



WHAT'S DRIVING YOUR ASSET MANAGEMENT COMPETENCIES?

This question is closely allied to the question I asked a few issues ago, namely "Is an 'Asset Centric' or a 'Service Centric' approach right for you. Both are valid, but different organisations have different needs - and drivers.

Knowing your drivers means knowing who or what you can call on for support in improving asset management competency. And it means knowing what you need to look for in an asset manager. So it is helpful in answering the second of our two questions in this issue:

WHERE IS THE NEXT GENERATION OF ASSET MANAGERS TO COME FROM?

You may be surprised at the answer. But I trust you will also be relieved.

Please consider and enjoy!

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EDITORIAL

Rethinking Qualifications

At dinner the other night, a colleague reported that his daughter had an ambition to be an asset manager like him.

“You can only do what I do, if you do what I did” replied her father, explaining that his daughter would need to do an engineering degree and further study as he had done.

“Is that really true?” asked his wife, who had home-schooled their extremely bright children. “Could she not learn by observation and questioning and work her way up from simple to more complex tasks? That is the way she has learnt everything else!”

Almost certainly, **you** (*me, too!*) - and, indeed, most asset managers - learnt asset management this way. It is only very recently that we have started to teach the processes and techniques of asset management - in seminars, workshops, and in formal education.

Some of you would have a graduate degree in engineering, others would have come up through a background of construction, maintenance, finance, or property development/management and may, or may not, have formal tertiary qualifications.

A couple of the best asset managers I have known had a background in nursing! One became Director of Capital Works in a Health Commission, the other an extremely practical policy director in the Commonwealth Government.

Or consider the Asset Manager I had lunch with recently, who designed and published much sought after practical guidelines in asset management, decision making and life cycle costing, all without the background of a formal degree - just an inquiring mind, the interest to read widely, and the wit to apply what he read. He was, moreover, able to teach these techniques to others who also had no formal training and to design policy that encouraged their use. Now that IS an Asset Manager!

Finally when we consider the number of excellent engineers we know, great at ‘doing’ things, but with little real interest in decision-making, then we would have to conclude that an engineering background may be useful but it is neither necessary nor sufficient.

“But surely we have to have properly qualified people?”

This is one of those questions that it is hard to say “No” to. Nevertheless we should.

How do you ‘qualify’ people to be innovative, imaginative, questioning? How do you qualify people to look for better ways to do what has always been done, indeed, better ways to do *what they have been taught to do*? Qualification and ability are not synonymous. When there was an excess of people over jobs, qualifications served the role of a filter. We are already into the stage where we need more than the available supply. Let us not limit ourselves further by qualifications. Let us rather concentrate on getting the job done.



WHO OR WHAT IS DRIVING ASSET MANAGEMENT COMPETENCY IN YOUR ORGANISATION - and why it matters.

A few issues ago, Roger Byrne argued that best practice for assets was the same no matter who owned or managed them. This **'asset centric'** approach thus lends itself to national, even global, standards.

In the same issue, Ashay Prabhu argued that as the purpose of assets was to provide service, it was the desired service level that should drive asset management, and this could, and generally was, different for all agencies. This **'service centric'** approach does not lend itself to the setting of standards, global or national.

Although very different, both are valid approaches - and at the heart of AM Competency

If you are a regulated utility, you will find that you do not have very much scope to choose your own service levels. These are largely set for you by the economic and technical regulators. As a utility you do not set asset levels in response to the differential needs of your users but rather are constrained to minimum standards that the regulator considers necessary for safety and efficiency.

The best answer to any challenge by the Regulator is that you are 'industry best practice'. Thus an 'asset centric' approach based on industry standards is ideal. And the more widely the standards are adopted, the stronger your case.

So utilities benefit from a standards driven 'asset centric' approach and the need to be competent asset managers is driven by the Regulator.

By contrast, if you are a council, you are in business to meet the needs of your constituency. A large metropolitan council would have different service requirements from a small rural council; a council depending largely on tourist traffic would have different requirements from one based on industry or agriculture. Council asset management is under pressure from several directions - from state government supervision, from their ratepayers, and from the threat of legal action should an accident involve their assets.

The best answer to any challenge by any of these is that you know what you are doing, it is what your community wants, and you are doing the best you can. In Victoria, this was formalised in the Road Asset Management Plans. With the removal of immunity from legal liability involving roads and footpaths, Victorian Councils were required to establish Asset Management Plans. The directions and service levels in each plan were subject to the wishes of their community, but in the event of an accident, if the council were able to demonstrate that (a) they had a plan (b) they knew the condition of their assets and had prioritised them according to the wishes of their community and the limits of their budget, and (c) *followed their plan*, they were largely protected against the claim

of negligence - in other words, the assets may have been in poor condition and a contributing factor in the accident, but the council was not negligent. The quality of the Plan and the council's follow-through are critical here.

Horses for Courses.

So it turns out that whether you are 'asset centric' or 'service centric' depends on what kind of an organisation you are, who determines your service levels and who is driving your need to be competent.

Utilities

Regulated agencies like utilities are required to be responsive to the Regulator and **an asset centric focus** allows them to demonstrate their competency by reference to recognised industry standards. Regulated agencies that can be shown to be incompetent can have their licences revoked.

Regulated agencies would benefit from an industry standard such as PAS-55 with its focus on techniques and processes

Councils

Local government is required to be responsive to their constituents, and **a service focus approach** allows them to be responsive. Councils that can be shown to be incompetent can have their councillors dismissed and replaced by an administrator.

Local Government would benefit from the principles in PAS-55 - they are the same as the International Infrastructure Management Manual from which they were derived. But most councils are already using the IIMM. The task of local government is to adopt standard/levels of service that suit their communities and this is not a global standard because all communities are different. Industry standards tend towards highest service levels rather than the 'most appropriate'.

WHO SUPPORTS ASSET MANAGEMENT COMPETENCY?

There are two major engineering asset management associations in Australia, the Maintenance Engineering Society of Australia, which has a joint agreement with the British Institute of Asset Management for the development and use of PAS-55. Members of this association are mostly drawn from utilities, other regulated bodies, mining and manufacturing - the 'heavy engineering end of town' - **and they take an 'asset centric' focus.**

The other is the Institute of Public Works Engineering Australia, whose members are largely drawn from local government and the emphasis is on teaching strategic principles, educating councillors and senior management of the importance of asset management, and exchanging information at a practitioner level. **They are 'service-centric'.**

So local government, utilities and heavy engineering organisations are both externally motivated in terms of asset management competency and are both supported by professional associations. **There is one very large, and very significant, group of agencies that is missing from this classification. ... However, you will have to wait until later for this!**

WHERE ARE THE NEXT GENERATION OF ASSET MANAGERS TO COME FROM?

From Academia?

Some will no doubt undertake post graduate studies at tertiary institutions but there are reasons to believe that this will not be the major source of supply.

1. Despite the euphoria over the arrival of the 21 millionth Australian last week, our population growth is slowing down. There will be growing pressure (and opportunities) for graduates to join the workforce.

2. After a number of years of long hours both studying and earning a living, the idea of just simply earning a living will be most attractive. A desire to pay off the HECS fees and avoid taking on more debt will also play a big part.

3. Without a large premium for those holding post graduate qualifications in asset management, and with good jobs easy to come by, there will be little incentive to undertake further full or part time study, especially for those with families.

4. Those in existing jobs who would be most capable of doing further degree work are also likely to be those most in demand and working long hours.

5. Such courses as exist, such as the UWA course to be launched next year, may restrict entry to those with a degree rather than to those who have learnt their asset management 'on the job'.

So, if not from Academia, then where?



**"IT'S LESSON 6 OF THE BOSS' ASSET MANAGEMENT COURSE -
'ASSET DISPOSALS: DOING MORE WITH LESS!'"**

Do it Yourself! Consider In-House Learning

Companies with a large demand for asset management have been interested in having a University course customised for them and taught 'in-house'. This could have considerable benefits for both company and individual - the ability to apply the knowledge gained within the work situation straight away would greatly aid interest, learning, and company benefit. While limitations on university resources might make this difficult, if the University designed the basic course and outsourced the customisation and teaching, retaining quality control, this could be a useful model for the future.

But once we stop thinking that to be useful, we must be 'qualified' and recognise that the best test of competency is that we can actually *do the job*, then a wider range of possibilities exist.

Consider the following example:

While I was acting as Advisor to the Minister of Energy, the Hydro Electric Corporation in his portfolio wanted some assistance for a life cycle forecasting model. As it was not appropriate that I do the work for them, I offered to guide them through the process. Their problem was an interesting one. It was 1989 and the last two hydro-dams that were economically viable and outside the environmental cut off zone were in the process of being built. It was clear that when they were completed, staff would be shed. But which staff? Reasoning that within a short space of time, a number of existing assets would be in need of renewal, the Asset Management Team wanted to know what demands this would place on future staff requirements.

For this exercise we chose to examine just the key and critical assets. As the voluntary 'advisor-consultant' I took them step by step through the life cycle forward modelling process. At the end of each stage we regrouped, analysed the results, determined the next step and made sure that they knew what needed to be done and could do it.

As a result, not only did they complete the entire exercise themselves but they knew how to modify the results when circumstances or policy changed, or to later apply the same process to other assets. **It had been an exercise in information transfer.** I found it very enjoyable as the advisor and they were very pleased with the report that they produced.

EVERY CONSULTANCY TASK HAS THIS POTENTIAL FOR IN-HOUSE LEARNING

Benefits

Use the training budget. Consultancy projects are often conceived as a way of 'getting runs on the board' with minimal staff involvement. In the event, however, the staff involvement is often far from minimal! Why not consider charging a proportion of the staff time to the 'training budget' and make better use of staff time?

Save time and money. Projects carried out by consultants often end up sitting on the shelf because the output doesn't quite mesh with the 'way things are done'. This is less

likely to happen if you do it yourselves. So you get better value for money and less time is spent, after the event, trying to adapt the outputs to your needs.

A good way to develop teams - and especially for bringing in others outside your discipline. So if the project is essentially an engineering one, you could bring in a planner and/or a finance person to be part of the team and bring the benefits of a multi-disciplinary outlook. (And v.v. if the project is a financial one, or a planning one.)

Ensure back-up by taking a team approach to consultancy type tasks. More than one person understands the task so that should your primary person be ill, on leave, or just simply leave, you are not left bereft.

Retain your staff. A member of staff who receives training in team work is likely to remain more loyal to the team and less likely to leave than a member who receives financial support or time off to do a degree. They are more likely to consider themselves 'team players' - and they enjoy their work more.

Bring new staff members quickly up to scratch by giving them a specific role, under guidance from the project director. As I mentioned in the editorial, one way of learning is to 'observe, ask questions, and work your way up from simple to more complex tasks'. (This could be a good way of supporting a struggling engineering student with part time income. With any luck, he or she may decide to join you full time when graduated.)

Act "Project", think "Program"

Asset management is ongoing. Whatever project you do now, will generally need doing again later, either on a different set of assets or as a matter of updating data. If you call in consultants all the time, you become reliant on them and they get the training at your expense. And the chances are that when updates are needed, the funding for a consultancy project is not available and so it does not get done.

Small or large tasks can be carried out in this way

Whether it is an exercise in condition assessment, valuation, life cycle modelling or other relatively small, self-contained, exercise, or whether it is the production of an Asset Management Plan where all sections of the organisation from the field officers to the board or council members are involved, the 'guided in-house' model has much to offer.

Glenorchie City and Georgetown in Tasmania are two councils that can attest to the value of doing their own work in-house under the guidance of a skilled asset management consultant: they have both won national awards for their asset management work!

Using an outsider as a project director has other benefits in that the guidance task doesn't get swallowed up in day to day urgencies as might happen if it were the part-time responsibility of an existing officer; it makes specialist expertise available to the organisation at reasonable cost and only for the time that is needed; and it carries credibility both with staff and with council.

A different style of contract

However it does require a different style of contract to be written, and a particular kind of consultant to be employed - one who listens and is able to design to your needs.

What can the professional associations do?

Mentoring

If senior members of the profession were to deliberately make it their task to pass on their experience through formal mentoring, we could double the number of knowledgeable asset managers in a relatively short space of time. Perhaps active mentoring could be a requirement for the movement to Fellow or to senior positions in the Associations?

The Associations could also support the Mentors by organising Mentoring Clubs where Mentors could exchange experiences and successes.

The Mentors should be formally recognised as the senior members of the Profession at annual conferences and gatherings and given a position of eminence. Then, maybe, this task could be given a higher priority by those in a position to undertake it?

Lecturing/Promoting

Associations could maintain a list of members who have the skills and interests to pass on their experiences in the form of case studies or lectures in formal University Classes. I would like to see this extended to the final years of undergraduate classes in Economics, Engineering, Finance, Town and Urban Planning, and any other relevant class to open up the possibilities for the employment of these people in asset management. Although our major asset management associations are engineering based, they could do this.

Case studies

Everybody wants them but they are hard to find. Years ago I created the *International Asset Management Competitions* to encourage the documentation of case studies. Perhaps this is a task that the Associations should now press ahead with? And make them available widely both within and beyond their association members as a contribution to industry. To some extent the annual conferences collect some of these valuable pieces of information, but more needs to be done if we are to become a true professional discipline.

CONCLUSIONS

So the Universities have a role, but perhaps a small one, the associations have a medium size role but growing, and YOU, the asset management in-house team, have the biggest role of all. You are in charge of your own future. **(And you can motivate your association!)**