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Cover Your Assets: Use IT Asset Life-Cycle Management To Control IT Costs

by Evelyn Hubbert
for IT Infrastructure & Operations Professionals



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by **Evelyn Hubbert**

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EXECUTIVE SUMMARY

The current economic situation has been very discouraging — to say the least. As the economy continues to show signs of downsizing, it's reasonable to say that the cost of conducting business is a very important category that businesses need to look at. In particular, IT's nearly flat line of spending (predicted to grow at 6.1% going into 2009) is driving interest in the whereabouts of IT assets. Why? It's important for planning, utilization, cost details, and risk and compliance purposes. So it's no surprise that client interest in this topic has nearly doubled during the past six months. If you aren't already treating IT asset life-cycle management (ITALM) as a core discipline inside your infrastructure and operations (I&O) organization, then now is the time to justify it and get started. The economic benefit of managing IT assets efficiently allows I&O to shift spending to other important areas, such as IT service automation and IT service portfolio management.

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NOTES & RESOURCES

Forrester speaks with hundreds of organizations as part of its ongoing conversations. Recently, organizational roles and responsibilities have been a recurring topic during client inquiries and event one-on-ones with infrastructure and operations executives.

Related Research Documents

"Knowledge Management For Business Service Management"

October 16, 2007

"IT Asset Management: Giving Shoes To The Cobbler's Children"

September 19, 2006

"The Forrester Wave™: IT Asset Management, Q3 2006"

August 4, 2006

NOT MANAGING IT ASSETS IS A RISKY BUSINESS

The technical, financial, and service information from an IT asset life-cycle management program gives IT the knowledge to gain efficiency and effectiveness. It provides a comprehensive view of the resources feeding service delivery and service support functions. Forrester defines asset life-cycle management as:

The accounting for all assets throughout their life cycle from procurement to disposal.

I&O managers are increasingly interested in maturing their ITALM processes and tools in the current economy. Why? Because ITALM helps I&O with:

- **Managing costs.** Asset management provides the organization with information on how IT investments are performing, which often makes obtaining funding for new projects easier. IT operations teams that manage IT infrastructure as an asset can potentially balance the infrastructure investment over time with leveraging underutilized or freed-up assets from other projects or other parts of the enterprise.
- **Improving governance.** By conducting IT asset life-cycle management, the infrastructure and operations team can enhance the governance of IT assets with a common mechanism across all IT assets, which will increase integration of information and provide a consistent knowledge base for decision-making around IT infrastructure. As IT infrastructure is a foundation for planned IT capability, it's important to have an asset repository that reflects the current state of IT assets to enable future projects or support consolidation and cost reductions.
- **Mitigating risk.** The principal benefit of optimized IT asset life-cycle management is improved risk management, as it aids in tracking assets during their entire life cycle, which includes creation, acquisition, utilization, maintenance, and decommissioning and/or disposal. By understanding the state an asset is in, the infrastructure and operations team can coordinate a variety of processes such as checking utilization for capacity planning or removing sensitive data before assets are disposed of — which not only mitigates data privacy risks, but also avoids the fee charged by IT asset disposal service providers to “process” your end-of-life assets. Risk management also includes the management of the physical failure of assets and is related to capacity management and disaster recovery.
- **Ensuring compliance.** IT asset life-cycle management can provide detailed information on software license compliance and compliance with other regulations, such as security or environmental regulations. Failure to meet licensing rules or regulatory performance requirements can result in costly fines — and it also risks your organization's reputation.

- **Greening IT.** IT ops professionals are increasingly tasked to move their organizations from green IT awareness to action. Forrester recommends creating a green IT baseline as the first step.¹ Why? The old adage that “you can’t manage what you can’t measure” is relevant to any IT project, green or not. IT asset life-cycle management tools can help create an accurate baseline by accounting for all IT assets within and outside of the data center. From there, I&O pros can calculate the electricity consumption and CO₂ emissions of operating their IT environment — not to mention the energy-related operating costs. This data will not only offer a practical green IT starting point by exposing your most eco-taxing assets, but without it you can’t accurately quantify and report the benefits of your greening efforts to senior management.

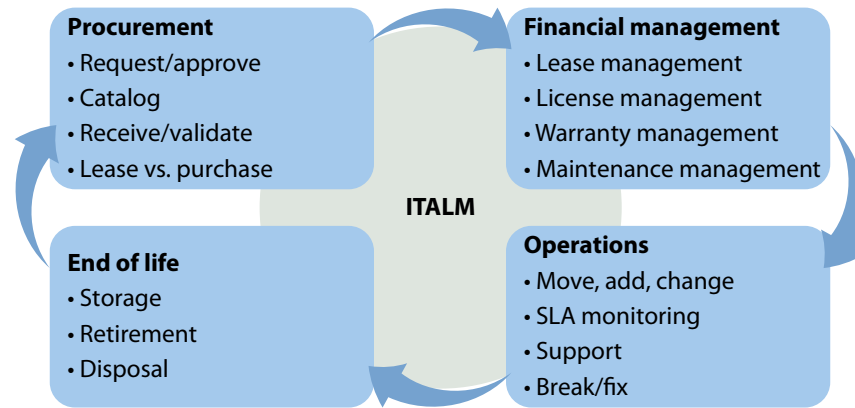
PROCESS AND OWNERSHIP DETERMINE ITALM SUCCESS

Effective implementation of IT asset management requires a disciplined approach that enables an enterprise to maximize value and deliver its strategic objectives through managing its IT assets over their whole life cycle. The process requires monitoring, controlling, and accounting for assets through their life cycle and is part of the overall service support and service delivery processes in IT. To get started, you must first understand the different phases an IT asset travels through. Through many discussions with customers we have found that the following phases are typical:

- **Phase 1:** The organization specifies, procures, and receives an asset.
- **Phase 2:** The asset is assigned to a particular organization, department, or person. This entity has responsibility for the asset. Any changes, maintenance, or other issues around the asset are tracked.
- **Phase 3:** At some point the asset reaches its end of life or satisfies the purpose for which it was intended, and the asset must be repurposed, stored, or retired.

It’s also critical that your ITALM initiative be multidisciplinary. A holistic approach includes ownership from the purchasing department, the finance department, operational management, and end-of-life processes to provide effective and efficient IT asset life-cycle management (see Figure 1).

Figure 1 ITALM Is Central To Efficient And Effective IT Services



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Source: Forrester Research, Inc.

Starting At The Source — ITALM Begins With Procurement And Ends With Disposal

By integrating the ITALM program with the procurement function — ordering, vendor management, and tracking of contracts — the asset information is gathered at the source. From there, additional information is added from the finance team, which takes into account any leasing details, depreciation of asset values, residual values, and tax issues. The next stage is about actually using the assets in the operational teams. Here I&O uses ITALM to understand configuration control, track the asset for maintenance, rationalize licenses, determine usage models, and account and plan for assets. The last stage is where assets are disposed of or replaced, which can happen at any point in the use of an IT asset. Typically the core ITALM team — oftentimes in conjunction with finance, a risk and compliance counterpart, or even corporate social responsibility — will define the processes for how IT assets are disposed of, such as donations to community or charity groups, reselling to employees or secondary markets, or returning the asset to the manufacturer for recycling. Organizations can do this themselves or contract with an IT asset disposal service provider — which may even be the service arm of your existing hardware manufacturer (e.g., Dell Asset Recovery & Recycling Services, HP Financial Services, IBM Global Financing). When assets are leased, ITALM tools can help ensure penalty charges are avoided by managing leases and tracking end-of-lease details. Particular attention needs to be given to the loss or theft of an asset such as a PDA or laptop, as this could cause a security issue.

Asset management needs a dedicated function to start and maintain it. The following are critical success factors for a successful ITALM program:

- **Staffing for success.** Assigning responsibility for an asset management program tends to fall on a single individual known as the senior asset manager. Larger organizations often create asset manager positions focused on functional elements of the IT department. For example,

one large financial institution created a senior asset manager position for software, another for hardware, and another solely focused on measurements and quality improvement. Regardless of the physical infrastructure surrounding effective asset managers, one theme remains constant: Companies with successful asset management initiatives have empowered asset managers to make independent decisions with the support of a senior member of the executive team.

- **Integration of processes.** Managing an asset's life cycle is more than just tracking the asset. It includes a variety of stakeholders such as planners, procurement teams, operations teams, audit and compliance teams, external suppliers, and the business community. The life cycle picture describes the flow from the planning through the disposition of assets; the two key pieces are: 1) the asset repository, where all the assets are stored; and 2) the discovery piece, which discovers the IT assets in the environment. However, to receive an end-to-end picture that supplies all the consumers of IT asset data with what they need, the ITALM process needs to be integrated with other strategic systems like HR, accounts payable/receivable, general ledger, ERP, purchasing, network and systems management, IT service desk, and problem and change management tools. This integration provides a linkage of metrics between ITALM and other processes. Data from management and business applications can be used to determine and predict impacts on employee productivity and costs.
- **Procedures and policies.** To improve data accuracy, it's important to determine policies for refreshing assets, purchasing assets, and installing software licenses. These procedures and policies need to be communicated on a regular basis. Additionally, measures and metrics associated with following the procedures and policies need to be incorporated.
- **Data model depth versus breadth.** The questions posed to an ITALM program can vary, from "How many IT assets are located in the organization?" asked by a contract manager who needs to determine the number of antivirus contracts to purchase for the total number of laptops, PCs, and servers in an organization, to "What is the current cost associated with the servers located at a particular site?" Developing a data model that allows the broad questions to be answered and at the same time have enough depth for the second type of question sometimes is difficult if multiple stakeholders are involved. The key is to consider the effort necessary for creating and maintaining a full and accurate record of every IT asset. Selecting assets that are above a particular cost threshold, tracking assets that play a significant role for the delivery of a particular IT service, and categorizing assets filter out a lot of noise. The next step then is to use good common sense in attribute definition, with the right balance of tracking too much versus not tracking enough. Aim for 12 attributes, which is sufficient to describe any asset in enough detail.
- **An aim for comprehensiveness.** Starting with a particular subject, such as PCs, is a great way to go; however, all IT assets, including servers, storage devices, printers, handhelds, software licenses, network gear, and more need to be tracked for a comprehensive view. This can be done with a "one domain at a time" process.

- **Data accuracy and process maturity.** No asset life-cycle management process will provide 100% data accuracy in an ever-changing environment. However, in recent discussions with some Forrester clients, it's clear that 95% data accuracy can be reached, but only in IT organizations that focus on service management and delivering services to their clients, and that see IT asset life-cycle management playing a very critical role in the IT organization becoming a business partner. For more information on how to evaluate your organization's ITALM maturity, Forrester has developed an IT Asset Management Maturity Index Scorecard.²

The Benefits Lie In Cost Savings, Control, And Improved Decision-Making

The enterprises we speak with gain a lot from their IT asset life-cycle management programs. Many reported additional benefits that were byproducts of the ITALM effort — such as operational efficiency and better contract and vendor management — but the primary benefits are:

- **Lower costs.** Most organizations think of cost only when they purchase assets, but these upfront costs are only a fraction of the total cost of ownership. The real costs of an asset are associated with the installation, change management, maintenance, power and cooling, incident management costs due to service desk calls, and the disposal of the asset. Through IT asset life-cycle management, organizations can expect higher return on technology investments by providing the right services to the people who need them when and where they need them.
- **Greater control.** Enterprises also achieve big gains from increased control, such as better planning, managing, and replacing of assets. Leases or replacements can be done, and simply tracking where assets are located reduces security risks and compliance issues.
- **Improved decision-making.** The fast pace of change in both hardware and software assets requires strong processes to upgrade, change, replace, and add assets, which in turn benefits the business, as decisions can be made based on knowledge of asset utilization and availability.

Overall, these three primary benefits will result in three areas of potential savings: 1) Achieving optimum utilization of hardware or software assets prevents wasted spending on idle licenses and equipment; 2) adapting to changes by having better knowledge of where assets are located drives cost savings; and 3) avoiding fines and penalties due to software compliance issues, missed return of leased equipment, or extensions of leases saves even more.

Leverage What Is Available

IT asset life-cycle management can no longer be ignored. Executives, shareholders, and regulators require an accurate record of all IT assets for financial controlling, information security, and compliance reasons. Moreover, we find that most I&O organizations are already well-equipped to handle ITALM because:

- **I&O has always had a strong end-to-end process focus.** To provide an effective and valuable asset life-cycle management program, the processes that are supporting the program need to

be end-to-end — from the time you acquire the assets to the time you dispose of or retire the assets. The following asset life cycle picture describes each necessary step in the management of IT assets (see Figure 2).

- **The tools are available and mature.** Forward-thinking, compliance-minded enterprises use ITALM tools to manage their IT assets. Combined with best practices and adjusted to the needs of an organization, they provide a consistent way to effectively manage all IT enterprise assets from acquisition to disposal or reuse. The available tools include large enterprise-class tools from BMC Software, CA, HP, and IBM that focus on delivering a full set of functionalities and are equipped to compete for ITALM business, but also include a rich set of mid-tier vendors that are able to provide ITALM solutions. The software-as-a-service (SaaS) vendors are an alternative for clients who want to take advantage of this new business model.³

GET IT EXECUTIVE BUY-IN BY ASKING QUESTIONS IN FOUR KEY AREAS

To specify IT asset management benefits, it's best to focus on four key subject areas and ask the IT executive a variety of questions. The subject areas are cost reduction; governance, risk, and compliance; adding margin to the business; and management accountability (see Figure 3).

Figure 2 Pick Tools That Encompass All The Steps In ITALM

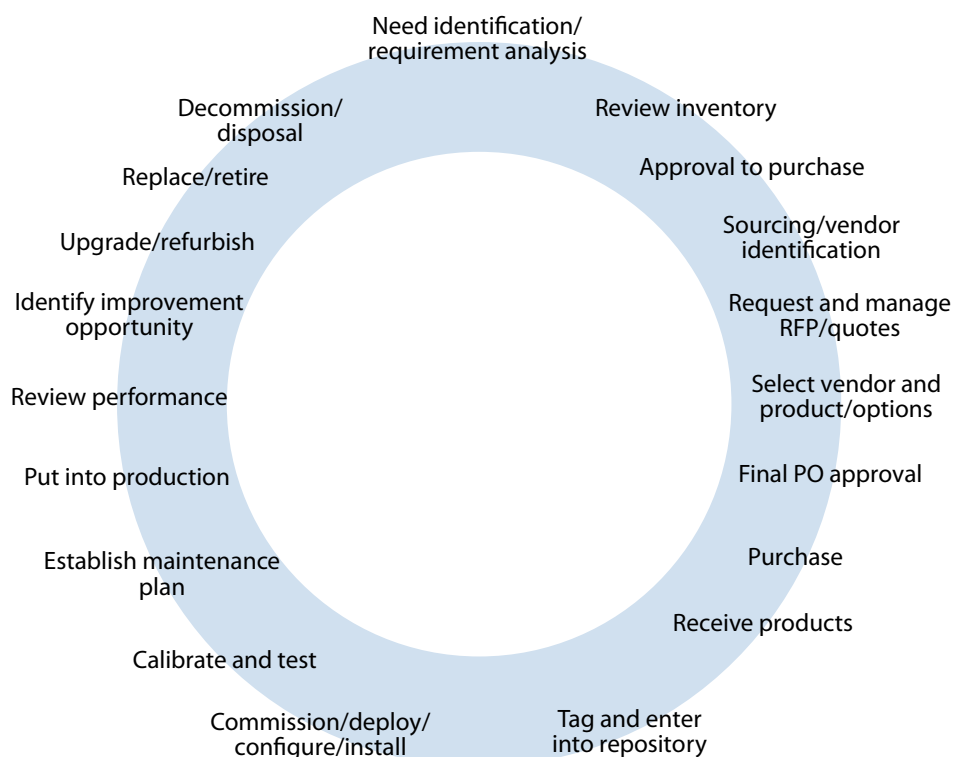


Figure 3 Understanding The Benefits Of ITALM

Subject area focus	Question to ask your IT executives	How ITALM helps address these questions
Cost reduction	Does the company have baseline spending for a particular asset category? If so, how do we compare with the competition?	Better cost control and planning capability
	Are the maintenance contracts matching the demands or requirements of the organization? How much are we spending, and are we receiving the value back?	Input into contract negotiations and therefore produce cost savings
	What is the total cost of ownership for a particular asset category? Is the TCO in line with industry standards?	Possible improvements on processes
	Is compliance driving more asset purchasing?	Determining cost avoidance, which represents savings
	How good is our software license usage model for a particular software vendor? Are we over- or underspending?	Eliminate overspend through license and utilization tracking
Governance, risk, and compliance (GRC)	Can we ensure security in the event an asset is stolen or lost?	Risk elimination
	Do we know when we have lost, misplaced, or moved assets?	Risk elimination
	How are the asset controls implemented and enforced?	Risk elimination
	Are we in compliance with all the necessary rules and regulations?	Risk elimination
	Are we ready for a software audit?	Elimination or reduction of fines
	What are our exposures relative to compliance?	Elimination or reduction of fines
Adding margin to the business	How efficient is our IT asset life-cycle management process? Do we have multiple asset management processes? If so, are they integrated? Is there one single view of asset data?	Better data for configuration management
	How much staff do we have engaged across the life cycle? Is that efficient?	Efficiency improvements in headcount; operational efficiencies, e.g., integration of asset data into the help desk
Management accountability	Can we support business decisions with the knowledge of how assets support the business?	Better input into capacity planning; energy cost; disaster recovery and business continuity

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Source: Forrester Research, Inc.

RECOMMENDATIONS

IMPLEMENT IT ASSET LIFE-CYCLE MANAGEMENT WITH A HOLISTIC APPROACH

There are many critical success factors such as ownership and executive support necessary before launching a successful IT life-cycle asset management program. There are six essential criteria that are necessary to develop and sustain a successful ITALM program:

- **A repeatable process from start to finish.** All assets need to be managed with the same process from the acquisition phase until the time they are retired or repurposed. This ensures the completeness and accuracy of the asset information. This can be done in phases, such as capturing all desktops and laptops, then moving to servers, network devices, storage devices, and software.
- **A data model that is flexible and extensive.** Not all use cases can be determined at the beginning of the journey, so make sure your ITALM model can adapt as business and IT needs evolve.
- **ITALM as a core business process and business enabler.** Once the data is discovered, gathered, and stored, it needs to be available for all of the users of asset information across the organization so that decisions and plans can be made from a single data source.
- **Integrity and accuracy-checking mechanisms.** Data accuracy and verification processes need to be applied to ensure the accuracy of the data and adherence to ITALM processes.
- **Measurement of efficiency.** Metrics around process and asset data need to be established, measured, and reported on a continual basis to provide visibility of cost savings, efficiency improvements, and governance.
- **Security controls to protect asset data.** Asset data must be secured so that sensitive information is not falling into the wrong hands.

ENDNOTES

- ¹ Enterprise IT has the opportunity to harvest the environmental and financial benefits of becoming more eco-conscious. But before investing a single dollar into green IT, Forrester recommends that firms set expectations by measuring their green IT baseline — an annual estimate of the energy consumption, carbon dioxide (CO₂) emissions, and financial costs of operating IT. See the August 29, 2008, “[Is Green IT Your Emperor With No Clothes?](#)” report.
- ² Forrester has built a simple set of tools, based on the ITALM technology and organizational requirements discussed above, to help you get a better perspective on whether your current ITALM technologies and processes are good enough to provide strong support for other business systems and processes. See the September 19, 2006, “[IT Asset Management: Giving Shoes To The Cobbler’s Children](#)” report.

- ³ ITALM is one of the fundamental subsystems necessary to support a business service management strategy. The reason is very simple: If you don't know what you have in your estate, you can't build and deliver sophisticated service levels. ITALM processes support the collection and provisioning of information about an organization's IT portfolio. Forrester estimates that about half of large enterprises have implemented ITALM systems and processes to date. See the August 4, 2006, "[The Forrester Wave™: IT Asset Management, Q3 2006](#)" report.

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