SKU License Management

The Key to Producing Business Value: Make the Software-License Connection

In the software asset management (SAM) business it's not uncommon to run into the "Yes, but…" syndrome in organizations preparing to negotiate enterprise-wide agreements.

Fear of expensive and business hindering audits leads most organizations to participate in voluntary true-ups. It's a passive and extremely inefficient approach to license management. It's also the best indicator of whether or not a company can sufficiently answer the following questions:

1. Do you know what licenses the company owns?
2. Do you know what software is deployed?
3. Do you understand the vendor's licensing model?
4. Do you know the company's licensing needs now and in the future?

When asking IT staff these questions, more often than not, one will hear a fancy version of "not really" that usually starts with: "Yes, but..." It's a scary position to be in when entering a volume license agreement that will dictate your organization's license purchasing for the next three to five years. The fastest and most effective relief for afflicted companies is to educate them about entitlement-centric software license management, which has evolved to be quite the sophisticated cost saving, risk mitigating machine.

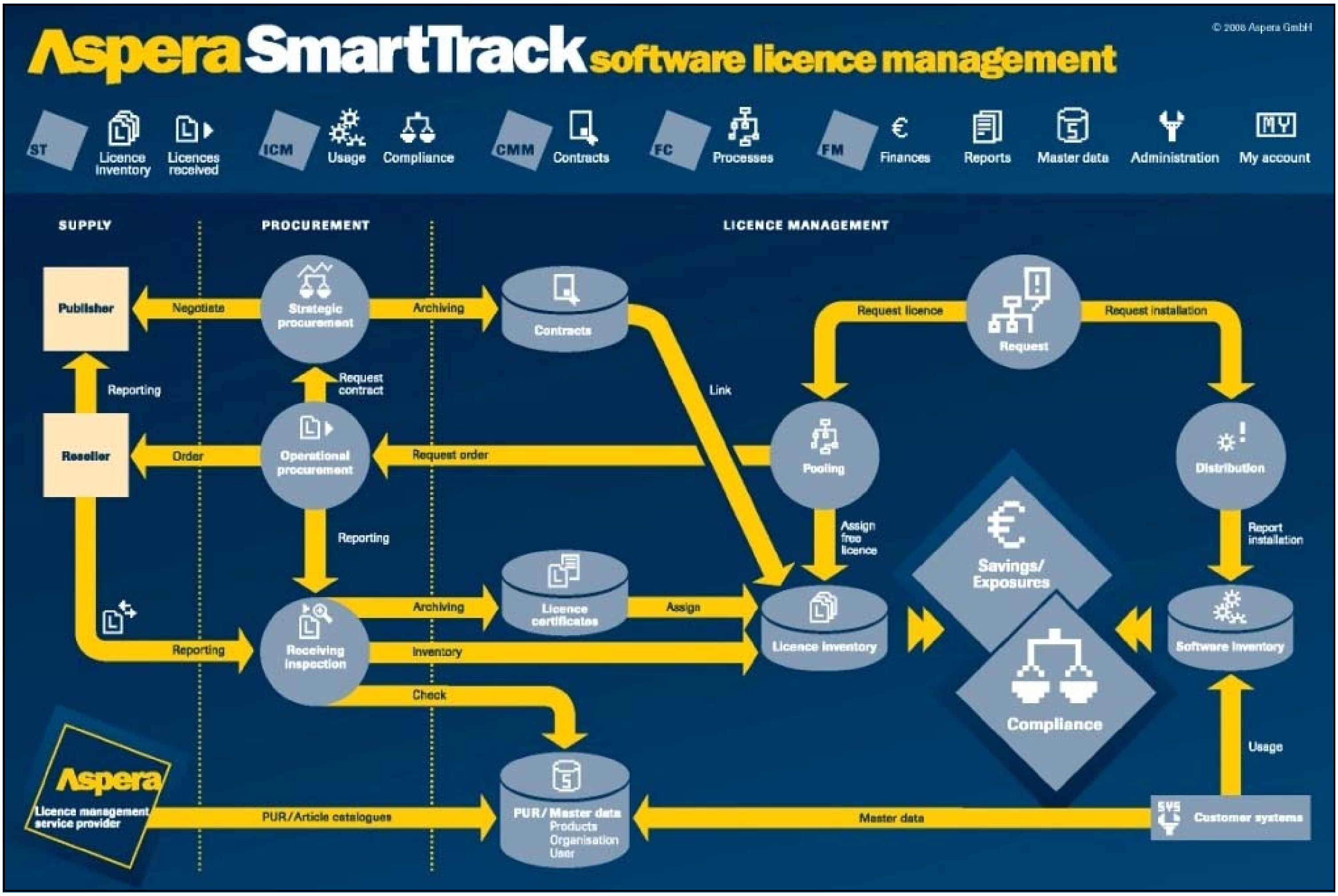
Many organizations unknowingly fall for misconceptions, believing they have robust license management processes in place and are compliant with vendor contracts, when, in fact, the risk of non-compliance is still very present and very high. The most popular misconceptions are:

- We have an inventory/discovery tool so we're covered.
- If we purchase an enterprise license, then we're covered.
- If we get notified of an audit we can buy more licenses before the audit to make it go away.

"Leaving the all work up to discovery and CMDB tools that return gigabytes of data, most of it useless, is a mistake," says Christof Beaupoil, Managing Partner of Aspera.

Complicating matters is the fact that the same software can be registered under different names and signatures (registry keys). "These tools are not capable of recognizing synonyms or signatures for the same software – they just report on what they find," Beaupoil continues. "And if you have no way of sifting through this data to identify the actual licensed software, then you can't really measure compliance."

Purchasing an enterprise license doesn't make the situation any better. These agreements require monitoring to ensure that your organization meets targets, understands the type of maintenance the licenses are entitled to, and any other rights inherited with the master agreement such as upgrades/downgrades and secondary usage rights. Having an enterprise



agreement doesn't mean you are saving costs or reducing the risk of non-compliance.

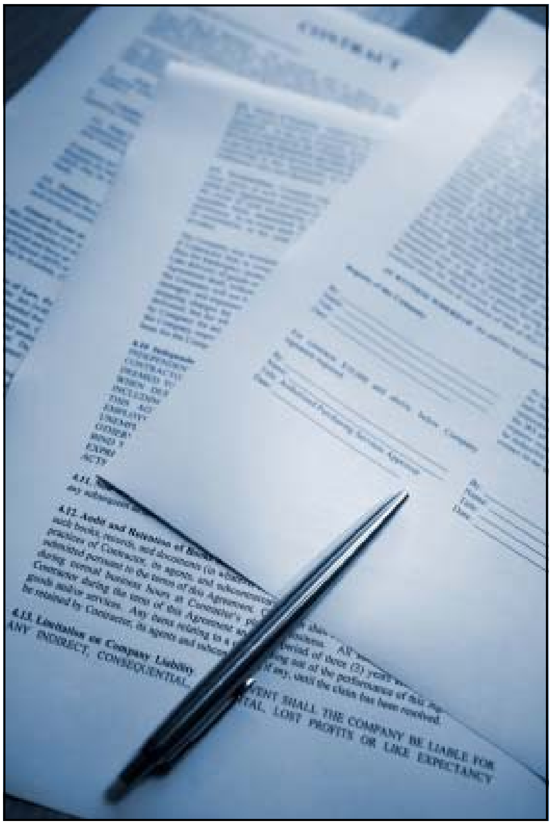
Additionally, buying more licenses to make up for under licensing after being notified of an audit can cause more problems than it's intended to solve. For one, this can be used to prove that the organization knew it was in breach of the contract, because it deliberately purchased more licenses after the audit notice. But doing nothing is also not the best approach to preparing for an audit. It's better to have strategic software license management processes in place and be able to prove compliance right off the bat, than take a reactive position and all the costs and risks that come with it.

With so much of the IT budget going towards software - 20% or more - it's a wonder that having solid software license management policies in place isn't already a given for everyday operations. The trick is knowing where to start and how to build the foundation.

SAM begins with maintaining reliable software and license inventories. These are the basis for all software license management processes and therefore need to populated with reliable data. So how do you ensure quality data? This is only possible with entitlement-centric license management.

The approach is based on a simple rule: make the software – license connection. It involves a very very powerful catalog of SKUs (stock keeping unit/manufacturer part number) for individual software products. The SKU is critical because it acts as the only consistent reference between the software and its license. It is the key to knowing the software's product use rights, technical and installation conditions, relationship to any underlying enterprise agreements, and purchasing information (manufacturer, date, cost, etc.).

Entitlement-centric software license management is a unique process that uses the SKU to map the installed software (in all its nomenclature) reported by the discovery and inventory tools to the actual licensable product and on to the corresponding license. The goal is to have all software in the software inventory traced to a license in the license inventory. Using the SKU catalog data for newly purchased licenses can be automatically generated, significantly reducing errors and oversight. The beauty is in the data quality. The



business value is enormous; from centralized software procurement all the way down to harvesting licenses from retired hardware.

With extensive automation of all processes related to entitlement and installation data it’s easy to know what licenses and contracts the organization owns, what’s been deployed, and to assign compliance responsibility to dedicated persons. From here every point of SAM can be connected and optimized—from correcting over and under licensing, reducing risk, and negotiating killer enterprise agreements to more efficient IT processes, better budget planning, and improved cash flow.

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