

IMPLEMENTING A CULTURE OF CONTROL: OBSTACLES AND OPPORTUNITIES



View and opinions from the LMS
Steering Group held at Oracle's
headquarters Redwood Shores,
California, 18 June 2014

The purpose of this Steering Group, the sixth we have now held at locations across the globe, was to continue the dialogue around our primary topic of Controlling Complexity. More specifically, I tasked the attendees with detailing their views and experiences on the progress being made by organizations in terms of implementing a culture of control.

What do I mean by this? Well, ultimately this involved an analysis of the license management structures an organization puts in place to control license deployments, and the level of authority these afford. In addition to defining frameworks, we also evaluated the factors that impact effective controls – ranging from M&A activity to third party outsourcing. A general theme running through the discussion was the need to get the balance right between managing license deployment to a set of strict guidelines, and ensuring they don't curtail 'freedom of innovation'. For some attendees the spirit of innovation they want to stimulate overpowers any attempt to implement 'tighter' policies. For others, the fear of a costly surprise demands more preventative measures. This topic was explored with the Group, alongside the others mentioned, and the findings are presented in this document.

Once again, I hope you find the insights thought provoking and a useful progression of the Controlling Complexity debate. If you would like to add your own opinions to the discussion, I would encourage you to attend the next Steering Group occurring in your region.

Kind regards



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A SNAPSHOT OF POINTS COVERED

1

CONTROL VS FLEXIBILITY

Attendees considered the challenge of maintaining effective controls over license deployment versus the desire to offer users easy and flexible access to required software resources.

2

DETECT OR PREVENT?

Attendees discussed different approaches to license management.

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COMPLIANCE OR ROI?

The discussion centered on the approach customers take to auditing the license estate. Should the emphasis be first on ensuring compliance or on calculating returns from any investment?

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CONSOLIDATING KNOWLEDGE

A discussion on the licensing challenges associated with mergers and acquisitions. What should customers be aware of and what should they look to avoid?

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1

CONTROL VS FLEXIBILITY

Attendees considered the challenge of maintaining effective controls over license deployment versus the desire to offer users easy and flexible access to required software resources.

How tight should license deployment controls be? Greater flexibility can inspire business agility, but also lead to shelfware (license you own but aren't using) and excessive costs. Too tight, and the mindset can develop internally that the approval process is unresponsive and tough to navigate. "We don't want to be known as the office of business prevention," said one attendee, "we want people to be able to provision and use licenses without feeling like they're dealing with a world of bureaucracy, and we want to make this as automated and painless as possible."

RECOMMENDATIONS:

Have a detection process, and use it regularly. And update and maintain it regularly, particularly when new software is added to the IT estate. What license managers need is visibility into usage as of now, and insights that flag when they are getting close to hitting a threshold. These are insights that enable a more proactive approach to managing the wider deployment; with raw usage data that can be used to support requests for extra budget when and if appropriate. The consensus was that generating this level of detection remains manual at present, and very labor-intensive.

Have a dedicated and qualified resource. Within many companies, the task of monitoring and deploying assets is a 'second job' for selected individuals. Business, however, has reached a point where a high volume of software is being used, and where operations are becoming indivisible from their technological foundations. This means that dedicated teams are now warranted to manage entitlements and the asset management component.

"We'd like to be able to detect usage with the same ability as an auditor, and understand what is out there on an on-going basis."

Steering Group attendee

For many attendees, the challenge came down to having good monitoring capabilities in place – and the right systems and processes – to frequently reconcile usage versus entitlements to inspire a more open environment. This is, as one attendee explained, the value of greater visibility. He went on to say that, "the more you know about actual license usage the more you can do something about it, versus being scared that something might show up and create a liability".

2

DETECT OR PREVENT?

Attendees discussed different approaches to license management.

What are the differences between adopting a detective versus preventative approach to license entitlements? This discussion explored the 'evolution of responsibility' facing license management – and the move away from centralised administration in search of greater flexibility and less bureaucracy – without losing overall ownership.

For one attendee, his company's detective approach was based on the theory that it is almost impossible to block poor license management practices across an extended operation. Instead, when issues are uncovered, the license management team looks to investigate the matter to identify cause and effect. They determine if an individual user needs the license, how regularly it will be used, and whether there is justification for further investment.

As one attendee said, "I've put together a strategy that's focused on detective rather than preventative types of controls. As a department, we want to focus on combining software and becoming proficient in knowing where it's being used. Putting preventive controls on software in distributed systems is really hard, because it's too easy to copy software from one server to another." This drew agreement from another attendee who stated "our detective approach is partly concerned with budget allocation, because we're not going to monitor every transaction but we are going to monitor the overall usage of our funds."

Another attendee described a hybrid model:

"For us we are preventative when paying for some allotment or capturing unused licenses. And then we become detectives, particularly with license agreements that don't contain specific limits, to be able to justify additional cost or renewal agreements."

DETECT OR PREVENT?

2

Continued...

RECOMMENDATIONS:

An important consideration for organizations looking at a more detective approach is to ensure both proactive and reactive capabilities are in place. Proactive monitoring is of course vital for avoiding any 'nasty surprises'. With the detective approach there is typically a system in place to be proactive – a detection process that is run and reconciled regularly. The danger to avoid here is that the focus becomes fixed on being reactive, and investigating incidents 'after the fact'.

Another aspect of the detective approach that seemed extremely useful was the output from regular scanning and detection: an ability to identify under usage of deployed licenses. With this understanding, companies can identify shelfware, and redeploy these licenses to other users. As well as helping to cut back costs, this approach can also help stimulate proactive conversations with the business. For example, license management teams can speak with users who haven't used their software for over three months and enquire as to whether the allocation is now redundant. If an organization

uncovers a pool of licenses used irregularly, they can become very creative in how they license the overall need.

As one attendee explained, "We do a 'claw back' after a period of time if licenses are not being used. We started monitoring at half a year, then 90 days, and now 60, to see what's actually being used and what we can confidently claim back. At the same time, we also have a process in place to respond suddenly if somebody needs a license reinstated, because from an overall service perspective, we don't want to have users experiencing a difficult time with license remits."

A similar approach was described by another attendee: "Every 15 days our service desk gets an alert email if someone has not used a piece of software for more than three months. Our next step is to go and talk to the relevant supervisor and question whether the licenses are really needed. If yes, they continue, if not they're deactivated."

3

COMPLIANCE OR ROI?

The discussion centered on the approach customers take to auditing the license estate. Should the emphasis be first on ensuring compliance or calculating returns from any investment?

This was a topic that again highlighted the difference between maintaining a proactive versus a reactive approach to license management. Auditing for ROI was seen as sitting on the proactive end of the spectrum, where such financial considerations offer the clearest indication to executives of the value being generated today, and how this will change tomorrow.

As one attendee explained, "ROI is top of mind when we're negotiating a very large agreement, but we also look at the cost of maintenance. Most of our deployed software is on annual maintenance contracts, and we're always looking to see whether the asset is being used, or if maintaining it is still worthwhile. We question every single dollar."

Auditing for compliance, on the other hand, was seen as being more reactive – to emerging problems or when faced with an external audit. The question therefore is can these two approaches be combined?

THE RECOMMENDATION:

According to one attendee, "if you're proactively managing your license estate then ROI and compliance kind of blend together. Of course ROI is the business aim, but compliance can be included as one of your key measures of success. Why not also attribute a cost or a value to being compliant?" The challenge is in the practical application because, as it was observed, it can be hard to demonstrate ROI when the license team is always 'putting out fires' – and where compliance emergencies consume costs and have a significant impact on any calculation.

CONSOLIDATING KNOWLEDGE

4

A discussion on the licensing challenges associated with mergers and acquisitions – what should customers be aware of and what should they look to avoid.

M&A activity is an obvious source of business disruption for any IT operation. In the words of one attendee, “by the time IT are involved, the emphasis is very much on making things work and worrying about the details later”. For another, success was heavily dependent on the diversity of the environment to be incorporated: “In any acquisition there are unknowns that we usually end up cleaning – and paying the price for.”

Unsurprisingly, detailed insights into what’s owned and what’s being used were seen as critical for a successful transition. The challenge here is making the most of intelligence ‘sources’ – people, records, and management systems – before the shake-up affects their availability. “We did a major acquisition a few years ago” stated one attendee “where most of the IT environment had been outsourced to a third party. Through the integration process the business allowed people to leave with no thought as to the expertise being lost. At the same time, the third party outsourcer was also losing key staff.”

RECOMMENDATIONS:

- 1 **Educate the executive on the implications and liabilities that come with an acquired IT estate** – and push for as much advanced visibility as possible. Ultimately, the first thing IT should be looking to identify is the existence of any license management practices, SAM capabilities and wider asset management processes within the target organization – and to push for executive support in accessing this information.
- 2 **Assess the entire license estate** – regardless of whether it’s being managed well or not. This includes insights into deployed assets, purchase history and all the associated support. Often, it’s the licenses ‘sat’ on the shelf that create the biggest liability, and any complete view will also include licenses the host company doesn’t necessarily believe are being used.
- 3 **Understand the impact of changing license structures** – in a bid to gain visibility of how licenses will be assigned to the new company, and the rights associated with existing agreements (for example, a request to split certain licenses during the divestiture may contravene existing license agreements). An additional challenge is to interpret the reallocation rights of individual vendors. Typically, any agreement to transfer assets will also include the transfer of associated liabilities as well.

“My organization has recently undertaken a couple of acquisitions, including one that was a ‘more mature start-up’. What we found out after the contracts were signed was that they had very little record of what technology had been purchased, or any real idea of what was in their environment. It’s taken years to merge the networks, figure out what software exists, and what they actually own.”

Steering Group attendee

5

THIRD PARTY OUTSOURCING

A discussion on how organizations can maintain visibility into what’s being deployed on their behalf to avoid future liabilities.

Companies should start by clearly documenting in an agreement with third parties who is responsible for license compliance and tracking. The question that needs to be raised at every opportunity is “who owns the liability?” As projects are rolled out and assets deployed on a client’s behalf, the challenge is one of maintaining a clear definition of roles. In other words, it’s a challenge of understanding individual accountability.

RECOMMENDATIONS:

Ensure a robust internal asset management practice is in place with capabilities and methodologies for license tracking, and insist that all third parties adhere to and follow this standard. Best practice dictates that it should be the end user of the service (and therefore the owner of the liability) who dictates how licenses and usage is managed – and not the service supplier.

Regularly check in for updates and request that third parties routinely report back on project developments, including what’s being used for support, what’s been deployed and why. This increased level of visibility, provided at the very least on a quarterly basis, is essential for understanding what is happening with the investment and the risks that surround it. Equally, it’s important to ask third parties to articulate, explain, and document the software components that exist within the project and the

“I’ve seen a few situations where the outsourcer had over-deployed software and the customer was liable. There’s no protection unless you set something up in the contract with your IT supplier”

Steering Group attendee

environment. Concern should arise if they are unable to explain line by line what products have been introduced, what services are being deployed, and what support is in place and being paid for – alongside additional costs relating to hardware and storage.

Typically, a third party commits to building a solution, and organizations pay a flat fee for delivery, as well as the associated support and management. Organizations run a considerable risk if they don’t understand how this solution is constructed because it can prove very difficult to hold the outsourcer accountable. As one attendee stated, “you’re the one ultimately responsible for licensing across the company. Trust is an important consideration when outsourcing, but I prefer to have the insight to recognize a problem right away, and to be able to take immediate action – versus finding out a year later when I can’t.”

MEASURING USAGE 6

Where attendees offered their opinions on the current challenges of maintaining an up-to-date and accurate view of their license commitments.

This is a task not made any easier by both the massive amount of software now available in the market, and the huge differences in deployment practices and options (cloud, managed solutions etc). It's a problem summed up by one attendee: "In my experience, and I work with a number of vendors, most licenses are sold with no dependable tool for measuring license usage. What it then comes down to is the negotiation I have with the auditor to agree the specifics of current usage."

Not that a solution was expected any time soon, or at least a flexible 'one stop shop' tool capable of extending its capability across the entire estate – because IT environments have simply become too intricate and complex. In fact, what's being seen in the market today is even more specialization of tracking and management tools. This runs the risk of creating an infrastructure for measuring usage that mirrors the wider infrastructure – a host of competing vendor products that only excel in certain tasks, for example discovery, and therefore require close integration with other products to deliver the required output. In addition, further capabilities are also needed to validate the data, and then to automate reconciliation with existing terms and conditions and entitlements.

RECOMMENDATIONS

While we can't offer advice or recommendations relating to other vendors, at Oracle we offer customers support based on four principal capabilities:

- 1 **Oracle's own bespoke tools, and scripts** for identifying usage and reconciling against grants
- 2 **Enterprise Manager** – a tool that helps the license management team manage deployments from our range of products and solutions
- 3 **Consultative expertise** that helps you simplify the information you have at hand, before feeding it into discovery tools
- 4 **Managing and verifying** the capabilities of certain third party tool vendors to augment Oracle capabilities

Combined, Oracle's approach is designed to offer customers multiple options – allowing you to plug and play, and come up with your own comprehensive license view.

ABOUT ORACLE LMS

Oracle LMS actively counteracts licensing complexity with an approach focused on two primary outcomes:

- We help organizations proactively maintain compliance with Oracle licensing models and their contractual obligations to remove any financial, operational or legal risk.
- We quickly develop comprehensive insights into the deployed estate to reduce inefficiency, duplication and redundancy, and align licensing requirements to actual business need.

LMS can also help you gain a more centralized and coordinated view of your Oracle estate in order to make more informed business decisions. We can help you master the intricacies of maintaining, migrating and upgrading your Oracle assets to remove a significant barrier to aligning business demand and IT supply.

Future Steering Groups are continually being planned. For more information, and to book your seat at the table, please email lms-global_ww@oracle.com or visit www.oracle.com/goto/lms



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