

# SECURING YOUR BUSINESS

## ASSET MANAGEMENT: WHAT IS IT? HOW CAN IT HELP? WHY NOW?

by Sam Simons

**D**o more with less. Control costs. Reduce waste. Complete tasks faster with fewer people. These mantras of 2008 have become even more compelling as 2009 unfolds. There is no question that owners and management are under unprecedented levels of pressure, competing both with rival companies for projects and with other jobsites for profitability. One of the key tools with which to address these pressures is asset management technology. The challenge is to find a solution that fits the company's process, people and budget.

### **What Can Asset Management Accomplish?**

Many construction and aggregate companies have implemented computer systems to automate their processes and improve their information to allow timely and profitable decision-making. Systems range from electronic spreadsheets to corporate

accounting software. These solutions can only be fully effective, however, if the data going in is accurate and timely. For construction companies wanting to automate asset and inventory management, the three primary data points are equipment hours, fuel and location.

Paper, of course, is the traditional way to collect data. But paper is all about manual recording, and not about error-free reporting or objective accountability. Paper can be lost or smudged. It can also be delivered with illegible writing, and with transposed, missing or "fudged" numbers in order to save time—or conceal theft.

In the office, the process is prone to errors during data entry. Furthermore, data is generally not received or entered for several days to a week later. How can management make timely decisions?

In addition, the time to reconcile and chase down wrong numbers often consumes substantial management

and staff resources. We've seen two types of reconciliation activity. The first is done when data collection mistakes are caught. Calling in an accurate hour meter commonly disrupts operations, while the hours spent by clerks and managers to fix the data distracts them from productive work.

The second type of reconciliation occurs between the equipment and the operations/construction departments. In this case, the equipment department has been designated as an internal rental company for the operations/construction department. This allows for more accurate business and job accounting. However, the method to capture the "internal rental" hours is often left to the crew. Payroll is usually the first priority, so they tally the same hours for the equipment as they do for the operator. For example, eight hours are recorded, when the equipment was actually only used for four hours.

Conversely, we've seen field management under-report equipment

usage to boost the short-term profitability of the job. As a result, management must reconcile these differences, often quarterly or at year-end. If equipment hours are reported inaccurately over time, this not only skews the profit picture, but project management (PM) and service schedules, return on investment (ROI) calculations and virtually everything else that has to do with the purchase, allocation and use of equipment assets.

### Choosing the Right Program

So, how do you choose an asset management tool that's best for you? Here are a few questions to consider:

#### 1. What data will help run your business efficiently?

The initial response from a prospect is often that he wants to see every

fault code, data point and movement. This is often over-kill—more selective data reporting is generally more useful and cost-effective.

#### 2. How much visibility do you need?

The best system will give you complete coverage of your equipment and tool assets. You don't have to include everything at once, but you don't want to run into limitations, either. It's advantageous to have a system flexible enough to cover different categories of assets, such as:

- ▶ Category 1—High value items (pavers, rock trucks, excavators, etc.)
- ▶ Category 2—Smaller equipment (skid steers, sweepers, light towers, etc.)
- ▶ Category 3—Tools and attachments

Most companies begin with the Category 1 assets, and as cost savings are realized, they add-in the other categories, often using a less costly monitoring method.

#### 3. How frequently do you need data?

Do you need to see it continuously, every day? Or is daily or weekly reporting acceptable?

#### 4. Are people routinely around the equipment?

If you routinely have people around the equipment, it will allow you to gather more process data and reduce data collection costs. For example, if you have service and delivery trucks, radio-based systems can collect the data wirelessly and discretely.

The choices of which technologies to use include satellite, cellular,



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radio, radio-frequency identification (RFID) and barcode. There are excellent passive systems, “drive-by” data collection and wireless, hands-free systems. If your equipment is very remote and your employees are not physically near, cellular and satellite solutions are a good choice. Radio or cellular are often the best choices for high-value assets, radio or RFID for small equipment assets and RFID or bar code for tools and attachment assets. Each offers its own set of advantages in terms of cost and tracking capability—the most cost-effective solution is generally a fully-integrated combination of these.

Finally, you should seek out a supplier who provides all of these technologies in customized configurations. This will allow you to obtain objective input regarding the data you need—without unnecessary

“bells and whistles” and without feeling shoe-horned into a “one size fits all” system. Furthermore, find a supplier with experience in the development of equipment specifically suited to your rugged, outdoor, off-road environment.

Timing is everything, and it’s legitimate to ask “why now?” But, when margins are tight, and cost pressures are high, it’s advisable to implement automated asset tracking. The answer lies within management’s need to improve competitiveness and avoid lost profits.

Recently, a customer reassigned two data entry clerks after installing an asset management system. Another stopped fuel losses of 300 gallons per week. A properly designed asset management system has a fast return on investment, and pays major dividends immediately. The advantages of more

accurate job estimating and costing add to these benefits.

Companies who are proactive and well-managed understand that this down-turn, like others before it, is a phase. While we are in it, owners have the opportunity to take steps to improve productivity, gain better control of assets and enhance their competitive position—in this, and all economic climates. ■

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