

**BEST PRACTICES FOR ENTERPRISE SOFTWARE AGREEMENTS
WITHIN DOD AND THE CORPORATE WORLD**

BEST PRACTICES REPORT

**STRATEGIC BUSINESS PROCESS REENGINEERING INITIATIVE
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BEST PRACTICES FOR ENTERPRISE SOFTWARE AGREEMENTS WITHIN DoD AND THE CORPORATE WORLD

FOREWORD

The Deputy Assistant Secretary of Defense (Deputy Chief Information Officer and Year 2000) tasked the Directorate for Information Technology Acquisition and Investment to develop, lead, oversee, and maintain a Department-wide Enterprise Software Initiative. The Enterprise Software Initiative (ESI) is a joint project with support from DoD components. The program’s mission is to develop and implement a DoD enterprise process to identify, acquire, distribute, and manage Enterprise Software.

The main problem identified with procuring software for the DoD is that software—including price and expense of acquisition, distribution, training, maintenance, and support—costs too much. It was understood that Enterprise Software Agreements could provide a method for DoD to leverage its buying power to acquire software and meet its mission at a lower cost. As such, a major objective of this program is to reduce dramatically the cost of commercially available software to the Department.

As part of this initiative, the Directorate of Information Technology Acquisition and Investment commissioned an effort to identify best practices for enterprise software agreements. The report would then serve as a basis to develop a plan to implement best practices within DoD. This report, “Best Practices for Enterprise Software Agreements Within DoD and the Corporate World,” is the first deliverable under this effort. The Department welcomes comments and or recommendations for additional best practices and ways to improve the acquisition, distribution, and management of the enterprise software initiative. Comments and or suggestions should be sent to:

..... Mr. Rex Bolton
..... Chairman, DoD Enterprise Software Initiative Working Group
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..... Arlington, Va. 22202
..... BoltonR@osd.pentagon.mil

The Department appreciates the effort of all parties involved in improving DoD’s acquisition and management of enterprise software. The best practices identified in this study confirm that DoD is on the right track. Initial results from “quick hit” agreements prove the tremendous savings that can result from acquiring and managing commercial software at the enterprise level. I look forward to continued successes from this important initiative.

Dr. Marv Langston
Deputy Assistant Secretary of Defense (Deputy Chief Information Officer and Year 2000)

BEST PRACTICES FOR ENTERPRISE SOFTWARE AGREEMENTS WITHIN DoD AND THE CORPORATE WORLD

ACKNOWLEDGEMENTS

The Deputy Assistant Secretary of Defense (Deputy Chief Information Officer and Year 2000), members of the DoD Enterprise Software Initiative Steering Committee, and Working Group, wish to acknowledge the efforts of individuals and organizations who assisted in developing this best practices report.

The Department gratefully acknowledges the companies, Government activities and individuals who took the time to be part of the interviews to identify best practices. Specifically, the Department wishes to thank:

- U.S. Department of the Navy, Mr. Floyd Groce
- Sun Microsystems, Inc., Mr. Tim Hause
- Oracle Corporation, Mr. Alan R. Dadourian
- U.S. Department of the Air Force, Mr. Kenneth Heitkamp, Lt. Col. Glenn Taylor
- General Motors Corporation, Mr. Jim Scotti
- IBM Corporation, Mr. R.C. Rolfe
- EDS Corporation, Mr. Barry Ingram
- U.S. Department of the Army, Mr. Kevin Carroll
- Department of Census, Mr. Doug Clift, Mr. Mark Mildorf, Ms. Alva Sanchez
- Tivoli Systems Inc., Mr. Martin Fredickerson

Without exception all interviewees were extremely knowledgeable, very open, forthcoming, and eager to share their best practices and lessons learned. The outstanding knowledge and experience of the individuals who participated in the interviews is evident from the identified best practices and practical examples. The information provided from this distinguished group has already proven extremely valuable to the successful implementation and management of the DoD Enterprise Software Initiative.

In addition, the Department would like to thank Hewlett-Packard, Boeing Computer Services, and Lockheed Martin for the support they've provided the Enterprise Software Initiative Working Group. These three companies shared lessons learned and are using many of the best practices that formed the basis of the efforts under the Enterprise Software Initiative. Information they provided convinced the Working Group of the necessity for this Best Practices Report.

Finally, the Department would like to thank Mr. Chip Mather, Senior Vice President, and Mr. David Middendorf of Acquisition Solutions, Inc., for their efforts in performing the underlying research, conducting the interviews, and preparing this report. Their knowledge of the market and experience and insight into the workings of enterprise software agreements was key to the success of this initiative.

BEST PRACTICES FOR ENTERPRISE SOFTWARE AGREEMENTS WITHIN DoD AND THE CORPORATE WORLD

1. EXECUTIVE SUMMARY

The Department of Defense (DoD) has taken the lead to develop, oversee, and maintain a Department-wide Enterprise Software Initiative (ESI). In support of this broad initiative, Acquisition Solutions, Inc., was commissioned to prepare a report identifying best practices for enterprise software agreements. The best practices will then serve as the foundation for a plan to implement these techniques within DoD. The result of the initial task - identify enterprise software agreement best practices - is presented in this report.

While the DoD initiative is relatively new, it was discovered that many commercial enterprises are only a few years into similar efforts for their organizations. The availability of the Internet, distributed processing, modern software management tools, and innovative software licensing plans has only recently enabled Government and corporate entities to revolutionize the way they acquire and manage software.

Acquiring and managing software as an asset has produced remarkable benefits to those organizations that have taken the considerable time and effort required to implement such practices. As difficult as it may be to put in place an effective and efficient enterprise agreement, the end results are well worth the effort. In addition to improved configuration management and standardization, innovative software acquisition methodologies have produced significant cost savings.

Through application of “smart buying” best practices, discounts of 70 percent to 90 percent from list price are regularly being achieved. While many activities are overly concerned about spending \$5 too much for a personal computer, across the Department there are literally hundreds of millions of dollars that can be saved by acquiring and managing software as an asset.

Best practices for enterprise software acquisition and management were identified through a combination of discussions with DoD staff, use of intensive interviews with individuals considered experts in this field, and research and analysis of the findings. Research, discussions and interviews focused on identifying best practices that would assist the Department:

- Reduce Acquisition and Support Costs, including Software Asset Management,
- Provide a Choice of Standards-Compliant Software,
- Fund Enterprise Software Agreements, and
- Employ Techniques to Achieve Corporate Buy-in.

This process identified a significant number of best practices that were found successful within both Government and industry. These are summarized below.

Reduce Acquisition and Support Costs, including Software Asset Management

- Identify high payback targets and focus your energy on those opportunities
- Assign responsibility to negotiate enterprise software agreements only to offices that have demonstrated specialized knowledge and expertise.
- Benchmark your agreements against the best in industry and Government.
- Be demanding!
- Keep it simple.
- Consider the life cycle aspects of the purchase.
- Standardize terms and conditions.
- Understand what motivates the suppliers and use it to your advantage.
- Control the buyers (or at least convince the supplier that you can).
- Establish a partner relationship with the supplier.
- Manage and track software as an asset.

Provide a Choice of Standards-Compliant Software

- Conduct research, evaluate, and test to identify the best products.
- Base standards on commercial offerings.
- Determine what degree of choice to permit.

Fund Enterprise Software Agreements

- Determine if up-front funding will significantly improve the discount
- Consider use of revolving funds to acquire licenses.
- Use only alternative financing plans that make sense.

Employ Techniques to Achieve Corporate Buy-in

- Emphasize ease of use.
- Use communication as a primary tool for buy-in.
- Demand compliance.
- Develop both top-down and bottom-up incentives for acquiring products from the enterprise agreements.
- Identify and remove impediments to use of enterprise agreements.

While this study identified significant best practices for enterprise software acquisition and management, it should be recognized that these are only concepts that must be applied to the particulars of each individual acquisition. Best practices are not checklist items to be followed. Instead, one must understand the principles behind the practice and

apply them to the individual facts and circumstances of each requirement. What could be considered a best practice in one instance, could prove to be a disaster in a seemingly similar situation.

However, one of the most frequently noted best practices may be close to universal: ensure that the people involved in establishing these agreement are specialists in this type of acquisition. As was noted, “this is hard stuff.”

BEST PRACTICES FOR ENTERPRISE SOFTWARE AGREEMENTS WITHIN DoD AND THE CORPORATE WORLD

2. BACKGROUND AND OBJECTIVES

The Deputy Assistant Secretary of Defense (Deputy Chief Information Officer and Year 2000) tasked the Directorate of Information Technology Acquisition and Investment to develop, lead, oversee, and maintain the Department-wide Enterprise Software Initiative. The initiative represents a joint DoD project to develop and implement a DoD enterprise process to identify, acquire, distribute, and manage enterprise software.

The Department recognized that the major problem in acquiring commercial software for the DoD is that it currently costs too much. These costs are driven by the basic price of the license, as well as the costs associated with acquisition, distribution, installation, training, maintenance, and support. It was understood that acquiring and managing software on an enterprise basis could provide a method for DoD to leverage its buying power and meet its mission at a lower cost. As such, a major objective of this program is to dramatically reduce the cost of commercially available software to the Department.

To begin this initiative, the Department established a Steering Group. Tasked to lead the Enterprise Software Initiative, the Steering Group is comprised of senior level officials from the services and DoD components. As a matter of policy, the Steering Group established that the main purposes of the enterprise software initiative are to save money on software (total cost of ownership) and to improve information sharing. It was not intended to standardize Departmental use of single products or suites of software.

In leading this effort, the Steering Group makes key decisions regarding the candidates for enterprise agreements, the priorities, and funding agreements. They also address new business processes and policies needed for enterprise management implementation. Perhaps more importantly, they help resolve issues that are impeding consensus and progress on this important initiative.

Under a concept that the objective is to be able to acquire software through “point and click IT shopping at the lowest cost,” the Steering Group identified in an action plan four goals for the program. These are:

- Goal 1 – Obtain Buy-in for Enterprise Wide Software Agreements
- Goal 2 – Reduce the Acquisition and Support Costs of Software by Leveraging DoD Buying Power
- Goal 3 – Provide the Best, Most Flexible, Suites of Standards-Conforming Software to the DoD Enterprise
- Goal 4 – Create a Funding Mechanism that Provides an Incentive for the Maximum Use of Enterprise-wide Software Agreements

The Steering Group identified “quick hit” software categories for potential enterprise agreements. It was believed that these categories represented the best targets with the potential for the highest payback for the first enterprise agreements. The Steering Group also authorized volunteers from the services and departments to negotiate and put in place these quick hit agreements. The quick hit list and associated negotiation activity is provided below.

SOFTWARE CATEGORY	Activity
COMMUNICATIONS SOFTWARE	Open
DATABASE PRODUCTS	Army
INFORMATION ASSURANCE/SECURITY TOOLS	Air Force
OFFICE AUTOMATION: <ul style="list-style-type: none"> •Suites •Records Management •Electronic Forms 	Navy Air Force DISA
OPERATING SYSTEMS	DISA
SITE/SERVER MANAGEMENT	Air Force
UTILITIES	Open
Y2K TOOLS	DISA

In addition to the Steering Group, a Working Group was established to handle the day-to-day activities associated with managing the negotiation and implementation of enterprise agreements. To accomplish this oversight and review function, the Working Group meets on a weekly basis for (1) briefings on the results of negotiations for enterprise agreements and (2) tracking the status of approved agreements. Both functions are undertaken to ensure organizations are complying with Steering Group direction. In addition, the working group analyzes and recommends for approval business case submissions for future enterprise agreements.

To date, this process has proven that significant discounts can be obtained by smart Buying. A listing of current enterprise software licenses is available at the following site: <http://www.nawcad.navy.mil/its/EnterpriseSoftware/index.html>

Given this background, the objective of the task at hand is to identify best practices for enterprise software agreements that will serve as the basis for development of a plan to implement best practices in DoD's Enterprise Software Initiative.

BEST PRACTICES FOR ENTERPRISE SOFTWARE AGREEMENTS WITHIN DOD AND THE CORPORATE WORLD

3. INTRODUCTION

This report presents best practices for enterprise software acquisition and management. The best practices were identified through discussions with DoD staff, interviews with individuals considered experts in this field, and analysis of the findings. The focus of this work was on identifying best practices that would assist the Department:

- Reduce acquisition and support costs, including software asset management,
- Provide a choice of standards-compliant software,
- Fund enterprise software agreements, and
- Employ techniques to achieve corporate buy-in.

The best practices identified in this report represent lessons learned and consolidate experiences from a number of highly qualified sources. In addition, many of the lessons learned from the smart buying of personal computers (PCs) have direct application to enterprise software licenses. Smart buying can be best characterized as leveraging buying power to its best advantage. Smart buying practices include:

- Aggregating requirements to maximize buying power,
- Understanding and leveraging market forces,
- Tailoring agreements to complement the supplier's objectives,
- Standardizing terms and conditions (to allow better and more accurate benchmark comparisons), and
- Maintaining competition throughout the agreement (if possible, given the nature of the product).

“Best practices” have been defined as “good practices that have worked well elsewhere.” While this may be a true statement, experience has shown that what worked well elsewhere may not be as effective in all circumstances. Clearly, what is considered a best practice in one instance could be a worst possible practice in another.

While best practices are usually simple in concept, applying them to the particulars of the requirement requires judgement and knowledge of the impact of differing situations, conditions, and incentives. Success in this environment requires the application of sound acquisition principles and “smart buying,” a technique that makes maximum use of the agency's buying power. Aggregating requirements, understanding the market forces, tailoring the requirement to the commercial realities, establishing a true partnership, and leveraging buying power are all characteristics of a smart buying plan.

BEST PRACTICES FOR ENTERPRISE SOFTWARE AGREEMENTS WITHIN DoD AND THE CORPORATE WORLD

4. INTERVIEWS

As part of the initial process of identifying best practices, interviews were conducted with individuals from both Federal Government agencies and private sector companies. Interviewees were identified based on research that indicated they possessed significant experience and expertise in acquiring and managing enterprise software agreements.

Interviews were conducted with the following organizations and individuals (listed in chronological order):

- U.S. Department of the Navy, Mr. Floyd Groce (June 8, 1999)
- Sun Microsystems, Inc., Mr. Tim Hause (June 16, 1999)
- Oracle Corporation, Mr. Alan R. Dadourian (June 18, 1999)
- U.S. Department of the Air Force, Mr. Kenneth Heitkamp, Lt. Col. Glenn Taylor (June 21, 1999)
- General Motors Corporation, Mr. Jim Scotti (June 22, 1999)
- IBM Corporation, Mr. R.C. Rolfe (June 24, 1999)
- EDS Corporation, Mr. Barry Ingram (June 25, 1999)
- U.S. Department of the Army, Mr. Kevin Carroll (June 29, 1999)
- Department of Census, Mr. Doug Clift, Mr. Mark Mildorf, Ms. Alva Sanchez (July 28, 1999)
- Tivoli Systems Inc., Mr. Martin Fredickerson (August 2, 1999)

A summary of these interviews and a list of interview questions are found at attachments 1 and 2 to this report, respectively.

The interviews targeted specific questions for each interview subject, depending on whether they were acquiring software licenses or were in the business of selling these products and services. This approach allowed the identification of a number of valuable best practices that can be readily implemented within DoD.

BEST PRACTICES FOR ENTERPRISE SOFTWARE AGREEMENTS WITHIN DoD AND THE CORPORATE WORLD

5. BEST PRACTICES

Gathering information from discussions with DoD staff, extensive interviews, and resulting analysis provided a wealth of best practice trends and techniques. These practices have led to significant success (among those interviewed) in acquiring and managing enterprise software agreements.

This report identifies best practices and presents them within the framework of DoD's interests:

- Reducing acquisition and support costs, including software asset management,
- Providing a choice of standards-compliant software,
- Funding enterprise software agreements, and
- Employing techniques to achieve corporate buy-in.

5.1 Reducing Acquisition and Support Costs, Including Software Asset Management

The cost reduction and asset management theme provided the greatest number of best practice examples. DoD and industry experience with enterprise software acquisition and management provided a wealth of lessons learned and high value best practices. These best practices are summarized below.

Best Practice #1. Identify high payback targets and focus your energy on those opportunities.

Organizations that were successful with enterprise software acquisition and management focused their time and effort on the software packages with the highest payback and the greatest potential for cost savings. The time and effort it takes to plan, acquire, and manage software on an enterprise basis all but demands that the agency focus on the higher payback opportunities. As experience grows with these arrangements, and if resources are available, lower payback targets can be addressed.

Activities that successfully manage software at the enterprise level use two metrics to determine which packages to manage: number of installed packages and cost per package. Using this approach, widely used products such as operating systems, application packages, and communications utilities are natural targets for enterprise acquisition and management. One activity used an 80 percent rule. If 80 percent of his organization needed that type of package, it became part of their enterprise software program. Using the cost approach, high value packages such as database management software and enterprise resource planning software are targets for acquisition and management at the enterprise level.

As noted by nearly all of those interviewed, planning, acquiring, and managing software at the enterprise level is a very demanding task. While the planning and establishment of the agreement is difficult, managing the post-award efforts can be even more intensive. Therefore it is essential to identify high payback targets and focus energy on those opportunities.

Best Practice #2. Assign responsibility to negotiate enterprise software agreements only to offices that have demonstrated specialized knowledge and expertise.

In planning an enterprise software agreement, it should be understood that negotiating and managing these agreements presents a difficult and demanding task. All of those interviewed in the private sector noted that a single corporate-level organization, staffed by specialists in enterprise negotiations, was responsible for planning, acquiring, and managing enterprise agreements. (DoD has begun to adopt this best practice.)

A key element of this best practice is the requirement for individuals with specialized knowledge and expertise. After all, responsibility for initiating and implementing these agreements should only be assigned to individuals that have developed and demonstrated a high level of skill in this area, as well as a high level of marketplace knowledge. The terminology and definitions for differing licenses can change dramatically between industries and even individual companies. It is vital that Government negotiators understand exactly what license rights they are acquiring and how the provider expects it to be managed. Additionally, it is essential that the negotiators understand what level of discount and terms and conditions they should be achieving. As was noted by many of those interviewed, this is “hard stuff.” Most noted that it takes between six months to two years to put an agreement in place that is acceptable to both parties.

Best Practice #3. Benchmark, benchmark, benchmark.

Webster defines a benchmark as “a reference point serving as a standard for comparing or judging other things.” Thus, in enterprise-wide software licensing, a benchmark provides the information (e.g., level of discounts, special terms and conditions, etc.) necessary to set a standard for negotiation objectives and use as the reference point to judge success.

The importance of having benchmarks is clear: Information is power and control. Several industry interviewees noted that benchmarking their agreements against “best of breed” was an important factor in the success of their program. A standard part of their program was to continuously compare their agreements against the best industry and Government examples. It was noted that without this information, the buyer could not determine if they had achieved, and continued to receive, the best results from their acquisition.

Companies that supply products often bet that an activity cannot manage, and that sub-organizations in the activity will not coordinate with other organizations. This is often a

good bet in an organization as large and diverse as DoD. Understandably, the sellers attempt to negotiate the best (most self-interested) deal they can with each subset of the organization. As a result, there are organizations, very proud of their accomplishments that are advertising and promoting enterprise agreements that are substandard when viewed against the “best of breed.” Without benchmark data, there is no way of knowing this fact.

The lesson is simple. Before negotiating enterprise license agreements, acquiring organizations should identify benchmark standards (similar to negotiation objectives) for agreements.

Best Practice #4. Be demanding.

There is really no other way to say it. The interviews revealed in sharp contrast that the commercial activities were much more demanding of their suppliers than was the Government. For example, all private-sector interviewees revealed that they meet or exceed the levels of discounts achieved by the best Government enterprise agreements, *without any up-front funding or quantity commitments*. (Benchmarking will be required to verify these claims.)

Industry viewed volume-pricing arrangements as their preferred method of enterprise agreement. They cited several advantages, such as no requirement for up-front funding. With volume pricing, accurate quantity estimates are less important than with site licenses or other agreements (for which accurate counts are essential). Furthermore, the volume-pricing approach provides maximum flexibility, with no lock-in to any guaranteed quantity or exclusive-type arrangement.

From an initial analysis, it appears that industry enterprise arrangements are similar in structure to the more successful Government indefinite-delivery, indefinite-quantity (ID/IQ) hardware contracts. It is also apparent that commercial activities make maximum use of smart buying practices in establishing and maintaining their competitive environment.

Best Practice #5. Consider the acquisition life cycle when crafting enterprise agreements to acquire all licenses necessary for the software to operate and maintain currency.

Both Government and industry interviewees stressed the importance of basing the agreement on life cycle requirements. Acquiring only one aspect of the product, such as the basic license, without regard to ancillary products that may be required to make the product work, can reduce the effectiveness of the agreement. For example, one person interviewed cited a case where the license for the basic software package was a great deal nearly free. The agency bought the license and then found out that they also needed certain utilities to implement the software. Forced into a sole source environment, the utilities were very expensive. Buyer beware!

Another life-cycle issue is to ensure that the installed base is grandfathered, and that the agreement considers the inclusion of “maintenance provisions” for updates, upgrades, and, if it makes sense, new products. However, several interviewees noted that the inclusion of updates, upgrades, and new products into the basic agreement should be carefully structured to ensure flexibility in both the timing and extent of application.

It is not enough to negotiate an agreement and consider the task complete. If software is to be managed as an asset, post-award issues dealing with distribution and maintenance must be addressed in the initial agreement. Consideration should also be given to methods of delivery and management. For operating system agreements, the acquiring activity should address installation considerations. DoD activities should also consider negotiating with hardware providers to ensure that they use the most favorable license when shipping products with the software installed. (This was identified as a standard commercial practice). Finally, it was noted that the agency should develop an exit strategy in case the product fails to perform or, more likely, market conditions change.

Best Practice #6. Keep it simple.

“Keep it simple” was a common recommendation from both Government and industry. The more complex a deal is, the more likely it will fail to meet expectations. Multiple objectives and incentives can cancel each other out and open a door of opportunity for contractors to increase profit margins at the expense of the end user. As evidence, many enterprise deals contain ancillary services and products included by the provider to “sweeten the deal.” While some of these services may be attractive, they complicate the agreement, mask the software’s true cost, and make comparisons difficult. As the saying goes, nothing is free. The costs of the “deal sweeteners” are hidden in higher agreement license prices.

There is a line to be drawn. While it’s important to consider life cycle issues, it’s also important to (1) avoid a “buy in” by the contractor and (2) establish clear, unbundled pricing. As noted below, if you need installation and support services, it may be better to provide for them in a separate acquisition. Often these services can be acquired from a host of service providers and not just the OEM or reseller.

Best Practice #7. Standardize terms and conditions of agreements.

One industry best practice is to standardize the terms and conditions of their agreements. While not a hard and fast rule, industry started with a core set of standard terms and conditions and modified them to accommodate unique requirements. This simplified administration of the agreements and allowed better comparisons for benchmarking purposes.

Best Practice #8. Understand and leverage market forces.

At first, it would seem counterintuitive for an OEM to agree to an enterprise license due to the perceived potential for a significant overall loss of revenue. This is true to an extent. Many Government and industry interviewees noted that software providers were initially reluctant to negotiate enterprise agreements. So why do contractors agree? In discussing the motivations of commercial companies to enter into agreements, it became clear that other factors were driving the agreements. Furthermore, it was clear from the interviews that industry was making maximum use of the market forces to achieve the most attractive agreement.

Contractors enter into enterprise agreements to gain, or to protect, market share. Understanding the motivation can be very valuable in a negotiation. *Increasing or protecting market share is perhaps the strongest motivating factor for industry to enter into an enterprise agreement.* Software providers identified market share as one of their most important performance metrics. The chance that a competitor will have the opportunity to secure a large, or increased, share of the DoD market was the number one consideration identified for the motivation to enter into enterprise agreements. Replacing a competitor's package is a very attractive situation for a software supplier. Some agreements can actually provide additional discounts if the competitor's license is exchanged.

Understanding what motivates a contractor can assist the Government to achieve significant discounts. For example, one software provider also has a hardware manufacturing division. The company will provide significant discounts for its software if information as to where the packages will be installed is provided as part of the agreement. This is because installed base information is of great importance to the hardware side of the company. Installation of the upgraded versions of the operating system would identify older machines that must be replaced. This becomes a sales opportunity of considerable value for the manufacturer.

Other major incentives for enterprise agreements are to (1) reduce the cost of sales and (2) eliminate the complexity and cost of having to do business with multiple ordering and payment offices. Central ordering and payment, distribution, and management procedures can significantly reduce overhead and result in greater discounts. This is especially true if it is accomplished through electronic commerce. One interviewee noted that it took four to five times the resources to deal with the Federal marketplace ... that if the Government made it too hard, they "would walk," as it already is not as profitable as the commercial market. Another interviewee noted that one DoD enterprise Blanket Purchase Agreement (BPA) authorizes 352 buying activities with 380 potential payment offices to place orders. The logical recommendation is that, to achieve maximum discounts, the agency must structure the agreement to reduce the complexity and administrative hassle of doing business with the Government.

In many cases, the marketing rights to the DoD are worth a lot to the provider. To illustrate, one of those interviewed, who is from a large private-sector firm, indicated that their enterprise suppliers are allowed to advertise the products on the firm's internal Intranet. Not only does this raise awareness of the enterprise agreement; it gets the suppliers' names in front of 300,000 prospective customers. There is also the marketing advantage associated with "bragging rights" for being selected as the "DoD" standard. On the commercial side, firms spend millions of dollars to become known as the "official supplier" to well known organizations. Therefore, it is a very powerful sales tool for a company to be able to say the DoD has chosen our product as its standard.

It is also important to understand that industry has its own internal review and approval process ... and in many cases the process rivals the Government's. This becomes more of a factor as discounts increase. Enterprise agreements are tough sells. There are often competing divisions within a company that may view the arrangement as a threat to their revenues and even to their personal incentive plans. The contractor's negotiator may have to spend as much time getting internal approvals as does the Government's. This process must be considered in negotiating any enterprise arrangement.

Best Practice #9. Convince industry that the deal is real and that you control the buyers and the number of contracts.

The number one concern of industry in negotiating a volume-purchase type of enterprise agreement is, *can the organization control the buyers?* Is the discipline in place to make maximum use of the agreement? Without this basic level of confidence, a volume-purchase type of enterprise agreement will not achieve meaningful discounts and will yield few benefits to the Government. Industry best practice is to limit the number of participants that are part of their enterprise program to a few (two to three) packages and ensure that the organization acquires the vast majority of their requirements from the agreement.

In addition, providers are concerned that the agency will write subsequent contracts over the life of the enterprise agreement for similar products and services, diluting the value of their deal. In other words, for many Government efforts, there is little confidence either in the instant contract's estimates or in the contracting activity's ability to control the buyers. Multiple contracts, exaggerated estimates, and lack of enforcement mechanisms all combine to give vendors little confidence with Government pronouncements of a required source of supply.

Best Practice #10. Establish a partner relationship with the supplier.

Effective enterprise agreements require an agency to partner with the supplier. Both parties to the agreement have the same objective: provide as many of the enterprise licenses as possible to users, instead of having them acquired through less effective and efficient means. To that end, several interviewees identified a best practice as working with the suppliers to actively seek ways to make the program more effective. This included conducting periodic meetings for process improvement. In addition, a best

practice was for the Government and contractor to join forces to market the deal across the enterprise. As noted above, one industry interviewee noted that they authorize their providers to advertise the deal on their Intranet.

As hard a bargain as industry drives with its enterprise agreements, they all noted that the agreement must be fair to both sides. If the provider does not view the agreement as beneficial, they will not work to make it successful. If the deal is properly structured, both parties will see it as a “win.”

This partnering approach is often reflected on the OEM’s part by offering to make the enterprise customer part of their design and development process. This includes seeking information on requirements for future software releases and having the Government participate in alpha and beta testing.

Best Practice #11. Manage and track software as an asset.

Interviews with industry indicated that they manage software as an asset. This includes centralized distribution and tracking of software using enterprise management tools.

Given the considerable sums of money being spent on software licenses, the DoD is absolutely correct to seek to manage software as an asset. The advent of the Internet and enterprise software distribution and management systems make this task possible. Further, this approach opens major new possibilities.

For example, one interviewee proposed the scenario whereby an *Army* user of a database license is promoted to a new position and no longer requires access to a database tool. The license is virtually “stored” in a warehouse to be reissued to a *Navy* user who now needs a database license.

Without an inventory and tracking system, it is impossible to know if a new license is required, or if the agency already owns one. In fact, one interviewee speculated that DoD agencies are all currently over-licensed for the popular software products. Those licenses are not transferring when equipment is upgraded or replaced. “We just keep buying more software with each PC or each time an individual is assigned to the organization,” suggested one.

Managing software as an asset is a massive undertaking. Initially there is considerable resistance from field organizations. Industry told us many stories of how difficult it is to establish the enterprise program, but experience is being gained. “The first time we tried to distribute an enterprise-wide upgrade it took 2 years. We now can do it in 3 months.”

5.2 Providing a Choice of Standards-Compliant Software

While not a primary focus of the interviewees, all acknowledged that providing a choice of software packages compliant with the activity’s interoperability and architecture standards

was an important consideration. There were two issues of special note in providing a choice: maintaining competition throughout the agreement and assisting in ensuring buy-in from the using community.

Best Practice #12. Conduct research, evaluate, and test to identify best products.

There is an important element of market research inherent in the establishment of enterprise agreements. This is not to force standards on the marketplace, but to determine what commercial standards operate *in the marketplace*. The purpose is to identify the standards currently being used and to evaluate, test, and select those that work best for the specific situation (considering, for example, existing and planned architectures).

This process was described by those interviewed. Once the corporate standard was identified, the corporate acquisition unit then identified the universe of products that met the standard. These products formed the initial pool for technical evaluation. The identified products then went through a rigorous technical evaluation to identify the best two or three products.

Best Practice #13. Base standards on commercial offerings.

Industry interviewees all followed the same process for ensuring a choice of standards-compliant software, with the first step being the establishment of standards. All industry interviewees noted that their standards were based on what was available in the commercial marketplace. They did not attempt to “drive the market” to any particular technical solution.

Using commercial standards was also a major point of one Government interviewee. He noted that not once in his career was the Government successful in attempting to drive the market. He cited POSIX, GOSIP, and ADA as failed attempts to drive the commercial software industry.

Best Practice #14. Determine what degree of choice to permit.

As part of the market research and requirements evaluation process, there is a point at which an organization must determine what degree of choice to permit in the enterprise software program. This is a key decision point that will affect both users and private-sector suppliers dramatically. Users typically want whatever package they are currently using. However, this affects agency standardization and interoperability. Contractors want a single solution, provided they are the offeror of that solution. From the perspective of the negotiating party, some degree of continuing competition is desirable ... but unlimited choice for users seriously affects the price discounting potential.

Interviewees acknowledged this situation. While selecting multiple packages and maintaining competition was often cited as an objective, it was noted that for packages requiring interoperability across the enterprise, a single product was often selected. One private sector source indicated that conducting a rigorous technical evaluation to identify

the best two or three products, then conducting a competition among the finalists to get to a single solution led to “cut-throat price competition.” As indicated previously, this decision on degree of choice relates directly to the degree of discounting that private sector providers are likely to offer.

Best Practice #15. Keep up with evolving standards, products, and delivery methods.

In managing the enterprise, industry interviewees noted that they constantly review the state of the marketplace to identify new standards, innovative products, and current methods of delivery. This includes new methods of acquiring functionality without actually acquiring licenses, such as using a seat management approach. Another relatively new delivery method is per-transaction “software leasing.” Under this concept, start-up companies (such as US *Internetworking* (USi) based in Annapolis, MD) install enterprise resource planning software on central mainframes and charge activities by the transaction for payroll, human resource, finance, etc. Oracle and SAP (both ERP providers) have similar offerings under what they call “hosting” options. In both cases, the requiring activity does not acquire a license, but has access to its full functionality.

5.3 Funding Enterprise Software Agreements

Funding was not an important issue for any of the industry interviewees. This was because they rarely used contractual methods that required up-front funding. In contrast, Government participants all acknowledged the problem associated with obtaining the funds necessary to award a fully funded agreement. The ability to use stock funds was seen as a major improvement in the process.

Best Practice #16. Determine if up-front funding is necessary or will significantly improve discounts.

As noted in Best Practice #4 above, *industry rarely enters into enterprise agreements that require significant up-front funding ... yet they achieve deep discounts.* This suggests that identifying funding to consummate the agreement is not as important an issue or prerequisite as it seems at first.

From discussions with both Government and industry, it was unclear what the actual impact of up-front funding was on achieving the maximum discount. Industry appeared to be able to achieve discounts equal to the best Government deals without up-front money, quantity guarantees, or exclusive arrangements. However, industry does maximize their competitive situation, and vendors have confidence in the customer’s ability to ensure use of the agreement. As was noted by several of the industry interviewees, DoD does not currently inspire the same level of confidence.

Given expectations from past agreements, it is clear that industry expects some level of up-front funding from their Government deals. However, it is also clear from industry

best practices that full funding for the estimated requirements is not required to achieve significant discounts.

Perhaps the best practice derives from the best of both the industry and Government examples. This could be achieved by guaranteeing a sizable number of licenses (based on validated needs) for the front end, with an ID/IQ type arrangement for the rest of the agreement. The Department could fund the guaranteed portion by either aggregating individual program requirements, or use stock funds if there is sufficient confidence in the estimated number of licenses.

Best Practice #17. Consider use of revolving funds to acquire licenses.

Use of revolving funds to acquire licenses can be a major breakthrough to assist in funding agreements that require up-front commitment. Authorization to use a mechanism similar to revolving funds to finance enterprise software agreements solved a major funding problem, while at the same time bringing discipline and procedures to manage software as an asset.

Up-front funding allows software to be acquired at the most economic price/quantity break points. The economical quantity for some software may be 1,000,000 units, while the warehouse space needed to store a million copies of software is the size of an envelope. Companies can offer large discounts because the marginal cost in selling additional copies of software is low, and they can book multiyear sales in the quarter that they receive the funds.

Best Practice #18. Use only alternative financing plans that make sense.

Alternative financing plans for acquiring software should be carefully examined and a business case made for their usage. As an example, what the Government calls “leasing software,” industry identifies as a financing arrangement. In other words, it is a time payment plan with associated financing costs. These arrangements can be considerably more expensive than up-front payment.

[Note: The terms “leasing” or “purchasing” software products are actually somewhat of a misnomer, because they imply a related status of ownership. Only in very rare circumstances does an agency truly “purchase” and own software. Rather they purchase the rights to use the product in accordance with the license agreement.]

5.4 Employing Techniques to Achieve Corporate Buy-In

As with most contractual arrangements, getting the contract awarded is the easy part. This is true even for something as difficult as negotiating an enterprise software agreement. Even with outstanding price discounts, it is still just a piece of paper until it is used. It will only be a success if it is implemented and performs as agreed. All corporate interviewees agreed to the importance of this issue and cited the need for top management support for the enterprise software agreements to be successfully implemented.

Best Practice #19. Emphasize ease of use.

Those interviewed in industry whose organizations had made wide and successful distribution of the enterprise agreements *made it easy for requestors to use these vehicles*. One interviewee identified their process to acquire the enterprise products as “the path of least resistance.” This is a very important concept in assuring buy-in. The easier that DoD and the licensor make the agreement to use for the end user, the more “buy-in” will be achieved. Interviewees also noted that they complemented the ease-of-use best practice with a policy that required a waiver for acquiring non-enterprise packages. Furthermore, in the course of their work, auditors checked to ensure that users either had an approved product or an approved waiver.

Best Practice #20. Use communication as a primary tool for buy-in.

Many interviewees noted how important it is to ensure the organization knows about the enterprise agreements and the benefits to be gained from their use. It is also important to communicate the ease of use of these agreements. During our interviews, several Government activities cited the Department of the Navy’s actions in coordinating and keeping the other agencies informed of the specifics of the organization’s agreements. This included any terms and conditions, as well as discounts they achieved. This type of cross-feed is directly tied to the benchmarking practice recommended by several of the industry interviewees.

Industry can greatly assist in this effort. One interviewee noted that the winning vendor hired a high-powered advertising firm to assist in developing a marketing strategy and advertising program. The company invited the Government to assist in developing the program. This led to a very successful marketing approach that the Government fully supported and that assisted both to “spread the word.”

Best Practice #21. Demand Compliance.

Successful organizations use the “carrot and stick” approach: Make the agreement easy to use, but have plans (and enforce them) to assure compliance.

In discussions with industry, it became clear that they took a more directive approach to ensure maximum use of their enterprise purchase agreements. Within their firms, corporate policy for use of enterprise standard products was issued, operating procedures incorporated purchase restrictions, and auditors checked for not only accurate accounting of products, but also compliance with corporate policy. While sympathetic to the size and scope of the DoD, they did not fully understand why this was a real problem.

One interviewee described this process: Once the agreement was in place, the information technology organization was tasked to ensure application and use of the enterprise software. If a waiver was required, the information technology organization ensured application of the corporate standards. From our interviews it became clear that this

process, while similar in some regards to DoD, was very rigorously applied. Corporations had very little tolerance for non-compliance with their standards.

As one commercial interviewee put it, we made use of the agreements the path of least resistance for the users. If an activity wanted an approved product, they had authorization. If they wanted to acquire a non-standard product, we identified a waiver process. Users knew that auditors were instructed to look for standard products or the waiver. Failure to have one or the other was seen as a waste of money that impacted the bottom line. No manager wanted to be tagged with that label.

DoD and Service CIOs and PEOs must make it clear that it is the agency's policy to make maximum use of the agreements. Agency architectures and standards should be modified to dictate the use of the enterprise products. The policy must be put in place and actions taken to ensure it is being followed. Audit provisions must be put in place to ensure compliance.

Best Practice #22. Develop both top-down and bottom-up incentives to control and ensure use of the enterprise agreements.

In many ways, corporations share the same basic challenges, albeit on a smaller scale, with the Department of Defense in implementing and managing enterprise agreements. Organizations that were successful in the management of software as an asset used their entire information technology organizations to implement and manage the program.

Within the Government, there was no consensus on the single best method of control to ensure maximum use of the agreements. Several Government interviewees indicated that top-down direction and control is required. Other interviewees stressed selling the advantages of the enterprise agreement to the users and fostering a bottom-up desire to use the licenses. In reality, the best practice is a combination of the two approaches.

Best Practice #23. Identify and remove impediments to use of enterprise software agreements.

One Government interviewee noted that he wants to be informed when the agreement is not being used. He then wants to understand the root cause of that failure. Was it an education problem, a technical issue, an indication that the product is no longer the best solution, or what? By identifying and analyzing incidents, he can take the appropriate corrective action to maximize use of the agreements

The interview process identified several impediments to maximizing the effectiveness of enterprise software agreements. One of the realities of today's fee-for-service arrangements is the interest in ensuring that service fees are captured to fund the organization. In addition, current funding policies do not provide incentives to save money. In fact, it could be argued that funding policies provide negative incentives. A program manager who identifies savings gets his or her budget cut (whether the savings

materialize or not). In order to achieve true buy-in, the DoD will have to identify a way to share funding and savings under the enterprise contracts.

One best practice related to identifying impediments to the adoption and use of the agreements is to take a page from industry and focus on customer satisfaction. Working with the provider as a true partner, periodic meetings can identify impediments to the effective and efficient operation of the agreement. Customer satisfaction metrics could be identified and tracked as well as opportunities for improved service.

BEST PRACTICES FOR ENTERPRISE SOFTWARE AGREEMENTS WITHIN DOD AND THE CORPORATE WORLD

6. CONCLUSION

The identification of best practices for enterprise-wide software agreements proved to be an extremely worthwhile task. It is apparent that there exists a large body of experience with both the positive and negative experiences from these arrangements. For a program as large and complex as that contemplated by the Department, it is essential that these best practices and lessons learned be applied to the maximum extent possible.

While the DoD initiative is relatively new, its managers can take heart in that many of the commercial enterprises we interviewed had only a few years of experience with enterprise software acquisition and management across their organizations. The interviews provided powerful confirmation of the tremendous savings that can be captured from acquiring and managing software on an enterprise basis. Through application of “smart buying” best practices, significant discounts from list price are regularly being achieved. The interviews and best practices also provided interesting insight into methods to implement and achieve corporate buy-in for the agreements.

In many ways, the best practices confirmed that the initial steps DoD has taken in this area are on the right track. This information should prove invaluable in assisting the Department of Defense to implement and manage this high payback program. Identifying best practices was the first part of the effort. The next task is to identify ways for the Department to implement these best practices.

BEST PRACTICES FOR ENTERPRISE SOFTWARE AGREEMENTS WITHIN DoD AND THE CORPORATE WORLD

ATTACHMENT 1: INTERVIEW SUMMARIES

U.S. Department of the Navy, Mr. Floyd Groce (June 8, 1999)

Mr. Groce is the Team Leader for Enterprise Processes within the Office of the Department of the Navy, Chief Information Officer (CIO). In this capacity, Mr. Groce has been working to promote the ESI program within the Navy, as well as coordinating their efforts within the DoD working group. He proved to be an excellent source of practical knowledge and best practice information from both a policy level and for issues involved in the negotiation and implementation of enterprise agreements. Due to his close involvement and practical experience with the ESI initiative, Mr. Groce was able to relate the Navy's experiences in negotiating their "Quick-Hit" enterprise license agreements as well as other Navy initiatives. His efforts to coordinate and share information regarding the Navy's lessons learned and progress to date were commended by both the Army and Air Force points of contact for this study. Mr. Groce's experiences and real life lessons learned will prove invaluable to benchmarking efforts and to the overall success of the DoD ESI effort.

Sun Microsystems, Inc., Mr. Tim Hause (June 16, 1999)

Mr. Hause is a Sales Manager at Sun and was the individual responsible for negotiating enterprise arrangements with the Department of Defense. Mr. Hause provided excellent insight into the challenges he faced, both within his organization and with the Department of Defense in attempting to put in place an enterprise agreement for their product. His discussion on why enterprise license agreements are attractive to providers was particularly useful to understanding how to find common interests and form a partnership.

Oracle Corporation, Mr. Alan R. Dadourian (June 18, 1999)

Mr. Dadourian is the Director of Oracle's Government Contracting Operations and is responsible for negotiating Oracle's major Federal and State contracts. As a leading provider of database and enterprise resource planning (ERP) application software, Oracle is the second largest software provider in the world. Mr. Dadourian proved to be extremely knowledgeable in the negotiation and management of enterprise agreements. He provided a wealth of information on best practices and offered insightful observations on corporate concerns and objectives in negotiating these arrangements. During our interview, Mr. Dadourian discussed his experiences in negotiating recent software licensing agreements with the U.S. Department of Census and with the Army's CECOM office (Blanket Purchase Agreement). He offered insightful advice and guidance on the challenges he faces in negotiating enterprise agreements and identified several areas for improvement in the processes.

**U.S. Department of the Air Force, Mr. Kenneth Heitkamp, Lt. Col. Glenn Taylor
(June 21, 1999)**

Mr. Heitkamp serves as both the Technical Director, and Software Factory Director for the Air Force's Standard Systems Group (SSG), Maxwell Air Force Base, Gunter Annex, Alabama. As Technical Director, he provides overall technical direction for Air Force standard combat support information systems that support missions at more than 200 active and reserve forces locations in the United States and overseas. Mr. Heitkamp has been actively involved with enterprise license agreements, and applying "smart buying" practices to Air Force requirements for many years. He is considered a leading expert in both his knowledge of the market place as well as the technical aspects of software acquisition and implementation.

The team also interviewed was Lt. Col. Glenn Taylor, Chief, Commercial Information Technology Product Area Directorate at SSG. Lt. Col. Taylor and his division have the most experience in DoD negotiating and implementing enterprise agreements. As such, he was able to provide a wealth of useful information and best practice suggestions.

This interview provided excellent input for many of the noted best practices. Their input and observations will also prove invaluable for the implementation portion of this task.

General Motors Corporation, Mr. Jim Scotti (June 22, 1999)

Mr. Scotti is Commodity Manager at General Motors Worldwide Purchasing office in Warren, Michigan. GM was considered an excellent interview subject because its corporate structure is nearly identical to that of the DoD. It was felt that General Motor's lessons learned from both acquiring and managing enterprise agreements would have direct application to the DoD.

The interview with Mr. Scotti provided extremely insightful and useful information. His understanding of the issues involved with implementing and managing enterprise solutions was outstanding. He did acknowledge that putting these deals in place takes a lot of energy, and requires highly qualified acquisition specialists who know and understand the marketplace. The most important factor was to convince the supplier that the corporation could control and enforce the standard. His focus on benchmarking their agreements to ensure they are achieving the best discount and terms and conditions was particularly noteworthy. The results he was able to achieve with his enterprise agreements attested to the soundness of this best practice. One recommendation Acquisition Solutions will make in the final report is that the working group arranges for Mr. Scotti to present his organizations program and to establish and maintain a relationship with his office to share benchmark data.

IBM Corporation, Mr. R.C. Rolfe (June 24, 1999)

Mr. Rolfe is Software Sales Executive, Worldwide Government Industry for IBM's Federal Software Marketing group. He was a very knowledgeable individual and provided excellent insight into the concerns and considerations IBM faces in negotiating enterprise licenses with the Federal Government. IBM was identified for participation in the study due to their commanding presence both as a supplier and purchaser of enterprise software license agreements.

EDS Corporation, Mr. Barry Ingram (June 25, 1999)

Mr. Ingram is the Principal Chief Technology Officer for EDS Corporation's Government Group. EDS is an Information Technology company that employs over 140,000 people. EDS is a professional services company that offers integration services to help its customers use information technology too more effectively meet their mission. EDS was an excellent interview target as they acquire and manage software not only for themselves, but also for their clients. As such they have considerable experience with acquiring and managing software across a large and diverse operation.

Mr. Ingram was very knowledgeable about the policies and approaches EDS uses to acquire and manage enterprise software agreements. As chief technologist for EDS, Mr. Ingram provided excellent insight and recommendations on how the DoD could improve its acquisition and management of software. It was also apparent that EDS has been very successful in managing software as an asset. Confirming our observations from other industry sources, it is clear that industry appears to be significantly more effective than the Federal Government at leveraging its buying power to achieve outstanding results when negotiating enterprise software terms and discounts.

U.S. Department of the Army, Mr. Kevin Carroll (June 29, 1999)

Mr. Carroll is the Program Executive Officer for the Standard Army Management Information Systems (STAMIS), located at Fort Beloved, Virginia. Under Mr. Carroll, the STAMIS organization is responsible for the planning, design, development, acquisition, installation, and maintenance of highly complex, management information systems. As such, he is a major "buyer" and user of commercial software packages.

Mr. Carroll was selected to participate in this best practice study because of his years of experience with information technology acquisition, and his recognition as one of the Army's top acquisition experts. As the Program Executive Officer for the STAMIS organization, he is responsible for programs that are major users of commercial software licenses. He was very supportive of the initiative and observed that the Army is now focusing on aggregating requirements and managing software as an asset. As PEO he is in a position to ensure compliance with the agreements for programs he manages. Mr. Carroll provided outstanding insight on some of the impediments to use and adoption of the agreements as well as recommendations on how to achieve buy-in.

**U.S. Census Bureau, Mr. Douglas Clift, Mr. Mark Mildorf, and Ms. Alva Sanchez
(July 28, 1999)**

The Census Bureau was added to the interview list after they were identified by Mr. Dadourian of Oracle as a good example of how the Government and supplier came together to structure the best deal for an enterprise agreement. He pointed out that the license agreement was structured to “ramp up” to meet the peak workload projections. After two years, it draws back down to the original level. This approach responds to the Census Bureau’s unique mission that causes a surge every ten years for the census, requiring a significant “ramp up” to handle the large influx of employees. This year was even more demanding, as there is a significant increase in automated functions and reporting. While the “turn back” of licenses may be a reasonable approach based on the unique mission of the Census Department, it would most likely be more cost effective for the DoD to reuse the licenses.

Tivoli Systems, Inc., Mr. Martin Fredickerson (August 2, 1999)

As Tivoli Systems, Inc., is a major provider of enterprise software management tools, we were very interested in both their enterprise software agreement philosophy and experience with their software management tool. Mr. Fredickerson (Government Sales Director) was instrumental in negotiating the recent Army Tivoli agreement. Further he is working closely with the Air Force’s Electronic Systems Command for their upcoming ESM competition. Mr. Fredickerson is extremely well versed in both Government acquisition requirements as well as enterprise software agreements. He was most helpful in providing solid business case information to support the use of enterprise software management tools. Mr. Fredickerson provided insightful information regarding system implementation issues and in the advantages of managing software as an asset.

BEST PRACTICES FOR ENTERPRISE SOFTWARE AGREEMENTS WITHIN DOD AND THE CORPORATE WORLD

ATTACHMENT 2: INTERVIEW OUTLINE/QUESTIONNAIRE

INTRODUCTION:

The Department of Defense commissioned Acquisition Solutions, Inc. to conduct a survey of the marketplace to identify best practices for enterprise software agreements and to propose an implementation plan. We are interested in identifying and understanding best practices in the planning, acquiring, and management of enterprise license agreements. We appreciate any assistance you can provide.

Given the wide variety of responses and approaches, our questions are purposely open-ended. For software OEM's we are interested in your internal acquisition and management of enterprise arrangements, as well as your experiences with your successful customer enterprise arrangements.

OVERVIEW:

1. Briefly describe your company/agency in terms of number of employees and management structure? We are interested in knowing to what extent purchasing decisions are centralized versus delegated to subordinate units within your organization. The answer to this question will assist in evaluating how your approach to planning, acquiring and managing software relates to the Department of Defense and subordinate components.
2. Briefly, what is your company's philosophy for planning, acquiring and managing software products? How is the program managed?
3. What do you consider to be the most successful implementation of an enterprise software solution?
 - What made it so successful?
 - What were your success criteria?
 - Were there benchmarks or performance standards that quantified the success?
 - What measures were used to reduce acquisition and support costs for software?
 - How successful were you in meeting the original goals?

PLANNING

1. How does your organization identify requirements? (e.g., estimated number of users, demand for differing products) How effective and accurate has this planning been?
2. Does your organization have software standards? If so, how were they developed? Are they based on technical standards, or are they “product” based?
3. How did you define the “enterprise”? When does an enterprise license make sense?
4. How did you determine which software products to acquire under the enterprise arrangement?
5. How did you address/achieve buy-in of the user community to use the selected products?

ACQUIRING

1. What was your acquisition strategy? How did you structure the competition? (number of years, etc)
2. What type of license were you acquiring? What were the characteristics?
3. How was your existing software license base accommodated?
4. Did you experience any problems negotiating software license terms and conditions? Was there flexibility in removing overly restrictive OEM/Provider provisions?
5. How was your enterprise license priced? What are the main characteristics of the pricing arrangement?
6. How did you structure the contract to handle updates, upgrades and new product announcements?
7. What percentage of discounts were achieved? (Indicate if from list price or GSA schedule)
8. How are enterprise software agreements funded and paid?
9. How did you structure the contract to handle potential changes in organizational identity (mergers, acquisitions re-organizations, etc.)?

MANAGING

1. How do you manage the distribution of the software packages including updates and upgrades? (including version control, media distribution, etc.)
2. How is your help desk or assistance program structured?
3. Have you had any problems determining if a new release is an update/upgrade, or if a new product is/is not covered under the license maintenance agreement?
4. Do you maintain competition for the products throughout the term of the agreement, or is it an exclusive arrangement?
5. Have you had any problems that required re-negotiation of the contract, or in receiving fewer benefits than anticipated?
6. How do you track user counts?
7. What measures are used to counter unauthorized distribution (piracy)?

QUESTIONS FOR COMPANIES THAT PROVIDE CONSULTING SERVICES TO GOV/INDUSTRY

1. In general terms, what are the principle characteristics that you use to decide which type of enterprise license agreement to recommend. Under what circumstances do you feel an enterprise license make sense for a client?
2. What are the differing types of enterprise arrangements you have recommended for your clients?
3. What do you consider to be the most successful implementation of an enterprise software solution? What made it so successful? Are there benchmarks or performance standards that quantified the success? Could you identify the firm or agency where the successful implementation took place?