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End to End Asset Management—Exploring the roles, responsibilities and competencies of key players, by Phil Jones, Yorkshire Electricity **170– 173**

Asset Management Decision Making by John Woodhouse, the Woodhouse Partnership, **173-175**

What it takes to be a

LEADER IN ASSET MANAGEMENT

- How to position Your Asset Management Unit within your agency
- The role of the Asset Manager & How to succeed at it

With advice from

- Phil A Jones, Head of Asset Management, Distribution, Yorkshire Electricity, UK
- John Woodhouse, The Woodhouse Partnership Limited, UK

Phil is the current President of the UK Institute of Asset Management and John Woodhouse is the Immediate Past President. You can find a number of articles by Phil and John on the Institute website at www.iam-uk.org But be quick! The word is that within the not too distant future, access will be only to IAM members. For more information on IAM see back page.

See what Phil has to say on

- **Translating the strategic vision**
- **Avoiding conflict and finding your own turf**
- **'Marketing your value' and 'being of value'**

And what John has to say on

- **The link between business objectives and technical complexity**
- **Integrating processes from design to disposal, and**
- **Why asset management is difficult to implement**

*Researched and written by Dr Penny Burns, AMQ International.
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End to End Asset Management—Exploring the roles, responsibilities and competencies of key players, by Phil Jones, Yorkshire Electricity. Condensed from the original available on the Institute of Asset Management website (see backpage)

Translating the Strategic Vision

“If the senior team are unable to make a ‘rough cut’ tactical articulation of the strategic vision then there is a real risk that those beneath them may also fail to do so.

Take the example of capital investment decision making.

At the strategic level the aspiration would be to ‘make our capital investment decisions on a prioritised basis in line with business values’. This could mean many things in terms of actually implementing it. Some of the key steps in making such a move would likely be some form of ensuring consistency across decisions, which in turn probably means that a level of centralisation will be needed in terms of the decision making unit. The organisational resistance to make that step will probably be very strong, particularly since most of the asset information will reside with the operating units or regions and they will probably see it as something to be held on to at all costs. So along the route to implementation, the senior team are at risk of not getting what they want if they do not have at least a starter plan as to how that might be achieved. In order to achieve this it is important that they have a working understanding of what an asset management organisation means.”

**Anticipate
‘organisational
resistance’**

“Hold the Reigns Lightly”

Having said all that about the key leaders knowing exactly what they want and knowing whether they are getting it, there is another dimension to effective leadership that is true whatever value initiative is being led – and asset management is no different. In order to get the best from their organisation the top team need to hold the reigns lightly enough to allow the detailed articulation of asset management (at the operational level) to be fed back into the leadership process.

**Getting the best
from your team**

Top Down or Bottom Up?

During the course of the development of our capability in asset management within the company many colleagues from other organisations have asked me whether the initiative has been driven from the top-down or from the bottom-up. The answer is simple. I am convinced that it needs to be a blend of both. In our experience, it is essential for the top-down aspect since it creates the pull through the organisation for decisions to be made that way. In Yorkshire we cannot underestimate the impact of having a Managing Director who has a strong working understanding of what it means to manage a business on an asset-centred basis. He rightly insists on knowing that his people have meaningfully examined the risk profile of the decisions that they take, and this provides a strong degree of leadership.

Asset Management is evolving quickly – provide scope for middle management

'Allow the middle management to explore the implications of the strategic direction'

On the other hand, it is very rare to have a senior man who would know the details of what can be achieved in the detailed sense of asset management. For example, we might consider the organisation's skill sets in risk analysis. Even if you have an au fait CEO and/or senior team, it is unlikely that they will be able to remain in-touch for long. This is a rapidly developing field and there is a need for a complementary push from the bottom-up that works with the top-down forces to steel the company's resolve to work in this way. Hence there is the need for the top team to hold the reigns lightly in a sense, to allow the middle managers to explore the implications of the strategic direction. As they do so it should be expected that they will uncover fresh ideas on what can be done and what issues could be dealt with and. A key factor for us has been the commitment of some champions on the ground to see the way that decisions can be taken with a far more numerate foundation than previously, resulting in a far more robust conclusion. In our case, these developments have fed the demands of the senior managers who were committed to the principle of risk based decisionmaking.

A virtuous cycle of responsibility and expectations

Maintain an 'appetite for change'

In a sense it ensures that the appetite for culture change remains within the senior players in the company. In Yorkshire we have found that these two factors have worked together, hand-in-hand, to produce a healthy environment for the concept to grow. The more the decision makers on the ground develop their skills in presenting risk based decisions, the more the senior managers demand of them in terms of rigour and depth of analysis. It has become a virtuous cycle that has greatly assisted the development of a stronger risk based culture.

The Role and Requirements of "The Asset Manager"

The importance of managing expectations

In Yorkshire we have not suffered greatly with people rejecting the whole idea that there should be an asset owner who has responsibility for management of the entire life-cycle. On the contrary, people quite quickly came to recognise that it seems to make for a good, common-sense decision to do things that way. However, the problems unfold with the expectations that the organisation has of the individual - they are usually very high. We have found that the manner in which the client manages those expectations makes a huge difference to his credibility within the organisation. I will briefly touch on three key aspects that we have found to be necessary in establishing credibility.

- **Find New Turf**
- **Market your value**
- **Be Confident**

Ensure that you
ADD VALUE

1. Find New Turf

In order to meet the expectations of the organisation, and therefore support a credible reputation, the client professionals must avoid getting into turf wars with other parts of the business. They need to resist the temptation to think that their role as asset owner means that they add value simply by existing and driving into the car park on a morning. This mistaken philosophy can lead to client professionals acting as though their value-adding role is coordinating and policing everyone else's activities, that existed long before the 'asset management vision' was born. Hence the tendency is for these people to begin to tread on the toes of other professionals, asserting that they must have a role to play in 'overseeing' because they are the asset owner.

An even more likely scenario is the reverse of this. We call it "being asseted". It comes about when people elsewhere in the organisation think that everything that has anything to do with the asset must now go to the Asset Manager because "It's your asset".

2.1 Market your value

Demonstrate this
value

To combat both of these troublesome scenarios the client professionals must find new turf for themselves. They must then clearly mark out that territory and make sure that the rest of the organisation knows about it and recognises it as an activity of real value. Much of this is in the communication of the activity rather than the activity itself. We have found that when Asset Managers demonstrate to their service provider colleagues that they have a degree of mastery of the IS systems that control maintenance then they are seen to be adding value in an area that was previously untapped by the organisation. One of the most effective 'credibility boosting' exercises that we have engaged in during recent months was when one young client professional brought around 80 service provider engineers and their managers to a single presentation. He was able to demonstrate that he had led the development of a full maintenance programme for all the asset base where every piece of maintenance was identified and set up in the IS Asset Management system. During that two-hour session, the young professional made great strides towards building his own reputation, as well as that of the client business.

2.2 Make yourself useful

Communicate,
Communicate,
Communicate!

Another area that we have found to be ripe for building credibility is the handling of complex technical problems, in particular where an understanding of risk is required. In most parts of the organisation this will be seen as 'black magic'. There is real scope for the client professionals to demonstrate that they have their own turf by handling these thorny issues with confidence and polish. Being prepared to take the findings of these studies out into the business, particularly in front of senior managers, is another

Pure strategy may seem simple

Senior management may think it is simple

But implementing it takes skill, pragmatism and compromise.

What is an asset manager?

- the link between business objectives and technical complexity

area where the credibility of the client can be built up. A key factor here is the willingness and the ability to present the material in terms that the audience can understand. Under those circumstances, the audience is left feeling grateful that these client professionals are on board to handle these major issues, rather than thinking that they have just been blinded by science and therefore have no scope to make a value judgement on it.

2.3 Be Pragmatic

In any implementation of Asset Management there are the pure virtues of the strategy that are destined to be soiled by reality. We have found that [senior management] actually perceive that the pure strategy decisions are simple to make. From our point of view the [asset manager] must have a handle on how implementable the decisions are. We are not talking about knowing every last detail, but we are talking about them having mastery over the pragmatic/ puritanical' interface; the compromises that are needed to get the job done.

3. Be confident!

The asset manager must be ready for compromise and must address it with confidence. Then those colleagues with whom he deals will value him still more because he is seen as being able to make things happen.

ASSET MANAGEMENT DECISION-MAKING

JOHN WOODHOUSE, The Woodhouse Partnership Ltd

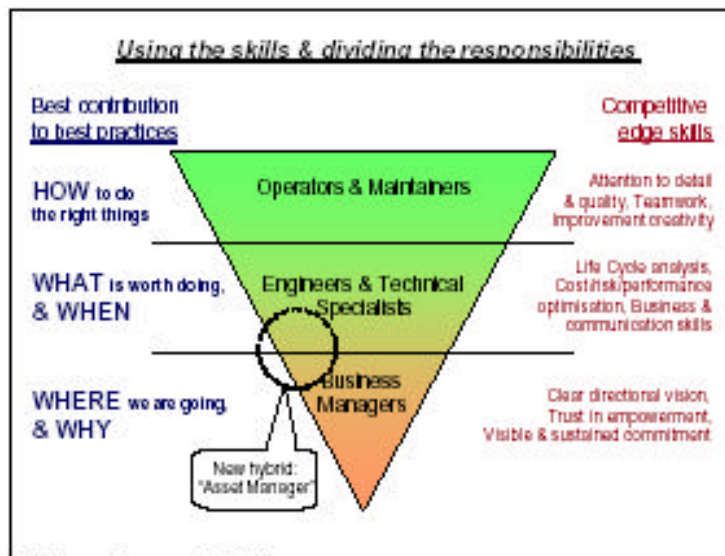
June 2001 (condensed from the original which may be found on the Institute of Asset Management's website, see back page)

1 An "Asset Manager"

An Asset Manager has to be all things to all people. He or she is the point of contact between business objectives and the considerable complexities of technical and human issues. With business performance *accountability* and technical *responsibility*, the Asset Manager is a professional translator – converting options such as new technology opportunities, maintenance strategies, design changes or asset replacement decisions into business or economic language, often with little or no hard data to work with. The newly emerging management science of Asset Management is trying to deal with these requirements; equipping engineers to become businessmen, and introducing some structured methods for handling reliability, performance, maintenance, safety, environmental impact, customer & public image, staff motivation and other headaches.

2 An "Asset Management Regime"

An "Asset Management Regime" is being adopted by a number of organisations to integrate Best Practice in all aspects of designing, building, operating, maintaining and disposing of physical infrastructure. The relevant business disciplines include Life Cycle Costing, alignment of strategies to business objectives, cost/risk/performance optimisation and empowerment of staff and contractors. This comprises a challenging mix of technical issues, business awareness and personnel management and it takes considerable skill to combine them into an effective and self-sustaining programme. Only a few UK companies have fully succeeded in such integration but many are currently trying.



3. Why is "Asset Management" difficult to implement?

From our work in hand-holding organisations in this area, we have observed most of the common constraints; they include:

'Silo' thinking – departmental or regional barriers, preventing collaboration and shared solutions. Usually due to previous poor experience of organisational change, strong local management personalities and/or badly structured performance/reward mechanisms.

Short-termism – especially in outsourced or project work, where success is often measured as 'on time' and 'on budget', irrespective of subsequent performance and value.

Conflicting Performance Measures – one group can only succeed at the expense of another: even 'balanced scorecards' can reinforce such competing priorities.

Business skills for engineers/facilities managers – they do not traditionally speak the same language as the finance director!

Risk Evaluation – the rational and consistent identification, quantification and management of commercial, technical, safety or customer/public perception risks.

Fire-fighting – in two respects: the reactive workload is too great to allow 'time to think', and/or 'competence in a crisis' is recognised and rewarded (even at the expense of avoiding the fires in the first place).

Data – too much of it, not enough of it, inadequate quality or the wrong sort: and what is it used for anyway?

The need is for 'structured, fact-based, decision methods'

4. The Common Thread

There are common threads in several of these problems – in particular, the lack of structured, factbased decision methods. Clear and auditable processes are needed to show what data is needed and how it should be used, take appropriate consideration of risks, financial and non-financial business objectives, short- and long-term consequences, and the inevitable 'trade-offs' that occur. These were the target of the recently-completed Eureka MACRO project; a 5 year multi-industry collaboration programme, supported by the EU and the DTI. (*The project and its deliverables are described in papers which may be found on the Woodhouse Partnership website, see back page*)

5. Strategy versus Delivery

One of the first key distinctions to be made is that between directional decisions (where we are going, and what we need to do to get there) and administration efficiency (how we organise what has to be done). While both are needed to correctly manage the assets, they do so by very different routes. Attention to the latter without addressing the former can result in "*doing the wrong work 10% quicker/cheaper*" – not a guarantee of better total performance!

6. The Big Gains are to be made at the Top

There has been disproportionate attention applied to the administration areas over the last 10 years. Tens of millions are spent on creating master asset registers, customising and implementing work management systems and in supply chain initiatives. Computer-assisted generation of work orders, assembly of relevant resources and communication with craftsmen (radio links, hand-held terminals etc.) are all aimed at getting the jobs done more efficiently. Now it is time for a more balanced view, considering what work or investments are worthwhile in the first place.

Review of Capital Project decision processes and requirements provides the quickest pay-back of all!

Simple but robust techniques for investment and project evaluation are needed by engineers and facilities managers. Maintenance strategy has to move from the old time-based routines to condition- Asset Management Decisions and usage-drivers wherever appropriate. Cost, risk and performance pressures must be considered, quantified and optimised. These are the areas where the big 'lost opportunities' are being wasted at present. It is the top (capex & opex strategies) and right hand (continuous improvement) sections of Figure 2 that holds the greatest scope for quantum improvement. In contrast to the successful implementation of a new Computerised Maintenance Management System (CMMS), which might pay for itself in 18-30 months, ***an appropriately targeted cost/risk review of projects and maintenance requirements will typically achieve net payback in 3-6 months***

ASSET MANAGEMENT INFORMATION ON THE WEB

The Institute of Asset Management was formed some years ago largely as a focus for those interested in the design and application of computerised maintenance management systems. In recent years, it has reformed itself, developed an alliance with the Institute of Electrical Engineering, and now covers selection, maintenance, condition assessment and renewal of physical assets.

The focus of the Institute is on plant and machinery physical assets and it addresses itself to industry and utilities.

This site would be of interest to those asset managers who

- have a strong commercial focus
- are in asset intensive industries, and
- have, or can obtain, good quality data

Members of IAM include electricity and water utilities, petroleum companies, heavy manufacturing industry. www.iam-uk.org

The Woodhouse Partnership (TWPL) addresses the same audience. (John Woodhouse is the immediate past president of IAM). TWPL have developed rigorous and successful asset management techniques which are being used worldwide. John Woodhouse delivers asset management workshops in Australia and New Zealand. For more information on TWPL, the workshops, and asset management information in general, see www.twpl.co.uk

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