

## Turning Risk into Reward

*A Hewlett-Packard executive talks about how to minimize risks associated with getting rid of old IT equipment, and how to turn it into cash.*

By Tom Adams

As businesses replace older IT equipment that no longer meets their needs, they face a significant challenge. The fun part is deciding what new technology to deploy, how to finance the purchase or lease and how to use it to expand capabilities or boost productivity.

Deciding what to do with older or surplus equipment taken out of service may lack the appeal of deploying new gear, but it also presents an important opportunity – as well as significant risks. By thinking ahead, companies can minimize risks associated with disposition of old equipment and maximize upside possibilities.

Computers, servers, cell phones, personal digital assistants and other intelligent devices are more than business tools; they're libraries filled with information about your enterprise, customers and employees. Most enterprises focus considerable energy and resources on maintaining firewalls to safeguard their networks and proprietary data. Once removed from service, older PCs and other IT equipment all too often simply are stacked in a storeroom, leaving the equipment – and its secrets – essentially unguarded.

A 2005 survey by the Ponemon Institute LLC, a Michigan-based privacy research organization, found that breaches of customer security (not necessarily stemming from surplus IT equipment) are both common and costly:

- Nearly 12 percent of consumers received a breach of security notification in the previous year;
- Almost 20 percent of those customers immediately terminated their accounts, and another 40 percent were considering it; and
- Average recovery costs were \$140 per lost customer – an average loss of \$14 million per company.

News about identity theft, coupled with a series of widely publicized database breaches and data disappearances involving major financial institutions, data brokers and even the U.S. government, has focused the concern of citizens and lawmakers. An array of laws governing information privacy and security are now in effect, with more likely on the way.

Considering the risks a data spill poses, making sure you safeguard customer records and other proprietary information on IT equipment removed from service becomes a critical step.

On the opportunity side, IT equipment that no longer meets your company's needs may have value to others – if it's promptly refurbished and effectively remarketed. In fact, our experience shows that up to 90 percent of used IT equipment can be resold if it's processed promptly after coming offline. Of course, every day the equipment sits in a storeroom its value drops – and the likelihood of theft or a security intrusion increases.

At HP Financial Services, for example, handling older IT equipment as it comes out of service – “asset disposition,” as it’s called in the industry – is a significant part of our business. In fact, in 2006 HP processed 1 million units of pre-owned and leased equipment.

Remarketing started as a natural extension of our leasing business. Over time it’s grown beyond handling equipment coming back to us off-lease; in addition, HP now purchases and remarket older IT assets from customers as they upgrade to new HP technology solutions. In other words, HP helps customers manage the risk of dealing with unneeded IT equipment – and often put dollars back in their pockets.

Our process helps customers comply with privacy laws and ensures that proprietary data is wiped from hard drives, using practices approved by the Department of Defense. We use industry standard software and processes to overwrite drives or, if customers prefer, we will apply even more stringent procedures – down to and including destruction of hard drives.

Additionally, environmental regulations around the world are increasingly complex and the penalties for violating them are severe, making disposition of IT equipment removed from service more difficult and more expensive than in years past. HP manages disposition safely and in accordance with environmental laws.

An effective asset disposition model pays dividends for companies on multiple levels: It finds value in older assets – something we all can use in these tight-budget times; It minimizes risks of a data security breach – no CEO wants to make headlines that way; and It may enhance the reputation of the enterprise for responsible environmental stewardship and sound management.

Having been in the IT asset disposition business for more than a decade, HP offers the following suggestions on how your company can secure the highest return on older or surplus IT assets and minimize risks associated with asset disposition:

1. Recognize that management of IT assets is serious business. You should develop a company-wide plan, sponsored and overseen by a corporate officer. Leaving matters in the hands of local managers who lack the necessary experience in managing disposition of PCs, PDAs or other IT equipment invites risk.
2. Send equipment off for refurbishing immediately. Every day it sits in a storeroom the value drops – and the likelihood of theft or a security intrusion increases. As noted earlier, up to 90 percent of IT equipment can be resold if it’s processed promptly after coming offline.
3. Track the nature of data residing on IT assets coming out of service. Data destruction methods should match the sensitivity of the data that needs to be destroyed or protected. Methods range from “wiping” to degaussing to physically destroying a drive. The method you choose may affect the resale value of the equipment.
4. Decide whether you want to tackle this yourself. Given the intricacies of asset disposition, you may prefer to outsource the job. If so, establish a robust vendor

qualification process and financial audit criteria. A long-term relationship with an experienced and responsible partner will provide continuity for smooth operations.

5. If you outsource, choose a partner with a brand name and reputation for integrity. Create rigorous, documented controls and reporting to provide audit trails that protect your company's interests and guard against potential legal issues. A responsible asset disposition partner will provide detailed reporting on how and when data is erased.
6. Pick a partner knowledgeable about privacy and environmental issues. Laws and regulations span the globe, including Sarbanes-Oxley and HIPAA in the United States, Canada's PIPEDA Act, and RoHS (Restriction of Hazardous Substances) restrictions in Europe and Asia. Just staying current with legislation is a major challenge. Unless you have an in-house expert, work with a company that does have expertise.

Depending on the size of your company, chances are you remove dozens, hundreds or maybe even thousands of pieces of IT equipment from service every year. Older IT equipment can represent a business risk, and it can also represent a potential source of revenue. If your company doesn't have a strategic plan for asset disposition, it's time to develop one.

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