

Asset Management

INTRODUCTION

Asset management refers to, and represents, a myriad of activities related to the acquisition, deployment, utilization, reporting and accounting for of fixed assets.

For over fifteen years, Lockwood Technology Corporation has devised, evolved and offered integrated solutions for managing the assets of an organization. Lockwood solutions are marketed and implemented horizontally (throughout all vertical markets), within all sectors (private, public and government) and on a global basis.

From experience, Lockwood has found the over-riding value proposition to be the ability to articulate the value of viewing asset management as a **solution** to a complex problem. The problem stems from harvesting information from a series of; core/fundamental business practices and standard business governance procedures (collectively known as the asset *life cycle*) in order to fulfill governmental regulations as well as compile management and investor reporting.

To understand why asset management is important requires an understanding of a common, basic, core transaction - the conversion of a current asset (cash) into a fixed asset. The decision to do so implies a greater need for the asset than the cash, and dictates a responsibility to manage the asset going forward. While the responsibilities vary, there are two commonly understood principles. First, and foremost, to protect the assets of the organization, by insuring that the asset is properly accounted for as well as utilized to its maximum capacity. And second, to conform to rules and regulations that govern such a transaction.

The impact to the overall organization is both financial as well as legal. To satisfy both, financial records are kept (books of record) that portray this activity. All organizations, public, private and government utilize a balance sheet for reporting and reconciling their net worth. The ability to support the capital resources of the organization is paramount to the credibility of the balance sheet. And for a public organization, new regulations such as Sarbanes-Oxley demand accuracy in order to protect its investors.

Asset Management

The Opportunity

The universal problem is as follows:

When cash is exchanged for a “capital” asset, the asset’s value is inserted into the general ledger, in place of cash, as a *fixed asset*. The implications of making this swap (cash for fixed asset) are; proving the fixed asset exists and is necessary and maximizing the exchange (as cash does not lose value while the fixed asset will over time). When one applies volume to this overall equation, the opportunity for error increases incrementally. And, the impact of errors can have enormous impact spanning a variety of significant financial transactions such as tax reporting (asset depreciation as well as property taxation).

To solve the problem, the solution must be directed at the root causes of the problem and therefore must be addressed. While there can be many factors that contribute to the poor quality of information, the root cause can be rendered into a single, clear, universal situation; whereby core life cycle activities are performed by many individuals, working under varying reporting requirements and because they are either largely manual, or disparate from one another, are error-prone.

To add one additional aspect to the solution offering, it is necessary to promote a solution that is highly flexible, in order to sell horizontally across all vertical markets.

It is for this reason that the typical approach, both for arguing the reason for expending the effort and the expense to implement an asset management solution, is in support of presenting accurate and sustainable balance sheet information. Therefore, the prime sales targets, regardless of market or sector, are financial personnel.

SOLUTION

Lockwood recognizes and promotes the asset life cycle “maturity model”. This model stipulates that organizations evolve at different rates predicated on need and demand therefore the solution must address the needs based upon the organization’s objectives and position in the maturity model.

Asset Management

The standard model has five levels, one being the lowest and five the highest. Accordingly, the solution is comprised of tiers intended to address all levels of maturity as well as accommodate on going maintenance.

That being said, the core of Lockwood's asset life cycle solution was devised with the idea that the asset life cycle is a wheel with interdependencies (spokes) that make the wheel function properly, where each activity (within the cycle) is linked the next activity.

Points of control are interspersed through the life cycle whereby; automation, conventions and accountability are imposed, in order to insure the integrity of the cycle.

Example A typical purchase order contains significant baseline information pertaining to: *part number, price, manufacturer and vendor*. Lockwood's solution is predicated on using this core set of information (collected at the start of the flow) to form the basis of a robust set of information that will support all aspects of the life cycle. Accordingly, all other aspects of the cycle should reference this information and build upon it as the asset moves through the life cycle.

To build upon our example, the shipper/receiver directly references this baseline information in order to validate a receipt of goods. As the asset is received the receiver augments the baseline data with new information which was not available until the asset was delivered such as a serial number, delivery destination, etc.

The augmented information should flow forward to the next activity in the cycle as well as backwards in order to insure consistency of information throughout the enterprise. The ultimate objective is to insure that the fixed asset record and the general ledger for the organization is the recipient of a single complete set of information that reconciles to other information sources both physical and logical.

Consequently, tier one of the solution is assessment of the "current" life cycle with emphasis on advising and implementing "best practices".

Asset Management

Quality of information is paramount to the solution. Specifically, as it relates to the existing installed base of assets. For the large, geographically dispersed organization, validating logical records to physical assets is a daunting, error-prone task. Yet, without accurate information, the initiative will fail. Accordingly, Lockwood offers a set of services within Tier two to accommodate this critical need:

- a) Physical inventory taking and asset tagging
- b) Information reconciliation and asset appraisal
- c) Information conversion, data scrubbing and loading

Sharing information up and down stream necessitates the need to:

- 1) Integrate (share) information between applications and repositories
- 2) Establish conventions that standardize and support core reporting requirements across the enterprise

Accordingly, tier three presents multiple elements configured to support both the in-mature as well as the mature organization. The tier elements include;

- a) A full suite of transaction processing applications that automate the primary activities of the life cycle including; purchase order processing, shipping & receiving, finance, security, audit, utilization, maintenance, document management, reporting, physical inventory & reconciliation as well as supply & logistics. The modules will work together or independent of one another and feature integration filters designed to allow information exchange with other non-Lockwood systems (such as SAP/R3, Oracle, Lawson, Peoplesoft, etc.)
- b) In-house technical resources capable of integrating disparate systems and information sources
- c) A universal set of standards and conventions for capturing & reporting information, labeling & tracking assets and for validating compliance

Asset Management

- d) Automatic data capture tools that are tightly integrated with the software

Because Lockwood markets the solution horizontally across many vertical markets, the solution must be highly flexible as well as diverse. Accordingly, tier four highlights the ability to;

- a) Adapt and customize all tools, software as well as hardware without altering the existing source code or customer environment
- b) Integrate the applications within the existing enterprise information flow, quickly and unobtrusively
- c) Quickly and easily integrate ADC tools with an existing legacy system, without code change via, Lockwood's QuickTrac product offering

Last, but not least, and in order to enable the organization to sustain their asset management program and its results, tier five features

- a) Life cycle, best practice education
- b) User training
- c) Outsourced managed services
- d) Technical support & maintenance

Tiers, which form the solution, could be marketed as individual commodities. And, in fact Lockwood has many clients who utilize a mix of tiers. Yet, Lockwood is steadfast in its message and promotion of the offering, regardless of the mix, as a solution. There are reasons for this clarity;

Solutions are what customers want – and not all solutions produce the same result

Integrated solutions empower the customer to buy a portion now and build upon the solution, as they move through the maturity model, while augmenting their existing information flow