Begin with the end in mind

Software Asset Management

Is your business vision driving your software purchases? Or is it the other way around?

Organisations can be paying 25-35% too much for software, support and maintenance costs. Significant cost savings and leveraged buying power can result from a successfully executed Software Asset Management (‘SAM’) programme.

Implementation of even small steps can produce immediate returns leading to long-term value for the business.

- Why it’s important
- Planning and vision
- Roadmap
- Case studies
- Contacts
Background

Software needs are in strongest alignment to business needs when the initial licence agreement is made. Over time, changes to the business, whether gradual or because of a major event such as acquisition or disposal of a business unit, cause software asset entitlement, deployment and usage to fall out of sync.

Audits by software vendors require true-up payments for over-deployment; then the meter is reset at a higher level for entitlement. Vendor audits rarely highlight areas where an organisation should cut back on licences. When it is time to renegotiate, there is inevitably a gap between the vendor position (entitlement and deployment) and what the business actually needs (usage). This gap can be an opportunity for cost savings.

What SAM can achieve

- Reduction in total cost of ownership of software assets
- Alignment of software needs to overall business strategy
- Strategic partnering relationships with software vendors
- Enhanced discipline around software usage and purchases
- Reduction in administration time and effort
- Moving from a decentralised to a centralised purchasing function
- Reduction of compliance risk and related penalties in light of increased vendor audit activity

Software life cycle
Planning

We view software as strategic business assets, which means that the goals of any successful SAM programme need to be driven by the wider business vision. Key to the success of a programme is a clear charter from senior management as to the vision, strategies and policies for the prioritisation, management and control of these assets.

The roadmap for implementing a SAM programme needs to begin with a solid understanding and rationalisation of the current state. Options analyses then indicate costs associated with any change scenarios and the related savings to be achieved. In addition, having an accurate view of the investment and use of software assets across an organisation can provide the knowledge and skills to support the business in establishing the right licence terms and behaviours. Preferred scenarios translate into negotiation frameworks and monitoring programmes as the organisation grows into its vision.

Vision

What does a successful SAM programme look like?

- Reduction in total cost of software, support and maintenance typically by 25-35% per annum
- Increased knowledge and skills to support the business in establishing the right licence terms and behaviours
- Leveraged buying power and benefits
- Optimised control and management of benefits and risks relating to software assets through effective support of governance and controls processes
- Efficient management of compliance and controls, including alignment to adopted guidelines and standards
- Improved transparency in the investment and use of software assets across the organisation
- Mitigation of legal, financial and reputational risks through rationalisation of inventory
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Roadmap

Continuous enterprise alignment

Software entitlement
Proof of entitlement documentation including: software licence agreements, T&Cs, purchasing documentation and licence reference material

Business strategy
- Acquisitions or disposals
- Restructuring of corporate entities or functions
- Additions or reductions in headcount
- Outsourcing of operations
- Moving to a shared service centre arrangement

IT strategy
- Migration to different software platforms or virtualisation
- Increased or decreased use of software vendor services, consulting or support
- Adoption of new software products
- Implementation of standardised applications

Financial drivers
- Total operating costs
- Direct cost savings at an item and business level
- Efficiency savings and value to the business
- Cost/benefit analysis relating to new business units and acquisitions
- Tax savings

Non-financial drivers
- Ease of implementation, from deployment to individual training
- Global coverage and consistent policies
- Regulatory compliance and remediation
- Ease of periodic gap analyses to determine policy effectiveness
- Short- and long-term objectives

Current state

Software deployment
Inventory of installed applications across server and desktop estate

Software usage
Inventory of actual usage of deployed applications including: frequency, user group and geography

Dependent hardware inventory
Inventory of hardware assets that contribute to licensing calculations

Future state

The vision

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Case studies

Software asset inventory & compliance

PwC was brought into a multi-national financial services company to determine the 3rd party applications currently in use, the needs of the organisation, non-compliance to specific applications and the appropriate remediation steps. We made use of existing data and tools in place for tracking application deployment and usage across both servers and desktops. A determination of non-compliance per application was completed along with cost estimate to remediate and alternative options in working with the vendor. Alternative options included considering duration of need of the application, reduced licenses reflecting different operating businesses and lower cost applications providing similar functionality.

Inventory & valuation of proprietary software

This financial services organisation utilised a large volume of in-house developed applications for the day to day running of the business. We were engaged to perform an inventory of applications, determine the cost to develop and subsequently perform a valuation, based on replacement cost. The various applications had been developed on a global basis, requiring a determination to be made with respect to ownership by individual entities within the global organisation. Specific applications and databases were sought after by external companies, so we negotiated license agreements, retaining the intellectual property rights, while realising value to the client.

Inventory & license negotiations

The organisation was looking to sell certain businesses but had significant interdependencies between entities within the company. PwC determined usage by various business groups of both 3rd party and in-house applications, the hosting and required on-going support. PwC set about identifying user groups and, as selected businesses were sold off, negotiated Transition Services Agreements (TSA) to enable the legacy organisation continued access to information for a period. The TSAs included consideration to in-house developed application IPR and 3rd party applications, ensuring appropriate license compliance.