

Software Asset Management: An unsung enabler of digital transformation during COVID-19

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By Ritesh Tiwari, Partner— Contract Compliance Services, KPMG in India and Arpit Agarwal — Director, Contract Compliance Services, KPMG in India

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The pandemic has accelerated the digital transformation agenda while emphasising the need to optimise cost. It has been a difficult balance to attain. During this time, many organisations tapped into relatively new platforms and technologies, often with positive business results. As the journey to a digital roadmap has been accelerated, so has the tussle for budgets to fuel this roadmap. However, the real question is how many organisations have leveraged this opportunity to conduct a detailed review of the costs that are involved, with an intent of optimising the spend – both for legacy technologies as well as new investments.

Software costs today amount to more than hardware costs and are often considered among the top three IT spends, making up between 20 per cent and 40 per cent of total IT spend. Yet, in our experience of having delivered more than 10,000 license reviews by our Global Contract Compliance Service team and more than 2000 reviews by India team, it is not uncommon to find that at least 20 per cent to 30 per cent of software licenses go unutilised. Organisations spend a disproportionate amount of time counting their hardware assets, while being oblivious to the inventory and utilisation of software assets. Often, a large proportion of software remains unutilised and organisations continue to pay an on-going annual support and maintenance cost (typically 17 per cent to 22 per cent of license spend*), while procuring more licenses to meet new requirements.

Software licensing is a complex domain, which requires an interpretation of contractual terms and conditions in the context of the ever-evolving technology landscape. If applied incorrectly, software licensing costs can easily overshadow the erstwhile calculated Total Cost of Ownership ('TCO') of any digital transformation initiative.

Prior to the onset of the pandemic, a large number of organisations saw the primary role of Software Asset Management (SAM) as identification and mitigation of potential non-compliance risks so that unbudgeted payouts resulting from software license reviews could be avoided. While this continues to be one of the key drivers for SAM, a more mature SAM is now not only able to help organisations right-size their TCO and plan their software budget better, but also unearth additional budget to accelerate their digital journey. It is not uncommon for a robust SAM programme to be able to optimise 5 per cent to 15 per cent of software spend.*

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For those still contemplating their SAM roadmap, [our latest global CIO survey](#) captured sentiments from both pre and during the COVID-19 period. Some of the key findings were:

- Almost half (47 per cent) of the respondents identified a permanent acceleration in digital transformation
- 43 per cent of the leaders expected over half of their staff to remain working predominantly from home
- More than 41 per cent of organisations experienced increase in cyber security incidents

Here is how SAM has been an enabler for IT leaders:

- **Funding for digital journey:** Unused licenses can be identified and leveraged to make a two-fold impact: reduction in net new spend on license cost, including cloud subscriptions, plus a reduction in associated on-going annual support and maintenance cost. Centralisation of spend and negotiating favorable contractual clauses such as license audit moratorium, product exchange rights etc. can help drive better value
- **Remote working:** SAM has helped CIOs drive rationalisation of applications, making it easier for employee as well as organisation, to manage the portfolio and cut down on operational overheads and productivity drain. Streamlined workflow across an asset lifecycle, from cradle to grave, can make it easier and quicker to get the required applications out to employees while keeping the costs contained
- **Cyber security:** Complete and accurate inventory of hardware and software has allowed organisations to identify potential risks (e.g. end of life/end of support applications, un-authorized installations, etc.) and take preventive measures to reduce probability of a cyber security incident.

Despite the benefits of a robust SAM, it continues to be an after-thought for many organisations, leaving a significant amount of cost optimisation opportunities unexplored. Coming out of the second wave of COVID-19 in India, IT leaders are being cautious about their future budgets, encouraging them to explore untapped options. Three steps to embark on/accelerate the SAM journey and optimise software spend are:

- **Focus on better ROI prospects.** Prepare a risk profile of the software based on your current and anticipated spend over next three to five years, critical dependency on the applications, and licensing complexity
- **Beyond cost optimisation.** Pair up SAM initiative with your digital agenda to ensure it is not run as a siloed program and helps deliver critical benefits, tangible as well as intangible
- **Data driven negotiation.** For chosen high risk/ opportunity software publishers, leverage licensing experts to carry out a diligent review of current and anticipated consumption so that data driven insights can be used

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*KPMG in India internal analysis

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