



A wake-up call for North American industry

During the recent 2011 Society for Maintenance & Reliability Professionals (SMRP) Annual Conference in Greensboro, N.C., a piece of information was presented that should reverberate throughout North American industry. Al Poling of HSB Solomon Associates LLC presented a paper titled “Reliability and Maintenance Benchmarking — New Standards of Performance in a Global Marketplace.” HSB Solomon and Associates provides benchmarking services across a number of industrial sectors including refining, chemical manufacturing and power generation, and is able to effectively identify trends.

During his presentation, Poling discussed the fact the performance bar has been raised. Among the data he presented was a shift in best performing plants in terms of maintenance cost as a percentage of plant replacement value. Previously, the accepted best performance standard had been 2 percent. The new best performers are approaching 1 percent — a significant shift in that benchmark. The more significant aspect is where the plants that are

achieving this level of performance are located. The highest performance levels are being achieved outside the “western” economies, with the western economies being defined as the economies of North America, Western Europe and Japan.

It is easy to understand why newer economies are increasing their industrial capacity; U.S. tax policies and regulations make investment elsewhere more attractive. Capital investment flows to the most favorable climate for business.

The reasons for nonwestern economies doing better are plants built in newer markets are unencumbered by the culture of reactive maintenance. When new facilities are designed and built, they are able to capitalize on the experience of others, which is particularly true of maintenance and reliability engineering practices. New economy corporate leaders don’t accept equipment failures as expected and normal. Equipment failures are viewed as an opportunity to improve production at the lowest total costs. Western maintenance culture has been to repair failures as quickly as possible to restart production as opposed

to focusing on avoiding failures in the first place.

Undoubtedly, leaders and work forces in these newer economies have benefited from the enormous body of knowledge developed over the past 30 years in the western economies. They understand the value of reliability.

Maintenance and reliability in North America have progressed, and there are a number of great examples of achievement. However, there remains a strong gravitational pull that is omnipresent. Among midlevel and lower level managers there is an expectation that initiatives intended to improve maintenance and reliability will inevitably backslide. This is because many senior leaders, boards of directors and shareholders in North America view maintenance and reliability as a cost. Organizations that have robust maintenance and reliability engineering programs also have larger maintenance and reliability engineering budgets as compared to their peer group. In tough economic times, uninformed corporate leaders mistakenly cut maintenance and reliability budgets leading

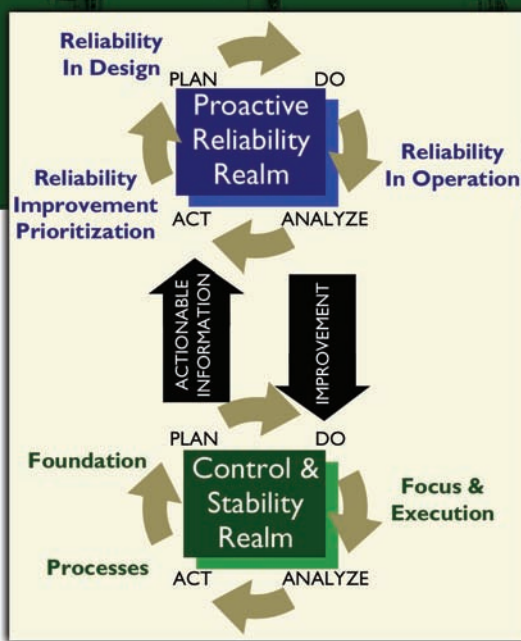
to lower production capacity and higher total cost of production.

Again, in the high performing organizations, senior leaders view maintenance and reliability functions as a means to continuously improve production capacity at the lowest total cost of production.

The solution for North American business leaders is multifaceted. First, continue to press for tax and regulatory policies that make investment in North American plants more attractive. Second, check your beliefs on the value of maintenance and reliability functions. Are they simply an operating cost to be minimized, or are they an enabler of production capacity at lowest total cost of production? Third, benchmark your performance and determine where you are relative to the best of your peers. Fourth, invest proactively and engage in strategies to close performance gaps, ensuring your successors, board members and shareholders understand the importance of reliable production at lowest total cost.

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