

# Making the Business Case for IT Asset Management

## Executive Summary

IT Asset Management (ITAM) is an important business discipline that provides insight into a company's information infrastructure and enhances the ability to control the performance of IT assets.

With ITAM, organizations leverage a combination of processes and technologies to gain a greater understanding of what assets exist, where these assets are located, and how they are being used. With these capabilities, ITAM enables organizations to more effectively manage IT assets throughout their lifecycle and simplify related maintenance and administrative tasks.

Through better management of IT assets, companies can ensure that each and every piece of hardware and software is fully utilized. As a result, they can:

- Enhance infrastructure performance
- Improve service levels to IT users
- Minimize related costs
- Eliminate regulatory and compliance risks

*“ITAM is a proven mean to manage costs and improve the quality of services provisioned by IT, not to mention better risk management by avoiding potential software fines. In fact, the vast majority of organizations see true ROI within a year's time and then on-going savings from there.” - Pepperweed Consulting*

### **Building the Business Case to Get Management Support**

It is no secret that the key to the success of any corporate ITAM project is support from the upper ranks within the organization. Yet, according to the International Association of IT Asset Managers, a large percentage of initiatives fail to obtain the needed sponsorship. Why? Because today's cost-conscious executives are looking for tangible and measurable benefits in order to justify a purchase.

To convince senior management of the value that ITAM can deliver, project leaders must provide hard numbers, proving that the dollar savings from an ITAM solution will be significant. In other words, anticipated return on investment (ROI) must be clearly and definitively quantified.

This white paper outlines the steps needed to create a compelling business case for an ITAM solution. It will discuss the various costs involved with an ITAM implementation project, and highlight the key areas where ITAM solutions can deliver the greatest impact to bottom line results. Finally, it will highlight ways to present this data to corporate executives and win their support (and funding) for an enterprise-wide ITAM project.



## Step One: The Need for IT Asset Management

Today's corporate technology environments have become increasingly complex. Globalization, product diversification, mergers and acquisitions, and other business trends have resulted in a rapidly growing number of PCs, servers, software applications, and databases used in the corporate environment. Additionally, these components have become increasingly diverse, and tend to change rapidly in order to keep up with the pace of business as well as technological advances.

As a result, organizations are challenged to more closely track their IT purchases, adhere to licensing agreements, analyze system usage, keep all software and hardware up-to-date, and ensure optimal performance levels.

ITAM can help businesses overcome these obstacles by empowering them to:

- Improve the way they manage all hardware and software components
- More accurately oversee IT purchase contracts, user licenses, and leases
- Routinely identify and meet upgrade and maintenance requirements
- Minimize the risk of security breaches or system failures
- Facilitate regulatory compliance

### *Define Your Requirements*

Before an ITAM project is initiated, project leaders must determine exactly what they are trying to accomplish through the use of the solution, so requirements can be defined as thoroughly and accurately as possible. For example:

- Does the entire IT asset lifecycle need to be monitored and audited?
- Do IT and financial resources need to be better aligned?
- How should IT risks be identified and controlled?
- What usage policies exist or need to be created and how will they be enforced?

The answers to such questions will not only help a company define what ITAM features and capabilities are needed, but also build a very strong business case for ITAM in the organization.

## Step Two: Uncovering the Potential Value

Companies of all sizes and across all industries are seeking to reduce total cost of ownership (TCO) for the numerous components that exist within their IT environments.

In a report titled "Winning Asset Strategies", industry analyst firm Gartner predicts that "Enterprises that systematically manage the life cycle of their IT assets will reduce cost per asset by as much as 30 percent during the first year, and between 5 percent and 10 percent [of additional savings] annually during the next five years."

Yet, the International Association of IT Asset Managers believes that, "with very few exceptions, ITAM projects get started without thought of how to identify, and systematically report, hard dollar cost takeout."

Where do these significant savings come from?

**Reduced System Support Costs**

ITAM solutions help organizations take the first significant step towards reducing IT cost of ownership by minimizing the burden of system support. For example, ITAM shortens the length of calls to helpdesks by making it easier for support staff to identify each PC configuration. At the same time, it eliminates the time helpdesk workers spend troubleshooting, fixing, and maintaining unauthorized software and related licenses.

Specific yearly savings can be calculated using the following formula:

$$\text{Number of PCs} \times \text{Average number of annual support tickets per PC} \times \text{Cost per ticket} \times \% \text{ reduction in average call length}$$

Users of ITAM have reported that their solutions have enabled them to reduce the time spent by helpdesk staff on support tickets by an average of twenty percent. For a company with 500 PCs, averaging 4 helpdesk tickets per PC per year, and assuming a \$40 cost per ticket, this can amount to annual savings of \$16,000.

**Minimized Internal IT Audit Expenses**

An ITAM solution can also minimize the expenses associated with IT audits. By automating and accelerating audit-related tasks and activities, ITAM can further reduce TCO as follows:

$$\text{Number of PCs} \times \text{Time required to audit each PC} \times \text{Hourly cost of IT staff member} \times \text{Number of audits performed each year}$$

If IT technicians making \$33 an hour (according to Salary.com) conduct audits twice each year, and it takes 15 minutes to manually audit each PC, a company with 500 PCs can slash additional \$8,250 of yearly costs with an ITAM solution.

**Improved Employee Productivity**

The use of illegal or unauthorized software such as chat facilities, games, and peer-to-peer file sharing packages often results in loss of employee productivity.

With an ITAM solution in place, companies can eliminate this loss of productivity by monitoring and detecting the installation and usage of such programs. Expected savings in this area can be calculated with this formula:

$$\text{Total number of employees} \times \text{Estimated hours spent using unauthorized software each year} \times \% \text{ of employees who experience downtime} \times \text{Average hourly salary}$$

A recent survey by Office Team, one of the largest recruiting and staffing agencies in the US, shows the average worker spends 3 hours each week—an equivalent of 156 hours each year—on non-productive tasks such as playing games, browsing Internet sites that are not job-related, having personal conversations via the company's email

systems, or chatting with friends through IM-style programs. According to a July 2008 survey published by the US Department of Labor's Bureau of Labor Statistics, the average American worker earns approximately \$18 per hour. Even if we make a conservative assumption that only ten percent of the employees will experience productivity loss as a result of such activities, an ITAM solution can save a company with 500 staff members over \$140,000 in the form of restored worker productivity and output each year.

### ***Reduced Risks***

ITAM solutions can also help companies minimize the financial risks associated with security gaps in their technology architectures. By identifying missing patches, uncovering the absence of an anti-virus software package on certain computers, or detecting the download of a spyware or malware program, IT Asset Management technologies can enhance network protection and minimize the monetary losses that result from security breaches.

### ***Enhanced Software Compliance***

Software piracy is a big issue to software vendors, with an estimated \$30 billion in lost revenues, according to the Business Software Alliance (BSA). For this reason, software vendors, in conjunction with the BSA, as well as other organizations, are implementing more rigid policies to control piracy and other illegal software use.

In fact, by the end of 2007, around seventy percent of mid- and large-sized businesses had likely been the subject of an external software audit, states Gartner. And, the average fine imposed on non-compliant corporations is about \$30,000 for each illegally installed software copy.

With an ITAM solution in place, the IT department has complete visibility into all the applications installed and utilized throughout the organization. With such visibility, the unlicensed or unauthorized software can be detected and removed before an audit occurs. This can result in the following potential cost reductions:

Probability of audit	X	Number of PCs	X	% of PCs with unlicensed apps	X	Fine per unlicensed app
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Many industry experts conservatively estimate that the probability of an external software audit is approximately 15% each year. And, more than one-third of all software programs installed on corporate PCs are likely unauthorized, based on the BSA study cited above. Even if we assume that only 5% of all desktops have at least one unlicensed software package running, a company with 500 PCs can avoid over \$112,000 in potential fines by using ITAM software to identify and remove illegally software applications from employee PCs.

### ***Non-Tangible Benefits***

While executives want hard numbers before they throw their support behind an ITAM initiative, the less tangible benefits of the solution are too important to ignore. Among the many significant yet hard-to-measure advantages that an IT Asset Management solution can provide are:

- The ability to maintain optimal productivity by keeping all mission-critical technologies up-to-date, achieved through increased visibility into which software and hardware components are due for upgrade or replacement
- More accurate IT planning and budgeting, through greater insight into what components currently exist, who is using them, how they are being used, and what may be needed in the future
- More streamlined IT operations through the identification of redundant or underutilized solutions. This can help reduce the time IT staff spends maintaining duplicate technologies, and ensures that companies achieve rapid return on investment from all of their systems.

### **Step Three: Calculating the Costs**

In order to obtain the most complete and accurate understanding of the potential return on investment for ITAM, project leaders must fully consider all the costs involved in the ITAM initiative from start to finish. They must account for:

- *Application tool.* The money spent on the application itself, whether in the form of subscription or software license fees. If applicable, costs for all needed hardware and any additional software required (e.g., operating system) must also be considered.
- *Integration and deployment.* The expenses involved in installing, setting up, and rolling out the solution, including end-user training.
- *Ongoing administration.* The cost of maintaining the solution and its supporting components, including monitoring, troubleshooting, and upgrades.

### **Step Four: Presenting the Data**

With all the numbers and calculations outlined above, the benefits and ROI of ITAM may be difficult for busy executives to interpret. Therefore, it is critical to present these findings in the most clear and concise manner. Charts and spreadsheets work best, because information can be categorized and detailed logically, while formulas allow for simple number manipulation.

### *The Business Case for IT Asset Management*

The sample chart below displays all costs and savings highlighted in this paper. The previously mentioned industry standard numbers have used in these formulas.

Investment	Formula	Annual Costs
Hosted ITAM Software	$\$20$ (Annual fee per PC) X 500 PCs	\$10,000
	<b>Total Investment</b>	<b>\$10,000</b>
Return	Formula	Annual Savings
<b>Total Cost of Ownership</b>		
Reduced Help Desk Support	500 PCs X 4 (Support tickets per PC each year) X \$40 (Cost per ticket) X 20% (Reduction in average call length)	\$16,000
Greater IT Audit Efficiency	500 PCs X 0.25 (Hours it takes to audit each PC) X \$33 (Hourly pay rate for IT staff) X 2 (# of annual audits)	\$8,250
IT Governance		
Improved Employee Productivity	500 employees X 10% (Employees that encounter productivity loss) X 156 (# of hours per year spent using unauthorized software) X \$18 (Average hourly pay rate)	\$140,400
Compliance		
Potential Fines	15% (Probability of audit) X 500 PCs X 5% (PCs with at least 1 unlicensed app) X \$30,000 (Fine per unlicensed app)	\$112,500
	<b>Total Annual Savings</b>	<b>\$277,150</b>
<b>Total Annual ROI</b>	<b>Savings (\$277,150) / Costs (\$10,000)</b>	<b>2771%</b>

### Conclusion

IT Asset Management solutions can offer ROI that is significant and measurable. By outlining the potential savings that these powerful applications can provide in a clear and concise manner, project leaders can present a persuasive and compelling business case and obtain the high-level sponsorship needed to ensure the success of their ITAM initiative.



## SAManage: On-Demand IT Asset Management Services

SAManage is a leading provider of robust on-demand IT Asset Management services. The SAManage cutting-edge solutions empower companies to gain complete visibility into their IT environments, so they can more effectively manage their assets, minimize related risks, facilitate compliance, and optimize utilization.

### With SAManage, companies can:

- Easily deploy comprehensive IT Asset Management at multiple locations across the enterprise
- Achieve greater visibility into asset inventory and usage
- *Proactively* detect and prevent IT-related risks such as illegal software, security gaps, or missing patches
- Ensure compliance with software licensing agreements and regulatory guidelines
- Reduce technology costs and improve budget management
- Minimize the time and effort required to address helpdesk issues with instant access to asset configuration data
- Capture and organize IT contracts and software licenses in a centralized system
- Correlate assets to contracts and leases as well as their department and business units, users, and technical owners

### Powerful and Secure On-Demand Solutions

The SAManage on-demand service completely eliminates the time and expense associated with implementing an IT Asset Management solution. There are no servers to manage, and no software to install. Enterprise-wide deployments can be completed in just minutes, and new features and enhancements are available immediately. SAManage offers a free trial period that allows you to “try before you buy”. To find out more and start your free trial, visit our Web site at [www.SAManage.com](http://www.SAManage.com).

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