



# Asset Management

**How to get “Alignment”  
in Asset Management?**

**Achieve better value  
for your organization  
by aligning financial and  
non-financial functions**

**Part 2**

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## **About ISO/TC 251**

We are the ISO Technical Committee for Asset Management Systems responsible for the development of the ISO 55000 family of standards. These standards define good practices in Asset Management and requirements for a management system.

Find out more at [committee.iso.org/tc251](https://committee.iso.org/tc251)

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## Introduction

There appears to be widespread conventional wisdom that aligning asset-related financial and non-financial information is costly and requires years of hard work and culture change. Is that *really* so?

The significant benefits of aligning the financial and non-financial asset management functions within organizations were discussed in Part 1 of this article. Part 2 looks at how to achieve alignment, as required in ISO 55001 Clause 7.5, in a sensible cost-minded way. Both parts of this article briefly discuss aspects of alignment, comprehensively presented in ISO 55010 which is being finalized by TC 251.

### ISO 55001

ISO 55001, 7.5 “(e) the organization shall ensure that there is consistency and traceability between the financial and technical data and other relevant non-financial data, to the extent required to meet its legal and regulatory requirements while considering its stakeholders’ requirements and organizational objectives.”

This article focuses on top management and managers responsible for financial or non-financial asset management functions and internal controls. This also applies to those in asset management-related functions who provide information to support decision-making or rely upon the outcomes of the decisions.

The article proposes the following Framework as a means of fostering alignment, that can be applied in any organization.

## Framework

The following are suggested as the key elements of a framework that needs to be adopted to achieve alignment:



Based on common practice, the following stages provide guidance for implementing alignment in an organization.

### 1. Leadership

- Ensure Board/Elected Officials, CEO and department heads' commitment to align asset-related financial & non-financial data and information. Communicate this commitment to asset managers across the organization and establish business processes to ensure implementation.

### 2. Teamwork

- Ensure that all managers involved in AM activities understand the reasons why sharing inter-departmental information creates a win-win environment, and see to it that any silos are effectively dismantled.

### 3. Asset Registers – Defining the Assets and Granularity

- Set up a team with asset management leaders from all relevant departments with the objective of establishing and maintaining consensus on an explicit and detailed definition of “assets” across the organization. The definition of “asset” is rarely consistent across the different departments in an organization.
- Resolve mis-matches in asset information granularity by tasking asset management teams to produce a dictionary of shared granularity and nomenclature for “asset” across all relevant departments. Asset granularity is often defined by each department independently and this may be a problem for the organization due to reduced visibility of its assets' information necessary for asset-related decisions. (The adequate level of granularity will be based on materiality and the tradeoffs that best fit the organization culture, size and objectives. Each level of finer granularity will yield more accurate information on each asset, but will require a proportionally greater number of transactions with a consequent cost.)
- Communicate the dictionary across all relevant department teams, ask for feedback and build consensus on an asset identification coding system.
- Set cutoff date by which time the new alignment processes are to be established.
- Produce a survey of all assets, with granularity and descriptions in conformity with the agreed asset dictionary as of cutoff date.
- Tag assets as appropriate, considering that intangible assets, some physical assets, and group assets, can only be labeled in plans and databases, but not physically.
- Utilize simplified procedures to reconcile assets existing in all asset registers before the cut-off date.
- Each department can break down the shared granularity and common nomenclature into components as necessary for each function. Have departments share componentization as much as needed.
- Organizations that implemented EAM (Enterprise Asset Management) can consider choosing which level of their existing asset coding structure is suitable to populate the asset dictionary.

#### 4. Data and Information Consistency

- Assets in all asset registers should include the same unique identification and ensure this information is consistent across the whole life cycle of the asset. Assets in all asset-registers should have clearly defined and automatic linkages. One example is through the use of shared identification codes.
- Implement asset dictionary into ERP systems and any other asset-related databases in the organization, to ensure compliance.
- Implement restrictions in all asset-related databases so that additions after cut-off date conform with asset dictionary.

#### 5. Performance Monitoring and Continuous Improvement

Monitoring top management commitment and communications, granularity refinements, cyclic inventory, and asset registers data cleansing are important to keep alignment current over time.

- Implement aligned asset-related information to support decision-making and monitor performance to drive continuous improvement.

Further detail in these areas will be published in the new ISO 55010 which is being developed to specifically address *Guidance on the alignment of financial and non-financial functions in asset management*. Please see the Guidance Diagram on page 6.

## Cost

Experience suggests that alignment is costly only if Stages 1 and 2, Leadership and Teamwork are missing. Good leadership can steer an organization into overcoming this limitation.

It can be ascertained from the above-mentioned five key elements that ...

- 1-2: Leadership and Teamwork have no measurable cost
- 3: Developing and maintaining Asset Registers may require effort over several months, depending on the persistence of existing silos:
  - ◇ Asset inventory & tagging requires onsite work across all organizational locations. But usually the shared definition of assets to be managed individually, will result in the number of assets to be surveyed and identified, being significantly lower than the number of records in the financial asset register;
  - ◇ Asset registers' reconciliations resulting from the alignment process may require manual and software-based procedures, but the cost can be managed according to the level of reconciliation detail sought.
  - ◇ Componentization can be implemented easily in organizations with EAM; in any case, this item is of no significant cost because "common sense" componentization will apply only to a relatively small number of high-value assets.
- 4: Data and Information Management may require minor modifications to existing ERP and any other asset-related databases.
- 5: Performance Monitoring & Continuous Improvement has no added cost.

## Cost-Benefit

The organization will experience better teamwork through sharing and utilizing the financial and non-financial information created by each department. The resulting greater effectiveness and efficiency should have a clear and positive impact on assets' life-cycle decision-making. Case studies demonstrating significant benefits and increased value obtained by organizations that implemented the ISO 55000 asset management standard are available (for examples see link below).

While alignment is not free of related costs, experience indicates that:

- the cost and duration of achieving alignment are minor compared to the total cost and duration of implementing an asset management system, and
- the benefits of alignment clearly outweigh implementation costs.

**ISO TC/251 – 6 Case Studies:**

<https://committee.iso.org/sites/tc251/social-links/resources/case-studies.html>

## Guidance Diagram

