

rotork®

Keeping the World Flowing
for Future Generations

Justifying Investment in Reliability Services

Part 2 – Preparing the Business Plan



Helping you manage the risk associated with ageing assets

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This document is supplied in two parts containing the following sections:

Part 1 - [Click here to download](#)

We provide strategies and guidance for building an investment case for a Rotork Reliability Services package.

Challenge

The challenge of justifying investment.

Asset management primer

A primer on asset management which is a foundation of justifying investment into operational assets.

Justification strategies

How to create a strong business case, justify investment, influence decision makers and create a sense of urgency.

The case

What is included in the business case and where to find the information.

Part 2 - This document

We discuss preparing a business case to take to senior management and we include an illustrative case study to show how to successfully justify an investment in a Rotork Reliability Services package.

The business plan

How to prepare a business case for management assessment.

Case studies

Example case study demonstrating the principles in this document.

Each of the areas described above build on each other with a strong justification case being based on strong foundations.

Preparing the Business Plan

Once you have assessed the benefits of a Rotork Reliability Services package for your business (see Part 1), the next step is to obtain management approval for the spend. In most cases this will involve preparing a business case that sets out the benefits and risks of the service. If your business has a template for producing business cases then use it, but some of the pointers below may still be valuable.

The best business cases frame the proposal in a way that gets the decision makers attention and develop a sense of urgency for them to act sooner rather than later. Two key questions to ask yourself while preparing the business case are:

- “Will this influence the decision maker in the way I want it to?”
- “Does this make it more likely that they will make a decision now, rather than waiting until later?”

We suggest setting out your business case in six sections, covering the strategic context, economic analysis, financial case, commercial approach, and management approach. Across these sections consider the following ideas.

1. Framing

It is important to frame the investment in the context of the wider business, business area and investment area. Doing so lays the groundwork for developing the case and enables a strong case to be built. To frame the investment case in the best light two important questions, need to be asked:

- Why is this investment important to the wider business, business area and investment area?
- Why invest now?

The answers to these questions frame the strategic context of the proposal. Framing the plan in this way relates the investment to the wider business, showing that you have

considered the impact on the whole business and that you understand why it should be done now. This creates a sense of urgency for a decision to be made.

2. Communicate the risk

Risk should be discussed across the strategic context, economic analysis and financial case sections. In general, a single risk (such as lost downtime) is easy to identify but identifying and presenting multiple risks associated with a process is much more challenging. By following asset management principles, the risk value can be assessed and conveyed in a way which links to the wider business context.

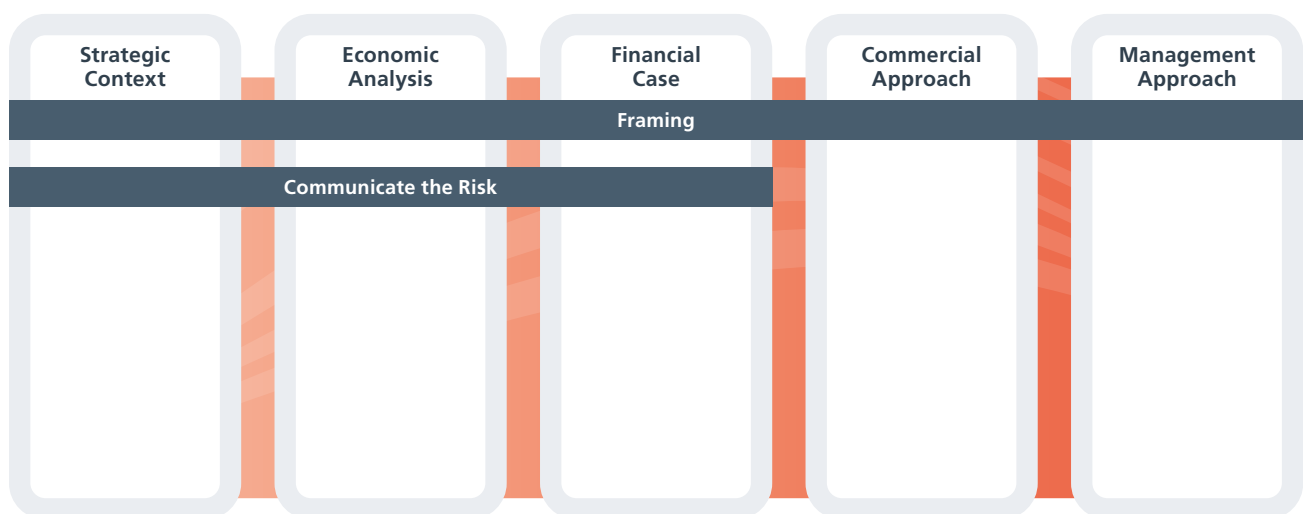
An understanding of the probability and costs of failure allows us to put a financial value on failure risk. Ideally all the identified risks should be displayed in the business case as financial metrics as these allow comparisons to be made with different business cases.

You should aim to convert health and safety, socio- economic and environmental risks (as well as regulatory and legal liabilities) into financial risks. This can be done by calculating or estimating the costs associated with these risks for your company. For example, a single low-level health and safety incident may cost the business £10,000. Quantifying all risks in financial terms makes comparisons between individual risks, and between competing proposals relatively easy.

KEY TIP: Use risks to create a sense of urgency.

Throughout the business case, risks can be used as a tool to generate urgency. Risks can change with time, so when presenting risks in the business case it is useful to highlight how a risk will change in the future. If the cost of the risk is likely to increase with time it helps to create a sense of urgency to act now.

This approach plays into both the economic analysis and financial case, as well as allowing you to clearly frame the risks associated with business as usual. It shows the benefits that a Rotork Reliability Service package can offer by reducing the identified risks.



Preparing the Business Plan

3. Find solutions

Once the risks have been quantified, we can begin to think about solutions. One of the solutions will be a Rotork Lifetime Management product, but there could be other options available as well. You should also include a “do-nothing” or “business as usual” scenario. If the solutions available are not an improvement on the “do nothing” scenario, the proposed investments are not right for you at this time.

You should try to present a minimum of two (and try for at least three) competing solutions. Solutions should be presented in detail, although if you have a large number of possible solutions the least attractive options can be relegated to an Appendix with a summary of why they were not developed further.

When developing solutions, for each option you should state:

- Aim
- Costs
- Delivery
- Risks mitigated
- Benefits

The benefits of each solution should be considered in the context of the risks they mitigate.

Once benefits have been identified, a cost versus benefit assessment should be undertaken where each solution’s costs are compared with the risks they mitigate.

4. Communicate the value / benefits

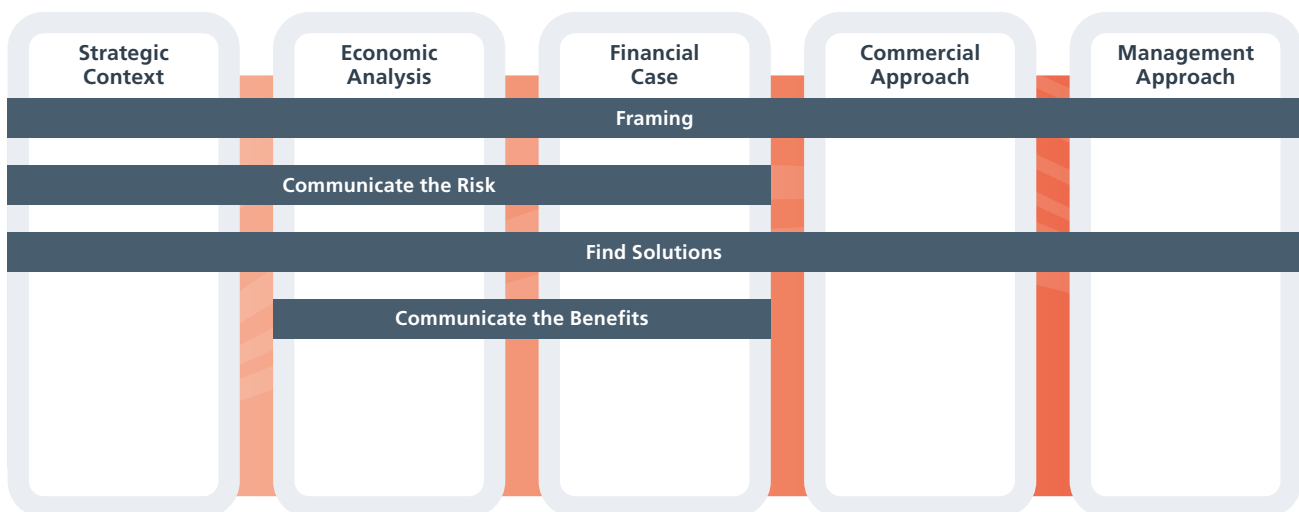
The next step is to highlight the benefits of the different solutions.

Benefits should align with the primary aim of the business case. If the benefits do not match the aims of the business case the solution is not suitable—for example, if the aim of the business case is to reduce the financial risk of spillages, a solution that focuses on remote operation of assets is not well aligned with this aim.

In addition to the direct benefits of risk mitigation there are two other types of benefits which need consideration. Disbenefits have been covered in Part One, but Cumulative benefits are worth discussing here.

Cumulative benefits are those benefits where the benefit in year 1 carries over to year 2, and we then add the year 2 benefit on top. These benefits grow year-on-year from a low base. It is essential to identify and quantify cumulative benefits, because the compounding effect can help to offset high start-up costs. Training 10 people per year over a three-year contract is an example of a cumulative benefit; at the end of the contract a total of 30 people have been trained – ten in each year of the contract.

Rotork’s Lifetime Management products have been designed to help mitigate a variety of risks. They can be tailored to your companies’ specific requirements.



Preparing the Business Plan

5. Timing

Demonstrating benefits can only take a business case so far. How and when the solution is to be delivered becomes an important factor in success of the business case. The timing of the solution is an important consideration, but one that is often overlooked.

Timing should be considered in three areas:

- Duration of investment
- Duration of benefits
- Lead times

5.1 Duration of investment

Duration of investment covers two distinct areas:

- (i) Capital expenditure (CAPEX)
- (ii) Operational expenditure (OPEX)

With CAPEX, there are two initial considerations: (i) the length of the capital investment needed; and (ii) the cost of the capital investment to the business.

How the business chooses to handle capital investment over a number of years can become an important factor within the business case and can make cases appear more or less favourable. This is a complex issue and is best discussed with your Finance team if it is applicable to your proposal.

If a solution increases or decreases OPEX this will also need to be considered within the investment case. As well as the spend on the proposed investment, changes in OPEX could also relate to increased electricity usage or decreased labour requirements. Increases in OPEX are therefore usually included in a business case as a disbenefit. Any growth of OPEX over time needs to be considered carefully—a business case which is favourable today may not be favourable in five years' time due to increasing OPEX costs.

5.2 Duration of benefits

It is also necessary to evaluate benefits over time. Cumulative benefits have already been mentioned, but also consider:

- Is the benefit a one-off benefit?
- Is there a point at which the benefit stops?
- Does the benefit grow/decline over time?

By showing what happens to the benefits over time it is possible to convey both a sense of urgency to begin the process and to improve the value of the proposal.

Rotork's Lifetime Management products can all be set up on a one year or multi-year contract.

5.3 Lead times

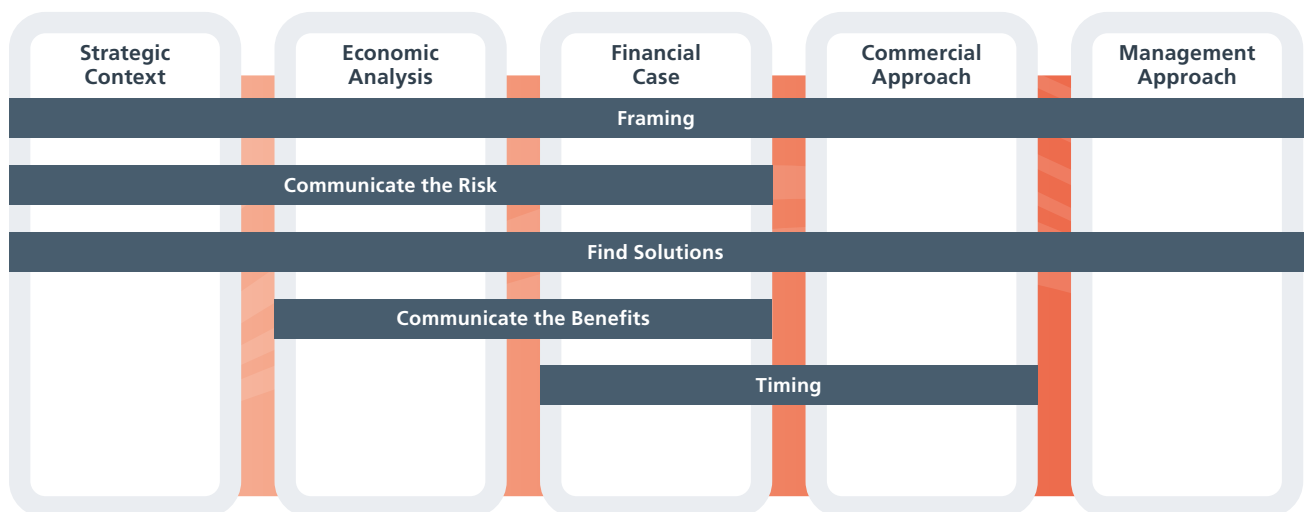
If a solution cannot be delivered in a timely manner it may not meet business needs. The three areas to pay attention to are:

- External lead times
- Supplier management
- Internal delays

External lead times should reflect historic actual delivery time — remember to add in the time taken to agree contracts. Internal delays should be assessed in the context of your company.

Both external lead times and supplier management should be considered within the solutions phase and discussed within the financial case and commercial approach chapters of the business case.

KEY TIP: If a solution cannot be delivered in a timely manner it may not meet business needs.



Preparing the Business Plan

6. Delivery

How you will deliver the solution is another aspect of the business case that is often overlooked. Things that could complicate delivery include commercial conflicts through to issues with subcontractor resources or inventory. With a Rotork Reliability Services plan most of the solution will be delivered by Rotork personnel, but there will still need to be some internal resource available to manage the delivery. At a minimum, resource will be required to accompany Rotork engineers around the site, but management and data analyst resources may also be needed.

Delivery is something which must be considered within the business case; it must be demonstrated that the solution can be delivered as expected. Failure to show that an investment can be delivered may result in the business case being rejected.

KEY TIP: Show that you can deliver the solution and how you intend to do it.

6.1 Establishing KPIs

Key Performance Indicators (KPIs) are commonplace across many businesses and used to track various performance measures. When developing the business case, it is advisable to

- Suggest appropriate KPIs
- Explain how these will be tracked
- Discuss how these will be reported

If an investment is being made the business will want to be able to report on its progress. By developing a suite of KPIs and explaining how these will be tracked and reported in the business case, the investment is more likely to be looked on favourably.

6.2 Failure to meet KPIs

Failure is a topic that is not usually discussed in business cases, but it is an important topic to include. Discussing failure demonstrates a level of awareness that many business cases lack and highlights the underlying thought in the case.

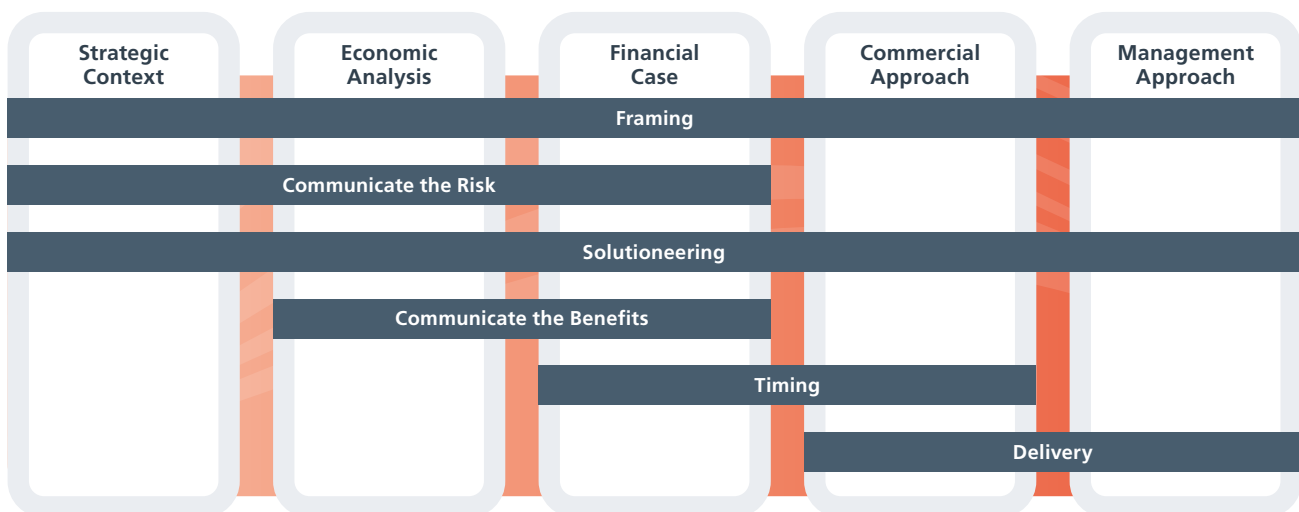
The purpose of the failure sections is to discuss what happens in the event the business case fails to meet its KPIs – for example if the delivery date is not met. As a consequence, a series of actions are usually triggered, resulting in the solution being revised or altered to meet the original aims

When defining failure in respect to a business case the following are worth considering, all of which are usually tracked as KPIs:

- Risks/benefits
- Budget
- Delivery time

The inclusion of a maintenance log allows you to directly track all maintenance performed under your Reliability Services contract.

This can be used to directly track the products performance.



Conclusion

Justifying an investment in Rotork Reliability Services is complicated; it is important to prove that the investment is worthwhile to those who make the investment decisions.

We know that every situation is different and we hope that the guidelines and strategies that have been presented help you to create a solid business case for your proposed investment.

We firmly believe that Rotork Reliability Services represents outstanding value for money and with three different tiers of service as well as a comprehensive list of optional add-ons, we believe that we will have a solution available that meets your business needs.

Our current Rotork Reliability Services offering is detailed on the next page. Please contact us now for your bespoke quote.



For further information about Rotork lifetime management, products and services please contact:

LifetimeManagement@rotork.com

To find your local Rotork office please use the global locator on our website [here](#).

Example Case Study

The following example can be applied in the context of any of Rotork's end markets

The example is reduced and simplified to allow the principles discussed to be communicated easily. Numbers are not accurate and merely shown for discussion purposes.

Strategic context:

Business profits are down due to a reduction in revenue from Area X. Investigating the revenue reduction, it is clear that this is related to Site B. Site B has witnessed high levels of downtime across the plant over the past 12 months.

Investigating this downtime, it is clear there is an upward trend in lost production time.

This lost production time can be directly related to Assets A, B, C. Assets A, B, C are part of a wider portfolio of 50 assets of the same age and make.

If we do not act now, not only will lost time increase but is highly likely there will be an increase in lost time across the other assets of similar age, make and operational usage.

Economic analysis:

Asset criticality:

3 assets:	risk of £5000 (A, B, C)
47 assets:	risk of £500 (all other assets)
Total risk:	£62,000

Proposed solution:

Rotork Lifetime Management:

Enhanced Warranty:	3 assets (A, B, C) at £600 per unit
Planned Maintenance:	47 assets at £200 per unit
Other costs:	1 member of internal staff for 5 days at £100 per day
Total cost:	$(3 \times £600) + (47 \times £200) + (5 \times £100)$ = £11,700

Risk mitigation:

Total risk reduced by 75% after Rotork Lifetime Management contract.

After 12 months, risk will have increased back to original levels.

Risk mitigated:	$(£62,000) - (£11,700) =$ £46,500
Benefits:	£46,500
Cost:	£11,700

Financial case

No noted impacts.

Budget identified and already allocated for risk mitigation.

Performance KPIs are in place and tracking established.

Commercial approach

Rotork Site Services will undertake the work.

A lead time of six weeks has been identified for initial site surveys to be undertaken.

Management approach

Rotork will require one member of staff to assist with induction and site work. Member of staff is identified and costs included above.

All assets are at chest height and easily accessible. No other hazards are identified.

Rotork will project manage their own work and report to the member of staff identified.

Recommendation

The work will provide £34,800 of net benefits and pay back in four months accounting for increasing risk.

It is recommended to proceed with the scheme.

Lifetime Management Joining Pack

Customer Name:



Helping you manage the risk associated with ageing assets

Date:

Customer and Site Details

Customer Name: Contact:

Customer Reference No.: Address:

Rotork Reference No.:

Customer Site(s)

Address 1: Site Address 2:

Asset Overview

Assetance Process	Preferred	Support	Mature	Obsolete
Definition	Product fully supported and operating as intended.	Product supported, but with some limitations.	Product supported, but with significant limitations.	Product no longer supported.
Life Cycle	Full product lifecycle available.	Major parts generally available, including end-of-life parts.	Major parts available, including end-of-life parts.	Major parts available, including end-of-life parts.
Asset Options	Full range options available.	Full range options available.	Full range options available.	Limited range options available.

Time Management Overview

Type	QTY	Lifetime Management Contract	Duration	Expiry

General Information

Company Name: Contact:

Customer Reference No.: Address:

Rotork Reference No.:

Rotork Contacts

Asset Information

Appendix A – Health Check Form

Health Check		Site	WELL/UGP
Customer Name			
Customer Reference No.			
Rotork Reference No.			
Asset Details			
Asset Name			
Asset Type			
Asset Location			
Asset Status			
Asset Age			
Asset Condition			
Asset History			
Asset Maintenance			
Asset Inspection			
Asset Testing			
Asset Repair			
Asset Replacement			
Asset Decommissioning			
Asset Disposal			
Asset Recycling			
Asset Reuse			
Asset Relocation			
Asset Modification			
Asset Upgrade			
Asset Downgrade			
Asset Repairs			
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Asset Modifications			

Reliability Services

	Basic Health Check ■ □ □	Premium Enhanced Maintenance ■ ■ ■	Standard Planned Maintenance ■ ■ □
Site Survey ¹	✓	✓	✓
Asset Register	✓	✓	✓
Health Check Report	✓	✓	✓
Maintenance Log	✓	✓	✓
Functional Test	✓	✓	✓
Responsive Labour ²		✓	✓
Performance Review		✓	✓
Maintenance Record Review		✓	✓
Intrusive Inspection		✓	✓
Corrective Maintenance		✓	✓
Consumables ³		✓	✓
Benchmarking of Application Data		✓	✓
Optimise Configuration/Set Up		✓	✓
Parts ⁴		✓	+
iAM Report - Annually ⁵		✓	+
Priority Scheduling Service		✓	
Priority Technical Support		✓	
Customisable Spares Management		+	+
Resident Engineer (part/full time)		+	+
Valve Inspection/Maintenance		+	+
iAM Report - Quarterly ⁶		+	

Contractual minimum term applies

✓ Included + Optional extra



Health Check Report

- Non-intrusive observational condition of your asset(s)
- Utilises the experience of our expert engineers
- Delivered in a simple-to-understand format



Intrusive Inspection

- Internal check completed by a Rotork engineer
- Maintenance performed as per customer direction
- Consumables changed as necessary



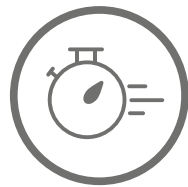
Consumables

- Genuine Rotork OEM consumables
- Includes seals, O-rings, battery and oil only
- Replaced as needed by a Rotork-certified engineer



Parts

- Genuine Rotork OEM parts
- Includes all non-consumable parts^a
- Rotork Standard Terms and Conditions^b apply



Responsive Labour

- Includes full 'on-site' time of Rotork engineer^c
- Gives reassurance of an OEM repair to your asset
- Timely availability to minimise your site disruption^d



iAM Report (Intelligent Asset Management)

- Predictive diagnostics with actionable insights
- Annual report gives snapshot of asset(s) condition
- Quarterly reports give rolling view of asset(s) condition

Notes

1. For Premium and Standard tiers Rotork will undertake an initial Site Survey. The initial Site Survey will check that your assets do not have any pre-existing faults. If we find that the asset has a pre-existing fault we will tell you what needs to be done to fix it and provide a quote. These repairs must be completed to a satisfactory standard for the asset to be eligible for a Premium or Standard tier Reliability Services Plan.
2. Excludes time taken to repair defects caused by; damage, out-of-specification working conditions, alteration, incorrect installation or 3rd party commissioning etc. Repeat callouts for the repeat fault covered solely at Rotork's discretion.
3. Includes consumables required during routine maintenance – limited to; environmental O-rings, oil seals, battery (9v PP3) and top-up oil only.
4. All parts that are not 'Consumables', excludes; motor, drive bush, centre column, worm shaft/wheel. Fair wear and tear rules apply. Replacement of non-OEM parts not covered.
5. Assumes data collected at time of annual visit. Rotork reserves the right to remove printable reports at any time. iAM not available for all asset types – please check with Rotork for a list of compatible asset types.
6. Assumes data for one report collected during the annual visit. The remaining data is to be collected by the customer and made available to Rotork. Data collection by a Rotork engineer is available at an additional cost. Includes priority report delivery and support from Rotork specialists who can assist with data collection, interpretation of iAM reports and corrective action advice. Rotork reserves the right to remove printable reports at any time. iAM not available for all asset types – please check with Rotork for a list of compatible asset types.

- a. Excludes motor, drive bush, centre column, worn shaft/wheel.
 b. <https://www.rotork.com/en/about-us/terms-and-conditions/customers>.
 c. Does not include travel costs to/from the customer's site.
 d. Fair usage policy applies.

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www.rotork.com

A full listing of our worldwide sales and service network is available on our website.

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