



# Managing the risks and realising the opportunities of using third party Software Asset Management (SAM) providers

A Deloitte SAM Bulletin



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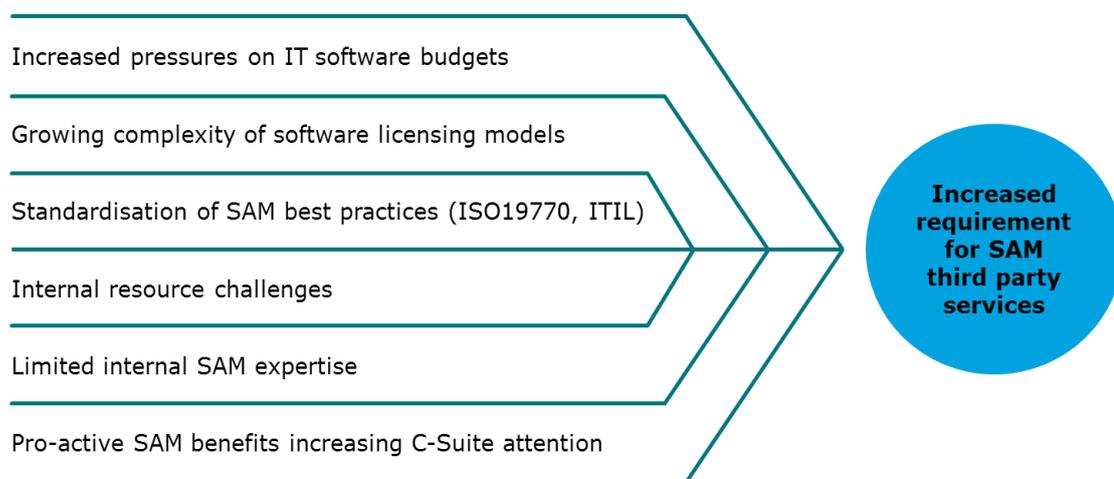
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## Introduction

Welcome to the first in a series of bulletins from Deloitte, focussing on exploring the practice of Software Asset Management (SAM) from alternative angles. Our aim is to provide SAM professionals and stakeholders who have an involvement in managing software usage in the Enterprise with unique and thought - provoking insights, based on our work in performing SAM projects for clients for over 20 years.

Software Asset and Licence Management (SAM) has been an increasingly important item on the agenda of businesses for several years. The prominence of SAM in an organisation's IT function has grown due to several factors, which collectively have resulted in the increase of organisations seeking third party support.



In Deloitte's experience, organisations use at least one type of third party SAM service provider to deliver aspects of SAM. A third party SAM service provider may be any organisation that provides SAM services to an organisation – for example:

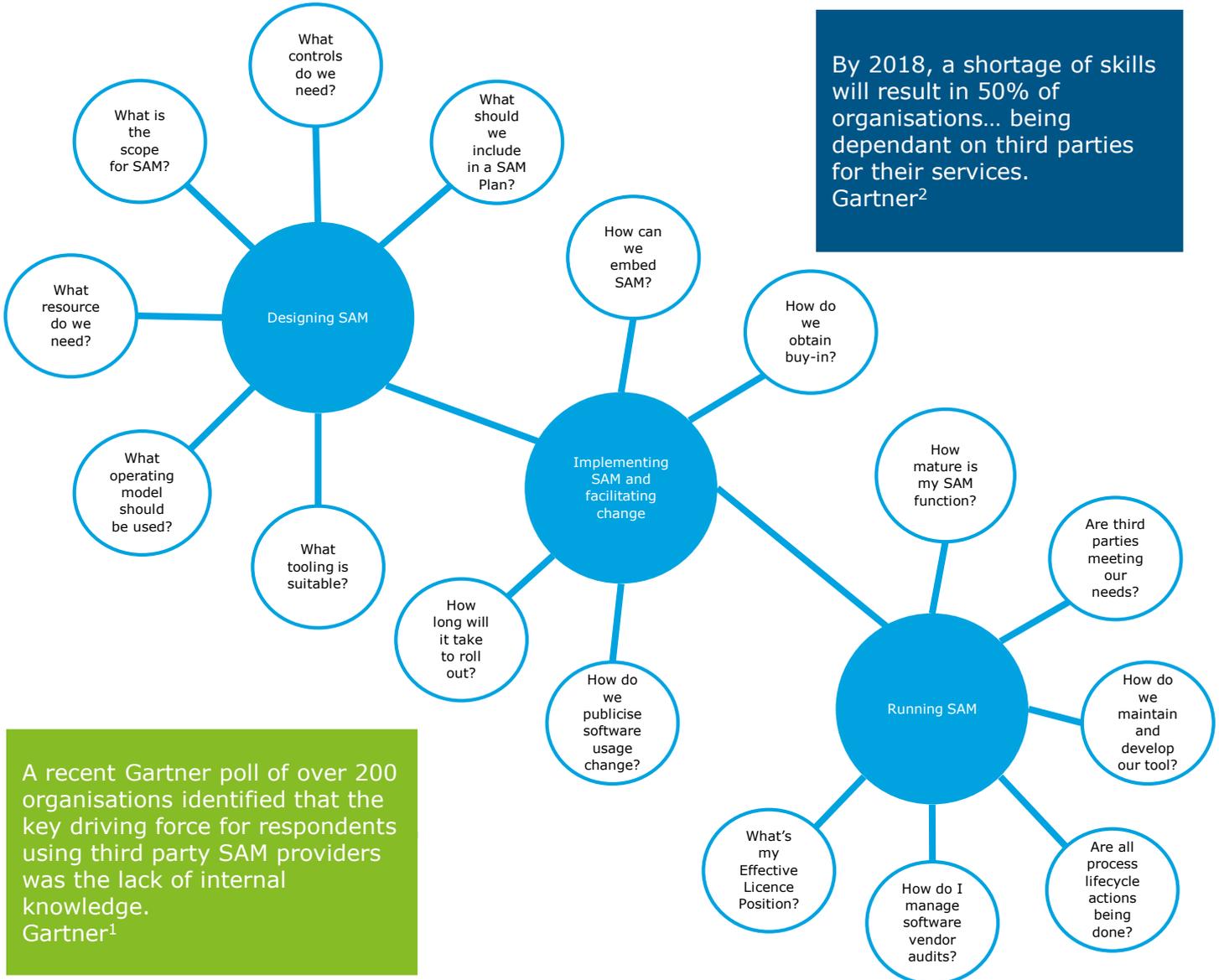
- Operational SAM services, in which the third party acts as an outsource partner delivering those activities. These may include, but may not be limited to:
  - Software licence purchasing;
  - Software licence entitlement management;
  - Software licence compliance reporting; and
  - Software cost optimisation monitoring and licence re-harvesting.
- Advisory-based, providing assessment, commentary and recommendations to internal controls, processes and procedures. This may include, but may not be limited to:
  - Software licence compliance assurance, through baselining of software licence entitlements measured against software deployments;
  - SAM process design;
  - SAM maturity assessments, to identify any areas requiring development and areas of good practice; and
  - SAM tool testing and implementation.

The challenge for IT managers is to identify which third party options are the best fit for their business. This is not only a question of assessing which option is technically fit for their organisation. Equally as important to the selection process is the assessment and management of the third party risk to a business, when entering into these relationships. The ultimate responsibility for software licence compliance rests with the organisation and not with their third party providers, so it is vitally important that organisations have developed their third party risk management for SAM.

There has been very little literature reflecting on how to identify and manage this third party SAM risk. This, our first in a series of SAM Bulletins, explores the subject further.

## The Drive for SAM Third Party Services

The increase in the marketplace for SAM services has been driven by many factors, as outlined on the previous page. However, in our experience, chief among these factors is a shortage of internal SAM knowledge, skills and, in addition, resource. Across the planning and design, implementation and operational phases of a SAM function, organisations increasingly look to third parties to help them answer questions and solve problems, leveraging their expertise and scalability.



Many organisations enter the market for SAM services without full clarity of what problem they are looking for the third party to solve. Before advertising for SAM third party services, it is important for organisations to understand how well their current SAM function is operating. One way in which this can be performed is by conducting an internal audit assessment of SAM. Through identifying any control gaps within the SAM function, organisations can engage with the marketplace more effectively and with a clear set of objectives for using a SAM third party service provider.

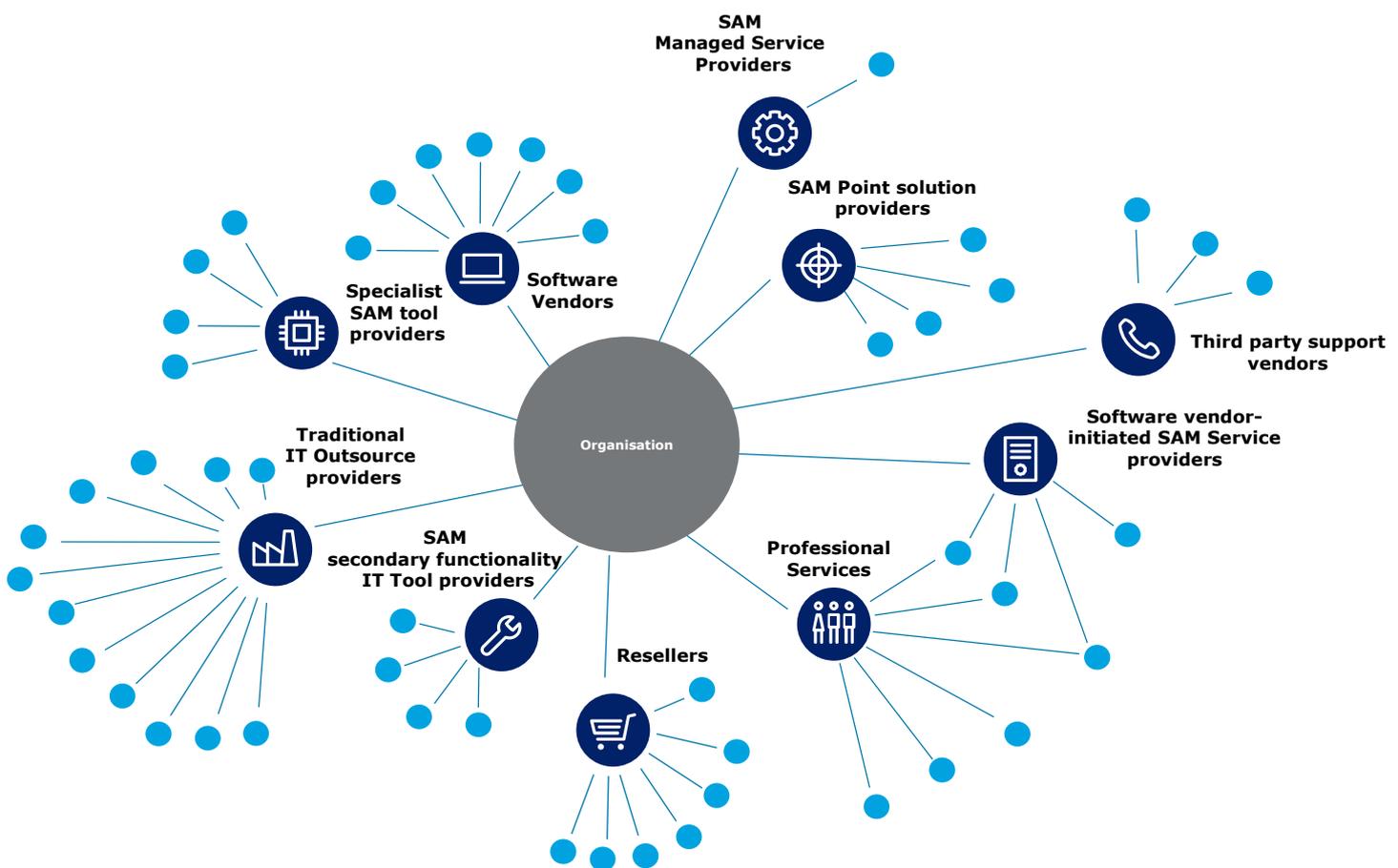
1 'Understand when to use third party services to enhance Software Asset Management', <https://www.gartner.com/doc/3284624/understand-use-thirdparty-services-enhance>

2 'Software Asset Management: Understanding the SAM services Market for Effective Third-Party Support'. <https://www.gartner.com/doc/2965119/software-asset-management-understanding-sam>

# **The Current Marketplace for SAM Services**

## Leveraging SAM third party support

In such a fast growing and competitive market, making sense of the options available can be a challenging task in itself. Our assessment of available third party SAM services has identified ten key segments in the SAM marketplace. We have illustrated these segments in the following illustration. This is not an exhaustive list but provides an overall view of the current marketplace.



Within these segments, vendors offer a variety of services which further overlap, most prominently in the provision of SAM Managed Services, which transects the SAM third party supplier marketplace and is offered by a large proportion of SAM suppliers.

Research has demonstrated that incorporating third party SAM services can have a positive effect on the maturity of an organisation's SAM function. Further, in a recent assessment of the value that organisations seek to obtain from their SAM third party providers, Gartner identified the main priority of organisations for using third parties was benefitting from the specialist knowledge they can provide and the focus that third parties can provide in building SAM governance and strategy.<sup>3</sup> We have outlined the main services provided by third parties across some of these core segments, providing an assessment of the main benefits and risks on the following page. We have further expanded upon these for the key segments illustrated above.

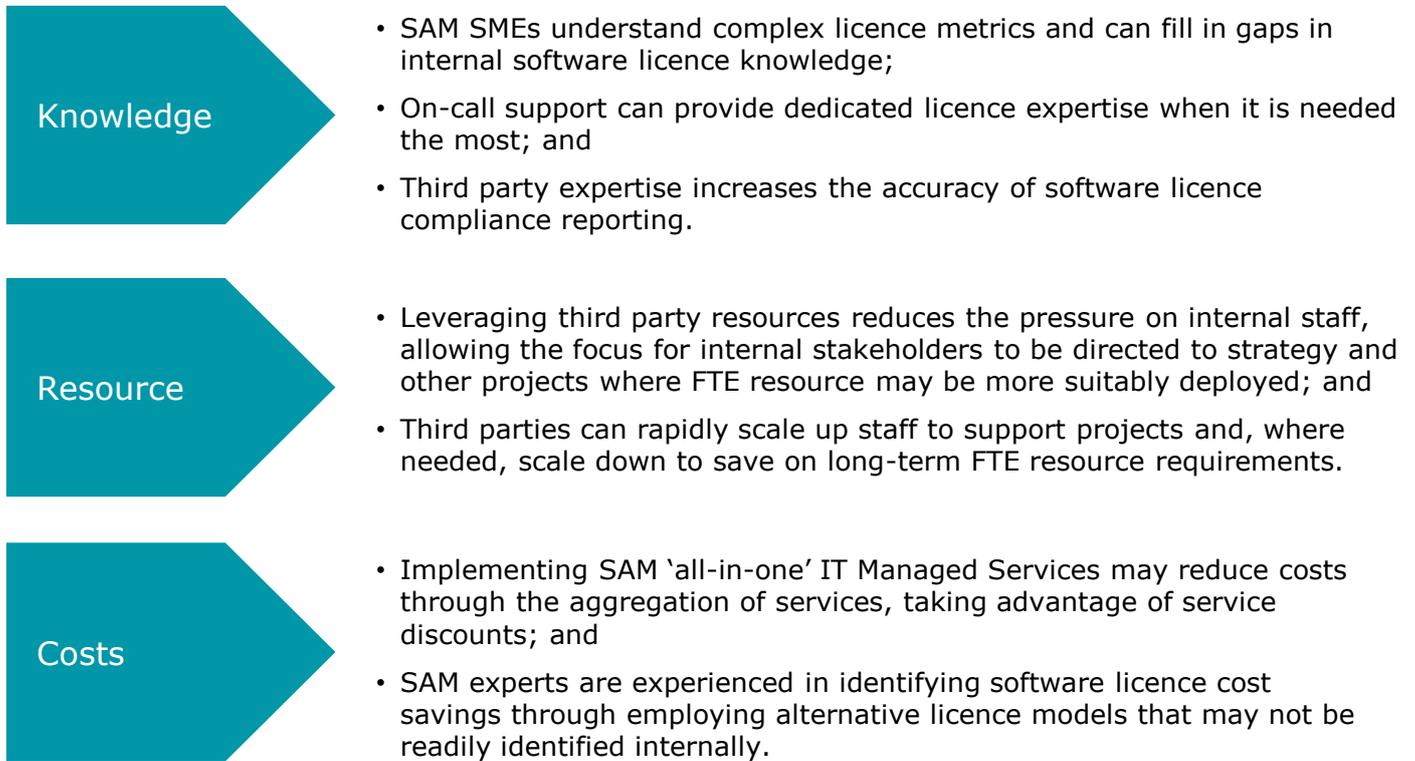
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<sup>3</sup> 'Understand when to use third party services to enhance Software Asset Management', Gartner, <https://www.gartner.com/doc/3284624/understand-use-thirdparty-services-enhance>

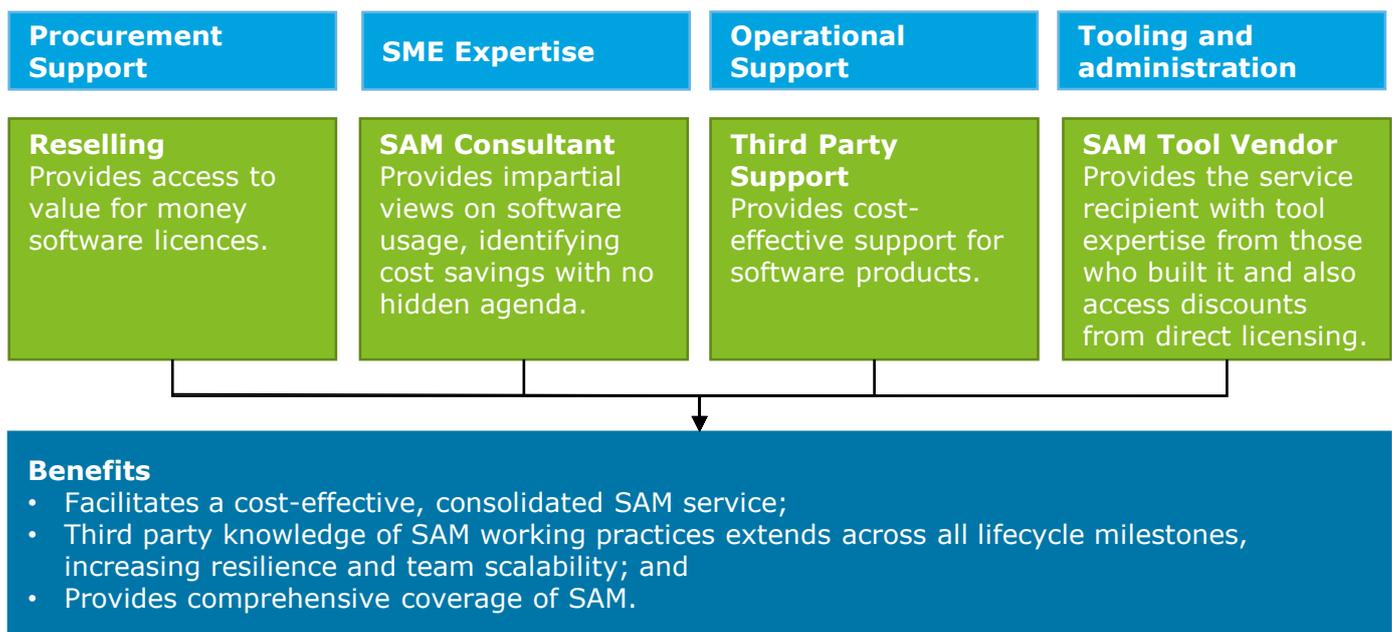
## Key Benefits of using SAM third party support

Leveraging the skills and expertise of SAM third parties brings a number of benefits to the existing internal software licence knowledge within an organisation. For example:

### Benefit



Organisations should select a third party supplier who can deliver multiple aspects of SAM across the software lifecycle, as is needed to support the organisation. For example:



## Risks of leveraging SAM third party support

Whilst there are undoubtedly a number of benefits to using third party SAM providers, there are, as with any third party business relationship, a number of potential risks to engaging a supplier to perform activities on a companies' behalf. Organisations need to have established robust third party risk management controls and processes to monitor their third parties' responsibilities and activities.

### Risks

#### Data Loss

There is a risk of data loss if SAM and/or confidential information is transferred to a third party insecurely.

#### Reputational Risk

Third parties may pose a reputational risk in the event of any disreputable behavior or high-risk relationships.

#### Inconsistent Services

Utilising multiple third parties to manage different software vendors may result in inconsistent quality and varying format reports.

#### Limitations of Scope

Services provided may not meet all the requirements of the business, requiring additional significant internal resource.

#### Third Party Data Storage

SAM data may reside in third party systems which may not meet security requirements. What would happen if their systems were hacked?

#### Inaccurate Third Party Data

Data provided by the third party may not be accurate and may require additional checking and verification activities to be performed.

#### Data Storage Jurisdictions

Data may reside outside of relevant jurisdictions – e.g. outside the UK and/or EU, and may be subject to the laws of the resident country.

#### Tool administrative overheads

Third parties may lack the expertise to use pre-existing SAM tools, increasing resource internally.

#### Conflicting Priorities

Some third parties may have a conflict of interest in the event they look to upsell additional services and/or software.

#### Third Party Assurance Required

Additional compliance activities may be required to be performed to verify third party compliance with the terms and conditions of the contract.

#### Tool Maintenance

Over-reliance on a SAM tool without additional supporting processes may result in inaccuracies in software licence compliance positions.

#### Regulatory Risks

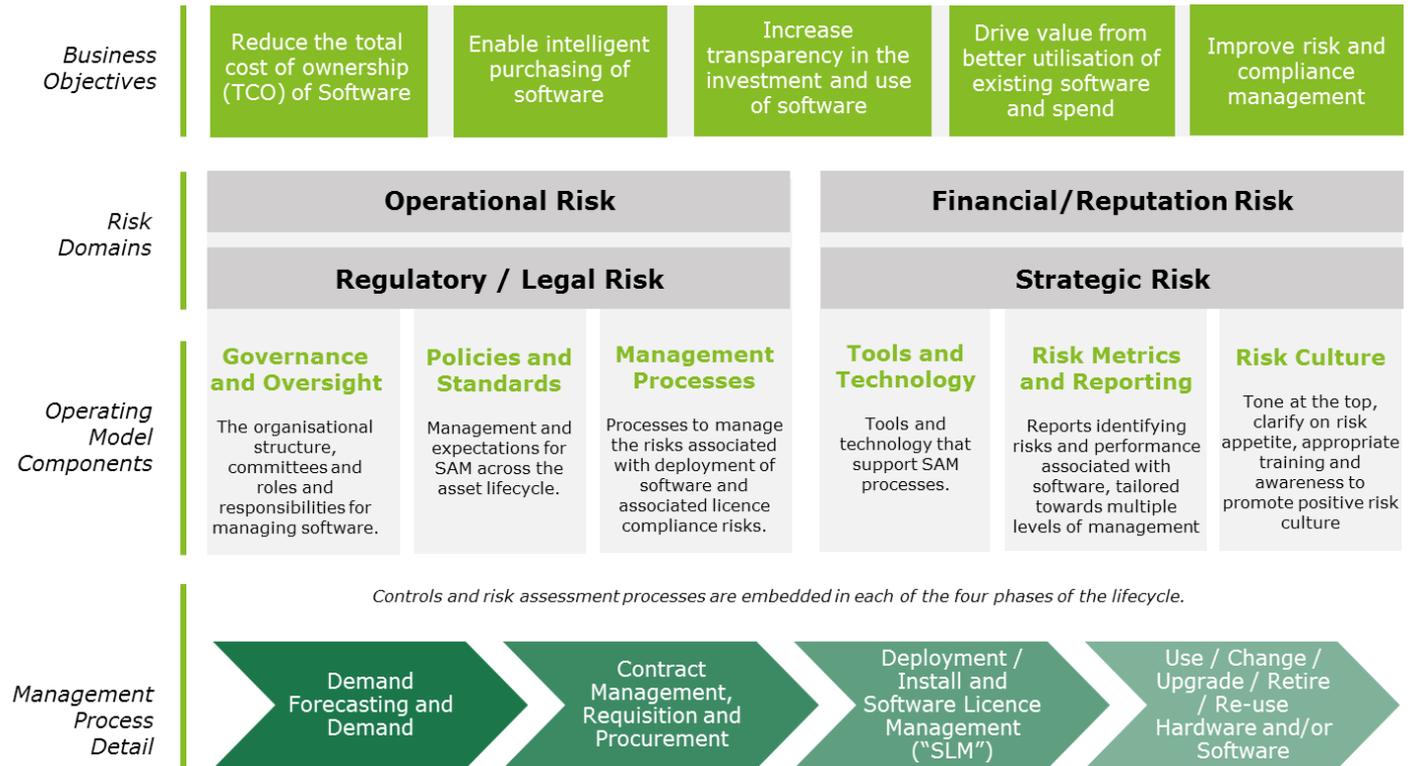
In the event a third party does not comply with key industry and legal regulations, this may result in service loss, reputational damage and/or data loss.

It is also important to bear in mind any other objectives of the third party a) before taking on their services and b) during any projects. Organisations that wish to upsell additional software licences may push for such activities over and above the use of alternative products or metrics to reduce software licence spend.

# **Managing your Third Party SAM providers**

## Good governance starts with a robust foundation

Effective governance practices in any organisation set the foundations for all SAM activities that proceed them. It is therefore important before any agreement is entered into with a SAM provider, that an organisation establishes an effective SAM governance framework. A framework is a series of documented processes and controls, which are put in place to manage third party risks such as those outlined. A SAM framework outlines the key business objectives for SAM, aligned to the associated key risk domains and the operating model components needed to establish effective governance over these risks. A SAM framework is an important component in third party risk and also sets the basis for all internal SAM activities and controls.



The SAM framework forms the basis for effective management of third party SAM partners, providing a comprehensive view of the key risk domains and factors that will impact SAM in a business.

A SAM framework also highlights the key process requirements and controls necessary for the effective operation of a SAM function. In defining these processes and controls, an organisation gains a clearer picture of the skills and resources that are available to it internally, and those areas where additional third party support is most required. Once identified, an assessment of third parties may commence to understand how they may align to the organisation's requirements.



Monitoring third party SAM risks is not only required at the point of initial contracting of SAM services. It is an ongoing exercise, as new risks may emerge based on the ever changing marketplace and software industry. As such, organisations should establish an iterative methodology to review its SAM third parties, from the initial assessment of the third party, through to renewal and/or termination of the contract.

It is also important when assessing third parties for the support they can provide, to understand the risk appetite of the organisation, answering the key question: In employing third parties to assist in SAM, how much risk is the organisation comfortable and willing to take?

## Understanding organisational risk comfort

An organisation's risk appetite may be laid out in a 'risk statement' that covers the level of acceptable and unacceptable risk across key risk domains. This effectively draws 'lines in the sand' for an organisation's risk appetite. An example of an unacceptable risk may be any instance of poor software asset management that results in an organisation being brought into disrepute. A risk appetite statement should also define 'key strategic value drivers', which detail what the benefits are for using a SAM third party and the intended outcomes from doing so.<sup>5</sup>



In establishing the key risks across these main risk domains and setting upper and lower limits of risk appetite for these risks, an organisation can set an appropriate number of Key Risk Indicators (KRIs). These can provide a measurable method of monitoring the current risk level associated with a third party SAM partner's activities.

Identify the risk	Define the sources of the risk	Establish the KRI
<b>What risks must be managed to achieve software licence compliance?</b>	<b>How might the risks arise?</b>	<b>What are the resources needed to manage the risk?</b>
e.g. third party misreports software licence compliance for a software product	e.g. insufficient knowledge of software product metric/ inaccurate tool reporting	e.g. Third party report verification process / resource to check the accuracy of reports.

KRI's may also be used in the iterative review of third parties to understand whether any unacceptable risks have emerged during the course of a SAM third party contract. They may also serve to inform the creation of a contract with the third party, to document any clauses which may support the organisation in obtaining remuneration for poor service and/or termination of contracts in the event of ongoing, unacceptable risks.

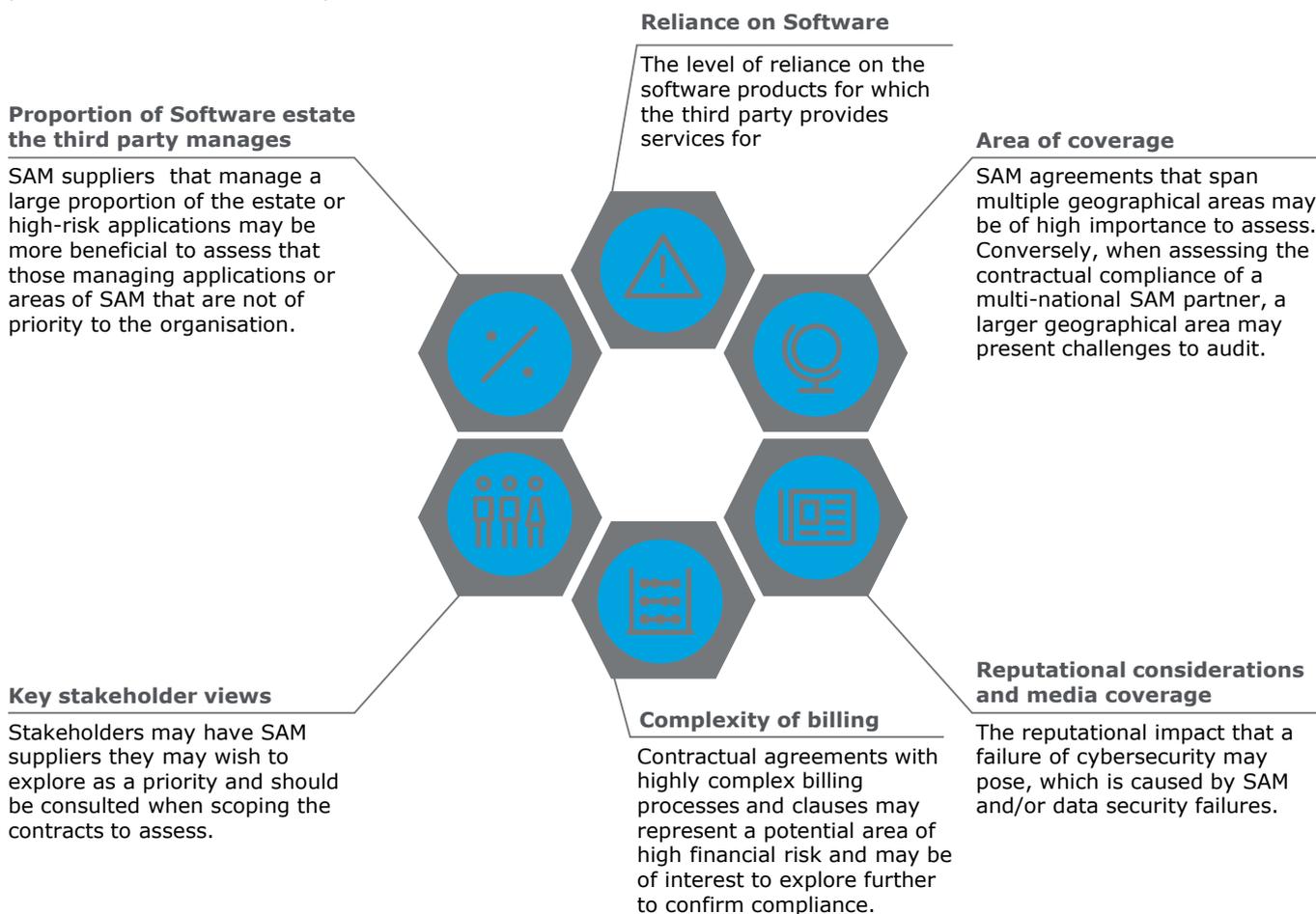
<sup>5</sup> Deloitte LLP (2015), 'Third Party Governance and Risk Management: Turning risk into opportunity', p.18.

## Conclusion

We have presented in this bulletin an example of the types of service providers available within the SAM marketplace and illustrated some of the key benefits and risks of leveraging SAM third party service providers. There are a number of views around the risks and benefits of using third parties to support SAM in an organisation. The one constant is that organisations typically use at least one of the entities listed to leverage their internal SAM capabilities. As such, it is essential that organisations establish an effective third party risk management framework to assess and iteratively monitor the risks of using SAM third parties.

Implementing effective third party risk management for SAM ensures that the investment in a third party relationship is considered against an organisation's SAM objectives and overall risk appetite. In doing so, organisations maximise the benefits that can be obtained from these relationships, whilst effectively and pro-actively managing any associated risks.

Organisations should systematically review the design of their SAM function, whether internal or external, to identify and mitigate key risks to the organisation. When using third parties, this review further includes the question of whether the third party is compliant and performing all of their contractual responsibilities. We will be exploring this subject in our second bulletin, 'Has your SAM partner delivered the service you pay them for?' in which we will explore how to assess your SAM third parties' contractual compliance.



### Contact

If you would like to speak to Deloitte regarding our SAM services, please feel free to reach out to us:

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