

Viewpoint: "Show Me the Money"... Return on Investment & Your CMMS

Written by Blaine Pardoe, Enterprise Management Systems
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Getting the money back out of a CMMS is an issue with which consultants in the CMMS and maintenance marketplace deal all the time. The problem has been reduced somewhat in the past few years with the prices of PCs and CMMS software declining, but it still exists and is prevalent regardless of the size of the company.

Where does it come from? For those of you getting pummeled by your management for these answers now, you already know. For those of you contemplating a new system in the next year, consider that the CMMS, database engines, and servers all cost money. A common way to justify the cost of all this additional power in the maintenance activity is to talk about the cost savings that the CMMS can provide. In other words, by installing this software, I save X dollars to the company.

CMMS marketing and sales forces are good at providing statistics to back up what they claim their package can save you. "Bob, if you properly implement our package Mainten-X 2000, you can save upwards of \$200,000 per year!" Management and bean-counting types buy into this as a good justification for any procurement that can cost what a CMMS does. However, what happens a year later when the cost of the operation is not \$200K less? Or worse, as I've heard in one operation; the accounting folks slashed the budget by \$200K assuming that those savings were "real."

While I generally find good cause to abuse the sales forces of most CMMS vendors, often times they do tell the truth (in whole or part) when it comes to the cost savings potentials. CMMS can save substantial money when properly implemented. The key words here are, "properly implemented." Also assumed is that you can and do measure the impact of the CMMS implementation—often the cost savings impact is buried, obscured, or forgotten.

There are two types of savings impact that can come from implementing a CMMS.

Intrinsic cost savings are the inherent savings you get the day you install the software and start using it. It is driven off features that your current package did not have, or is dramatically better than what you were doing before. In one company they used three big binders to manually track work orders, all stamped with dates, times, etc. Any reporting they did they manually compiled. Installing a CMMS saved them hours of time.

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In some cases these intrinsic savings come from simple processing advantages with newer technology. Company K's old CMMS would take five hours a week to generate PMs, all of which had to be manually sorted. A new software package was able to do all of this significantly faster, in one-half an hour, and pre-sorted everything on-line before printing them by supervisor.

When you implement your CMMS, these savings are the easiest to notice. In reality, however, they often result in the smallest amount of dollar savings against your return on investment. Where an implementation effort can falter is in trying to capture all of these savings—since the cost to capture them can often outweigh the savings themselves. If clerk Judy saves 15 minutes a day from sorting work orders, is there merit in spending two hours documenting it? The rule of thumb is that the savings in hours per month has to be two times the amount of time to document it once in order to take the time to capture these savings.

Implementation driven cost savings are where a CMMS can actually start paying back a company for its investment. It can, in many respects, be easier to measure because it forces you to understand the cost of doing a process now and the impact of making a change to this process.

These are the savings that are driven by a CMMS implementation effort that looks at altering how work is managed and performed as a result of having a new tool (the CMMS) that has features and functions that allow better control and management.

An example of this might include something such as tracking equipment downtime. If your new CMMS has the means to do this and your old one did not, it's going to require some time to set up (as part of implementation). It's also going to require some retooling of your processes (we've never asked the guys on the floor to track this in the past). Then comes the issue of what you're reporting and what you're going to do with it. When you find out that one piece of machinery is causing 20 percent of your reactive maintenance costs, and that you can alter the PM schedule to reduce that dramatically, there is a cost savings—both from the loss of downtime and the cost of the emergency maintenance runs.

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This is where a CMMS can save you real money toward the return on investment. These are not little dollars either, but often are long-term steps and actions that generate a substantial savings for your company. **MT**

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