



# UIC Asset Management Global Conference 2015

## The impact, value and quantifiable benefits of AM.

*Tim Kersley, IAM Faculty & Council  
UIC Conference, October 2015*

*Putting your assets  
on the right track*



# Content

- Background on IAM & Me
- What benefit is on offer
- Case study analysis
- Findings
- Summary

## The Institute of Asset Management

- The IAM is *Learned Society*
- Individual & Corporate Members
- It develops & shares *knowledge, training* and *good practice* world-wide.
- BSI PAS 55:2008 / Competency Framework /The Anatomy of Asset Management





## My Experience

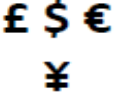
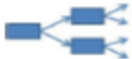







- Chartered Civil Engineer
- 20 Years in Water Industry, Including Head of Asset Management for the provider of River and Coastal Flood Defences in England and Wales.
- Past 7 years working within Network Rail, UK provider of Railway Infrastructure, managing 30,00 bridges, 30,000km track, Signals, Electrification , Stations ...30,000 employees.
- Past 5 years 'Head of Asset Management Strategy for Network Rail, increasingly focussed on maximising benefits from Asset Management and supporting the required 'Business Changes'
- Past 5 years member of IAM council, past 3 years member of the IAM faculty. Led 'Big Picture' and work on 'benefits'



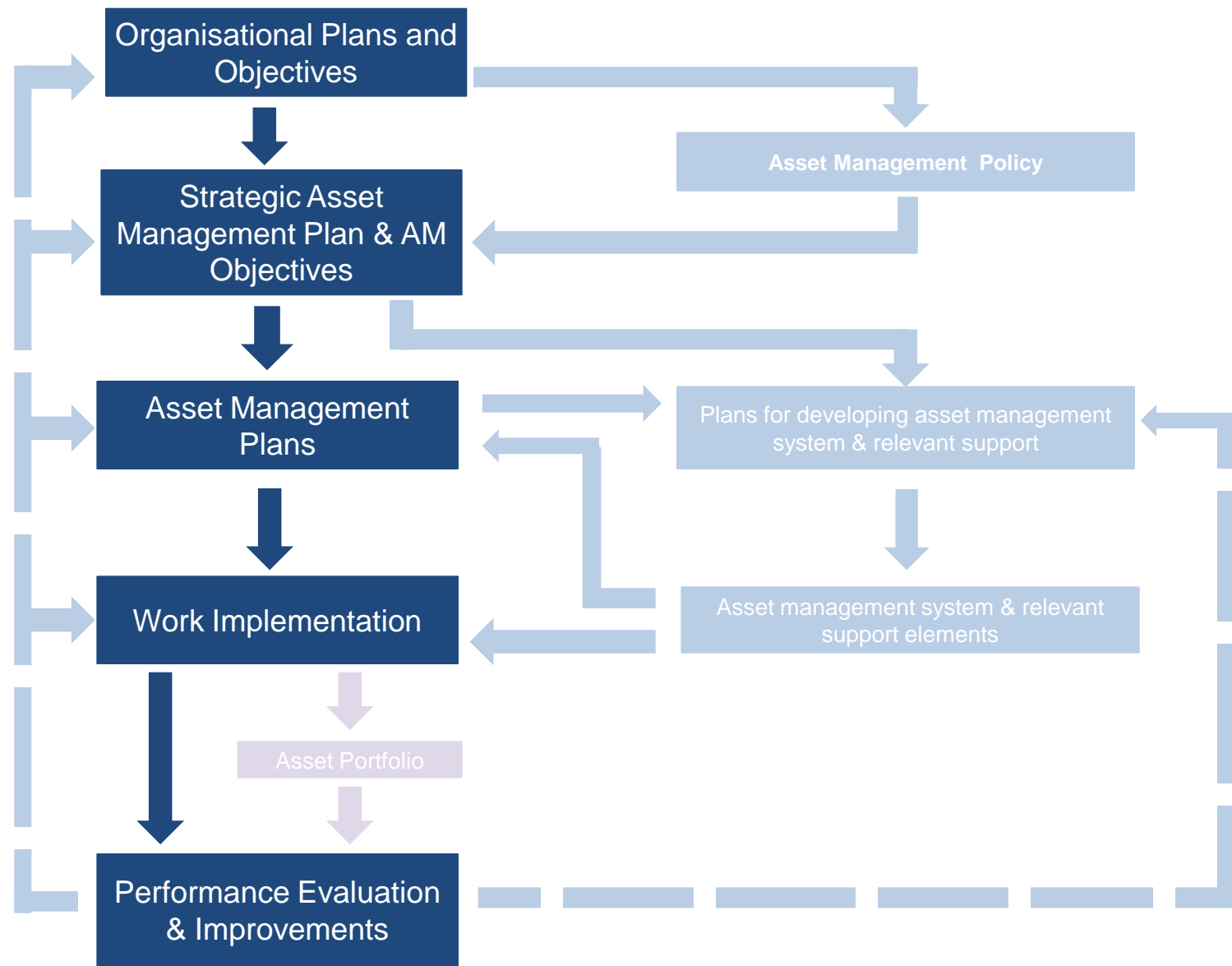
## Benefits – The basics

- A benefit is "an outcome of change which is perceived as positive by stakeholders"
- Benefits should be:
  - Aligned to business objectives
  - Of value to the business
  - SMART (Specific, Measurable, Actionable, Realistic and Timed)
- Disbenefits should be identified and tracked in the same way as benefits to minimise their impact

# Which benefits ?

ISO 55000, Clause 2.2 - Benefits of asset management			
A	improved financial performance		improving the return on investments and reducing costs can be achieved, while preserving asset value and without sacrificing the short or long-term realization of organizational objectives;
B	informed asset investment decisions		enabling the organization to improve its decision making and effectively balance costs, risks, opportunities and performance;
C	managed risk:		reducing financial losses, improving health and safety, good will and reputation, minimizing environmental and social impact, can result in reduced liabilities such as insurance premiums, fines and penalties;
D	improved services and outputs		assuring the performance of assets can lead to improved services or products that consistently meet or exceed the expectations of customers and stakeholders;
E	demonstrated social responsibility		improving the organization's ability to, for example, reduce emissions, conserve resources and adapt to climate change, enables it to demonstrate socially responsible and ethical business practices and stewardship;
F	demonstrated compliance		transparently conforming with legal, statutory and regulatory requirements, as well as adhering to asset management standards, policies and processes, can enable demonstration of compliance;
G	enhanced reputation		through improved customer satisfaction, stakeholder awareness and confidence;
H	improved organizational sustainability		effectively managing short and long-term effects, expenditures and performance, can improve the sustainability of operations and the organization;
I	improved efficiency and effectiveness		reviewing and improving processes, procedures and asset performance can improve efficiency and effectiveness, and the achievement of organizational objectives.

# ISO55000. Activity Phases.



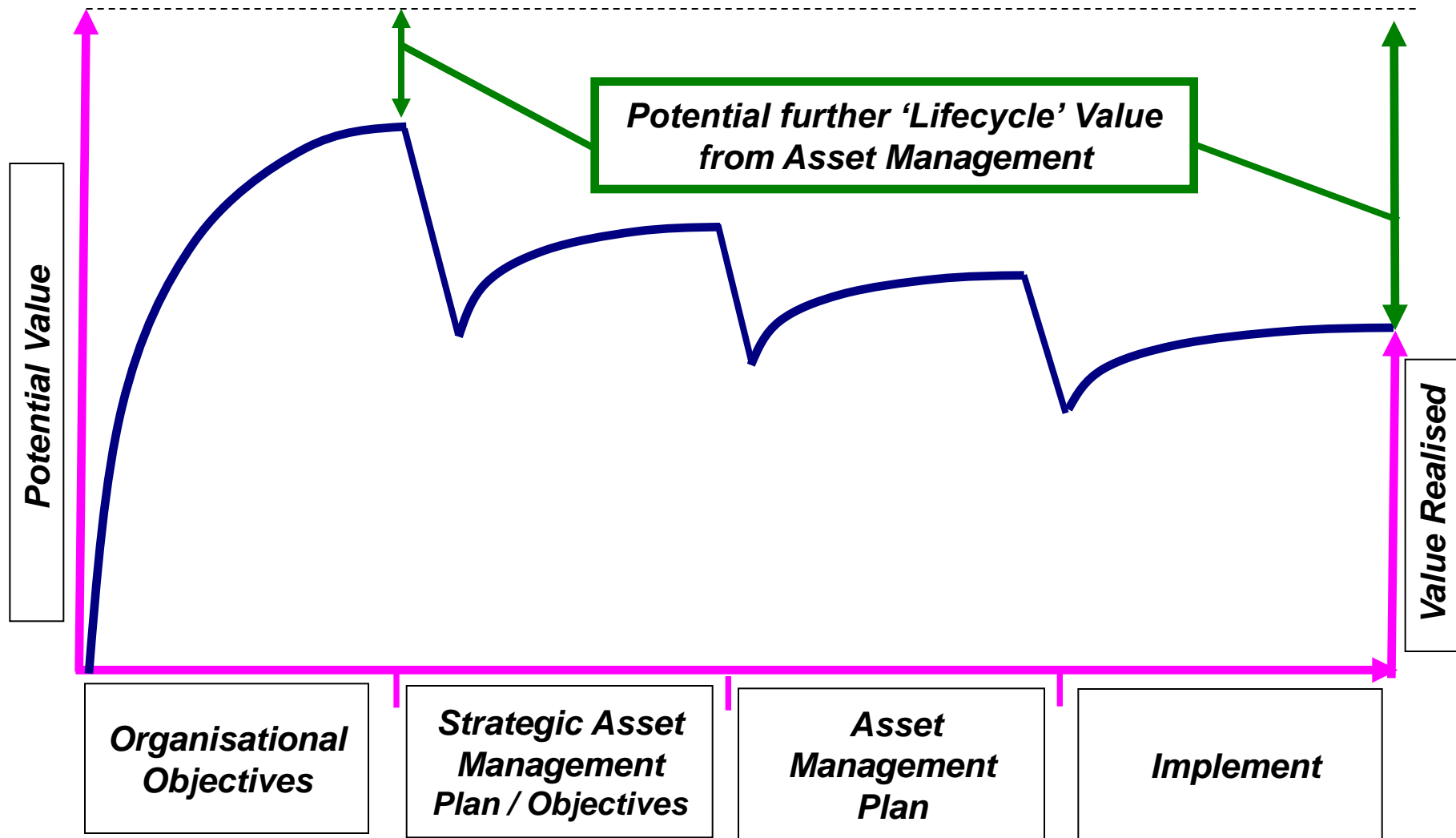


## Some reasons why benefits are on offer

		Orgainsational Objectives	Strategic Asset Management Plan	Asset Management Plan	Delivery
1	Poor Information	HIGH			
2	Misalignment		HIGH	HIGH	HIGH
3	Culture			HIGH	HIGH
4	Changed Priority	HIGH		HIGH	HIGH
5	Lack of Review			HIGH	HIGH
6	Competency	HIGH	HIGH	HIGH	HIGH
7	Stakeholders	HIGH		HIGH	HIGH



# Opportunities to improve 'Value'.



## Case Studies - Source evidence used.

- Case studies & evidence available to IAM
- Past conference papers / workshop outputs...
- Web search
- Available text books

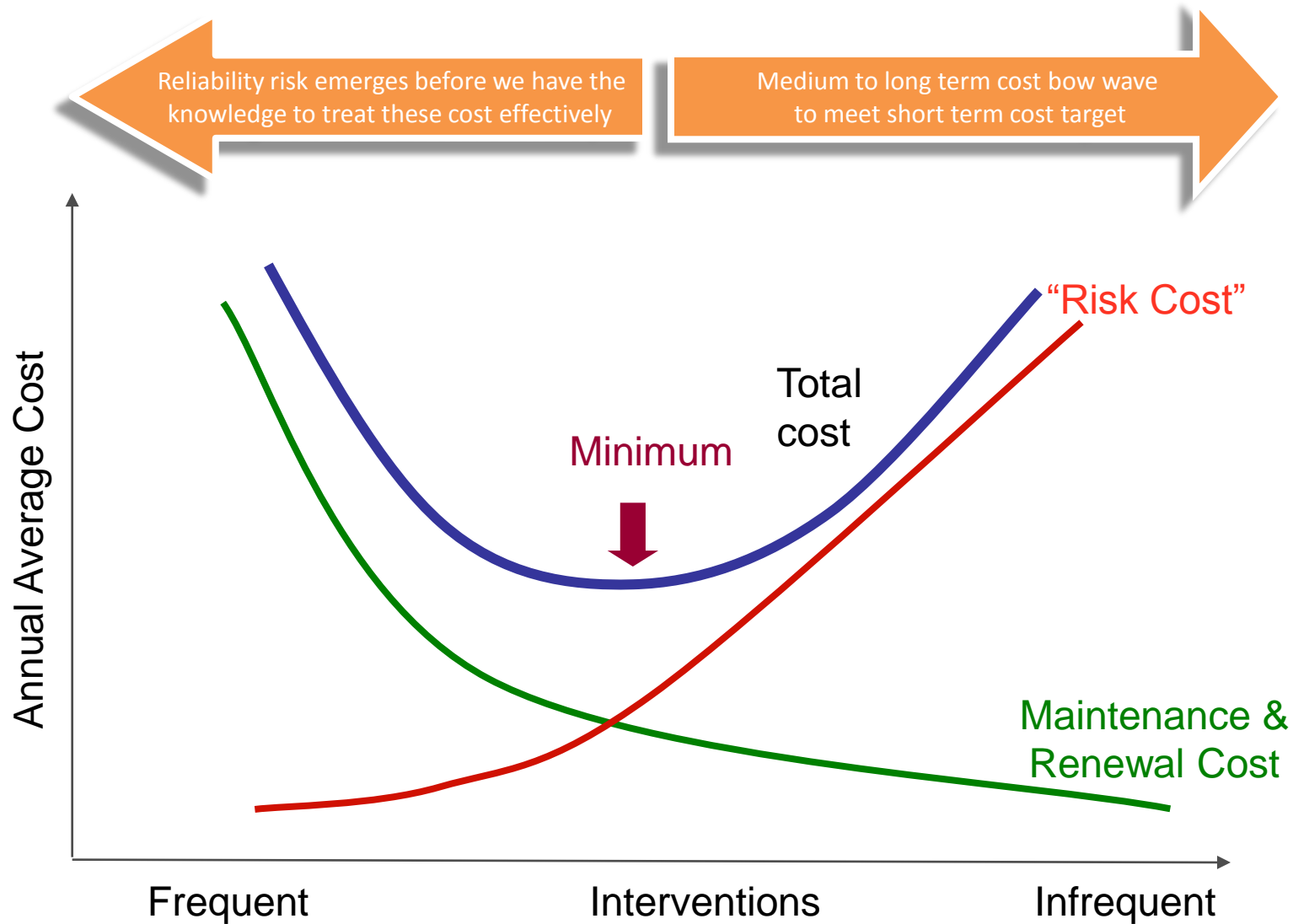


## Consistent Shortcomings

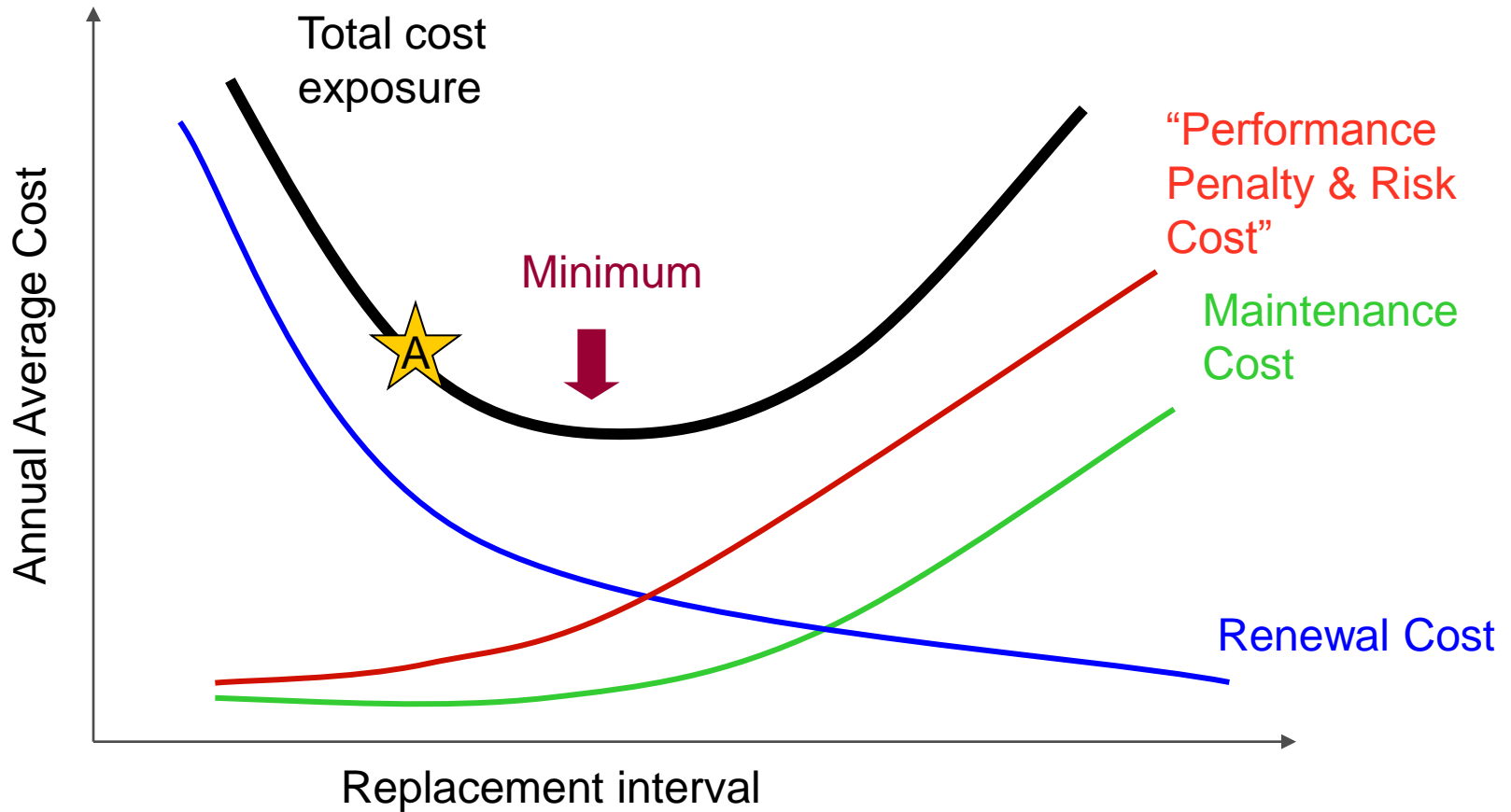
- Benefits are presented in different ways
  - OPEX / CAPEX or TOTEX
  - Whole Life Cycle to very short term
  - Currency or %
  - Reduced future investment requirement
  - Increased Availability or Asset Life or Reliability
  - Increased customer satisfaction
  - Reduced incidents
- Is there a real understanding of 'differential risk' cost ?
- Most are forecasts , rather than actuals
- Few describe a 'robust' baseline,
- most don't describe the full costs to implement



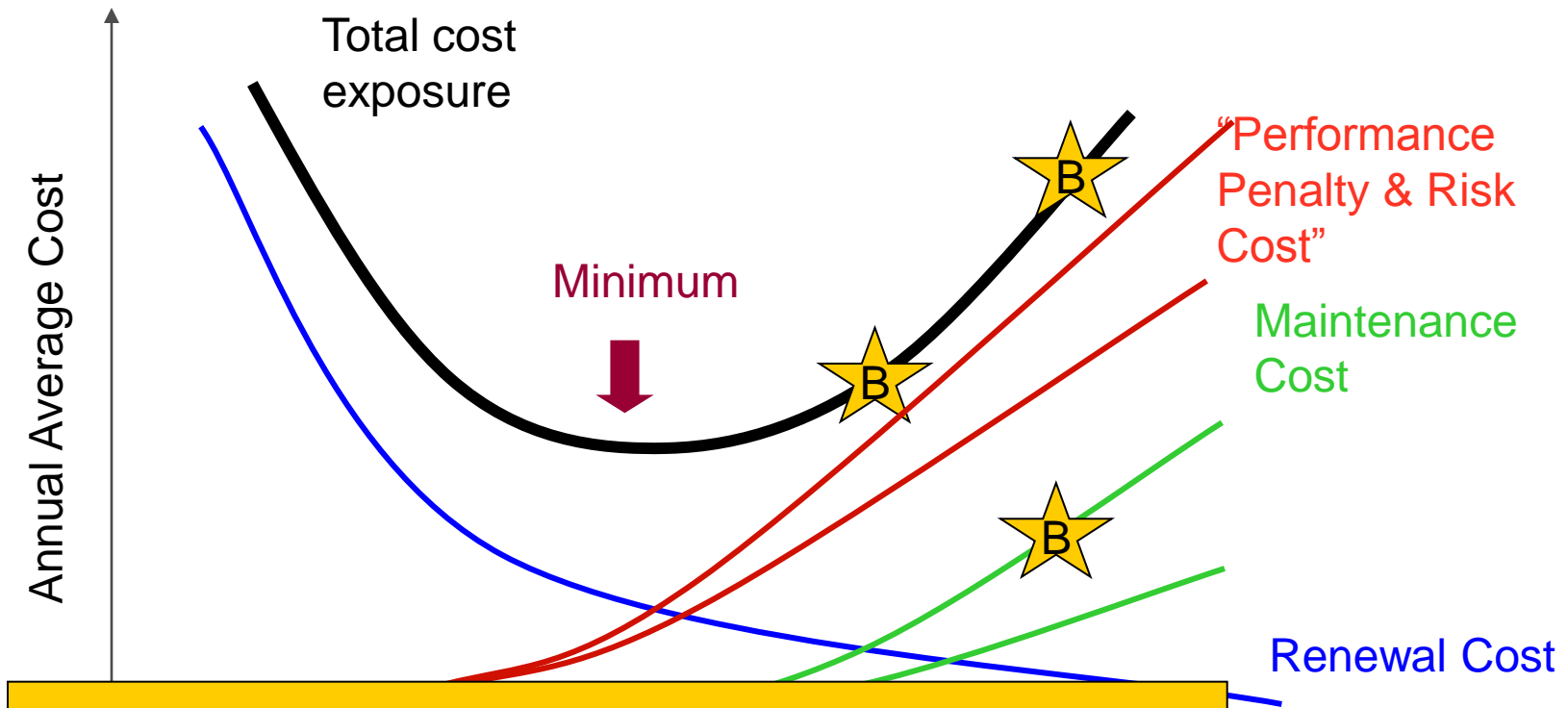
# The minimum whole life cost – source IAM Anatomy



# Case 1. WLCC TOTEX Impacts



# Case 2. Future 'Cost Avoided'



*Is the benefit*

- a) The difference from where we thought we were*
- b) The difference from the restated risk position*
- c) The difference in direct cost*

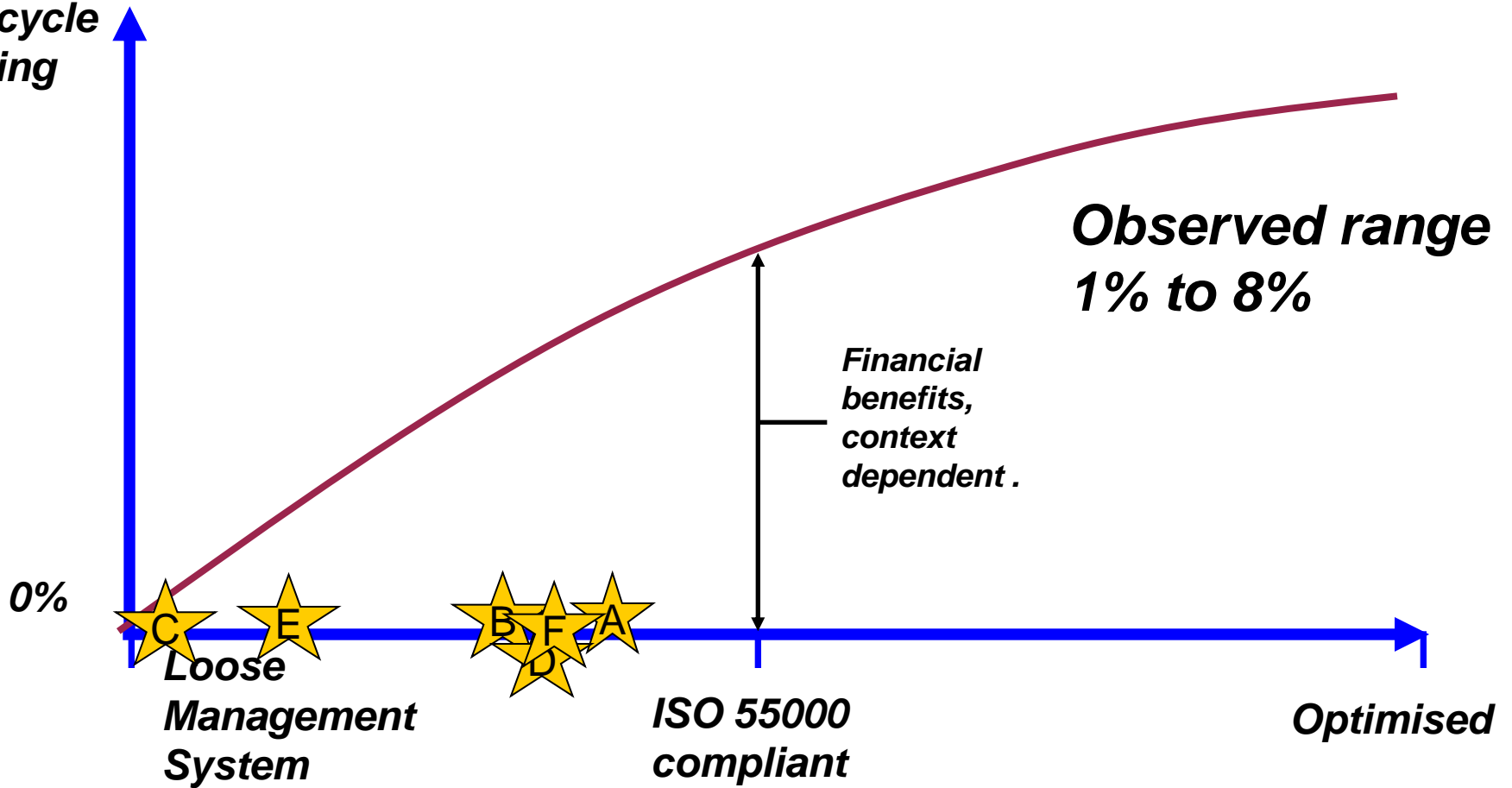


## £ Findings

- Case A
  - Initial 5 Year CAPEX Reduction 20%
  - WLCC TOTEX savings (discounted) 8%
  - No increase in performance / risk exposure
- Case B
  - Initial 5 Year CAPEX 'Increase' 50%
  - WLCC TOTEX savings (discounted) 0 % (Today's TOTEX)
  - Significant reduction performance / risk exposure (5% to 10%)
- Issues
  - Revealing of more realistic corporate risk levels
  - Required up front investment
  - Largest benefits may prove to be beyond tenure of CEO !
  - Differences in future business 'agility'

*Potential benefits of ISO 55000 & beyond –  
sourced from 20 case studies...*

**Potential  
Lifecycle  
Saving**





## Several benefits are precursors to others

B. Improved  
asset  
investment  
decisions (and  
plan)

***Looking to evaluate and measure benefits requires careful realisation planning, monitoring & review.***

## Summary

- Better guidance on benefits is coming.....Late 2015...
- This will contain 'prima facie' evidence on the quantification of financial benefits....
- Further work is necessary, the evidence will grow over time
- Further case studies are required – with greater numerate evidence

What can you do to help ???