



# HOW TO MANAGE YOUR BUSINESS ASSETS



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# How to manage your business assets

What is asset management? The answer largely depends on who you ask. In financial circles, asset management can refer to the management of purely financial assets and Investopedia defines the term as: “The management of a client’s investments by a financial services company, usually an investment bank. The company will invest on behalf of its clients and give them access to a wide range of traditional and alternative product offerings that would not be to the average investor.” 1

Broadening the term to the sense that has the most relevance to the average SME, business asset management (also known as enterprise asset management) simply deals with monitoring and maintaining the things that have a value to that business.

ISO 55000, the International Standard for Asset Management published in January 2015<sup>2</sup> defines asset management as the “coordinated activity of an organization to realize value from assets”, where assets are defined as “an item, thing or entity that has potential or actual value to an organization”.

Some people think of assets primarily as physical items; the machinery, IT equipment, buildings, vehicles and all the other things that are employed in the day to day running of a business. From a state-of-the-art manufacturing plant to an office stapler, all these physical things certainly count as assets. The Standard’s definition is deliberately broad however and can incorporate more than these tangible assets.

Intangible assets can include intellectual property such as patents, copyrights, business methodologies and trademarks. They can even include concepts such as goodwill and brand recognition. These types of assets can be very difficult to quantify, manage or even define.

You’ve probably heard the saying that ‘People are a company’s greatest assets’. Under the ISO 55000 Standard’s definition, you might also reasonably assume that a company’s workforce would count among its assets. People are generally seen as a special case however and usually fall under the discipline of human resource management.

For the purposes of this ebook then, we will be concentrating on the management of your tangible assets and certain financial assets such as pension funds. Managing such assets effectively is hugely important to almost any business as it can reduce costs, improve productivity, enhance the service you provide and allow you to meet record keeping and other regulatory obligations.

# What does business asset management entail?

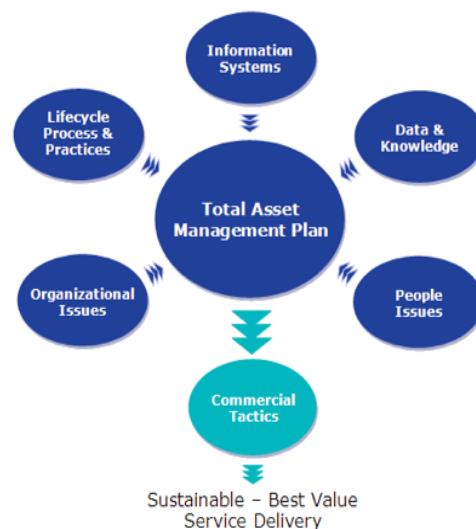
The still developing discipline of business asset management can incorporate a lot of diverse and quite complex elements. At its heart though the mission statement of any campaign can be boiled down to the following:

Asset management should establish the best practices and carry out the specific actions that seeks to minimise the total cost of acquiring, operating, maintaining and renewing the assets. This must be done while delivering the service levels customers desire and regulators require and at an acceptable level of business risk to the organisation.

This is easier said than done however and there's no magic formula that suits every organisation. A manufacturing company with heavy plant and complex machinery will have an entirely different set of asset management challenges than a software developer.

The Sustainable Infrastructure Management Program Learning Environment (SIMPLE) outlines several different approaches such as the Quality Elements structure.

The [Quality Elements](#) framework perspective forms the heart of SIMPLE.



Perhaps the simplest approach for the majority of SMEs however is the one based on 5 core questions.

These questions are:

1. What is the current state of my assets?
2. What is my required level of sustained service and output?
3. Which assets are essential to maintaining this level of service and output?
4. What are my best capital investment and operation and management options?
5. Considering the answers to the above questions, what is my best long-term funding strategy?

There's a lot to consider even within those five core questions. Beyond that, however, there are a host of subsidiary questions and issues to think about. When considering the current state of your assets, for example, you must ask not only what assets you own but where they are, what condition they are in, their remaining useful life and their economic value.

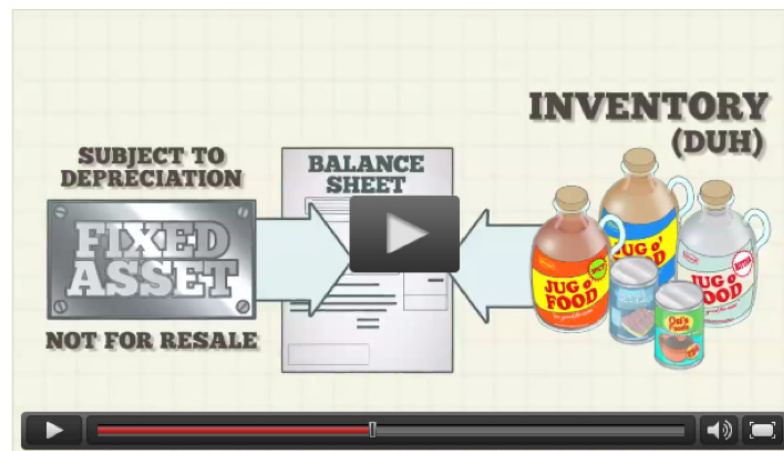
When considering your required level of service and output you must consider the wants and needs of your customers, stakeholders and any relevant regulatory bodies. You should also consider your current performance and whether this needs improvement or provides any space to streamline your existing operations.

# Tracking fixed assets

Fixed assets are tangible items or equipment that a company uses in the process of producing income. Essentially this means pretty much anything that is used in the day to day running of your business, from buildings to vehicles, machinery, IT equipment and office furniture. You might not think that an office chair plays a big part in the process of producing income but it is an essential asset that allows the employee using it to do his or her job.

Fixed assets are distinct and separate from stock or inventory that is intended to be sold and also from items that are likely to be consumed quickly. The general rule is that fixed assets are not intended to be sold or consumed within a year, so a printer could reasonably be classed as a fixed asset while paper and ink would not. Similarly, a vehicle could be a fixed asset but engine oil would generally not be. If you ran a company selling IT supplies, the computers and other pieces of IT equipment you use to run the business would be fixed assets while the ones you sell on would be counted as stock.

## Fixed Asset



So how do you keep track of everything you own and present the taxman with an accurate appraisal of its current value and depreciation?

If you're a micro-businesses or an SME at the 'S' end of the spectrum you could physically inspect, tally, list and value all your equipment and other assets. This will usually involve employees physically entering data into spreadsheets such as Excel and can be both time-intensive and prone to errors. According to Brian Sutter, director of marketing at Wasp Barcode Technologies, studies have shown that even a proficient data entry operator will make one error for every 300 characters. 4

One solution is to use scanning software specifically designed for tracking and managing assets. One common method of tracking assets electronically is to use a serially numbered tag, typically in the form of a barcode, which is attached to each asset. These are then scanned into the system and added to your database. This is not suitable for some types of fixed asset of course, such as buildings owned by the company. Physical inventories are still undertaken periodically, to check that the items are still where they should be and to combat issues such as theft and unreported loss.

More advanced packages can also be used to organise and track essential aspects of your asset management such as:

- Location
- Check-in/ check-out status
- Maintenance schedule status
- Transaction history
- Depreciation and current value

Knowing the location of your assets is important both in allowing you to physically check them if and when required and when making sure they are being used or deployed effectively. If you operate from multiple premises for example and you have a surplus of printers in one and not enough in the others, transferring one or more to where they are needed would be the most obvious and cost effective solution. Some asset management software can use GPS technology to track the location of particularly valuable assets in real-time. This could apply to costly pieces of IT equipment but is also particularly valuable in managing fleets of company transport. If equipment is usually kept in storage, there is GPS technology available that can give regular location updates (typically every week or month) but increase the reporting frequency once the asset is moved. You can also set up an 'invisible fence' that alerts you when an asset is moved from a particular location.

Check-in and check-out status can be used to monitor equipment that has to be signed for, such as laptops or company phones that are not permanently designated to a specific employee.

Maintenance schedules can help you keep track of which assets are due routine maintenance and upkeep and which may have unexpectedly deteriorated or stopped working entirely.



Conducting routine maintenance regularly has its own costs attached but can be far cheaper in the long run than waiting until an asset breaks and running it into the ground.

Transaction history helps you keep accurate records of when assets were bought, where from and for how much. You can also keep a record of former assets that have been sold or disposed of. More advanced systems can also keep track of depreciation by comparing the purchase price with current value based on variables such as age, wear and resale market value.

# IT assets

Asset management can throw up its own distinct challenges when applied to the IT requirements of your company. Individual items of hardware can generally be tracked and managed like any other fixed asset but there can be additional issues to do with compatibility, a combination of owned and outsourced elements, security, data protection and mobile working practices. As such, IT asset management is often seen as a distinct and vital subset of the overall asset management process and IT asset management cannot generally be conducted effectively without a detailed specialist level of knowledge of the IT requirements and capabilities within the company.

A trend towards IT system leasing and outsourcing is often a sensible and cost-effective approach, especially if vital hardware equipment is likely to require frequent and ongoing upgrades. Not every business that does so leases an IT system in its entirety however. There will often be a mixture of owned fixed asset hardware and leased equipment and an accurate asset inventory is essential in order to ensure you are not paying for more equipment than you need and that various components of the system are compatible with each other.

Rigorous IT asset tracking can help to spot compatibility issues and IT hardware inventories can often be more detailed than what is required in other areas, logging details such as manufacturer model and serial number, processor configuration, memory type and capacity, and physical and wireless connection types.

Your hardware assets also have to work in conjunction with your software of course. Proprietary software might seem more like an intangible asset – a program or app is not something you can pick up and touch, even if it is supplied on a hard storage format – but software applications and operating systems are generally counted among your tangible fixed assets as they are quantifiable ‘things’ of determinable value. A vital part of assessing and managing your combined IT assets is therefore keeping track of things such as licencing agreements and durations.

As well as making sure that all your hardware and software is compatible, you will also have to ensure that your system is secure against malware and other dangers and that you are able to comply with regulatory requirements such as those regarding the storage of personal data.

As Jane Disbrow, an analyst at Gartner Inc., told Computerworld recently: “If you don’t know where all your laptops and software are located, how can you tell regulatory bodies that customer information is being kept private?”

Managing your IT assets can be further complicated by the growing trend for ‘BYOD’ or ‘Bring Your Own Device’ in the modern workplace. The practice of tech-savvy workers using their own laptops, tablets, smartphones and other devices to access company data and systems is certainly on the rise. According to a Markets and Markets report, the BYOD market was worth \$67.21 billion (£44.29 billion) in 2011 and is estimated to rise to \$181.39 billion (£119.55 billion) by 2017, representing a jump of almost 200% in just six years.

BYOD can certainly bring benefits in terms of flexibility and productivity but there are also worries, particularly those relating to security – in the UK the CESG and the Centre for the Protection of National Infrastructure felt it necessary to issue guidance for organisations considering a BYOD/Bring Your Own Device approach at the end of last year.<sup>7</sup> A company BYOD policy should work in conjunction with asset management to ensure you know what is installed where and what security measures are in place.

As with overall asset management, there are many commercially available IT asset tracking and management systems.

The screenshot displays the ManageEngine ServiceDesk Plus website. The main heading is "Software license management". Below it, there are several bullet points describing the software's capabilities:

- Get a complete picture of Purchased Vs installed software for managing the software licenses. Associate the minor versions and allocate software licenses for all your "Managed Software" in the network.
- ServiceDesk Plus scans and fetches Microsoft Windows and Office Keys during IT inventory audit.
- Key in all the licenses that you have purchased earlier. ServiceDesk Plus will match the discovered license and license in store automatically in the next scan.
- ServiceDesk Plus helps you track software licenses on an ongoing basis when you manage purchases through the Purchase Order module.

There are two screenshots of the software interface. The top one shows a "License Violations" report with a bar chart. The bottom one shows a table of software licenses with columns for Name, Vendor, and Status.

At the bottom of the page, there are navigation buttons: Download, Live Demo, Compare, Get Quote, and Buy Now. A "Back to Top" button is also visible.

Asset management software can be used for a variety of functions, such as scanning networks and standalone workstations to discover any inventory installed software and associated licences. This can make it easier for software compliance to be maintained based on installations and licence records. A history can also be maintained by logging all software and hardware changes on the network and technicians can be automatically notified of any changes that do occur. Using an asset management of this type can allow a company or department to make informed decisions on when to upgrade, renew or replace its IT assets and which vendors or products offer the most cost-effective solutions.

# Vehicles

The management of your vehicles is another special subset of asset management that is often referred to as fleet management. A single company car or a couple of commercial vans hardly counts as a fleet of course and managing vehicles is far more straightforward for some businesses than others. Any company involved in providing transportation services however, or which regularly transports their own goods, materials or personnel, is likely to benefit from having a formal fleet management process in place. This applies whether the vehicles themselves are owned, leased or a combination of the two and whether the fleet comprises of cars, vans, lorries or even aircraft, boats and rail cars.

There are many specialist fleet management companies who will essentially take over the management of your fleet, but it's also completely possible for fleet management to be done in-house with the right software and systems in place.

A comprehensive fleet management system should cover various issues such as:

- **Vehicle inventory and maintenance**

Keeping track of the vehicles in your fleet, the condition they are in and regular maintenance and servicing schedules. A proactive approach to maintenance and servicing usually works out cheaper than dealing with faults and issues as they arise.

- **Accident management**

Dealing with repairs, insurance claims and legal issues arising as a result of an accident. Sourcing replacement vehicles if required and minimising any disruption to your business.

- **Engine mapping**

Helping you achieve the best fuel economy from your vehicles while limiting your CO2 emissions.

- **Insurance, documentation and warranty control**

Dealing with the paperwork, including insurance, manufacturers' warranties and any legislative requirements.

GPS and telematics technology is another vital element of modern fleet management. You will not only be able to track the location of every component of your fleet at any given time, you can also use software analytics for a number of different uses.



The tracking element can be useful in locating your vehicles in the event of an accident or theft, in making sure your drivers are where they should be and helping them to get there if they're not. This can also reduce the potential for private trips being taken on company time and expenses.

Telematics can also provide information on how the vehicles are being driven. Insurance companies are increasingly making use of telematics (commonly known as 'black box technology') to inform their policies, particularly in regard to drivers that are seen as high risks, but the technology can also be used by companies to monitor their drivers' behaviour on the road. Information can be collated regarding how fast vehicles are being driven, how they are braked and even how they are cornered. This information can allow you to combat poor or dangerous driving and help your drivers improve their fuel economy.

# Managing rents and bills

There are many elements that a business might not own outright but which are still necessary to its successful ongoing operation. These aren't strictly speaking company assets. They might be the exact opposite – liabilities – in fact but, as with leased vehicles, rented IT equipment and licenced software, they are often best viewed in conjunction with your overall asset management strategy.

Buildings and premises are one obvious area for many businesses and the decision to rent or buy can be a hugely important one. Buying can offer more security and be more cost-effective over the longer term but renting will require less capital and offer more flexibility. Whether you buy or rent, you might need to obtain planning permission if you are changing the use of the building or if you need to make alterations.

## Renting and buying business premises

Find out what you need to know before deciding whether to rent or buy your business premises.



### Setting up

[Choosing your business premises](#)

[Start your own business](#)

[Business support helplines](#)

[More](#)

When renting you should consider the length of the lease agreement, which can typically run anywhere from three to 25 years but they may also include a break clause or allow you to sublet.

Lease agreements often include scope for periodic rent reviews, rent increases could be stated in advance or they could be linked to inflation. You might also be obliged to pay all or some of the maintenance costs for the building.

A licensed property agreement tends to be shorter – up to 2 years – and can be ideal for start-ups but the range of properties available is generally much smaller and may extend only to rooms, offices, units and studios rather than the entire building.

Another area, which is also tied to your premises, is that of energy usage and utility bills, which can be a major part of a business' outgoings. Your asset management plans might suggest areas, particularly regarding electrical usage and heating, where you might be able to change or upgrade equipment for more energy efficient alternatives. You can also institute a greener policy within your workplace, which is often popular with employees and customers alike and can also help save you money. Even small changes, such as switching off monitors when they are not in use, only switching on lights when they are needed and disconnecting mobile phone chargers once it's fully charged can soon add up if encouraged throughout the company.

You might also consider making your premises more energy efficient by taking measures such as replacing windows with energy-efficient glass or overhauling your heating and air conditioning systems. This could depend on if you own the building or not as any savings you enjoy in the long term might not be realised if you leave the premises in the meantime.

Finally, make sure you are getting the best deals from your utility suppliers. There's been a concerted campaign of late to get domestic consumers to compare the tariffs available but, according to [managingutilities.co.uk](http://managingutilities.co.uk), over 80% of SMEs in the UK simply allow their contracts to roll over.<sup>8</sup> This could be burning money – almost literally – and it usually pays for businesses as well as domestic consumers to compare the market.

# Streamlining business operations

When most people hear the words 'streamlining' and 'downsizing' in business terms they immediately think of redundancies and a reduction in the workforce. This can be one way to streamline of course but it's not generally a route that most businesses want to go down unless they really have to.

Asset management can sometimes provide ways to streamline your business without letting anyone go and streamlining can be beneficial even in a business that is currently thriving.

Returning to those five core questions, the answers to 'What is my required level of sustained service and output?' and 'Which assets are essential to maintaining this level of service and output?' could suggest areas where savings could easily be made. Differentiate between essential and non-essential assets and carefully consider any changes you could implement. This could be as major as moving or combining premises or it could be a series of smaller changes such as instituting the sharing of printers or office equipment.

If you are getting rid of assets, consider whether it's worth selling existing items or simply a case of not replacing or renewing them when they reach the end of their life cycle. The optimum time to buy and sell assets will depend on a number of factors, including market factors and your own financial cycle.

The constant fast pace of change and new developments means IT is frequently one area that is perfect for streamlining. The growth of cloud computing, for example, allows users to access data and programs remotely and cloud data storage can allow you to only pay for the storage you actually use, with the ability to upscale your capacity when needed. You might also want to switch to 'rugged devices' – handhelds, tablets, laptops and other devices designed to make more physical knocks – which can extend the life cycle in a workplace environment.



# Pension funds and auto-enrolment

One area of financial asset management that affects most businesses is that of pension funds and the gradual staging of automatic enrolment has had businesses of all sizes scratching their heads, reaching for the panic button or simply burying their heads in the sand. According to the ACA 2014 Smaller Firms' Pension Survey, nine out of ten small employers that had not yet reached their staging date said they wanted the process to be delayed until the new raft of pension reforms were complete. Among respondents who had yet to auto-enrol, awareness of staging dates and budgeting was low, with fewer than half (46%) of respondents saying they were aware of them.<sup>9</sup>

The announcement that the government was launching a consultation into whether the threshold for auto-enrolment should be changed for the year from April 2015 caused yet more confusion. This raised the potential for a change in the eligibility criteria for being automatically enrolled into a workplace pension. In the end the government announced the earning threshold would be frozen at £10,000 for the coming year but according to [accountingweb.co.uk](http://accountingweb.co.uk) this still results in a change, as the threshold for auto-enrolment will no longer be linked directly to the income tax threshold.<sup>10</sup>

Automatic enrolment was introduced at the end of 2012 for larger businesses, with smaller firms expected to sign up over the following six years. Essentially all businesses must sign their eligible employees up to a workplace pension scheme. Individual employees can actively choose to 'opt out' and leave the scheme, but the business must still enrol all eligible employees.

Information on auto-enrolment is available on the government website GOV.UK but it's important to get it right and many businesses are choosing to seek professional advice.

Jason Wouhra, director and company secretary of Asian food producer East End Foods and chairman of the West Midlands branch of the Institute of Directors said: "SMEs don't have the economies of scale to set up their own departments like large corporates and their managements are often thinly spread. So, bearing in mind the time constraints and complexity involved, it's essential they get support from a professional adviser. Without one I would have struggled to have pulled together the right people in the business."

Employers

What is automatic enrolment?

Tools for automatic enrolment to get you started

Find out your staging date

Your employer duties

How to automatically enrol your staff

Your minimum employer contribution

The essential guide to automatic enrolment

Does automatic enrolment apply to me?

What happens if I don't comply?

Getting ready for automatic enrolment

Implementing automatic enrolment

## Tools for automatic enrolment to get you started

Use these simple tools to help you get to grips with your new employer duties.

Note: These tools are intended as a simple overview of your employer duties. For more information see the Important note below.

### Available guides and tools

1. Find out your staging date

The date when the new law is 'switched on' for your business

Start

2. Your employer duties

An overview of what you'll have to do on your staging date for everyone who works for you

Start

3. How to automatically enrol your staff

An explanation of the process you'll need to follow to automatically enrol your staff

Start

# Conclusion

Asset management is the art (or perhaps the science) of making informed decisions about your assets – both individually and as a whole – throughout their entire lifecycles. This can begin before you even acquire a new asset, with the decision of whether you actually need it, up to the point that you dispose of it.

This can help to reduce costs but it can also help to improve productivity and performance or to reduce the risk of performance being impaired by unforeseen circumstances. You could, for example, decide that it's more advantageous to have additional back-up for a part of your process rather than slimming down to the bare operational minimum.

Essentially asset management is about making the most of what you have and questioning whether what you have is what you really need. This can bring a number of benefits to businesses of all shapes and sizes.

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# IMAGE LOCATIONS

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6 <http://www.thepensionsregulator.gov.uk/employers/beginners-guide-to-auto-enrolment.aspx>

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