Strategies on Software License Audit, Compliance and Optimization

IT and Procurement Perspective

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Gary Saw brings more than 20 years of experience as a versatile sales and business leader in the technology industry, most recently serving as Director, Alliances and Channels for Asian market in Flexera Software.

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Agenda

1. Trend in Software License Audit
2. Is Your Organization Prepared ?
3. Unlocking Software License Saving and Value Creation
4. Customers Get Results !

Trends in Software Audit

Industry Drivers

25%

Software license complexity cost organization an average 25% of their software license budgets by 2015
(IDC)

2017

20% of organizations will have implemented a SLOE tool up from >5% in 2014
(Gartner)

60%-80%

IT operational expenses are 60-80% of total spending
(Gartner)

60%

Spending shift from IT to Line-of-Business Budgets, and 60% of operational spending on software will come from the LOB by 2017
(IDC)

35%

Organizations will increase their investments in SAM by 35% over the next 18 months
(IDC)

What’s Going On in 2016

What does BSA survey tell us? Expect more software auditing!

July 2014 “Gartner currently says organisation have about **a 65 per cent chance of being audited by at least one software vendor each year**.”

IBM’s Audit Rights Take A Turn For The Worse

in August 2014, “ IBM released a new version of its Passport Advantage Agreement (PAA) that applied immediately to all new business. **As noted by Gartner, the vendor has removed language saying audits will be conducted in a way that minimizes disruption to the customer’s business activities”**

SAP Indirect Access License Fees Can Be Significant and Unexpected

July 2014 “SAP gets tough on violation of software use terms. A recent crackdown by SAP AG on companies that it considers are **indirectly accessing its software without paying for it could spell trouble** for some longstanding customers of the software vendor, an analyst firm said this week.”

Microsoft Found To Issue the Most Software Audits

“Microsoft's **58 percent audit frequency** was about double the rate of the next runner up, according to the survey. Respondents said they had been audited in the last year by Adobe (29 percent), "other" (27 percent), IBM (23 percent), Oracle (21 percent), SAP (12 percent) and Symantec (8 percent).”

Is Oracle Using Legal Pressure To Increase Sales?

June 2015 “Oracle is bringing its legal department in much faster during audits and has accelerated the use of breach notices, the nuclear bomb of audit tactics. **A breach notice declares that the client is out of compliance with Oracle’s license terms and must stop using the products in question within a short period, usually 30 days.**

Surprise: Other Vendors Coming to Audit You!

June 2015 “Some vendors, however, view noncompliance as an additional revenue opportunity, and aim to capitalize on the mistakes of their customers by **conducting unpredictable, intensive, costly,** and **frankly frightening audit processes to police entitlements. Adobe is one example of such a vendor, and according to Gartner Research, has ranked among the top three for audit frequency over the past five years.”**

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Vendors who are active in South East Asia

IBM

attachmate

Novell

SAP

Microsoft

ORACLE

Adobe

SIEMENS

QUEST SOFTWARE

Autodesk

Symantec.

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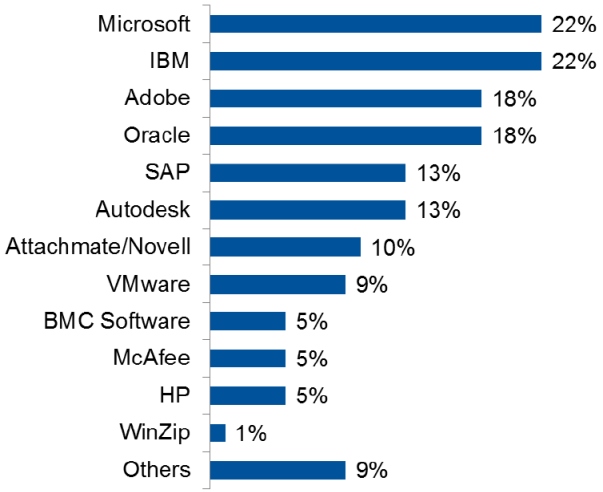
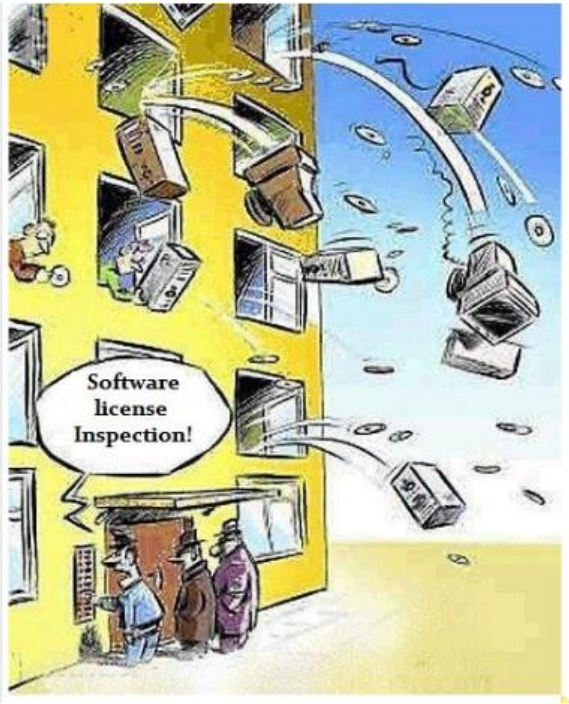
Who will be knocking on the door ?





- License Audits **will not** slow down.
- More smaller vendors are coming onboard to evoke audit clause.

Source : Gartner 2015

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In the News

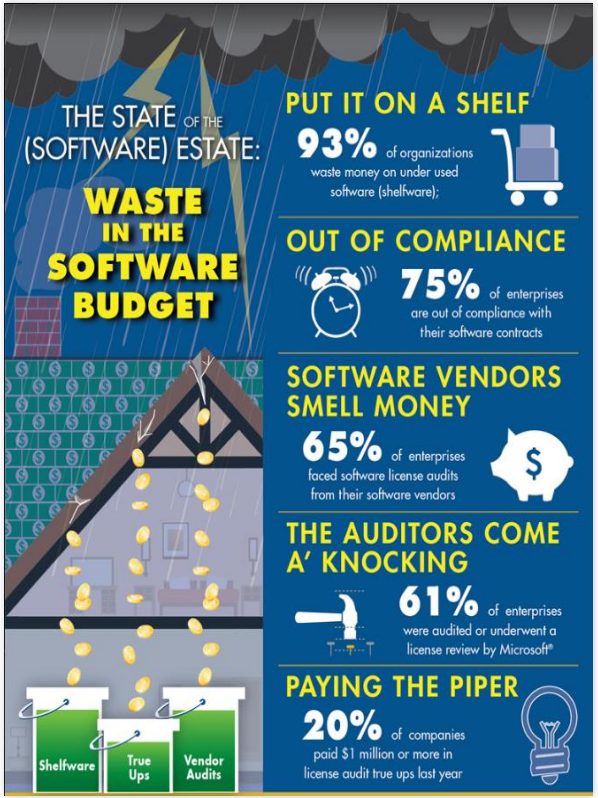
Mars wanted to sue Oracle in licensing dispute
20 Jan 2016 – computing.co.uk

Attachmate sue Mobistar for $6M
7 July 2014 – ITAM Review

Tibco has filed a lawsuit alleging the Merrill Lynch division of Bank of America illegally used $300m
25 July 2014 – ComputerWeekly.com

Software asset management at risk from SQL Server blind spot
4 Jan 2016 – ComputerWeekly.com

Major software companies bamboozle local authorities with audits
30 Mar 2015 – ComputerWeekly.com



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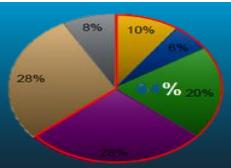
Is Your Organization Prepared ?

License Management Challenges

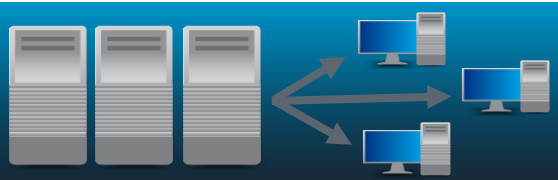
Global Enterprise

Complex Contracts

M&A



Software Audits



Virtualization

Complex License Models

Cloud

Bring Your Own Device

IT Self Service

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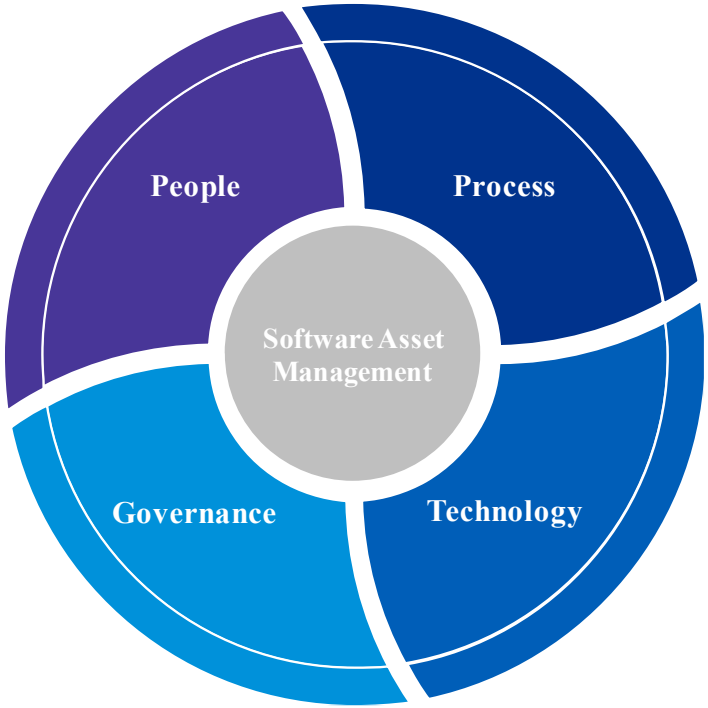
Why is software compliance a challenge?

People

- License Agreements are difficult to interpret and understand
- No dedicated staff to manage license audit and software asset
- Procurement/IT team is not trained to perform continuous assessment and monitoring (self audit)
- Too expensive to maintain a multi discipline team with different licensing background

Governance

- SAM is not an agenda with senior management
- No management oversight in handling of software audit and SAM
- Roles and responsibility of Business/IT/Procurement/Project/EC-level on software license have not been defined
- Software Audit is not inside the risk register (internal audit)
- Policy and procedures on handling of licences have not been defined (ISO 19770)



Process

- Multiple source of information within organisation
- End users are allowed to install unauthorised software
- No process in place to track purchases
- No mechanism for procurement to understand the available license or usage of license purchased
- Unused software list have not been updated and removed
- Lack of monitoring and detection controls in place for licences

Technology

- No tools available to reconcile auditor report or perform self audit
- No visibility to software and version deployed
- Softcopy of contract/entitlements are not available (document management)
- Changes to the environment (installation/decommission) takes at least 30 days to be updated in license reporting
- Manual collection of

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People, Process and Tools

The best audit defense is preparation

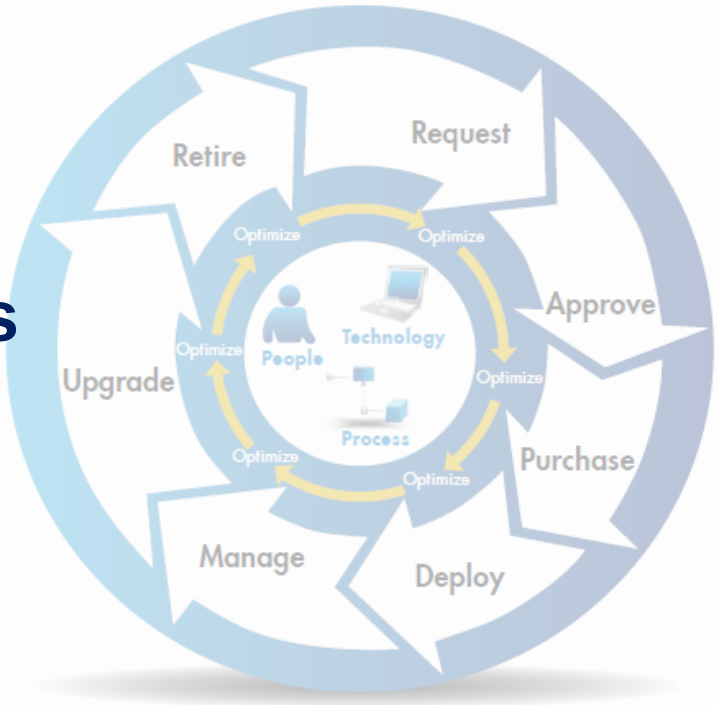

Figure One: Software Asset Lifecycle

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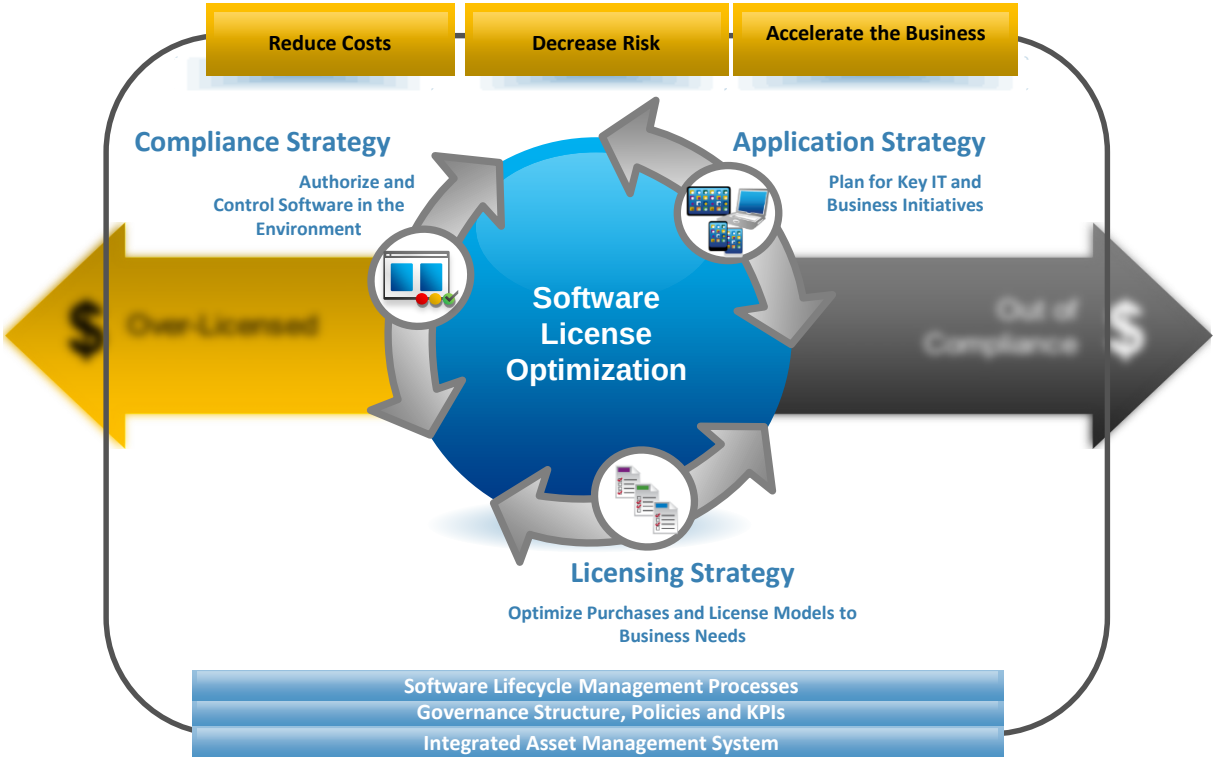
Software License Optimization

Managing Application Usage across the Software Lifecycle



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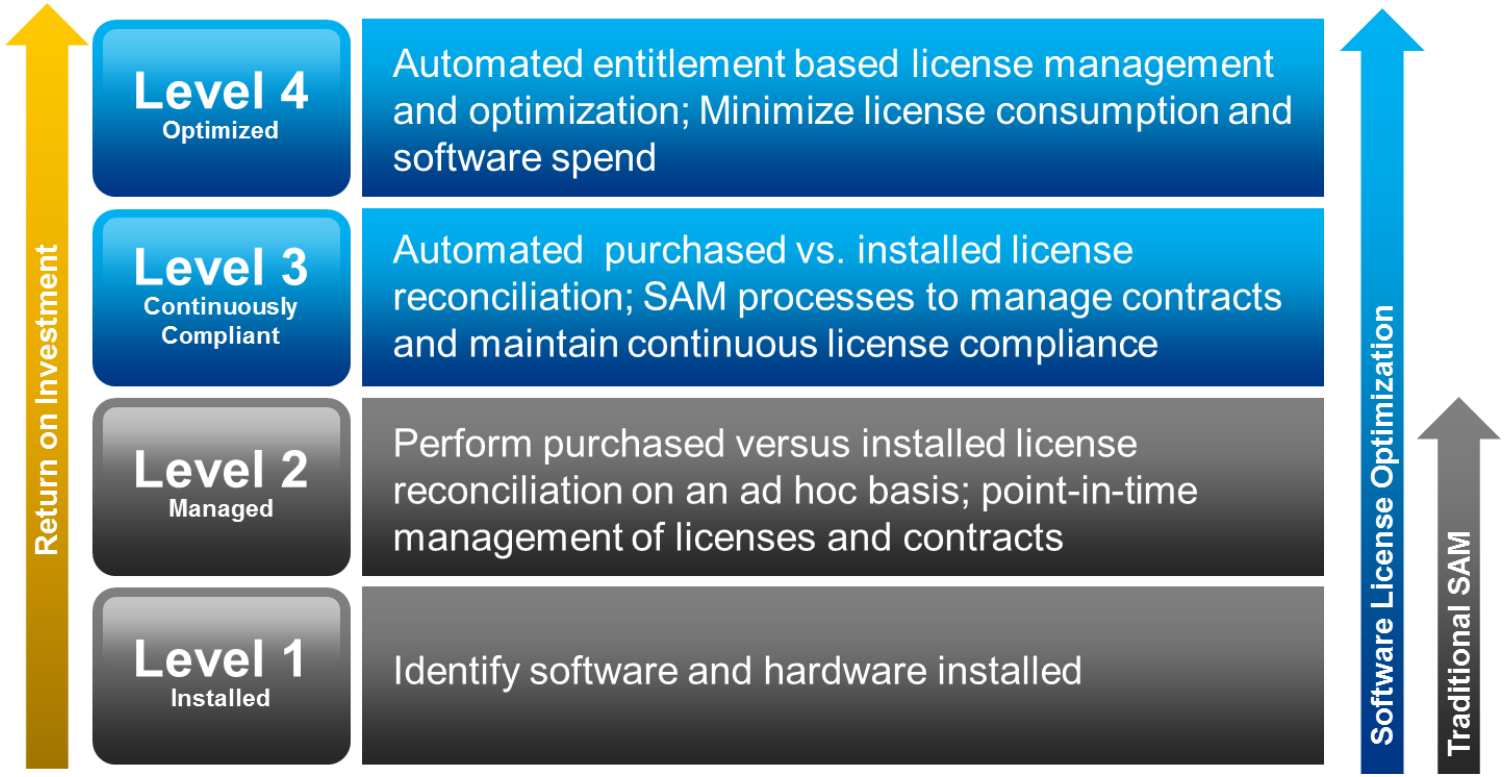
How mature is your organization?



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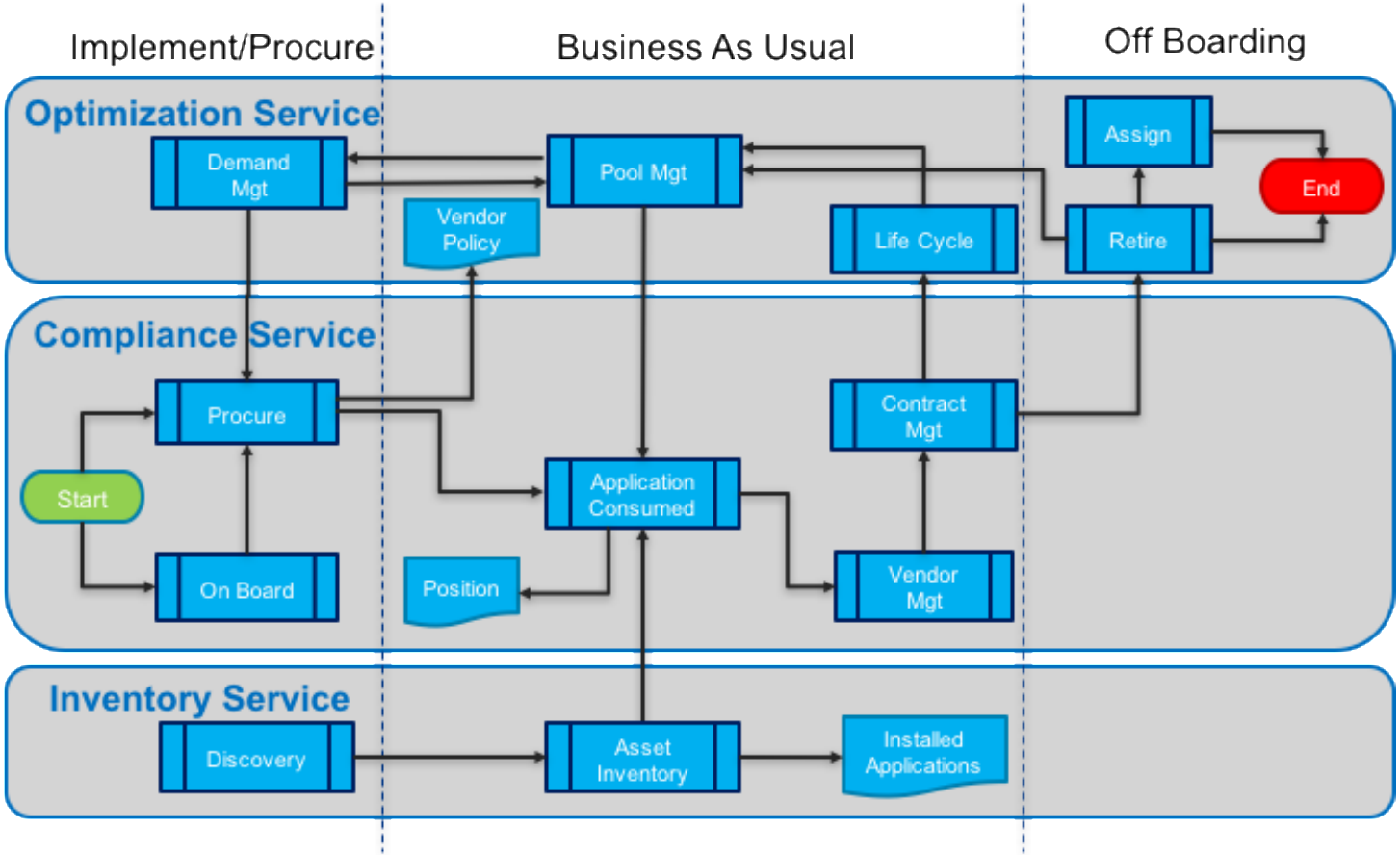
Build SAM Process - High Level SAM Processes



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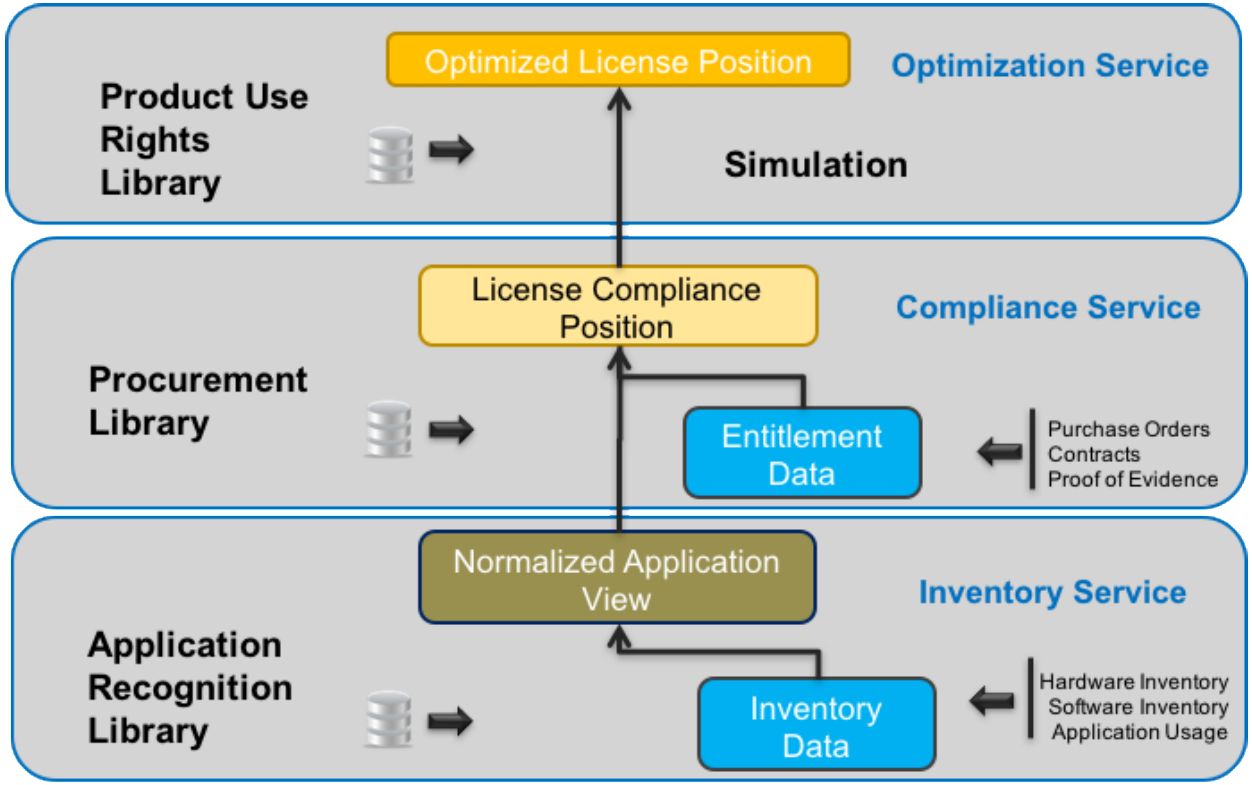
Automation Through Technology



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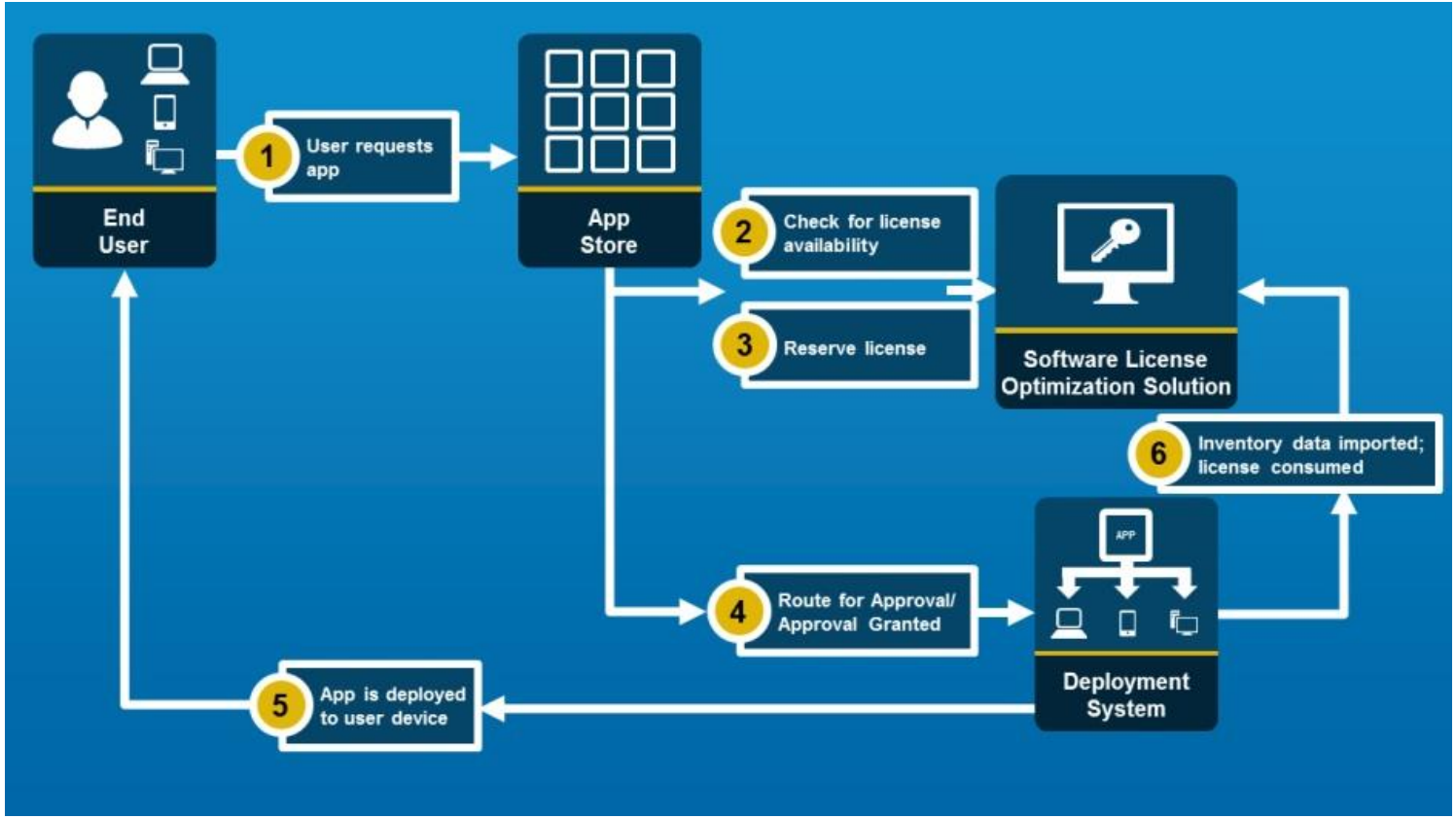
Your Journey to Level 4



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- “The Separation is in the Preparation”
- –Russell Wilson

"WE DON'T WANT YOU TO VIEW THIS AUDIT COMMITTEE AS BEING IN ANY WAY CONFRONTATIONAL"

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Unlocking Software License Saving and Value Creation

Are There Still Opportunities to Cut Cost ?

- Global economic forcing organizations to reduce costs
- Indirect Procurement costs considered as “fixed” but still provides substantial opportunities to reduce costs and improve bottom-line profits
- Key Factors that resulting in overlooking of indirect procurement optimization
  - Number of stakeholders and complex to manage
  - Sporadic buying, lack of centralized supply chain and meaningful data
  - Lack of measured savings

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Indirect Procurement Optimization

Source : E & Y

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Demand Driven Indirect Procurement Cost Saving Matrix

Cost Categories	Example of Indirect Procurement Categories	Opportunity Lever	Typical Savings Range
IT and Depreciation: 17% of Total Cost	**Hardware:** Computer Equipment	**1. Eliminate demand** Rationalization to one laptop and desktop Challenge organizaton on what add-ons and option packages are really needed **5. Encourage re-use** Re-use laptops for new employees **7. Reduce portfolio range and complexity** Reduce specifications	**5-25%**
	Software: Software Licensing and Maintenance	**2. Review volume required:** Per user versus software licensing Analyse the usage of organization/s software	

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Supply Driven Indirect Procurement Cost Saving Matrix

Cost Categories	Example of Indirect Procurement Categories	Opportunity Lever	Typical Savings Range
IT and Depreciation: 17% of Total Cost	**Hardware:** Computer Equipment	**7. Rationalize supply base** Optimize hardware by taking license requirements into consideration when buying hardware	**5-25%**
	Software: Software Licensing and Maintenance	**1. Consolidate spend:** Eliminate duplicate licensing through identifying the software that is included in the licenses the organization has paid for **2. Renegotiate existing contracts:** Identify whether the organization actually uses all features that are paid for. Renegotiate the contract to receive and pay only for software editions that are utilized	
		6. Increase Compliance to Contract Eliminate unplanned software audit and reviews from major software publishers through proactive software license optimization and compliance	

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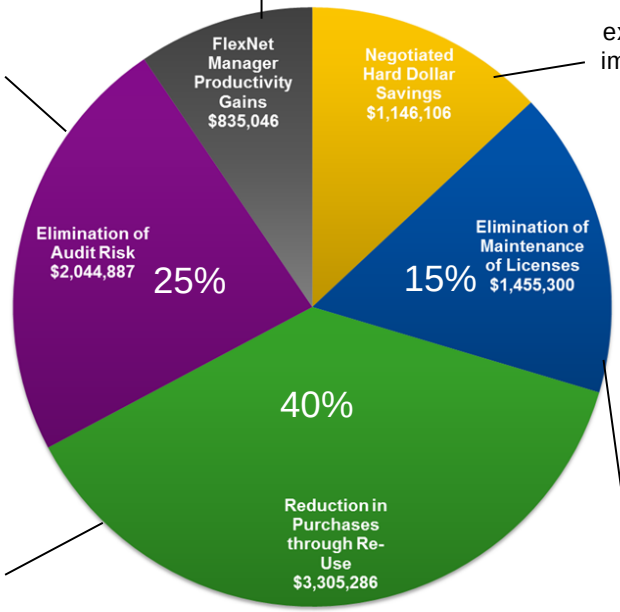
Customers Get Results

Core SLO Benefit Areas

Elimination of manual SAM activities through FNMS - creation of entitlements, determining license compliance, negotiation support, etc

Savings from reduction in the amount of unplanned spend per year through continuous compliance

Assumption of reduced existing vendor spend through improved negotiating leverage and better information



Reduction in spend growth versus baseline and elimination of new purchases through software reclamation and re-use

Elimination of maintenance on unused software that can't be redeployed

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Case Study : Oil and Gas (Malaysia)

Summary

The largest Oil and Gas organization has awarded the IT Asset Management System Tender to Flexera Software and appointed partner to design, and implement the systems to cover their entire IT infrastructure in Malaysia. The solution proposed covers more than 50,000 managed devices including desktops, servers and IT equipment.

Business Problem

The customer has initiated the project to allow them to track their IT asset, software and hardware effectively. The organization intend to deliver cost saving through effective management of their software and hardware assets and address unplanned software audit that cost them millions of dollars.

Solution

The proposed Flexera Solution consists of the following products:

- FlexNet Manager Suite (Microsoft, Oracle, VMWare, Symantec and SAP)
- FlexNet Manager for Engineering Applications

Benefits

Gain the real time visibility on the license compliance, reduce software purchases through license re-use and lower software maintenance cost. The solution now extended to individual business units for asset tracking and charge-back.

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Case Study : Bank in Malaysia

Business Problems

This customer has initiated the project sponsored by the CIO to proactively managed their enterprise software assets effectively. The management taking the bold steps to be the first bank in Malaysia to embark on Software License Optimization and selected Flexera Software as their preferred technology partner after carefully assess Flexera's technology capabilities and track record in the region.

- This strategic solution will provide benefits of achieving customer's goal in the following areas
- Minimize license consumption and reduce ongoing software spend on licenses and maintenance
- Reduce the time and effort managing licenses and demonstrating compliance for software audits
- More accurately plan and budget for future needs
- Minimize the risk and cost of software license non-compliance
- Minimize the downtime and delays due to license denials when using a concurrent license model
- Gain continuous control of the software license estate with repeatable, automated best practices
- Ability to manage all IT Hardware Asset including desktops, servers, network equipment and
- printers.
- The only solution in the market that are accepted/certified by IBM and Oracle Software as compliance reporting tools.

Benefits

Through the initial pilot engagement with Flexera Software, customer has gain the following benefits

- Address the license compliance gap on Microsoft licenses, and managed to address **compliance avoidance of US$ 1m**
- Establish IBM License Management Option (LMO) practice , through the Flexera Solutions and SWO SAM services
- Integrating with their existing system management tools, IBM Tivoli BigFix, TAMIT, and ILMT and provide the centralized intelligent IT Asset and Software Licenses and Entitlement repository

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Case Study : Insurance Company in Malaysia

Business Problems

This customer has adopted Flexera Software License Optimization solutions to address the following challengesEnsure continuous license compliance and reduce costs by:

- Manual tracking of software licensing for over 3000+ PCs/laptops and further 500-600 servers (physical and virtual) is not feasible
- Licensing rules increasingly complex (e.g Informatica, Oracle) and also with increasing use of cloud services (e.g Office3645, Adobe CMS).
- Compliance audits by software publishers increasing significantly in frequency in the past 2 years
- Threats of audits and high cost for being non-compliance necessitates a comprehensive Software Asset Management (SAM) process and tools

Benefits

Through the initial pilot engagement with Flexera Software, customer has gain the following benefits

- Ensure continuous license compliance and reduce costs by:
- Applying license entitlements—product use rights, optimize license consumption based on contractual agreements
- License reallocation through unused licenses
- Periodic updates on licensing model of major publishers
- Quick Wins: over 6 months period)
  - **Audit Risk on Microsoft Project Professional and Visio Premium (US$ 55,000)**
  - **License Over spend on Microsoft Project Standard and Visio 2013 Standard (US$ 85,000)**

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Customer Success – Software License Savings (Banking)

Description	Estimated Saving (USD)	Category
Assistance provided to reduce the **audit claim** from Microsoft after PWC results were submitted	$7,900,000	Specialist Assistance and FlexNet OnBoarding
Recommended **amendments** to the Oracle Master Agreement to change the Named User minimum from 25 to 10 per Processor	$1,000,000	Specialist Assistance and FlexNet OnBoarding
Duplicated purchase process discovered when reviewing McAfee Entitlements • $200,000 in subscription **overspend** • A Stop to future purchases has been initiated	$200,000	Specialist Assistance and FlexNet OnBoarding
Revision of Position Statement for Microsoft Project • $44,000 in **Non-Compliance** (Cost Avoidance) • Recommended rationalization of Professional to Standard Edition • $200,000 in **Over Spend** (Future budget savings) • A stop to additional purchases	$244,000	FlexNet OnBoarding
HACP Review Recommended Host Access Client Package	$228,000	FlexNet OnBoarding
Symantec Endpoint Protection No Reuse fo existing licenses	$130,000	FlexNet OnBoarding
Estimated Total Savings for 2015 (9 months period)	**$9,702,000**	

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Customer Success Microsoft Compliance (Banking)

License	Version	Edition	Purchased	Consumed	Shortfall/Availability
Office	2000	Premium	0	3	-3
Office	2000	Professional	0	24	-24
Office	2003	Professional	173	174	-1
Office	2003	Small Business	0	22	-22
Office	2003	Standard	2274	887	1387
Office	2007	Basic	0	12	-12
Office	2007	Enterprise	0	10	-10
Office	2007	Professional Plus	79	79	0
Office	2007	Small Business	0	39	-39
Office	2007	Standard	1000	869	131
Office	2010	Home and Business	0	3323	-3323
Office	2010	Professional	0	183	-183
Office	2010	Professional Plus	93	93	0
Office	2010	Standard	834	932	-108
Office	2013	Home and Business	0	2548	-2548
Office	2013	Professional	0	29	-29
Office	2013	Professional Plus	469	261	208
Office	2013	Standard	1001	1001	0
Office	XP	Professional	3	3	0
Office	XP	Standard	15	15	0
Total			6008	10574	-6302 / 1726

Recommendations:

- 20 Versions of Office – **Rationalization**
- Available: 1,726 vs. Breach: 6,302

Identified OEM 10,331 inventory

Next: Track lifecycle of inventory (active vs. retired?)

Next: Track proof of purchases for OEMs

- Cost avoidance of ~$1mil

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Customer Success SAP ROI (Food Industry)

License Type	License Type Description	Unit Price	Consumed (Current)	Consumed Value (Current)	Used (Optimal	Used Value (Optimal)	License Gap	Optimal Gap
55	mySAP Business Suite Developer	$9,000	0	$0	0	$0	0	$0
52	mySAP Professional (Cat. II) (52)	$5,000	1500	$7,500,000	1225	$6,125,000	275	$1,375,000
53	mySAP Limited Prof. (Cat III) (53)	$2,000	598	$1,196,000	92	$184,000	506	$1,012,000
71	SPECIAL MODULE TYPE 1 (71)	$600	0	$0	498	$298,800	-498	-$298,800
	TOTAL License		2098	$8,696,000	1815	$6,607,800	283	$2,088,200
	TOTAL Maintainence (20%)			$1,739,200		$1,321,560		$417,640

Recommendations:

- **US$2.5m** of cost avoidance and optimization
- Cost avoidance or negotiate for product exchange
- Reduce Maintenance on renewal
- Next steps: optimize indirect usage and reuse existing unused licenses
- ~350 retired users based on last login, 0 consumption, redundancy
- ~500 users has CPU consumption < 8 mins over 8 weeks, negotiation for special licenses

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Questions?

thank you!
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