
WHITE PAPER | NOVEMBER 2007

Taking Control of Software Licensing

Reducing Cost and Mitigating Risk with Accurate, Relevant IT Inventory



CONTENTS

3	Overview
3	Software Licensing: Making Sense of Constant Change
3	Essentials for Successful License Negotiation
4	How Do You Get Insight into the Current Environment?
	The manual approach
	Automated solutions
5	BDNA Inventory: Relevant, Repeatable and Accurate Inventory
5	Supporting Effective License Negotiation
	Before the negotiation
	During the negotiation
6	Mitigating Risk
6	Optimizing Software Purchases and Lifecycle
7	Summary

“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

Executive Summary

Negotiating software licensing is not a task that most IT professionals are anxious to undertake. The process is fraught with uncertainty and risk: uncertainty about exact requirements and entitlements, risk of audit and excess financial costs.

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.

With software licensing and maintenance spending accounting for a large percentage of IT budgets, this approach is very costly. By arming negotiators with good information, most companies can both reduce software spending and mitigate the risk of audits and non-compliance. Having the right information at hand gives you more control and leverage in negotiations.

Your dual objectives in the license negotiation process are reducing costs and mitigating risks. You do not want to overspend for licenses, nor do you want to use any software to which you are not entitled. You do not want to invite a vendor audit, and if one occurs, you want to be able to prove your compliance with existing terms and conditions. This optimal state is only possible if you have accurate, relevant and reliable information about your existing software installations and usage.

BDNA Inventory offers fast, accurate and relevant insight into software assets in the global IT environment. Its non-intrusive, repeatable inventory capabilities are supplemented by flexible reporting and analysis, giving you the ability to look at software assets along many different dimensions. As software vendors merge, acquire each other, bundle solutions, introduce new products and change licensing schemes, BDNA Inventory gives you the insight you need to adapt quickly and stay in control of software licensing agreements.

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 add uncertainty to the licensing process, making effective negotiation difficult.

Essentials for Successful License Negotiation

Having good information—reducing uncertainty—is the best strategy for licensing software. 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. You can either attempt this manually or with an automated solution.

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

Until recently, automated solutions for gathering software inventory suffered from cost, complexity and security issues that limited their adoption throughout the enterprise network (and hence their 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.

BDNA offers another a third approach: a non-intrusive, agentless IT inventory solution capable of discovering IT asset data in hours.

BDNA Inventory: Relevant, Repeatable and Accurate Inventory

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

BDNA Inventory avoids the complexities and security concerns that hinder the adoption of other automated inventory solutions:

- BDNA Inventory 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.
- You can repeat the inventory process quickly and easily to track progress through the software lifecycle.

The sections that follow discuss how you can leverage this flexible, automated inventory tool 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 Inventory 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.

“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

During the negotiation

In the negotiation itself, you will have an accurate and relevant inventory 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, and are much quicker to realize the benefits of those that are.

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 Inventory also mitigates risk in other, less obvious ways:

- By re-running the inventory during the course of the contract, you can ensure that you remain in compliance with existing licensing and entitlements. 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 inventory, 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 Inventory 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.

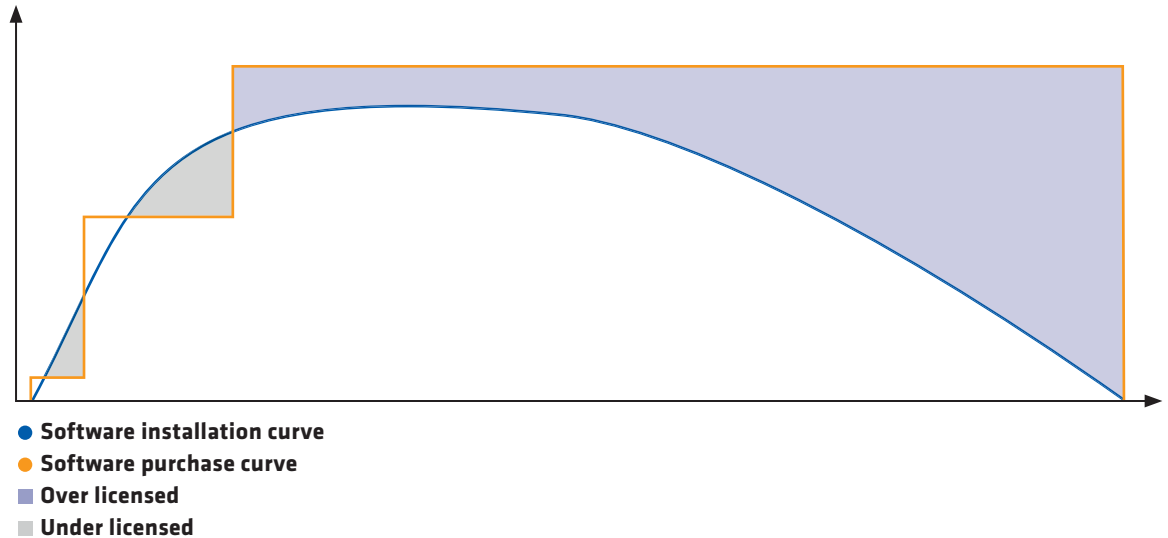
For example, if a key vendor rolls out new multi-core licensing scheme, you can proactively analyze your environment, perhaps moving or consolidating existing installations to better align your usage with the new licensing, before negotiations start.

“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

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.

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



“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

And when a vendor announces that a product is in maintenance-only mode, you can start phasing it out, upgrading or replacing the solution. BDNA offers the visibility into the existing IT environment to support software lifecycle management efforts.

Summary

In an uncertain and dynamic software-licensing environment, the best strategy is to have accurate, relevant and flexible insight into your current environment, so you can adapt quickly to changing conditions.

BDNA Inventory gives you rapid, relevant and accurate information to support optimal licensing decisions. It helps reduce costs and mitigate risks of non-compliance. BDNA Inventory gathers a wide range of information to help you keep pace with the unpredictable, rapidly changing software industry.