

COMMON ASSET MANAGEMENT RISKS AND COSTS

What is Asset Management?



[ISO 55000](#) defines Asset management as the "coordinated activity of an organization to realize value from assets".

In turn, Assets are defined as follows: "An asset is an item, thing or entity that has potential or actual value to an organization".

Asset Management involves the balancing of costs, opportunities and risks against the desired performance of assets, to achieve the organizational objectives.

Asset Management Risks



Asset Management Disasters

<https://www.youtube.com/watch?v=UH5LPwdVnql>

Bhopal Disaster

<https://www.youtube.com/watch?v=BfKm0XXfiis>

Chernobyl Disaster

Bhopal Disaster



Chernobyl Disaster



Sinai Fire Tragedy



Nakumatt Downtown Fire



I. Asset Management Strategy failure



This is the risk that an organization's assets will not provide the intended value.

Mitigating the risk....

- Periodic equipment inspections
- Enhanced maintenance programs
- Accelerated replacement programs
- Equipment user training on SOPs

1. Inadequate Asset Planning



Inadequate Asset Planning may result in failure to prioritize and inability to determine the feasibility of the organization's assets towards the achievement of the organization's objectives

2. Not knowing the Assets Owned



Not knowing what one has is tantamount to playing a game of Russian roulette.

To mitigate this risk, an organization will need to take an inventory of all the organization's assets, verify and prioritize the assets.

3. Over or under maintenance



Over Maintenance

There is generally a significant cost associated with the execution of non-value-added maintenance and unnecessary intrusion of work.

Under Maintenance

Results in sub-par performance of the asset

4. Improper Operation



For some assets, either operating below or above the design range adversely affects the life of the asset.

Mitigation

Find out how your assets should be run and comply

5. Improper Risk Management



Risk Management, when not done well, is a continued contributor to ineffective asset management.

Mitigation

Risk assessment and treatment

Asset Management Costs



The overall costs in Asset Management are: Asset Management Systems (EAMs)/ Asset Management Software costs or Asset Management Company/consultant fees. In addition to these, there are specific costs that must be incurred at each stage in the Asset life cycle.

Asset Management Costs – Plan Stage



This stage would involve the following costs:

Financial Assets – brokerage contract fees,

Human Assets – recruitment consultant fees

Physical Assets – research and development costs, market survey costs

Information Assets – requirements development costs,

Intangible Assets – research costs

Asset Management Costs – Create/ Acquire Stage



This stage would involve the following costs:

Financial Assets – deposits with stock brokerage firms,

Human Assets – recruitment costs

Physical Assets – purchase cost

Information Assets – software development costs,

Intangible Assets – registration costs

Asset Management Costs – Utilize/Operate Stage



This stage would involve the following costs:

Financial Assets – bank charges, transaction fees,

Human Assets – salaries & wages,

Physical Assets – fuel, operators wages,

Information Assets – license renewal

Intangible Assets – monitoring costs

Asset Management Costs – Maintain Stage



This stage would involve the following costs:

Financial Assets – annual account fees and stock brokerage fees,

Human Assets – training & development,

Physical Assets – repairs, insurance,

Information Assets – patch management,

Intangible Assets – annual maintenance fees

Asset Management Costs – Renew/Dispose Stage



This stage would involve the following costs:

Financial Assets – stock brokerage fees, withdrawal charges,

Human Assets – separation costs e.g. terminal dues, gratuity,

Physical Assets – disposal costs e.g. advertising and selling costs,

Information Assets – archiving costs,

Intangible Assets – renewal fees

“True excellence in Asset Management performance does not lie only in avoiding the pitfalls, but in turning each and every risk of failure into an opportunity to excel”

Thank You.