

# Different Views

## The Many Faces of Asset Management

**W**hat does asset management mean to you? If you are an IT executive, your world view may be “all IT assets.” On the other hand, if you live in the finance world, you may think “all fixed assets.” And if you are based in the facilities/maintenance world, your assumption is most likely “all maintenance, repair and operating (MRO) events on assets.” Just like anything going through a paradigm shift, asset management can have many faces within the same organization.

### TYPES OF ASSET MANAGEMENT

Asset management can be categorized into four main areas: IT asset management, fixed asset management, enterprise asset management (EAM)/computer maintenance management systems (CMMS), and lifecycle asset management.

#### ■ IT Asset Management

IT asset management is the process for tracking and managing an enterprise’s IT assets throughout a department or an organization. As the enterprise infrastructure becomes increasingly complex and critical to executing strategies, IT asset management can be a powerful tool that helps manage software, networks and hardware, as well as the contracts associated with those IT assets and the costs.

#### ■ Fixed Asset Management/Accounting

Fixed asset management/accounting is the process of accounting for property that is capitalized onto the organization’s balance sheet. A fixed asset is any asset that costs more to acquire than some well-defined value, which is called the capitalization threshold. Only those assets whose acquisition cost exceeds this value qualify for capitalization. These assets include items such as land, buildings and equipment, and have typically been housed and managed through fixed asset modules in the financial accounting application.

#### ■ Enterprise Asset Management (EAM)/

##### Computer Maintenance Management Systems (CMMS)

Enterprise Asset Management and Computer Maintenance Management Systems are primarily used to maintain facility operations and can span many diverse functions and responsibilities, ranging from scheduling preventative maintenance jobs to allocating the resources needed to complete the work. As part of these, comprehensive asset data is collected as it pertains to the particular assets being maintained. Typically, EAM and CMMS systems contain scheduled maintenance modules so that facilities can determine what assets must be maintained and when. In addition, EAM and CMMS systems can assist enterprises in ascertaining where most advan-

tageous places for production plants should reside. For example, Company A needs to examine the financial impact to the company on either building a new production facility or retrofitting an existing facility. EAM/CMMS systems are able to analyze asset maintenance data to determine the best course of action.

Lifecycle asset management is the process of monitoring, controlling and accounting for all assets throughout their lifecycle. Every enterprise asset is tracked and managed in a single system of record—from the time funds are obligated until that asset is retired at the end of its useful life. Every change to the asset, every financial transaction associated with the asset, every time the asset is maintained, and every time the asset changes status is recorded in its central repository. Other critical tasks include disposing of assets properly when they have reached the end of their useful life to ensure that all possible revenue is reclaimed. Lifecycle asset management mitigates the risks associated or triggered with asset disposal, such as hazardous waste, export control technology, the unintended disclosure of trade secrets or the loss of leased property.

### BEST PRACTICES IN ASSET MANAGEMENT

So what is a forward-thinking, compliance-minded enterprise to do? Let’s examine best practices and what hard questions enterprises should be asking of their asset management solution providers.

Best practices are not a mythical pool of data that resides in middle earth. Simply put, they are tried and tested business processes—the best way to conduct business. Asset management best practices match the needs of an organization up against what the industry considers best processes to create a consistent and repeatable means to effectively manage all enterprise assets throughout an organization.

#### ■ Does the asset management system have comprehensive and repeatable processes?

Processes need to be end to end, i.e., from the time an enterprise acquires an asset to the time that the asset is disposed or retired. And in order for processes to truly be comprehensive, they must be implemented across the entire organization so that all departments can leverage the knowledge that is within previously siloed systems. The final piece of the process puzzle is that it must be repeatable—that means that as individuals move in and out of roles within the organization, the standard operating procedure remains constant. This does not mean that repeatable processes are non-evolving; it means that asset management processes do not change simply because the employee changes.



■ **Can the asset management solution align IT initiatives with your business interests?**

By applying a business value assessment to IT investments, companies can determine how business goals and technology investments are aligned, capture the financial value of specific technology options, and make the right decisions to best benefit the company.

Enterprises know their business is aligned when it operates in synch with market demands, and is supported by high-quality and cost-effective technology investments. Done right, IT services are directly aligned to business objectives, strategies and tactics, and there is a clear understanding between the business and IT groups.

This is a powerful combination; companies have insight, optimize their entire business portfolio and more accurately position resources for implementation and measurement.

This turns asset management into much more than a task that

must be completed for compliance purposes. Asset management now drives strategic initiatives and helps accomplish business interests and goals. By aligning the IT portion of asset management initiatives to overall business goals, there are a number of advantages including cost savings, increasing productivity, right-time data transfer, decreased asset shrinkage, and an increase or decrease of workforce levels.

■ **Can the system ensure the most accurate version of the truth?**

As we all know, numbers can tell an enterprise anything they wish to hear. The question “tell me the total value of assets” could be sliced into a number of different values, including capital assets, sensitive assets, accountable assets and so on; there is different value for each of these categories. By creating the integrated enterprise, executive management would have the most

accurate version of the total value of all enterprise assets—no matter where that asset information resided. Implementing the semantic enterprise means that multiple lines of business can share and act on the same asset information including financial depreciation, net book value, shipping, asset locations, customer issues, recalls, life and replacement value.

■ **Can the system draw functionality and context from existing applications?**

In the previously siloed enterprise, each department worked independently of each other. If one department wanted information from another, that data would take a significant amount of manual labor and would be next to impossible to obtain. Moreover, stove-piped data means that each system could not take advantage of information that resides in other siloed systems. Case in point: an enterprise has purchased an e-procurement application for new purchases and a lifecycle asset management system for asset management, and is using an existing auction system for ad-hoc transactions. They are using the e-procurement application for items found in a catalog, but want to initiate an auction event for items not in the catalog, and return the result to the e-procurement application and send the final transaction to the asset management system. If this setup is like most enterprises, all three applications are managed in separate departments, requiring the user to call an auction expert to create and conduct the action, and then call the property manager to ensure the information is properly created in the asset management system.

In the integrated enterprise, seamless processes now exist between finance, procurement, inventory, service management and customer service systems. No matter where a user enters the process or which system they enter, systems and asset context are synchronized. This minimizes data entry points and duplicate efforts, allows control of new assets faster and creates an audit trail that would not be possible without the integrated enterprise. Manually linked steps are reduced which helps to produce more accurate financial statements. The end result is significant time and total cost of ownership savings, as well as the added benefit of compliance with present and future reporting regulations.

■ **Does it support visibility and decision support for business users without process re-engineering?**

How often have you heard that it takes days or weeks to get a simple financial report into the hands of executive management because current siloed data is too complex to compile quickly? In today's world of accountability and fiscal responsibility, executive management must attest to the veracity of their financial statements or risk hefty fines or worse. Siloed systems simply will not work. Executive management and business users must be able to view every piece of available data about all enterprise assets in a manner that will help them in their mission, not hinder them in their efforts. Centralized and decentralized organizations benefit equally from the integrated enterprise simply because both can be supported from a single infrastructure.

■ **What about wireless technologies?**

Enterprises live in the age of right-time/real-time data. The

combination of wireless technology and the integrated enterprise greatly increases asset accuracy, enables real-time/right-time detail, and assists in the initial identification, delivery and transfers of assets. Inventories can be conducted in near real-time with wireless handheld devices. New technology has enabled image capture embedded in the handheld that can help ensure accurate representations of the asset in question. Information can be synchronized in real-time with automatic updates or synchronized in near real-time by batch loading inventory data on a specified schedule.

■ **Does the system support the Unique Identifier (UID) initiative developed by the Department of Defense (DoD)?**

Unique Identifier, or UID for short, enables complete item tracking in Department of Defense (DoD) business systems, and provides reliable and accurate technical and financial data for management, financial accountability, and asset management purposes. The UID allows the DoD to achieve a clean audit opinion, manage the supply chain and track assets to support multiple strategic initiatives. Marking tangible items like property, spare parts or supplies with a unique identifier to record the acquisition, issuance, maintenance, storage, transfer, expenditure and/or disposal of those items helps with accurate and timely recording of financial transactions in both non-financial and financial systems. The bottom line: It's here to stay. And even if you are not a government contractor, chances are you will come across a UID at some point during an asset's lifetime.

■ **Has the system integrated Radio Frequency Identification (RFID) technology?**

RFID technology significantly reduces the time needed for labor-intensive activities, such as initial identification and delivery, physical asset inventories and location management. RFID technology can contain more information about specific assets than barcoding technology, and include such items as make, serial number, etc. Working within the integrated enterprise, previously siloed departments are able to use the data captured with RFID to determine utilization metrics, total cost of ownership, service agreements, re-utilization timeframes and disposal requirements.

■ **Does it support inventory sampling standards?**

Wall-to-wall physical inventories are often costly, time-consuming and disruptive. Real-world events occur during the time wall-to-wall inventories are conducted. By the time the inventory is completed, an asset may have moved or transferred, or retired. Creating and using sampling standards rather than complete wall-to-wall inventories can assure enterprises of repeatable processes and statistically accurate results. One codicil to inventory sampling best practice are those organizations that require wall-to-wall inventories as part of their environment standard operating procedures. If this is the case, then alternative methods of ensure accuracy should be explored including mobile solutions, wireless technologies, RFID technology, or a combination of all three.

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