The Strategic Value of Managing Software Assets

Achieving growth in today's economic climate is challenging. To do so, companies are making acquisitions and adopting new technologies like virtualization in order to increase market share, productivity and efficiency while simultaneously cutting costs. When executing mergers and acquisitions and virtualization, however, managers rarely consider software asset management as a key source of competitive advantage to support and maximize the benefits of such strategies. But they should.

SAM is a best practice that uses proven processes and procedures for managing and optimizing your organization's IT assets.

Consider these two scenarios:

SCENARIO 1: To gain revenue and market share, your company acquires a competitor. But the anticipated synergies are slow to materialize. For IT specifically, the pace of integration has been slow in part because of confusion over the combined entity's software portfolio. For example, a major SharePoint project designed to facilitate post-merger efficiency and collaboration among its business units was slowed by a lack of clarity around the combined company's SharePoint licenses. Clearly, a better understanding of the combined entity's software assets was a key step preceding its ability to unlock the synergies anticipated by executives and forecasted by Wall Street analysts.

SCENARIO 2: Seeking to reduce expenses, improve efficiency, and enhance backup capabilities, your company embarks on a virtualization project. But the project is progressing glacially as your team is struggling to design an architecture scheme that will enable the new virtual environment to deliver its promised benefits cost-effectively. Specifically, the team is struggling to understand its current physical environment and how the software assets running it can be leveraged in the virtual environment. Once that challenge has been addressed, the team then needs to figure out the licensing interdependencies among the software of various vendors. Finally, they must understand whether particular licenses cover virtual machines as well as physical boxes, and under what circumstances.

In both situations, your company could gain more business value more quickly and efficiently from these projects by having an accurate inventory and understanding of its software assets and associated licenses. That's the strategic advantage of a Microsoft Software Asset Management (SAM) program. SAM is a best practice that uses proven processes and procedures for managing and optimizing your organization's IT assets. SAM creates real business value by giving you the information and tools to manage these important assets. By implementing SAM as part of an ongoing management discipline, you can:

- ◎ Create and maintain an inventory of what software licenses you have and where the software is running

- ◎ Understand the product use rights that accompany the various licenses, so you can do more with the licenses you have and avoid or discharge redundant or unnecessary licenses

- ◎ Be better prepared for annual Microsoft Enterprise Agreement True-Ups, which enables you to derive more business value from these annual exercises by using them to assess the status of key initiatives and plan for the future rather than just counting licenses.

The best way to realize these benefits is to engage a Microsoft SAM partner. These partners are experts in Microsoft licensing, SAM optimization and technology. They are up to date on the latest changes and

Ten ways that SAM adds value
- Provides inventory of software and software licenses, as well as what devices the software runs on
- Provides inventory of device make and model
- Identifies redundancy in licensing, enables more robust use of existing licenses, and avoids additional, unnecessary licenses
- Equips you for easier annual True-Ups via True Up Assist Engagements
- Identifies which employees use which devices
- Improves the accuracy of server processor information
- Collects memory information by device
- Identifies devices that qualify for secondary use rights
- Maps virtualization environments
- Enables future migration and consolidation

license types, and can advise you on how to use licensing more cost-effectively. They can also teach you techniques for collecting valuable data on your systems and processes so you can keep an accurate count of device make and model, type of servers by architecture, and your physical and virtual operating environments. This gives you a map of your complete environment, which enables you to plan and budget for the future. Such information can even allow companies to address needs and pursue strategies they had previously foregone because of the difficulty of gathering all the data.

To understand the strategic importance of SAM as well as some of its more tactical benefits, let's examine those two scenarios more closely.

SCENARIO 1: Mergers and acquisitions

As the economy pulls out of recession, merger and acquisition (M&A) activity is on the rise. According to Standard & Poor's, the number of M&A deals among S&P 500 companies has increased by more than 100 percent from a low point hit in late 2009.[1] An April 2010 *Wall Street Journal* article[2] reported that non-financial companies in the S&P 500 are sitting on a record $830 billion in cash. Many are expected to go bargain hunting.

SAM can benefit both the seller and the buyer in an M&A. For the seller, it can present a complete and clear picture of its software assets and license compliance, which can reassure the buyer and help ensure that the transaction goes smoothly. For the buyer, SAM provides a solid understanding of its own software assets as well as the tools and know-how to identify and integrate the assets of the acquired company efficiently. This not only protects against liability by verifying the compliance of the acquired assets, but also increases employee efficiency and productivity. Most important, it helps unlock the strategic value of the acquisition sooner. It clears up some of the typical post-acquisition confusion, helping the buyer get a complete picture of the combined companies so it can more easily identify redundancies and potentially valuable areas of cross-pollination.

The SharePoint challenge in our first scenario serves as a good example. Many departments within companies use their own Microsoft Windows SharePoint Services, available as a free downloadable feature pack for Windows Server 2003. Some departments may upgrade to SharePoint Server 2010 (and associated SharePoint Standard Edition Client Access Licenses), which has more features, or even adopt the higher-end features of SharePoint Server 2010 (and associated SharePoint Enterprise Edition Client Access Licenses), which has more than 100 features. "Such proliferation is compounded and can become a big challenge when companies merge and resources begin the process of finding and consolidating all these sites into a portal via Microsoft SharePoint Server 2010," says Andrew Ireland, managing director of Microsoft Partner Unified Logic Inc. A SAM engagement would help sort everything out.

"We can map out every single website that's been created, and we can also tell the customer the features that have been spun up on every single portal," he explains. The customer gets a list of all the sites, the site's members, the features delivered to each site, and which SQL Server each Microsoft SharePoint Server front end is linked to, he adds.

Customers can lose track of other things on their SQL Servers. As part of the SAM engagement, a Microsoft partner can identify which databases are installed on each SQL Server. "We give the customer this detailed pivot, where they can click on a given server and the SQL administrators can start linking applications to individual databases on each server," Ireland explains. This aids in SQL CAL management, in balancing loads among SQL Servers, and in identifying redundancy and opportunities for consolidation. In addition, customers may identify excess capacity that they can use for new projects—projects that may have been on hold because of a lack of resources.

SAM can also unearth valuable license assets that can reduce costs. At one large customer, a Microsoft SAM partner identified more than 2,500 copies of Microsoft Office that qualified for secondary use rights. The customer knew it had at least some secondary use rights, but it had no idea how to find them. The SAM engagement located the assets, enabling the customer to get full value from its Microsoft Office investment and save money.

SCENARIO 2: Virtualization

More and more companies are virtualizing in order to cut costs, increase their agility and reduce their environmental footprint. In fact, Gartner recently predicted that half of all x86-based systems would be virtualized by 2012.[3]

But virtualization comes with software licensing challenges. In the past, it was straightforward: one machine, one license. That simple equation no longer holds true in a virtualized

[1] *Corporate Cash at the Ready,* Wells Fargo Market Update, April 9, 2010

[2] "Bull Muscles Through Tumult," *Wall Street Journal,* April 1, 2010

[3] *Gartner Says 16 Percent of Workloads are Running in Virtual Machines Today,* October 21, 2009

environment, where virtual machines can be created and moved around in an instant. Not only is it difficult to keep track of the virtual machines and the software running on them, but in some cases proper licensing depends on knowing the processor architecture on each server. On top of all this, each software vendor may have its own rules for how virtual machines are licensed.

A SAM engagement can help you navigate through the complexity and may save you money as well. A Microsoft partner can provide information and advice so that your virtual environment is architected and licensed in the most cost-effective way possible.

There's often a disconnect between the purchasing staff and IT staff that can result in licensing challenges. Especially when it comes to the licensing of virtual servers, purchasing may have bought licenses that don't match with what the IT people are doing. One of the key roles of a SAM engagement partner is to educate everyone and help to bridge that communication gap.

A Microsoft partner can explain the different ways to license virtual machines, the pros and cons of the license types and which types of licenses are most appropriate for particular virtualization scenarios. Some customers don't know, for example, that Microsoft offers datacenter licenses, which allow unlimited virtual guests on a physical node, or license mobility, which allows a virtual machine to move around a cluster at no additional cost. This lack of information means customers sometimes do more work than they have to, trying to configure servers in a way that doesn't require additional licensing.

A SAM engagement also helps customers avoid licensing mistakes when they are using Microsoft software to outfit virtual environments. Such mistakes can add significant cost to a virtualization project. For instance, SQL Server Standard 2008R2 and Windows Server Standard 2008R2 require the customer to buy a copy of the software for each physical and virtual server, while SQL Server Datacenter 2008R2 and Windows Server Datacenter 2008R2 include product use right features that enable them to work cost-effectively in virtual environments.

"We've gone to customers that are very far down their virtual development roadmap, but have limited awareness of all the different licensing models Microsoft offers to not only help license that world, but to further drive down costs," says Ireland.

The SAM engagement can identify the processor model, as well as the number of processors and cores, for each server. Customers are often confused about the licensing of virtual processors. Microsoft licenses its server products by server or processor, not by cores or threads. That means that in many cases customers can create several virtual processors under only one license, and yet customers sometimes think that they need licenses for every virtual processor. "This was something that Microsoft created to simplify licensing and drive down virtualization-related costs, and yet a lot of customers don't even know it exists," says Ireland. "I have seen that save literally hundreds of thousands of dollars, if not millions."

Another issue is figuring out the physical locations of virtual servers. How do you link virtual servers with their hosts? How do you know which machine they are sitting on?

Microsoft has a free hypervisor that can be set to move virtual servers around according to different rules. It's not only hard for companies to keep track of these free hypervisors; it's almost impossible to keep track of all the servers that the hypervisors control. A Microsoft partner can help customers track down these servers, as well as map automation levels, guest movement, cluster configuration, affinity and anti-affinity rules associated with each, and how to link their configuration to Microsoft's product use rights.

Conclusion

A SAM program should be a critical part of any business's strategic planning. As licenses have become more complicated and their types have multiplied, managing them and the software to which they apply can produce lasting business value. A SAM program implemented as part of your ongoing management practices not only ensures that software assets are accurately identified and legally deployed, but that they are used efficiently and cost-effectively to support your key IT and business initiatives.

● For more information on Microsoft SAM and to order a SAM Optimization Kit, see http://www.sam-optimize.com.