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NON-TRADITIONAL ROI'S TO IMPROVE YOUR MAINTENANCE ROI - PART III

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In **Part I** we talked about Top Leaders within many large...medium and small organizations needing to gain greater awareness and personal understanding as to the importance of maintenance. As I have mentioned in Part I and throughout my relatively new book from McGraw-Hill; *Maintenance Benchmarking and Best Practice: A Profit and Customer-Centered Approach*, Top Leaders must be completely aware of their *total maintenance requirements*. If they do not have or believe the facts presented by their Maintenance Messenger/Leaders, then someone is in real trouble. Top Leaders must also be aware of their best practice needs defined by their Maintenance Leaders and take advantage of the investment opportunities within maintenance. Yes, there is tremendous return on maintenance investment (ROMI) if one just takes positive action. I often quote NIKE on this point, "Just Do It!"

Top Leaders must understand that *The Scoreboard for Maintenance Excellence* assessment is that essential first step. Along with dedicated implementation, *The Reliable Maintenance Excellence Index* then will validate results and ROMI. Without positive actions for improved maintenance productivity, "*Total Maintenance requirements continue to grow with the status quo!*"

AGAIN REMEMBER THE TRADITIONAL ROI'S (TROI):

TROI calculations are of course very important as we discussed in Parts 1 and 2. Maintenance operations that have committed to Continuous Reliability Improvement (CRI) of all six key maintenance resource areas can achieve significant improvements. The ROMI for investments in maintenance are comparable to the following:

- 15 to 25% increase in equipment uptime
- 20 to 30% increase in maintenance craft productivity
- 25 to 30% increase in planned maintenance work
- 10 to 25% reduction in emergency repairs
- 20 to 30% reduction in excess and obsolete inventory
- 10 to 20% reduction in maintenance repair costs
- Improved product quality
- Improved utilization of equipment operators; greater production productivity
- Improved equipment effectiveness and capacity
- Improved equipment life
- Improved productivity of the total operation

NON TRADITIONAL ROI'S (NTROI) GO WELL BEYOND THE BOTTOM LINE

During Parts I and II, we covered most of the NTROI's that are included in the Figure 3.1 shown below. Part III will now cover the remaining NTROI's for this three part series. Remember that all of these are all interrelated and support the traditional concept of ROI. Consider the value of these remaining non-traditional ROIs and go beyond the bottom line with your maintenance investment.

Before we begin **Part III**, have you thought about two of the questions I asked during Part II?

1. What if the maintenance operation in your organization or plant was a business?
2. What would you do differently to make a profit or to improve customer service within a not for profit operation?

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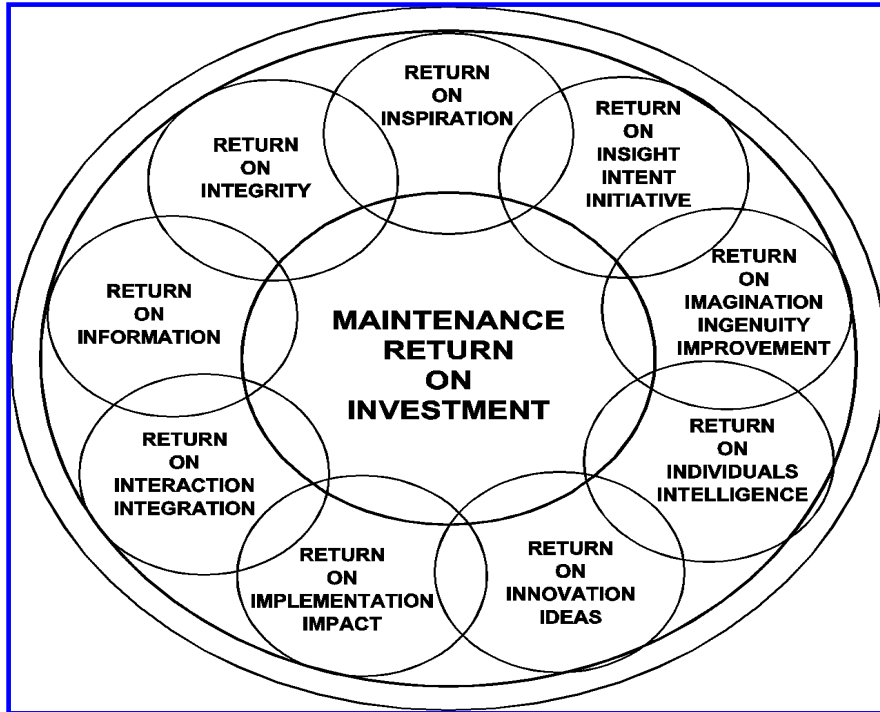


Figure 3.1 Non-Tradition Return on Maintenance Investments (NTROI)

Remember that if your current maintenance practices and maintenance information system (CMMS) does not allow you to manage maintenance like a profitable business, then your organization will continue forever to view you as a “cost center”. When viewed as a “cost center” and having uneducated Top Leaders, **always remember** that you will maybe a “takeover target” by a profit & customer-centered contract maintenance provider.

Creeping outsourcing to a profit-centered contractor often occurs. For manufacturing plants, it may start by outsourcing the facilities maintenance process like I have personally seen from some of the best manufacturing companies in the USA. Contractor will wait patiently for the plant maintenance piece and then have it all. Trends in government maintenance and non-profit operations are rapidly progressing toward privatization with greater performance, service, and reduced total costs. Our network of national laboratories, military base maintenance and educational facilities at all levels across America are prime examples for the use of contract maintenance.

Total third-party maintenance is a common practice in those organizations that continually gamble with maintenance costs and have lose or that are losing heavily as we see many participants do on ESPN’s poker tourneys. There are also many pitfalls to third party maintenance and I have seen many of them personally and via Scoreboard assessments. And as I have said all around the World, “I am personally pulling for the home team; the in house maintenance team for many reasons.

Be the Maintenance Leader that understands how to show true return on investments with facts. Be a True Leader of maintenance who wants to know all about the current best practices in maintenance and use them. And also be a Maintenance Leader that understands that most of the non-traditional ROI’s are really about personal leadership and personal motivation. So now in Part III let’s look at more ROI you may not have considered.

Outsourced Maintenance: Is It Really Your Best Value?

The answer is maybe Yes & maybe No! If you do not adequately support the contractor then the answer could be No. If you do not have a performance based contract and a means to measure contractor service to you, then the answer could be NO! Can you assume that a contractor will bring today’s best practices to your plant’s newly outsourced maintenance process? The answer to this is NO unless you define a true performance based contract.

Over the last 40 plus years, I have seen many contract maintenance operations within a company and here are three true case study examples:

1. A major plant maintenance contractor is providing service to a major corporation’s chemical plant in Texas. The plant’s central store is the provider of parts and material to this contractor. This central storeroom is disorganized, its procurement process is slow and non-responsive and the existing inventory is inaccurate to the point that frequent stock outs make effective planning almost impossible. Reserving parts is also not possible with the current system. And the existing PM program of the client is so bad that the contractor’s planner (a part of contract staffing per contract terms) is rewriting and updating PM task description, frequencies and estimated times. All so that this world class contractor can do the right thing in regards to basic PM’s needed for this contract.
2. A medium sized facilities maintenance contractor has a contract with one of America’s largest manufacturer of person care and home care products. This contractor does not wait to be asked for performance metrics related to their service. They automatically provide this client and all others with a monthly performance report.

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RETURN ON INDIVIDUALS AND INTELLIGENCE (ROI): Individuals with varying levels of talent and intelligence make up huge armies, large corporations, small companies, maintenance crews, and teams. CEOs and CFOs ponder their next investment opportunity in new equipment, facilities, processes or new merger possibilities with a view of how it will improve the bottom line. An investment in people, the most valuable asset is often the most neglected investment opportunity. The maintenance operation that is not investing in continuous maintenance education and development of its people is in danger.

Today's Maintenance Leader must have a current assessment of the skill level of their maintenance work force. They must have a plan and the resources to provide craft skills development that is needed in their specific type of maintenance operations. With a strategy for multi-craft maintenance, it is necessary to be able to develop multi-skilled craftspeople in order to achieve benefits from this approach.

Training provides intangible benefits on top of the direct benefits. Maintenance employees will know that the company cares enough to invest the time and money. Employees will have greater confidence in the long-term future of the company as well as the importance of maintenance. With new skills, the craftspeople will be more confident and perform at a higher level that is safe and more productive. Improved customer service and quality will result. Your CFO may have a hard time with the previously discussed Return on Integrity. The Return on Information that quantifies tangible benefits will be a little easier.

Your case for an investment to provide Return on Individuals and Intelligence will be hard fought, but remember, if they think education and training is expensive, try ignorance! Those who also think education and good maintenance is expensive should try ignoring today's best maintenance technology and practices! Intelligent investment decisions are made when key leaders at all levels invest in people, their most valuable asset.

Maintenance excellence will not be achieved by ignoring today's best maintenance practices. Continuous maintenance education in areas of need is a requirement for success in maintenance. The Maintenance Leader must not let craft skill training become the weak link in developing maintenance excellence.

RETURN ON INNOVATION AND IDEAS: The Maintenance Leader is innovative and makes the best use of resources available, yet keeps an eye out for innovations wherever they might be. Real Maintenance Leaders seek out new equipment processes, technologies, techniques and ideas. They do not chase fads for a quick fix and they realize that maintenance people are a valuable source of good ideas waiting to be unleashed.

Maintenance excellence for the real Maintenance Leader is more than just a vision. It has taken shape in the form of an action plan that looks first at priority areas. During the process of achieving maintenance excellence, the Maintenance Leader knows that ideas from within maintenance, as well as from operations, will be a requirement for success. The Maintenance Leader has developed a partnership for profit with operations that work.

The team-based approach becomes the critical process to ensure that all good ideas are given a chance. Cooperation, coordination, communication, and commitments are developed and strengthened. Teamwork changes involvement to commitment. The true Maintenance Leader is innovative in personal leadership and is able to gain commitment rather than just consensus.

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2. This includes metric such as; PM Compliance, Schedule Compliance (major projects designed and fully quoted & completed for the client, productivity of contractor technicians (wrench time, craft performance against standard cost and craft service quality. A monthly survey is conducted and reported with their set of metrics along with value of purchasing saving they achieve from buying parts & materials which is part of their contract services.
3. A major refinery has over 8 different individual contracts for facilities maintenance with the USA's sixth largest refinery. A major contractor even tries to management these different contractors. This was a prime example of a contractor having to use a CMMS and planning/scheduling process implemented to support refinery plant maintenance and major repairs or additions completed during planned shutdowns and turn arounds. This collection of contractors including the contractor management team were perfectly content to work on a cost plus basis, getting 15-20% over ride on parts and materials they purchased for the client, continue this high cost status quo, sending 2 technicians to a job in two service trucks and not holding the housekeeping contractor accountable for very specific contract terms yet spending over \$3 Million annually for a relative small service area of Class B & C work space.

These three true stories existed because of both contractor and contractor client not have the proper controls and practice in place. Example # 3 illustrates a proven fact that you should not assume that outsourced maintenance brings with it the best practices you need.

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The Maintenance Leader going along the path forward to maintenance excellence will take a “no holds barred approach” to the evaluation and audit of the maintenance function. The resulting plan will re-engineer maintenance by looking at a whole new way of doing business. Innovations in new equipment, new technology and new procedures will be included. Real maintenance information will be available to provide valid economic justifications on required purchases and to measure progress.

The investment in innovations will require capital but will provide a positive ROI. The investment in creating an environment which cultivates ideas from the work force is essentially free. Team-based Continuous Reliability improvement in maintenance takes time and leadership. Remember that your maintenance people are the best in the world! Believe that they are ingenious, have imagination, want to be involved.

Believe that they want to make the commitment to improve maintenance and they will. With quality leadership, the world’s best maintenance people will get better as a team and as individuals. It has been said many times, “Whatever the mind can conceive, can be achieved!” Your vision for maintenance excellence must be stated in a detailed plan that is reasonable, understandable, measurable, believable, and achievable. And, if there is a shared commitment to your vision, then it will be achieved.

RETURN ON IMPLEMENTATION AND IMPACT: Ideas, information, innovation and all the other ROIs do nothing for the bottom line without implementation. The bottom line impact of a plan for maintenance excellence is but an imprint of numbers and letters on the printed page unless the plan is implemented. Successful implementation is the key to making an impact on the bottom line. Maintenance managers, and most people, feel that 90% of the work is done when the plan is complete.

Some even think the purchase of CMMS is a magical solution. The well-informed Maintenance Leader knows that 90% of the work is just ahead. They see implementation as the way to give value to a good plan and realizing that implementation is a challenging task. The Maintenance Leader must become the champion for implementing maintenance improvements.

The Maintenance Leader faces both technical challenges and people challenges in getting the remaining 90% of the implementation challenge completed. The key to implementation will be people challenges and getting the right type of support from within the organization at the right time. Three kinds of support are vital to the success of implementation: formal approval, buy-in, and ownership.

The Maintenance Leader must now become a good communicator and salesperson. Implementation of a maintenance excellence plan requires selling up, across and down the organization. Company leaders must first give the formal approval for making the investment. The Maintenance Leader must sell the quantitative benefits and related costs along with the qualitative benefits of the plan. Priorities must be clearly defined.

Company leaders must also clearly understand the requirements of success in maintenance. They must trust the technical knowledge and personal integrity of the maintenance champion who is bringing the message that maintenance needs support. They also expect a traditional ROI that can be identified, measured, and validated.

Secondly, the implementation must be sold across the organization. Almost all staff organizations will be impacted by a broad-based strategic maintenance plan. Each must understand its role, the purpose of the change and how the new system or program will work. Each staff group must “buy in” to the plan and understand the importance of maintenance improvement. If the organization has embraced an overall strategy of team-based continuous improvement, this “buy in” will be obvious to the other staff groups and readily accepted.

The final type of support needed for successful implementation also depends on somebody stepping forward to assume ownership. First, the Maintenance Leader, along with the maintenance operation, must readily accept ownership. With maintenance people who have been involved, provided ideas, and developed a team-based commitment to maintenance excellence, this will not be difficult.

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For operation managers and supervisors who have had a part in developing the plan for greater maintenance service, fewer breakdowns and greater equipment effectiveness, being part-owners will not be a problem. For operators who now are trained to do selected operator-based maintenance services and know how to detect and help prevent maintenance problems, being part owners in the plan for maintenance excellence will not be difficult.

The impact from successful implementation will be apparent all across the organizations from the top down to the shop floor and the bottom line. Leadership and the acceptance of ownership at all levels are critical to successful implementation. Successful implementation is the key to creating impact.

CONCLUSION: We have looked at some new interpretations of ROI's as well as the traditional concept of return on investment. The Maintenance Excellence Institute believes that maintenance operations have a tremendous opportunity to contribute directly to the bottom line with a strategy of Continuous Reliability Improvement across all six maintenance resource areas. Top Leaders of today's companies who want to be a part of the future must look beyond the bottom line with respect to maintenance. Effective maintenance processes must be viewed as a top priority for success.

A near-sighted company vision focused on short-term results is fatal and eventually will fail. You can win big bets on this one!! Organizations of all types need long-term commitments from Top Leaders and from true Maintenance Leaders at all levels in maintenance. We also believe that an even greater awareness must be developed toward the investment opportunities that are available in maintenance. Sound investments in maintenance can impact the bottom line directly. Maintenance Leaders must sell their ideas up, across, and down the organization. Company leaders must listen, act, and do the right things in terms of maintenance. Companies with a vision of long-term survival cannot afford to gamble with maintenance costs.

Achieving maintenance excellence requires an investment in both the traditional and non-traditional ROIs discussed. It requires a strategic maintenance plan for applying today's best maintenance practices, principles, and leadership philosophies to your operation.

The essence of achieving maintenance excellence goes well beyond the bottom line to a simple, positive affirmation statement...**PRIDE-in-Maintenance.**

The real bottom line is: **PRIDE -- People Really Interesting in Developing Excellence...in Maintenance.**

This kind of **PRIDE** is needed at all levels from bottom to top. If your organization has this kind of **PRIDE**, then make an investment and achieve a real return from your maintenance operation.

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