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In previous columns, we've highlighted why there is a need to speak the language of the CEO and CFO. Now, we need to discuss how to do it. Examining the major areas of financial impact for the maintenance/reliability functions in a plant or facility, we can see that they typically fall ito three major categories:

- Cost reductions
- Asset availability improvement
- Asset efficiency improvement

This month, we're going to look at the cost-reduction aspect. Cost reductions that can be achieved through maintenance improvements also basically fall into three major categories:

- Maintenance labor
- Maintenance materials
- Energy savings

As far as maintenance labor is concerned, the major savings is realized through increased labor productivityÐmeaning that the waste in maintenance labor deployment is reduced. This is one of the focuses of "Lean" maintenance initiatives, in which the focus is not on having technicians work harder, but smarter.

For example, how often are the technicians at your plant waiting to work? In reactive plants, this can be as much as 70% to 80% of their time. That is the inverse of productive or "wrench" time, which will then be 20% to 30% of the technicians' actual time on the job.

Granted, the more proactive an organization is, the less waste that will be encountered. Conversely, if 50% or more of an organization's resources are deployed on reactive work (work that is planned with less than one week's notification), the more losses it is likely going to be encountering in this area.

The key to increasing labor productivity, and, thus, decreasing this waste, lies in maintaining the organization's assets to a point that they do not require short-term maintenance interventions.

The primary maintenance strategy in accomplishing this is an effective preventive maintenance program. Maintenance activities that are planned and scheduled on a weekly basis cost 25% to 50% less than those that are performed in a reactive mode. Yet, while these are interesting statistics, do they really get the attention of the "C" level managers in your organization? Probably not. So, let's consider the situation from another perspective.

If you have 50 maintenance technicians in your organization, each working 2,000 hours per year (a low, but round number) and they are deployed with 25% "wrench" time, this amounts to 25,000 hours of actual work. If those technicians are paid $20. per hour, this equals $2,000,000 per year to accomplish 25,000 hours of work.

On the other hand, if their "wrench" time were increased to 50%, those 50 maintenance technicians working 2,000 hours per year would accomplish 50,000 hours of actual work. Running these numbers, we can see that the technicians' combined 25,000 hours of work actually could be accomplished for $1,000,000. Or, 50,000 hours of work could be accomplished for the $2,000,000.

While a direct workforce reduction might seem logical based on the above scenario, you might want to simply consider a possible reduction in overtime ("best practice" is less than 5% overtime) or the economy of bringing outsourced work back in-house.

If you were a "C" level executive, would the approach outlined here be something you would be interested in reviewing? Of course. This type of presentation helps the CEOs and CFOs truly understand the contribution of maintenance and reliability to profitability. Moreover, it's the type of presentation you should be prepared to deliver every time.

(Next month, we will consider a similar approach to spare parts savings.)