

## WHITE PAPER

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# Don't be Misled: Managing Software Assets from an IT Management Perspective

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## EXECUTIVE SUMMARY

This IDC White Paper, the second in a series of four papers that provide a guide to successful software asset management (SAM), looks at managing software assets from the IT management perspective.

The next paper in the series will look at SAM from the perspective of general management and procurement. The aim is for each paper to show the common areas that IT management and general management have in approaching SAM, as well as the areas of difference. We would encourage general management and procurement to read this paper to get an understanding of the role of IT, and IT to read the next paper to get an understanding of the role of general management and procurement.

The first paper in this series identified the benefits that companies saw from using software to gain a competitive edge for their business. We found that 80% of organisations procure software to improve their business process and make their workforce more effective.

The main findings of this paper are that:

- Procurement and IT disagree on who is responsible for SAM, which can cause inefficiencies and potential risks to the business due to a lack of a combined approach.
- IT professionals lack the training and skills to ensure that software assets are managed effectively in their organisation.
- Smaller organisations face more resource and skills challenges when compared to large businesses.
- IT processes and policies inhibit effective SAM.

In light of these findings, IDC recommends that IT professionals:

- Ensure that the responsibility for SAM is clarified.
- Request training on how to manage software assets effectively.
- Review the IT department's approach to user support and application support to ensure that these contribute to effective SAM.

The next paper in this series will look at the issues around SAM from the perspective of general management and procurement.

## SCOPE AND METHODOLOGY

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

The paper is sponsored by FAST liS, 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 their approach stands in relation to the market and to best practices.

FAST liS 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 liS ([john.lovelock@fastiis.org.uk](mailto:john.lovelock@fastiis.org.uk))
- ✉ Chris Ingle, Consulting and Research Director, IDC ([cingle@idc.com](mailto:cingle@idc.com))

In response to feedback from the first paper we have tried to draw out the differences and similarities between SAM practices in small and mid-sized organisations (defined as those with fewer than 500 employees) and those in large enterprise organisations (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 — to maximise cost efficiencies and minimise risks to the organisation.
- ✉ A 2008 survey of 601 IT executives and buyers of software in the UK. This is representative of the UK business market by company size and investment in software.

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

The implementation of processes and technologies that enable organisations to reduce costs by eliminating over-purchasing of software licences and reduce the security and compliance risks associated with illegal software is key to effective SAM.

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 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 of the resources being allocated to some assets and the processes they are supporting and too little to others.
- ☒ A poorly implemented SAM strategy also exposes an organisation to a wide range of risks — particularly legal risks, viruses and corruption of data.

IT executives have a leading role to play in increasing the maturity of their organisations' SAM practice and in reducing financial and non-financial risks to their organisation.

As a starting point, we recommend that IT executives familiarise themselves with the principles of SAM through this series of papers and consider working with a chosen SAM service provider. You need to understand your organisation's SAM processes, policies and procedures (and probably help develop them further) and need to work with colleagues to deliver, optimise and further develop the solution.

The rest of this paper discusses the challenge for IT professionals and ways to solve that challenge.

## **WHAT CAN THE IT ORGANISATION DO TO IMPROVE SOFTWARE ASSET MANAGEMENT?**

Our research has identified three areas where IT professionals can ensure that the cost and risk from poor SAM can be reduced.

These are:

1. Contributing to developing an improved set of policies, procedures and technologies that enables, rather than inhibits, effective SAM.
2. Improving the skills and knowledge in the organisation around SAM — specifically focusing on the collaboration between the IT and procurement functions.
3. Ensuring that IT processes work with users to enable an effective implementation of SAM throughout the organisation.

These factors apply to both large and small organisations; however, our research shows that IT staff in smaller organisations face even greater challenges in getting the resources needed to improve skills and knowledge.

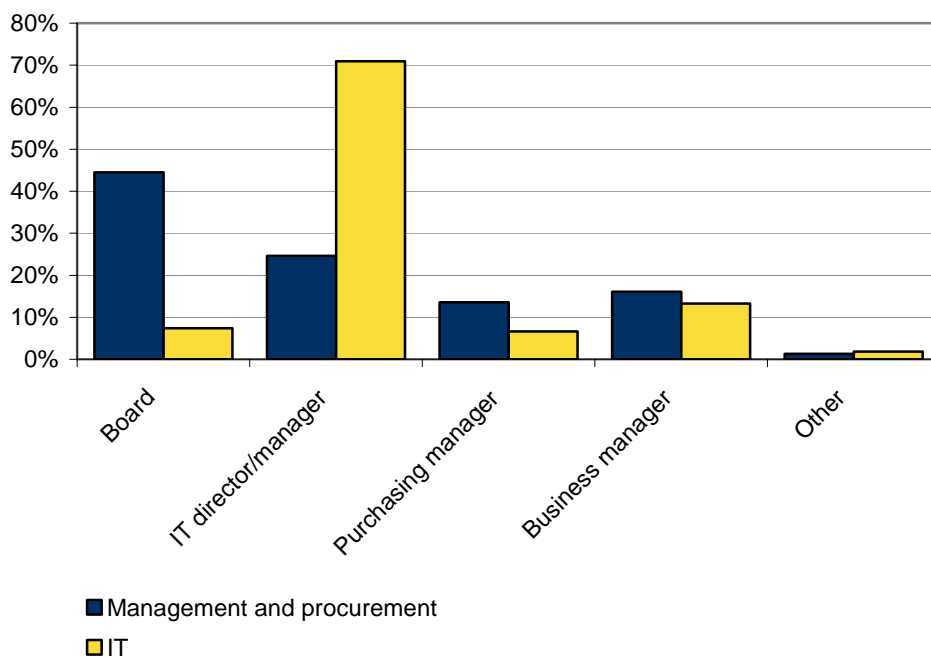
We will look at each of these factors in turn and provide recommendations for how your organisation can enhance its approach to SAM.

## Organisations Need to Better Define Responsibility for SAM

As Figure 1 shows, general management/procurement and IT differ in their view of who has responsibility for the SAM strategy (note we consolidate CTO and CIO as board-level functions, but in many organisations, these functions report to a board member).

**FIGURE 1**

Who is Responsible for SAM Strategy: Different Perspectives from IT and Management



Source: IDC, 2009

The graph above clearly shows how IT and procurement think differently; with procurement assuming that SAM is a board-level responsibility, while IT sees it as an IT function.

IDC recommends that setting the SAM policy for an organisation needs to be a board-level responsibility — due to the importance of the legal, financial and security risks associated with a poorly devised and managed strategy.

However, this does not diminish the critical role that IT and procurement professionals have to play in the overall SAM programme. Getting both departments fully engaged and working in sync needs to be the responsibility of a single project manager (appointed by the board).

## IT Lacks Understanding of Licensing Processes and Lacks Licensing Skills

The research conducted by IDC suggests that procurement professionals have a greater awareness and knowledge of SAM and licensing principles than their colleagues in IT (even in some instances where IT is perceived to "own" SAM).

The research also highlighted a lack of accountability when it comes to managing software and licences across the organisation. Only 42% of organisations have a single person or group in charge of tracking licences. 20% of organisations don't have anyone doing this.

We have identified a number of areas of complexity in software licensing where IT professionals can improve their skills. These include:

- ☒ Understanding of software licensing concepts.
- ☒ Training on defining and implementing the SAM strategy. Measurement of success.
- ☒ Providing information to procurement and the board to ensure that the organisation is compliant and is not overspending on software.

For those not already familiar with the complexities of software licensing, the table below gives a basic guide to some of the software licensing concepts important for licence management:

**TABLE 1**

### Basic Guide to Licensing Concepts

Concept	Description	Implication for IT
Software Licence and End User Licence Agreement (EULAs)	A legal agreement between a software vendor and user that 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. Our research shows that IT professionals spend little time reviewing EULAs and so might inadvertently not be complying with the terms of the licence.
Volume Licence	Licence terms typically issued to an organisation to allow use of multiple copies of software in the organisation.	IT needs to measure both use of volume licences and other licences.
Packaged Product	Typically, a licence for a single use of the software.	IT needs to ensure that these licences are tracked and that proof of the licence is retained.
OEM Licence	A licence to allow a computer manufacturer or other party to distribute software with its own products.	IT needs to ensure that these licences are tracked and that proof of the licence is retained.

**TABLE 1**

Basic Guide to Licensing Concepts

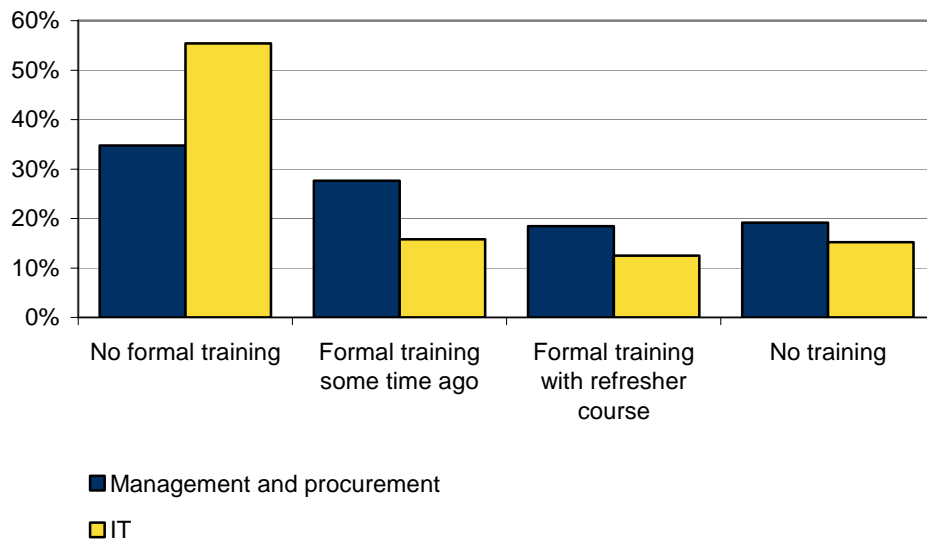
Concept	Description	Implication for IT
Perpetual and Non-Perpetual Licence	A licence in which the user is allowed to use the software in perpetuity or for a limited period.	IT needs to ensure that non-perpetual licences are not used after the contract term ends.
SAM: Software Identification	Tools for identifying software running on the network.	IT should be able to identify software on the network.
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 is typically an IT department responsibility but is often not linked to SAM.

Source: IDC, 2009

As Figure 2 shows, IT has less formal training on SAM and licence management than procurement and should work with training providers in their organisations to ensure that SAM training is available.

**FIGURE 2**

The Importance (and Lack) of SAM Training for IT Professionals



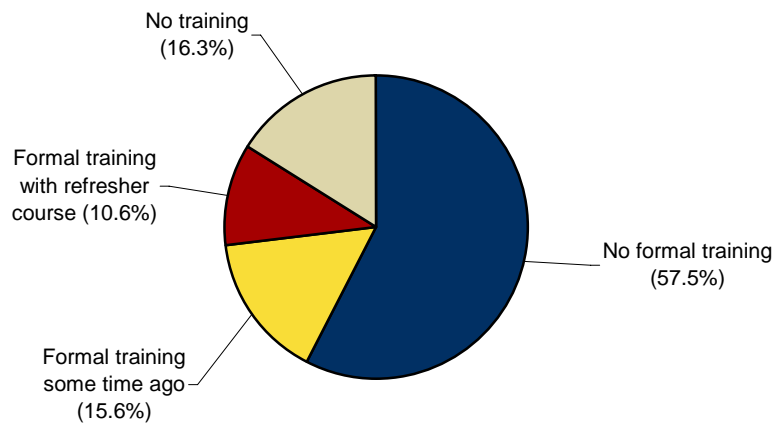
Source: IDC, 2009

For small and medium businesses (SMBs) there is more diversity in who manages software licences and who sets SAM strategy. Essentially, in many cases, SAM is left up to individual users and departments to manage, or not, as the case may be.

Critically, levels of training are lower in small businesses compared to medium and large organisations. As Figure 3 shows, the majority of SMB IT and procurement staff have had either no formal training or no training at all on SAM.

**FIGURE 3**

The SMB Perspective on Training



Source: IDC, 2009

We recommend that IT professionals:

- ☒ Review their own understanding of SAM and implement training programmes, specifically for IT. Such programmes should include understanding licensing terms and processes, identifying all software on the network, tracking and reporting use of applications, creating policies for licence use, and reconciling use and entitlement.
- ☒ Consider selecting and working with a specialist SAM services provider to achieve this goal — SAM is often difficult to "self-start" and expert guidance will likely make the process faster (and thus more cost effective).
- ☒ The IT function needs to focus on being able to identify and report application use.
- ☒ IT professionals in SMBs may have more risk from ineffective SAM than large organisations. They should work with their SAM service providers to ensure that they are compliant.

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## **IT Processes and Policies Inhibit Effective SAM**

Our research shows that IT processes often get in the way of effective SAM. Some of the examples that stood out in our research might be recognised by many IT professionals as common to their own organisations.

- ☒ Software life cycle is often (but not always) the responsibility of the IT department. The IT department is the group that should be tracking and supporting applications as they are used in the organisation. However, in many organisations, IT does not have a comprehensive view of the software in use, either because there are silos in the company or because IT does not have the tools to monitor software deployment and use.
- ☒ Organisations often have policies that inform their employees of how software should be managed. However, these policies are often not enforced and as a result employees can bring software into an organisation, which creates a risk for the company.
- ☒ Some organisations' help desk policies do not contribute to successful management of software assets. Employees who are unable to get the software to carry out their jobs effectively are likely to look for alternatives.

We recommend that IT professionals:

- ☒ Review the policies for software use in their organisation with their senior management, lines of business, HR and procurement.
- ☒ Review their own help desk and software support policies to ensure that employees receive support from IT and are less tempted to install and use non-compliant software.
- ☒ Ensure that a single body is accountable for SAM and software life-cycle management across the organisation.

## **CONCLUSION**

While many will perceive SAM and licence management to primarily be a responsibility of the IT department, IDC research clearly shows that many IT professionals are not equipped to understand the complexities of licensing or how to manage software assets in the most effective way.

As such, proper training and support is essential for setting and achieving SAM goals. This can partly be achieved through the adoption of SAM-focused technology, but also requires a focus on training and expert support.

It is also essential that the IT department starts an effective dialogue with procurement, opening up lines of communication and ensuring that both teams have a common goal and understand their part(s) in the SAM process.

Finally, IT should push for board ownership of SAM. Even though the majority of the legwork might be undertaken at a mid-management level, it is vital that senior IT and procurement professionals work with a board-level director to set and manage the SAM goals for the organisation.

To provide the other perspectives on SAM, the next paper in this series will look at these issues from a non-IT perspective, and will examine how procurement and general management can work with IT to ensure that the cost and risk of ineffective SAM is reduced.

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