

HOW ENTERPRISE ASSET MANAGEMENT WORKS



To determine the value of your organization, you have to start with what you own. Assets are the primary measure of valuing any organization—so you need a comprehensive way to manage them.

This calls for enterprise asset management (EAM). [IBM](#) defines EAM as an asset lifecycle management approach that supports asset performance from acquisition to disposal. EAM aims to utilize assets and optimize asset throughout the asset lifecycle by way of policies, processes, and resources that maintain and control operational assets and equipment.

Without such a framework, you're risking lost assets, cost overruns, inefficient usage, and even [security threats](#).

So, let's take a look at Enterprise Asset Management. Stick around for the end, where we point you to more resources for asset management.

What is an asset?

The [ISO 55000](#) standard for asset management defines [an asset](#) as item, thing, or entity that has potential or actual value to an organization. Value is mainly considered from a financial perspective (we can make/save money from it, i.e., ROI). But other non-financial aspects also matter, such as brand, comfort, ease of use, and competitive advantage.

The standard also classifies assets in two main groups:

- **Physical Assets.** Those that can be touched, e.g. equipment, inventory, and properties

- **Intangible Assets.** Those that are immaterial: leases, brands, digital assets, use rights, licences, intellectual property rights, reputation, and agreements

You might ask yourself, what about people? Don't we hear a lot of statements like "people are an asset to an organization"?

Well, yes. People have very great value to any company, and without them chances are high of failure and loss. However, the EAM perspective consider does not people in this bracket—instead it focuses on any inanimate objects that can be acquired, used, sold or disposed during the routine business operations.

What's enterprise asset management?

ISO 55000 defines asset management as the coordinated activity of an organization to realize value from assets. Activity here is used broadly as it can include:

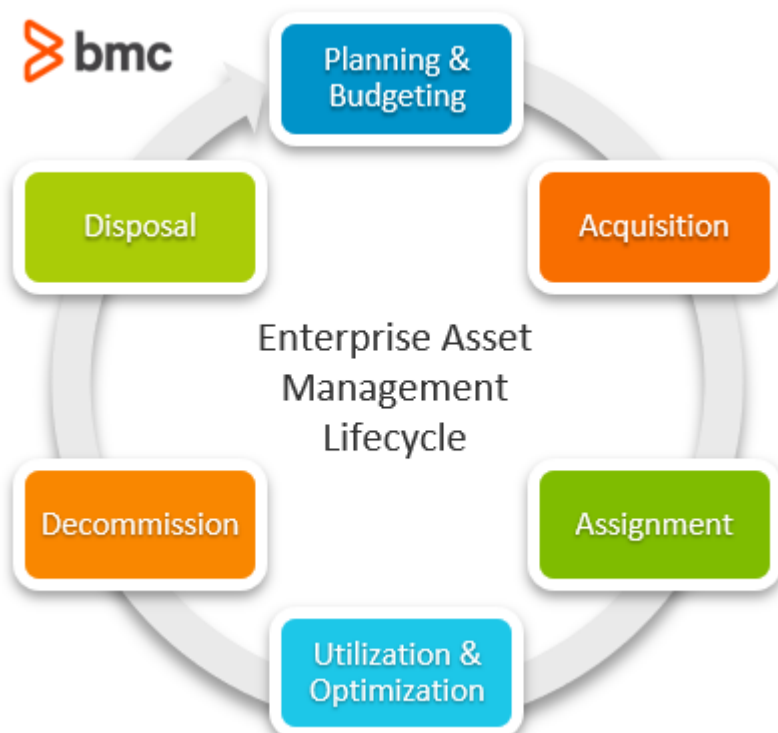
- The approach
- The planning
- The plans and their implementation

So, asset management isn't simply just about having an inventory of what you own. A better definition is:

Asset management is a precise science that considers how to effectively track, assess, manage and optimize asset quality and reliability.

EAM Lifecycle

The journey of an asset through the EAM lifecycle needs to be managed at every step to ensure that value is gained or retained. Let's look at the main lifecycle steps described in ITIL[®] 4:



1. Planning & Budgeting

This involves understanding your enterprise strategy, including which assets are required to achieve your objectives. Planning also involves:

- Scheduling exact timelines
- Allocating budgets

2. Acquisition

Here, acquisition falls between outright purchase or leasing. Your enterprise's procurement processes come into play as the asset is delivered to the enterprise and stored securely awaiting deployment. For physical assets, they would be logged in the systems used for tracking and tagged with appropriate identifying labels.

Acquisition contracts will usually define the supplier's responsibilities including maintenance.

3. Assignment

Assignment is triggered by either a request from a user or project-based timelines. Policies on assignment and usage would come into play, with some assignments requiring approval or financial commitment. Records of the assignee would be logged in the tracking systems and fixed asset registers where required.

- For some specific assets, training users would be part of the assignment process.
- Digital assets might require configuration and customization during the assignment process and will require securing.

4. Utilization & Optimization

Here, the asset is put to use to deliver the actual value to meet the strategic objectives. When an asset enters the Utilization phase, you'll perform regular activities like:

- Monitoring asset use (and misuse) through appropriate means such as technology systems and audits.
- Auditing finances annually to track the value of assets based the asset's purchased value depreciated over time.

Optimization can include repairs, servicing, and updates to ensure that the assets continue to serve the enterprise for as long as possible.

5. Decommissioning

This involves reversing the assignment of the asset—removing it from use. Triggers for decommissioning can include:

- End of lease period
- Depreciation
- Obsolescence
- Breakdown to the point that repair is unlikely to deliver value

During decommissioning, you'll perform these activities:

- Update records of the asset
- Assess the final financial value
- Transfer the asset to a secure area awaiting disposal or return

For digital assets, you'll transfer or archive any information then perform security checks for confirmation.

6. Disposal

How you dispose of a decommission asset is generally driven by enterprise policies.

- Some assets can be sold to an interested party for financial gain.
- Other assets can be donated to charity, destroyed, or discarded, ending up in a landfill.
- Leased assets would be returned to their owner if that is defined in the lease contract.

EAM solutions

In today's digital age, manual EAM activities are possible only in small companies and organizations. Middle- and large-sized enterprises require robust solutions that can track thousands, if not millions, of assets—especially in the age of IoT and mobile devices on a global scale.

Which is why [P&S Intelligence](#) estimates that the EAM solutions market will witness a robust 17.0% CAGR, increasing from \$5.5 billion in 2019 to \$25.9 billion by 2030.

Modern EAM solutions are usually [cloud based](#) and provide [automated capability](#) across the entire lifecycle, enabling your enterprise to:

- Have a 360° view of all your assets
- Maximize the total cost of ownership (TCO) throughout the life of each asset

EAM solutions provide holistic integration across different business areas such as finance, procurement, facilities, health and safety, IT, logistics, and more.

When choosing an EAM solution, make sure to choose one with two key features:

- [Analytic capability](#) that provides insights for understanding asset usage and status and facilitates tracking, auditing, and reporting.
- [Automation](#) for valuable capabilities such as proactive triggers for maintenance, renewal, or security actions.

Related reading

- [BMC Service Management Blog](#)
- [Get Started with ITAM: IT Asset Management Explained](#)
- [IT Asset Management: 10 Best Practices for Successful ITAM](#)
- [Software Asset Management: Mistakes, Truths & Best Practices in SAM](#)
- Asset & Configuration Management in ITIL® v3