

## The Qualities of a Strategic Asset Manager



This week we look at what makes for an effective Strategic Asset Manager. I give 4 qualities - scattered throughout these pages. Are there others that you consider should also be included?

**Ruth Wallsgrove**, who will be familiar to readers through her excellent contributions in many fields, but especially in the use of information, is leaving Australia to return to the UK. I guess that there is only so many sunny skies, sandy beaches and friendly people that one can take! She now becomes the Leader of the UK SAM advisory team so look forward to many more interesting aspects of strategic asset management from the other side.

In this issue, since one of the qualities of the effective Strategic Asset Manager is the ability to reflect, Ruth takes the opportunity to look back over her work here in Australia.

In the next issue we will be looking at “Why Selling Asset Management is so hard” and **Colin Symonds**, NZ. presents some thoughts to get our creative juices flowing.

Please consider, and enjoy!

*Penny*

## What distinguishes STRATEGIC ASSET MANAGERS from others?

Clearly, it goes far beyond ensuring good information systems and asset management plans. These are necessary but not sufficient. When it comes to being value for money for the organisation, a STRATEGIC asset manager should possess two qualities:



- 1. the Ability to determine when proposed asset actions are insufficient, or conflict with, desired organisational outcomes and policy directions, and**
- 2. the Willingness and Ability to act upon this knowledge.**

**RESPONSIBILITY:** It is not the role of Strategic Asset Managers to *set* strategy. But it is their role to know and understand it.

**FORESIGHT:** It is their role to use their asset knowledge and understanding to foresee *the likely consequences of proposed asset actions*.

**ACTION:** And where asset actions fail to meet the organisation's desired strategic outcomes or policy directions, it is their role to be willing to *act upon this knowledge*.

This entails knowing your organisation's policies and desired outcomes - ALL of them, not just those that obviously concern assets, for in some way any policy and outcome may be influenced for the better, or for the worse, by asset actions.

Asset actions obviously include what assets are acquired and how they are maintained. But they also include *how* they are acquired, and *how* they are financed.

Proposed asset actions in this wider sense conflict with, or fall short of, organisational goals far more often than you may think! The ability to recognise this - and the ability to effect the desired change marks the successful Strategic Asset Manager. Consider just the one example, p.3 "What's the Policy? What's the Action?" about the size of contract and how it impacts outcomes and policies. What other policy conflicts are you aware of?

How can Strategic Asset Managers inform themselves and guide change where change is beneficial? See p.4 "Don't tell, ask!"

## WHAT'S THE POLICY? WHAT'S THE ACTION?



“We want to increase the opportunity for local employment” Many councils have such a goal - but take actions that act to the contrary!  
**Consider the letting of roadside infrastructure contracts.**

There is a current tendency to let large contracts, maybe because this is seen to minimise the amount of effort required by management. However, roadside infrastructure maintenance and renewal is essentially small scale work, even if the total for a project exceeds a million dollars. There are local businesses which could perform this work and do it well and cost effectively but only if it is offered in a parcel size which does not rule them out of contention.

While proprietors of such small business enterprises have technical skills, they often lack administrative skills for successful contract application. A few years ago, a UK council took seriously its desire to increase local employment and, recognising that many local suppliers were ruled out because of parcel size and administrative knowledge, they reduced the parcel size and they provided seminars for local businesses on how to tender for contracts. This did not involve any lowering of standards,

### **As a result they found:**

- greater competition, and lower local costs, resulted in lower contract prices
- having many smaller contract parcels gave them the ability to compare one contractor against another, an opportunity they had not had previously with one large contractor
- contractors were aware of this too and tried harder to show themselves to be the better companies so as to win future contracts so performance improved
- having many possible contractors meant that they were more able to manage the peaks and troughs that are inevitable in renewal if the optimum timing is to be selected - i.e. not too soon as to throw away good life left in assets, yet not so long as to present a hazard.
- the local companies took more pride in their work because it was their area - and therefore their family and friends who were affected

### **Yes, more numerous and smaller contracts cost more to manage**

Although not as much as had been expected for the smaller packages were simpler and there were economies of scale in the letting.

### **But the benefits were considerable**

Not only more local employment but also cheaper unit costs, better performance, improved flexibility and better cost understanding.

### **What policies and actions have potential conflict that you know of?**



## **DON'T TELL - ASK!**

I had an early lesson in the power of asking as a means of getting someone else to change their mind. My Honours Thesis Supervisor had a deceptive means of getting the best out of his students. Unerringly focussing in on the bits of my thesis that I felt uncertain about he would say something like. "I'm very sorry, I didn't sleep well last night and my brain is a bit fuzzy, would you mind going over that bit for me?" In the process of trying to explain myself the issues would become clearer and I would be able to go away and rewrite - *without the Professor ever telling me what I had to do! Or even acting as if he had.* Later I found the same process worked wonders in many situations.

### **The skill of asking the right questions - in the right way!**

Asking questions is powerful - but only if you are genuinely interested in the answers and treat the respondent with great respect. Strategic Asset Managers have the need to keep themselves constantly abreast of latest policy and outcomes thinking, they need to know when money is planned to be raised to finance new capital works, how the works are proposed to be acquired, and more. The sooner potential mis-matches are identified, the easier it is to redirect. This is only possible where friendly working relationships between the Strategic Asset Manager and key people in the organisation have been established.

If you only turn up when there is a problem, it is inevitable that YOU will be seen as the problem!

### **Communication is best carried out on the move**

It follows that the effective Strategic Asset Manager is not office bound, not buried in computer models in some back room, but is instead constantly on the move, and 'asking', never 'telling'.

It is not surprising then, that when Head Hunters are searching for a Strategic Asset Manager, they first look - *not* at what technical abilities are held - but rather at their ability to *communicate*.

### **The go-to person**

Not all asset managers are, or need to be, strategic asset managers. There is a large demand for technical asset managers who are able to get the job done, and only a small demand for strategic asset managers - at most, one or a very few per organisation. Such a Strategic Asset Manager should also be the 'go to' person for asset managers who believes that what they are required to do is not in the best interests of the organisation. Then if there is a problem, they are on hand to fix it.

Ruth Wallsgrove

## The Tale of the Product Manager

*In 2008 I took up the challenge to become the first 'Product Manager' for asset management for a company that sells trains and train maintenance. My job was not to sell advice on AM but asset management itself. It was not clear what this would really mean....*

Before I took this job, I was General Management of Strategic Asset Management for a railway. This team was responsible for the Annual Works & Five Year Plan, or what work to do and money to spend on assets in the next period. The scope grew – is still growing – from a focus on asset renewals ('capital maintenance'), to include maintenance optimisation and 'steady state' projects (capital on one-off projects to keep the railway up to standard, as the standards themselves grow), and from just infrastructure to infrastructure, stations and rolling stock.



What it didn't include was the strategy for growing the railway – or what new assets to buy or build – but in my time there we developed closer relationships and better match of plans with the network strategy team that was responsible for this. The SAM team came to include Quality, Asset Information, Audit, Lean Six Sigma, things we decided were close allies of AM.

Now all of that was clearly AM or allied disciplines. I didn't get too worried about what my job meant in that organisation.

But what, exactly, are you selling if you sell asset management? The company I went to didn't own any operational assets, apart from some facilities. We could sell the service of owning an asset and leasing it back to an operator – a perfectly respectable AM business model – expect that, so far, we have only proposed this, not yet sold it. We don't sell advice, so decision-making on what assets to buy (or even when to refurbish them to extend their life) is not our business.

### The soul of a maintainer

To get on with my job, I decided in the first instance my task was to get our sales people in a good position to sell smart maintenance. My starting definition of this was where we are not paid by the hour for maintenance labour – more or less dumb labour, where what's done is defined by the owner - but paid for performance, by trains available (for example). The idea was – you bring your assets to our gates and they'll be there in great working order when you come to collect them. You don't need to worry about what we do to them in between.

One model before me was the public/ private partnership (PPP) outsourcing of asset maintenance and capital projects at London Underground. This was something I was familiar with because I had previously worked for all the parties on the joint approach to implementing AM. In this model, the assets still belongs to, and are operated by, LUL, but

all the work is planned as well as carried out by the PPP consortia (or consortium, after one went under).\*

However, that experience should have alerted me to one issue – how much the owner & previously insourced maintainer still wants to understand and approve all the plans – wants to still be in the asset planning space. Many at LUL never wanted to let go of the assets. And even those who were more positive about PPP were taken aback that the private consortia seemed to know no more about asset management than they did.

In a similar way, in practice, most of our customers here still have maintenance departments who still want to know exactly what's being done, and what they are paying for each element in detail. The biggest of them don't want to hand over the problem. This means they're really much happier in 'alliance' deals where they sit on a project board to approve at least annual budgets and major periodic maintenance plans.

So I found myself selling maintenance to them. Many people include RCM and the optimisation of technical maintenance plans as AM.... But I can hear you say this is really just good maintenance management. One strand of AM comes from this maintenance management history – but other strands are not so convinced it's the heart of the matter.

### **The committed designer**



Smaller, newer customers, on the other hand, are very interested to give the whole of life problem to the vehicle builder. If they buy locos or passenger cars off us, they want us to commit to long term maintenance contracts so that we continue to live with the train's reliability and performance long after it's built. And they wanted a committed price.

This is a bit more AM-ish because a smart(er) builder would take their responsibility for design/ manufacture for reliability and maintainability more seriously if they are going to be paying day in and out for mistakes ten years down the track. Certainly getting designers and builders interested in what happens after delivery continues to be an AM cultural challenge around the world... And committing to maintenance costs over, say, ten years means understanding the asset pretty well.

### **Where asset WOLC really matters?**

What I like about this commercial pressure is that whole of life modelling becomes a very real imperative. Not total cost of ownership – which we are still separated from, I think until we own the assets – but at least looking at the overall cost of work done to the asset against performance. Profits and bonuses relate directly to how well we do this.

Most asset owners are probably doing something with their assets that interest them more than maintenance. Their focus is more likely to be on what revenue they make from them, or how positive their constituents are about the service supported by the assets. Maintenance to them is 'just' a cost, and capital and on-going budgets usually still work in different compartments of their heads. Their management teams are rarely that motivated by asset work.

But if your business is supply and maintenance contracts, you really care.

So what, at this point, does a Product Manager for asset management actually do? Bearing in mind that, as my previous boss put it, Product Managers have a G&T in one hand (understanding the customers) and a spanner in the other (understanding Operations), notwithstanding Rail Safety regulations on blood alcohol levels at work. Well, this PM:

1. **Gets very involved in long term asset cost models.** These have to be right, and that's a balance all the time between what the guys on the shop floor think it will cost and the need to sell it at a profit, ie keep the cost from being too conservative while not missing anything either. I really have to know what's going on in these models.
2. **Works on company culture to shift the focus from design & build (sexy) to maintenance & customer satisfaction in year 10.** Still a work in progress – we initiated a 'brave new rail' campaign internally and with customers to commit to a change – but the executive manager of supply has appointed people who know about maintenance as Build Project Managers, which is great.
3. **Does what she can to make sure we actually do best practice maintenance.** That is, the right maintenance to keep cost down while meeting target performance. It's still the fundamental issue, and if we don't get that right we won't be selling anything, at least not at a profit.
4. **Understanding what customers really need their assets to do.** Well, actually that's really the most fundamental. How do we present what we can do in a way that fits their business model – not just lowest price wins and gouge each other with penalties?

At the end of the day, understanding what someone needs – not so much ideas on how to meet this - appears to be the real on-going theme in my career. But for various reasons this is slow to get to in rail.

In two years here, I have built maintenance cost models, written RAMS plans for projects, modelled reliability to availability – techie things. Risk assessment was more familiar territory, and developing bid management processes the kind of thing I did as a consultant. I am not surprised - I knew somehow I'd have to do Excel stuff – and not entirely sorry as a one-off experience. I can truly say I know about shirt-sleeves-rolled up AM techniques from doing them.

But my conclusion on Product Management of Asset Management? Work in progress...

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*\* Two days after I wrote this I heard that LUL have agreed to buy out the second consortium and so return it all to LUL*

Ruth's view from the 'other side'





## PREVIEW: Why is selling the idea of AM so hard?

1 The limited tenure of CEO/senior management contracts, contrasts with the time-scale of Asset Management and Asset Planning.

CEO's and board members seldom stay longer than three years. Asset Management/Planning has a much longer time-scale, even if the assets are electronic or mechanical plant. Few people think that far ahead. Their goals, although they may be worthy, are shorter term.

2 The 'short' local authority planning cycle and the effort needed for Councils to plan properly for asset ownership.

The New Zealand LTCCP cycle, which helps to underline the importance of the Asset Planning process, requires a once-each-three-years effort, and there is a tendency to put the discipline and the plans on the shelf between these years.

3 The long life of many infrastructure assets and their fixed configuration.

The extent to which they are viewed as a 'locked-in' investment may discourage some people from thinking that there are constructive measures that can be taken to improve their management.

4 The low value placed on Asset Planning/Management expertise compared to disciplines that build "exciting new stuff".

Project Managers commonly get paid more than Asset Planning Managers - and yet, while project managers only have to decide "how" to build assets and who should build them, planning managers have to decide whether to build, what, where, and when. These are much bigger questions. They have to do with both the capital investment and the whole-of-life costs. The greater responsibility of answering them should be recognised.

5 Difficulty in proving our decisions were right, because they are not measured effectively.

With such long-lived infrastructure, in many cases we are yet to see the good results of our decision-making. When the wrong assets are built in the wrong place, or at the wrong time, the costs of that error are not easily identified. Also, they are regarded as 'sunk cost - forget it and move on'. But the money has still been wasted. When the right decisions are made, they are seldom celebrated beyond the commissioning date, and the economic decisions get taken for granted.

*These thought starters provided by Colin Symonds, Infrastructure Management Consulting Services, NZ, [colin.symonds@ihug.co.nz](mailto:colin.symonds@ihug.co.nz)*

**YOUR IDEAS?**