Risk and Financial Advisory
Cyber Risk Services

How to avoid the software sinkhole
Effective software asset management for cost savings

To say companies are overspending on software would be an understatement. According to Gartner, software licensing and maintenance activities comprise close to 22 percent of the IT budget for many companies. The latest numbers indicate the software industry will generate $380 billion in 2018. At the same time, many enterprises lack a clear view of their software assets—they don't know how many licenses they own, and they don't know how or where they've deployed the software they've paid for.

In software asset assessments recently performed by Deloitte, companies had unrealized cost savings totaling 25 percent of their annual maintenance spend. Put another way, effectively managing software can save serious cash.

So what can your organization do to use Software Asset Management (SAM) to help your bottom line and protect your brand?

Be proactive
One of the biggest reasons companies underutilize their software is because software, by its very nature, is difficult to track. With assets such as, say, delivery trucks, a CFO can go out and count the vehicles to stay on top of how they're deployed. Software, however, exists virtually. No matter how a business goes about looking to quantify the technology, it's harder to see across an entire enterprise, and thus tougher to manage across the board.

Within an organization, staying on top of software is complicated—if a company doesn't manage software, the software will manage the company. One of the biggest issues: Lack of communication. Because every department operates somewhat independently, companies end up purchasing unnecessary software, redundant software and software that does not integrate with the company's' existing software infrastructure. Signing up for software as a service (SaaS), moving software to the cloud, or committing to an unlimited agreement actually complicates things even further. According to Erwin Yuen, Managing Director in Deloitte Advisory's Software Asset Management practice, for all of these reasons, organizations often overspend on software licenses.

Yuen says "If a company does not have a good picture of their software landscape, they could end up renewing $50 million dollars of licenses when they are truly only using $20 million worth of licenses."

Yuen suggested companies should implement processes to proactively manage their software assets, conduct regular assessments to determine precisely what they need and how to meet those needs accordingly. "Having a complete and accurate picture of your organization's software landscape will put your organization in a strong position to negotiate confidently and hopefully save your organization a lot of money!" he says.

Shore up security and protect your brand

The more a business knows about the software its running, the more tightly that business can monitor security vulnerabilities across the board. The problems come with the flipside of this scenario—businesses that *aren't* on top of their software assets are effectively leaving their network unprotected and their brand reputations in jeopardy. Having unknown software installed at your organization that has not been vetted can lead to vulnerabilities. With protecting their enterprises against cyber threats at the top of executives' agendas today, maintaining IT security is a key priority. If a business doesn't know what software it has, how can it expect to be secure?

Dave Dawson, Managing Principal in Deloitte Advisory's Software Asset Management practice, notes that security is particularly problematic with open-source software, especially when enterprises aren't aware of what software is out there and which versions of the software they're using.

"Sometimes vulnerabilities arise when companies are using open-source software" he says. "In many cases, companies don't even know they're at risk."

Dawson says companies can use apps and other services to scan their software inventory for what's there and determine where open-source code might introduce weaknesses or require licenses. He notes that these technologies are scalable for keeping tabs on virtualized servers, too.

Build partnerships

Old-timers lament how the nature of software sales has changed over the years. Previously, account managers were instructed to customize each transaction. Today, account managers are simply instructed to sell as much software as possible—even if companies don't really need it. Most software now comes bundled with other products. One can see how this strategy can leave a company with software it neither needs nor uses.

Brian Hibner, Senior Manager in Deloitte Advisory's Software Asset Management practice, says that in many companies, the sourcing and procurement departments fail to interact sufficiently with the IT department, which is tasked with implementing the software and complying with the terms they didn't have a hand in creating.

"We've seen many situations where there is a big disconnect between the folks who are buying software and the folks who are using it," says Hibner. "The more those involved in the sales process talk to the people who end up using the software, the better and more efficient all of these purchases are going to be."

Specifically, Hibner advises that companies schedule regular meetings and internal software use reviews between stakeholder groups so one hand knows what the other is doing. He also suggests that companies do business with software manufacturers that partner together to put your best interest first, not the companies that are just focused on quarter close and getting the deal done. You will be better served over the long run by a partner than someone chasing the next commission check.

In today's high-tech world, software can be one of a company's biggest assets. In order to realize this potential, companies must strive to manage these investments efficiently—and make sure they're only using what they need. When done effectively, SAM can save a company upward of 20 percent of its software budget and protect organizations' hard-earned brand reputations—ultimately saving costs and time that a company can redirect to other needs across the enterprise.

Take action today!
Request a briefing.

Deloitte Risk and Financial Advisory Contacts

Vikram Bhat
Advisory Principal
Cyber Risk Services
Deloitte & Touche LLP
vbhat@deloitte.com

Dave Dawson
Advisory Principal
Cyber Risk Services
Deloitte & Touche LLP
davedawson@deloitte.com