WHICH HIGH IS HIGHER THAN HIGH?
The Most Important Question to Answer in Asset Management

In today's complicated world of aging infrastructure and constrained funding, the most critical question Asset Managers need to answer is "Which High is Higher than High?".

After years of deferred maintenance and underfunding of existing assets, very few institutions/organizations have enough money to address their high and urgent capital needs, let alone lower priority requirements. Asset Management Programs/Plans that rely only on the Seven Questions of Asset Management (see below) will struggle with capital project selection when it comes down to meeting the approved budgets. The first generation of categorical priority systems (e.g. Urgent, High, Medium, Low) simply do not provide asset owners and managers with sufficient decision-making support.

If you only had one dollar, where is the best place for you to invest it in your existing infrastructure? To provide asset managers with sufficient information to make this decision requires a specific numerical priority for each capital need aligned with organizational goals.

Multivariable Prioritization (MVP) provides your organization with a numerical priority that can then be rank-ordered to provide a defensible and transparent means for selecting capital projects

Seven Questions of Asset Management

1. What do you have and where is it?
2. What is it worth?
3. What is its condition and expected remaining service life?
4. What is the level of service expectation and what needs to be done?
5. When do you need to do it?
6. How much will it cost and what is the acceptable level of risk(s)?
7. How do you ensure long-term affordability?

Defining Multivariable Prioritization

MVP can be applied within a single asset class (e.g. Buildings) or across multiple asset classes (Buildings, Roads, Water/Wastewater, etc.). MVP provides all stakeholders with a clear and concise methodology for calculating a numerical prioritization value for each capital need across an entire portfolio. When each capital item has a numerical priority as opposed to a simple categorical priority, capital needs can be rank-ordered very efficiently when developing a capital plan and budget.

Developing an MVP for your Organization

To ensure organizational alignment and buy-in, we recommend that stakeholders from across an organization be engaged in the development of the MVP. We also recommend that it be developed in isolation of the actual asset data. In this way, stakeholders agree to the priority structure without actually seeing which projects will be prioritized specifically. This approach avoids people trying to manipulate the process so their "pet projects" get prioritized.

The key to an MVP is the development of categories, subcategories, score and weightings (for highly complex MVPs, pairwise analysis can be used to determine weightings). With the MVP matrix developed and agreed to by stakeholders, it can then be applied to your asset data, providing a rank ordered list of capital projects.

Roth IAMS
Integrated Asset Management Strategies

WHICH HIGH IS HIGHER THAN HIGH?
The Most Important Question to Answer in Asset Management

When Everything is a Priority

Based on our experience collaborating with clients across many industry sectors, there is a tendency to want to create a very complicated MVP system. However, the problem with having too many factors that are part of an MVP is that when everything is a priority, nothing is a priority. We generally recommend that between the number of categories be integrated into an MVP be limited to four to six at most. This allows for robust prioritization without having too many factors to water down the system.

Flexibility is in the Numbers

With a rank ordered list of prioritized projects, enhanced by input and insight from internal staff, a client not only has a defensible and consistent capital plan that can form the basis for multi-year capital plans, but also has tremendous flexibility in the event of a change in available funding. If funding is reduced or an unexpected capital expense arises, it is easy to identify the lowest priority projects that made it into the plan for consideration for deferral. In the event of an unplanned increase in funding, an organization can quickly identify the next tranche of prioritized projects that are due for funding, as opposed to having to go back to the drawing board to deal with the windfall.

Eliminating the Human Element?

We are strong believers that no algorithm will ever be able to completely replace the insight and experience of professional asset and facility managers. As such, our process requires in-depth collaboration with stakeholders from across an organization and also includes several stages where human input can and does override the MVP system. For example, you cannot program an algorithm to address organizational-cultural factors or politics that impact renewal decisions.

Call to Action!

If you and your organization struggle with prioritizing the projects that are included in your multiyear capital plans and would like to see how MVP and the tools developed by Roth IAMS can help you make smarter more effective renewal investment decisions, do not hesitate to contact us today.

William (Bill) Roth
416-700-6678
bill.roth@rothiams.com

Roth IAMS
Integrated Asset Management Strategies