

WHITE PAPER

Mitigating Risk and Reducing Cost: The Role of the Board in Software Asset Management

Sponsored by: FAST IIS

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EXECUTIVE SUMMARY

This IDC White Paper, the third in a series of four papers that provide a guide to successful software asset management (SAM), looks at the role procurement and non-IT stakeholders have to play when it comes to managing software assets.

The second paper in the series provided the IT management perspective on this topic, this paper complements the second paper in the series in looking at how non-IT management is viewing the subject. We would encourage IT professionals to look at this paper for a view of the procurement issues and we would encourage non-IT professionals to read the second paper to gain an understanding of the IT challenges.

The main findings of this paper are that:

- ☒ Procurement and IT both have a critical role to play in an effective SAM strategy. Where procurement is not working closely with IT, the organisation experiences an increase in the cost, risk and complexity of managing software assets.
- ☒ The board needs to take responsibility for SAM and manage the initiative from the top down, recruiting and managing resources from procurement and IT as appropriate.
- ☒ There is a wide disparity in views on SAM from procurement and IT and all parties in the organisation need to work together to get to a common viewpoint and strategy (see above — this needs to be driven and facilitated by the board).
- ☒ SMBs have the advantage of being able to organise their teams quicker than larger organisations, but lack the skills to ensure they are compliant. SMBs should look to partners to help ensure their infrastructure is effectively managed.

The next and final paper in this series will look at the risks to your business from not having a well-managed SAM strategy in place.

SCOPE AND METHODOLOGY

This paper is the third in a series of four white papers that look at software use and software asset management (SAM), quantifying the risks and benefits of different approaches to managing software assets.

The paper is sponsored by FAST IIS, which has formed the Software Industry Research Board (SIRB) to assist those involved in evaluating, purchasing and managing software by providing a common resource to determine where your approach stands relative to the market and to best practices.

FAST IIS and IDC will carry out this research annually to understand how companies and public sector organisations are responding to the commercial and legal pressures that the fast-changing software industry places on them.

We welcome comments on this paper and input on the direction of future research, which can be sent to:

- ✉ John Lovelock, chief executive, FAST IIS (john.lovelock@fastiis.org.uk)
- ✉ Chris Ingle, consulting and research director, IDC (cingle@idc.com)

In response to feedback from the first paper we have tried to draw out the differences and similarities in SAM practice between small and mid-sized organisations (defined as those with fewer than 500 employees) and large enterprises (defined as those with more than 500 employees).

This paper is based on two sources:

- ✉ IDC's ongoing research into SAM and approaches to managing software in business and public sector organisations. IDC defines SAM as the IT practice of acquiring, optimising and retiring software licences throughout the software life cycle. Software asset management provides IT and business executives with the total view of software assets used, including costs, users of the assets, scheduled updates, replacements and retirements in order to optimise software asset use within the organisation to meet company goals and objectives.
- ✉ A 2008 survey of 601 IT executives and buyers of software in the UK. This is representative of the UK business market by size of company and investment in software.

WHAT IS SAM AND WHY ISN'T IT IMPLEMENTED EFFECTIVELY?

SAM describes a range of processes and technologies that enable organisations to reduce their cost from over-purchasing software licences and avoid compliance and security risk from unlicensed or illegal software.

In the first paper in this series we identified several themes that emerged from the work we have done with organisations on their SAM strategy. We found that:

- ☒ 80% of organisations use software to improve their business processes and improve the effectiveness of their workforce.
- ☒ 75% of organisations claim to have a formal SAM strategy. However, the low level of maturity in SAM practices causes organisations to misallocate investments in software. This results in too much resource being allocated to some assets and the processes they are supporting and too little to other assets.
- ☒ A poorly implemented SAM strategy also exposes an organisation to non-financial risks. In particular we identified legal risks, viruses and corruption of data.

Our research identified a number of groups outside the IT organisation that are critical to a successful SAM strategy; these include:

- ☒ Board members who have responsibility for managing the financial and non-financial risks to their organisations.
- ☒ Procurement professionals who are responsible for acquiring software and will be involved in audits of software entitlement.
- ☒ In smaller organisations with less formal SAM procedures, line of business managers need to understand the role they play in managing software assets and appreciate how their actions affect the organisation.

This paper will focus on some of the key issues for these groups of people that prevent a SAM strategy from being successfully executed. The two major issues that we have identified are:

- ☒ For board members, there is a need to take responsibility for ensuring that there is an effective SAM strategy, allocating a budget to ensure that staff can fulfil the strategy and ensuring that the strategy is delivered.
- ☒ For procurement professionals it is critical for management to work with IT in a partnership to develop and implement a SAM strategy, creating an effective mix of people, processes and technology — and taking advantage of the technical capacity IT brings to an effective SAM strategy.

This paper contrasts some of the views from non-IT professionals and IT professionals to help understand these issues and provide advice on how you can ensure that your organisation is managing its software assets in a cost-effective manner and has its risk understood and under control.

SAM FOR NON-IT SPECIALISTS

The first paper in this series looked at the basic principles and adoption of SAM. One observation made by those contacted in our research is that the terminology surrounding software licensing and SAM can be confusing. Table 1 gives a summary of some of the terminology and implications of this for procurement professionals (refer to this same section in paper two for the IT equivalents).

TABLE 1

Basic Guide to Licensing Concepts

Concept	Description	Implication for Procurement
Software Licence and End User Licence Agreement (EULA)	A legal agreement between a software vendor and user which stipulates the terms on which the software can be used. The agreement is usually called a EULA.	In general, licences do not assign ownership of the software; they specify how the software can be used. EULAs are often not reviewed and research shows that procurement spends less time reviewing EULAs than IT professionals. Organisations need to put in place a process for reviewing EULAs and ensuring that they comply with the terms of the EULA.
Volume Licence	Licence terms typically issued to an organisation to allow use of multiple copies of software in the organisation.	Procurement should be looking for ways to consolidate licensing. For large corporations, volume licensing offers a mechanism for consolidating licence agreements and making licensing easier to manage.
Packaged Product	Typically, a licence for a single use of the software.	See above in volume licence section.
OEM Licence	A licence to allow a computer manufacturer or other party to distribute software with its own products.	See above in volume licence section.
Perpetual and Non-Perpetual Licence	A licence in which the user is allowed to use the software in perpetuity or for a limited period.	Procurement needs to ensure that the organisation is complying with licence terms by having an audit trail that shows that applications are retired when the licence expires.
SAM: Software Identification	Tools for identifying software running on the network.	This requires technology to identify and audit and is a critical area for procurement to work more closely with IT.
SAM: Software Tracking	Tools for tracking use of applications.	This requires technology to identify and audit and is a critical area for procurement to work more closely with IT.
SAM: Licence Reconciliation	Reconciling licence entitlement with software use.	IT and procurement should have a joint process for reconciling use and entitlement.
Software Life Cycle	The selection, deployment, management and retirement of software.	This typically is an IT department responsibility, but often is not linked to SAM. Procurement needs to work with IT to build these links.

Source: IDC, 2009

THE ROLE OF MANAGEMENT — SOFTWARE ASSET MANAGEMENT AND THE BOARD

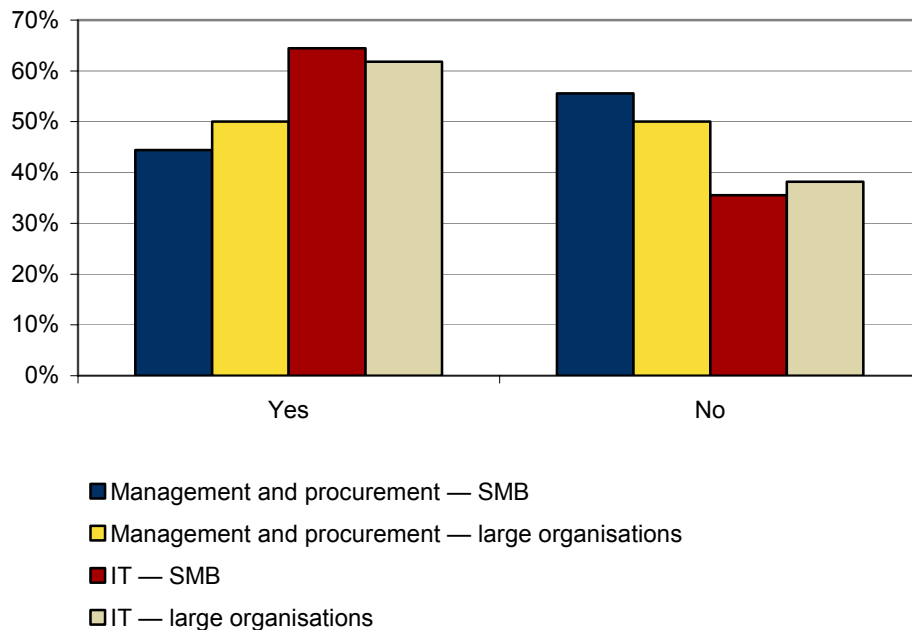
The first paper in this series made the recommendation that an effective SAM strategy should be directed by the board of an organisation, delegated to its procurement and IT functions to ensure that the company as a whole is not at risk.

50% of the non-IT management surveyed for this project believe that a wide range of people outside the board have formal accountability for software licence compliance. Given that ultimate responsibility falls on the board, this suggests that a significant base of organisations is exposed to risk.

IDC research suggests that, compared with their IT colleagues, non-IT professionals place less emphasis on the material risks associated with lack of software compliance. As Figure 1 shows, only 48% of general management staff in larger enterprises believed that compliance was a risk to their organisation, compared to over 60% of their IT colleagues.

FIGURE 1

Is Lack of Compliance a Material Risk to Your Organisation?



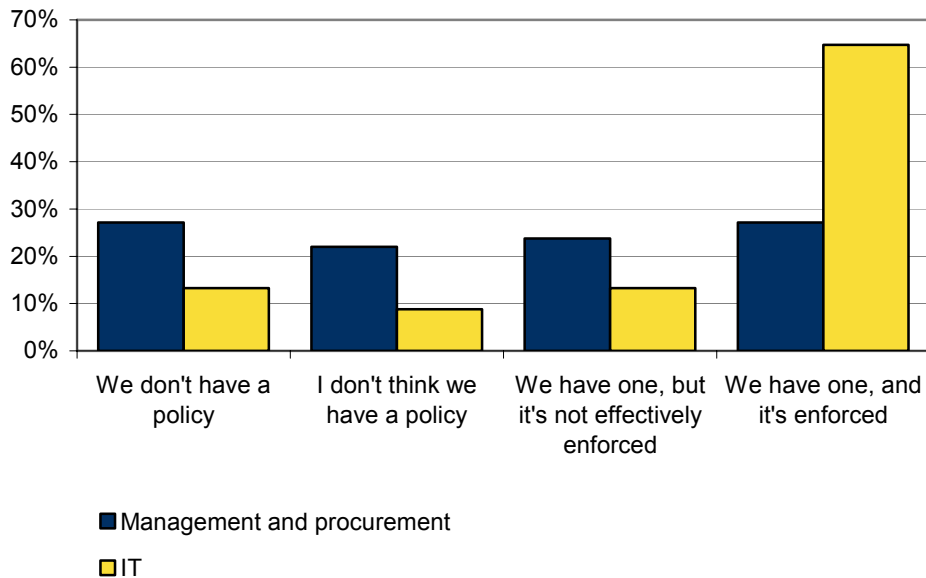
Source: IDC, 2009

In SMBs the challenge is even greater, with only 45% of management respondents believing that lack of compliance is a material risk to their business. Thanks to their size and lack of complexity, SMBs face fewer challenges in developing and implementing effective processes, but, as the example above shows, have to carry out more work to understand the issues and respond to the challenges.

In larger organisations, the need for board involvement and sponsorship in developing a strategy which aligns their IT and procurement functions is critical as there is considerable divergence between the views of IT and procurement on a range of important issues. This divergence can be seen in a number of issues related to SAM. Policies relating to pirated software provide a good example, as shown in Figure 2.

FIGURE 2

Differences of Opinion on Piracy Policy between Management and IT



Source: IDC, 2009

As Figure 2 shows, the majority of IT professionals believe that their organisation has a policy to combat software piracy and that it is enforced by the company, whereas management and procurement are uncertain about the status of their policy. Only a board-level initiative to develop an effective SAM strategy can ensure that the whole company is protected against the higher risk and cost of not having a properly managed software estate.

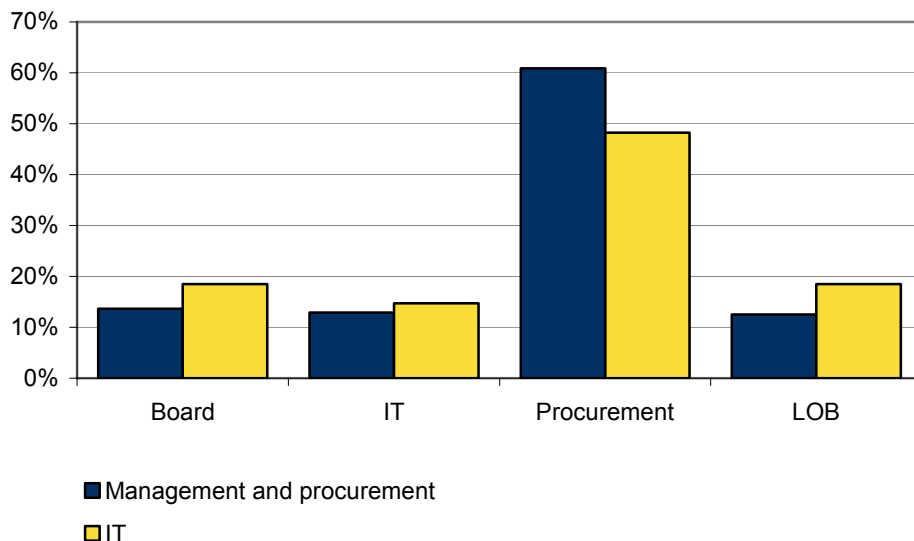
THE ROLE OF PROCUREMENT AND MANAGEMENT — SAM IMPLEMENTATION

Once your organisation has managed to get board involvement in developing an effective SAM policy (key parts of such a policy are set out in the first and second papers in this series), what's the next step?

Our research shows that joining up the activities of procurement with those of IT is the single most important step toward implementing effective SAM. The reason for this is shown in Figure 3.

FIGURE 3

Who is Responsible for Purchasing Software: Different Perspectives from IT and Management



Source: IDC, 2009

Although there is some split of responsibility for purchasing software, procurement tends to have responsibility for purchasing, with implementation being the responsibility of IT. In SMBs and in some larger organisations, line of business managers can also control significant IT resources and purchasing.

The risk associated with any lack of clarity is that it is more difficult to achieve alignment between the functions — and therefore the organisation risks being inefficient and non-compliant.

Our research shows that 50% of procurement functions found that an audit put costly demands on their resources, compared to 38% of companies where SAM is managed by IT.

The reason for this discrepancy in cost is that the tools and processes that are available for managing software assets are typically installed and managed by IT, but general management is not aware of them or does not have access to the right data.

We noted in the first paper in this series that the discovery phase of a SAM strategy requires IT to identify all the software running on client devices and on the network. Only if procurement professionals have access to this data can they ensure that software use is reconciled with licence entitlement.

As well as working with IT on software asset discovery procurement, line of business management needs to ensure that it has the resources to understand licence entitlements and changes to EULAs. Our research shows that management tends to review licence agreements less than IT. Non-IT management feels more overloaded with information on licence changes and therefore needs to work with colleagues in IT to ensure that reviews are carried out in a timely and cost-effective fashion, with the responsibility being understood and shared by those best placed to ensure the organisation is compliant.

Finally, when we look at procurement and management in SMBs, we see a different challenge to that in large businesses. In SMBs this issue is falling upon line of business people who lack the time and skills to respond effectively. As a result, management of SMBs finds that audit is more costly and less beneficial than for larger organisations and for IT functions. SMBs should look for tools and partners to assist with this process and ensure that audit is beneficial to the business rather than costly.

CONCLUSION

This paper has looked at SAM from the perspective of general management and procurement professionals. There are two main conclusions:

- ☒ Procurement needs to ensure that SAM is viewed as a board-level issue and that the board takes ownership to facilitate a closer alignment between procurement and IT.
- ☒ Procurement functions need to develop a working methodology with IT to ensure that both functions understand how their individual goals fit into the wider SAM strategy and that both parties are using common data and processes.

Some of the same recommendations from our research into IT needs apply to procurement, in particular the need for training on SAM. We encourage procurement professionals to read the first and second papers in this series for more information.

The fourth and final paper will be available shortly and will examine the costs of not managing software effectively.

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