

The Evolution of Asset Management

Finding the Right Best Practice is Not All Theory

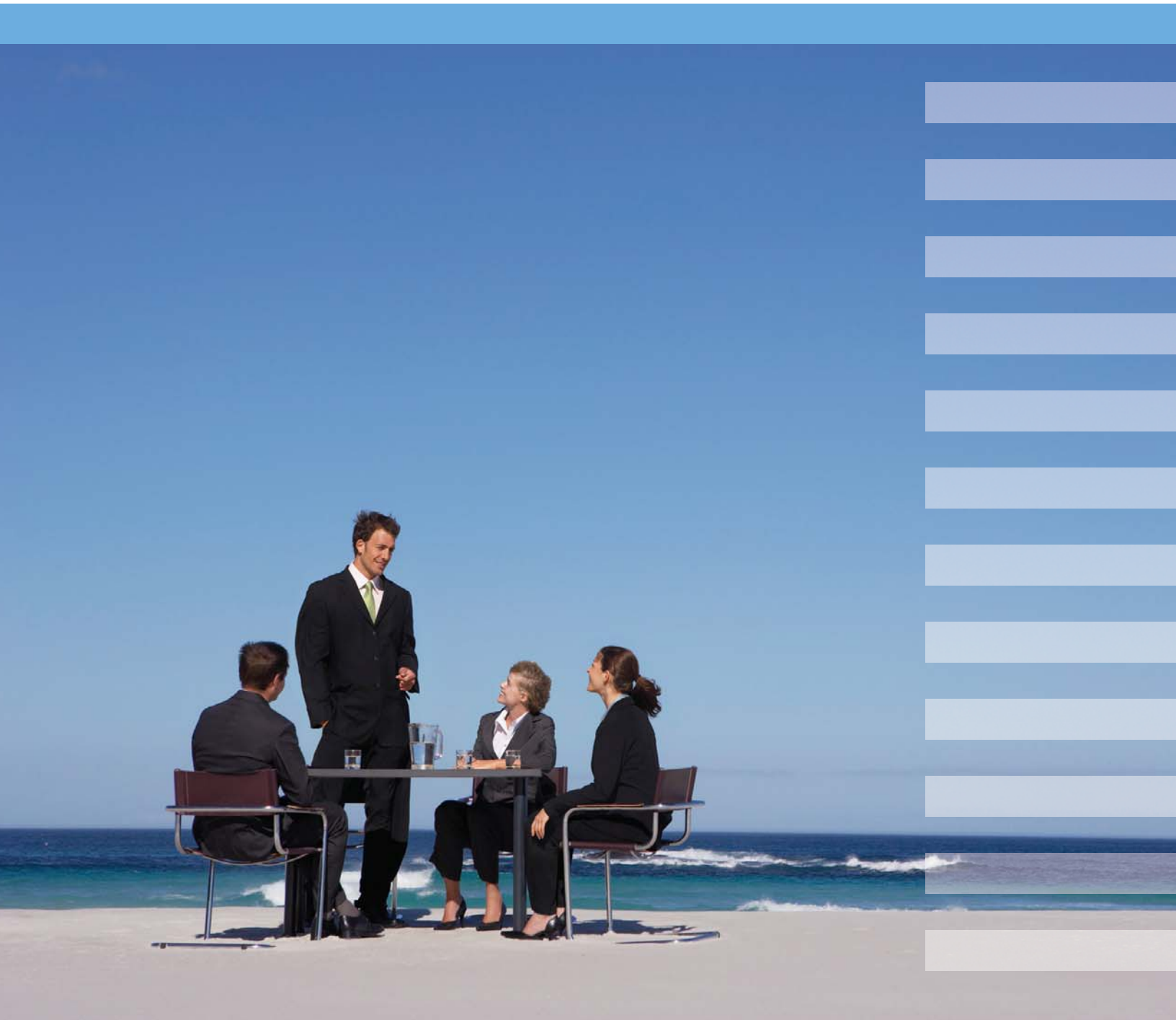


Table of Contents

I. Evolution of Asset Management: Are you keeping up or breaking down?	3
The evolution of asset management	7
II. The Evolution of Asset Management: A New View	9
A new view of asset classes	10
Total Lifecycle Asset Management	12
Asset Management Maturity: From Innocence to Excellence	17
III. Getting started finding “your best practices”	21
Conclusion	23

The Evolution of Asset Management: Finding the Right ‘Best Practice’ Requires a Broader View of the Asset Lifecycle

Asset management – i.e., the acquisition, use, maintenance, modification, and disposal of critical assets and properties – is vital to most businesses’ performance and success. The more capital-intensive the operation, the more business performance is tied to the availability, maintenance and deployment of assets. In some industries, even hours without equipment or transportation can have near catastrophic financial results. Asset management is especially important in the supply chain, where the highest concentration of capital, equipment and complexity exist. Imagine these scenarios:

- The resource wastes and lost opportunities when field operations run at a crippled capacity due do broken equipment or missing assets, even for hours or a day
- The double-jeopardy of unexpected repairs: having to pay a premium for emergency responses while suffering the loss of productivity of failed equipment
- Lost production when a rig, refinery, or plant is handicapped by an unexpected event and there is no back-up or repair solution
- The effect of transport shortages and shipping delays on perishable inventory
- The slow but profound drain of procuring new but redundant IT infrastructure or leasing fallow floor space or owning assets that should be on-demand

Good asset management leaders pride themselves on being able to deal with tough asset situations and solving problems with their equipment, vehicles and property. But are most managers spending their time reacting to breakdowns and emergencies, or planning ahead on how they optimize their assets for business performance?

Highlights

Do you know where you are? Have your asset management practices evolved to drive competitiveness and effectiveness, or are they out rusting in the lot?

While asset management itself is an old and mature discipline, factors such as competitors, customers, and technology force a constant evolution of practices. Managers must constantly evaluate, understand, and apply these new practices to stay competitive. Finding the right practices, however, can be a complicated and precarious effort. While many new trends claim to be “best practices”, the truth is that every company has different needs and different levers for success. The challenge for the smart manager is to select the practices that are best for the company and avoid investing in those that aren’t effective.

There’s no arguing that keeping the gears humming is still job number one. Equipment reliability, maintaining equipment uptime, optimizing repair costs, or keeping revenue-producing fleets on the road or in sky are a top priority. While most asset managers understand this, there is an opportunity to be more effective with a new view and approach to asset management. The new approach evolves into a sophisticated program that captures and delivers an active, insightful view of how the business needs to manage and use assets to be productive, drive revenue, and stay competitive. This new view encompasses the entire asset management life cycle and takes a wider view of asset classes (i.e., the way we categorize assets) and how they each behave and contribute value differently. It extends into new areas such as information technology and service industries. It is driven by information technology, process, and people and is ultimately integrated into the broader fabric of supply chain operations.

This paper will discuss key perspectives and strategies for new asset management programs within the most capital intensive and revenue producing area of today’s businesses. Points will include:

- The imperatives to evolve and advance asset management practices, including the evolving landscape of competitive drivers and shifts in business needs
- A new view of asset management for the modern enterprise, including best practices across the asset management lifecycle, broader view of asset classes and key process and technology enablers
- Actions and first steps for companies looking to advance their asset management programs should consider

Highlights

Globalization, shifting labor costs and sustainability concerns all create pressure to improve performance.

I. Evolution of Asset Management: Are you keeping up or breaking down?

Asset-intensive companies are facing continual pressures to improve their performance in the marketplace. Globalization may be responsible for the largest tremors felt. Shifting labor markets and global competitors are continually changing the cost equations for goods and supplies. Sustainability, especially in natural resource-dependent industries, has become a priority. These types of changes upset the ‘profitability equation’ and businesses start looking for areas to recalibrate quickly in order to stay competitive. In the face of a changing profitability equation, leadership continues to ask:

- What part of my cost equation can I reduce or eliminate? How can I spend less and still make the numbers?
- How do I reduce the risks my assets come with? Including the big ones, like not having my assets working for me when I need them to?
- How can I get a bigger return on capital employed? How can I be more agile with how I deploy and maintain assets?

Unfortunately, the levers to change the equation are often inflexible. Maintenance is often constrained by the work order process and dependent on parts inventory. Production yields can’t be changed with a flick of a switch. Procurement can only administer so much control over material prices. Manufacturing processes or asset reliability can be difficult to change quickly. In global companies, performance may differ from region to region as asset deployment practices are different geographically. In the end, the equation often comes down to the sheer physicality of asset management. Heavy things that are hard to change: materials to dig up or render, supplies to account for, products to manufacture; plants to manage, equipment to maintain.

Assets and asset management are key targets to change the profitability equation. Each stakeholder in a company may target changes in assets for different goals. Maintenance might view assets as machines that need to keep working. To finance, the assets may represent bundles of capital and cash flow, and may be tempted to covet them with misaligned regard to their true purpose. Distribution may look at assets as a means of more effectively transporting goods. Field managers see them as ways of getting product into warehouses or transports. Manufacturing may see them as enablers of quality. IT may view them as enablers of information management. The CEO sees them as competitive differentiators.

Assets contribute to all of these goals and more. On the performance side, the right deployment of assets such as fleets, sites, factories, equipment, or technology can significantly impact a company's production. On the cost side, removal of ineffective assets, managing repair, and finding innovative equipment financing can provide huge benefits.

Good asset management, then, is figuring where you stand, then putting a strategy together on how the deployment, maintenance, financing, and performance of assets such as property and equipment can meet all of the individual (and often competing) goals put upon the asset manager. It's not enough to have a factory that makes for a great capital deployment strategy but turns out bad products. Or a vehicle that never breaks down but is always in the wrong place. Or a system so old that even the middleware has middleware. The smart asset manager is the master of his asset portfolio, artfully meeting performance, quality, geographic, financial, and logistical needs across the company. He's handed business goals from the top and says "I can make our assets work for the business".

The practices of asset management are constantly changing. New practices constantly emerge, either replacing the old or making current practices more complex. The asset manager must understand this evolution and define where their company stacks up to the state of the art.

Highlights

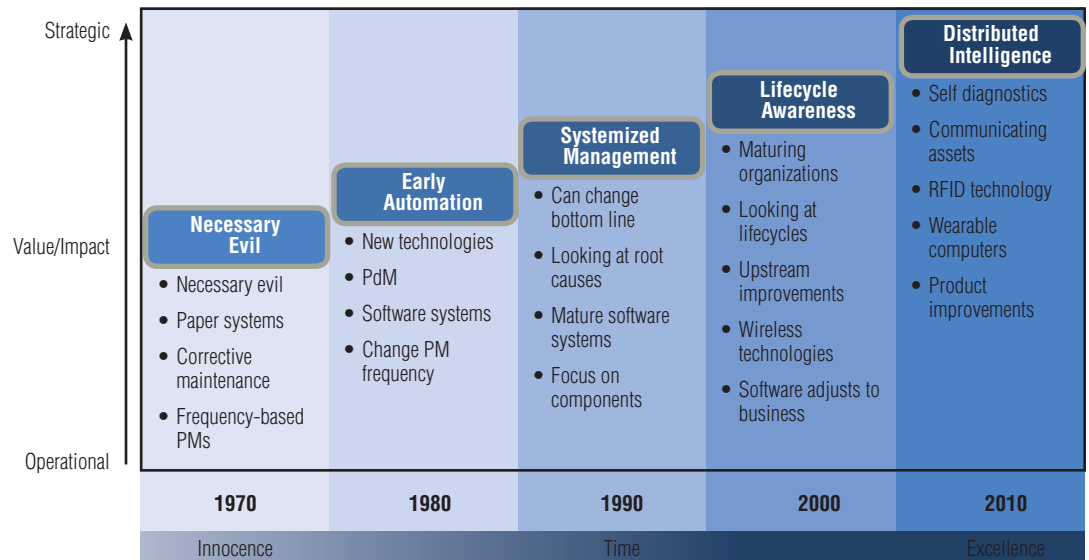
The evolution from necessary evil to competitive weapon is a profound evolution for asset management.

The evolution of asset management

Asset management is not a new discipline. In fact, it is as old as commerce itself. Thirty years ago the job may have been called “plant maintenance”, fifteen years ago it may have been “equipment management”, but today, we think in terms of “enterprise asset management”. While it is tempting to think of this merely as a semantic change, the actual job functions and responsibilities have been taking bigger strides than any of these new titles suggest.

Shown below is the evolution of asset management and corporate thinking. Over the decades, asset management has transformed from a largely paper-based process where companies considered it a “necessary evil”, to today where companies look at entire asset lifecycles and align asset management to strategic goals. In the near future, we expect to see more management technology integrated into the assets themselves. Technologies such as self-diagnostics and RFID chips will be able to communicate status, breakdowns, and performance metrics directly to management systems in real time. For example, vehicles will report their location and fuel efficiency and factory robotics will be able to monitor their relative health. Assets as permanent as pipelines will be able to monitor and report back their capacity, use and downtimes.

Evolution of Asset Management and Corporate Thinking



This constant evolution has several implications for the smart asset manager. First, the asset manager must understand that their function is constantly changing. This means that they will need to understand and apply new practices and new technologies to improve their operations. From a reactive perspective, these managers will have to adapt and evolve to stay competitive, keep up with customers, be compatible with supply and distribution partners, and keep on top of the constant top-down mandates to perform better and reduce costs.

The second implication, and perhaps more provocative, is the opportunity for excellence. Leaders in asset management don't just follow the evolution, but help create it. The best and boldest asset managers will see the changes in practices and technology as a new opportunity to serve their business better, drive competitive differentiation, and show leadership to customers. They will be better able to use their asset portfolio to meet the many demands of the stakeholders, be they interested in financial performance, manufacturing process, or operational effectiveness. Those that see the evolution as an opportunity may find themselves in unique positions to add proactive value to the organization and stand to contribute to the business both operationally and strategically.

Finally, the evolution implies a need to sort and vet through a growingly more complex, more fettered array of options. The asset manager will be bombarded with ideas that are "best practices" – but best practices for whom? It may be exciting to think of a machine or a piece of plumbing that sends repair alerts via cell phone, but not every business will need one. As each business has its unique needs and limited funds to invest, the challenge to the asset manager will be to sort through the clutter and glitz of the trendy "best practices" hype and find the practices that suit them. In other words, finding your best practices- the ones that align to your strategy, show positive ROI and drive more value to your bottom line.

Highlights

Best practices vary from company to company: Seek “your” best practices.

II. The Evolution of Asset Management: A New View

As asset management leaders look to pace and benchmark themselves against the evolving practices and opportunities in asset management, they will benefit most from adopting a new view of asset management itself. This new view isn't radical, but like asset management, evolutionary in the sense that it is built upon the sound fundamentals of traditional practices and then expands the view based on new developments.

The new view is about understanding, analysis and planning. IBM has created several categorical frameworks that help explain how asset management can be broken down, analyzed and then planned for in a holistic and comprehensive manner. The analytical frameworks themselves don't provide canned, pre-planned recommendations, as this would be near impossible as every company's situation is different. The frameworks do provide a means of understanding asset management needs and then discovering what practices are best for a specific situation.

At the highest level, this approach answers such fundamental questions as “what?”, “how?”, and “to what extent” (or “how well?”). This evolutionary view includes:

- An expanded view of asset classes (the “what”)
- A holistic view of the asset lifecycle (the “how”)
- A view of asset management maturity (the “how well”)

Highlights

The definition of asset portfolio has also evolved.

A new view of asset classes

A more strategic view of asset management first requires new consideration of which assets are to be managed. In a traditional view, assets may only include items from a few categories, such as machines, factories, vehicles, or specific infrastructure. Or the responsibility for these items may have been lumped by their job function, financing scheme or their procurement categories.

This old approach has a few weaknesses. By ignoring important categories, the company leaves their management to either chance or unstructured processes. By not taking a whole view of the portfolio, the company may have difficulty prioritizing investment or cost savings decisions. In a traditional model, where different categories are managed separately, it can be near impossible to weigh decisions against one another. For example, a cost reduction effort may be horrifically executed if the decision maker can't balance equipment cost and equipment repair in the same analysis. It is easy to imagine internal turf wars and politics of asset category managers overriding decisions that should be based on business strategy.

Imagine a forestry company mandated to cut costs. They decide to improve margins by purchasing less expensive (and less reliable) equipment, but don't make adjustments to their equipment repair capabilities. At the same time, the logistics group under the same cost-reduction mandate reduces the number of vehicles available. In the short-term, these decisions return the mandated cost reduction, but soon an increased amount of equipment breakdowns result in logging stoppages and the lack of trucking capacity handicap the company's ability to bring in back-up equipment. The company then has to front money to rent emergency replacement assets, pay repair teams huge premiums to work overtime, and perform "damage control" for angry customers who are missing shipments. Production stalls to a halt frequently and the company misses revenue opportunities while their field labor sits idle. All in all, the inability to analyze different asset attributes cripple the company's ability to drive cost reductions when they are needed the most.

While not exhaustive by any means, listed below are asset classes that should be included in an expanded view:

Asset class	Examples
Real estate and facilities	Land, offices, warehouses, factories, retail space, schools, housing, hospitals
Plant and production	Equipment, mining, semi-conductor, textile, chemical, petroleum, electronics, food
Mobile assets	Military, airlines, trucking, shipping, railroad, public
Infrastructure	Railways, power generation, electric/gas distribution, highways, telecom, water, wastewater
Information technology	Computers, routers, networks, software, auto discovery, service desk

With an expanded view of asset classes, the asset manager can have a wider and more complete influence over how the business spends and controls its key properties. This approach leaves fewer assets to be managed informally or by inconsistent procedures. By bringing more asset classes together (i.e., under a common purview and portfolio) the asset manager can make better decisions in support of the business, including: investment decisions, performance decisions, or compromises across the entire portfolio.

Highlights

The entire asset lifecycle should be considered when defining strategy and making asset management decisions.

Total Lifecycle Asset Management

An expanded view of classes brings new benefits to the completeness and rigor of asset management. Similarly, an expanded view of the asset lifecycle provides a new level of rigor and understanding. The practice of Total Lifecycle Asset Management (or TLAM) takes an expanded view of how assets are planned for, used, maintained and ultimately disposed of. A traditional view often separates or ignores key phases within the asset lifecycle.

For example, in a conventional company a procurement officer may be in charge of buying new mobile assets, such as planes, trains, busses, or ships. He is motivated (and probably measured) on specific criteria for success, most likely negotiating cheap prices and meeting the needed number of vehicles. The maintenance of these vehicles is managed by someone else whose job is to keep repair costs down. The financing may be handled by another manager, and the disposition/liquidation by yet another. While these job roles will always be needed, the company may have hurt themselves by not taking a complete view of the entire cycle. When managed separately, we are inclined to ask: “Were repair costs factored in at the time of purchase?”; “does the company know the total cost of ownership?”; “could smarter costing be possible if finance and procurement worked with the entire portfolio?” Whether the company in our example suffered from a lack of knowledge is unclear, but the fact that they may not be able to find the answers at all demonstrates a primary shortcoming.

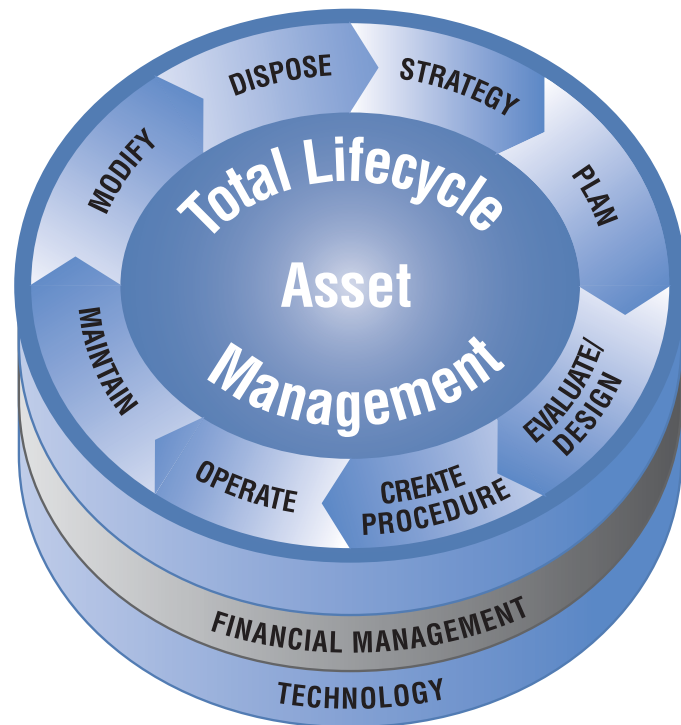
Shown below is the TLAM framework that IBM has formulated. It breaks down the lifecycle of assets into discreet phases of activity. In practice, companies should analyze their portfolio of assets (including the expanded view of asset classes) across the entire lifecycle to make decisions and define asset strategy.

The framework consists of eight lifecycle phases of use and planning, each which have supporting financial management and technology attributes to consider. The phases include:

Asset strategy: Set an asset strategy that makes sense for the asset class and your company’s business requirements. Activities may include assessing asset management practices, developing a comprehensive asset management strategy, and developing a measurement program with key performance indicators (KPIs). Managers need to determine whether they own their primary assets or choose access them “on demand” or take a hybrid approach. For example, a chemical

company might have a strategy where they own and maintain all equipment that relates to core manufacturing, but decide that all customized product development be manufactured with leased infrastructure.

Plan: Clearly define asset targets, standards, policies and procedures focusing on delivery of the asset management strategy. Companies may wish to develop policies and standards, and conduct Portfolio Asset Management Planning. This enables them to plan across the entire portfolio of assets. For example, a petroleum company able to plan land acquisition and equipment construction/repair simultaneously may be more nimble in negotiations when purchasing equipment, better able to conduct discovery activities quickly, and better able to deal with emergencies.



Evaluate/design: Evaluate the assets if being purchased or design the assets that need to be created. Activities in this phase include developing a capital program assessment model, which informs buying decisions. Computer aided facilities planning can be used to reduce the complexity of managing buildings, storage and plants. For example, consider a pharmaceutical company ramping up to manufacture a new drug and need to build out completely new manufacturing facilities and processes around the product lifecycle. The new product will require bioprocessing infrastructure (vats, bioreactors), manufacturing space, cold storage and shipping, new safety equipment, process monitoring technology, etc. By integrating the asset design plans with the product lifecycle they will be able to better understand their infrastructure spend in regards to the overall product profitability, as well as ensure that the asset management activities support the time frames of the product launch.

Create/Procure: The act of creating, building or procuring the planned assets. This phase may have one of the most visible impacts, as it is where the first significant money is spent in asset management. New practices in this area include Capital Project Management, e-MRO (i.e., automated/computerized materials resource optimization), and new procurement/project delivery strategies. Imagine an asset procurement manager who is able make purchasing decisions across all aspects of his production facilities globally with an integrated view. He is able to make purchases with few redundancies and fewer shortages. He would be able to negotiate with suppliers better, and manage installation/delivery/deployment of assets in an integrated, coordinated fashion.

Operate: Operate the assets per the strategy, using the standards, policies and procedures with feedback into the TLAM. The operation of assets is where performance is most affected (e.g., what value the assets deliver to the company). New practices in this area include formal IT Asset Management (ITAM), Asset Performance Management strategies, and Total Asset Visibility solutions. A mining company, for example, could track ore production to actual equipment ratios to understand which types of deployments are higher producing. This operational data could then be used when planning new asset acquisitions and deployments.

Maintain: Maintain the assets in support of the strategy and targets using the standards, policies and procedures in place with feedback into the TLAM. Maintenance costs/resources can wildly alter the total cost of ownership, from repair costs to downtime. New practices in this area include conducting process improvement workshops with multi-disciplinary staff (e.g., users, technicians) and deploying Enterprise Asset Management (EAM) software systems. Predictive maintenance becomes a mainstay, based on understanding the past through failure databases and other tracking tools, which ultimately lowers reactive maintenance allocations. EAM systems enable asset managers to track and manage assets across the enterprise, complete with centralized monitoring (even by mobile device). RFIDs and other “smart” technologies can be integrated into assets themselves. Imagine factory robots or pipelines that report their problems and remind owners of their maintenance schedules. Total Productive Maintenance (TPM) is a methodology deployed to manage maintenance and improve up-time and reliability of key assets.

Modify: Modify Assets when required. Ensure modifications are reflected in strategy, policies, procedures, etc. Some of the toughest modification decisions may come in IT-related assets, where changing requirements and options evolve rapidly. Many firms are deploying strategies which facilitate constant modification of systems, such as Service Oriented Architectures (SOA). Other practices include Total Lifecycle Costing and Performance Improvement Analysis. Modification can also be key to life extension of assets as machines are retooled, facilities repurposed, and technology adapted to facilitate newer processes.

Dispose: Disposal, retirement or liquidation of assets in accordance with the strategy, policies, and procedures. Disposal can have significant financial implications beyond replacement. For example, real estate calculations are in constant flux due to market variations. Some assets have environmental or regulatory costs to consider. Other disposal strategies are finding new pockets of income from online grey markets. Other programs, such as IBM’s Global Asset Recovery Solutions, or GARS, initiative, focus on refurbishing usable parts of disposed equipment to minimize the costs of their disposal.

An emerging trend making headlines and driven by new regulation is the increased focus on “green” practices and operations. Practices such as sustainable facilities management, appropriate asset disposal, reduction of carbon footprint at manufacturing plants, and reduced carbon emissions for fleet are quickly becoming requirements the asset manager must consider. How assets are disposed will only be the beginning of this trend, as green practices will need to move into every stage of the total lifecycle for assets.

Financial management: Each phase has financial management implications and planning requirements. These are often most pronounced during the “create/procure” and “disposal” phases, but of great importance are also “operate” and “maintain” where financial performance is also affected. Maintenance, for example, can be a massive contributor to Total Cost of Ownership (TCO) and “operate” performance can be a huge contributor to financial performance.

Technology: In this instance, we refer to technology as an asset management tool, not as the asset itself (although the asset management system is indeed an asset). Technology can transform how each of these phases are planned for and executed. In an Enterprise Asset Management (EAM) system, models for planning and management are resident within a common, centralized system. Active cataloging, monitoring and measurement of assets is also tracked, often in real-time to aid repair actions, enable quick procurement/replacement decisions, and to monitor performance. Technology is also used to integrate the EAM with other key systems, such as accounting, procurement, and business performance management (BPM) dashboards.

Operationally, this framework should be formalized and programmatic within the organization. This means applying a TLAM approach to asset management systems, integrating the approach into planning and strategy efforts, and using the framework to establish monitoring and metrics to gauge success and performance.

Highlights

*From innocence to the state of the art:
Knowing where you stand is a key
beginning.*

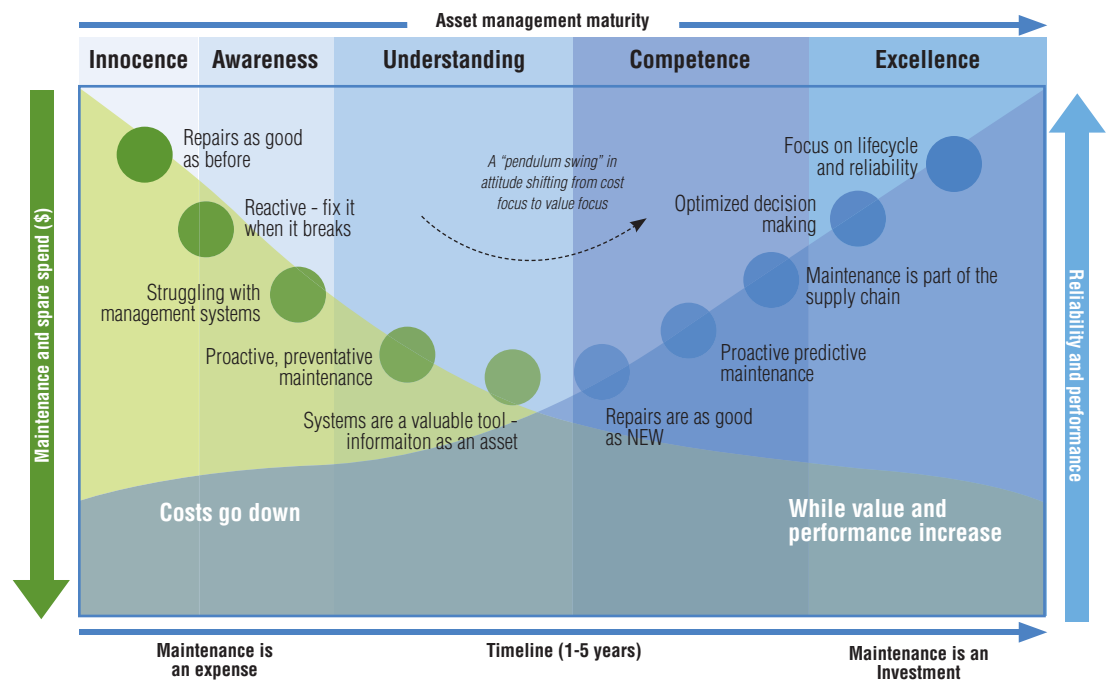
Asset Management Maturity: From Innocence to Excellence

Now equipped with an expanded view of asset classes and a sophisticated view of the lifecycle, asset managers need to answer the questions “how good are we?” and “how good do we need to be?” This is a difficult question, as it often requires a sometimes painful and honest look inward at operations and practices that have been working for years. Often, companies are at different levels of maturity at different sites or geographies, and across different asset classes. From a forward-looking perspective, the challenge is determining the right areas and the right level of sophistication that are needed. Every capability does not need to be perfected. In fact, in most cases achieving perfection across the board is wasteful and bad business. It costs money to improve and not all improvements will return positively. Managers must be able to prioritize their investments where they will count the most.

For determining both current state and a forward-looking vision, asset managers can consider their relative maturity compared to industry standards, competitors or customer expectations. The maturity model is used to facilitate this understanding. The maturity model essentially takes different categories of capabilities and measures their relative sophistication against benchmarks. For example, a low level of maturity may represent a largely manual or unmanaged process. A merely competitive level of maturity shows that a company is or aspires to be the same as other companies within their industry. A leadership or excellence level of maturity shows capabilities that are above the pack and may represent trailblazing in their sophistication.

In our maturity model, the lowest level of sophistication is (kindly) called innocence, where asset management remains a manual and reactive process. The higher levels of competence and excellence represent the state of the art in practice. These entail a high level of strategic planning and technological innovation, often viewing information and insight as key enablers in the asset management process. More importantly, an attitudinal shift occurs where the organization stops thinking of assets as merely an expense and maintenance problem, but as a strategic component of the business that is integrated into the supply chain and aligned to corporate strategy.

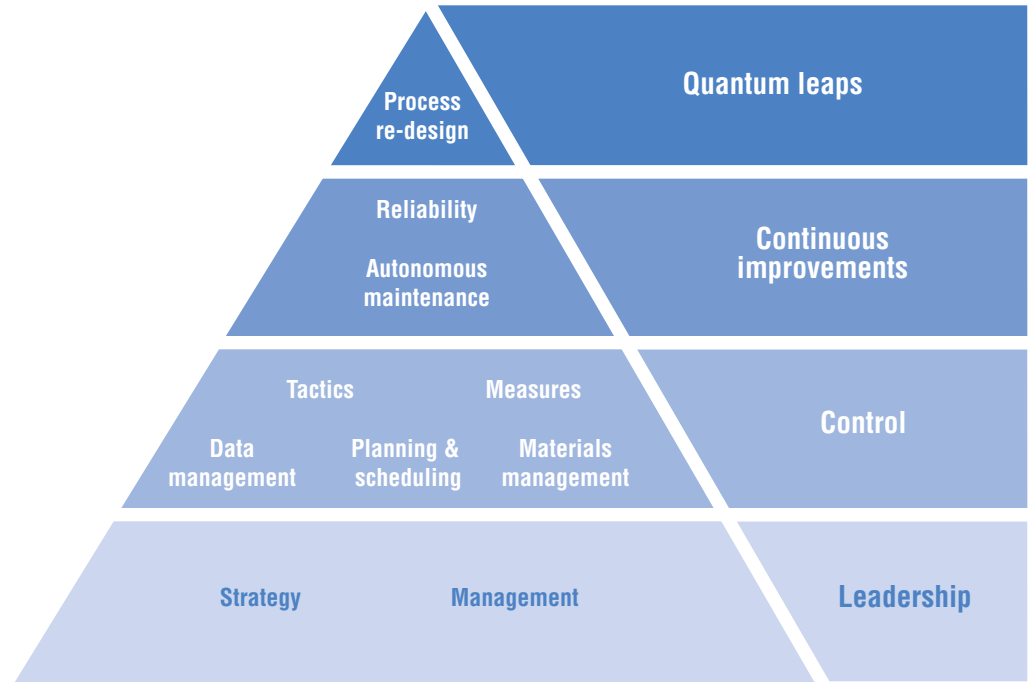
Shown below is a multi-dimension illustration of a company's example maturity development in maintenance. In the beginning (both in terms of timing and maturity levels) the company is at an innocence level of sophistication. They largely view assets as a cost problem. Repair is reactive and information use is minimal or beleaguered. As the company becomes more mature the focus on cost and the costs themselves are reduced. At the same time, the value and contribution of assets in terms of reliability and performance increase. At a competence or excellence level, the asset manager is using a Total Lifecycle Asset Management (TLAM) approach and leading edge technology is in full use. Perhaps most importantly is an attitudinal swing towards a more strategic and value-focused posture.



The view above shows operational maturity in the sense of a qualitative state of innocence to excellence. The maturity path or model can also be thought of in terms of organizational competencies that reflect the specific operational areas that are improved and measured. The pyramid on the next page shows these ten areas divided into four categories.

Through the maturity model analysis, companies are faced with two goals. The first is to properly assess their current state of maturity. The second is to plan their target or future-state maturity. This portion needs to be completed with an eye to costs and transformation activities. Once the two are created, a gap analysis can be created to plan needed transformation efforts. This may be an iterative process as tradeoffs are made. The transformation plans themselves may often result in a future-state vision or operational blueprint. This, in turn, creates the basis for a series of projects or initiatives that transform the asset management capabilities. This project planning exercise results in a transformation roadmap.

Maturity model dimensions	Low maturity characteristics	High maturity characteristics
Strategy	<ul style="list-style-type: none"> • Mostly reactive • Maintenance program • Breakdown 	<ul style="list-style-type: none"> • Long term improvement plan • Established maintenance strategy
Organization/Management	<ul style="list-style-type: none"> • Highly centralized trades 	<ul style="list-style-type: none"> • Multi-skilled teams • Independent trades
Data Management/IT	<ul style="list-style-type: none"> • Manual specialty systems • Ad-hoc systems 	<ul style="list-style-type: none"> • Asset management system linked to inventory/financial systems • Fully integrated databases
Maintenance Tactics	<ul style="list-style-type: none"> • Annual s/d inspections only • Time-based inspections 	<ul style="list-style-type: none"> • Preventative maintenance • Tactics based on analysis
Materials Management	<ul style="list-style-type: none"> • Absence of storeroom management practices • Lack of performance measurements 	<ul style="list-style-type: none"> • Service levels at 95%+ • Computerized inventory control • Online requisitioning
Planning and Scheduling	<ul style="list-style-type: none"> • Little or no planning or engineering support 	<ul style="list-style-type: none"> • Long-term planning for both maintenance and engineering support • Solid general planning
Key Performance Indicators	<ul style="list-style-type: none"> • No systematic approach • Maintenance cost not available • Downtime 	<ul style="list-style-type: none"> • OEM benchmarking • Full cost database
Reliability-Centered Maintenance (RCM)	<ul style="list-style-type: none"> • No failure records 	<ul style="list-style-type: none"> • RCM program in place • Risk and root cause programs
Autonomous Maintenance	<ul style="list-style-type: none"> • Directed workforce • No teamwork 	<ul style="list-style-type: none"> • Decentralized teams • Excellent relationship between maintenance and production
Process Re-design	<ul style="list-style-type: none"> • Processes not documented • Highly reactive 	<ul style="list-style-type: none"> • Full process documentation with support • Regular process review cycles



From John Dixon Campbell's, *Uptime, Strategies for Excellence in Maintenance Management* (Productivity Press, 1995).

The complexity of a thorough maturity model analysis can grow quickly. Generating individual perspectives for each of these categories spread across every asset class, every stage of the asset management lifecycle, and across sites/geographies can produce a lot of analysis. It can also produce a lot of insight. This insight is what is needed to sort through the trends and discover what the “best practices” are for a specific company or situation.

Highlights

***Finding the Right Best Practice is
Not All Theory.***

III. Getting started finding “your best practices”

The previous section outlined a very summary view of how an asset manager would begin the process of finding the specific best practices suited for their company. For these new views to truly be of value, they must ultimately rise above the theoretical and manifest themselves into real, tactical, pragmatic actions and programs that transform asset management in tangible ways.

In most instances, the changes will come through a combination of formalization of the tactics (i.e., taking a programmatic approach), building new skills with the right people, changing how the organization thinks, and deploying information technology solutions in support of the changes. Change itself is difficult – it takes time, energy, and commitment. To ensure that the organization is ready for change and is prepared to tackle asset management with a new view, leaders should also consider developing or enabling the following:

Assess your current state: Knowing the true state of your current operations is critical in determining the scope of change needed and identifying “your best practices”. This activity can be particularly difficult if the asset management organization spreads over multiple divisions, departments, and geographies. Use a maturity model approach to benchmark the current state.

Comprehensive strategy and vision: Define a holistic and thoughtful strategy for how asset management should be approached in your organization. Obtain the input from key stakeholders, understanding that their objectives and needs may be very different but still very important. Use a maturity model approach to define a future-state vision for the new asset management program.

ROI-justified business case: Your vision and plan should be supported by a numbers-driven business case that demonstrates future benefits and tangible ROI.

Executive sponsorship and advocacy: Change requires commitment from the entire organization. It is critical to have key leaders on board with the change. They must understand the benefits and strategic value of the program and visibly show their support.

A transformation or improvement plan, including a comprehensive blueprint and roadmap: These critical plans guide the transformation efforts, ensuring that build-out/deployment is executed correctly, resources are properly deployed, and key objectives and milestones are met.

Consider technology options: Many of the practices and approaches for asset management are available in different forms and flavors via packaged software solutions. Technology should be one of the key enablers in a mature asset management program. This said, a careful approach should be used to vet software solutions in terms of whether the 'best practices' they deliver are the right ones for your company.

A measurement plan: Establish key metrics and KPIs to track the asset management program as it is deployed and in-use. Measurements should be integrated into the program, for operational reporting, financial reporting, and performance measurement.

Obtain internal and external views: Consider finding the right best practices a discovery exercise. Obtain viewpoints from different stakeholders across the enterprise. When appropriate, learn from customers and supply partners, especially those that may require deeper integration into the asset management process. Confer with trusted advisors and industry experts.

Conclusion

For the smart and agile manager, the evolution of asset management should be seen as a proactive and exciting opportunity for improvement. The best approaches demonstrate sophistication and maturity in their asset management programs and capabilities. The real best practice is your best practice, the one that aligns to the specific and unique business strategy of your company.

Finding your best practice is tough but also rewarding. A sound and pragmatic approach is needed to discover the optimal practices. By taking a new view of asset classes, a total asset management lifecycle view, and understanding asset management maturity, asset managers will have their first tools in finding the right practices. Lastly, success comes when strategy turns to action. Those companies that can do just that, will not only find themselves in step with the evolution of asset management, but may even help define its next generation.



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