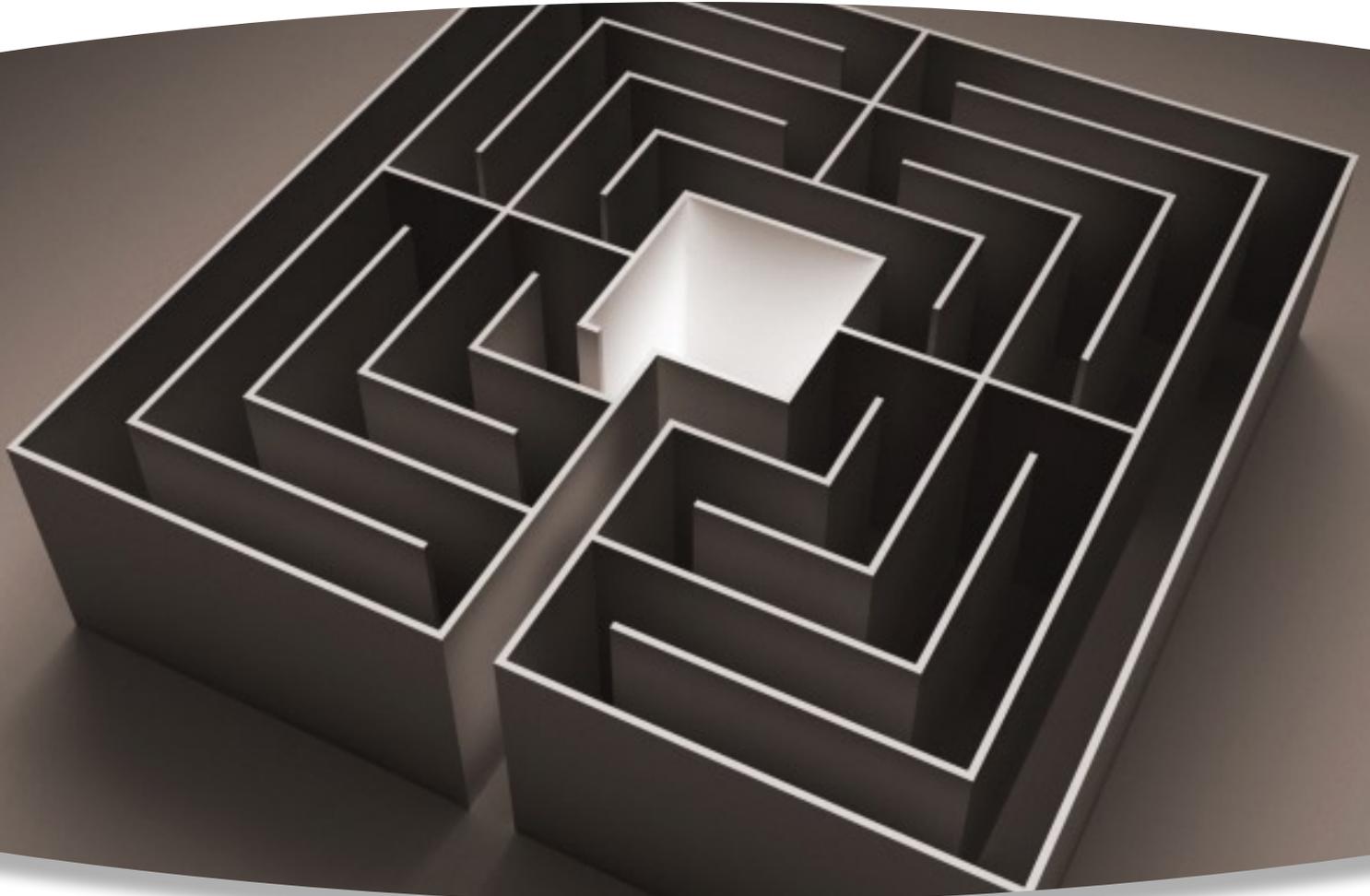




THE WORLD'S SOFTWARE LICENSE MANAGEMENT EXPERT



White Paper: Smarter Oracle Software Asset Management Practices

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Smarter Oracle Software Asset Management Practices

Creating Cost Efficiencies and Mitigating Risks

Companies will spend nearly \$160 billion on software purchases this year with an additional \$100 billion-plus spent on enterprise software maintenance costs including licensing fees. That number will grow to \$137 billion by 2010, representing nearly half of software vendors' revenue, according to IDC. Yet, maintenance continues to be the most expensive cost component of any enterprise software. "At 22% of net price, customers pay the equivalent of two times their original license costs over a typical 10-year ownership cycle," according to Forrester Research's Ray Wang.

Enterprise software is a critical, but enormously expensive investment. Companies are forfeiting billions of dollars a year to software vendors and paying an average of 30% in excess of what their organization actual needs. Adding to the costs is the unexpected forfeiting of millions of dollars due to software licensing non-compliance found during vendor audits.

According to a 2008 Forrester Research study, the main reasons that IT managers are still struggling with software licensing and pricing are:

- License agreements remain too complex.
- Maintenance costs are way too high.
- Misalignment of metrics of the inability to align IT/software with business needs.
- M&A bring additional licensing and pricing issues.
- Resolving multiple licensing and pricing models after integration.

Software asset management (SAM) and compliance has become imperative for regulatory compliance and audit purposes. That's why becoming smarter about Oracle licensing and introducing software asset management best practices is critical.

Understanding the Oracle Licensing Models

The number one reason companies give for non-compliance with Oracle software is the growing complexity of the licensing rules. While there are a variety of scenarios that change the licensing rules, Oracle really only offers 3 licensing models for its installed applications: **component pricing**, **custom applications suite pricing** and **enterprise pricing**. Understanding which Oracle licensing model pertains to your organization is key to managing your Oracle software assets.

- Oracle's **component pricing model** is an a la carte pricing model that caters to customers with a limited number of users. This pricing model offers two basic licensing options - usage versus user-based licensing metrics.
- Oracle's **customer applications suite (CAS)** pricing model allows organizations to create custom bundles across all Oracle product lines, including Siebel, PeopleSoft and JD Edwards to suit their users' needs. CAS licensing is for customers standardizing on Oracle. Custom Suite User licenses are strictly defined as an individual authorized to use the application programs - whether (s)he is actually using them or not. There are a number of minimums and restrictions on CAS licensing.

Forrester's Ray Wang noted that maintenance continues to be the most expensive cost component of enterprise software. *"At 22% of net price, customers pay the equivalent of 2 times their original license costs over a typical 10-year ownership cycle."*

- Oracle's **enterprise applications pricing** model assumes that Oracle is the standard enterprise software throughout the organization. The EA license model allows companies to license Oracle products for their entire organization without having to worry about keeping track of user licenses. This is, by far, the most costly option and the one with the most variants in its licensing metrics (there are 5 different pricing models with minimum requirements and restrictions on the EA licensing). The common metric is the minimum prerequisite of US \$1 million in annual revenues.

Oracle's basic licensing models create a flexible enterprise software solution around an organization's business, but licensing is rarely cut and dry. In fact, not all products are available within each of the pricing models due to the different terms, conditions and application features. As an organization begins to install and integrate Oracle applications within the organization, having an Oracle licensing expert – either an internally appointed IT executive or an outside, third-party counsel – to ensure licensing compliance would be a first step toward Oracle licensing best practices.

Actively Managing Your Oracle Software Assets

The main reason for actively managing your Oracle software asset is simply compliance. Compliance should be the foundation for working with Oracle applications. Without compliance, you risk jeopardizing your whole investment and incurring unexpected financial penalties, as well as legal action against your company.

Corporate managers, executives and especially senior executives must understand that Sarbanes-Oxley (SOX) isn't simply about the timely reporting of material changes in one's financial picture. It compels organizations to be on the right side of copyright and intellectual property rights. Software is governed by copyright rights, privileges and laws.

Many executives seek to protect the enterprise by concealing software compliance gaps - often unknowingly. However, SOX compels C-level executives – including the CEO, CSO, CCO or CIO - to sign off on an affidavit or contract that affirms copyright is being respected and observed. In the event of an audit, the inevitable fingers will point toward the same executives responsible for Oracle. That corporate executive – even if he or she is not directly on asset management – will be culpable in the eyes of the law. As such, that executive will have no other choice than to ferret out and expose those who work on or around the compliance endeavor. Accordingly, it's best for managers and executives not to hide compliance issues, but to bring them to the attention of the C-level. As a sidebar, many institutions – including private and non-profits – have or will be adopting SOX-like covenants.

While organizations spend millions on Oracle software, very few actively manage their software assets. In fact, almost 70% of IT executives believe that they would fail a software audit, according to King Research, a California-based marketing research firm. Another 60% believe that they have unlicensed software deployed.

Similar to investing in the financial markets, mitigating software licensing risk is about gathering information. Here are 7 simple steps to creating a better Oracle software asset management program:

- 1- **Set goals for your SAM program**
- 2- **Take inventory** and pay attention to any unsupported software. Costs for emergency updates or repairs to unsupported software can be very high.
- 3- **Match software with licenses.** Over- and under-licensing is one of the top reasons for non-compliance.
- 4- **Create a repository** where vendor information is stored. Make certain that this includes a comprehensive database of what software is currently installed and where; how many competitive vendors are currently being used and all the paper work.



- 5- **Develop a set of rules and procedures**, including who is managing the SAM program. Often, third-party consultants like Miro Consulting are tapped to work with CIOs and IT managers to provide ongoing support for their Oracle SAM programs.
- 6- **Create a long-term SAM plan**, but be prepared to be flexible to any changes that may alter your IT plan, including M&A activities, change in business cycles or market environment.
- 7- **Align your IT procurement** to coincide with software adoption cycles. By determining existing software needs with the roll out of new applications throughout the enterprise, the purchase can be aligned with usage; thereby reducing risk of over- or under-licensing.
- 8- **Self audit** twice a year to ensure that licensing remains current and compliant. Consider hiring an external consulting firm to conduct a "friendly audit" to ensure objectivity. This type of firm can bring a wealth of experience with, and knowledge of, Oracle licensing, audits and issues.

70% of IT executives believe they would fail a software audit

Benefits of an Ongoing Oracle Software Asset Management Program

Decreasing Risk

Under ISO/IEC 19770, software asset management facilitates a validation standard that allows organizations to comply with corporate governance requirements and ensure effective support for IT service management overall. This paradigm should be the standard for good SAM practices, resulting in a high degree of confidence in decreasing business risks and increasing cost efficiencies.

As Oracle software cuts across the middle and back-office applications in most companies, it should be factored in any and all Governance, Risk and Compliance (GRC) programs implemented by an organization. A proper software asset management program needs to decrease legal and regulatory exposure.

Risk is also a major factor in software licensing – specifically audit risk during a licensing negotiation. Having accurate information significantly reduces risk by ensuring proper licensing for today and tomorrow. Oracle will be less likely to execute an audit if you have clearly documented information on your Oracle assets – from usage to physical documentation to prove ownership.

Increasing Cost Efficiencies

If you follow the SAM program outlined above, your organization should be able to see across the board reductions in costs and better cost controls in the following areas:

- Reliable internal information during the Oracle procurement process, resulting in a stronger negotiating position for the company
- Improved procurement practices by avoiding purchasing new licenses when old ones can be redeployed
- Enhanced ability to deal with regulatory compliance issues
- Improved financial control, including more accurate forecasting and budgeting as well as invoice reconciliation
- Reduced maintenance and support costs, which are significantly affected by the quality of SAM processes
- Smoother software upgrades, patches and data migrations

60% of IT think they have unlicensed software deployed

The Discovery Process

Even with the plethora of automated SAM solutions currently available, only 56% of companies track software license assignments manually or not at all. Taking manual inventory seems to be the default process for organizations that are planning on renewing their licenses, purchasing new licenses or bracing for an unexpected audit by Oracle. However, having a 100% manual approach has many downsides including the:

- Drain on manpower spent on the project.
- Amount of time needed to complete the project (possibly months) and the fact that inventory is already out of date and, therefore, not useful by the time it's done.
- Perils of human error.

Many organizations are beginning to turn to automated SAM, but these solutions suffer from issues with deployment, cost, complexity and security.

Miro Consulting has a proprietary, non-intrusive SAM approach to Oracle licensing. Miro uses Oracle's audit methodology during the discovery process and creates a robust repository of information which catalogs each application, usage and licensing.

A Stronger Position for Oracle Procurement & Negotiation

"You can't manage what you don't know," is a Peter Drucker-ism and it's spot-on when it comes to Oracle software asset management. Compliance is the name of the game when it comes to cost savings – or cost avoidance. It's not about the large discount you receive from Oracle or any software vendor during a negotiation process as discounts can be deceptive. It's about the real total cost of ownership (TCO). Discounting will give you a short-term reduction, but it will likely give you long-term and unnecessary expenditures as well as shelf ware. As the IT executive put in charge of procurement or (re-) negotiation of Oracle products, you need to look at the big picture. The main point here is that you need to know what products exist – active or inactive – within your IT framework before procurement or negotiation is even considered.



Are you 100%
"BET YOUR
PAYCHECK" sure
THAT YOU'RE
COMPLIANT?™

During the procurement process - whether it's Oracle or another software vendor - it's not about the discount you negotiate, it's about **how** and **what** you purchase. And then it's about how you use it. If you don't ask the right questions, you'll spend more, resulting in an increase your TCO. And, that's not Oracle's problem, it's yours. Enterprise software licensing is as unique as an organization's business model. Therefore, it's no surprise that your software investment may be vastly different from the one your direct competitor or peer just made. However, don't rely on your Oracle sales guy to know and understand all the nuances of your business.

The basic questions you need to ask during the software evaluation process are the following:

- What's your business' objective(s)?
- What needs do we have that can be solved with software and which software module supports our needs?
- How much of the software do we need to purchase now versus a year or more from now?
- When will we really, really, really make use of the software? Is there the will, the resources and the budget to use the software? Is the culture of our enterprise ready to adapt to, and effectively leverage, the software purchase under consideration?

- How will the software procurement affect current and future Oracle licensing?
- Who will be responsible for the management of Oracle’s software assets as well as other installed enterprise software?

Other major benefits of aggressively managing Oracle assets include:

- Prevention of overspending on over- and under-licensed software
- A strong negotiation position with Oracle during procurement, renewal and upgrade times
- Being prepared for an audit
- Improved, streamlined IT planning
- Increased efficiency with process and advanced intelligence for better decision-making
- Ability to handle a changing IT infrastructure due to changes in the market or to a business (such as M&As)

About Miro Consulting

Miro Consulting helps companies analyze, align and negotiate their Oracle software licensing - including help with audits, negotiating (or renegotiating) software licensing agreements and assistance with Oracle procurements. Since 2000, the NJ-based company has negotiated over \$1 billion in software licensing transactions and helped over 400+ clients throughout North America to optimize their total cost of ownership.

Miro’s 3-Step Approach™

Miro Consulting’s Oracle compliance program begins with a confidential, comprehensive licensing and compliance review. Each client receives a customized plan to fit its business needs in order to obtain the optimal price, terms and conditions. The company also offers an ongoing software asset management program that includes a meticulous audit, analysis and implementation of strategy.

Miro Value Wheel



Miro's 3-Step Oracle Licensing Program



Miro Consulting is laser-focused on Oracle and all other Oracle solutions including...



Hyperion®



STELLENT™
UNIVERSAL CONTENT MANAGEMENT



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The Leadership

Scott D. Rosenberg, CEO and Founder

Scott Rosenberg is responsible for creating and driving the vision of Miro Consulting, which he founded in August 2000. With more than 20 years of engineering and operations experience, Mr. Rosenberg's leadership has fostered significant company growth. Today, Miro Consulting has over 400+ clients across North America and has overseen more than \$1 billion in Oracle and Microsoft transactions.



Prior to Miro Consulting, Mr. Rosenberg was a founding principal and driving force behind Cintra, a highly successful Oracle consulting company with over \$20 million in revenues.

Frequently quoted by media outlets such as *CRN*, *eWeek* and *InformationWeek*, Mr. Rosenberg is considered an expert in Oracle licensing and software asset management as well as Microsoft licensing. He also regularly contributes articles to industry publications – such as *Baseline*, *Bank Technology News* and *CXO* magazine – and is a frequent speaker at industry and executive conferences, including the Corporate Executive Board, the Society of Information Management (SIM), SoundBoard and IAITAM. Mr. Rosenberg is an active member of the International Association of Information Technology Asset Managers (IAITAM) and is a Certified Software Asset Manager (CSAM). He was also honored as one of the finalists in the Ernst & Young's prestigious Entrepreneur of the Year® New Jersey program two years in a row.

Mr. Rosenberg earned an Industrial Engineering degree from the University of Pittsburgh.

Mr. Rosenberg currently resides in Leonia, N.J. He is a practicing martial artist (Tae Kwon Do), and is an avid follower of the principles of the late business guru and father of modern management, Peter F. Drucker.

Eliot Arlo Colon, President

One of the world's leading experts on Oracle software licensing, Eliot Arlo Colon is responsible for the ongoing development and delivery of Oracle cost containment services for Miro. With more than 15 years experience in the financial and technology markets, Mr. Colon has assisted scores of companies with the configuration, negotiation and management of Oracle software licensing contracts.



Mr. Colon is frequently quoted by the media in publications, such as *The Wall Street Journal*, *Computerworld* and *IT Week*, and is a frequent speaker at industry conferences, including the Society of Information Management events. He is an active member of the International Association of Information Technology Asset Managers (IAITAM) and is a Certified Software Asset Manager (CSAM). He was also honored as one of the finalists in the Ernst & Young's prestigious Entrepreneur of the Year® New Jersey program.

Mr. Colon holds a degree in Business from Middlesex College and a degree in Finance from Rowan University (formerly Glassboro State College).

Mr. Colon currently resides in Brielle, N.J. An avid supporter of the MS Foundation, Mr. Colon participates in the local fundraising events as well as the annual coast-to-coast bike race fundraiser.

FOR MORE INFORMATION

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