



## Evolution of Asset Management Understanding

This issue is particularly addressed to those asset managers who have been working in the area for a long time. What changes have you seen in this time? How did you think about asset management when you started? How was it portrayed in your industry? Is it different now? How?

Do these observations on the way we perceive asset management and the way we think about information in asset management strike an accord with you? Is there another way that you would picture it?

If you have been working in AM for the last 20 years or more and would like to swap views and ideas with me on **how AM has developed in your field**, I would be more than interested to talk or engage in an email exchange with you. You can write, or if you prefer you may ring me on 08 8359 0559 (if in Australia) or 618 8359 0559 (if not). Or send me an email and I will call you, or we can chat over Skype.

Penny. [info@amqi.com](mailto:info@amqi.com)

### In this issue:

View from the Coffee Shop: **The Science of the Approximate**

Evolution of AM Understanding 1. **How the perspective has changed since the 1990s.**

Evolution of AM Understanding 2. **The 'two brains' of AM and what this means for the information we seek and the information we can use.**

Also **"What's New?"** - Readers share some of *their* discoveries

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### The Science of the Approximate

Had a short exchange with **Ian Greenwood of Opus International** this week in reference to the Mapping Exercise I set as a challenge for you last week. Ian has volunteered to try out this tool for increasing understanding on a UK government department that he is currently working with and I hope that many more of you will have a go at it, too.

A propos of the recognition of the need for many players in the asset management game, Ian made a telling point. “I’d like to think that one of my strengths is that I am not good at all the competencies”. Many of us have been encouraged to believe that not being good at them all is a weakness and one that should be shored up by learning more. But Ian is right. It is a strength. Because recognising that you don’t know everything means that you also realise you need to work with others - and that your foremost skill needs to be communication!

He goes on to say “I often refer to AM as the “science of the approximate”, which I believe it is. It is also why many design engineers struggle with AM – as they come from a world where everything is known/controlled, which is seldom the case in the AM world.” (Ian is referring to strategic asset management here. See page 6 for the distinction between the information needed for technical and strategic asset management)

And finally, he makes the point that simply ‘having’ something (an asset register, an asset plan, or a strategy) does not make an organisation a good AM organisation. These things can be supplied by a consultant and put on the shelf. The important thing is whether the organisation ‘lives’ the AM principles.

“I was recently asked by someone if having an AMP was a sign of a good AM organisation, my off the cuff response was “only as much as me putting virgin olive oil on my salad makes me a virgin”

And, on that note, I sign off

Please consider and enjoy!

*Penny*

# Evolution of our Understanding

## 1. Perspective - How we look at AM

There are as many ways of looking at asset management as there are those who are interested to do. Here is one way. I don't claim that it is the best, but it is one attempt to make sense of what has been happening - at least at the state level of government in Australia - over the past 20 years. It is more than likely that different patterns and perspectives will emerge from industry, from local government and from other regions, but here - for discussion - is one perspective.



### Early 1990s

**Starting with the TAM process** (NSW Treasury in conjunction with Public Works) in November 1993 every State Government Treasury, some institutional bodies, and the Federal Government brought out SAM or TAM guidelines. Each sought to explain the importance of asset management to effective service delivery and to provide a simple operational model for state departments and authorities.

Some of the models were relatively simple extensions of the familiar **Plan-Do-Check-Act** approach. The TAM process was recognisably the leader in the field with its elaboration of what constituted a 'strategy' and what was meant by a 'plan'. And it was accompanied by detailed guidelines for the use of different tools such as demand management, value management, risk management, etc.

**The focus at the time** was on the logic of the process. Aligning the process with annual Treasury information requirements meant that the process linkages tended to be seen as linear (rather than iterative) and agencies were required to comply.

## Around 2000

The lessons from the TAM process were being absorbed and Treasuries, having produced their various guidelines, largely pulled back from further intensive development. This left the field open to those who were learning the most and the most rapidly, and had most to gain - the asset management consultants.

**The consultants** could see that the TAM elements did not occur in neat, self-contained, time denoted 'events'. Rather they were often iterative, recursive and steps were very frequently

missed. So linear patterns were inappropriate. And the notion of the life 'cycle' lent itself naturally to a listing that indicated no start or finish. This is well illustrated in this early illustration of the nature of Asset Management Core Competencies by Opus International Consultants in 2000.



**A focus on competencies.** It might seem to be a small step from describing 'functions' as in the

original TAM approach to describing the 'competencies' required to manage these functions, but it ushered in a decade of focus on training and education of 'asset managers' where 'asset manager' was largely defined by job title and in practice meant those in an organisation responsible for the operations, maintenance and (sometimes) expansion of asset portfolios - as distinct from those in the organisation whose task it was to determine the appropriate levels of service delivery.

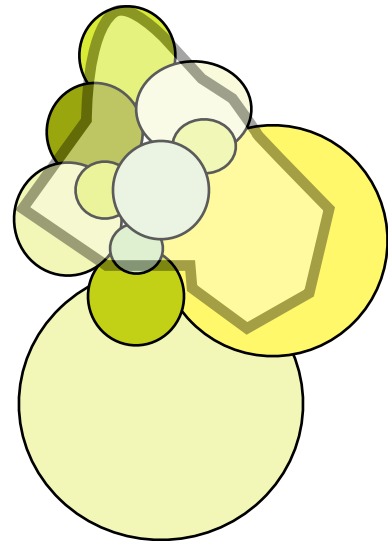
And so we started to see - not a multi-disciplinary team approach but rather the development of the engineer as a multi-talented individual and a focus that instead of being inclusive of other disciplines acted to exclude them by making them unnecessary. This put a heavy burden on the engineer - at a time when we were starting to see a reduction in the number of experienced engineers available.

**And now in 2010 ...**

If we see 'the' asset manager as a multi-talented individual, rather than 'asset management' itself comprising a team of differently talented individuals we miss two important elements:

1. We fail to see the need for team members to be able to communicate with each other - note the absence of communication in the listing above, and
2. We fail to explore WHO the 'differently talented individuals' are that we need in our team - hence the mapping exercise in the previous issue.

**OK, Over to you! My telephone line is always open!**



## Evolution of our Understanding

### 2. The Two Asset Management 'Brains'

We now know that the brain is comprised of two distinct hemispheres, joined by the corpus callosum. Each hemisphere is designed for a different task. The left hand side of the brain drives logical analysis and speech and the right hand side of the brain drives intuition and emotion.



It used to be thought that the intuitive, emotional right brain got in the way of good, rational, logical thought processes and led to poor decision making. Now, it is recognised that without the intuitive processes and emotional reactions we would not be able to make any sensible decisions at all! Each part of the brain captures information differently - and uses it differently. The right brain captures and processes information as a whole, as patterns. The left brain captures and processes information sequentially as a logical flow. But both are necessary.<sup>1</sup>

<sup>1</sup> *The Decisive Moment: How the brain makes up its mind.* Jonah Lehrer, Text Publishing Company. Melbourne, 2009.

It is a good idea to keep this brain analogy in mind when looking at the information requirements of the organisation for asset management. For there is a similar distinction to be made.

We tend to speak as if all asset managers - or, more accurately, all who have a role in and responsibility for asset management - are the same. But there is a world of difference between those who are responsible for

**TECHNICAL** asset management decisions - *those decisions that are designed to improve the functioning of the **asset**.*



and those who are responsible for

**STRATEGIC** asset management decisions - *those asset decisions designed to improve the functioning of the **business**.*



**Technical decision making is more like left brain thinking** - logical, process oriented, sequential, detailed.

**Strategic decision making is more like right brain thinking** - big picture; leaps of intuition, taking in wide areas.

**At the technical level**, it is important to know the current condition of the asset and to be able to predict the timing and nature of its future condition with and without intervention. And not only the condition, but how this condition will impact the performance of the asset. This usually requires real time, detailed information. Data accuracy is important.

*It often comes as a surprise that this is not true for strategic decisions.*

**But strategic informational requirements are very different.** And the first difference is that real time information is not only not needed, it gets in the way of seeing the big picture. Detail at this level just confuses. For strategic decisions - whether to expand or contract a service, and if so how fast; whether to change services or the technologies used; whether to change the method of delivery; when to upgrade information technology, how to handle external and political risks - the information required is not real time information at all (and most of it is not related to asset condition either!)

*Information and how to use it is critical for both Strategic and Technical decisions and we will look at this in more detail in a later issue.*

## What's New?

Here are some interesting pieces of information I have received from readers in the last few weeks - my thanks to each of them.

### New book on Asset Management

**Ami Sudjiman** (formerly with the National Archives and now with GHD in Canberra) writes: One of my colleagues here recently found an excellent book on Physical Asset Management by Nicholas Hastings. Not only is it an excellent book but it is Australian based! I have seen his name in some of the SAMS editions. I bought the book and found it easy to read and hence easy to recommend to clients, colleagues and friends.

[Ed: The full title is Physical Asset Management by Nicholas Anthony John Hastings, Springer, 2010 and more information is available at <http://www.springer.com/engineering/production+eng/book/978-1-84882-750-9> ]

### New course on sustainability

**Thomas Kuen** (Melbourne Water) writes:

Strictly speaking they not courses in asset management, but I heard that RMIT are offering the following in "Sustainable Practice":

1. Graduate Certificate;
2. Graduate Diploma; and
3. Master of ...

More details from [www.rmit.edu.au/postgrad](http://www.rmit.edu.au/postgrad)

PS - they also have an undergraduate infrastructure unit based on the IIMM.

### New developments in ILM

**The Victorian Department of Treasury and Finance** have upgraded their work on ILM yet again - it just keeps getting better. They have redone and added to their very useful short 3-5 minute videos and they have made it easier to do what most of us in Strategic Asset Management find the hardest, namely to translate policy and strategy into a set of investments that will be able to deliver the desired policy outcomes. The new tool is SLIP - Service Logic and Investment Prioritisation. And you can find out about it on their website. **Note:** A reminder: this is not your typical government website. It is sensible, practical and easy to use. Go to [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au) and choose "Investment Management" from the Quicklinks - and an Aladdin's cave opens up for you!

## **New environmental measure**

The latest **pitt&sherry** carbon emissions index, **cedex**, has been released with key findings from November 2009 data. This is work carried out by Dr. Hugh Saddler, Graham Anderson and the team in their Canberra office. Key findings include the interesting result that

emissions from both electricity generation and petroleum fuel consumption were almost unchanged over the past month. While this is a break with the declining trend seen over preceding months, it should also be noted that generation (and therefore consumption) of electricity increased quite sharply (suggestive of an increase in economic activity in November). But while electricity consumption increased, emissions from electricity generation stayed almost unchanged, because the share of electricity supplied by gas fired and renewable generators increased significantly, while the share of black coal generators declined, representing a 'greening of the grid'. For more information <http://www.pittsh.com.au/cedex/>

## **A MESSAGE TO THE AM COMMUNITY**

**Ruth Wallsgrove** - *and only partly with tongue-in-cheek* - has suggested

**“Good Asset Management is never having to say you are sorry -  
that you built the damn thing!”**

You can now see this scrolling along the bottom of the infrastructure pictures on our home page - Do you have a message that you would like to send to the AM community? Go to the website, [www.amqi.com](http://www.amqi.com) and add your message and your message will be beamed to the world!

## **THE HISTORY PROJECT**

And while there, why not tell us how 'asset management got you'. Read our history profiles and add your own.