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Asset management

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“An asset is an asset for as long as it is being actively used or there is a decent chance that it will have an active role to play in generating economic benefit to your organisation in the future.”



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Asset management

— tangible and intangible assets

Any and all organisations have assets. They range widely from the obvious and **tangible assets** such as buildings or collections to the more **intangible or ephemeral assets**, such as your brand and the goodwill your customers have towards the organisation; the creative works or other products or services that you have developed — with the intellectual property rights that underlie these. Collections of content and / or data can often be regarded as or turned into assets.

While your team and their know-how on their own aren't in themselves intangible assets, their power to enable you to use or otherwise exploit your intangibles is necessary for those intangibles to be regarded as assets — or the knowledge can be documented and captured, and this on its own represents an asset.

In fact, the riveting read which is the International Accounting Standard no 38 says an asset of an organisation is any identifiable thing which will probably generate economic benefits for that organisation, which either results from legal rights (under a contract or through the law, like intellectual property) or which can be separated off from your organisation. You also need to be able to accurately measure the cost of its creation.

So under that wide definition, as a creatively-driven organisation you are creating new assets every year and in each programme or body of work.



Income types

Supply

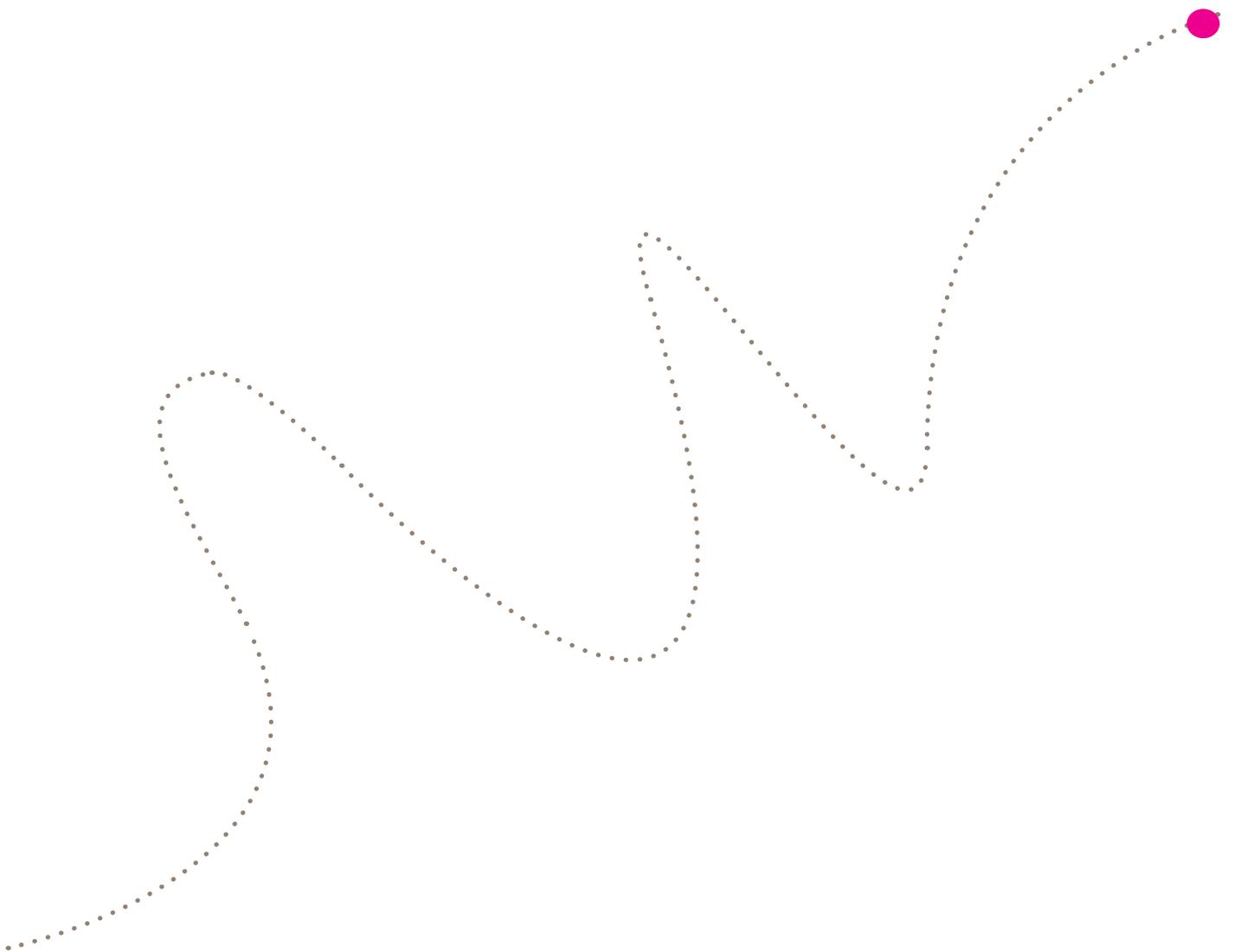
Demand



Are they assets or liabilities?

What is less commonly discussed is that **assets can become liabilities** — think about the cost of storage of works, the cost of maintaining a creative team, the cost of running and looking after a building, the cost of running the technology upon which your digital assets are based.

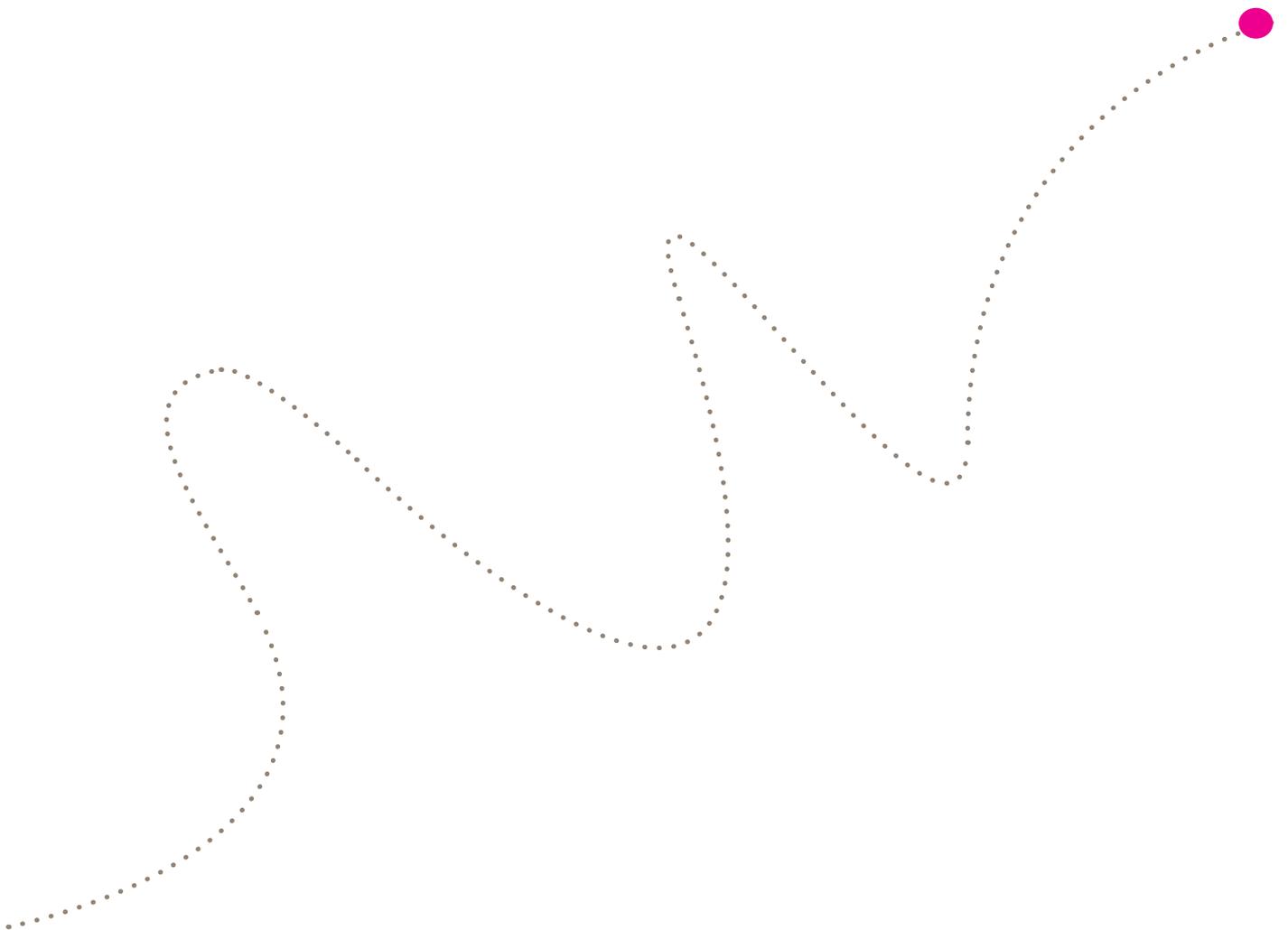
Even if you are lucky enough to have won grant funding to pay for the initial development of the asset, there's pretty much no grant funding scheme in the world that will cover all the ongoing costs of maintaining these assets.



Think about ...

At what point does an asset become a liability?

What can we do to prevent this happening or manage the impact?



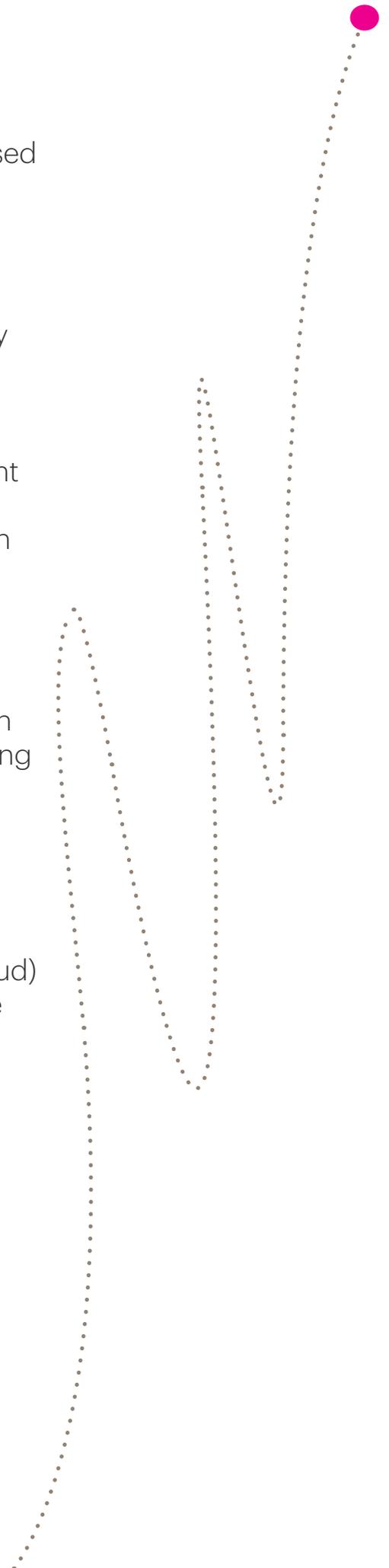
What is an asset?

An asset is an asset for as long as it is being actively used or there is a decent chance that it will have an active role to play in generating economic benefit to your organisation in the future.

Think of any unused building and the process of decay that you can see over time and you are watching what was once an asset turn into an ever increasing liability. Think of any organisation that is tasked with looking after either a collection or a building but has insufficient funds to either maintain it or promote it so that the revenues accruing from it exceed the costs — this is an organisation with liabilities not assets.

Think of any organisation with a large mailing list that contains personal data on customers but which isn't GDPR compliant — this is both an asset and a liability in that there may be significant costs involved in becoming GDPR compliant and there are certainly significant penalties for and other risks associated with non-compliance.

So, after all this doom and gloom how can we prevent our shiny creative assets (of which we are suitably proud) from morphing into a millstone around the neck of the organisation?



What are your assets?

The first step in the process is to identify all your assets. Here's a checklist that you might want to use as a starting point:

Tangible Assets

- Buildings
- Archives
- Collections

Intangible Assets

- Individual & organisational expertise & experience
- Reputation, brand & goodwill
- Intellectual Property (IP)
- Research skills
- Audience & customer base
- Education, reputation & resource
- Methods & processes

Next the question is which of these assets do you expect to continue to use or exploit?

The use can be in providing creative products and services to your audiences and customers or it can be enabling your other **enterprise activities** such as retail, catering or room hire. The exploitation we're talking about here is where you enable other people to use it and you benefit economically from this either by being paid (for example, licensing rights to images or video) or through funding underpinned by beneficiaries using your assets.

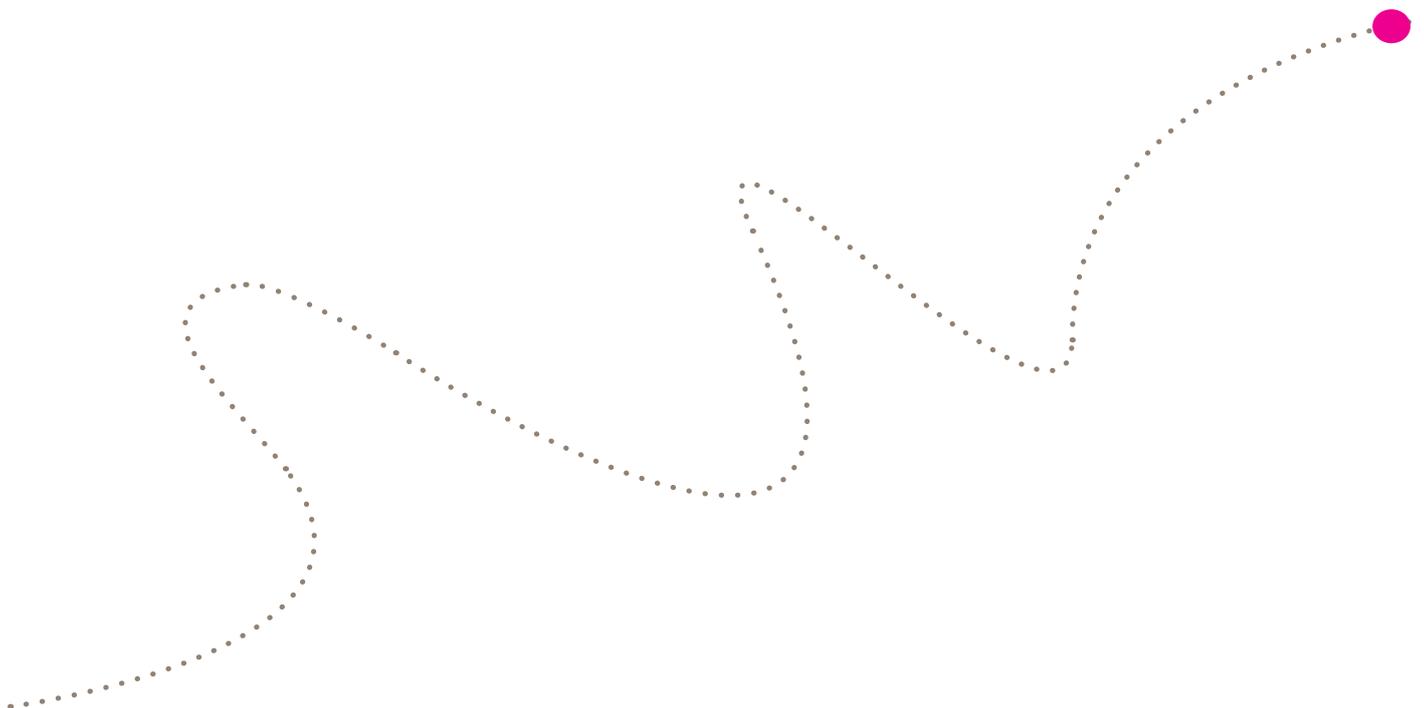
What income can you derive from tangible assets?

Buildings

- Café & catering
- Shop & retailing (including online)
- Tickets & events
- Space hire

Archives & collections

- Products & merchandise
 - DVD's, books, reproductions, posters, etc.
- Lending fees



What income can you derive from intangible assets?

Staff sector knowledge

- Consultancy
- Contracts (public & private sector)
- Products, e.g. publications, films etc.
- Research (academic & private)

Intellectual Property (IP)

- Licensing the use of the IP
- Sale of the IP
- Spin out of commercial products & services

Research

- Subcontractor fees from HEI based research projects
- Share of IP generated

Audience & customer base

- A USP that HEI's value re research
- Donors & members

Education reputation & resource

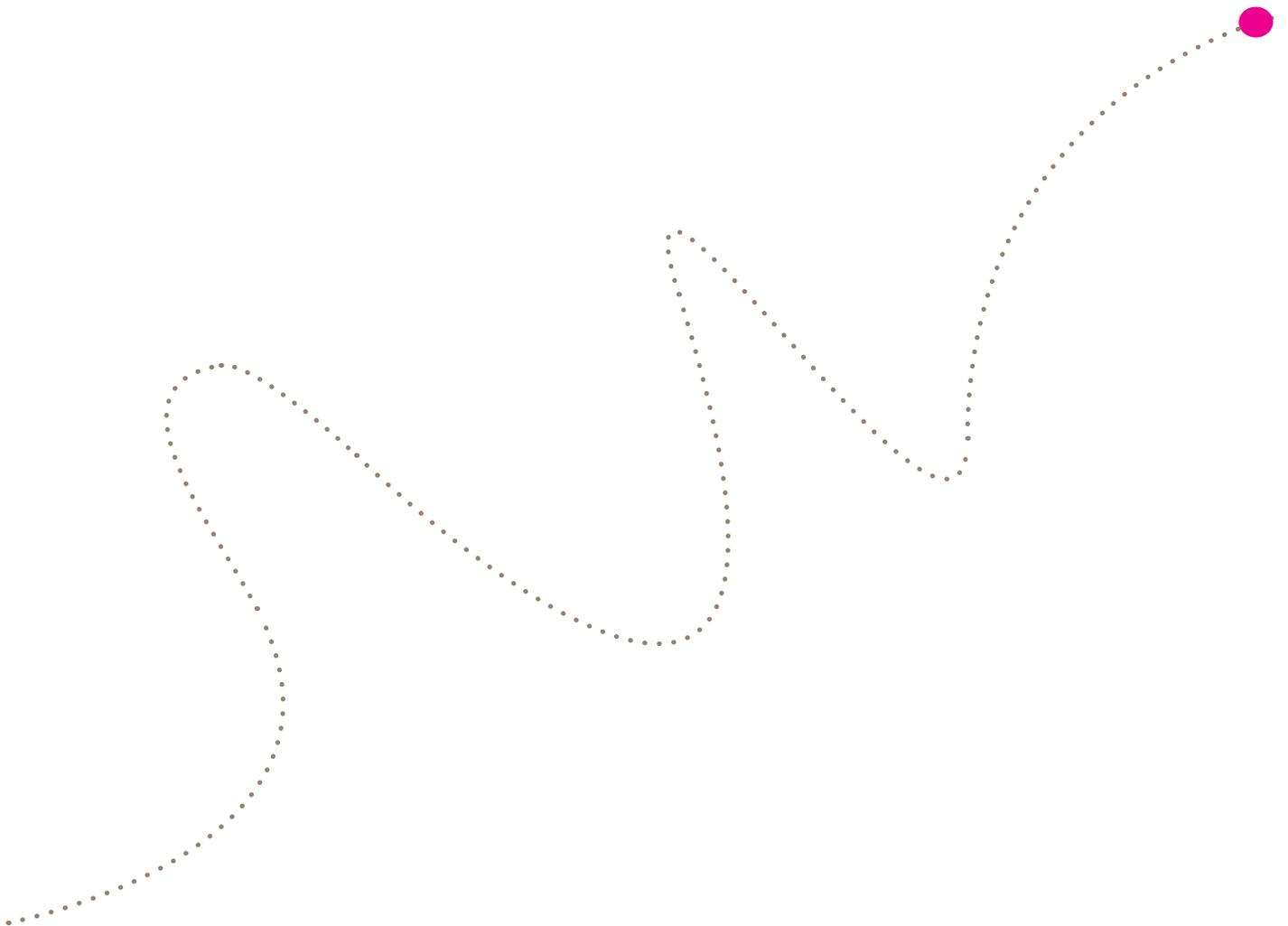
- Public sector contracts
- Sales of products & services

Brand

- Sponsorship & partnership

Think about ...

What is the cost of
maintaining each of
these assets?



Now that you have identified all your assets and you know both what it costs to maintain them and the extent to which they are important in the future of your organisation you can work out whether there are any where you don't expect them to have a future role but have a cost attached to maintaining them.

- **Ask yourself do you need to keep them?**
- **Could you actively choose to dispose of them?**
- **Would there be any negative consequences in doing so – and would these exceed the cost of maintaining them?**
- **Could you sell them and recover some of the costs of developing them or would it cost you money to dispose of them?**

One part of this process is about spring cleaning the organisation so that you are not carrying a burden of maintaining assets for which you have no expected future use. It's not difficult necessarily but usually the work on new projects takes priority over this sort of thing.

The next set of questions is about the assets that you choose to maintain and gain benefit from going forward. Can you work out what you think it will cost to maintain them? (best guesstimates are better than not thinking about this). Can you also make a set of assumptions about what value you might accrue from these assets both in terms of your creative reputation and your future income or funding streams?

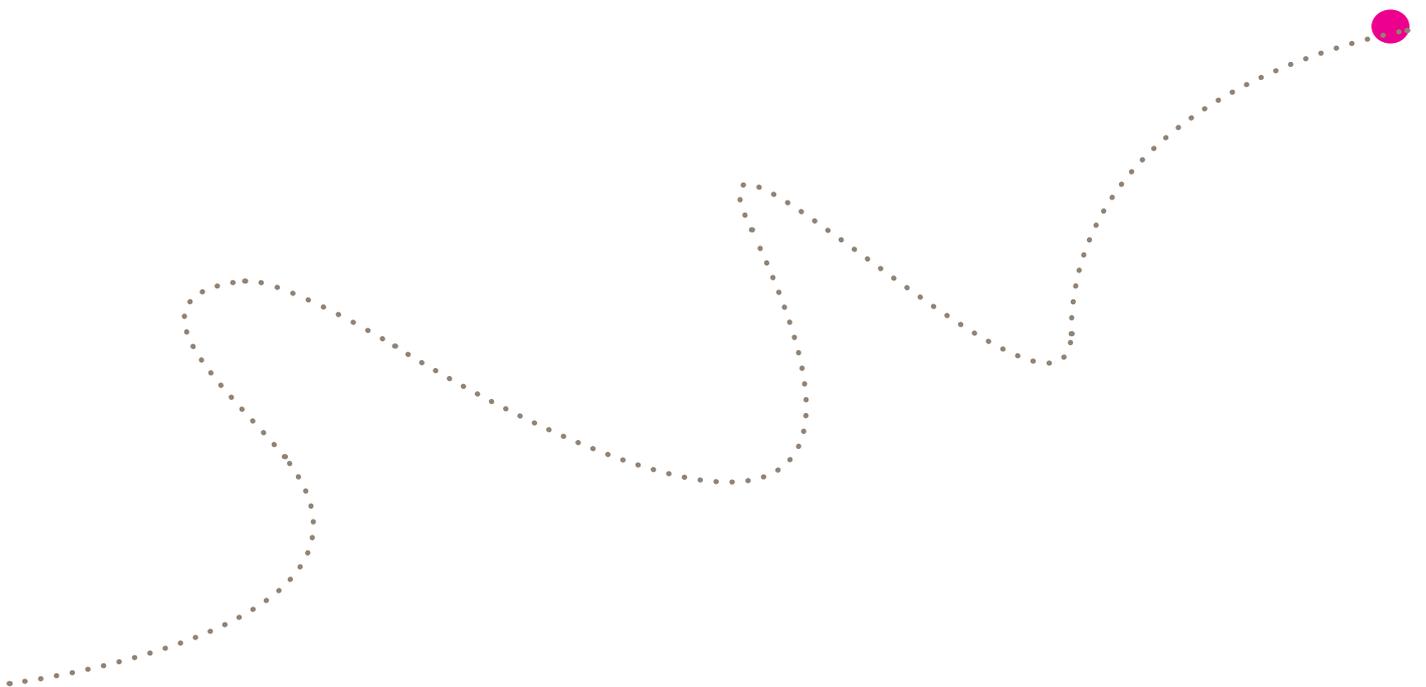
In a perfect world your assets wouldn't be sitting gathering dust in storage they'd be out in the world gathering a profitable income for the organisation and extending the reach of your reputation.

Think about ...

What are the barriers to doing this?

What does it take to overcome them?

Would the income you would accrue from these assets being out in the world exceed the costs of achieving the income and maintaining the assets?



The value of assets

Think for a moment about all the rides that make up a fairground. In the summer months the fairground is touring and making income. In the winter months the team spends time doing the deep maintenance, repainting the boards, etc. The more rides a fairground has out in the world and working the more income they can accrue from them but if the rides are in poor condition or some have fallen in popularity the fairground team have to consider whether to sell them off in order to buy new rides.

Ok so this is a simplistic example of a creative product and it doesn't adequately represent the challenges of a touring theatre company or an orchestra, for example, but it is an easy way of thinking about a set of assets and their value in an organisation as a whole.

If you find that you have assets where the income you might expect to accrue from them doesn't match the cost of maintaining them or the cost of marketing them then there are two questions we'd ask — are there other potential uses or markets that you could tap into or do you need to consider ways to reduce the maintenance cost or (probably last resort) divest the asset entirely?

Think about the ways in which organisations responsible for maintaining large buildings have developed secondary income streams from things like hiring out rooms, subletting space, running a café or a shop.

Are there possibilities here for your organisation?

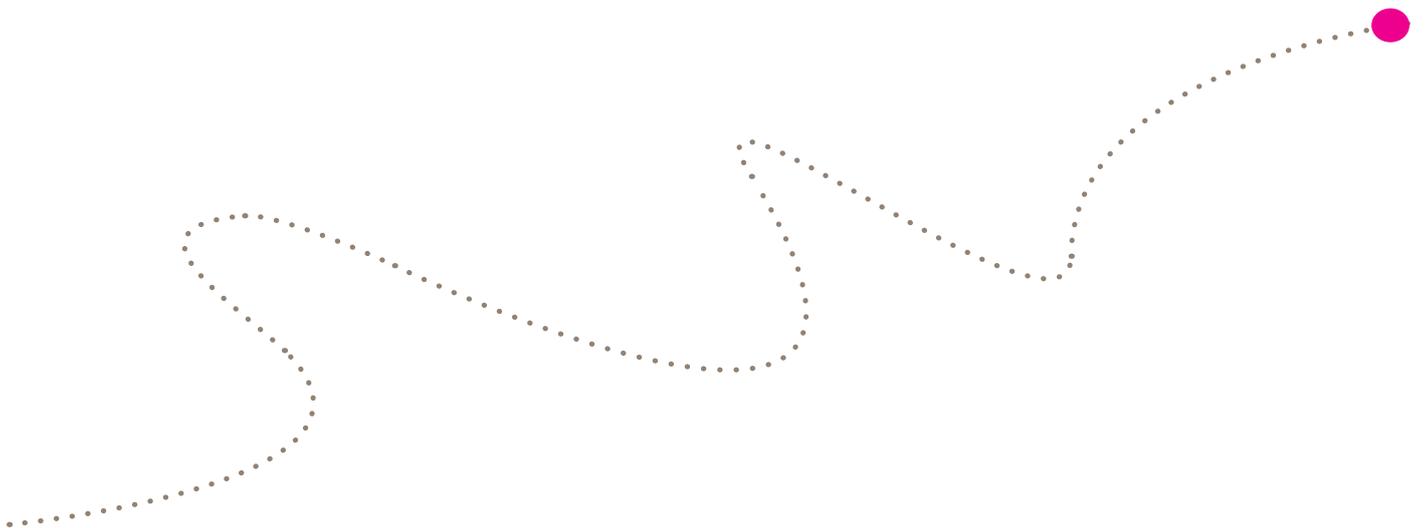
These sorts of activities have the potential to reduce the extent to which your organisation has to cover all the costs of maintaining these sorts of building based assets. It's not easy money and it won't take away all the costs of running the asset but there are plenty of examples of success to learn from.

Think about ...

Do your assets have value in sectors and markets beyond the arts?

Could you tap into budgets for service delivery in the health, education or social care sector?

Would this extend your audiences and customers and increase the extent to which your assets are being worked to their full capacity?



Are your assets working to their full capacity?

The archive of pictures, designs, artwork (video even) that you use in your own work — could that start to generate revenues through being licensed to others? Or form part of a service (for the education sector) which some combination of the end beneficiaries and funders would pay for?

What we are getting at here is a set of questions about how hard your assets are working for your organisation. If your assets are not being worked at their full capacity then you are not maximising the income they can generate.

Very few sectors or organisations really run at full capacity all year round so this is not about getting to 100% capacity. At a minimum however it is about asking the question of whether there are any easy wins that you have missed, any low hanging fruit around the place if you look at the situation from a new angle?

With those easy wins sorted it becomes a question of what the return on investment (ROI) is for increasing the extent to which you are using your full capacity? You should expect it to be harder (and more costly) to go from 80 to 90% capacity than from 40 to 50% and there will be a point at which it simply isn't worth straining for those last few percent.



Potential gains

The other thing that is interesting here is to then look at all the potential gains in **turnover**, **profit** and **audiences**. If you were to work each of your assets harder, how would this change the organisation as a whole?

- What would it do for you and your team?
- Do you want this?
- How would you increase your freedom because you've increased your unrestricted income?
- What would this enable?
- What are the chances of succeeding if you adjusted some of your goals in light of this?
- Who can you learn from who has either done this or tried it?
- What are the normal levels of income and profit from assets like this and who can you benchmark yourself against to both gauge how good you are now versus how ambitious your plans for change are?

Think about ...

Can you look at your organisation and think of related groups of assets that can be used and exploited together?

How does your staff team fit into and enable this?

If you consider these clusters of assets as little enterprises in their own right then the asset to liability judgement call is whether you think that these little enterprises can make a surplus or not?



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