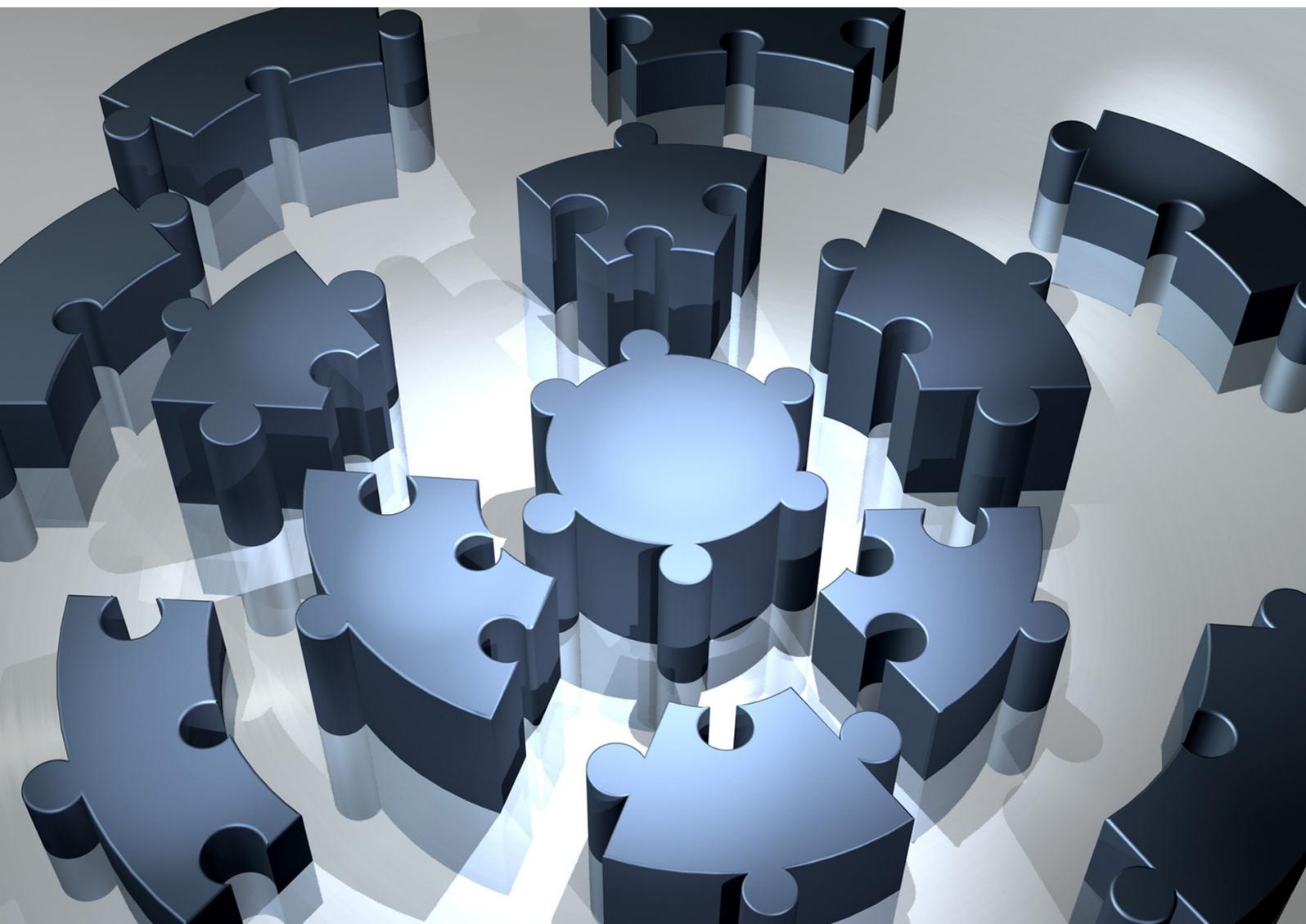


SOFTWARE ASSET & CLOUD MANAGEMENT

FROM SOFTWARE ASSET MANAGEMENT TO SERVICES OPTIMISATION



Software asset & cloud management

From software asset management to services optimisation

October 2018

Cigref is a network of major French companies and public administrations set up in order to develop its members' ability to acquire and master digital technology. It is a key player and federating body in the digital society, thanks to its high-quality thinking and the extent to which it represents its members.

Created in 1970, Cigref is a not-for-profit body in accordance with the French 1901 Law of Associations. It counts among its members some 150 major French corporations and public administrations across all business sectors. It is overseen by 15 board members who are elected by the General Assembly. Its day-to-day work is carried out by a team of ten permanent members of staff.

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OVERVIEW

Six years after the first edition explaining the Software Asset Management (SAM) assignments (at that time an emerging discipline), and the advantages for organisations for managing their software assets, Cigref is providing its members with an updated overview of the SAM function in light of the challenges related to the cloud, which is shaking up this function and companies.

Driven by harsher business relations with software publishers and the amounts of money involved, the progression of SAM within companies is irrevocable. However, the Cigref survey highlights contrasting situations: there are as many ways to manage software assets as there are companies, even if common trends are emerging around allocated resources (budget and full-time equivalents), core assignments, tools and the method of organisation. The agreed investment is in line with the risk and cost that software, application and cloud solutions represent in IT department and Business department budgets.

However, a significant number of companies and administrations are “only” venturing into the structuring of a SAM function now. This observation makes knowledge-building and experience-sharing processes, along with good practices concerning the processes, organisations and tools, etc., even more useful.

The ecosystem of players (IT consultancies, firms, distributors, freelancers, SAM and SLO publishers) and their range of products and services designed to assist the professionalisation of companies with this function are also extensively consolidated and developed. Generalist and specialist players (or pure players) have organised themselves in this market to cover the wide range of service needs of companies.

Whatever its level of maturity, its model and its resources, the SAM function must integrate the progressive switchover of on-premises infrastructures to cloud offers and, as with all support functions, demonstrate its efficiency and contribution to the company’s performance.

Although it is recognised that SAM may be a cost centre in the initial months of installation (investments in consultancy services and tools, compliance inventories demonstrating the risks to be funded, etc.), SAM is expected to be able to go beyond the defensive approach with regard to publishers (*a posteriori* audit management) and move towards a genuine application and software base optimisation process, in line with the Group strategy (internal developments, *open source*, *cloud* shift, etc.). Therefore, attaching a large number of SAM functions directly to the Group IT department is indicative.

This report ultimately highlights the maturity curve of the function, and therefore of the teams, and the issue of attractiveness and renewal of skills, internally and externally. As with many other IT professions, the sector (customers and partners) must organise itself and players must work together to train and attract talent.

ACKNOWLEDGEMENTS

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Glossary of main acronyms

ERP	Enterprise Resource Planning
ITSM	Information Technology Service Management
MOC	Maintenance in Operational Conditions
PMO	Project Management Office
RFI	Request For Information
RFP	Request For Proposal
SAM	Software Asset Management
SLO	Software Licence Optimisation

Introduction

In October 2012, Cigref published an initial white paper on *Software Asset Management* (SAM) at a time when this discipline was still at an early stage in France. Written when the wave of publisher audits was sweeping through companies and administrations, the aim of this publication was to answer two questions:

- Why manage your software assets?
- What are the advantages and benefits of SAM?

Companies and administrations have since considered the issue. As proof, more than 68% of them now have a SAM organisation or department¹.

Six years on, Cigref wanted to assess SAM in France through feedback from its members, and identify the new challenges that companies and administrations must deal with in terms of software licence management, in particular, with the emergence of the *cloud*.

For the ISO (*International Organization for Standardization*), *Software Asset Management* is defined as “*all of the infrastructure and processes necessary for the effective management, control and protection of the software assets within an organization, throughout all stages of their life cycle*”. Dating back to 2006, although old, this definition remains current. For the *cloud* era, the term “software assets” could be extended to subscriptions or other memberships. We are retaining this extended definition.

By imposing this standard, ISO members clearly did not anticipate that actual publishers would be the main ambassadors of SAM within companies due to their business and contractual practices.

With this new report, Cigref wants to provide an overview of the practices and of the market, and put the new challenges into perspective for companies with regard to the management of licences and *cloud* services. Therefore, the aim of this report is to provide possible answers and areas for thought to these three key questions:

1. **SAM in 2018 in France:** where are we now six years later (after the first report)? Presentation of the state of the art, assessment and feedback from companies that have invested in this activity, and those that have not.
2. **The SAM ecosystem:** what do companies need in terms of services and tools? What is the supplier market offering and how is it structured to meet these needs?
3. **Future evolutions:** technology stacking, IT consumerism, *cloud*, *SaaS*, new models, new players, etc., how will SAM have to evolve in order to continue serving the interests of the IT department and more globally, the company?

This document was written based on work conducted by the SAM working group co-facilitated by Cigref and Elée, made up of around ten major French companies and administrations, and also based on the contributions of around fifty Cigref member organisations that answered an online survey, conducted between May and June 2018. *Unless otherwise specified, all of the figures in the report were taken from this in-house survey.*

¹ Source: “SAM & Cloud management” in-house survey - Cigref - June 2018

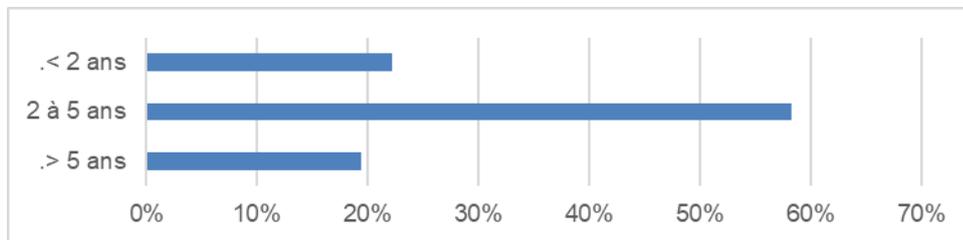
1. Overview

1.1. SAM organisation within the key groups

68% of Cigref member companies and administrations currently have a SAM organisation comprising resources that are exclusively dedicated to managing software assets. In 2012, they amounted to less than 20%.

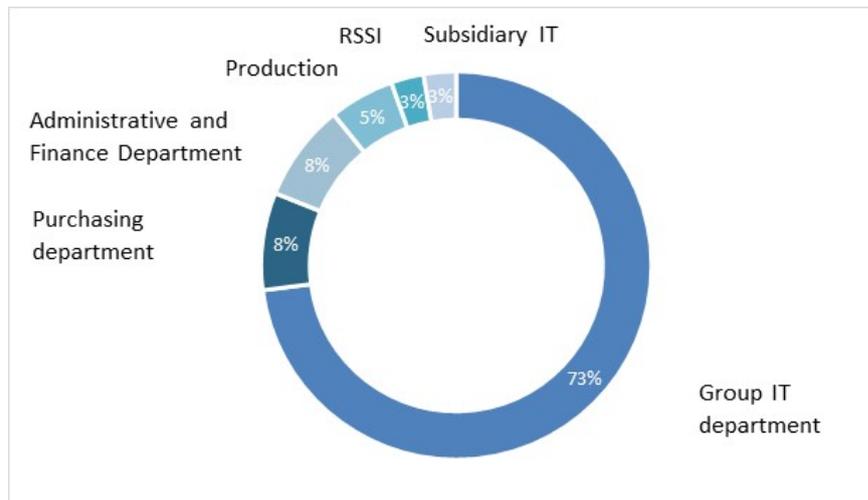
Young and small, 80% of these organisations were created within the last five years, initially to meet the increasing number of audits of some publishers that swept through almost all French companies and administrations from the beginning of 2010.

Diagram1 - Age of the SAM organisations (in % of respondents)



SAM organisations or departments are mainly situated in Group IT departments (73% of respondents). Some companies have placed SAM within other support functions, such as the Finance Department or Purchasing Department, in the head office or subsidiaries.

Diagram 2 - Hierarchical attachment of SAM organisations (in % of respondents)



SAM organisations still have fairly modest resources. 60% of the companies surveyed confirm that they dedicate at least €500,000 excl. tax per year to cover salaries, tools and costs related to external services. However, it should be noted that: 24% of respondents have an annual budget greater than €1 M excl. tax.

Budgets dedicated to SAM depend on three factors:

- Software expenditure: a correlation can be noted between software costs and SAM budget,

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- The number of publishers under control: the greater the number of suppliers managed, the greater the budget will be,
- Maturity of the function and the scope of the range of services provided.

Diagram 3 - SAM budget in € excl. tax and (in % of respondents)

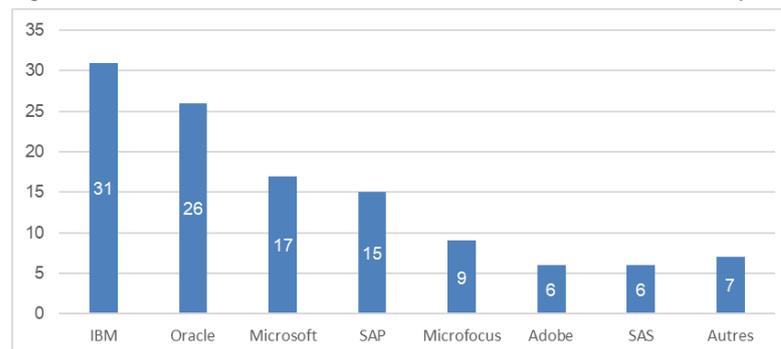


1.2. SAM triggers and activities

50% of the companies surveyed stated that audits were the main trigger for implementing SAM. This figure needs to be compared to the average age of the SAM structures which, as a reminder, are mostly less than five years old. Audits have quite clearly driven companies to invest in SAM, initially in a rather defensive approach.

96% of respondents have had to deal with one or several audits in the last three years alone. It comes as no surprise that historical heavy weights, such as IBM, Oracle, Microsoft and SAP, are among the most active in SAM.

Diagram 4 - Publisher audits between 2015 - 2018 (in number of quotes)



Some publishers have subsequently reviewed their audit policy. However, this mainly concerns those whose transition towards the new *as a service* models is the most advanced.

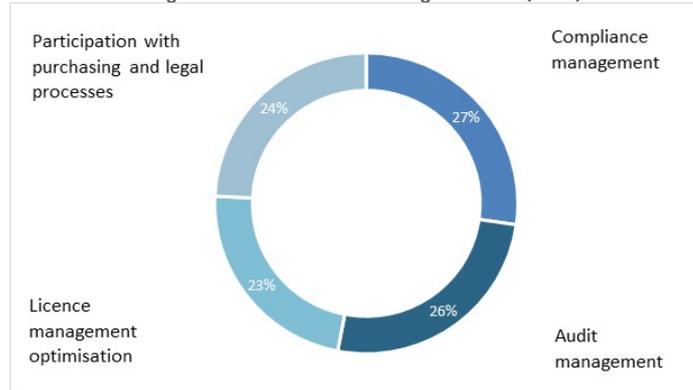
Compliance management is still a top priority for IT departments. Audits constitute the publisher's legitimate right, often contractually outlined via audit clauses, to check the customer's compliance with software licence contracts. However, the practices of some publishers, sometimes considered as intrusive (collection of data, etc.) or aggressive (commercial pressure, etc.) by the companies audited, have not only profoundly tarnished business relations but also technological partnerships.

Compliance management and audits still currently represent more than 50% of SAM assignments. Most organisations have expanded their scope of action to other processes, such as for example, re-invoicing, *vendor management*, supply management (provision of licence keys, tokens, orders for software solutions and maintenance contracts, etc.). More advanced organisations have compiled high-value added service catalogues for IT departments, Purchasing departments and also business units and subsidiaries.

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Diagram 5 - Main SAM assignments (in %)



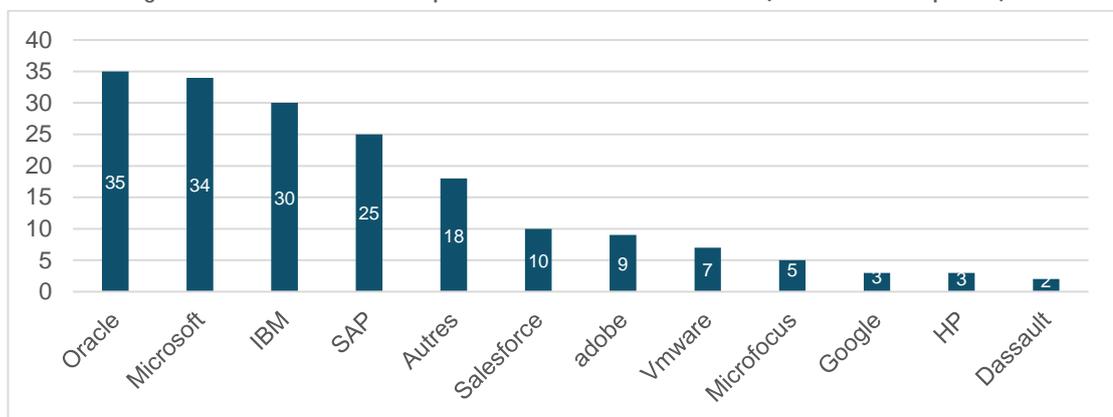
Microsoft, SAP, Oracle and IBM are the publishers the most monitored by SAM functions. The reasons are simple:

- An extremely high expense. Most of the time, these four publishers represent more than 50% of the software costs of companies.
- A long tradition of carrying out audits for some.
- Complex and limitless number of contracts and products that are constantly developing and transforming.

SaaS (Software as a Service) product offers by suppliers, such as Salesforce or Microsoft with Office 365, are now being closely monitored due to the financial issues that they represent, and also due to the significant degree of administration that needs to be implemented to control the use and costs of these expensive and easy to sign-up to and deploy solutions for business units.

Lastly, it can be noted that some publishers have recently intensified their audit policy. This is the case of Microfocus, for example. As a result of its merger with HP Software, over the last ten years this publisher has been carrying out an audit campaign considered as extremely aggressive by its customer. Audits seemed to be one of the means used to make the merger profitable, pay for investment funds, which are heavily invested, but also to encourage customers, through compliance, to sign up to new contracts. Tibco or Informatica are adopting the same practices to a lesser extent.

Diagram 6 - The most active publishers in terms of audits (in number of quotes)



- ➔ For further information on the irritating practices highlighted by Cigref's member organisations, please read Cigref's press file: [Well-Balanced Relations and Source Innovation Between Major Companies and Digital Suppliers - June 2018](#).

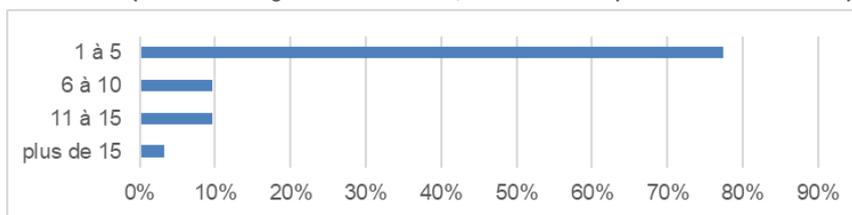
1.3. Organisational models and resources available for SAM

1.3.1. SAM organisations and skills

SAM department staff mainly works within companies. 80% have teams of one to five people, whereas more than 20% have more than 6 full-time equivalents.

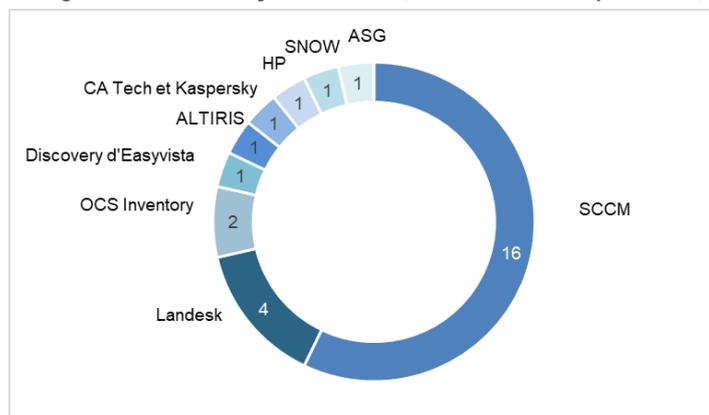
More than half of organisations use external assistance to meet either a specific need for expertise (IT services providers knowledge, tools, data or computer expertise, etc.) or to reinforce teams on resource-intensive and time-consuming activities, such as the coordination of inventories, audit management or PMO (Project Management Office).

Diagram 7 - SAM department/organisation staff (in full-time equivalent, in % of respondents)



Indicating growing professionalism, three quarters of the companies surveyed stated that they have produced and deployed SAM processes. In terms of tools, 94% of respondents use one or several discovery solutions to carry out their technical inventories. However, only 70% have a contracts and rights management tool.

Diagram 8 - Discovery tools used (in number of respondents)



The Microsoft SCCM (System Center Configuration Manager) solution is by far the most used solution within companies. By looking more specifically at the level of SAM and SLO tools (specific software solutions), it can be noted that only half of the companies from the panel has invested in this type of solution.

Several reasons may explain the low penetration of these solutions:

- Customers, more specifically less mature customers, prefer developing skills rather than investing in SAM and SLO software solutions.
- Some solutions have shortcomings (discovery reliability, incomplete catalogues, calculation engines that are open to improvement, etc.) and this in spite of the business promise of publishers.

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- The price of solutions (licences or memberships) remains high.
- Integration costs and also operating costs are often underestimated by publishers and may be significant depending on the solutions.
- The ROI (Return On Investment) for these products assumes having a mature and developed SAM function, managing many publishers and being able to upgrade the solution and internal processes to get the most out of them.
- The *SaaS* or *IaaS/PaaS (Infrastructure/Platform as a Service)* are not always managed by these tools which still focus too much on the *legacy* and on perpetual licences.

Many companies that have acquired a tool are not yet reaping its expected benefits. Those that have known how to make the most of it have invested massively in skills and resources in order to implementing it, and are carrying out essential developments and adjustments to make good use of it. To be efficient, an investment between 4 and 5 times the price of the licences is needed for the implementation excluding MOC (Maintenance in Operational Conditions). This ratio is slightly below those noted for ERP (Enterprise Resource Planning) projects, but similar to ITSM (Information Technology Service Management) projects.

1.3.2. Organisation models

A SAM and SLO organisation must above all be integrated into the company's culture and be in line with the IT and Purchasing Departments' policy.

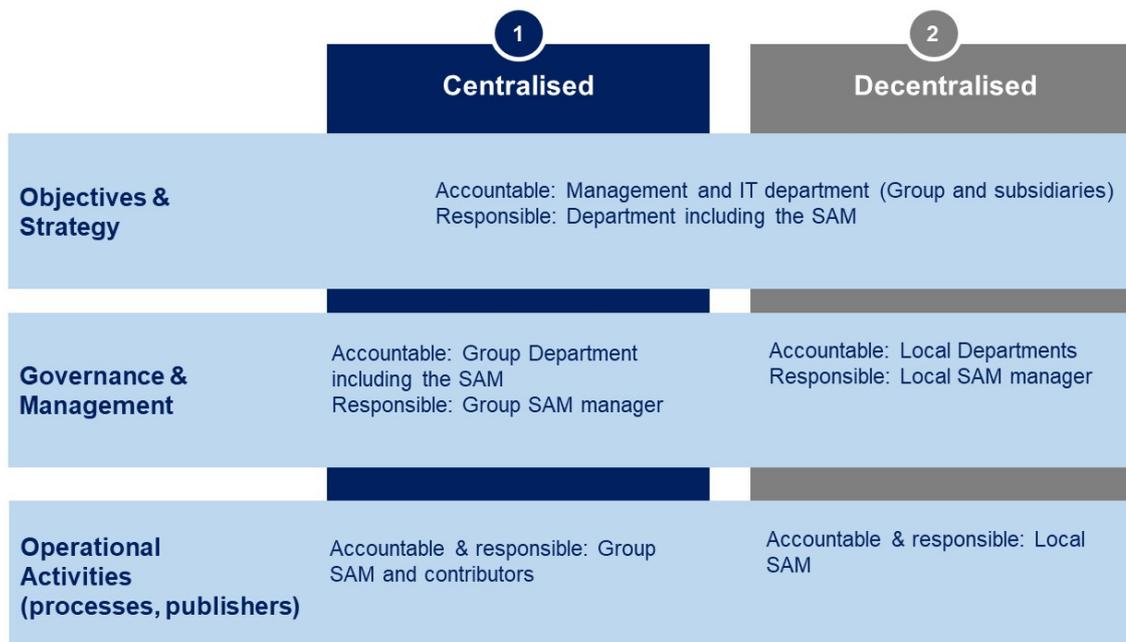
A centralised information system and global contracts (or group contracts) are also elements that justify a centralised SAM function to involve and coordinate all beneficiaries, in order to align the contractual commitments and issues. In the opposite case, SAM processes will mainly be processed locally or on a local/global model.

Whatever form it takes, to be efficient an organisation must be:

- **Identified:** its objectives and its positioning within the organisation must be clear, formalised and approved by the management. [*Consult the IT jobs nomenclature of Cigref, updated in July 2018 \(French only\).*](#)
- **Understood:** its assignments (what it does and does not do) must be specified and accepted by the central functions (Group IT department, Group Purchasing, etc.) and subsidiaries or business units.
- **Managed and controlled:** it must meet the objectives that have been assigned to it, and assess its activities and measure its performances.
- **Customer-focused:** i.e. be positioned as a service provider for the benefit of its internal customers (Purchasing, Business unit IT, Finance Departments, etc.) and thus, for the benefit of the company and its stakeholders.
- **Efficient:** produce a positive result.

Two types of organisations have been identified within French companies: centralised and decentralised. As the world is not always binary, particularly in France, some hybrid systems integrate a more or less defined group/subsidiary subsidiarity.

Diagram 9 - Centralised vs decentralised SAM organisation overview



In most integrated companies, a Group function, often the IT Department (see Diagram 2) is responsible for SAM. On the operational level, the Group SAM leads and coordinates a community of contributors with multiple skills (production technicians, database manager, lawyers, application managers, buyers, etc.) whose responsibilities vary depending on the processes and publishers managed. For example:

- For standard SAM processes, such as contracts and rights inventories, and installation and use inventories, the group specifies and controls the processes whereas the various contributors, such as the IT Department (central or local), Purchasing and Finance Departments supply the data.
- Compliance and optimisations are managed by the Group SAM in close collaboration with the various contributors, and shared with the subsidiaries or business units.
- Optimisations are implemented by the responsible teams within the IT Department (subsidiaries and central), and by the Purchasing Department, if negotiation or contracts are concerned.
- On the management side, SAM monitors the progress of the optimisation plans and supports the relevant teams.
- In this case, the Group SAM is also responsible for managing and *reporting* to the governance bodies.

To achieve efficiency, a centralised organisation may delegate all or part of a SAM process, or the complete management of a publisher to a subsidiary or central department. This type of decision depends on either:

- The skills and resources available within the company,
- The location of the decision-making and IT operation centres,
- The business relationship with the publisher.

In decentralised companies, the barycentre will mainly be on the local level with SAM operating on the country or subsidiary scale. In this case, the Group SAM, if it exists, assumes full governance or coordination functions, and may manage cross-functional projects, such as tools or training, for example.

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Illustration 1 - SAM players at Covea

Around one hundred people identified as having roles in SAM processes

- 
Product Manager (RP):
 - ✓ Controls the collection and updating of SAM data concerning the installations and uses
 - ✓ Gathers the needs and issues purchasing requests
 - ✓ Controls the recurrent budget associated to the products

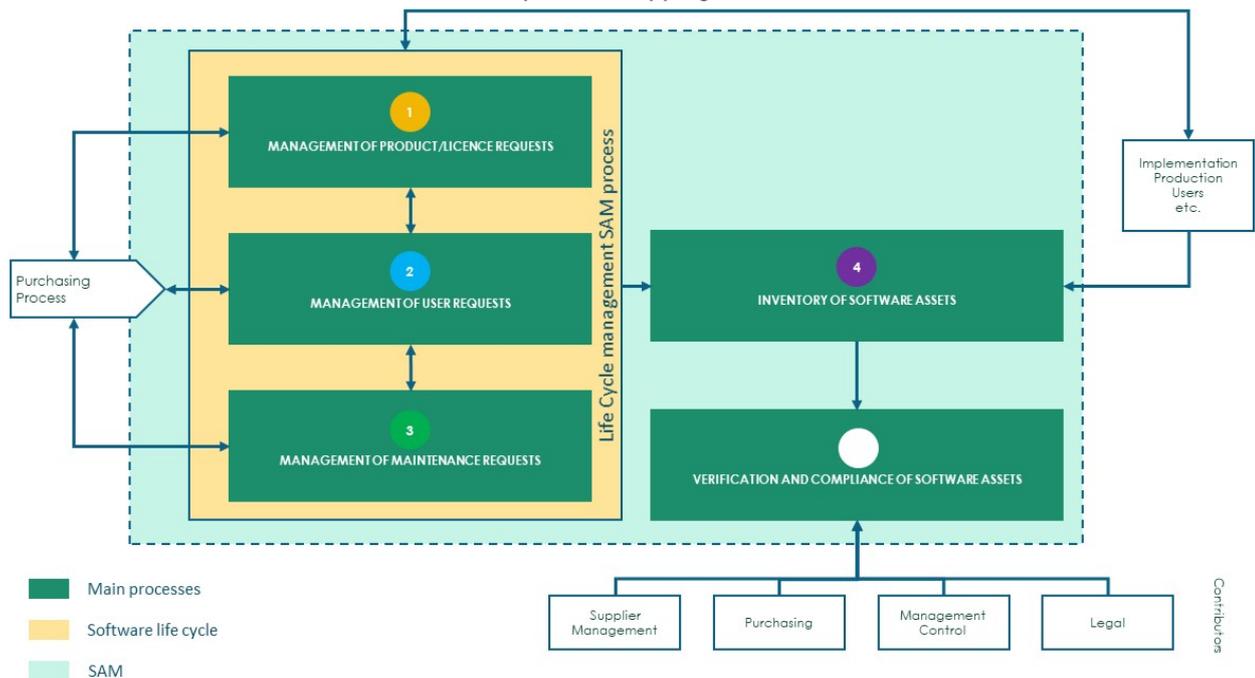
- 
Publisher Manager (RE):
 - ✓ Coordinates the product managers for publishers under constant control
 - ✓ Coordinates the collection and updating of SAM data concerning the acquisition rights

- 
Leader Buyer (AL):
 - ✓ Negotiates and concludes contracts with suppliers
 - ✓ Helps to identify Acquisition Rights

- 
SAM Manager:
 - ✓ Guarantees SAM processes and their coordination
 - ✓ Carries out checks on non-compliance risks

These players interact with their production, project, business unit, and legal contacts, etc.

Illustration 2 - SAM process mapping at Covea



1.4. SAM benefits

The first measurable benefits of SAM appear on average between six and eighteen months after starting the process. What are the main results experienced by companies?

1.4.1. Better risk management

An audit that is poorly managed may affect the entire company, in particular due the pressure applied by publishers, the aim of which is to close the audit before the end of the

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“quarter” (quarterly closing of results). Fearing financial consequences but also image risks, and finding managers internally, the management may increase this pressure.

Introducing SAM helps to streamline and formalise the audit process by defining individual responsibilities. Whereas before audit management was time-consuming and resource-intensive, it is now managed better by the IT Departments and their partners who can draw on shared *best practices*.

More mature organisations are able to anticipate risks through proactive actions (dummy audits, annual risk analysis for sensitive publishers, etc.) thereby limiting the direct (penalties, adjustments, forced purchases) and indirect (internal full-time equivalents, use of tools and external skills) economic impacts of audits.

1.4.2. Expertise and skills

Publisher / customer relationships are characterised by information asymmetry. A SAM Manager must be aware of the contracts and rules of multiple publishers, whereas publisher employees perfectly master their products and contracts due to their specialist training and the technical and document resources available to them.

Anyone who has had to manage a publisher portfolio at some point is aware of the complexity: legal subtlety, multiple products, bundle, metrics, licensing and pricing rules and sometimes (and voluntarily) ambiguities, etc.

The SAM Manager does not know everything, but his/her position within the organisation means that he/she can identify or even federate the skills disseminated internally and coordinate a panel of experts on all of the company’s publishers.

Subsequently, the relationship between the customer and its supplier balances out. The expertise developed by SAM Managers gradually moves towards that of the publishers, in particular, making it possible to stabilise business relations.

Using these experts enables the IT Department to use digital transformation, and make choices or developments in terms of infrastructures or applications. SAM Managers are increasingly associated with buyers to design the company’s roadmaps, cost the technical scenarios and negotiate software and cloud contracts.

1.4.3. Performance

The SAM Manager constitutes a performance vector for the IT Department and for the company on several levels:

1. **Avoided risks.** The action of the SAM Manager and associated employees helps reduce non-compliance costs. Proactive risk management via a proactive SAM policy and regular inventories helps to significantly reduce adjustment costs and penalties, as well as fees related to audit management.
2. **Avoided costs.** The business practices of publishers involves encouraging customers to purchase even more products and services that are not always useful for the company. The SAM Manager contributes to the company's performance objectives by optimising the software base through management of the use and allocation of licenses and memberships, by managing the stocks of licences, identifying unused products, or

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proposing optimisation and negotiation levers. Having an overview also helps prevent the dispersion and acquisition of licences for the same solution with multiple suppliers, and to negotiate better deals. Every year, a CAC-company SAM Manager, with his peers, can help avoid millions of costs.

3. **Cash savings**. *Cash savings*, i.e. the reduction of costs or budgets on a like for like basis, is complicated to produce on software solutions. Indeed, teams come up against a large number of obstacles related to the business and contractual practices of players in an oligopolistic market situation, such as: the rigidity of contracts, systematic price increases, rule and metric changes without warning, risks and costs related to product changes and the lack of alternatives on the market.

The joint action of the SAM Manager, IT and Purchasing teams enables significant savings to be made. A wide range of levers exist for reducing CAPEX or OPEX, such as for example:

- The uninstalling or decommissioning of unused licences,
- The stopping or suspension of maintenance and support contracts,
- The optimum allocation of licences,
- Publication or version decrease,
- The use of third-party management,
- Winback (replacement of one publisher technology with that of a competitor): all publishers have developed specific pricing and assistance programs to assist customers in this process,
- The resale of licences on the secondary market in intra-groups or between companies,
- Cancel and replace: a practice involving the acquisition of solutions (or their equivalent) that the company already has but at a lower price and in some cases meeting different licensing modes (changing from licences to SaaS) in order to reduce future maintenance flows,
- etc.

These levers do not necessarily apply to all publishers and all contracts. They require prior analysis of the uses and risks, and presume joint work with technical, purchasing and legal teams.

Illustration 3 - SAM benefits within the Sécurité Sociale des Travailleurs Indépendants

The RSI discussed SAM in 2013 with the establishment of a Compliance function in a defensive approach in relation to publisher audits.

Over time, this activity has provided better knowledge of our software asset base, which now allows us to work on its optimisation.

The SAM study has clarified the roles of the various players between buyers, experts and administrators.

In our specific context of transferring RSI activities to the general social security system, knowledge of the software base provided by SAM will facilitate the work on IT asset management.

1.5. The option of no SAM organisation

It is important to note that in 2018 around 30% of major companies and administrations did not have a SAM organisation. However, jumping to the conclusion that these companies do not manage their software assets and subscriptions would be a risky assumption.

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Several reasons may explain the lack of SAM structure:

- Software costs, and more globally IT costs, that are low or even reducing in respect to other budget items,
- Non-existent or fairly unlikely non-compliance or audit risks (e.g.: internal development culture or extensive use of open source, complete outsourcing of the information system),
- Accountancy management of the non-compliance risk (the company is not carrying out a proactive SAM process but plans an accountancy provision to cover any risks, and negotiates in the event of audits or proven non-compliance),
- Direct Software Asset Management by IT and Purchasing teams,
- Complete outsourcing of SAM via managed services contracts and/or consultancy services.

However, 45% of companies without a SAM organisation said they were thinking about setting up a unit within the next 12 months. The reasons driving this are the same as those identified in Cigref's 2012 report, i.e.:

- An increase in software costs due to higher publisher prices but also IT, digital and business unit projects,
- Ongoing or expected audits,
- Publisher relations that are becoming strained (e.g.: difficult negotiations, technological changes, shift towards the cloud),
- The strengthening of skills in the licensing and contracts fields in order to better serve the IT Department and business units,
- The need to clarify the roles and responsibilities between the various company functions (IT, purchasing, legal).

The studies conducted by these companies not only concern the processes and internal and external resources to be mobilised, but also the tools and partners that could be associated to set up this new organisation, which is a recent trend.

This evolution can be explained by the fact that the market is now more mature. Service providers on the market have become much more professional and developed, driven by a growing demand from customers who are still unable to cope with the technical, business and contractual issues of publishers, and now cloud services providers.

Illustration 4 - The main triggers within the ADP Group

Why venture into SAM now?

- Deal with ever-increasing supplier audits and centralise their monitoring and risk management
- Make risk monitoring and the economic issue of non-compliance visible within the company
- Train and assist internal resources on all SAM assignments
- Organise knowledge sharing
- Improve software purchasing control (CAPEX and OPEX)
- Optimise and reduce the progression of software costs: check the uses vs rights balance
- Go beyond the licence inventory stage to move towards a continuous optimisation approach
- Re-balance the supplier/customer relationship, by gaining mastery and maturity
- Integrate a study and a dimension of new IT models: cloud, SaaS mode, etc.
- Anticipate new models (cloud, SaaS, etc.) to adapt uses and infrastructures, and maintain bargaining chips with publishers.

2. SAM ecosystem

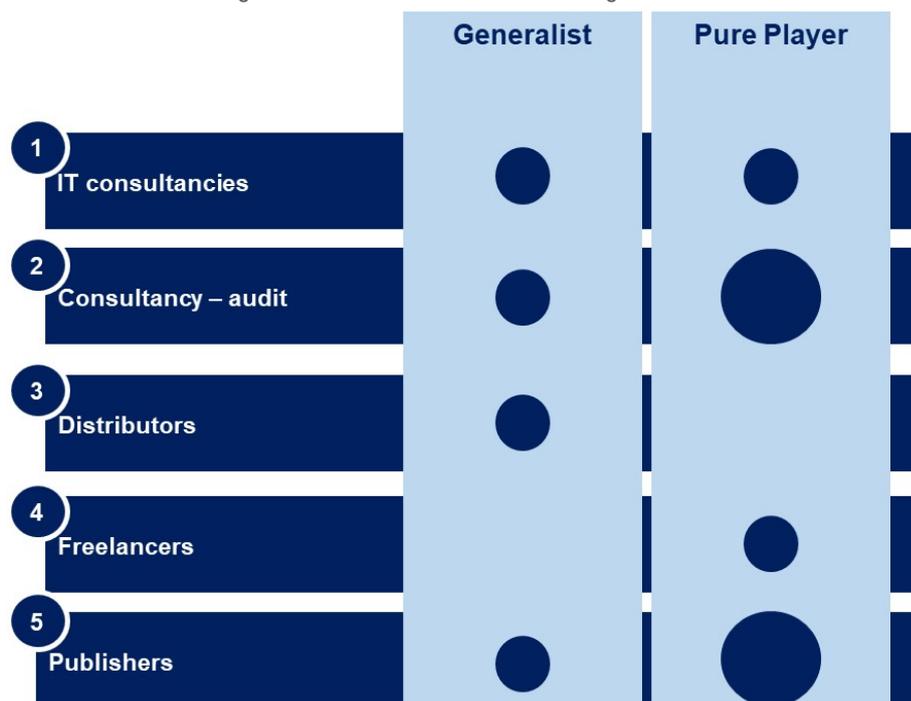
2.1. Market structure

Since 2012, the SAM ecosystem, and more generally the fields of Software Asset Management, Software Asset Optimisation, Cloud Management and ITSM (Information Technology Service Management) consultancy have developed dramatically in France and Europe.

The market is structured on two levels: so-called generalist and specialist players (or *pure players*), that can be distributed into 5 categories:

- IT consultancies,
- Audit and consultancy firms,
- Distributors,
- Freelancers,
- Publishers.

Diagram 10 - SAM market structuring overview



2.1.1. IT consultancies

Relatively few IT consultancies are present in the SAM and SLO segment. These IT consultancies, which are often large, focus on providing services or major projects (sometimes several thousands, or even hundreds of thousands of days) in various fields, such as governance, digital transformation, production, Third-Party Application Management, development or SMACS (*Social-Mobility-Analytics-Cloud & Security*), etc.

Software asset & cloud management

From software asset management to services optimisation

The SAM and SLO consultancy and service market does not achieve enough turnover potential to be of interest to IT consultancies or for them to invest in developing skills and creating dedicated *business units* (BU).

Another reason: most IT consultancies have business, technological or capital partnerships with leading publishers, such as Microsoft, Oracle, IBM or Salesforce, which may be contradictory to a consultancy approach. Nevertheless, IT consultancies have experts that are able to assist their customers with some of the SAM and SLO processes that they may occasionally carry out.

Lastly, some IT consultancies work on SAM and SLO software solution third-party application management and integration projects. These fields are closer to their original business units and can be easily industrialised.

2.1.2. Audit and consultancy firms

SAM and SLO are at the interface of several areas of expertise including technology, legal, *business*, mathematics and data management. Audit and consultancy firms were created to manage complex issues. Therefore, they are obviously present and active in this segment.

Major companies, such as Deloitte, KPMG or EY, work alongside publishers during audits and, therefore, deal with customers. Their role is to operationally manage the audit (explanation, supply of purchasing data, project management, data collection, monitoring, etc.) and product compliance reports.

Publishers manage and maintain the relationship with the customer before and after the audit, in particular in the event of adjustment.

These firms have the skills, *at least* with regards to licensing rules, inventories, compliance, that they make available to publishers so that they can ensure that their rights are respected, and often generate revenues.

It should be noted that these publishers are also customer-focused offering consultancy services and managed services, whilst continuing their auditor activities on behalf of publishers.

Specialist firms have developed alongside publishers. These are either pure player independent firms (working on SAM, SLO, the cloud or ITSM); or small teams or medium-sized IT consultancy firm BU.

There are four or five independent firms in France in this segment, such as Amétis, Imuo or Elée, for example. The number of people they employ ranges from 5 to 50 for the largest firms. They offer several types of expertise:

- **Publisher SAM and SLO expertise**: inventories, audit assistance, compliance, optimisation, etc.
- **Organisational consultancy**: organisational diagnosis and audit, build (process, change management, establishment of KPI, etc.) and training,
- **Tools**: diagnosis, POC (Proof of Concept), decision-making, implementation, use, management and MOC,
- **Managed services**: delegated management of all or part of the SAM and SLO processes (sometimes software purchases) for a given panel of publishers.

Software asset & cloud management

From software asset management to services optimisation

These independent firms are particularly agile and have specialist experts. Some have developed their own tools, in particular, to process customer inventory data or to carry out compliance calculations and optimisations to complement the SAM and SLO solutions on the market, or go further. They work with CAC 40 or SBF 120 type customers or public services (state, regional and hospital), for which the software solution represents a challenge or issue.

These specialist firms cover a large part of the market in France. Customers particularly appreciate their expertise, flexibility and above all their independence from software publishers.

On 9 February 2018, Gartner published a reference guide on SAM *managed services* including the *best practices* in the field and a list of 20 reference partnerships across five continents². Elée is the only French player mentioned in this guide.

2.1.3. Distributors

Distributors play a key role on the market even though their position and economic model have been deeply affected by publishers who are increasingly inclined to reduce the portion of the value that they previously shared. Their main tasks concern:

- The sale of licences, maintenance contracts or memberships (all publishers: players without salesforce, mega vendors, etc.),
- The provision and invoicing of software solutions,
- The provision of services (e.g.: training, reporting, financing, consultancy, etc.).

Taking advantage of this standing, but also pressurised by publishers whose requirements have continued to increase, distributors have developed SAM services for their end customers and for the actual publishers.

Distributors provide services, such as training or “amicable” compliance reviews, for publishers. Publishers may also delegate audit management to them.

Lastly, distributors also provide purchasing advice and supply management sometimes being paid twice; by their customers for the service part, and through commissions or rebates back paid by publishers to pay for the sales and services rendered.

2.1.4. Freelancers

The surge in freelancers also affects SAM. As soon as a sector reaches the top of the cycle, the availability and number of resources becomes critical for the entire market (providers and customers). New players emerge from this tension, who position themselves to take advantage of this imbalance. Some employees leave salaried employment to become freelancers or to create micro-structures.

These players are either former auditors or consultants, or technical experts or licenses specialists from publishers. Their expertise mostly focuses on one or two major publishers or on SAM and SLO.

² Source: Market Guide for Software Asset Management Managed Service Providers by Stephen White, February 9, 2018

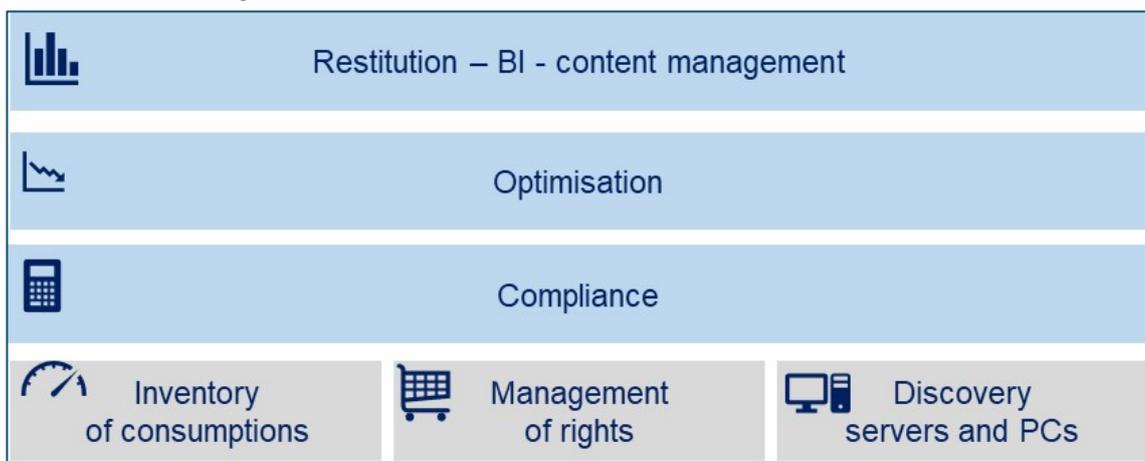
2.1.5. SAM and SLO publishers

Publishers offer computer asset management solutions worldwide that have been distributed over the last 30 years. The first IB, CA or Peregrine ITSM software solutions focused on a few processes, such as PC then server discovery, or repository or physical asset management.

Since the end of the 90s, SAM and SLO solutions have been developed driven by IT departments concerned about controlling their information systems. Publishers, such as IBM, HP, CA or ServiceNow, which offer SAM bricks within ITSM or ITAM solutions, cohabit this market with *pure player* independent firms, such as Snow.

Reflecting the opinion of Cigref's French member customers, the *Magic Quadrant Gartner*, published in April 2018,³ highlighted two *pure players* in the "leaders" category.

Diagram 11 - Overview of SAM and SLO solution functionalities



Basic bricks, i.e. the physical and virtual inventory, purchasing management and consumption management, are generally perfectly mastered by pure players, the efficient discovery performance of which is measured, in particular, with regard to catalogues and calculation engines that must make it possible to deal with products meeting core or server metrics, for example.

The level is improving for compliance and optimisations, which are functionalities that customers expect. These tools are on-premises, therefore developed to deal with the most common situations. They do not enable enhanced optimisation calculations and compliance analyses to be carried out, in particular for server licences with complex metrics.

However, over the last two to three years, the progression of these solutions can be seen, driven by a strong and demanding market (the many RFI - Request For Information, RFP - Request For Proposal, and projects within CAC and SBF clients are reflecting a peak in interest). Feedback from customers and integrator partners, combined with R&D efforts, are helping to consolidate these solutions.

In addition to the business promise of publishers, some of which underestimating the service need, these tools should be carefully assessed before taking the plunge.

³ Source: Gartner, "Magic Quadrant for Software Asset Management Tools" by Roger Williams, April Adams, Matt Corsi, April 16, 2018

Software asset & cloud management

From software asset management to services optimisation

Customers who have taken advantage of these tools cite the following *best practices*:

- Formalise and validate the expected quantitative and qualitative benefits of the tool on the company, IT department and SAM level.
- Draft requirements and specifications.
- Create a POC on a few products that are representative in terms of metrics and deployments.
- Integrate an integration lot and MOC earlier, immediately after the RFI or RFP.
- Think about the *business case* with a ROI (*Return On Investment*) that must not exceed 3 years.

The greater the number of publishers, the longer and more difficult it will become to implement the solution. The number of servers and information system dispersion also affects the projects.

The deployment of such solutions is an iterative approach, where each publisher must be the subject of a specific *integration process* (import or input of purchasing and contract data, deployment of *discovery* agents and API, configuration or development of product catalogues and metrics, programming of rules, calculations and checks). This work cannot be carried out without both *licensing* expertise and tools.

Therefore, it is important to make sure that skills are available before starting any project. Sam publisher teams are not large enough to meet requirements because they often consist of just a few people (technical and operational architects). Trained on their solution, they sometimes lack expertise in terms of *licensing* issues. Therefore, it is vital to call upon third-party profiles or train your own teams on how to handle these solutions and on *licensing* rules.

All user customers confirm that projects for implementing these solutions take longer and are more expensive than the initial estimations, once completed. These projects can only be carried out with *licensing* specialists and experienced integrators, with the active involvement of publishers.

2.2. Selection criteria

Although the SAM and SLO ecosystem has developed, it is still inadequate in volume and depth. The capabilities and expertise offered are still failing to meet the growing needs of public and private customers.

Customers expect their service providers (consultancy, audit, freelancers) to be:

- **Competent, experts and multi-skilled:** preference is given to service providers that can work on publisher matters (rules, calculations, contractual expertise, negotiation) and organisational issues and tools.
- **Able to deliver:** in a difficult market, in addition to skills, clients look for partners who can provide sufficient resources, and sometimes quickly. Preference will be given to service providers that have a sufficient number of resources and that are reactive in the event of urgent situations (e.g. in the case of audits). Another differentiating factor: service proposals must continuously evolve. In the case at hand, SAM + purchasing or SAM + *cloud* skills are currently in great demand.

Software asset & cloud management

From software asset management to services optimisation

- **Freelancers and neutral companies:** IT departments or SAM want to work with players without capital-sharing or economic links with the publishers that they want to have control over. Customers expect objective advice, therefore, without conflicts of interest. So-called “*neutral vendor*” companies often have greater confidence in customers than in conflicted players (paid by customers and suppliers). The proximity of these service providers with some publisher known for the harshness of their business negotiation and their audits is, however, sometimes cited as a facilitating factor in the customer/publisher relationship.
- **Secure:** with the new cyber risks and strengthening of regulations and corporate rules, the confidentiality, data protection and reversibility requirements of IT departments have developed significantly. As data handled by service providers is extremely sensitive (information about the information system, the business core, contracts, users, etc.), they need to be equipped and have a security policy in line with the issues and subjects that they process on behalf of their customers.
- As SAM is now a long-term process, customers also expect their partners to be able to transfer data and skills internally or to another partner, if applicable. Reversibility must therefore be planned from the start.

Diagram 12 - Overview of SAM and SLO service provider selection criteria

	Criteria for selecting a SAM & SLO service provider
Skills SAM & SLO expertise, publisher contracts, data, tools, organisation Certifications, etc.	
Resources Availability, capacity, etc.	
Neutrality Independence in relation to publishers, no conflict of interest, ethics, reputation, etc.	
Security Confidentiality, reversibility, data management, compliance with regulations, etc.	

3. Challenges and developments

The rise of SAM must not hide the challenges that the profession has to deal with if it wants to continue developing in order to support IT and digital technology as a whole.

The Cigref working group, the “SAM and *cloud management*” study conducted in June 2018, and feedback from Elée provide an overview of the next challenges for SAM, SLO and *cloud* organisations and companies, i.e.: human, performance, and efficiency in a context of new models.



3.1. Human

3.1.1. Skills

As in many computer and digital professions, there is a shortage of available skills. The number of trained resources must increase. Current experts must develop and expand their skills to keep up with technological and contractual developments.

Publishers are continuing to develop their products and traditional *business* of licences and *SaaS*. No longer just a promise, the *cloud* is now a reality. Although company *IaaS* and *PaaS* expenses are still low, they are growing rapidly. Therefore, it is vital to develop dual skills.

All subsidiary players, companies and partners (consultancy, IT consultancies, publishers) need to be ambitious and work together to train experts whilst developing the attractiveness of the profession.

The renewal of SAM managers in companies is a key issue. Currently fairly senior in their functions, over the next few years the responsibilities of these profiles that have formal and informal knowledge will have to change (internal mobility, wear, company changes, etc.). Developing SAM and *cloud* skills, and embodying the function within the company takes time. Therefore, the transition must be prepared in advance.

The organisations that are involved in the Cigref working group are thereby highlighting the role of *soft skills* (listening, humility, service and interpersonal relations) in the success of the mission, and the importance of building and coordinating an internal community of resource persons.

Knowledge-building, training and internal or external recruitment of new profiles are therefore essential for IT departments.

Illustration 5 - SAM assignments and skills: extract from the Orange Group jobs repository

The SAM Manager function is defined and recognised in the company's jobs repository. This is used to recognise the specificity of this job, enhance it and provide SAM managers with greater legitimacy.

Tasks:

- He/she manages the value chain of software solutions purchased by the unit, explores new solutions through the software base management projects and support, manages trade disputes and contributes to developing the software policy and practices related to licence management.
- He/she manages software expenses, software base uses, and its compliance with contractual rules.
- He/she manages the relationship with publishers and promotes *Software Asset Management* within the unit.

Main activities:

- Inventories and compliance of the software asset base
- Budget and optimisation of software expenses (licences & maintenance contracts, *Saas*, *Professional services*)
- Communicate and support

→ For more details, consult the IT jobs [Nomenclature of Cigref, updated in July 2018](#).

3.1.2. Recognition

Like with many so-called support functions, the SAM function is still seeking legitimacy and internal recognition. Over and above the technical aspects, SAM must develop by integrating a marketing dimension in order to exploit the results obtained in relation to internal customers and management, and improve their visibility.

Service proposals and organisations must evolve continuously in order to adapt to internal customer needs, adapt to markets and generate solid results. Moving towards assignments that generate gains is essential for obtaining the recognition of internal customers and management.

The use of external skills is a necessity for some companies (impossibility of recruiting, shortage of internal skills, etc.) and a choice for others. Outsourcing certain processes provides an opportunity for improving efficiency and thus enabling internal skills to focus on new activities, such as *cloud management* or *vendor management*. However, companies are indicating the issue of enhancing the SAM assignment internally to ensure the creation and/or sustainability of the function.

Illustration 6 - Creation of a SAM Manager position with internal recruitment: difficulties and attractiveness challenges - ADP Group (Paris Airports)

The creation of a SAM structure and the internal recruitment of a SAM Manager is a challenge for an IT department, which must identify within the company a resource having sophisticated skills in several quite different fields:

- **Purchasing and negotiation**

The SAM Manager maintains the publisher relationship, upstream of purchasing licences, and at the same time and assists publisher relations conducted by operational managers. This positioning is similar to that of buyers and requires the same type of experience and skills.

- **IT architecture**

The SAM Manager must control the operation of software licences and changes to counting metrics. Open on the cloud and SAAS tools, he/she must understand IT architectures and

flows, the company's critical tools, and IT organisations in order to identify and notify IT teams of the impacts of new models, and anticipate changes.

- Legal

The SAM Manager is responsible for supervising publisher audits, which historically involved lawyers.

- Financial

The SAM Manager plays a role in optimising software uses, and must carry out analyses and financial projections with IT experts. He/she makes heavy use of office automation tools and reporting and financial projection tools.

- Advice

The SAM Manager provides advice on the use of software licences and deployment, management, or even decommissioning models, and internal audits on their use need to be promoted as areas for improvement, help tools and safeguards for IT teams.

A recognition and attractiveness issue:

When creating a SAM Manager position in a company, internal applicants immediately having all of these skills are few and far between. Also, it is important to emphasise the time dimension, the gradual implementation of assignments and development of skills, the cross-functional capabilities, and lastly, highlight his/her contribution in all corporate aspects.

Attaching value to this cross-functional support function, and the scalability of the SAM Manager's assignments in increasingly hybrid IT systems (use of *cloud/SaaS/on premise*), constitute important gauges of success for internal recruitment regarding creation of this position.

Separating standard SAM activities (such as inventory and compliance) from more *business* activities (such as *demand management* or optimisation) is therefore important in terms of skills and marketing.

3.2. Performance and its measurement

One of the SAM Manager's tasks is to manage sometimes highly significant risks. Considerable work is required to reduce 10 million euros of non-compliance to €100,000. However, *in fine*, €100,000 are still missing from the budget. In the first few years, the SAM Manager delivers bad news, due to his inventory work. Even though he/she is able to reduce the risks, and thus avoid costs, through this action, the software invoice tends to increase.

Reducing penalties and maintaining compliance constitutes performance in itself, however, this is difficult to "sell" and promote internally. Compliance issues may put pressure on the teams who may look for someone to blame, or for culprits.

SAM is not "mandatory": more than 20% of companies do not carry out SAM. To exist, the function must be profitable and generate visible savings in the budget, or better still, in the profit and loss statement.

Apart from defensive activities, performance processes must be developed, such as optimisations or demand management, but also *vendor management* and *demand*

Software asset & cloud management

From software asset management to services optimisation

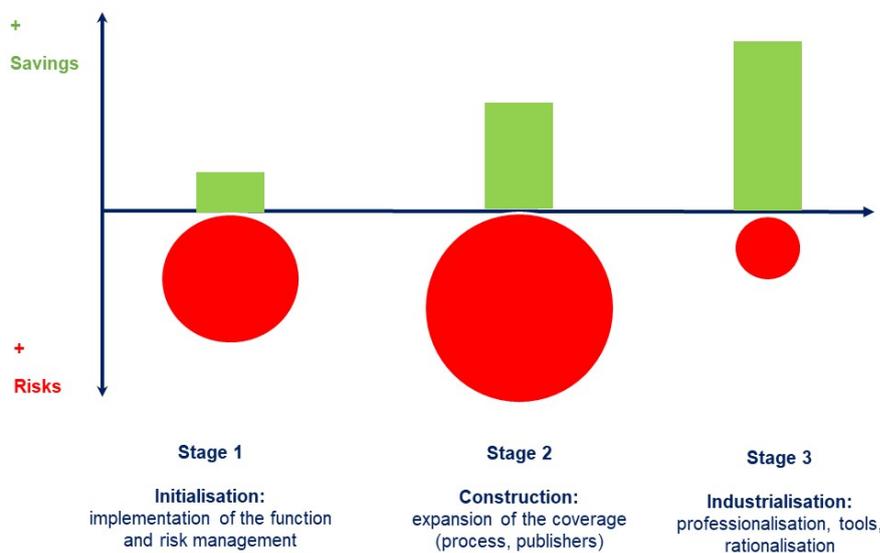
management, related to purchases. These activities will make this profitability possible. The pursuit of productivity and efficiency through more efficient organisation or processes (internal-external combination, *managed services*, tools, offshore, etc.) are areas that need to be explored for more mature organisations.

Experience shows that the development of a SAM and SLO organisation (and therefore performance improvements) involves three stages.

- **Stage 1: initialisation.** Companies mainly focus on risk management and audits on a “reactive” mode. During this initial phase, the SAM works on a small number of publishers. Consequently, improvements are minor and the risks identified are significant.
- **Stage 2: construction.** This is characterised by increased maturity and wider coverage in terms of publishers and processes. The level of risk is higher due to this expansion (more publishers under control so more risks identified). However, initial *cash savings* are generated, in particular, on publishers that are monitored more closely.
- **Stage 3: industrialisation.** As major risks have been dealt with, the organisation focuses on performance processes, and invests in industrialising and improving efficiency to go beyond the exclusive pursuit of compliance and move towards the optimisation of uses, installations and contracts.

Depending on the companies, two to five years are needed to industrialise SAM and generate significant economic performance.

Diagram 13 - Evolution of SAM and SLO functions and performance

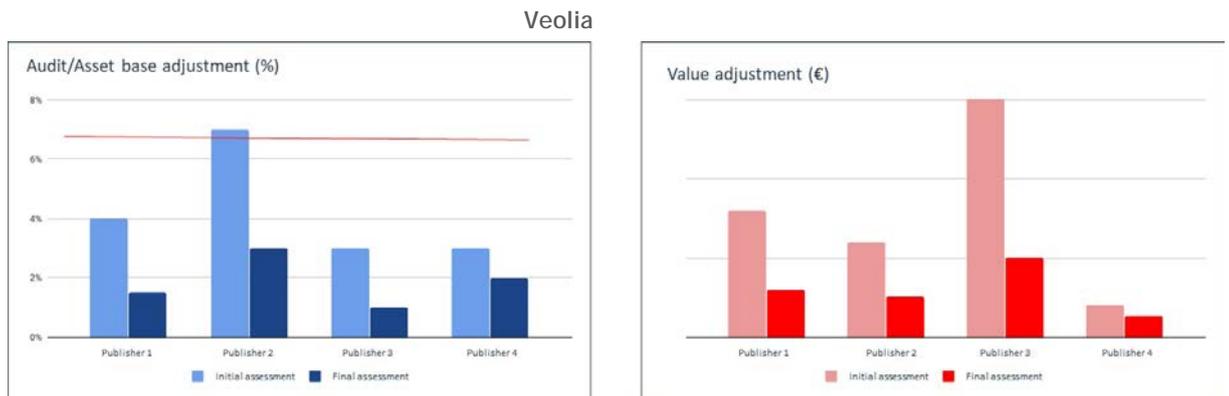


Savings, risks, efficiency, etc. are terms that only make sense if they can be measured. Currently, 61% of companies confirm that they have not introduced performance indicators. The profession must develop relevant, common and auditable indicators or KPI (*Key Performance Indicators*) to guarantee its visibility, and obtain performance monitoring tools to demonstrate the added value to its internal customers and management.

Software asset & cloud management

From software asset management to services optimisation

Illustration 7 - Examples of SAM indicators put in place at Veolia and Orange



Adjustment = license costs

Asset base = value of the licenses held

Orange Group

2 SAM activity efficiency indicators monitored on the group level and locally within each unit:

1: software cost monitoring

Calculation method:

Yearly software expenditure/total number of customers

These 2 items of data are issued by accountancy and management control.

2: SAM activity coverage

Calculation method:

Volume of software expenses under SAM control/Total software expenditure

These 2 items of data are issued by SAM teams, accountancy and management control.

Software expenditure includes the purchasing of licences, maintenance contracts and SaaS subscriptions

→ For more details on managing IT economic performance, read Cigref's report: [Modèle d'analyse et de benchmarking des coûts informatiques](#) ("IT cost benchmarking and analysis model" - French version only), updated in July 2018.

3.3. Efficiency that can stand the test of new models

Improving and industrialising SAM processes constitutes a challenge for established organisations.

For *on premise* licences, this not only involves the increased use of standard tools, such as *discovery* or project management solutions, but also the automation of value-added tasks, such as compliance calculations. Investing in a dedicated SAM and SLO solution may be worthwhile, providing that, as mentioned above, there is a sufficient number of resources and degree of maturity to be able to make the most of it.

It is important for companies to integrate the management of *cloud* services as of now into their management activities with or without SAM tools. Without exception, use of *IaaS*, *PaaS* and *SaaS* will continue to increase. As a consequence of these new models, the development of skills and digital uses in business departments (which goes hand in hand with the growth of shadow IT) increases risks and uncontrolled costs. Forecasters believe that in 2020 the global expenses in cloud services and software solutions will be the same.

Software asset & cloud management

From software asset management to services optimisation

The number of services offered is already extremely high (every year, Amazon Web Services releases more than 4,000 new services without eliminating any) along with an increasing number of and more complex metrics than those of traditional licences. By nature, the management of subscriptions differs from that of licences, because the invoicing of services mainly depends on consumptions (or flows), and no longer only on installations like most software solutions (with the exception of MLC⁴ and metrics based on use). To control *cloud* consumption costs, usage data needs to be captured almost in real time in order to assess the relevance of the options in terms of *cloud* services (typology and size of the organisation for the *compute*, volumes stored - writing and transfer of data for the storage, etc.) and rapidly develop services to avoid paying too much in relation to the use.

This data exists and is available on the portals of cloud providers and/or via dedicated tools. Software inventories in the on-premise world have become complex due to the diversity of server technologies, OS, and also due to the dispersion of machines. Therefore, multiple discovery solutions are needed to capture relevant information. There are fewer sources in the cloud due to the lower number of cloud providers (in France, the *IaaS* and *PaaS* market is currently concentrated on two players). Moreover, cloud data is standardised and of good quality. However, processing this data requires significant expertise and suitable tools because the volumes to be processed are huge and due to the large number of interdependencies between the services.

Not all current SAM and SLO solutions manage the *cloud* correctly. Specific solutions exist, such as, for example, Densify, Clouchekr or Cloudhealth. Therefore, from now on, SAM and the IT department are responsible for choosing the technologies that will enable them to secure licences and manage *IaaS*, *PaaS* and *SaaS* flows and costs.

It is also important for SAM to industrialise and improve efficiency in their original business units in order to free up resources to develop skills, and expand their range of services to new IT paradigms. Furthermore, this transition will enable savings to be generated on *SaaS*, *PaaS* and *IaaS* services, and thus justify the legitimacy and relevance of their services with their internal customers and management.

⁴ MLC: *Multi Level Cell*

Conclusion

As with the expansion of cloud management activities, the industrialisation of SAM and SLO involves the development of skills, and strengthening of the attractiveness of the function. This dual objective can only be achieved if the sector is structured, and if these players work together to train and attract talent.

Giving companies the means to recruit experts from outside, investing in the long term with partners to provide training or design suitable training courses are also areas to be explored from now on, because developing expertise takes time.

This also involves recognition of the SAM Manager profession or in the future, *Cloud Manager*, in the jobs repositories of companies and organisations or reference groups.

The sector must also improve its visibility and communicate in order to promote *Software Asset* and *Cloud Management*, and above all the benefits that they provide at all company levels (IT department and also Business and Financial Affairs departments). For this, defining a reference framework, terminology, like other IT or Finance professions, and highlighting the results obtained via common and auditable performance indicators is a necessary step.

Lastly, tool and data management must be improved to meet the efficiency needs of customers and enable companies and partnerships to manage two worlds that will cohabit for a very long time, i.e.: owner infrastructures and licences on the one hand, and *cloud* services on the other.

How will the profession evolve in the future under the impetus of the *cloud*?

SaaS is now the predominant model with publishers. According to Gartner, this segment should represent 45% of software expenses by 2020. In 2018, the volumes of subscriptions worldwide will amount to 73 billion dollars for a software market estimated at 389 billion dollars. These volumes could reach 85 billion dollars in 2019. The total public *cloud* expenses, all segments included, are expected to reach 210 billion dollars in 2019.

Although enjoying rapid growth, *as a service* offers will cohabit with *delivery* and traditional production models for a long time. All *cloud* strategies involve a long (and perhaps never-ending) transition phase associating:

- applications and “owner” infrastructures (historic datacenters),
- **Lift and shift** projects (transfer of machines and applications to the cloud, without changes) or **Replatforming** projects (transferring the application whilst performing changes in advance, to make it operable in the cloud),
- **cloud by design** applications (designed in and for the *cloud*).

In this context, all of these new technical and business models must be understood and mastered. Bringing together, or even merging, the SAM and FinOps departments is a solution for companies seeking control and optimisation.

From the IT budget to PNL (Profit and Loss)

The IT skills of internal customers are evolving. Up to now locked into the IT department's services, business units are now no longer hesitating to sign up to services directly with service providers. The simplicity of the offers combined with understandable prices have significantly contributed to this shift.

In order to tackle this new paradigm, the IT department's range of services must adapt and become more competitive and transparent.

This is only feasible if permitted by contracts. The architecture of service provider and publisher contracts needs to be reviewed to move towards more flexible models: product *mix and match*, ability to scale up and down maintenance and subscription products, co-marketing, links between traditional licences towards *as a service* services, etc.

The design of these contracts, and the related re-invoicing mechanisms, will involve close collaboration between those designing the offers, those managing them (SAM, FinOps - Financial Operations Manager) and the teams responsible for negotiating and managing suppliers, with sometimes difficult negotiations between partners, who are sometimes competitors.

Those who fail to transform risk losing control of their main suppliers and no longer being able to benefit from the sharing of volumes.

In addition to a budget, the IT department must now manage an IT profit and loss statement, generate a profit, and therefore be able to vary its "intermediate consumptions" in order to adapt its services and prices to market realities.

Controlling without curbing

One of the promises of *SaaS* and the *cloud* lies in the customer's ability to rapidly obtain reliable and scalable infrastructures or solutions. Hindering the use of these services *via* cumbersome approval processes would be counter-productive and could curb agility. Conversely, free rein without regulation would expose the company to significant technological and economic risks.

The management model for optimising software consumptions, regardless of whether installed within or outside of the company, and infrastructure services needs to be invented.

Given the amount of data and complexity of the metrics, it should be based on software solutions and/or *managed services* that are able to manage and optimise licences, *SaaS*, *IaaS* and *PaaS* whilst providing the IT department and business units reliable forecasts and *reportings*. Above a certain level of expenditure, the frequency of checks should be increased up to real time in order to identify and correct deviations.

Awareness of the costs and risks related to software solutions has taken a long time and has sometimes been painful. In light of this information, as of now it is important for companies to build an efficient and virtuous optimisation and management model in order to manage their *legacy* and the new services offered (or imposed) by publishers and cloud service providers.

ABOUT CIGREF

KEY PLAYER IN THE DIGITAL SOCIETY

Cigref is a network of major French companies and public administrations set up in order to develop its members ability to acquire and master digital technology.



NETWORK OF MAJOR COMPANIES

Created in 1970, Cigref is a nonprofit organization. It counts among its members some 150 major French corporations and public administrations across all business sectors, all users of digital services.



DIGITAL PLAYER

It is a key player and federating body in the digital society, thanks to its high-quality thinking and the extent to which it represents its members.



TO SERVE ITS MEMBERS

15 Board members, elected by the General Assembly, ensure its governance. A team of 10 permanent members leads the activities.