2007

BDNA Insight: Accurate, Comprehensive, Up-to-Date Information

BDNA Insight collects and delivers comprehensive, accurate and immediate information about all network-attached IT assets.

BDNA Insight goes far beyond the capabilities of automated inventory solutions:

- BDNA Insight uses a patented, non-intrusive discovery engine; no agent installation or administrative account access is required.
- It delivers results very quickly, discovering thousands of IT hardware and software assets in a matter of hours.
- It captures a wide range of configuration information and lets you analyze and explore the information in different ways. As vendors change their licensing models, you can adjust your discovery process appropriately to look at the number of processors, cores, users, etc.
- It puts the information in context of vendor mergers and acquisitions, product categories and support lifecycles, enabling informed purchasing decisions.
- You can repeat the discovery process quickly and easily to track progress through the software lifecycle.

The sections that follow discuss how you can leverage the comprehensive BDNA FactBase™ to support licensing negotiation and optimization efforts.

Supporting Effective License Negotiation

Armed with accurate and relevant information, the licensing negotiation process is a much easier endeavor.

Before the negotiation

As with any license negotiation, the first step is to understand your current contracts and entitlements. You can then examine the existing environment as it relates to your current licensing terms.

BDNA Insight can help you discover and analyze how you are currently using the software. For example, how many instances and users do you have, and are they instances running on single, dual- or quad-core processors. You can understand which versions you are using, how heavily they are used, etc.

You can also identify and remove unused software instances before the negotiations begin.

During the negotiation

In the negotiation itself, you will have an accurate and relevant fact base with which to analyze your different options. For example, Microsoft currently offers three different licensing options for SQL Server. To choose the optimal model, you need a good understanding of the current usage, as well as usage trends over time.

Often software vendors will propose new packages or licensing options, perhaps bundling different solutions. Rather than making a decision based on gut instinct, you can quickly run an analysis and determine if the proposal is to your benefit.

For example, after the merger of two large software companies, the new, combined company approached the joint customers with new, bundled licensing proposals. One large organization (a BDNA customer) was able to assess in 35 minutes whether the proposal was advantageous for their global licensing situation. Another company in the same situation took 18 months to get the same answer. Clearly, the BDNA customer is much better positioned to identify which licensing offers are truly advantageous.

“Hope is not a strategy, even if the organization has so far escaped a vendor software audit.”

Gartner, Inc.
“The Business Case for Software Asset Management,”
 Stewart Buchanan
 September 2007

Mitigating Risk

Risk is an essential factor in the licensing equation—how do you balance the cost benefits of buying fewer licenses with the risk of inadvertently exceeding your entitlements?

Audit risk is a major concern in a licensing negotiation. Having accurate information about the existing and planned use of the software reduces risk by ensuring that the organization purchases adequate licenses for current needs. Software vendors will be less likely to implement the vendor audit clause of their contracts if you clearly have comprehensive, documented information on your usage during the negotiation process. And should they request an audit, you can quickly comply with detailed and accurate data.

But BDNA Insight also mitigates risk in other, less obvious ways:

- By re-running the discovery during the course of the contract, you can ensure that you remain in compliance with existing licensing and entitlements. You can regularly generate reports that look at the use based on the terms of your licensing agreement (users, CPU model, etc.)
- Identify any unsupported software in your network. Costs for emergency updates or fixes to software that is no longer supported can be very high.

The ability to re-run the discovery, regularly and easily, is extremely valuable for compliance. For example, it is quite easy to replicate a server image in most server virtualization environments. If licensed antivirus software is included on a virtual machine image that is widely replicated, the virtual servers can quickly consume large numbers of licenses.

BDNA Insight offers insight into both physical and virtual server environments. It provides operating system detail and application information for virtual servers.

Optimizing Software Purchases and Lifecycle

While successful negotiation can reduce your software costs, careful software deployment has the potential to deliver even greater cost savings. License optimization is the ultimate objective, and includes reducing overall software costs and aligning software installation and licensing with corporate standards and the software lifecycle.

BDNA supports license optimization efforts.

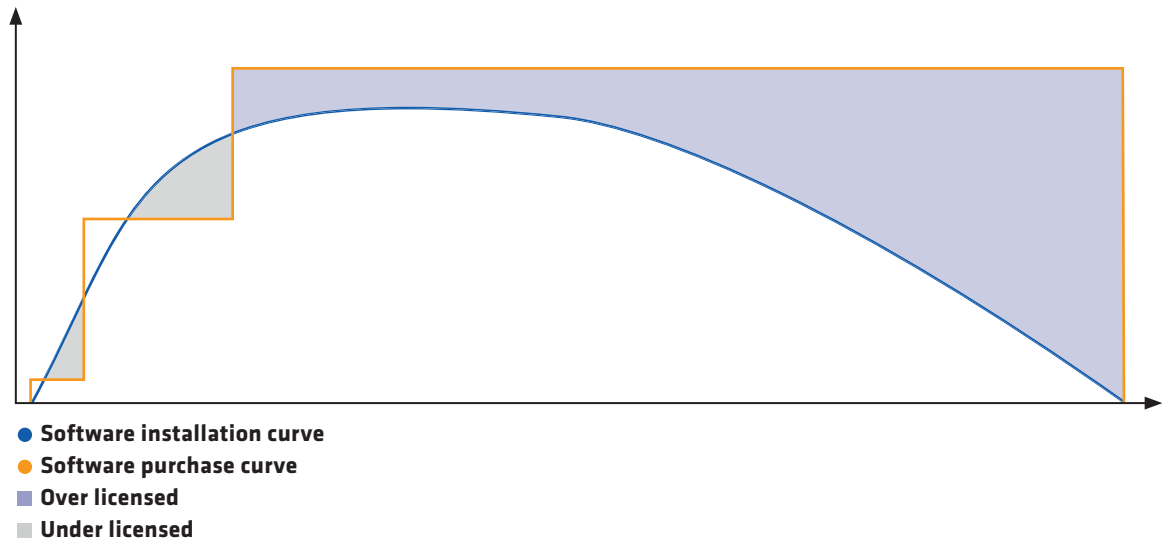
For example, if a key vendor rolls out a new multi-core based licensing scheme, you can proactively analyze your environment, perhaps moving or consolidating existing installations to better align your usage with the new licensing, before negotiations even start.

The software licensing and purchase cycle should match the software adoption cycle; by determining where the software is in its overall adoption in the enterprise, you can align spending with usage.

“Value is created not only by cost avoidance, but also through strategically sound software investments...”

Gartner, Inc. *“Software Asset Management is a Prerequisite to Good Software Procurement,”*
 Frances O'Brien,
 March 2007

Fig. 1: The lifetime usage pattern of a software product is usually a bell curve.



And when a vendor announces that a product is in maintenance-only mode, you can start planning its phase-out, upgrading or replacing the solution. Depending on which action plan you choose, BDNA Insight then allows you to monitor progress towards the expected goal, identifying where you are ahead of plan, and, most importantly, where you may be behind plan—prompting action to catch up to plan.

Summary

Enterprise technology represents a large and important part of most business budgets. To optimize that investment, Procurement needs seamless and non-intrusive visibility into the IT environment.

BDNA Insight delivers this transparency by creating the comprehensive, trusted fact base of IT assets. Armed with relevant and up-to-date information, Procurement, working along side the remainder of the IT organization including Finance and Operations, can negotiate better licensing agreements with software vendors. Better still, they can identify strategic vendors, develop optimal sourcing strategies, and track the effectiveness of those strategies in the IT infrastructure over time. The result is more effective IT spending with reduced risk of vendor audits and non-compliance.

About BDNA

BDNA Insight provides the trusted fact base and analytics essential for executives in the Office of the CIO to manage the business of IT. Our on-demand FactBase with analytics for security, procurement, and operations delivers timely, complete, and accurate understanding about the company's IT infrastructure. This insight is vital to manage key IT imperatives and drive accountability. BDNA's customers include global organizations such as ENEL, KPN, Lockheed Martin, Motorola, Telecom Italia and the US Army. For more information, visit www.bdna.com.