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Special Guest Issue : ACVM
Australian Centre for Value Management

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Is at the leading edge in its research and in the directions that it is setting for industry, as is illustrated by Jeff Powys' lead article in this issue.

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**THERE IS MORE TO
ASSET MANAGEMENT
THAN
MANAGING ASSETS!**

BY JEFF POWYS

Asset management has evolved over the last decade or so from relatively humble beginnings into an effective and comprehensive methodology. But where to from here?

I believe we are approaching the point where asset management can go down two different paths. One path will see asset management continue to consolidate its role in the corporate and strategic management of agencies. The other path will see asset managers relegated to the role of asset administrators, operational people that are excluded from the strategic planning of their agencies. Of course, the former path is the one asset management should take. It is where asset managers should ensure it ends up. However to get there, much is still to be done. And the starting point is an acknowledgment that *there is far more to asset management than managing assets*. Let me explain what I mean.

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Public sector organisations exist to deliver services. Physical assets are only one of the inputs to service delivery, alongside the organisation's people and their skills, its information, its technologies, and external suppliers in various forms. While asset managers believe that their assets are pivotal to service delivery, **we need to put pride to one side and recognise that assets are often a minor player in terms of cost and influence**, particularly for agencies delivering social services. For example, in the health industry, salaries and other "people costs" can comprise up to 80% of the operating budget, and health service strategies are increasingly being driven by emerging medical technologies. People issues and costs also dominate education, justice and community services.

Given the wide range of potential resource inputs, agencies optimise service delivery by combining their available inputs in a manner that best achieves whatever service outcomes they may nominate. Simply, they consider their options and pick the mix of resources that seems the best in the circumstances.

Asset managers should be involved at this strategic level by participating in the development and evaluation of resource options that combine people, information, technology and assets.

The first step, then, is optimising service delivery, with asset managers contributing to the decision. Once the service strategy is established, the asset manager aligns the agencies' assets in support.

So, there are two quite separate tiers to asset management:

- The first involves understanding service needs, and participating in assessing the potential interaction of assets with other resources to meet these service needs, in conjunction with other resource managers, with the aim of optimising service delivery.
- Once the first tier framework is established, the second involves planning and managing the acquisition, operation and maintenance of assets. This second tier is what I term "managing assets".

▪ **"Know all that"** I can hear you say. **"What's new?"** Well, the issue is not the two tiers – they have been accepted for some time and incorporated into Government policy in many States.

The issue is that so few asset managers are grappling with the both tiers. Unfortunately, for any number of reasons, in my opinion too many asset managers are leaving the first tier to others. These "others" come under a range of titles, eg clinicians, curriculum planners, service planners, strategic planners, corporate planners, financial officers and so on, depending on the industry.

Does it matter? Aren't decisions being made and assets being managed? Here, at last, I come to the point I believe needs to be made. By avoiding the first tier activities:

- Firstly, agencies risk sub-optimal decisions for themselves and the community. The knowledge and experience of asset managers is often significant in identifying and refining strategic options, in assessing risks, and in setting performance targets. It should be an input to service planning. By not participating, asset managers are not serving the interests of their agency;
- Secondly, asset managers abdicate the greater part of their influence upon strategic leadership in their organisation. I am not trying to say that asset managers should set the strategic direction of organisations, because clearly this is not the case. But they should contribute to the debate on how outcomes can be achieved. Unless they do so, they risk being perceived as administrators with technical skills, people who can be assigned to implement the decisions of others. This is not a management role.

Remaining in Tier 2 activities is simply not sufficient! Asset managers should be engaged in both, and my experience suggests most asset managers want to. So why does it occur in only a few agencies? What are the impediments and what should be done about them?

The answer is far from simple and varies from agency to agency. The impediments are generally unrelated to managing assets, and have to do with the history and culture of the agencies, their organisational structures, the way responsibilities are defined, and the background of corporate managers. Another key factor is the breadth of skills of asset

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Mark Neasbey <neasbey@acvm.com.au> argues that using the new web-based technology can increase access and user-friendliness for your asset management guidelines - but, as with any tool, its full potential will only be reached if people use it. Here, using the experience of the ACVM in designing and implementing two large scale web based guidelines, one for the Brisbane City Council (previously reported in SAM) and one for the Queensland State Government (GAMS), he draws the lessons for effective participation, involvement and continued use of

WEB-BASED ASSET MANAGEMENT GUIDELINES

Background

New South Wales state government's Total Asset Management Manual (TAM) and Queensland state government's Strategic Asset Management Best Practice Guidelines (SAM) can be regarded as good foundations for what should be done for best practice in asset management.

However, experience over the past several years has revealed some important shortcomings in guiding users in how to do good practice asset management and in creating understanding about what constitutes good practice.

They remain an unfriendly tool for operational staff and presume both knowledge and experience in their ability to access, understand and readily apply the guidelines. Hence application of both TAM and SAM has been inconsistent and lagging in realisation of potential benefits.

If such guidelines won't assure the right sort of behaviour what will make the difference?

What to do? vs How to do it?

A key learning from these original guidelines is the importance of providing more practical "how to's" for the users. Also of the need to remove repetition and facilitate easier navigation – both for experienced asset managers as well as for novices. Another key learning is of the need for active and ongoing evolution of the guidelines from the user perspective – keeping them operationally relevant and helpful.

Web Based Guidelines -the advantages

A web environment has the following advantages over the 'hard copy' manual:-

- ☑ Ease of access through improved navigation;
- ☑ Ability to search based on questions a user wants addressed;
- ☑ Eliminates repetition in content;
- ☑ More effective integration of graphical and textual content;
- ☑ A single source that can be 'always' the latest that everyone sees – thus eliminating the use of out-of-date policies;
- ☑ Ability to cope with novice as well as more experienced users in the way they enter, navigate and use the guidelines;
- ☑ Ability to rapidly and progressively incorporate case studies without the need to republish the entire manual;
- ☑ Ability to integrate with other support applications and data bases.

There have been two recent examples of integrated asset management guidelines being developed as web sites, both have yielded insights in how to go about the implementation of such systems.

SAM has previously reported on the **Brisbane City Council's** web based system. (Contact Sunil Madan for more information 07 3403 6630).

The most recent is the **Queensland Government's Asset Management System (GAMS)** (Contact Hans Andersen 07 3896 3023 for more information)

GAMS was developed to:

- provide a focal point of entry for access to all asset related material
- identify and fill in any apparent gaps in the asset management knowledge base
- align all asset management processes with the government's "Managing for Outcomes" initiative
- devise and seamlessly integrate within all asset management processes a system to monitor, manage and continuously improve asset performance in its service delivery function

Success Measure: Acceptance and Use of System

One of the key measures of the success of this project is the involvement and acceptance by agencies of the material developed in GAMS. *Some 175 agency representatives were involved during its development.* Many of those agency representatives continue this active participation through the ongoing Steering Committee and Focus Groups.

How to ensure successful use

All too often a rather glib approach is taken to involving stakeholders or system users in the process of system or guidelines development.. *But this involvement is critical to successful use.*

Where group participation is provided for but not well facilitated it will be largely ineffective. Participants tend to have something 'dumped' on them, with limited opportunity to develop full understanding of it, improve it to meet real needs nor appreciation of what's required to successfully implement it.

There is possibly a view that trying to involve a large number of people is just too impractical or costly and so tends to be avoided.

Despite this apparent difficulty the effort is well worth it and there are several reasons why I believe active and

"a well facilitated involvement of stakeholders throughout such a process is vital"

1. Facilitation Saves Time in the End.

The external design consultant cannot be expected to know your current business practices and will take some time to develop an understanding. Some clients don't have either the luxury of time or the funds to support this learning and there is thus the risk of designing an inappropriate solution. This can be overcome by using your existing in-house knowledge through facilitated group involvement. A facilitated group can make more rapid progress in defining what it does and how it is done.

2. Facilitation Improves Scoping.

Maximising the involvement of those who know the business ensures more accurate scoping of what is needed to be done and why – their collective, and not just individual, participation ensures faster clarification and understandings of its processes as well as reducing the risk of proceeding on wrong assumptions and misunderstandings.

3. Beware the Internal "Expert"

Using a so called internal 'expert' presents a high risk of misinterpretation of what really happens. Many people doing the same function across an organisation will have *many different practices and understandings*. For the system to work across the whole organisation the process mapping must be done *as a collective* so that the nuances, assumptions and so on are reliably defined and clarified together. This places an emphasis on appropriate facilitation skills being an essential part of the methodology for developing more practical guidelines. Ones that people will actually apply.

4. Benefits of a Large Stakeholder Group

A large stakeholder group can promptly highlight not just the benefits *but also the dis-benefits* and hence help with overall risk management. Their involvement from the outset fosters better appreciation of intended outcomes and what may be expected of them in implementing the guidelines – they begin to own the product being created and become champions of it in looking for and eliminating barriers to its success. Progressive build-up of the system enables participant learning throughout thus reducing the 'training' effort required before it can begin to be used and thus yield operational benefits much earlier than other approaches – this is important where concepts and practices may be complex and with many options.

A number of states have instituted Asset Management Forums as a means of informal information exchange between practitioners. Recently the Queensland Asset Management Forum, under the guidance of **Professor Roy Barton**, prepared the

Queensland Asset Manager's Forum Outline of Current Issues being faced by Asset Managers

- | | |
|---|--|
| <ul style="list-style-type: none"> ▪ Predicting, managing and planning for social change ▪ Coping with the effect of changing government policy ▪ Providing for flexibility ▪ Getting commitment from users ▪ Defining required outcomes ▪ Obtaining required information in planning ▪ Transferring information (how to do it between systems) and sharing ▪ Managing education/communication ▪ "Progressing" management ▪ Developing a life cycle plan ▪ Including ESD in LCC ▪ Defining maintenance requirements ▪ Comparing asset value utilisation ▪ Coping with Budgeting | <ul style="list-style-type: none"> ▪ Determining value of major assets ▪ Creating registers of existing assets ▪ Obtaining current condition assessments ▪ Providing access for the disabled ▪ Taking a holistic view of SAM ▪ Establishing a link between SAM and financial management ▪ Achieving value from investment ▪ Developing business development plans ▪ Sharing scarce resources ▪ Understanding relative importance of assets to the business ▪ Matching resources with needs ▪ Differentiating public/private sector users ▪ Defining demand – demographics ▪ Recognising stakeholders outside immediate users |
|---|--|

A strong feeling at the forum was that there was a lack of commitment to asset management at the top—this led Prof Barton to suggest how this may be addressed. In the following article he suggests that you should

Support MFO Because MFO Supports YOU

MFO - What is it?

Many governments are now moving to a form of budgeting known as MFO. It is an integrated approach to planning, budgeting and performance management which determines the level of funding to an agency based on *the outputs that the government requires* – rather than, as in the past, based on the *level of inputs that the agency required*.

MFO requires agencies to specifically identify what outputs

they will produce and it also requires them to directly link their outputs to defined government outcomes.

For example: The number of accident black-spots modified during the course of a specified period of time would be an illustration of an 'output'. Such modifications should lead to a reduction in the number of accidents at those black-spots, which in turn leads to a safer community, and a 'safer community' is one of the outcomes that the Government seeks. So *outputs* lead to *outcomes*.

How Does MFO help SAM?

Well, first off, the aims of MFO are very much in line with SAM, namely to:

- Promote quality, client-responsive services;
- Maximise value for money in service delivery; and
- Improve resource allocation decision making.

The primary purpose of SAM is to align physical assets with service demand and in the process, to focus attention on the service which assets support.

“ SAM works by first identifying the services that are to be accommodated and then strategically defines built asset needs in response to those services ”

The difficulty here has proved not so much in the task of aligning assets with service outputs but rather in identifying the service outputs themselves. Before MFO there were few incentives for agencies to focus on service outputs.

Notice how the following Six (6) principles of Strategic Asset Management are strongly supported by MFO.

1. Assets exist to support service delivery

It should be possible to link any built asset with the services that the asset supports or accommodates. With MFO the asset portfolio can be optimised by focussing on those assets that are providing the services that are actually required.

2. Asset planning is a key corporate activity to be considered along with planning for human resources, information technology and finance

Under MFO agencies will have to find all costs of delivering their services from a single output based budget allocation and the cost of planning, procuring, maintaining, using and disposing of built assets will form part of that allocation. The ability of the Asset Manager to optimise these costs for the agency should elevate asset management to that of a key corporate activity.

3. Non-asset solutions, full life-cycle costs and existing alternatives must be considered before deciding to build assets.

This principle is, itself, output focussed. However, although promulgated for some time, there has been little, if any, incentive to seriously address this principle. MFO should change this situation significantly such that agencies will gain substantial advantage by considering non-asset and alternative solutions as well as using full life cycle cost analysis.

4. Responsibility for assets should reside with the agencies that control them.

This principle supports MFO by placing the responsibility for assets solely with the agencies that control them and enables agencies to properly account for the assets. The accrual accounting strategy embedded within MFO will provide the mandate for this SAM principle to be implemented since there will be an incentive to take control of a major cost component of the output based budget allocation.

5. Asset management within agencies must reflect the whole of government asset policy framework.

Most service outcomes will only be achieved through a combination of outputs from various sources. E.g. an outcome to produce a 'safe, secure and lawful community' may involve several government agencies, each producing outputs to achieve the desired outcome. SAM aspires to achieve this but stumbles if no incentives are provided.

6. The Full cost of providing, operating and maintaining budgets should be reflected in agency budgets.

This principle is clearly totally congruent with MFO and accrual accounting. The notion of full costs includes the cost of capital required to fund projects. This cost of capital has not, historically, been factored in to public sector projects although accrual accounting requires it.

❖ *Roy Barton is Queensland Department of Public Works Adjunct Professor of Asset Management, QUT. He is Associate Professor of Construction Management and Economics at the University of Canberra and a Director of the Australian Centre for Value Management.*

managers. The technical background of many asset managers does not always equip them to debate strategic issues related to social outcomes. These are very real and deep-seated issues that cannot be changed in the short term. In fact, we need to be realistic and accept that some are immensely difficult to change at all, particularly from within.

Nevertheless, they should be challenged where they impede rational decision making, if asset management is to consolidate its role as a participator in strategic management.

Just as in the 90's the methodology of asset management was developed and refined, looking ahead I believe we need **to set an agenda for the coming decade to overcome the corporate impediments to effective resource management.**

As a starting point, could we consider:

- Embracing managing for outcomes (however it might be defined in different agencies and different States) as a driving mechanism for new approaches to asset management. This will engender cross-resource planning and management;
- Improving the strategic planning skills and competencies of asset managers. If asset managers genuinely intend to participate on an equal footing with strategic planners and other resource planners, they need to acquire skills at looking at service delivery from a system wide perspective.
- Improving the interpersonal and communication skills of asset managers that are essential in exerting influence outside the technical arena.;
- "Breaking down the silos", the artificial barriers that separate the various categories of resource and other managers so that HR, IT and asset managers can jointly plan service strategies that will best deliver corporate outcomes, and where possible involve consumers in decision making. I am under no illusion that this one will incur a lot of work!
- Developing a common set of measurable sector-wide performance benchmarks that will relate service outcomes to asset performance, to assist cross-sector performance comparisons and option evaluation;

- Working with financial officers to recast charts of accounts and redefine expenditure items to improve the usefulness of the financial accounting system (which is, after all, the most powerful information system in agencies) for reporting service - asset performance and asset performance, and developing performance benchmarks. Asset managers simply must be able to understand the role and scope of the financial system as well as the accountants, and be able to converse with accountants on asset-related matters on equal terms;
- Adopting the opportunities of technology to enhance management effectiveness, eg the web-enabled approaches that are particularly useful for agencies with dispersed assets.

Encouragingly, agencies are increasingly tackling these issues. Time doesn't permit specific case studies (perhaps it might be a good topic for other articles, Penny, for example the excellent work being done by NSW Health), but there are strong grounds to be optimistic.

To wrap up, let me return to where I started this article. Asset managers can be applauded for the work done to date in developing a comprehensive methodology. But the task is far from complete, indeed perhaps the more difficult steps still lie ahead. These steps lie outside "managing assets", and involve changing the external context in which asset managers operate, so that they can effectively participate in identifying and evaluating service strategies and resource strategies.

Success will consolidate asset management as a key part of resource management. But failure will threaten the effectiveness of the work to date and risk relegating asset managers to asset administrators. That's why I believe there is more to asset management than managing assets.

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Background:

The Australian Centre for Value Management Pty Ltd (ACVM) was formed in 1996 following 10 years of collaborative development and consulting work by the Directors focussed primarily across the Australian Building and Construction industry. This development work related to facilitation, resource allocation policy, evaluation tools, skill enhancement and application within the marketplace.

ACVM has a valued role in facilitating change. Our work incorporates skill transfer to clients which assists ongoing implementation and action. We engage and interactively involve clients throughout every consultancy. ACVM is fortunate to have specialist practitioners, educators and facilitators with high marketplace credibility & recognised independence.

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