



IT Asset Management Crucial to Company Strategy

Often a company acquires its IT assets in a less-than-strategic manner. A business problem presents itself, hardware is acquired, software is installed, and the immediate problem is solved.

Over time, however, the company lacks an understanding of how tactically acquired hardware components can be optimized for long-term growth. Components may not conform to desired architectural standards, creating security and support vulnerabilities. And deep within hastily accepted software license agreements are “gotchas” that can cost your company plenty.

This paper explains why IT Asset Management should be an integral part of your company’s strategy. By aggregating detailed information about your hardware and software, you can make smarter decisions about managing your company’s present and future systems. When done correctly, IT asset management can help your company save time and money by avoiding unnecessary asset purchases while fully utilizing your existing resources. It can also point out needless expenditures on unused or underused licenses.

There are multiple risks your company faces should it not tightly control its IT asset management:

- You can fail to manage direct IT costs for hardware, software, and services, cutting sharply into your bottom line.
- You can create legal risks by failing to comply with contractual terms under (primarily) software licensing agreements.
- You may face architectural risk, in which individuals and groups pursue systems and solutions that sub-optimize the functioning of the enterprise. This last risk alone may result in inconsistent data, security vulnerabilities, incompatible systems, or merely redundancy and excess costs. Most often, it is a mix of all five.

Assuring Effective Asset Management is a critical management responsibility for both executives and IT as part of corporate governance. Having processes and controls in place is essential. Even more critical is having experienced staff or partners who know how to deal successfully with IT vendors and service providers – who themselves are looking to maximize their profits at your expense.

The key to making sound financial decisions about IT asset management is arming your CFO with complete information about your company’s assets and life cycles. Having your CFO partner with the CIO to run a well-managed environment can help minimize blind spots and garner better strategic decisions. Together the CFO and CIO can decide when to make purchases, accelerating or delaying them or proceeding as planned.

Key takeaways:

- Software management represents the biggest opportunity and biggest liability
- The goal is to use only what you are paying for and not to spend more than you need to on any IT assets

What Counts as an IT Asset? More Than You Might Think.

IT Asset Management encompasses all elements of software and hardware to deliver IT services, but also includes everything you need to run your business.

Think of it as a two-sided challenge:

- First, you need to manage physical and virtual inventory – your hardware, what you’re using, where it is. You also need to know how it’s set up on virtual machines, so you can determine the impact on software licensing and usage. This is important because without the understanding of how your virtual environment is set up, you may become under-licensed and subject to claims.
- Second, oversee the financial management – your software, licensing agreements, leasing terms, ownership and understanding the costs associated with each.

Damned If You Don’t. Rewarded If You Do.

If your company doesn’t have sound IT asset management, you take on a lot of risk. You won’t be able to plan accurately. Why? Because you won’t be able to forecast cash requirements, lacking the data to build a systems plan that is efficient, cost effective and sustainable. It would be like everyone in your company going to Staples separately to buy what they want and hope there’s no overlap.

On the flip side, the rewards are many for those who build solid IT asset management. By doing so, you’ll have a true understanding of your systems environment. You’ll know exactly what you have, which will improve budgeting and total cost management. This breadth of information will allow you to ensure that your IT environment supports your business objectives efficiently and effectively.

It Starts with Fundamentals - Knowing What You Have and Where It Is

The key elements of sound IT asset management include:

- Inventories – knowing what you have and what you don’t have
- Contracts, leases, and licenses – understanding your ownership and/or licensing rights

Physical asset management inventory

Take time to meticulously go over your physical asset inventory. It’s the first step in understanding the current state. An environmental scan is done to determine what is on hand. Gathering this information on your current conditions is vital.

When management begins to inventory IT systems, what they find that employees have plugged into the network – both hardware and software – often surprises them. This includes actual servers as well as virtual servers, which can be more challenging to evaluate as a result of the various software configurations they allow. Network auto-discovery tools make it easier to complete an inventory; however, companies often don’t take full advantage of the information these tools provide. Certain environmental and configuration states, like firewalls, can create challenges by sometimes preventing a thorough audit.

Even though hardware costs have fallen, they can still be significant. Purchased servers often are considered to be fixed assets, with additional record keeping requirements. It is very important the CFO knows what and where these

assets are. Finally, knowledge of the physical environment is a critical part of business continuity planning, another key element of risk management.

Options and Maintenance Agreements

Software discovery typically comes next, developing a product use “library” of sorts. It is critical to understand the rights for what you have purchased or licensed – what is allowed, how many seats you purchased, when renewal dates are, and so on. The evidence of what is in the environment should match what has actually been purchased or licensed. Reconciliation often requires significant effort.

Keep in mind that when you scan your environment you often come across a lot of software that was installed that was never purchased. It may also be a free download for personal use, which in a corporate environment now makes your company liable for the costs. It can also create a vulnerability for cyber attacks.

Determining what is installed in your environment is not easy as you may think. For example, a piece of software like Office can show you several different options depending on how it is deployed and installed. Interpreting that data to determine what is truly installed, then tying it to what you actually purchased is the key.

Licensing agreements can be structured in a variety of ways:

- Ongoing subscription – monthly or annual payments and rights to use
- Perpetual Rights – buy a copy and use ongoing with defined rights to upgrades, etc.
- Enterprise Level Agreement – often done in a \$-per-unit basis (i.e. users/head count, revenue, aspects of IT infrastructure, etc.); think of this like a subscription that could have a cap point, and if a cap point is exceeded, it would trigger the need to either renegotiate or pay more

Major software makers such as Microsoft, Oracle, Adobe and SAP are notorious for “gotchas” when it comes to penalizing companies for being out of compliance. So it’s critical to remain vigilant in staying compliant.

Configuration Management Database

Once your company masters the physical management and financial management related to asset management, make sure your group adequately deploys a configuration management database (CMDB).

The CMDB will need to be configured and provisioned appropriately in order to remain compliant, especially for public companies subject to Sarbanes-Oxley regulations.

What Does Successful IT Asset Management Look Like?

There are a number of subjective interpretations about what a successful IT Asset Management strategy looks like. A more objective approach is to look at key metrics that can be used to evaluate success.

Cost avoidance is first. Are you paying for what you don’t need? If so, why? This can be determined with proactive systems auditing described above. To determine overpayment, quantify the amount of over-purchase based on evaluation of actual usage. Next, check for the ability to trim installs to what is actually needed. And third, avoid penalties by staying compliant.

Cost reduction is related to cost avoidance. Be smart about what you need to buy. Go back to the supplier to de-provision users/licenses not being used or reassign them to other internal users to avoid the need to purchase additional

licenses. Manage cost-per-user agreements (or Employee, Workstation, etc.) by getting a baseline and then measure the ability to improve.

Portfolio Diversity is another way to gauge success of IT Asset Management. Unlike investments, in this context you want to have less diversity to improve operating efficiency, reduce the number of software packages or pieces of hardware that do the same thing.

Finally, assess your IT Asset Health Metrics – continuously scan the hardware and software environments, looking for unexpected arrivals or departures of equipment. When successful, all changes should be known and accounted for prior to getting scan results.

The Real Problem - Everyone IS Out To Get You!

The real problem is that you are up against an industry focused on making as much money off you as possible, especially from suppliers that look at you as “guilty until you prove otherwise.” Remember, vendors do not know 100 percent of what you own. So it’s critical that you do your due diligence when it comes to understanding software licensing.

Your company can suffer significant consequences for using software that is not authorized:

- Small companies that use specialized software to run their enterprise
- Large companies that use many copies of relatively inexpensive software (i.e. MS Excel)

It’s an easy trap to fall into since it’s easy for companies to have unauthorized software installed. The truth is, if your company installs software, the providers may provide a full version with modules that need to be turned **off** as part of the installation. When companies do not turn off the modules that they did not purchase, this can create an enormous financial liability for them as a result of using unlicensed software. This liability is outlined in the software’s specifications and license documents, but often overlooked or simply not read.

Other times, the opposite is true – companies install software that they are not using completely, or do not understand their upgrade rights.

Tackling the Real Problem

Remember, it’s not just an issue for your CIO and CFO. All of your team members should be educated and aware of the ins and outs of working with vendors. The more exposure team members have in dealing with IT hardware and software vendors, the better equipped they become in analyzing complex technical documents and dense legal agreements. After all, the saying goes in this space, “when you’ve seen one vendor agreement, you’ve seen one vendor agreement.” Vendors keep their stables of lawyers busy crafting agreements favorable to their organizations, surprisingly, without your best interests necessarily in mind.

Often, the most effective solution to this significant problem is to identify allies who have successfully fought and won these battles in the past.

Having the Right Partner Can Get You to Success Faster

In order to help companies realize measurable results in the quickest and most efficient manner, Harmony Technology generally employs the following engagement model:

A Systemized Delivery Approach



More specifically as it relates to IT Asset Management, Harmony Technology Services recommends that companies take the following specific steps:

1. **Self-Audit** – Proactively scan and understand your IT environment. Doing so puts companies in a much better position to understand what they have and what they need. Additionally, this is a much better position to be in than being driven to it as a result of penalties.
2. **Discovery** – Either on your own, or with a skilled and trusted third-party, conduct inventories of hardware, software and agreements. Once you have this, make sure that you understand your contractual rights!
3. **Rationalization** – Here, it's crucial to understand what a company has too much (or not enough of). Naturally, you want to find the sweet spot of "just enough" which can be a significant challenge.
4. **Compliance** – Often the final piece of the puzzle, this – making sure to match up needs, actual inventory and having what you are paying. (This could include determining whether things are over installed and whether uninstalls are needed, resolving version issues, etc.)

The Bottom Line:

IT Asset Management should be an integral part of your company's strategy. When done correctly, IT asset management can help your company manage systems more effectively and save time and money by avoiding unnecessary asset purchases while using your existing resources. A company that does not tightly control IT asset management can face multiple risks. Establishing effective IT asset management is critical to your company's success. Even more critical is having experienced staff or partners who know how to deal successfully with IT vendors and service providers. The goal is to use only what you are paying for and not to spend more than you need to on any IT assets.

Harmony Technology has the experience, expertise and track record to help you use technology to create a strategic advantage to improve your bottom line performance. That's the power of Harmony.

The Harmony Technology Advantage

Harmony Technology Services has extensive expertise in industry verticals that are heavily dependent on software controls and IT asset management. Harmony Technology Services also shines a light on inefficiencies in a company's processes that often go overlooked. Our principals bring Fortune 100 C-level experience to those challenges, after having led both internal IT operations and outsourcing programs in the private and public sector.

Agile, flexible and responsive, Harmony Technology Services represents the coming together of practical experience, technological vision, financial acumen and personal accountability. Our teams of engineers and project managers bring creative, cutting-edge problem solving... and a world of experience... to your business challenges. We team effectively at all levels of your organization – from the executive suite to business process owners and subject matter experts. That's the power of Harmony.

For more information about how your company can be effective and reduce the risk of being out of compliance, contact Harmony Technology Services at (703) 546-4949 or via email at info@harmonytechnologyservices.com.