

ABB Explains Full Service Strategy

By Harry Forbes

Summary

ARC recently met with executives from ABB to discuss the company’s “Full Service” offering and organization. It would be easy for readers to misinterpret this business as “maintenance outsourcing,” but this over-

ABB has cultivated the capability of “Full Service” maintenance partnerships for customers in many industries. As part of the group’s growth strategy, this activity is being targeted for major expansion. It is supplemented not only by the firm’s experience, but also by ABB’s recent EAM acquisitions and industry initiatives.

simplification neglects the potential value that owner-operators can realize through this form of contract. ABB has some new tools to use in this business, some unique ideas, an expanding organization, and a business that fits well within the group’s overall strategic vision. In a nutshell, ARC learned a great deal. Let’s expand on ARC’s takeaways from this meeting.

The Full Service Concept within ABB

“Full Service” for ABB means a globally supported, long-term, performance-based agreement in which ABB commits to maintain and improve the production equipment, equipment performance, reliability, and energy efficiency for an entire facility. The key benefits to owner-operators of this

type of relationship stem from improved performance, longer asset life, improved reliability, and (equally important) movement toward a “service culture.” This features closer business-level collaboration between the silos of operations and maintenance. This collaboration results in better business decisions regarding operations and maintenance activities, priorities, and constraints (see figure).



Source: Asset Performance Management for Process Industries, ARC Strategies, August 2010



Looking at the market landscape, we see large global companies competing with ABB who simply refuse to engage in this type of business. Other ABB competitors will do so, but only as a

means toward the end of securing very large equipment orders. Finally, several businesses (that are not as large) perform full service work as their primary mission. So why does the Full Service mission fit well within ABB, a very large firm and very much an equipment company when measured by group revenues? The answer is that ABB now sees its relatively small fraction of service business as an opportunity to engage major customers at all points in the asset lifecycle. While this engagement may pull through additional equipment business, this is not the company's primary objective. Growing its service businesses at above-market rates is the critical objective for ABB's overall growth strategy. Furthermore, this business aligns with ABB's mission to help customer "...use electrical power efficiently to increase industrial productivity and lower environmental impact."

Developing Long-Term Partnerships

In manufacturing, effective asset management strategies cut across organizational silos. While the importance of effective asset management grows, competitive pressures continue to build to outsource "non-core" activities. Recognizing the huge impact of maintenance practices on business performance, management is loath to label this function non-core and blithely outsource it. Service-level agreements do not provide a complete answer to this dilemma, since equipment performance metrics (such as OEE) result from operational decisions, maintenance decisions, and market conditions.

What would be most desirable is a competent and trusted partner, working toward a well-defined and shared set of business objectives. Day-to-day maintenance activities and decisions require very close collaboration with operations. While the dollar volume associated with these activities may not be as high as major turnarounds, the impact on business performance can be every bit as significant. Furthermore, they require the sort of deep knowledge of the production assets and business goals that are not likely to be found among potential outsourcing providers.

The effectiveness of day-to-day maintenance activities has a major impact on business performance when compared with the typical outlay.

Moving from Outsourcing to Partnership

Effective partnership (as opposed to outsourcing) for asset management inevitably takes the form of long-term agreements. Besides a deep competence in the discipline of enterprise asset management (EAM), the partner must understand the vertical industry context and plant-specific capabili-

ties and limitations. It is not possible for a partner to walk into a new relationship and deliver maximum value in a very short time. The relationship should be designed to outlast seasonal cycles, product cycles, and even business cycles.

Far more than for purely transactional business activities, these partnerships involve personal working relationships. These relationships take time to develop and mature. Employees of the client must recognize that an outsourcing relationship of this type is not simply another management initiative, but instead represents an ongoing commitment to a new way of doing business. As this becomes apparent, client employees can begin to recognize the importance of the new relationship and adjust their behavior accordingly.

ABB takes a conventional approach to developing these relationships. This involves a long “sell cycle” with four major phases, culminating in implementation and a five-year engagement (see figure). ABB focuses on vertical industries in which it already has significant expertise. This includes pulp & paper, mining & metals, oil & gas, petrochemicals, and printing. ABB emphasized a need to focus on particular verticals since vertical industry expertise is an essential element for success.

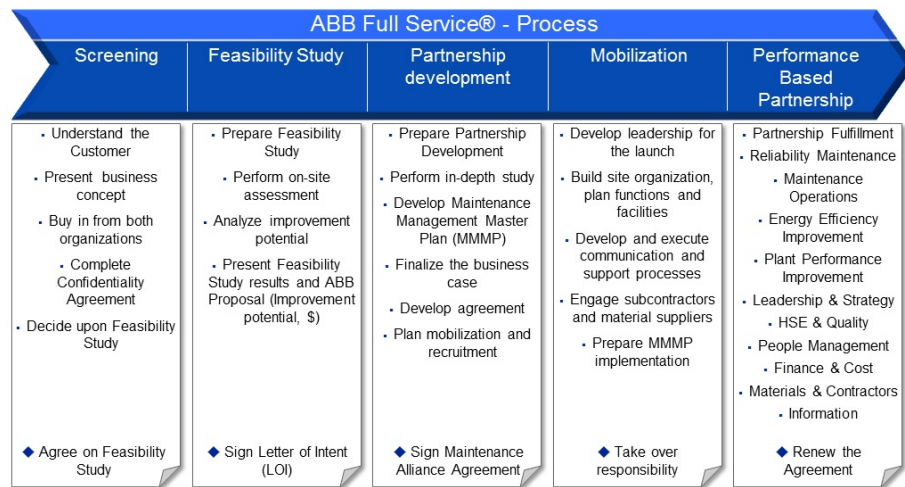


ABB Full Service Engagement Development Process

Brownfields and Greenfields

While the partnership development process is conventional for existing plants (or brownfields), ABB also discussed an intriguing and novel ap-

proach to Full Service for new “greenfield” plants during design and construction. The basic idea is for ABB to serve the owner operator beginning with front end engineering and design (FEED) and continuing through the entire plant design and procurement period, through construction, startup, and commissioning.

Their core idea is to apply ABB’s expertise in reliability and maintainability at the front end of a project, when this expertise can deliver huge value. The company also wants to develop preventive maintenance processes for equipment and systems while major equipment is still in procurement. The owner-operator or EPC has the greatest leverage over equipment suppliers

In greenfield programs, ABB hopes to improve the value of the intellectual property owner-operators receive at plant handover.

at this time. By negotiating and developing operating and (especially) maintenance plans all through the design phase, ABB hopes to improve not only the design, but also the quality of the eventual intellectual property “handover” to the owner-

operator to a significant degree. It can do so by providing highly workable and optimized PMs from the get-go, instead of distilling this critical content from a mountain of generic vendor documents that may not be feasible for a given plant design and performance objective.

This business relationship can provide the owner-operator with a closer-to-optimal plant design, faster and smoother production ramp-up, and a far better learning curve for the plant staff. The difficulty is that it involves multi-lateral relationships between owner-operators, EPCs, and ABB. In effect, it changes the project organization a bit. What ARC likes about this (besides the huge potential value) is that it addresses the common problem of the “owner’s engineer” being so swamped with critical decisions during FEED and design that he/she cannot maintain focus on those design issues that have a major impact on plant operability, performance, reliability, and operating cost.

Organization and Support

Success in the Full Service business demands both superb onsite teams and an effective support organization. A “home office” support organization provides administrative services and staffs a few critical business support functions that cannot scale down to the level of a single client engagement. This group has cultivated skills in reliability, asset management software,

and engineering services. The engagement teams rely on this support so they can focus their attention on execution and delivering client value.

In ABB's model, the support organization will be based in three centers; one in the Americas, one in China, and one in India. The Americas center is already fully operational and will assist the other two centers as they become fully operational over the next year or two. This represents significant expansion, in that the Americas center alone has been supporting worldwide ABB Full Service engagements. While ARC believes that ABB fully recognizes the critical value of an effective support organization to success in Full Service, it will be a challenge to keep this organization effective over time in a group as large and complex as ABB. One area in which ABB's organizational complexity may actually help is the various Industry Specific Initiative (ISI) teams that ABB has formed. For example, one ISI team focuses on energy efficiency, an area of major concern for Full Service engagements. Obviously, these ISIs can benefit ABB's Full Service organization and vice versa.

New Tools

Last, but not least, is the area of software tools, especially EAM tools. Full Service support organizations need deep expertise in these tools to provide effective support to the engagement teams. This is yet another area where

The recent acquisitions of Ventyx and Mincom by ABB have vastly expanded their in-house EAM capability and industry solutions.

ABB's recent acquisitions of Ventyx and Mincom seem to be paying off. With Ventyx, came the Asset and Equipment Reliability software suites. With Mincom, came the Ellipse product. Both companies have excellent vertical industry exper-

tise plus solutions to assist mobile maintenance workforce operations. In addition, ABB has already developed in-house expertise in SAP PM through its past and present Full Service contracts.

Besides EAM tools, the Full Service organization uses ABB's own cpmPlus software as a connectivity, data collection, and analytics platform. The company's support teams are enhancing this product with applications for OEE and energy efficiency. The plan is for cpmPlus to serve as a common integration point for real-time and historical plant data and as a platform that will provide analytics for decision support by both customers and ABB teams.

Last Word

ABB wants to grow its importance to customers through services, and its Full Service capability is unique among its competitors, at least those in the automation or electrical equipment spaces. While ARC was most intrigued by the idea of applying Full Service to greenfield projects at the design stage, the success of this business will more depend on creating value for existing plants, especially those that use ABB equipment or automation systems.

The business is well positioned to benefit from recent ABB acquisitions, and has reached a level of maturity through its historical experience, as illustrated by its growing support organization. ARC believes that ABB's biggest challenges will be to maintain such a focused organization within the complexity of its many units, and for customers to recognize that ABB has this competence. ARC left the meeting thinking, "We didn't know that!" Fortunately for ABB, it does not need large numbers of customers to grow this business. ARC believes that manufacturers should note ABB's growing capability in this area.

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