

The Value of Asset Management for IT Procurement Management

Judith Hurwitz, President
Marcia Kaufman, COO



**HURWITZ
& ASSOCIATES**
Insight to Action

Sponsored by IBM



The Value of Asset Management for IT Procurement Management

IT procurement managers often find a discrepancy between the number of software licenses purchased by the organization and the number actually in use. You want to pay for just the right number of software licenses, not too few or too many. This goal is not as simple as it sounds; over procurement continues to be an on-going problem in many businesses. Maintaining dynamic insight into the availability and management of all IT assets, including software, has become increasingly challenging as these assets are recognized as a vital component of the business fabric. An IT procurement manager who doesn't have an accurate picture of software assets usage, is likely to buy more software licenses than the company needs. On the other hand, if there are not enough licenses, the company may be hampered in being able to complete a project on time. Software contracts are complex because they take into account the version of software, the maintenance of that software platform, the costs associated with the hardware configuration, and the number of users authorized to use that software. As the number of licenses and the complexity of those licenses increases, the traditional methods of manually keeping track of software licenses becomes unwieldy. Improving the management of your IT assets can help ensure your company is in compliance with contract requirements and that you are optimizing the use of the IT assets you are paying for.

What does this mean in the real world? Let's take the example of an IT procurement executive whose job is managing the contracts for IT resources. In essence, the procurement manager has oversight to manage IT spending in order to maximize the benefits of IT while keeping costs for IT resources under control. Therefore, when the CEO demands a 10% cut in IT expenses, it is the responsibility of the procurement officer to understand which IT assets are deployed, which ones are being used, and what type of contract terms are in place. This task is not as straightforward as it sounds. For example, there have been many changes in the IT procurement officer's company over the past four years that have impacted IT asset management. The company acquired several new business units and two smaller companies over the past year resulting in multiple contracts with the same vendor. These overlapping contracts are for the same software applications, but written according to different terms and conditions. In addition, individual departments have frequently added new seats to their software deployments without authorization.

Our procurement officer has found it challenging to maintain an accurate and up-to-date view of software licenses. Yet, he understands that by having a full picture of all the IT assets in his company (including information showing how they are being used and who has authorization to use them), he will be in a stronger position to renegotiate contracts and terms. One reason it has been so hard to get an accurate picture of software licenses is that effective license management requires tight collaboration by many people with different roles. Often individual IT managers keep track of the details of their licenses in documents or in spreadsheets and these lists can easily become out of date. Procurement managers often run into problems trying to collect accurate information thus

An IT procurement manager who doesn't have an accurate picture of software assets usage, is likely to buy more software licenses than the company needs.



delaying accurate reporting and streamlined actions. What should be a quick reporting exercise can turn into a project requiring weeks of effort.

The lack of information can have a serious impact. He expects that with careful pruning of duplicate and unused software licenses, he might be able to yield the 10% savings required by the CEO, thereby eliminating the need to reduce staff.

However, without adequate information on application usage and licenses, he will not have a strong hand to play in his negotiations with vendors. He is concerned about several risks. The larger software vendors may insist on an audit once they realize that the company does not have good control over its inventory of assets. Another concern is that the company may have been underpaying its license fees, meaning it will be even harder to cut back on expenses. Even though the procurement manager can track this lack of quality information back to IT department, his job is at risk since he is responsible for enterprise wide oversight into contracts for IT resources.

However, without adequate information on application usage and licenses, he will not have a strong hand to play in his negotiations with vendors.

The Components of IBM Tivoli's IT Asset Management Portfolio

IBM Tivoli's IT Asset Management Portfolio is designed to help IT procurement managers maintain visibility into software asset demand and usage so they can improve the overall efficiency of the procurement and contract management process. This portfolio consists of tools intended to help discover and manage software on virtually any platform with many license types.

In order to purchase the right amount of software without over or under buying, IT procurement managers need to understand which software they already own and how it is being used. IBM Tivoli's Asset discovery tools provide agent-based discovery services covering many different platforms. These services can provide a complete picture of what software is installed, if it's actually being used, and whether the software is deployed natively or in a virtual machine.

The IBM Tivoli IT Asset Management solutions collect data from IBM Tivoli IT Discovery tools and any other tools you may have deployed. Once you have this data, the IBM Tivoli IT Asset Management solutions enable you to compare purchased software inventory to what is actually deployed in order to quickly assess whether or not you are over or under purchased. The software inventory information can be used to automatically generate software application purchase requisitions and purchase orders. The IT procurement manager can use information on the usage of software assets across the organization to develop more efficient and cost-effective software contracts, and to reduce expenses by eliminating un-used software or repositioning under-utilized software.



**HURWITZ
& ASSOCIATES**
Insight to Action

Finding a Better way for IT Asset Management

Being able to track and manage IT assets is essential to both corporate governance, and financial responsibility. The procurement officer proactively works with IT to implement an automated approach to manage IT assets.

This is what he determines he needs:

- A software inventory that is readily available and can be automatically kept up-to-date based on changes in the company staff and project requirements
- A software inventory that can be maintained in both distributed and mainframe environments
- An asset management portal that's accessible to business unit managers in order to facilitate collaboration with the IT procurement team, support accurate license tracking, and reporting of application usage
- An automated approach to easily and accurately connect software license information with the software requisition and purchase order process

IT Software Asset Management that Keeps Pace with Change

Keeping track of your IT assets is not a one-time or even once per quarter project. If you want to have control over your assets, where they are, who is using them, and what they cost, you need a process that continually updates all necessary information. Once the automated process is in place, the procurement officer can keep a close watch on how various assets are being used. If he sees that a particular application is no longer being used, he can quickly communicate with the IT organization to decommission that application. As his company continues to buy other companies, the chief procurement officer now has an effective and efficient way to get rid of unused licenses or add new ones based on changing business demands. A comprehensive automated process is the best way for the IT procurement manager to get the information he needs to more effectively manage the contracts for IT resources.

If you want to have control over your assets, where they are, who is using them, and what they cost, you need a process that continually updates all necessary information.



About Hurwitz & Associates

Hurwitz & Associates is a consulting, market research and analyst firm that focuses on how technology solutions solve real world business problems. The firm's research concentrates on disruptive technologies, such as Cloud Computing, Service Oriented Architecture and Web 2.0, Service Management, Information Management, and Social and Collaborative Computing. We help our customers understand how these technologies are reshaping the market and how they can apply them to meet business objectives. The team provides direct customer research, competitive analysis, actionable strategic advice, and thought leadership. Additional information on Hurwitz & Associates can be found at www.hurwitz.com.



© Copyright 2010, Hurwitz & Associates

All rights reserved. No part of this publication may be reproduced or stored in a retrieval system or transmitted in any form or by any means, without the prior written permission of the copyright holder. Hurwitz & Associates is the sole copyright owner of this publication. All trademarks herein are the property of their respective owners.

175 Highland Avenue, 3rd Floor • Needham, MA 02494 • Tel: 617-597-1724
www.hurwitz.com