



The Benefits of IT Asset Discovery and Contract Management

By

William Davis

BDavis@Bigfoottechnology.com

Table of Contents:

1. Executive Summary	3
2. Contract Management Best Practices	4
2.1 The Contract Management Process	5
3. Software / Hardware Asset Management	6
4. Regained Revenue through Bigfoot Services	6
4.1 Typical Server Environment	7
4.2 Typical Support Costs.....	7
4.3 Why do I care about IT Asset Management?.....	8
4.4 Ancillary Benefits of Using Bigfoot	9

1. Executive Summary

"Orchestrated Efficiency" is not just a catchphrase, but also a goal that each IT organization should be striving for. Bigfoot Technology can take your organization to that next level. Their service offering will help your organization become the best in class for IT hardware asset discovery, and contract management.

Have you ever give any thought to the amount of effort your organization spends in contract management and inventory control?

Over 80% of IT organizations do not have a centralized and automated way to manage the physical, operational, and financial aspects of their IT assets, much less the relationships that those assets have to one another.

Source: Hewlett Packard Development Company, L.P. June 2006. www.managementsoftware.hp.com

In today's business world, IT leaders and administrators must manage their hardware and software inventory. Keeping an accurate count of manufacturers, components, IP addresses, operating systems, installed software, and licenses on a dynamic company network is time-consuming, and all too many times a task that cannot be managed with a high degree of certainty.

Managing network availability and performance is more crucial now than it has ever been. Today we are faced with network management philosophies that were designed for legacy systems; as such we often struggle to fit into the world of dynamic IT solutions. In the ever-changing world of SOA, RIA, virtualization, or any of a number of ever changing IT buzzwords, your organization needs to be able to respond quickly and accurately to IT contract management and inventory control.

The following pages will explore some of the problems with IT asset management, best practices, and how Bigfoot can help your organization overcome these problems.

2. Contract Management Best Practices

Contract management is the process which ensures that both parties to a contract fully meet their respective obligations as efficiently and effectively as possible, in order to meet the business and operational objectives required from the contract and in particular to provide value for money.

The Contract Management Process
Diagram 2



2.1 The Contract Management Process

Diagram 2 clearly shows that the entire contract management process is not as simple as buying and installing software or hardware. There are many steps that work in conjunction with each other in an ongoing endeavor called IT asset management. We have already examined the number of organizations that do not have a formal process, now let's look at the cost of implementation.

The cost of launching an asset management program at a Fortune 1,000 company with 22,000 to 25,000 PCs typically involves the following expenses:

- Personnel costs that can range from \$300,000 to \$700,000 for the first two years and from \$225,000 to \$500,000 for the next three to five years.
- Tool costs and one-time licensing fees that can range from \$300,000 to \$1.4 million for the first two years.
- Maintenance costs for a suite of tools, including auto discovery, repository and monitoring tools that can range from \$60,000 to \$280,000 in the third, fourth and fifth years.
- Implementation fees that can range from \$150,000 to \$2.8 million over the first three years of the program.
- The cost of additional services needed to augment asset management programs, which can range from \$500,000 to \$1.5 million per year in each of the first two years, and from \$200,000 to \$600,000 in the third, fourth and fifth years.

Source: Cicala & Associates LLC, Hoboken, N.J. <http://www.computerworld.com/managementtopics/management/itspending/story/0,10801,81031,00.html>

3. Software / Hardware Asset Management

Software Asset Management (SAM) is a business practice that involves managing and optimizing the purchase, deployment, maintenance, utilization, and disposal of software applications within an organization. According to the Information Technology Infrastructure Library (ITIL), SAM is defined as "...all of the infrastructure and processes necessary for the effective management, control and protection of the software assets...throughout all stages of their lifecycle."

Source: ITIL's Guide to Software Asset Management

Hardware asset management entails the management of the physical components of computers and computer networks, from acquisition through disposal. Common business practices include request and approval process, procurement management, life cycle management, redeployment and disposal management.

In 2006, the International Organization for Standards (ISO) and the International Electrotechnical Commission (IEC) began working with the SAM industry to develop a standard of best practices for software asset management programs. Standard ISO/IEC 19770-1:2006, Information technology – software asset management – Part 1, was published by the ISO and IEC in May of 2006. Part 1 of the standard details SAM processes including control environment, planning and implementation, inventory, verification and compliance, operations management and life cycle.^[7] Part 2 of the standard is still in progress, and seeks to define a model that will help improve software identification processes.

Source: http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_detail.htm?csnumber=33908

4. Regained Revenue through Bigfoot Services

During the 1990's the emergence of distributed computing and the appeal of low-cost open systems server has led to the proliferation of servers in the Data Center environment. Now the rising cost of maintaining these infrastructures, and advances in more powerful servers with flexible partitioning and simplified virtualization technology is placing a premium on the ability of an organization to effectively manage their service, maintenance and support (SMS) contracts.

The benefits of managing an organization's SMS contracts can be quickly recognized when examining a typical mid-sized server environment. Below you will see how quickly the costs for this environment can add up.

4.1 Typical Server Environment

Primary Server Function	Number of Servers	Processors per Server
Web e-Commerce Portal	16	4
Agent CRM Application	20	4
Database Servers	4	32
Processing Application	1	32
Department Servers	6	16
Total:	47	400

4.2 Typical Support Costs

Support Type	Product	Avg Annual Price per Processor	Processor Count	Annual Support Cost
Hardware Warranty	Mixed	\$1,344	400	\$537,600
OS Support	Mixed	\$357	400	\$142,800
Database Support	Oracle	\$4,773	176	\$840,000
App Server Support	WebSphere	\$1,500	64	\$96,000
Systems Management Support	Tivoli	\$200	400	\$80,000
Total				\$1,696,400

4.3 Why do I care about IT Asset Management?

According to Gartner, Inc. enterprises that systematically manage the lifecycle of their IT assets will reduce their cost per asset by as much as 30% during the first year, and between 5-10 percent annually during the next five years. Additionally this same study indicates that up to 30% of all organizations are in a "chaotic" state, meaning they do not know what they own, where the assets are located, and who is using them. Another 45% are in a "reactive" state, meaning they track assets on a project-by-project basis, such as a licensing audit, never stopping to fully analyze the data.

Source: Gartner, Inc, CS-17-0113: Using IT Asset Management to Ensure Software Compliance, Patricia Adams, July 29, 2002.

In addition to the financial impact for Asset Management, there is also the legal reason to do so. Proper Asset Management will help public companies comply with the Sarbanes-Oxley Act, which is the cornerstone of U.S. federal regulators' financial accounting reform. Under the Act, companies must report any and all off balance-sheet transactions or obligations. In addition to reporting the actual financial obligations, companies also need to provide a comprehensive report on the processes by which the amounts were recorded, and monitored. Bigfoot helps your organization meet the compliance requirements of Sarbanes Oxley by providing a clear and concise outline of your SMS contracts and IT assets.

4.4 Ancillary Benefits of Using Bigfoot

As can be seen throughout this document, the costs to manage a typical server environment can add up quickly. When your asset mix becomes clouded the lost revenue can be staggering. Bigfoot, quickly gains a level of trust by finding the lost revenue that current IT asset management processes may be missing.

With a robust asset management solution like Bigfoot working behind the scenes, you'll have the critical information at your fingertips, information previously forgotten or misplaced, that will simplify the daunting task of tracking your IT assets. With Bigfoot, the specifics of asset utilization, location, purchase, TCO, tax, insurance, and maintenance are available with a few clicks of a mouse. With this knowledge your organization is equipped to make sound financial and technical decisions that will allow your organization to grow and thrive.

The field of Information Technology is dynamic and evolving every day. Top organizations need to position themselves to be prepared for the changes that are sure to come. Well documented and managed IT asset management through Bigfoot can improve organizations in the following ways:

- Improve Pricing Options
 - *By improving vendor relationships your organization can gain an edge in future negotiations.*
- Volume Discounts
 - *By giving a complete inventory, you may be eligible for volume discounts that you were not aware of.*
- Improve Operations
 - *Bigfoot allows you to focus on running the organization rather than items that should be secondary.*
- Capacity Management
 - *By gaining a full understanding of what assets you possess using our asset discovery process, your organization can respond quickly and efficiently to the ever changing world of capacity needs, and fully manage this arena.*
- Improve Financial Bottom Line
 - *Reduce the likelihood of unexpected license costs.*
- Liability
 - *Poor licensing practices are out the door, limiting your organizations exposure.*
- Peace of Mind
 - *Not a cliché, as much as it is the knowledge that your organization is poised to take the next step.*