WHITE PAPER

The challenge of managing enterprise wide Fixed Assets

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INTRODUCTION

When Alice asked the Cheshire cat which way she should go, the cat answered, "That depends upon where you want to get."

Those who understanding enterprise Fixed Assets have been playing "Alice" for years, looking for help and getting little. In many cases, multiple factions within the enterprise have played the Cheshire cat, providing little direction. You may recall from reading this classic Lewis Carroll story, ultimately the cat's advice was that, if Alice was willing to walk in a direction long enough, she'd eventually get "somewhere."

This has been the bane of existence for many managers who manage the asset, over the years as initiatives start and stop and then starts again a year or more later, due to the need for a critical point solution.

So, the key questions that must be asked when commencing or re-commencing any Fixed Asset management initiative are, "Why did this fail before?" and "Which direction do they want to go?"

Many managers of asset rely on industry analyst advice to find the way. Some attend industry events, Analyst's advice, while usually sound, has cycled over the years among total cost of ownership (TCO), return on investment (ROI).

Still, little has changed. What could change that view? Clearly technology has moved forward, especially automation. Asset management has moved to the forefront. Otherwise, the message is relatively the same. In the most general sense, enterprises have always been told to "run Assets like a business" and "you can't optimize what you're not measuring."

When asked, most companies would claim to have a Fixed Asset Management System in place. In fact, they would all be correct; since asset management systems can come in so many forms, from the fundamental to the complex and from simple tracking to a complex financial focus.

WHAT IS FIXED ASSETS MANAGEMENT SYSTEM?

But the question remains, how do companies define what constitutes an asset management "system"?
In considering a Fixed Asset Management System, they should be asked:
How many physical inventories have been performed at the company within a particular tenure?
How many disparate spreadsheets and databases exist in the company today?
Does the company believe it understands its asset base through the company's fixed asset system?
Can all of these be considered asset management "systems?"

However, are these systems aligned with the needs of the organization to control costs and be compliant? For years, we've been talking about the value of holistic or lifecycle asset management (LCAM). Today, asset management is finally getting awareness.

Today, the need for and value of implementing asset management is well documented. Most companies understand various maturity and evolution models in the market.

Yet, asset management initiatives still fail.

Pit falls of failure:

As companies are preparing to commence asset management initiative, they have to be cognizant of the road ahead and avoid the pitfalls that can cause failure:

- ▶Lack of executive sponsorship and therefore long-term funding
- ▶Lack of peer sponsorship and understanding of the value to peer organizations (users)
- ▶Lack of planning in the pre-project stage around tool implementation
- ▶Lack of clear goals and metrics, especially around quick wins, to ensure positive "press" and continued funding
- ▶Lack of accountability to data accuracy at the process and role levels
- ▶Lack of clear and concise communication along the entire implementation path, especially in Terms of the value derived
- ▶Lack of supportive, internal marketing among departments regarding all of the above.

Steps to mitigating risk

The following steps can mitigate risk as they implement a Fixed Asset Management initiative.

Step 1: Start at the beginning: The need for executive sponsorship

Asset Management is rarely considered mission critical to anyone outside of Finance department. It is also a difficult initiative for Finance departments, because they value & budget the assets but have little control over them outside of the "spreadsheet environment".

Asset management is an enterprise-wide initiative that touches virtually all departments that have users: that typically means all assets and their relationships with the user community.

Executive sponsorship of the asset management initiative is a key criterion for success.

Think back to the asset management initiatives of corporates and then compare them to the success of the Y2K programs. In most companies, Y2K was an initiative identified as "mission critical." Sponsorship to ensure Y2K compliance came from top executives and, while considered an IT initiative, had interest and concern at the board level. Y2K was the most successful mass asset management initiative in history. Why?

Because it was considered mission critical by every senior management team in government and industry. No Corporate-level executive wanted the risk of failure.

In summary, the first step in building a Fixed Asset Management initiative is to align the initiative with value and drivers at the senior levels of management.

Focus initiatives on reduced cost, efficiency or compliancy. While value may be defined at the operational level, also look to extend that value into support for the overall corporate mission. Assets can go beyond a utilitarian role into acting as an enabler with Fixed Assets Management as a competitive advantage that supports the growth of the business.

Step 2: Gain peer support: cost and budget transparency and control.

The second most important requirement is to gain peer (user) sponsorship.

Gaining this level of sponsorship can be daunting and in many cases more difficult than obtaining executive sponsorship.
However, it is critically important that the return on investment of the IT based Asset Management initiative be focused on value to the end-user community. This is especially important when the initiative includes management of desktops, laptops and mobile devices, etc.
Sound asset management practices dictate that policies and procedures of the organization are closely managed, in most cases, translating to change. Adoption of asset management practices
And many more…..
The above are just representative of the myriads of department in any organization.

As a utility within the enterprise, business unit managers want to understand the value they are getting for their Asset's costs. Assets Service level agreements (SLA), and their negotiated metrics (costs) are linked to the allocations being charged (budget).

The connection may not be self-evident, but all business unit managers who understand allocation accounting will want to understand the value they are receiving in times of need or perceived service gaps.
Asset management providers should use this to their advantage, as one of the main benefits of asset management to the end user is the reduced cycle time to service based on a sound asset knowledge base.
Another clear benefit to business unit owners, especially where cost allocation models exist, is Fixed Assets management brings cost and budget transparency and control.

Most business people understand the basic workings of accounting and the purpose of a general ledger.
It is important that the peer sponsors understand that Fixed Asset Management acts as the general ledger for Assets especially true in IT environment. In fact, integration between the Enterprise Resource Planning (ERP) solution and the Asset management repository creates a more detailed sub-ledger of information than the fixed asset package can or is willing to handle.
Therefore, the Asset management repository becomes a key aspect of the business unit's cost controls, as all of the details including IT hardware, software and “parent/child relationships” exist in the repository.

Step 3: Create a strategic implementation plan

Once you have defined key stakeholders and sponsors of the IT based asset management initiative, but prior to marketing the initiative throughout the enterprise, it is critically important to create a strategic plan.
You should start with some "no lose" statements at the beginning of the initiative. As a foundation, the following statements should be made and agreed to by all stakeholders:
IT based Fixed Assets Management System is strategically important to enterprise operations.
Without effective asset management, optimizing return on investment (ROI) cannot be effectively measured.
Effectively applied asset management provides both the measurement system and infrastructure to optimally leverage investments.

While these statements represent the foundation of an asset management initiative, there are other underlying requirements that are also critical.
These requirements should be viewed as a strategic part of the project plan. If managed effectively, they will provide the project with a solid start and a positive path to success and longevity:

Define "asset management" at the beginning.

As simple as this may sound, it is critical. There are many different definitions for asset management, everything from asset tracking (what is it, where is it, who has it?) to fixed asset accounting to full lifecycle asset management.

Consider a broader asset management definition by including request, procurement, contract, warranty, financial, IMAC (install, move, add, change) and disposal management. For the success of the project, you should identify these processes and define value statements around each step of the lifecycle.

Step 4: Define primary, secondary and tertiary goals, and align each with value and specific ROI timelines.

Asset management projects fail every day due to the lack of clarity around specific, measurable goals.
Understand the goals early in the process. For instance, in today's business environment, many companies start with software compliance as the driving need.
Support for auditing is another key driver.
An out-of-control, leased asset base is also a key driver, as are consolidations, acquisitions, downsizing and facility moves.
All of these goals link to different aspects of control, whether they are for tracking or financial purposes, such as controlling or reducing total cost of ownership.
Whatever the goals are, make sure there are defined measurable key performance indicators (KPIs) that can be systematically tracked and reported on a regular basis to show progress.

Step 5: Identify a core project team, with strong leadership, that is empowered to make decisions.

The core team must be trusted and empowered to make cross-organizational decisions for customization & implementation.
Fixed Asset Management touches just about everything.
Processes can be considered invasive by end users, so asset management implementation decisions should not be made in a vacuum. Rely on the core team to be decisive, but also to engage peer sponsors and analyze and weigh decisions that relate to the implementing corporate objective and end-user satisfaction.

Step 6: Understand the need for data accuracy, but be realistic.
The core project team needs to be used to provide leadership on what can be accomplished given all of the variables associated with asset management implementation
While 100 percent accuracy of the database is preferred, it is unobtainable.
It is critical that IT based asset management processes throughout the lifecycle are understood and documented.

Step 7: Once processes are defined, the next step is to align the processes with the roles that are responsible for managing each process. It is important to request organizations to provide both a carrot (incentive) and a stick (reprimand) around role-based accountability.

To alleviate the stress on the role players, clearly identify "catch points" of data that are likely to occur with each event and process. For instance, procurement managers responsible for creating an order should understand that

- ▶requester-name,
- ▶cost center,
- ▶supplier name,
- ▶purchase order number,
- ▶asset description/configuration
- ▶And quantities are all critical parts of data integrity within the ordering process.

Receivers should understand that

- ▶serial-number,
- ▶asset tag
- ▶and receipt date are critically important to the accuracy of their function and require linkages to fixed asset accounting,
- ▶warranty management
- ▶And other information for tracking.

Start with catch-point analysis and define data criticality focused on the most critical data at the highest required levels of accuracy.

If the asset management project is based on reducing total cost of ownership (TCO), make sure that a TCO baseline is completed first.
Some industry analysts claim up to 25 percent savings on TCO when enterprises implement asset management. Be careful of this pitfall if there is no baseline.
Reductions and savings of this nature will always get the attention of the executives. A baseline is required if senior management is concerned about TCO reduction. If no baseline exists, ask the simple question: "25 percent of what?" That said, beginning a TCO initiative for cost control, especially when linked with a refresh program and process controls, can assure senior management that IT based Asset-Management system is being run as an efficient business. Many times, this is really the goal.

Define a three-way, match reconciliation methodology, but let the infrastructure manage IT asset management.
In the procurement world, a three-way match is a standard process that includes:

- ▶reconciliation of what was ordered,
- ▶what was received
- ▶and what was invoiced.

Consider creating a similar process for Fixed Asset Management

First, find out that the Fixed Asset Management Repository has the needed data. If the lifecycle processes are managed well and critical data elements are defined and updated on a real-time basis through role-based accountability, the Database should be accurate.

However, there are too many variables and entry points for non-approved assets to find their way into the enterprise.
Therefore, like in IT based asset management, auto discovery technology (department wise--IT based Fixed Assets lists) is essential in reconciling the asset repository. At first, gaps and inaccuracies in the database may occur as processes mature.
Over time, through good “catch point” process management, the gaps should decrease.
Finally, although enterprise-wide physical inventories are essential & mandatory, best practices recommend the use of spot audits at the business unit level with reconciliation to the asset repository as an on going basis.

Remember, auto discovery cannot detect what is not “available.” And what is not “connected” to the IT environment. This creates an immediate gap.
If the organization is adopting full lifecycle asset management, including contract and financial management, auto discovery cannot guarantee entitlements or ownership of the assets it finds.
Therefore, it is critical to continue to provide spot audits to see whether the reconciliation engine (in Financial packages) is working as it should. Accuracy is reached when you have a consistent five to eight percent or less inaccuracy metric on identified critical data elements among these three points of verification.

Integration should always be a key goal of a Fixed Asset Management initiative.
Never forget that the value of asset management goes beyond IT. Marketing asset management initiative with Finance and Human Resources departments, integration becomes key.
Fixed asset management is not a closed system: One needs an open system that can integrate and appear transparent. If you're trying to promote the value to Finance, consider promoting accuracy of the fixed asset repository at a sub-ledger level, which is controlled by Finance.

There is a lot of sensitivity today around Sarbanes - Oxley compliance, CARO compliance in India and IFRS in the EU.

Financial systems are the cornerstone for auditing and accuracy during a statutory attestation process.
Because earlier fixed asset systems in financial software packages were solely focused on the financial management of book and tax ramifications of the assets, they care little about asset moves, adds and changes along the life cycle of the assets.
Fixed asset systems typically track quantities, cost basis amounts and depreciation and are concerned with asset on purchasing and disposal processes. While purchasing processes usually work well because documentation is clean and accurate, disposal processes usually have gaps because human communication is necessary and critical.
The IT based fixed asset management repository tracks serial details as well as the “parent/child relationships” of each asset.
Doesn't it then make sense to mitigate risk to the accuracy of the fixed asset system by ensuring integration with the procurement and disposal processes at a detailed level?
Another example of integration is the value that IT based fixed asset management brings to employee on hiring and termination processes run by Human Resources. Integration between Human Resource systems and IT based asset management enables accurate and timely hiring processing, accessibility to required tools to increase the new employee's efficiency and allocation of hard assets on the back end of the relationship. Without this integration, the enterprise is at risk of security breaches. Last but not least, is the integration with Assets service management and the importance of an accurate repository.

Define business intelligence/analytic deliverables in advance.

Industry analysts tout that business intelligence is always a key driver at the beginning of an asset management initiative.
However, more times than not, the user peers focus on tactical aspects of the initiative once funding is provided: a critical error in pre-project planning.
It is very important that the end-users understand the linkage to funding.
Senior management will not fund an IT based Asset management project simply because it sounds like a good idea.
Providers of IT based Assets Management often make promises that usually relate to a commitment to accuracy, decision support and analytics through business intelligence. If the core focus is on the business intelligence aspect, the success and the longevity of the IT based asset management initiative can be at risk.
The focus should be on the output; every aspect of the product that relates to data. When designing process and aligning tools in the product, it should be made sure that there are atleast three to five analytic reports for senior management.
Accuracy is important at the tactical levels; however, accuracy is only important if it is used to enable and support the business through analytics.

Marketing, marketing, marketing.

Everything discussed thus far is at risk without a strong marketing plan.
The best laid plans and results will go unnoticed unless you are able to advertise the value in what IT based asset management delivers. Clear, concise communication is necessary, but the journey is just beginning. As previously stated, a successful IT based asset management initiative is a company-wide, culture-altering event. To be successful, the initiative must be marketed throughout its life cycle.
The marketing plan should address the beginning, the middle and the end of the project and then provide an on-going view into the metrics that will continue to be tracked and reported. Why? Because IT based asset management Technology will continue to evolve, the next wave of hardware and software will appear, and mobile and wireless communications will continue to mature, creating potential gaps in every process that IT based asset management tries to control. Continued, incremental marketing of the benefits of IT based asset management will mitigate the risks of loss to the key stakeholder and peers.
Be sure to create a unique set of plans and marketing communications and messages to each target audience with a focus on unique value.

The following illustration will summarize the above discussion.

TARGET AUDIENCE	UPPER MANAGENT PEER GROUP USERS
OBJECTIVES	Product Awareness Deliverables Awareness Creation of peer sponsorship Budget funding Implementation of changes Promotion of information / SLAs Statutary complineces like Sarbox, CARO
METHODOLOGIES	Letters (introduction & Follow-up Project status updates Media: fliers,bulletins,brochures etc Nets info Trainings Surveys Assesments
OUTPUT/ DELIVERABLES	Analytical reporting/decision support Change management structure SLAs/measurement systems infrastructure alignment
Schedules	Introductio / Kickoff Project update reporting Promotional materials Net linkages for info creation of surveys creation & execution of SLAs
INDICATORS	Specific metrics Key performance indicators (KPIs) Cross-functional KPIs Cross-organizational KPIs

Summary

There are many paths to a successful IT based asset management implementation.
Through proper understanding, planning and most of all, continuous marketing, you can avoid the pitfalls of a failed IT based asset management project.
And, always remember to heed the warning of the modern day Cheshire cat, Yogi Berra, who warned, “If you don't know where you're going, you might not get there.”

Remember the adage: “Don't put off until tomorrow what you can do today, because, today is yesterday's tomorrow”.

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