



## KOALA in Depth: Ownership—Foundation for Cost Accounting and Strategic Steering

*This is the second in a six-part series that expands on the principles of the KOALA Factor, first introduced in “A Pragmatists Guide to Structuring IT Asset Data.” The KOALA Factor is—Key costs, Ownership, Accountability, Lifecycle status, and Assignment. The premise is that if you can track these core facts for your IT assets, you can provide at least a rudimentary response to the vast majority of the planning, compliance, and procurement tasks in the short term, and that data can give you the foundations for extended service delivery and support (CMDB) going forward.*

Asset ownership (as distinct from either accountability or assignment) is often overlooked because the fact itself has limited utility. Ultimately, though, ownership is the key vector that enables effective use analysis and strategic prioritization across the different responsible entities within the organization.

The value of effective asset ownership tracking comes in understanding the asset in each of its primary contexts—financial, operational, and as a component of an IT-delivered business service—and helping each of those stakeholders understand how their independent lifecycles for the asset intertwine to define a separate strategic lifecycle for the asset.

The primary issue is control. Ownership tracking gives us the first key fact necessary to negotiate the boundaries of control within the organization, and to initiate the discipline toward more active tracking.

### Initial Ownership and Setting the Pattern

For a few brief moments as an asset enters the organization, ownership is clear—the asset belongs to whomever owns the budget that paid for it. The invoice is paid, the budget is decremented, a net book value is calculated, and financial depreciation begins at the corporate roll-up level.

Many organizations simplify ownership by purchasing all IT assets through a central procurement group or under a single IT operations budget then distributing the asset to individual departments or work groups. While this is efficient from a financial standpoint, it also masks ongoing true costs of ownership from the stakeholder, allows lazy resource planning and allocation, and can establish poor discipline around ongoing value analytics.

Even where initial purchase is handled through central

procurement, the ownership, budget accountability and maintenance should immediately pass to a departmental budget. This supports more careful calculation and tracking for ongoing costs such as use or property taxes where location or use by a particular entity have specific impact, as well as transferring ongoing awareness of the asset to a specific oversight team who then has vested interest in maximizing value from the asset.

Many IT assets are purchased for use in a specific project and their financial value is calculated based on that initial deployment (typically the first six to nine months). When the immediate need is fulfilled, a surprising number of assets are then set aside or simply ignored in-place, and provide little or no additional strategic value—with the result that new assets are purchased for the very next project when current assets could easily fulfill the need at no additional cost.

Actively tracking that ownership drives true cost of ownership (cost analytics) and overall capacity planning (value analytics), and can help expose this kind of inefficient asset usage.

From a financial standpoint, simply tracking the first owner is usually sufficient to drive primary activities in support of the asset's financial lifecycle—and is commonly where most organizations stop tracking. As long as the accounts are well-defined and simple financial control processes are followed at initial procurement, there's little else Finance needs until depreciation goes to zero and the asset functionally leaves the corporate balance sheet.

But for IT assets—and especially IT infrastructure assets—easy repurposing, reallocation, and the presence of sensitive or strategic data on even a commodity device creates additional interests that demand more active ownership tracking throughout an IT asset's operational lifecycle (and just slightly beyond).

### Operational Control and Data Integrity

IT assets pose special problems for ownership tracking:

- *Commoditized hardware is regularly repurposed.* The rise of clustering, fault tolerance, distributed processing, load balancing, and virtualization using commodity hardware has changed the way that IT assets are purchased, allocated, and maintained.

In the past, commodity hardware could be independently owned by an individual department or workgroup, but centrally

maintained—resulting in crowded datacenters with inconsistent configuration and utilization across devices. With current trends leading toward consolidation, standardization, and reduced footprint combined with higher resource utilization, functional ownership of an asset can change several times over its operational lifetime.

Discipline needs to be established up-front to track actual operational ownership of commodity hardware against specific budgets to enable full cost and value analytics over the full lifecycle of the asset (36 months or more) rather than the typical six to nine month project the asset is initially purchased to support.

- *Operational expenses often exceed initial capital expenditure.* Costs of software renewals, maintenance and repair, and ongoing operational expenses (power, floorspace, cooling) for both high-end and commodity hardware often easily exceed the actual cost of the hardware itself.

As a result, operational cost tracking and chargeback are becoming more common, which requires active tracking of who has specific ownership responsibility for the operation of each individual device—which often leads to consolidation or reallocation as internal needs change over time.

- *Data is often more valuable than the asset itself.* With massive distribution of processing, storage, and access to core data, the device itself is often far less important to the organization than the data stored on it.

Physical control of data storage assets has become as critical to infrastructure management as device configuration. Strict segregation of data based on regulatory requirements, information security practices, network accessibility, and hardware encryption levels requires active tracking for not only technical, but business and administrative facts as well.

Understanding device type (printer, removable storage, local disk) provides the first control, and logical access restrictions provide the second control.

- *Data leakage extends control beyond the datacenter.* Even where physical controls over the infrastructure are in place, the most common vector for lost or corrupted data is through remote access by end user devices.

Especially with the rise of software-as-a-service and device-independent computing, data can be easily accessed through the cloud unless strict accountability and controls are put in place both for physical and logical access. Simply securing physical access to the server is no longer enough.

Increasingly, organizations are compelled by both shareholder interest (risk management) and regulatory requirement to implement data access controls based on a combination

of user identity and device profile/device owner tracking. This combination of physical and logical asset controls is increasingly required by regulation (HIPAA, SOX) and as a matter of best information security practice.

If you understand who owns the original data set, who owns the devices that house it, who owns the devices that are permitted access, and who owns the devices that actually attempt access, then you have the right core information to not only optimize access controls beyond the simple authentication level, but you also have the tools to both police and prosecute policy violation.

Ownership data does not drive any of these logistical issues, but it does provide the context that makes management policies more useful and effective. Ownership tracking is the vector not only for greater operational and logistical control, but for greater strategic insight as well.

## Service Management and Resource Steering

The IT infrastructure exists to provide authorized stakeholders with access to data and services. At this level, multiple assets (hardware, software, database, network infrastructure) combine to define meta-assets that enable business services.

Your asset repository should store not only the component assets, but these meta-assets as well. By understanding the relationships of component assets to create larger service assets, you establish the basics of change impact analysis needed for effectively managing those services. If you understand who owns the component assets—and the data housed on them—you can properly involve those asset or data owners in planning and impact analysis activities.

Just as importantly, when you understand who owns an underutilized component asset, you can begin to make resource allocation decisions based on need, and negotiate usage with that asset owner—or transfer ownership. This enables more effective capacity planning and resource steering to maximize value from investments in IT infrastructure.

Tracking ownership over time and being able to analyze costs associated to each owner or project assignment will enable more extensive value analytics. The discipline to capture this data as it changes will provide the accurate history through the asset's entire useful lifecycle—and provide increasingly valuable data to current and future project and purchase planning.

Many organizations will choose to simply start tracking now; attempting to go back and recreate detailed historical data can be an arduous task that few organizations will commit to. But even simple historical data can provide significant value, and detailed historical data captured over time can effectively transform planning activities by providing the hard data needed to make better decisions.

## Conclusion: Ownership Drives Smart Planning

Your asset repository provides a single, authoritative data source that can be referenced by finance and datacenter operations managers, strategic planners and service delivery teams, and even corporate security auditors. Simple reference facts about the asset itself can then be used to drive both tactical and strategic decision-making.

By tracking ownership as a core fact of the asset record—and keeping that ownership data current and accurate—you provide the strategic vector that helps ensure proper involvement in decisions regarding those assets. This can help reduce risk while increasing overall agility and strategic responsiveness.

Maintaining this small point of discipline in conjunction with a structured asset management program can have significant impacts— from simple financial tracking, to security management, to service management and change impact analysis, and ultimately corporate planning and resource allocation. ■