

## **Surviving the slowdown** **How asset management can help**

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Economic forecasts are gloomy. The CBI has downgraded its economic forecasts for 2008 for the third time in succession (see P1 of our January edition). Amid credit uncertainty and surging fuel costs, businesses need to plan for an uncertain future.

In a difficult economic situation, cash is king. Anything which can be done to conserve cash and improve cash flow will put you in a much stronger position to survive the downturn.

One of the most effective ways of conserving cash - but one taken by surprisingly few companies - is to improve the control and management of fixed assets. The savings to be made in this area are massive.

According to research by KPMG, UK companies are wasting £17 billion a year because managers have not applied proper asset management concepts. Other research indicates that companies are overspending by up to 40% because of under-utilisation, inefficient maintenance and petty theft of their assets

Even the smallest company, with perhaps only a few hundred assets, will benefit enormously from effective asset management.

Many smaller companies use spreadsheets for asset management. It is easy to understand why. Spreadsheets are easily available and easily set up. They are also quick and easy to modify and develop. Spreadsheets are very good for 'thinking processes'- to analyse last month's sales figures, or do 'what if' projections

But there are many disadvantages to spreadsheet systems. Spreadsheets quickly become complex and difficult to verify. They are extremely error-prone - according to some research, as many as 90% of spreadsheets have a significant number of undetected errors. Spreadsheet systems also make it very difficult to track and control changes or to produce a clear audit trail. Often undocumented they are very hard to change reliably.

Spreadsheet systems have no built-in reporting - even standard statutory reports must be built from scratch. And with asset management, as with most business issues, the key is information. You need information about what you have, where it is, how it is being used, and how much it is costing you to maintain, repair and insure.

Without detailed, accurate, and up-to-date information about your asset base, it is impossible to know what it is costing you, let alone identify opportunities for reducing these costs.

Replacing your spreadsheets with a specialist asset management system will give you access to the information you need about your assets. Even the smallest company will benefit from the installation of an entry level system (such as our Assetware Express).

A specialist asset management system gives you, at the press of a button, a list of all assets in your company, or by department, with supplier details, purchase and maintenance costs, and depreciation history.

Armed with comprehensive information about the physical existence, financial value and on-going costs associated with assets, it then becomes possible to control these costs.

But what if you are not sure that the information on your asset register is correct? A surprising number of companies have an asset register, but very little faith in the information it holds. In such cases, an important first step is to undertake a company wide inventory of all assets. The results are then used to create a complete accurate and up-to-date asset register.

Many companies find it best to outsource the asset inventory to a specialist company such as ourselves. This ensures that the task is carried out quickly, accurately and with minimum disruption to the everyday work of your company.

Good asset management enables you to reduce outgoings in many different areas of your business. Procurement is one of these areas. Many organisations buy unnecessary equipment because they literally do not know what they have. They acquire new assets instead of re-deploying existing ones. They may also buy inferior equipment because of lack of information about repairs and maintenance costs.

The information provided by an asset management system allows you to make informed purchasing decisions and negotiate better purchasing terms with suppliers.

One of our clients found that maintenance and repair costs on a particular make of laptop computer were consistently higher than on others it was using. As a result, it has standardised its procurement policy, enabling it to negotiate very favourable bulk-buying terms with a smaller number of suppliers. The company has since seen a significant reduction in both procurement and maintenance costs for its IT equipment.

Another area where significant savings can be made is insurance. Because your asset base changes – items get moved, new ones are acquired, old ones are disposed of – you may well be paying insurance premiums on non-existent items. This is a totally unnecessary expenditure, and one which a good asset management system will help you to avoid.

Another of our clients, a provider of communications technology, now uses its accurate and up-to-date asset register, as a schedule for insurance purposes. This means the company no longer needs rely on the insurance company's determination of the value of their assets, but can negotiate premiums from a position of strength. The effect of this has been to reduce monthly outgoings by a significant amount.

Asset management is also an important tool in improving security. Unfortunately, modern technology has not eliminated some old-fashioned problems, such as the tendency for office items to 'disappear' or be borrowed without permission. Clearly, unless you know what you've got and where it is situated, you can't know if it goes missing.

Companies that put in place good IT asset management systems almost always see very significant cost savings as a result. IT assets – desktops, laptops, handhelds, scanners, printers, zip drives, servers etc - are often the single most valuable category of asset in the organisation. But in many companies, the IT assets, worth very many thousands or even millions of pounds, are almost totally unmanaged

The most effective way of managing your IT assets is by using auto-discovery software. This is software which resides on the network and automatically interrogates the IT installation. It gives you a continuously updated picture of all your IT assets, both hardware and software.

Once this information is available, you can easily identify redundant or duplicated software. You can ensure that your company is legally compliant with software licensing (and perhaps avoid a hefty fine). You can verify maintenance contracts and insurance policies and check that you are not paying maintenance and insurance on non-existent equipment.

Significant cost savings can also be achieved by volume purchases, component (as opposed to total system) upgrades and the correctly timed disposal of aging equipment.

And of course the more information you have about your IT installation, the more efficiently it operates. Help desk calls are handled faster, and time spent performing software upgrades and migrations is reduced.

Every piece of equipment in your company represents the cash which has been tied up in its purchase. Most of it will also be costing money on an on-going basis for items such as repairs, maintenance and insurance. If you know what you've got, where it is and what it is being used for, you can identify significant opportunities for saving money and improving your cash flow.

In the current economic climate, can you afford to miss these opportunities?

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