

Tracking the Changing Nature of Asset Management

The role of the asset manager is changing. With continued pressure on capital budgets, growing numbers of organisations are exploring not only new financing models but new ways of procuring and maintaining assets – including the use of third parties. So where does this leave an asset management department that has delivered real benefits over the past few years in extending asset life without compromising performance or operational compliance?

As Karen Conneely, Group Commercial Manager at Real Asset Management insists, it is those asset managers that can leverage comprehensive asset intelligence and proactively demonstrate quantifiable business advantage – from maximising asset value to facilitating cost effective innovation - that will be best placed to manage the rapid change in asset procurement practices over the next decade.

Enduring Austerity

With the announcement that the era of austerity may be extended to 2018*, organisations across both the public and private sector are having to rethink investment strategies. For the past five years, those tasked with asset management have played a vital role in extending the useful life of key assets – from IT to manufacturing equipment. But with organisations facing another six years of reduced capital investment, senior management are set to rethink the way assets are not only maintained to maximise value but also procured in the first place.

Growing numbers of organisations are exploring operating and capital leases as an alternative to full purchase; many – especially within the public sector - are also being offered third party outsourced services, where a provider will retain ownership of an asset and simply deliver and maintain it on site as and when required. The challenge for asset managers will be to retain control within this new, complex business environment.

How, for example, can the asset management team ensure complete visibility over performance, history, maintenance and usage if assets are fragmented across an internally and externally owned model? How can an organisation ensure compliance with a raft of health and safety requirements or demonstrate compliance in the event of an incident that may result in legal action? Furthermore, how can it ensure critical business continuity and minimise the risk of financial damage due to equipment being out of use or in the wrong location?

Asset Insight

It is time for asset managers to take a far more proactive role and to demonstrate the value being delivered to the business by effective, intelligent asset management. Asset teams have worked phenomenally hard over the past few years to ensure items are not swapped out until they have delivered maximum value for money and to balance asset performance with risk, age and innovation.

As Richard Scott, Head of the Medical Equipment Department at Sherwood Forest Hospitals NHS Trust, explains, “With managers under increasing pressure to extend the lifetime of assets in the current economy, determining when is the right time to replace is a critical aspect of the job. The issue is not only balancing value for money with the risk of failure impacting productivity or safety, but also timing access to the latest innovations that may improve performance, reduce costs or, critically, contribute towards the retention of skilled employees.”

Asset managers must increasingly be involved at every stage of the asset lifecycle – from the initial purchasing decision through maintenance and disposal. This business critical role has created a fundamental requirement for in-depth, accurate asset information. “A comprehensive asset register that encompasses asset history and expected life is vitally important,” says Scott. With a three to five year investment programme, asset business intelligence is essential to provide answers to the Trust’s Executive to support investment decisions. In addition, he says, the team is constantly horizon-scanning to track new developments, working with consultants to assess evolving requirements and opportunities.

Business Value

To make this process far more business relevant, Scott recommends two key steps. Firstly, standardise equipment as far as possible. Consistency in purchasing has a number of benefits – from negotiating better procurement contracts and ensuring maintenance personnel have the right parts and expertise to service and repair, to minimising staff training and improving the organisation’s ability to move people between departments.

The second step is to reclassify assets. As Scott explains, upwards of 90% of the 20,000 assets under management at the Sherwood Forest NHS Trust are standard across the organisation – from beds to pumps. “There is no need for clinicians to be involved in decision making regarding the timing of replacement and acquisition of these standard medical devices. Instead, by reclassifying assets the Trust has enabled clinicians to focus on the key areas of development and innovation that really influence performance and affect patient outcomes.”

In addition, there is a requirement to become far more flexible. With a clear shift towards a mixed procurement approach and, indeed, the increasing use of third parties to provide and service specific equipment, asset management departments need a new way of project managing the asset base to impose control and ensure compliance.

A key requirement will be the need to evolve from the static, annual asset audit towards a model that delivers far more frequent insight into asset location, status and usage. By replacing barcodes with the latest generation of affordable Radio Frequency (RFID) technology, there is no longer a need for costly and time consuming annual audits. Instead, a quick and more frequent rolling programme can be adopted that delivers the insight required to make faster decisions and respond to board level proposals.

Proactive Attitude

The continued pressure on capital budgets is already having a direct impact on the role of asset managers with the potentially expensive possibility that outsourcing could become an increasingly attractive option. As Scott says, it is time to stand up and be counted, to take advantage of the improvements in asset intelligence of recent years and to deliver robust, demonstrable arguments for asset replacement based on performance, maintenance history and, of course, expert insight into new ideas.

Asset managers need to be able to exploit asset intelligence to extend asset life without compromising safety, performance or innovation and to deliver effective asset management based on an overview of the entire estate, so enabling the organisation to adopt radical new approaches to asset financing. It is by taking this proactive approach that asset managers will be able to demonstrate quantifiable, long-term business value to the organisation.

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