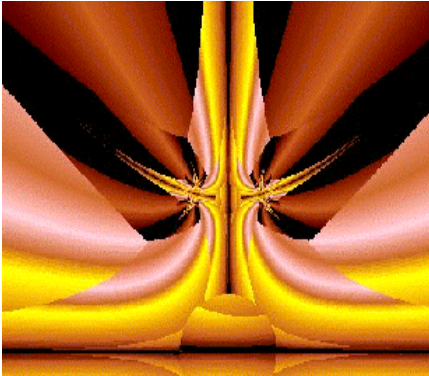


Issue 147, Aug 20 , 2004



Creating the Profession of Asset Management

AM—Academic or Professional? Several times I have been approached by academics with the question “When is ‘*Strategic Asset Management*’ going to evolve into an academic journal?” This is generally followed by suggestions as to how they can help me to do ‘ a proper job’!

Maybe I am missing a marble or two, but I believe that asset management, and especially strategic asset management, is primarily a task for the professional rather than the academic. There is definitely a place for academic research, for developing and testing new tools and for considered review but it cannot stand alone, and it cannot dominate. “*Strategic Asset Management*” is not about theories of the first best – but rather the “Art of the possible”. Knowing what is needed, and what is possible, is an important task in its own right.

So how do all the different pieces fit together? Prof Joe Amadi-Echendu, from the University of Pretoria, whom I met at ICOMS a few months back, looks at this important issue in his short proposal “A Professional Mystique”. He has framed it within the context of engineering as a whole, but on discussion, we both feel it has even more relevance to Asset Management as a multi-disciplined, multi-sectoral profession.

Tell me what you think

“Professionalism does not occur overnight. Rather, it is a process that evolves out of focused commitment and dedication, ongoing study and professional growth, high-road ethics, unwavering determination, and plain, old-fashioned hard work.” The Institute of Internal Auditors.

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Strategic Asset Management

What does our choice of heroes say about us?

"Red" Adair, who died a few weeks ago, was one of my heroes; as much for his intelligence as for his undoubted bravery. But mostly it was the magnitude of the tasks that he took on that set my heart racing. I love a big challenge!



The great advantages "Red" had were that *his* challenges were obviously urgent, clearly visible, and, transparently, a great deal of money stood to be gained in *the near term*, from a solution. He had absolute control and direction in putting his solution into effect. Moreover there could be no dispute that the challenge actually had been met and a solution provided.

I envy him! The complex and enormous problems of asset management are going to require just as much intelligence and bravery – but even more ingenuity, patience, persuasion, creativeness and *far, far, more endurance!* But in the light of our discussion in this issue of the Asset Manager as a professional, I think we can all take heart from Red Adair's own statement of realities –(see below)

Here, in recognition of my hero, is a short summary of the UK obituaries.

"When the Pipe Alpha production platform exploded on 6 July 1988, killing 167 men, "there was only one man in the world who could douse the fires and avert ecological disaster", said The Times, "The Occidental Petroleum Companies called him in: 'Red Adair', a 73-year-old Texan whose exploits in fighting wild wells from the Equator to the Arctic Circle has made him a legend in his own lifetime." Within hours, Adair was on the scene, directing operations from aboard his support ship. Three weeks later the blaze, 120 miles north-east of Aberdeen, was under control.

Born in Houston in 1915, Paul Neil Adair was one of eight children of a blacksmith, and nicknamed Red because of his ginger hair. At 15, he left school first to work on the railways, and later on the oilfields. His firefighting career began one morning in 1940, said the Los Angeles Times, when the wellhead blew on a gas well in Arkansas. Everyone ran, except Adair, who grabbed a wrench and walked calmly up to tighten the bolts on a containment flange. "The blowout was capped. A career was born. Over the next 40 years Adair made that terrifying walk to blown or burning wellheads nearly 2,000 times". Often he would begin the walk with ten other men. "Pretty soon, though, I'd look and there'd be only five left", he said, "I'd go on a little further, and maybe there'd be one left. A lot of times there'd be none, just me."

Adair came to public attention in 1962, when he put out a vast inferno in Algeria. Known as 'The Devil's cigarette lighter', it has been raging for six months, and experts believed it could never be extinguished. Adair proved them wrong. "Inevitably", he was summoned to Kuwait after the 1991 Gulf War to put out the fires started by Saddam Hussein's forces, said The Independent. The "monumental rescue operation" was expected to take several years; Adair, 76, finished the job in nine months. Asked to justify his colossal fee, he replied: **"If you think it's expensive to hire a professional to do the job, wait until you hire an amateur!"**

From "The Week", 14 August 2004. p. 33.

Who are your heroes? And how do they influence you in your asset management undertakings?
How can we overcome our challenges? Joe Amadi-Echendu suggests we look to our structure as a profession.

What does it mean to be a 'Professional'?

The term "professional" is an honorific in our society, and denotes occupations characterized by certain attributes. Chief among these are a body of specialized, expert knowledge together with a code of ethics emphasizing service to clients,

which in the case of asset management is the whole community today AND tomorrow.

The knowledge base typically provides substantial, but not complete, guidance for professional practice. Professionals possess expert knowledge, but often confront unique, problematic situations that do not lend themselves to formulaic solutions. Professionals must cultivate the ability to cope with the unexpected and act wisely in the face of uncertainty.

Expert knowledge is knowledge that has been put to the test. In the medical profession, no 'cure' is considered a cure, and thus part of medical knowledge, until it has been thoroughly tested. Can we say the same for the 'facts' of asset management. Can we say this for valuations? Condition assessments? Forecast degradation? Outsourcing for efficiency?

Essential to their work is the trust of clients. What warrants such trust is the obligation, upheld within the community of professionals, to pursue an ethic of service and to employ special knowledge and expertise in the interests of their clients.

Medical and Legal professionals deal one on one with their clients. The benefits of their services accrue directly to these individual clients. This is not so for asset management. Asset managers have a wider responsibility to the community in everything that they do. They have their immediate clients (who are usually groups rather than individuals) AND they have additional responsibility to the future, to tomorrow's users of services.

Common to all professions today is the need to prove oneself. Once you could hang out your shingle as a professional and you would be taken on trust. The public's trust however has been severely shaken in recent times and they are not as ready to trust as they once were. Today you will need to **prove yourself a professional.**

And, for this purpose, it surely helps if we can define the scope (and the limits) of our profession. This is what Professor Joe Amadi-Echendu does for Engineers in the following article. But Joe and I agree that the principals apply even more forcefully to multi-disciplined, multi-sectored Asset Management so I have extended his argument as you will see.

Certification of Engineering Professionals – A Case for Creating the Mystique Effect

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The Medical and Legal Fraternities have it—mystique!

In the major economies in the world, practicing medical and legal professionals tend to command higher prestige and remuneration than their counterparts in engineering professions. Perhaps, a dominant reason for this is the immediacy of impact of medical and legal professional outputs on the customer value chain. For instance, a sick patient can readily testify to the advice given by a specific medical practitioner leading to the resolution of an adverse health condition. In a similar manner, a plaintiff can also testify to particular legal advice leading to positive outcome of a litigation on his/her behalf.

This mystique is enhanced by the structure of these professions

Another reason is that these professions tend to surround themselves with generalists at both the consumer and business management interfaces. For instance, the interface of a sick patient to the medical profession is typically via a 'general practitioner', who then passes on to a 'specialist' where necessary. On the business management interface is a medical consultant. Similar situations manifest in the legal profession. This has enabled these professions to create a mystic effect in the consumer community with the attendant recognition of their respective certification processes with significant esteem.

Engineers are removed from immediate impact on clients

Engineering, by its very nature, is further removed from immediacy of impact on the customer or consumer value chain. Very few people readily attest to the direct impact of an individual design engineer, even though most people acknowledge that well engineered products and services improve quality of life. One area of engineering profession that seems to have this esteem factor or mystic appeal is architecture, perhaps because of the intangible and sometimes ostensive artistic appeal of its output.

To surround itself with mystic about professional practice, engineers may need to overcome at least the following hurdles:

- i. provide a better understanding of what an engineering professional does, particularly emphasizing the artistic impressions;
- ii. employ simple terminology to describe the practice of engineering;
- iii. identify engineering curricula early at the primary and secondary education levels;
- iv. eliminate the confusion surrounding words such as apprentice, artisan, technician and engineer.

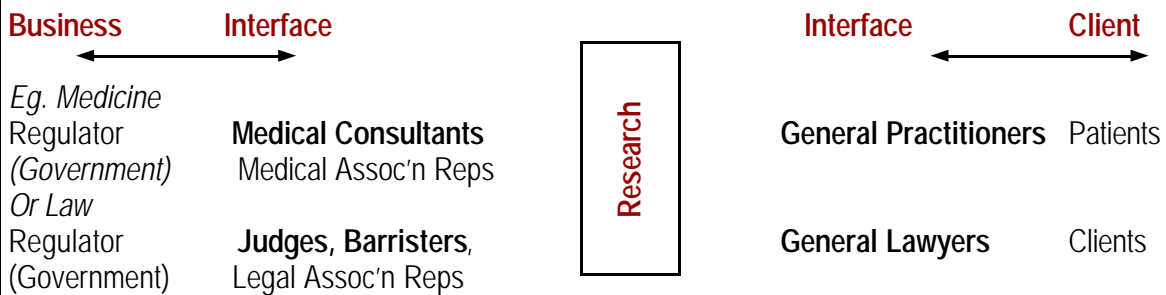
Establishing an Engineering Mystique

For the engineering profession to create some mystic may require the certification process to recognise the significance of generalist roles and how vital they are with regard to interfacing with the consumer and business management. In order words, the certification process may distinguish between the requirements for **generalist** and **specialist** roles. In fact, the suggestion for generalist and specialist roles do not necessarily have to conform to the traditional disciplines of civil, mechanical, electrical engineering. In any case, advances in technology are making these traditional classifications legacy. In some ways, an engineering technician plays a role similar to the radiographer, such that a reliability engineer plays a role similar to the radiologist. Both of these are specialist roles. Typically, a general practitioner refers a patient to the radiographer/radiologist combination, similarly, an engineering planner refers issues to the technician/reliability engineer combination. On the business management side, a general practitioner role such as an asset manager may act as the interface to shield the jargon of the specialist roles from top management.

The need to create Mystique

This brief article suggests that Engineering Certification bodies should recognise the need to create some mystic surrounding the practice of engineering professionals. This will probably enhance the esteem and remuneration of engineering professionals, hopefully making engineering attractive to younger persons early in their education. The requirements for generalist roles like engineering planner on the consumer side, and the asset manager on the business side may provide the impetus for the mystic factor urgently required. Creation of these generalist roles and appropriate recognition and reward structures may also mean that more professionals stay longer in specialist practice.

In Summary, then structure looks like this:



Can we apply this thinking to Asset Management?

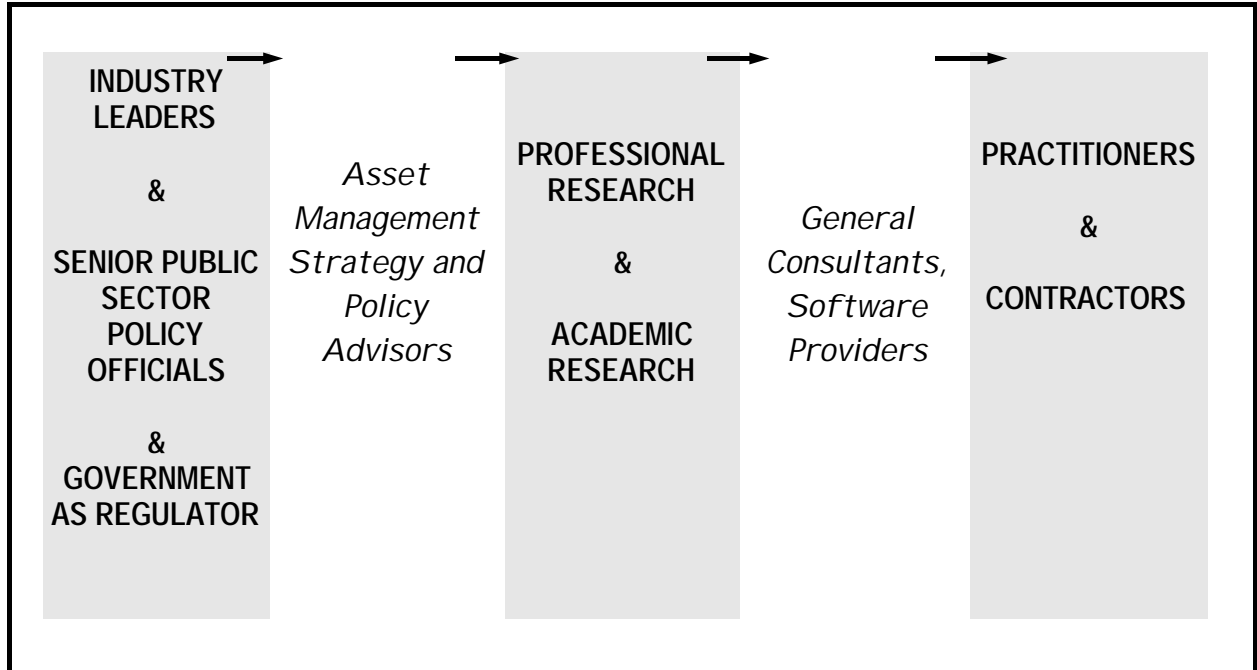
Yes! with an interesting extension. For Medicine and Law, neither the patients/clients nor the regulator/government would be considered to be part of the profession.

For Asset Management they probably need to be!

Consider the following structure:

A Professional 'Structure' for Asset Management

Penny Burns (from an idea by Joe Amadi-Echendu)



Industry Leaders and Senior Public Sector Policy Officials.

These determine the direction of companies and the public sector which guide service delivery objectives. They need to be interpreted for their impact on assets and asset management by

Asset Management Strategy and Policy Advisors

Who analyse the asset management requirements of the new policies and assess what changes need to be made to the current AM policy settings and where knowledge gaps need to be filled and are able to communicate these requirements. They may also be in a position to commission research work from.....

The Research Sector (Both professional and academic)

The distinction between professional, scientific and academic research has become blurred in recent years. Research establishments such as the CSIRO (Australia) or the NRC (Canada) who were previously government funded now need to generate much of their own funding from industry. This has led them to taking on commissioned work that they can also publish. This is also true of academic institutions. On the other side, there are consulting bodies that routinely make their results publicly available, such as the

This has led to research being far more grounded in the immediate needs of practitioners at all levels than was the case in the past. Research with longer term applications has unfortunately suffered and this is perhaps the area most in need of attention.

General Consultants and Software Solution Providers

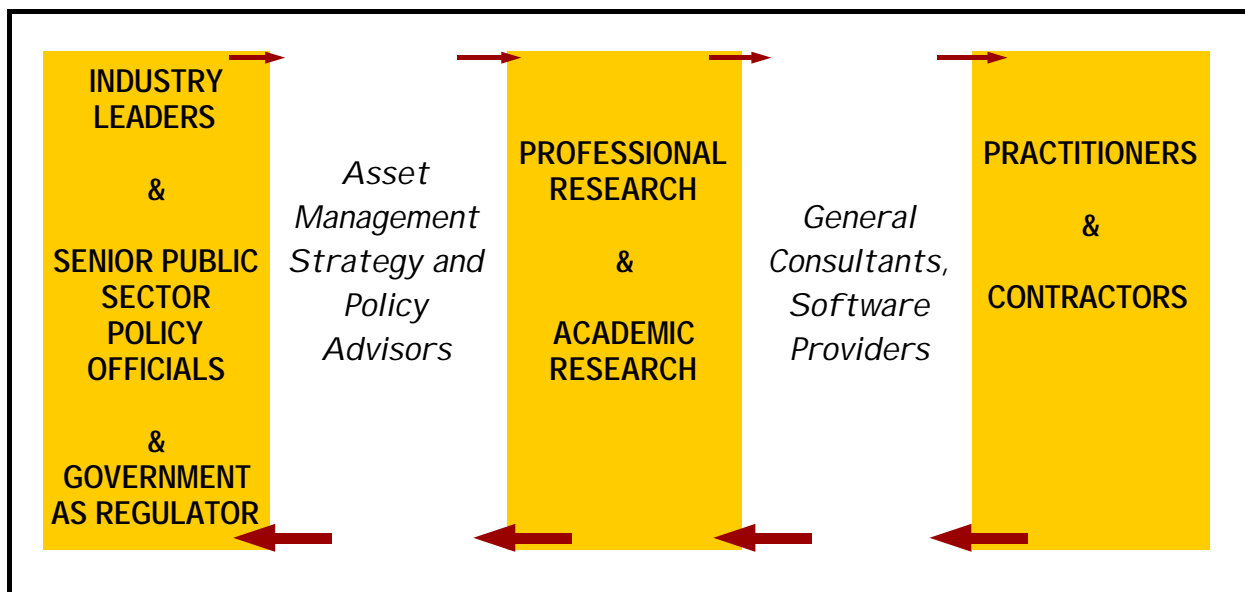
General consultants are professionals who keep up with the latest in research results and select and adapt to the individual needs of their clients.

Practitioners (“The Clients”)

These are industry and public sector asset managers who ensure that ‘the job gets done’, whatever the job is, from strategic asset management to practical maintenance. Practitioners also need to have a general idea of the research results so that they can factor it in to their knowledge of what is possible.

Information flows, however, are not a one-way street.

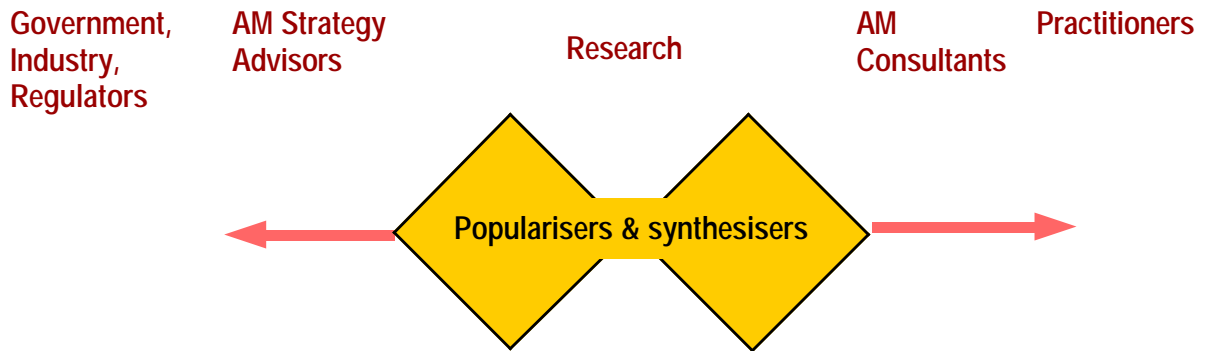
(1) *Practitioners teach consultants what is needed*; (they often teach them how to do it, as well, and in this way, consultants are able to provide a valuable service in disseminating best practice from one to another). (2) *Consultants* are frequently engaged by research bodies to *advise on what research is needed*, and may often be commissioned to be involved in the research projects themselves. (3) *Research* results *create new possibilities and stimulate the thinking* of the (4) *AM Strategy and Policy advisors* who in turn *advise and encourage* (5) *industry leaders, top public sector policy makers and government regulators* to take *new directions*



What's missing?

Because Asset Management has a 5 Sector structure where other professions have but three, we have an additional need for communication between sectors.

Sitting between the Research Sector and the others, we need the equivalent of scientific popularisers to ensure that the research results get interpreted *and integrated* in the thinking of the up-stream asset management strategy and policy advisors and their audience and the down-stream general consultants and software providers and their audience. *“Strategic Asset Management”* tries to do both, but is probably more focussed on the downstream applications. What’s the solution?



Absence of individuals and/or groups who take the upstream integration role, however, leaves the field way open for groups who have narrow industry or professional agendas to select the research results that favour their cause and promote them selectively.

We can see this happening today by groups that are trying to convince the government to spend more money on more or upgraded infrastructure (because that is what their constituent members are best able to supply).

As long as this gap exists, asset management will never become truly professional—for the simple reason that it is not acting in community interests and it lacks an ethical structure.

Your comments very welcome. Feel free to ring me on 08 8281 5795 or email me at info@amqi.com.

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