

SURVIVING IN THE current economic climate with Value Driven Maintenance (VDM)

Despite the slight recent easing of economic conditions many organisations are still struggling to remain competitive and survive in the current economic climate. Consumers want more for their money than ever before and are prepared to vote with their wallets by shopping around or simply not purchasing goods or services. People are asking 'how can we remain competitive?' and 'what is it we must do to survive?' Unsurprisingly, there is no miracle cure, but a professional and focused maintenance operation can significantly contribute to profitability. The questions today's Maintenance Manager's should be asking are: 'What actions can I take that will deliver the most value?'; 'Where should my resource be focused?' and 'How can I develop a Maintenance Strategy that is aligned to the needs of the business?'

To understand how to survive it is necessary for an organisation to understand the factors at work in their sector and what must happen to first survive and then thrive. Many external factors are clearly out of the control of a business but there is a significant opportunity to take control of the maintenance function and ensure that it is doing the right things in the most effective manner and maximising value to the business.

When times are tough the typical response is to cut the maintenance budget to balance against increased costs elsewhere or falling revenue. But, is that the right thing to do and how can the effect of such measures be quantified and verified as the correct course of action?

In normal circumstances this would pose a challenge to even the most competent Maintenance Manager. Now, more so than ever, they must be able to ensure that they make the right decision and the scarce resources that they have at their disposal are focused on the activities that will deliver the most benefit.

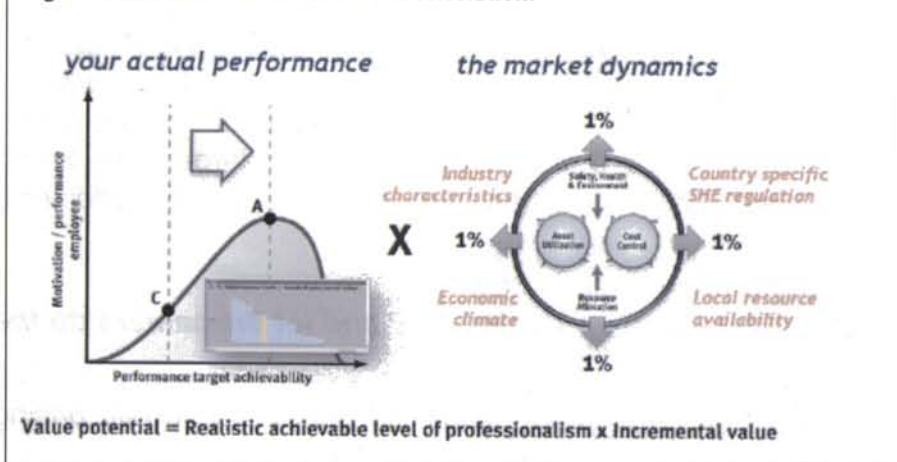
The answer to the question about the correct course of action lies in exploring the (added) value potential. Value Driven Maintenance¹ is the first methodology that shows a maintenance organisation how to reveal its value potential, set clear and realistic improvement targets, give focus and embed continuous value creation in the organization. It focuses on dynamic measurement of value creation opportunities and the selection of the most appropriate steps/ to implement. It does not advocate

the implementation of specific 'best practices' merely in the hope that these will yield benefits; the solutions are bespoke to that organisation and business environment at that specific time.

The ability to demonstrate the 'real' added value of maintenance in a business perspective has helped a number of organisations put maintenance on the agenda at board level. However, VDM is more than a set of financial formulas or a new language to 'impress' the board. It gives the Maintenance Manager a practical 'Planning & Control' framework based on the Plan - Do - Check - Act cycle.

It also links up with lean thinking by prioritising between breakthrough measures (value-adding) and 'nice to have' activities (non value-adding) and an intuitive selection of relevant best practices.

Fig 1 - VDM Value drivers and value calculation:



In the VDM methodology (fig 1.) there are four relevant value drivers in maintenance, Asset Utilisation, Resource Allocation, Cost Control, And Safty, Health & environment. Improving performance in any or all of these value drivers will help to increase a company's economic value. However, focusing on the value driver that will yield the maximise benefit is the key.

In the current economic climate for many organisations there is less demand than supply capability, therefore greater machine availability will not deliver benefit by making more products than the customers require. The Maintenance Manager will not provide economic benefit unless there is an opportunity to create value through other means such as rigorous cost control, organisational efficiency or capital avoidance.

Doing 'the right' things in a more efficient way or being more effective will add value. This may be through avoidance of repairs to equipment or improved management of inventory levels to ensure the right spares are available and reducing holding costs for obsolete stock.

The main focus of Maintenance functions must be to create value and reduce wasteful activities by following the relevant work practices necessary to support their business. Standardised work processes will reduce variability and drive an organisation from

that of reactive to proactive. The focus will not be on implementing generic best practices but establishing 'the' practices to adopt for their organisation that will yield the greatest return for the effort applied.

Establishing the value potential for each driver can be determined by the market dynamics and the performance gap (current performance compared to industry peers). It is only when it is known where the biggest value potential is, that attention can shift on to realising the value in an effective and efficient way.

So what are the core competences for the Maintenance organisation"? The core competences can be derived from the Competence Model (see fig 2). It provides a coherent framework for making decisions and establishing the improvement agenda. This model has been applied successfully to many sectors e.g. Manufacturing, Utility, Infrastructure and Transport and has proved to be an excellent means to communicate the current state of affairs, the biggest bottlenecks and challenges and the desired future state.

The model helps to identify the competences of the maintenance organisation that create most value (core competences). So instead of trying to improve everything it helps to focus on those competences that are most important from a

business perspective. Depending on the market situation some companies focus on the right-hand value circle and others focus on the left-hand value circle.

With the important competences established the next step is to implement them in an organised, controlled and efficient manner.

Finally, VDM also assists in implementation by allowing maintenance departments to develop their level of professionalism and add the most value. Through VDM process mapping the new ways of working are embedded and the functionality of the Enterprise Asset Management system verified.

¹ Mark Haarman and Guy Delahay, "Value Driven Maintenance - new faith in maintenance", Mainnovation, Dordrecht, the Netherlands, 2004.

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MORE INFORMATION

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Fig 2 – The Competency Framework for Value Driven Maintenance®

