

Simplifying Software Management

Software Asset Management and The License Management Office

The idea is simple. The savings are tremendous. Know what software you own and where. Buy only what you need. Leverage and protect your critical software assets.



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What is SAM?

In today's tightened economy, managing software as an asset rather than as an expense has become critical. IT asset management should not be perceived as either a software utility or an inventory practice, but as a business process linked to every key area of the business enterprise. Analysts agree that, "successful asset management programs combine processes and tools, and are closely aligned with strategic business objectives . . . to provide strategic savings and maximize business value."ⁱ

The dot-com fallout certainly proved that "the speed, as well as accuracy, at which an organization can effectively plan, decide, procure, and manage IT assets will help determine that organization's success."ⁱⁱ Purchasing the software license is only one step—companies that don't effectively track and manage the deployment, movement, and retirement of their software assets are wasting critical IT dollars.

Software asset management (SAM) comprises any and all policies, processes, technologies, people, and partners applied to the procurement, delivery, deployment, administration, and management of network, desktop, laptop, or server software assets. Too often, organizations consider SAM in narrow terms: "What should I buy?" "How do I get the best deal on my licenses?" But when software is viewed as an asset and the whole lifecycle is managed, cost savings and control benefits can be significant.

How can SAM save me money?

Failing to carefully manage software assets can cost businesses several times more than the cost of the software itself—it's that simple. Gartner estimates that for every USD 100 spent on acquiring software, most organizations will spend USD 500 over its 2-3 year lifetime. But companies with the technology, expertise, and focus to manage software effectively throughout its lifecycle can realize 20-40% savings. And asset management benefits are not just for the large enterprise: International Data Corporation reports that sites with just 1,000 users can save up to USD 713 per desktop per year with lifecycle IT asset management.ⁱⁱⁱ

SAM works on established management principles that have been effective since before the Internet age: Know what you own, buy only what you need, and use your assets effectively at every stage of their lifecycle. An effective SAM program reduces overspending and creates a standardized desktop, eliminating unnecessary support expenses and renegade purchasing.

SAM programs also help avoid the penalties of license non-compliance—an issue that is becoming more critical as software publishers step up license compliance audits in response to declining revenues. The 2001 Business Software Alliance (BSA) Global Piracy Study reported world piracy rates to be up two years in a row in 2000 and 2001, after falling steadily since 1996.^{iv} Clearly software license compliance cannot be considered an economic luxury to be abandoned in difficult times.

Software Lifecycle Management

Organizations who apply a holistic approach to their SAM program can realize significant total cost of ownership (TCO) savings at each stage of the software lifecycle. In our years of experience helping clients develop their own SAM programs, we have estimated savings in four areas of software lifecycle management: purchasing, implementation, management, and support.

Purchasing

Most companies purchase software in a variety of different ways—through purchasing departments, resellers, or individual employees. One client, an international packaged goods firm, saved USD 21M over a three-year period through improved purchasing and licensing reallocation processes. It's possible to realize savings of 5-9% TCO by implementing a few basic SAM methods:

- Desktop standardization and consolidation—A standardized desktop decreases TCO directly by strengthening your negotiating power, since enterprise licenses bring considerable financial benefits.
- License reallocation—When you have access to information about unused, licensed software in your company, it may not be necessary to purchase further licenses for the same software. Overbuying can be a major source of surplus TCO.
- Efficient transaction methods—E-procurement can put software purchasing into the hands of individual users while centralizing the process at the same time. So productivity improves because users don't have to wait for needed software—yet renegade purchasing becomes a thing of the past.

Implementation

Most large companies already have a software deployment method that works, whether it's Microsoft SMS, Tivoli, Sneaker-Net, or something else. The best SAM strategies take this into account, and can actually enhance the effectiveness of existing deployment software by automatically identifying targets for upgrades and new deployments. It costs money when end users are forced to wait weeks for new software because the IT department is overburdened with deployment, upgrade issues, and tracking processes. Automated software distribution and desktop standardization policies allow organizations to address these problems head-on, with a possible TCO savings of 8-18%.

Management

The expense of maintaining desktop software is often overlooked. Once it's deployed to the desktop, that often appears to be the end of the story—which is why so many organizations overbuy software licenses. Business is inherently dynamic, and software has a tendency to migrate along with employees and PCs. For companies to take accurate inventories and easily perform license reconciliation and planning audits, SAM

programs must be able to track software wherever it ends up in the system. This is a big hurdle for some organizations to overcome, but not an insurmountable one. The results of success, in our experience, can be TCO savings of 12-33%.

Support

Support is a major chunk out of any IT budget, making up a whopping 40% TCO for many organizations, according to Gartner research. Effective SAM methods can slash support costs 20-33%:

- Desktop standardization allows the help desk to build profound technical knowledge on a standard software portfolio because they no longer have to support a large diversity of programs.
- Backup and recovery systems become easier to maintain when it's clear what software goes where.
- Employee efficiency and satisfaction increase as end-user trainings are facilitated and software is made more available to users.

What are other companies doing?

At this point in the evolution of IT asset management, most executives understand the return on investment (ROI) that SAM offers. Their struggle is in the implementation of an effective program. Because software is such an integral part of an organization's infrastructure, sometimes it's hard to know where to start managing it. Many companies feel mired in the data that results from the thousands of transactions that take place around buying and deploying software to employee desktops. How do you turn this data into real information? How do you keep track of all this data and relate it to current and future contracts? In our experience, companies today are approaching this challenge in one of three ways: by committee, by internal systems orientation, or by simplified risk management.

The Committee Approach

Many companies have formed committees to address IT asset management issues. These committees comprise representatives from different parts of the company, and are charged with finding an asset management solution that will manage hardware, software, and sometimes other assets. The committee process is lengthy, since finding any one system that meets all criteria is difficult, and many compromises are required. The system finally agreed upon is usually very expensive, and often we see that after a year or more of work, the committee's recommendation to purchase an asset management system is not approved by the CIO due to cost. At this point, these companies generally give up and continue with their current practices, which do not provide them any real sense of comfort or control.

The Internal Systems Orientation Approach

Another group of companies desires to improve their internal purchasing system so that a license purchase can be tracked through to deployment at the desktop. This approach quickly becomes cumbersome because of the large number of small transactions, and because PCs and associated software don't tend to remain in the same place for long. The company may know what was purchased, to what department it was allocated, and even the PC on which it was originally deployed. But as PCs move or are retired, there is no final association with the retirement of the software. This results in over-spending and over-licensing. That final step of removing software licenses from the pool when they are retired is a very big hurdle, although a few companies have managed this after working at it for years.

The Simplified Risk Management Approach

A third group of companies approaches SAM in the spirit that provides the best overall ROI, including money spent on software and management time. This group has centralized the license management function and spends 80% of their effort managing those contracts that require the highest spend levels and ensuring accountability on the part of divisions and subsidiaries. This approach leverages any internal deployment or auto-discovery systems that may have been purchased, and builds a SAM program around them before investing in additional tools.

The Role of the License Management Office

Software Spectrum recommends establishing a License Management Office (LMO), which becomes "central headquarters" for your organization's SAM initiative. A single individual with recognized authority for managing company software heads the LMO, and staff members across the company are assigned related responsibilities. The LMO approach is relatively straightforward:

1. Identify risk.

The first task for the LMO is to identify those software license contracts that are large enough in dollar volume and number of licenses to pose a significant risk of either over-spending, or being under-licensed and subject to penalties.

Business environments are dynamic: employees and desktops will always come and go. You do yourself a huge favor if you can relax with the idea that no SAM system will ever be perfect: you'll never know exactly what is on every desktop, nor the location of every piece of software you own. The role of the LMO is to manage risk to within reasonable levels and reduce TCO over time. It's not necessary or advisable to obsessively pin down the location of every single software license at any given time.

2. Centralize licensing.

The next step for the LMO is to begin licensing major software purchases centrally to reduce total spend, and then to allocate those licenses. In order for this to happen, the IT department must define standards for desktops company-wide, as well as for individual business units and functional areas. The LMO works closely with IT to maintain these standards, and to change them as software usage fluctuates.

Where for sound business reasons a company cannot license centrally, it should limit the number of geographic regions responsible for licensing and those divisions should each work closely with the LMO for coordination and control.

3. Take Inventory.

The LMO needs access to a good auto-discovery tool for taking inventory of the software on every desktop and server in the enterprise. Choice and implementation of this very important tool is another opportunity for the LMO to work with the IT department. Team members in each division, geography, or business unit must be assigned responsibility for inventorying software on desktops and servers on an agreed-upon periodic basis. The easier the tool is to use, the more likely the case that procedures will be followed.

Large, dynamic organizations will find it's not practical to inventory the entire company at one time. A common sense approach to inventory saves time and manages risk very well. For example, it's advisable to focus an inventory effort on areas of the company where there is low visibility (such as where there has been an acquisition, merger, divestiture, layoff, etc.), and supplement that data with other, more reliable data to form a complete picture.

There are innumerable auto-discovery tools available, and some provide not only inventory data but also usage data. In areas where it has been a standard practice to deploy a certain software product on every desktop, you may find that in fact only a low percentage of employees actually use the program. Usage data helps you find places where cutting costs is relatively painless. Some vendors offer a "one-time scan," which allows you to try out the tool for a fee so you can see and work with the resulting reports.

4. Implement a data storage system.

Inventory systems produce volumes of data, which can be unmanageable if not stored in simple, logical ways. The net of this data (final totals) is retained by the LMO. The ideal system has a place to record the contract terms, the entitlements, the allocations, and the inventory. Notice that the emphasis is on "entitlements," not purchases. An effective system does not record and store every purchase transaction—if it did, the LMO would soon be drowning in a sea of data. An effective system focuses on aggregate data—not transactional data.

The data storage system should have a permission hierarchy that gives the LMO primary authority to manipulate the data, but enables employees with inventory responsibilities to input data into a single screen—ideally, through the company intranet.

5. Maintain an accrual.

After the LMO has been in existence long enough to put controls in place and accumulate data history, spending becomes much more predictable. However, until that time, the LMO should maintain an accrual fund for buying new licenses to avoid unexpected expenses if the company is under-licensed to begin with.

Summary

Through establishing effective SAM programs, organizations can decrease costs over time, and manage the risk associated with software license compliance. Knowledge of inventory and usage habits provides critical insight into an organization's needs, and is necessary to achieve a higher return on software investments.

While a total lifecycle management approach to SAM may seem overwhelming at first, establishing an LMO is the most effective way to gain control over your software assets. Like any business process, it involves proven techniques and clearly defined systems. When you have people on your team who are experienced and capable, SAM becomes not just a lofty goal, but a confident evolution in your organization's management methods.

i "Asset Management Tools: Enabling Transformation," Patricia Adams, Gartner Group, 2000.

ii *ibid.*

iii "Asset Management Lowers TCO," International Data Corporation, 1999.

iv "Seventh Annual BSA Global Software Piracy Study," International Planning and Research Corporation, June, 2002.

Serving over 70% of the Fortune Global 500, Software Spectrum is the largest reseller in the world. As a member of the Level 3 Communications family, we continue to redefine how software is sold, delivered, and managed on a global scale.



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