



Are You Prepared?

Growing Consumer Awareness is Propelling Shift Toward Strategic Software Asset Management

If there is one universal truth in the world of IT and software asset management, it is this:

No company enjoys a software audit.

Simply put, audits have traditionally been unpleasant for customers. The very thought of software representatives appearing at the door – checking to see that all of a company’s software is fully licensed, and that every application is paid for – is enough to make even the most stoic CIO blanch.

Customers haven’t appreciated the feeling of being forced to comply, having to pay additional money for licenses, or any of the myriad other issues involved with audits that don’t end smoothly. And no customer has relished the idea of sifting through the reams of often disorganized audit documents that result.

In preparing for audits, the traditional model of fear-based compliance has sent countless IT personnel off on panicked searches to find missing or less-than-clear information about their company’s software licenses. This model has caused gridlock, confusion, and time drainage for everyone in a company’s IT department – from systems support straight up to the CIO. When paperwork could not be found, the result was often a waste of precious IT budget, with companies buying more licenses just to be sure they were legal.

The inefficiencies and confusion inherent in a fear-based compliance model begs along? fundamental question: *Why* has this approach to compliance been favored for so at first, there wasn’t much of a choice.

Consider IDC’s 2005 “Global Software Piracy Study,” which reported that 21 percent of software in the United States is unlicensed. This same study also concluded that last year alone, the U.S. lost \$6.6 billion as a result of software piracy.

Consider, too, that for software manufacturers, targeting unlicensed software in businesses represented revenue opportunities – while for businesses, audits are audits, and legal is legal, and companies knew that they had one of two options: They could submit to unannounced, time-intensive audits and “prove their case” on compliance to vendors or third parties, or, they could fail the compliance test, and garner a host of steep fines and penalties in the process.

This traditional system has been less than ideal for software vendors, as well. In addition to being hindered from building better relationships with their customers, they’ve had to spend significant PR time and capital to shake off the Poster Child of Greed image associated with being a software vendor.

In short, the traditional model of fear-based compliance has clearly represented more of a “lose-lose” situation, for software companies and customers alike.

The good news is that this model is finally – and robustly – changing, and this growing shift could not be more welcomed. Software publishers are learning from these experiences and, together with their customers, are shifting toward a more productive, organized, and customer-friendly model, one which concentrates on longer-term, strategic IT and software asset management (IT/SAM).

The beauty of this new model is that strategic IT/SAM goes beyond helping customer companies prepare for successful audits; it actively engages them in multiple facets of the important strategic planning and proactive decision-making that will follow. This is a pivotal new direction that more and more companies are learning to use to their best advantage.



Compliance, of course, is no less important today. But the major difference which customers are realizing between the old model and the new is that by focusing solely on compliance and just “getting through” their audits, they’re missing out on several key benefits. These defining benefits include increased efficiencies and worker productivity, easy access to streamlined IT and software information, and more strategic use of both software and hardware resources.

Another central benefit is the resulting savings – savings that have the power to redraw the entire balance sheets of businesses. According to Gartner, recognized as a leading provider of research and analysis about the global IT industry, IT assets and associated support systems can account for as much as 40 to 60 percent of a company’s total operational budget. It goes without saying, then, that decisions regarding the management of these assets can have significant budgetary impact.

In this climate and setting, more and more companies are taking advantage of cutting-edge PC inventory and IT/SAM tools that simplify the audit process, demonstrate how to use a company’s existing licenses more strategically, and significantly rein in costs by identifying applications that aren’t even being used.

Producing clear, comprehensive reports for a company that detail where the company is compliant and where it’s not is, of course, critical in preparing for any audit. But realizing the full value of an IT/SAM program requires looking beyond that part of the process required to simply satisfy the need for an audit. It requires integrating a company’s *inventory* of assets with the *usage* of those assets, and to strategically map the road beyond the audit.

During the November 9-11 IAITAM 2005 Annual Conference and Exhibition in Orlando, Florida, I had the opportunity to speak with a considerable number of business representatives whose companies are implementing SAM programs. It was encouraging to observe how people are clearly becoming more sophisticated in their SAM processes, and demanding a tool that will help them be more strategic in how they manage their IT assets. For them, simple inventory tools are no longer enough.

More and more, these people are telling us that strategically managing their company’s software assets is, quite simply, good for business. A November 2005 international survey conducted supports this mindset: the survey found that SAM generated an average 131 percent return on investment and an average savings of \$717,000 – no meager sum on the savings spectrum.

Strategic IT/SAM also makes the best use of resources. By correctly identifying unused applications during inventory, for example, associated support costs can be significantly reduced. Say that a company has paid for 300 licenses for an application; however, that company is only using half of those licenses. This information may be viewed strategically, rather than just through a short-term lens: Might the company want to reallocate those licenses? Might they want to renegotiate their contract with their software supplier?

Information such as usage monitoring and a company’s ability to proactively respond represents a whole new way of doing business. It teaches companies how to be smarter about their resources – how to approach decisions in less of a short-term, compliance-driven way, and aim for a longer-term, strategic, and ultimately money-saving model.

This, in turn, translates to a more common sense way of doing business; businesses succeed in moving from a one-time audit mentality to a forward-looking model where *tools* and *process* become the centerpiece. Customers are realizing that an audit is a one-time event, whereas implementing a strategic IT/SAM program is an ongoing, smart-thinking process that can only benefit the company. This new model offers a whole new level of empowerment and self-determination for them.

Consider another example: In today’s market, customers are demanding a tool that will work for them instead of them working for the tool. Many inventory tools still only “discover” what they recognize during an inventory. This means that if applications are installed on a company’s computers which the tool doesn’t recognize, the tool won’t actually report anything to the customer indicating the presence of those applications. It doesn’t help a company that’s trying to be compliant if the tool they’re using doesn’t recognize an important application on a computer. It’s hard for an empty bag to stand upright, to quote Ben Franklin.



When an application is discovered during an inventory, the tool also needs to indicate which software suite the application belongs to. Take Microsoft Word, for example: businesses need to know not only that Word is installed, but also whether that installation stems from a product suite such as Microsoft Office Professional or Microsoft Office Standard.

Customers are catching on to important distinctions like this, and demanding more comprehensive, user-friendly solutions. They want information that's useful for making a decision, and they want the ability to dissect this information as they need it.

On the IT asset front, Gartner provides additional evidence that companies are more strategically managing these assets, having found that adoption of IT asset management increased from 20 percent in 2003 to 30 percent today. Gartner has also found that organizations which systematically manage the lifecycle of their IT assets may reduce costs by as much as 30 percent the first year, and up to 10 percent annually during the next five years.

The market shift to a genuinely strategic approach comes down to this: A CIO sends down the message, "We need to reduce our software licensing costs, our

support costs – our overall IT costs. Do it." What's finally starting to happen in the marketplace is that people are realizing that strategic IT and software asset management enables them to do just that. They can save money in this area of their business, the same way they'd want to save money in any other area.

As more companies become aware of the growing number of efficiency and money-saving opportunities that exist, this market shift will only become more pronounced – news that benefits players on both sides of the fence.

In closing, it's worth noting that following its one-year SAM program that Microsoft piloted in the United Kingdom in 2004, the company found this effort to be so successful that it launched a certified partner competency in Software Asset Management on November 14, 2005 in the United States. This competency initiative will train partners to support their customers in implementing SAM – a welcome development for customers, as it shows that one of the primary members of the Business Software Alliance (BSA) has an actual program to support SAM.

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