



Mind Games

Issue 251 October 6th 2008

Many years ago - when I was younger and braver - I entitled one of my issues "Good Asset Management - like good sex - is 95% in the head". I still believe this to be true. Let me show you why - in 3 challenges, and a refresher!

Challenge One - It's not what you do, but the story you tell! Can you turn a project - any project - into a good story? pp 2-3

Challenge Two - How 'outcomes focussed' are you really? Try our quiz. Are you a champion? pp 4-5

Challenge Three - The "60 Seconds" Challenge - How well have you marshalled your arguments? You are in the lift and find yourself with sixty seconds to give a key message to the Minister/ Mayor /Major Person. None of her minders are around. This is your opportunity. What do you say? p 8

And a refresher on "Why there is no such thing as the 'one true valuation' - but only the right value for the job" pp 6-7

As always, please consider - and enjoy!
Penny

Editor: Dr Penny Burns, AMQ International
PO Box 75 Salisbury South Australia 5108
Telephone 61 (0) 8 8281 5795
Email: amqi@amqi.com Website www.amqi.com

The Power of Stories

Asset management units frequently find it difficult to let their organisations know how valuable they are. But often we go about it the wrong way. Sure facts are good, but a good asset management story that can be told at staff meetings or even around the water cooler will beat a 20cm thick fact file any day of the week.

Stories involve their listeners. And the more often they are repeated the better. Make them part of your folklore! How do you develop the kind of stories that bear repetition - at staff inductions, interdepartmental meetings, conferences, lunches with colleagues or even when you run into a councillor or senior executive member in the pub?



Well we all have some success story not yet written up - and the fascinating thing is that the project that forms the story content doesn't even have to be a success in itself, for your story to be a success. You can select the elements that did work. Or focus on what you learnt.

Challenge 1: Can you tell a good story?

Here is a simple two stage process.

Stage 1: Collect your data, your facts

1. Choose your project (it doesn't even have to be completed yet) Write down the title and the starting date.
2. What were the drivers for this project? Drivers are either opportunities to be reaped or problems to be overcome - for us in asset management, it is mostly the latter. Write them down.
3. What were the objectives for this project? (Generally to fill the gap identified by the drivers above of "Investment Logic Maps" in Issue 247) Write them down
4. What were (are) the benefits expected? Write them down
5. How do these benefits fit with the key objectives of your organisation? Do they address a major issue or a minor one? If a minor one, did the project promise large gains? If not, why was the project chosen? Write it down

6. What alternatives were considered? (This might take some researching but is well worth doing because it will become a key plank in your success story.) Write them down. Also write down why they were discarded in favour of your project.
7. How are you tracking (or planning to track) the benefits from this project? Write it down
8. What was the budgeted capital cost and ongoing costs for the first 5 years for this project? Write it down
9. Did the project come in within time and budget? (or is it on track to?) If not, no matter but explain why not.
10. **The good bit!** How have the outcomes/benefits projected stacked up against reality? Have you tracked them, measured them, recorded them? Write them down.

That's it! now you have all you need to turn this whole thing into a SUCCESS STORY. Because either you have succeeded on at least some of your benefits - or you have not. But if you have kept track of the ten steps above, you have at least learnt something - *and that is success in itself.*

Stage Two: Collaborative Story Telling

Collecting the data is an excellent learning project for an individual, especially a newcomer to the asset management team, a recent graduate, perhaps.

But crafting the story itself really benefits from a team approach. Brainstorm different story lines, different issues that this project illustrates, different things learnt. Try out different versions with different emphasis or focus - and see what ideas come up from the group.

Try out a 5 minute version, a 10 minute version (even a 20 second version - see our 20 second Challenge on page 8).

Only after you have all played with the story/stories and have developed a range of oral versions, should you consider bringing in the professionals - your PR person or a journalist. A journalist can do wonders in converting your oral stories into good press.

Last Step: When the stories have been developed - learn them by heart, tell them with gusto. Then, when someone in your organisation asks you what the AM team have done - you can tell them! (You may not attract audiences in the tens of thousands, but watch how successful Obama is - just telling stories - and you can be, too.)



Challenge 2: How **OUTCOMES** focussed are you really?

Try our quick quiz:

1. If asked **what outcomes** your assets provide, would you:
 - (a) duck for cover?
 - (b) ask 'which assets'?
 - (c) classify your assets into major groupings and give a plain language account of the nature of outcomes provided?

2. If asked **who benefited** from certain outcomes, would you:

- (a) say "Everybody" and leave it at that?
- (b) be able to define customer subgroups?
- (c) be able to talk about the analysis you have done to estimate the size of the groups, their geographical distribution and their growth trends?



3. If asked **how** certain outcomes were provided, would you:

- (a) say they are "pretty good"
- (b) talk about current in-house outsourcing patterns
- (c) discuss the nature of the current service provision in the light of future options, new technologies, etc?

4. If asked when certain outcomes **were/ would be provided**, would you:

- (a) say "when needed"
- (b) elaborate by discussing which were available on a continuous 24 hour basis, which '9-5', and which fluctuated in level of intensity, etc.
- (c) discuss the justification for each decision and the possibility of future improvements/changes

5. If asked how long these certain outcomes **would be needed**, would you
- (a) say “how would I know?”
 - (b) using demographic studies predict continuous (or changing) needs?
 - (c) add to (b) the plans you have for recycling or quitting assets when needs change?
6. If asked about the **essential characteristics** of certain outcomes, would you:
- (a) say, “what do you mean?”
 - (b) discuss distinguishing features, eg security, health and safety, access, affordability, etc.
 - (c) demonstrate your understanding of the relative importance of these characteristics to different customer groups
7. If asked what certain outcomes **cost to provide**, would you:
- (a) say “ask the accountant”?
 - (b) provide the operations and maintenance cost as per the records?
 - (c) give a per customer estimate of the full cost of service delivery (including capital costs, i.e. asset consumption costs and opportunity costs)
8. Finally, if asked are certain assets giving your customers **the outcomes they want**, would you
- (a) say, “well, we don’t get too many complaints”?
 - (b) speak of the functions that the asset must have in order to fulfill requirements
 - (c) provide evidence, through well designed surveys, focus groups, etc. to show that customers have the same perception of the outcomes of your asset services as you do?

Scoring (a) = 0. (b) = 1. (c) = 2.

If you scored between 12-16 - **You’re a champ!**

Between 8 and 12 - **Pretty good,**

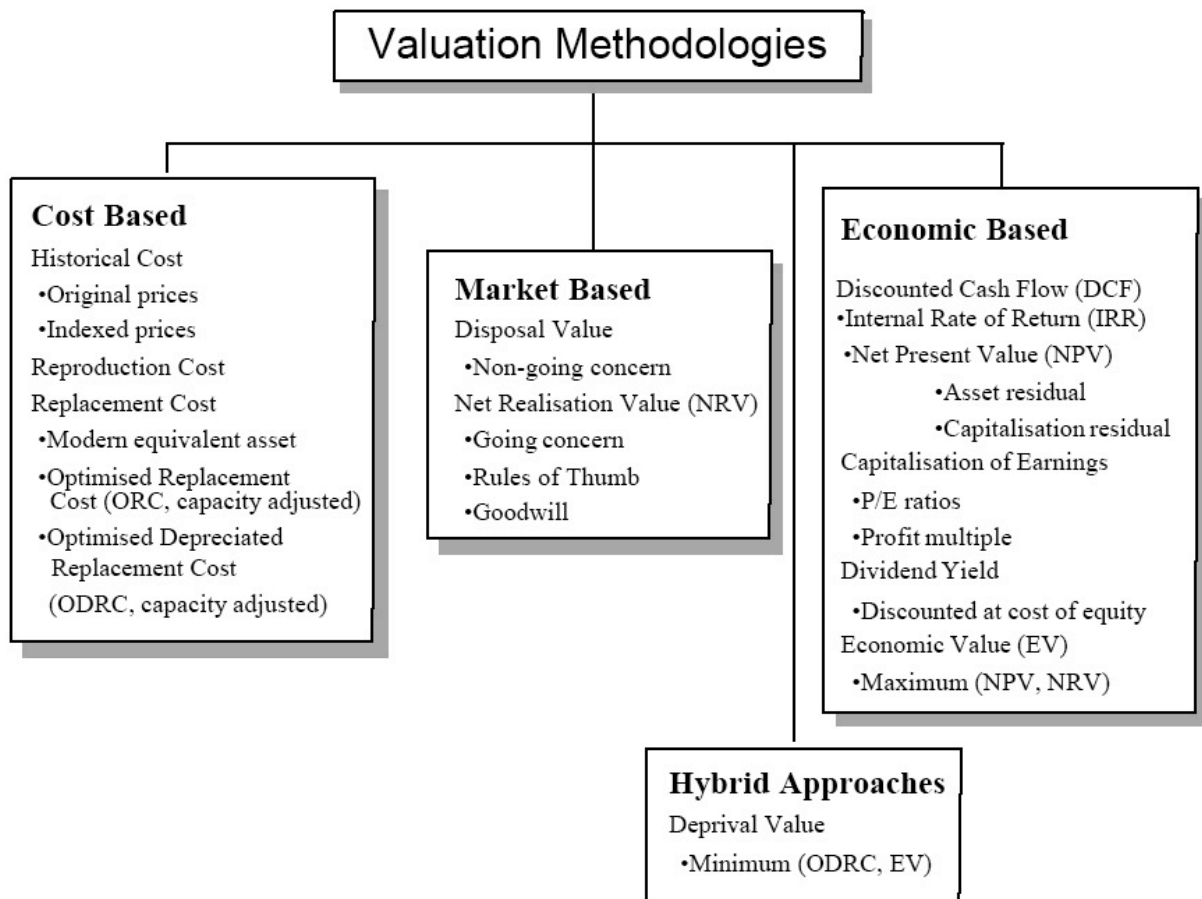
Less than 8 - **Oops!**

You will find our final challenge on the back page. But now it is time for a refresher. In the early 1990s we spent a lot of time discussing issues around valuation. Then, with most organisations settled in their valuation practices, interest rather died away.

Now, some 15 years later, there is a resurgence of interest. We have a new crop of asset managers - and a new set of problems. So here is our

VALUATION REFRESHER

(being a brief summary of the different valuation methods available, and a timely reminder that there is no such thing as “the one true value”, only values that are better for certain tasks.)



WILL THE TRUE VALUATION PLEASE STAND UP!



And from my friends in the Australian Valuation Office, here is a hypothetical example, with even more possible values, of the valuation of the

Montague Island Lighthouse

Reproduction	11,500,000
Indemnity	3,000,000
Depreciated replacement	2,750,000
Market - alternative use	2,500,000
Existing use	1,000,000
Restricted	1,500,000
Forced sale	400,000
Mortgage	750,000
Replacement (modern equiv)	55,000
Deprival	17,500
Net Present Value	NIL

Historical Cost Eleven Hundred Guineas

NOTE: In the Lighthouse examples there are valuations that are relevant for particular purposes - even though they are unlikely to be the valuations that we enter in the balance sheet.

There is only **ONE** balance sheet slot (although we can if we wish - but at risk of confusing readers - put other values in the notes to the accounts.)

Because there is only **ONE** balance sheet slot, we are sometimes led to the idea that there is only **ONE** true value (i.e. the figure we put in the balance sheet). But a moment's thought will show that is clearly not true.

For example, as we showed in the last issue of SAM, the value for replacing piecemeal is a very different value from replacing as a whole. Most of the time we are replacing piecemeal (ie 'brownfields') and that is what we need to use in order to prepare our future funding plans. The 'greenfields' valuation is however appropriate if we want to set insurance values for the extreme event that our entire asset will be lost (struck by lightning, raised to the ground, etc.)

Challenge 3: The “60 Second” Challenge

How well have you marshalled your arguments? You are in the lift and find yourself with twenty seconds to give a key message to the Minister/ Mayor/ Major Person who could further your AM objectives. None of her minders are around. This is your opportunity. What do you say?



Everybody’s objective here will be different, of course. But here, purely as an example, is the story I would tell, given half a chance. Why not think about how you would prepare for your chance?

My ‘60 Second’ Maintenance Story - (I speak fast!)

“Minister,

This is the worst possible time to be investing in new infrastructure. Not only are we now having to pay top dollar because competition for the necessary new infrastructure skills is at an all time high but worse - *most of what we pay won t even benefit our own people.*

The great bulk of the money we will have to spend to try to get new infrastructure will leak out interstate or overseas - for design, drawings, supervision and materials. We pay top dollar but get *low return on our investment* - less capacity and little employment benefit.

There is a far better way. We can increase our infrastructure capacity, spread our infrastructure dollars over a large proportion of our State AND keep most of the money here to be re-invested and create even more employment.

The trick is to spend our infrastructure dollars in maintaining, renewing, and upgrading the infrastructure we are now at risk of losing. The skills required - especially when applied to large portfolios like schools or public housing - can easily be taught to those in need of a job.

More capacity, more employment, more benefit. In times like the present, there is no better way to go.”

What would your 60 second story be? *Tell me. You never know I might find myself in a lift with your important person!*