Dollars & Cents Vs. Dollars & Sense

Championing maintenance-improvement projects in tough economic times isn’t easy. Many will recall the infamous 1990s downsizing era, when countless maintenance departments suffered deep cuts in their capital and operating budgets, which, in turn, lead to a crippling deferred maintenance approach.

The subsequent recovery period brought about a better understanding of how to defend against future indiscriminate cutting back of programs through improved setup and use of the CMMS (computerized maintenance management system asset management reporting tools). In the early 1990s, the maintenance department that was able to articulate in “bottom-line” terms the economic consequence of deferred maintenance as a direct result of budget slashing was the maintenance department that not only saved its existing budget, it often was able to capture additional funding for further cost-saving initiatives.

Articulating the consequences of deferred maintenance was typically accomplished through a simple Cost/Benefit Analysis report. Such reports position maintenance as an investment in corporate well-being and depict the financial impact of a new or existing initiative or a proposed maintenance budget cut. The Cost/Benefit Analysis provides a statement of record, usually for an accounting department, which likes to review costs and benefits in terms of “dollars and cents”.

To invest in something is to dedicate funds and/or time to a project that’s expected to yield a profit or income. In the case of maintenance initiatives, the profit or income almost always was categorized in the past through the ability to increase operation throughput productivity/quality as a result of increased asset availability and reliability. Those gains would then be translated into dollars-and-cents monetary terms.

Moving forward 20 years, not every business decision is now fiscal-based, and today’s maintenance department finds itself in a much more sophisticated corporate environment: That means competing against every other department for a slice of an ever-decreasing investment pie. Remuneration success is still awarded to those departments whose programs return a quick economic benefit, but it's the innovative program—*one that delivers both "dollars and sense"* —that now takes the biggest slice of pie! In other words, today's maintenance departments must be innovative in categorizing their programs' benefits, not simply in fiscal returns, but in different "currencies" that make sense to the corporation.

Available 'currencies'
Delivering dollars and sense requires homework—*and that often commences with the corporate mission and vision*. Delivering programs that dovetail directly into the corporate direction is a powerful benefit. Most companies spell out their missions and visions for the world to see in their annual corporate reports or on the home pages of their corporate Websites. Making sense of a project is often a matter of better understanding your company's business and the impact the corporation strives to make on its investors, customers and the world at large. The ability to put forth programs and initiatives that tangibly categorize additional benefits that make sense to the corporation are more likely to achieve project approval. The following examples show how a maintenance department can be innovative in positioning its Cost/Benefit reports:

Meeting and exceeding regulation requirements.
If you work in a regulated industry like power generation, food processing or pharmaceutical, you are subjected to regulatory audits that you must pass in order to keep your business-operating license. Due diligence through effective maintenance tracking and performance is a MUST in regulated industries and often speeds up the audit process, reducing the impact of the audit process to the organization. Investigate the ramifications of a license suspension or loss, and the impact to your corporation if such an event were to occur.

Standards accreditation and award programs.Being accredited to specific standards such as ISO 9000 (quality), ISO 14000 (environmental) and PAS 55/ISO 55000 (maintenance) can be a mandated customer requirement for bidding on and performing work. Along with award programs such as the NAME (North American Maintenance Excellence) Award, accreditation serves to project a trustworthy corporate image that can be capitalized on with new customers and help increase corporate/workforce self-esteem.

Increased safety. Everyone wants to feel as safe as possible in their workplace. Companies that can demonstrate a good safety record are rewarded handsomely by substantial reductions in their workman's compensation insurance costs and having staff that turns up for work every day.

Working-capital reductions. Reducing MRO inven-tories through lifecycle costing initiatives and use of just-in-time (JIT) and “pay as you go” vendor-managed inventories significantly decreases (or eliminates) operating capital tied up on inventory shelves.

Environmental sustainability via reduced energy.
Effective lubrication programs can cut electricity consumption 4-18% by putting the right lubricant, in the right amount, in the right place, at the right time. Effective condition-monitoring programs can deliver energy reduction in a number of ways (i.e., by helping identify and plug simple air leaks in compressed-air systems; by helping eliminate mechanical-drive transmission power losses with laser alignment of driver/driven components; by helping eliminate electrical energy loss to ground through infrared detection of loose connections; and by helping eliminate converted steam losses due to faulty steam traps and poor line insulation with the aid of ultrasonic and infrared technology). Energy consumption also tracked on the basis of natural gas used in heating systems and gasoline/diesel fuels in fleets. When looking to monitor energy use, try to work with suppliers who have equipment that can be utilized for free—*and who may offer rebate credits you can take advantage of.*

Sustainability through a reduced carbon footprint.
In many parts of the world, carbon credits have become trading commodities worth millions of dollars to corporations— *whether buying or selling.* In July 2012, Australia became the latest country to impose a carbon tax on industry. North America could impose a carbon tax in the future as well, and companies need to be ready.

Improved energy management, along with improved maintenance practices, can play an important role in reducing a corporation’s CO2 impact. For every kWh hr of energy we save, we reduce our carbon footprint by 0.000537 tons of CO2. To put that in perspective, finding a simple loose connection in a 400 hp, 480v, 3-phase motor is the equivalent of saving $11,875 in electrical energy per year at
9.5c/kW—*and an amazing 67 ton of CO2!*

Many of these benefits often can be compounded (i.e., a single program or initiative can deliver a two, three or even four times the benefits). For example, an engineered lubrication program can increase bearing life, reduce downtime, reduce energy, reduce carbon footprint and increase safety while meeting regulation and a standards requirement (all for very little capital outlay). Making sense of what you do in tangible terms can get you the dollars every time!

A call to action
Do you have an innovation story that has yielded dollars and sense? Tell us and others about it by entering our “2012 Maintenance & Reliability Innovator of the Year Award” program. You have nothing to lose and plenty to gain, including some great prizes and bragging rights! Procrastination gets zip. Visit www.reliabilityinnovator.com for full details and entry forms. The deadline is December 31, 2012. Good Luck!

Ken Bannister is a world-class asset management consultant and best-selling author of Energy Reduction Through Improved Maintenance Management Practices.
Telephone: (519) 469-9173; or email:
kbannister@engtechindustries.com.