

# What is asset management and why is it important for businesses?

*Businesses need to take care of their assets, especially if these companies are subject to regulatory policies that can carry penalties. This article evaluates the importance of asset management and why businesses invest in asset management software.*

[Asset management](#) is a rapidly growing industry that seeks to help companies optimise their performance and save resources. With asset management systems expected to maintain a global compound annual growth rate (CAGR) of 8.6% from 2021 to 2027, it is clear that businesses are looking for better ways to handle their assets.

With organisations needing to save resources and eliminate unnecessary costs in a competitive market, asset management software can help companies monitor and manage their equipment while optimising performance.

## What is asset management?

Asset management is the process of developing, maintaining, controlling, and selling assets to increase wealth. The term is commonly used in finance to refer to people, firms, or systems that manage assets on behalf of other entities. These entities can range from major companies and organisations to SMBs or individual clients.

Ultimately, [asset management](#) is about managing wealth. It is usually seen as a financial service that seeks to increase assets. This increase is often achieved by investing these financial assets profitably through various investment opportunities such as sovereign bonds, equity, or bond purchases.

Every business must keep track of its assets. These can be fixed assets acquired for long term use and current assets that can be converted into cash within a short timeframe.

Assets, however, do not need to always be money. An asset can be any resource that can be controlled to produce current or future value. Therefore, these also include other physical and intangible assets your company owns, such as patents and intellectual property.

## Why is asset management important for businesses?

Assets are valuable resources that businesses need to operate efficiently. By managing these assets, firms make sure that their resources are taken care of in the best way possible and that they get the best returns for stakeholders. However, asset management does more than deliver financial gains.

Here are six reasons why asset management can help businesses.

### 1. It helps companies keep track of their assets

Asset management systems deliver real-time asset tracking. This way, businesses receive constant data on the assets they possess. This data includes both physical and digital locations of assets, how they are used, and when they have been modified.

By having real-time updates on the state of their assets, businesses can keep their project planning and equipment maintenance on track.

With the help of asset tracking software, businesses can free themselves of the drawbacks of traditional monitoring systems, which could be prone to human error, outdated data, or limited location detection.

## **2. Firms can handle and account for all their assets from one place**

Tracking assets efficiently helps business owners know where assets are located, whether they need to be modified and how they are used.

The holistic view of assets that cloud-based asset management software can deliver can help businesses efficiently manage their resources from different locations and create data-based inventories to showcase them to insurers and stakeholders.

## **3. Asset management helps guarantee accurate amortisation rates**

With assets being checked regularly, asset management improves the accuracy and consistency of financial statements and amortisation rates. Asset management also helps ensure that businesses meet the compliance regulations set by the government and authorities.

## **4. Businesses can better identify and manage risks**

Part of asset management requires identifying and managing risks that may come when using and maintaining the company's assets. By developing reports, asset management systems can help identify risks, such as over or under maintenance, and improper operations. These systems can also provide solutions to help firms monitor and evaluate these risks.

Asset management software also performs automated actions like scheduling and asset warnings that can help reduce operational expenditures and save money on maintenance.

## **5. Companies can remove ghost assets from their inventory**

There are times when lost, damaged, or stolen assets are erroneously recorded on the books and still appear in the company inventory. These assets are known as ghost assets. By efficiently monitoring, tracking, and managing assets, business owners are aware of the assets that have been lost and can eliminate them from the records.

## **6. It can help businesses save money and resources**

Asset management strategies can help companies to save money on maintenance during the operating processes of an asset's life cycle. Maintenance costs shouldn't be undervalued, but overspending unnecessarily on maintenance can affect a company's finances.

## **What is asset management software?**

We all know by now that COVID-19 has disrupted the way companies do their usual business. The pandemic has led to changes in how companies operate, including potential over and under-utilisation of assets. Remote work has also made it more difficult for people to carry out in-person tasks, such as physical oversights and tracking of assets. Many companies have turned to [digital solutions](#) for managing their assets.

[Asset management software](#) is a tool that helps companies leverage their revenue-generating assets and track their life cycle. Asset management software can help businesses get comprehensive insights into an asset's lifespan and provide data to help make informed decisions regarding the management of each asset. Additionally, asset management software can provide several services that let businesses:

- Track and analyse maintenance fees
- Lower expenses related to procurement, maintenance, and compliance

- Improve the visibility of assets through dashboards
- Maximise asset life cycles
- Prevent breakdowns and downtime

## **What types of asset management software exist?**

Businesses from multiple industry verticals invest in asset management technologies to improve the availability and reliability of their assets. There is a wide array of assets of all shapes and sizes that can benefit from this kind of software. At the same time, there are specific tools for different types of assets within diverse industries. Here we will list seven different types of software that can assist with asset management.

**1. Inventory management software:** There are differences between inventory and assets. However, there are moments when asset management turns into inventory management. Inventory is a current asset that a company hasn't sold yet, such as unsold merchandise in retail. It is listed as an asset because it has worth and is recorded in the books as a current asset. In the space of a year, however, these current assets must be sold or consumed. When assets become inventory, inventory management software can help monitor these stocks for optimal production and distribution.

**2. IT asset management (ITAM) software:** When businesses need to integrate IT assets across an organisation, ITAM software can combine enterprise-wide financial, inventory, and risk management capabilities across the complete lifecycle of software, hardware, and cloud assets. Among the features of ITAM software, businesses can access maintenance history, user permissions, and software compliance.

**3. Enterprise asset management (EAM) software:** Businesses can organise, control, and measure their physical asset performance throughout the entire lifecycle with [EAM software](#). Managers can track equipment usage and optimise the life of their assets by proactively managing their equipment across departments and locations.

**4. Fixed asset management software:** Organisations can track the maintenance, repair and overhaul of physical assets that cannot be easily turned into cash, such as land, buildings, office equipment or furniture. A fixed asset management system usually provides an accounting tool that helps convert spreadsheet records into streamlined reporting.

**5. Budgeting software:** When organisations need to coordinate their financial resources and expenditures, budgeting software helps them automate these processes to allow for timely and accurate data management and analysis. Businesses can get an overall picture of their growth and profitability and predict future expenses and revenues across multiple departments.

**6, Accounting software:** Businesses need to manage their finances. Accounting software helps organisations manage their funds and customer investments while automating financial transactions such as tax forms, purchase orders, payrolls, and billings. Financial departments can also receive real-time, on-demand analyses of their organisation's financial status.

**7. Digital asset management (DAM) software:** With businesses having to manage their digital assets, the digital asset management software market is rapidly increasing. DAM software provides workflows and lifecycles to allow for the automated management of images and other non-textual materials. These solutions help businesses optimise the use and secure storage of their rich media assets, like image, audio, and video files, across multiple departments.

**8. Asset tracking software:** Tracking your assets provides insights into usage, warranties, and performance of assets in a centralised system. With all the equipment data in one place, users can take a more proactive approach to their asset maintenance and make data-driven decisions by having a better grasp of the whereabouts of their assets. Features such as barcoding and location tracking helps users know the exact bearings of their stock, making it easier to manage and maintain these assets.

### **Asset management can be instrumental in improving ROI**

Asset management can be key to an organisation's success. Businesses need to evaluate the different types of assets they have and decide how to manage them accordingly. While outsourced asset managers or paper-based processes can help identify and analyse assets, specialised [asset management software](#) can help automate processes and provide businesses with valuable insights to improve ROI.