



Empowering ERP Asset Management Solutions

Why Budgeting is Vital to your Maintenance Strategy

By – VIZIYA WorkAlign® Maintenance Budgeting Team.

All companies use budgets to plan and manage their expenditures. In asset-intensive organizations, maintenance tends to be one of the larger cost centers, but too often its spending is among the least well managed. Asking a maintenance planner or supervisor to predict their next year's spending, and deliver it in a manner that the finance team finds useful, is a challenge. Maintenance budgets often end up being a series of very large lump sum amounts that are highly inaccurate and non-specific.

Regardless of the budget put in place, maintenance personnel will spend whatever it takes to repair a production line that goes down. If their budget runs dry, they may shortchange preventive maintenance or other less urgent tasks, and overlook opportunities to understand the variances or to improve their budgeting processes.

Budgeting: How We Got Here

Countless hours are spent creating expensive maintenance budgets, but still the output is generally very poor. Little intelligence goes into budget development when asset details and cost history are lacking, and this leaves the planners and managers guessing about future maintenance expenditures.

Guesswork undermines the credibility of the maintenance budgets as well as those who develop them, and the issues are perpetuated when the numbers roll up to the finance budget. The adage "garbage in, garbage out" is relevant here.

Clearly, making and managing budgets and controlling spending are too important to leave to chance. Ad hoc spreadsheets, home-grown software, and other creative methods are too often used to perform these crucial business functions. Budgets must be built with intelligence and accuracy, from the assets up, using one source of data that satisfies both Maintenance and Finance.

Maintenance Strategy and How Budgeting Fits In

The needs and the language of the Maintenance organization differ significantly from Finance, and their expectations are also unique. Operational and asset-centric maintenance data form the basis of maintenance budgets, and it must be translated to finance's account-oriented, general ledger-centric structure downstream.

When maintenance budgets are not developed at the maintainable asset level, the forecast figures will be purely conjecture and high level. Likewise, when the inevitable budget adjustments are requested, there will be no basis for the decisions made.

It is necessary for maintenance organizations to build accurate maintenance budgeting into their asset management strategy. When maintenance budgets are accurate and maintained, they offer substantial opportunity for controlling maintenance costs, adding credibility to budgets, supporting decision making and connecting maintenance and finance teams.

Why Budgeting is Vital to your Maintenance Strategy

Control maintenance costs

In asset-intensive industries, maintenance accounts for as much as one-third of an organization's net controllable cost. Identifying waste, inefficiencies and the causes of unreliability, and finding ways to prevent or control those cost items over time, makes it possible to improve overall execution and gain a competitive advantage.

Data analysis on your assets allows for specific budgeting decisions to be made. For instance, if having an asset down for six hours costs \$80,000 in production losses, it may make sense to increase the maintenance budget tenfold if it will reduce the production loss by half. A correlation between the number of inspections performed and the number of failures on high criticality equipment can drive greater inspection funding. Reports that show preventive maintenance is reducing downtime can justify an expansion of this approach.

WorkAlign® Maintenance Budgeting simplifies budgeting with real-time views of predicted work orders and historic trends. As a true add-on to your CMMS system, Maintenance Budgeting allows you to manage and control the cost of maintenance not just predict what you're going to spend. However, unlike spreadsheets, work order activity and financial data is always up-to-date.

Accurate maintenance budgeting brings visibility to maintenance costs and can prevent work plans that are unfunded or no longer needed from inadvertently being scheduled. For example, a South Africa refinery wasted significant time and dollars when numerous maintenance plans were loaded by mistake. Because the plans were not validated or stopped, the work was scheduled and executed, causing the refinery to exceed its maintenance budget at a time when cuts were intended.

If during the year the maintenance budget is cut or overspent, any reductions should be applied to nonessential tasks, as lowering spending on critical assets would increase risk and costs in the long run.

Support Decision Making

Maintenance budgets are dependent on tribal knowledge and experience, making it essential to put in place a system that endures when the people will not. Real-time access to historical asset and cost information simplifies the ability to make risk-based decisions and ask better questions of decision makers.

For example, if the total budget needs to be cut, what activities should be eliminated or reduced, and what risks will be introduced? Is there another way to mitigate those risks? If we increase maintenance frequency and cost, will we save by reducing the risk of failure?

Budgets formed through guesswork don't support risk-based decisions or reliability engineering. Good data, provided by a solution like VIZIYA's WorkAlign® Maintenance Budgeting, is required in order to weigh the costs and benefits of each approach and how to prioritize the improvements.



To reduce costs while improving reliability and output, it is good to challenge your maintenance teams to rethink their maintenance decisions and ask questions such as, "Is this work really warranted, or are we over-maintaining or over-cleaning? What is our most critical equipment and should we be paying it more attention?" It is also critical to invest in processes and systems to help capture tribal knowledge in order to ensure business continuity and talent development.

Connect Maintenance and Finance

As mentioned above, the needs and the language of the Maintenance organization differ significantly from Finance, and their expectations are also unique. Operational and asset-centric maintenance data form the basis of maintenance budgets, and it must be translated to finance's account-oriented, general ledger-centric structure downstream.

On the maintenance side, asset details that support objective budgeting include equipment criticality, maintenance history, failure data, work order details and history, and the bill of materials – all of which should be in the CMMS. None of this information is important to Finance; the Finance team needs forecasted costs summarized into the corporate chart of accounts, which is typically very different from corporate asset structures.

VIZIYA WorkAlign® Maintenance Budgeting changes budgeting from a challenging task that Maintenance has to do to a process that helps them to complete their work effectively. This solution translates the work of the Maintenance team into the financial reporting required by the Finance team. The effort to create and update a budget is reduced significantly while satisfying both Finance and Maintenance's requirements. With the capability to create zero-based forecasts, what-if scenarios, as well as budgets based on historic actuals, Maintenance Budgeting delivers data intelligence that is pragmatic and realistic. Total expenses are captured for each asset, grouped, and then rolled up through flexible asset and budget-based hierarchies.

Conclusion

Your maintenance budget is a crucial part of your asset management strategy. It should be created with the best data and information available to ensure controlled maintenance costs, reflect knowledge and experience and improve credibility. A well-defined maintenance budget, to the asset level, makes it possible to identify improvement opportunities and create continuous improvement in business performance within an organization's financial constraints.



About VIZIYA

Headquartered in Hamilton, ON, Canada with offices in Madrid, Perth, Atlanta, Belgium, The Netherlands, and Dubai, VIZIYA is the industry leader providing bolt-on software products to enhance ERP- based asset maintenance systems. VIZIYA's proprietary WorkAlign® Product Suite delivers seamless integration into existing ERP systems. With over 55,000 users at 850 sites across 6 continents, the world's best companies use VIZIYA products to help them better maintain their assets. Visit viziya.com for more information.