



KOALA in Depth: Key Costs—Foundation for Value Analytics and Planning

This is the first of a series of articles 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 cost tracking and analysis is one of the most important—and one of the most daunting—tasks an IT asset manager can undertake.

The value of effective asset cost tracking is clear—more accurate budget planning and resource allocation, greater financial accountability and cost controls, improved negotiating positions with vendors, and business-level value analytics to drive and justify ongoing project prioritization and investment strategies.

Key Facts and Practices

Ultimately, it's not as hard as it looks if you keep two key facts and two key practices in mind.

- **Fact: Most critical cost data is already in your environment somewhere.** The vast majority of data is spread across dozens of locations and tracked by dozens of stewards—but it is there in your environment if you can dig it out.
- **Practice: Structure your asset repository to store validated costs.** IT asset managers should already have an individual record for each asset where cost tracking matters to the organization. Structure a section of that asset record to contain these validated costs. Capture dates, original data sources and owners, and notes on how costs were derived.
- **Fact: Asset managers need validated costs to drive decisions, not raw data to support audits.** Raw numbers in a spreadsheet, invoice, or database are a resource for determining functional costs, not meaningful facts in themselves—at least not to the asset manager.

As odd as it sounds, an asset manager needs a justifiable estimate for most costs, not a perfect reflection of data stored elsewhere. Cost of ownership and maintenance will always be a best guess, but as long as you can justify the calculation—and as long as you're consistent in how you derive those values throughout the repository—then close is good enough in most cases.

- **Practice: Capture costs at the moment they're validated.** As with any system, the key is to maintain discipline and ensure that only valid and useful data is stored in the asset repository. Resist the urge to track too much or to capture data while it's still likely to change. Understand the specific use of every datum you track.

More importantly, capture that asset data as it's generated by updating your internal policies and practices to supply that data as soon as it's validated and committed as a fact.

The key is consideration, process controls, and discipline to follow through. If you break those into smaller, manageable pieces it becomes much easier to maintain the system—and thus increase the value it can provide.

Implementing Key Cost Tracking

For initial rollout, the struggle is to balance existing static cost data with ongoing or additive costs (total cost of maintenance/ownership). If you try to do too much all at once, you will lose momentum, lose interest, lose support, and ultimately fail.

For our purposes, cost data falls into three primary categories—hard costs, supplemental and maintenance costs, and operational support data.

Fixed Hard Costs

These are costs backed up with an invoice, purchase order, receipt or other tangible proof supplied in a direct transaction. Once the transaction is completed, these values are fixed and permanent. Reference data should be easily obtained from accounts receivable.

Add these costs as they're booked. They'll tend to come in bunches and can often be performed as a scheduled task. Attach a copy of the work order or invoice with detail on the charge.

Hard costs may include:

- Initial purchase price (item, tax, shipping) for a well-defined product SKU
- Pro-rata share of initial service contract or warranty purchased in conjunction with acquisition
- Reference to independent asset records for required peripherals, software, or adjuncts
- Warranty renewal costs
- Contracted disposal costs

The key here is initial purchase—nothing should enter your environment without an initial invoice, so that should be a complete and authoritative baseline. You can add subsequent planned costs (disposal) when they occur. By planning a field in your asset repository up-front, you encourage full discipline.

Additive and Maintenance Costs

These are costs that may be generally predictable, but whose costs or rates may change over time or whose frequency may not be predictable. There may not be a firm invoice, though there will always be a record of the cost at some point.

Add these costs to your maintenance tables as soon as they are booked to keep the asset repository fresh and relevant. If you wait until year-end, the task can become overwhelming and you will tend not to do it, or to do it poorly.

Additive costs may include:

- Helpdesk/service desk incident—time, materials, calculated total cost
- Subscriptions or memberships
- Recurring service plan (phone, data service access, leased services, etc.)
- Repair/operational maintenance
- Internal resource (deployment, move/add/change fees, etc.); feeds chargeback
- Taxes, fees, or registrations

The key is to track when the cost accrued and how, and may involve calculating a net functional cost from partial data sets. For analysis purposes, you should consider storing both the originating data and the calculated cost.

It may not be feasible to re-create historical costs; strongly consider choosing a start date and simply tracking from there. For most organizations, this is the only feasible approach. It takes about a year to get meaningful planning data, but the costs saved (and momentum maintained) by starting from zero can easily justify the delayed result.

Once a value is set for a cost item it should remain fixed. If you categorize costs by type, you will have the foundation for value analytics, not only for the one specific asset, but for other assets of the same class or for similar accrued costs for other asset classes.

Operational Support Data

These are less about verifiable costs than about either rates/formulas used to calculate functional maintenance costs, or about internal operational allocations intended to reflect current total value. These are often periodic costs that can be captured at quarter-end or year-end, and tend to be fairly static.

Operational support data may include:

- Tax rates
- Internal service rates
- Current book/depreciated asset value
- Replacement cost (can change over time as standards change)
- Pro-rata share of software or OS license fees (can change over time)

The key is that this data is included in the asset repository as an aid to planning, not as a reference for bookkeeping or finance activities. Data will tend to be tabular, and should be referenced by the additive or maintenance cost table. This data helps give recurring costs their context and detail.

Conclusion: It's about Planning and Discipline

The key to successful cost tracking in the asset repository is to define the processes for getting the data, then maintaining discipline to update it in a structured way designed to support your specific business needs. There is no solution-in-a-box; you need to create your own optimized structure for the asset repository.

Start with easily obtained fixed costs and add maintenance and operational data in a series of projects over time. For many organizations, it won't make sense to go back and try to calculate maintenance costs from the past; if you start capturing those recurring costs now, in a year you will have a solid foundation for value analytics.

Most projects fail from either too ambitious a start, or lack of discipline over the long haul. If you break it down into manageable pieces and start capturing costs at the moment of accrual, you will significantly increase your ability to maintain discipline, and the quality of data available for cost analytics will improve with every passing month. ■