Making Every Dollar Count:

A GAME PLAN FOR IT OPTIMIZATION IN STATE GOVERNMENT

In the current economic downturn, states across the country are grappling with significant fiscal challenges. Declining sales tax revenues are leading to projected budget shortfalls of 10 percent this year and 25 percent in the 2021 fiscal year.

When states face budget constraints, they typically turn to tried-and-true methods like program cuts, IT consolidation and delaying technology upgrades. However, in the current environment, these approaches — and IT consolidation, in particular — are no longer enough to find cost savings. For states to truly maximize their budgets and transform their approach to IT, they need to move beyond just consolidating data centers and focus on optimization.

"When we talk about IT optimization and cost reduction spending, historically that's been about data centers. Most state governments have seen a reduction in overall IT spend because of the consolidation of data centers. Many state governments are still on this track and they should continue, but we have to start thinking beyond that," says Bill Rials, who has served in CIO, CTO and CISO roles for local governments and in various leadership positions within the state of Mississippi's IT organization as a deputy to the state's CIO.

State governments today use an array of technologies, each with their own software licenses. But many states lack visibility into their software use, resulting in license levels that are not aligned with actual needs. Some licenses are redundant; others are underutilized; and some software is left running on zombie servers.

With many states locked into long-term contracts with technology providers, one of the best ways for them to better manage IT spend is to develop a broader understanding of their assets and gain more visibility into their software licenses. Adopting modern asset management and spend optimization solutions can help states reduce waste in their IT environments, better manage their cloud costs and uncover savings that enable them to be better stewards of taxpayer dollars.

Current Challenges for Managing IT Assets

State governments have different approaches to how they manage their IT assets and typically operate under three distinct models — a unified, federated or decentralized model, Rials says.

"How they approach spending for technology, including software licensing, depends on which model they're in," he says.

- **Unified model:** In this model, IT asset management is centralized and the state CIO essentially manages all software spending.
- **Federated model:** This model involves shared governance, where the state CIO's office has a strong influence over IT spending.
- **Decentralized model:** In this model, every state agency has its own autonomous budget and decision-making authority over software licensing.

While some software is consistent from agency to agency, which allows state governments to achieve economies of scale, some agencies need specific software to deliver services, which often leads to increased IT complexity and costs.

States also tend to have a reactive, rather than proactive, approach to IT asset management, says Mike McGraw, a business value advisor at Flexera Software, which offers integrated solutions and insights to help public sector organizations optimize their IT environment.

"One of the areas where I see them challenged the most is actually getting an understanding of the financial impact of the assets that they have deployed — and the visibility into these assets — so that they can reconcile these two things," McGraw says. "That financial linkage seems to be a continuous struggle I see in organizations today, and this lack of understanding just allows more waste to be captured into the system."

> **PROGRAM CUTS AND IT CONSOLIDATION ARE NO LONGER ENOUGH TO FIND COST SAVINGS.**

A state can have hundreds or thousands of software licenses across its entire IT ecosystem. Many states also still rely on manual processes and legacy systems that lack automated capabilities. Without automation, states cannot get real-time visibility into their overall IT spend across agency lines. And they are unable to assess which technologies are producing the most value in terms of increased productivity, efficiency and data-driven decision-making.

"It's very expensive and it's a common mistake, especially in state government, to attempt to bend modern applications around legacy architecture or legacy business processes," says Rials. Instead, states should "change their businesses to revolve around modern architecture and technology."

Along with limited automation, life cycle management is a significant challenge for state governments. But it's one of the most important things states can do to control costs, McGraw says.

"When you talk about how an organization manages the investments that it makes, it's about the life cycle and how IT assets are being deployed and managed as they move toward retirement," he says.

In government IT, traditional life cycle management historically has been facilitated over days, weeks or months. But the cloud has completely disrupted that approach.

"The cloud turns that operating model on its head, because a lot of the access and the life cycle management is measured in seconds. You can't understand those needs without some automation in terms of visibility into what's being used, how it's

being used, and what this means in terms of the resource and cost impact," McGraw says.

Without automation, it has become increasingly difficult for states to manage their use of cloud-based solutions and software-as-a-service (SaaS) applications. As a result, many states are underutilizing SaaS assets and unknowingly paying for license levels they do not really need. Perhaps they have failed to make adjustments after an employee leaves the organization or switches to a new department. In other cases, there may be many employees who log in to a given service only occasionally, or who do not use the solution's full capabilities. They could be moved to a lower user level to help save costs.

Recent research highlights the variety of challenges organizations face as they try to optimize their IT infrastructures. In the Flexera 2020 State of Tech Spend Survey, 81 percent of IT leaders said understanding the cost of delivered services was either a significant challenge or somewhat of a challenge when it comes to managing their IT spend, while 56 percent said that business units exercising more control over their IT spend was one of their primary challenges. A majority of IT leaders surveyed also said manual processes (86 percent) and limited data (82 percent) were either a significant challenge or somewhat of a challenge when it came to managing expenditures.

Figures like those point to a larger problem: Organizations have no single source of truth for their IT spend or usage. You cannot manage what you do not measure. Governments need data-driven solutions and tools that give them a holistic view of spending across their ecosystems as well as granular-level detail by business service, application, program and vendor. Modern IT asset management and spend optimization solutions can provide that holistic view and give state governments a better understanding of the true value they are getting for their technology spend.

A Game Plan for IT Optimization

To control costs, states can leverage solutions that integrate with their existing systems — including single sign-on systems, APIs, expense reporting systems and other third-party tools — to give them more visibility into their spend across the cloud, hardware, software and on-premises data centers. These solutions can help governments in three main areas: cloud cost management, SaaS management and software asset management.

Better Cloud Cost Management

Rials says the public sector is moving in a direction where "any state government agency without some level of cloud computing resources will be as rare as an agency without access to the internet."

But even as public sector organizations increase their cloud adoption, they must be mindful about making efficient use of these resources. Organizations already waste about 30 percent of their cloud spend on unused licenses, idle resources and running workloads virtually around the clock, according to Flexera's 2020 State of the Cloud Report. Most governments say they plan to increase their use of cloud solutions like Amazon Web Services, Google Cloud and IBM Public Cloud. That means it is critical for public sector organizations to gain control over their cloud spend as they work with more providers, amass more software licenses and manage hybrid IT environments.

WITHOUT AUTOMATION, IT HAS BECOME INCREASINGLY DIFFICULT FOR STATES TO MANAGE THEIR CLOUD SOLUTIONS.

"Time and again, we've seen state governments' cloud bills growing exponentially because they don't have their arms around the life cycle management part of it," McGraw says.

Modern asset management solutions provide a dashboard view of cost data across multiple cloud providers, combining billing and usage data so governments can get a true picture of what they are spending on cloud. These tools provide analytics and insights for better forecasting and planning, and they deliver recommendations for reducing cloud costs.

Better SaaS Management

SaaS applications help organizations move away from hardware and legacy systems, which improves efficiency. But SaaS applications are not without their own challenges. Because most governments operate under a hybrid model, introducing SaaS applications increases IT complexity and obscures states' visibility into their IT environments. Many SaaS subscriptions renew automatically, and some states may be locked into multiyear contracts that benefit vendors more than the users.

A SaaS optimization platform offers greater transparency by connecting state HR and financial systems to current SaaS providers, delivering insights on usage and where states may be underutilizing SaaS assets.

This kind of solution also allows state governments to automate their processes, so they no longer have to manually track SaaS applications. That offers real-time analytics on usage and spending, including customizable reports and granular data on user-level spend. Armed with these insights, states can gain a better understanding of what resources they actually need to deliver quality, responsive services to citizens. And they are better positioned to right-size their IT budgets going forward, with cost savings that can be reinvested in other vital areas of operation.

Better Software Asset Management

When it comes to software asset management, states have tended to focus mostly on compliance. But with a software license optimization solution, governments can also manage their audit risks and save on technology costs. Software licenses and maintenance fees account for 20 percent to 35 percent of total enterprise IT spend. With

an optimization solution, states can move away from spreadsheets and other manual processes that consume valuable staff time. Instead, they are able to access insights that help them better prepare for audits and give them greater negotiating leverage when contracts are up for renewal.

This solution, which integrates into existing IT systems, takes raw data from software applications — including user and organizational data as well as information on purchase orders, contracts and other sources — and converts them into insights on application installation and usage. It also automates license management across various computing environments, including desktop, laptop and other device applications. In addition, modern solutions give states insights on product use rights from various software purchase agreements. They also feature contract management capabilities that give states real-time information about upcoming payments, contract renewals and expired contracts, which can help with future negotiations and software audits.

This approach is already paying dividends for public sector organizations. For example, working with Flexera has helped one large government services organization save more than $10 million on its license for Microsoft SQL Server, while an agency involved in government administration has saved $30 million on Oracle licensing. Another government services organization was able to save valuable staff time on standardizing and analyzing data from multiple disparate systems, completing data discovery in a matter of hours, rather than requiring four full-time staffers devoted to the task. Meanwhile, automation has enabled an energy agency to aggregate data across departments and spend 60 percent less time researching and validating data.

Like these organizations, states can leverage these advanced tools to answer key business questions about what they are actually getting for their IT investments.

"States really should start embracing software asset management as a strategic function that enables effective decision-making and efficiency," McGraw says.

Conclusion

With ongoing fiscal challenges, states need to pull every lever at their disposal to make the best use of taxpayer dollars. They need to be tactical and strategic in their approach to IT, and they should implement asset management and spend optimization solutions that complement the knowledge and ingenuity that already exists within their organization.

BETTER SOFTWARE LICENSING MANAGEMENT HELPED ONE LARGE AGENCY

SAVE MORE THAN $10 MILLION.

States can start by prioritizing technologies — like cloud, software and SaaS optimization solutions — that provide comprehensive visibility into their IT ecosystem. With these tools, states can automate the life cycle management of their IT assets and drive improved asset management policies and governance.

Rials says states should implement a governance program that factors in their IT policies, overall security posture and optimization strategies, while giving employees some space to effectively utilize cloud resources and new technologies.

"State governments should provide, not guidelines, but guardrails for how employees use this new cloud computing," he says. "But don't be so restrictive with what they can and can't do. Allow that innovation to happen. Provide users with the access they need to create the innovation they need inside their agencies."

States also should consider establishing a comprehensive asset management and governance program to transition away from a decentralized or department-by-department approach to IT.

"In order to fully optimize as an organization, ensure efficient usage of your investments and avoid budget surprises, the best strategy is to embrace a program approach," McGraw says. Automation should be a key part of that approach, he adds. "Too often, these organizations are doing things manually, and they're unable to get ahead of that to ensure they're optimally using their investments."

By becoming more proactive on asset management, states can achieve new operational efficiencies and free their IT teams to focus on higher-value, mission-critical tasks. More importantly, they can optimize technology to achieve their overarching mission: delivering better public services while making the best use of taxpayer dollars.

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