

Asset Management: Tune Up for Increased Activity

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Market analysts are predicting increases in IT spending for 2005. If your asset management practices are not what they should be, this is a good time for a tuneup in anticipation of significant acquisition activity.

WHAT YOU NEED TO KNOW

With indicators pointing to a period of economic growth, demands for procuring IT goods and services are expected to increase as business units posture themselves for an expanding market. In preparing for this increase in IT asset activity, IT asset managers should ask themselves: Are tools in place and are they accurate? Are processes effective and consistent? Is there a commitment to actively managing the environment to optimize our investments in IT? If the answer to any of these questions is less than an emphatic yes, it may be a good time for an asset management tuneup.

ANALYSIS

Beginning some time during the next six to nine months and continuing for at least the next 24 months, increased spending in IT will become a reality. This means that many organizations should be preparing now for a possible onslaught of requisitions for IT goods and services. If your asset management systems are in need of a tuneup, you should take advantage of this lull in spending to make necessary improvements to ensure greater accuracy of data, efficient and effective processes, and the commitment to actively manage current and future IT asset investments. Four areas should be considered for review.

Ensure the Accuracy of Asset Inventory Data

Whether your company has a top-of-the-line commercial toolset or a homegrown spreadsheet, this is a great time to conduct an audit to determine the accuracy of your asset database. If you have an auto-discovery tool, you may feel comfortable that your records are accurate. However, although auto-discovery tools are extremely helpful, their typical accuracy range is 85 percent to 98 percent. The degree of accuracy depends on factors such as configuration complexity, frequency of physical moves and updates, and the discipline to ensure that life cycle management activities are reflected in record updates.

Attention also may need to be paid to the inventory records kept by your vendors. Enterprises often are "out of compliance" with their software licenses because the vendor has an inaccurate inventory. This is especially true when the enterprise or the vendor has been through mergers, acquisitions or divestitures. This check of vendor inventory could be part of the "accuracy of asset inventory data" or a separate section.

Optimize the Procurement Process

Many opportunities to better leverage acquisitions are lost due to ineffective planning and poor management controls — for example, the missed discounts that result from acquiring hardware and software in a piecemeal fashion. Such lost opportunities are especially prevalent in decentralized procurement processes, where coordination is often lacking. Simply put, the larger the monetary volume associated with the procurement, the greater the discounting opportunities, both in terms of negotiating leverage and vendor volume discounts based on value schedules. In addition, larger procurements also present more opportunities for additional *value-added services* to be included as part of a "deal." Typical value-added services include on-site installation, software imaging and improved service levels for maintenance. Central procurement of IT goods and services also makes sense from a standards compliance/enforcement perspective. When executed properly, there are few drawbacks to offset the benefits of centralizing IT procurements when effective processes are in place to meet customer needs.

Establish a Life Cycle Approach

Life cycle management of IT assets recognizes the costs and service issues associated with each phase of an asset's life. The five life cycle phases are planning, procurement, deployment, maintenance and disposal. Each phase offers opportunities to improve service and reduce the total cost of ownership. Adopting a life cycle approach optimizes the investment in IT assets by applying a proven set of "best practices" to asset management decisions. For example, establishing criteria to determine whether an item should be repaired or replaced upon failure establishes clear decision-making parameters, based on factors such as remaining technological life, maintenance costs, operations costs and risk of continued failure. A life cycle approach also improves the budgeting process associated with technology-refresh planning by establishing expected disposal time frames. Managing the risks associated with obsolescence through sound technology planning begins with estimating the useful life cycle of the asset.

Actively Managing the IT Asset Portfolio

Asset management is not asset accounting. An accurate asset inventory is only part of the process; managing the asset portfolio is the key to success. As with any asset management discipline, the opportunity to improve the investment yield rests in taking advantage of market conditions, technology advances, the effects of business growth, mergers and acquisitions, and so on. For example, identifying the specific assets (and their projected remaining life, cost profile and software licensing relationships) that would be affected by server consolidation can go a long way toward justifying the project. Often consolidation projects fail to get the attention they deserve because of a lack of specific cost-savings data. The ability to establish a set of consolidation criteria (based on life cycle considerations) and evaluate the asset base against the criteria is an example of actively managing the asset base.

Another example of actively managing the IT asset portfolio relates to inventory-to-plan comparisons — that is, an ongoing need to match current inventory with the three-to-five-year strategic plan to ensure alignment. Comparisons should not only include a spending reconciliation, but also a technical match of installed product versions with the withdrawal of planned support by the vendor and new release availability.

Effective asset management comes from a combination of tools, processes and people. Asset management must emphasize the "active management of the environment." With accurate data, you can determine the potential effects of planned actions. With good processes, you can ensure consistency of yield. However, without a commitment to "manage the asset portfolio," nothing occurs. Often, this commitment is weak due to not understanding what needs to be done or who has responsibility. You may need to "educate" your organization about the concepts of life cycle management and how it can benefit the organization.

Tactical Guidelines

Review current tools, processes and organizational responsibilities now to be prepared for expected near-term increases in IT asset procurements.

Key Issues

What are the best practices for IT asset procurement, maintenance, leasing and disposal?

This research is part of a set of related research pieces. See "Why IT Asset Management Is Important Now" for an overview.

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