Asset and Spare Parts Management

Spare Parts Strategies for Operational Continuity in Mission Critical Environments

Paulo Sigrist, Product Director
CelPlan Technologies

Introduction

Managing and maintaining a Mission Critical operation encompasses various factors. In this article, I will focus on a specific point: asset management and, in particular, spare parts management.

Several professionals discouraged me from addressing this topic, as each organization, department, or individual has a different perspective on how to manage spare parts, ranging from objective data, formulas, and statistics to more subjective aspects. The goal here is not to suggest anyone is wrong, but to showcase different spare parts management strategies.

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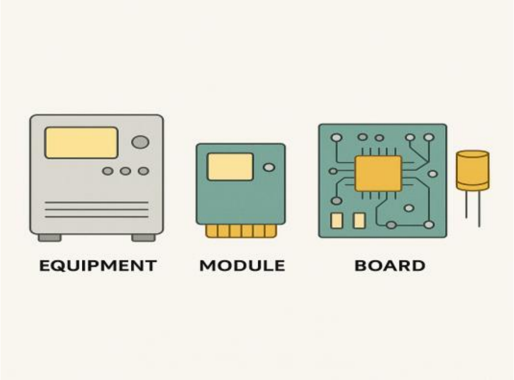
What is a spare part?

First, it's worth distinguishing between spare parts and consumables. Consumables are items regularly used to keep equipment functioning, such as oil filters and air filters for combustion vehicles, as well as lubricating oil and brake pads.

Spare parts are components, parts, or complete equipment kept in inventory to replace failed items or those requiring maintenance. They are essential for ensuring operational continuity, minimizing downtime, and maintaining asset reliability.

Complete equipment, parts, or components?

Maintaining complete equipment as spare parts is advisable when the asset is highly critical and any stoppage results in significant costs or production loss. It's also a good option when replacement time needs to be extremely short and maintenance is complex, making quick on-site repairs unfeasible. In this scenario, having a complete unit available allows for immediate replacement, with the advantage of minimizing downtime.



However, the cost of maintaining this type of inventory is high, and more physical storage space may be required. Some equipment needs to be configured before replacing damaged units. A router or portable radio requires specific configurations, and the time to perform this configuration should also be accounted for in repair time. Configuration processes/files must be available and kept updated. Software and driver updates should also be applied to maintain the system in its pre-failure condition.

On the other hand, opting to maintain spare parts as components or subassemblies is a more economical choice, especially when equipment is more accessible for maintenance or when repairs can be performed with some time flexibility. This approach is advantageous when parts are standardized and applicable to different machines, allowing for better inventory utilization. However, this model requires a skilled technical team to perform replacements or reassembly effectively, in addition to requiring more time for equipment to return to operation.

The choice between one approach and the other should consider technical and strategic operational criteria, such as the impact of failure on the production process, maintenance predictability, and the total costs involved in spare parts management.

Types of Management Strategies

There are different approaches to defining how spare parts should be managed within an organization, and each adapts better to different operational realities. One of the main points relates to equipment types. If we have COTS (Commercial Off-The-Shelf) equipment following a specific standard, it can likely be replaced by equipment from the same manufacturer or another equipment from a later generation. It's important to verify that generations/manufacturers are truly compatible with each other.

Conversely, specific equipment from a single manufacturer following a proprietary standard represents the other extreme. Management of this item must pay attention to obsolescence and, consequently, to manufacturing discontinuation, the time required to supply a new unit, and maintenance time. In critical systems, traceability in the manufacturing and maintenance process is required, making on-site maintenance prohibitive, with the entire process having to be performed by the manufacturer. Examples include signaling and interlocking systems for metro and railway systems, as well as aviation.

The strategy known as Just-in-Case, or safety stock, consists of keeping spare parts stored for unforeseen situations, avoiding unexpected stoppages. This approach is recommended primarily for critical assets, where any downtime represents a high cost or operational risk. Despite the security it offers, it requires a greater investment in immobilized capital, as items remain stocked indefinitely. The method for calculating the ideal quantity varies, and in some cases, it's difficult to reach an understanding.

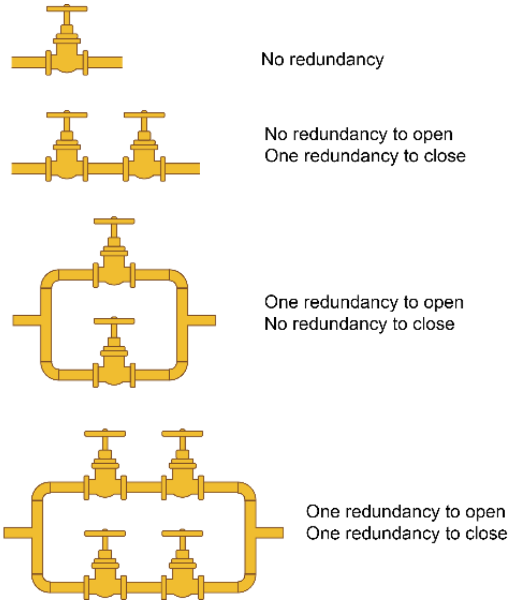
In contrast, the Just-in-Time strategy works with the logic of on-demand ordering, meaning spare parts are acquired only when there's a real need for replacement. This significantly reduces storage and obsolescence costs but increases the risk of prolonged stoppages if the supplier cannot deliver items quickly. It's a more suitable approach for low-criticality equipment or when there's high reliability in deliveries.

Finally, there's also the strategy based on failure analysis, which uses methods such as FMEA (Failure Mode and Effects Analysis) or RCM (Reliability Centered Maintenance) to identify the most likely and critical failure modes. Based on this data, it's possible to define more precisely which parts should be kept in stock and what the optimal coverage level is to ensure the continuity of production processes.

Each of these strategies can be applied in isolation or combined, depending on the operational context and the company's maintenance and reliability objectives.

Redundancy

Beyond spare parts management, system redundancy represents another critical approach to ensuring operational continuity in mission-critical environments. Redundancy engineering involves incorporating duplicate components or systems that can immediately take over when primary components fail, often without any interruption to service.



Active vs. Passive Redundancy

In active redundancy (also known as parallel redundancy), multiple components operate simultaneously, sharing the workload. If one fails, the others continue functioning without interruption, though possibly with reduced capacity. This approach is common in server farms, database clusters, and power supply systems.

Passive redundancy, on the other hand, involves standby components that activate only when the primary component fails. These can be configured as hot, warm, or cold standby:

- Hot standby: The redundant component runs concurrently with the primary and can take over instantly with no data loss or service interruption. Examples include RAID disk arrays and redundant network switches with spanning tree protocol.
- Warm standby: The redundant component is powered on and partially configured but requires some activation time before taking over operations. Some data or transactions may be lost during the transition.
- Cold standby: The redundant component is available but requires full startup and configuration before it can replace the failed component. This approach has the longest downtime but is often the most cost-effective.

Hot-Swap Capabilities

Hot-swappable components represent a significant advancement in minimizing downtime. These are parts that can be replaced while the system continues to operate, without requiring a shutdown. Common hot-swappable components include:

- Power supply units in servers and network equipment
- Cooling fans in data center equipment
- Hard drives in RAID arrays
- Line cards in modular network switches and routers
- Optical transceivers in network equipment

The ability to hot-swap components dramatically reduces the impact of hardware failures and routine maintenance on system availability. When considering spare parts strategy, understanding which components are hot-swappable is crucial, as it affects the urgency of replacement and the required response time.

In mission-critical environments, it's often worthwhile to invest in equipment with hot-swap capabilities, even if it comes at a premium, as the reduction in downtime can justify the additional cost. Additional investments must be also considered:

Network Management Systems and Asset Tracking

Network Management Systems (NMS) have evolved far beyond simple monitoring tools to become comprehensive platforms for asset lifecycle management. These systems play a crucial role in optimizing spare parts management through several key functions:

Asset Discovery and Inventory

Modern NMS can automatically discover network devices, catalog their specifications, and track their physical locations. This capability provides an accurate, real-time inventory of all network assets, which serves as the foundation for effective spare parts planning.

Predictive Maintenance

By collecting and analyzing performance metrics, NMS can identify patterns that indicate impending failures before they occur. This predictive capability allows maintenance teams to schedule component replacements during planned maintenance windows rather than responding to unexpected failures, optimizing spare parts usage and reducing downtime.

Configuration Management

NMS platforms typically include configuration management databases (CMDB) that store device configurations, software versions, and patch levels. This information is invaluable when replacing failed components, as it ensures that replacement devices can be properly configured to maintain system integrity. Equipment with OTA (Over-the-Air) features allows remote firmware updates, configuration changes, diagnostics, etc., without physical access to the device.

Warranty and Lifecycle Tracking

Advanced NMS solutions can track warranty information, service contracts, and end-of-life dates for all managed assets. This visibility helps organizations plan for replacement cycles and negotiate better terms with vendors for spare parts and maintenance services.

Integration with Inventory Management

The most sophisticated NMS platforms integrate with inventory management systems, enabling automated reordering of spare parts when stock levels fall below predefined thresholds. This integration bridges the gap between technical operations and supply chain management, creating a more responsive and efficient spare parts ecosystem.

By leveraging NMS for asset management, organizations can make more informed decisions about spare parts requirements, reduce carrying costs through just-in-time inventory practices, and minimize the impact of component failures on business operations.

Network Topologies and Coverage Redundancy

Network architecture design significantly impacts the spare parts strategy for telecommunications and IT infrastructure. Different network topologies offer varying levels of inherent redundancy, which in turn affects the quantity and urgency of spare parts needed.

Mesh Networks, Coverage redundancy and IP/MPLS

IP/MPLS (Internet Protocol/Multiprotocol Label Switching) networks are designed with built-in redundancy through mesh topologies that provide multiple paths for data transmission. In a full mesh network, every node connects directly to every other node, creating numerous alternative routes if any single link fails.

The key advantages of IP/MPLS networks for spare parts management include:

- Traffic Engineering: MPLS allows precise control over traffic routing, enabling efficient utilization of all available paths and reducing the load on any single component.
- Fast Reroute (FRR): MPLS networks can redirect traffic around failed links in milliseconds, providing time for maintenance teams to replace failed components without service disruption.
- Quality of Service (QoS): Different types of traffic can be prioritized, ensuring that critical applications remain available even during partial network failures.

These capabilities mean that organizations operating IP/MPLS networks can often adopt a less aggressive spare parts strategy for certain components, as the network can tolerate some failures without impacting service delivery. However, this approach requires careful consideration of the network's design parameters and capacity planning to ensure that redundant paths can handle the additional load during failure conditions.

N+1 vs. N+N Redundancy Models

When designing mission-critical systems, two common redundancy models influence spare parts requirements:

- N+1 Redundancy: This model provides one additional component beyond what is needed for normal operation. For example, if a system requires three power supplies to function (N=3), an N+1 configuration would include four power supplies. This approach protects against single component failures but may not provide sufficient coverage for multiple simultaneous failures.
- N+N Redundancy: This model duplicates the entire system, effectively providing 100% backup. Using the same example, an N+N configuration would include six power supplies (three primary and three backup). This approach offers maximum protection but at a significantly higher cost.

The choice between these models depends on the criticality of the system, the cost of downtime, and the organization's risk tolerance. In some cases, a hybrid approach may be optimal, with N+N redundancy for the most critical components and N+1 for less critical elements.

Geographic Diversity and Disaster Recovery

Beyond component-level redundancy, organizations must consider geographic diversity in their spare parts strategy. Natural disasters, power outages, or other regional events can affect entire facilities, rendering local spare parts inaccessible.

Best practices for geographic diversity include:

- Maintaining spare parts repositories in multiple locations, preferably in different regions or countries
- Establishing mutual aid agreements with partner organizations to share critical spare parts during emergencies
- Developing relationships with multiple suppliers to mitigate supply chain disruptions
- Implementing remote monitoring and management capabilities to assess equipment status when physical access is restricted

By considering network topology, redundancy models, and geographic diversity in their spare parts strategy, organizations can build resilient systems that balance cost-effectiveness with operational reliability.

Key Indicators:

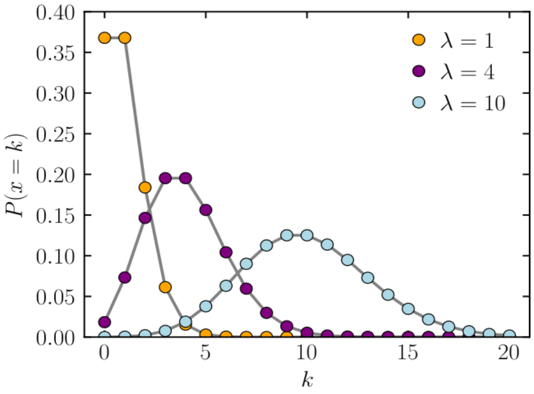
To make this analysis more objective and measurable, reliability indicators are used, such as:

- MTBF (Mean Time Between Failures): represents the average time between successive failures of a certain component or equipment. A high MTBF indicates good reliability.
- MTTR (Mean Time to Repair): is the average time needed to repair an asset after a failure occurs. The lower the MTTR, the faster the equipment returns to operation.
- Failure Rate (λ): can be calculated as the inverse of MTBF ($\lambda = 1/\text{MTBF}$) and represents the frequency of failures.
- Lead-time: total time necessary to replenish an item in stock after requesting it from the supplier.
- Maintenance return time: total time necessary to receive back a damaged item that was sent for repair to the manufacturer.
- Probability of not having an item available in stock to replace the failure.

How to Probabilistically Calculate the Ideal Quantity of Spare Parts

With these indicators in hand, it's possible to perform a probabilistic analysis to estimate the ideal quantity of spare parts in stock to guarantee a certain level of availability or reliability.

A common model is the Poisson[1] model, used to estimate the probability of failures occurring within a certain period. From this, using variables such as quantity of equipment, MTBF, MTTR, lead-time, equipment utilization ratio, it's possible to calculate the number of spare parts needed to cover a specific time window, with a desired safety margin. The end result would be the probability of occurrence that there would be no item available in stock to replace a failure. Considering the essence of probability, the occurrence of a value equal to zero is impossible, so another discussion would be what value would be considered achievable for this critical factor.



Poisson distribution

Basic example: If a component has an MTBF of 2000 hours, and you want to plan for a period of 8000 hours of operation, you would expect an average of 4 failures (8000 ÷ 2000). Applying the Poisson distribution, you can estimate the number of spare parts needed to guarantee, for example, 95% reliability in meeting the demand for replacement (5% probability of not having a part in stock to replace a damaged item).

Additionally, the supplier's replenishment time and MTTR directly influence the necessary coverage level. The longer the external or internal replacement time, the larger the stock should be to avoid shortages.

The greater the volume of identical equipment in your operation reduces the number of spare parts in stock, meaning standardizing equipment or even creating consortia of companies that use the same critical asset, maintaining a local stock and a strategic stock together, reduces costs and associated risks.

Strategic Management

The ideal strategy combines all these elements in a model that allows answering:

- How many parts do I need to maintain to avoid operational losses?
- How long can I operate without external replenishment?
- What is the cost of unplanned downtime?

In general terms, some critical aspects should also be taken into account:

1. What is the minimum manufacturing batch for customized equipment? Or better, what is the price variation for orders of customized critical equipment?
2. What is the roadmap for manufacturing this equipment? Should I maintain regular and priority monitoring in defining the last-order date?
3. When should I consider updating my system, replacing items that don't have a reliable maintenance cost/timeframe?
4. Who are my strategic partners that use the same type of equipment, which I can count on for loans of essential items, or in the future might consider purchasing their equipment stock (maintenance stock and operational stock) in case of system updates?
5. How to provide feedback for my minimum stock calculations based on actual usage data? How to control environmental conditions and equipment overload to reduce risks?
6. How to automate the asset management of my organization and include in the process all activities related to the supply chain of equipment? Having an ERP system that does the control is not

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[1] A **Poisson distribution** describes the probability of an event happening a certain number of times (k) within a given interval of time or space.

enough; it's necessary to know how calculations and process decisions are made.

7. How to contractually guarantee the availability and costs related to the supply of spare parts?
8. How to specify the initial supply of spare parts in contracts and how to manage the warranty?

Considerations

Effective spare parts management represents a critical balancing act in mission-critical operations—one that requires weighing financial constraints against operational risks. The strategies outlined in this article demonstrate that there is no one-size-fits-all approach, but rather a need for tailored solutions based on equipment criticality, operational requirements, and organizational capabilities.

When considering asset management for network infrastructure, redundancy engineering and topological design become essential components of the overall strategy. IP/MPLS networks with their inherent path diversity, hot-swappable components that minimize downtime, and sophisticated Network Management Systems all work together to create a more resilient operational environment. These technological advances complement traditional spare parts management by providing additional layers of protection against failures.

The evolution of asset management continues to be shaped by digital transformation, with predictive maintenance, IoT sensors, and AI-powered analytics offering new possibilities for optimizing spare parts inventories. These technologies enable more accurate failure predictions and just-in-time provisioning, potentially reducing both carrying costs and stockout risks simultaneously.

However, even with technological advances and redundant architectures, the fundamental principles remain: understand your assets' criticality, measure and analyze reliability data systematically, and develop a strategic approach that aligns with your organization's risk tolerance and operational objectives. Spare parts management should never be viewed as a static system but as a dynamic process requiring continuous refinement based on actual performance data and changing business needs.

> Organizations that excel in this area typically adopt a holistic view, integrating spare parts management into their broader asset management strategy and fostering collaboration between maintenance, operations, procurement, and finance departments.

This cross-functional approach ensures that decisions about spare parts inventories consider both technical requirements and business imperatives.

Ultimately, the goal is not just to minimize costs or maximize availability in isolation, but to optimize the total cost of ownership while ensuring that critical operations continue without disruption. By applying the principles and strategies discussed in this article, and leveraging technological advances in redundancy and network design, organizations can develop robust asset management systems that contribute significantly to operational resilience and business continuity.

Paulo Sigrist is a senior management professional with over 30 years of experience in telecommunications and mobility infrastructure, specializing in mission-critical systems and complex infrastructure projects.