

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.



CxO Redactie

SMART MANAGEMENT OF PHYSICAL ASSETS

“Asset Management is still uncharted territory for many C levels in asset-intensive companies,” says Daniël 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 relation-

Daniël Pairon, Global Head
KPMG Asset Management

ships 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 Daniël 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 a company in relation to the assets are integrated and standardised in this discipline via this framework. Thus, all levels are involved. This ensures remarkable added value for each of the departments. To optimise 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 how ‘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 man-

agement 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.

ASSET MANAGEMENT PLAN

Describes the rules for managing physical assets throughout their life cycle in the day-to-day decision-making process. Aspects such as asset coverage (i.e. the assets that have to be managed actively), Asset Risk Management, Critical Success factors, performance measurements, Service Level Agreements and support resources are explained in detail. The Asset Management Plan is one of the most important documents and must be drawn up in consultation and cooperation with the operational staff, particularly maintenance personnel.

LIFECYCLE DELIVERY

Includes the activities and procedures for managing the assets over the entire life cycle (design, procurement, commissioning, tagging, maintenance, etc.)

ASSET KNOWLEDGE ENABLERS & DATA

Contains all data, information and resources (software, instruments, etc.) that exist in an organisation with regard to monitoring and constantly improving asset management, as well as the methods and procedures for conducting quality analyses and optimisation.

ORGANISATION & PEOPLE ENABLERS

Describes the positioning of Asset Management in a company and all the associated roles and responsibilities. Who does what? Given the fact that one of the key success factors of good asset management is the integration of multidisciplinary knowledge, data, information, etc., particular attention also has to be paid to supportive communication, training and creating awareness to accompany this process.

RISK & REVIEW

What are the risks at the various levels (operational, technical, financial, etc.)? Risks transform your business values. The built-in review models are necessary for ongoing improvement to asset management practices.



Image: Instituut Asset Management

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. Daniël 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.”

On account of Asset Management being multidisciplinary, Maintenance Management constitutes a part of this strategic discipline together with, among others, finance, IT, purchasing, HR and senior management. Each department plays an important role within Asset Management to achieve the corporate objectives in the best possible way. 

WHAT'S NEXT?

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

WAT IS...

WAT IS... EEN ASSET?

This series of articles concerns physical assets such as linear assets (assets that operate in a network such as railway tracks, roads or pipes), standalone assets (e.g. machines or equipment) and production assets (e.g. product line and its components).

WAT IS... ASSET MANAGEMENT?

Asset management is the set of coordinated activities and practices in an organisation which create greater value through their physical assets.

WAT IS... ASSET MANAGEMENT SYSTEM?

In this framework, we demonstrate the roles, focus areas and relationships within Asset Management.