

A new view of asset management: ISO 5500x

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A Global Infrastructure Perspective



With assets that cost millions – sometimes billions – of dollars, there is no doubt that infrastructure owners and operators are keen to find ways to better and more efficiently manage their physical assets.

But asset management is not just about managing expenditures and limiting dreaded ‘down-time’; strong asset management also delivers longer-term value by improving operational efficiency and reducing the whole-of-life cost of individual assets. It is also essential to safety – poorly managed assets can create additional risk to workers on projects that are already brimming with potential hazards.

Asset management: Everyone’s business

Robust asset management strategies can create tangible value. Smart organizations are therefore taking a more holistic approach – viewing assets not just as an operational issue, but as a financial one as well.

Simply put, good asset management seeks to squeeze the best performance

out of assets for the benefit of their owners, investors and end-users. Good asset management also recognizes that the performance of physical assets and the risks associated with different assets at various points in their life cycle can have significant repercussions across the organization.

A revolution in global standards

Against the backdrop of this new thinking, an updated global standard for asset management – ISO 5500x – will be unveiled later this year which will correspond with this more holistic view of asset management.

ISO 5500x is built on the foundation of the British Standards Institution’s Publicly Available Specification (PAS) for the optimized management of physical assets and infrastructure (PAS 55). Originally published in 2004, PAS 55 delivered a set of clear definitions and a 28-point requirements specification for optimized and whole-life asset management systems. Its aim was to establish a clear line of sight between a company’s business strategy and any individual

asset at any point in its life cycle. As a subject expert, the KPMG Global Asset Management Competence Center has been involved formally in drawing up the ISO 5500x standard from the beginning.

But in spite of its benefits, PAS 55 faced its geographical limits. It was also focused primarily on utilities players. Without an International Standards Organisation (ISO) standard, expanding its influence to include financial technical reporting and transparency was difficult. Indeed, a study of the KPMG Global Asset Management Competence Center in 2011 of 52 stock listed asset intensive companies showed that virtually none of them disclosed supplementary asset information, besides what was required under accounting standards such as IFRS or GAAP.

The new standard explicitly places assets in a value context, widening the definition of ‘asset’ to include: “Something that has potential or actual value for an organization”. That value can be tangible or intangible, financial or non-financial, and includes consideration of asset risk and liabilities.

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A focus on value

At KPMG, we expect the new standard will accomplish several key goals that are important to the infrastructure sector:

- **Global benchmarking:** ISO 5500x will facilitate international consensus on good asset management practices.
- **Integration with finance and accounting:** The standard will combine with international accounting standards to bring the finance and accounting departments closer to the asset management function.
- **Creating value for the bottom line:** The new standard will provide asset intensive organizations with an effective template for generating more value out of their assets.
- **Transparency:** It will promote transparent financial-technical and operational reporting of assets and help establish a clear audit trail.
- **Board-level awareness:** ISO 5500x connects asset management to corporate strategy, which will elevate it to a board-level topic.

- **Competitive advantage:** Companies that are ISO 5500x-compliant may use their accreditation to differentiate themselves from competitors in new business opportunities.

A three-step action plan

Complying with ISO 5500x will be a challenge for many asset intensive organizations, but the payoff could be just as significant. We believe there are three steps that every company seeking compliance must undertake.

Step 1: Understand why you want to comply

Build a business case for compliance that engages all of the relevant stakeholders – from the board to the engineering team. All must understand the benefits, both for the organization and their own function.

Step 2: Assess your current operations against the standard

Take a critical look at your current asset management approach and ask yourself some tough questions: Do the board and the investors understand the importance of asset management? Do you have strong

processes for evaluating your assets? Do you understand how your assets relate to the overall business strategy? What are your data requirements? What kind of risk is attached to your assets and how are you managing it?

Step 3: Create an implementation plan

Compliance begins by understanding the new standard and the journey you must take to the point of compliance. By working with a trusted partner that understands the new standard as well as its impact across the organization, businesses can accelerate the process of understanding how asset management can create more value.

ISO 5500x is the ideal roadmap for the asset management journey. Even if a company has no intention of applying for accreditation, using the guidelines to optimize the asset life cycle will help consummate a healthy balance between asset performance and asset risks that can generate real value for the organization. And in today's cost-conscious environment, every path to new value is one that should be explored.

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