



Asset Management: Centralized Asset Optimization

Matthew Butler

Managing Partner, SCT Advisory

In recent years, investing in distribution automation has been one of the most powerful levers for driving enterprise value. However, many organizations have found that realizing the value potential of those investments can be elusive. The cause? Poorly structured, de-centralized control of investments fail to consider critical elements of a successful implementation beyond the procurement cycle, the result is that these projects have stumbled during or following implementation, and often struggle to adapt to changing business conditions. The results can be found in cost overruns, inconsistent performance, avoidable risk, and deteriorating value returned to the organization over time.

The loss in value is tangible, and it is estimated that poor asset management specifically drains 10% to 30% of total asset-related spending, while inefficient operations can cost an additional 20% to 30% of annual revenue.

When projects are designed with standard architectures, well planned staffing models, disciplined stage gates, clear ROI metrics, and strategic supplier frameworks, the organization lowers lifecycle costs, strengthens cash flow predictability, and preserves optionality for future growth. This is not just operational discipline—it is about protecting shareholder value, improving return on invested capital, and ensuring that each dollar deployed is leveraged to drive the company's long-term financial performance.

At SCT, we believe that you can ensure that your organization has visibility and accountability for the management of major capital expenditures, hold suppliers accountable to their product quality, and develop a focus on ensuring optimal performance and management of those investments across the business.

Such a strategic approach requires centralized accountability for asset performance transcending distribution automation to include facilities, manufacturing, and transportation assets, and strategic organizational strategies to cultivate the behaviors and tools that result in achieving optimal outcomes from these capital intensive investments, from methods associated with best practices for asset and systems monitoring and maintenance management to developing strategic supplier relationships and procurement processes that encourage strategic relations and economies of scale in installation and management over time.

Best in Class Asset Management Characteristics

Developing a best in class asset management program requires a thoughtful and pragmatic approach to developing and empowering an organizational model with visibility and control over standard processes and tools that can be distributed across the organization to drive the highest levels of value. While there is no strict sequence of events that need to be followed, SCT Advisory recommends the following methodology to transform your organization and unleash the value potential associated with optimizing asset performance.

- a) Centralize accountability for asset management with cross-functional support across engineering, IT, Operations, and maintenance.
- b) Develop a network model supporting inventory, transportation, and distribution automation impacts that support ongoing evaluation of major investments and impacts on both capital expenditures and operating expenses.
- c) Rely on engineering to develop facility of the future templates leveraging advanced automation that can be leveraged repeatedly, allowing for economies of scale.
- d) Gather cross-functional requirements across Engineering, Operations, Maintenance, and IT to develop the architecture and detailed requirements for ongoing monitoring and maintenance of the combined IT/OT/Facilities footprints for these future state templates.
- e) Focus on agility in the design of these templates and architectures, allowing for changes in the business environment to be accommodated, and also ensuring that challenged supplier relationships can be replaced without severe disruption.
- f) Run an RFI/RFP process that considers both capital requirements and plans to ensure control over steady state maintenance and support while exploring staffing and support alternatives to rely on value add services from partners but also focuses on self-reliance on internal resources to manage costs and effectiveness.
- g) Develop an investment road map with IT to deliver visibility and actionable insights from across the asset landscape, including IT OT monitoring tools, advanced instrumentation, and maintenance planning, tracking, and augmentation / automation capabilities.
- h) The data from each of these sources should be combined into an ecosystem capable of Centralized incident management and trend analysis, reporting out insights into performance challenges as well as holistic asset performance and return on investment.
- i) Develop a strategic supplier relationship program to ensure that these partners are invested in optimizing the performance of their equipment and delivering innovations capable of predictive and prescriptive insights to deliver reliability, And to leverage those relationships for repeatability, economies of scale, and speed to value through templatized repeatability.
- j) Drive accountability and influence into the central asset management team by pushing both KPI reporting and budgeting requests through a central body prior to presentation to the

executive team. Establishing year over year improvement expectations on asset performance and maintenance spend ensures organizational commitment to continuous improvement.

- k) Finally, embed performance management alongside depreciation tracking with a focus on optimizing asset ROI at the same time as gaining clarity on cyclical capital budgeting needs and asset lifecycle management. This is the culmination of the journey and will ensure that your organization has visibility and accountability for the management of major capital expenditures, the ability to hold suppliers accountable to their product quality, and an intentionality across the business with a focus on ensuring optimal performance and management of those investments.

Justifying the Investment and Getting Started

Justification for establishing a center of excellence for asset performance management is rarely difficult to quantify. The headwinds that will be faced will typically surround the political realities associated with organizational change.

Due to the savings and organizational complexities, it is highly recommended that this become a CFO led initiative. Similar to Information Technology, Asset Performance Optimization has a number of critical stakeholders involved, and the investments required to optimize it should be considered a shared service with the intention of being deployed aggressively throughout the organization for maximum impact.

Getting started and generating some quick wins to build momentum can be straightforward – here's the three recommended early actions that can set you on a path forward.

1. Establish a cross-functional team that includes engineering, procurement, operation, and maintenance to develop a team charter that will allow them to represent the broader organization to identify processes and tools that will provide maximum benefit to improved asset performance and economies of scale for repeated investment.
2. Provide a champion at the CFO level with accountability for orchestrating activities across the team and developing the KPIs and ROI expectations on an ongoing basis. Ensure they have a budget, or a role in budgetary reviews for major asset investments to ensure the requests are leveraging a best in class monitoring and maintenance ecosystem. Embed the same champion in the procurement processes to assist in setting expectations with Suppliers and to engage more strategically for mutual benefit.
3. Consider growing a competency for asset optimization as a shared service, pulling together the expertise and developing the toolset to be leveraged across the organization.
4. Develop a technology roadmap to enhance capabilities, with budgets and KPIs to demonstrate progress and value.

Organizations do not have to take this journey alone. SCT Advisory, together with partners in network modeling, facility design, maintenance and IT strategy, and organizational leadership to design and accelerate the journey. Executive workshops with cross-functional teams are an effective way to identify inefficiencies, quantify potential opportunities, and align leadership around a shared purpose.