

Issue 9, May 7, 1999

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Change is not Easy!

Next Discussion Forum - Change Management

Starting on May 24th is a moderated discussion forum on **Change Management** (www.amqi.com). Here to set the scene, is a study, based on a factual situation with minor modifications to the sequences and events. (Names changed to protect you-know-who)

A True Story

A new government business was created to provide asset management services. Paul, a GM with a generalist background and skills of running commercial organisations, was given the task of developing its focus and direction. He found himself with around 650 staff ranging from unskilled, semi-skilled to professional groups covering several disciplines.

Focus.

At the time that Paul arrived, the company lacked customer focus and was product driven from a self-interest point of view. A series of business planning workshops held with a cross-section of staff from all areas soon made it evident that no one individual in the company knew the total range of products and services provided or the range of clients that were serviced.

Each division was virtually a 'fiefdom' unto itself and had little or no interest in other parts of the company. There was no 'sales' staff as such and each division dealt directly with their own clients – regardless of whether the clients were common to more than one division. Revenue was not a prime driver – *the product was!*

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AMQ International

Strategic Asset Management

Culture.

There were also several different cultures within the company with allegiance being to the division and/or the product rather than to the company itself. Each division serviced their own clients with no thought given to 'packaging' a range of products from other parts of the company to suit clients' needs.

From the information gathered from a variety of sources within the company, a Corporate Plan was developed to give some form of direction for the next twelve months. From this, the various divisions were also required to prepare a business plan for the next twelve months.

Changing the Culture- Attempt #1.

To assist with the cultural change, private sector managers were recruited to blend in with the existing managers in an attempt to inject new thinking into the company. It is interesting to note that these new managers succumbed (in some aspects) to the traditional thinking of the existing managers in preserving the 'fifedoms'.

Changing the Culture – Attempt #2.

The chart of accounts was overhauled and profit/cost centres set up consistent with good management practices. Zero-based budgeting was introduced as was monthly reporting against budgets and agreed performance indicators.

As part of the next Corporate planning cycle a three-day workshop was held with a much wider range of staff. This was designed to get commitment to the one-stop-shop philosophy and ownership of the one-company concept from first level supervisors and other key staff. Whilst agreement was reached in principle, there were sceptics who were still not convinced – some at senior level.

Changing the Culture – Attempt #3.

To assist marketing and positioning the company, a consultant was appointed to provide a blueprint for the future. This was also to include a proposed structure for the marketing function.

The marketing report was presented to senior management at a special workshop and met with a great deal of hostility, directed at both the General Manager and the consultant. The senior managers perceived a threat to their own autonomy (interestingly enough this included the new managers) and to their own client liaisons and contacts. They did not like the idea of being driven by the marketing department and wanted to set up their own infrastructure.

The problems/challenges?

So here we have a typical dilemma for the change manager

- Hostility from the senior management team
- Acceptance from the staff
- Undermining staff from the top

The managers were so incensed, some took to holding 'corridor' meetings among themselves and deliberately undermining the change process. Some also had their own agendas and there were also personality clashes within the group.

Changing the Culture – Attempt #4.

Concurrent with this, Paul held meetings with all staff (both formal and informal) to outline the proposed changes and the reasoning behind these changes. This was generally accepted by the staff on the basis that if change did not occur the company may not survive in the future.

The changes proposed included amalgamating sections/functions into new divisions, creating new positions, increasing responsibility and learning new skills. The chart of accounts was also 'tweaked' to keep pace with the changes.

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Opening Up More Opportunities

For you to win in the International Asset Management Competitions

1. Do you have a good asset management idea that has yet to be accepted or implemented? It could be a change in accounting or maintenance processes, or a matter of a different way of recording. If it's a good idea, submit it for the

International Asset Management Competitions
Research Award.

2. Do you have a review that you have carried out that looks at the current "state of the art" of any management topic, eg information systems, asset disposal, asset acquisition, benchmarking, outsourcing - whatever! If it helps to improve the state of knowledge of asset management, submit it for the

International Asset Management Competitions
Review Award.

3. Do you have a new product or service (developed or substantially revised within the last 3 years) that assists asset managers? Then submit it for the

International Asset Management Competitions
Best New Product Award.

Closing Date: September 15th

(but to be eligible you must send title and a 50 word abstract by August 15th)

Winners of these Awards will compete equally with the Winners of the Existing "Success" Category, for the Grand Prize of the Overseas Study Tour!

see details, rules, criteria on www.amqi.com

Asset Management Plans

3: Relating Asset Management Planning to the Business Strategy.

In the last issue, Mike Smart of the Rail Access Corporation looked at Life Cycle Costing from both a technical asset supply perspective AND a market demand perspective.

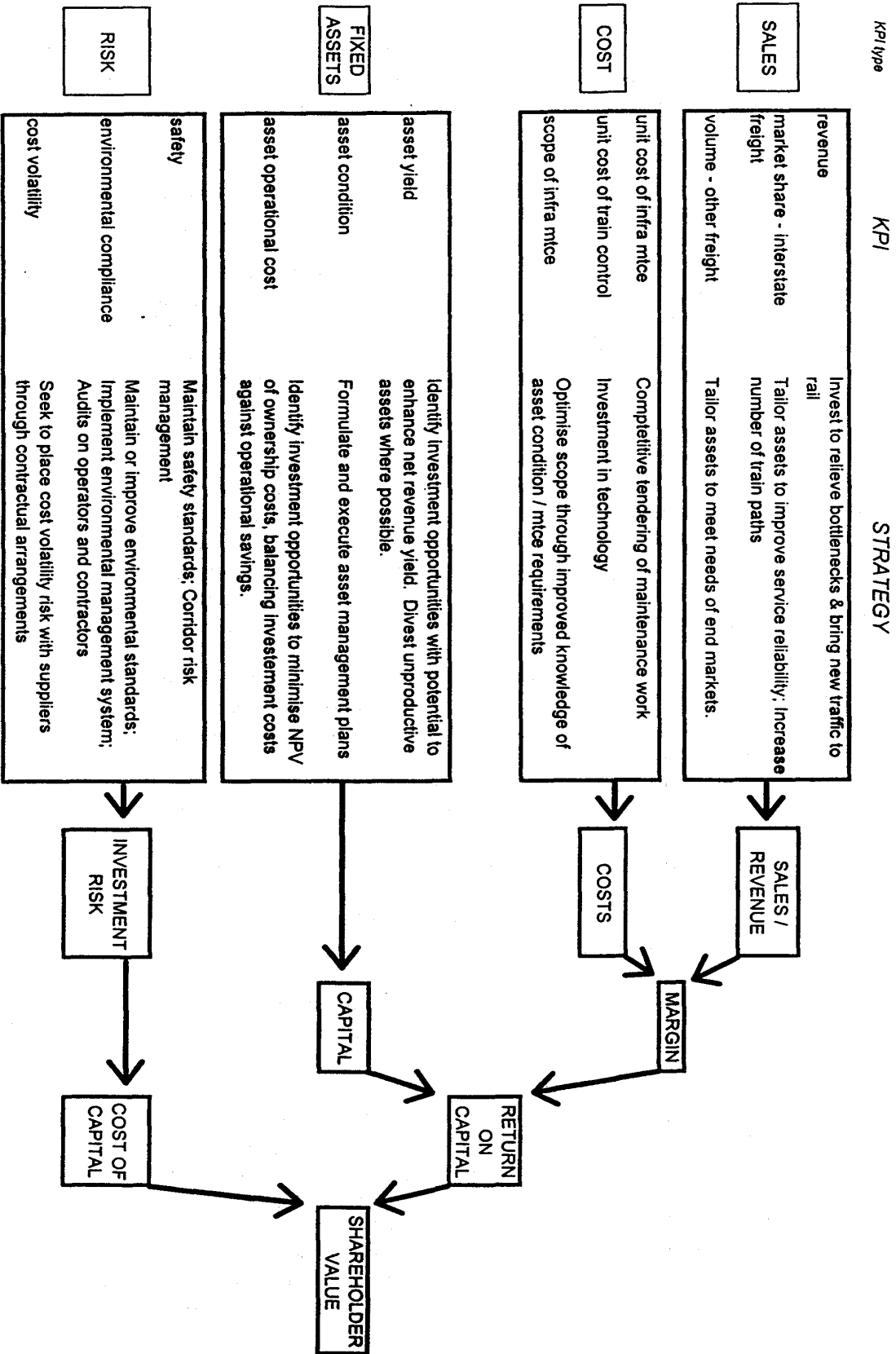
By blending the information from both perspectives the asset manager can ensure that

his performance is not only efficient, but effective. The ultimate aim is to increase shareholder (or community) value.

On the next page we present Rail Access Corporations "Asset Related Strategies for Improving Shareholder Value"

VALUE DRIVER ANALYSIS

ASSET RELATED STRATEGIES FOR IMPROVING SHAREHOLDER VALUE



User Charges: OECD's "Best Practice" Guidelines

Consultation with users

- ❑ Consultations with users when a charge is introduced or significantly altered can communicate rationale and avoid misunderstandings. User views can be useful in designing and implementing an effective and efficient charging system.
- ❑ *BUT* It needs to be made clear to users that these consultations are a forum for discussing *the best method of implementing user charges* rather than whether user charges should be implemented. *The consultations should proceed rapidly with a date for their conclusion set in advance.*
- ❑ Questions concerning the implementation of user charging systems will most frequently be directed to front line staff. *The rationale for user charging and the operation of the system should therefore be made clear to front line staff.*

The United States Nuclear Regulatory Commission has recently become fully financed by user charges. User charges are set each year by regulations issued by the Commission. Prior to the adoption of these regulations, the Commission seeks comments from interested parties by first issuing "proposed regulations" for the charges it intends to set. Only after evaluating the comments received on these "proposed regulations" does the Commission issue its final regulations for the charges.

From the United States Case Study

Effective and Efficient Collection Systems

Where payment cannot be demanded in advance, or with delivery of services, invoices should be sent out in a timely manner with clear deadlines for payment. Non-payment should be followed up immediately and appropriate enforcement mechanisms need to be in place before charges come into effect.

The Barcelona Fire Department collects user charges for certain of its non-emergency services. It experienced significant problems with their collection as

only 20-30% of invoices were actually paid. Various factors account for this. Responsibility for collection was unclear, the processing time for issuing invoices was lengthy, the invoices themselves were complicated, and enforcement mechanisms for non-payment were very limited. Efforts have now been made to rectify this situation and improve collection.

From Spanish Case Study

Treatment of Receipts

- ❑ Consideration be given to differentiated pricing for peak and off peak periods.
- ❑ Introducing user charging for one service can have a significant impact on the demand for substitute services if they are not subject to a similar charge.

When Statistics Sweden receives orders for specialised information contained in its computerised data systems, it offers differentiated prices based on the priority of the order. Premium prices are charged for orders to be processed immediately with reduced prices for orders that can be processed at night or other low demand periods..

From Swedish Case Study

When the Icelandic Ministry of Health introduced user charges for outpatient clinical services, the number of one-day inpatient hospital stays increased noticeably as these services continued to be provided free of charge. This unintended side effect was corrected by introducing similar charges for inpatient services.

From Icelandic Case Study

But beware conflicting objectives!

The principal of determining full costs for efficient allocation may conflict with notions of equity as in the following example:

When Canada introduced user charges for air traffic control services, it considered that charging all aircraft the same cost-based charges would not be appropriate as the value of these services is much greater for a 400-seat Jumbo jet than a 15-seat commuter aircraft. As a result, the user charges applied for these services bear a direct relationship to the size of the aircraft although the cost of providing the service varies little with aircraft size.

From Canadian Case Study.

Weblink
starting May 24

Change is not Easy (cont from p. 66)

Changing the Culture: Attempt #5

To break the resistance (and hostility) of the managers to these changes and to speed up the implementation process, a change management team was set up, which included divisional managers, their section heads and other key staff. This was designed to dilute the influence of the divisional managers and to get ownership from the next level of management that was closest to the 'coalface' practitioners. Each member of the team was given a specific responsibility to achieve various objectives and to report progress on a weekly basis.

At last! Starting to Achieve Success.

This move proved to be successful. When all the objectives had been met the team was dissolved. Paul then put one of the more vocal and dissident of the divisional managers in charge of coming up with the future direction of the company consistent with contemporary practice and world trends. This was to include any refinements to the structure consistent with the new direction (both now and 3-5 years out), and to implement those refinements.

At the same time another of the divisional managers was given the task to implement the original marketing report consistent with the future direction of the company.

The changes have now been implemented and the organisation settled down. Three of the divisional managers have sought greener pastures and the new positions are currently being filled. Staff were given the opportunity to act in these new positions to ensure they were worthy contenders and to give them confidence in learning new skills. The end.

(or is it the beginning?)

What are YOUR Change Problems/Challenges?

take part in the moderated discussion forum beginning May 24th on www.amqi.com

The Change Management Discussion Forum will be moderated by a panel of managers and consultants with extensive experience in this field. They welcome your comments and questions.

Anonymity is ok!

Please raise the problems you have had – or better still are having. It is ok to ask questions or make comments anonymously if to identify your unit would be disadvantageous (but give readers a descriptive title to help them see where you are coming from – eg “council asset manager”)

The Panel

Peter Tannenbaum, Asset Manager, Adelaide City Council. The ACC has just introduced a new AM approach and Peter is using change management from within.

David Lennox, of GHD, Sydney. David has a lot of experience in this area and is currently assisting the ACC.

Michael D Breen, of Michael D Breen and Associates, Perth, has a background in educational psychology and counselling,

Rex Ward, Project Services, Brisbane, a practicing manager with change management experience.



GHD:
Maintenance Engineering and Logistics Management Group
AWARD FOR ASSET MANAGEMENT EXCELLENCE
in the
1998/1999 International Asset Management Competitions
to Yarra Valley Water

Innovative Maintenance Improves Customer Service

Owen Parry and Matthew Hudson

Lateral thinking has given Yarra Valley Water the edge in competitive comparison with other water authorities with respect to customer outage times and disruption.

The Opportunity – To Minimise Risk of Disruption to Customers

As with any Water Utility, Yarra Valley Water performs rehabilitation and replacement of its underground water supply assets, which could interrupt supply to customers for an extended period of time. (*Licence conditions restrict the number and duration of permissible interruptions to service.*) The impact on commercial and industrial customers, especially those who rely on continual water supply to earn a living, can be significant.

To minimise outage times, connection to a temporary by-pass supply or min-reservoir is often employed. However, these methods are considered as short-term arrangements only and cannot address issues such as fire fighting capabilities, key customer consumption requirements and continual supply to domestic customers during extended renewal periods.

The Solution? Put in a temporary “above ground” supply!

YVW have developed a true temporary above ground potable reticulation system under mains pressure with minimal disruptions. The system is modular, each module contains up to 2 km

of supply line and is capable of servicing from 1 to 180 residential, commercial and industrial customers. The main supply system is spooled on reels and rolled out and rolled up using a purpose built transporter and can be laid out and connected to customers’ supplies in a matter of minutes. The pipe material is flexible and robust enough to enable vehicles to pass over it with minimal risk of failure. Construction costs with this system can be reduced by up to 20%. But the major gains have been in improving service delivery.

Other Options?

YVW undertook investigations into the options available across the world and concluded that some other companies were utilising bypass supply arrangements to provide a temporary supply to critical customers. However these methods were considered as short term arrangements only and did not address key issues such as fire fighting capabilities, key customer consumption, maintaining water quality, public safety and continual supply to domestic customers during extended renewal periods.

Additional Benefits

“During last summer, a newly established winery had completed its planting of vines just when its dams and natural springs dried up. The customer was faced with a situation of losing his whole planting due to lack of water. Pureline was used over a distance of 2 km to fill the dam over a 3-week period.”

The Finals of the International Asset Management Competitions will determine

“The International Asset Manager of the Year”

University of Melbourne, November 25-26, 1999

- ❑ Presentation of 12 award winning studies in asset management!
- ❑ Insightful examination by the expert judging panel!
- ❑ Full documentation of presentations *provided in advance!*
- ❑ Your own evaluation determines the winner of the **“peer review” prize!**
(judges selection criteria provided to aid you)
- ❑ Longer “networking” sessions!
- ❑ Lead your own focus group – *more information on website and next issue!*
- ❑ Over 70 attended the 1998 Competition Finals. We are expecting over 100 in 1999 –the largest gathering of asset managers in the country!
- ❑ Gourmet barbeque on the first night to meet everyone (it’s an insult to this feast to call it a barbeque – ask those who came to the 1998 feast!)

All of this for only \$695!

This is a genuine *‘not-for-profit’ event*, sponsored by lead supply agencies and AMQ International in the interests of industry development.

Next Issue: More Information and Registration Forms.

Help Progress Asset Management!

- ❑ The small surplus generated from the first Competition Final in 1996 started the **Strategic Asset Management Website** - a free resource for all asset managers.
- ❑ All continuing surpluses have been, and will be, ploughed back into resources to develop asset management, through:
 - Continuation of the International Asset Management Competitions;
 - Further website development; and
 - The Asset Management Quality (AMQ) Professional Development Program

Program

Day 1 (November 25)

8.30 am	Coffee and Registration
9 am	Opening address
9.15 am	Presentation Session 1
10. 30 am	Coffee, Informal Networking
11.15 am	Presentation Session 2
12.30 pm	Lunch , Informal Networking
1.15 pm	Presentation Session 3
2.30 pm	Choice of Focus Groups
3.45 pm	Short Tea Break
4.00 pm	Choice of Focus Groups
5.15pm	Networking Barbeque Feast
7.00pm	Evening free

Day 2 (November 26)

8.30 am	Wake up Coffee and Networking
9.15 am	Presentation Session 4
10. 30 am	Coffee, Informal Networking
11.15 am	Presentation Session 5
12.30 pm	Lunch, Informal Networking
1.15 pm	Presentation Session 6
2.30 pm	Voting for the Peer Review Prize
3.00 pm	Short Tea Break
3.15 pm	Choice of Focus Groups
4.30 pm	Announcement of Winner and Runner-Up for the Peer Review Prize and close of Formal Sessions.

7.00 pm for 7.30 pm. **Grand Award and Prize Night Presentation Dinner** at University House. Strictly “black-tie”. (Numbers are restricted. Dinner tickets are \$90 per head and offered to registrants strictly on a ‘first come, first served’ basis)