Toolkit: Software Asset Management; Manage the Software Support and Maintenance Renewals Process

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Analyst(s): Victoria Barber, Stewart Buchanan, Peter Wesche

This toolkit identifies control gaps in managing software maintenance, support and subscription renewals, helping to escalate opportunities for renegotiation to IT procurement. The tools can help create new, and develop existing, internal processes in interfaces and collaboration.

About This Toolkit

This Toolkit is related to: Sourcing & Vendor Relationships

When to Use: IT asset managers, IT financial managers and procurement professionals need to understand clearly how the roles and processes of information technology asset management (ITAM), procurement, finance and IT operations intersect to contribute to deliver effective business IT services.

This toolkit is designed to help organizations optimize the process for software maintenance, support and subscription renewals, and ongoing payments under the terms of existing agreements. It is not designed for the negotiation of contract renewals, which, if identified by this process, should be escalated to procurement. The data held to facilitate this process will, of course, have considerable value to those renegotiating the contract, and should therefore be shared with them. However, the primary purpose of this process is to ensure that renewals are based on sound business justifications, authorized and paid on time from budgeted funds. The process is designed to identify opportunities to drive better value for money while minimizing operational disruption.

Cost savings will be generated for a number of reasons:

- Renewals that do not need to be paid will not be paid in error.

- Renewals that do need to be paid will be paid on time, avoiding any late payment fees or interest charges.[1]

- Cancellation periods will be taken into account, and no penalty will be paid for late cancellation.[2]

- Budgeting will become more accurate, as the data needed to set and manage the budget will be more easily accessible.

When setting up a renewals process, it is important to remember that there is a great deal of variation between vendors, contracts and products in the way in which renewals need to be managed. Therefore the process must be flexible enough to handle many different rules and exceptions.

Key Process Scheduling Considerations: The time needed to process a renewal will depend primarily on three factors:

1. **The notice period.** Renewals need to be scheduled with time to allow a decision to be made as to whether to renew prior to the start of any cancellation period or to prepare for renegotiation if there are sufficient grounds to justify this. So if a renewal is due in March, and has a three month cancellation period, a cancellation decision must be completed by mid December to allow the vendor to be informed and avoid any penalty payments. Otherwise the organization is committed to pay.

2. **Payment terms.** Some vendors only require a purchase order to be raised prior to the renewal date, in which case you need to allow time for the raising and approval of the order. However, some vendors require payment prior to the renewal date, in which case the length of the purchase-to-pay process as a whole, including any payment terms, needs to be considered. You may find that the 60-day payment terms negotiated as part of the contract are less advantageous when trying to ensure timely payment of a renewal. Ensure that you understand how to override any such payment terms that may be set up within your systems, in case of the need for last-minute payments, but don't let stakeholders assume that this can be done on a regular basis.

3. **Exit strategy.** If you are cancelling a contract, you will need to understand the implications. When cancelling subscriptions when a product is replaced, allow time for the removal of the existing software and the rollout of any replacement software. Where proof of destruction/ deinstallation is required, or the return of licensed materials, this may require more careful planning. However, it is the sourcing and procurement, testing and development of an alternative which can take the longest time, so factor this time into any exit strategy. Invoking an exit strategy will involve a much longer preparation period than the cancellation period, in which case the decision to exit must be made much further in advance. Perpetual license rights can continue to be used, but an impact assessment is still advisable to determine any additional or unintended impacts. It also presents an opportunity to obtain the agreement of all affected parties unless they can justify budget to continue payment.

The documents provided in this toolkit are:

- A Responsible, Accountable, Supporting, Consulted and Informed (RASCI) matrix, showing the key activities related to the processes and identifying the key members of the virtual team involved in managing renewals. The matrix identifies the stakeholders who are RASCI. This template can be adapted and amended to include specific roles both at a generic level, and on a case by case basis for specific renewals.

- The research note "Manage Software Renewals to Save Money Through Teamwork" which provides more insight into the roles and responsibilities of the virtual renewals team. This will help both in deciding who to assign to the roles, and can be used as part of the communications process when educating stakeholders as to their roles in the new processes being implemented.

Checklists to be used at key points in the process, which can be used to ensure that the process is carried out to a high standard:

- Initiation checklist: everything you need in place to start the process.

- Contract checklist: the data inputs from existing agreements.

- Quotation checklist: to validate the quotation against any agreements.

- Approval checklist: the decisions required for payment or cancellation.

- Cancellation checklist: the actions required to cancel.

- Renewal payment checklist: ensure payment has been completed.

These checklists are contained within a single workbook, and can be customized to reflect your organization's processes. Save and amend multiple copies of the workbook to reflect the individual requirements of each specific renewal. Keeping a copy of the workbook in a datashare or database used for renewals management will allow easy access to details of current progress on the renewal and provide an audit trail of past activities. Alternatively, the checklist items can be incorporated into workflow management systems as dependencies, milestones and activity triggers. Where possible, automate the notification of stakeholders when actions are required. This can be set up to help ensure that deadlines are met.

This is a generic process for managing existing renewals, which can be adopted and adapted to fit into your organizational structure. It must interface into existing vendor management and purchase-to-pay processes. Where possible, existing processes should be used to avoid unnecessary disruption to operations and users, or the perception of implicit criticism of existing activities. Use this high-level process as an example of best practice when working with stakeholders to explain what inputs, activities and outputs are required of them to support the process may assist in improving existing processes. Improving existing processes may result in a more appropriate solution for your organization than simply replicating the generic process. The generic process should be used to validate that all critical elements are in place somewhere in the organization, and that they link together to provide a fully coordinated solution.

This is a generic process for adding new renewals to the process, which should form part of the IT project management quality framework. As with the renewals management process, if an existing process is already in place, this should be used to assess the opportunities for improvement. Where no defined process is in place, the generic process may be used, taking into account the interfaces required with existing processes.

Process integration checklists, which can be used when integrating, implementing or improving the renewals process to identify interfaces with other processes, assign responsibility and document required inputs and outputs for each process, procedure or work instruction.

All of these documents are provided so that they can be adapted for use within your own organization, and altered to accommodate the very different requirements of different software vendors.

May Be of Interest to: Applications

Toolkit Details

The ZIP file download contains the following documents:

210294_renewals_rasci.xls

Complete the attached Renewals RASCI matrix to ensure that the other stakeholders and participants cannot abdicate responsibility to the software asset manager. This can be adapted at a high level to include the appropriate roles/job title for the client organization. It can also then be adapted on a product by product basis to ensure that all the appropriate stakeholders are engaged and aware of their specific responsibilities.

manage_software_renewals_to__205462.pdf

Use the attached research, "Manage Software Renewals to Save Money Through Teamwork" to communicate the need for better teamwork and to raise awareness that software maintenance and support renewals are not simply an administrative task that should be owned by the budget holder:

"When organizations receive payment requests and renewal notices for software support, maintenance and subscriptions, there is rarely a clear set of responsibilities set out or a process in place to check the requirement and validate the quotation."

Implementing consistent processes and governance and engaging stakeholders will ensure that renewals are managed to maximize operational efficiency and value for money.

210294_renewals_checklists.xls

Apply the attached Renewals Checklists Excel workbook at key control points in the renewals process to ensure completeness. A new workbook can be created for each renewal, and a full set of checklists saved with the renewal record to provide an audit trail of the renewal activity. You can add or remove elements from the list to reflect your own process or the individual renewal, as appropriate.

210294_renewals_processes.vsd

Use the attached "Renewals Processes" Visio diagram showing a generic renewals process to prompt the development and improvement of your own processes. These high level steps should be conducted by and integrated into existing vendor management or software asset management processes to improve the efficiency of renewals management.

📊 .XLS **210294_renewals_processes.xls**

Complete this process integration checklist to identify all the companion process dependencies in your organization by changing the example text in blue. Identify them by name, who owns them, how they interface with ITAM, the data they can provide as inputs to ITAM, and the data ITAM can provide as outputs to assist them. This work can in itself form the basis for greater teamwork to share workload and improve processes for the benefit of all concerned.

📄 .PDF **toolkit_software_asset_manag_210294.pdf**

This is the PDF version of this file.

Directions for Use

Download the Toolkit ZIP file by selecting the link under the "Download Toolkit Resource" header at the top-right of this page. To unzip and save the files to your computer, select "Extract All" from the File drop-down menu. A PDF copy of this content is included as part of the ZIP.

Communicate

Develop a communications plan to obtain the cooperation of others on whom these processes depend. Leverage Gartner research — a suitable current research note identifying the need for teamwork is included in this toolkit.

Include:

- Why are we doing this?
- Who is involved?
- When is action required?
- What is expected?

Identify Process Interactions

- Use the process diagrams to develop or check existing processes and to identify opportunities for improvement.
- Adapt the process diagrams and customize them to document your processes and to describe their impact simply.

- Develop and improve procedures and detailed work instructions where appropriate to support your processes.

Identify Roles and Responsibilities

- Apply the RASCI matrix to ensure that all the appropriate individuals are identified and involved in the process.

- Review and customize the RASCI matrix to better reflect the roles and titles in your own organization.

Manage Control Gaps

- Run through the checklists at key control points during the renewals process to ensure that these processes are working effectively.

- Customize the checklists and add any additional requirements for specific vendors or use cases.

Recommended Reading

"Understand Oracle's Repricing Policy Before Combining Invoices for Prior Purchased Products"

"Reduce IT Spending on Software Shelfware Yearly Support Fees"

"Negotiating a Price Escalation Clause or Price Cap in a Software Contract"

"Application Software: Maintenance and Support Guidelines"

"Toolkit Sample Template: Manage the Software Investment Life Cycle"

Acronym Key and Glossary Terms

Process	A set of interrelated or interacting activities which transforms inputs into outputs, that requires management involvement to agree and implement.
Procedure	A specified way to carry out an activity or a process that can reasonably be established without top management involvement.
Work instruction	A detailed breakdown and explanation of how to carry out the individual steps involved in a process or procedure.
RASCI matrix	A responsibility assignment matrix.
P-2-P	Purchase-to-pay or procure-to-pay process.

Evidence

[1] Examples of contract language relating to late payment fees for renewals (text and URLs current as at January 2011):

Autodesk: "Renew before your expiration date to keep your subscription active. If you do not renew your subscription and later decide you want to renew, you will have to purchase the next upgrade and rejoin the program. For some products you will have to pay additional fees. In some cases, recently expired subscription contracts may be renewed upon payment of the subscription renewal price plus a nominal late renewal processing fee for each seat of product on subscription. Contact Autodesk or your reseller for complete details and to confirm eligibility for late renewal." (From http://www.autodesk.co.uk/adsk/servlet/index?siteID=452932&id=9913897.)

BMC's Standard Cancellation Policy: "Customer may acquire BMC support services ("Support") on an Order. Once Support is acquired for a Product, Customer is automatically enrolled in Support on an annual basis for all Licensed Capacity of that Product, unless either party terminates Support on all Licensed Capacity of a Product upon at least 30 days written notice prior to the next Support anniversary date. The annual fee for Support is based on BMC's then-current Support price list. BMC may change its Support terms, to be effective upon Customer's support anniversary date. BMC reserves the right to discontinue Support for a Product where BMC generally discontinues such services to all licensees of that Product. If Customer terminates Support and then re-enrolls in Support, BMC may charge Customer a reinstatement fee." (From http://software-maintenance-cancellation-request.accessbmc.com/register.aspx.)

IBM International Agreement for Acquisition of Software Maintenance:

"(3) Charges and Payments

b. Software Maintenance acquired directly from IBM.

(4) Amounts are due and payable upon receipt of invoice. Customer agrees to pay accordingly, including any late payment fee."

(From http://www-03.ibm.com/software/sla/sladb.nsf/pdf/policies/$file/Z125-6011-03_en.pdf.)

[2] Between October 2009 and the end of 2010 there were 1,414 interactions between Gartner clients and the IT Asset Management and Procurement team relating to software support, maintenance and subscription renewals. Of these, there were 77 concerned issues relating to cancellation.

Regional Headquarters

Corporate Headquarters
56 Top Gallant Road
Stamford, CT 06902-7700
USA
+1 203 964 0096

European Headquarters
Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters
Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters
Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters
Gartner do Brazil
Av. das Nações Unidas, 12551
9° andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509