IT Asset Management

Every business cycle brings fresh challenges and presents new opportunities. The recent recession and recovery is no different, having come amidst unprecedented globalization, resulting in greater competitive pressures on many companies and industries than they have ever known. There are pressures to increase profit margins, or in worst case scenarios retain profit margins under lowering retail prices. As a result, many of these companies have been forced to re-evaluate their basic business processes. In doing so, the greatest opportunity may lie in a move toward a lean business. But lean in this instance means something different than the “slash headcount” approach that characterized this recession as well as many before it. Rather, it refers to the establishment of processes that allow employees to execute flawlessly every day, leading to reduction in costs along with improvements in quality, customer service and profits.

For continuous downward pressure on costs to be sustainable while maintaining or improving quality, service and profits, a systematic application of lean techniques affecting all levels of the organization is needed. Such an approach provides the opportunity for improvement affecting 100% of a business. Instead, unfortunately, competitive pressures have often led to an emphasis on reduction in direct costs alone, such as lowering the acquisition cost of new computers to the last penny and capping salary increases. The results of decisions based solely on reducing direct costs, while often bringing some short-term gains, are rarely sustainable and can even be dangerous in the medium to long term. These kinds of measures can lead to reduced morale and lost skills that directly affect productivity and can even impinge on the safe operating environments of assets.

The emphasis on direct cost reduction needs to be replaced with the focus on reducing maintenance unit costs. Maintenance costs are high, in some cases artificially high. Not only are they high but there is increasing pressure on maintenance costs to rise. This is due to such things as increased regulation, complex and automated machinery, as well as the rising costs of physical assets themselves. Pressures to do more are increasing while the pressure to spend less is greater than it has ever been. At the same time, much of the maintenance that we do today either achieves very little, or is actively counter productive. Redundancy and inefficiencies in planning, scheduling and stores management are only a few of the areas involved.

As one of the largest elements of both operational and capital spending, asset management is often an obvious target for reductions in this area, and the opportunities for improvement certainly exist. As part of a three-day IT Asset Management and TCO Summit, Gartner released statistics recently gathered from its clients indicating that 40 percent of the clients' hardware assets were not tracked using any tools and only 10 percent are reconciled against a database community. Most clients, Gartner said, employ complicated manual tracking procedures or don't understand their hardware asset base at all.

Asset management is and will continue to be a critical component to ensure that there is no waste in the technology assets that support today's business or the new initiatives going forward in a lean business model. As global competitive pressures lead to even more automation and mechanization, pressures for asset management to do more while spending less are certain to grow.

The recognition of the advantages of a comprehensive asset management program doesn't by itself solve the problem. Someone has to manage, control and track all that software and hardware. Unfortunately, the IT staff is not always equipped to manage IT assets, for asset management is not an IT function. As it turns out, no other department in the average company can handle it either. IT asset management is most efficiently and effectively outsourced to professionals with the specific skills, tools and experience needed to maximize those resources and link them to business goals.

What is IT Asset Management?

Simply put, IT asset management (ITAM) provides answers questions such as "What do we have? Where is it? What is its status?" and "What is its total cost of ownership (TCO)?" More formally stated, asset management is inventory management, reporting, cost and profitability analysis, and complete lifecycle management of all IT-related assets.

What Does IT Asset Management Address?

Believe it or not, information technology was once considered a necessary evil. Today the average company has an integrated network serving the entire enterprise. But do we integrate the IT function into the business model? Not as much as we could. While the IT manager may be welcome in the boardroom, IT is generally seen as supporting business, not as an integral part of the business model itself. That attitude may reflect the fact that IT organizations specialize in developing first-rate technology management skills. This is both their history and their core competence. But the complexity of business now calls for tools and processes to integrate asset management with business plans. And even if another department assumes the role of tracking IT assets, the need for that tight link between technology and corporate strategy still exists, with a new twist. The new department may not understand the assets it is trying to manage. After all, keeping an accurate inventory of desks and chairs is a significantly different issue than tracking the status and use of complex hardware, the applications that reside on them and the licensing that accompanies the applications. The average corporation attempting to perform asset management in-house may be able to collect a considerable amount of data, but it is usually kept in a flat file. If I look at that kind of record I have no way of knowing that over a period of two months, 25 different computers on the network had to be repaired for the same failure, signaling a trend that should be investigated.

For these and many other reasons, the early adopters of IT asset management are finding it a distraction from the company's core competency and deciding that their resources are better allocated elsewhere. More important, they have quickly realized that IT asset management poorly implemented by anyone can create more problems than it solves. A little information about IT assets is not helpful. In fact, a little information that is inaccurate can, when extrapolated across the entire company, yield crippling financial consequences. Gartner's findings showed that poor hardware management can increase companies' total cost of ownership by 7 percent to 10 percent annually. What's more, companies that do not have a grasp of their hardware resources often have poor software management as well, which can prove even more costly, the researcher noted.

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Most organizations view asset management in light of the tangible savings associated with it, and fail to recognize the less-visible benefits derived through centralized programs. These indirect savings are often equal to the hard-dollar savings accrued over the course of asset management evolution.

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Another important factor to consider is the trend toward more and more distributed computing environments. Asset management was initially adopted by corporate headquarters, where new IT equipment was traditionally deployed. The assets were easily maintained and managed by the IT staff located on site. However, in a distributed or remote environment, the lack of a company-wide, coordinated IT management process can lead to misapplication and under-utilization of assets. Without clear control and responsibility, policies and practices will become unique in each location, making it impossible to understand, analyze and manage the total asset picture for the benefit of the company.

Companies need to accurately identify current and ongoing costs of hardware, software and the logistical cost of providing IT service at all their locations, regardless of how separated they may be geographically. Larger companies have a larger problem and assign greater resources to this issue. That does not necessarily result in a cost-effective outcome. Gartner estimates that less than 25% of all enterprises worldwide have a lifecycle asset management program that can determine potential risk. As in any area of business, you can't control what you can't measure. We can't predict how much Microsoft will ask for the next software upgrade, but if we aren't tracking the number of software licenses we hold, the impact of two unknowns multiplied together can be costly. Added costs appear in other ways, as well. To avoid the potential liability of being caught with machines loaded with unlicensed software, many IT managers routinely waste money by purchasing more licenses than are really needed because they simply aren't confident they know how many machines are involved. It's also not

uncommon for companies to pre-negotiate penalties when they know they will be audited for license compliance.

In addition to burgeoning upgrade costs, reports of rampant waste due to poor control over vendor products and services are common. The sheer complexity of a proliferation of nonstandard contracts with various vendors is generally the culprit, not vendor malfeasance. One observer noted that many vendors commonly bill at list and depend on the customer to note any difference between the billed amount and the contract figure. A system which doesn't include proper invoice scrutiny and follow-through will suffer the consequences on the bottom line.

What is the financial impact of non-existent or ineffective ITAM? A Gartner report showed that 20% of worldwide IT spending was wasted in 2001. It is reasonable to assume that a large percentage of that waste could have been prevented by good ITAM practices.

But beyond the financial impact, lack of effective asset management affects the delivery of IT services themselves. The matching of properly equipped computers with the people who need them is difficult at best, impossible when the location and status of those computers is an unknown. Gartner reports that 70% of organizations have a 30% discrepancy between a planned inventory and their actual inventory. Anecdotal stories abound of warehouses full of computers and printers that have been unhooked when employees were upgraded. Even though much of that equipment might still be usable within the company, inadequate tracking mechanisms leave managers either not knowing they exist, or not having sufficient information about their upgrade status or installed software to know how or where to utilize them. And, since many states tax companies for equipment they have on their books, being able to accurately account for the value of IT assets in a warehouse can be important.

Scope of ITAM Services

So just what does IT asset management encompass? Ideally, it covers essentially every detail about an asset that can affect how it fills its intended role in the company, and the cost of doing so. It is important to recognize that each stage of the life of an asset calls for somewhat different treatment, with different skills, tools, and knowledge required. A good ITAM program accounts for all these aspects, integrating all the support systems and processes required for all stages of the asset's life cycle.

While not all companies choose to use it to this extent, the best and most efficient use of ITAM entails three functions - tracking, financial management and lifecycle management. The tracking aspect covers an asset's location and its true hardware and software history. Financial management deals with all costs associated with an asset and its profitability. Lifecycle management looks at the total picture of the asset's acquisition, deployment and final disposition. In addition to providing all these functions, some providers also offer ITAM as part of a package of managed services that give a better value than if it were purchased as a stand-alone product.

An example helps to bring these concepts into focus. Financial institutions with hundreds or thousands of ATM machines deployed need constantly updated information to determine how many machines are needed in any given area, where to deploy them, and how profitable they are. To accomplish this task, ITAM tracks the hardware and software configuration of each machine, all maintenance contracts and their ongoing costs, the profitability of each terminal and all events affecting each ATM physically. A manager looking at this information, compiled in the way that suits him, can easily make the necessary decisions to maximize ATM usage and profitability.

Delivering ITAM Services

What are the mechanisms involved in delivering high quality ITAM services? Although the details vary depending on the company providing the services and the level of service required, generally three broad steps are involved. First, a project plan is formulated that meets the needs of the client company. Second, all applicable asset data is collected and compiled into an asset repository. Third, the asset repository is managed and tailored reports provided to the customer. Such reports are a far cry from the stacks of paper that an executive often is expected to make some sense of. Sophisticated software tools designed specifically to handle data from the asset repository spot trends, predict costs and furnish the data that is most helpful to integrate with the company's existing systems.

Benefits of ITAM

The problem areas noted above aren't isolated. They come from seasoned observers who see them reproduced in multiple companies again and again. But the fact that they are so common and predictable has led to the development of tools and processes that handle all these issues and more in stride. The bottom line is benefits that can be separated into financial, functional or operational, and legal. Let's look at some of the most significant benefits that are commonly enjoyed by ITAM users, in each of these areas.

Financial Benefits

Cost savings, first and foremost to any company, are also the biggest reason for outsourcing professional ITAM services. Efficiency improvements are hard to measure and harder to promote if they are the sole or primary justifier for a new initiative. On the other hand, demonstrable cost savings will get the ear of management execs in a minute, and they are getting the word. Gartner reports that in 70% of Global 2000 enterprises, asset management programs will be among the top 5 corporate initiatives through 2003.

The single most important reason for cost savings is that a good ITAM program gives the real picture – the true history and current status of the assets, an accurate inventory

and reliable cost figures. This allows wise procurement decisions, good control of maintenance, warranty and insurance issues, elimination of over-provisioning, accurate cost/benefit analysis for buy/lease decisions, software license cost control, contract enforcement, theft reduction and much more. Beyond compiling a mountain of data, top ITAM suppliers have the software tools to turn that data into usable information – actionable intelligence – tailored to the needs of the company. This lets the firm concentrate on their day-to-day business decisions and operations processes while having access to ITAM data and reports that integrate smoothly with the other company processes. IDC data indicates that organizations that practice asset management had 7% lower installation costs per PC and 15% or lower TCO. Indicative of the dramatic gains that can be realized right away is a Gartner report showing that companies that initiated IT lifecycle management experienced a cost reduction of up to 30% per asset during the first year, a significant number for any IT group! One company actually saved $100,000 in maintenance fees by dropping a product it was no longer using.

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…… CFO of NCR Worldwide Customer Services, has observed how many NCR customers benefit from the greater insight and an additional cost controls afforded them through asset management. "One of our customers had a large, complex and well run IT department. Once NCR took over the IT asset management, we cut about $50 million out of their budget through …… But the real program success came when the division managers began to integrate the new IT information into their business strategy."

Operational Benefits

While IT cost reduction is important to the management team, the rest of the company is more concerned that the IT department simply furnishes the IT services they need. Fortunately, the cost savings of an ITAM program aren't gained at the expense of services; in fact, the two go together. While experiencing the cost savings noted above, IDC also found that companies with asset management practices experienced 10% fewer hours of downtime and spent 22% fewer person hours. Improved integration with other company systems means that all departments are pulling in the same direction today, and planning for the future will properly account for all aspects of the firm.

It's not hard to see why – the same accurate information that allows wise financial planning and decision-making also makes for more efficient allocation of the physical resources. Since change is endemic to IT, having accurate information is critical to allow moves, mass upgrades, new installs and other changes to be done in a planned, effective manner, with minimum disruption to service.

True asset data made available in the proper reporting format also allows various trends to be spotted that may impact IT operational effectiveness. Recurring problems may be isolated to a particular make and model of computer to prevent excessive downtime and allow quick resolution. The appearance of unusual usage patterns indicating the need

for equipment or software changes is also a byproduct of a properly functioning ITAM program.

Legal Benefits

Any company that is unable to accurately correlate its computers and software licenses has a serious legal liability on its hands, whether it knows it or not. A good ITAM program may be partially justified on the basis of an insurance policy against such hazards, and can also help to reduce or eliminate legal liability disguised as security issues like firewalls and virus protection, and concerns about departing employees. Legal issues can get out of hand when reliable data doesn't exist to support the company; an asset management program may itself be a great asset when those issues arise.

Summary

With competitive pressures on every site, it is natural to concentrate on the problems of at hand and forget the company-wide benefits provided by a good asset management plan. However, as distributed IT environments grow in a multitude of areas such as retail stores, office branches and financial institutions, it becomes more and more clear that the systems in place are either inadequate to manage the asset portfolio, or their use is incompatible with other business processes. This is often a startling and costly revelation to companies who believed that a maintenance module added to their current ERP application would adequately perform asset management.

Asset management has proven to be an effective tool in forging a tight link between technology and overall corporate strategy. It applies the efficiencies of centralized management to a distributed environment to maximize value in the utilization of resources, reduce legal liability, and improve product quality, customer service and profits. Any company can realize the benefits of an effective asset management program, and few can afford not to take advantage of it.