

AMQ  
International's

# STRATEGIC # 322 ASSET MANAGEMENT

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*WE ALL SEE THINGS A LITTLE  
DIFFERENTLY*

Over the past week the world has been a nervous witness to unedifying conflict over the US debt.

The problem was not that the two sides saw the situation differently -

but rather that some refused to consider that there may be anything at all in the views of the others. In this issue of SAM I touch upon some of the opportunities that we have to avoid such conflict in our own asset management communications.

In "Defusing Conflict" (pp 3-4) I look at three things that can help smooth the way

In "Getting Others on Side" (pp 5-6 ) I look at how we can avoid unnecessary conflict arising in the first place

There are also two short pieces, one questioning how your AM information is being used in your organisation (p. 6) and another looking at leaving scope for innovation, change and improvement as we set up our AM procedures.(p.2)

**PLUS** "Benchmarking for Beginners - Part 4: 3 Benchmarking Case Studies" on pp. 7-12

*Please consider - and enjoy!*  
*Penny*

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## THE BREATH OF LIFE!

I had an interesting email conversation with Janaka Seneviratne last week a propos of the “Perfect AM organisation article in the last issue of SAM.

Janaka presented a list of ‘key ingredients’ for such a perfect organisation - e.g. executive leadership, defined roles, effective resources, clear accountability, agreed values, outright ownership and continuous evaluation - and I had to admit that they looked pretty good. But the more I thought about the way we have been going about codifying ‘best practice’, the more uncomfortable I felt.

### When everything is codified, where is the scope for improvement?

Where is the opportunity for someone to see the world rather differently? And if there is no such scope, what happens when the world actually does become rather different - as it has a habit of doing, with ever increasing frequency?

Thinking back to the agency that was my example in the last issue - I started to see it a little differently. It was a new agency in a new industry - the rules had yet to be written! Nothing was set in stone, everything was up for grabs. A very exciting time. Experimentation was the order of the day. And the CEO’s approach gave his staff both the support and the opportunity they needed to excel. In fact every agency in this new water industry did well.

### But how can we capture this innovative spirit in an established agency?

Sure, we can check off a list of ‘key ingredients’ ) and all these things are important, but that doesn't mean that putting these things into place makes an organisation effective.

I think of it as the difference between a living body and a corpse. The corpse has all the essential body parts - but it lacks the life to animate them!

### What I am looking for is this breath of life!

And then an interesting article fell into my inbox! Consider

**“You’ve built your reputation as a leader on a trinity of skills: a clear vision, a dynamic strategy, and your ability to get everyone pulling in the same direction. Your company is stable and full of satisfied employees. Success shall be yours. Right? Wrong. If everyone’s content, you’re headed for trouble—the kind that can drive your organization onto the shoals of failure.”**

If this intrigues you, you may care to read the short article on [Right Fights](#)

## CONSTRUCTIVE CONFLICT

A “lively exchange of views” or “a serious disagreement”? The rise of the litigious society dismays almost all of us, yet what is it, but a refusal on the part of the parties to accept responsibility for their own actions and their consequences and a lack of respect for each other? In March this year, the Attorney General launched Australia’s collaborative practice guidelines for lawyers, following similar activity in America, Canada, Europe and the UK, to encourage alternative dispute resolution to litigation.

Constructive conflict resolution is about such collaboration; it is a re-positioning; seeing ‘conflict’ as simply different perspectives on a topic, respecting others (even if we consider their views misguided) and looking to what can be learnt from the difference.

The next two articles are about managing conflict - defusing it when it has arisen, and (for preference) not letting it get to unproductive levels in the first place.

*keywords: communication, conflict, strategy*



**DEFUSING**

**CONFLICT**

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Recently I have had the pleasure of watching a natural mediator at work. She can defuse conflict in just about any situation. Her technique is simple. She is not invested in getting her arguments across but in genuinely finding a solution that works for everybody. So she is always open to alternatives. What I have learnt by watching her:

## THREE PRINCIPLES FOR CONSTRUCTIVE CONFLICT MANAGEMENT

### 1. Never assume you know what someone wants - even if they say that they want it!

In a recent workshop, a participant had argued for a certain change in a proposal I had made that I considered detrimental. Instead of defending my proposal, which would previously have been my response, I engaged her in further discussion of her concerns and it turned out that they lay somewhere else entirely! We were then able to amicably take a more mutually acceptable route -and achieve a better solution.

### 2. Don't mistake enthusiasm for rigidity.

Confronting a dominant personality doesn't have to be combative. Just because someone is excited about their plan, doesn't mean they're not open to other options. Explore them. Ask: Are you open for feedback on this? If they say yes, start off saying, "I tend to think of these things from a different perspective." It keeps the conversation neutral. You're not attacking their point of view; you're just sharing yours. High-energy people move quickly and enthusiastically. They might wind up embracing your plan with the same zeal they do their own.

### 3. Don't let the conflict build

Some years ago I was asked to help out in a situation of considerable tension. The CEO thought that he could avoid dealing with the conflict that had developed between two of his officers by having an 'eminent outsider' (aka me) present 'the AM truth'. It was never going to work, and it didn't work. Because although the subject of the dispute between the two officers was AM, the real conflict was about who had the power to take strategic action. No amount of 'AM truth' was going to solve that! Allocation of roles and responsibilities is the task of the CEO but he did not take action and so the conflict remained, simmered and boiled over. More and more officers were dragged into it and AM progress was seriously derailed. It lasted not just for months but for a number of years!

I now realise that the main reason people avoid conflict is because they don't see a clear way to bring up an issue and resolve it peacefully. They assume it's going to be an argument, and that they'll lose. But disagreements are natural. Even if you think the positions are entirely incompatible, if you listen carefully you can find a solution. Think of it as a challenge! Be open to compromise. Better something than nothing.

**Keywords:** strategy, change management, communication



## GETTING OTHERS ON SIDE

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*Strategic Asset Management is about change - changing what we do and how we do it. How we manage that change determines how successful we are. So this short excerpt from "I talk, you listen" by Sherri Large, in the IMPACT newsletter, is relevant for all of us*

### **Make it personal, with an opportunity for feedback**

“When your company changed to a new process or implemented a new software program to enhance production, were you communicated to effectively? Did someone tell you why things were changing or how these changes would affect you? If they did, how personal was the message? Did you have an opportunity to respond and provide feedback?”

With the growing conveniences of modern technology, fewer people are taking the time to talk with others face-to-face, and when they do it's in mass audience forums which are inherently designed to only pass along information – one-way communication. How can we expect our employees to execute our strategies, meet our expectations, and achieve the company goals if we aren't diligent in communicating these very things? Understanding the need for change is the first step in creating new behaviors within your organization. If we assume that business processes will change as a result of your initiative then we must assume that behaviors, driven by habits and culture, will also need to change.

To drive behavioral change you must communicate the need for change as it relates first to the overall business, and second to you and me. There is an acronym in change management circles that defines the you and me -- it's called WIIFM and it stands for "What's In It For Me." If we expect our people to demonstrate the new values of our business through their own behaviors, then they must understand why. We are not talking about how, which is easier to talk about. We are talking about what is changing that will affect me, and why the change is necessary in the first place.

## WHO does the communicating is critical

Communication is paramount when trying to raise the level of understanding in your organization. Many public relations consultants will tell you that the key to communicating is to use multiple platforms or media to communicate the same message.

Most will tell you to communicate the same message three to six times, and I don't disagree. However, I think too much emphasis is put on how to communicate instead of talking about what we should communicate and who should deliver the communications. Studies indicate that when communicating the business need for change the most effective communicator in your organization is the CEO. These same studies prove that when it comes to WIIFM, people want to hear from their direct supervisor. Makes sense, doesn't it?"



### IF YOU PROVIDE ROUTINE INFORMATION TO OTHERS - ARE YOU WASTING YOUR TIME?

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As a newly appointed manager I received a communication from the accounts section saying that my unit had purchased two items identified only by a 12 digit alphanumeric code. When I asked what that meant in plain english I was told that I was welcome to look up the code manuals. However since these were on the top shelf of an 8 foot high bookcase I assumed that not many took up the offer to do this, and I declined. But I did ask my fellow managers what I should do with such communications. They laughed and said 'chuck them in the bin, that's what we do!'

***Which leads me to ask: what do other sections do with information that you supply to them? Do you know? Do you assume that it is used or have you checked?***

# BENCHMARKING FOR BEGINNERS: A guide for public sector asset managers

## Part 4: Benchmarking Examples

### Benchmarking Case Study 1.

#### Benchmarking Asset Management in the Water Industry - Water Services Association Australia

**Characteristics:** *industry and asset specific, transparent, detailed understanding, self assessment and audit check, designed for the benefit of participants*

Source: *Water Asset Management International*. 1.1 March 2005. Andrew Foley "Benchmarking Asset Management"

WSAA wanted to produce a benchmarking framework that was transparent and gave the participating utility or the regulator information as to how performance could be improved. To do this it developed a framework of 7 functions - Fig 1 - where functions #2-6 are guided by #1 and supported by #7.

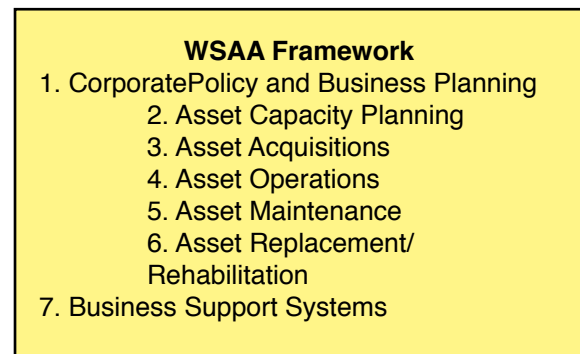


Figure 1  
Framework

These functions were then systematically disaggregated into a hierarchy of parts which could then be assessed, scored and aggregated to give an overall score for the function. An asset management profile can then be established for the utility. Fig 2. Ultimately, all assessment is done at the measures level; however, due to their discrete nature no comparison across organisations is meaningful below the process level. See Fig 3 for a diagram of the scoring mechanism.

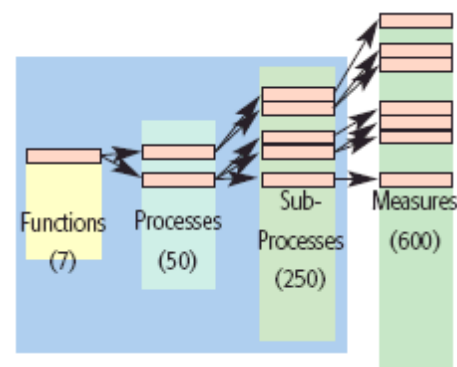


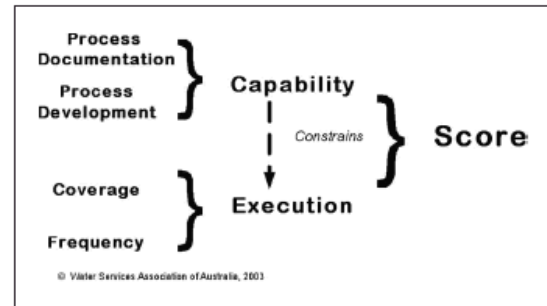
Figure 2  
Hierarchy of processes and measures

The transparency and detailed disaggregation is one of the features of this benchmarking which make it so useful for participants. Another is the coverage. The framework was

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implemented as part of a major urban water industry subscription project. A total of 23 utilities participated in the project, 19 Australian, 2 New Zealand, 2 USA.

**Figure 3**  
Diagram of the  
scoring framework



Then there is the thoroughness. A full day workshop was held at the start of the project to communicate the detail and use of the online framework, outline the audit verification process, agree on key dates, milestones and deliverables. Each participating utility undertook a self assessment that took from 4 to 12 weeks to complete depending on the size of the organisation. Generally the self-assessment was undertaken as part of a series of workshops in which key utility and external service provider staff related to the process or function being assessed was involved. The self assessments were then audited.

The auditing of the self assessment was undertaken by WSAA accredited auditors. Accreditation was completed over two days and provided the auditor with a detailed working knowledge of the framework's measures and scoring. The role of the audit was to validate independently the self-assessment. The auditor sought to ensure consistency of understanding of the measures and scoring to ensure the assessment accurately reflected the utilities score in asset management. The audit was premised on a sample of approximately 25% of the measures contributing to around 45% of the score.

The WSAA benchmarking thus took pains to ensure that the work was **relevant** to the participants (the framework was designed by an industry working group); that it was **understood** (workshops); **audited**; **consistent**; based on **measures** rather than opinion, and had **good coverage** (23 participants). It also understood the **limitations of benchmarking** - "The framework now provides the user with a roadmap as to how performance can be improved by providing direct inter-business with *appropriate industry peers*. It must be emphasized, however, that *the framework does not indicate whether improvement in any particular area is warranted.*" (My emphasis)

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### Benchmarking Case Study 2

#### Benchmarking Storm Water Asset Management in Local Government and Bulk Water Authority.

**Characteristics:** *Benchmarking used as information presentation device. For the benefit of Audit. Small numbers. Mixed representation. External assessment only.*

**Source:** Managing stormwater flooding risks in Melbourne. *Report of the Victorian Auditor General, 2005.* Section 4 “Is Drainage Asset Management Effective?”

This audit study considered the stormwater management effectiveness and the effectiveness of stormwater asset management for 6 councils and the Melbourne Bulk Water Authority. Using the International Infrastructure Management Manual for best practice criteria, the report set out the components of a best practice asset management plan and assessed actual practice against best practice, examining whether the 7 agencies had:

- clearly stated their goals and objectives; linked these to the organisation’s wider goals; and ensured that they were supported by the community
- understood the levels of service they were providing and how these compared with community expectations
- predicted changes in future demands on the drainage system and made plans to manage these changes
- prepared comprehensive plans to manage assets to an agreed level of service through each stage of the asset lifecycle while minimising lifecycle costs
- understood and communicated the financial requirements of managing drainage assets
- implemented processes and support systems to ensure decisions were well founded and logical
- implemented planned actions in line with established procedures, timelines and budgets
- measured their performance and implemented a process that would ensure continuous improvement.

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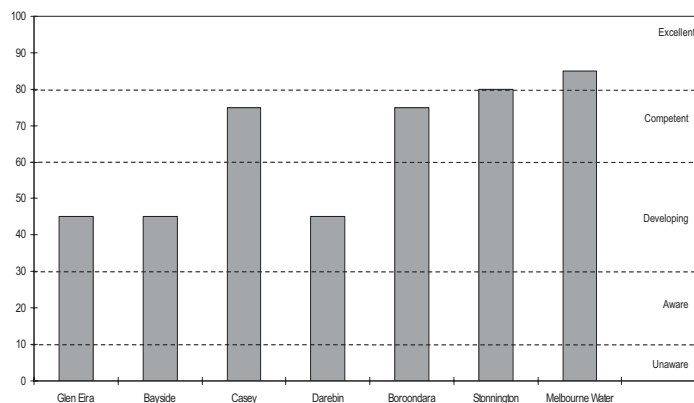
Assessment of the above was by external assessors on a 5 point scale (Unaware, Aware, Developing, Competent, Excellent). See, e.g. Fig 4D from the Audit Report opposite.

There is no further disaggregation.

The information presented was used by the Audit Office to make recommendations as to performance improvement - and this is the point at which the work becomes problematic.

Stormwater service is only one of many services that councils need to provide and it cannot be assumed that 'best practice' in *this* service should be the highest priority for each council regardless of its stage of development or position in the asset life cycle. (cf the explicit recognition in the WSSA that performance improvement would not necessarily be warranted.)

FIGURE 4D: RATING—UNDERSTANDING OF CURRENT SERVICE LEVELS AND COMMUNITY EXPECTATIONS



Source: Victorian Auditor-General's Office.

Another difficulty is that Melbourne Water is probably not an 'appropriate peer' with whom the councils can be compared. Compare this with the WSSA study where participants had reasonably common interests and abilities.

Finally, this benchmarking study was not for the benefit of the participants but for the regulator/ auditor. With only 6 council participants for comparison, performance recommendations do not have much overall support. And the BM study itself simply states that improvement is possible - but not that it is warranted, or (if warranted) how to go about it.

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### Benchmarking Case Study 3

#### Benchmarking Organisational Asset Management - Academic study

Characteristics: Wide range of industry types, broad processes, individual assessment, opinion based,

**Source:** 'Benchmarking your organisation's infrastructure/industry assets management'. by RF Stapelberg, Centre for Integrated Engineering Asset Management. Paper presented to 2007 ICOMS.

Our final case study is a broad brush academic study. Like the two previous studies it starts with a framework explaining what is understood by asset management. Each of the 12 modules in the framework are then explained further in terms of major components.

No information is presented in this paper as to how the survey was carried out, who took part, what questions were asked, etc. The 'results' are therefore not transparent and can neither be understood nor assessed as they stand.

The figures presented would appear to be an average for each 'industry class' of self assessments based on opinion and a 5 point scale. The wide range of sectors covered suggest consistency would have been difficult, if not impossible. The report says that participants include State Treasuries, local government authority, built environment, roads, transport, water, power, defence, education, and manufacturing/mining/process - but there is no information on how many respondents were in each category or who they were. The intention of the study was said to be 'to determine the status of asset management'. But without transparency and detail it is difficult to see how this objective could be interpreted or evaluated. It is also difficult to see what value participants would have got from the efforts they put forward or what can be done with the information. Which brings us to what we can say about being involved in benchmarking:

## **BENCHMARKING FOR BEGINNERS: A guide for public sector asset managers**

### **Conclusions:**

**Meaningfulness lies in the detail.** The more detail the more meaningful. With detail, you can see where you differ from others and why. In other words the answers make sense. Detail means taking one answer and asking why? And then asking why again for increasing layers of detail.

**Benchmarking is more meaningful when confined to one industry or one process.** Benchmarking over many different industries or processes must necessarily involve a great many variables that it is not possible to explore.

**Benchmarking is more useful if participants are striving towards common ends.** Regulated industries are a good field for benchmarking as they are likely to have reasonably common economic, safety, technical, and service aspirations - largely determined by their regulators.

**Benchmarking is more useful if the data is presented unemotionally.** An objective assessment of “More” or “Less” of an attribute is more valuable than some external subjective assessment of “poor” or “good”. This enables an organisation to assess performance against need. It is not necessarily the case that ‘more is better’.

**Benchmarking is more useful the more information is available.** Knowing that you need to improve in a particular area is not really helpful unless you can see how to do it - this brings us back to detail.

**Benchmarking is more useful when it is designed by those who are active in the field,** and thus understand the processes from a user’s perspective.

### **Try out your benchmarking analysis!**

Kerry McGovern has just drawn my attention to a new benchmarking study:  
[ANZECC Working Group on National Park and Protected Area Management Benchmarking Best Practice in Asset Management](#)

Now that you know what to look for, why not try your hand at evaluating this study? (since the best way to learn is to apply your knowledge as soon as you can.)