
**Why does Asset Management Sometimes Appear Irrelevant ? And
What Can you Do About It? Part 2:**

The Missing Link— The Asset Management Strategy

Imagine! You have just been posted to Darwin responsible for facilities. You arrive on the Easter Weekend to find (1) your colleagues-to-be have taken advantage of the 4-day break to escape down South and (2) news has just come in that the township of Katherine is flooded. You are the only Johnny-on-the-spot! You urgently need to know what essential services your agency is providing in Katherine, out of what facilities, and whether these facilities are at risk!

Later, the floods have receded and life has got back to more or less normal, you find that for the last several years not one of the major budget proposals put forward by your agency have been accepted by the Treasury because, they say, no clear links have been made between the proposals and the agency's key objectives!

Both of these events happened, more or less as stated, to the same asset manager. It could be YOU, and it could be YOUR agency and YOUR area of responsibility. What would you do?

The manager in question called for a Strategic Asset Management Plan. He was almost there! He should have called for an Asset Management *Strategy*.

It is the Asset Management Strategy that drives the Asset Management Plan, and makes it comprehensible and credible. It is the Asset Management Strategy that, if well done, presents the key information that anyone, new to an agency (or an external judge of it) can readily understand as a guide to actions proposed and which provides the linkages between budget decisions and the agency's core business.

*Researched and written by Dr Penny Burns, AMQ International.
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AM Planning Sometimes *Appears* Irrelevant because *Sometimes It Is!*

This happens when there is a *failure to*

- (1) Clearly justify goals and objectives
- (2) Make the rules transparent

These are key elements of the AM Strategy*.

The AM Strategy should provide sufficient information, without overwhelming, to enable

the outcome of the AM Plan to be seen as the logical extension of the rules of the game to the current situation in pursuit of justified goals and objectives.

Most AM Plans include some elements of AM Strategy, namely a broad description of the scope and coverage of services provided, explaining the key demand parameters, with graphs and charts showing trends and future expectations; the impact of current goals and objectives on the existing asset portfolio, again with trends and forecasts and, of course, the plan outcomes themselves.

Many AM Plans are also now including reference to further progress in the planning process itself. Some of the better AM Plans also show the linkages between projects and within a project over time to explain the appropriate staging needed to achieve the stated goals and objectives.

But in my judgement (after examination of AM Plans from organizations across Australia, New Zealand and the UK) the two *least* well-done elements are the two listed above.

Non-justified Goals and Objectives

Goals and objectives are often just *stated*, generally with reference to some overall 'vision' of which they are part but with little discussion to show why these goals and ob-

jectives rather than an entire raft of other possibilities that would equally well fall within the overall vision, are the most appropriate to pursue.

Thus an agency with a lack of *basic* facilities may set as its top priority a 'state of the art' research centre (for services which larger organizations are already choosing to outsource as most cost effective). If the goals and objectives are not transparently rationale, the outcomes of the AM Plan will not satisfy, no matter how thorough and accurate the modelling.

Goal justification is a scene setting exercise. Do this well and you are halfway to achieving sign off on your AM Plan.

The Rules

When the Peace-Keeping force was being readied for East Timor, discussions centered critically around "the rules of engagement". The goals and objectives of the force had been determined and now the question that remained was what constraints would be placed on their achievement. Previous UN missions had failed because the rules prevented efficient and effective operations. Their aim was to achieve maximum peace and stability with minimum life cost. Yours is to achieve maximum service delivery with minimum life cycle cost. The goals are different but the rules are equally critical to effective delivery.

The fact of the matter is that you cannot achieve effective 'rules of engagement' by accident. You need to understand the rules and their implications for asset management and how they interact with each other. The rules are the core of the strategy. It determines 'how things are done around here'. *The AM Plan is the application of the current rules to the data input.*

*Others are description of asset portfolio, key drivers, future directions and major issues.

The Rules - Do You Have A Choice?

► One Asset Manager told me, that in designing his AM Plan he “had no choice”, his planning outcomes were determined by the rules he applied and these rules were determined by the system. He was right. *At the planning level*, you have to accept the rules. But at the *strategic level*, you can and must examine them.

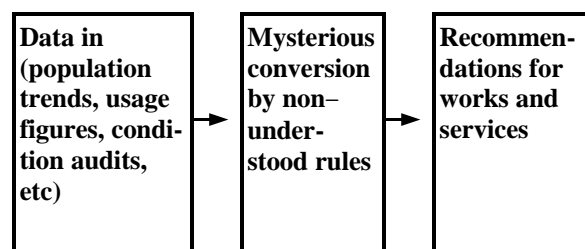
Some rules are statutory obligations or mandated – eg EPA, Fire risk, and OH&S compliance. Others are general government rules (strategies or guidelines) eg the thrust towards competition and outsourcing. There are some particular rules for your organization, either driven externally (government policy) or internally (administrative policy). Finally there are in-house or general practice “unwritten” rules that can be equally, if not more, constraining.

► Rules develop independently over time. They are often created to ‘get around’ problems created by other rules! For example, when the Federal Government established global loan limits, organizations developed in-house rules to circumvent the impact that the global loan limits were designed to achieve. These secondary rules can continue even if the first problem-causing rule is revoked. Conflicts and sub-optimal achievement are inevitable, given the fact that rules are created faster than they are removed. By rules I mean the entire raft of rules, policies, strategies and guidelines that your operations are bound by – or, which you *believe* they are bound by (because without examination you may be operating according to outmoded rules or practices).

Rules need constant cleaning up. Like cleaning out old files or de-fragmenting your hard drive, it will free up a lot of scope for improvement. But it is generally such a hassle, involves lots of decision-making and time, and there are always ‘more urgent’ tasks on hand, so it doesn’t get done. Besides, where do you start?

In practice, the best time to review the rules is when a major new rule or policy is introduced. Then you can check for possible conflicts with older rules and policies and make adjustments. As an example, “Partnerships 21” is a new Government policy for involving school councils in making more decisions in schools, including asset acquisition decisions. What are the implications of this new rule, if at the same time you retain centralised responsibility for replacement?

If you do not regularly review the rules – which, in practice, probably translates as “if you do not regularly develop ‘issues papers’ when new rules are introduced” – then not only will the internal rule conflicts mount, but the complexity will eventually exceed any one person’s grasp. We then have the “black box” syndrome:



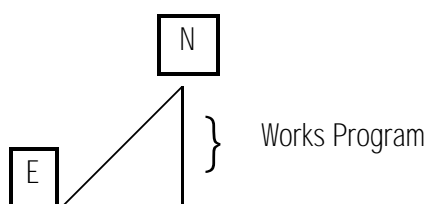
This is the reverse of the “outcomes of the AM Plan being seen as the *logical extension* of the *rules of the game* to the *current situation* in pursuit of *justified* goals and objectives. They are not seen as the logical extension of anything.

Simply bringing the conflicts to light will be sufficient to get them changed. Sometimes not. In any case, the implications are documented. However, sometimes you may find yourself applying an unwritten rule because “the Minister wants it that way” or “that’s the way the boss said to do it”. Left undocumented these rules can stay long after the Minister or Boss has gone. You may choose not to document or find a tactful way of doing so. In the end, it is probably a decision about how professional you are going to be.

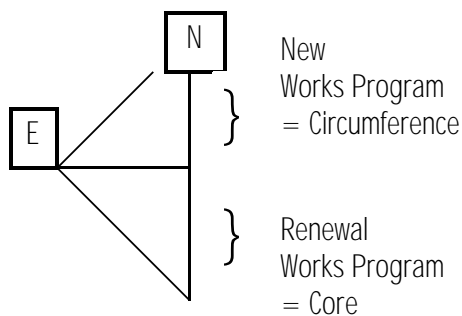
Changing 'Core + Circumference' Thinking

An Asset Management Strategy provides the framework within which the output of your Asset Management Plan can be understood.

It used to be that we focussed purely on new construction. We moved from the existing situation E to the new situation N and the difference between the two constituted the works program.



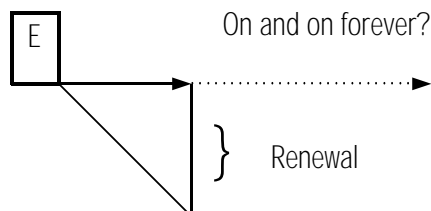
With the introduction of asset management, there was greater awareness that the existing asset portfolio did not remain constant while we simply added more, so we changed the way we thought.



This was an improvement on the previous approach for now we were paying attention to the fact that assets 'did not last for ever'. It built in a maintenance focus.

However, it also built in a few implicit assumptions that, in today's climate of rapid change, are becoming less and less relevant.

Firstly there is the presumption that the existing asset stock *should* be maintained.



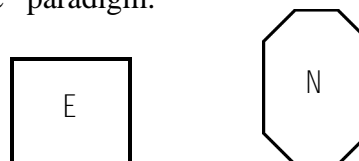
It is now time to challenge that notion.

We know that there is no reason why we should wish to retain ALL of the assets that were relevant to a past time. *But with our current planning paradigm this is the default.*

Secondly, core + circumference thinking is still an 'add on' focus.

This is where the leading edge of asset management has been until recently. However, with the change to outcome management at the service delivery level, there is now starting to be a change in focus at the asset management level.

This new way of thinking does not use an "add on" paradigm. It uses a "change of state" paradigm.



With the new "change of state" paradigm it is good that assets wear out—because our need for them wears out too! The trick is to balance the two rates of attrition. We may wish to slow down the rate of attrition in some assets because we have an ongoing need for them—and *speed up* the attrition of others that are undergoing rapid obsolescence.

What we now need now is a matching planning paradigm for new strategic thinking.

Survival Techniques 2. How to answer a Question

Asset managers need more than simply technical skills. They need organisational skills. Intelligent question asking is one such skill. We looked at that in the first of these survival articles in the last issue.

Intelligent question answering is another.

I learned a number of valuable lessons shortly after joining the public service.

1. Timeliness is next to Godliness!

I had been asked to research a particular issue and to have the answer ready by Friday. I did so. I even had it ready early Friday morning. But I thought that I would hold onto it until the afternoon in case any ideas for improvement occurred to me. I gave it to my boss at 4 pm. He said "What a shame that I did not have this half an hour ago when I was talking to X. He could have signed it off straight away. Now we will have to wait until Monday and then Y will be back from leave. He is much more difficult to deal with". We subsequently went through many weeks of difficult negotiations that would have been completely bypassed – had I given him the report just half an hour earlier! Sure, my boss was at fault in not making the deadline clearer. But I was also at fault for not asking how it connected to other things that the department was doing.

2. What does the deadline depend on?

That same boss had a habit of setting deadlines in order to keep his requests on track. The deadlines were, most of the time, purely arbitrary and not necessarily related to the amount of work on hand. At the beginning, I did not know this and knocked myself out trying to meet every deadline until one day I placed a report on his desk by the due date –

and it did not move from that position for an entire week! After that I would ask him why he had set a particular deadline. This not only helped me to judge the real urgency, but it also helped me to know more about the critical parameters of the question (see #6)

3. A half day job! A "Two page" effort

Not all bosses are like that, however. I learnt an excellent lesson from another who, when he asked for some information, would add – "this should take about half a day" or "just a two page effort will do". This enabled me to know the level of (a) accuracy and (b) detail that was necessary for this task. Not much point in giving an answer to 5 decimal points if all that is required is a round number estimate! So ask, get some parameters around the question. This lesson was very useful for me when I did the first study of forecasting asset renewal. When I wanted a broad estimate from engineers who were steeped in the detail I would say "this should take about half a day, if you think it will take more, stop, ring me!" That avoided us getting bogged down in detail that none of us would have been able to use.

4. Know the Score.

This is difficult for a raw beginner, but it is never too soon to learn who's who. An early job I was given required me to make very critical comments about a certain costing procedure the department was using. Had I taken the trouble to find out whether the person who originated the costing procedure was still around I might have saved myself a lot of angst. He was. He was in charge of the finance department. He was proud of his costing procedure. And he was planning a international seminar to be held so that he could show off how clever he was. I walked into that one blind!

5. Do you hear what I hear?

We all filter information through our past experience and the way we look at the world. So what I say to you and what you hear me say to you are most often two completely different things. How do you make sure that you are giving the answer that is wanted? Two things you can do. One is to immediately check your understanding by repeating the question back again – in your own words. Make sure you define words such as “immediately” (immediately today, tomorrow, next week?) Another way is to write down what you think your questioner wants and ask him or her to sign off on it. Use your judgement.

[As an aside, a “real-life” Dilbert competition was held and one of the winners was the fellow whose boss asked for a report immediately. “Would tomorrow be soon enough?” the fellow asked. The boss replied “If I wanted it tomorrow, I would have waited until tomorrow to ask for it!”]

6. What is the key issue here?

You are asked to provide the figures for last year’s expenditure on major refurbishment (or maintenance, or something else). What is the key parameter – timeliness? (the Board needs to make a decision on this at its meeting in an hour’s time); accuracy? (the Audit Office are querying your records); relevance? (a working party wants information to solve a problem); find out. Life is a trade-off, accuracy can be provided, but generally at the expense of timeliness; relevance may mean giving a ‘subjective estimate’ rather than an ‘objective figure’ [cf the past debates on historic cost versus replacement value]. If you are providing information for compliance only, don’t gild the lily! Extra refinements are wasted.

7. Don’t (just) answer the question!

The same question may mean very different things depending on the context. Fans of courtroom drama will know of ‘loaded questions’. Truth is, most questions are loaded. They are all context dependent. You have to know the context, that means you have to know **why** the question is being asked – which means knowing, to go back to Survival Techniques No 1 in the last issue, what the questioner intends to do with the answer you give him.

I learned these lessons the hard way. You can too. Or you learn from my mistakes.

The International Asset Management Competitions

have now closed for 1998-1999

Over 100 inquiries were received and **25** papers were entered, including entries from Canada and the UK.

3 Awards have already been made and announced in SAM and decisions on the final 8 will be made shortly.

Over the next few issues you will be able to benefit from the good and innovative practice of other asset managers as we bring you synopses of the winning entries.

But what about you? It’s never too early to start planning to enter the

**“Year 2000”
International Asset Management
Competitions**

EOI's improve your knowledge of the field but can be time and energy –consuming.

EOI's Made Simple

The answer? Use the web!

Benefits of using the web to manage your **Expression of Interest**

- ▶ Your newspaper advertisement directs to your web address. Background papers and the project brief are accessible to all interested parties—you do not have to answer the phone, take details, print, package and post.
- ▶ You can ensure you get all of the information you require - and ONLY the information you require - by constraining the size of the fill-in boxes. (Saves sorting through mountains of bumph that will otherwise be sent you 'just in case'.)
- ▶ Every presenter knows that all presentations are constrained in the same way (something that you cannot ensure by exhortation in the EOI brief!). This means that each presenter knows that he will not be disadvantaged by complying with the limits as against others who may submit documentation closer to a full consultancy bid.
- ▶ Because it is easy - and transparently fair to all - you may get more companies willing to submit, and your choice will be greater.
- ▶ The information comes in a uniform presentation, making comparison easy.
- ▶ The information is easily transportable to all members of the Selection Panel, since it is available electronically.
- ▶ Saves time and money - no telephone answering, printing, handling, posting, packaging, or storing - frees your office for more important issues.

Use your own website - or use ours

If your website does not support fill-in boxes that can be constrained in size and automatically acknowledged and forwarded to your email address, you may take advantage of ours. See a "real life" sample of web-based EOI on www.amqi.com/eoi.htm

This produced many more quality applications than the Steering Committee had anticipated but the information was contained to a page and a quarter for each applicant, was in a standard form, and contained no excess, so that selection was an easy task for busy Steering Committee members.

Inquiries: amqi@amqi.com or contact: Dr Penny Burns on 08 8281 5795

GLOSSARY

‘Asset Management Strategy’ and Related Terms

An *Asset Management Strategy* is the collection of rules, guidelines, government policies and departmental strategies that together guide the Asset Management Plan to deliver the Corporate Objectives and Business Goals. It includes directions, targets and performance monitoring. The AM Strategy should provide sufficient information, without overwhelming, to enable the outcomes of the AM Plan to be seen as the logical extension of the rules of the game to the current situation in pursuit of justified goals and objectives

The Role Of Asset Management is to ensure the appropriate configuration of the asset portfolio (quality, quantity and composition) to meet corporate needs cost effectively. This includes not having assets at all.

An *Asset Management Plan* represents the concrete representation of the interaction of the Strategy (the rules, guidelines, etc and the corporate directions) with the external environment – eg demographic changes.

Budget Proposals are the outcome of an Asset Management Plan - a list of capital works and services that are necessary to meet the objectives given the rules applied and the external constraints encountered. It is a ‘ten year’ list if it is a ten year plan and a ‘one year’ list if it is a one year plan. The outcome of a one year Asset Management Plan is the starting point for the asset related budget proposals for the coming year.

Discussion

Some of the better asset management plans (AMP) incorporate elements of the asset management strategy (AMS) as part of the overall presentation.

It is useful to differentiate between the two on the basis of who is the prime audience.

The role of the AMS is to explain and make sense of the outcomes of the AMP—there are *two* major audiences for the AMS:

1. Senior Management (particularly when coming to grips with the implications and requirements of the long term AMPs)
2. Funding Bodies, such as Treasury in the case of Budget Departments, or the CFO/ Executive Panel in the case of companies and commercialised authorities. These audiences need the detail of the AMS in order to assure

themselves that the AMP is moving in the required direction.

There is *one* major audience for the AMP—and that is the asset management unit itself which uses the AMP as its blueprint for action.

The AM Unit needs the detail of the AMP itself. They do not need the detail of the AMS (eg the sensitivity analyses of demand forecasts) which senior management and external funding authorities require, but they do need to have an overall appreciation of the purpose (the service delivery levels, the goals and objectives)

Trying to make one document do both jobs generally results in it achieving neither purpose very well. Incorporating elements of AMS in the AMP and vice versa achieves better results.