The Top Five

Reasons for Performing Facility Asset Management

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In an economic climate that's rapidly changing, executives are looking everywhere to find earnings growth–increased sales? Reduced costs? More effective operations? The good news is that the answer may be all of the above, and closer than you think.

Today, smart organizations are getting creative and getting there fast by implementing new strategies to get the highest value for shareholders. One of the single most profound opportunities for creating value is in the proactive management of your existing physical assets.

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Your organization's assets make up a large, important, and costly investment. Managed strategically, they can significantly reduce your total cost of ownership all while improving operations.

Here are five ways using technology can help your organization reduce the fixed capital investment and contribute to positive, bottom-line results.

1 Get More Funding

Today's organizations must constantly track, assess and manage the reliability of an extraordinarily wide range of physical assets–and these assets are getting older, fast. A recent survey by IFMA (Space & Project Management Benchmarks) showed the average age of facilities being managed was 27 years. All those assets are aging right along with them.

Whether it's building systems or furniture, aging physical assets not only require ongoing maintenance and repair–they require ongoing investment. Asset performance and the resulting quality of your facilities can have a direct impact on the bottom line, and your employees customer's satisfaction. So it stands to reason that if your assets are so mission critical, and aging, getting more funding every year for their maintenance and management should be a piece of cake, right?

Well, only if you have the right data to make your case.

If you need more funding for your facilities you need to be able to explain why–and beyond why, you'll also need the what, where and how. To compete for funds, you need to be able to make a solid, 360° view business case by using available data to justify your need. That starts with knowing what your need really is.

Ensuring that enough money is allocated during your yearly budget cycle to maintain your building assets is critical not only for them to operate effectively during their day to day use, but also to ensure they reach their expected end of life date. Building equipment such as mechanical equipment that is beyond its warranty coverage date and fails before its expected life can be a black swan event that busts the budget right along with the company's bottom line. Ensuring the expected longevity of your building systems can also help facilities management teams plan for and manage their operating budgets with greater consistency and predictability.

By utilizing a centralized web-based facilities asset management system, you can collect data on the true financial impacts of your asset portfolio by tracking acquisition costs, asset depreciation and lifecycle costs. Planning for and accurately reporting on true maintenance costs, replacement costs and historical or depreciated asset value is a must for understanding the amount of funding needed for accurately budgeting your facility's needs.

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2 Be Fully (and Proudly) Accountable

It's clear that proper asset management is critical to the health of an organization. If handled correctly, it can be the key to continued operations in times of reduced budgets. It can help extend the useful life of equipment, improve return on investment and even defer new purchases. It can make you look like a superstar.

But the truth is, in a continually changing environment, this is no easy task. For asset intensive organizations it can be beyond impossible to manage all their different types of assets without creating a huge management workload that adversely impacts the bottom line. What happens then can have brutal (and very visible) consequences.

Without inventory insight, organizations can't effectively balance the utilization loads of their asset portfolios to meet customer expectation with the lowest operational cost. It's common practice, as a result, to overstock furniture, fixtures and equipment to make sure they always have the assets they need. Other companies stockpile spares and inventory to shorten repair times by eliminating delays caused by an inefficient supply chain. Each of these "insurance policies" comes with high premiums associated with constant upkeep, refurbishment and financial carrying costs that will never go away.

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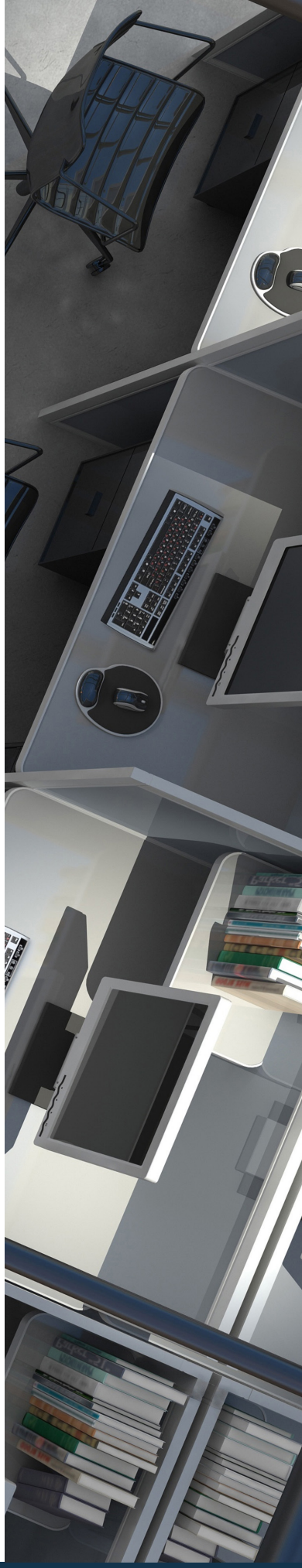
These well-intended strategies end up increasing, rather than decreasing, costs. But a good asset management technology can help control or eliminate overstocking and stockpiling, while reducing the fixed capital investment and contributing to positive, bottom-line results.

Beyond inventory, think location, location, location. Governments, regulatory bodies, shareholders and other key stakeholder groups have increased the pressure on organizations in both the public and private sectors to be able to locate and track asset whereabouts. The higher the risk or opportunity cost in not knowing where an asset is located, the greater the incentive for management to implement an asset tracking system. Asset management technology can provide real-time insight or visibility into all physical assets, as well as across the maintenance, repair and overhaul (MRO) supply chain.



3 Mitigate Risk

Even the best people and support systems can't prevent all adversity. However, you can significantly mitigate the risk of adverse events by using best practices in physical inventories, inspections and preventive maintenance.

How can asset management help? Let's start with inventory. According to the Association of Certified Fraud Examiners, the typical business organization loses 5% of its annual revenue to employee fraud. That equates to roughly $2.9 trillion per year on a global basis. And asset misappropriation is the most common type of workplace fraud, making up about 90% of cases. While asset misappropriation is less costly per instance than financial fraud, the sheer number of instances makes it severely damaging to business organizations of all sizes. Physical inventory and asset tracking tools can help executives know what you have, where it belongs, and who is responsible for the asset throughout its lifecycle – while helping them stay in control of their bottom line.

Preventive maintenance is also essential to avoid costly errors, but can easily slip through the cracks, causing significant financial loss. When equipment is down due to loss of control of inspection and maintenance of vital systems, productivity plummets and operational costs skyrocket. Preventive maintenance scheduling and reminders can help you easily avoid the high cost of system downtime.

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Depending on the industry you work within, asset management tools can also provide you critical information designed to mitigate specialized risks associated with your specific business or market. These may include regulatory mandates, accreditation, environmental compliance or health checks–any of which could potentially harm your bottom line, and all of which can be easily managed through accurate reminders and real-time, consistent reporting.

With asset tracking tools, inspection reminders, preventive maintenance reminders and asset support documentation when and where you need it, managers and administrators can not only define and schedule routine inspections and preventive maintenance checklists, they can pre-empt and minimize the impact of costly events such as theft, equipment downtime and regulatory missteps. It's a simple, effective way to stay one step ahead of complex, potentially catastrophic, events.

4 Know Your Total Cost of Ownership

Can you determine a total cost of ownership for your facility assets, including original purchase and installation costs, repairs and preventive maintenance, and track asset depreciation over time?

Initial costs of a building represent only 10-20 percent of total cost, depending on the life span you assume for the building. Privately owned buildings have a shorter lifespan while government and institutions typically have a longer lifespan. The rest of the cost, an astounding 80-90 percent, is for maintenance, operating and refurbishment/ replacement of components over the building lifespan.

It's important to know the condition of both your fixed and movable facility assets. Underperforming assets can have many negative effects on your company's operations. Asset downtime can disrupt the flow of operations for both employees and facility teams. Inadequate preventative maintenance can result in major unbudgeted expenditures to repair or replace failing equipment. The key to effective asset management is knowing where a particular asset is in its lifecycle–at any given moment–and whether it is providing value to your business. If you know the current state of an asset, then you can intelligently plan and budget for updates, replacements and other changes in the asset's lifecycle. This strategic planning can have a huge impact on a company's bottom line.

While every company wants a cost-effective building, not everyone will define that the same way. In many respects the interpretation is influenced by an organizations interests and objectives, and how they define "cost-effective." Is it the lowest first-cost structure that meets the program? Is it the facility with the lowest operating and maintenance costs? Is it the building with the longest life span? Is it the one in which users are most productive? Or the building that offers the greatest return on investment?

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An organization can set their own performance standards to understand the true financial impacts of your asset portfolio. But it begins with tracking acquisition costs, asset depreciation and lifecycle costs. You can manage both your operating budget and a capital replacement budget only if you understand your current operational costs and the alternatives. By centralizing all assets in a single system, you can track acquisition costs and depreciation and link assets to groups and cost centers, allowing you to track ownership by department and support financial reporting.

5 Move Faster

Having a centralized facility asset management system in place can drive efficiency through reduced cycle times and faster response. You can better plan, schedule and dispatch maintenance personnel to boost productivity and reduce operational downtime with planning and scheduling.

In fact, centralized visibility helps the entire organization move at a faster, more efficient pace. If your employees had greater visibility into events and processes throughout your facility portfolio, what could you gain?

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Let's say a maintenance provider needs to know the state of a particular item in their inventory–like a chiller–and needs to know its warranty recall. They may have 27 different chillers across the portfolio, each with a distinct and separate history. Asset management systems can help them see where their chillers are, when they were purchased, when they were installed, who last performed maintenance on them and the warranty expiration date–all in seconds.

With insights like these, your organization can manage operations more effectively in real-time, problem solve quickly and stay focused on what you do best.

Conclusion

Successful organizations adapt to change by improving their operations and enabling flexibility and agility. Asset management can be a significant factor in their success. One critical step in rising to the challenge of change, and in controlling the complex asset environments necessary for bottom-line results, is to unify processes that manage wide-ranging functions across an organization's multiple sites–while optimizing facility and building systems within each site.

If you manage your assets proactively, maintaining the condition of your assets can extend their overall life and can reduce the total cost of ownership–while improving the operations of your facilities.

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