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POSITIONING YOURSELF FOR A BRIGHTER FUTURE

*"I do one thing at a time. I do it well. Then I
move on"*

Charles Emerson Winchester III, "M*A*S*H"

Why the Winchester school of Asset Management is not appropriate
today—even though we often act as if it is. **p. 968**

This issue was motivated by a request to speak to the Western Australian Local Government Week on the Future of Asset Management Service Delivery.

- There is the future that you make happen.
- There is the future that comes unexpectedly and you just have to cope with it
- And there is the future that you anticipate and manage (much in the way that in the martial arts you learn to use the strength of your opponent to your advantage.)

In this issue we focus on
anticipation and management.

In past issues we have looked at some of the bigger world changes that will impact the way we all work—demographic change, global climatic changes, the rise of China, etc.

Here we look at some of the more direct process and organisational changes that we can see are already impacting other industries

And because, in anticipation and management, it is important not to get blindsided, we introduce two new ways of looking at risk management—'managed luck' and 'embracing uncertainty'

Enjoy!

Penny Burns

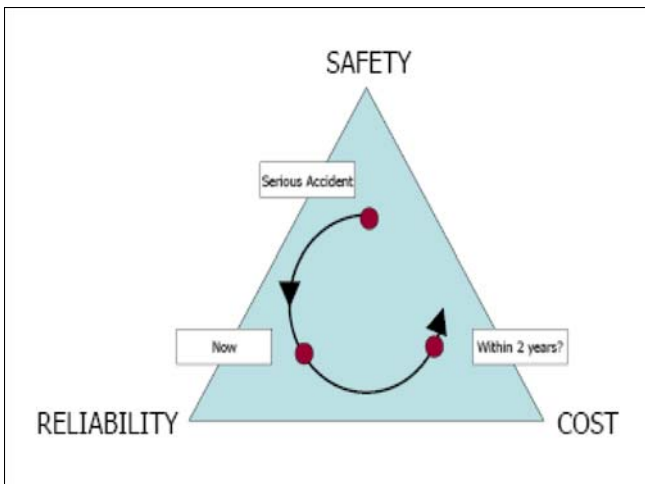
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“I do one thing at a time. I do it well. I move on.”

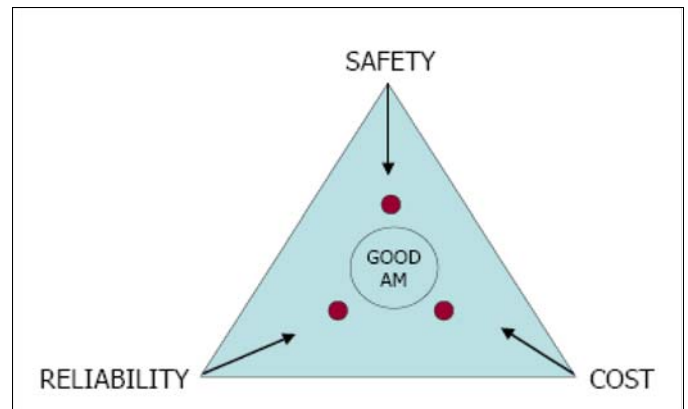
Charles Emerson Winchester III, “M*A*S*H”

Doing one thing at a time is fine where things are independent. But take safety, cost and reliability. Focusing on any one of these to the exclusion of the others is a recipe for disaster and yet it is very common. After a serious accident, the focus is on safety and things slow down whilst the safety issues are addressed so that reliability falls away; users get disenchanted so the board moves on to a focus on reliability and costs blow out so cost containment becomes the focus – until the next accident, and so on. A familiar pattern.



NASA would be the most spectacular of recent examples. The foam insulation on the Discovery space shuttle last week wasn't expected to fail, but it did. The New York Times reports that “in the constant battle between safety and the twin pressures of meeting budgets and sticking to launching schedules, safety had lost again”. But safety wasn't the only thing that was lost. Subsequent shuttle flights have been cancelled and the costs have continued to soar. So reliability and cost have also lost.

In our holistic world where everything is a trade-off, we have to balance the needs of safety, reliability and cost and do them all well... at the same time. We cannot afford to lurch from one goal to another. The answer is Good Asset Management where all are addressed simultaneously.. Is this possible?



Doing Everything Well - at the same time - all the time !

Yorkshire Water

Yorkshire Water after the 1996 drought suffered badly in public reputation and in its dealings with the regulator. Under threat of losing its licence it had to persuade the City and its economic regulator that it could radically improve customer service and water quality while continuing to cut costs year on year. A new management team was installed and it targeted Compliance, Service and Value to Shareholders *all at the same time*. And the mechanism that they used was advanced Asset Management under a strong team.

It is now the best performing and most admired company in its sector – including by the regulator. Customers are now voting Yorkshire Water among the best in customer service of all UK utilities, not just water, and the company rose from last place to second in the UK Office of Water Services' customer service ratings. It has achieved recognition as being one of the “Great Places to work n the UK” and last month it gained the Shields Award for environmental sustainability at Business in the Community's National Awards for Excellence held at the Royal Albert Hall, London. So: customer approval, regulator approval, employee approval, environmental approval - what it takes is rigour – strong AM leadership that challenges existing practices and accepts no excuses.

(My thanks to Ruth Wallsgrove for drawing this to my attention.)

THE FUTURE OF AM— USING EMERGING COMMUNICATION TECHNOLOGIES

Maintenance & Civic Blogging

It is common for drivers to phone in to radio stations that provide traffic alerts and tell them where there are hold-ups. Can we take this civic willingness a step further - what about providing an opportunity for citizens to use their mobile phones to take pictures of potholes or graffiti and then, using Google maps, e-mailing the pictures and precise locations to the council?



The radio stations provide a known contact point and possibly mention the person's name over the radio thereby providing inducement to people to ring in. How would you make civic blogging a possibility in your council?

How else could you use the power of networks and blogging? Think of the public official as a hub of connectivity for the many to work with the many - creating networks of public advocates to identify and solve problems and get behind politicians who get it.

Partnering with Existing Businesses

Paying your bills at the post office is an example of this. How can asset managers adopt this idea? Yarra Valley Water was before its time when, in 1996, it developing software allowing it to connect its asset database, GIS, and customer information with easy access for customer imaging. Designed for PC application, the model was franchised to plumbing shops and customers accessed it for a fee. Plumbers saved time in getting the approved certificates and other documentation that they

needed (faxed to the plumbers shop); the plumbing shops got more customers and Yarra Valley saved the time of its customer inquiry staff. A win-win-win.

(Yarra Valley won an award in the International Asset Management Competitions for this and you can access more detail in AMQ International, 1997, Vol 1. No 3)

Who would be interested in, could use, and would pay for, your asset information? After all, once you have your database, you might as well use it. Real Estate Agents, Property Developers? How would you sell your information on line? Or can you reduce the call on your customer inquiry line and thus save money as Yarra Valley did? The incentive to sell your services may be what it takes to get the quality up to scratch.

What other partnering could you undertake?

Streamlining customer inquiries

One local government finds that almost half the time of its road planner is used up answering questions from citizens and councillors about the location and timing of road projects that have already been decided. Queries on which roads are to have footpaths, (and if one-sided, which side?) also consume a great deal of the time of skilled professionals. Is there a better way to do this?

What if the forward projects in the Asset Management Plan were linked to the geographic database so that when someone rang with a query it would be possible for the customer inquiry person to find the location and click on 'forward plan' and say to the inquirer "This is scheduled for work next year", Or "Nothing is scheduled for the next five years ". Save money! Better service!

THE CUSTOMER IS KING

And is going to become more so in the future, are you prepared?

Customer Differentiation

In education and business we can see a trend to stronger customer differentiation, market niches, a focus on small customer segments. It is not a 'one size fits all' world. How are you adopting these ideas in your asset management? Do you have a 'standard' rule, for example, that says there shall be a footpath on one side of the road for this type of road and two sides for that? Do you allow for variation when either consumers are willing to pay for more, or (importantly) would like to do with less? Are you able to calculate the average annual cost of different service levels to different areas or different customers?

In business this is leading to significantly greater competition and market complexities with high levels of product fragmentation, a commoditisation of products and services and shorter planning cycles.

How well do you know your customers - both within your organisation and without? If you have outsourced maintenance or facilities management, how are you keeping in touch with customers or ratepayers to determine when their needs change. Given that needs are changing increasingly rapidly, how is this impacting the length of your service contracts? Are you still blocked in to providing services that your customers no longer rate highly? How do you know?

Customer Knowledge

How well do you know your customers – and *their* desired outcomes? Can you *report against their*

outcomes? For example, do you report congestion and traffic times (and what you are doing by way of asset management, eg night work, to improve them)? Do you measure and report improvements in road safety or other safety measures? Or flood damage?

Commoditisation

This means making something into a commodity, i. e. saleable. Infrastructure services were once provided to the community as a common good paid for out of tax revenues. Now they are increasingly commodities. Pay-for-use, for example, turned water into a commodity. In the UK, British Waterways can offer companies water of any desired quality – and also a service to clean up their wastewater to a community standard for re-entry into the water stream. Canada is looking at how to make wastewater services into a commodity. (See the Canadian InfraGuide.)

Commoditisation enables consumer differentiation (see above) but it does have its downsides. Most especially, it assumes that the user is the only beneficiary and therefore the only one whose needs have to be considered. But take rubbish collection – if I am charged per collection and opt out, which I can if this is a commodity, then the accumulated rubbish on my property not only affects me but my neighbours too; it adds to urban blight and presents a health hazard.

Just because something is an ongoing trend doesn't necessarily mean it is good, or applicable in all circumstances. Beneficiaries can differ from customers.

WHAT AND HOW WE DELIVER SERVICES IS CHANGING

How will this impact Asset Management?

Disintermediation

Big word but it means smaller supply chains. In a sense, it is eliminating the middle man, a trend that we have seen for some time now.

Experts see this happening in schools where the system (education department) is projected to have decreasing control over what is taught. (This is already happening). Actual curriculum decisions will rest with the schools and they will be able to decide what to teach. And teachers will come under increasing pressure from online (home) based education providers (and perhaps from other schools as they become more entrepreneurial) who will endeavour to establish direct relationships with individual children.

How can asset managers benefit from this?

What can you bypass to get more directly to your customers?

Examine your supply chain with the idea of removing links, perhaps by automating or using internet services.

Product fragmentation

Again, taking our example from education, we can reference the breakdown of subjects into fragments. Curriculum materials will not be developed as full sequences, they will be developed as units, short sequences or even single lessons. Users will then be able to search for and assemble them as they see appropriate. This will challenge the sequencing and organisation of knowledge.

How might this apply to asset managers? Can your 'product' be unpacked? Instead of doing the whole job, just doing part of it? Doing some elements, outsourcing others. Establishing part as a product in its own right and selling it on to others? Tree trimming for example, or road sealing? What special expertise do you have that could be applied to other areas? What elements do you have in common with other organisations that could be more cheaply done as a 'job lot'? Many do this already, what more can be done?

A new infrastructure role for local government?

Philadelphia has decided it is not going to wait for private companies to provide connectivity to all. Instead it made it a city led project as with other essential infrastructure. The whole city is to be a "hot zone" where any resident anywhere with a computer, mobile phone, or PDA will have cheap high-speed Wi-Fi access to the Internet. Imagine what this will do to encourage business and branch offices in your city?

The argument is that they can't trust the telecom companies to make sure that everyone is connected because new technologies, like free Internet telephony, threaten the telecom's business models.

What other areas are not in the private sector's interest but would be beneficial for the community undertaken as a community project?

BE PREPARED

Two excellent ideas for moving forward with confidence

1. Managed Luck

"Have you noticed that things rarely turn out as expected? The most likely outcome is rarely what happens. Usually it is something else - one of the innumerable alternatives, each less likely than the expected outcome, but collectively more likely than the favourite.

What is less obvious is that most of us are *not as good at risk management as we think*. There are three reasons for this:

- **Natural reasoning flaws:** Psychologists have discovered many persistent flaws in the way we think about likelihood. Even Professors of statistics make big errors when they rely on their judgment. Typically, we have an overly narrow view of what might happen in the future. Finding ways to counter these subtle but important errors has been so difficult many have concluded that they are an innate and inevitable.
- **Pressure from other people:** The impact of our innate mental limitations is nothing compared to the effect of pressure from colleagues at work. Almost

daily we are pressured to appear more certain than we really are and to fix our minds on one future outcome only. The result is that we suppress uncertainty. We don't talk about it, think about it, or manage it as much as we could and should.

· **Lack of knowledge:** Finally, we get little education or training in effective risk and uncertainty management techniques. Things are changing but there's still a long way to go. In my education more time was spent trying to teach me *Latin* than risk. Most people don't even know what they don't know.

Thanks to these issues risk is frequently overlooked or mis-managed by individuals and large organisations alike. "

Managed Luck is the website of Matthew Leitch and you will find it at <http://www.managedluck.co.uk>

It is full of fascinating and practical stuff about being prepared to face the changing world.

2. Embracing Uncertainty

Research has revealed that employees who work for organizations that embrace uncertainty tend to be:

- More satisfied with their job.
- More committed to their organizations.
- Less cynical about organizational life.
- More likely to identify with the organization.

These tendencies occurred even when employees themselves did not fully embrace uncertainty.

See how organisations suppress rather than embrace uncertainty. (next page)

HOW ORGANISATIONS SUPPRESS UNCERTAINTY

(much of it unconsciously)
Is yours?

1. Over-Emphasis on Planning Processes

"Proper planning clearly benefits organizations. However, few people address the potential dangers of over-planning. The CEO of the Southwest Airlines, Herb Kelleher, is one exception. He explains:

"Reality is chaotic; planning is ordered and logical. The two don't square with one another... The meticulous nit-picking that goes on in most strategic planning processes creates a mental straightjacket that becomes disabling in an industry where things change radically from one day to the next."

In short, the company can become a *victim* of its planning processes. Traditionally the management planning process works like this:

Step 1: End point objectives are developed.

Step 2: Gaps between current positions and the objectives are identified.

Step 3: Action plans, timetables and outcome measures are created to close the gaps and drive toward the desired results.

The process often works well. But taken to extremes, it lends itself to **information avoidance**. Managers become less open to input from others and more blind to new information that might suggest a needed change in direction. Ironically, complete deterministic planning makes outcomes *more* unpredictable because they are not flexible enough in adapting to new information. *The more they attempt to drive out the uncertainty, the more unpredictable the results really are.* because they systematically avoid information that might change their plans.

2. Over-Use of Research Studies

A research study can provide insight into a difficult problem, but **sloppy research studies can deceive**.

Merely changing the order of the words in a survey question can elicit vastly different responses. Moreover, surveys are often not accurate predictors of actual behavior. Consumers may not be lying; they may just be responding in socially acceptable ways. A mother is unlikely to tell a female researcher that she spends more on dog food than baby food. But that is exactly what some studies reveal.

The bottom line is that if executives want "scientific" research to bolster their claims, then it usually can be produced. Hence, some research can be dismissed as a mere tactic to increase the organization's confidence in something that is essentially uncertain.

3. Over-Reliance on Computer Modeling and Forecasting

Computer models are always based on assumptions, many of which are arbitrary. Moreover, **there is usually pressure to make the model conform to the prevailing wisdom**. Two noted business scholars concluded that, "misinforming the public under the guise of forecasts and computer models, appears to have taken firm root in the culture of many organizations". According to their research, senior management frequently asks for adjustments in some base-line figures in

order to make the projections appear more favorable. Over 60% of the forecasters reported that these adjustments decreased the accuracy of their models. Even independent analysts can fall prey to these pressures. One study reported that corporate earnings projections had an error rate of over 65%. Even one of the pioneers of mathematically-based forecasting, Thomas Naylor, admitted that, "there is increasing evidence that the *politics* of model building may be the single most important factor in determining the success or failure of a particular corporate modeling project".

The underlying lesson: the computer can be just another sophisticated tool to produce artificial certainty.

4. *Inappropriate Use of Consultants*

A consultant's credibility may create artificial certainty for an organization - "The consultant said we should execute this plan; therefore, we must do it."

A consultant's credibility flows from past successes, experiences or credentials. The problem is that the consultant's *ethos* rather than *logic* may be at the crux of the persuasive appeal. Credibility is something that the consultant does not possess but an attribution assigned by those who do the hiring. The consultant may have expertise, but the value of that expertise is based on the *perceptions* of the organization.

In a weird twist, the company *buys* the certainty by the very act of assigning high credibility to the consultant. It is a perfectly subtle method of self-deception.

Organizations drive out the uncertainty by letting the "expert" do it for them, whether it is warranted or not. In fact, some consultants are hired for the unstated purpose of putting their stamp of approval on a predetermined solution that minimizes complexity or randomness.

Executives, who inappropriately use any of the techniques described above, can simultaneously suppress their own uncertainty, while stifling their employees' uncertainty.

For example, excessive planning may make the senior management team feel more secure but discourages employees from expressing their concerns and uncertainty. When the inevitable implementation failure occurs, each side blames the other.

The executives argue, "if only they had followed the plan, then it would have worked," while employees think, "if only they had listened to our concerns, then we could have made it work."

Such destructive cycles of accusation and blame permeate organizations that overlook the value of developing a dynamic climate in which all employees seek to embrace uncertainty.

How Can Executives Build Uncertainty-Embracing Organizations?

Organisations embrace uncertainty by mastering three basic competencies

- Cultivating an awareness of uncertainty.
- Communicating about the uncertainty.
- Catalyzing action in an uncertain environment."

Intrigued? Want to know more?

This information comes from the <http://www.imetacomm.com/otherpubs/index.html> website (Click on "Other Publications" or buy the authors' book "Embracing Uncertainty" by Phillip G. Clampitt, Robert J. DeKoch and M. Lee Williams (information also on the website.)

I found this site very useful. You may, too.