

# Mainstream™

Maintenance and Reliability Networking Conference

## Operations Readiness Adds Years to Your Life

Richard Johnson - The Rylson Group



# Presentation Outline

- Introduction & Background
- What is Operations Readiness?
- What should be included in my Operations Readiness plan?
- When should Operations Readiness start?
- What is the ROI on Operations Readiness?
- How does Operations Readiness add years to your life?
- Questions
- Key Points to Take Home



# Introduction

- Businesses invest billions of dollars in capital expansion and greenfield projects.
- No matter how detailed the design or pristine the construction if it is not ready for operation the organization will be on the back foot from the start.
- A lack of 'readiness planning' is a common cause of poor operational start up, which costs these same businesses millions of dollars.
- Operations Readiness is critical to business success and yet remains a very poor cousin in the Asset Life Cycle!



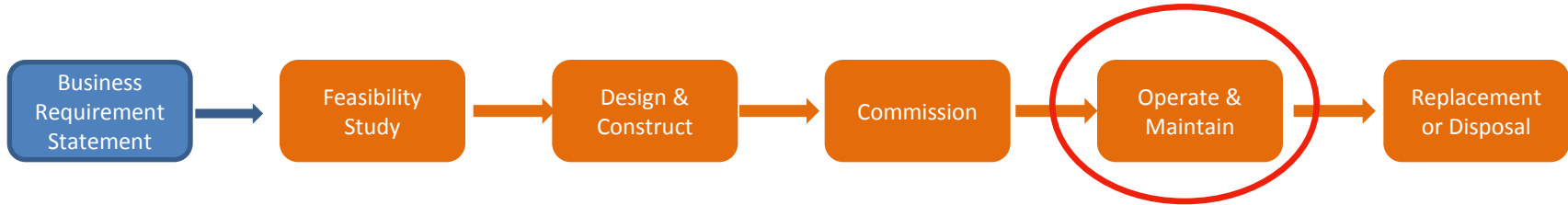
# Background

- The Rylson Group has been providing Asset Management Support Services to a wide range of industries for over 15 years.
- Much of what we do is a by-product of poor Operations Readiness planning and implementation.
- Organisations are forced to revisit areas that were overlooked during the design, construction and commissioning phases of their capital projects.
- Simply put; it is my experience, that the vast majority of businesses are not ready for operation by the time commissioning starts.



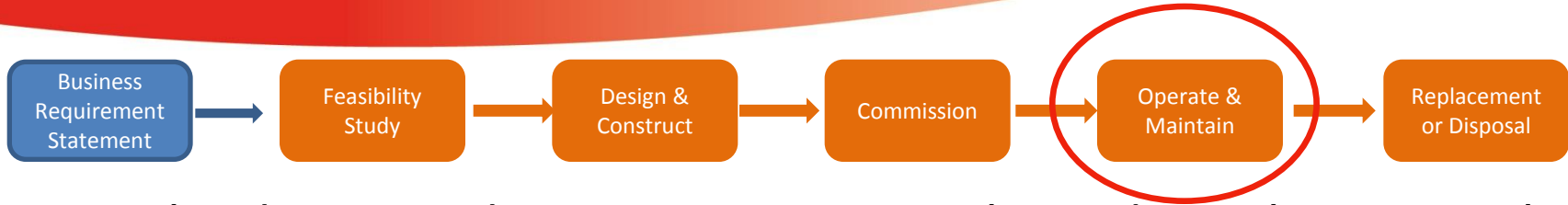
# What is Operations Readiness?

- The text book definition of an Asset Life Cycle is depicted below



- It's about being ready from start up and having a strategy and a plan of how you are going to operate and maintain your assets.
- A strategy and plan that everyone is aware of and capable of delivering.
- Operations readiness is all about achieving effective and efficient operations from start up.

# What is Operations Readiness?



- Once the design and construction teams have done their part, the operators and the maintainers take over.
- All too often this point is reached and the question is asked, “what’s the plan”, and operations begin without a clearly defined, well communicated plan in place.
- Equally as common is for operations to start without the required support structure in place, e.g. training completed, sufficient resources, inventory and stores, etc, etc.

# What is Operations Readiness?

- If operations are about to start, the questions to be asked are:
  - Where are the operating and maintenance plans?
  - How many people do I require and what competencies should they have?
  - What materials/inventory do I require to support these people and plans?
  - What tools and equipment is required to support operations and maintenance?
  - What performance levels should I expect from these assets?
  - What should this cost?
- Operations Readiness is ensuring these types of questions have been asked, answered and addressed before commissioning starts!



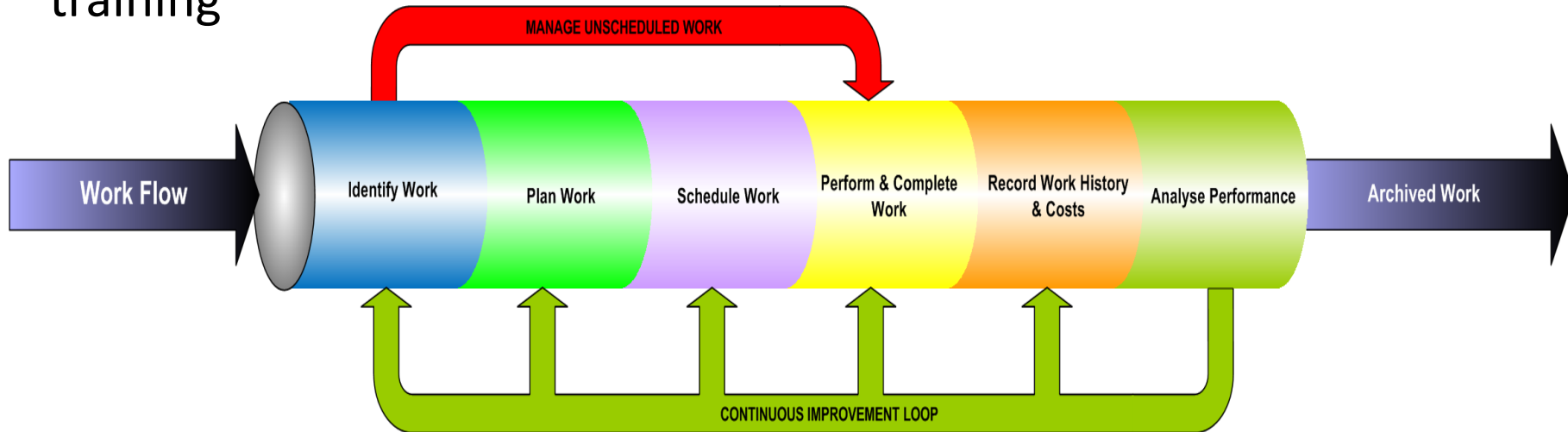
# What should Operations Readiness include?

- Business Process Design
- Organisational Design
- Life Cycle Planning
  - Capability Analysis
  - Maintenance Strategy Development
  - Budget Development
  - Life Cycle Analysis
- Workforce Recruitment & Training
- Inventory and Logistics Planning



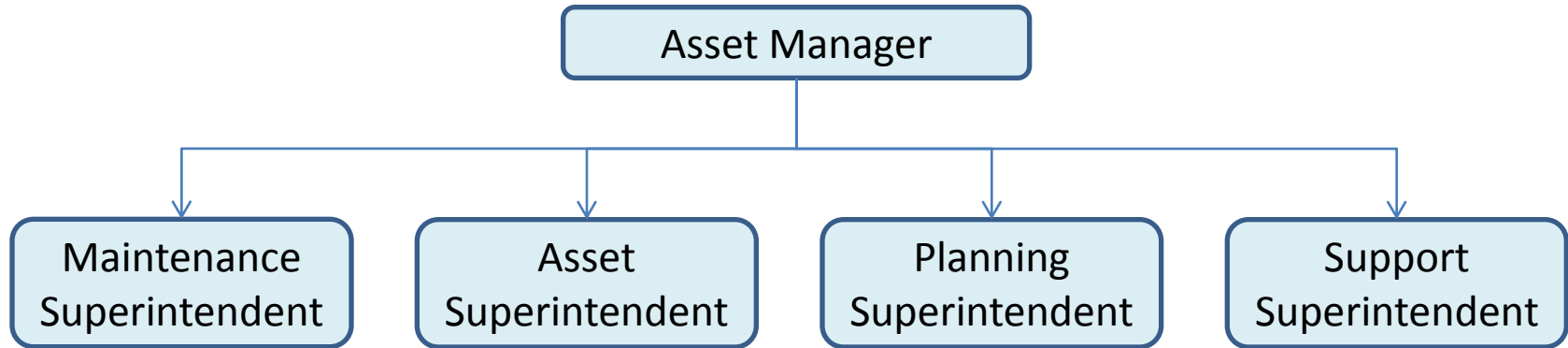
# Business Process Design

- Work Management is one of many integrated business processes, e.g. Reliability, Supply, Human Resources, etc.
- These all need to be defined, documented and supported with training

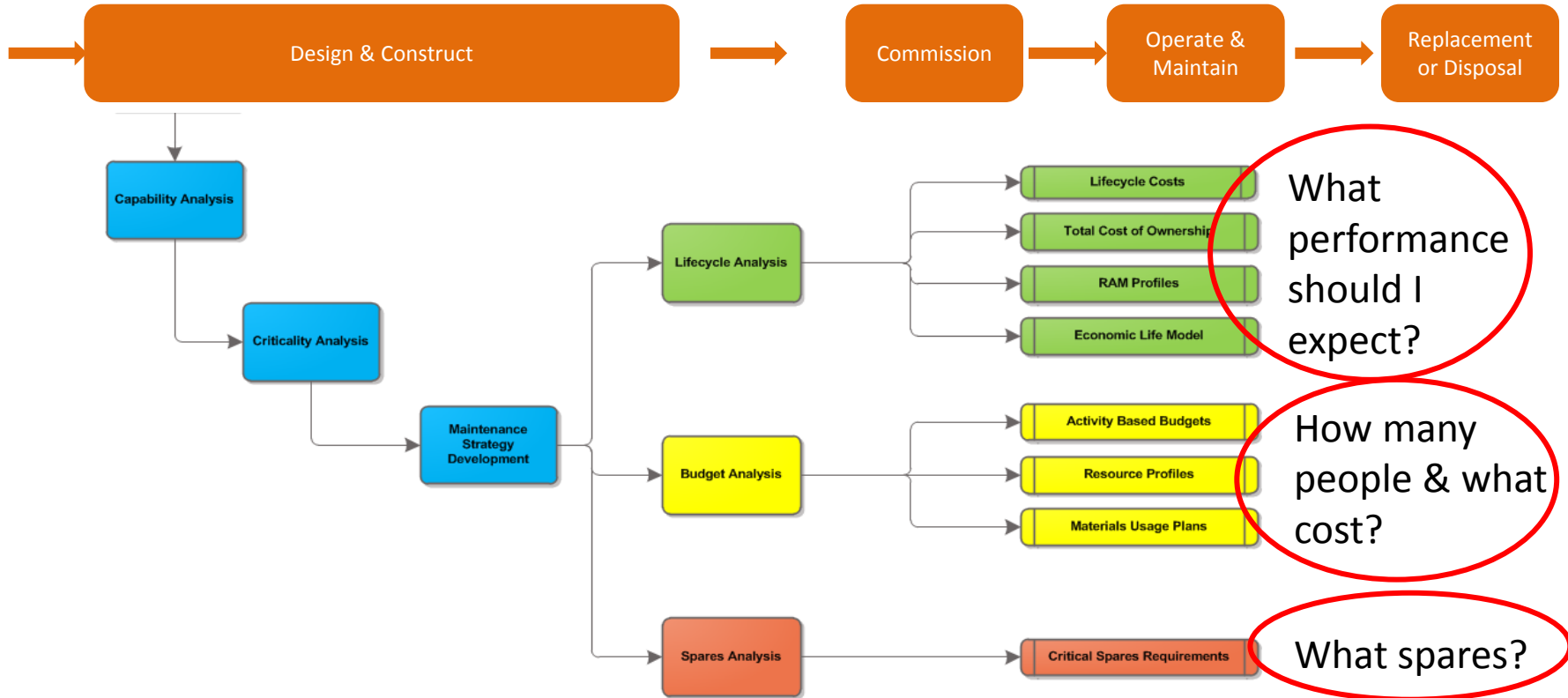


# Organisational Design

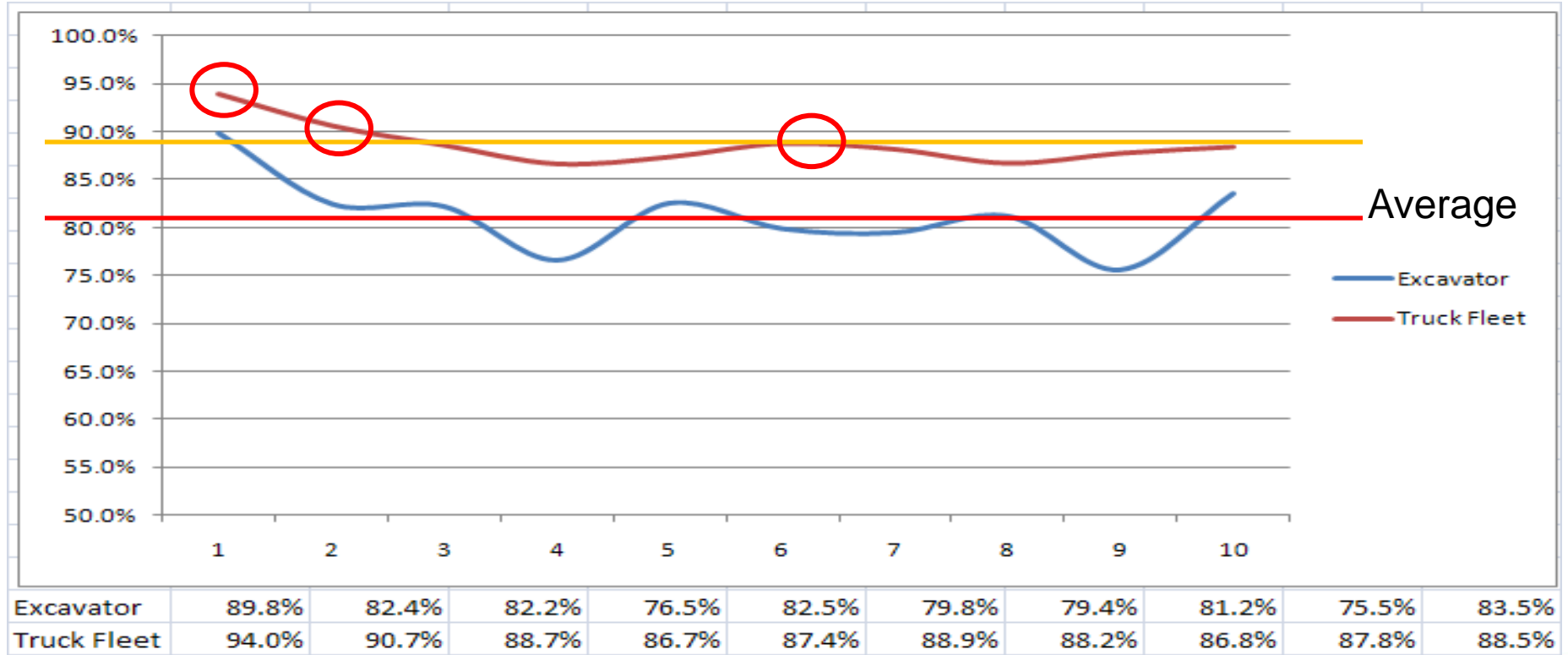
- Your organisation is based on your Business Processes Design.
- This defines your job roles and PD's, which again are documented and supported with training



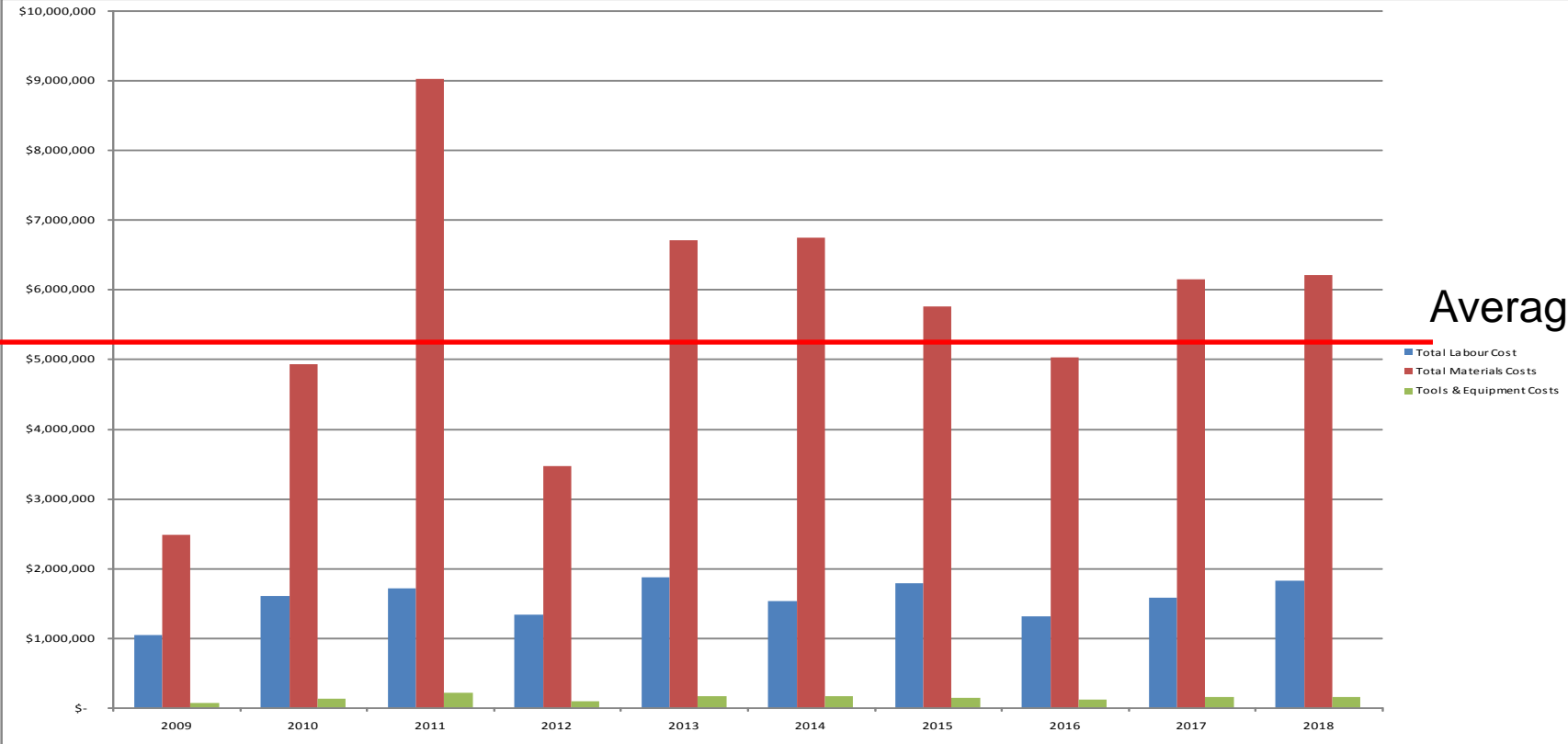
# Life Cycle Planning



# Capability Analysis Example



# Cost Profiles

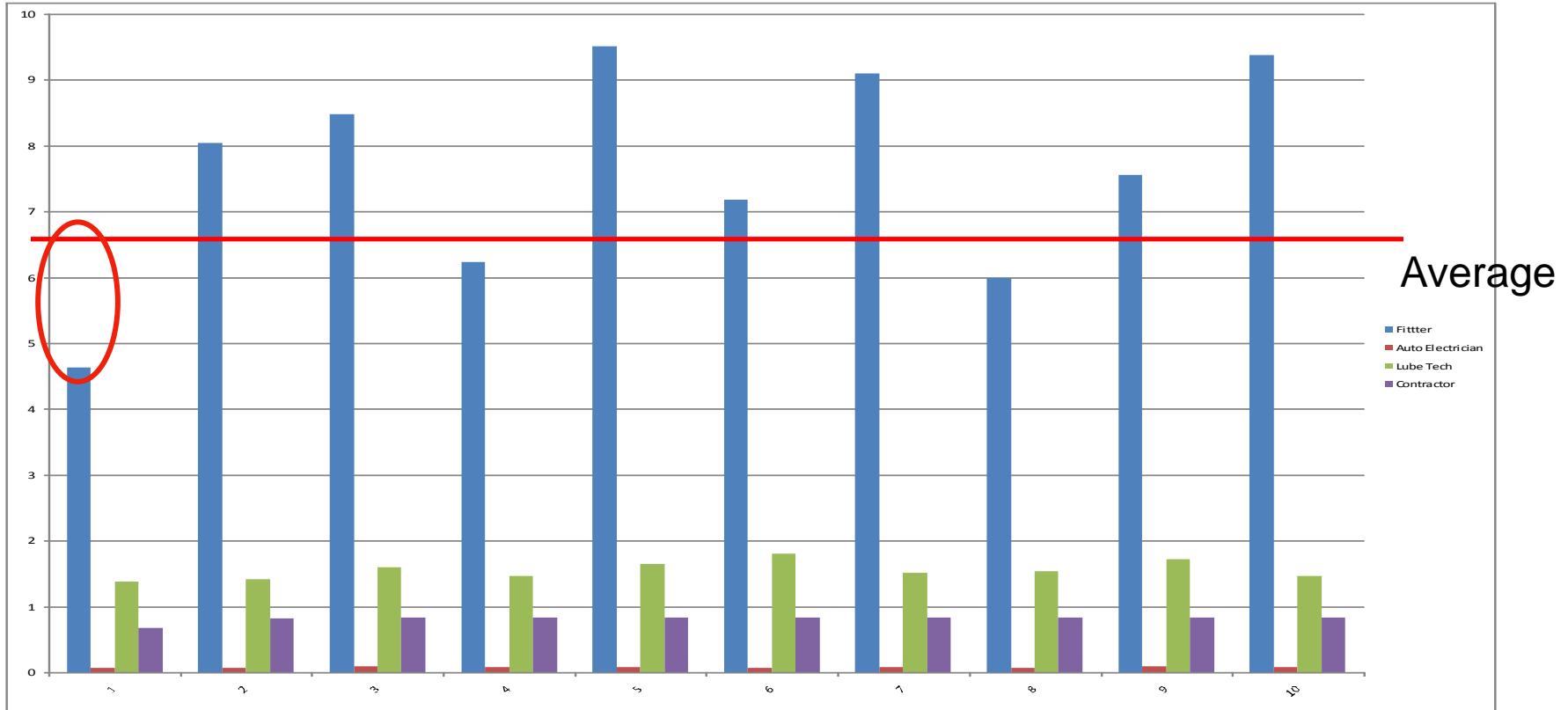


Average

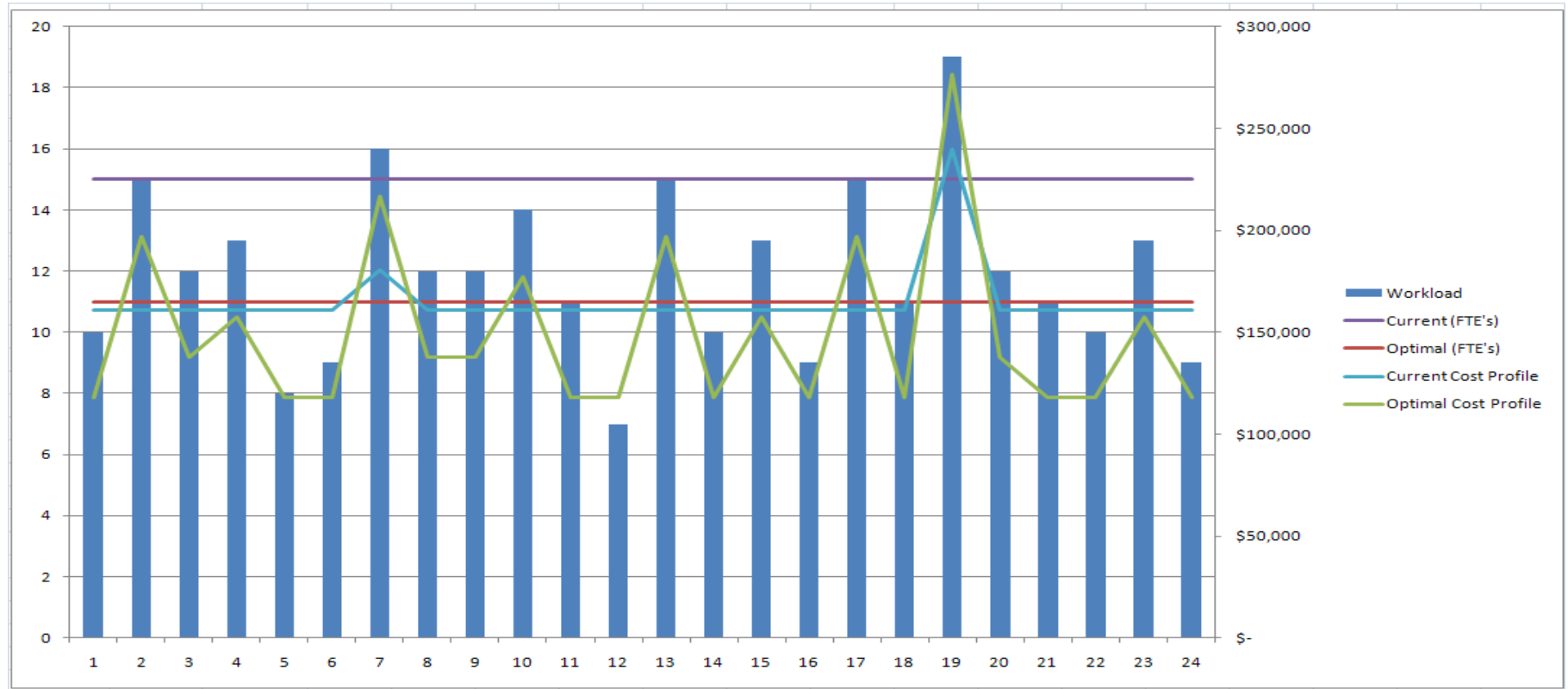
- Total Labour Cost
- Total Materials Costs
- Tools & Equipment Costs



# Resource Profiles



# Resource Optimisation



# Workforce Recruitment & Training

- The design of your assets, your business processes and your organisational structure define the type of people you require.
- The Life Cycle Plan defines how many you need and when you require them. It is NOT a constant and you don't need all your people from day 1!
- Your recruitment schedule and training plan are based on these inputs.

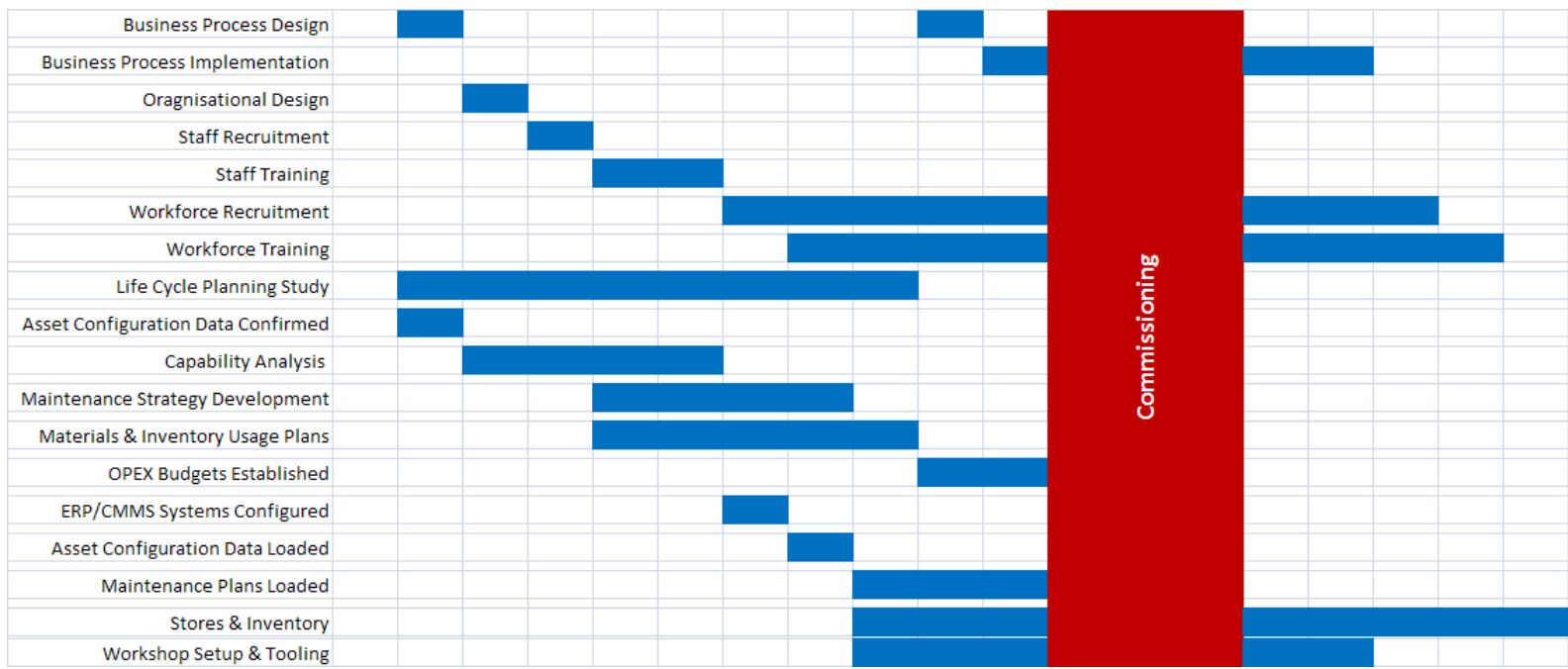


# Inventory & Logistics Planning

- The design of your assets and their Life Cycle plan defines what materials/inventory you require and provides a usage profile for the life of the Asset.
- The Life Cycle Plan should also define what “spares” you should carry!
- The size, configuration and layout of your supporting facilities are designed around these requirements.



# When should Operations Readiness start?



Commissioning



# What is the ROI for Operations Readiness?

- What happens if you don't do anything?
- Everything previously described as being elements of Operations Readiness will happen irrespective, either by evolution, improvisation or by adopting prior experience.
- The question is whether this will be efficient and effective from start up.
- They will all require time to mature. Some may never mature.
- This means efficiency losses, efficiency losses means money lost.



# What is the ROI for Operations Readiness?

- The return on investment for Operations Readiness projects will always be problematic due to the timeframes involved
- That said, the estimation of return doesn't have to be high to justify the investment

Operations Readiness ROI														
Capital Investment		OR Cost		Benefit Target		Annual Benefit Returned								
\$	1,000,000,000	\$	1,000,000	5%	1%	\$	2,500,000	\$	500,000					
Annual Profit without			Annual Profit with			Post Commissioning Cost								
\$50,000,000			\$52,500,000			\$50,500,000			\$10,000,000					
Years to Return Nett Gain without OR			Years to Return Nett Gain with OR			Return On Investment in years								
20			19.0			19.80			0.4			2.0		
Nett Return on 30yr Life without OR			Nett Return on 30yr Life with OR											
50%			57.5%			51.5%								



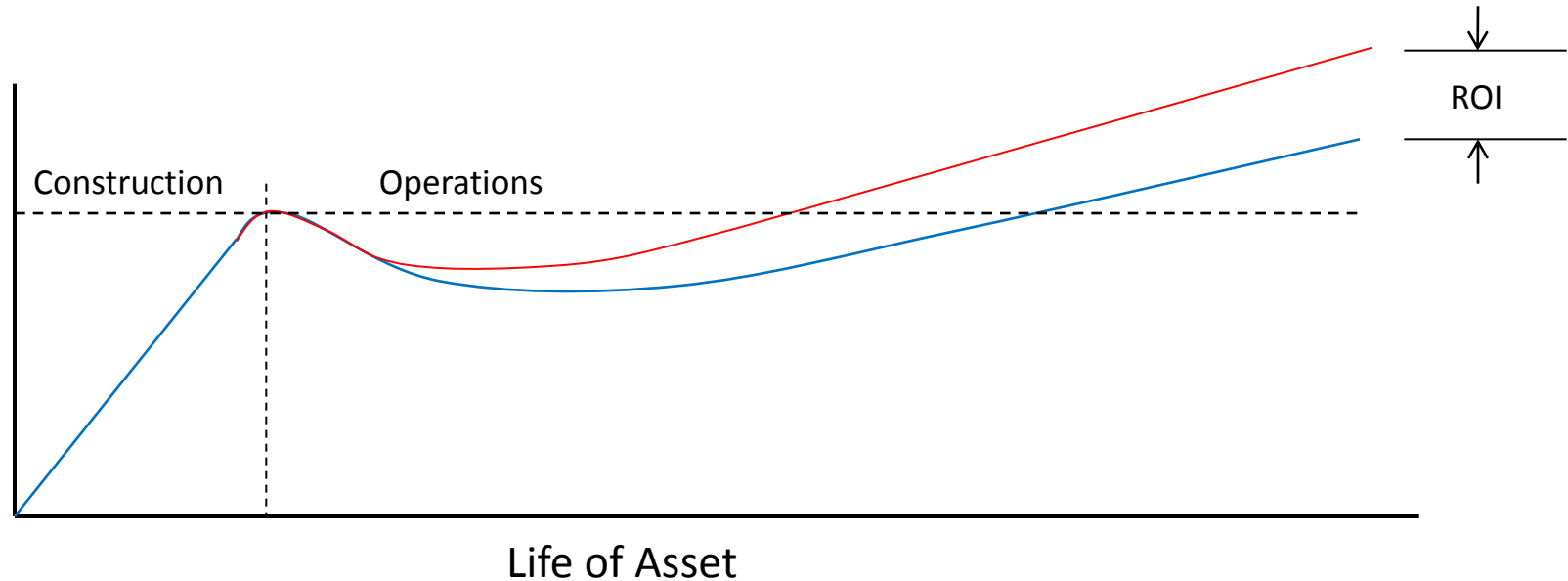
# What is the ROI on Operations Readiness?

- Operations readiness is about achieving effective and efficient operations from start up.
- More importantly, however, it's about achieving the return on the capital investment as early as possible and increasing the number of “profitable” years of operation.
- This is how an effective Operations Readiness project adds years to your life!



# What is the ROI for Operations Readiness?

- Most operations do not deliver a nett return on the investment until many years after commencing operations.



# How does Operations Readiness add years to your life?

- An effective Operations Readiness project adds years to your life in a couple of ways:
  - The first is by increasing the number of Nett profitable years of operation as mentioned previously
  - The second, is by simply making the operation more profitable.
  - Profitable operations generally run beyond their initial life estimations.
- In life, as in business, the path we travel is so often defined by the way we start out and Operations Readiness is all about starting out ready to succeed!



Questions



# Key Points to Take Home

- Operations Readiness planning starts back at feasibility and implementation concludes after commissioning.
- Everything covered by an Operations Readiness project is required for any business to operate effectively or otherwise.
- The choice is yours; you can decide how and when “it” happens or you can simply let “it” happen to you.
- The latter will turn your hair grey, or make it fall out and no doubt it will take years off your life!





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