



THE LOOKING GLASS

A newsletter for IT professionals

Finding trouble before it finds you.

How to avoid the pitfalls of poor IT Asset Management.

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In today's large IT organizations, one of the biggest challenges is IT Asset Management – managing and tracking hardware and software deployments and usage. Many CIOs think they have a problem. They believe that they are overpaying some of their vendors and are out of compliance with others, however they don't know for sure. Why? Because most organizations do not have a reliable and repeatable IT Asset Management program in place and, as a result, cannot quantify this problem.

This article will highlight the compelling financial, legal and organizational reasons for companies to establish a robust IT Asset Management function as well as the approach they can take to make it happen.

Financial

Overpaying and Overspending

It is more the rule than the exception that companies are overpaying their vendors and overspending unnecessarily. Here are some examples.

- › **Software contracts.** When companies enter into contract negotiations with their vendors, they are at a disadvantage due to a lack of accurate data on software deployed and utilized in their environments. Consequently, companies purchase software licenses they don't need and pay maintenance on licenses they aren't using.
- › **Hardware and software re-use.** When there is no re-use program in place, organizations procure hardware and software unnecessarily when assets could have been re-deployed.
- › **Physical inventories.** Many organizations undergo physical inventories to determine what assets are deployed; however, with no tracking processes in place, costly inventories need to be redone within a short timeframe.
- › **Assets no longer in service.** Often times, organizations pay for assets no longer in service as well as make property tax payments unnecessarily.
- › **Disposed assets.** Because they haven't been tracked and managed properly, assets are disposed of when they still have a book value.
- › **Lost assets.** Assets that cannot be accounted for must be shown on the general ledger as a loss or reserve against earnings.

- › **Disaster Recovery.** Without reliable asset data, organizations make unnecessary hardware and software purchases in a Disaster Recovery situation.

Legal

Compliance with Vendors

Equally important as overpaying is remaining in compliance with vendors. If an organization is found to be out of compliance with their vendors, they are subject to legal actions and financial penalties. In today's business climate, vendors are very anxious about customer compliance and some are performing audits of their customers' IT environments. It is better for the IT organization to be well-positioned to gather the data themselves than to have it done for them.

Compliance with Sarbanes-Oxley

As part of the Sarbanes-Oxley Act of 2002, corporate management of companies is required to state, on an annual basis, the effectiveness of their internal controls for financial reporting. IT assets play a major role in internal controls because systems, data and infrastructure components are critical to the financial reporting process.

Organizational

Centralization

Many companies today do not have a centralized program for IT Asset Management. This leads to disparate functions, processes and limited integration of information. Organizations work in silos and these silos perform their own Asset Management tracking. Consequently, there is no standardization of processes and tools. One group's data may be more accurate than another's, and the systems they are using may not be communicating with each other. In this scenario, there is no central repository that houses accurate data and tracking information cannot be collected on-demand. Centralization is a key to organizational efficiency as well as the accuracy of asset data.

Resource Optimization

With a lack of centralization, it is likely that company resources are not being optimized. For example, when a corporate mandate for hardware and/or software asset data arises, decentralized organizations will undergo a "fire drill" to collect the data. This results in heavy resource commitments to get the job done. Resources may be pulled away from other critical projects to help collect the asset data. With a formal, more centralized IT Asset Management function, companies can avoid these fire drills and generate required reports whenever they need them. Resource Optimization results in efficiency and cost savings for organizations.

Approach to IT Asset Management

How should companies resolve the IT Asset Management challenge, and prevent trouble? Here is a recommended approach and the key areas that need to be considered.

1. Ownership - IT Asset Management requires ownership to be successful. If no one is accountable for implementing Asset Management, it won't get done. The individual responsible must be at a significant level in the organization to make decisions and make things happen.
2. Requirements Definition – It is important to identify and understand the business needs for managing and tracking assets and the information that will be required to achieve them. This knowledge helps to develop and shape the solution.
3. Processes, Organization and Tools – It is critical to understand the processes, organizational structure and tools that are currently in place for IT Asset Management and how they may be able to be utilized and leveraged more effectively. There is a sequence to this approach: first develop the process to build IT Asset Management, then establish the organization that will support it and finally acquire tools to execute the process.
4. Communication – It is essential to communicate the business need and solution at significant levels in the organization in order to obtain buy-in. More often than not, organizations work in silos and do not communicate very effectively. Communication of the new program, employees' responsibilities and the importance of their contribution is critical to the program's success.
5. Implementation – As part of the implementation process, it is important to prioritize initiatives that will give an organization some quick wins and immediate cost savings. This approach will increase adoption of the program and subsequently enhance its effectiveness.
6. Measurement – Once the new solution is in place, it is important to establish a way of measuring the processes to determine whether or not the asset data being delivered is accurate and complete. If there are problems with the data, it will be necessary to re-assess the processes and tools and make adjustments where needed.

If IT professionals follow this simple approach, they will prevent the financial, legal and organizational consequences of poor IT Asset Management and achieve significant cost savings for their organizations.