

How to Cost Justify a Lubrication Program

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How do we get the point across to management that Lubrication Excellence equals good business? Isn't this the big question? Among the more frequently asked questions in lubrication training courses is "how do I make management understand the importance of this stuff?" The question is usually followed by the statement that "we need it, but I can't seem to get the message across to them." There are lots of reasons why you can't get management onboard, but they can generally be reduced to two broad categories: the lack of access and inability to speak the same language.

First, communication is a bilateral process. As the encoder, or the person trying to communicate that a winning lubrication strategy is good business, you need to have a decoder on the other end of the process receiving the message. Sometimes, managers in the organization simply don't want to hear the message. To varying degrees and in different situations, managers are either long- or short-term oriented. A lubrication professional who is seeking to make a difference in the organization and who wants to gauge the opportunity for success should look at the organization's chief executive officer (CEO). Ultimately, he or she defines the culture that, believe it or not, trickles all the way down to machinery lubrication.

Sometimes, boards of directors employ CEOs for short-term purposes, such as "window dressing" the organization so it looks good to investors, or to "slash and burn" cost and bureaucracy out of the organization.

In other cases, the board directs the CEO in longer term directions, such as seizing growth opportunities and innovating new or differentiated offerings, or to achieve low-cost and/or high-quality status on offerings where the market is mature. Some CEOs are directed to simply keep things the way they are or have always been. This leadership style is becoming increasingly scarce in today's highly dynamic technological and economical business environments. Of course, many CEOs, particularly of large, diverse companies must wear multiple hats. They may be required to direct slashing and burning in one business unit, the achievement of low-cost producer status in another and innovation of new offerings in still another.

Leaders who seek to achieve low-cost and/or high-quality output in mature markets will create a culture that is most receptive to lubrication excellence. Maintaining equipment more effectively through lubrication excellence is a long-term proposition. Proposing such a strategy in a slash and burn or a window-dressing environment is usually an uphill climb. Yes, we may be able to target improvements that provide a quick (but sometimes fleeting) return on the investment, but proposals that result in true systemic change of the lubrication program that offers profound but long-term benefits to the organization often get rejected. The CEO must be buying what we are selling.

Again, organizations led by CEOs who are truly focused on becoming the low-cost and/or high-quality producer in a market are the most fertile ground for lubrication excellence. The CEO must be committed in the form of resource support, not just lip service. You may say that your CEO will never drill down to lubrication, which may be true, but he or she defines the agenda and sets up a culture that enables operational level managers, including you, to do so.

In a similar vein, while we can tinker on the fringes of lubrication excellence in a generally poor equipment maintenance program, we cannot reasonably expect to fully engage it unless the maintenance organization creates a framework for success. What is this framework? Let's discuss two major factors: reliability focus and the planned maintenance infrastructure.

Create a Reliability Focus

For lubrication excellence to be effective, the organization must be reliability-focused. One can cut maintenance costs arbitrarily by simply not doing anything but emergency work. In accounting terms, this is analogous to moving money from the balance sheet, where the value of assets, liabilities and owner

equity are recorded, to the income statement, where profits and losses are calculated and reported. In other words, when maintenance simply isn't performed, costs go down and profits go up at least in the short term. However, the true value of the asset is reduced due to neglect - regardless of how its accounting value is reflected in the balance sheet.

Lubrication excellence works in the maintenance organization that targets initiatives that increase machine availability, output yield and quality of production. Likewise, the organization that is reliability-focused will favorably receive proposals to implement lubrication excellence. Managers who don't connect maintenance with reliability, availability, yield, quality and according to recent research - safety, won't favorably receive proposals to initiate new and important lubrication programs.

Planned Maintenance Infrastructure

Second, the organization must have an effective planned maintenance infrastructure. Implementing lubrication excellence is detailed, procedure-driven work, which requires effective planning and scheduling. Technology is a major element of the planned maintenance infrastructure. Increasingly, we depend upon condition-monitoring technology, such as oil analysis, vibration analysis, acoustic monitoring, thermographic/thermometric analysis/monitoring, etc., to initiate proactive work orders and to identify and analyze problems early on so corrective actions can be effectively planned and scheduled. The organization must embrace these and other technologies to exist in the world of modern industrial equipment maintenance. If the planned maintenance program is not properly equipped to receive lubrication excellence, it will reduce your ability to sell the program to management.

You may have initially thought that access to sell the program revolves around getting to the right person. On the contrary, access to sell the program is a function of the organization's receptiveness to lubrication excellence, which starts from the CEO and trickles down through operations, then the maintenance organization and, eventually, to the lubrication program. If your organization has the right environment for lubrication excellence, you will know it.

It's Not What You Say, It's How You Say It

If your organization is ripe for lubrication excellence, you have your foot in the door. Now, your challenge is to communicate the message in a manner that your audience will respond to. In other words, speak the native language of your audience - and I am not talking about Spanish, French or Swahili. In lubrication, our language is that of centistokes, ISO cleanliness codes, beta ratings on filters, grease thickener types, base oil types, additive packages, grease guns, Zerk-fittings, etc. Managers usually speak a different language, but the common engineering unit for all managers is money - dollars, Euros, yen - it all comes down to money. However, not all managers speak the same money language.

What motivates CEO's the most? Share price. Wow, what a revelation - of course, all CEOs of publicly traded companies watch share price on a minute-by-minute basis. But how often do we think about the impact lubrication has on share price? A good, reliability-focused maintenance program can have a profound effect on the organization's profitability and share price.

It stands to reason that machines that operate at high levels of availability, yield and quality will produce more profit than those that don't. If the maintenance to achieve excellent machine operation is targeted and optimized, wasteful spending can be eliminated. If you increase availability, yield and quality, and reduce maintenance costs at the same time, profits must increase, assuming everything else is held equal.

Extending the argument, if profits increase and are sustained, share price should increase, which is music to the CEO's ears. If your performance in maintenance is better and more profitable than that of your closest competitors, you have yourself a strategic advantage. This gets the CEO dancing to the music provided by increased share price. You simply cannot achieve mechanical reliability - the cornerstone of availability - yield and quality, and low mechanical maintenance costs without effective lubrication.

Learn how to connect the cause-and-effect chain between your job function and the higher level objectives, such as share price and competitive advantage - that skill will serve you well. You will not only be able to sell your initiatives more effectively, but you will also be more effective in selecting projects and activities that align to the goals of the organization.

CEOs are leaders - they decide what direction the organization will take. Managers take the organization there and must also be sold. Leaders focus on things like share price, strategy, etc. Managers focus on profitability. Effectively sold lubrication programs show an appropriate return on investment. To evaluate the cost-benefit relationship of a proposed machinery lubrication initiative, the proposing individual or team must, at a minimum, possess, hire or contract out the following skills:

- Thorough understanding of lubrication engineering, the influence good lubrication has on maintenance effectiveness and costs, and on machinery reliability and its associated benefits of availability, yield, quality, safety, etc.
- Ability to effectively utilize financial analysis tools and techniques, such as net present value (NPV), internal rate of return (IRR) and discounted payback period (DPP), which enable the assessment of return on investment (ROI).
- Knack to write a proposal that will be well-received by management. The body of a good proposal provides an abstract definition of the technical aspects of the proposal (there is plenty of space for these details in appendices) and focuses mainly on the proposal's benefits.
- Courage to make estimates based upon case studies, research material, or sometimes simply on experience-based judgment or common sense, where hard evidence does not exist. Change usually carries risk, which requires intestinal fortitude.
- Salesmanship to promote the project, help others see the vision, deal with tough questions and respond to rejection. As Von Karman put it, "Good judgment comes from experience, the most valuable experience from poor judgment." Learn from your failures to sell the project, reload and try again. Tenacity usually generates more value than brilliance.

Whether you are selling your project to the executive suite or the maintenance managers, fit the message to the audience. It is your job to know what motivates them and it is incumbent upon the lubrication professional to translate a technically oriented program proposal into results that a manager understands and values. While presenting your project to management, it may be necessary to discuss a little bit about the technical aspects of lubrication, it is best to focus on the benefits and limit the technical detail. Don't interpret that as an excuse to promote a project that is not technically well-conceived. You must do your technical homework. But you needn't try to tell management everything you know about lubrication. If you need help communicating the message to managers in a way that will be effective, seek it out. We can't all be experts at everything.

To sell lubrication excellence up the food chain, you must first have the right environment and culture. Then, craft your message so it appeals to the audience.

About Noria Corporation

Noria Corporation, based in Tulsa, Okla. (USA), was founded in with the single focus of helping user organizations improve machine reliability through the deployment of best practices in lubrication and oil analysis. Our approach has changed how organizations manage and monitor lubricants for maintaining optimum reliability and safety.

We trust that lubrication excellence is a catalyst to remarkable machine reliability. We believe that industry has realized only a fraction of the opportunities that are achievable through lubrication-enabled reliability.

Our mission is to inspire change through education by providing tools, resources and expertise so the world can achieve the tremendous potential that lubrication excellence has to offer.

One of the many special qualities that differentiates us from other publishers is that Noria is not just a news collector but also a creator of original content, including articles, videos, webinars, images and engaging infographics. We believe that you should practice what you preach. Practicing in the field about which we publish improves the quality, timeliness and usefulness of our editorial content.

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