TALKING STRUCTURE – FROM APPROACH TO MEASUREMENT OF THE LICENSE MANAGEMENT FUNCTION

VIEWS FROM THE LMS STEERING GROUP
ORACLE OPENWORLD 2014
At the latest sitting of the LMS Steering Group – the third to be held at Oracle OpenWorld – we turned our attention to the structural frameworks being adopted by organizations in a wide variety of operational scenarios.

- **In part one** we focus on a topic that has come up frequently at previous meetings – the level of control being implemented with regards to managing usage, procurement and compliance. The key consideration here is how much control to exert, and the factors influencing the final decision.
- **In part two** we look at the operational dimension of the structures being adopted, including the measurements being put in place to gauge success, and the constant focus on ‘cost avoidance’.

As with all Steering Group summaries, the following insights are designed to offer you real-world examples of how organizations are progressing with their license management capabilities – and the best practice examples that continue to emerge.

Kind regards,

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Global Vice President
Oracle License Management Services

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**PART 1: TALKING PHILOSOPHY – AND THE DIFFERENT APPROACHES TO LICENSE MANAGEMENT**

The event began with a general question posed to the group: what is the current ‘character’ of their license management operations, and where should future developments guide them?

In effect there are two primary axes by which to measure any approach:

**Y AXIS: REACTIVE VERSUS PROACTIVE**

Does your organization accept that the resources needed to create the detailed visibility of deployed assets and usage are simply unavailable, and that the response to any audit will be ad hoc – or are you constantly looking for the next opportunity to improve utilization and compliance and actively approaching vendors for advice?

**X AXIS: CONTROL VERSUS MANAGEMENT**

Do you see the role of your team as one of enforcement to ensure the organization is following protocol? Or is it one of management, and understanding how individuals are using the assets you have in order to predict future demand?

Attendees at the Steering Group were asked to plot both their current position (●) and the position they are moving toward ( ▲ ).
A DIFFERENCE OF OPINION

The results show an even movement toward both ‘Proactive Management’, and ‘Proactive Control’. The next question therefore is why? How are different approaches guided by contrasting philosophies, and what are the intended objectives?

In the words of one Steering Group attendee: “We’re actually in the early maturity stage of license management as an organization, particularly as we come to terms with the impact of a significant acquisition. As a company we have good controls in place, but they are all decentralized and we do suffer from a lack of detailed visibility of what’s actually going on. As a result, the first thing we’re trying to do is gain better visibility to minimize the chance that we’ll have to deal with any nasty surprises.”

For another attendee, what mattered most was striking a balance between control and management.

“We want to trust our teams that they’re using licenses appropriately, but at the same time we also want to verify their approach. To help, we spend a lot of time trying to educate them in order to inspire better choices with regards to the capabilities needed and procurement source. That’s not to say, however, that we want to lay all responsibility at the feet of end users, and despite adopting a more decentralized model we still expect to keep an eye on the decisions being made.”

This was an approach that resonated with the experiences of many attendees. As one described: “Our situation is very similar. In fact, for cost reasons, we’re going through the process right now of looking at the various licenses we have across different product groups to find out which has the most efficient band. What we’re looking for are products with comparable features, and how they map to the ‘business justification’ for maintaining and investing in them in accordance with our overall corporate strategy. For the license team it’s really about trying to control costs so that when new capabilities are rolled out we’re getting the most effective spend for the investment.”

For another attendee, the deciding factor was risk: “My organization has moved from a reactive stance to much more proactive capabilities. Our primary goal is to ensure we have effective coverage across all our vendors, and particularly the high-risk suppliers to make sure our approach is aligned to their recommendations – and ideally a lot stricter. In some cases we’re going to be more reactive as some of our smaller vendors may not be appearing on the radar – and in these instances we are looking for some form of internal red flag that when raised encourages immediate investigation.”

A QUESTION OF BALANCE

So what can we learn from this feedback?

Of course different organizations will adopt different approaches in line with their specific needs, yet they still want to empower users to achieve the best they can by using the tools immediately available to them.

This sentiment has been voiced at previous Steering Groups, and getting the balance between control and management is one of the biggest challenges facing license management teams today.

The path taken by individual companies is also influenced by a number of interrelated factors. These range from the level of risk aversion that exists and the desire to encourage a ‘freedom to innovate’ within individual teams, to the decision to implement either a centralized or decentralized model. The differences in progress are more down to resource availability, and how license structures respond to the pressures for delivering maximum value from any investment.
EXPERT OPINION

The decision licensing teams make as to their position between control and management is inevitably influenced by the expertise available, and the organizational structure within which they reside. As one attendee described: “We have a global license manager which in effect means we have a central operations group. Oracle is one of our leading strategic partners, but even here our biggest challenge is at the executive level where much of what we hope to achieve is dependent upon finding people who truly understand the value of what we’re trying to do.”

The level of expertise available also differs markedly between organizations. Possibly the most common situation was summed up by an attendee who described his company’s centralized operation: “I report to the CFO and offer extensive Oracle expertise, alongside other specialists that deal with the more important vendor groups – and ‘generalists’ who cater for more isolated investments.

In addition, we weighted our portfolio of vendors and products then assigned owners for each to start the control process. What the business has to recognize is that we have multiple partners, each with different access rights, licensing metrics, management, and controls – an expansive range of technical demands and we need the capabilities to accommodate each.”

IN SUMMARY

The choice between control versus management, reactive versus proactive is to a large extent determined by what people actually want. In certain situations users actually prefer tight controls and don’t require excessive support. In others, the provision of anything but an ‘open’ license environment is seen as counterproductive in the drive for greater innovation.

Cost will always be an important consideration, and not just to ensure the technologies being purchased and supported are actually being used – but also that spend is closely aligned to future business demand. In fact, it is how this demand is shaped – either through a relatively fixed corporate structure or more organically as need evolves – that can have the biggest impact on the structure of today’s licensing teams.
PART 2: TALKING STRUCTURE – FROM LICENSING METRICS TO PROCUREMENT

How are licensing teams being structured to meet evolving demand from the business? What are their preferred operational structures, and what key metrics exist to provide accurate insights into performance? These were the questions posed to the Steering Group, and the answers spanned a variety of topics ranging from procurement policy to compliance.

The discussion began with an overview from one attendee as to how his company’s licensing team has developed over time: “In effect, we started from scratch with the intention of maintaining decentralized (read: local) responsibility for monitoring license usage and compliance. This was important as the decision was taken to build up our teams in line with the current company structure, which led to the creation of teams on a divisional level, as well as within local reporting units.”

“At the same time, and to bring all these teams together, we created a small team at the corporate level to provide a more centralized view of activity. This view is enhanced by a standard questionnaire we’ve created in partnership with KPMG to give us insights into how local units run their systems. From a compliance perspective we report both the ‘numbers’ and overall incident levels, and supplement these with friendly internal audits.”

By comparison, another attendee described a more centralized arrangement across his organization’s global business units: “We have a network of focal points at the local level, but the decision on what to buy and the relationship with different vendors stays heavily within the business. When users determine they want a product we will get involved and consult with them on the type of licenses needed. Our goal is to identify if we can fulfill that need internally by transferring obligations (and licenses) between different areas of the company. Only if this isn’t possible will we look to buy new licenses outright.”

A QUESTION OF COMMAND AND CONTROL

An exploration of how license teams are structured inevitably raises the topic of ‘ownership’. For certain delegates this was best demonstrated via reporting lines. As one explained: “On the resale side, the team reports to IT where we have an engaged and collaborative relationship with the CIO. We also have our own procurement team responsible for acquiring new capabilities, though again our primary focus is on what we call ‘internal purchasing’. Then we have an internal associate responsible for compliance, and interestingly this person, who reports to the finance department, has a slightly different take on how and when new applications should be introduced.”

For other attendees however, the question of ownership was heavily dependent upon who has control of the budget. “I’m in procurement,” explained one attendee, “so I’m responsible for all the IT we buy, and although I’m more than happy to look at our pool of licenses before making any decisions, there remains on-going discussions around the budget and ‘who is best placed to buy this?’ Should it ultimately be us, or the CIO organization that decides on a technology? Or should we be outsourcing these sorts of questions to third parties that may be willing to help us?”

“I don’t think it’s necessarily about ‘who owns the budget’, but rather about a central function maintaining relationships with the different groups using the licenses – so that they can give us all the information we need.”

Steering Group attendee

It was also stated that one of the best ways to address the ownership issue is on the back of a compliance issue. As one attendee highlighted, “It can be tough to share the message that your team’s messed up and you’ve got to make a $5million purchase because it’s the end of the year. This was of course a bitter pill for the business to swallow, but now, with the right support from upper management, we’re preventing liabilities from occurring and we’re right-sizing our licenses to prevent a recurrence. I don’t think it’s necessarily about ‘who owns the budget’, but rather a central function maintaining relationships with the different groups using the licenses – so that they can give us all the information we need, and likewise we can tell them what they need to know to be confident they’re covered.”
AN EMERGING PROFIT CENTER MODEL

The debate surrounding the 'who pays for the budget' question identified a potential new model open to license and procurement teams: the 'charge back at a premium' approach. This is essentially an extension of the centralized purchasing and chargeback model, where the license team is tasked with identifying and acquiring the technology coverage to support business demand. Each time these capabilities are then deployed their use is charged back to the business unit at a mark-up, which in effect turns the licensing function into its own profit center.

For another attendee, it was about the journey toward self-funding: "Here you can operate as your own ISV on behalf of the organization, which allows you to charge for the licenses used – of which you own as a separate, self-funding entity. It’s simple: You buy at one level then provide the licenses with a mark-up associated with running costs. Why not become a profit center, it certainly makes it easier to demonstrate your true value?"

MEASURING WHAT MATTERS MOST

What of the metrics used to measure the impact and effectiveness of license management teams?

For one attendee, what mattered most was ensuring all assets were 'under control': "We define 'under control' as the point where we have the ability to produce any compliance reports under question – and we have about 40 people dedicated to doing just that. To support this, we heavily measure and display metrics on a dashboard to illustrate the value we’re delivering. For example we’ll ask users what a certain capability cost to deliver versus that cost for this year. We also measure "cost avoidance" which has really been a turning point for us in getting senior management interested in what we do."

Cost avoidance was a metric used by other attendees, including one who described how his organization monitored ‘net effective discount’. “The core concept here is that if you bought a core piece of software for 10% of its price, and you’re utilizing it 10% of the time, then you actually paid 100% for it – and the rest is left on the shelf. Our compliance review actually requires deployment and utilization information, whatever the related metric might be.”

In the words of another attendee: “In my opinion, what senior executives want to hear about is how costs can best be avoided, and how we can harvest or reappoint different licenses. For example, where excess licenses exist: can we avoid trimming them back and reducing maintenance, and instead take a strategic look at whether we will actually need these in the next 3-4 years? If the answer is yes then it would then be smart to continue maintenance payments and to redeploy them when the time is right. This is especially the case where the replacement costs of those licenses are much higher than the embedded costs. This type of saving and cost avoidance is where the really massive benefits can be found in our standard reports.”

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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