

Controlling the Cost of Licensing and Tool Provisioning for Enterprise Development Teams

by Philip Rathle

More so than ever, periods of economic contraction demand that companies evaluate every aspect of how they operate their businesses. Typically this investigation starts by examining how a company can retain and sharpen its competitive edge while at the same time trimming, and sometimes drastically cutting costs. Companies may also study internal processes to identify inefficiencies and explore methods to improve the speed of business. One area most every company is re-evaluating in this recession is IT resources specifically, software resources. And what they are discovering is the need to streamline and simplify these resources. Many companies are finding that they work with multiple vendors, have too many licenses of software products and that they have agreed to inflexible license schemes that do not allow the business to get the most from its software investment. These companies are also realizing they aren't clear about who or what departments are using which tools and what versions of software tools are being used.

On the flip side, all of the activities just mentioned result in a long lead time to acquire new tools needed for projects, and result in massive amounts of overhead and paperwork in order to secure (evaluate, negotiate, procure, deploy) new tools. This affects productivity, project quality and timelines. Companies are looking for solutions that decrease these direct and indirect costs.

The emergence of software tooling is playing an increasing role in helping companies to redefine processes, reduce costs and consolidate software resources—which all contribute to greater efficiencies and a competitive edge. Software assets comprise an important part of a company's cost structure. They are both a cost, and an indispensable enabling factor for most every business. The direct cost of commercial software is fairly straightforward to calculate and includes the cost to license and maintain a particular software package. The cost of custom software can be somewhat trickier to calculate and typically requires accounting for an entire project's costs, including man hours for implementation, consulting fees, development and testing, and the cost of any commercial software required.

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However, whether software is bought off the shelf, built in-house, or both, the indirect cost of software can contribute quite significantly to a company's cost structure. In fact, according to Timothy Chou, "The End of Software" quoting Gartner Group, the annual cost to own and manage software applications can be up to four times the cost of the initial purchase. Thus, a well-balanced strategy for evaluating a company's software assets should consider the direct as well as the indirect costs of both commercial and custom software.

Software tooling is a key enabling factor in reducing these direct and indirect costs. Software tooling is the software used to design, build and run the software that in turn runs the business—reliably, predictably, securely and continuously. As is true in a mechanic's shop, good tools are not always cheap. However, good tools can play an important role in reducing the overall cost structure through improvements in productivity, processing efficiency and performance, decreased downtime due to increased quality, faster ramp-up times for project members, and more. A customer once told me that with the right tools, a skilled individual can do just about anything, but with the wrong tools he or she will struggle and can be only marginally successful. In my many years as an IT professional I have found this to be true.

However, businesses cannot overlook the fact that software tooling costs money. As with all software, software tooling incurs not only direct, but also indirect costs, such as the cost to deploy and license the software to those who need it, the cost of regularly rolling out software updates so that everyone has the latest version, and then ensuring that that unused licenses don't go idle. Managing vendor relationships and ensuring that licenses are in compliance also rack up costs. A global financial institution told me when they deployed a new version of a tool to all of its users it took nearly five months. The costs associated with such a prolonged deployment can add up and are the types of costs that CIOs are striving to reduce.

So how can you reduce the direct and indirect costs associated with software tooling in order to leverage high quality tools that will help to reduce overall IT costs? Here are some tips:

- 1. Vendor consolidation.** One of the greatest costs of managing tools is managing different vendors. Look for opportunities to consolidate. Find a company that satisfies your broader needs, has a proven track record and is committed to building the types of tools that you need to run your business.
- 2. Product consolidation.** In an ideal world, every computer, however large, would have one CPU, one disk and one memory subsystem, each powerful enough to handle the demands of whatever one might throw at it. At the same time, we would each have one single piece of software that did absolutely everything that we needed, and it would run with perfect efficiency. Of course neither of these is really practical or possible, leaving us with the next best solution - to buy a set of products that function together to meet one's needs. In the worlds of construction and auto repair, this solution is called a tool chest.
- 3. Centralized license management & pooled licenses.** Most desktop software is tied to a single computer and requires a serial number to unlock. Such licenses become exceedingly difficult to manage as the user base grows. Managers can easily spend hours tracking serial numbers in spreadsheets, working with vendors to move licenses between users and/or facilities, and working with IT to inventory desktops in order to satisfy the finance department's compliance needs. Look for a solution that enables you to manage software licenses in-house, from a centralized location. Depending on your usage characteristics, shared/pooled licenses may be a way to further optimize usage, particularly across time zones if you are global company.
- 4. On-demand tooling.** Find software that is simple to deploy and manage. Many companies have been looking to cloud computing as a solution, providing software that can run over the network (often through a browser) with a pay-as-you-go model.

Having high quality software tooling is more important than ever to help reduce the cost of building and maintaining software, as well as to improve efficiencies and reduce hardware spend. Sophisticated options for acquiring and deploying software tools can help reduce direct and indirect costs, making them easier to buy, manage and deploy.



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