G00298823

Best Practices for Choosing an Asset Management Service Provider

Published: 5 July 2016

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Asset-intensive organizations regularly invest in asset management process improvement and the technology to support it. These initiatives often require engaging with an experienced external service provider. Gartner has created a set of recommendations for CIOs to support the selection process.

Key Challenges

- Choosing an asset management service provider is complicated by a market that is characterized by diverse capabilities and revolves around specific product ecosystems.
- Many asset management service providers leave business benefit quantification to their clients and fall back on generic project metrics to measure success. Yet the clients themselves struggle with business benefit quantification.
- Even the most experienced and accomplished asset management service providers will fall short of expertise when it comes to fast-changing technology areas, such as advanced analytics, the Internet of Things, cloud and mobile technology.

Recommendations

CIOs and buyers of asset management services:

- Choose an asset management service provider with the right balance of process expertise, product knowledge and industry experience to match the scope and scale of the project.
- Ensure the provider has a methodology for measuring the business benefits of the project and can demonstrate clear value, while also delivering overall project management acumen.
- Analytics, cloud, the Internet of Things and mobility are increasingly important elements of asset management projects. Therefore, choose a service provider with the relevant technology experience.

Introduction

Choosing the right asset management service provider[1] is as important, and maybe more important than, picking the right software and systems.[2] In asset-intensive organizations, in particular, asset management success drops right to the bottom line. For some, asset reliability can also have a direct impact on service levels, because product and service value chains are lean, and poor reliability impacts product and service delivery. Given the significant impact, many asset-intensive organizations invest in major asset management improvement projects with the goal of improving reliability and reducing costs.

Organizations have many choices when it comes to selecting an asset management service provider. However, there are often only a few good, or even viable, choices for most projects. The choice is complicated by the fact that the software vendors themselves sometimes compete with their partners to deliver services. By following the best practices identified here, organizations can realize the benefits of their asset management projects and avoid costly errors, including the need to redo the project. These best practices will also help ensure that business goals are met in a timely manner.

Analysis

Choose an Asset Management Service Provider With the Right Balance of Process Expertise, Product Knowledge and Industry Experience to Match the Scope and Scale of the Project

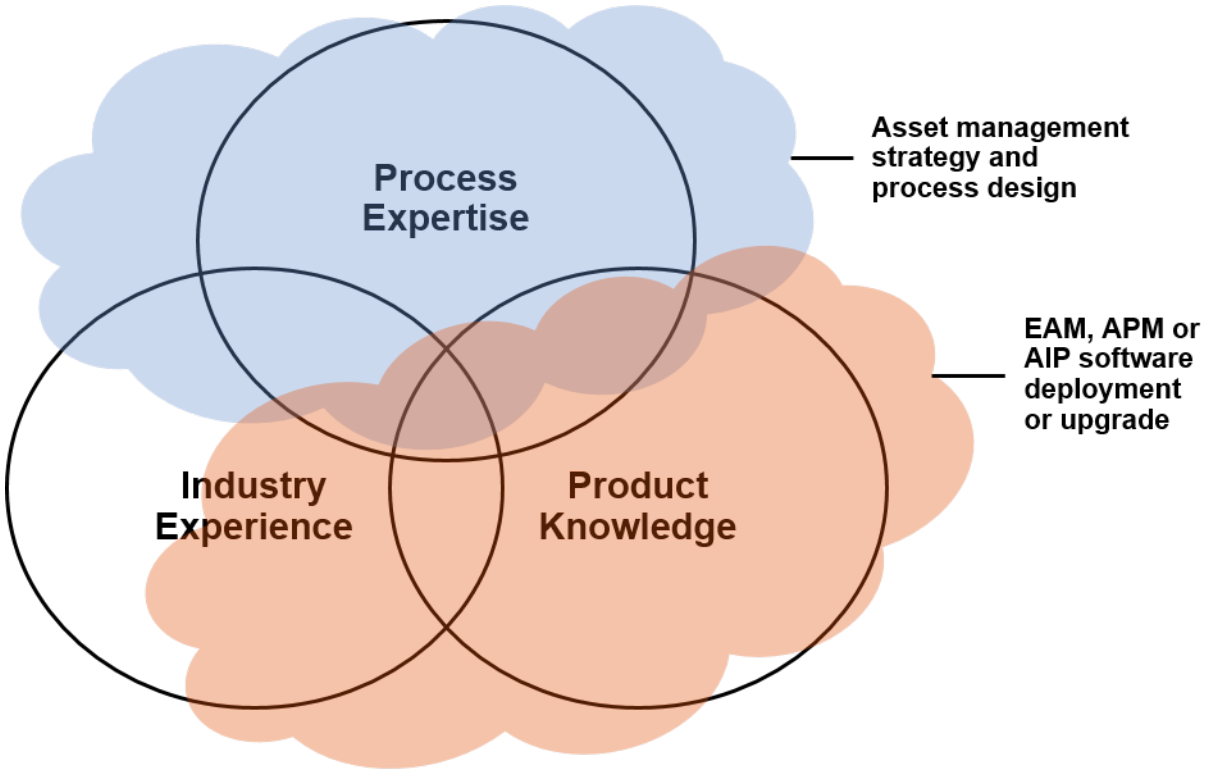
The asset management service provider market is diverse and is populated by both large and small system integrators with varying capabilities. The suitability of a particular service provider for a project depends on a number of factors, including the size and scope of the project, as well as the chosen software product. Most service providers specialize in deploying specific products and often for specific industries. In addition, the degree of business process expertise they bring to the project varies widely. Some have limited process expertise, while those with more expertise may specialize in a particular process area, such as maintenance efficiency or inventory optimization. Therefore, the type of project will constrain the list of suitable service providers.

Furthermore, if a project is more complex, the organization may require more than one service provider. A limited number of service providers can help lead an asset management process improvement project, as well as support the deployment of a particular software product. One option is to treat the two projects as separate engagements — one for strategy or process engagement, and another for the system implementation. Newer or smaller providers can have expertise in software implementations leveraging specific product knowledge, and then, they may decide to add supplemental partner solutions to expand their implementation business and, then later, add business consulting services. This is an evolutionary process; therefore, smaller or newer companies may have only specific capability offerings.

The ability of a service provider to meet all of an organization's specific project needs will depend on the provider's process expertise, product knowledge and industry experience. As an illustration,

Figure 1 shows how the three areas overlap and how important they are to the two different types of asset management projects — strategy and implementation. Many organizations will use the same service provider for both types of projects, despite the different resource requirements and the limited pool of providers with strength in both areas.

Figure 1. Relationships Between Asset Management Service Provider Capabilities



Source: Gartner (July 2016)

The three capabilities are described in more detail below.

Process Expertise

Business process experts are individuals who have a deep understanding of asset management (maintenance) processes and can help an organization identify best practices and implement them. It involves not just an understanding of the best practices themselves, but also an understanding of change management and the barriers to effective adoption of new processes and technology. If part of an asset management project involves process re-engineering, then choosing an asset management service provider with process expertise is essential to the success of the project.

Moreover, the pool of asset management service providers with strong process expertise is small relative to the larger pool of service providers that can support software implementations. For instance, most asset management software vendors have service organizations that are very knowledgeable about their own products, but aren't typically as strong as most independent service

providers with respect to process expertise. For this reason, it is almost always best to use an independent service provider to support the strategy and business process design portion of a project.

Product Knowledge

Most asset management service providers are aligned with a specific vendor's EAM or APM software products. Product knowledge can include, but is not limited to, technical resources trained by the software vendors, certifications where required, and knowledge of standard integrations with third-party products, such as financials and human resources. For example, the majority of EAM software vendors have actively created and nurtured — through regular training — a partner community that can implement their products. In addition, typically, these service providers will closely align themselves with a particular vendor's products and will not invest any resources in developing competence around competing products. Larger service providers such as EY, IBM Global Services and Wipro are more likely to have experience with several EAM products, but they will also typically dedicate most of their resources to only a couple of products.

Product knowledge is critical when choosing an asset management service provider, and is why it is best to choose an EAM product before choosing a service provider to implement it. Given the inherent biases of how service providers are aligned with software vendors, service providers are typically not the best resource to use in the software selection process.

Industry Experience

Industry experience, or specialization, comes from resources who have worked in some asset management capacity in an industry or who have spent many years executing asset management projects in a particular industry. Asset management service providers are often aligned with specific industries as a result of the backgrounds of the founders, or as a result of an explicit strategy to target an industry. Industry experience is important, because asset management processes and the technology to support them can be driven by unique requirements, including regulatory requirements. For example, an EAM implementation in the utility industry requires an understanding of U.S. Federal Energy Regulatory Commission (FERC) regulations. Moreover, EAM implementations in any industry governed by health and safety regulations, such as Occupational Safety and Health Administration (OSHA) in the U.S., require an understanding of how these regulations govern work processes and practices. Therefore, most asset management projects — whether strategy or software implementations — require the service provider to bring some industry experience to bear on the project.

Very few asset management service providers can bring all of the above capabilities to bear on a project, nor is it necessarily required. The required capabilities for a given project need to be measured in the context of both the scope and scale of that project. In addition, given that service providers can often overextend themselves, it is important to have the resources who will be dedicated to a project called out as clearly as possible in the contract (within the constraints of reasonableness). Table 1 provides a high-level guideline to assess capability requirements.

Table 1. Relative Weighting on Required Capabilities by Project Type

Project Type	Scope	Process Expertise	Industry Experience	Product Knowledge
Asset management strategy and process design	Understanding of the organization's design and operations	High	Medium	Low
EAM, APM or AIP software and deployment or upgrade	Understanding of the organization's scope of assets and life cycle	Medium	Medium	High

Source: Gartner (July 2016)

Ensure the Provider Has a Methodology for Measuring the Business Benefits of the Project and Can Demonstrate Clear Value, While Also Delivering Overall Project Management Acumen

There are two major dimensions to measuring the success of an asset management project. The first, and most important, is how well the project delivers on its business objectives. It may be as simple as reducing the work order backlog, or as complex as improving asset reliability. Other typical business benefits of an asset management project include reducing excess inventory, improving maintenance efficiency and improving service levels (see Figure 2, left side). It can be difficult to create a baseline for these metrics if only because most major asset management projects are undertaken to fix broken processes and systems, and more often than not, the existing data is poor. For these reasons, many asset management service providers will defer to the client regarding the establishment of business metrics to measure project success. However, the most successful asset management projects usually result when the service provider offers a methodology for measuring business benefits.

The second dimension to measuring asset management success is whether the project itself was a success. Was it completed on-time, on-budget and within scope? If a product was deployed or upgraded, are users satisfied with it? Was there a smooth transition between the preproject processes and technology to new processes and technology? None of these metrics are specific to an asset management project, but are important nonetheless. The return on investment can be affected by the project's success, as many of the business benefits targeted will not be realized unless the project itself is successful (see Figure 2, right side). Most asset management service providers have the project management acumen to measure the success of the project itself.

Figure 2. Success Factors for Asset Management Projects

Source: Gartner (July 2016)

Given the challenges of measuring business performance improvements, most organizations fall back on broad metrics and declare success if the project is completed on time and under budget. While project metrics are important, they are not the primary driver for making a major investment in asset management processes and systems. Asset management projects for which business outcomes are clearly quantified and defined are more likely to be successful than projects where these metrics are not given the emphasis they warrant. Therefore, organizations should choose a service provider with experience in delivering on business metrics, as well as with project management acumen.

Analytics, Cloud, the Internet of Things and Mobility Are Increasingly Important Elements of Asset Management Projects, So Choose a Service Provider With the Relevant Technology Experience

Most asset management projects today include extensions to core asset management functionality such as mobility and analytics. Increasingly, these projects also involve the Internet of Things (IoT) and cloud technology. Yet, because these are all rapidly changing technologies, service providers are on the same steep learning curve as their customers. Understanding exactly what types of resources and experience that service providers can bring to bear in these areas is increasingly critical for new asset management projects.

Mobile technology has gone through a major revolution in the past nine years, and the impact on asset management processes and practices will be significant. In particular, the proliferation of new

mobile form factors is driving down the cost and increasing the options for enabling the mobile workforce (see "Market Guide for Mobile Workforce Management Systems for Utilities"). The rapid change and diversity of options make it challenging for service providers to keep pace with the state of the market. Yet it is no longer acceptable to simply advise staying with the status quo with respect to mobility, as the productivity improvements achieved with the ruggedized field devices deployed in the past simply do not measure up to what can be achieved with today's array of mobile device options.

IoT technology is where mobile technology was five years ago. It is still in its infancy, but may ultimately be more transformative, particularly with respect to how assets are monitored and maintained. For those organizations looking to deploy APM, its importance is elevated (see "The Internet of Things Is Accelerating Asset Performance Management Innovation and Adoption"). Indeed, most APM projects are still delivered by the APM vendors themselves, because few service providers have the necessary expertise. IoT expertise is not as relevant for EAM or AIP projects except to the extent that sensor data is used as a condition-based trigger for generating work orders.

Most asset management projects have an analytics component. This is particularly true of AIP and APM projects, but is also true for EAM projects. Moreover, the type of analytical tool required varies with the particular use case. APM applications, in particular, are increasingly reliant on the use of advanced analytics (see "Using Advanced Analytics to Predict Equipment Failure"). As a result, most APM projects are executed by the APM software vendors themselves, and few asset management service providers have experience with advanced analytics. On the other hand, most service providers will be familiar with the analytics and reporting tools provided by the EAM vendors they are aligned with. Knowing the scope and depth of the service provider's analytics expertise is critical to project success.

The impact of cloud on asset management is also growing (see "Cloud-Based Alternatives Are Changing the Enterprise Asset Management Market"). The cloud decision is typically not about cost savings, but more often about flexibility and realignment of internet support resources. There is also a growing recognition that effective and efficient collaboration can best be enabled by cloud approaches, whether public or private. Many organizations are challenged with the decision of what can be moved to the cloud and what should stay on-premises.

In addition, given the early stage of cloud adoption across EAM, APM and AIP application domains, finding a service provider with cloud deployment experience can be challenging. For instance, integration requirements can be challenged when an asset management system is moved to the cloud. Therefore, engaging with a service provider with a knowledge of cloud and its implications is critical.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"The Internet of Things Is Accelerating Asset Performance Management Innovation and Adoption"

"Using Advanced Analytics to Predict Equipment Failure"

"Cloud-Based Alternatives Are Changing the Enterprise Asset Management Market"

"Magic Quadrant for Energy and Utilities Enterprise Asset Management Software"

"Market Guide for Asset Performance Management"

"Market Guide for Mobile Workforce Management Systems for Utilities"

"Technology Overview for Utility Asset Investment Planning"

Evidence

[1] An asset management service provider is a third-party consultant or system integrator contracted to provide services, such as asset management process re-engineering or deployments, or upgrades of enterprise asset management (EAM), asset performance management (APM) or asset investment planning (AIP) software.

[2] For software selection, see "Magic Quadrant for Energy and Utilities Enterprise Asset Management Software" and "Market Guide for Asset Performance Management."

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