ASSET MANAGEMENT SERIES (2) | IN ASSOCIATION WITH THE KPMG COMPETENCE CENTER ASSET MANAGEMENT

THE ASSET MANAGEMENT SYSTEM: HOW TO CREATE VALUE WITH PHYSICAL ASSETS?

The first international asset management ISO 55001 standard was published in 2014. Evidence that Asset Management as a new strategic discipline is becoming accepted by companies that are asset-intensive – i.e. have a large volume of complex material physical assets. In this second article, we take a closer look at the Asset Management system.

SMART MANAGEMENT OF PHYSICAL ASSETS

"Asset Management is still uncharted territory for many C levels in asset-intensive companies," says Daniel Pairon, Global Head of KPMG Asset Management: "Interestingly enough, many of these companies do not have an efficient, effective and coordinated asset policy, which they would benefit from enormously. Efforts to shape this new, multidisciplinary discipline result in financial and non-financial benefits. Experience shows, for example, that strategic asset management in asset-intensive companies yields maintenance savings of 5–15% on average. The savings on replacement investments can be as much as 10–20% without having any negative impact on asset performance and asset risk."

WHAT IS THE ASSET MANAGEMENT SYSTEM?

"The Asset Management system is a framework. In this framework, we will demonstrate the roles, focus areas and relationships within Asset Management. This system is, therefore, not a software system but, rather, a set of activities, tactical processes, procedures and support resources that are aligned to each other in order to create value in a sustainable way by means of assets."

WHAT IS THE PURPOSE OF THIS FRAMEWORK?

"This new discipline is, in the first place, a strategic-tactical discipline," explains Daniel Pairon: "Establishing such a framework is the most important precondition for this. Once this framework is implemented and integrated with other departments in the organisation, all aspects are linked together in a holistic way. Only then can the true benefits of Asset Management emerge." Asset Management goes far beyond the purely operational and technical. The different perspectives, knowledge, experience, information and data that exist in an asset-intensive organisation should be outlined in a sustainable way by means of assets. This has to be done taking into account required performance indicators. Or a risk-based decision-making process can accompany this process. Aspects such as asset coverage and risk management, strategic-tactical analyses, Asset Management helps to pursue an optimisation of maintenance budgets, for example, integrating financial information with operational and technical information will form the basis for new methods to achieve sustainable savings. Or a risk-based decision-making process can be made even more effective by integrating asset risks and financial risks.

WHAT ARE THE COMPONENTS OF THIS FRAMEWORK?

ASSET MANAGEMENT POLICY

Translates the strategic plan and the corporate objectives of the organisation into a number of asset management principles. The asset management policy establishes the scope of Asset Management, as well as the respective elements for the company with regard to the ‘Asset Management’ and an ‘Asset’ are defined. The Asset Management Policy is the bridge between the corporate strategy and the asset management strategy. In turn, the Asset Management Strategy translates the asset management principles into an asset management mission, vision, strategic objectives and KPIs. It also defines the stakeholders that must be involved. Finally, in the Asset Management Strategy, the Asset Management System, which best fits within the asset-intensive organisation should be outlined in order to implement, monitor and constantly improve asset management in a structured and sustainable way.

WHAT IS THE RELATIONSHIP BETWEEN MAINTENANCE MANAGEMENT AND ASSET MANAGEMENT?

As the day-to-day management of physical assets in an asset-intensive organisation happens at the Maintenance & Operations level and Asset Management at the strategic level, it is important to thoroughly discuss and establish the relationship between the two. Companies that ignore this will later find themselves facing tension between the two.

Maintenance Management and Asset Management have a shared responsibility for obtaining optimum performance from the physical assets. Daniel Pairon: "Asset management and maintenance management together establish the rules in the Asset Management Plan according to which assets are to be managed. And this has to be done taking into account required performance levels and acceptable risks, at an acceptable cost measured over the entire life cycle of the assets. Maintenance management is exclusively for the day-to-day management and maintenance of physical assets in terms of the qualitative aspects. With strategic-tactical analyses, Asset Management helps to pursue an optimum maintenance policy in terms of the quantitative aspects."

WHAT'S NEXT?

In the next article, we will take a closer look at Asset Management Strategy.