

Strategic Software Asset Management

Unlocking the Value through Entitlements



Table of Contents

The Changing Economics of the IT Infrastructure	3
Hope Isn't A Strategy	4
Introducing Strategic Software-Asset Management	5
It's All About Entitlements – Visibility and Latitude	7
Where is Your SAM Practice Today?	8
Today's IT Imperative: Why SAM Matters	9

The Changing Economics of the IT Infrastructure

In enterprises of virtually every size today, the IT infrastructure is being continually shaped by a variety of powerful and rapidly shifting economic forces. As a result of the economic crisis of 2009, IT departments are under significantly greater pressure than ever before to reduce costs and demonstrate value to the organization. Capital investments – if and when they finally get approved – are smaller and face greater scrutiny and regulation. As a result, there must be clear, low-risk connections between those investments and the hard-dollar returns.

Nowhere is this more prominent than in enterprise software. Traditionally, the big-ticket line items were primarily hardware-related; however, as continuous innovations (such as more powerful processors and virtualization strategies) and scalable manufacturing have driven down the costs of server power and networking equipment, software has risen to the dominant position in the IT budget. In fact, software and associated maintenance costs are now typically 30 percent of the total enterprise IT budget.

Another important economic reality: the recession and its effects on the commercial software market. The plain truth is that enterprise software vendors are seeing greater revenue pressure as buyers postpone purchases and upgrades. Eager to replace that revenue, many are turning to in-depth license audits in attempts to uncover compliance lapses that they can convert into revenue.

Unfortunately, few companies are prepared to respond to these audits – only 11 percent self-identify as “prepared” according to a recent survey by Gartner, Inc., the world's leading information technology research and advisory company. Gartner also warned its clients that they should anticipate at least one audit during the next twelve months. The internal administrative costs of software auditing – before any supplemental licenses or penalties are calculated – can reach an average of \$500,000 each. These unexpected costs are typically unbudgeted expenses and can be highly disruptive to IT spending plans. Given these economic realities, enterprises are more vulnerable than ever and need to mitigate audit risks by adopting smarter software management strategies.

Hope Isn't A Strategy

Without question the vast majorities of companies today do not engage in conscious efforts to systemically defraud software vendors. However, in their unguarded moments, most IT executives will candidly admit the truth: they almost certainly have unlicensed and/or unauthorized software in deployment – but they don't have the specific answers regarding what titles, how many copies, and where they're located. Sometimes, tracking is little more than a cobbled-together spreadsheet or a file folder of old invoices. Unfortunately, in too many organizations, the modus operandi with respect to software assets has been little more than “no news is good news” and a fervent hope to avoid the uncomfortable questions. But hope isn't a strategy.

In other instances, some organizations have rationalized their likely non-compliance by subscribing to a series of dubious myths:

- **Own My Software – Not likely.** Virtually all commercial software today is almost invariably licensed – not sold outright. Those licenses shrink-wrap, click-through, or others – contain a daunting variety of restrictions and nuances that must be carefully managed by the licensee.
- **If an Audit Notice Arrives, We'll Buy Licenses Before the Audit –** When the fateful audit notice arrives, most IT executives will understandably reason that the audit team “knows” that there are compliance gaps to be found. The tempting first instinct might be to hurriedly run out and license a raft of extra copies to plug any potential compliance gaps. That's almost always a bad move. A large post-audit-notification purchase merely demonstrates non-compliance and eliminates a vendor's willingness to negotiate lower prices. Vendors will assume those purchases were only made under the coercion of an audit and not in a spirit of compliance. You can't sneak cookies back into the jar.
- **We're Covered – Because We Over-Buy –** Some organizations are so eager to stay out of license-audit trouble, that they literally and deliberately over-purchase the software titles they think they'll need. While that strategy is likely very effective at preventing audits, it's also incredibly wasteful, needlessly tying up IT budget in non-performing, idle assets. It's a strategy that few executives would want to publicize since it only hides their department's inefficiency.

- **We Have an Asset Management System** – It's easy to believe that traditional automated asset-management solutions, long used by accountants to track the location and status of physical assets, are sufficient to track software assets. Unfortunately, those solutions are inherently oriented to physical assets, including servers, routers, and other physical IT assets. Even first-generation IT asset management solutions don't respond to the unique challenges of managing the software lifecycle. They're geared toward servers, routers, and other physical IT assets – and lack the essential sense of license entitlements, restrictions, contracts, or purchase history. At best, these IT asset management systems simply record an installation of a software program. They handle inventory – but don't tie in critical purchasing, contract, and licensing data to manage specific usage entitlements. For instance, older IT asset-management systems might recognize that Microsoft Word is installed on a specific computer. Unfortunately, the value of that primitive data is limited. Who knows if that installation complies with relevant license agreements?
- **I'm Covered by our Enterprise License** – Site licenses are a tremendous convenience require regular, substantial reporting on installations and usage. Without that data, you're vulnerable to major unexpected costs.

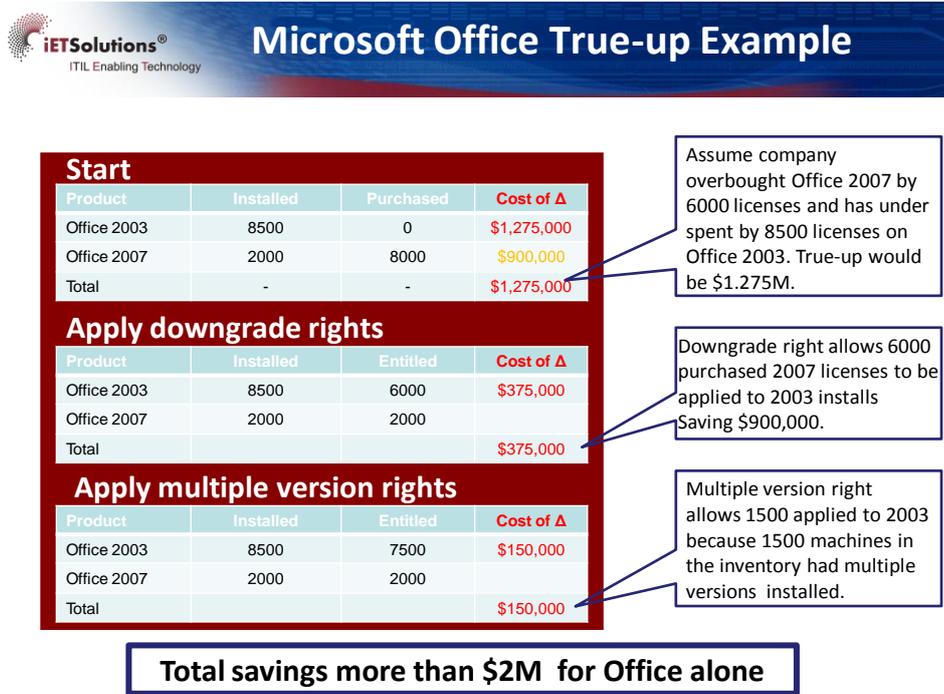
Introducing Strategic Software-Asset Management

Traditional IT asset-management systems have delivered value to the enterprise in their ability to track important physical assets. They can count servers and detail their processor, memory, and storage configurations. They can track the racks, storage devices, routers, and network equipment with great efficiency. Unfortunately, however, their designs overlook the uniquely intangible nature of software – opting to simply treat it as if it was just another physical asset and ignoring its many important facets.

These IT asset management solutions can count installations, but there is no way to tie in installed software with purchases. A copy of Microsoft Word is a copy of Microsoft Word – without any differentiation.

By contrast, strategic software asset management (SAM) focuses on the holistic picture of the license and entitlements – not just physical inventory. Advanced SAM matches the granular SKU of the installed software with an up-to-date, centralized catalog of software products and with metadata pulled from corporate purchasing systems.

Through entitlements, automated SAM recognizes the Microsoft Word installation is actually Microsoft Word 2007, part of a license for Microsoft Office 2007 Professional procured through an Open License Agreement. By sifting through the “license forensics,” these solutions can identify multi-use rights, upgrade/downgrade rights, permissible regions, and more. For example, consider the example in Fig. 1.



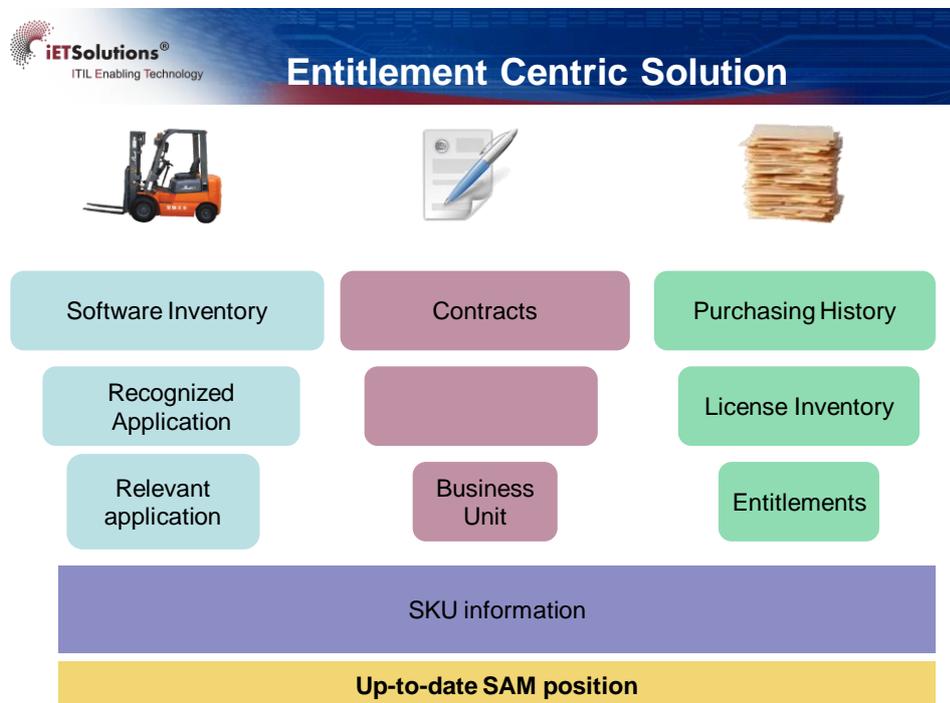
Strategic SAM can translate into significant savings for enterprises.

It's All About Entitlements – Visibility and Latitude

Unlike traditional asset-management systems that provide only the most rudimentary physical counts of vaguely identified software titles, a sophisticated, new-breed software asset management solution possesses an inherent, designed-in ability to understand, track, and report on the license entitlements owned by the enterprise.

Strategic SAM focuses on what matters: the entitlements. SAM integrates with corporate purchasing systems to find dates when licenses were purchased. It can pull up the associated contract data and license parameters, allocate costs to various departments – for each individual, unique commercial software SKU. Then, it matches the SKU to a comprehensive database of (tens of?) thousands of software titles to identify, track, report, and advise you of the specific copy's status and options. It is this understanding of the granular entitlements that gives SAM its strength and power – and a clearly superior advantage over traditional IT asset management systems.

Entitlement-based SAM gives enterprise IT the visibility and latitude that translates into dramatically greater control over software deployments, allocations, upgrades, downgrades, patches, transfers, acquisitions, retirements, and more.



The components of an entitlement-centric SAM solution.

Where is Your SAM Practice Today?

KPMG and Microsoft have developed the SAM Maturity Model, a four-phase continuum that describes how enterprise IT can evolve from basic to dynamic SAM – and how that evolution pays off in greater financial return.

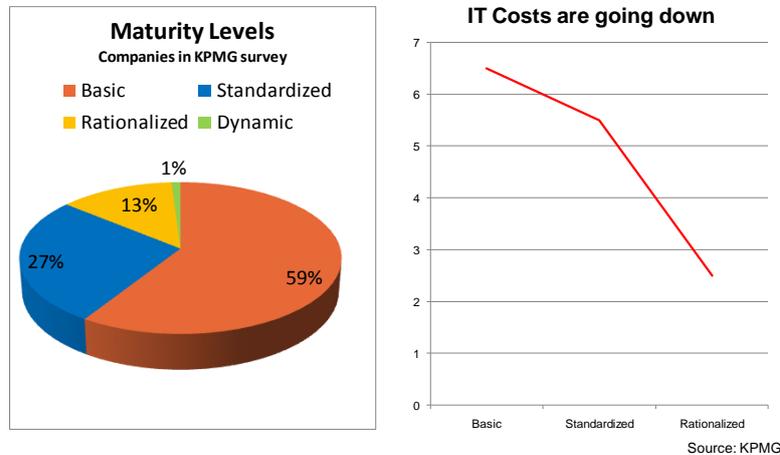
This comprehensive model incorporates standards promoted by the International Organization for Standardization and enables an enterprise to track its maturity level based on their competencies in 10 critical areas outlined by ISO 19770-1. The four phases are:

- **Basic** - At this elementary stage, there is little control over what IT assets are used and where. Decisions are typically *ad hoc*. There are no policies, procedures, resources, or tools in place to track or manage software assets that have been deployed. IT likely spends much time with internal and external auditors.
- **Standardized SAM** – In this phase, IT has begun to track assets in a standard way. SAM processes exist and there is usually some type of tool being used in conjunction with a data repository. SAM information is often incomplete and the accuracy is not very high. Companies at this stage typically are not relying on SAM data for decision making.
- **Rationalized SAM** – At this stage, enterprise IT is pursuing a vision for SAM through formal policies, documented procedures, and well-designed/deployed tools. The lifecycle of the corporate software asset portfolio is being actively managed. The reliable information produced from the solutions deployed in this phase is used for strategic decisions.
- **Dynamic SAM** – Enterprises at this phase of the SAM Maturity Model have optimized their software allocations and are capable of near-real-time alignment as business needs evolve and change. SAM is a strategic contributor to overall business objectives.

To achieve these kinds of improvements and benefits, enterprises require an entitlement-centric software asset management solution that provides the control, reporting, and agility to enable IT to adapt to changing business conditions and a volatile macroeconomic environment.



Maturity cost Savings



As companies progress along the SAM Maturity Model, companies can achieve dramatically lower costs.

Today's IT Imperative: Why SAM Matters

Effective SAM converts the corporate software portfolio from a murky, unknown potential liability into a strategic asset that can be more effectively managed to an optimal result. That's especially true with respect to cost control. For instance, by buying precisely the right number of licenses, companies can avoid the wasteful overspending of "safety licenses" and reduce their IT budget.

Just as important, by ensuring there are no license shortages, the enterprise avoids the many headaches of audit distractions, audit expenses, and painful "true-ups" – expenses that few budgets plan for. Software rightsizing also positions the enterprise to engage in informed negotiations with vendors to obtain the most favorable licensing/maintenance terms and conditions.

If an audit does arise, a strategic SAM solution equips the enterprise to respond efficiently and effectively. The right SAM solution delivers the necessary information immediately through accurate and complete reports and analyses. That eliminates the painful, time-intensive, cost-intensive "software hunt" as technicians roam the organization for weeks or even months to collect and compile audit data. That information – managed in a systemic and repeatable fashion – also becomes a component of the organization's efforts to comply with the mandates of Sarbanes-Oxley (particularly Section 404, which emphasizes the importance of managerial controls throughout the enterprise).

Ultimately, strategic SAM gives IT the control it has lacked in managing its software portfolio. Acting from a position of strength – with accurate and complete information – companies can optimize software allocations, reduce costs, avoid fines and penalties, create higher levels of budget predictability, and strengthen the compliance posture with respect to regulatory frameworks.

ABOUT iET SOLUTIONS

Building on more than 20 years of industry expertise, iET Solutions, a division of UNICOM® Global, is recognized as a leading global provider of IT Service Management (ITSM) and Software Asset Management (SAM) solutions for mid-size and large enterprises. Over 51,000 users in 26 countries partner with iET Solutions to drive the success of their IT operations and infrastructure.

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