

Organizational debate: Who owns the assets?



The question of who owns the assets depends on which group is being asked and what definition is being used to describe the value of the asset.

One of the biggest challenges facing capital-intensive organizations today is dealing with the question, “Who owns the assets?” This matters because whoever owns an asset is also responsible for its condition, legal liability and use. As business units struggle to define control, it is important to take a step back and examine the variety of stakeholders that have legitimate claims to ownership, particularly in asset-heavy industries such as mass transit, which have their own unique challenges in enterprise asset management (EAM). By understanding how different parts of an enterprise can work collectively, and by making a change in organizational thinking, everybody can be a winner in the asset ownership battle.

Asset-intensive industries around the globe are moving toward a more formal approach to managing their physical assets to increase business value, improve customer satisfaction, and ensure safe and reliable service. Internal debates arise over who owns the assets and, by extension, who owns the decisions about those assets.

Asset ownership is often siloed in certain business units or in different parts of an organization, supported by strategies and plans that are independent of one another. Each part of the business may have its own definition of what the assets are and how to go about dealing with them. What results is widespread confusion over ownership and overlapping EAM coverage, both of which can be detrimental to the success of the organization.

The evolution of asset management

The origins of enterprise assets go way back to when they were mostly seen as financial assets on a balance sheet. Gradually, the definition of an asset was extended to physical assets, such as pieces of machinery purchased from an equipment manufacturer. As assets matured, organizations needed to develop processes about elements such as maintenance, materials and scheduling. To address this, enterprises built computerized maintenance management systems (CMMS) to help operations and maintenance organizations gain asset visibility.

The reality is that assets have value across many parts of the enterprise: supply chain, finance, engineering, maintenance, human resources and others. Many of these groups think they own the assets and can manage them effectively. So, part of the question of who owns the assets depends on which group is being asked and what definition is being used to describe the value of the asset.

Technology advances have complicated the ownership question, especially in asset-intensive organizations that do not have cross-functional clarity on common business processes and performance objectives — issues that can be magnified by a lack of information and data standards.

Who owns the asset?

Various groups can claim ownership of enterprise assets:

- Supply Chain
- Finance
- Maintenance
- Engineering (incl. Construction)
- IoT providers
- Facility managers
- Systems integrators

One of the earliest examples of this is the artificial line of demarcation between enterprise resource planning (ERP) solutions and the original CMMS that have evolved into today's EAM systems. Another trend that confuses the matter is that of mergers and acquisitions among vendors that provide asset management solutions and also among companies in asset-intensive industries.

Drawing the battle lines

In the battle over asset ownership (and the associated decisions), various enterprise groups can come up with their own justifications. The **supply chain** may define EAM as the ability to have visibility into assets through the procurement cycle.

Finance could define EAM as having clarity on the current value of the asset base as a function of balance sheet reporting. **Maintenance**, which is often part of **operations**, probably has the best historical claim to EAM and can say, "We've been responsible for maintaining and repairing assets in real time and typically have the most updated asset information, so we should own the assets."

The areas of overlap are where ownership battles typically erupt, with the typical points of contention being supply chain inventory and material management, and the asset register.

Other factions in the organization also have legitimate claims to asset ownership.

Engineering, which would typically include **construction**, might say, "We built your asset; who better to own it than we, who understand its design function, useful life and CAPEX?" IT can also provide justification for ownership of the decision process by claiming, "We are responsible for the acquisition, integration and upkeep of all the technology systems that help the asset-intensive organization run efficiently."

The ownership battles don't end there. Advances in building information modeling (BIM), the explosion of internet-of-things (IoT) devices, and integrated workplace management solutions (IWMS) mean that still other factions may lay claim to assets.

After all, **IoT providers** — or sensor vendors — can now say, "We have the best understanding of current health and real-time operational performance characteristics and can best aggregate all that data, so we should own the assets." And **facility managers** — a category that can also include the owner's representatives — have a full view of facility assets in areas such as space management and facility maintenance, so they might claim, "We manage the assets on behalf of the business and therefore have the best insight into what decisions need to be made about them, so we should own the assets."

Last, but certainly not least, **systems integrators** optimize competing silos, so their claim might be, "Since we're going to integrate it all, when you're looking for the right answer, come to us and we'll prescribe it."

Making sense of asset ownership

The answer to the question, “Who owns the assets?” is that no single department does, because asset management has so many touchpoints. Instead of declaring a single faction as an owner, organizations need to develop a shared understanding and agreement about the key data points for decisions.

Each of these claims of asset ownership is compelling, but all the internal conflict leads to disorganization. The problem is not that the siloed parts of the enterprise are making the wrong decisions about who owns what and which enabling tools are going to help manage those assets; the problem is that they may have no idea what impact their decisions will have on the other parts of the business.

If there is no organizational consensus, and the enterprise does not have clear visibility into data, then leaders don’t have what they need for effective decision making, and there can be financial ramifications. Done right, finely tuned asset management can lead to tremendous gains. Consider, for example, that the Metropolitan Transportation Authority in New York has \$1 trillion in assets.¹ So even a 1 percent improvement in asset management effectiveness could yield more than \$100 million in potential benefits at a capital and operational level.

So, the answer to the question, “Who owns the assets?” is that no single department does, because asset management has so many touchpoints. Instead of declaring a single faction as an owner, organizations need to develop a shared understanding and agreement about the key data points for decisions. Asset management is about creating a discipline across the organization by which business units are joined at the hip to create or increase value as a whole and agree that EAM can be governed by well-established industry standards.

For example, on a global level, the Institute of Asset Management² was instrumental in helping develop the international standard — ISO 55000 series³ — for asset management. And many excellent asset management resources for the mass transit industry in the United States can be found online. The transit asset management (TAM) page on the U.S. Department of Transportation’s Federal Transit Administration website, for example, provides specific guidance for transit agencies.⁴ Another excellent resource is the American Public Transportation Association’s TAM page, which features information on standards and best practices, along with real-world examples of asset management plans being implemented by mass transit agencies.⁵

In the end, it doesn't matter who owns an enterprise's assets. It's about making sure that as an organization you recognize there are multiple stakeholders and that you need to view assets through the lens of owning asset life cycles rather than just the assets themselves.

A shift in thinking

Asset management should be less about internal fighting and more about understanding the evolution of your business, the evolution of your industry and the evolution of technologies that can help you achieve your business objectives.

Part of successful asset management is having a clear view of enterprise information. If you have that view as an organization, you can use technology to gain insights from the data. Once you have the right data, the right objectives and the right strategy, it all comes together. Then as a group, you can establish business rules that can be used to make the right decisions.

Enterprises need to embrace an approach that is becoming more common in asset-intensive industries: total expenditure (TOTEX), which is the combination of capital expenditure (CAPEX) and operating expenditure (OPEX).

The TOTEX approach involves a shift from owning assets to owning asset life cycles. Thus, the question is transformed from "Who owns the asset?" to "Who owns the life cycle of that asset?" This shift prompts a need to look across the organization, work together, understand a common strategy, establish common processes and deploy common tools to be effective.

The asset life-cycle owner should be interested in things like the specifications and financial implications of an asset. When you're thinking about the full asset life cycle, you are more apt to think about the other siloed parts of the organization that might rely on the asset, the skills needed throughout the life cycle of an asset, and how these might change over time.

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