



FLUKE®

Reliability

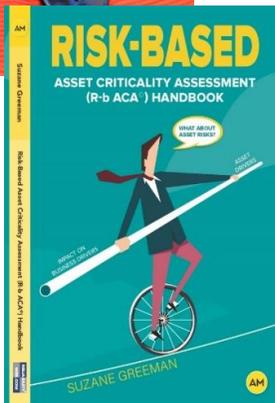
Your CFO Doesn't Like You
**6 Ways to Align Operations
with Finance!**

Suzane Greeman,

ASQ-CMQ/OE, CAMP, CAMA, CMRP

Accelix™
Webinar Series

Presenter Introduction



Suzane Greeman, ASQ-CMQ/OE, CAMP, CAMA, CMRP

Principal Asset Management Advisor

Greeman Asset Management Solutions Inc.

Qualifications

- BEng & MBA
- ASQ-CMQ/OE, CAMA, CAMP, CMRP

Experience

- 22 years of multi-disciplinary, multi-sector experience
- OpEx P&L responsibility - \$22M U.S.
- CapEx P&L - \$6M U.S.
- Interim Project Manager - \$400M U.S.
- Inventory management strategy - \$2.5M annual spend
- Organization capacity building programs - \$250K U.S. annually

Volunteer Work & Interests

- Author of Risk-based Asset Criticality Assessment Handbook
- Member of MC/ISO/TC 251 & ISO AHG3
- President of the PEMAC Winnipeg Chapter
- Member of the Empowering Women in Industry 2020 Steering Committee
- Active blogger & keynote speaker

Greeman Asset Management Solutions Inc.



- Asset management consultants
- Specialize in physical asset management

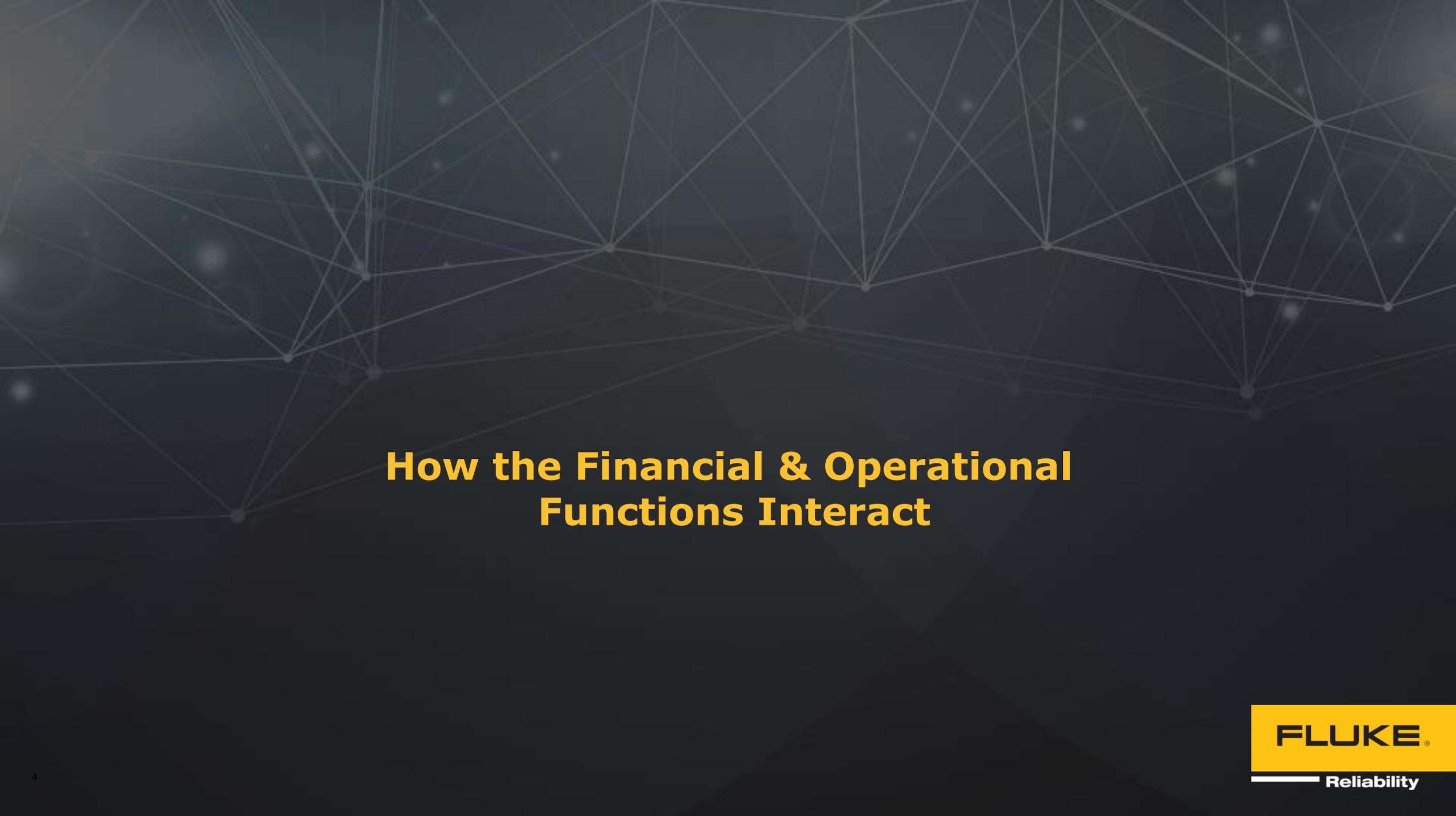


- Asset-intensive companies



- Asset management strategy & planning;
- Asset information management systems;
- Alignment of operations and finance;
- Transition from annual budgeting to long-term investment planning;
- Organizational capacity-building
- Educational courses





How the Financial & Operational Functions Interact

FLUKE®

Reliability

POLL QUESTION No. 1



Rate collaboration between Finance and Operations in your company?

(Click only one answer)

- a. Excellent
- b. Good
- c. Fair, but could be improved
- d. Very little

Role of Asset Management

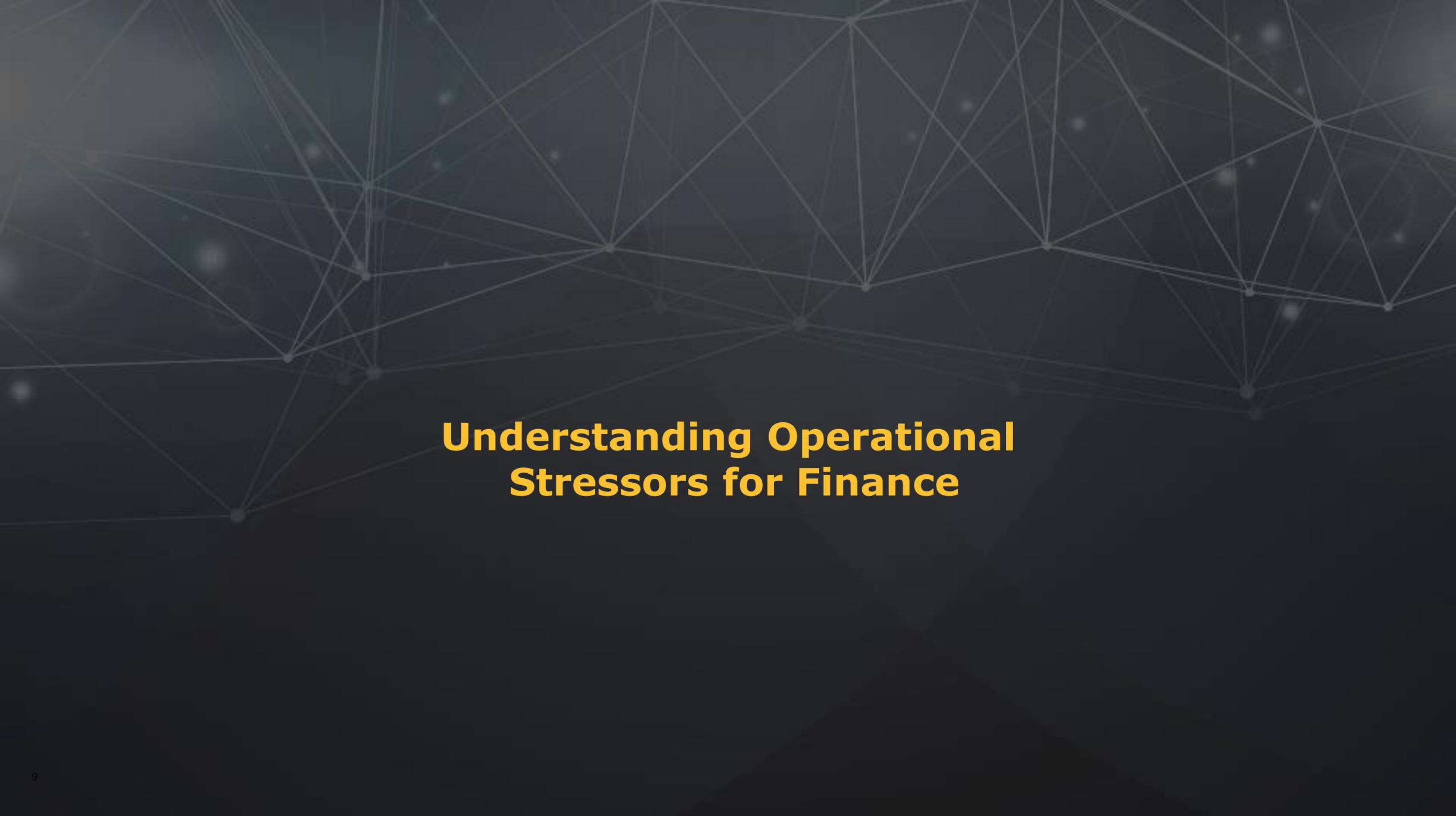


Role of CFO & Finance



Interactions Between Operations & Finance





Understanding Operational Stressors for Finance

Conversations with CFOs



- Suzane, I have to fund your activities, and make sure bills are paid.
- Remember all risks are financial, so plan with that in mind
- Inventory ties up cash flow and you like to buy parts.

- You got to know when to expense, know when to capitalize.
- Align your asset registry with the fixed register.
- You can't retire your assets without telling us.
- I could claim more insurance and warranty, if you only kept good records.

4 Operational Stressors for Finance



Mark Graban – Lean Blog, 07 Jan 2020

ASSET ACTIVITIES

- Insufficient **long-term investment planning**
- Unknown **asset condition**

INVENTORY ACTIVITIES

- **Bloated** inventory
- Lack of **movement (turns)**
- **Stock outs**
- Supply chain **disruptions**

ASSET INFORMATION

- **Insufficient data** in the business
- **Insufficient information** to manage risks
- Lack of **integration** between **CMMS & ERP**
- Lack of alignment between **FAR & TAR**

PEOPLE & BEHAVIOR

- Bypassing **internal controls**
- Insufficient **costs recovery**
- Lack of **compliance** with operating budget
- Inconsistent/insufficient monthly **reporting**

Stressor #1 – Asset Activities & Financial Risks

Insufficient Investment Planning

- Lack of long-term investment planning
- Are we making the right investments
- Stranded assets
- Missing post-investment reviews

Unknown Asset Condition

- Aging assets - high risk of catastrophic failures
- Low visibility of risks of critical assets in the business



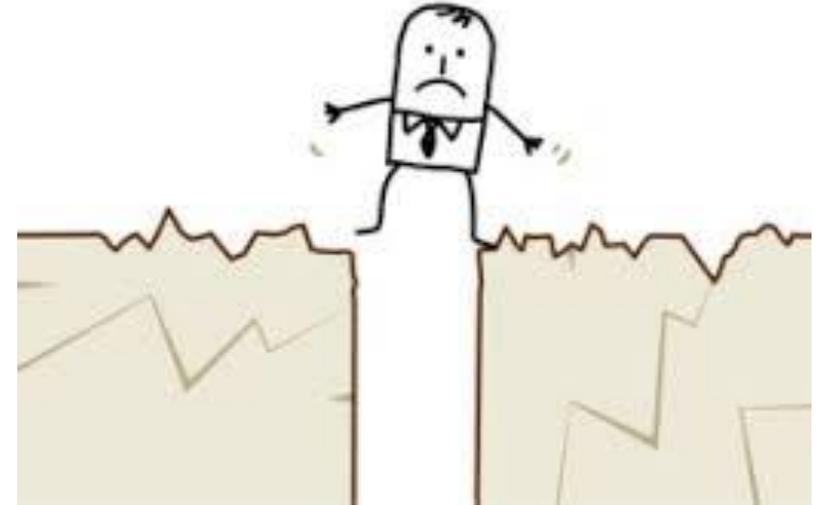
Stressor #2 – Inventory Activities

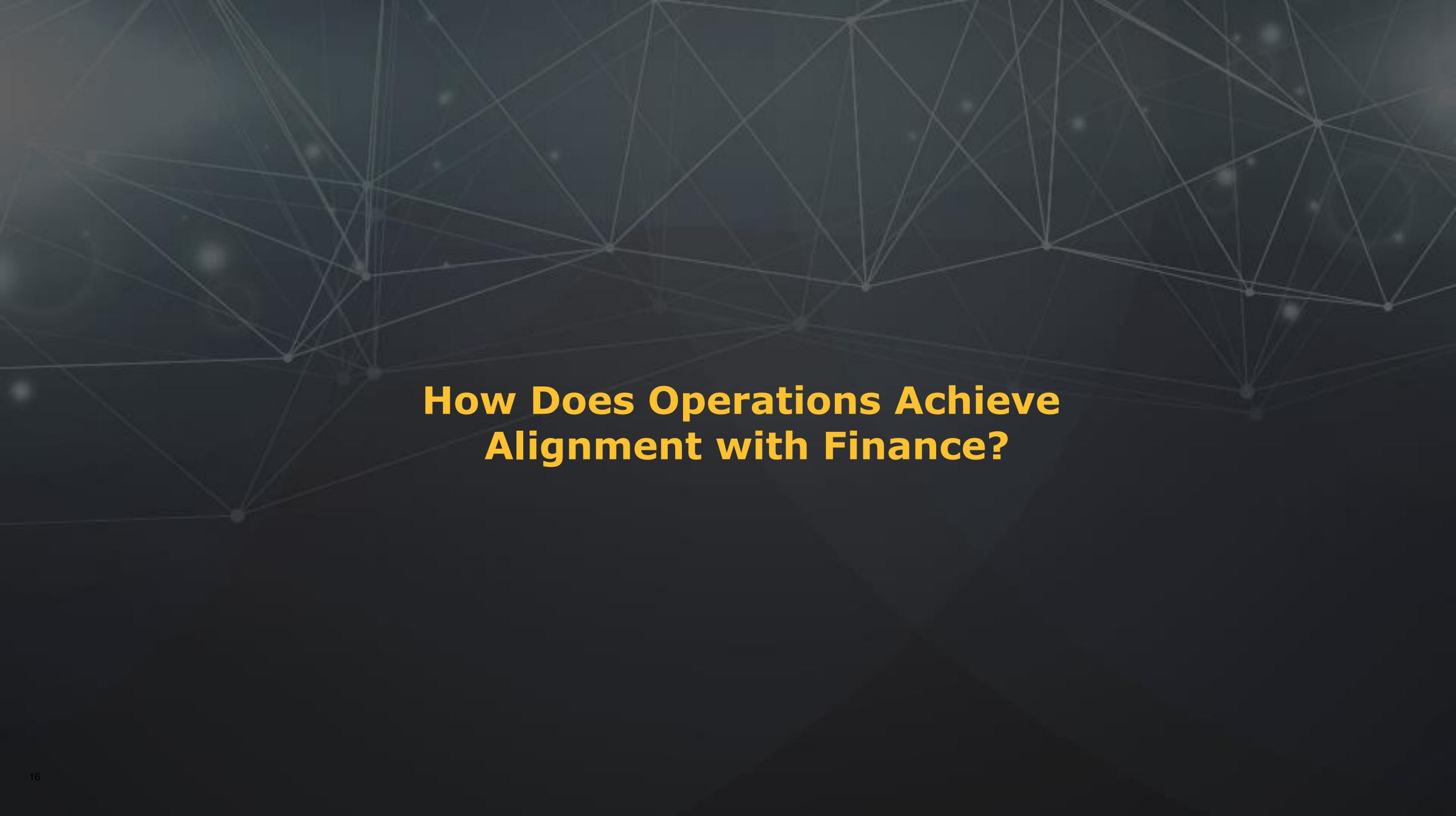
- Bloated inventory
- Lack of movement
- Stockouts
- Supply chain disruptions



Stressor #4 – High Risk Behavior

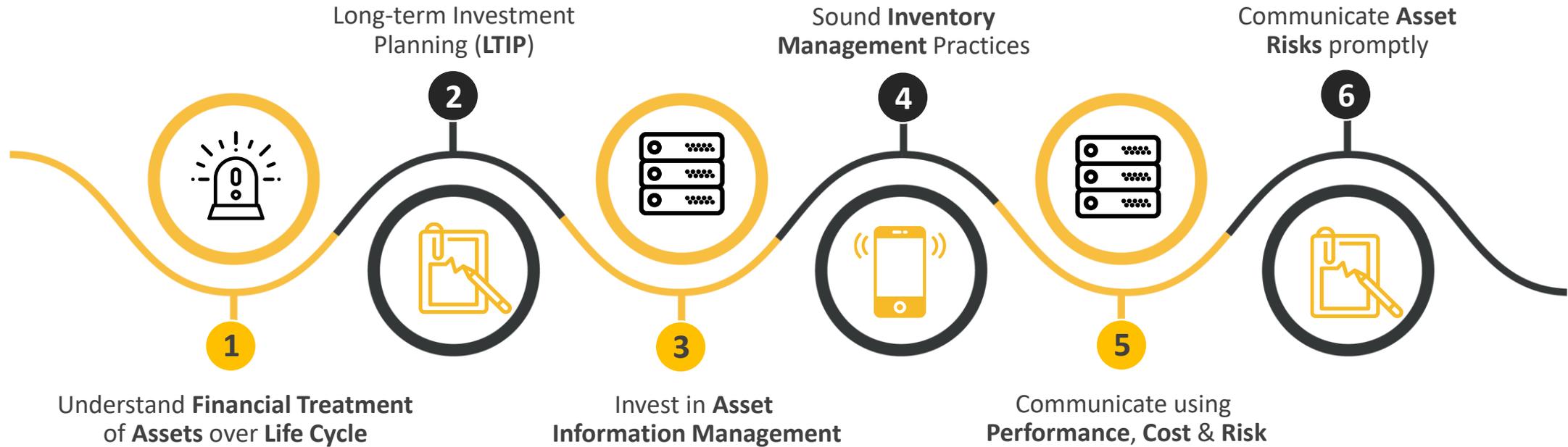
- Anything you still do on a spreadsheet
- Lack of internal controls or bypassing them
- Lack of accountability
- Lack of collaboration
- Lack of awareness of asset costs
- Lack of awareness of how asset activities become financial information



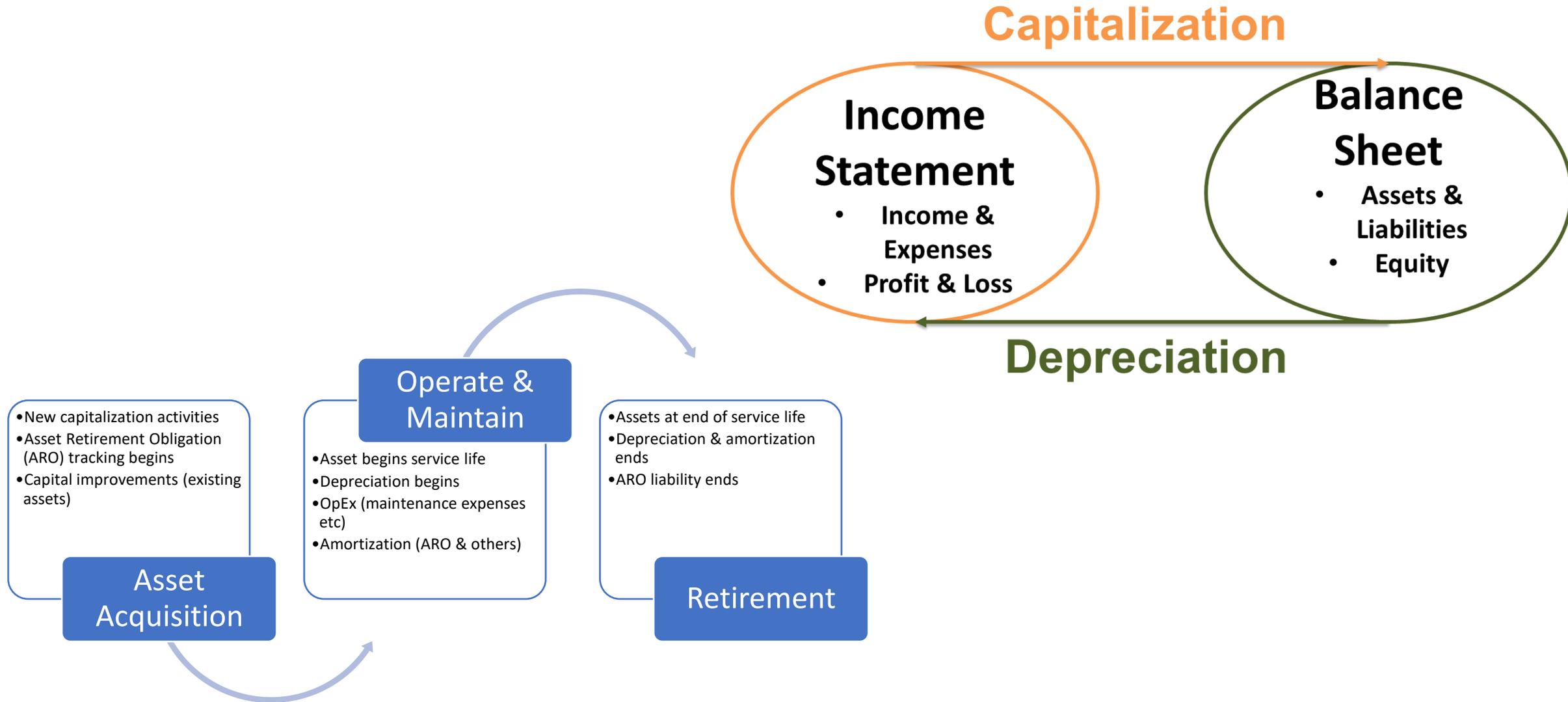


How Does Operations Achieve Alignment with Finance?

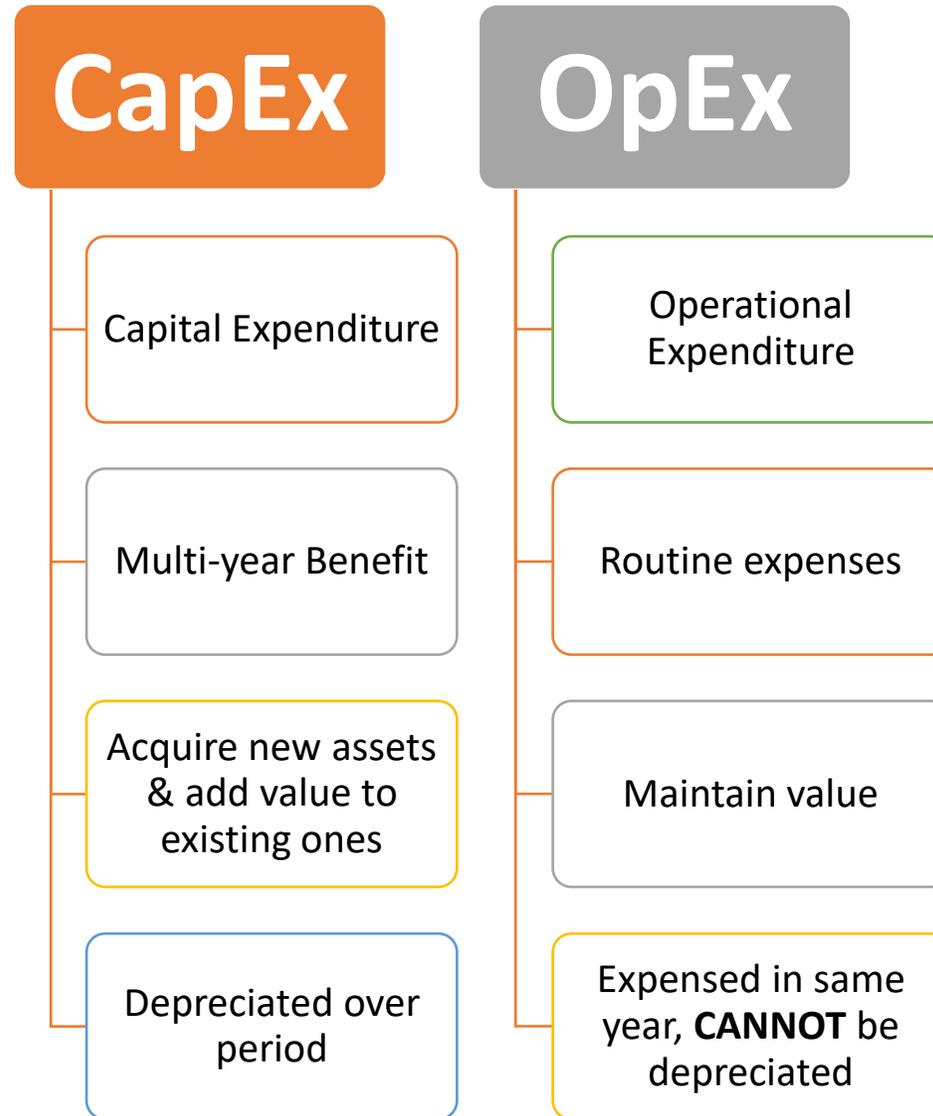
Achieving Alignment



1. Financial Treatment of Assets Over Life Cycle



CapEx & OpEx



Operational Concerns - Depreciation & Capitalization

Depreciation

- Assets retiring with book value
- Depreciating retired assets

Capitalization

- Incorrectly expensing costs
- Incorrectly capitalizing costs

POLL QUESTION No. 2



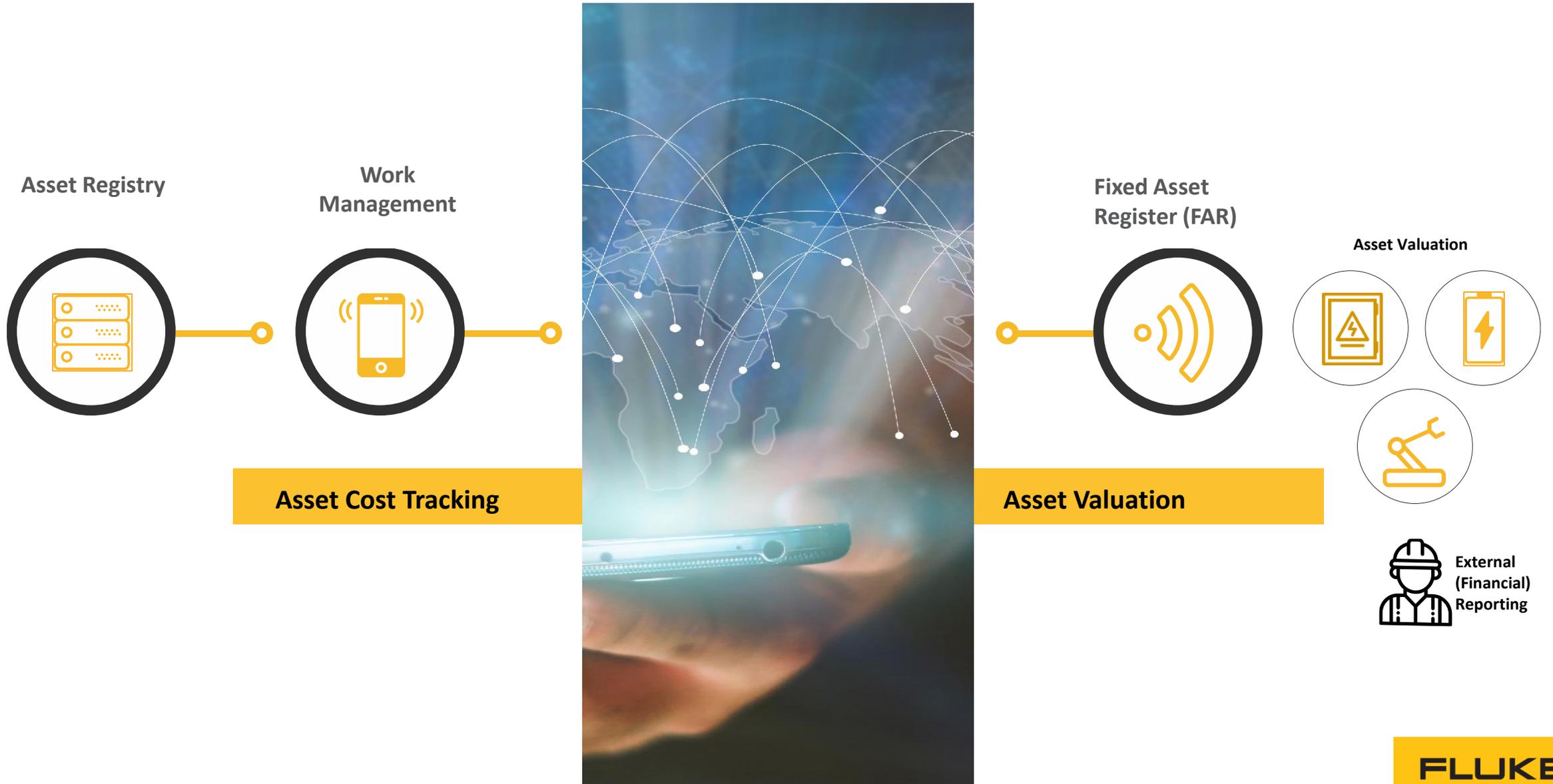
Have you been involved in any of these financial activities in your company? **(Click only one answer)**

- a. Above my pay grade, they only pay me to fix things
- b. Know they exist, but I have never had to be involved
- c. I provide information regularly to Finance
- d. Provide information & regularly work closely with Finance

2. Long-term Investment Planning (LTIP)

- Our assets have long service lives
- LTIP is the pillar for building financial health
- LTIP is necessary for long term success
- Asset management strategy is to future-proof the organization

3. Invest in Asset Information Management



Asset Cost Tracking

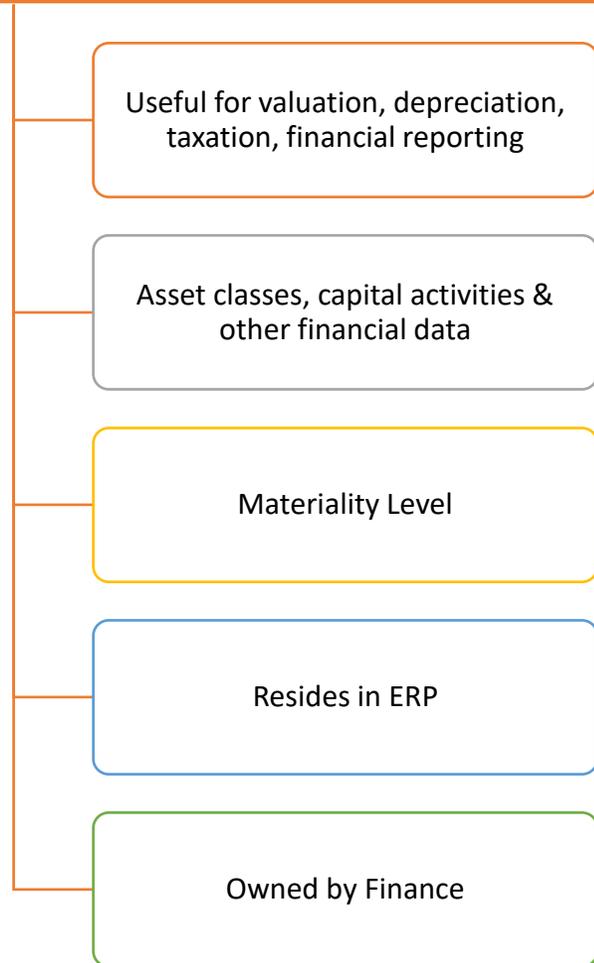
- Financial analysis & planning
- Cash flow management
- Achieved through asset information management
 - Asset Registry
 - Work management
 - Inventory control
 - Organizational standards for information
 - Information systems

Asset Valuation & Reporting Obligations

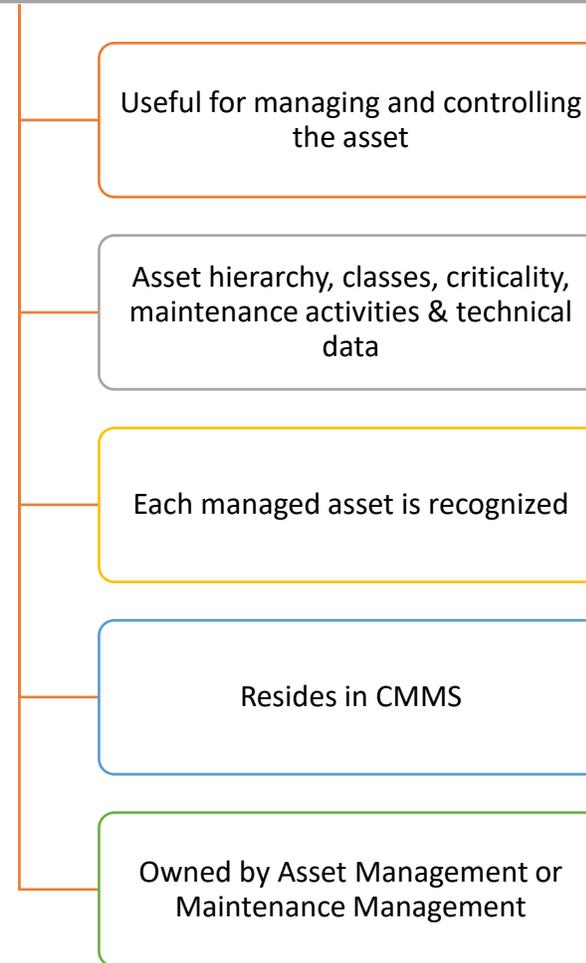
- Must report tangible (fixed) capital assets in financial statements
- Legally obligated to report to stakeholders:
 - Government
 - Shareholders & investors
- Other important stakeholders
 - Regulators
 - Insurance
- Bounded financial standards
 - IFRS
 - GAAP
 - PSAB GAAP

Asset Registers - FAR and TAR

Fixed Asset Register (FAR)



Technical Asset Registry (TAR)



Aligning FAR with the TAR

FAR needs from TAR:

- Asset Classes
- Expected useful life
- Take off points from Asset Hierarchy
- **Asset status (regularly)**
 - Date when enter into service
 - Used operationally
 - Date when retired

4. Sound Inventory Management Practices

Balance Sheet Example

TEDDY FAB INC. BALANCE SHEET December 31, 2100	
ASSETS	LIABILITIES AND SHAREHOLDERS' EQUITY
Current assets	Current liabilities
Cash and cash equivalents \$ 100,000	Accounts payable \$ 30,000
Accounts receivable 20,000	Notes payable 10,000
Inventory 15,000	Accrued expenses 5,000
Prepaid expense 4,000	Deferred revenue 2,000
Investments 10,000	<u>Total current liabilities 47,000</u>
<u>Total current assets 149,000</u>	
Property and equipment	Long-term debt 200,000
Land 24,300	<u>Total liabilities 247,000</u>
Buildings and improvements 250,000	Shareholders' Equity
Equipment 50,000	Common stock 10,000
Less accumulated depreciation (5,000)	Additional paid-in capital 20,000
Other assets	Retained earnings 197,100
Intangible assets 4,000	Treasury stock (2,000)
Less accumulated amortization (200)	<u>Total liabilities and shareholders' equity \$ 472,100</u>
<u>Total assets \$ 472,100</u>	

- Inventory needs a management system
- Good controls for buying & tracking
- Process for determining critical spares
- Align buying with maintenance planning
- Avoid buying & holding excessive inventory
- Centralized management system
- Link inventory costs to work management
- Don't bypass CMMS for draw down
- Don't bypass approval limits
- Have governance over max/mins

5. Communicate using Performance, Cost & Risk

Cost is consequential

- Performance has an associated cost
- Performance improvement also has associated costs
- There is a cost to treating risks
- Move past Heat map, quantify risks in \$\$\$



6. Communicate Asset Risks Promptly

- Common risk register between finance and operations
- Failure risks from bad actors
- Communicate asset retirements promptly
- Communicate using business processes and data



All risks are **FINANCIAL RISKS!**

Conclusions

1. Know your cost drivers
2. You know the assets, cost of operations, maintenance and repairs
3. Justify expenses in terms of **Risks & Costs**
4. Develop your business processes & use them well
5. Create a good Technical Asset Registry
6. LTIP is the key to long-term financial health



QUESTIONS?



In Gratitude for your kind Attention!

Suzane Greeman, ASQ-CMQ/OE, CAMA, CAMP, CMRP

Principal Asset Management Advisor

Greeman Asset Management Solutions Inc.

www.greemanassetmanagementsolutions.com

[Essentials of Asset Management & ISO 5500x](#)

To learn more about **Accelix** and our **Webinar Series**



SURVEY

Please provide feedback on this webinar by responding to our survey.



WEBINAR SERIES

Visit this page to learn more about our Webinar Series:
<https://www.accelix.com/community/best-practice-webinars/>



DEMO

Visit [Accelix.com](https://www.accelix.com) for a free demo of our Connected Reliability Framework.



FLUKE®

Reliability

THANK YOU!

www.fluke.com

1-800-850-4608

sales@accelix.com

Accelix™