



# HOW STRATEGIC ASSET MANAGEMENT CAN SECURE THE FUTURE OF A BUSINESS

Asset management is a professional engineering field of increasing sophistication and complexity. Today's asset maintenance practitioners and maintenance managers have more to deal with than ever before. John Coleman, outlines the principles and explains how strategic asset management impacts on the sustainability of a business.

Asset maintenance practitioners are involved in the core business of the industrial organisation - devising maintenance strategy, maximising asset life, minimising lifecycle costs, risk management, project management, financial management, safety management, environmental management and all while staying focused on organisational goals. Managers in all industries are facing increasing pressure to cut costs and improve profitability in the current marketplace. Maintenance is one area which can contribute significantly to cost reduction, if it is managed in a proactive way. Business managers need to take stock of their asset portfolio and devise a maintenance strategy that fits the needs of the business. By developing a strategy that is appropriate to the business needs, a significant contribution to the long-term sustainability of the business can be made.

### Positive activity

Effective and appropriate maintenance maximises the performance of each item of equipment, allowing it to deliver sufficient quantity at the correct quality. In an effort to view maintenance as a positive activity, it is important to see it as a profit enabler instead of a cost centre. A cost-centred approach is strictly concerned with adhering to the budget and decreasing expenses as much as possible. In contrast, the profit-centre model focuses on investment in maintenance to improve efficiency. This increased efficiency naturally results in higher profits. For asset-intensive industries, in particular, optimisation of asset management can be the difference between profit and loss or regulatory compliance and non-compliance. The requirements have moved beyond maintenance scheduling, planning and monitoring. Asset owners and

operators need to have systems in place that provide control over every phase of the asset life-cycle, from project initiation to disposal. Maintenance of the assets is a strategic function, which is encompassed by the overall term asset management. Asset management requires the attention and the focus of top management if the assets are to be managed well at ground level. The term “sustainable future” can mean different things to different people. It’s usually perceived as relating to the environment and the ongoing debate on global warming. However, the term is also very relevant to business operating in today’s highly competitive world. Strategic management of companies’ assets can contribute significantly to economic viability as well as social and environmental responsibilities. Executives in all industries are facing increasing pressure on their businesses due to greater maintenance costs. What do they envision as the most logical and best way to move forward? Can their asset management strategy have a positive impact on the total revenue generated? The pressure on all types of industry for profitability is increasing in an ever more competitive world. The principal objective of asset management is to optimise the use of capital.

Managing assets strategically involves every function in the plant working towards the same goals. Operations and maintenance are at the “front line” in terms of utilisation reliability and performance of the equipment. Purchasing should have as its main goal operating reliability/maintainability, with cost as an important, but secondary, issue. Engineering must be based on total lifecycle value created, including product characteristics, maintainability, operability, and total cost per unit produced.

### Platforms

Assets must be seen as the platforms from which the company’s service or product is delivered. Assets are owned and managed throughout their life within a framework of return and risk. All asset owners and users expect appropriate returns or benefits from their investment, the minimisation of waste and the matching of their assets with the products and services they deliver. Conversely, risks brought on by political, financial, operational, workplace health and safety, and environmental factors (to name just a few) must be managed by asset owners, managers and users. With this in mind, it is essential that the asset manager has a comprehensive understanding of the assets and their full life-cycle costs. The asset management strategy deployed must always take account of the business needs of the company. Why should we care about all this? Every type of industry will be faced at some stage with a requirement where yesterday’s solutions, will not deliver the margins or quality required for economic survival. Availability, productivity, life-cycle costs and decreased operating costs are all key-factors applying ever-increasing pressure on maintenance and manufacturing. Management must realise that increased competence, co-operation and better communication at all levels in the organisation will lead to more effective maintenance. One of the key factors in continuous improvement is the education and training of all personnel who are employed at the facility. By being able to identify potential asset performance improvements, a meaningful impact can be made on plant operating costs and earnings. In recent years, there has been a significant move away from the narrow view of maintenance focused on the



Asset management must be fully integrated with all key company activities.

assets themselves, towards profitable business outcomes. This new maintenance approach is referred to as profit-centred maintenance or business-centred maintenance. Organisations that have adopted the culture of profit-centred maintenance integrate the cultural, process, and attitude attributes within a plant’s organisation to drive the business decision-making process.

### Fundamentals

The fundamental principles of strategic asset management include: assets only exist to support the delivery of services; asset planning is a key corporate activity that must be undertaken along with planning for human resources, information systems, knowledge creation/transfer and finance; alternatives must be considered before investing in new assets; asset replacement strategy must be part of the overall strategy; asset management must be integrated in the company ethos

- it must be fully risk managed;
- it must be whole life costed;
- a performance-based focus; and
- a people-inclusive approach.

Of course, there are many types of asset – but the principles of best value-for-money are common to all of them. Physical assets, knowledge assets, financial assets and even the care of public reputation, customer impression and goodwill require good understanding of value, priorities, short-term versus long-term trade-offs and risk exposures. The language varies somewhat, however the central concepts remain constant. Asset management in the changing world of today is a complex issue requiring suitable business skills to develop the correct strategy for a given business environment. As with any business all departments have an impact from HR to IT and finance.

### The asset manager

The modern asset manager must be capable of making sound financial decisions while understanding the impact these may have on the assets. Furthermore, this logic must

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be delivered in an understandable way at boardroom level, while still being understood by the people at the front line. There is much work to do. However, there are plenty of benefits to be obtained. New technology and methodologies should not be seen as limiting factors: the challenges lie in sustainable implementation and in the integration of conflicting priorities and messages. Fortunately, the concept “maintenance for profit” has proven to be a valuable method of prioritising the improvements. Therefore, asset management is an umbrella for bringing many existing good practices together, and for filling some of the remaining gaps. It aligns current practice to clear business goals, and ensures that the component activities operate in harmony. It requires some sophisticated technical solutions but the most important element of all is the human one – shared understanding, motivation, trust and collaboration to find the best combined outcome, rather than local and short-term self-interest. There is no doubt that integrated “asset management”, or whatever it may be called in the future, is becoming a vital business discipline. Yet there is a significant gap between those who “think they already do it”, and those who realise the challenges and rewards of the integration / alignment step and are investing heavily in the merger of new technical solutions, management processes in conjunction with the human factors. ☎



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