THE TWOFOLD DECISION-MAKING MODEL INTEGRATES BOTH THE TOP-DOWN AND BOTTOM-UP APPROACH

“The decision-making model is one of the most important aspects of good Asset Management,” according to Daniël Pairon, Global Head of KPMG Asset Management. “The real value of physical assets and their contribution to the business objectives come to the fore in this phase. Here, we determine the techniques for optimising the value of physical assets for the company.”

WHAT ARE THESE TWO APPROACHES?
Daniël Pairon: “In the bottom-up approach, qualitative analyses are conducted at the operational maintenance level: these analyses are performed by personnel on the ground and include, for example, physical inspections, risk-based inspections and/or reliability-centred maintenance (RCM) inspections. These analyses determine when and how assets are maintained and replaced.”

“...To summarise, Asset Management is essentially about managing physical assets in such a way that they make an optimum contribution to achieving the business objectives.”

VALUE MATRIX
How are the two approaches integrated? Daniël Pairon: “To Daniël Pairon: “To make the best decision regarding maintenance and replacement investments for physical assets, you can use the Value Matrix. These criteria are specified per asset category and are assigned scores. According to these scores, the maintenance or replacement of an asset is given higher or lower priority. Examples of these criteria include: the cost of the maintenance, the cost of the replacement, criticality, technology, availability, as well as more risk-oriented criteria such as customer satisfaction and sales.”

“...In line with corporate objectives, Daniël Pairon illustrates an example to show that these criteria must correspond to business objectives. “Take a telecom company that is highly committed to high-speed Internet and states as much in its objectives. When making decisions concerning the replacement of routers, this corporate objective will prevail over any other. This means that 80% of the cost goes on the maintenance and dismantling of an asset. If you also know which assets contribute to a certain percentage of the carrying cost, you can use this information to balance the decision.”

MANAGEMENT OF RESOURCES
An important aspect of the decision-making model concerns the management of resources. “Take a telecom company that is highly committed to high-speed Internet and states as much in its objectives. When making decisions concerning the replacement of routers, this corporate objective will prevail over any other. This means that 80% of the cost goes on the maintenance and dismantling of an asset. If you also know which assets contribute to a certain percentage of the carrying cost, you can use this information to balance the decision.”

The materials and equipment used must also be considered in the decision-making process. Daniël Pairon: “Here we are at the moment. The materials and equipment we are at the point of contact with the procurement department, which is responsible for the purchasing of materials and services, and with Supply Chain Management. This shows that Asset Management is a holistic approach. Asset Management is an approach that considers the financial, operational, as well as technical functions of an asset. Every level in the company contributes to the sound management of the physical assets.”

WHAT’S NEXT
In the decision-making process, an asset-intensive company uses a set of tools and techniques to make the right decisions on the maintenance and replacement investments of a certain asset type or asset portfolio. The KPMG decision-making model is a twofold model that integrates both the top-down (asset management) and the bottom-up (operational) approach. This integration makes this model a good objective tool for spending the resources in the best way possible.”

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