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WHITE PAPER

IT and Software Asset Management: A Key to Reducing Costs

Introduction

While most businesses understand the importance of managing physical and financial assets and are experts at maximizing value and minimizing costs in these areas, few have mastered the ability to systematically and strategically manage their IT and software assets. It is not because the case for managing these assets isn't strong. Gartner Research estimates that "Enterprises that systematically manage the lifecycle of their IT assets will reduce the cost per asset as much as 30 percent during the first year and 5-10 percent per year thereafter."[1]

Given such substantial potential cost savings, along with the expectation that IT departments continually do more with less, why do so many companies fail to develop and implement IT and software asset management (IT/SAM) initiatives? First, there is typically a lack of actionable information to guide companies' IT/SAM strategies. While physical and financial assets are largely tangible, IT and software assets are decentralized—and in the case of software, virtually invisible—and therefore remain an enigma to many companies. This lack of knowledge, coupled with apprehension about implementing and maintaining a potentially complicated and costly asset management program, keeps many organizations from adopting effective ongoing strategies. Additionally, many organizations fail to adopt far-reaching IT/SAM programs because they don't fully recognize the strategic nature of IT/SAM and the tangible benefits it can deliver; rather, they view IT/SAM mainly as a "license management" initiative whose purpose is to mitigate the risk of noncompliance.

The purpose of this white paper is to demystify IT and software asset management and discuss the specific cost savings, including those related to software compliance, that can be obtained by implementing an effective IT/SAM program. Specifically, it will discuss how an IT/SAM program can help your organization:

- Eliminate overspending on software licenses.
- Reduce human resource overhead related to supporting and managing desktops.
- Ensure the organization is legally compliant with its software licensing contracts, thereby eliminating the financial (and other) risks of noncompliance.

Finally, it addresses how to conduct a pilot audit so you can determine how your organization is likely to benefit from implementing a formal IT/SAM program.

Cost Savings #1: Overpurchasing Software Licenses

Perhaps the largest cost savings that organizations can achieve through an effective IT/SAM program relates to eliminating the overpurchase of software licenses. The average organization has approximately 2.5 unused applications per workstation, representing a clear opportunity to drive down software costs.[2]

Overbuying occurs for a variety of reasons. Some organizations deliberately overpurchase software licenses in order to reduce their risk of noncompliance. Other organizations decide to buy licenses for every member of their organization in order to achieve a volume discount or other favorable terms from their software vendor. Most commonly, however, companies overspend because they believe the risk of employees not having the software they need out-weighs the costs of purchasing extra licenses.

No matter what the reason for overpurchasing software, most organizations simply do not have the information they need to accurately match procurement levels with users' needs. A strong IT/SAM program should include a tool that provides functionality often referred to as "software usage tracking" or "metering," which reveals how frequently each application is being used, and by whom. This data allows organizations to better analyze and forecast the needs of their users, negotiate licensing agreements that map to actual usage patterns among employees, and ultimately eliminate unnecessary software spending and/or reallocate software to employees that are more likely to use it.

One company, Attorneys' Title Insurance Fund, implemented an IT/SAM program within its organization when its CIO mandated that the IT department cut costs by reducing software inventory. By incorporating software usage tracking into its IT/SAM program and collecting usage data for its 1,200 users across 17 locations, Attorneys' Title Insurance was able to pinpoint exactly which applications weren't being utilized and ultimately reduce its annual software costs by as much as $40,000.

Cost Savings #2: Supporting and Managing Desktops

Another area where organizations can achieve significant cost savings with IT/SAM relates to the "hidden" costs of PC hardware and software—the costs of supporting and managing those desktops—which generally comprise the lion's share of the total cost of ownership (TCO). Such costs, as any IT professional will testify, can be staggering. In fact, according to Gartner Research, IT assets and associated support systems can account for as much as 40 to 60 percent of the average organization's IT operational budget.[3]

An effective IT/SAM program that places an emphasis on collecting data regarding what types of software are installed across the network, as well as monitoring usage patterns, can help companies rein in these support costs substantially. One cost regularly incurred by companies lacking formal IT/SAM programs is the overhead associated with conducting manual hardware and software inventories. Today, many companies conduct ad-hoc manual audits to ensure they are compliant with their software licensing agreements. Likewise, when organizations plan to deploy new technology to their users, manual inventories are performed in order to

[1] Patricia Adams, "IT Asset Management Stages: Stairway to Success" presentation, Gartner IT Asset Management and TCO Summit, 2003
[2] Research among Express Metrix customer base, 2002
[3] Jack Heine, "IT Asset Management Basics presentation," Gartner IT and Software Asset Management Summit, 2005

determine which workstations lack the hardware and/or software required for the roll-out. Furthermore, when employees have issues with their PCs, support staff often must physically visit users' offices to determine what hardware configurations and/or software installations may be causing issues. Not only is it extremely time-consuming and non-scalable to conduct machine audits by hand, but it is also error-prone. With a wide range of IT/SAM inventory tools available on the market, collecting inventory data for specific users has become automated and simplified, freeing up hundreds upon hundreds of IT hours within the average organization, reducing the frequency of errors to practically zero, and making inventory data readily available for other IT/SAM initiatives.

Additional costs that can be reduced by IT/SAM programs include those related to the use of unauthorized programs. Significant support costs can be incurred when employees install unlicensed software, freeware/shareware, or other non-work related applications on their machines. These may include programs such as instant messaging, P2P applications, games, or MP3 files which may compromise network security by introducing viruses, worms, or spy ware, as well as consume valuable bandwidth or disk space. At best, these issues require the attention of help desk and/or IT staff to resolve, substantially increasing an organization's support costs. At worst, a security breach can result in the loss of intellectual property or damage the productivity of thousands of employees, generating costs which are nearly impossible to quantify. By conducting regular inventories of software installations, a good IT/SAM tool can reveal whether unauthorized programs exist that may contribute to escalating support costs, network security or performance issues, and poor productivity. Likewise, an IT/SAM program should be able to reveal whether certain users do NOT have the appropriate software—for example, a critical security patch—installed on their machines.

A final "hidden" cost of software is related to supporting nonstandard desktops across an organization. Often times, a company has multiple titles or versions of a particular type of application, which inevitably drives up support and training costs. Many companies choose to standardize on specific vendors and/or software versions in order to achieve savings associated with a more homogenous software environment. Collecting data on usage patterns among employees can reveal which programs are used most often and which software may therefore be good candidates for becoming "standard" across the organization.

For example, when a multinational pharmaceutical company[4] needed to reduce the number of its applications from 1,200 to 200, the company used an IT/SAM tool to determine which applications were most frequently run. This helped reduce their applications to a manageable level, with a corresponding gain in productivity and fewer applications to support.

Cost Savings #3: Illegal Software Use

For many companies, the biggest d For many companies, the biggest driver of IT/SAM initiatives is an effort to remain compliant with software licensing agreements. With vendors stepping up efforts to combat piracy, Gartner Research estimates that through 2006, 40% of mid- to large-sized organizations will undergo a software audit.[5] If a business is found to be out of compliance, it not only faces possible financial penalties for copyright infringement, but it may also face a disruption to daily business- and negative publicity. These costs be extremely burdensome, as the typical timetable given to companies for achieving compliance is only six months, leaving organizations scrambling to meet their deadlines.

The chart below illustrates how much a business can save by conducting periodic internal audits as part of an IT/SAM program. In this example, a self-audit found three different titles with fewer licenses purchased than actual copies installed. The total cost of bringing the licenses into compliance was $2,158. Yet if the organization had been audited, bringing the licenses into compliance would cost much more than the license fees alone. The company would also have been required to pay a penalty based on two to three times (depending on the auditing body) the amount of the manufacturer's suggested retail price for each unlicensed program, plus legal fees. In a civil lawsuit, the penalties are generally much stiffer—up to $150,000 per title infringed, plus legal fees. And, as mentioned previously, there may be additional costs associated with the interruption of business operations and other potential economic losses stemming from negative publicity.

Scenario	Potential Penalties	Purchase	Grand Total
Self-audit	$0	$2,158	$2,158
BSA audit	$4,316 + $3,500 legal fees	$2,158	$9,974
Litigation	$300,000 + legal fees/costs	$2,158	$302,158+

Discovering the Need for IT/SAM in Your Organization

To find out how you organization could save from a formal IT/SAM program, you should conduct a pilot audit on a limited number of PC. The chief focus of this initial audit is to discover whether you own more software than is being used and whether there are programs installed in your environment that could pose legal, security, or other risks to your organization.

To conduct a meaningful audit, you will likely need to secure corporate approval and recruit team members for the project from across the organization. Ideally, representation from IT, accounting, purchasing, legal, human resources, and business units will be included.

[5] Jack Heine and Alvin Park, "The IT Asset Management Scenario" presentation, Gartner IT and Software Asset Management Summit, 2005

Conducting Your Audit

The following steps will help you when conducting your initial assessment:

1. Gain support throughout the organization.
2. Assemble your team.
3. Determine the objectives and scope of your initial audit.
4. Select the tool(s) for the audit.
5. Determine responsibilities of staff.
6. Schedule the audit.

You need to choose team members who can be objective and independent. Initially, you should limit the scope of the audit to keep the project manageable; you can always roll it out to more workstations later. Look at the state of your ownership records, your organization's history of tracking software, and the number of networked PCs versus stand-alone PCs in your organization.

The most important tools for the project are those that perform software (and hardware) inventories, as well as monitor software usage. Conducting a successful inventory will answer the basic question of whether your organization is legally compliant, and it will also reveal the presence of games and unauthorized applications that may adversely affect productivity or security. Software usage tracking, or metering, will tell you how frequently the software is being used, and by whom. Together, inventory and usage tracking/ metering will give you a clear picture of your current status.

Inventory

Doing a manual inventory is simply not practical for any but the smallest of organizations. A manual inventory typically takes half an hour per PC just for collecting data; the analysis is even more time-consuming. To conduct an audit efficiently you will need an automated inventory tool. For the best results, use these guidelines when choosing an inventory tool:

- Look for a tool that does not disrupt the end user.
- Make sure the metering client is invisible to end users.
- Make sure you can import or enter purchasing data into a single location, and that the tool reconciles inventory data with purchasing records to reveal any discrepancies.
- Review the method and rate of application recognition. (No tool can identify 100 percent of your commercial applications, but you should expect something very close.)
- Verify that the tool associates support files and other executables with their parent applications, so you don't need to sort through thousands of unknown or unrecognized files.
- Make sure the inventory tool regularly updates its database of recognized applications.
- Confirm that you can add information on in-house applications, if appropriate.
- If your organization is large, evaluate the tool's scalability and automated rollout capabilities.
- Identify how comprehensively and how easily the tool gathers hardware information.
- Make sure the tool offers an easy method for scanning remote or stand-alone PCs and incorporating the data into its reports.
- Look at the reporting and analysis capabilities to ensure they provide data that meets your organization's needs.
- Choose a tool that can support all the desktop operating systems in your organization.
- Select a tool and that is easy to install and maintain.

The inventory should tell you whether your organization is legal, what applications may be affecting user productivity or security, and whether you are unnecessarily spending money on software that isn't being used. Usage tracking/ metering will provide additional data that, together with inventory, can help you make informed decisions about procurement levels and lower your organization's total cost of ownership.

Software Usage Tracking/Metering

The second component of your audit is software usage tracking, or metering. While an inventory can give you a quick view of what is installed on your desktops, you need usage data to provide a more comprehensive view of which applications are actually being used. To explain how inventory and usage tracking/metering work together, consider the following example:

Your company mandate is to become compliant on all Microsoft applications. You conduct an inventory and discover there are 400 copies of Microsoft Project installed on your desktops, but you have purchased licenses for only 300 copies. Based on this information, you might decide to purchase 100 copies. But that's before collecting usage data.

Suppose you run usage tracking/metering software for 30 days to see how many people are actually using Project. The tool provides a report showing that only 200 copies of Project have been launched during this period, as well as the workstations on which those unused copies reside. The result? You will either save money when you renegotiate your Project licenses, or you will reallocate those licenses to other users who need it. Even if you choose not to renegotiate or reallocate your licenses, you will save money by avoiding the purchase of an additional 100 licenses in an effort to become compliant.

As you evaluate a software usage tracking/metering tool, refer to the considerations discussed in the previous section for inventory tools.

Application Control

Another consideration when evaluating IT/SAM tools is application control functionality. Application control allows IT administrators to block the launch of unauthorized or unlicensed software, or essentially lock down the desktop. With a standard desktop—and therefore fewer applications to maintain—organizations can save a great deal of money on training and support costs. Additional benefits associated with control

functionality include maintaining license compliance, preventing viruses or other security threats, managing server load and network performance, and maintaining productivity by prohibiting the use of non- business-critical applications such as chat, P2P or gaming programs.

Reports

For both inventory and usage tracking/metering tools, the quality and substance of reported data is paramount. All of the available tools are capable of producing mountains of data. But the focus of your project is to save time and money. You do not want to have to sort through all the data to discover what it means.

Look for tools that analyze the information that is collected. If you start with the question "Am I legal?", your tool should provide a bottom-line report that answers that very question. Reports should automatically reconcile software that has been purchased with that which has been installed and/or is being used. They should give you summaries and detailed data for your entire organization, specific groups, and individual PCs. They should allow you to provide varying levels of information to specific users or groups in the organization. In summary, do not settle for a tool that is not comprehensive, straightforward, and flexible enough for you to make strategic decisions regarding how to manage your IT and software assets.

After the Audit

Your initial audit should demonstrate how a formalized IT/SAM program can help you save money on future software purchases, how you can reduce your total cost of ownership, and whether you are vulnerable to security threats, poor productivity, or impaired network performance based on the use of unauthorized programs. It should also tell you how vulnerable your organization would be in the event of an external audit and the corresponding costs for achieving legal compliance. Given this information, you can make informed decisions about how to allocate your resources. Of course, the only way to ensure you can continue to optimize your software budget and remain compliant is to conduct these reviews annually (or potentially more often) as part of an ongoing program. The audit can be an important first step toward uncovering just how valuable an ongoing IT/SAM program could be to your organization.

Summary

Cost savings are one of the most important benefits of an IT and software asset management program, a process that helps you track, analyze, and manage the installation and use of hardware and software within your organization. A comprehensive IT/SAM program integrates the physical, contractual, and financial elements of IT assets together in order to streamline and inform high-level business planning. For many organizations, the first step—and the most critical part—of that planning involves identifying and understanding the use of the IT and software assets that your organization requires in order to conduct daily operations and remain productive. The widespread tendency to overspend on software, the enormous human overhead required to manage and support desktops, and the risks of noncompliance all point to a need for clear, incontrovertible information. An effective IT/SAM program can provide that critical data and help organizations to more strategically manage their IT and software assets, achieving considerable cost savings—while managing risk—in the process.

About Express Metrix

Express Metrix has proven leadership in software license metering and asset management software during more than 11 years of experience focused on this field and through its installed base of over 1,100 active customers. Winner of the 2005 Software Asset Management Partner of the Year award from Microsoft, Express Metrix solutions allow enterprises to ensure software license compliance, plan for technology migrations and software upgrades, and effectively manage their IT assets and budgets.

Express Metrix offers a suite of software asset management tools that provide the streamlined solutions companies need to conduct in-depth analysis and management of desktop PCs and applications. The Express product line includes Express Software Manager Professional®, Express Software Manager Standard®, Express Inventory® and Express Meter®. Express Metrix currently holds Gold Certified Partner status in the Microsoft® Partner Program. More information on Express Metrix can be found on the company's web site at www.expressmetrix.com.

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