



Tivoli Software

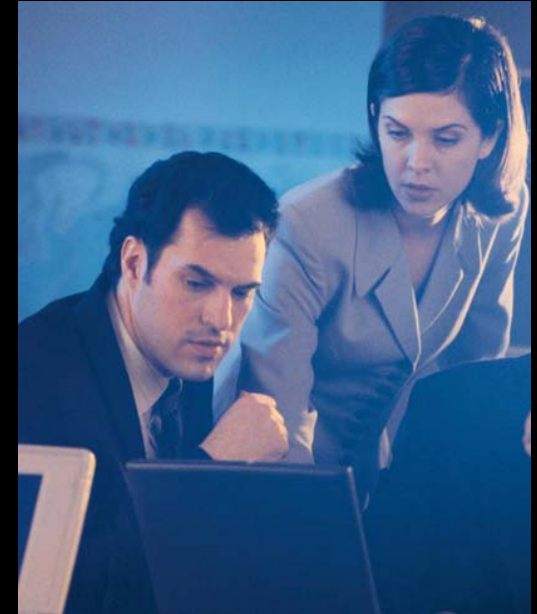
Increasing Profitability with Tivoli IT Financial Management Products

Mike Zelle
IBM IT Financial Management Marketing

AGENDA

- Why clients are focused on enhancing their IT Financial Management practices
- How IBM is helping clients improve IT Financial Management

Tivoli Asset Management for IT
Tivoli License Compliance Manager Family
Tivoli Usage and Accounting Manager
Tivoli Application Dependency Discovery Manager (CCMDB)



- Next Steps

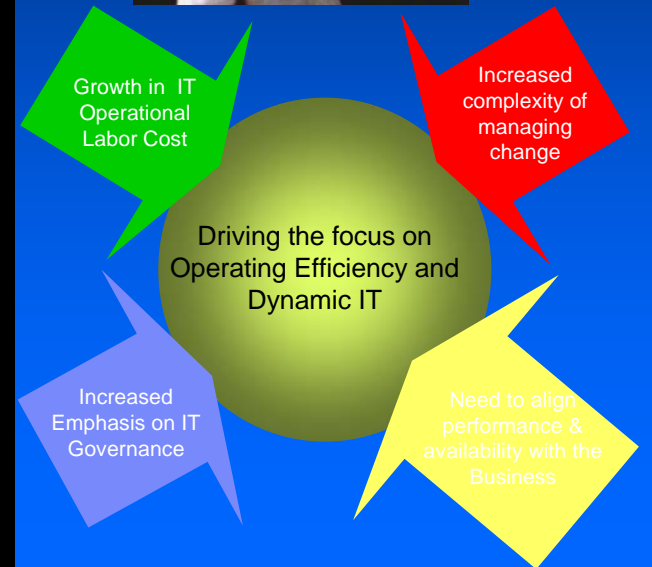
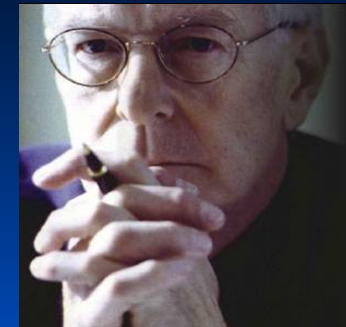
Key trends driving organizations to focus on operating efficiency and developing a dynamic IT environment

IT Operating Cost are increasing as a percentage of overall IT costs

- 70% of CIO budget is labor
- Operations labor will be 73% of CIO labor budgets by 2008
- Application development and support labor has dropped from 48% to 34% of IT Labor spend over previous 4 years

Clients are challenged to align performance & availability with business need

- Client support multiple tools, technology, data and vendors
- There are multiple, often siloed, operation Centers
- IT staffs support a growing number critical business services



IT Financial Management Goal: Provide Cost-Effective Stewardship of IT Assets and Resources

COST

Hardware
Software
Lease
Perpetual license
Maintenance (hardware & software)
MIPS, MSU, Processors, Capacity, Box, Feature
Volume discounts
Housing and Environmental
Version to version upgrades
Additional capacity
Telecom installation and services
Data archiving
Redundancy & contingency cost
Staffing
Residual asset tracking cost
Internal service providers
External service providers

Governance & Compliance

Internal Audits
Vendor Audits
Sarbanes – Oxley
Contract Terms & Conditions



Variables

Canceled projects
Unplanned projects
Acquisitions
Selling off pieces of the business
Inaccurate business volume projections
Asset reallocation
Accurate & timely inventory
Accurate & timely understanding of usage

Usage & Allocation

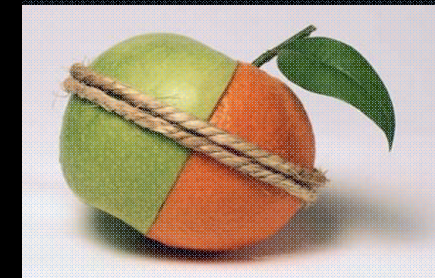
No Charge
Overhead
Memo Record Billing
Classic Chargeback
Budgeted Rates
Standard Rates and Negotiated Prices
Functional Pricing
Fixed for the fiscal year
Pooled assets with volume clip points
Tiered services
One time charges
CPU Time
Concurrent Users
Named User
Sub-Capacity

Managing today's IT assets has become more challenging than ever...

- **IT needs to provide efficient services to lines of business while reacting quickly to meet new business challenges**
- **HW, SW & OS Configurations in constant change**
 - No auto discovery across all platforms
 - No product use activity information
 - No versioning
 - Little or no record keeping or governance
 - No notification of change
 - No sharing of changes
 - Strong potential for both operational and license compliance violations
- **Growing Applications Complexity**
 - Unknown applications and relationships
 - Unknown application dependencies
 - Unknown application configurations



Distributed



Heterogeneous



Complex

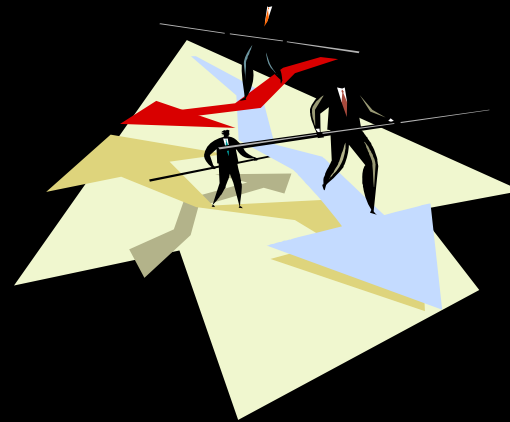
...while proper costing (and justification) of IT assets is a focus



- **IT needs to provide cost efficient services to lines of business while recovering cost and planning for future service requirements**
- **Need to accurately assess usage, especially in virtualized environments**
Difficult to assess which IT resources are being utilized, how much they are being utilized and who is utilizing them
- **Need to determine the cost of an IT service or application**
Cannot determine whether IT is offering a competitive service or whether the service can be procured more cost efficiently elsewhere
- **Need to justify IT resources & expenses**
IT needs to determine how their operating expenses relate to the segments or the business that derive the benefit of the investments

ITFM Business Issue: Governance and Risk Management

- Compliance
 - Sarbanes-Oxley
 - Internal Audits
 - Vendor Audits
 - Customer Audits
 - Corporate Standards
 - Server configurations
 - Software License Agreements
 - Change control process
- Cost Transparency
- Regulatory
 - Fiscal
 - i.e. Federal funds withheld to a state due to the inability to allocate IT costs across various Federally funded programs.
 - Healthcare
 - i.e. Federal government healthcare claims processing requires demonstration of accurate cost allocations



ITFM Business Issue: Optimizing IT

- What services are driving your largest costs?
- What costs are controllable?
- What are your costs?
 - Even unnecessary small transaction costs can add up to significant \$\$\$
 - ($\$.05 \times 1,000,000 = \$50,000$)
- **Technical Optimization does not equal Financial Optimization**
 - Deploying a comprehensive standard software set on every computer is cost prohibitive
- **Asset Life Cycle Management**
 - Hardware leasing agreements
 - No maintenance agreements = potential disaster
 - Comair Linux Server case study...

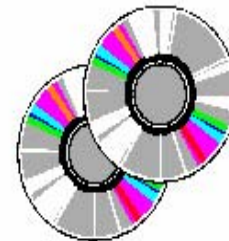
IT Financial Management - Business Benefits

Realistic Expectations From ITAM: Cost Savings



More highly leveraged buys: *Reduce asset acquisition costs by 8% to 15%*

Better matching of software licenses to organization needs: *Reduce software costs by 6% to 10%*



Enhanced service and warranty coverage: *Reduce warranty costs 3% to 15%*

Extended technology life cycle by increased effectiveness of technology migration plans: *Extend useful life by 15% to 25%*



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IT Financial Management - Business Benefits

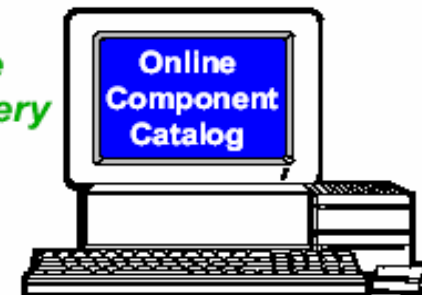
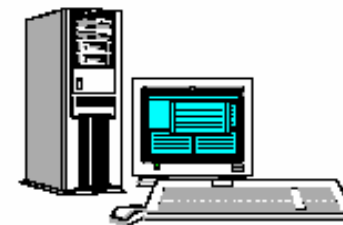
Realistic Expectations From ITAM: Service Improvements

Increased component standardization: Reduce mean-time-to-repair and *Improve uptime by 3% to 7%*



Reduced IT component complexity: *Improve help desk first call resolution rate by 5% to 12%*

Improved supply contract features: *Reduce order processing, stocking and client delivery times by 15% to 30%*



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IT Financial Management - Business Benefits

Realistic Expectations From ITAM: Risk Mitigation

Better contractor/vendor selection process: **Improve contractor performance by 20%**



Better negotiation of terms and conditions safeguarding performance: **Reduce risk of noncompliance by 50%**

Inclusion of market-based price calibration clauses for volatile technologies: **Reduce risk of overpriced future deliverables by 50% to 70%**



Improved asset tracking, proven usage compliance and ease of audit: **Reduce noncompliance risks by 80% to 90%**

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ITFM: Software Asset Management – Business Benefits

Compliance Risk Reduction

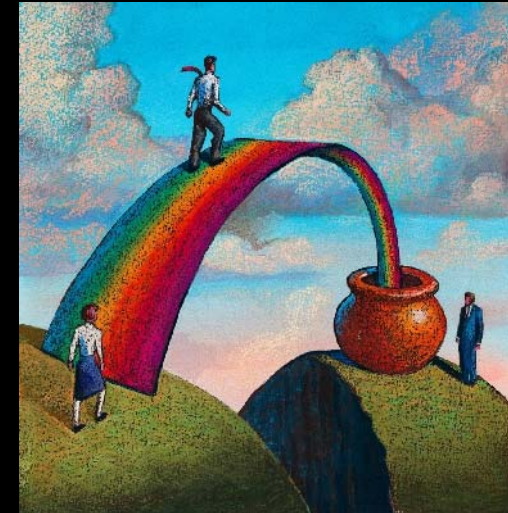
- Software vendor license compliance audits
- World Wide impact of Sarbanes-Oxley Act Section 404

Software Cost Management

- Identification and reduction of no and low use software
- Efficient server consolidations
- Optimize software and hardware capacity upgrades
- Strong vendor contract negotiation leverage
- Reduced software fees through competitive replacement
- Improve operational performance and reduce maintenance costs
- Invoice validation
- Effective charge-back
- Disaster recovery and business continuation

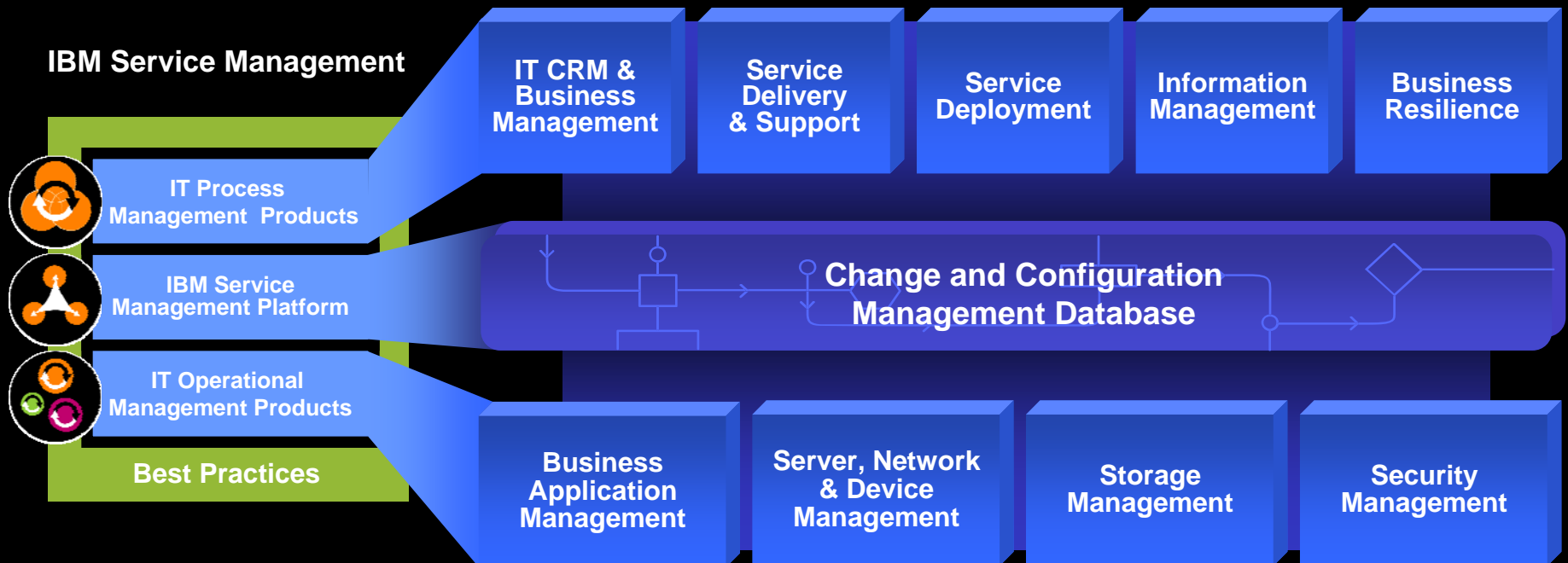
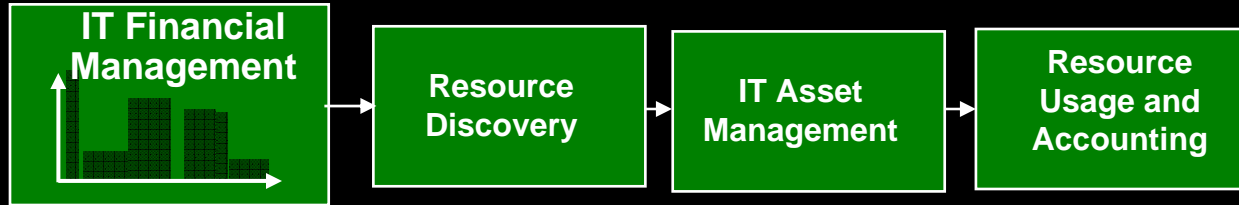
Opportunity Creation

- Software dollars can be redeployed to fund new software acquisitions and projects that return business value



IBM Service Management

Resource Discovery, Asset Management, and Usage Metering are key components



Financial Management Starts with Discovery



Application Infrastructure

Zoom: 20 %

Details

Components: WS aix3:server1

Remove Refresh Refresh All

Named End Points Modules Resources Containers Process Definition Application Descriptors Runtime

Name	Host Name	IP Address
BOOTSTRAP_ADDRESS:2809	aix3.lab.collation.net	10.10.40.9
CSIV2_SSL_MUTUALAUTH_LISTENER_ADDRESS:0	aix3.lab.collation.net	10.10.40.9
CSIV2_SSL_MUTUALAUTH_LISTENER_ADDRESS:0	aix3.lab.collation.net	10.10.40.9
CSIV2_SSL_MUTUALAUTH_LISTENER_ADDRESS:0	aix3.lab.collation.net	10.10.40.9
DRS_CLIENT_ADDRESS:7873	aix3.lab.collation.net	10.10.40.9
JMSERVER_DIRECT_ADDRESS:5559	aix3.lab.collation.net	10.10.40.9
JMSERVER_QUEUED_ADDRESS:5558	aix3.lab.collation.net	10.10.40.9
SOAP_CONNECTOR_ADDRESS:8880	aix3.lab.collation.net	10.10.40.9

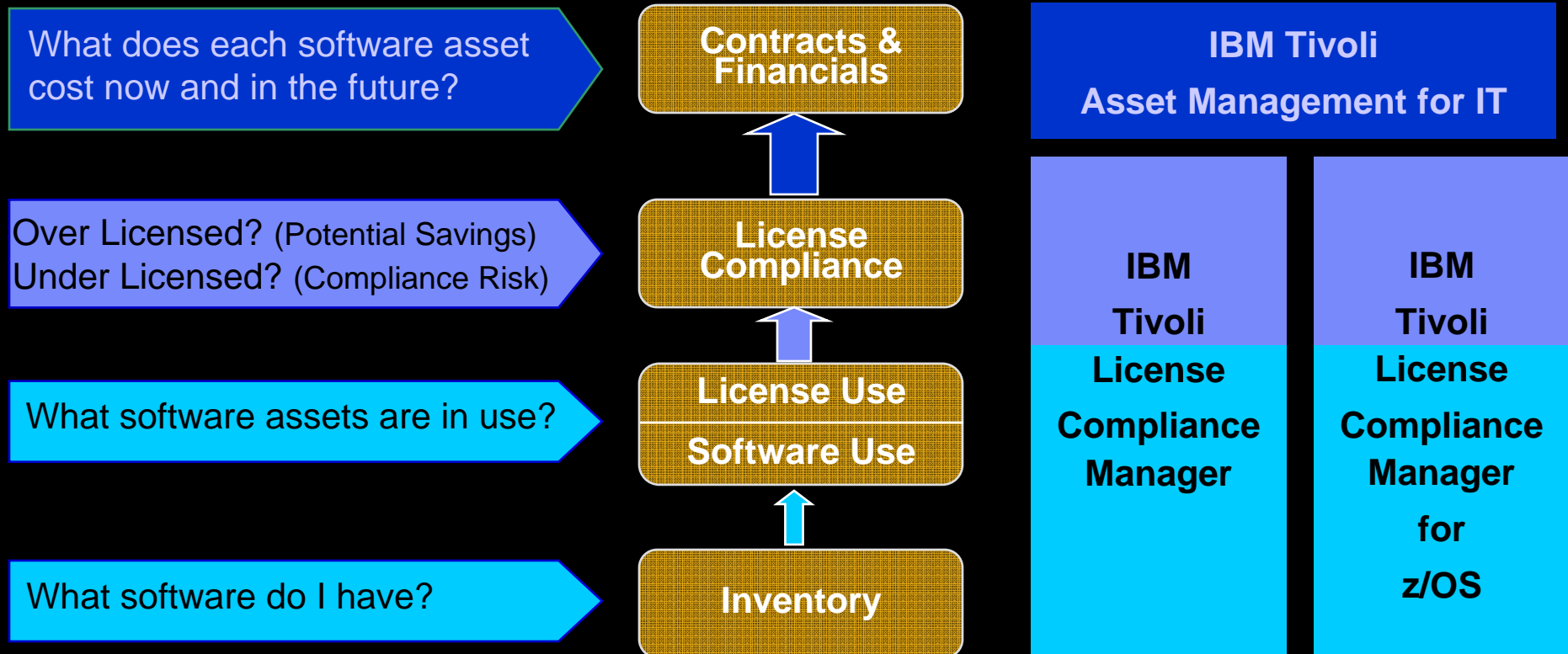
Detailed tabular information

IBM Tivoli Application Discovery & Dependency Manager (TADDM)

- Automatically Defines and maps data center infrastructure components as they relate to applications
- Allocate a cost associated with each component for Resource Accounting & Chargeback
- Align the application cost associated with each application to the corresponding consumers.

IBM's Unique Approach to Software Asset Management

Only IBM delivers the four essential sets of integrated information required for effective Software Asset Management across all significant environments

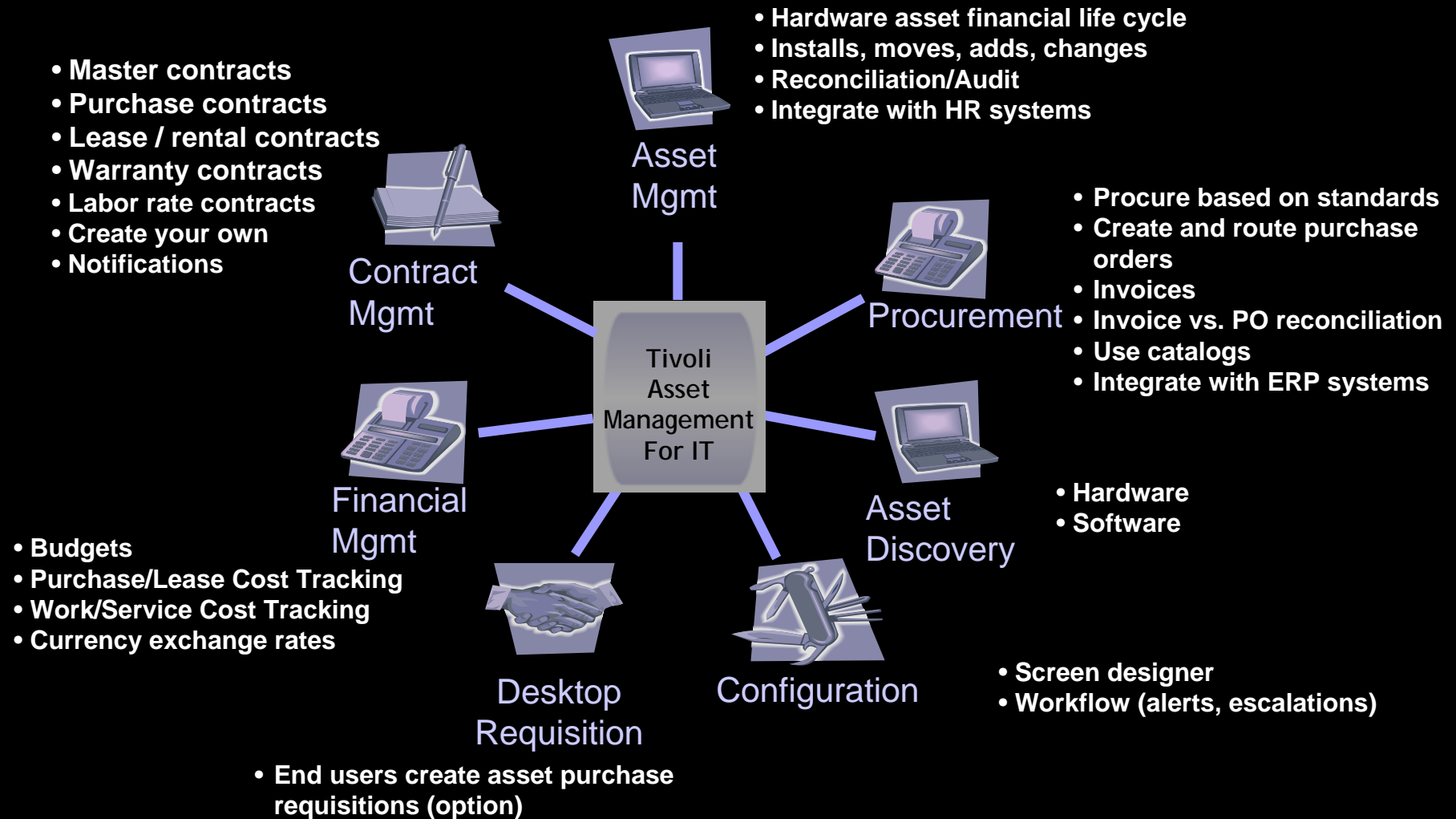


All four questions must be answered to align software spending with business goals

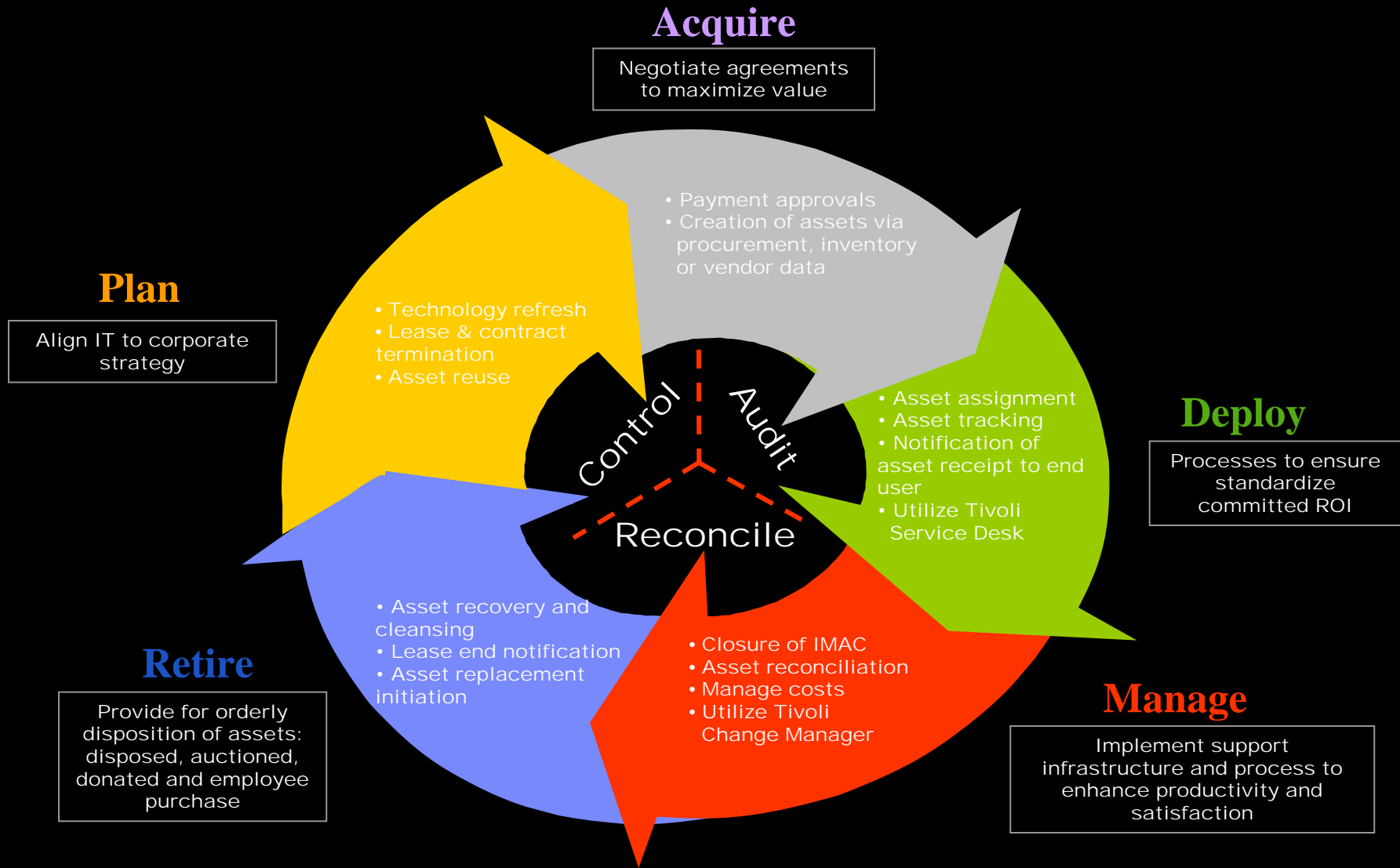


Tivoli Asset Management for IT Capabilities

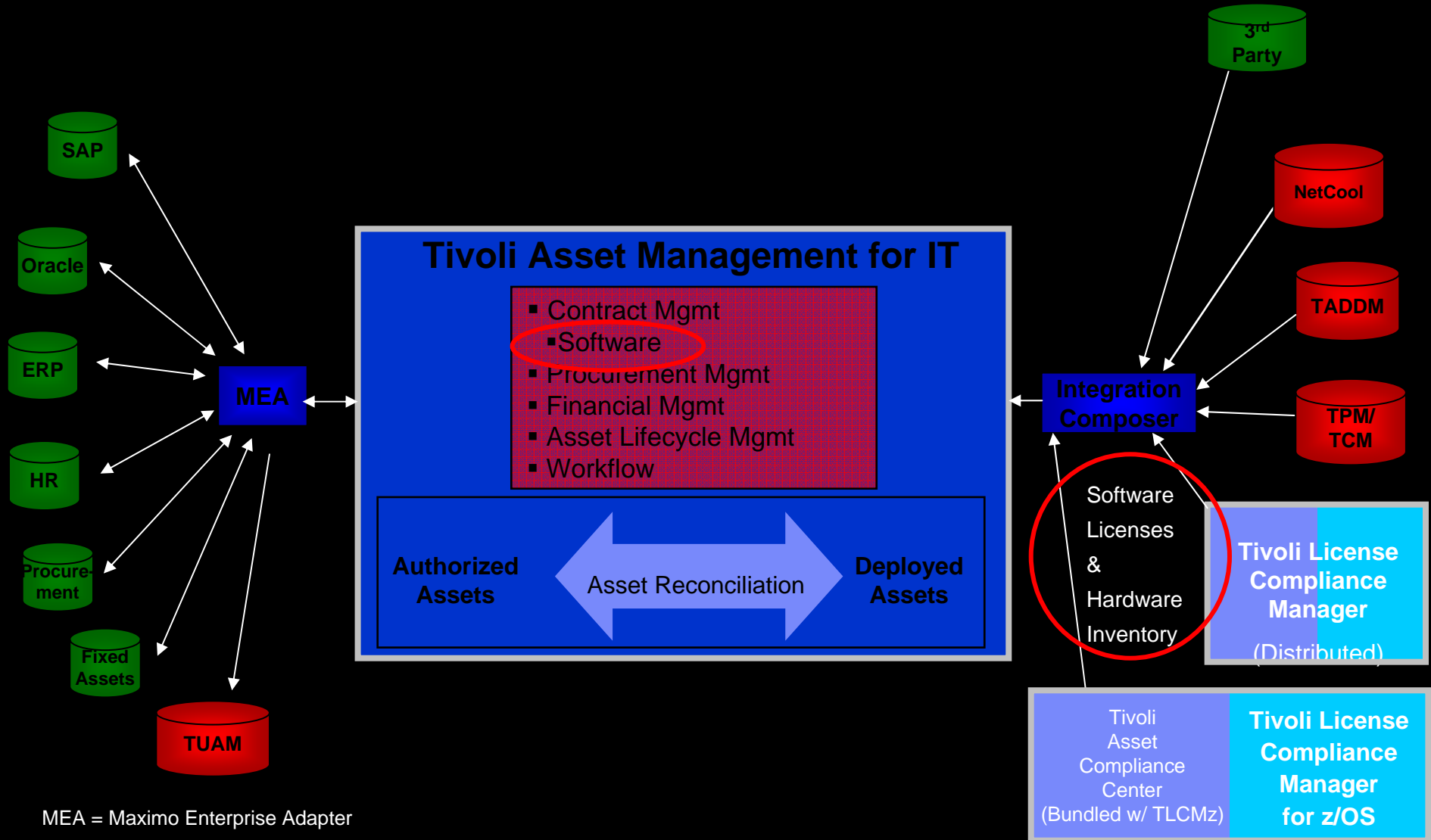
(IT Component of Maximo Enterprise Asset Management Technology)



Asset Management for IT Lifecycle



IBM Tivoli Asset Management for IT Portfolio Solution



MEA = Maximo Enterprise Adapter

Tivoli Asset Management for IT – Advantage

Ease of Configuration

Visibility of Performance Metrics and SLAs

Configurable role-based Start Center portlets

Real-time KPI-based dashboards

Seamless integration of ITIL-based processes

Configurable graphical representation

Service Desk Mgr.

Change Content/Layout | Display Settings | Create New Template | Modify Existing Template

SLA Incident Compliance | Last Run: 10/11/04 1:31 PM | Update

Status	Last Reading	Actual	Target	Variance
—	87.5	87.5	95	-7.5

Bulletin Board (1) | 7/12/06 12:29 PM

>> Email Server will be down on 8/10/06

Open Incidents by Priority | Chart Type: PIE | View By: Internal Priority

Internal Priority	Value	Percent (%)
1	59	37.58
2	14	8.92
3	9	5.73
4	3	1.91
Undefined	72	45.86

Quick Insert

New Bulletin Board Message

Applications

- Service Requests
- Incidents
- Problems
- Changes
- Releases
- Solutions

Group Open Incidents | Last Run: 10/11/04 2:31 PM | Update

Status KPI	Actual	Target	Variance
Email Open Incidents	5	1	4
ERP Open Incidents	4	1	3
Facility Open Incidents	1	1	0
Hardware Open Incidents	4	1	3
Network Open Incidents	2	1	1
Office Application Open Incidents	1	1	0
OS Open Incidents	0	1	-1
Tier 1 Open Incidents	2	1	1
Tier 2 Open Incidents	1	1	0

Tivoli Asset Management for IT – Advantage

One unified solution to manage all asset classes

Broad, best-in-class support for all critical assets that drive the business



Consolidation for greater efficiencies



Production Equipment

- Power generation equipment
- Refineries, chemical plants
- Manufacturing lines



Facilities

- Corporate buildings
- Hotels, hospitals
- Airports, government facilities



Transportation Assets

- Rail, rolling stock
- Over-road vehicles
- Ships, aircraft

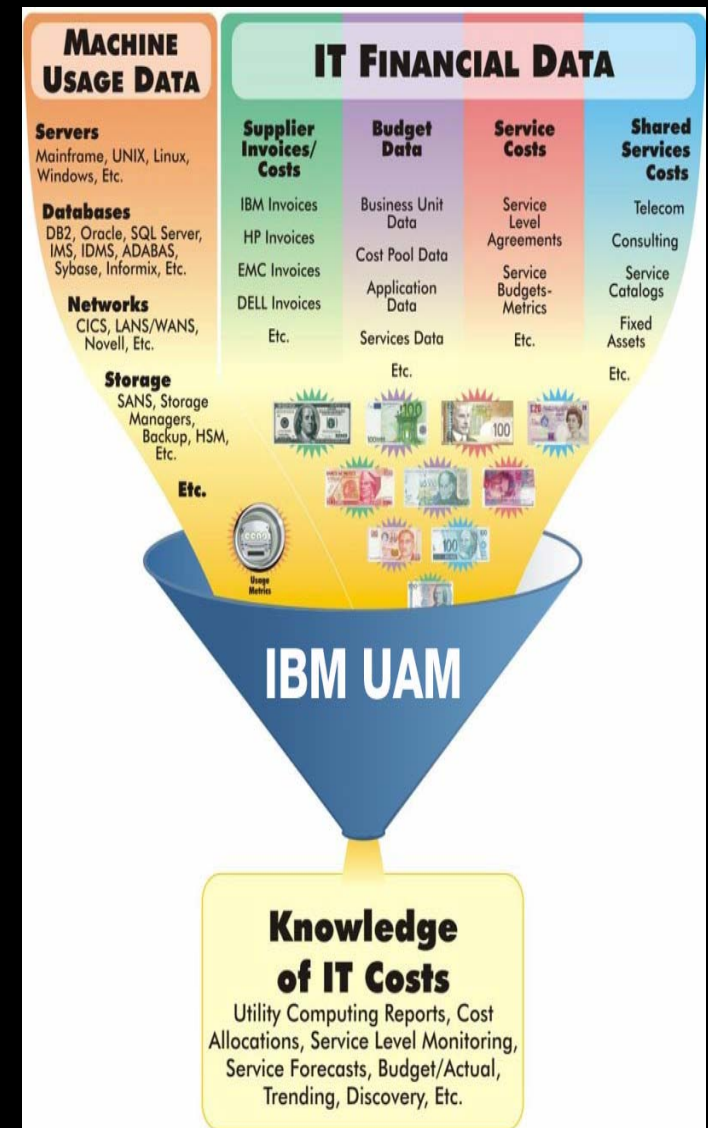


IT Hardware and Software

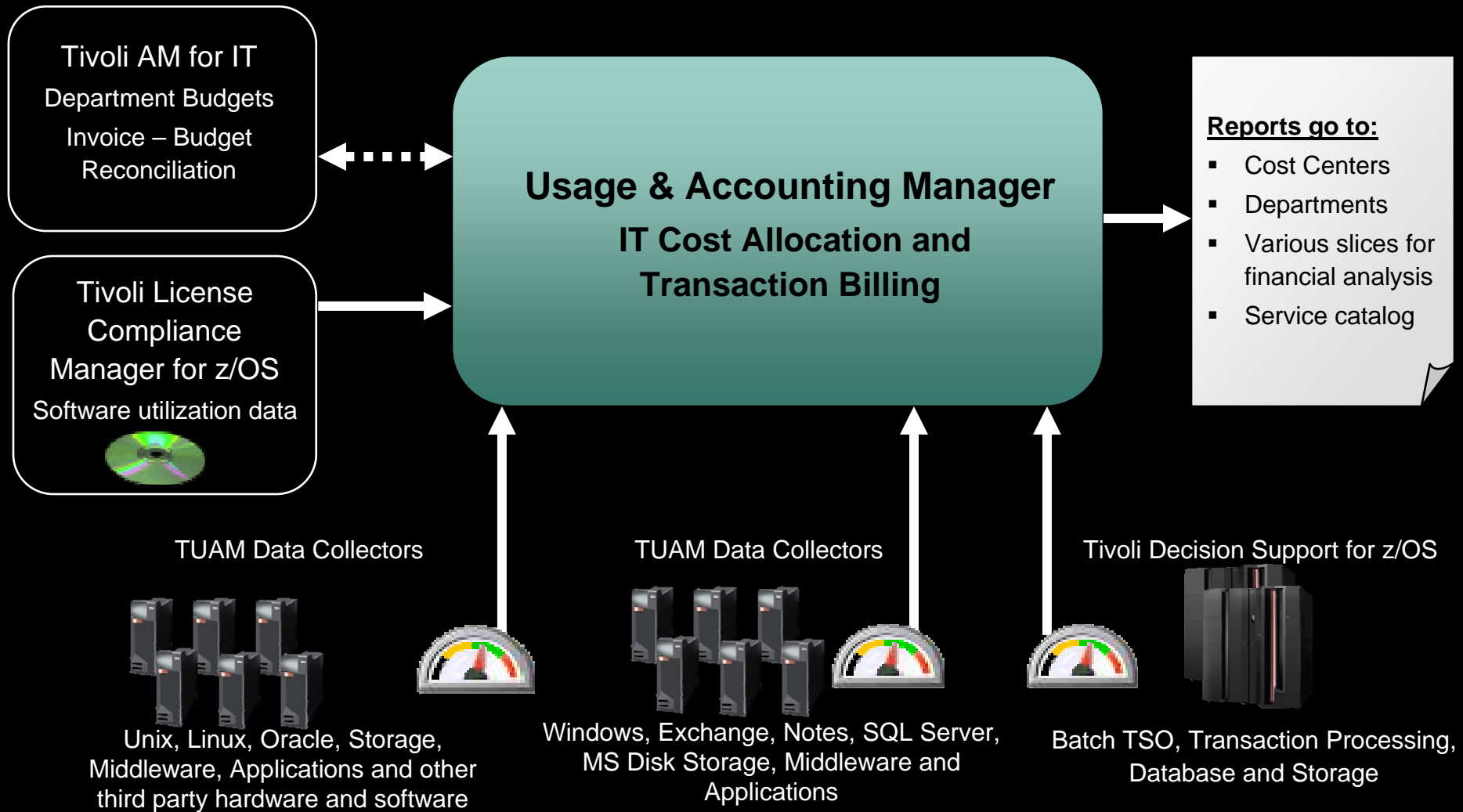
- Servers, laptops, network devices
- Software configurations, licenses
- Service/Help desks

Tivoli Usage and Accounting Manager - Advantage: Know What IT Costs!

- **More easily introduce new applications and systems**
 - IBM UAM provides insights to current costs and usages
 - IBM UAM easily facilitates IT's usage tracking and cost allocation of new applications and systems
- **Better integrate business processes with IT**
 - IBM UAM provides the ability to report usage and service in business versus technical terms
 - Users can see services delivered and costs by line of business
- **Improve IT systems utilization and productivity**
 - Top 10 reporting quickly identifies heaviest uses and potential abuses
 - IT can focus on service delivery and intelligent tuning versus data gathering and reporting
- **Enable better access to information**
 - IT Financial Management, operations, and user have easy and flexible access to the resource usage they need when and where they want it
- **Reduce or mitigate business operations risk**
 - Disparate usage data turned into valuable decision-making information



IT Financial Management: Tivoli Usage & Accounting Manager



Tivoli IT Financial Management Help Customers...

■ Control Cost

- Address IT cost management challenges and reduce TCO
- Identify cost drivers which allow action to reduce costs.
- Optimize software licenses and reduce likelihood of overbuying as well as fines due to under-licensing.
- Measure the usage of shared IT resources for resource accounting, charge back billing, IT cost management

■ Mitigate Compliance Risk

- Simplify the growing complexity of license compliance.
- Support regulatory compliance initiatives such as Sarbanes Oxley Section 404, Basel II minimizing IT associated risk.

■ Improve IT Service Levels to meet increasing business demands

- Integrate Asset Management and IT Service Management to optimize end-to-end processes
- Help IT make proper, strategic purchasing decisions with more reliable asset inventory data .
- Reduce outages and failures with proactive asset management practices



Client Profile

IBM Tivoli Asset Management for IT
IBM Tivoli Service Desk

Aerospace Client

The Company

- \$2B NASA contractor with 10,000 employees
- 400 IT experts managing 50,000 hardware and 100,000 software assets

The Challenge

- IT efficiency: fewer IT staff to provide the same levels of service
- Disparate, siloed IT service management systems
- Unable to gain a unified view of the entire organization's IT assets; lack of visibility complicated change and configuration management
- Unable to share issue resolution data, tendency to "reinvent the wheel"
- Proactively address IT issues before they become full-fledged fires

The Solution

- One ITSM system to more effectively manage the IT infrastructure
- Streamline service desk, so users can easily submit service requests and IT can more effectively respond
- Adopt ITIL best practices for more efficient IT operation

The Benefits

- Accurate, real-time view of who has what hardware and software at any given time helps change and configuration management
- Meet SLAs for maintaining maximum IT uptime and minimal repair time
- Sharing of incident resolution data speeds repair time and avoids IT fixing the same problems over and over

Client Profile

IBM Tivoli Asset Management for IT
IBM Maximo Asset Management

Utility Client

The Company

- North American utility serving more than 136,000 residential and commercial customers and 20 cooperatives serving 615,000
- Managing 7,500 hardware and software assets for 1,700 employees
- Using Maximo for enterprise asset management, including generation, transmission, facilities and fleets

The Challenge

- Information about IT assets resided in different databases
- IT asset data had to be searched manually and reports were created by hand, this was time-consuming and error prone
- Difficulties tracking who had what assets resulted in over-licensing
- Needed better view of IT assets to operate efficiently and economically

The Solution

- Consolidate IT asset data in Maximo for a single view of everything
- Maximo to manage assets through their lifecycle and track contracts

The Benefits

- Visibility of who has what asset at what location ensures minimum downtime, preventative maintenance, proactive contract and lifecycle management
- Cost savings by redeploying licenses and avoiding over-purchasing
- Streamlined reporting on asset life history helps balance the books and accurately manage charge backs

Client Profile

IBM Tivoli License Compliance Manager

European
Patent
Office



“As one of the world’s leading intellectual property rights offices, we must be at the leading edge in how we deal with the intellectual property rights of software providers. It would be stunningly embarrassing if we were found not paying for software that we were using.”

*–David Allin
Director, Planning, Security
and Inventory, EPO*

Business Challenge

Large patent authority with growing number of software implementations needed to take detailed stock of its software assets to ensure it was both legally compliant and financially efficient in the management of software licenses

On Demand Business Benefits

- Addressing this challenge required the EPO to move from a traditional inventory approach to a licensing management model that enabled staff to see not only what software existed in its environment but whether it was actually used and how.
- Making sure it could properly track usage required a flexible tool that could support varied software licensing models, including CPU-based, machine-based, concurrent-use, multi-use, sub-capacity use and more.
- Automation of data collection was of paramount importance and not just for inventory but also for budget planning, contract negotiations and renewals.
- Projected reduction of software costs by between 10 and 30 percent; better justification and negotiation of new software contracts; improved ability to plan for future software deployments and match staff resources with demand

Solution

- IBM Tivoli License Compliance Manager

Client Profile

IBM Tivoli License Compliance Manager for z/OS

Zurich in
North America



“IBM Tivoli License Compliance Manager for z/OS provides us with critical information to proactively manage software licensing, negotiations and compliance and help us control software costs. By understanding what software is used where, we eliminated several million dollars in unnecessary expenses in just 18 months.”

— Bob Becker
Principal IT Consultant
Farmers Group, Inc.,
a subsidiary of
Zurich Financial Services

Business Challenge

Manual efforts to track mainframe software usage led to skyrocketing costs and increased the time and cost of maintaining compliance with contract and auditing requirements

On Demand Business Benefits

- Realized substantial savings in 18 months by identifying between 30 and 40 software products with no or low use
- Enabled staff to quickly and efficiently respond to auditing requests with easy access to current software information
- Increased negotiating power with software vendors through access to detailed use activity histories
- Improved software deployment for reduced license fees
- Helped company move toward goal of “one tool for one purpose” to increase buying power with vendors
- Increased accuracy of financial management for software expenditures
- Enabled staff to better align software usage with end-user needs

Solution

- IBM Tivoli License Compliance Manager for z/OS
- IBM System z

Take the Next Steps Now!

For more information:



Visit www.ibm.com

- **Short Tivoli Usage and Accounting Manager Demo**
http://www-306.ibm.com/software/tivoli/library/demos/ibm_usage_am.html
- **Tivoli Usage and Accounting Manager**
<http://www-306.ibm.com/software/tivoli/products/usage-accounting/>
- **Short Automated Software Asset Management Demo**
http://demos.dfw.ibm.com/on_demand/Demo/IBM_Demo_Tivoli_Software_Assets_Management_Solutions-Sep05.html?S=index
- **Tivoli License Compliance Manager**
<http://www-306.ibm.com/software/tivoli/products/license-mgr/>
- **Tivoli License Compliance Manager for z/OS**
<http://www-306.ibm.com/software/tivoli/products/license-compliance-mgr/>



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