



## GAINING VISIBILITY AND CONTROL OVER SOFTWARE COSTS

As spending on software approaches 25 percent of business IT expense, organizations are urgently looking for ways to reduce software expense, without impacting the normal course of business that software enables. Yet, without accurate information on software inventories, effective management of software is nearly impossible. This white paper examines how BDNA's Discover™ solution, powered by Technopedia™, provides IT decision makers with a comprehensive and authoritative source of facts about all assets and layers of IT in order to support the procurement process.

### Strategic Sourcing – Now Also for IT

Organizations are turning to strategic sourcing initiatives to lower costs and improve profits. But they are hampered by the lack of transparency and visibility into the enterprise-wide IT environment. They face a “data deficit”, where the information available is simply insufficient for informed decision-making.

Whether you want to simply negotiate a better agreement with an important vendor or to achieve consolidation through strategic sourcing, you need up-to-the-minute and thorough visibility into your IT infrastructure: what you have, where it is, and how you are using it. Given today's dynamic software licensing practices, it is critical to have this information in a format relevant for licensing agreements: how much software are you using from vendor X, on which platforms is it running, what are the license terms (per seat, concurrent user, CPU)? Best guesses and incomplete information are not an option, and the traditional methods of information gathering, such as a manual desk-to-desk software audit, simply don't scale.

### 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 licensing changes in ways that you cannot anticipate today. For example:

- Software vendors frequently change their licensing strategies, basing licenses on a variety of factors, such as named users and/or numbers of instances, CPU size, number and type of cores, etc. In addition, software package bundling adds to the overall complexity of managing the licenses. One example of this; an organization may have a negotiated volume license for Office 2010 Standard, but also have retail licenses for a small number of standalone copies of Microsoft Access, purchased as a “one-off” for the users who require that application.
- Software vendors that merge or acquire other vendors are likely to present new licensing terms, as the merged companies reconcile their licensing models.
- Vendors may end support for existing products when they release a new product, forcing you to take action and migrate before you had planned.

Technology changes also complicate licensing, and are difficult to predict in the long term. According to KPMG<sup>21</sup>, license agreements today are not keeping up with new technologies and technology use cases.

- Virtual sprawl 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, as methodologies used for assessing an organization's software needs during past renewal cycles past, may not be applicable as vendor license terms change.
- Running applications simultaneously on multiple systems such as desktops, laptops and handheld devices, creates the risk of non-compliance. Device-based software licenses typically state that software cannot be run on multiple devices simultaneously.<sup>2</sup>

<sup>1</sup> Interview with Ron Brill, Partner at KPMG LLP

<sup>2</sup> Adams. P. (2009). A Software License Compliance Policy Is the First Step to Control. Gartner, ID: G00169956, 1-5

"Having good information...is your best strategy for identifying important vendors, negotiating with them, and enforcing sourcing policies over time."

- Installations of new hardware or operating systems can affect licensing. Some contracts limit use to a specific piece of hardware, with prior approval from the vendor needed to transfer that software license. Software licensing models that are based on server specifications may also be subject to licensing changes as hardware technology or configurations are updated.<sup>3</sup>

### Essentials for Strategic Sourcing and Effective License Negotiation

Having good information—thereby reducing uncertainty—is your best strategy for identifying important vendors, negotiating with them, and enforcing sourcing policies over time. Before setting policies, 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 and benefit from the economies of scale that come from dealing with a single vendor?
- 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?

Entitlements are difficult to keep track of due to mergers and acquisitions within the technology industry. Some agreements will transfer after a corporate merger, while others will not. For that reason, it is important to verify your software inventory with vendors at least once a year in order to have an up-to-date record of assets and their licensing terms and conditions. Armed with this information, the negotiating team can make educated decisions about what they need, and understand the true costs of different licensing agreements offered by the vendor. For example, using this information they can better determine whether a site license makes the best financial sense over individual license purchases, and evaluate the potential benefits of bundling or other volume purchase agreements. This information can help trim overall 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, contracts management, 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 first step to effectively negotiating licenses and understanding compliance requirements.

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 visibility

<sup>3</sup> De Salvo, F. (2009). Effectively Manage the Risk of Software Noncompliance. Gartner, ID:G001717827, 1-10

into exactly what you are running, but they have the potential threat of a vendor audit - a threat that software vendors are starting to use more frequently. "Polling results from Gartner conferences indicate that vendor audit activity has increased more than 25 percent over the past two years."<sup>4</sup> Today more than ever, "vendors see audits as a fertile ground to incrementally generate revenue, which increases their interest in conducting them." Unfortunately, when exposed by a vendor audit, the penalties for under-licensing can be staggering, potentially running into the tens of millions of dollars for large organizations.

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 as a "safety factor". By reducing this uncertainty, you can improve your leverage in negotiations while reducing costs and mitigating risks.

### How Do You Get Visibility 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 knowledge 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.

### Taking Control of Software Licensing

The best approach is to scour your networks and all systems to see what software you are running. This is, of course, easier said than done. Organizations have employed many different approaches to tackle this problem, each with their own advantages and drawbacks.

#### *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 will almost certainly be obsolete before it is done.
- It is difficult to have confidence in the results, as manual processes introduce human error into each step.
- The manual inventory process drains person resources that can be better used on other IT projects, potentially consuming thousands of man-hours of labor.

To complicate matters, it is not enough to gather the information once. You need the information to support each individual vendor 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 named 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. Some

<sup>4</sup> Adams. P. (2009). A Software License Compliance Policy Is the First Step to Control. Gartner, ID: G00169956, 1-5

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 inventoried, introducing thousands of potential points of failure that can consume scarce IT support resources. Furthermore, security and operational teams may resist their deployment. But more than that, 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's IT Genome Center™ offers a third approach. BDNA's IT Genome Center is a suite of products and services which helps IT organizations discover what they have and how they are using it, normalizes asset data from multiple sources into a standard taxonomy, and enriches the discovery data with market data. The IT Genome Center helps organizations identify and lower costs and reduce the risk of license non-compliance.

The IT Genome Center contains the following solutions, at the center of which is Technopedia:

- Technopedia
- BDNA Discover
- BDNA Normalize™
- BDNA Publish™

BDNA Discover uses a high-speed, non-intrusive discovery process to create a trusted system of record for all assets and layers of IT resources. It combines high-speed asset discovery, verification technology, and corporate ownership information to create a comprehensive repository of data with current, relevant and actionable information about the enterprise. This discovery data can also be augmented with non-discoverable market data such as the number of cores a product has in order to ensure proper licensing of software. The BDNA Enrich™ service integrated into Discover and Normalize adds context and relevance to discovery data; information that is not available through legacy discovery tools.

#### **BDNA Discover: Accurate, Comprehensive, Up-to-Date Information**

BDNA Discover collects and delivers comprehensive, accurate and immediate information about all network-attached IT assets. It goes far beyond the capabilities of automated inventory products to deliver a solution which:

- Uses a patented, non-intrusive discovery engine; no agent installation or administrative account access is required.
- Delivers results very quickly, discovering thousands of IT hardware and software assets in a matter of hours.
- 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.
- Lets you repeat the discovery process quickly and easily to track progress through the software lifecycle.

And the visibility doesn't end there; normalization and enrichment put the information in context of vendor mergers and acquisitions to show current product names and manufacturer, product categories and support lifecycles, enabling informed purchasing decisions.

#### **BDNA Normalize: Maximize your Existing Tools**

Many organizations have a tool already deployed within their organization which may have discovery capabilities. To allow those organizations to take advantage of the powerful

information in Technopedia, BDNA offers Normalize. Normalize is a unique solution which allows the same enrichment and augmentation capabilities as Discover to be used with existing deployed operational tools, such as Microsoft SCCM.

The sections that follow discuss how you can leverage BDNA's unique IT Genome technology to support licensing negotiation and optimization efforts.

### **How it Works**

BDNA rationalizes the license management process by performing an inventory of software deployed on each computer in your IT estate, comparing each application's 'fingerprint' to the authoritative repository in Technopedia. Organizations can perform this inventory using BDNA's industry-leading agentless discovery product, BDNA Discover, or they can use data collected by existing deployed tools with BDNA Normalize. Regardless of the option chosen, the data collected is enriched with additional non-discoverable information from Technopedia, such as vendor end-of-life and acquisition data. This enrichment process provides context to the discovered information, allowing IT decision-makers to be more informed as they make their software licensing choices. Finally, the discovered, normalized, and enriched information can be integrated into third-party financial, accounting, and contract management tools via BDNA Publish. This integrated approach gives IT asset professionals an unprecedented level of clarity and visibility before and during the software licensing negotiation process.

## **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.

The BDNA solutions can help you discover and analyze how you are currently using the software licenses being negotiated. For example, how many instances and users do you have, and are they running on single, dual- or quad-core processors? You can understand which versions you are using, and how frequently they are used. You can also identify unused software instances before the negotiations begin, allowing your IT teams to remove inefficiently-deployed software prior to paying for a new license.

### *During the Negotiation*

In the negotiation itself, you will have an accurate and relevant repository 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 merged companies' 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, and many thousands of labor hours, to arrive at the same conclusion. Clearly, the BDNA customer is much better positioned to identify which licensing offers are truly advantageous.

"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. "

### 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. According to Gartner, "Software audits are increasing." More than 50 percent of surveyed Gartner clients reported being audited in the past 12 months.<sup>5</sup> 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 also mitigates risk in other, less obvious ways. First, by performing periodic discoveries during the course of your contract, you can ensure that you remain in compliance with existing licensing and entitlements. You can leverage the rapid repeatability of a BDNA Discovery cycle to regularly generate reports that document your company's software deployment and usage history, as compared to the terms of your licensing agreement (users, CPU model, etc.). Second, you can identify any unsupported software in your network. Costs for emergency updates or fixes to software that is no longer supported can be very high.

One example of how software licensing can quickly and quietly drift out of compliance: With the near-universal deployment of server virtualization technology in the modern datacenter, it has become quite easy to replicate a server image in most environments. If licensed antivirus software is included on a virtual machine image that is widely replicated, the virtual servers can quickly consume far more licenses than originally anticipated. BDNA Discover and Normalize offer visibility into both physical and virtual server environments, and provides a wealth of operating system and application detail for virtual servers, allowing IT decision-makers to regain control of a growing compliance drift problem.

### 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. And when a vendor announces that a product is in maintenance-only mode, you can start planning its phase-out, upgrade or replacement solution. Depending on which action plan you choose, the BDNA tool set allows

<sup>5</sup> Bona, A. & Disbrow J. B. (2009) Gartner Polls and Surveys Show an Increase in Software License Audits. Gartner, ID: G00169933

an IT decision-maker to monitor progress towards the expected goal, identifying where they are ahead of plan, and, most importantly, where they may be behind plan.

## Summary

Enterprise technology represents a large and important part of most business budgets. To optimize that investment, procurement needs seamless, and current visibility into the IT environment. They need complete, relevant and up to date information on the software technologies deployed in order to make strategic sourcing decisions that help improve the bottom line.

BDNA's IT Genome Center delivers this transparency by creating the comprehensive, trusted repository of IT assets. Armed with the relevant and up-to-date information available through the IT Genome Center, your organization's Procurement team, working alongside your IT Operations and Finance teams, 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 noncompliance.

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## BDNA: The IT Genome Company™

BDNA's unique IT genome technology enables customers in all sectors of the global economy to achieve deep visibility into what their computing hardware, software, network infrastructure, and technology usage patterns are made of. Informed by Technopedia™, a constantly expanding body of knowledge currently covering 95,000,000 lifecycle history data points on 87,000 IT products, BDNA's Discover™ asset inventory and Normalize™ data enrichment solutions help save money and speed time-to-decision for software license optimization, technical controls compliance, information security, green computing, infrastructure consolidation/virtualization, capacity planning, business continuity, and ROI maximization initiatives. To learn what BDNA is made of, visit [www.bdna.com](http://www.bdna.com)

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