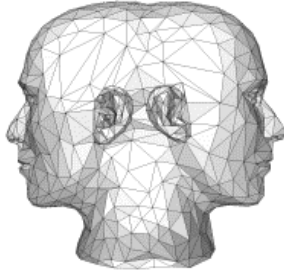


Issue 157 January 7, 2005



Janus is the Roman god of gates and doors, beginnings and endings, and hence represented with a double-faced head, each looking in opposite directions. Janus also represents the transition between primitive life and civilization, and the growing-up of young people.

All of which is excellent symbolism for this, our first issue of January, his name month.

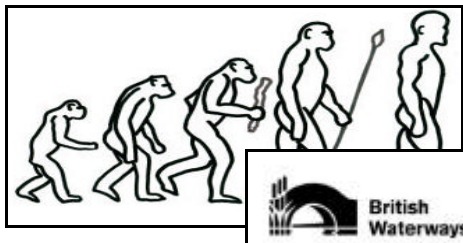
To lead off we have a **Backward Glance** at where we have been in Asset Management from one of its leading exponents. Graham Holland of British Waterways, in "Darwinism and the Evolution of Asset Management" traces the evolution of asset management in his organisation—how does the pattern he describes compare with your situation?

And **Looking Forward** is Dave Openshaw, Head of Strategic Network Development for EDF Energy in the UK, who looks at the importance to Asset Managers of developing a Long Term Vision.

Dave spoke on this topic to the IQPC Infrastructure Asset Management Exchange in London last September. I thought his ideas deserved a wider audience, hence this short interview which has much to commend it for all those who aspire to be a 'value adding' component of their business.

Enjoy!

Penny Burns (Dr)
Editor



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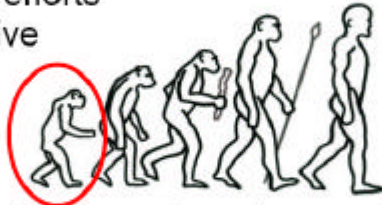
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Strategic Asset Management

Darwinism and the Evolution of Asset Management in British Waterways

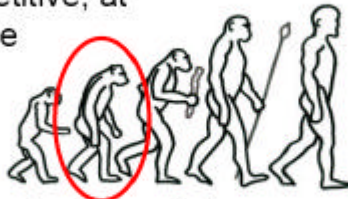
Graham Holland, Asset Manager
British Waterways

Harsh environment,
food scarce, facing
extinction, all efforts
just to stay alive



Harsh economic environment, money scarce,
facing managed shut down and extinction, all
efforts just to keep the infrastructure intact

Self aware, life
dominated by search
for food, competitive, at
the mercy of the
environment



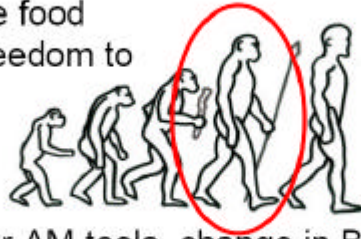
Understanding what we own, begging bowl
philosophy, competitive for money, at the mercy
of Government whims

Invented tools, better use of resources,
food more secure, many tribal groups,
development of group knowledge,
leadership



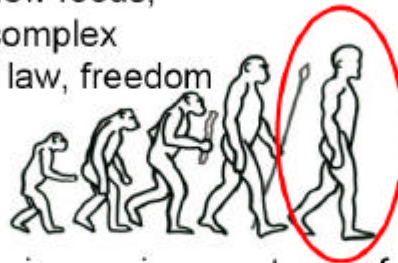
AM tools, knowledge built on improving data,
more secure funding, regional groups
developing good practice, Board signed up to
AM

Better tools, cultural changes, development of rules, secure food allows more freedom to act



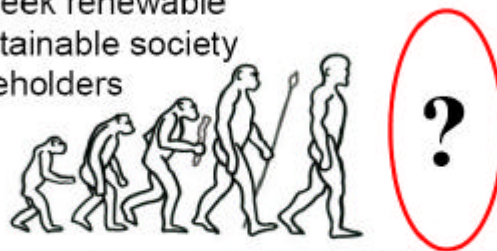
Better AM tools, change in BW culture, common standards, secure funding and greater freedom given by Government

Actively changing environment, new foods, sophisticated complex society, rule of law, freedom to explore



Changing environment, new funding sources, increasingly sophisticated AM, AIP2001, commercial freedom

Continue to evolve, conserve the environment, seek renewable resources, sustainable society based on stakeholders aspirations



More customer focus, meet stringent legislation, bio-diversity plans, heritage awareness, commercial ventures, sustainability based on increasing stakeholder involvement

British Waterways as a success story in asset management will be no stranger to regular readers of "Strategic Asset Management". It is an organisation that took itself from a neglected, third rate transport organisation with decaying assets to a first rate multi-service, value-adding, innovative, organisation in less than six years—through the application of sound asset management principles. See "SAM # 66, July 13 2001" and "SAM#102 November 29 2002" for how they did it.

An Interview with Dave Openshaw,
Head of Strategic Network Development for EDF Energy

Why Asset Managers Need a Future Vision

Why a Vision?

Penny: *First off, Dave, in one simple sentence, why do you believe that a future Vision is so important to asset managers?*

Dave: The best way for me to answer this is to take a quote from 'The Edge' magazine 1995: "Unless we are guided by a conscious vision of the kind of future we want, we will be guided by an unconscious vision of the kind of present we already have." The point is that today's assets and infrastructures, however well cared for, will not necessarily meet tomorrow's business needs, in terms of capacity, reliability, quality, efficiency, and overall functional specification.

Our Job or Someone Else's?

Penny: *So what would you say to those Asset Managers who believe that developing a vision of the future by understanding the changing business environment to be a task for some other section of their organisation, not them?*

Dave: Well it depends on whether they are aspiring to be world-class asset managers. World-class asset management is about much more than simply managing the assets themselves. It is about understanding the condition and (future) performance of those assets and the impact that this performance will have on their business and on sustainable profits, on the customers and businesses that we serve, and indeed on the economic prospects for our nations.

Understanding the business environment is absolutely key. And because the asset base has a long life, this also means being able to predict the future business environment. There are many external influences that need to be carefully monitored in order to predict how this environment might change over the life of the assets. This implies scenario modelling and /or sensitivity studies; for example: assumptions regarding demand growth, future expectations for quality, new technologies, changes in the regulatory and statutory environment, and even (as you have pointed out Penny) demographic trends.

The shape of the organisation, its culture, its corporate knowledge, its quality systems and, processes, and by no means least its people, are fundamental factors in determining the success of an asset management organisation. Only if these precursors are firmly embedded within an asset management organisation, under continuous review, and subject to continuous improvement, will that organisation be able to aspire to world-class status.

What if there is no Vision?

Penny: *And if they aren't?*

Dave: I think this is a real risk. The problem is that we are in danger of becoming 'smug' – rightly congratulating ourselves for the great strides we have made in things like extending maintenance intervals, and 'safe' deferment of asset replacement, but failing to recognise the need for a long-term vision and timely re-investment. The ultimate cost to the country of inadequate infrastructure will be many times greater than the cost of timely investment in adequate infrastructure, and examples are already staring us in the face. Delaying re-investment in infrastructure will ultimately lead to paralysis – and the cost of rectification will then be many times greater than if we had invested adequately at the right time. Failing to recognise the future capacity and performance requirements of the infrastructure over its natural life is an almost irrecoverable mistake.

Four Essentials to a Long Term Vision

Penny: *So are Asset Managers in the UK and Europe embracing this forward thinking, changing business environment role?*

Dave: To some extent, yes. I consider that there are four essential elements to a long-term perspective (or Vision). These are: understanding the (future) business environment (the commercial and regulatory context under which we operate); understanding the assets (i.e. their characteristics, maintenance requirements, failure modes, whole-life costs, etc.); managing business risk and opportunity (for example the consequences of asset failure, but also the synergies arising from re-investment and new technology); and finally, what I call the 'enablers' (a collective term for things like corporate knowledge, information systems, key processes, etc.).

In terms of 'understanding the business environment' we have a fundamental challenge in reconciling short-term financial pressures (e.g. cash) with the fact that we are managing a long-term business. Regulators have an important role in ensuring that incentives are correctly balanced and weighted; not only in terms of the cost/quality trade-off, but also in terms of timely reinvestment. In terms of 'understanding our assets', we are making good progress with diagnostics and in developing 'condition-based' and/or 'reliability-centred' maintenance regimes. And we are still on a long learning curve, so our understanding should get even better. In terms of 'risk and opportunity management', at least we are beginning to understand how to apply concepts such as FMECA and realise the wider consequences of asset failure on business risk and performance. Finally, we are beginning to recognise some of the essential 'enablers' – like the need for information systems, quality accredited processes, and (even) 'people' strategies (including recruitment, retention, and succession planning).

So there are some good signs here. But perhaps that explains why we are feeling so smug. What most concerns me is that we are too focussed on the short term, and worse still, we don't seem to recognise it. Thinking about the future is still a 'tomorrow' problem. We still have a long way to go in developing good understanding of our changing business environment.

Scope Here for Integrated Thinking?

Penny: *In my own work on future thinking (cf SAM 147, Sep 17 "What's on Your Radar?") I looked at some very broad issues such as climate change (or even perceptions of climate change); ageing and declining populations; the rise of the Chinese economy, the impact of global terrorism, and attitudinal changes such as the loss of trust in professionals and the rise of the environmentalism movement. These are issues that are not going to affect just one organisation, but all of them. Given that organisations have yet to seriously think about the changing business futures, is there an opportunity here to develop some serious integrated thinking?*

Dave: These are all relevant and important considerations and, sadly, we have recently been reminded of the need to add 'natural disasters' to our radar map. If we continue to think of these things as tomorrow's problems, the consequences are obvious; we will simply make the wrong investment decisions, in terms both of timing and functional specification. I have however recently seen a good example of visionary thinking.

Example of Integrated Thinking

On the eastern side of London, the largest single regeneration project in Europe, known as 'The Thames Gateway', is just getting into its stride. This will ultimately result in 200,000 new homes. Backed by the UK government, several supporting agencies, and indeed the London Mayor, the need for sustainable, integrated, and holistic planning is considered essential if we are not to perpetuate, or even exacerbate, some of the existing 'problems' surrounding the management of this already densely populated urban environment.

One particular project – known as the 'Z-squared' project – will provide homes, together with the supporting infrastructure, for 5,000 people. The project embraces 'lifetime' strategies for transport infrastructure and utilities, energy and waste management, protection of flora and fauna, food production, education and employment, cultural and social integration, health and safety, etc. These requirements are all built into the overall functional specification.

And in EDF Energy, we have a company that genuinely has a long-term interest, and Vision, and we are now having meaningful discussions with our regulator (Ofgem) on the need for long-term investment.

Asset Management Moving from its Engineering Origins?

Penny: *A last, and sneaky, question, Dave. The issues involved in changing business environments could be considered to be taking asset management a long way away from its engineering origins – comment?*

Dave: True – but surely this is a natural evolution of asset management and a great opportunity for engineering to re-establish itself as a key profession in our modern world. Unless we understand the business context, we will not fully recognise the business benefits that new technologies and strategies can deliver. (Worse still, we may pursue technically 'interesting' developments that deliver little in terms of business benefit). Of course we need to work with economists, environmentalists, financial stakeholders, regulators, statutory authorities and government departments etc. but if we can demonstrate that we have understood and embraced the 'business' context in our asset management thinking, then we will have a much greater influence over business decisions. The alternative is that we are regarded as a purely technical source of reference – a profession that is asked to deliver the strategy that has been decided, rather than one that has directly influenced that strategy.

ISE SHRINE



To think about

This Shinto shrine at Ise named Jingu Shrine is rebuilt every twenty years. Its first incarnation was in 04 C.E. The design utilises ephemeral materials and has done something which Stonehenge and the Great Pyramids have not— it has aided the survival of its institution.

It has done this by looking forwards in order to look back!

Or is it looking back, to continue moving forwards. Which?

The Shintoists were not concerned at the longevity of the asset (in fact they don't think of their shrine as an asset) but rather the longevity of their beliefs. They were, and are, focussed on outcomes.

Strategic Asset Management

is produced fortnightly for Asset Managers who aspire to be more than just a cog in the wheel.

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