



Increasing value of EAM tied to competitive pressures

There has been an increased value placed on enterprise asset management (EAM) in asset intensive organizations within the government and industrial sectors. The strategic shift can be linked to global competition and a relentless focus on serving customers at the lowest possible competitive cost. These competitive pressures began more than two decades ago and have been steadily making their way through the asset intensive sectors.

The nature of competition is different, but the need to be more reliable at a lower cost is the same in every sector. For example, pharmaceuticals face competition from generics. Oil and gas and petrochemicals firms now compete with increasing sources of supply in countries anxious to generate revenue by selling to global customers. Power generation is under pressure from regulators and customers to produce very reliable supply at the lowest cost. EAM in capital intensive sectors is a major opportunity for improving equipment availability, operating performance, and financial and overall business results.

A recent study by the ARC Advisory Group assessed the business drivers for an

EAM program and revealed four primary drivers: improve uptime, reduce cost for maintenance labor and parts, extend asset longevity, and safety and risk management.

The direction from CFOs in most firms today is to “squeeze the assets” — increase return on investment (ROI) by influencing the numerator and denominator of that equation. EAM can help in two ways.

First, it increases the numerator by higher equipment availability and throughput. Second, it decreases the denominator by reducing maintenance costs, helping extend equipment life. The result is reduced need for capital investment and less extra spare parts inventory.

A successful EAM program yields available and reliable equipment and, therefore, dependable product supply and lower cost for customers. EAM is a strategy and tactic; it has a number of major elements that can be managed together across an enterprise to increase reliability. Effective EAM programs address all elements of the equipment lifecycle — from conceptual design, operations and maintenance to decommissioning and retirement.

With that said, effective EAM programs

are not implemented overnight. Organizations with effective EAM programs have taken the time to define, document and communicate requirements across the organization, and rigorously track and trend improvements.

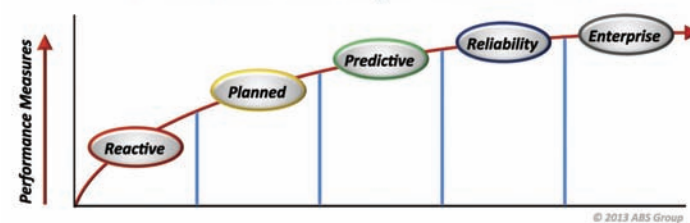
The cycle begins with a design for reliability where FMEA (failure mode and effect analysis) and other tools can be used. Next, the reliability and maintenance program is developed, including the Computerized Maintenance Management System (CMMS), which is used to support equipment history, reliability management and cost management. In the asset operations phase, critical EAM components such as asset integrity, reliability engineering, maintenance planning, and scheduling and spare parts support ensure reliability at lowest cost. Finally, at retirement and decommissioning, an effective EAM program ensures maintenance and spare parts programs as well as CMMS entries are adjusted to reflect a

changed asset base.

To improve or implement an EAM program, it is important to establish a goal and a baseline from which to chart a course and measure improvement. An effective way to accomplish both is to assess where the organization stands on the EAM maturity continuum. This can be accomplished by conducting a calibrated site assessment or completing a reliability workshop. The expected outcome is an understanding of EAM principles, practices and tools, and a gap analysis between current state and leading-edge EAM tactics along with the expected ROI.

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NEWS UPDATE

IHS: Energy revolution creates new global industry landscape

DAVOS, Switzerland — The unconventional oil and gas revolution has dramatically changed the global energy landscape, and in its wake is altering the world’s competitive manufacturing and industrial panorama, according to a new report from IHS.

The report, “Energy and the New Global Industrial Landscape: A Tectonic Shift,” looks at the impact of unconventional (shale gas and “tight oil”) energy on world energy markets, the automotive and chemical industries as well as on the United States where it is improving manufacturing competitiveness.

While unconventional energy has been “a big boost” for North America, IHS Chief Economist Nariman Behraves, one of the report’s authors, says its impact will also eventually be seen more widely as other countries develop their shale gas and tight oil resources.

“Initially, this has been — and will continue to be — a big boost for North America,” Behraves said. “However, other regions and countries with large-shale gas and tight oil deposits can, with time, also participate in this energy revolution and industrial renaissance.”

A new study by IHS estimated in the United States alone, the surge in unconventional oil and gas extraction has led to the creation of 1.7 million jobs and added \$62 billion to federal and state coffers in 2012.

The big drop in energy prices has also led to a surge in investment in the United States.

The big drop in energy prices has also led to a surge in investment in the United States, posing a risk for Europe and Asia, which face migration of manufacturing to North America and the loss of competitiveness, said Behraves.

The special IHS report, “Energy and the New Global Industrial Landscape: A Tectonic Shift,” is available to the public for download free of charge at www.ihs.com/ihsatdavos.

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