



Change - it's all around us.

This is the last hard copy of 'Strategic Asset Management'. From next issue we will be fully online, providing more scope to service the many and varied needs of today's asset management enthusiast.

When we started - over 17 years ago - we addressed only the needs of Australian asset managers, and at that time this meant just engineers and accountants. Very quickly it became Australia and New Zealand. We were then all pretty much at the same stage of development, wrestling with problems of what kind of AIS to get, how to value our assets, what component breakdowns would work best, and how to communicate to others the need to think in life cycle ways.

These issues remain with us, but we have added many more. Just as we have expanded the reach of asset management across the globe and into a great range of new disciplines: sociologists, lawyers, architects, urban planners, the list goes on. Asset management today is a much more complex world.

Just why it is so complex and how each of us fits within this new, more complicated world, is what I want to look at in this issue. It will make it clear why we need to expand the range of articles we offer. And why we are now developing a special, customisable 'do-it-yourself' version of SAM, which you can download as a whole, or just the bits you want.

Enjoy this issue - and make my day! - send a comment!

Penny

CHANGE:

STAGES IN THE MANAGEMENT OF ASSETS

In the beginning, there was maintenance.

There probably always has been, ever since man started developing tools and assets - those stone flints don't sharpen themselves! However, I imagine that the first approach to maintenance was 'fix when failed' probably followed later by 'suck it and see'. In other words, it was ad hoc.

When did the systematic and systemic approach we use today develop? I don't know. But it was given a great push forward by the needs of the military, especially during the second world war.

When did Maintenance morph into Asset Management?

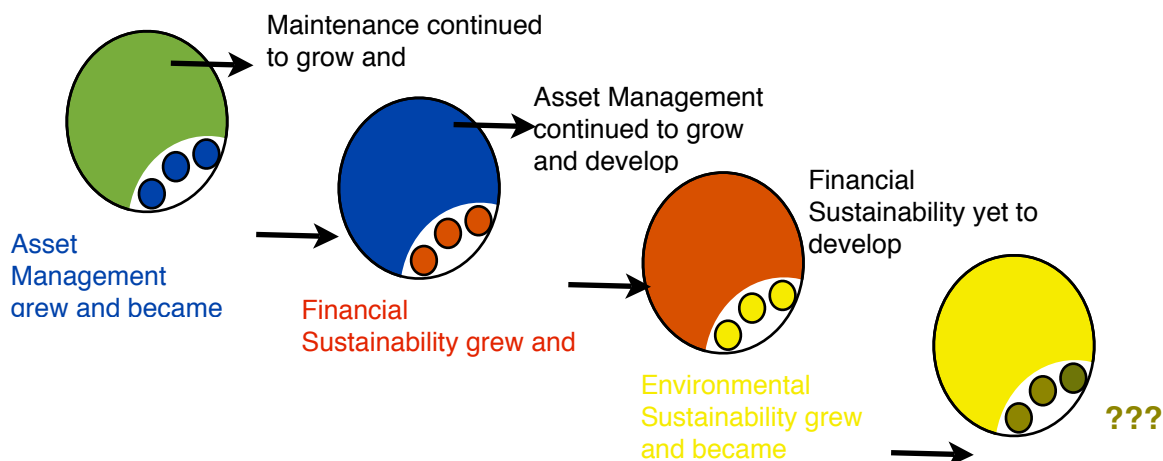
I issued this challenge a few weeks ago, on the history forum.

It didn't!

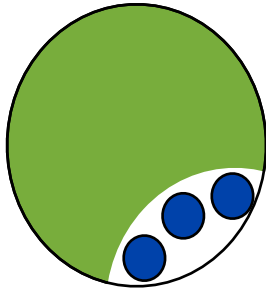
What happened, instead, was that within the field of maintenance, certain people started to see the world rather differently and to set themselves a different vision of what we needed to do. These new ideas started small but over time they grew and spread until they were strong enough to take off and stand on their own as a new discipline, a new (but still related) way of looking at the management of assets.

What we have instead

Maintenance continues to grow and develop new and advanced techniques, tools and processes. It continues to be applied ever more systematically and across the whole range of assets. But, the small seeds of the breakaway movement - which we now call asset management - also grew. And asset management, as we know it, is already incubating the seeds of the next stage, and the next. This is what I look at here.



MAINTENANCE



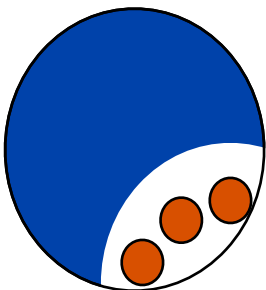
Containing the
Seeds of Asset
Management

Where?	When?	What?
Shop Floor mostly	mid 1940s growth spurt, and more since 1980s	Focus: the asset
		Time frame: 1-3 yrs
		Orientation: ACTION

Attitude - and solution:

We have the technology (to do better maintenance) - we just need the funding, and a greater awareness of the issues.

ASSET MANAGEMENT



Contain,
Seeds of
Financial
Sustainability

Where?	When?	What?
Middle Management mostly	mid 1980s (although seeds sown earlier)	Focus: the portfolio
		Time Frame 5- 30+ yrs
		Orientation: PLANNING

Attitude - and solution:

We have the technology (to do better asset management) - we just need the funding and a greater awareness of the issues.

Where to next?

Before mid 1980s, there was a general appreciation in the engineering fraternity that more funding would be required but it was not possible to describe how much more or what it would be spent on

The advantage of Asset Management's Portfolio and Long Term Approach has been that we have been able to put dollar amounts, actions and even a time frame to future required spending

This has sewn the seeds of the next stage: Financial Sustainability

but we are not there yet!

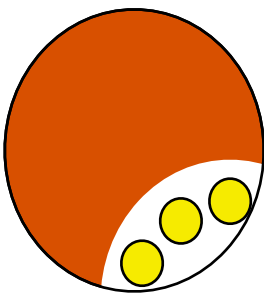
Where we are now

We know how much it will cost if we continue to do what we have always done. If we continue to build, maintain - and retain - the same type of assets that we have now.

And we are starting to realise that we can't afford it!

But at every stage, the seeds of the new idea have met with resistance, and this is no different. Only when a sizeable number have recognised that we need to change, will we move on.

What it may look like

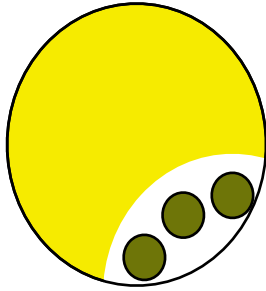


FINANCIAL SUSTAINABILITY

Where?	When?	What?
Senior Management	Mid 2010s?	Focus: Service Delivery
		Time Frame: 1-3 yrs
		Orientation: ACTION

Attitude and Solution:

Service comes first, but it must be sustainable in the longer term - we need to reduce costs



**And my best guess at the following stage of
Environmental Sustainability?**

Where?	When?	What?
CEOs - as a consortium across organisations	???	Focus: Communities of the Future - our children and our children's children
		Time Frame: 10 - 100 and then some
		Orientation: PLANNING

**YOU CAN BE OPERATING ANYWHERE,
IN ANY COLOUR -**

they are all part of the wider task of how we manage our assets

MAINTENANCE - This is now a mainstream field Your interests may lie in the application of the growing range of tools and guidelines now available, or in further development of tools, analysis and interpretation of data, or in greater communication of maintenance issues.

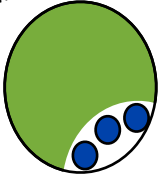
ASSET MANAGEMENT - This is now a mainstream field Your interests may lie in greater understanding and application of the tools now available - or, as above, in improving those tools. You may find yourself interested in any of the growing specialty fields of valuation principles, life cycle costing, risk management, etc. Or in the development of principles for PPP contract models, or third party access. You may be an accountant, architect, economist, engineer, lawyer, sociologist, surveyor, or urban planner.

FINANCIAL SUSTAINABILITY and ENVIRONMENTAL SUSTAINABILITY - You can incubate these seeds!

These are yet to develop into mainstream fields. If your interests lie here, you have the ability to make a real difference. But you will experience resistance. Maybe a lot of it. People will not understand you and when they understand, they may not believe. And even when they believe, they may not act. It will require you to stick with your ideas over quite a lengthy period of time and develop good communication skills.

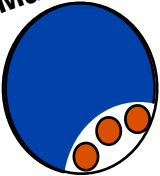
Note the Patterns!

Maintenance



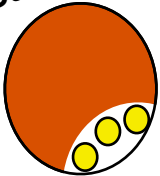
Where?	When?	What?
Shop Floor	mid-40s growth, then more in 1980s	Focus: Asset
		Time Frame: 1-3 years
		Orientation: ACTION

Asset Management



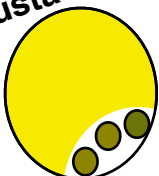
Where?	When?	What?
Middle Management	Mid-80s on	Focus: Portfolio
		Time Frame: 5- 30 +
		Orientation: PLANNING

Financial Sustainability



Where?	When?	What?
Senior Management	Not yet, but Mid 2010s?	Focus: Service Delivery
		Time Frame: 1-3 yrs
		Orientation: ACTION

Environmental Sustainability



Where?	When?	What?
CEOs	???	Focus: Future Community Wellbeing
		Time Frame: 10 -100+
		Orientation: PLANNING

KEY PATTERNS TO BE OBSERVED ARE:

WHERE:

The locus of activity is moving up the chain of command

WHEN:

The gaps between the stages is growing smaller. Maintenance has had a long history but if we look at WW2 as establishing it firmly as a field of study in its own right, then there is a 40 year gap between Maintenance and Asset Management, and, as we can already see the seeds of Financial Sustainability developing strongly within the planning stage of asset management, I am assuming that within a few years (say 2015) we will have the tools for action in ensuring our assets really meet service delivery requirements. That is only a 30 year gap. Environmental Sustainability is still but a gleam in the eye, in terms of both planning and action. Getting co-operation across agencies (and nations) will take time. 2035?

WHAT: Here there are three threads

- (1)** A widening of our focus - from asset to asset portfolio to service delivery to ? (communities of the future?)
- (2)** The Time Frame swings back and forth between short and long
- (3)** The Orientation matches the Time Frame: ACTION for the short time frames, and PLANNING for the long time frames.

ONCE INTRODUCED, EVERY STAGE STAYS AND GROWS.

Maintenance does not morph into Asset Management, and Asset Management will not morph into Financial Sustainability, etc.

Because each stage moves higher up the command chain, however, there is a tendency for those still working within one stage to want to 'claim the title' of the next stage as a matter of status. This leads to problems with terminology, but is probably inevitable.

AN UNFORTUNATE ACCIDENT OF HISTORY

Somewhere along the line, the term 'asset management' was adopted to apply to Stage 2 only. In retrospect this is rather unfortunate, but we are stuck with it now. Maintenance is also asset management - as recognised by the change in name of MESA (Maintenance Engineering Society of Australia) to the AMC (Asset Management Council). And Financial Sustainability and Environmental Sustainability with their focus on service delivery to customers, and service to the wider community now and in the future, respectively, are also constituent parts of the management of assets.



As important as it is to be aware of the WHERE, WHEN and WHAT of asset management, it is also important to know the WHY

So here is a **reminder** to try your hand at our current SAM Competition. (And do a friend or colleague a favour and give them your free subscription when you win!) Do it just 'coz!

MARCH-APRIL ASSET MANAGEMENT COMPETITION

Asset Management as a Religion

This competition is the suggestion of Marcus Lee, Devonport City Council.

Consider the following scenario:

AM is a new religion and you are its prophet.

You have to give your disciples 4 words to use to spread the religion and make sure that the important aspects of its teaching are not lost into the future.

They will use these 4 words as prompts to remember all that they have learnt from you.

These will be the only written scripture the religion is allowed to have.

WHAT ARE YOUR 4 WORDS (and why)

most useful wins!

Due date is **FRIDAY, APRIL 29TH** Email your suggestions to info@amqi.com