

Don't get caught in freefall -
find your licensing landing zone

IBM has one of the largest software catalogues in the world with some of the most complicated licensing structures.

In this Whitepaper we discuss how to get on top of the challenge and optimise your IBM estate whilst remaining compliant with your licensing obligations.

The licensing landscape has long been considered a minefield, with an array of vendors each with their own wide range products and solutions.

Each vendor brings with it a different approach to licensing software, often with multiple complex agreement types. Ensuring you stay compliant with your license agreements can be a mammoth task, and the implications of not doing so can have serious financial consequences. There are what seems like endless licensing combinations and many organisations are unsure of the ones they already have and perhaps more pressingly, the ones that best suit their business needs.

This is all before you consider the rapid uptake in cloud services, and its ability to drastically increase the numbers of servers hosting an application - keeping pace with your software assets can feel like navigating through rough terrain. Calculating how many users need access to an application in-house, easy; managing the number of licenses needed for cloud deployment - not so.

What happens if an application scales from 10 users to 50 for example? Do you license by user, by processor, by install, by device or another of the many metrics available? The cost of ignoring or misunderstanding licensing metrics can be far-reaching and the importance of efficient license management often boils down to two factors - cost and legality.

20% of software licensing and hardware maintenance charges are incurred for assets that are no longer in use.⁽¹⁾

A recent IDC survey revealed that the vast majority of organisations believe they are currently paying for either under-used or in fact unused software - from add-ons within other licenses to full on business applications - it is not always easy to know what is being used, and by who.

This is nothing new, it has long been thought that most enterprises do not make use of the software that they have already paid for under annuity agreements and the like - for larger estates this can very quickly add up to a substantial amount of wasted money.

Then there's the issue of legality, as software can be licensed on a number of bases – per user, per core, per CPU, per client etc – and for varying periods of time. All of this adds up to an incredibly complex challenge for IT departments, as it lies with them to ensure that all software is properly licensed.

It is a job that is often overlooked as there does not appear to be any immediate consequences, in fact, the majority of licensing issues are only dealt with once a software audit is on the horizon.

That is why it is imperative for organisations to fully understand the long term connotations of any licenses they agree to, and the effects this can have on their business as a whole. But are they? Perhaps not.

It would seem that many businesses are still struggling with a variety of Software Asset Management (SAM) issues. From keeping track of licenses and their associated subscriptions in order to stay compliant, to being aware of how many PVUs they currently have in productive use vs the amount they are licensed for – even through to knowing which licenses reside on which machines. There is no doubt that software licencing can be a complex 'science', but some are most certainly more complex than others.

IBM – the licensing challenge

Knowing how to efficiently manage IBM software licenses has long been a challenge for IT departments – above and beyond the usual rigmarole that can be associated with SAM.

IBM license metrics are far from simple. At the last count there were at least nine methods of licensing, all with entirely different connotations. This is in no small part due to the use of multiple contractual documents to define license entitlements and product use rights alongside their wide variety of products and license models.

Many organisations simply aren't aware what they are signing up for when they nonchalantly click 'Agree' on their licensing agreement. So whilst they may not know it, organisations are wilfully agreeing to -

"...maintain, and provide upon request, records and system tools output, and access to Client's premises, as reasonably necessary for IBM and its independent auditor to verify Client's compliance with this Agreement, including Machine Code and Program licenses and metrics, such as sub-capacity usage, and promptly order any required entitlements and pay additional charges at IBM's then current rates, (including uses in excess of Client's authorizations or entitlements, and associated IBM Subscription and Support and Selected Support), and other liabilities determined as a result of such verification. These compliance verification obligations remain in effect during the term of this Agreement and for two years thereafter." (2)

It is not a stretch to say that the majority of organisations

will not be prepared to comply with this agreement on request, and would therefore fall short should IBM decide to audit.

So what triggers an audit? That is not always clear. They are usually initiated every 2 – 4 years and are decided upon by compliance manager with a strict list of complex criteria. A number of factors may bring you to the auditors' attention however such as whether you have recently undergone a merger or acquisition, changed hosting provider or announced your intentions to move away from IBM.

What is clear however, is that IBM does audit – and regularly. IBM is known to pursue it's customers for audits based on the perception of potential non-compliance, and when they do, they are as thorough as they are time-consuming.

So what are the biggest stumbling blocks to staying on track and audit-ready?

For most, it is increasingly complex license agreements, models and usage rights – along with virtualised environments which bring their own set of complexities. The only real way to mitigate against this is through a comprehensive SAM knowledge.

Whilst some organisations try to keep pace through self-audit simulation tools – no tool replaces the competence to manage your software assets to such a high standard.



It can be even harder for organisations with a mix of on and off-premise infrastructure, which is the majority in the current environment, to truly see the full licensing picture and service providers may not have the level of control needed to report actual license use.

It is vital that organisations establish policies to avoid unauthorised installing of licensed software, and ensure that this is properly maintained – not once every few years – but on a quarterly or even monthly basis.

Overall the biggest SAM challenge that businesses face is establishing an accurate baseline which includes all agreements, entitlements and documentation, linked up towards actual usage and then maintaining this on a regular basis.

IBM does one acquisition nearly every two months and is constructing a wide portfolio of capabilities in a short period of time. This represents challenges for IBM and customers as those different license models are be streamlined into IBM's standard Passport Advantage. Particularly when you consider the recent changes to this agreement requiring the reporting of IBM licenses every quarter and the removal of the ability to do partial renewals.

The bottom line, regardless of how challenging it may be, is to prepare for an audit - as it will come.



Fail to prepare, and prepare to fail

So whilst staying on top of your software assets may feel like being in freefall, there are things you can do to stay in control when an audit is on the horizon.

Get help on your side of the table

An audit could be very expensive and needs to be taken seriously. IBM will bring in highly skilled and experienced auditors from KPMG or Deloitte, so make sure you bring in a knowledgeable and experienced SAM partner who can ensure you have a confident grasp on your licensing assets - even if you don't expect them to find anything.

Stay ahead of IBM and be proactive

You can do this by installing and configuring IBM's ILMT license management tool for IBM PVU reporting and establish processes for monitoring and reporting your total IBM license usage and by carrying out your own internal audit as soon as possible. Using a tool or service such as Crayon's [audit simulator](#) will help to identify any gaps in your licensing knowledge and puts you in control of your entire IT estate.

Be organised

Collect every one of your licensing agreements, addendums, IBM Proof of Entitlement (PoE) certificate, relevant e-mails and other written documentation that might be relevant. It can be helpful to assign one person

who is responsible for coordinating all communication with the auditor.

If you take every available precaution and your auditor still raises concerns, remember to ask questions. There will be errors, auditors are only human and as we've established, licensing agreements are incredibly complex. Never rely solely on IBM's auditors findings, always keep your own documentation, and use these if necessary to challenge the findings of the auditor.

Conquer cloud licensing with Crayon

Whilst this seems a lot to manage, choosing an SAM partner with extensive licensing expertise can help to remove some of the complexity of this process. Working with your chosen partner can ensure you fully understand all licensing implications and metrics - and save you from a long arduous and expensive process.

Using best-practice and pre-defined frameworks, Crayon will initiate a simulated audit based on the same standards and procedures as would be encountered during a formal audit by IBM.

The global cloud computing industry growth rate is currently 5 times higher than the global IT growth rate

After a comprehensive analysis of your business needs, you can work with your SAM partner to identify the best way forward to achieve your desired results.

At Crayon, we are the software experts and the Global No1 SAM services provider and are already trusted advisors to many of the world's leading organisations.

Our SAM-centric philosophy will ensure that the optimisation and licensing advice we provide for you is solidly grounded in a comprehensive understanding of your specific IT estate - tailored specifically to you and the goals of your organisation.

More specifically, we have a broad competence of IBM licensing regulations and we offer a wide variety of IBM related SAM Services, including:

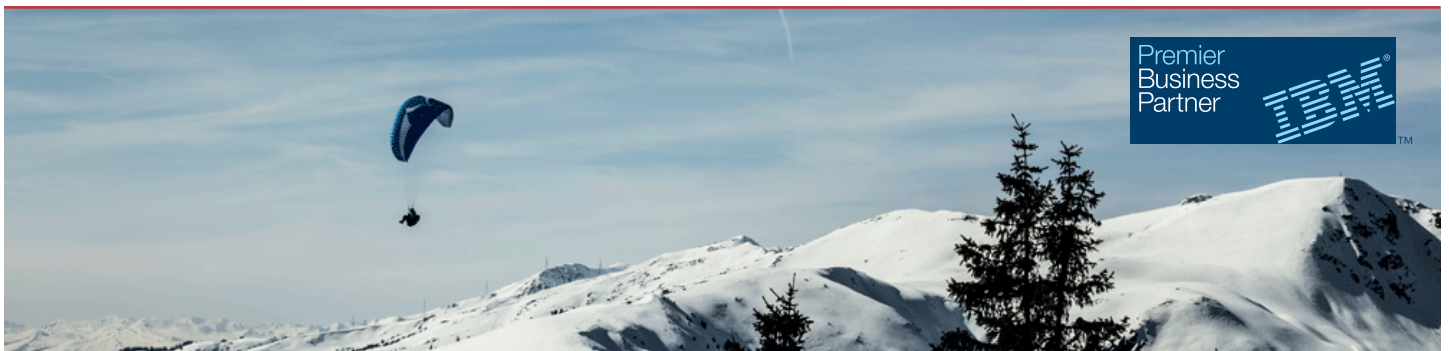
- Review of IBM license agreements
- Effective License Position (ELP)
- Server and Client license consumption
- IBM license purchase history analysis and documentation of assets
- Collection and reconciliation of IBM software licenses
- Status on inventory and consumption
- IT policies and procedures
- Recommendations on possible improvements
- IBM SAM specialist support
- IBM Audit Simulation

Whilst licensing can feel like a leap into the unknown, Crayon are on hand to guide you to the landing zone. So don't be daunted by what can seem like a mountainous task, find a partner you can trust and make scrambling to comply with complex audits a thing of the past.

For more information about Crayon and how we can help your business efficiently manage its IBM licences, visit us at www.crayon.com or call your local Crayon team today.

References and Additional Resources

1. <http://www.provance.com/media/Top-5-Ways-to-Provance-ITAM-Saves-You-Money.pdf>
2. <http://www.syntax.com/20-cloud-computing-stats-want-know/>



Crayon are the global leader in Software Asset Management (SAM) & Volume Licensing Services. Trusted advisors to the world's leading organisations we help our clients truly optimise their licensing estate.

We take a consultative approach to understanding our customer's requirements by simplifying the management of software assets and indentifying opportunities for cost savings, whilst maintaining a compliant state.

Optimising your technology solutions can offer increased benefits by ensuring that you only deploy what you need, when you need it. Deploying technology often means complex licence requirements and this is where effective SAM processes can really help.

Crayon can offer your organisation a broad range of SAM Services which enable organisations to mitigate their risk by establishing effective licence management and therefore realise an ROI within weeks of the initial engagement.