

TIME TO PUT THAT OLD ASSET MANAGEMENT CHESTNUT TO BED

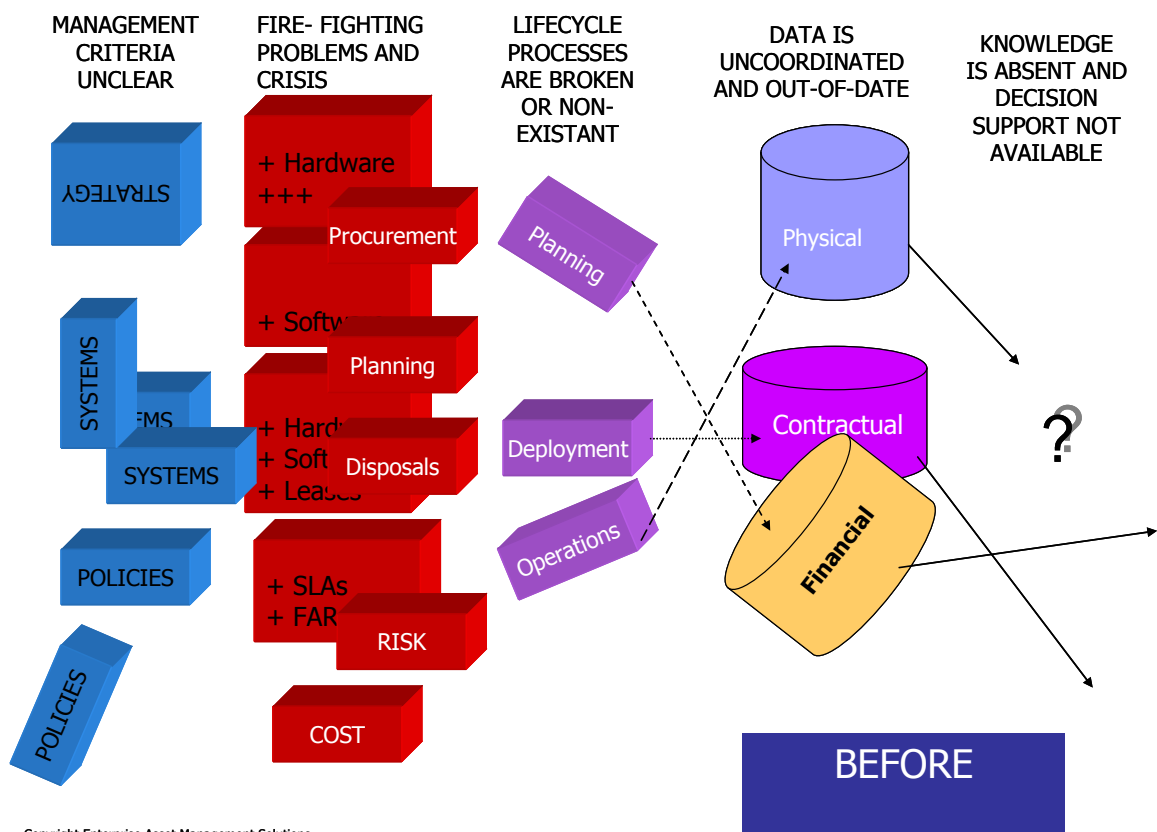
There is a growing awareness of the need for a strategic approach to managing corporate assets, and in particular, IT assets. This has been stimulated by the increased requirement for compliance (SOX, FAST, Basle II etc.) and new standards like ITIL and BS15000. But some organisations are now beginning to accept that, notwithstanding compliance initiatives, asset management saves money, reduces risk and provides a secure base for operational efficiency.

So why did a survey find that a staggering 64% of respondents were not entirely confident in the accuracy of asset records and only 28% used a single tool to automate the process?

And why do we still hear comments from FDs like “I’d be very pleased if my Fixed Asset register was 70% accurate” and “we tried asset management a few years ago but it was impossible, so we decided not to bother”?

And Auditors who say “we don’t see it as a material risk”. This is very odd when you consider that banks view balance sheets as a basis for lending money and a relatively small write-off from the Fixed Asset register might result in a significant P+L loss.

THE REASONS WHY ASSET MANAGEMENT DOESN’T WORK



Perception - the perception is that it is both difficult and expensive to implement asset management - with a minimal chance of realising real benefits. So, whilst it probably is on the "list of things to do" – it remains firmly planted at # 27!

Supplier conspiracy - most companies find asset management difficult (I have some sympathy here with the FD quoted above) because there is no rule book and no standard language to describe assets. Suppliers and manufacturers contribute to the mayhem with bizarre product descriptions on their invoices. We see these descriptions transferred to Fixed Asset registers by administrators who have no understanding of the asset itself. What then happens is that a list of completely incomprehensible "assets" is given to some poor unsuspecting employee at year end with the instruction "Go and find these". A match of more than 15% (in our experience) would be surprising. Another interesting exercise is to ask your maintenance or desktop management provider to give you an accurate list of assets that they support, you'll find this an amusing distraction, especially when you try and audit their data against reality. You will then start to look with more interest at those huge monthly invoices....

Problem areas or Hotspots – the symptoms of poor asset management are characterised by a constant stream of crisis and fire-fighting. Problems are only addressed when critical, and then only temporarily. For example, a promised Microsoft audit will throw departments into a mad panic, the problem will be fixed (probably by compromise because neither party knows the exact truth) and money paid out. There will be a loud sigh of reliefuntil the next time.

Broken or missing processes – it is amazing how much companies spend on external advisors to create detailed processes only to submit the vast documents to a dusty filing cabinet. We've seen 120 page documents of beautifully scripted processes which were never actually communicated to those running the day-to-day business. It is a well known fact that, to implement a successful Asset Management Programme, you need to spend 50% of your time to developing and refining robust processes, 40% gaining buy-in and 10% specifying, purchasing and implementing software.

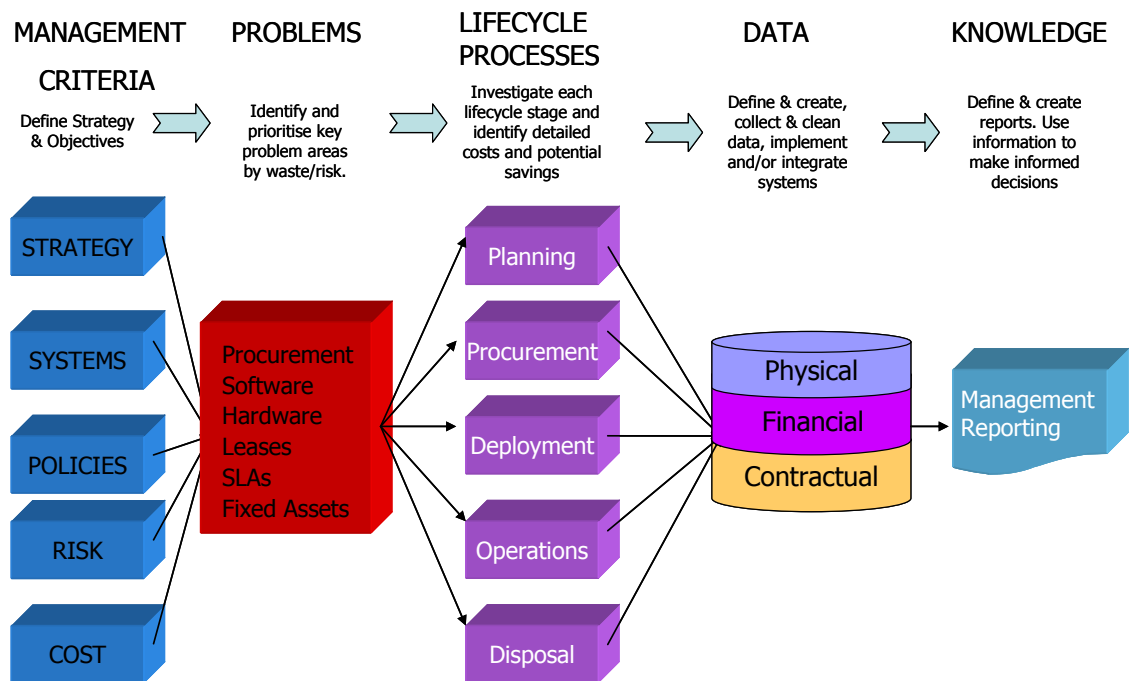
Accounting confusion - more often than not, similar assets find their way into a multitude of different budget codes in accounting systems. We have seen software listed under as many as 15 different codes in one company. If software is resident in your estate and you can't provide proof of purchase, you will be liable for penalties.

Finance v IT - the problem is then compounded because IT staff, for example, will collect inventory data by Manufacturer, Model and Serial Number. But we rarely see IT inventories that make reference to supplier invoices or Asset IDs. So reconciling data between Finance and IT becomes a task even Sherlock Holmes would balk at!

Multiple databases - different parts of the organisation will collect asset data for different reasons, for example, Health and Safety for PAT testing. It is not unusual to find 4 or 5 barcodes attached to one asset. Imagine the savings that could be generated by having one process instead of 5? And, whilst spreadsheets have many great applications, they cannot substitute for a well constructed web-based relational database.

IT DOESN'T HAVE TO BE A NIGHTMARE

Addressing the issue doesn't have to be difficult and it doesn't even have to be expensive. Adherence to a few basic principles will make a huge difference:



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Take a holistic view – decide what you need to know about your assets: physical data (where it is and what it is), financial data (supplier, cost, BV) and contractual data (who owns it, licences it, supports it). Then maintain this data throughout the asset lifecycle - from initial requisition, through procurement, commissioning, change/upgrade to disposal and preferably in one single repository that can be accessed by all relevant staff and integrated to relevant applications such as Help Desk, HR, H&S etc.

Get buy-in and set financial objectives – this is tough, you need to get co-operation between departments and politics often stand in the way. But if the projects are introduced with definable and measurable objectives and a clear chain of command, the results can be seen very quickly. Software Asset Management (SAM) is usually a good place to start because there are significant legal and financial implications of non-compliance. Get buy-in from the board early in the process.

Start with a Strategy – define what you mean by an “asset”. Typically, this should be something that has a unique identifier and can be physically tracked. Decide on asset categories and rules for descriptions. Involve those individuals in your organisation who have specialist knowledge of different types of assets employed in your business. Define how you are going to measure the success of the project and develop a roadmap for incremental projects.

Refine the procurement process – the point of purchase is the time when the maximum information about an asset is available. The requisitioner should use clear pre-agreed terms to describe what is being purchased. Chose accounting codes from a pick list that has been agreed with your asset specialists. Introduce the code as early as possible into the procurement process. Use these terms (not the supplier invoice) when adding detail to your accounting system. If your accounting system has an asset register, use the asset ID when

transferring data and responsibility to the asset custodian so that a connection is created between the asset and your financial records.

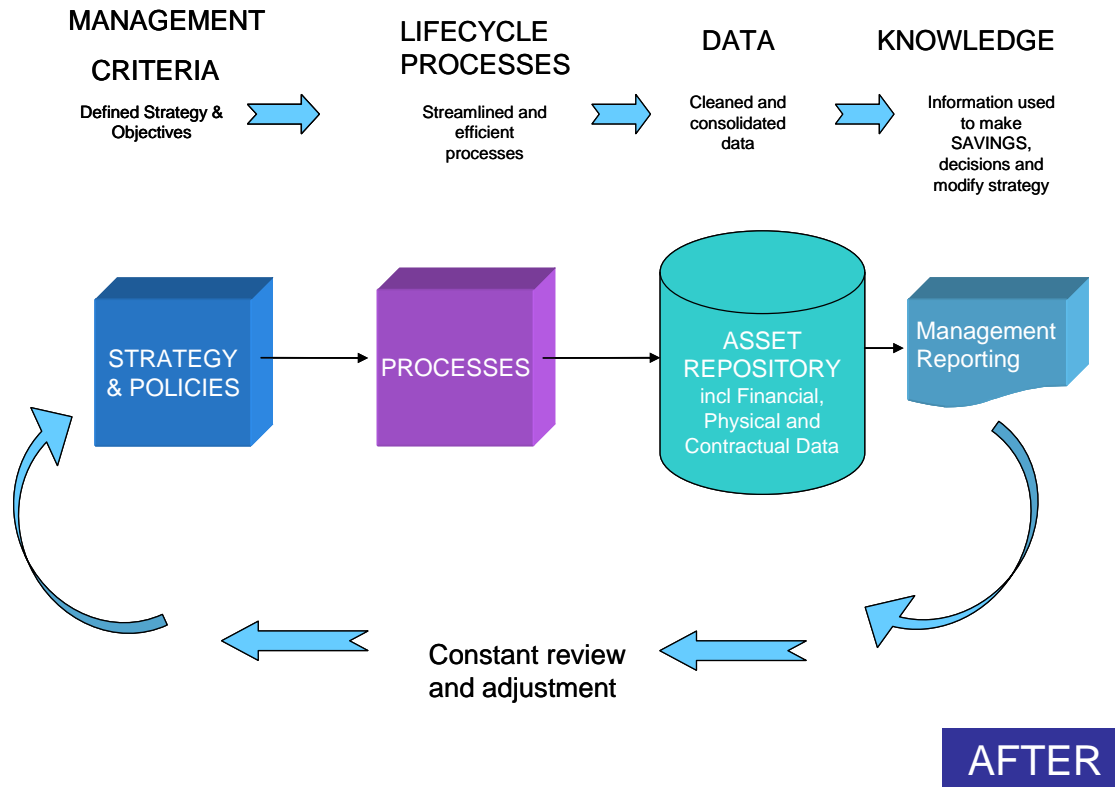
Link contractual liabilities – it is common to find that an asset becomes “uncoupled” from the original contract or subsequent finance and support contracts. For example, this means that leased assets are sold, maintenance cover lapses or additional software licences are purchased when inventory already exists. It is not unusual to hear “we have between 3,500 and 4,000 desktops”. This is a problem, especially if you are paying for support for 4,000 desktops when, in reality, you only have 3,500. Be sure that suppliers will tell you if they have more assets to support but are unlikely to tell you if they have less!

Maintain, maintain, maintain – once you have collected and cleaned the data, and streamlined your processes, make sure you have a management process in place to adjust for change. Employees need to be given targets and objectives aligned with data accuracy. Define reporting that will highlight trends and variances. Invest in training and audit regularly to monitor where processes need to be updated. Publicise the “wins”, the board and your staff need to know that the effort and commitment is bearing fruit.

AND THERE ARE REAL BENEFITS TO BE GAINED...

- ◆ Financial management
 - Cost reduction
 - Improved decision-making during Procurement
 - Cost centre budgeting and cross charging
 - To satisfy internal/external auditor requirements
 - Mergers and acquisitions
 - Accurate Fixed Asset register
 - Lowers Total Cost of Ownership (TCO)
 - Enables ROI analysis
- ◆ Operational efficiency
 - Provides an accurate baseline for outsourcing projects
 - Supports planning and budgeting for technology refresh
 - ITIL
 - Minimises downtime
 - Maximises utilisation
 - Increases Help Desk productivity
- ◆ Risk reduction
 - To support your Business Continuity Plan
 - Clarification of insurance risk and reduction in premiums
- ◆ Supplier management
 - Lessors
 - Hardware vendors
 - Software vendors
 - Service providers
- ◆ Contractual management
 - Software licence/support renewals
 - Hardware warranty/maintenance
 - Leases
 - SLAs (internal and third party)
- ◆ Compliance
 - Disposal (EC WEEE)
 - Sarbanes Oxley
 - Basel II

- BS15000 IT Service Management
- BS5799 Information Security
- Health & Safety
- Software (FAST, BSA, ISO/IEC 19770-1)



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SUMMARY (OR - EVEN OLD CHESTNUTS BEAR FRUIT)

If you have more than 100 employees and in excess of £1m capex p.a., then asset management is a discipline that will generate 30%+ savings in the first year and 10%+ in future years. Adding all the other benefits such as compliance, risk reduction and peace of mind - can you afford to ignore it?

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