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Strategic Asset Management

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A Strategic Revolution by Ann McBeth 001
Views from Australia 003

The Future of Asset Management

What does the next ten years hold in store for asset managers?

In this issue we present a professional view of the future by Anni McBeth of Annimac, followed by your views of how you see the challenges, changes, issues of the future shaping up. But first from Annimac.

Describing the face of the business world up to 30 years from now is the speciality of trend forecaster and futurist Anni Macbeth, aka Annimac.

With a foot firmly set in the future, Annimac - who heads Annimac Consultants - is currently commanding immense corporate and government attention for her daring views on the political, economic, social, and cutlural changes impacting us now and how we must operate for a healthy sustainable future.

Annimac works with business and government leaders to shift their thinking, understand what the future may bring and gain new knowledge to successfully manage their change. She has spent more than 30 years in four countries, and built up a highly respected background in new venture creation, psychology, hi-tech innovation, media, arts management, change management and future trends.

In Australia since 1970, Annimac has been recognised for her achievements by Who's Who in Australia and overseas since 1983. Annimac writes her column, *The Big Picture*, for Perth's fortnightly newspaper *Business News* and she presents every 3 weeks on ABC Radio.

Annimac's lively workshops, seminars, presentations and consultancies show top management and their organisations how to turn corporate anarchy into healthy chaos, to manage change, to gear up for the future and become the organisations and people they want to be. As Annimac says:

Resisting change is like holding your breath - if you succeed, you die.

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A Strategic Revolution
By Annimac

Strategic Asset Management is on the move in a quiet but relentless revolution. As the global village focuses on what futurist Peter Ellyard calls "thrival" into the 21st Century, the drivers of change are requiring a complete redefinition of asset management. Asset stakeholders have new demands for immediate new services; the redefinition has begun.

"If you are not an active revolutionary within asset management, you are risking not only the assets you manage but also your own professional effectiveness."

The major trends of change now impacting asset management (and all other aspects of life) may be condensed into five key drivers :

- the role of government is adjusting from trade development leadership to administrative support.
- our global marketplace is progressing from big business domination to consumer driven
- the competitive rational male paradigm of economic & social values is evolving to a cooperative intuitive female paradigm
- the base of power is switching from production/ plant control to processes/information control
- the basis of wealth creation is shifting from tangible assets to intangible knowledge.

Like never before, all factors of change are interrelated, interdependent, and of equal impact, requiring a holistic view to understand their complexity. We must also move beyond our analytical, logical, and reductionist (left brain) thought processes, and engage our lateral, creative, intuitive, and emotional (right brain) thought processes.

So looking holistically, if briefly, at the big picture, we see several patterns of economic, political, cultural, and social drivers of change.

"The next Century—The Century of the Pacific"

The next century has been given two labels, one being the Century of the Pacific. World trade power is rapidly shifting, after 200 years dominance, from the North Atlantic nations of Europe and North America to the Pacific basin region of Australasia - Japan to India to Australia. It is estimated that within 30 years, the Australasian region will have 50% of the world's wealth and will be in the most powerful of the three global trading blocs, ahead of the European Union and the North America Free Trade Agreement.

"At the same time, trade power is shifting from government to business leadership".

With the evolution of the wired global village and its immediacy of interaction (3 seconds from anywhere), the business world has taken over the role of leading and controlling economic development. Bureaucratic cumbersome government is reluctantly mutating to an administrative support role, where their immense experience and networks can assist business to flourish and community to create healthy sustainable futures.

We have deregulation, corporatisation, and privatisation, with the consequent decline in government funding and decision-making. Many of the assumptions underwriting traditional asset valuation are no longer reliable.

With government no longer calling the shots, decision-making power has been grabbed by the profit-driven world of mega-commerce, as in their push for a Multilateral Agreement on Investment. Although often omnipotent, their unbridled influence on all decision making is merely a transitory result of differing rates of change, for the third great sector of human interaction is just awakening to the fact that they have the ultimate power - must use it wisely and responsibly to ensure a global balance between short term profit and long term sustainability. The third sector is individuals/community: the power of the consumer in a consumer driven global economy.

"Community values are diverging from those of economic rationalism."

We can see the shift occurring, in the future-oriented successful enterprises, from the ruthlessly competitive, ego/status-based, results driven, and left-brain dominated male systems and structures to the cooperative, team based, process driven, and right brain dominated female systems and structures. Asset management must quickly accommodate these very different consumer values and demands.

The "Century of Female"

The shift to a female paradigm is not an issue of gender, but of using traits and characteristics that, in our society, are more practiced by women in using their right brain abilities; hence, the labelling of female. Hence also, the second label for the 21st century: The Century of Female.

Successful achievers are recognising that the most important factor for future success is not stature or financial might, but knowledge. With the technological revolution, information/knowledge becomes the single greatest creator of wealth. No longer are capital assets the foundation of economic stability and growth.

We are moving from a tangible wealth base to an intangible force that cannot easily be measured, packaged, commodified or controlled - although the Jurassic establishment is desperately trying to do so. Bill Gates is arguably the wealthiest and most powerful person in the world because of Microsoft's pervasive dominance on information processing systems.

Fortunately, our Western society is being helped along this new path of using intuitive, creative, holistic thought processes by another vast shift that parallels the move of world economic power away from the North Atlantic to the Pacific basin. After 500 years, world cultural dominance by the Christian belief system, the principles and values of Confucian thought is moving around the world from our Asian neighbours. We are being encouraged to operate more in tune with the Confucian view of the world as a win-win, non-competitive, nurturing, community oriented, team work based and highly spiritual relational place.

The Future of Asset Management lies in Strategic Thinking

Where lies the future of Strategic Asset Management in these dramatic and often traumatic tumultuous times?

Increasingly, asset managers will come from process oriented professional backgrounds, such as engineering, planning, commerce, and economics, rather than finance, because the successful asset manager will be a strategic manager incorporating strategic thinking, strategic planning, and strategic systems implementation Only the holistic strategic asset manager can maximise the long term benefits of all the resources and assets within a changing organisation which is within an ever changing world.

Teamwork

As a successful strategic asset manager, you will recognise that you cannot possibly have the diverse knowledges, skills and experiences your clients will expect for the effective managing of their assets. Your holistic approach will include, therefore, a scattered network of professionals whom you will call upon as needed, project-by-project, portfolio-by-portfolio.

You will operate outside the traditional technical/ clerical-accounts mode of asset management to be a key driver of your organisation's operations, linked to all other organisational processes, systems and structures. You will operate on the principle that the best value is the long-term value.

You will understand the greatest asset is the knowledge contained within your colleagues and associates; you will be skilled, therefore, at strategically valuing and managing the custodians of knowledge, the most valuable asset for the healthy sustainable future of asset management.

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And now –over to you!

In this issue, a wide range of asset managers give their views as to what the future will, or should, hold. They were asked for "100 words or so". Some kept to the strict word count, but more sent longer, but excellent, passages, confessing their difficulty in dealing with such a far reaching topic so briefly. Chris Adam and his colleagues from Cardno-MBK sent such an excellent response that it has been selected as our guest editorial on the SAM website - so visit ***www.amqi.com*** *and see for yourself. So overwhelming has been the response to future visions of asset management that I am presenting here the views of Australian readers. Overseas projections will be presented in the next issue.*

Adelaide, South Australia

A Focus on Return on Investment and Service Outcomes

Increasing emphasis on Contestability, Privatisation and Outsourcing will make "Return on Investment (ROI)" an important issue for asset managers over the next decade. Stakeholders will be asking "What has it cost to achieve the outcome?" and the Asset Manager will be responsible for achieving efficiency and higher outcomes. To succeed will require creative and strategic thinking, often with non-asset solutions. Familiarity with the organisation's "Service Delivery Plan", and an understanding of life cycle costing will be essential. Asset managers will need to invest in advice early on to develop an appropriate strategy to work from. Charles Manning, Consultant, Face the World (SA) Pty Ltd ftw@senet.com.au

Perth, Western Australia

Key Trends include IT, Legals, Consumer Psychology

For at least the next ten years I predict some key trends will continue shaping asset management practice. The more significant concern:

- information technology:
  - providing better information (more timely, relevant, accurate, vivid and so on)
  - allowing greater emphasis on predictive performance modelling
  - *SimCity* will move beyond computer game to the realm of management tool
- legal considerations:
  - in a proactive planning sense (as distinct from reactive litigation)
  - relating to determination of service performance standards
  - underpinning risk management analysis
- consumer psychology:
  - better interpreting user expectations
  - influencing expectations to be more 'affordable' – economic, social and environmental costs
- competitive markets:
  - seeking to promote then harness competition
  - encouraging innovation through use of competitively bid long term performance based contracts.

These trends will likely occur 'as a matter of course'. However, I believe that we should not simply 'take' the future we are given but rather 'make' the future as we desire it. I therefore *propose* we create the future - based very much on the notion of 'knowledge' being 'the' asset that must be managed increasingly well if we are to truly progress. This will require increased effort in *education* and *research.*
Neville Binning, Manager, Main Roads, nevillebinning@hotmail.com

Sydney, New South Wales

Development of abstract generic models of practice

Facility management deals with assets that create places for activity and deliver services and products. Investment in facilities, in the future, must demonstrate a financial return, either through (i) increased property value, or (ii) through extension of life of the asset or (iii) increased usability. To achieve this the FM profession needs to use its strong practical experience to create abstract generic models of practice as a reference for facility managers. This requires establishing a common understanding of FM practice and money and property – i.e. establishing FM knowledge. FM must be able to quantify a **generic usefulness factor** of a facility in delivering place, product and service and its potential for re-use. This must be the next goal of the FM profession in the coming decade - not simply saving dollars through FM but adding value**!** Hilaire Graham, FM Course Co-Ordinator, Faculty of Architecture, University of Sydney, NSW hilaire@arch.usyd.edu.au

Noosa, Queensland

Multi-dimensional Evolution

I see asset management evolving over the next 10 years to a level where it is recognised as a truly multi-dimensional discipline. Organisations will

have progressed from what many currently see as a task that has to be undertaken to satisfy some form of regulatory requirements (ie. financial reporting) with the prime responsibility resting on the shoulders of the engineering profession, to a discipline in its own right that is team based and a necessary component in the strategic planning process. This evolution will be aided by the recognition that asset management will receive in the tertiary education sector.

In the next few years we will see the increasing awareness of asset management reflected by an increasing number of course offerings at various Universities. This will mean that our future graduates will hit the ground running in terms of their skills, rather than on the job learning as is currently the norm. In the following years however, we will see an increase in the number of asset management related research projects being undertaken at the post-graduate level. When this occurs we will then see a fundamental shift away from 'graduates learning and then practicing' to 'graduates contributing knowledge and then informing' the discipline of asset management.

John Sing, Chief Finance Officer, Noosa Council, Queensland
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Darwin, Northern Territory

Higher visibility for Asset Costs

The next decade will focus upon increasing visibility and understanding of all categories of asset costs. Apart from the problems of determining a universally meaningful definition of asset worth (will it ever be finally resolved?) ways to optimise the cost effects of asset use will be pursued. There will be improvements in financial databases, to fully define cost categories, allow individual identification of cost centres and greater understanding of the cost drivers. These will allow managers to model all aspects of asset usage with greater understanding, timeliness, improved accuracy and increased relevance to result in better choice of asset mix.

Brad Hopkins, Project Consultant with the Government, Northern Territory
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Brisbane, Queensland

Higher profile for Asset Management also brings more accountability

As asset management becomes a regular part of management, along with financial, human resource and information technology, it gains a higher profile and more involvement in management practice, but the flip side is that it puts greater scrutiny on asset management decision making. This will lead to major advances in the tools available to the Asset Manager. Decision support systems currently being developed across government (e.g.in Queensland) will provide information to assist the Asset Manager in more accurately determining where to invest his asset dollar. Systems however should only provide the supporting mechanism. Because of the complexity of the asset management process, particularly at the strategic level the human touch must still be used to factor in issues such as community values. To ensure the proper use of these systems the asset manager must be trained and I believe that a flow on effect of all this new found information will be the development of training courses/packages specifically designed for the asset management professional.

Hans Andersen, Government Asset Management System Project Director, Dept. of Natural Resources
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Melbourne, Victoria

IT changing the role of Asset Managers

The role of Asset Managers and their functions will be changed through the information technology and advancements in artificial intelligence and robotics. The latter will inspect and fix problematic areas, then communicate the condition of key elements within an asset. Asset Managers will depend on the electronic superhighways to manage, monitor and warrant safety. New challenges will arise, as high rise office buildings reach obsolescence.

Federal and State Governments will promote large infrastructure projects funded by the Private Sector using the "BOOT" principles, to cater for the population growth. Edwin Grech Cumbo, Consultant, Victoria.
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Melbourne, Victoria

Local Roads over the Next Decade

Where we are now:

- in general local road assets are in a far worse shape than those found on arterial roads, particularly in rural areas.
- many practitioners are lacking the necessary asset management 'tools' to gain a good understanding of the longer term implications of not keeping to a certain standard of maintenance.
- too much is being done based on 'engineering judgement' which is open to various interpretations by Councillors and often leads to less money being spent on maintenance

Over the next decade:

I believe there will be a greater emphasis given to asset management issues and ways to gain better value from the limited funding available

- we are trying to provide and encourage practitioners to improve on factual data collection and apply proven life cycle costing methods to obtain a much better understanding of the longer term state of their assets and to better explain and convince the powers to be of the consequences of inadequate funding levels for maintenance
- as a profession we still lack adequate deterioration values for local roads. We still have to decide nationally what are the key parameters to assess the condition of assets and agree on a common methodology to be able to compare 'apples with apples'

George Giummarra, Researcher, Australian Road Research Board georgeg@ARRB.ORG.AU

Brisbane Queensland

Multi-Disciplinary, Commercial, IT Trends

(**Note**: *This is a summary only of the article by Chris Adam, Kerry Jones, and Aneurin Hughes of Cardno-MBK. You can read their ideas in a little more detail in the* ***Guest Editorial on the SAM website www.amqi.com*** **)**

- AM will become more a multidisciplinary MANAGEMENT function, not a technical ASSET oriented function.
- Commercial focus in the operation of infrastructure will see AM will move into the mainstream.
- IT developments will make current "systems" thinking obsolete. Data will be transferable and data management (not systems) will be the main focus of IT development.
- These changes will be driven by commercial realities and essentially economic theories of efficiency.
- Private sector will gradually move into the infrastructure industry (although I am skeptical about wholesale sale of infrastructure assets - I see a system of franchised access -similar to the French experience- as being the vehicle for expansion of private sector interest).

Chris Adam, Consultant, Cardno MBK, cadam@cardno.com.au

Canberra, Australian Capital Territory

Future Demand for More Flexible Property Options

For the Property Owners, one of the most difficult challenges is "How to retain full occupancy of the rental property ".

- stock of new buildings adding to the existing stock, moves the supply beyond the demand.
- more sophisticated tenants add to the pressures, demanding better standards of accommodation.

For the tenant, the challenge is to retain a flexible business to remain viable. One challenge is:

- increasing and reducing personnel numbers.

Does the business choose :

1. standard office accommodation with all workstations fully serviced?
2. decentralisation to home offices and only minimal central office accommodation?
3. serviced modules, each one shared by many personnel on a roster system?
4. some other configuration?

Tenants will be demanding more flexibility at an economical price, adding to the Owners' problem of achieving predictable returns from property. Can we satisfy both demands? Alan W. Jago, Principle Consultant, Strategic Facility Services P/L sfs_admin@stratfac.com.au

Sydney, New South Wales

Questions for the Next Decade

- Is there a long term commitment by government to the discipline and focus on asset management? Some agencies in some jurisdictions have yet to commit to the concept and are hoping it will go away.
- Will information technology solutions deliver the functionality that strategic asset managers are seeking
- Will the desire of public sector administrators to implement capital charging systems happen and work if it is implemented?

When will the private sector become more interested in focusing on asset management.Achieving an alignment between assets and the business they support is key. Global organisations are seeking to achieve this as much as small businesses are. Technology solution providers are beginning to understand that they need to provide more flexible solutions that are focused on supporting business process in the area of asset management. This will allow those who understand what is required in the way of business process to define the most appropriate solution and then apply best of breed operational control through IT systems. Bernard Devine, Director, Facilities Management Consulting, Symonds, bernard@symondspl.com.au

Hobart, Tasmania

Maintenance is not a dirty word

Where, years ago, maintenance was the bailiwick of those lacking the opportunity to practice more exotic pursuits the future will see it as an aspect of Asset Management of considerable significance.

Consideration of maintenance will form a larger part of conceptual and strategic analysis, with three main drivers:

- *Life cycle costing* – can we get a greater return on our investment, and over a longer period, by replacing non-deductible capital expenditure with spending on appropriate maintenance ?
- *Strategic fit and efficiency* – is the utilisation of resources involved in the management of our asset(s) optimal, not only in a specific sense but more broadly ?
- *Amenity and utility* – is ours what people want to see and use ?

With these types of considerations, it's not difficult to see why maintenance is attracting so many top professionals. Mick Morris, National Business Manager, Maintenance Management Australia. mmorris@skm.com.au

Mount Gambier, South Australia

Changing Health Demands Require Flexible Facilities

Advancements in medicine and health delivery methods such as day surgery, should reduce the future need for the number of beds in the hospitals and demand for hospital facilities will shrink.. This shrinkage will also be encouraged by active Government policies to promote health and improve the social and economic life of the individuals. Other contributing factors are reduction in road accidents, active participation in "Quit Programs" to give up smoking, new legislation to reduce "Domestic Violence" incidents and enforcement of the Occupational Health and Safety Act to reduce industrial accidents and fire hazards.

As the hospital facilities start to shrink, community services and assistance to families and youth, as well as community health services, will grow and flourish. The reality is that Government's ability to provide health services, to a large extent depend on the structure of the hospital buildings and health facilities. These infrastructures must be flexible enough to cater for the changing needs of the society. Sabzbalouch-Bam, Vahid, Manager with Mount Gambier District Hospital Service SabzVahid@saugov.sa.gov.au

Melbourne, Victoria

NRE ASSET MANAGEMENT

Developments

- Government requirements for financial viability of asset investments
- Increased reliance on external asset management expertise

- Greater involvement of NRE staff in project co-ordination and contract management

Key Issues

- Implement IT asset management systems to provide data for decisions linking the physical, business and financial aspects of asset management
- Implement cost effective replacement and maintenance programs
- Development of cost effective budgets to implement asset replacement strategies and maintenance programs based on business needs
- Development of sustainable business management skills for viable asset management decisions
- Achieve tangible financial benefits and sustainable business improvements from improved asset management

Barbara Oleczek, Manager with the Department of Natural Resources and Environment Barbara.Oleczek@nre.vic.gov.au

Hobart, Tasmania

A Vision of the Future – "Projects" No Longer!

My vision for asset management in the future is one where asset management has become an integral part of every day business for organisations responsible for infrastructure assets. Asset management will no longer be a project for data collection, a project to determine economic asset lives and depreciation levels or a project to implement a software system. Asset management software and management systems will be integrated with financial, human resource, maintenance, operational and modelling systems.

In Tasmania the lack of economic growth has perhaps stimulated a greater concentration on managing the infrastructure assets we have whereas regions with higher economic growth place greater emphasis on developing new infrastructure. Phil Gee, Pitt & Sherry Consulting Engineers and Scientists PGee@hob.pittsh.com.au

Canberra, Australian Capital Territory

Road Asset Management in the Next Decade?

- Improved interaction between asset managers and road users, through real time roadside information devices, and customer service call centres.
- Closer alignment between road and bridge operational standards and the needs and expectations of road users.
- Improved ability to predict rates of road deterioration due to environmental effects (eg, climate) and traffic loading.
- Improved ability to quantify the benefits of maintenance activities and life extension techniques.
- Improved standardisation and increasing quantities of road asset management data collection.

Laurie Dowling, Road Network Asset Management Consultant lbdowli@ibm.net

Brisbane, Queensland

Changes I foresee

- To free up equity Governments will continue to drive aligned financial and physical asset management practices.
- Asset managers will be challenged to interpret such practices into mechanisms such as internal hiring that will see operational staff exercising greater choice over asset options.
- Rapid changes in technology and communication will provide and also drive new asset options.
- For instance the cost of such changes will probably cause the concentration of laboratories into fewer, well maintained centres that can be utilised on a project by project basis by a wide range of users.
- Thus whilst fewer organisations will actually own such facilities their operational staff will have greater business linkages with the remaining asset/service providers and expect a high level of performance from them.

Rex Fisher, Principal Consultant, Department of Primary Industries. FisherR@prose.dpi.qld.gov.au