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# Powering the Future, Empowering oil industry

2nd WPC Youth Forum facilitates young professionals discuss key issues with industry leaders

This article identifies the benefits of software usage metering and optimization, based on first-hand experience from working with companies implementing processes and systems for cost optimization and asset efficiency.

# Cost savings opportunities resulting from proactively managing IT software assets

By : Eistein Fosli, Founder, Open iT Inc.

Software is arguably the most valuable IT asset in which companies invest; yet these important tools remain a relatively unmanaged resource for most major corporations.

Today, software applications are used to run our companies, connect with our customers, generate new business, differentiate us from our competitors and even invent our products. Almost every major company runs general business applications, specialized or scientific applications and extensive systems tools that operate in the background to make the company perform. Software is no longer an optional asset, yet few companies manage their software portfolios with an enterprise or long-term view of the investment.

Software is often unmanaged in the sense that there is little knowledge about who is using which applications when, for what purpose, as well as how the frequency of use compares to the number of software licenses purchased. The relevant IT management questions remain: Are we utilizing our most expensive IT asset efficiently? And have we aligned our licensing of software assets with the goals of

our organization?

Such lack of management is partly due to technical or organizational complexity and a dismal track record of consulting projects trying to address IT asset management. However, the volatility of oil and gas prices during the last years has led to an increased awareness and focus on the surplus cost of unmanaged IT assets, as well as improved technical solutions to manage such assets. Companies wanting a more responsive IT management, and reductions in the total cost of ownership, can implement technical solutions to achieve this.

**“We are seeing increased opportunities to work with clients who appreciate the competitive advantage they gain by managing costs while protecting their long-term investment in critical IT assets”**



High-end applications can be some of the most expensive IT assets of an enterprise. Companies can realize savings almost immediately by aligning their software purchases and maintenance agreements with the usage pattern of such assets and take the best decisions to improve user efficiencies.

This article will identify the benefits of software usage metering and optimization, based on first-hand experience from working with companies implementing processes and systems for cost optimization and asset efficiency. At Open iT, we have been in the business of building tools and services for IT Asset Management and Software Asset Management since 1999. After a decade of work with E&P organizations globally, we have found:

- 1) The more expensive the software applications are, combined with the level of dependency on these applications for profit growth, the more likely companies are to value solutions that can help them with cost optimization, asset and user efficiency.
- 2) By tracking software purchased against what is actually used, and applying this information in contract negotiations with key vendors, companies have cut the cost of software ownership by at least 25%.
- 3) An overview showing how extensively certain applications are used throughout the organization is valuable information for the application support team, for directing efforts of user training and support. If applications or features are

According to one of the company's Global Application Portfolio Managers, "Data collected by Open iT tools are being used to communicate with our software vendors and to create flexible licensing contracts that reflect the real license needs of the company." He explained that, "We have been able to recover the cost of the tools immediately by identifying licenses no longer needed from a vendor whose contract was up for renegotiation. Even before the first year was over we had a 10 fold return on investment."

- not fully used, there may be cause for more user training and support to fully realize the potential of the application. Alternatively, the application may not be relevant and could be retired. This is the type of decision made best when based on real asset usage data.
- 4) Software usage metering enhances the IT team's ability to participate in corporate compliance. Compliance requirements are on the rise, forcing companies to keep track of contracts, data and other corporate assets and processes. Software and IT asset management provides the basic tracking and monitoring of hardware, applications and services that enable the regulated data to be audited. Good compliance programs incorporate metering and optimization of IT assets.
  - 5) A successful Software Asset Management program includes repository, inventory and usage metering and can take time to implement, but savings can begin immediately when the customer implements a software usage metering and optimization component that can be 100% automated. Our experience shows that a company can expect a return on investment within six months of implementing a usage metering system, depending on when contracts are up for negotiations.
  - 6) Collaboration between an independent software vendor such as Open iT and the software vendors delivering business and systems applications can also be highly instrumental in delivering value to companies that buy software. For example, Open iT is a partner

with both Schlumberger and Halliburton (Landmark), two software vendors for the oil and gas E&P market. As customers increasingly demanded flexible license agreements, these partners saw the value of a partner offering tracking usage of their tools, and chose Open iT to deliver this capability. End-users can now follow the full life cycle of applications – from the uptake of new technology to the retirement of old versions and features. Insights into the usage of applications and features, while helpful to managers at end-user sites, can also aid the software provider in getting precise customer feedback on products and features valued most, to funnel this feedback back to R&D.

- 7) Another advanced approach to optimize software licenses is harvesting under-utilized or inactive

software licenses. Since the availability of software licenses is so critical to most exploration and production activity, many end-users access software licenses in the morning, just in case they need it throughout the day. Users that "stake-out" their licenses are expensive for the company. With limited administrative and management resources, it is costly to follow up and correct this behavior in an manual way. A best practice in this area is to harvest inactive licenses automatically: inactive software licenses are automatically freed up and reclaimed back to the license pool to be used by more active users. The definition of "inactive usage" can be set independently for each application: for example, it can be no key-stroke or mouse movements within an application for a certain time period – or the inactivity



License Optimizer provides a way to revoke inactive shared software licenses, activates programs by user request for on demand license usage, allows recovery of licenses from unused programs and delivers a means of designing optimized license portfolios.

**LicenseOptimizer- Suspend and Resume Warning**

could be linked to CPU usage - or a combination of those values. The user will get a warning and if the license is freed up and given back to the pool, the user can reclaim the license again with one click, without losing the work he was doing when the license was taken from him. This gives a high ROI for companies that are running close to capacity level on their applications, or are approaching renewals of the agreements and can cut back on licenses not in active use. We see a cost improvement of 10% for companies that implement this functionality.

As a solution provider in this niche, we are seeing increased opportunities to work with clients who appreciate the competitive advantage they gain by managing costs while protecting their long-term investment in critical IT assets.

To illustrate these points, consider the case of one major oil company, having about 35,000 employees worldwide and nearly \$80 billion of assets. While software is not their most expensive asset overall, compared to rigs and refineries, it is a large part of the upstream IT expen-

diture. Therefore, the asset management team decided to use Open iT LicenseAnalyzer to automate tracking of software assets, and use data collected to charge regions and departments for the usage of valuable application licenses. In addition to meeting regulatory financial reporting requirements, chargeback creates greater awareness of which assets are in use and what they cost, resulting in conscious planning and fiscal stewardship. In the long run, reducing waste delivers significant cost savings, especially in such a large and complex environment. According to one of the company's Global Application Portfolio Managers, "Data collected by Open iT tools are being used to communicate with our software vendors and to create flexible licensing contracts that reflect the real license needs of the company." He explained that, "We have been able to recover the cost of the tools immediately by identifying licenses no longer needed from a vendor whose contract was up for renegotiation. Even before the first year was over we had a 10 fold return on investment."

Similar processes are in place at

a number of national and independent Oil and Gas Companies worldwide, including Pemex, Statoil, Marathon Oil, BHP Billiton, Anadarko, Devon, TNK-BP, Nexen, Newfield, El Paso and Plains. They have all enjoyed cost savings and more user efficiency from these processes and have been able to channel savings into discretionary profitable projects that they otherwise would not have had the budget for.

The focus for IT Asset Management (ITAM) solutions has changed considerably in the last few years. Instead of creating an all-encompassing IT Asset Management solution that requires the whole IT organization to adopt all ITAM processes and solutions, with the risk of not being able to carry through with such a grand change of focus, many companies see the benefit of 'harvesting low hanging fruit' by focusing on heavily used, high-end, core applications first. This will give an immediate ROI - as well as give the IT organization experience in working with an ITAM solution such as Open iT. [dewjournal.com](http://dewjournal.com)

### ABOUT THE AUTHOR

Eistein Fosli

founded Open iT in 1999 when he saw the need for superior metering tools. That vision grew into what is now an established standard for usage metering, competence planning, and cost allocation management. Eistein has, through his work in Open iT, more than 14 years experience with several fortune 500 companies, including larger Oil and Gas companies, focusing on metering, analyzing and optimizing their use of IT, particularly E&P software. Before joining Open iT, Eistein gained deep IT experience from his work at the University of Oslo and Statoil. Eistein holds a Master of Science degree in Computer Science from the University of Oslo.

