

# In MRO, E-procurement Is Not *E-nough*

PROCUREMENT SERVICES  
PROVIDERS COME OF AGE

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## Table of Contents

Management summary .....	3
Introduction .....	4
Rubber, meet road .....	6
Cost reduction benefits .....	7
Process improvement benefits .....	12
PSP value added .....	14
Evaluating and contracting PSPs .....	16
Conclusions and recommendations .....	18



# In MRO, E-procurement Is Not *E-nough*

## Management Summary

Strategic sourcing and e-procurement initiatives notwithstanding, few companies have yet hit on a complete solution to their spending issues. While not without some benefits, the gains from previous efforts did not extend to all purchase categories and some were not sustained over time. Technology helped, but fell short in such areas as organizing catalog data and connecting suppliers. Projects driven by purchasing departments focused on financial accounting (e.g., bidding, contracts, settlement, financial system integration) and often failed to include adequate line-of-business input and integration with front-line demand systems.

More than mere technology is called for. Companies must increase the variety of purchase categories under sourcing control, expand the pool of online supplier catalogs, tap third-party category and logistics expertise, pool their buying power, and build the right culture to sustain success. As MRO spending control falls outside the core skill set of most companies, Procurement Services Providers (PSPs) have emerged as skilled partners in achieving complete solutions.

PSPs attack spending in the non-specialized purchase categories that most companies share, for example, items that are not part of a proprietary production process. They fill the gaps in existing spending initiatives. Companies have already instituted many of the best methods of controlling spending, but PSPs extend that control to overlooked and unsuspected areas of savings. Novice readers should take note. What follows is a graduate education in MRO sourcing and procurement excellence.

## Introduction

There is nothing worse than a brilliant image of a fuzzy concept.

Ansel Adams

### **Information has exploded, but still not solved all company spending problems**

Managers talk about information overload, but isn't that just a way of saying that they lack the ability to organize and use it? Businesses that have deployed enormous, integrated information systems still don't have the control they need over corporate spending.

General Managers are demanding better ways to improve spending effectiveness. In the past, financial information has been the best, sometimes the only, measure. But financial information alone indicates only whether an item's price is right, not whether it is the right item. (Is the item spec optimal and the quality adequate?) Great strides in managing such areas as customer relationships and manufacturing are harder to achieve in non-strategic, non-core areas like MRO, yet, indirect materials and related services can comprise from 30% to 60% of total company spending.

### **Controlling acquisition costs in plants of all kinds is a big, tough nut to crack**

Once touted as having the capacity to control all MRO spending, new technologies and process reengineering have so far fallen well short of expectations. For years, and right up to the present, there has been a stream of advice from analysts, consultants and vendors alike, suggesting:

- Consolidate suppliers and get them on line
- Define requirements thoroughly and accurately
- Formally source all spending categories
- Audit settlement functions
- Create tighter supplier links with technology
- Increase the pool of alternative suppliers
- Hammer supplier prices via contracts

However, the advice has had little noticeable effect on the bulk of enterprise spending in most organizations. Why?



## What's missing?

One explanation is that companies are more skilled at managing some costs, such as manufacturing inputs, than at others such as plant maintenance and repair. Outside of core areas like design engineering and manufacturing, best practices projects in MRO can fizzle out due to a lack of skilled resources. Management directs their attention to areas where the payback is higher – that is, manufacturing procurement and core business processes – rather than the tactical area of MRO purchasing.

Now, years into the e-procurement “revolution,” an Aberdeen Group survey of U.S. and European enterprises has found that formal sourcing occurs in less than half of total corporate spending. Nearly one third of purchases are not even subject to pricing agreements. On the supplier side, the surveys found that the typical company had only 30 suppliers on line allowing them to process less than 20% of their indirect spending electronically.<sup>1</sup>

The low figures suggest that skilled MRO resources are needed for specialized sourcing efforts such as custom tooling and capital projects. The figures also indicate that systems alone cannot fill the gap left by inadequate MRO skills. Managing too many MRO vendors with small order volumes internally is much too specialized, costly, and time consuming. Even when companies make a start, they often cannot sustain the level of resources and management focus necessary for long-term success.

In such situations, a Procurement Services Provider may make sense. Partnering with a PSP requires no capital investment and little risk to the enterprise. Typical partnering arrangements are performance based and involve immediate cash savings. PSPs effectively pool skilled MRO resources, sharing business systems and processes with other companies. Even more important, an outside party helps maintain the internal focus on performance and continuous improvement, mandatory for permanent cost reduction.

### 10 Reasons Enterprises Fail to Control MRO Spending

- 1 MRO is tactical, not strategic
- 2 Poor performance data available
- 3 Wide diversity of sourcing skills required
- 4 Too many vendors, too small order volume
- 5 Poorly understood measurement processes
- 6 Heavy reliance on personal relationships
- 7 Priority on fast delivery, not best price
- 8 Spotty support from Purchasing
- 9 Inadequate information systems
- 10 Few online suppliers

<sup>1</sup>Aberdeen Group, *You Will Outsource Procurement: Here's Why and How*, 16 October 2002

## Rubber, meet road

What really drives spending down? The answer is, many small efforts implemented together and managed closely to insure performance. The list of things can be divided into two categories, acquisition cost reductions and administrative process improvements. Figure 1 illustrates the progress of an enterprise toward world class purchasing that is achieved when you stack one small gain on top of another. To be successful, you must simultaneously pursue both tracks. The result is excellence in MRO sourcing, cataloging, procurement and contract management operations.

### Cost Reduction

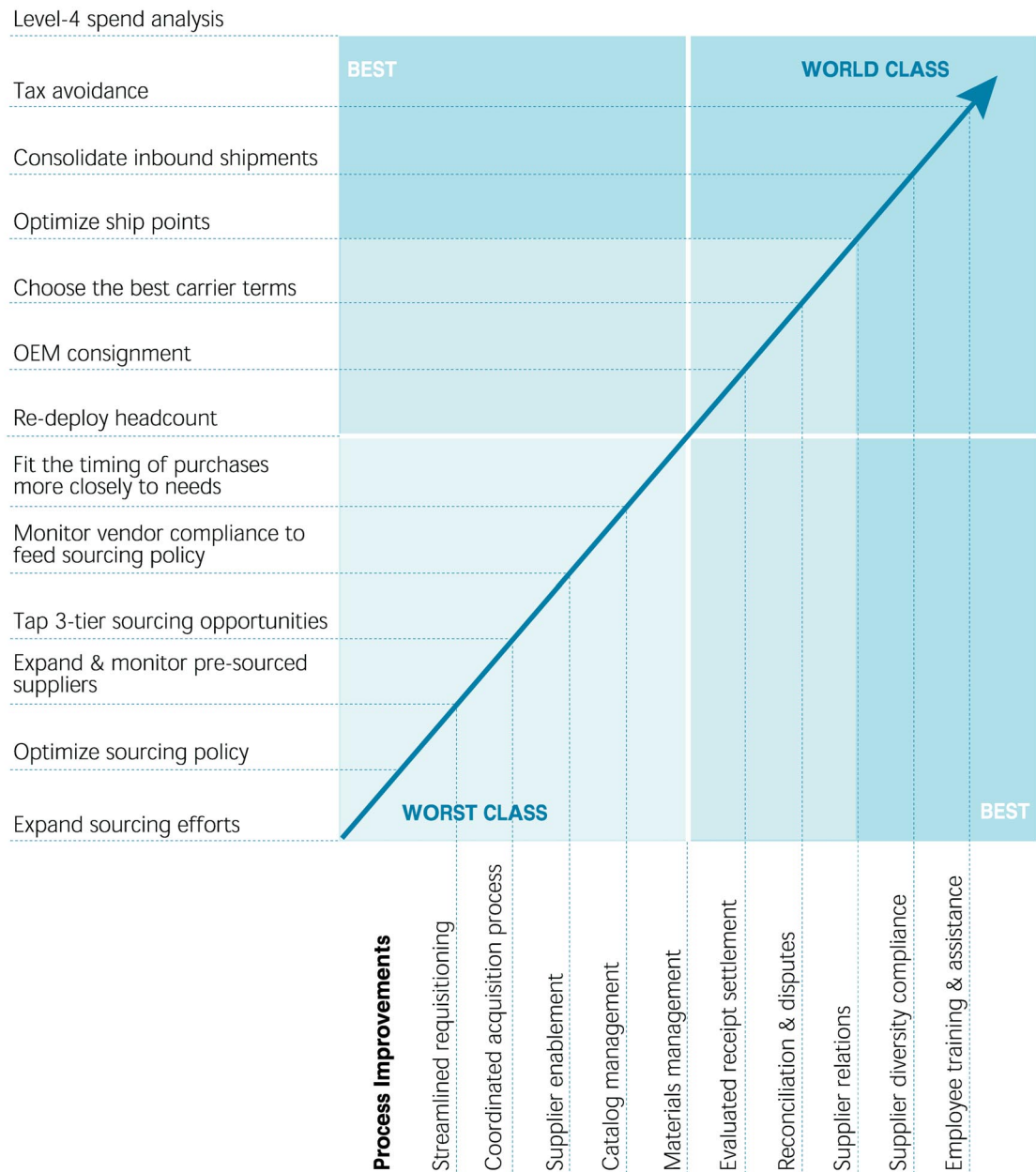


Figure 1

## Cost reduction benefits

### Expand sourcing efforts

Every company has a stable of suppliers that serve their unique needs. Typically only a small percentage of MRO supplier relationships are formally sourced. Done properly, custom sourcing requires strong relationship management skills and substantial expertise in the prevalent technologies. The fact that these skills are not always abundant within the company or locally makes outsourcing procurement to a PSP even more attractive.

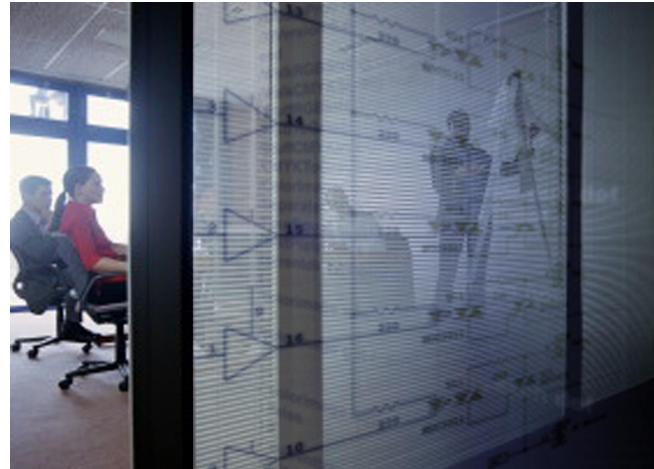
Despite their name, Procurement Services Providers may add more value in the area of sourcing than in procurement. This is because many companies are more sophisticated at negotiating the right price than they are at buying the right thing and getting full value for their money. PSPs collaborate closely with enterprises to dig deep for savings in every phase of sourcing, from functional requirements and specifications to contract monitoring and warranty recovery.

Suncor Energy Inc. a Canadian-based integrated energy company with about \$8 billion in assets found that for each expert buyer they freed up to devote full time to sourcing, they saved an average of \$1 million annually. The more buyers they re-deploy, the more savings from improved sourcing they achieve.

### Optimize sourcing policy

Spending is reduced when companies make optimal decisions about which tasks to manage themselves and what services to purchase. A high level of sophistication and leadership is required to make the tough “make vs. buy” or “self service vs. outsource” decisions, but this analysis is a critical first step in reducing spending. Companies often fail to be proactive in seeking out new sources and channels of supply. The fact is, most purchasing departments are ill-equipped to handle data scrubbing, analysis and continuous improvement for cost reductions. Neither does information technology have much to offer in this area. Getting to the next level of sourcing may require the talents of a skilled third party.

Because of distribution industry cost structures, one of the most powerful sourcing techniques is a bundling policy. By unbundling service contracts for example, companies can optimize the acquisition price of materials and labor. They can also utilize alternative purchasing channels to seek better prices, service, warranty and technical support.



### **Expand and monitor pre-sourced suppliers**

PSPs pool buying power and bring additional suppliers to the negotiating table. By doing so, they create more competitive pricing by exposing a larger number of suppliers to the buyer and *visa versa*. This exposure, combined with the pooling of purchasing from other companies creates leverage for buyers to reduce costs, and is made even more effective by ongoing monitoring of market conditions, and re-negotiating as needed.



Pre-sourced supply contracts benefit not only from buyer pooling but also from extensive PSP domain expertise. A given application requires a minimum service level, however without collaboration with PSP technical experts; companies often over specify their requirements which results in higher acquisition costs.

### **Tap 3-tier sourcing opportunities**

The way industry costs are structured, any given item can have up to three different prices depending on the tier from which it is sourced (local, master distributor, manufacturer). So-called 3-tier sourcing requires supplier relationships well beyond the distributor channel, and also the ability to quickly and reliably analyze trade offs between price, order quantities and shipping costs. Vendor performance monitoring is more challenging when sourcing from several tiers simultaneously, but the rewards can be substantial for the buyer.

With their hand on the market pulse, an experienced eye on shared savings opportunities, and the lead time needed to get results, a good PSP can find value in every tier including co-operatives, grey-markets, stocking factory representatives (SFRs), logistics providers and manufacturer-direct inventory overruns.

### **Monitor vendor compliance to feed sourcing policy**

Suppliers sometimes fail to comply with purchase agreements, especially when it might add to their costs. The only solution to this problem is rigorous monitoring by the buyer. Selling price is not the only factor. In addition to the indirect cost of shipping delays, vendors often add to direct buyer costs by over charging for freight; and failing to observe agreed-to shipping points. These points of non-compliance can easily go undetected.

Vendor performance monitoring also provides essential feedback to sourcing policy. This is the procurement phase when vendors are vetted for their suitability prior to bidding. PSPs know that offering the best price and terms is necessary, but not always sufficient for complete enterprise satisfaction with a supplier. Compliance with service, warranty and delivery policies are often as, or even more, important considerations.

Over-reliance on e-procurement systems to reduce MRO spending leaves companies vulnerable in a number of ways. They may for example, lose sight of items once they hit the receiving dock, continue to store items that are no longer needed, overlook valid warranty claims, fail to properly return unused and damaged goods, or short-cut monitoring of vendor performance against all negotiated terms and conditions.

#### **Fit the timing of purchases more closely to needs**

The timing of MRO sourcing is driven by operating schedules, yet purchases are rarely coordinated with the demand profile. Few e-sourcing/e-procurement programs ever achieve full “asset awareness”. This results in excessive stores and carrying costs where materials are delivered far in advance of their need. This build-up to avoid being caught short even has a name — “just-in-case” stock. By adding a focus on the line of business and front-end systems integration, PSPs are able to minimize warehousing and delay expenditures until they are needed, but no later.

#### **Re-deploy headcount**

In light of the current economy, and to reduce acquisition costs immediately, some purchasing and related administrative jobs have become redundant. PSPs fill the need and free up procurement professionals. When implemented in conjunction with a policy of attrition, outsourcing procurement can be cash flow positive from the outset.

#### **OEM consignment inventories**

It is common practice for local distributors to consign selected inventories to buyer locations to relieve them of the carrying costs and associated tax liabilities. In the process of strengthening their relationships with enterprise buyers, some manufacturers now provide consignment inventories as well. The advantage to buyers is that OEM-consigned items are priced considerably lower than the same item from a local distributor. While consigned inventories only transfer supply chain costs temporarily, PSPs are adept at working with manufacturers to identify quality based substitutions that replace high-priced branded items.

### **Choose the best carrier terms**

Many larger buying organizations have negotiated very favorable rates for outbound shipping. Few however use those agreements to reduce inbound costs. Without purchase agreements and full vendor compliance monitoring, the less favorable shipping rates of small suppliers are applied to inbound goods.

### **Optimize ship points**

Local distributors quote prices that are somewhat higher than wholesalers because they are FOB the customers location. Purchasing directly from a wholesaler or a manufacturer offers correspondingly lower prices but higher shipping costs. After analysis, buyers often find that they continually overpay for shipping. Because freight charges can sometimes appear on a distributor invoice, sometimes on separate freight invoices, and sometimes even on consolidated outbound shipping invoices, analysis of freight costs is time consuming and often ends up being a costly nightmare that is never properly reconciled.

Wholesalers in turn often have a choice of ship points, and these have to be specified in order to minimize shipping costs. Note that negotiating better ship points and carrier conditions does not necessarily raise a supplier's price — it generally constitutes a win/win for all parties involved.

### **Consolidate inbound shipments**

Because MRO purchasing is characterized by many SKUs, relatively small orders and a large number of suppliers, freight consolidation reduces costs for everyone in the supply chain. At one large manufacturer surveyed, the average plant MRO order was only \$300.<sup>2</sup> Wholesalers who consolidate orders can lower freight costs as a percentage of purchase price.

“Custom kitting” services offered by wholesalers are particularly valuable for large, project-based procurements where the bill of materials is extensive. Projects are especially prevalent in facilities and plants where inbound shipments require staging at the project site, rather than in the storeroom. Anecdotal evidence suggests that projects may represent up to a third of MRO purchases. Consolidating shipments and custom kitting work hand in hand to lower the cost of project-related sourcing.

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<sup>2</sup> *Ibid*

E-Markets sometimes claim those savings; but it's the picking, packing and staging performed by traditional intermediates that more often reduce those costs. A few years ago, "dis-intermediation" (i.e., the removal of supply chain middlemen) was on everyone's lips. More often today, online marketplaces struggle to explain their added value and why they themselves are not an un-necessary cost to the supply chain.

### **Tax avoidance**

Increasingly, state and local tax authorities require companies to capitalize MRO storeroom items for tax purposes. Carrying excess and surplus MRO inventories was never cost free, but asset-based tax policies create even more pressure to minimize them. Sadly, stories abound of the finance department that scrapped all fully depreciated items with low turnover rates only to hobble manufacturing when a long lead time spare that had been scrapped was needed right away to maintain production rates. Extensive asset visibility and domain expertise is required to recapture some costs without undue risk to operations.



### **"Level-4" spend analysis**

Most spend analysis currently stops at Level-3 analysis – that is, detailed product, or line-item level, information. But the world is not a perfect place, and sometimes product requirements are poorly defined or the materials shipped are poor in quality. To measure and control such problems requires another level of detail, including information regarding where the materials were used and how they performed while in use. That so-called Level-4 spend analysis requires knowledge of asset use and a level of technical skill well outside the expertise of most purchasing departments.

Unfortunately, modeling many different classes of assets requires information systems that managers can only dream of. While some companies and governments effectively manage some core assets, few maintain cross-the-board asset visibility because the standards and systems to do so don't yet exist.

What Level-4 analysis provides is the ability to optimize requirements – that is, *does the item do just what is required of it without incurring unnecessary cost, or does it perform reliably?* In search of additional savings, good PSPs collaborate closely with the customer teams that develop requirements. As the bridge engineer observed, "It's easy to design a bridge to carry a specified load. What's hard is designing one that *just* carries it." An over-designed bridge is a costly bridge.

## Process improvement benefits

### Streamlined requisitioning

One task that desktop requisition systems have accomplished is enforced compliance with buy-side purchasing policies and procedures. They have also streamlined requisition processing by eliminating paperwork and incorporating workflow technology. As mentioned previously, only a small percentage of MRO spending can currently be transacted online; and desktop requisitioning benefits will expand as more and more spending comes under purchase agreement and vendor compliance control.

### Coordinated acquisition process

Many departments play a role in sourcing, not just the originator and Accounting. Specifications, RFIs, RFQs and bid documents must be developed and legally binding contracts reviewed. The complete sourcing process contributes to currently very long cycle times and unsuspected risks to the enterprise. It is in this area that integrated information systems can help insure accurate and timely communications among the many parties involved. These improvements, while hard to quantify, will lower a company's run rate, improve risk management over time, insure compliance, and contribute greatly to continuous improvements and item cost analysis.

### Supplier enablement

Every company uses a unique set of suppliers to meet their particular needs. Existing spending control programs have failed to get most suppliers online. The effort required to organize and put supplier catalogs on line has been grossly underestimated. By far the biggest hurdle is the data scrubbing and catalog management needed, as these are somewhat specialized skills and expensive to implement. Suppliers too have hesitated because of the expense and the suspicion that they are playing a game that is rigged to favor the buyer. In rare cases, buyers take on the task themselves.

Pooling buyers via a PSP attracts suppliers in much the same way that pooling suppliers attracts more buyers. Pooling lowers the cost of working with fewer, very large buyers. This is one way that suppliers can justify price concessions. As discussed earlier, e-markets rarely if ever pre-source purchase agreements, consolidate invoicing or promote the important services of supply-chain middlemen the way that PSPs do.



### **Catalog management**

A catalog is a difficult thing to manage and is the downfall of many attempts to expand the desktop requisition program. It represents an enormous ongoing effort. Buyers sometimes expect their vendors or suppliers to do it; however, they still demand a high level of user access as well as integration with their other business systems. These requirements form a substantial investment and associated risk to the enterprise.

Drawing on economies of scale, PSPs have developed powerful information systems to give users access to vendor-managed catalogs and transactions without capital investment or risk. Analysts have found that hosted business systems can be deployed 60% faster and at 40% lower cost than on-site applications.<sup>3</sup> Built using Web services, standards for information exchange mean that integrating PSP information with existing enterprise systems is now practical, secure and reliable.

### **Materials management**

Order consolidation has another huge administrative benefit. It lowers materials management expenses for buyers by streamlining receiving and quality assurance checks. Companies realize additional efficiencies and savings by sending shipments directly to staging areas. Custom order kitting completely eliminates the warehousing costs associated with binning, kitting and re-issuing materials. Direct shipments and vendor managed inventory also offer a process enhancement by providing a single point of contact for warranty, returns, technical support and customer service.

### **Evaluated receipt settlement**

Also known as 2-way invoice matching, Evaluated Receipt Settlement, (ERS) squeezes the last of the cost out of the settlement reconciliation process. Research has found that manual reconciliation processes can cost between \$40 and \$80 and require over a month to complete for each purchase.<sup>4</sup> Automated 3-way matching at one large manufacturer lowered this to \$3, but ERS can eliminate it altogether. In the case of one manufacturer, with 57 locations and 200 invoices a week, the result was an annual savings of \$1.9 million.

### **Reconciliation & disputes**

ERS has yet another effect on administrative costs. Supplier disputes are settled faster because they are handled directly with the buyer, rather than through Accounting. As a result, all participants are more familiar with the procurement's details, eliminating processing delays and frustrating communications.

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<sup>3</sup> *Ibid*, <sup>4</sup> *Ibid*

### **Supplier relations**

There are many aspects of good supplier relations but improving order accuracy and streamlining invoicing and settlement processes reduces a supplier's costs; and buyers can normally expect to get the best price and terms from a supplier who believes that his cost of doing business with you is lowered as a result of fewer errors and payment delays.

### **Supplier diversity compliance**

Maintaining supplier diversity is a fact of life for many enterprises. The use of culturally diverse suppliers is valuable in meeting regulations requiring sourcing from minority-owned businesses and for improving community relations by supporting local distributors. While most companies are willing to support both goals, organizing and maintaining an effective supplier diversity program can be complicated.

Through a combination of pre-sourced agreements and custom supplier enablement, PSPs may provide ready-made diversity programs and can also manage them as conditions and requirements change.

### **Employee training and assistance**

Employee assistance, training and support are costly for companies to administer and may make more sense to outsource. PSPs can take over such programs as training and ongoing support associated with information systems, materials application assistance, warranty recovery, order status and expediting, thereby freeing up internal resources for other purposes.

## **PSP value added**

What do PSPs bring to the table in support of these objectives? No doubt given the right resources and management attention, a large organization can capture many of these benefits on its own. Putting aside for the moment the enterprise's willingness and competence to fully control MRO spending, let's look at areas where PSPs add value beyond what the enterprise can do for itself.

### What a PSP **can** do in MRO that a typical enterprise **cannot**

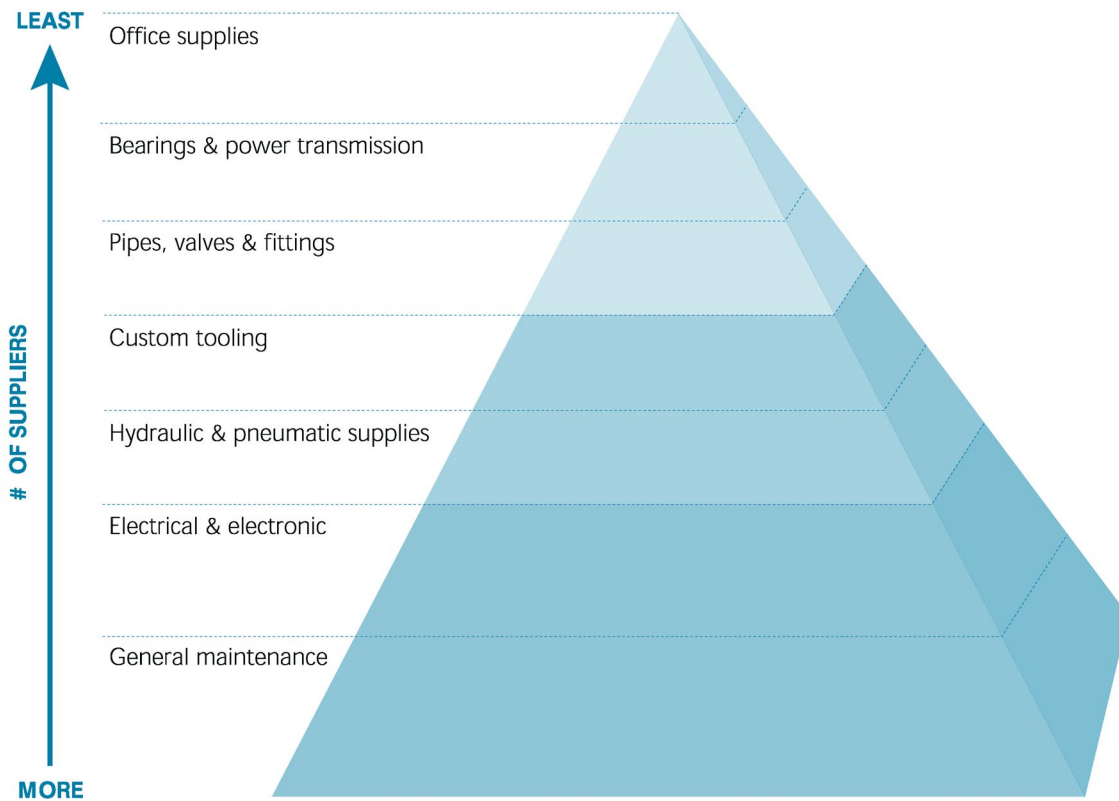
- Free-up plant buyers for more strategic activities or re-assignment
- Evaluate and leverage latest IT without regard for company capital budget cycles
- Capture scale economies, especially in deploying deep domain expertise
- Require no capital expenditures to produce cost reductions
- Manage purchasing information with minimum systems integration risk
- Expose enterprise to a wider pre-sourced supplier base
- Expand the variety of supply channels
- Invoice consolidation
- Freight consolidation from a wide variety of supply sources
- Instant and constant audit ability due to invoice consolidation
- Report isolated "lost opportunities" and areas of improvement
- Plant and general catalog development and data management
- Collaborate with specialized vendor and engineering teams for continuous improvements

### What a PSP can do in MRO *better* than a typical enterprise

- Reduce negotiated prices
- Streamline administration procurement process
- Manage warranty recovery
- Improve vendor compliance
- Create a continuous improvement culture
- Maintain supplier diversity and community support program
- Expand sourcing best practices to all categories of spending
- Provide access to online, vendor-managed catalogs
- Provide application & engineering assistance
- Arrange OEM consignments
- Improve inbound logistics
- Tap 3-tier sourcing
- Supplier enablement
- Employee training

### What a PSP can do in MRO *as well as* a typical enterprise

- Sourcing process engineering including historical spend analysis
- Vendor grouping, prioritizing & rationalization (See Figure 2)
- Custom acquisition services (e.g., bid spec's, negotiation)
- Level-4 spend analysis
- Provide order status and expediting
- Reduce freight costs
- Employee training and support
- Business systems integration



**Figure 2** Consolidating savings is tougher in some categories because there are so many vendors.

## Evaluating and contracting PSPs

Like anything else, there are pitfalls to outsourcing. Here are some of the most common mistakes to avoid, generally referred to as “gotchas.”

### The “buying leverage” gotcha

Don’t assume that a PSP candidate can deliver low prices simply because they present themselves as a large buyer with negotiating leverage. Determine the actual selling price of a small, but representative “shopping cart” of equipment, components and supplies.

### The “authorized sales” gotcha

All else being equal you want the lowest price, but don't assume that warranty and service terms are unaffected by price paid. Many OEMs have complex “authorized sales” rules which can void warranties if products are purchased from an unauthorized source. Photographers found this out when they started buying camera's online from Europe to get a better price but later found that their warranty would only be honored there, and not in the U.S. Having lots of SKUs to choose from adds no value to your operation if this issue is not addressed.

### The “dominant single tier” gotcha

Don't assume that all candidates work equally well with all three of the supply chain's tiers. You cannot get the same value out of working predominantly with only one. Determine the exact extent to which a candidate taps all tiers of the supply chain – that is, distributors, wholesalers, and original equipment manufacturers.

### The “big name” gotcha

Don't assume that a big name in sourcing and procurement services has all the necessary domain expertise in *your particular* MRO categories. You don't want a provider with mountains of experience in direct materials but little experience or resources in MRO. Some well known sourcing service providers do less MRO sourcing in a year than a single large manufacturing plant does in that time. Determine your candidate's MRO experience by getting a breakdown of their customers, resources and transactions including direct vs. indirect, plant vs. office and multiple MRO product categories.

### The “service provider front” gotcha

Don't assume that self descriptions reveal the whole story about a candidate. Some category distributors position themselves today as service providers with simple re-branding when they go online. Determine the number of suppliers that are *directly available* to the candidate's customers both by tier (distributor, wholesaler, OEM) and by product category. Look for a critical mass of supply alternatives in each tier, both to improve price competition and to exploit the very different cost structures at different levels of the supply chain wherever possible.



### The “initial savings” gotcha

Don't assume that initial savings will last. Without measurement and continuous improvement, savings captured in early stages when management attention is high will disappear in the out years. Implement an ongoing asset performance measurement program that is easily understandable to senior management. Determine your candidate's willingness and ability to be a “quality partner” to maintain the focus on performance and continuous improvement.

Contracting a PSP should always be performance-based, with fees based on a service level agreement that entails specific, quantifiable performance metrics. These can involve anything that is important to your company's successful operation, but fruitful areas to explore include reductions in acquisition costs, improvements in administration and responsiveness, and supplier performance. Any of the benefits described in detail above can be turned into a quantifiable performance measure. Be sure to establish benchmarks for the PSP to achieve.

## Conclusions and recommendations

Outsourcing procurement services is an opportunity waiting to be investigated by savvy companies interested in taking the next step to control their spending. Organizations must realistically appraise their management capabilities and resources to determine if and where to partner. If the willingness and talent to *fully* control non-strategic MRO spending does not currently exist, the best way to *get* it is to choose a partner to show the way. These arrangements can be mutually beneficial and cashflow positive right out of the blocks.

In addition to the tips above, here are a few additional recommendations that will improve the likelihood of a successful partnering.

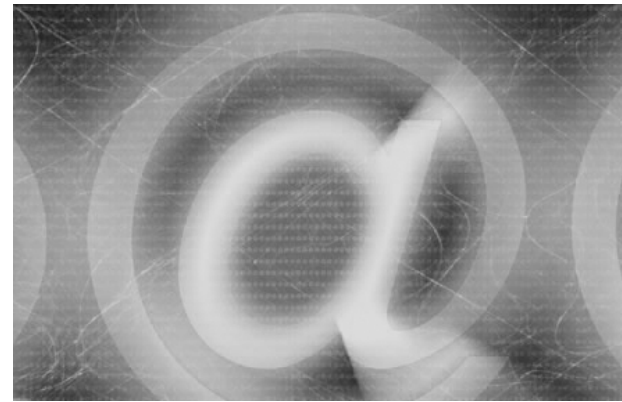
### Seek collaboration, not just consulting

Because of the emphasis on one-time, up-front solutions, consultants can be obtrusive, expensive and ill-suited to the development of an ongoing program of continuous improvement which is the hallmark of optimized MRO sourcing operations. Consultants can produce significant insights, but companies are well advised to seek a collaborator who is willing to participate in the ongoing *execution* of their new sourcing and procurement program. In doing so, companies develop a source of outside expertise that has investment in the program's long-term success.

## Improve asset modeling across the enterprise

Much waste occurs simply because it's not visible to management. Optimizing sourcing, cataloging, contracting and performance measures over time requires vision well beyond the procurement transaction itself, both beforehand in defining requirements, and afterwards to measure materials performance in use. What's the point of getting a really good price on a poor quality item or one that's over designed for its use?

Procurement performance measurement and compliance analysis will always fall short where the ability to fully model enterprise assets is diminished. While industry organizations such as those in transportation (ATA Vehicle Maintenance & Repair Standards), information systems (ITIL) and healthcare (FDA Global Medical Device Nomenclature) have attempted to establish standards for selected classes of assets, no uniform standard currently exists for modeling *any* type of enterprise asset, be it IT, production, facilities or fleets. Such a standard may emerge in the next few years as companies demand it, and as systems developers deliver a single, comprehensive view of enterprise assets for asset performance and spending analysis.



## Resist the technology pitch

History demonstrates that implementing even good technology only accelerates the damage caused by unexamined business processes. Unfortunately, much procurement "advice" is driven by a desire to sell technology. Be on guard for the assumption that technology has all the answers. More commonly, technology is a facilitator once you've found the answer elsewhere.

## Implement a true, cross functional solution

When it comes to plant and facilities MRO, accounting and engineering need each other and neither should try to lead the other. Employee buy-in is needed to create the culture of continuous improvement required for long-term success, few people buy into ideas in which they have little input. End users are more than just customers or licensed users. They need to be the program's owners because, while replacement administrative programs have been known to fail, failure is not an option for plant operations.

## About the author

Milton Bevington is Executive Director of the Council for Strategic Asset Management. His first-hand experience as both owner and supplier includes stints in property management, equipment manufacturing, service contracting and distribution. For many years he worked with leading asset management software makers as a project manager, product manager and company spokesman. He is a consultant, analyst and speaker on asset optimization, sourcing, procurement and MRO supply chain management and technology.

## Council for Strategic Asset Management

C-SAM ([www.c-sam.org](http://www.c-sam.org)) research and education aim to develop one set of standards to describe and manage (non-financial) enterprise assets as a single domain rather than separate classes that today enjoy few common conventions and processes ... a shared language to underlie the measurement of all asset performance.

Asset owners and suppliers alike benefit because existing standards efforts, though piecemeal, have already proven a boon to both enterprise asset optimization and supplier responsiveness. The burgeoning power and reach of technology permit an unprecedented level of information sharing, paving the way for collaboration and spreading the effort required. The council's mission is to enlist participation from all stakeholders, to pool the best business practices and to achieve widespread endorsement for agreed-to standards.

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