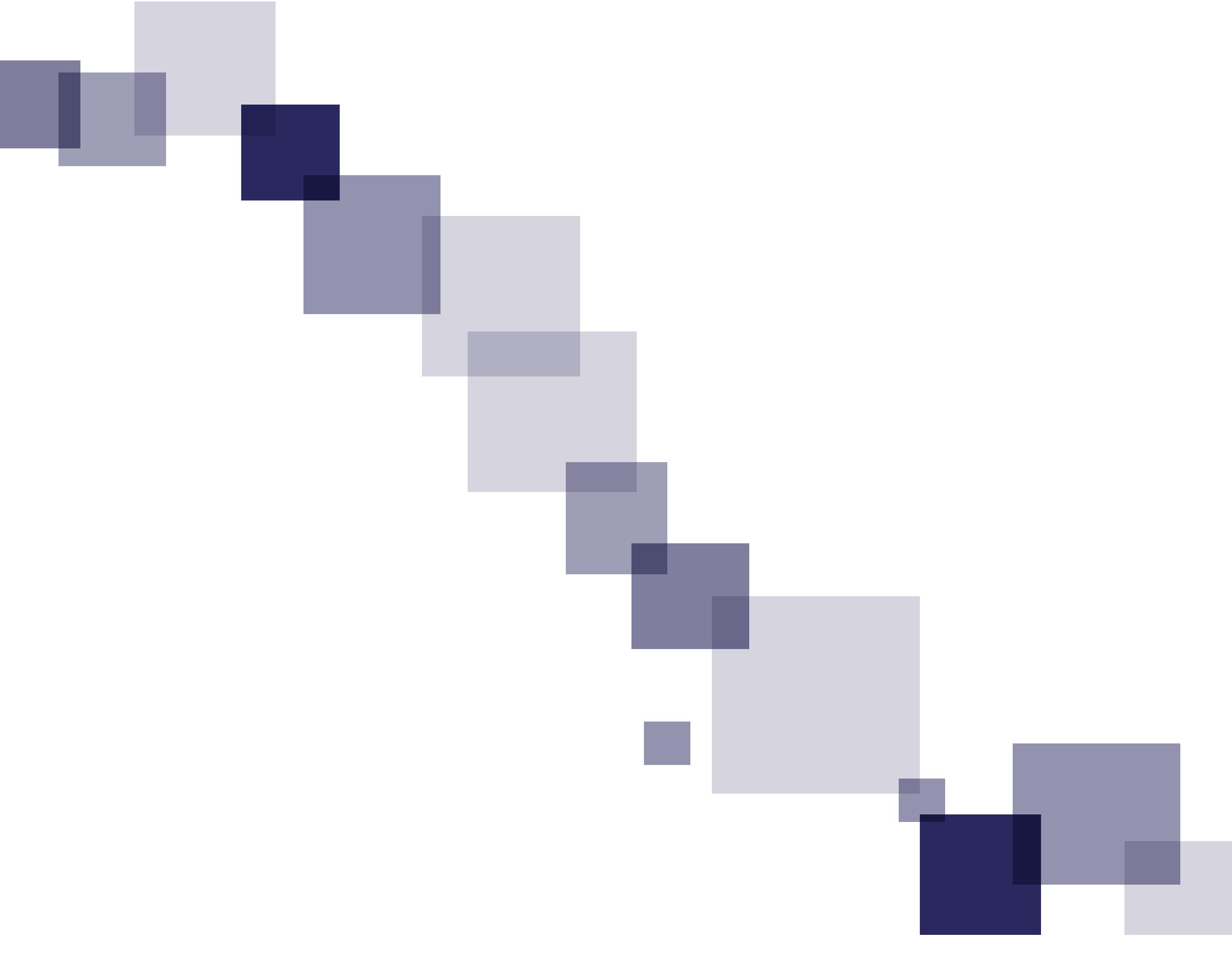
WHITE PAPER

THE MANAGER'S GUIDE TO ASSET INVESTMENT OPTIMIZATION

POWERPLAN™



The new ISO 55000 standard identifies four fundamentals to properly manage assets: value, alignment, leadership and assurance. Of those, some of the biggest challenges are related to poor alignment – and some of the greatest successes come from getting it right. This paper discusses the key aspects of corporate alignment, as it relates to management asset, including how to achieve it.

Centralized Asset Optimization

Historically, asset optimization has not been well aligned. It has been implemented in multiple silos within an organization, with splits between silos based on asset type; operating and capital expenditures; and emergency, planned, and preventive work groups. In this structure, each group has its own ideas and little or no interest in coordination – kind of like four people trying to move a box by each pushing on one side.

The essential first step in aligning asset optimization efforts within an organization is creating a centralized team to embody with focus, coordination, and governance in the enterprise. Without this dedicated team, the organization will tend to drift away from proper asset optimization, despite policies, procedures and enabling software.

This team can be positioned in a number of places in the organization, but should typically report directly to a member of the executive team. This will prevent the team from being distracted by other corporate priorities from being seen seen as preferential to one area of the business. The asset management group must be seen as impartial and transparent, so that it can build trust in the organization for its initiatives and recommendations.

The first responsibility of the centralized team is to focus on, and embody, best practices. The team becomes the initial point of learning and experimentation for the enterprise as new best practices emerge from within the business or outside it. This requires a culture based on dynamic, ongoing learning and quantitative analysis. The asset management team has to evaluate, assimilate and disseminate expertise and emerging best practices.

The second responsibility of the centralized team is to coordinate asset optimization efforts across the enterprise. Where the siloed approach had four people all pushing on the same box from different directions, centralization is responsible for ensuring everyone is pushing on the same side of the box. This can create a challenge in traditional, hierarchical reporting structures as the asset management team is trying to instill horizontal coordination.

The governance role of the asset management team should assist in providing the structure necessary to authorize driven change in the organization. It needs to include representation from across the enterprise so that proposed changes can be brought forward, agreed upon and then implemented with the complete support of the areas of the enterprise being changed.

Executive Sponsorship

Step two involves proper alignment flows from the head of the company to everyone in the organization with feedback then cycling out and in, like the cycle of breathing. This starts with executive sponsorship on any initiative and new organization. The asset management team needs to have an executive champion in order to demonstrate to employees that this is a permanent program to be accepted, not a short-term project to be circumvented. Each organization needs to identify who this champion will be, because there will definitely be times where implementing new practices to optimize assets will require the asset managers to speak with the support of that authority.

To win over executive sponsorship, it is important to align an organization's asset goals with its corporate goals. Taken out of context, the optimization of assets is a simple matter of minimizing cost and risk over the complete asset life cycle while delivering service. Yet corporate goals don't focus solely on risk and cost. If disparity is ignored, then optimizing assets will inevitably sub-optimize the enterprise. To pick the right approach, organizations must prioritize actions based on the impact they will have on the enterprise's overall goals. This alignment has to be described in the overall strategic asset optimization plan and used to prioritize the activities described in individual asset investment plans. If the asset management team can do this, then the executive sponsor will be able to see the value of asset optimization clearly and communicate it to the rest of the executives and the enterprise as a whole.

Incremental Change

One of the prime causes for the failure of a transformational initiative is the attempt to make too many changes at once. In learning about asset optimization, organizations will often discover there is a significant separation between their current asset optimization system and their target state. Naturally, this tempts the organization to throw everything out and start over with new systems, new processes and new structures. This drastic approach is almost impossible to align, and like using a wrecking ball to renovate a building, it can results in unintended and undesired consequences. A series of small changes, however, can change everything if they are aligned toward a greater goal–and small changes allow organizations to remain operational throughout a transformation. Instead of drastic change, taking a programmatic, step-wise approach will help organizations move towards their goal.

A mid-size electric distribution company was recently in the midst of a massive transformation: replacing their work management software, implementing asset planning best practices and switching their geographic information system (GIS) platform. During a delay in the acquisition of the work management software, they hit their annual capital planning cycle. They took advantage of the delay to implement new software for generating their asset optimization

plans. To ensure they met the delivery deadline for the plan, they limited the scope of the change by retaining the logic from their previous plan and using their existing data. They leveraged the success of that small project into a standardized representation of all inspections, planned operational work and unplanned work. Now, as the new work management system finally comes online, they find themselves much better prepared, with a comprehensive corporate plan and shared understanding of the work.

However, incremental change may not work unless significant thought is put into the timing and alignment of the changes. If the enterprise does not understand the overall arc of change that asset optimization is attempting to achieve, then these baby steps may lead in circles instead of towards a goal. Effective incremental change requires strong internal communications and education to help the organization celebrate the small wins and understand how these initiatives are helping to bring larger asset optimization goals within reach.

Adjustments

In golf, if you switch your grip, a ball that was once dribbling along the ground suddenly soars through the air. In yoga, if you shift your weight, a pose that once seemed impossible becomes natural. In asset optimization, organizations often focus on the macro scale, unifying the responsibility across the organization or overhauling their technology. These definitely can help, but smaller adjustments can deliver large gains at lower risk.

For example, in one organization, they were rolling out new asset optimization software for many groups at once. In the discussions, it was discovered the enterprise was using four scales to discuss and rate asset conditions: pipes were rated 1 to 5; roads were rated 10 to 1; bridge components were scored A to F; and facilities were rated from 0 to 1. This was causing a great deal of confusion when these groups attempted to discuss their assets and develop common best practices. Switching to one scaling system helped them find synergies between pavement, pipes, and bridges and allowed them to compare everything from ice rinks to storm drains. This adjustment did require a number of workshops and briefly delayed the implementation project but it greatly improved the outcome of the change.

The asset management team needs to review all ongoing initiatives and focus on finding the adjustments that will ease the process. Sometimes this can be as simple as changing the sequence of adoption or the makeup of the team, but the attention to these adjustments will make significant changes smoother.

Transparency

Transparency in optimizing asset investments is essential to move toward evidence-based decisions and to deliver on the principle of assurance. Sometimes the best teacher is a mirror, and transparency allows an enterprise to better understand how each process is working now and how adoption of new practices the managing assets will improve these process. Transparency has significant alignment-associated benefits.

ISO 55000 & PAS 55: Leverage PowerPlan Asset Investment Optimization to align with global guidelines.

PowerPlan aligns closely with ISO 55000 and PAS 55 specifications. Through performing strategic, long-range asset, risk and budget management, the solution manages various aspects of the asset lifecycle – from construction, ongoing maintenance and operation to its eventual retirement or decommissioning. Your organization can leverage PowerPlan to confidently support your management framework and processes.

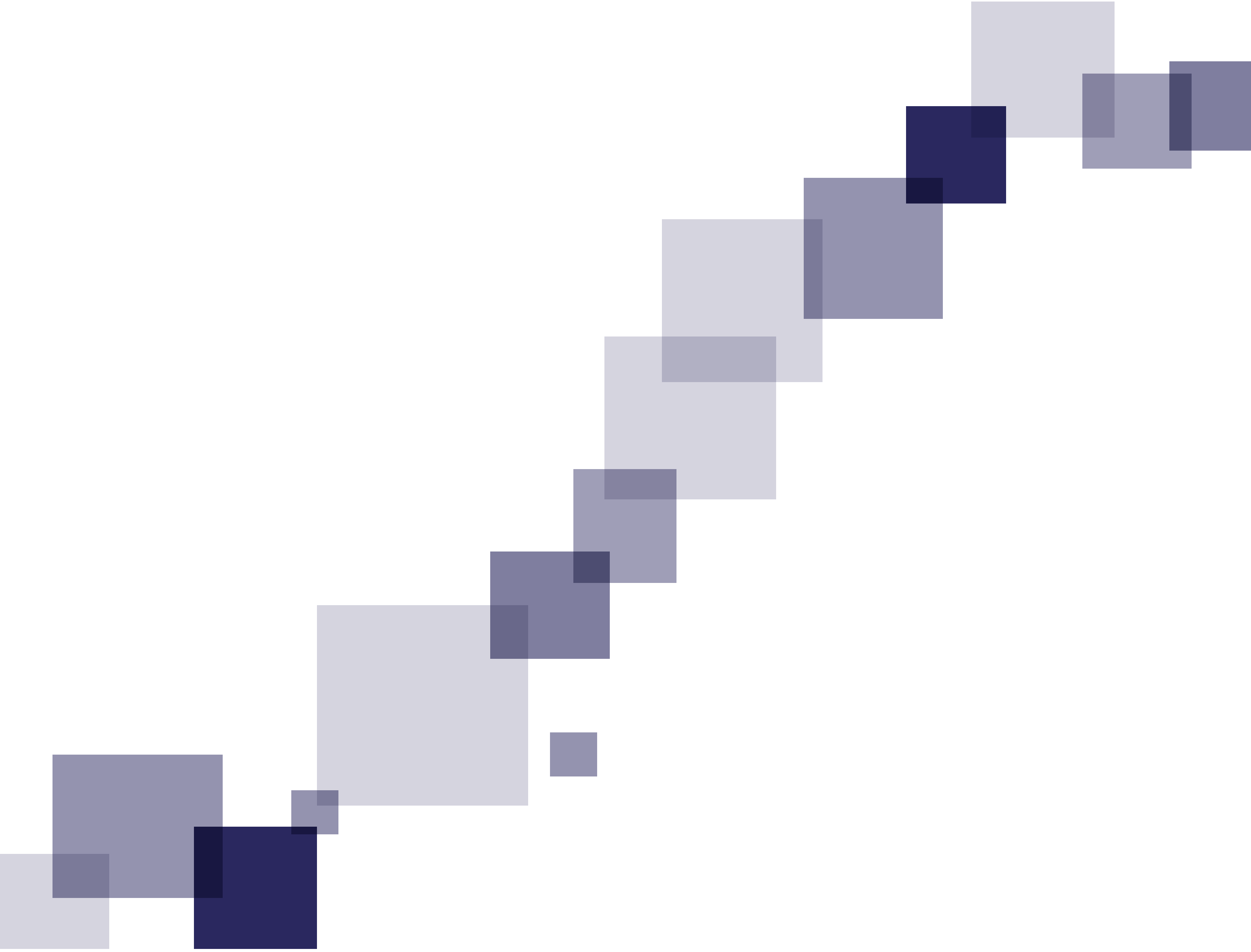
Recently, a major water utility moved from eight different sources of asset truth to one unified view. They did this to speed up their Asset Investment Optimization process, but it also uncovered a number of alignment issues, including two redundant, unassociated maintenance treatments. These treatments were being performed by different teams based on different objectives but basically had the same effect on asset health. If one team did one, the other team's assessment provided no additional benefit. By aligning the treatments, the water utility saved more in the first year than their investment in the alignment.

ISO 55000 highlights the importance of aligning financial reporting with asset reporting. This alignment is a revolutionary change. To asset managers, traditional financial reporting is like a funhouse mirror, distorting the representation of assets by oversimplifying depreciation and ignoring risk. By aligning financial and asset reporting, these distortions are removed. All stakeholders will benefit from this transparency into the health of utilities and public sector organizations. Of all the alignments, this may be the most difficult to implement since it must bridge the chasm in most organizations between the financial group and asset management. However, it has the opportunity to deliver on some of the greatest benefits by giving the organization a clearer view of how asset optimization can drive corporate health.

Perhaps most importantly, transparency delivers the data an organization needs to ensure it has achieved the benefits of aligning asset optimization. Benefit realization is impossible to achieve if the organization does not develop shared understanding of assets and asset-related processes. This shared understanding can only be built by giving a wider stakeholder group within the enterprise the ability to see exactly how new practices have impacted performance. This creates a positive cycle where improvement is seen, and this encourages additional investment in improvement.

Achieving Alignment

Alignment can seem mysterious. It is not as easy to measure as value or risk. But experience has shown us that it is an essential ingredient in successful asset optimization programs. As you approach your asset management challenges to effectively managing assets, keep a careful eye on your alignment and you are more likely to end up achieving the benefits in efficiency and effectiveness that ISO 55000 can provide.



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