

TOTAL ASSET MANAGEMENT

VALUE-BASED APPROACH

A Management White Paper by:

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ABSTRACT

By structuring an IT Asset Management (ITAM) program around the creation of tangible value, executive management's attention can be attracted and held. Furthermore, program success can be demonstrated, scope can be managed, and staffing levels and increases can be justified. It all starts with a value analysis, which is simply the benefits side of a standard net present value business case. This paper describes a value-focused approach to ITAM.

DETAILS

If you don't know where you are going, how do you know when you have arrived?

A simple and obvious question, yet that single question sums up many projects, including IT Asset Management (ITAM) projects. A little planning can go a long way.

Most who have been involved in an ITAM program have learned first hand that executive sponsorship is essential for success, and that a common and repeated theme – especially in steady state - is an overworked staff with little hope of justifying additions. And there's the omnipresent risk of failure – more commonly than not the ultimate outcome. Why is that?

It helps to step back for a moment and view the project from the top. In practically every organization, the CIO is under pressure to reduce the IT budget. IT is generally not how most companies make money, so IT is usually considered a cost – and any cost needs to be reduced. This is especially true of IT infrastructure. If that's true, what is likely to be top-of-mind for the CIO? Basically anything that the business values, and for infrastructure projects that usually translates to anything that reduces cost – specifically hard dollar cost. So what is the best way to capture and hold the genuine interest of the CIO (and other executives)? Prove that the ITAM program is actually removing hard dollar cost from the company. This seems simple, yet, with very few exceptions, ITAM projects get started without thought of how to identify, and systematically report, hard-dollar cost takeout, and such reporting is never implemented.

Now take a look at the typical project from the side – from peer level. What often happens is the ITAM team attempts to build support from as broad a base as possible. However, in doing so the team unknowingly sets expectations much higher than can ultimately be delivered. In one company, the ITAM team was so successful in building interest that many of the internal groups were putting projects on hold, waiting for the ITAM solution to address their needs instead. The result is a very broad program that attempts to deliver on many value points all at once. It is like building a vehicle that attempts to meet the needs of everyone. One group needs it to float, one

group needs it to fly, one group needs it to traverse rough terrain, and one needs it to be economical. What often gets built is a vehicle that has insufficient power to fly, is too heavy to float, and is not robust enough to traverse rough terrain. And, since it cannot fly, cannot float, and cannot traverse rough terrain, the overwhelming view becomes “not only is it not economical, but it was a complete waste of money.” Unfortunately, the “waste of money” perception is how executive management often comes to view the ITAM effort. This is exactly where one large company finds itself currently – executive management is questioning the value of continuing to fund ITAM. Of course that translates to jobs being in jeopardy in a company that has had the ITAM program in place for seven years.

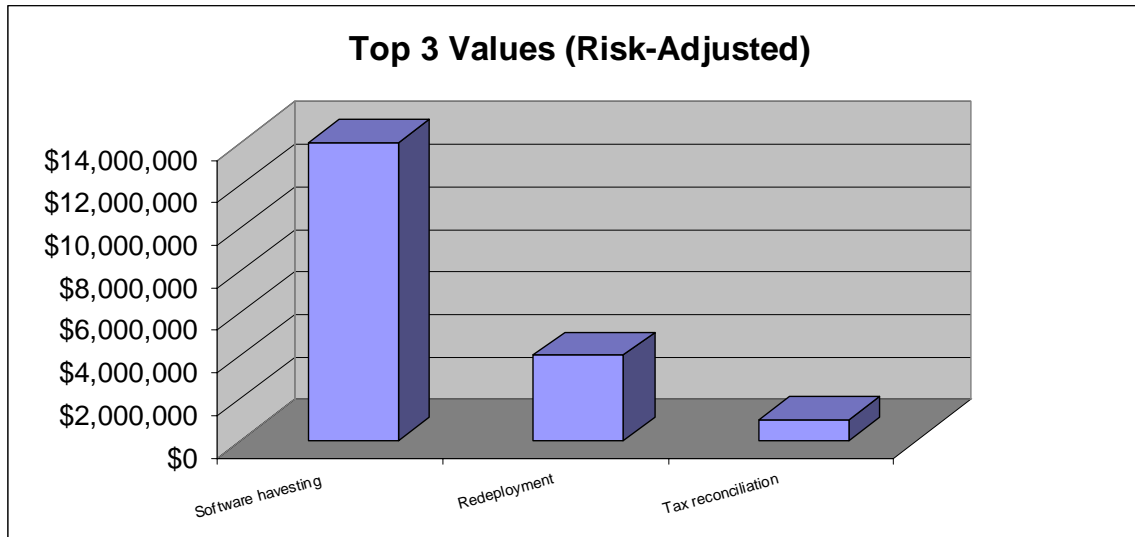
Why do programs lose or fail to gain executive sponsorship? Why do executives start to doubt the value of continuing the ITAM program? The answer is often simple – the executives hear complaining about the asset management system – and the complaining is generally about the accuracy of the information. The complaining, and the lack of accuracy, tend to erode trust in the solution, and ultimately the data simply is not used. When that happens, there is little value in continuing, because no matter how much data there is, if it isn’t trusted and therefore isn’t used, its value is questionable. Even when a level of trust still exists, and data is still being requested and used, that activity is typically invisible to executives. To see value, the executives need to be able to connect ITAM’s deliverables to their own, and as previously mentioned, removing hard dollar cost from the infrastructure budget is typically on the list.

If any of this sounds familiar, you may be asking, what’s the answer? How do we avoid these common traps? And if we have happened to fall into one of these traps, how do we get out?

One compelling answer is to quantify, to monetary units, the value to be delivered by the ITAM program and proceed to focus the program on delivering the value promised – nothing more, nothing less. This clearly defines the value of ITAM and establishes a way of measuring success. A value analysis is used to perform the quantification.

At one company where this was recently performed, the analysis showed that three value points dominated the potential return of the ITAM program. Namely:

1. Recovery of software licenses at disposal (software harvesting)
2. A well defined redeployment/cascade program
3. Reconciliation for reducing property tax (one time event)



Prior to performing the value analysis, the prevailing thought was to track all assets, for all reasons, and to solve all known problems – not uncommon thought when an ITAM program is initially forming. After the analysis, the potential cost take-out was so compelling that the stakeholders were in lock-step agreement that the program was going to be laser focused on delivering the three agreed-upon value points. Furthermore, the CIO became genuinely excited about the program. The focus that resulted from the value analysis had the following effects:

1. Instead of tracking all assets, only distributed computers were tracked since those are the only assets that need to be tracked to deliver on the value points.
2. Instead of attempting to apply asset management to data centers, telecom, and the entire enterprise, only the portion of the enterprise where the value existed was addressed. This reduced the scope by half and the complexity by roughly 80%.
3. Instead of all “catch points” (business process points where asset change data is captured) being equally as important, the disposal catch point surfaced as the most critical catch point, which translated to a strong program focus on “nailing” that catch point.
4. Instead of having no clearly defined way of evaluating (or pushing back on) change requests – such as requests for new reports, requests for tracking a new class of asset, requests for adding a new field, etc, the value analysis resulted in a focus by which all change requests could be subsequently compared. For example, how does tracking Printers enhance the program’s ability to deliver the value statements promised? The focus laid the foundation for a formal ITIL-compliant change management system – change management of the ITAM program itself.
5. Instead of the typical high risk of not being able to hold the genuine interest of executives, the value points translated into success metrics, which translated into monthly reporting to executive management on the value being delivered by the program. Now, executive management has been “trained” on what to expect from the program, and when the program delivers, it is, by definition, successful. And since the success metrics are

the removal of hard dollar cost, executive interest retention can be expected (as long as the program delivers). Furthermore, since executives see the delivery of the promised value, any gripes they may hear about data accuracy are easily put in perspective.

6. Instead of the typical trap of not being able to justify staff additions in the future, the program was initially “sold” on its ability to deliver value to the enterprise, and the initial staffing was part of the Return on Investment (ROI) analysis. That set the precedent for how staff increase requests would be presented in the future. Change requests, having been approved by the change management process, will be evaluated in the same way – via the expected ROI for expanding the ITAM program. Within that analysis will be the requested staff increase, and if the change gets approved, the staff increase gets approved with it.

The bottom line? The program has gained laser focus, full stakeholder support, genuine CIO and executive level interest, a means by which the myriad of hallway enhancement requests can be managed, and a way of demonstrating the value that is being produced – a sound platform for success.

What is a value analysis and how is it performed? Basically, a value analysis is the risk-adjusted benefits side of a standard net present value business case. Simply quantify the benefits, adjust for risk, and ignore the cost (initially). Rank order the results and focus your ITAM program on the highest points of value. Value points will differ from company to company. Usually, the value analysis quantifies what the typical asset manager already knows instinctively. The compelling outcome, however, provides strong justification for holding the line on program focus and measurement – essential for success.

Sound complicated? It really is not. It takes about two to four weeks for a relatively large enterprise of gathering current data, plugging the data into a questionnaire, and analyzing the results. Check out <http://www.etelligentsolutions.com>. Login as demo with a password of demo1. Alternately, use your current ROI analysis methodology and simply ignore initially gathering the cost information. The point is to quantify the potential value for the enterprise as a first step. The ROI can be completed with cost information once the program is focused, which must happen before a solution (or incremental change to an existing solution) can be determined.

Many ITAM programs eventually fail from a loss of senior sponsorship, which is almost always due to executive inability to perceive value from continuing to fund ITAM. The largest contributing factors to creating the perception of insufficient value are poor definition of the deliverables of the ITAM program, and, specifically, limited or no reporting on hard dollar cost removal. The best way to avoid this common trap is to focus the program by defining, precisely, what value is being pursued and delivered by the program. The few weeks spent in performing a value analysis can set the proper foundation for a new program as well as repurpose an existing program, regaining executive support in the process. Furthermore, it is just good business practice. If the ITAM program is not delivering measurable value, then why continue it? As an executive, you would be asking the same question.

About the Author

Brett Husselbaugh has over twenty-five years experience in IT asset management, having first implemented it in 1988 as the CIO of Technology Development Corporation, an Arlington, Texas-based defense contractor. Mr. Husselbaugh is the former CEO and founder of TOBEK, an IT asset management company that was purchased by Inacom in 1998. He then founded eTelligent Solutions, a highly regarded ITAM consulting firm. In 2007, he co-founded Veriam to deliver Value-Focused Asset Management to clients as a managed service. Mr. Husselbaugh has written numerous industry position and white papers on the subject of IT asset management, and has presented at several industry forums. He holds a MS in Electrical Engineering from the University of Texas at Arlington, and a BS in Electrical Engineering from the University of Maryland.

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