

Recoiling or Rebounding:

How asset owners are responding to COVID-19

As the world grapples with the **disruption of COVID-19**, asset owners are dealing with a rapidly changing operating context, requiring them to adapt quickly, while also ensuring that decisions made position their organisations to come out stronger on the other side.

Most asset owners use various techniques to ascertain the best maintenance tactics for the equipment they own and operate – from failure modes and effects analysis where tactics are based on usage or calendar, to condition based or predictive maintenance based on need. These methods are intrinsically linked to the operating context of the asset, which means understanding the role the asset plays in the objectives of the enterprise and making decisions to get the right balance of cost, risk and productive output.

Typically, the operating context driving decisions around assets is fairly stable over the short-term, while over medium to long-term there can be changes which are often driven by macro trends on demand, or new technology in the market.

But the world has just changed

Quite literally overnight, the operating context has significantly altered for many asset owners. On one hand, there are assets that can no longer operate under current conditions and restrictions and are being stood down, as we are seeing in the **aviation industry**. While on the other hand, in industries under enormous pressure such as **health** and logistics, services and assets are even more critical than before COVID-19, and the acceptable risk profile of these assets has changed.

For example, hospitals would generally plan for a degree of redundancy in their systems and a set of maintenance tactics based on predicted patient loads. That risk profile would no longer be acceptable as current and predicted demand continues to grow.

Regardless of how an organisation and its assets are impacted by the current crisis, those who come out strongly on the other side will have made the right decisions early and prepared for the start up. As we saw in the global financial crisis, organisations that made sensible reductions and invested in readiness to thrive when the crisis passed were able to weather the storm.

In some sectors, we saw competitors take very different approaches to their sustaining capital programs. Those who stopped investing took longer to regain the levels of productivity, sometimes years longer, compared to those that made deliberate decisions to continue investing in critical **asset maintenance**. The stark difference was evident in productivity and cost per tonne data for years after.

Unfortunately, many organisations fall short by making hard cuts and taking decisions that are too heavily biased on the short-term, without enough scrutiny on mid-term and recovery paths. They often give up on technology and data (or lose trust in it), rewinding the clock several decades to rely on individuals to support every operational or maintenance decision, which has significant flow on effects for the organisation. Another common pitfall is organisations not looking outside the fence of their operations to assess implications of inbound and outbound disruptions of their value chain.

How do organisations adapt?

Avoiding these traps and quickly adapting maintenance tactics to a new or rapidly moving target of cost, risk and productive output is paramount to survival and thriving post crisis and into the long-term future. To do this there are some key steps organisations can take:



1. Engineering and maintenance functions need to unite under one clear objective

Bringing maintenance and engineering teams together with a common purpose catalyses a more holistic approach to asset risk and asset health processes, enables better management of risks and ensures the asset base achieves the goals of the organisation. It also enables a more efficient and effective approach to both sustaining capital and maintenance and how they complement to improve the health of the asset. To reaffirm the value of this key step, our work in uniting these teams across numerous organisations for specific projects has often evolved into permanent organisational design changes where these teams now operate as one single function.



2. Consider opportunity just as much as threat

When looking at risk, those placing as much emphasis on opportunity as on threat will be ready to ramp up the quickest. When standing assets down, if too much emphasis is placed on threat, there is a great risk they will have been stood down with little, or no thought given to the investment needed to bring them back online.

Yet when opportunity is brought into the picture, there are likely to be options for remediation, extending the asset life or even for ramping up to a higher productivity regime, essentially using it as an operations readiness exercise as is done when assets are initially built (albeit in a different context).

Recently, Aurecon supported an asset of a major miner to do just that. An unexpected issue led to a decision to shut down production. The business took the opportunity to essentially redesign the operating approach and move quickly to an operation readiness and recommissioning exercise, all within a few months. This was enabled through **scenario planning and mapping**, an essential capability for organisations to successfully consider both opportunity and threat.

Plotting out various short and medium-term scenarios enables better and more informed decision making and can help organisations understand risks and opportunities more deeply to better prepare them for the variety of potential futures that await.



3. Look to advanced techniques and technologies to help manage a different risk profile

Organisations can use this as an opportunity to move up the maturity curve of maintenance tactics, away from a base of calendar and usage to instead using condition monitoring, **data analytics** and predictive techniques where maintenance is truly based on need. While now may not seem like the right time, it could be in fact the most important time to start trusting in technology that will assist in managing risk as it evolves - especially for those assets where the risk of them not being productive has increased, such as in hospitals and logistics fleets.



4. Communicate the consequences of decisions

When underlying requirements change, decisions are often made at a higher level within an organisation. Leaders need to effectively communicate the rationale for those decisions, and their consequences, to the whole business. Where a decision is based on business or customer grounds, rather than technical, communicating the flow on effects is important, for example, the risk for plant availability or quality in the future if a shutdown is to be missed.

It's important to remember that business performance will be assessed over the mid to long-term, not over the weeks and months in which the disruption occurs. Embracing these steps, the digital capabilities and technologies underpinning them, and simultaneously taking a short-term view with an eye on recovery, will better prepare asset owners – those responsible for making decisions on the cost, risk and productive output balance – to adapt in the rapidly changing operating context. Success will be measured not by how quickly or drastically an organisation made cuts, but how those who responded quickly and prepared themselves to rebound, ramp up and come out stronger on the other side.



This thinking paper is part of a collection of insights and expertise from Aurecon as it explores leading through and beyond the COVID-19 disruption.

About the author

John Searls leads Aurecon's expertise in asset management and performance. Having spent a large portion of his career in the resources industry, John has a great appreciation for the need of all infrastructure investments to deliver economic, social and environmentally sustainable outcomes for all stakeholders, not only during the formation stages, but right through the asset lifecycle and eventual transformation or closure.

This article was originally published by John Searls on LinkedIn titled, **'How asset owners respond will be the difference between recoiling or rebounding after COVID-19'**.