

GE Commercial Finance
Asset Manager

Unlocking the Full Value of Capital Assets

The Potential of Asset Management



Businesses today face multiple challenges, including such issues as an uncertain economy and increased competition, even as they must comply with new Sarbanes-Oxley financial regulatory requirements. Consequently, top executives are searching for innovative strategies that can trim costs and increase operating and reporting efficiencies. While each company may tailor its own response to these and other challenges, the successful ones are all likely to share on common characteristic, say experts from GE Commercial Finance and Wharton: they recognize the need to change certain core business practices, including the way assets are managed. Often, this involves replacing spreadsheets and other standalone tracking processes with an integrated, digital approach.

“During GE’s ongoing discussions with global business customers, it became clear that asset management is a significant component of organizations’ efforts to generate improved bottom-line results and comply with today’s financial regulatory requirements,” observes Dan Kearns, Senior Vice President, GE Commercial Finance - Global Asset Management. “Underlying the increased interest in asset management is the need to improve equipment utilization and reduce capital spending, and to accelerate the sale of surplus assets as a way to generate higher yields. To meet this need, GE and other forward-looking companies have developed innovative, Web-based asset management systems that can be tailored to fit the needs of specific companies.”

As businesses face higher acquisition costs—spending up to 70 percent of their revenue on direct and in-direct goods purchases—management has recognized the importance of tracking and redeploying assets more effectively, and of marketing and selling surplus equipment in an efficient manner.

But even as asset management rises to a top-tier concern, a significant number of businesses are discovering that their existing systems are not up to handling the tasks that are required as part of the initiative. Weak points include an inability to track capital equipment across multiple locations or facilities, and a lack of reporting capabilities to handle such details as equipment description.

“More attention is being focused on such areas as sourcing activities, and achieving reductions in purchasing cycle times,” says Kearns. “Businesses are also revisiting multiple sourcing models like requests for quotation and price, reverse auctions, and sealed bids. Increasingly, they are determining that the best way to automate these and other functions involve an Internet-enabled digital approach that offers capability, scalability, efficiency and security.”



Automating Asset Control Can Boost Your Bottom Line

A recent industry survey indicated that although “automating enterprise asset management can boost profitability and performance,” only two percent of respondents reported they were completely satisfied with their current asset management programs and processes. Further, only 32 percent track assets on an enterprise-wide basis, 34 percent track on a divisional-single-site basis, and a disturbing 18 percent have no formal processes in place. Meanwhile, analysts point out that for companies in such asset-intensive industries as manufacturing, transportation and utilities, “diverse assets are often interdependent and need to be managed as a whole, so that their bottom-line impact on an organization can be fully understood.”

Further, in an era when computerized and Web-based applications increasingly deliver accurate and effective results, studies indicate that many firms continue to manage their assets with paper-based systems, or use a spreadsheet as an “automated tool.”

“Some people tend to resist change, but they need to realize that what worked 10 years ago may no longer deliver necessary results,” comments Tom McDonald, Chief Marketing Officer, GE Commercial Finance, Global Asset Management. “Streamlining the procurement process, for example, can make it easier to create and distribute tenders, to select vendors and to negotiate with suppliers. An automated asset system can also give a user the ability to determine the factors that are the most important to the company’s procurement decisions, and can assist in identifying suppliers that deliver the greatest value—from the lowest price to the ability to match exact specification requirements.”

Embracing Change Is Vital

A willingness to embrace change is vital, according to Raffi Amit, a Wharton professor of management and the academic director of the school’s Goergen Entrepreneurial Management Programs. He and other Wharton professors recently worked with McKinsey & Company on a research program focusing on the processes by which companies are undergoing a digital transformation and adopting high-tech strategies.

“At a time like this—when technology lifecycles are shorter, and intense competition and profound uncertainties can cause radical changes in a business environment—change should be regarded as a part of life,” he comments. “It’s a matter of asking what direction to move, not when or if. Companies that don’t have a change-oriented mindset will not remain competitive over the long term.”

According to McDonald, more companies—especially those with annual revenue of \$150 million or more—are trying to unlock the value of their fixed assets and realize that traditional asset-management processes typically only address certain segments of the asset cycle. He adds that GE recently introduced a modular, Internet-enabled Asset Manager system.

“Developed with ADB Systems International Ltd., GE’s Asset Manager is comprised of a suite of integrated, Web-based solutions designed to help organizations gain greater control of their capital assets,” says McDonald. “The system also enables them to add new process efficiencies to their operational activities.”

Effective Asset-Management Delivers Efficiencies And Cuts Costs

“A system that offers organization-wide access to such information as the availability of surplus assets can deliver valuable knowledge,” says McDonald. “For example, it’s easier to engage in such transactions as like-kind exchanges, which may result in a deferral of gain and a possible reduction in taxable income. An effective asset management approach will also enhance the ability to perform cost segregation studies, providing access to asset documentation: blueprints, photos of assets, detailed descriptions and additional asset data—activities that may let the enterprise take advantage of accelerated tax depreciation strategies, resulting in reduced taxable income.”

Another dimension of asset management involves the improved controllership of physical inventory, which can potentially offer reduced state income tax and franchise tax liability by eliminating ‘ghost’ assets, or property that appears on a Property & Equipment sub-ledger that cannot in fact be identified.

A Comprehensive Approach To Asset Management

Returning to the theme of digital transformation, Wharton’s Amit notes that a successful migration will involve more than just purchasing hardware and software solutions—instead they must be carefully integrated across an enterprise.

“Databases need to be able to ‘talk’ to each other, on an internal and external basis,” he says. “Often this means consolidating data systems. For example, one auto manufacturer we studied started out with 30 different procurement systems, but eventually utilized a single one. Similarly, an automotive supplier went from 50 data centers to just one.”

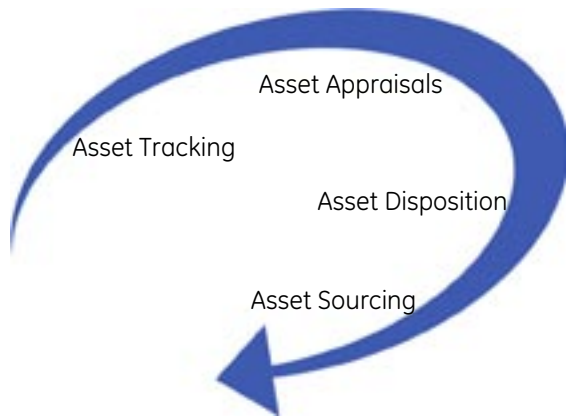
Of course developing strategic solutions and seeing companies adopt them are often separate issues. Amit, for example, notes that one conclusion drawn from the Wharton-McKinsey research involves the resistance exhibited by people when new technology is introduced.

“Digitizing manufacturing, sales and other processes can deliver value,” he says. “But doing so in a timely manner and on budget is often dependent on a ‘push’ by senior management. When a company’s top-level executives understand the value proposition and relentlessly drive a digital transformation—explaining the ‘why’ as well as the ‘what’—employees tend to adopt the new technology in a more efficient manner.”

McDonald agrees, pointing out that an asset management system can only be as effective as the people who utilize it.

“Companies have requested a user-friendly asset-management tool that can be easily adopted by their teams,” he notes. “Developing one like that involves interacting with would-be users, listening to their input and tailoring the platform to meet the issues they raise. Once it’s placed into service, the return on investment can be enormous.”

About Asset Manager from GE



Asset Manager's solutions streamline asset management activities.

GE's Asset Manager is a joint business venture between Commercial Equipment Financing, a unit of GE Commercial Finance, and ADB Systems International through its wholly owned subsidiary ADB Systems USA Inc.

GE's Asset Manager delivers an integrated suite of asset management solutions that help organizations get more control of and greater value from their capital assets. Asset Manager's suite of web-based solutions provides capabilities for tracking and re-allocation of existing assets, automated appraisal management, disposition of surplus equipment and the sourcing of new equipment.

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