

WHY GOOD DATA IS A MUST

Asset
Management
Oversight
is Essential
to Effective
Governance

Terri Hart-Sears



INTRODUCTION

Asset Management is a set of business practices that join financial, contractual and inventory functions to support asset life cycle management and strategic decision making for the IT environment. Asset Management processes for both hardware and software assets address requirements for inventory, licenses, procurement, leases, warranties, cost accounting, retirement and disposal of assets. Although many functions are covered within Asset Management, information about the assets is the key building block for IT decisions and governance.



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Providing a "trusted source of truth" to support asset management is therefore critical, because you cannot manage what you can't see, and you cannot fix what you do not know. As the boundaries of IT estates expand both into the cloud and with employee-owned assets, companies face significant challenges in managing both internal and supplier costs and overall risk.

This ISG white paper examines the importance of asset management to effective governance, identifies issues organizations typically experience with maintaining accurate inventories of assets, and defines keys to an effective asset management program.

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THE BOTTOM LINE

A direct correlation exists between IT asset management and a company's bottom line. Armed with the necessary detailed asset, billing and invoice information, procurement organizations can address overbuying and underutilization, finance can ensure over-payment is avoided and operations can measure operational compliance for services on the assets. In addition to addressing these everyday challenges, critical information enables effective recommendations on optimizing the hardware, software and maintenance purchases.



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Despite the importance of asset management, evidence suggests many enterprises are falling short. According to one study, over 70% of organizations experience billing "surprises" with asset invoices. A typical IT organization spends significant resources managing asset true-ups and misses opportunities to add value because resources are tied up reconciling gaps in asset information. If information is incorrect or missing, IT must use key resources to correct errors, respond to problems and manage exceptions. While many organizations employ periodic "wall-to-wall" inventories, these not only require significant funding, effort and time, they capture only a point-in-time snap shot of the assets.

The risks of ineffective asset management are significant. Exposure to potential penalties and litigation increases as the boundaries of IT expand. Assets no longer reside within the walls of the business but sit in our pockets, purses, and briefcases. Accurate data about these assets reduces end point security and data loss exposure. Under one current regulation MA201, a single lost laptop without encryption containing 1,000 customer records could mean a corporate fine of up to five million dollars, bad publicity and a loss in market confidence, of which the loss is hard to quantify.



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THE CONFIGURATION MANAGEMENT DATABASE (CMDB) AND CONSUMPTION MANAGEMENT

Because bringing together multiple data sources to accurately validate invoices, maximize purchasing power and manage services is so difficult, asset management information is a particularly significant source of value leakage. Effective governance in asset management requires that tools be employed that can manage and harness the complex details that reside in the multiple data sources containing asset information.

The biggest challenge companies experience with CMDBs is data quality. While CMDBs require accurate data to be useful, they are not designed to reconcile data sources and produce accurate data. Rather, CMDBs are designed as transactional data stores, versus data analytics tools, even though many organizations expect analytics capabilities when they invest in a CMDB. CMDB reconciliation practices are simplistic at best, as most assume current data is correct, and may discard accurate data. CMDBs, moreover, do not store rejected data for analysis, root cause, and data quality improvement, and are not designed to identify missing data or resolve data conflicts. Quality improvement, like any continuous improvement effort, requires persistent analytics.

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A best practice for governance, outlined by Enterprise Management Associates (EMA), recommends that IT management adopt an enterprise data strategy solution that transcends the CMDB for transparency (i.e. an independent source that can provide IT data intelligence). The strategy should include:

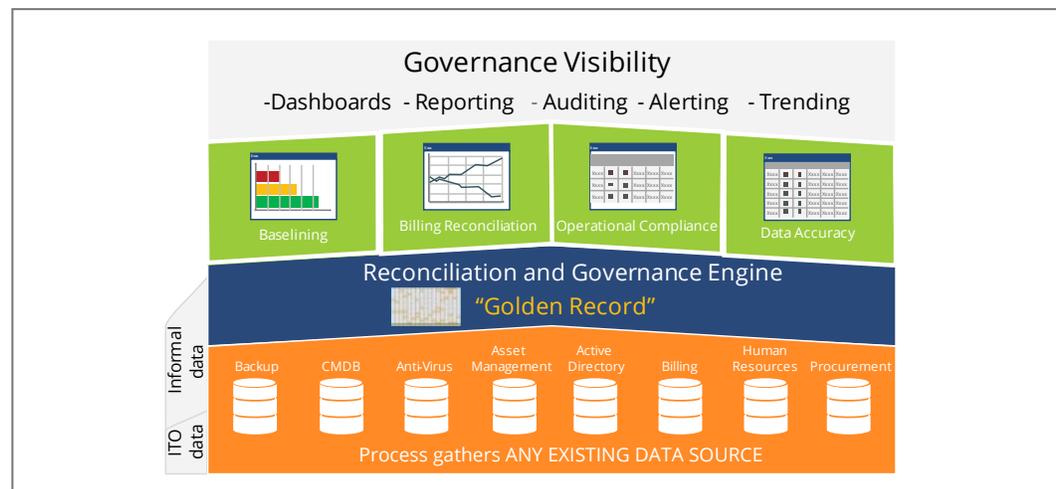
1. Full Integration of the data sources.
2. Multi-Source Reconciliation building data quality.
3. Providing Analytics and Reporting.
4. Ensuring operational compliance.

An effective Consumption Management solution is not intended to replace the CMDB or other operational tools, but rather to leverage these tools. The technology within the solution augments and improves existing technologies and processes. Although some of the terminology is similar, the purpose of Consumption Management (CM) is distinctly different from the CMDB. The primary purpose of the CM solution, with regard to the CMDB, is as an essential objective cross-check on the CMDB. The CM solution will resolve data quality questions by providing a trusted source of truth for assets. CM will provide visibility into asset information across sources, fix the root cause of quality issues and provide independent validation of data feeds and integration logic.

THE TECHNOLOGY AND PROCESSES

Creating a Trusted Source of Truth

No one tool can see into every corner of a company's infrastructure. Data from many sources need to be analyzed, compared and reconciled to get a complete view of the landscape. The Consumption Management solution which will include a tool for data reconciliation requires no new agents in the client's network; CM collects data from existing systems into a single new database to conduct a multi-source reconciliation.



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The “Golden Record

Utilizing a tool with a reconciliation engine that has the unique ability to recognize and process various record formats and provide accurate transparency down to the record level is key. This allows the CM team to validate accurate baselines and validate the comprehensive change data needed for an accurate asset inventory.

The tool looks at several sources to build the “golden record.” The engine knows how to read and recognize various record formats.

Provides an accuracy report for each record

Allows client to identify and focus on problem areas only



Source	MULTI-SOURCE RECONCILIATION		IDENTITY CRITICAL CONFLICTS	SELECT *BEST* DATA	APPLY LOGIC	NORMALIZE DATA
	Asset Name	Serial Number	Machine Type	Last Activity Date	Asset Status	OS Name
Billing		KCC3H1	Physical Server		Billable	Unknown
CMDB		KCC3H1	Server	4/28/2010	Deployed	Microsoft Windows 2003
AD	FDC200		Virtual Server	9/8/2010	Discovered	Microsoft Windows 2003 SP2
SCCM	FDC200	KCC3H1	Virtual Server	8/21/2010		Microsoft Windows 2003 Server Xxxxx
Spreadsheet	FDC200	KCC3H1	Server	7/13/2010		Microsoft Win2K3
Gold	FDC200	KCC8H1	Virtual Server	9/8/2010	Billable	Microsoft Windows 2003 Server Xxxxx

Sophisticated algorithms, processes, rules and libraries developed and incorporated into effective CM provide highly accurate results. Best practices set precedent on how data is ranked, so that, for example, electronic scan information takes precedence over manually gathered data. Robust content libraries help normalize data such as vendor and operating system names. This comprehensive approach takes multiple systems of record and elevates them to one “trusted source of truth” from which all engaged parties can operate. Automating data flow can facilitate speed and accuracy over manual processes. This level of insight can help ensure a contract is good business for all parties.

The Processes

These governance processes, fueled by accurate data and dashboards, provide the building blocks to improved invoicing, operational compliance, demand management and reduced risk. CM processes integrate the information about assets and the delivery of services on the assets, with steps to ensure performance. Proper invoice validation requires both variables, P*Q, where P is the price of the resource and Q is the quantity. Concise and accurate reports about assets enable the team to manage changes to data, while validating the overall quantity (Q). The processes will:

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1. Manage asset information (e.g. both found and inactive devices).
2. Address gaps in services (patches monitoring, backups, security, antivirus...).
3. Validate changes (adds, refresh, deletes...).
4. Allow for reclamation and reuse of assets.



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Looking deeper into the data, asset information provides the foundation for additional optimization of hardware and software resources including identifying IT Service Management process improvements, 'Q' Ratio Analysis for business alignment, and demand reduction opportunities.

With processes to manage the information, customers will be able to reduce the number of assets, licenses and maintenance costs, while enabling operations to deliver the services required through the assets.

TIMING

Consumption Management provides accurate information at the right time and place to meet business needs. Companies require accurate asset information; for CIOs considering outsourcing or managing a current outsourcing relationships, accurate asset information is even more critical.

Consumption Management may be brought in at different points in the outsourcing lifecycle.

Build the Baseline: With strategy development or Pre-RFP, the CM solution ensures assumptions are based on accurate inventory data that can be quickly built or validated. An accurate baseline will provide better pricing and reduce the time and effort of due diligence.

Transition the Baseline: During strategy execution after award and during the transition phase to the new supplier(s), the CM solution ensures complete information is available day one and shortens the transition period by tracking asset support and transfer to the new supplier.

Manage the Baseline: Any time post-contract, the CM solution helps the governance organizations ensure the expected results are achieved for all parties by providing transparency and trust through shared, complete and accurate data that deliver the expected contract value.

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LEVERAGING TECHNOLOGY AND PROCESSES FOR GOVERNANCE

Consumption Management fills a unique governance role by leveraging IT data intelligence, and thereby increasing IT organizations' trust in critical information about assets and the services on the assets. With upwards of 30 percent of a typical transaction's net value lost through inadequate governance, IT organizations need to mitigate value leakage. Governance tools and processes are critical to managing and governing infrastructure complexity through the following functions:

1. Automation – data collection and inventory validation.
2. Operational compliance – e.g., ensuring servers are monitored or backups have been completed on time.
3. Security and risk assessment – existence of backups and anti-virus software.
4. Consolidation of hardware asset databases – one source of truth for asset information.
5. Rationalization – validation of information which identify opportunities to optimize assets by elimination, consolidation or further virtualization.

Ultimately, CM allows customers to reduce costs and risks from IT operations by leveraging validated information provided in useful dashboards and reports, supported by integrated processes, enabling customers to undertake actions and/or decision making on trusted data. Customers can see details within the IT estate, manage the changes within the environment and make good business decisions to optimize resources and reduce risk.

ABOUT THE AUTHOR

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TERRI HART-SEARS

Director

Terri is a trusted advisor with expertise in strategic asset management and IT global sourcing management. Terri brings a deep understanding of information technology strategy, processes and sourcing-related initiatives to ISG clients. Her roles include Managed Services Director for Technology Business Management (TBM Practice), Asset Management and Consumption Management (CM) within the ISG Managed Services practice, leading designs, solutions and implementations for IT financial and asset management solutions. Terri provides expertise in sourcing methodology, contract administration, financial, performance, relationship management, and transition management. Terri is a published thought leader in asset management, sourcing practices and IT optimization.



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