

The logo for Soft-Aid, featuring the company name in a bold, black, sans-serif font. Above the text is a stylized orange and white graphic element resembling a triangle or a software icon.

The Software Asset Management Specialists

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A close-up photograph of a CD-ROM in a drive, with a computer keyboard visible in the background. The CD is partially inserted, and its surface reflects light. The keyboard keys are black with white lettering.

The Power to Take Control  
of Software Assets

## The Benefits of SAM: Building the case for Conducting a SAM Assessment and Implementing a Program of Effective SAM Practices

Written by Soft-Aid

### Abstract

Gartner Research states that companies that build effective SAM programs can reduce IT spending by up to 30% in the first year, and 8 - 10% in subsequent years<sup>1</sup>. Optimizing and streamlining SAM practices results in benefits that can be clearly quantified. This white paper explores the components that make up the return on investment from a SAM project, both tangible (i.e., quantifiable) and intangible (e.g. employee productivity, etc.).

## Executive Summary

“Software License Management is a quick payback program. The savings in license re-use, purchase avoidance and compliance from tighter management of just one or two software titles can easily pay for the system,” explains Paul Rochester, CEO at SAM tool vendor PS’Soft. “The additional benefits of improved user service, software control benefits, reduced audit costs and clean audit results are an on-going ROI bonus. It’s a ‘no brainer’”<sup>ii</sup>.

## Executive Challenge

Pick an application in common use within your environment and ask yourself this question:

*How many licenses do we own, how many applications are installed, and how many are actually being used?*

If you are unable to answer these questions, then you do not have control of your software asset environment.

## Primary Concerns

License compliance and its attendant risks are the most common drivers that motivate organizations to focus on Software Asset Management (SAM). This is largely due to the size of the potential risks of not doing so. It is not uncommon for penalties of \$50,000 to \$250,000 or more to be levied by the Business Software Alliance (BSA), one of several enforcement organizations for license compliance. Compliance penalties from an audit can run five times that of the list price of the software being audited.

Gartner Research states that “through 2010, 30 % of large enterprises will experience at least one on-site software audit per year.” In addition, an anonymous survey at the September 2006 Gartner IT and Software Asset Management conference revealed that “35% of clients had experienced an on-site audit from a major software vendor<sup>iii</sup>. In the short term, [they] expect this trend to accelerate.” *Organizations incur these risks, as well as other IT security and governance risks, by failing to exert proper controls in the procurement, distribution, management and retirement of software.*

Although of paramount concern, ensuring license compliance is only one of the drivers for developing effective SAM practices. Business continuity planning (such as disaster recovery), major application rollouts and/or migrations, technology refreshes, and proper IT service management can be adversely affected by having inaccurate or incomplete asset data that lacks the right detail and summary information. Having access to complete and accurate asset data can ensure timely delivery of IT projects (e.g. Moves/Add/Changes [MAC]); in the wake of recent financial scandals, senior management at many organizations is demanding visibility into their operating environments. They want to know that software assets are being properly controlled. This is more important than ever - according to InfoEdge, organizations are spending more on software (42%) than on hardware (39%) in 2007<sup>iv</sup>. And while end-user’s perception of the IT department is intangible, it can also be adversely affected. Companies are realizing that they can no longer afford to treat SAM/ITAM as an initiative to pursue when time allows.

As companies have become more dependent on technology, CIOs have faced pressures to do more with fewer resources and shrinking budgets. Software Asset Management plays an essential role in helping CIOs justify and properly plan for technology investments (both from a physical and budgeting perspective). Knowing what software and hardware is deployed is also an essential element of maintaining high IT service levels.

While achieving higher levels of SAM practices maturity does require time and effort, the path is well defined and can be accomplished gradually; success doesn’t have to mean all or nothing.

Using the ITIL (*IT Infrastructure Library*) framework for SAM and the ISO 19770-1 SAM standard, an organization can effectively benchmark itself. Because ITIL is a series of related, but individual processes, organizations can make a decision to implement some or all of them. Conformance testing for the new ISO 19770-1 SAM process standards does not demand all or nothing adoption. A company can therefore move gradually towards conformity with the standard.

The graduated wins in the ITIL (IT Infrastructure Library) SAM Practice Guide are arranged as follows in Table 1:

## SAM Adoption Cycle

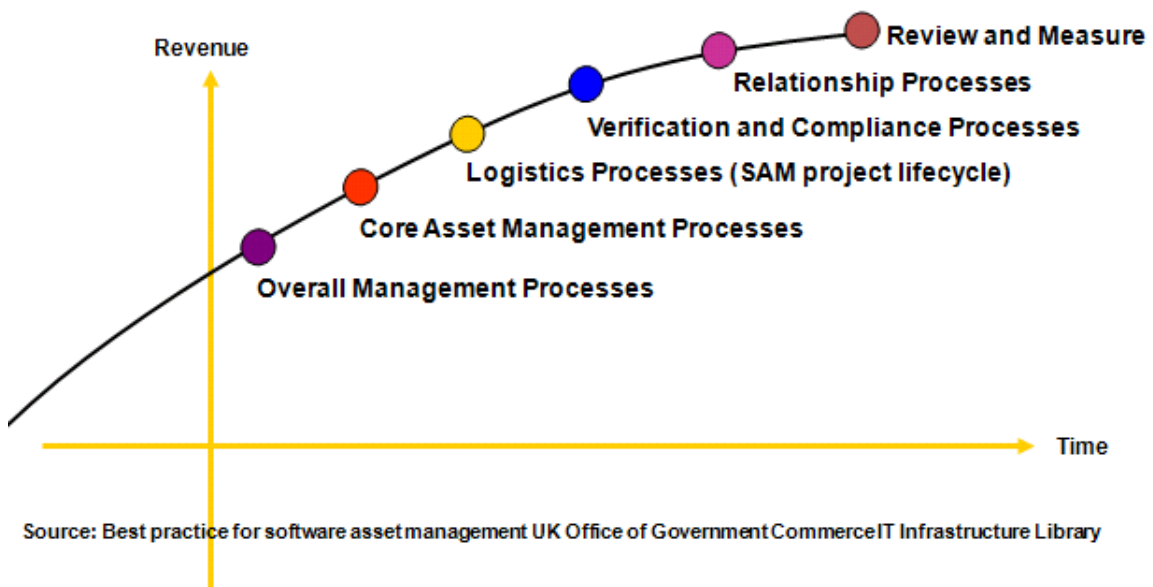


Table 1

### Who Should be Concerned?

The answer is almost every business group, including the business units that rely on the timely delivery of software and system uptime to perform their jobs.

Table 2 provides a summary of what motivates interest in SAM:

Position or Group	Why Care?
CEO	ROT (Return on Technology)
CFO	ROA (Return on Assets)
CIO	ROI (Return on Investment)
Procurement/Finance	TCO (Total Cost of Ownership)
IT Operations	Cost, Service Management, and Security Risks
Business Unit	System Uptime and Service Delivery/Support
Human Resources	Availability (Resource Availability for Employees)

Table 2

Table 3 provides a summary of the overall strategic importance of SAM to an organization. Topics like Disaster Recovery and Solution Delivery are of key concern to organizations. They both impact people's ability to perform their jobs and remain productive.

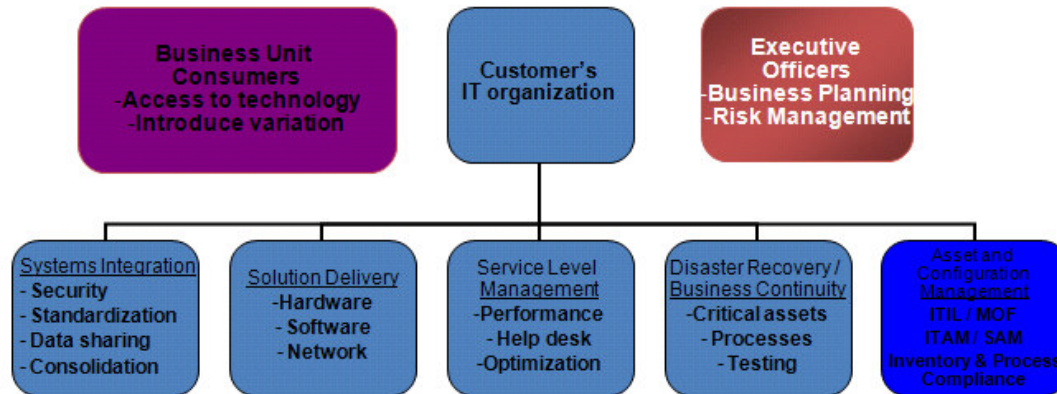


Table 3

### Benefits of a Proper SAM Program

An effective program of Software Asset Management practices provides an organization with a wide array of specific benefits. These benefits can generally be categorized according to their ability to help the organization achieve one of three goals: reduce costs, reduce risks, or increase efficiency.

- 1: Reduce Costs of Purchasing Software
  - 1A: Eliminate over-purchasing of software
  - 1B: Obtain the best pricing on new software
- 2: Reduce Risks Related to Software
  - 2A: Reduce risks associated with non-compliance with software publishers' licensing requirements
  - 2B: Enable more effective management of major patches and other software security updates
- 3: Increase Efficiency and reduce operational costs
  - 3A: Reduce operational costs related to manual inventories
  - 3B: Improve resolution time of IT Helpdesk incidents
  - 3C: Improve lease management
  - 3D: Increase efficiency of software deployments and migrations
  - 3E: Increase efficiency of hardware refreshes and disposals
  - 3F: Improve integration of IT assets as a result of mergers, acquisitions, and divestitures

#### 1: Reduce Costs of Purchasing Software

##### 1A: Eliminate over-purchasing of software

Without effective SAM practices, your organization can incur significant and unnecessary financial expense. You risk having licenses that are not in production and quickly lose their value: an unused copy of a dated software version cannot be returned and has effectively lost all its value.

Table 4 illustrates the potential savings a typical 2,000 PC organization might realize by being able to identify and reallocate underused software:

Potential Annual Savings from Reallocating Underutilized Software			
Number of PCs in Organization	Average Cost of License	Number of Underused Licenses per PC	% of PCs Running Underused Software
2,000	\$75	2	5%
<b>Potential Savings:</b>			<b>\$15,000</b>

Table 4

Ask yourself these questions to determine how a SAM program helps eliminate unnecessary software license purchases:

- Do you maintain a database of the licenses you own and the software you have deployed?
- Do you monitor the frequency and length of application usage in your environment?
- Do you poll end-users for their software application usage needs?

#### 1B: Obtain the best software pricing

Knowing what software licenses are owned and deployed in your environment is essential to making effective purchases and optimizing your software licensing position. An up to date inventory of software licenses facilitates software planning and budgeting – whether for new software, upgrades, or maintenance renewals. Some inventory tools also provide application usage data, which can be effectively used when deciding which software to maintain or for vendor negotiating leverage. In addition, this data can be used to consider whether underutilized software should be removed and no longer supported. Having a complete and up to date inventory gives your purchasing department greater negotiating leverage to secure low pricing.

Ask yourself these questions to determine how SAM can help you obtain better pricing on new software licenses:

- Can you quickly identify how many computers have a given application installed?
- Do you have a formal, documented requisition process?
- Is all of your software purchasing centralized?
- Are you confident that you are getting the best pricing on software licenses and maintenance?

## **2: Reduce Risks Related to Software License Compliance**

### 2A: Reduce risks associated with non-compliance with software publishers' licensing requirements

As organizations become increasingly aware of the significant legal and financial risks of having software improperly licensed, the need to effectively track every software license and every actual installation becomes more apparent. When faced with an enforcement audit, most organizations will spend up to ten times more resources than they would have if they had maintained that information on an ongoing basis and much of the quality of the process to gather that information will not translate into long-term efficiency, given the nature of the inquiry.

Having effective SAM practices in place before an audit reduces your response time and the chance that improperly licensed software will be found. If found, improperly licensed software can create a significant cost for your company, due to the fines assessed as part of a settlement. Table 5 illustrates the potential savings resulting from eliminating the risk posed by improperly licensed software, weighted against the odds of an audit:

Potential Savings from Avoiding Fines Due to a Software Audit				
Number of PCs in Organization	Average Number of Applications Installed per PC	Average % Unlicensed Software*	Annual Likelihood of an Audit**	Average Cost of Settlement Fine per Improper License
2,000	5	15%	20%	\$75.00
<b>Potential Savings:</b>			<b>\$22,500</b>	

\*Conservative estimate. BSA has placed the %age as high as 25%.

\*\*Conservative estimate. Gartner has placed the likelihood as high as 30%.

Table 5

To assess how a SAM program can reduce the risks from an external audit by a software publisher or enforcement agency, ask yourself these questions.

- Can you pinpoint the exact number of desktops, laptops, and servers in your organization?
- Do you know precisely what software is installed on each computer?
- Can you prove, in a timely manner, that you are in license compliance for your major software publishers?
- Have you conducted an internal review of your software license compliance within the past six months?

2B: Enable more effective management of major patches and other software security updates

An effective SAM program allows organizations to ensure that machines have the right software and that it has the proper security patches. For example, a program of effective SAM practices allows quick identification of machines that are missing essential software such as an antivirus application. Similarly, it enables the quick identification of machines that have not received major software updates, such as the Windows hot-fixes. Ultimately, a more standardized environment will lead to lower support costs as well.

**3: Reduce Operational Costs by Increasing Efficiency**

3A: Reduce operational costs related to manual inventories

An inventory tool can help automate the discovery, recognition, and reporting of the hardware on the network and the software installed. Utilizing a tool eliminates the human resource costs and errors associated with conducting manual PC audits. The resulting savings can be significant, as illustrated by Table 6:

Potential Annual Savings from Eliminating Manual Inventories				
Number of PCs in Organization	Enter Number of Inventories per Year	Minutes to Manually Inventory a PC	Converted to Hours	Enter Cost of IT Technician/Hour
2,000	2	10	667	\$35
<b>Potential Savings:</b>			<b>\$23,333</b>	

Table 6

3B: Improve resolution time of IT Helpdesk incidents

An effective SAM program reduces the time needed to resolve IT Helpdesk tickets. With a correctly configured inventory tool and the right SAM processes to generate accurate, timely inventory reports, IT Helpdesk staff gain immediate access to the information they need to troubleshoot a remote machine. The software and hardware information can be used to rule out potential problems and possible conflicts. The Helpdesk also has immediate access to the software media to restore applications. These all enable faster diagnosis and issue resolution, which result in reduced support costs; human resources now become available for other projects. This is illustrated by Table 7:

Potential Annual Savings from Reducing IT Help Desk Support Call Times			
Number of PCs in Organization	Enter Annual Number of Support Calls per PC	Enter Average Cost per Support Call	Enter Estimated % Reduction in Support Costs
2,000	5	\$50	5%
<b>Potential Savings:</b>			<b>\$25,000</b>

Table 7

3C: Improve lease management of IT assets

Being able to locate a machine and return it to its lease-date configuration is a significant problem for many companies, and most leases carry hefty termination fees. An ITAM/SAM tool can help quickly identify the pre-lease configuration, keep track of relevant end-of-lease dates, provide robust reporting on leasing trends, and provide location and ownership details about the machine. It can also help identify machines that have been taken off the network.

Ask yourself these questions to determine how an ITAM/SAM tool can provide value to your organization in managing leases:

- Are you experiencing lease termination charges?
- Can you locate equipment at lease expiration?
- Do you know the original configuration of the asset?

3D: Increase efficiency of software deployments and migrations

When upgrading current software or migrating to new software, it is important to ensure that your network is ready. ITAM/SAM tools and processes can deliver detailed IT asset information, such as amount of memory, hard drive size, processor speed, what software is installed and what software patches, and ownership information, that can then be used to ensure a smooth transition. This information can be used to identify machines that are unable to run a new software application or upgrade, and potential software incompatibilities. Some tools cost out the necessary hardware and software for an upgrade/migration and estimate the potential impact on the organization's IT environment (from a configuration management perspective). Ultimately, the right ITAM/SAM tools and SAM practices can be used to assess your readiness to deploy new software applications or upgrade those currently deployed.

Ask yourself these questions to determine how SAM can provide value to your organization in increasing the efficiency of your software deployments and migrations:

- Are you upgrading or migrating to a new platform?
- Do you know if your current systems (software and hardware) support the new platform?
- Do you know where the unsupported systems are located?

3E: Increase efficiency of hardware refreshes and disposals

SAM tools can be used to quickly identify hardware specifications, end-of-life PCs, and software/hardware incompatibilities. They can help ensure the timely disposal of end-of-life machines, and can help provide a technology roadmap for the organization. Because many software contracts are based on the number of machines, an exercise of this type will also help ensure that hardware in a production environment not only is and can be supported, but that software licensing costs are not unnecessarily impacted.

Ask yourself these questions to determine how a SAM program can increase the efficiency of hardware refreshes and disposals:

- Are you planning to replace new hardware?
- Do you know which systems need to be replaced, where they are physically located, and as well as their original lease configuration?
- Are you concerned about the disposal of IT equipment?
- Do you have hardware maintenance contracts up for renewal?

3F: Improve integration of software assets as a result of mergers, acquisitions or divestitures

Combined entities after a merger or acquisition must account for their combined assets. With the right SAM tools and processes, organizations can quickly take inventory of the new company's software. In addition, SAM provides the tools to help identify hardware and software that is not supported in the new environment, ensure a smooth integration of IT departments, save money by taking advantage of more advantageous purchasing terms, and accurately budget for upcoming software and hardware procurement.

Ask yourself these questions to determine if SAM can provide value to your organization in dealing with a merger, acquisition, or divestiture:

- Is your organization planning or going through a merger, acquisition, or divestiture?
- Has your organization examined your existing software contracts for transfer terms?
- Have you performed a software asset management risk assessment with respect to merger and acquisition activity?

**Substantiating the Return on Investment [ROI]**

Developing a program of effective SAM practices is a practical investment that has both short-term and long-term returns. Gartner Research states that companies that build effective SAM programs can reduce their IT spending by up to 30% in the first year, and 8 to 10% in subsequent years<sup>v</sup>. A good SAM program will help your organization effectively manage your software assets, including licenses and installations. As we have discussed, this will result in significant direct reductions in costs and risks, and increased operating efficiency for your organization.

Table 8 illustrates the investment per computing device of a typical SAM engagement:

Cost of a Typical SAM Project (against 3 years of realizing ROI)			
Number of PCs in Organization	Cost of SAM Implementation	Cost per Year over 3 Years	
2,000	\$12,000	\$4,000	
<b>Cost per Desktop per Year over 3 Years:</b>			<b>\$2.00</b>

Table 8

Totaling just the potential savings from Tables 4 through 7, Table 9 illustrates the potential return in the first year from implementing a sound program of SAM practices for a 2,000 PC organization:

<b>Number of PC's in the Organization:</b>	<b>2,000</b>
<b>Cost of SAM Implementation:</b>	<b>\$12,000</b>
<b>Potential Savings after 1 Year:</b>	<b>\$85,833</b>
<b>Estimated ROI after 1 Year:</b>	<b>715%</b>

Table 9

Investing in developing and implementing a program of effective SAM practices will enable your organization to reduce costs, reduce risks, and function more efficiently for as long as they are in place and followed, providing long-lasting value to your organization.

### About Soft-Aid

Soft-Aid is a consulting firm that specializes in Software Asset Management (SAM). We help organizations put policies and procedures in place to effectively manage their software assets, and reduce costs, reduce risks, and increase IT efficiency.

For more information, please contact us at [info@aid.com](mailto:info@aid.com) or by phone at **781-569-0410**. You can also visit our website at: [www.aid.com](http://www.aid.com).

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i“Life Cycle Management Underpins IT Asset Management” Gartner, Frances O’Brien, 08/06/04.

ii“PS’Soft Outlines Best Practices for Software License Compliance”, PS’Soft, Paul Rochester, 12/20/06.

iii“Gartner Survey Shows Increases in Software License Audits, Gartner, Alexa Bona and Jane B. Disbrow, 12/20/06.

iv“IT Capital Spending Mix Shifting From Hardware to Software” InfoEdge, 2007.

v“Life Cycle Management Underpins IT Asset Management” Gartner, Frances O’Brien, 08/06/04.

