



Allies or Competitors

The Relationship Between ERP and ITAM Systems

Enterprise Resource Planning (ERP) systems assume a large role in managing the supply chain for the organization encompassing procurement, receiving and the financial reporting necessary for the organization. There is a presumption that an ERP system's functionality includes IT asset management (ITAM) business practices so that no other tools or practices are required. This article defines the business practices of each and identifies how the business practices and systems are complementary rather than subsumed one by the other.

THE SCOPE OF ERP SYSTEMS

ERP systems are large, multifunction systems that are insinuated into the workings of the organization, helping to manage the resources that support the end goals of the organization (producing a widget) as well as the operations of the business

itself. These systems offer modules that can support the business from the procurement of goods through receipt, as well as all of the financial functions required to run a business such as general ledger, accounts payable and accounts receivable. Specific asset-related functionality is provided for the management of fixed assets and capitalized assets. Other asset functionality offered includes asset valuation, tax management and depreciation management.

It is important to note that these ERP systems serve specific functional purposes that are not asset management, except where management of some category of assets is relevant to that business function. This distinction is relevant in that the goals of ITAM include the management of IT assets, regardless of their status (leased or owned, depreciated or not, capitalized or not). The view of assets for ITAM is unique in that regard and can be contrary to the categorization in the ERP system. Therefore, the scope of influence for a particular module in the ERP system may include IT assets but is most likely not limited to those assets, nor necessarily inclusive of all assets that are to be managed in the ITAM practices.

The asset management module of the ERP suite of products typically supports the collection of the appropriate asset information to feed into the back-end financial functions. Information that is of value to ITAM and present in ERP systems include:

- Proof of tax payments associated with assets
- Documentation of depreciation of assets
- Order information including purchase order, vendor and cost center responsible for payment
- Asset valuation as presented as part of the net worth of the organization
- Receipt tracking information with associated payment of purchase order link
- Some leasing information related to the payment
- Asset descriptions for fixed assets, capitalized assets or purchased assets which can include serial number, name, asset tag, status, cost center, some service and warranty information, and location

As with any important organizational system, access to the ERP system is limited to those whose job functions require use of the system. The access for each individual mirrors their role and provides security for the data and functions through controlled access. Users of specific ERP modules include members of the following departments: finance, including fixed assets; accounts receivable and accounts payable; procurement; warehouse and receiving; and human resources.

Sarbanes-Oxley remediation efforts have increased the controls on the ERP system as a principal means of controlling



access to the financial transactions as required by that law. In order to use an ERP system in a complementary manner with IT asset management, integration is the most common approach rather than direct use of the system by IT asset managers.

ITAM'S PERVASIVE NATURE

ITAM is the set of business practices that join financial, contractual and inventory functions to support life cycle management and strategic decision making for the IT environment. ITAM business practices have a common set of goals regardless of organization size, type or end product that are:

- Uncover savings through process improvement and support for strategic decision making
- Gain control of the inventory
- Increase accountability to insure compliance
- Enhance performance of assets and the lifecycle management
- Risk reduction through standardization, proper documentation and loss detection

In order to fulfill these goals, the ITAM business practices must be process driven and matured through iterative and focused improvements. Most successful ITAM programs are invasive to the organization, involving everyone at some level, such as end users (educating on compliance), budget managers (redeployment as a choice), IT service departments (providing information on warranties) as well as finance (invoice reconciliation, updates for fixed asset inventories). Rather than restricting access to the systems and to the information contained as

the ERP system is used, ITAM is most successful when providing information outward as appropriate to the individual and their responsibilities.

As the professionals who use the ERP system and support myriad business practices, a successful ITAM professional must balance a score of business practices that help to achieve the goals listed above. Numerous systems are required to accomplish the goals and most are not unique to ITAM. For instance, the initial foray into ITAM begins with tools that discover networked hardware and software in a reportable manner. These tools are often shared with the help desk and the security team, or include functionality such as software distribution that is an IT operations responsibility. Vendors have grouped tools into suites to support many aspects of the ITAM business practices with some variability.

Rather than define ITAM as a particular tool with specific modules, the concept of "ownership" through systems can be used to compare with the established ERP systems. Ownership is not the purchase of an asset, but the acceptance of ultimate responsibility for all aspects of the asset and its value to the organization. This robust view of assets must include financial, contractual and inventory aspects of the asset. The ownership concept is the underlying guide that defines ITAM, because, without attention to these diverse elements, the business practices leading to the attainment of goals cannot be reached and the ITAM program will fail.

Those accepting the ownership responsibility and using these systems are IT, software and hardware asset managers.



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Fundamental ITAM business practices include management of the following practices for IT:

- Compliance, including software license compliance and EPA compliance
- Vendor relationships, including selection, compliance to contractual obligations, score card measurement and consolidation
- IT asset disposal and developing processes to reduce risk
- IT asset identification, supporting accurate inventories, maximizing use and supporting business practices that require specific asset identification
- Life cycle process re-engineering leading to centralization through systems and policy enforcement
- Contracts, including direct application of the documented allowable behaviors, evaluation of renewing contracts and evaluating risks and opportunities
- Technology planning, including request and approvals acquisition, redeployment and proactive refresh planning
- Standards development and enforcement, including the exception process
- Analysis of value of IT assets against cost, organization goals and policies, and based on historical trending

BRIDGING THE GAP

Although the functions of the products and the roles of the users of these systems are very different, it is not unusual for executive management to have difficulty understanding the need for ITAM when they have invested so heavily into business systems that typically have a module called “asset management” and that has valuable information regarding assets. Some of the confusion is a natural consequence of terminology similarities, where the same words have different definitions. Others are unfamiliar with IT asset management business practices and how they differ from traditional business operations. Without that understanding, executives consider the asset data elements in the ERP system and force project teams to try and add additional data elements and functions to the ERP system rather than building a separate, but integrated ITAM system.

ITAM should instead be the system that bridges the gap between the supply chain functions of an ERP system and the IT operations that maintain and monitor the IT environment. For instance, ERP procurement contains the information about a software purchase, the receipt of it and the payment of the invoice. The ITAM system has the ability to track software licenses, the contracts associated with those licenses, the extent that the software is used once acquired (metering) and can manage the upgrade and version issues without losing compliance or inappropriately doubling the asset count. Through integration, opportunities arise to improve the purchase process to include a validation of the need, to determine approval based on standards, consider a redeployed asset, evaluate the usage during the life of the purchase and to plan ahead for either renewal or cancellation.

IT operational needs are perhaps the best example of functionality that is not provided solely by an ERP system. ITAM systems provide key functionality for:

- Service Level Agreements, development of the measurements and reporting on success rates
- Total Cost of Ownership (TCO) calculation including installs, moves, adds and changes (IMAC)
- Real-time configuration
- IT strategic planning for technology refresh
- Security remediation efforts

Many of the business practices that are part of ITAM are supported by activities and data elements found in the ERP system. But none of the business practices of ITAM can be accomplished solely with an ERP system. Mature ITAM practices often include integration with the procurement, fixed assets, receipt and invoice payment functions.

While providing value to the decision-making and management of the organization’s assets, working with ERP systems does not imply that the populations of data are a direct match between the two disparate systems. ERP systems rarely contain all of the technology that ITAM has within its scope of responsibility. Whether an asset is a fixed asset, depreciated, owned by the organization and capitalized are all relevant criteria for ERP systems. On the other hand, ITAM systems typically are not restricted to by those criteria and include the management of

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assets in the business practices based on entirely different criteria. For example, ITAM covers technology that falls below capitalization costing rules, leased assets and fully depreciated assets. ITAM handles the individual instances of an asset and provide the tracking of the lifecycle for that individual asset.

In order to achieve maximum efficiencies and savings, organizations use ERP systems in conjunction with ITAM programs and ownership repositories specifically. ERP users gain a more fully functional asset management program that expands beyond the asset management functions dictated by financial requirements and SEC requirements. A stronger tax, depreciation and procurement capability is achieved through integration with an ITAM repository. Decision support is greatly enhanced in ways that have previously been impossible, due to the lack of tools, integration opportunities and the bandwidth of resources to manually compensate for these lacks. Accountability for Sarbanes-Oxley associated with a process perspective for IT are enhanced by ITAM.

ITAM works in conjunction with ERP systems, supplementing and providing a cross-department view that offers a fresh perspective. Innovation in process, policy and business practices are expected outcomes of the introduction of ITAM. The value of these improvements is enhanced through cooperation with departments outside of IT, including the users of ERP systems.

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