

**ISSUE 285**  
**FEBRUARY 22 2010**



*Formation Flying - an example of what is possible with*

## **TRUST AND RESPECT**

In our first “View from the Coffee Shop” column in the last issue, I wrote about how innovation in asset management requires us to have a certain generosity of spirit. If we want our people to stretch themselves and try something new, then they have to know that they will be protected while they do. Where the environment is one where ‘if you stick your neck out, it will get chopped off’ few are likely to stick it out - and those that do will only do it once!

*It occurred to me that over the last 15 years I have seen a lot of innovative work* and written about much of it. Looking back over each of the successful innovations, it is clear that, whether they were dealing with the community, with customers, with councillors, or with peers, *the common element every time was a willingness to gain trust and to give, as well as win, respect.*

Trust and respect don’t just happen, you have to work at them. Here I have chosen 4 examples of innovation, and what was done to gain the trust and respect necessary to make them successful. **And on pp5-8 a step by step guide.**

**Who is responsible?** When I introduced the International Asset Management Competitions in 1996, awards were won by the individuals involved in the winning asset management work - but they were *presented* at the Awards Dinner Night to the CEO, for it is the CEO who establishes the environment that encourages or discourages innovation in an organisation. If your CEO is *not yet* taking this initiative this does not mean that you are off the hook. Instead, it means that you must work to win his/her trust and respect!

*Ultimately we are always responsible for our own success - or failure.*

None of these examples were initiated by someone who enjoyed CEO status. They all had to work for it. Do consider - and enjoy! Penny

**Editor: Dr Penny Burns, AMQ International**  
PO Box 75 Salisbury South Australia 5108  
Telephone 61 (0) 8 8359 0559  
Email: [amqi@amqi.com](mailto:amqi@amqi.com) Website [www.amqi.com](http://www.amqi.com)

## **TRUST AND RESPECT**

### **Case Study 1. ENGAGING THE DECISION MAKERS**

For most council staff, whether the Council agrees the capital budget is the major point of success - or failure.

*But when you are prepared to share the fun and the glory with those whose judgement determines success or failure - failure isn't really relevant.*

In the late 1990s, Onkaparinga was the largest council arising out the South Australian council amalgamations. It faced the problem common to all newly amalgamated councils of bringing information together. But rather than dive into major AIS construction as other councils were doing, it decided, instead, to work for a strategic understanding. (SAM 5)

“At this stage in our development”, the Asset Manager explained at the time “we question the benefit compared with the time and resources needed to populate it effectively. We prefer to spend our time to get a better ‘feel’ for our assets and to work with Council to develop roles and responsibilities.

We interviewed each council member individually. We met informally and went over the plans and documentation we had for that ward. Invariably, the councillor would give us more information, tell us about assets that we didn't know of, their condition – and their potential. *But, I guess, the most important thing we did in these sessions was to develop a sense of trust between council and staff.*

We ran a workshop for council addressing: The difference between wants and needs; What is the Council's core business; What should we fund, own purchase and/ or provide; What are Council's service delivery priorities and its roles and responsibilities? and When is it critical or important to hold assets for this purpose... and when is it not.

We showed them pictures of assets (ours and others) providing similar services. It helped to make the point that there was more than one way to do things. We showed them examples where the council funded and owned, but another body provided the services; examples where we did everything and examples where the community received these services without any intervention by council at all. There were examples of just about every combination of funder/owner/purchaser/provider. It went a long way to overcoming the tendency to want to 'do everything' 'own everything' and 'control everything'.

**The result was:** Councillors challenged the status quo, asking themselves: What are Council's service delivery roles and responsibilities; and Can the demand be met by alternative means without the need for asset additions? They came up with innovative suggestions for better asset utilisation at lower cost.

**By fully engaging the councillors in the decision making (which is, of course, what they were elected to do), instead of trying to use them to rubber stamp staff decisions, Onkaparinga neatly sidestepped the major cause of failure angst for most councils.**

### **Case Study 2. ENGAGING YOUR PEERS**

When Russell Balding wanted to introduce accrual accounting in the Roads Authority in New South Wales, he did not go to his fellow accountants, he talked to the engineers. He explained to them why accrual accounting was good for them. As a result they demanded its introduction and Russell's accountants met the demand. Had he instead tried to force it through, it could have ended in failure - no one likes to be forced!

**Most of us think of our own needs rather than the needs of others. But talking to others about what THEY need is the best way to establish trust. And this is true whether we are talking about our peers, our customers or our councillors.**

### **Case Study 3 ENGAGING THE COMMUNITY**

Councils are created to serve their communities. But how many genuinely seek to know what their communities want? How many councillors assume that they 'know the mood of the people'? How many asset managers approach community consultation as an exercise in convincing the community to accept the solution that they have already decided on? Boroondara Council is an example of what can be done when the community are trusted and treated with respect. (SAM 90)

Boroondara decided to treat community consultation seriously. That meant before they went out to the community they did their homework. They identified the service levels and costs that currently existed and analysed usefulness and gaps. This was a major exercise taking 5 months to do across 61 identified asset related services. They then established an 'informed customer reference group' by selecting 30 members of their community so as to demographically represent the municipality's residents (factors considered were age, employment status, gender, ethnicity, income, marital status, disability and housing status (renting/owning) and ward location. They advertised extensively and promoted in areas where the people they sought were likely to go - shopping centres, libraries.

Panel members were PAID for their time; they were not considered, nor treated as a 'free resource'. The next step was to increase their level of understanding of the issues without influencing their decisions. Over a period of several months, the panel were guided through 6 workshops. They looked at the council's vision and the role of assets in achieving that vision, demographics, the council's asset portfolio and an explanation of the process. They were taken out to see a number of the assets. This gave the panel an opportunity to judge the services, service levels and ideas presented. At each workshop, staff were on hand to answer questions, but not provide judgements.

Critically, they discussed costs and fees – why are they the amount that they are? They examined current and proposed service levels for appropriateness and meaningfulness (including outcomes and their potential KPIs); they questioned whether the service should continue, who needed to deliver it, by what means; they questioned whether anything could be combined, simplified, added, subtracted, relocated or changed in some other way. The resulting ideas and suggestions were written on the posters by the small groups, for later presentation, discussion and judgement by the wider panel during session five. This was a challenging experience, but was successfully carried out. And the decisions of the community panel were incorporated into the council's strategic plan.

**By treating their community with the respect that it deserved, the community's respect for the council increased. By trusting the judgement of the community, the community ended up trusting the council's judgement. Trust and respect works both ways.**

#### **Case Study 4. ENGAGING THE CUSTOMER**

In the mid 1980s, Hunter Valley Water was experiencing a dilemma. Its ageing water system was in dire need of attention but there was no money for repairs and rehabilitation. And demand was increasing. But there was equally no money for expansion. Water rates were amongst the lowest in the land. Clearly the one solution that would address both problems was to put the rates up. But Hunter was the 'first cab off the rank'. The need to raise rates had not yet affected other water bodies so it was a difficult solution to sell to the community. But John Patterson, CEO, took it all in his stride. He went out to every community meeting he could get invited to - and he was invited to many, because he never dodged a question. As my cab driver said as he drove me into the Hunter to meet John, "He's not like your politicians, he answerseverybody's questions. I don't want to pay more money for water, but I can see why it is necessary so I am just going to have to deal with it."

**We often think that the customer or client won't understand - when really it is us who are not explaining ourselves properly.**

*In SAM 224 we looked at what the City of Hamilton in Canada had achieved in its asset management. I asked Leo Gohier, then the City Engineer, now retired (and enjoying it) what he did to make his innovative asset management changes safer for all.*

***This is some of the best advice on this topic that you will find!***

## **Step by Step Guide to Safer Innovation**

Leo Gohier

How it was achieved for water and wastewater in Hamilton City Council.

1. **The right philosophy:** It is part of our job as public servants to provide services, so as staff we must position ourselves to meet requirements and expectations since sustainability was not legislated and is still not legislated.
2. **Internal partners for the journey:** create internal enthusiasm and a sense of ownership - don't be indispensable and don't be a hero! I developed a few key staff that could carry the message whether I was there or not, and these staff came from different backgrounds: operations, finance and engineering. I knew that some departments (such as Finance) would not initially be willing to carry this torch, but they were willing to let me carry it so I settled for that. You don't need the perfect team or the perfect process to get going; just make sure you don't have internal enemies.
3. **External partners for the journey:** one of the most important elements is an outreach effort - make it a community issue – don't follow the traditional hierarchy of you (the bureaucrat) reporting to elected officials who in turn speak to the community – reach out to the community yourself - develop a community sense of ownership: after all the community and the people are receiving the service. These efforts were at two levels:
  - o I spoke at many meetings of community groups (Lions, Optimists, etc.) and community associations since they are always looking for speakers. **I wasn't trying to sell them on something; I was trying to get them involved** and get them to understand the challenges that the community was going to face in the longer-term.
  - o For water and wastewater, I set up a Large Users group, since in most cities 5% of your users provide you with 50% or more of your revenues. These large users, made up of the ICI sectors (industrial, commercial and institutional), **are usually very well connected politically and can be very influential.**

- o **Additional note:** Remember that this is not about you but about the services that you provide. Therefore the community at large is interested in the service that they receive, and not the specific assets that are needed to provide that service. **Forget about engineering, and focus on the challenges that the community has** or will have in continuing to receive that service. In fact, this is the ideal time to start discussing services provided and service levels. **Ask them what they would like you to do.**
4. **Partnership with elected officials:** don't replace elected officials – you are not an elected official so respect their role and their place in this process; they are there to approve policy, so give them policy options - **Develop a relationship with elected officials based on mutual trust and respect**, on full disclosure and on clarity of roles by giving your best professional advice and not just a list of options - let elected officials be seen as the leaders in terms of policy, and staff (you) as the implementers of that policy – give elected officials options, inform them of the consequences of each option and then insist on receiving clear direction – tell elected officials what they need to hear not what they want to hear - offer them options that make them part of the solution and allows them to be the community leaders that they are expected and elected to be even if that means going beyond their term of office (which was three years at the time in Ontario and is now four years) - ex. I recommended annual increase in water rates of 7% above inflation for 15 years; they approved it and none lost their seat because of it.
  5. **Partnership with the media:** be available to them to answer questions – respect their deadlines and their process – get their level of interest up, give them a good story and use them to disseminate clear information to their readers – remind them that they also happen to be your customers and members of the same community.
  6. **Total ownership of the service:** take control, take ownership and exhibit leadership - this was one of the most difficult challenges because organizational structures are typically based on professional silos - Usually, when budgets are prepared, the engineering people look after expenditures and the finance people look after revenues – link the two, and be aggressive about addressing both together in your AM plans – finance may get upset...back to point number 2
  7. **Remain calm - Don't create a panic** – communicate the right message - manage the infrastructure challenges with clear and strong messaging and development of comprehensive options – there is no crisis if things are managed – the sky is not falling...yet, but it is cracked or at least under considerable stress –That is why I have a real problem today with asset managers claiming that we have an infrastructure crisis when I don't believe that we do, and even if we did it's the wrong messaging. We are paid to provide a service through management of infrastructure, so let's just get the job done.

8. **Demystify risk management** – explain that a project (in most cases) does not necessarily have to proceed in any given year – there is a window of opportunity (see slide) which can be 5-10 years in some cases, and even options within that window as to when the work should be done – however, once that window is closed/passed, costs will go up since the work to be done is now in a different category (ex. you go from minor maintenance to major maintenance, or from rehabilitation to replacement, etc.) – there are ranges and fuzzy lines in everything that we do, so leave room for compromise in the capital budget, but at the same time present a strong case for the overall allocation of funds – see both slides on this
9. **Be upfront about total costs of a project**, especially capital projects – always include total cost of a project, i.e. what the project will actually and ultimately cost a community rather than simply the construction cost – also include the financial impact of that project on future operating costs
10. **Manage expectations/Use consistent language** - how many times are budget estimates exceeded for publicly-funded projects? nearly always – no wonder the public is cynical – explain budget estimates clearly – a project that is to be done next year and is already designed has a very different accuracy of estimate than a project that is conceptually planned for five years from now – develop classes of estimates - ex. Class A (designed) estimate plus 15%; Class B (preliminary design) estimate plus 25%; Class C (conceptual design) estimate plus 50% and finally Class D (no real clue, you just know that there is a need for something) estimate plus 100%. These ranges have never let me down, and this is partly where the credibility comes in. A true story: when I told City Council that the replacement value of the entire water and wastewater systems was \$4.5 billion, I then added “give or take \$1 billion”. They all laughed but they understood the relative inaccuracy of these estimates and that set the stage.

### Other related thoughts:

1. **Document, document, document** – reasonable assumptions will result in reasonable projections – document clearly what your assumptions are, and present them upfront to gain approval – this is not a CYA exercise - be open to discussion and review by peers and other people involved in the process, and adjust projections accordingly – allow for their input – make it a proactive process.
2. **“Be Prepared”** - as per the Boy Scouts – anticipate the questions and be prepared with a constructive (not defensive) answer. Whenever something sounds like a new initiative, the favourite question from elected officials is “who else is doing this, and if no one is then why are we doing it?” My answer to that question was that we were the icebreakers, that we were taking initiatives that other cities would

eventually have to take and that they would learn from us. Then I would divert them back to the basic principles and assumptions and the challenges that we were/would be facing, and they generally felt good about how things were being proactively managed in their community and that they were allowed to take part in these initiatives – their leadership role in the community was simply reinforced.

3. **Use your intuition – let your mind wander.** I know that this is difficult for many professions in the AM field and in particular the technical and financial professions as a result of our professional training as well as our work practices that are extensively governed by codes, practices, ethics, and so on.
4. **Aim for the sky and then back up into reality**, stopping as soon as you reach the edges of reality. This is the only way to get as close to perfection/nirvana/paradise/utopia as you can. You can never reach the same height by jumping as high as you can from the ground as you can by jumping out of an airplane.
5. **Don't be afraid of making people understand** – stay away from technical or bureaucratic language - ex. The Magnificent Seven (see SAM 184)

### **Final thought: Penny, we need to define failure and what it means –**

- **Seen by whom**, i.e. who is judging us? – Our peers, our supervisors, elected officials, general public, other professions? – Frankly, some of these judgements are important, while others are not – let's develop a thicker skin.
- **What is failure:** just us being wrong in our estimates, our proposed timeframes, and the actual condition of asset?
- **Is it a fireable offence, or just embarrassing?** – I would suggest that if it is a fireable offence, perhaps it is justifiable – however, we should never be embarrassed if we follow the above-noted “rules of conduct”.
- **My experience and personal opinion is that failure on AM initiatives/ sustainability issues is usually simply because we have not prepared our audiences properly.**

*And if you can think of anything to add to this list - Leo and I would be pleased to hear from you - Penny.*