

Software Metering Tools: An Undervalued Source of Increased Efficiency and Savings

by Signe Marie Stenseth, SMS VP Open iT



Signe Marie Stenseth
Vice President
Open iT, Inc.
smstenseth@openit.com



The volatility of today's global economy has led to an increased awareness and focus on the surplus cost of underutilized IT assets. By metering the usage of software applications and other IT assets, companies stand to gain a lot in cost optimization, asset efficiency and user efficiency.

Software metering tools: An Undervalued Source of Increased Efficiency and Savings

In today's business environment, software applications are essential to running our companies, connecting with our customers, generating new business, differentiating us from our competitors, and even inventing our products. Almost every major company relies on general business applications, specialized or scientific applications, and extensive systems tools that operate in the background to make the company perform. We are all aware that software is not an optional asset, yet surprisingly few companies manage their software portfolios with an enterprise perspective or a long-term view of the investment.

Software is often unmanaged in the sense that there is little knowledge about who is using which applications when, for what purposes, or how efficiently—including how the frequency of use compares to the number of

software licenses purchased. The relevant IT management questions remain: Are we utilizing our most expensive IT assets efficiently? Have we aligned our licensing of software assets with the goals of our organization? Such lack of management can be due to a variety of reasons, including technical or organizational complexity and a dismal track record of consulting projects trying to address IT Asset Management. Whatever the reasons, the volatility of today's global economy has led to an increased awareness and focus on the surplus cost of unmanaged IT assets, as well as improved technical solutions to manage such assets. Companies wanting more responsive IT management, reductions in the total cost of ownership, and improved user efficiency can implement technical solutions to achieve this. This article will identify the benefits of software usage metering and optimization, based on first-hand experience from working

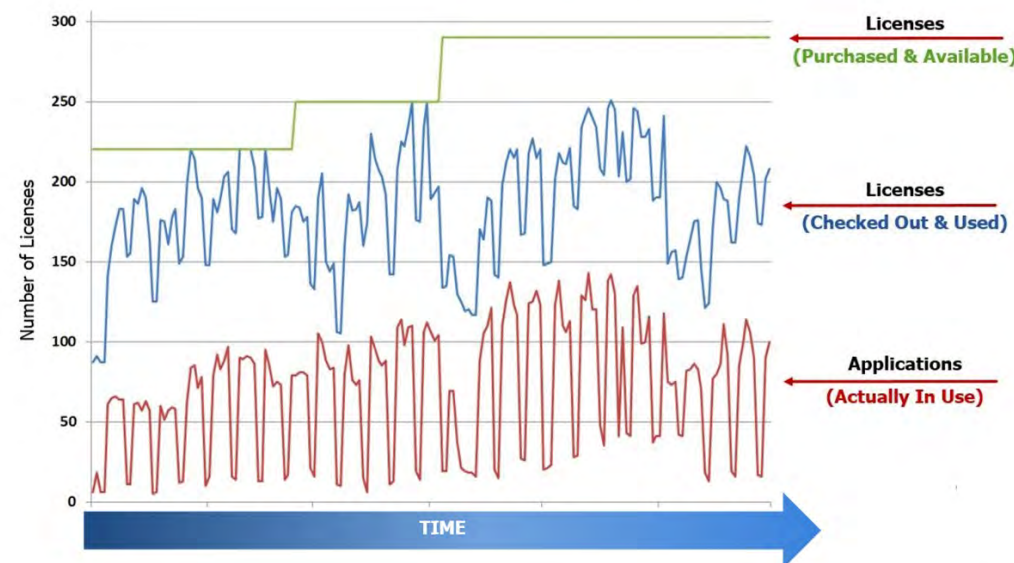
with companies implementing processes and systems for cost optimization and asset efficiency. After a decade-and-a-half of work with Global 1000 organizations, we have found:

1. The more expensive the software applications are, and the greater the dependency on these applications for profit growth, the more likely companies are to value solutions that can help them with cost optimization, asset efficiency and user efficiency.
2. By tracking software purchased against what is actually used, and applying this information in contract negotiations with key vendors, companies are able to cut the cost of software ownership by at least 25%.
3. An overview showing how extensively certain applications are used throughout the organization is valuable information for the application support team, for directing efforts of user training and support. When applications or features are not fully used, and

needed later the user can reclaim the license with one click, without losing the work he was doing when the license was taken from him. This gives a high ROI for companies that are running close to capacity on their applications, or are approaching renewals of the agreements and can cut back on licenses not in active use. We see a cost improvement of 10% for companies that implement this functionality.

As a solution provider in this niche, we are seeing increased opportunities to work with clients who appreciate the competitive advantage they gain by managing costs while protecting their long-term investment in critical IT assets. To illustrate these points, consider the case of one Global 100 Company, having about 35,000 employees worldwide and nearly \$80 billion of assets. While software is not their most expensive asset overall, it is a large part of their IT expenditure. Therefore, the asset management team decided to use a tool to automate tracking of software assets, and to use the data collected to charge regions and departments for the usage of valuable application licenses. In addition to meeting regulatory financial reporting requirements, internal chargeback (internal pay-per-use) created greater awareness of which assets are in use and what they cost,

What's Really Going on with my Licenses?



when this underutilization can be identified by metering software, the team can then use this information for user training and support, to fully realize the potential of the application. Alternatively, the application may not be relevant and could be retired. This is the type of decision made best when based on real asset usage data.

4. Software usage metering enhances the IT team's ability to participate in corporate compliance. Compliance requirements are on the rise, forcing companies to keep track of contracts, data and other corporate assets and processes. Software and IT asset management provides the basic tracking and monitoring of hardware, applications and services that enable the regulated data to be audited. Good compliance programs incorporate metering and optimization of IT assets.

5. A successful Software Asset Management program includes repository, inventory and usage metering. All this can take time to implement, but savings can begin immediately when the customer implements a software usage metering and optimization component that can be 100% automated. Our experience shows that a company can expect a return on investment within six months of implementing a usage metering system, depending on when contracts are up for negotiations.

6. Collaboration between an independent software vendor and the software vendors delivering business and systems applications can also be highly instrumental in delivering value to companies that buy software. For example, Open iT is a partner with both Schlumberger and Halliburton (Landmark), two software vendors for the oil and gas E&P market. As customers increasingly demanded flexible license agreements, these partners saw the value of a partner offering tracking usage of their tools, and chose Open iT to deliver this capability. End-users can now follow the full life cycle of applications – from the uptake of new technology to the retirement of old versions and features. Insights into the usage of applications and features, while helpful to managers at end-user sites, can also aid the software



provider in getting precise customer feedback on products and features valued most, to funnel this feedback back to R&D.

7. Another advanced approach to optimize software licenses is harvesting under-utilized or inactive software licenses. High-end software applications are often licensed on a concurrent usage basis, where there is a limited number of licenses available at any one time for the user community. Many end-users therefore access software licenses in the morning, just in case they need it throughout the day. Users that "stake-out" their licenses are expensive for the company. With limited administrative and management resources, it is costly to follow up and correct this behavior in a manual way. A best practice in this area is to harvest inactive licenses automatically: inactive software licenses are automatically freed up and reclaimed back to the license pool to be used by more active users. The definition of "inactive usage" can be set independently for each application: for example, inactivity could be determined by lack of keystroke or mouse movements within an application for a certain time period, or by CPU usage, or a combination of these two methods. The user will receive a warning, and if the software remains unused then the license is freed up and given back to the pool. If

needed later the user can reclaim the license with one click, without losing the work he was doing when the license was taken from him. This gives a high ROI for companies that are running close to capacity on their applications, or are approaching renewals of the agreements and can cut back on licenses not in active use. We see a cost improvement of 10% for companies that implement this functionality.

As a solution provider in this niche, we are seeing increased opportunities to work with clients who appreciate the competitive advantage they gain by managing costs while protecting their long-term investment in critical IT assets.

To illustrate these points, consider the case of one Global 100 Company, having about 35,000 employees worldwide and nearly \$80 billion of assets. While software is not their most expensive asset overall, it is a large part of their IT expenditure. Therefore, the asset management team decided to use a tool to automate tracking of software assets, and to use the data collected to charge regions and departments for the usage of valuable application licenses. In addition to meeting regulatory financial reporting requirements, internal chargeback (internal pay-per-use) created greater awareness of which assets are in use and what they cost,

resulting in conscious planning and fiscal stewardship. In the long run, reducing waste delivered significant cost savings, especially in such a large and complex environment. According to one of the company's Global Application Portfolio Managers, "Data collected by Open iT tools are being used to communicate with our software vendors and to create flexible licensing contracts that reflect the real license needs of the company." He explained that, "We have been able to recover the cost of the tools immediately by identifying licenses no longer needed from a vendor whose contract was up for renegotiation. Even before the first year was over we had a 10fold return on investment."

The focus for IT Asset Management (ITAM) solutions has changed considerably in the last few years. Instead of creating an all-encompassing IT Asset Management solution that requires the whole IT organization to adopt all ITAM processes and solutions, with the risk of not being able to carry through with such a grand change of focus, many companies sees the benefit of 'harvesting low hanging fruit' by focusing on heavily used, high-end, core applications first. This will give an immediate ROI – as well as give the IT organization experience in working with an ITAM solution.