



Stay ahead of the curve

Show Software Who's Boss

Effectively Managing
Software Usage in
Technology Firms

Agenda

- Introductions
- Session Objectives
- Background and Pain Points
- Opportunities and Techniques
- Approach
- Implementation
- Discussion

Introductions

- John Smith, Senior Consultant
 - > Over 7 years supporting hi-tech companies in implementing and managing licensing
 - > Extensive experience Designing, Implementing and Managing Vendor License Management systems and processes
- Michael Albrecht, Practice Director
 - > Over 10 years in strategy and implementation work focused on assisting Software companies implement and integrate Licensing

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Session Objectives

- Discuss how effective License Management can:
 - > Reduce Software Ownership Costs
 - > Provide a Competitive Advantage
 - > Ensure Effective Compliance
- Present and discuss recent innovations in License Management
- Provide a practical, structured approach to implementing and managing a License Management Program

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Background and Industry Trends

Software has become increasingly critical to the success of technology companies

- In some markets, software costs are 2nd only to salaries
- Design Software is now a critical component of developing any technology product
- Commercial software has replaced homegrown solutions in all but niche markets

Ensuring market success requires effective adoption and management of software assets

- Minimizing costs through effective management is the most obvious
- Improving design staff productivity through effective deployment of software assets is also critical
- Usage data and buying power can be leveraged to maintain access to latest technologies

Consolidation requires a flexible approach to integrating multiple technologies

- Headcount is no longer the full picture – Maximizing software Utilization per Headcount is more critical
- Managing Multiple Vendors and Technologies is a Reality – There is no “one stop shop”
- Any tracking and usage solution must be technology agnostic – While a specific Vendor may have an excellent tracking system, it won’t apply to other Vendors

Common Pain Points by Role

CEO/ CFO

- pressure to reduce infrastructure costs
- constantly rising software costs, maintenance and support
- Audit exposure and compliance violation risk
- Successfully addressing software aspects of M&A activity
- competitive advantage (are we getting what we need from software?)

LOB Manager

- too many unused tools / old technologies
- not enough new (expensive) tools
- tools in wrong place / not accessible by the right people
- not enough info (costs, who uses what?)
- no metrics
- denials, waits, queuing for tools
- productivity (TTM) impact

VP of Procurement

- complex contracts – licensing options, license models,
- insufficient information
- awful lot of stuff (A vendors * B tools * C server * D quantity * E remixes)
- unable to take advantage of contract options due to lack of information
- unable to negotiate effectively due to lack of information
- multiple contract with same vendors (M&A)
- rogue purchases not getting appropriate discounts

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LM Opportunities and Benefits

| Focus Area | Estimated Impact | Key Principles |
|-----------------------|--------------------------------|---|
| Cost Savings | 30-40% of Annual Spend | <ul style="list-style-type: none"> • Centralization of licenses to ensure higher utilization • Leverage buying power of actual usage to drive discounting • Negotiate actual “value” of licenses based on impact to busy • Leverage re-mix capability to minimize new purchases |
| Time to Market | 5-15% Reduction | <ul style="list-style-type: none"> • Ensure Engineers have access to the tools they need • Manage Denials of Service based on cost to business • Identify internal best practices through software usage data |
| Productivity | 10-20% Increase | <ul style="list-style-type: none"> • Use Chargeback and Allocations to drive productive behavior • 1 License per Resource may be sub-optimal – Lengthy compilation tasks may enable multitasking • Correct poor Design practices through aberrant usage data |
| Compliance | 50-75% Effort Reduction | <ul style="list-style-type: none"> • Best defense is a thorough offense – Once Vendors realize you are managing usage, Audit costs outweigh benefits • Simply communicating existing of LM may forestall Audits • Reverse Audits – Actual usage data may drive cost savings |

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Hierarchy Matrix – Where are You?

| Purchasing Organization | Vendor Contracts | License Sharing | Usage Tracking | Software Utilization |
|---|---|--|--|---|
| <ul style="list-style-type: none"> • Enterprise | <ul style="list-style-type: none"> • Standard • Product Pools • Remix • Global Visibility • Add-ons and Access Rates | <ul style="list-style-type: none"> • In Contract • C-Level Sponsor • Infrastructure Support | <ul style="list-style-type: none"> • Most Vendor and Tools • Formalized Enterprise Methodology • Closed Loop System | <ul style="list-style-type: none"> • 50-80% |
| <ul style="list-style-type: none"> • Division | <ul style="list-style-type: none"> • Occasional • Buy at Price List • Some Regional Benefits | <ul style="list-style-type: none"> • Within Geography • Silos still exist | <ul style="list-style-type: none"> • Critical Tools • Unique to Department or Site • No Standards | <ul style="list-style-type: none"> • 20-60% |
| <ul style="list-style-type: none"> • Department / Work Group | <ul style="list-style-type: none"> • None • Localized Purchases • PO's and Local Approval | <ul style="list-style-type: none"> • Work Group Level • No formalization | <ul style="list-style-type: none"> • None • Crisis Mode Reaction | <ul style="list-style-type: none"> • <25% |

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Hierarchy Matrix – Where are You?

| Chargeback | Remixing | Software Portfolio | Compliance | Software Utilization |
|---|---|--|--|----------------------|
| <ul style="list-style-type: none"> • Most/All Tools Quarterly • Based on Peak Usage • Automated Reports | <ul style="list-style-type: none"> • All Major Vendors • Most Critical tools • High % of Contracts • Frequent | <ul style="list-style-type: none"> • No Perpetuals • Pay Per Use • Highly Flexible Deployment Environment | <ul style="list-style-type: none"> • Enforced • Vendor is Managed to Usage | 50-80% |
| <ul style="list-style-type: none"> • Some Vendors • Annual Process • Based on Usage Hours • Manually Generated | <ul style="list-style-type: none"> • Some Vendors • Infrequent Occurrence • Low % of Contract Value | <ul style="list-style-type: none"> • Mixed: Perpetual & Time Based • Some Redundancy • Limited Consolidation | <ul style="list-style-type: none"> • Some Internal Procedures • Basic Tracking • Accidental Overages | • 20-60% |
| <ul style="list-style-type: none"> • None • Fixed Charge/ Allocation | <ul style="list-style-type: none"> • Mostly Perpetual • Nodelocked Licenses • Significant “Shelfware” • Frequent Sales Calls | <ul style="list-style-type: none"> • Node locked • Many Perpetual • Significant Shelfware | <ul style="list-style-type: none"> • No Procedures • Highly Exposed | • <25% |

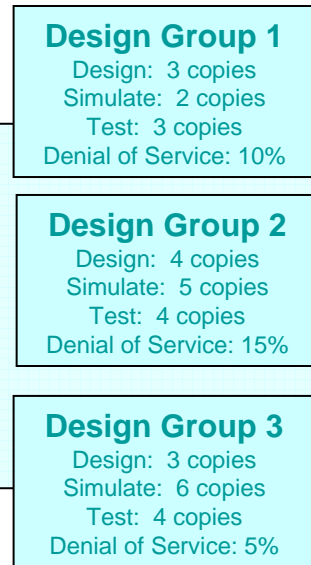
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Example Techniques

- License Sharing
- Charge Backs and Allocation
- Remixing
- Competitive Advantage – License Usage

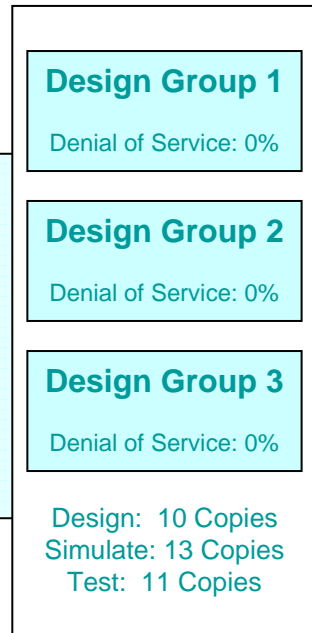
License Sharing

Typical



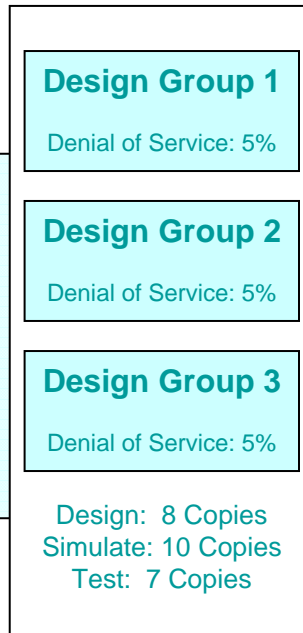
- Individual Groups Purchase Duplicate Software Portfolio
- Low License Utilization as most Licenses are Idle Most of the Time
- Groups Still Experience Frequent Denial of Services

Pool



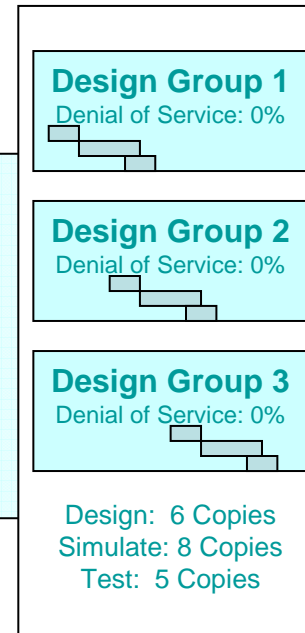
- By combining Licenses across Groups, Denial of Service can be Reduced
- Economies from a larger pool

Reduce



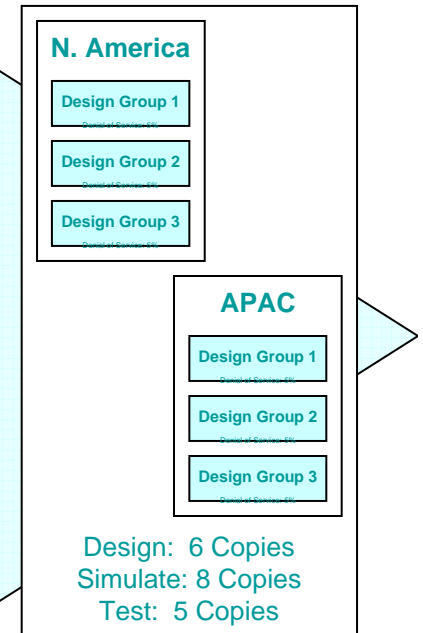
- By reducing Total Licenses Pools, Reasonable Denial of Services can be Achieved while Reducing Costs
- DOS in larger Pools typically have less impact due to shorter wait time

Stagger



- By Staggering Design Schedules, Denial of Services can be Reduced while further Reducing Total Licensing

Time Zone



- Expanding Globally, Licenses can be used across multiple organizations, ensuring 24x7 Usage

Modifying Behavior through Charge Back

| | | | | |
|---------------------|---|---|--|---|
| License Pool | <p>License Pool</p> <p>Unknown</p> | <p>License Pool</p> <p>10 Copies = \$100K</p> | <p>License Pool</p> <p>10 Copies = \$100K</p> <p>Usage: 1,000 Hours</p> | <p>License Pool</p> <p>10 Copies = \$100K</p> <p>1,000 Hours</p> <p>Peak: August Usage</p> |
| Metrics | <p>None</p> <p>Each group evaluates, acquires and uses software on their own</p> | <p>Group 1: 2 Engineers</p> <p>Group 2: 3 Engineers</p> <p>Group 3: 5 Engineers</p> | <p>Group 1: 2 Engineers 350 Hours</p> <p>Group 2: 3 Engineers 250 Hours</p> <p>Group 3: 5 Engineers 400 hours</p> | <p>Group 1: 2 Engineers 350 Hours Usage: 60% of Peak</p> <p>Group 2: 3 Engineers 250 Hours Usage: 30% of Peak</p> <p>Group 3: 5 Engineers 400 hours Usage: 10% of Peak</p> |
| \$ | <p>\$?K \$?K \$?K</p> | <p>\$20K \$30K \$50K</p> | <p>\$35K \$25K \$40K</p> | <p>\$60K \$30K \$10K</p> |
| Notes | <ul style="list-style-type: none"> No allocation Each group has budget and uses it as they see fit No reason to share and no management visibility | <ul style="list-style-type: none"> Costs are allocated based on simple headcount (or similar) Whether a resource uses the License, they are still forced to fund Encourages over-use and drives additional purchases | <ul style="list-style-type: none"> Actual Usage is driving factor in allocating costs Groups are now billed based on actual access, so groups benefit from managed use Software costs not optimized as no benefit to leverage low usage periods | <ul style="list-style-type: none"> Peak usage (the driver of the total software costs) are tracked Only active users at Peak periods are billed for software Rewards users who access licenses at non-peak times Can reduce total number of seats required, reducing overall costs for all groups |
| | <p>None</p> | <p>Poor</p> | <p>Better</p> | <p>Optimized</p> |

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Remixing

Current Usage

\$400K

DOS: Frequent
Wait Time: Excessive
 Average Usage: 9
 Cost: \$15K per Seat

Design

10 Seats

DOS: None
 Wait Time: None
Average Usage: 10
 Cost: \$5K

Simulation

20 Seats

DOS: Minimal
Wait Time: Small
Average Usage: 12
 Cost: \$10K

Test

15 Seats

Remixed Usage

\$400K

DOS: Minimal
Wait Time: Small
Average Usage: 12
 Cost: \$15K per Seat

Design

14 Seats

DOS: Minimal
Wait Time: Small
 Average Usage: 10
 Cost: \$5K

Simulation

12 Seats

DOS: Minimal
Wait Time: Small
Average Usage: 11
 Cost: \$10K

Test

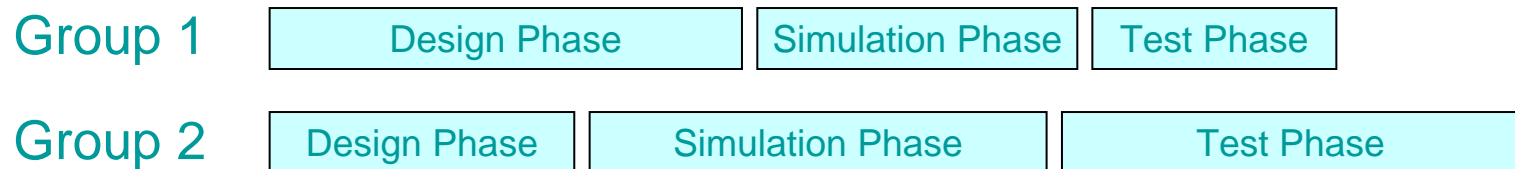
13 Seats

By Remixing, Customer was able to improve Utilization and Productivity while maintaining Total Costs

Develop Competitive Advantages

- Objective Usage Data can provide insight into business performance:

Example



Potential Findings

Example Findings:

One group of engineers can support complex projects; another is better suited at rapidly completing simple project

Although phase is officially “complete” - Usage data indicates otherwise causing extension of following phases

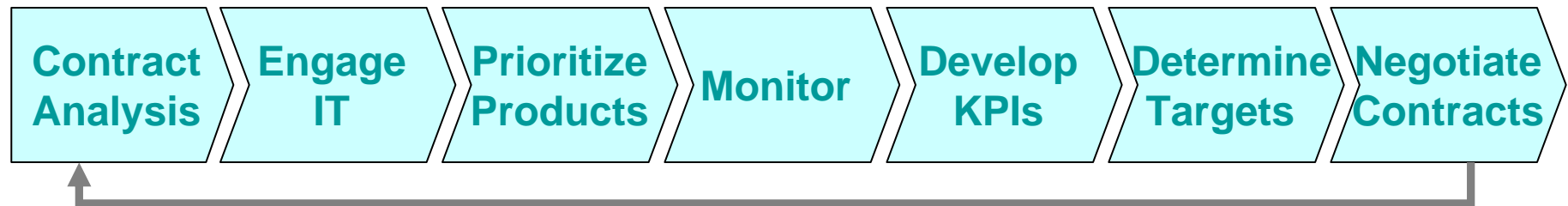
May provide insight into the effectiveness of competing products – i.e. one Vendor’s Test tool is much more efficient than another’s

Results May Vary: Most companies are surprised by the results of the analysis.

Agenda

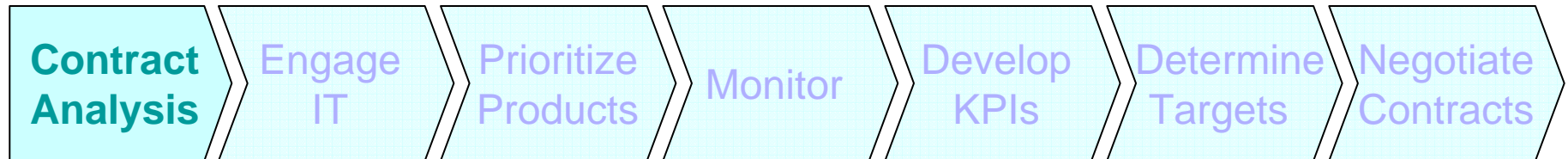
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Approach Overview



- Provides a repeatable, structured process to:
 - > Ensure focus is applied to critical (i.e. most costly) expenditures
 - > Ensure effort is expended where impact can be maximized
 - > Provide early wins while maintaining consistency across Enterprise

Contract Analysis – Identify Target Vendor



| Vendor | \$ | Usage Mgmt. | Update Access | Remix | Next Negotiation | Est. Usage |
|-----------|--------|-------------|---------------|-------|------------------|------------|
| Acme | \$10M | Individual | No | No | Jan-08 | 25% |
| Design | \$8M | Department | Yes | Yes | Jun-08 | 35% |
| Test Sys. | \$6.5M | Corporate | No | No | Jan-09 | 30% |

- Engage Procurement to determine key vendors and evaluate relationship
- Identify annual spend on software and agreement terms
- Prioritize based on:
 - > Impact to Business – How much is being spent now?
 - > Timeliness – When is next opportunity to negotiate with vendor?
 - > Flexibility – Can usage data drive real time changes (Per Contract or other?)

Engage IT – Identify Additional Seats



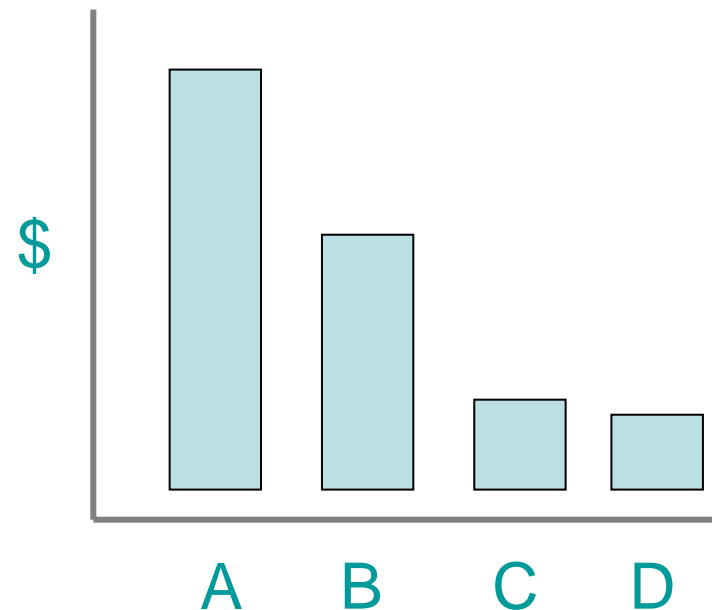
- Uncover non-standard purchases
 - > Work with IT and Engineering to identify “rogue” purchases
 - > Audit internal servers for unknown or unauthorized copies
 - > Estimate scale as compared to original contracts
 - > Uncover “shelf ware” situations where active license are not being used
- Begin defining usage communities
 - > Develop Enterprise map of license users, locations and needs

Contracts and IT should provide a 90% picture of License Usage

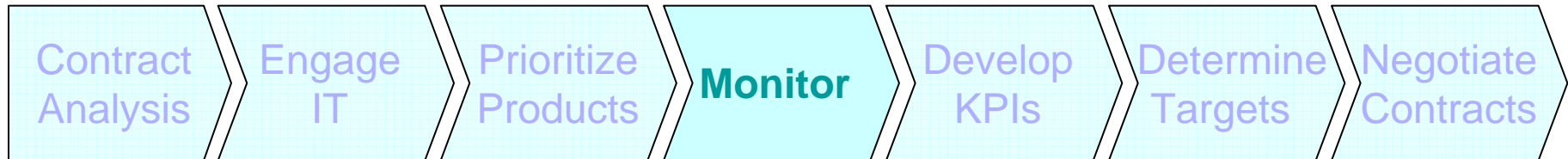
Prioritize Products – High Value/Cost



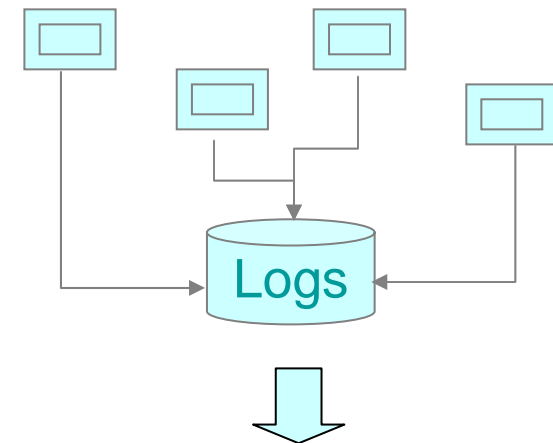
- Prioritize based 80/20
 - > 20% of products from vendor are responsible for 80% of value to business
 - > Metric: # of Seats * Per Seat Cost
- Highest ranking should be most important tool, if not:
 - > Reduce Seat Count or
 - > Increase availability



Monitor – Implement Usage Tracking



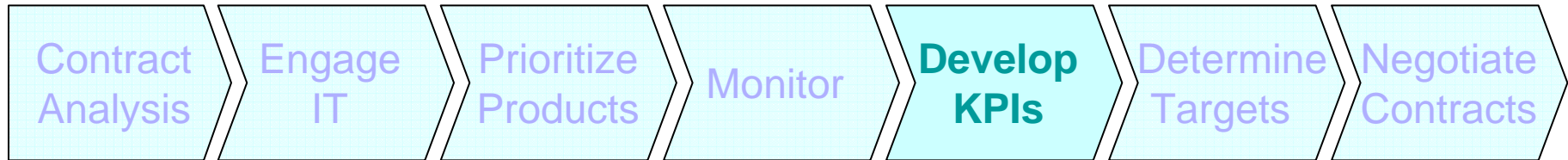
- Leverage existing or implement usage tracking tools
- Start Simple (for Consistency):
 - > Application
 - > User
 - > Time in/Time Out
- Verify accuracy of data
- Expand to include business data:
 - > Project
 - > Department
 - > Geography



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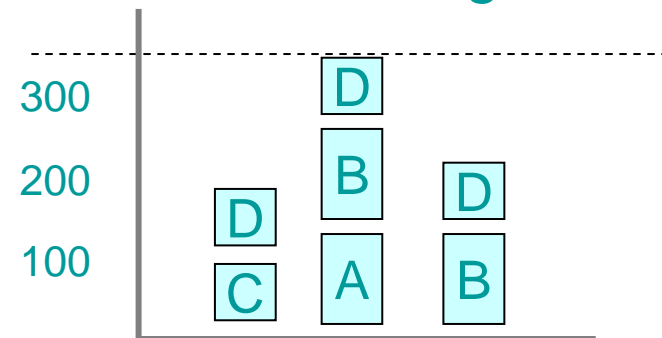
    design jjones 8-20 7:51 out
    sim bthomas 8-20 7:57 out
    design jjones 8-20 8:30 in
    test jjones 8-20 8:45 out
    compile bthomas 8:20 out
  
```

Develop KPIs – Determine Tracking Method



- Classify Application Type
 - > Batch – Transaction based (compilation, etc.)
 - > Interactive – Frequent use transactions
- Define Measurement Approach
 - > Peak Usage
 - > License Utilization
- Set Desired Frequency of Denial
 - > 0% denials is clear sign of excess licenses
 - > Impact of denial is based on average usage time – high denial rate may be acceptable if wait is low (i.e. less than 5 minutes)

Peak Usage



Total Usage Hours

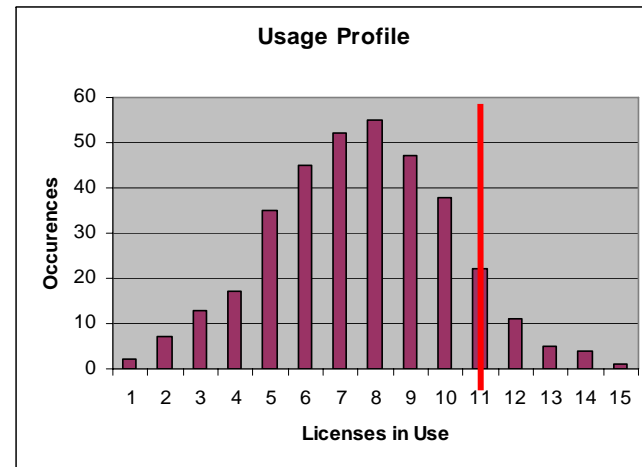
of Seats * Total Hours in period

Determine Targets – Track Progress

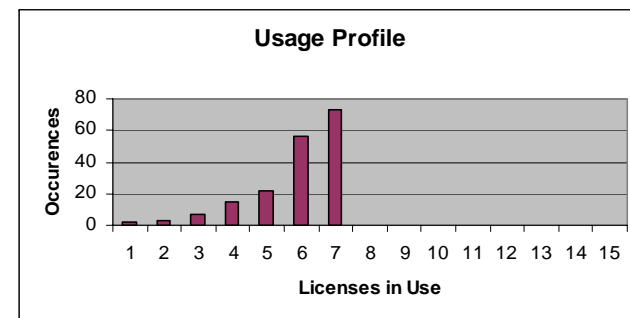


- Example: Denial of Service
 - > Determine Target DOS (i.e 10%)
 - > Measure # of Licenses in Use over period of time
 - > Identify License Count that supports Target DOS
 - > Restrict License Availability
- Alternate: Utilization
 - > Set Target Utilization %
 - > Restrict License Availability

Oversupply



Acceptable



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Negotiate Contracts – Engage Vendors



- Provide Real Usage Data
 - > Discuss current Utilization profiles
 - > Identify oversold products
 - > Identify growth areas
- Propose “desired” state of usage
 - > Replace estimated needs
- Potential Benefits
 - > Reduce ongoing costs (license and/or maintenance)
 - > Calculate true value of capability (i.e. WAN Licensing)
 - > Position remix capability, either
 - Ongoing (Ideal)
 - One Time (as condition of renewal)
 - > Get access to new technologies in place of old shelfware or unused capacity

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Implementation – Example Projects

- **Strategy Assessment (1-3 Weeks, 1.5 Resources)**
 - > Engage VPs/Directors of impacted organization to evaluate current approach
 - > Assess performance in comparison with industry and leading practices
 - > Develop “Program Vision” to drive awareness internally
 - > Provide high level implementation approach
- **Technology QuickStart (1 Week, 1 Resource)**
 - > Based on internal research, target internal group to pilot License Usage Tracking
 - > Implement tracking and begin monitoring usage/activity
- **Tracking and Reporting (4-6 Weeks, 2 Resources)**
 - > Design and develop reports for effective license management
 - > Implement integrate tracking and reporting technologies
 - > Leverage analysis of usage data to begin driving internal behavior
- **Enterprise Transformation (TBD Weeks, TBD Resources)**
 - > Follow standard methodology
 - > Work closely with Procurement, Legal and Lines of Business to identify target Vendors
 - > Implement technology, track results and drive vendor relationships

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Questions??

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