# The Key Stages of Asset Management Lifecycle


Assets refer to items, things, or entities that have potential or actual value to an organization. Asset management is the process of coordinating activity to realize value from those assets.

This goes beyond physical assets that many companies tend to focus on.

Asset management is comprised of opportunities, balancing costs, and threats against the desired level of performance of assets.

This is essential to achieve the highest return on investment and to attain your company's main objectives. One of the main goals is to minimize the overall lifetime cost of assets that can be affected by other indicators.

Other indicators include risk during the decision-making process and business continuity.

Asset management makes it possible for an organization to study and observe asset performance in various stages.

With the application of asset management, a company can analyze different approaches toward managing assets throughout the entire life cycle.

Your asset management team must monitor machines, hardware, and software assets.

By implementing an asset management strategy, it is easier for your organization to track all asset changes, their location, and how they are configured.

With the right asset management strategy, your organization can save both time and money.

An essential part of asset management is understanding the asset management lifecycle, which is broken down into four stages.

> *The asset management lifecycle stages are: planning, acquisition, operation and maintenance, and disposal.*

# The Key Stages of Asset Management Lifecycle

## Planning

The first stage of the asset lifecycle is planning. At this stage, you are establishing and verifying asset requirements. To determine asset requirements, you must evaluate your existing assets and their potential to meet your service delivery needs.

You must also identify management strategies to include and analyze the need for an asset. Throughout all parts of the planning phase, it is essential to ensure that the ongoing development adds value to the company.

If your organization uses effective planning and all asset management cycle stages, it will help with:

- Assessing the sufficiency of your existing assets
- Ensuring the necessary resources are available when you need them
- Finding under-performing or excess assets
- Ensuring proper maintenance of assets
- Estimating options for asset provision as well as the funding for asset acquisitions.

## Acquisition

You'll only be able to make the best decision in regards to which assets to obtain after you have defined the costs and the requirements.

The acquisition planning phase includes all activities involved with purchasing an asset with the end goal of making the acquisition as cost-efficient as possible.

This phase consists of the procurement department working to find the best supplier and negotiate the best possible deal.

When considering cost, it's crucial not only to consider the initial investment but the lifecycle cost or the total cost of ownership.

For instance, if purchasing fleet vehicles for your business, it may be nice to have the Cadillac name, but those are expensive to buy and even more so to repair, compared to vehicles with similar styles.

Look at the price of the Cadillac Escalade compared to the GMC Yukon. The two are mostly the same vehicle. However, price shouldn't be the only indicator you use to determine which products or services you'll go with.

In the beginning, your company should decide whether the asset will be perpetually bought or built. After that, establish budget guidelines for acquiring the asset along with the time frame for the acquisition and a purchasing requirement.

You need to consider cash flow as not having enough money or time to adequately address acquisition could put the entire process at risk.

When the requirements are met, a project team should run the process to make sure that all acquisition process activities will be completed to meet the service delivery and other organizational objectives.

## Operation and Maintenance

In this stage, you are using the asset as indicated. You may also hear this stage called the useful life, as it is the most substantial part of the lifecycle. All operation and maintenance activities are performed and tracked during this stage.

At this point, you should focus your efforts on keeping the asset in good running order so that it can continue to provide the service you need.

Whether that means consistently cleaning or performing some other kind of routine maintenance, it is crucial to take care of your long-lived assets.

IT asset management, for instance, will require regular data backup, virus scanning, etc. The better maintained they are from the beginning, the longer the asset tends to last.

Beyond aiming to complete the appropriate maintenance, you should monitor the assets and look for potential improvements and adjustments in your operational requirements.

As long as the asset is functioning correctly, it is within its useful life, regardless of when you expected it to reach the end of the lifecycle and need to be disposed of.

If, however, the asset isn’t functioning and cannot be repaired, it has reached the end of its useful life, regardless of when it was anticipated to be disposed of.

That said, useful life also considers the asset’s intended use. If it is functioning correctly and still meeting the intended purpose, it remains within its useful life.

If operations have changed in a way that means the asset no longer meets its intended use, it is no longer within its useful life even though it still works.

If a machine is working well, even though it has been 10 years since you first bought it, you can continue to use it as long as it makes financial sense to do so.

If the technology is outdated and causing productivity losses or otherwise costing the business more money than it’s bringing in, then the asset’s lifecycle is finished, and it makes sense to take it out of commission.

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