

Seven Ways to Gain Control of SAP Licensing and Spending

Overview

This white paper describes seven methods through which SAP® Basis and IT asset management teams can more efficiently manage the lifecycle of their SAP Business Suite licenses and make more informed software planning and purchasing decisions.

Enterprise-Class Software Falling Through the Cracks

Given today's recession, companies are taking a harder look at their ongoing costs. IT executives are being challenged to innovate within current budget levels, without sacrificing service quality or jeopardizing productivity.

But while there are established processes to manage just about every other IT asset, software, which represents 20% of an IT organization's spending¹, is often managed in a manual and fragmented way. Knowing what an organization is entitled to use compared with what it is actually using (which on the face of it should be simple enough) is made complex by a combination of historical procurements, changing organizational structures, multiple licensing types and pricing tiers, and disconnects between procurement, legal, finance, and IT.

Some companies think they have these problems solved because they have a software asset management system. Although formal IT asset management programs may be in place to manage the desktop in a relatively systemic way, enterprise-class software applications, such as SAP and Oracle, are not managed with the same ongoing rigor or automation.

Left with a limited and unreliable view, teams are forced to make guesses about future license needs and risk spending precious budget dollars and time ineffectively, leaving little for new initiatives. To stay competitive in today's challenging market, companies must adopt new methods for managing high-value enterprise software applications, including the SAP business plat form.

More than 76,000 companies depend on SAP Business Suite applications, such as ERP and CRM, to support their core business processes throughout their organization. It represents one of their most significant software investments. Astute enterprises are recognizing that implementing a process and technology that supports more informed allocation, planning, and purchasing decisions is critical to optimize their return on this investment.

The SAP Cost Lifecycle

According to leading analyst firms, successful companies do not look at their SAP investment as a series of separate projects; rather they view it like any other enterprise asset. By taking such a view, these organizations place their SAP expenditure alongside other long-term costs such as staff and facilities. But unlike these other long-term costs, the vast majority of costs (about 80%) are incurred by typical SAP investments after going live. In order to uncover savings opportunities, it is critical that organizations examine these costs more closely.

After going live, the majority of SAP costs can be separated into four categories:

1. **Support costs:** ongoing support-related costs for both end users and systems
2. **New license costs:** new enhancements, new projects and new business process capabilities to differentiate the business
3. **Upgrade costs:** projects that typically come along every three to five years as organizations seek to overhaul their SAP systems with a major revamp
4. **Depreciation:** a decrease in value over time

Ongoing support and maintenance costs generate the majority of unexpected costs, despite this being the area where IT departments are expected to achieve the most savings.

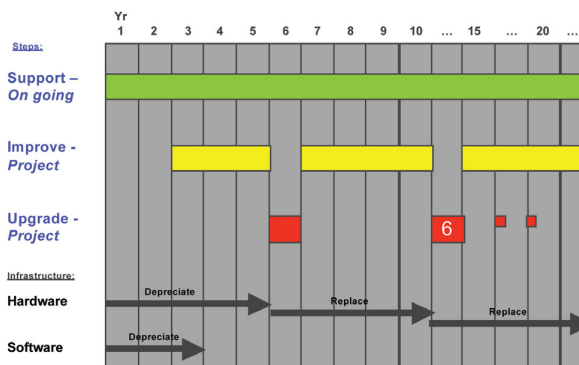


Image Source: AMR Research, 2008

Managing Ongoing Support Costs

In order to initially determine the appropriate support fee, SAP customers first forecast future usage levels for their SAP license agreement. Each year thereafter, most are required to run a license audit process, whereby an administrator measures user activity from every individual satellite system, and sends the results back to SAP to determine if additional

licenses are necessary. This is a time-consuming process for an organization with multiple satellite systems. From a financial perspective, if this process is only conducted prior to a true-up, an organization may be surprised to find that more users have access to the system than was estimated and additional licenses must be purchased. This can be viewed as an “accidental” investment, because this expense is not budgeted for or subject to the same scrutiny as other IT purchases.

In addition, although this process answers the question, “Who has access to SAP?” it does not answer, “Who actually used it and to what extent?” SAP’s preferred method of application pricing features multiple user categories (developer, professional, limited professional, and employee), so it can be extremely arduous to analyze each individual license with regard to the amount of time used, the kind of component or module used, and the various authorization roles. But to ensure accurate and appropriate licensing, this level of independent analysis is necessary.

Seven Ways to Gain Control of SAP Licensing and Spending

In order to achieve a more efficient approach to SAP license lifecycle management and subsequently gain greater control over SAP spending, organizations should incorporate the following seven methods into their current process.

1. Automate and Centralize Usage Data Collection

A large majority of organizations have complex SAP architectures, with satellite offices using their own SAP systems. As a result, when preparing for an SAP audit, an administrator must measure installations from each individual satellite system and stitch multiple reports together using several spreadsheets before submitting this information to SAP.

In addition, the SAP system maintains very detailed logs of all user access statistics. Unfortunately, these statistics are so detailed, teams are left with a mass of data but a shortage of actionable information.

Organizations could save significant time and effort by implementing the technology and processes necessary to automatically interrogate each satellite system, centrally collect usage information, and prioritize it to enable efficient analysis and informed decisions. This provides the foundation for the compliance validation and optimization methods to be discussed in more detail in this paper.

2. Automate License Compliance Validation

Collecting usage data for central analysis is just the first step in ensuring SAP license compliance. License management teams must then compare that data with the SAP contract terms and determine if the software is being used in ways compliant with the agreement. But as organizations grow and change, so does the complexity of their license agreements, especially following mergers, acquisitions, or divestitures. Manual, fragmented, and resource intensive approaches to this task are soon found to be inadequate.

Third-party license management solutions enable organizations to automatically monitor software use as it relates to contractual entitlements. In addition to periodically checking the solution’s compliance dashboard, truly diligent organizations can also set up alerts to automatically inform them as limit thresholds draw near.

3. Determine Future Procurement Requirements Based on Usage Trends

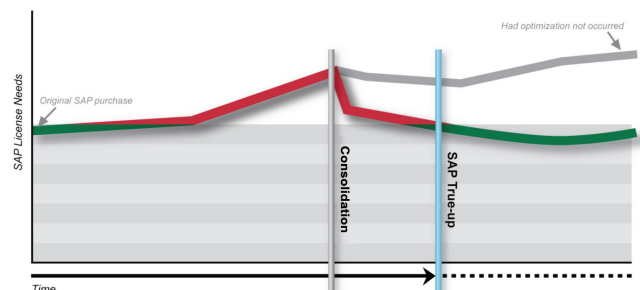
When determining future software needs, many organizations base decisions on a state that exists at a single point in time, not taking into account the peaks and valleys of past usage cycles. But in order to accurately forecast future SAP needs and proactively address compliance by planning for proper coverage, insight into usage trends is essential. For example, if looking to add a new business area, the usage patterns of other similar units support a more intelligent procurement decision.

Although the SAP system maintains a very detailed log of all user access statistics, the data is regularly reorganized and historical information is lost, frustrating even the most well-meaning analyst. If a sub-set of these statistics are stored in a separate table, usage may more easily be monitored and historic data be kept as long as required.

4. Identify and Reuse Underutilized Licenses

Too often, licenses are simply underutilized. By analyzing user behavior, organizations can identify users with little or no CPU consumption over a given period of time and address them appropriately.

Unfortunately, the tools within the SAP system do not provide an easy way to identify idle users and consolidate them. It can take many time-consuming and manual steps to analyze and compare user behavior for each user name and then make changes resulting from the analysis to each satellite system. In fact, many SAP Basis Teams feel that there is just too much data to justify the investment in time and effort. But in order to ensure cost-effective procurement, organizations should identify and reuse idle licenses.



5. Identify and Reuse Duplicate Licenses

Likewise, some organizations do not have a standard in place to assign a uniform set of SAP user IDs. This can result in several licenses being assigned to one person, because they are represented within the system in multiple ways. For example, Jack Dawson may be assigned two user names in the system, such as JDAWSON and JACK_DAWSON. By performing the appropriate analysis, businesses may identify duplicate user IDs, consolidate them and then consider whether any unused licenses could be reallocated to new users prior to making new purchases.

6. Standardize Process for Assigning Named User Categories

In SAP’s preferred method of application pricing, there are multiple named user categories (developer, professional, limited professional, and employee), each with different usage rights and pricing. The boundaries between the various SAP license types are vague and the user classification is often left to an administrator who has little information to determine which license type any given user should be assigned. If the

license administrator does not designate a specific type, the SAP system will automatically assign that user a professional license. This can cause one of two problems. On the one hand, the user's behavior may be limited to such an extent

that a limited professional or employee license assignment would have been more appropriate and less costly to the organization. On the other hand, the user's activity may be more in alignment with a developer's license, leaving the company at risk of a future compliance issue and unplanned purchase.

Ideally, license administrators could more easily identify the most appropriate named user category based on unique criteria, such as the amount of time used, the kind of component or module used, or authorization role, while ensuring compliance with the SAP contract. In the best scenario, a recommendation of the most appropriate classification is generated by an automated system based on a combination of these attributes.

7. Internally Allocate SAP Costs Based on Actual Usage

To help align the cost of an investment with its value and business benefits, many companies allocate software costs back to their business. This model can instill greater accountability and influence user behavior to drive more efficient usage. But given the overwhelming time and effort necessary to assemble usage data aligned with an organization's structure, many charge-backs are done based on high-level allocations, so there is less incentive for an organization to more efficiently manage its investment in SAP.

By following the previous guidelines that result in accessible and actionable usage information, IT teams can more easily map this data to the organizational structure (department, business unit, country, etc.) and internally allocate SAP costs based on actual usage.

FlexNet Manager for SAP Business Suite

With 20 years of experience as the producers of FlexNet®, a leading licensing technology embedded in over 20,000 applications, Flexera Software is now applying its expertise and proven methods to help IT asset managers more easily gain insight into the usage trends of enterprise applications. For SAP

Business Suite, there is FlexNet Manager, which centrally monitors and analyzes SAP license usage to help ensure accurate and appropriate licensing.

FlexNet Manager provides transparency into not only who is using SAP, but the extent of the use, enabling organizations to more easily:

- Centrally collect and analyze usage data
- Monitor, validate, and demonstrate license compliance
- Identify and reuse inactive licenses
- Accurately budget for future SAP purchases based on usage trends
- Chargeback software costs to business units based on use

In his report *Accurately Measure Current SAP License Usage*, AMR Research Analyst Derek Prior said, "This product adds transparency and fairness to the auditing process in advance of any license renegotiation activity."

Certified by SAP FlexNet Manager also helps organizations more accurately assign named user categories based on their behavior while staying in compliance with the SAP contract. For even further process automation, the system can generate license type suggestions based on custom rules and priorities.

This application is a key component of FlexNet Manager Suite for Enterprises. This enterprise license optimization solution, helps businesses gain unprecedented insight into software usage trends that align with unique contract terms and accurately forecast future needs across a wide range of applications.

Summary

SAP license lifecycle management should not be viewed as a single event or a destination. In order to not only proactively address license compliance but also optimization, companies should invest in a strategy and an infrastructure that combines people, processes, and technology that sustain a repeatable practice in which license usage is continually monitored and adjustments made throughout the lifecycle of an SAP investment.

By Jeff Greenwald, Director of Enterprise Product Management, Flexera Software Published February 11, 2009

Next Steps:
Learn more about optimizing your SAP investment. Visit www.tobeincontrol.nl/ or call us at +31 (0)40-228 55 55.