

# A QUESTION OF RISK AND REWARD



Discussions from the EMEA  
LMS Steering Committee  
Utrecht, November 2013

# A BRIEF INTRODUCTION

If I had to choose one word to describe the recent LMS Steering Committee Oracle hosted for the EMEA region, it would be 'educational' – both from a content and discussion perspective. This is exactly how it should be as well. Knowledge comes before change, and it's vitally important for senior executives to gather together to share feedback on their licensing experiences.

This is ultimately the purpose of the session – to create a different form of interaction between Oracle and its customers. For me, the input from delegates, from the calibre of the members, is essential for helping redefine LMS' role and value in the overall customer relationship.

Discussions on the day fell into two broad categories:

- The first centered on feedback from attendees of the progress being made in adopting a more proactive approach to license management – and where Oracle LMS can provide valuable, consultative support
- The second encouraged views on core LMS service offerings, particularly on the topics of when best to engage LMS – the moments of truth – and what expectations our customers have for future service developments.

I have captured the salient points and committed to investigating solutions where appropriate. A summary of the discussion is presented over the next few pages. I hope you find it an enjoyable read.

Kind regards,

**Jonathan Koop**

Vice President, LMS, Oracle



## Organisations represented at the EMEA Steering Committee, Utrecht, November 2013:

- Rabobank
- Mediq B.V.
- Telenor Group
- Kramp Groep
- Reed Elsevier
- Vodafone Procurement Company

# MANAGING LICENCES - MEASURING PROGRESS

Previous LMS Steering Committees have explored the journey from reactive to proactive license management. The question is what progress is being made, and what structures are emerging to manage licenses across complex operational environments?

Investigations into the journey toward a more dedicated license management capability have previously identified three broad steps:

## Tactical

Licenses managed by individuals/teams put in place after consultations with vendors.

## Strategic

Licenses managed as part of a formal strategic platform.

## Intrinsic

Software Asset Management exists within a business unit dedicated to managing a range of core enterprise assets.

### The view from committee members

The snapshot offered by the Committee suggested continued, if erratic, progress. For example, one member outlined a hybrid model adopted by his organization: “We have a central team of four specialists conducting negotiations with vendors for large scale purchases, including Global Framework Agreements and Unlimited License Agreements. In addition, there resides at the business unit level Finance Directors involved in managing smaller scale contracts and procurement. It is here that interactions with technical teams occur rather than centrally, and where compliance sits alongside the financial commitments. The reason behind this model is simple pragmatism; the differences between business units in terms of requirements and structure can be great – making their management from a central location impossible without local insights.”

The organization described by another member consisted of a central team of four people working full time on software procurement and license management for an operational structure spanning 350 major offices. This small team is reinforced by a further team of fifty two, connected to a software licensing initiative. The processes they work to incorporate a large degree of manual activity: “We collect a lot of information electronically, but there is no substitute for knowing if we’re dealing with (for example) an internal or external server. This intelligence is not available in our files, so we still need contacts in remote locations to find out the truth.”

These are organizations in the early stages of their journey to proactive license management, with the business case still in its infancy regarding the deliverables. For both, Oracle is, and remains, a strategic technology investment that needs to be managed at a corporate level across business units and IT. Each approach is directly linked to organizational developments; as acquisitions and divestments continue to occur, and as demand for various technologies fluctuate, the business needs the visibility to re-deploy them for maximum effect.

# DISTRIBUTED INTELLIGENCE

The structures being put in place by organizations to manage their licenses lead to the challenge of gathering the necessary information from distributed teams. This is a key consideration for predicting license needs in the medium- to long-term, and for planning the most efficient way to structure future purchases.

### The view from Committee members:

Any structure that incorporates a centralised component is heavily reliant on the support of various distributed departments and operating companies, which in turn creates a sizable challenge around communication – both to and from this central team. It’s a problem magnified by complexity; Oracle licensing procedures are complex, and they are just one of the many license models that customers are exposed to from a myriad of vendors. To add further complication, many vendors are continually devising new cost structures. Combined, this all makes identifying areas of exposure very difficult.

The decentralized model doesn’t offer a viable alternative, but rather increases the fragmentary nature of the overall licensing picture. This is where transformation initiatives can hit significant obstacles: if you can’t consolidate licensing information with the technology roadmaps of each division, how can you make informed strategic decisions on future technology demand?

Clearly organizations need to understand the best way to identify and capture this information as efficiently as possible. The business case for driving this improvement begins at efficiency. For one member, an audit from LMS a few years before had stimulated activity: “It was a real eye opener.” We started off by looking at what knowledge we had of deployed assets, and whether these were being used effectively. When we couldn’t answer questions such as ‘do we have the licenses already’, or ‘can we acquire it’ we knew there was significant risk exposure. Situations like this, where there is a clear lack of knowledge, is where LMS could offer some much needed transparency.”

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# LICENSING INNOVATION

There is a fine balancing act between encouraging greater rigour in license management versus not ‘scaring’ individuals to the point that certain behaviors become constrained or driven underground. This is the challenge of making technology freely available to inspire innovation without creating unacceptable compliance risks.

## **The view from Committee members:**

License management has to inspire innovation without compromising compliance. This can be easier said than done, particularly when you investigate the practices within many development teams. Here, there remains the potential for individuals to run up massive unplanned license fees when launching new test environments. However, organisations must take great care to not erecting artificial barriers at such a ‘grass roots’ level. Capable technology teams need the freedom to play around with tools to push the boundaries of what is and isn’t possible.

In this scenario, Oracle products were described in terms of a double-edged sword: “on the upside they offer the rich functionality that is so easy for our people to get hooked on. The downside is that these same products are easily accessible and can quickly become embedded in production before any formal agreement is in place. Without an understanding of license metrics, these expensive products can quickly go viral across the entire development organisation. The end result is that we’re out of compliance, yet to stifle this behaviour is to eliminate the learning that is critical for breakthrough innovation.”

Members agreed that education was the most practical, long-term solution to counteracting the effects of bad management control. At its simplest level, this is about informing users of the implications behind their software usage – and the behaviours that can create huge compliance issues. How this conversation is conducted is as important as what it conveys. It should never be approached as a license crackdown, rather a constructive dialogue of cause and effect centred on ensuring the right capabilities are available on request.

“We need to get a handle on leakage,” stated one member. “We want to give developers access to new tools whilst maintaining the necessary visibility. It’s important to stress that this is not a punitive, big brother approach. Most developers want to be correct and proper, and understand the need for periodic checks to shape the demand for technology and contract negotiations moving forward. This also helps us become more dynamic in license allocation and ensuring alignment with actual usage.”

# GRAND STRATEGY

Becoming ‘more strategic’ is a concern for many license and asset management professionals. At the top level, this means aligning license considerations with the wider strategic plan. The goal is to strengthen executive involvement as the driver for embedding license considerations into future operational and financial planning. But how can it be accomplished?

## **The view from committee members:**

For an executive to relate to license discussions they need the facts presented in a language they immediately identify with. This makes value the obvious starting point, and demonstrating the benefits associated with any investment. One point of consensus was the importance of moving the conversation beyond the threat of audits to focus on asset optimization. This is an interesting area to explore with executives, particularly when software is unlike any other asset the organization procures – it can’t be seen or touched. Where value is generated is in deployment, and ensuring the asset is either used to its best potential or redeployed. As one member stated: “It’s important to remember that you can extract the same value from a used license as you can from a brand new one.”

Risk is also an important factor. According to another member: “I see risk as the ‘ticket to the dance’ with executives. My company has been evolving for some time from a bricks and mortar operation to essentially a technology company. The further along this path we travel, the more reliant we become on our IT infrastructure. This causes an exponential increase in the risk of audit if we don’t manage our compliance adequately.”

In another member’s words: “When I joined my company, the first business case I raised was connected to audits and unpleasant surprises. This risk of exposure generated interest at board level. The next step was to convince Finance, by highlighting how a lack of controls can result in the possibility that at any moment someone in the organization is acquiring licenses we already own. In other words, money is being wasted. This is happening every day, and we need accurate data to support any meaningful transformation.”





# LMS UNDER THE SPOTLIGHT

Oracle LMS services continue to evolve in line with customer expectations and changing license conditions. However, are customers aware of the best time to engage with LMS? Just as importantly, what do customers want in terms of advice and practical insights?

## **The view from Committee members:**

### **When to engage LMS:**

Typically, LMS engagements follow well behind the sales process. This can result in a relationship set at the level of tactical/transactional, which despite being perfectly functional does not cater for strategic interaction – even if the contracts themselves are considered strategic. Members agree that it was in no one’s interest to remain at the mercy of sales people (who are frequently replaced every two years). This was seen as creating questions over Oracle’s position as a long term partner: “our purchases are not built around Oracle year end. We might just as easily need informed advice in December.”

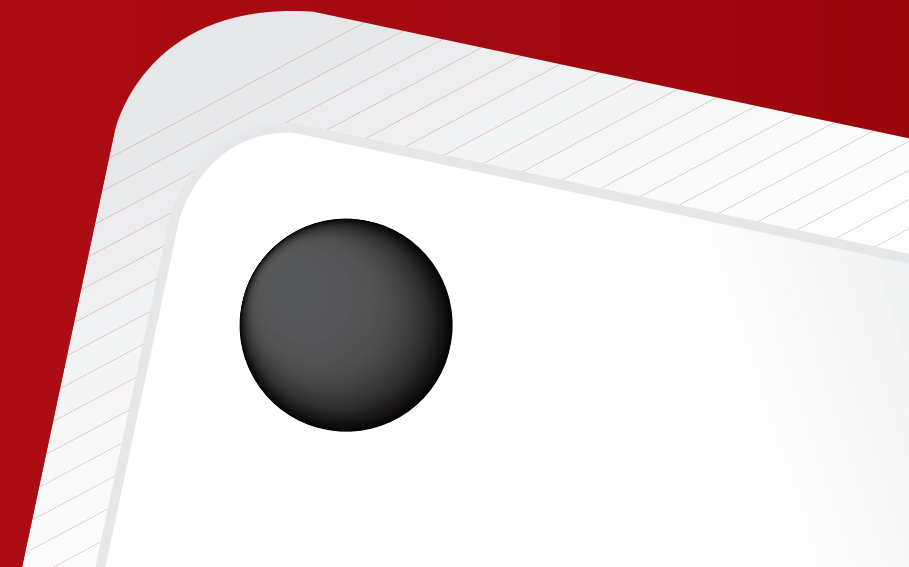
LMS was viewed as essential to creating more strategic engagement. “What we need is the detail on alternatives,” suggested one member. “Sales like to keep their options open, but I need timely advice on how to build, operate and manage my estate. Not knowing is my biggest risk and I need clarity on what’s deployed and what I’m paying for.” According to another member: “The transactional atmosphere of our relationship with sales and account teams creates an open space when we’re looking at our wider requirements. There is an opportunity for LMS to fill this void, and to participate in the strategic conversation.”

The ‘moments of truth’, the ideal time to proactively bring LMS into a business process was linked to a series of ad hoc opportunities, including: a planned merger, acquisition or divestment, a major cost being uncovered in a subsidiary, or a new senior manager coming into the job. Another opportunity that was considered particularly poignant was when an organization was approaching the end of a ULA. As one member said: “We have eliminated compliance risks within the scope of the agreement, but this brings with it its own challenges. I have to work toward a stage when we’ll no longer need a ULA. To do this I need support from LMS to count all the deployed licenses across our geographical footprint before these obligations crystallize into a fixed estate.”

## **Expectations of the LMS service offering:**

LMS remains the preferred agency for customers to seek tailored advice on their current Oracle estate, and to discuss plans for their future state requirements. This positions LMS in the role of advisor; helping organisations stabilize their license deployments and sharing best practice. Members also encouraged LMS to become an integrated part of their governance process when purchase negotiations occur. “We would like LMS to participate, and to help by saying ‘Yes, you can use this method but be aware, to do this you must maintain that information and get those sign offs’. I would find that extremely useful.”

Another area identified by members for LMS to help reduce risk was to enhance the strategic level of the engagement. As one stated: “Sometimes we have to work more than we should to buy from Oracle, and to stay up-to-date with new developments. This is not an indication of a strategic relationship.” This was seen as a clear opportunity for LMS to fill the ‘empty space’ with both detailed license insights and wider consultative expertise. Another member highlighted the mutual benefit for both parties: “Put simply, greater involvement from LMS would help us make the most of our investments and to extend our overall spend. For example, if we were considering a consolidation initiative, our plan would need to be based on sound logic. Without it we remain in the dark, and would either not do it or move forward knowing we’re running a risk – and we’re a risk-averse organization. The right advice would give us confidence to proceed, and possibly lead to new license sales.”



# WRAPPING UP

## Final words from Jonathan Koop

"A wide range of topics were covered during the session, many of which related to a capability described by one member as a 'thermometer for our license usage'. This is clearly connected to our how we count and analyse usage. What this again highlights is that customers want interpretation as well as data on their deployed estate, based on relevant metrics that highlight alternative options and areas of risk and inefficiency.

In the past, I've had mixed answers from customers on the question of whether they want a separate licensing tool from Oracle – partly because every vendor offers one and it can quickly become 'just another tool' to manage. However, we are determined to provide options, whether they're third party verified tools, bespoke, fully packaged tools designed to run centrally, or some form of 'license fingerprint' that feeds into wider asset management tracking.

Picking up on the challenge of managing licenses across distributed teams, I think this is an area where LMS can offer immediate support. To begin with, I have teams in over 100 countries working with customers at a local level. We're also looking at our model for identifying and working with the right partners – organizations who can run the necessary scripts and offer suitable automation capabilities to deliver effective sign-off. In addition, LMS is looking at our existing tools, and how we can help customers compile different streams of license data into more insightful intelligence. It's an ongoing focus area and discussions continue with customers over the precise discovery and reporting specification of these tools, so I would encourage customers to watch this space.

## Further actions I picked up were:

- Build a roadmap of future discussions for the Group
- Identify how best to support the ULA process, particularly when a customer is approaching the end of the contract, and what type of information they need 'pushed out' to aid more informed decision making
- Ensure Oracle LMS is positioned to deliver more advice and guidance to customers around both their strategic procurement decisions, and how these may impact their compliance position

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