

Why IT Asset Management Is Important Now

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An IT asset management program is a must in today's economic and regulatory environment. Don't delay establishing better controls over your IT assets.

ANALYSIS

The signs are there — an economic recovery is on the way. So what does that mean for enterprises? For many, the next 12 months will represent flat capital budgets and more of the relentless cost pressures we have seen during the past three years. For others, it will provide opportunities to improve the performance of their IT asset management programs.

For more than a decade, enterprises have invested in and developed comprehensive IT asset management programs. Although some have made significant progress with their programs, many have experienced failed implementations and are struggling with programs that are barely "good enough." However, good enough does not suffice in today's environment, in which governments use legislation to achieve domestic and international policy goals, and enterprises continue to emphasize cost control for IT assets.

What's Different Now?

Successful IT asset management programs require a balanced focus on three critical elements — people, process and technology. That will never change. Enterprises will still need to develop asset management strategies and identify timelines, risks and business and technology requirements. People will still use processes and asset management technologies to:

- Develop evaluation criteria
- Solicit bids
- Validate vendor claims
- Evaluate and score choices objectively
- Conduct negotiations

IT Investment Changes

However, the way enterprises view IT investments will change. For years, money was lavished on IT with little regard or follow-up to how well the money was spent. A common misperception was that IT expenditures represented sunk costs rather than business investments. Like investments, IT expenditures must be carefully evaluated, measured and scrutinized for value and return on investment prior to spending. This is a standard business practice in finance organizations but not always in IS organizations. Effective IT asset management programs will facilitate this process.

The way CIOs and CFOs view and report on compliance — and how they handle data security and privacy issues resulting from new legislation and government regulations — will also change. This will ignite the development of widespread asset management programs and fuel enhancements to programs that are already in place (see "Asset Management: Tune Up for Increased Activity").

Software Changes

As new software license revenue decreases, software vendor audits are expected to increase as vendors seek additional revenue from their customers. The Business Software Alliance (BSA) estimates that 39 percent of software used worldwide during 2002 was pirated, causing a substantial amount of lost revenue. Although you might question its estimates, the end result is that the BSA (as well as other industry trade groups and software vendors) is actively and aggressively seeking out software pirates and initiating audits. Many enterprises are not aware

that they are at risk of being audited because they do not have an asset management or software licensing group in place to keep executive-level management aware of such issues. If an enterprise does not have a strong asset management group, including personnel who are experienced in software license agreements and use rights, it probably is at a high risk of being audited during the next two years, with negative results. Through 2006, 40 percent of midsize and large enterprises can expect an external software licensing audit (0.7 probability). See "Don't Wait Any Longer to Prepare for Software Audits" and "Include Missing Clauses in a Software License Agreement.")

Vendor Changes

Changes are also happening on the vendor landscape. As vendor consolidation continues, new and untested vendors are emerging — many of which will not survive. Thus, you need to sharpen your negotiating and contracting skills. Use competitive leverage where possible and maximize your IT spending in terms of products and services. Exemplary vendor management practices will be required to ensure that you receive the negotiated benefits. You can't sufficiently prepare for market opportunities without having a robust asset management program in place (see "Create Software Contracts That Seize Market Opportunities").

Technology Changes

More technological changes are ahead — smaller devices, more mobility and larger populations of technology assets. During 2007, 60 percent of new workstations in enterprises will be laptops or notebooks (0.6 probability). IT will also be used in ways never imagined, which asset managers will be asked to track and manage. Asset managers will need to decide which devices will matter from an asset tracking perspective and whether their IT asset management systems will be prepared to tackle the challenge and complexity (see "When to Use IT Asset Management to Track Mobile Devices").

If Not Now, When?

In a marketplace where periods of competitive differentiation are measured in weeks or months rather than years, success or failure often hinges on the capability of IT asset management systems to provide meaningful information and respond quickly to business changes. With the current emphasis on security, disaster recovery and audits, an effective IT asset management program can recover information and avoid the entanglements of an audit. IT asset management also can free up time spent on IT planning, approvals, negotiations and procurement, and refocus enterprise efforts on IT's peak functionality.

If you already have an asset management program, the time is ripe to mature the program with process refinement. If you are beginning to implement an asset management program, improve it with a "grass roots program" that is self-funding in nature, and focuses more on processes and less on implementing asset management tools.

As companies begin to review the issues surrounding compliance with government regulations (such as the Sarbanes-Oxley Act of 2002 and the Health Insurance Portability and Accountability Act) and general regulations regarding copyright and intellectual property issues, parallels to Y2K are surfacing. Prior to 2000, companies spent an enormous amount of time and money to review IT processes and compile asset inventories. These activities were often time-consuming and costly. However, many enterprises missed opportunities by failing to invest in their asset management tools and processes. Preparing for compliance — the next "IT fire drill" — is being considered as a long-term solution for IT relevance. Preparing for Y2K was not an option, but rather a mandatory activity. Compliance should be viewed in the same vein (see "Use IT Asset Management to Mitigate Enterprise Risks").

IT asset management's long-term value lies in its ability to manage change, optimize the use of IT assets, take control of the technology stream and mitigate risks. IT asset management can be justified based on its ability to control costs and make deals. However, its long-term payback lies in its ability to effectively execute technological and organizational change, and to make tactical and strategic decisions about the enterprise and the level of risk it wants to assume.

The information in this Spotlight will enable IT asset managers to embrace the broader benefits of IT asset management.

Recommended Reading and Related Research

"New IT Asset Inventory Tool Saved This Company Money"

"Licensing Issues Increase Pressure on Microsoft"

"Negotiate Software Maintenance Terms and Conditions"

"Simplified Chargeback Models Surge in Popularity"

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