

Why should my CFO care about Asset Management?

In the 1980s, when Computerized Maintenance Management Systems (CMMS) were first introduced, they were widely the product of the Maintenance organizations. In general, manual maintenance systems evolved into “Work Order” systems which also included visibility into preventive maintenance schedules, current asset data, and spare parts requirements.

In the early 1990s, Enterprise Asset Management (EAM) solutions started to replace the requirements of CMMS. Organizations began to see that asset maintenance and the understanding of asset health was not just limited to the Maintenance Department. Operations, Engineering, and Financial Departments began to realize that extending the information within the CMMS, to include Asset Lifecycle History, Risk Analysis, and Financial Costs, could have tremendous impact on Asset Planning, Asset Utilization and the overall Financial Health of an organization. Enterprise Asset Management systems became the optimal life cycle management tool of an organization’s physical assets and an essential tool for long term financial planning.

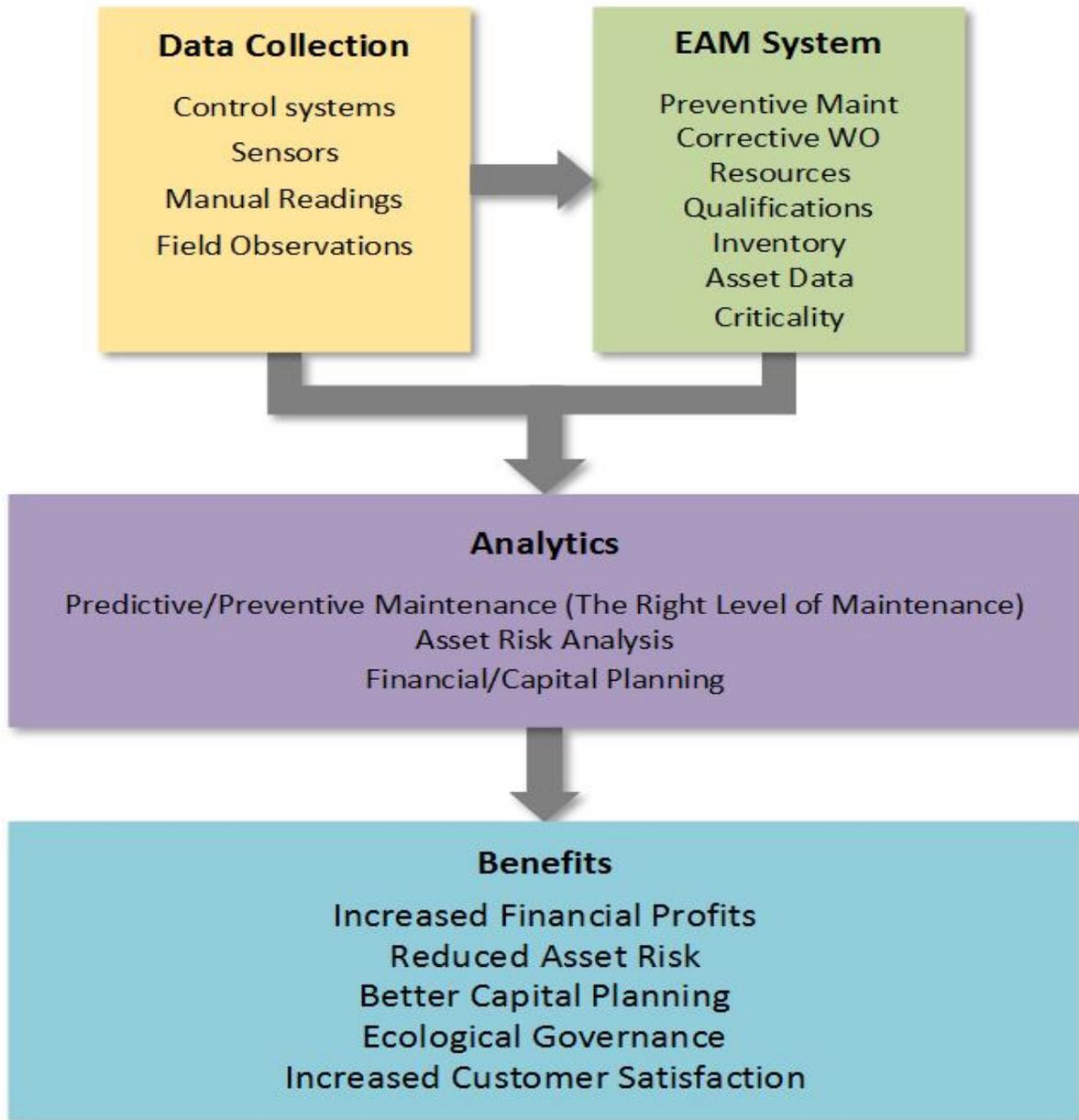
The CFO is responsible managing financial risks as well as financial planning and record-keeping. The mandate of financial stewardship requires the unique ability to navigate the choppy waters between maintaining levels of asset service risk and financial risk. The key to building financial resilience into any organization is understanding the organization’s asset base, and where each asset is within the asset’s life. The CFO has to be able to understand and predict the financial consequences of deferred maintenance and/or asset replacement.

In today’s fast paced financial world, it’s critical to utilize technology to improve asset maintenance and to incorporate best practices to achieve asset health and asset governance. In the past, departments outside of Maintenance saw the implementation and support costs of an asset management system as an added expense. Today, CFOs need to develop a direct line of sight between EAM initiatives and shareholder value. The Return on Asset value can easily be measured with asset data. However, deeper analytical tools can take information beyond just a simple calculation. By reinforcing an EAM system with appropriate analytical tools, the CFO and other asset stakeholders are able to analyze and process information differently. By infusing intelligence into physical objects, new

capabilities, such as cognitive computing, are able to give deeper insights into asset utilization and understanding of asset risk.

Dr. John Moubray, considered a pioneer in the field of reliability-centered maintenance, estimated that as much as 70 percent of the investment in Preventive Maintenance has no effect on asset up-time metrics and, in fact, he suggested that time-based overhauls introduce problems in an otherwise healthy system. New Analytical technologies can replace traditional Preventive Maintenance strategies by not only collecting the ‘tribal knowledge’ of engineers and operators, but also by uncovering previously unseen patterns that can be used to go beyond the traditional methods of predicting failures. These technologies pull and aggregate information from multiple sources and can even go beyond traditional data sources, for example, pulling from videos and other unstructured data.

As an example, New York Power Authority, in collaboration with mPrest, an Israeli technology company, and Starboard Consulting, an IBM business partner and Maximo implementer, recently implemented an innovative system to identify and prevent costly problems with the plant’s electrical transformers before they occur. Forecasting potential problems in advance will give engineers enough lead time so that they can address equipment breakdowns or other issues without disrupting plant operations. This new technology, combining the best of data collection, enterprise asset management and analytics, will avoid loss of power, and mitigate the associated negative economic impact. Understanding the true “health” of an asset also supports Governor Cuomo's “Reforming the Energy Vision” (REV) strategy. REV is designed to foster the development of a cleaner, more resilient and affordable energy system, and to reduce greenhouse gas emissions 40 percent by 2030.¹



Enterprise asset management is truly an ENTERPRISE effort; it is no longer the responsibility of Maintenance and Operations alone. A strong EAM, coupled with advanced analytical tools, goes far beyond maintenance strategies and delves into engineering, finance, operations strategy, rehabilitation and upgrades, and eventually replacement. In short, EAM is critical to a resilient financial strategy.

¹Governor Andrew M. Cuomo, March 2017, *Governor Cuomo Announces Collaboration with Israeli Software Company to Provide First-Of-Its-Kind Monitoring System for Robert Moses Niagara Power Plant* [Press Release]



Donna Grant is an Enterprise Asset Management specialist at Starboard Consulting. She has spent over 25 years advising both national and international companies on their asset management programs, and making recommendations of informational tools to support asset utilization and resource management.