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# THE FUTURE OF SOFTWARE ASSET MANAGEMENT

## FOUR STEPS TO ASCEND THE SUMMIT

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# Digitalization Powers Innovation

Digital transformation marks a radical rethinking of how an organization combines technology, people, and processes to fundamentally change business performance. Driven by major shifts in customer expectations, organizations are undertaking these sweeping changes to pursue innovative business models and create new revenue streams—both of which are critical success factors for the digital economy.

## An example of how transformation drives game-changing innovation

Michelin, the global tire manufacturer, embedded sensors in its products to collect and transmit valuable data on tire usage, distance, and maintenance needs. Based on this data, Michelin's Fleet Solutions business provides customers with comprehensive and convenient tire management services that deliver better cost control, fewer breakdowns, and less administrative work.

Capitalizing on its innovation, the company has moved to an outcome-based business model, selling problem-free miles instead of tires.

## "Our success depends on our ability to become a data-driven company."

*- Eric Chaniot*
*Michelin's Chief Digital Officer*

# Evolving SAM to Meet the Challenge

Cloud is the key enabler of digital transformation, accelerating companies' use of innovative technologies like big data analytics, machine learning, augmented reality, conversational AI and internet of things. However, cloud makes managing the underlying software significantly more challenging in a number of ways:

▶ The software environment is complex and dynamic, spanning thousands of interconnected apps and services scattered across on-premises, public cloud, and private cloud infrastructures.

▶ Software is the fastest growing category of IT spend. (Gartner Forecasts Worldwide IT Spending to Grow 6.2% in 2021.)

▶ Organizations are decentralizing IT spend control across business units and functional areas that span the globe and employ diverse currencies.

Meeting the software management challenge is essential to achieving the expected outcomes from digital transformation. Those outcomes include enhancing your organization's speed, customer centricity, cost effectiveness, and agility.

To tackle digital transformation and the challenge of managing software in the digital enterprise, you have to evolve your software asset management (SAM) strategy. SoftwareONE expects that SAM will advance over the next decade, moving from tactical bean counting to a far more integrated and strategic business intelligence function.

Read on to learn more about the software management challenges in digital transformation, the evolution SAM must undergo, and how SoftwareONE can help you navigate the evolution successfully.

# A Delicate Balancing Act

This challenge is encouraging IT leaders to find cost savings so they can invest in competitive transformation.

Cloud flips the software cost paradigm from capital expense (CapEx) to as-you-go operating expense (OpEx). In this paradigm, individuals and departments can acquire cloud resources in minutes. Executives in many organizations lament that, "it's easier to acquire $10,000 per month in cloud resources than it is to order a $10 mouse." Uncontrolled and agile-based cloud consumption often occurs without the participation of IT, procurement, finance, or security teams.

When you combine a cloud bill that has 30 to 40% waste with another 25% or more of wasted spend for overpurchased, underutilized, or functionally redundant on-premises software, you quickly realize that proper software asset management is key to cost reduction.

To accomplish the two seemingly contrarian objectives of saving money and investing in digital, you need a solid software management game plan that takes into account operating models, data sources, compliance, business intelligence, security, new technologies, and the associated integrations.

**"CIOs have a balancing act to perform in 2021—saving cash and expanding IT."**

*- John-David Lovelock, Research Vice President, Gartner, Inc.*

# Beyond Cost Reduction

But focusing on cost reduction alone is missing the point. Digital transformation strategies often result in *increased* software spend year-over-year. Consequently, it's crucial to squeeze more value out of that spend instead of striving to spend less. It's more about cost optimization than cutting. That's the idea behind FinOps—getting maximum return on your investment in cloud. The real business secret lies in leveraging the data retrieved, curated, and managed by an effective SAM program to maximize the value of your software estate.

Smart IT organizations realize that software asset management is no longer superfluous, but critical to gaining competitive advantage. They see that their competitors are often inefficient and "blind" when it comes to software. To exploit this vulnerability, savvy IT leaders are harnessing the data power behind SAM, along with other data sources, to drive new decision-making, business models, revenue streams, and productivity.

# Four Steps to the Summit

In making an ascent on a mountain, climbers divide the journey into a series of steps, starting at base camp, climbing to one or more intermediate levels, and finally making the final climb to the summit. Likewise, as the figure on the right illustrates, we expect SAM to evolve in four steps:

▶ **Step 1 – Software Accounting.** Minimize risk by maximizing visibility into the software (and hardware) estate to ensure compliance and audit protection.

▶ **Step 2 – Strategic Advisory.** Leverage data from Step 1 to achieve strategic business objectives such as cost reduction, cloud control, and process reengineering.

▶ **Step 3 – Actionable Insights.** Drive IT innovation and speed with an analytics layer that transforms data accumulated in Steps 1 and 2 into business insights that enhances decision-making.

▶ **Step 4 – Automation.** Optimize IT performance by creating an integrated, automated, zero-touch software supply chain that is controlled and managed through a single pane of glass.

SoftwareONE finds that about **60% of customers engage SoftwareONE because they are sitting at Step 1** and are striving to achieve basic software accounting. About 25% are beginning the climb to Step 2. Only a small fraction are positioned to climb to Step 3 and Step 4.

**Automation**

**Actionable Insights**

**Strategic Advisory**

**Software Accounting**

# Climbing the Steps

Three factors determine your organization's current position and rate of progress through the SAM evolution:

▶ **1.** Current SAM maturity
▶ **2.** Ability to leverage new and innovative SAM technologies such as software-as-a-service (SaaS) management, cloud governance, workflow management, and software procurement
▶ **3.** IT's long-term cloud, data, and business intelligence strategy, and the role SAM and the broader discipline IT asset management (ITAM) will play going forward

Unfortunately, IT often lacks the organizational structures, resources, and skills to reach the SAM summit. In these organizations, IT tends to operate in silos and lacks a holistic strategy that includes SAM. What's more, even though advanced SAM technologies are available, your IT organization may not have the skills necessary to absorb them.

In any case, it's imperative to progress through the steps and reach the summit. This allows your IT organization to accumulate and share valuable insights that were previously lacking, an imperative for those companies seeking competitive advantage and real data intel. Both IT and the business benefit. IT elevates its role from cost center to strategic business partner, gaining a seat at the table and actively participating in key business decisions. The business realizes better-informed decision-making.

**Let's look at each step in the ascent.**

# Step 1 - Software Accounting

In Step 1, you gain an accurate view of your software estate. You gather and maintain accurate data on your software assets inventory, including:

- ▶ Product information
- ▶ Vendor information, such as contract terms and renewal dates
- ▶ License information, such as quantity, usage, and entitlements
- ▶ Location
- ▶ Owner
- ▶ Cost

This data enables you to maintain an audit-ready posture and ensure that you have the licenses you need to cover usage.

## The SAM technology you need in Step 1 includes:

- ▶ Software asset discovery tools
- ▶ Software asset management tools
- ▶ Software license management tools

**Automation**

**Actionable Insights**

**Strategic Advisory**

**Software Accounting**

# Step 2 - Strategic Advisory

In Step 2, SAM becomes a strategic enabler to the business, providing the visibility required to meet strategic business objectives.

FinOps, a new approach to end-to-end cloud management, plays a key role. FinOps embraces cultural and organizational change for more effective cloud management.

Through FinOps, you bring together technology, procurement, asset management, and finance professionals in a new governance model with innovative practices and standards around cloud financial management. Just as DevOps enhanced business agility, FinOps fully exploits the cloud, but with greater control, accountability, and cost effectiveness.

In Step 2, your focus shifts to managing software assets and driving return on investment. You leverage data to realize strategic business objectives. Cost takeout is a good example. One way to reduce costs is to rationalize the software estate by minimizing the number of software assets with overlapping functionality, standardizing on fewer products. Another way is to eliminate license overbuying by automatically harvesting and reassigning unused licenses and rightsizing at renewal time.

**Automation**

**Actionable Insights**

**Strategic Advisory**

**Software Accounting**

The SAM technology you need in Step 2 includes:

- SaaS management
- Tools that provide visibility into Microsoft Azure, Amazon Web Services (AWS), and Google Cloud Platform (GCP)
- Cloud governance tools
- App migration and modernization tools
- Security and vulnerability management tools
- Configuration management database to map apps to underlying components and map business services to underlying apps and databases

# Step 3 - Actionable Insights

In Step 3, you:

▶ Collapse the silos of IT to create a comprehensive dataset and a view of all IT assets from a single pane of glass
▶ Add robust automation
▶ Add an analytics or business intelligence layer to process and present the data in ways that different constituencies find valuable
▶ Develop and adopt master data management and business intelligence strategies

Through analytics, you drive a new level of intelligence across the IT estate, providing insight into consumption, compliance risks, security, end-of-service life, application function, dependencies, and interconnections.

## The SAM technologies you need in Step 3 include:

▶ Business intelligence solutions
▶ Robotic process automation (RPA) to automate routine processes
▶ Artificial intelligence (AI) to help you mine data

**Automation**

**Actionable Insights**

**Strategic Advisory**

**Software Accounting**

# Actionable Insights

Through analytics, you can slice and dice the data for different purposes and different stakeholders.

▶ Provide the financial team with real-time visibility into the cost implications of the software estate

▶ Deliver insights about the vendor landscape so procurement can consolidate purchasing to gain greater discounts and find the most economical alternatives when procuring new technologies

▶ Show business units fully allocated costs so they can identify and eliminate unused or expensive services

▶ Present real-time data on security vulnerabilities or predict when the next service outage might occur

You can also apply the insights to areas beyond SAM. For example, you can integrate with the IT service management (ITSM) system to increase automation in such areas as change management, service level management, and service request fulfillment.

You can also integrate with the IT financial management system to bring the financial team into the SAM loop. Maintaining up-to-date, ideally real-time intelligence is important. Assume developers are deploying resources in the cloud (such as Azure or AWS) on a daily or even hourly basis. Here, invoicing is monthly. Consequently, there is a gap between deployment time and the time when the financial team becomes aware of it through invoicing. This delay can result in massive overspend.

# Step 4 - Automation

In Step 4, you tie the diverse SAM technologies and tools together and integrate them with internal and external systems to create a seamless experience across the entire software lifecycle.

The result is an integrated, zero-touch software supply chain that supports automated end-to-end management over the entire software lifecycle, from purchase to retirement.

This supply chain:

▶ Procures software globally without requiring any manual touchpoints and accommodating all relevant currencies
▶ Consults software whitelists to align software with your architecture requirements
▶ Automates the reharvesting, renewals management, and most entitlement management functions
▶ Ensures that available licenses are consumed before you purchase new ones

## SAM Technology Required

Step 4 involves integrating and automating the SAM systems and tools to operate as a single, unified, holistic system including automated linkages to SAM technologies through application programming interfaces (APIs). You integrate the SAM tools with internal systems such as purchasing, financial, human resources, and ITSM, and with external systems such as public cloud and SaaS provider systems.

Automation

Actionable Insights

Strategic Advisory

Software Accounting

# An Automated Foundation
# for Success

With the zero-touch software supply chain in place, you:

▶ Avoid excess licensing to optimize software spend

▶ Purchase only architecturally approved products to ensure reliable operation

▶ Deliver software to customers in hours not weeks to boost productivity

▶ Automatically pass asset management information downstream, from procurement to SAM systems to keep all constituencies in the loop

▶ Ensure that contract renewals are actively managed and supported with business intelligence to put you and not the vendor in the driver's seat

# Climb to the Summit with SoftwareONE

Accomplished mountain climbers always have two items in place before attempting a climb:

▶ Proper equipment
▶ An experienced guide

Likewise, in climbing to the SAM summit you need:

▶ Access to new and innovative SAM technologies
▶ Guidance in planning and implementing a SAM strategy and leveraging available SAM technologies to execute on that strategy

## SoftwareONE can help you on both fronts.

We complete more than 4,000 SAM projects each year with more than 700 consultants globally across 90 countries. Gartner has recognized SoftwareONE's industry leadership in SAM, naming the company a leader in the 2020 and 2021 Magic Quadrant for Software Asset Management Managed Services.

When it comes to proper equipment, we offer the SoftwareONE PyraCloud platform. With respect to guidance, we offer SoftwareONE professional services.
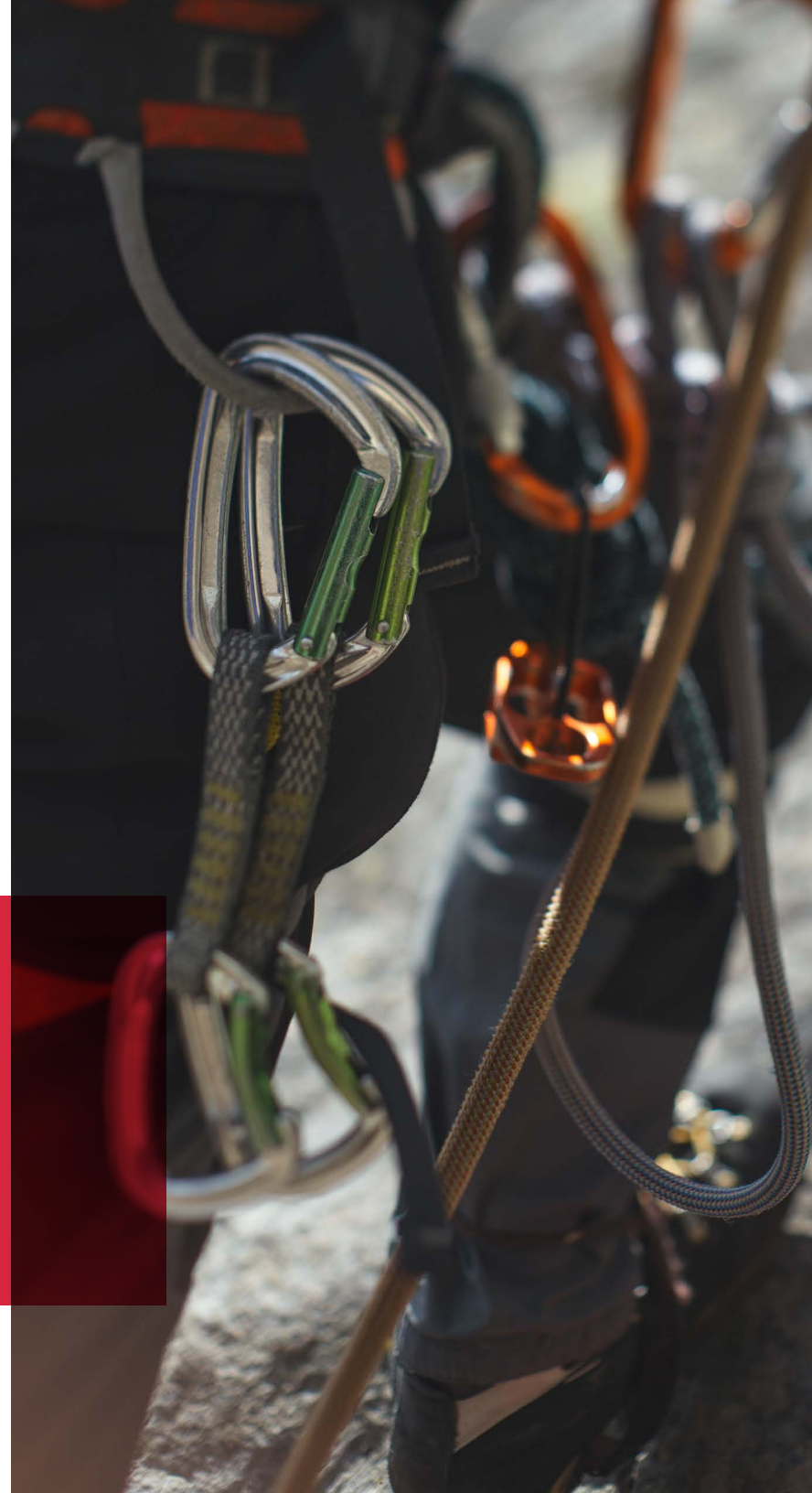
# Gear for Success, PyraCloud

SoftwareONE PyraCloud is a single platform (FinOps Certified) to transact software and cloud subscriptions. It provides a digital supply chain with ongoing visibility and control of software publisher catalogs, entitlement data, contracts and license fees. Organizations can optimize on-premises software assets and multi-cloud environments driving consumption.

PyraCloud offers three primary components:

▶ **Marketplace** - Search, review and purchase software, services and cloud subscriptions. Catalogs can be tailored to your business requirements (permissions, white lists etc) with approval workflows, contract and renewal management and easy reporting
▶ **Cloud** - Get actionable insights into their public cloud environments with tailored alerting, dashboards and reporting. Intelligent recommendations and contextual views optimize and inform  cloud budgets track and predict future usage
▶ **Digital** - Enables SoftwareONE to digitize customer engagements (quote requests, invoices, contacting account teams, logging support tickets etc) providing a centralized, predictable, engagement model for customers

## 1 Software Requisition
PyraCloud's catalog of 7,500+ publishers offers simple, secure browsing/ selection of software titles.

## 2 Availability Check
PyraCloud works with Snow and Flexera technologies to check compliance position and license availability of requested software.

## 3 License Standards Verification
PyraCloud verifies alignment of user rights and agreement terms with the license's standards.

## 4 License Ordered
PyraCloud auto-captures and normalizes all vendor entitlements and imports them into a compliance tool.

## 5 Cloud and Software Spend Management
PyraCloud sets up your cloud and software licenses and manages purchases to receive the best price.

## 6 Continuous Compliance Monitoring
SoftwareONE experts work continuously in PyraCloud to monitor and manage software spending.

## 7 Contract Renewal Management
PyraCloud maintains a calendar of software contract expirations to help you plan and negotiate renewals.

## 8 Cloud and Software Spend Optimization
PyraCloud completes tool rationalization, deployment optimization, software tail spend management, and common vendor spend management.

# Making the Trek with PyraCloud

For a complete and accurate view of your software license position, PyraCloud captures entitlement information at the point of purchase on all transactions through SoftwareONE and uploaded purchases made through other channels. Once all of the entitlement information is captured, the platform can be integrated with industry-leading Software Asset Management (SAM) tools to gain full visibility into Entitlement, Inventory and Consumption.

With PyraCloud, you can manage your software estate effectively throughout the entire software lifecycle and provide your IT, Procurement and Finance teams with real-time visibility into the cost implications of software and cloud spend across your organization with tailored, easily digestible and shareable reports.

# Professional Services

SoftwareONE delivers professional services through two offerings:

▶ Software Lifecycle Management (SLM)
▶ Technology Services

SoftwareONE's Software Lifecycle Management (SLM) practice works with clients to provide the people, processes, and tools to manage, optimize, and create business advantage in a hybrid world. It's a best-practice approach for the holistic, organization-wide administration and control of all software and cloud investment, covering the entire product lifecycle from business need to purchase, adoption, management, and retirement of the assets. SoftwareONE consultants augment your team, bringing in resources and expertise to help manage the entire software estate.

SoftwareONE complements its Software Lifecycle Management practice with its Technology Services offering. Technology Services consultants help you in your digital transformation by speeding time to value, optimizing and modernizing technologies, and minimizing security risks.

# Proven Success

SoftwareONE is working with numerous organizations across multiple industries to advance their SAM strategies. Here's an example of a typical engagement:

**Client Profile**

▶ Large manufacturer with 20,000 employees and US $4.5 billion annual revenue
▶ $75 million in annual IT spend
▶ IT infrastructure with 2,000 server devices and 12,500 desktop devices.

**Objective**

Climb directly to Strategic Advisory (Step 2) bypassing Software Accounting (Step 1)

**Project Description**

The client engaged SoftwareONE consultants who are highly experienced and knowledgeable in software procurement and software optimization for a Cost Takeout (CTO) service. The consultants worked with client teams to gather data and identify cost-takeout opportunities. Together, they analyzed data against contract terms, licenses, and keeping-the-lights-on spend. They set a target of $3 million hard cost takeout. (SoftwareONE's compensation depended, in part, upon successful achievement of the $3 million target.)

▶ Rightsizing - $1.2 million
▶ Tool consolidation - $1. 3 million
▶ Other savings - $0.5 million

**Results:**

The actual cost takeout achieved was $3.2 million, exceeding the original objectives. These quick wins and rapid cost reductions were achieved through:

▶ Usage-based rightsizing to realize cost savings in upcoming renewals
▶ Rationalization of the software portfolio
▶ Optimization of cloud spend

The company was able to reallocate the money saved to value-add endeavors.

# A View from the Top

The digitization mandate and its acceleration of cloud adoption is forcing organizations to scramble to invest in business-enabling technology while at the same time reducing costs. Effective management of the software estate, however, presents a formidable challenge considering the growing size, complexity, and dynamic nature of today's software environment.

You can tackle the challenge with an evolving SAM capability that serves you well now and expands to carry you into the future.

That evolution is expected to occur in four steps. Your progress through the steps is governed by the ability of your IT organization to plan and develop an effective SAM strategy and to deploy and leverage available SAM tools to execute on that strategy.

Your organization, however, may not have all of the needed skills and resources to make a smooth ascent to the summit. SoftwareONE can deliver the technology and expertise you need to fill the gaps and fast-track your SAM ascent.

With SoftwareONE's help, your organization can exploit the unprecedented business advantages of digitization with confidence, knowing your software is managed in a way the yields maximum business advantage while optimizing software spend and minimizing risk.

# Learn how SoftwareONE can automate and scale your SAM capabilities

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## Schedule a Discovery Call Today ▶

**Contributing Authors**
Dan Ortman, *North America SLM Practice Lead, SoftwareONE*
Kevin Hooton, *North America Director of SLM Services, SoftwareONE*
Dax Powers, *North America Sales Director, Services, SoftwareONE*
Michael Che, *North America Partner Marketing Manager, SoftwareONE*

**About SoftwareONE**

SoftwareONE is a leading global provider of end-to-end software and cloud technology solutions, headquartered in Switzerland. With an IP and technology driven services portfolio, it enables companies to holistically develop and implement their commercial, technology and digital transformation strategies. This is achieved by modernizing applications and migrating critical workloads to public clouds, while simultaneously managing and optimizing the related software and cloud assets and licenses. SoftwareONE's offerings are connected by PyraCloud, its proprietary digital platform, which provides customers with data-driven, actionable intelligence. With around 7,700 employees and sales and service delivery capabilities in 90 countries, SoftwareONE provides around 65,000 business customers with software and cloud solutions from over 7,500 publishers. SoftwareONE's shares (SWON) are listed on SIX Swiss Exchange. For more information, please visit www.softwareone.com.