

AMQ International's **STRATEGIC** **# 334 ASSET MANAGEMENT**

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THINKING, STANDARDS AND CREATIVITY

Role of Strategic Asset Managers

The role of strategic asset managers is to think! It is not their only role, but it is an important one.

Strategic asset managers ask *why* we should put effort in a particular direction.

They ask *whether* the outcome is worth pursuing,

They ask *how* something can be improved.

Strategic asset management is thus no place for 'yes men' or those who adopt conventional wisdom, or those who believe that the way to do things is the way they have always been done. Being a strategic asset manager means being prepared to upset the apple cart. Not for its own sake, however, but for the sake of making better, more effective, more efficient decisions.

This is a special 'thinking' issue.

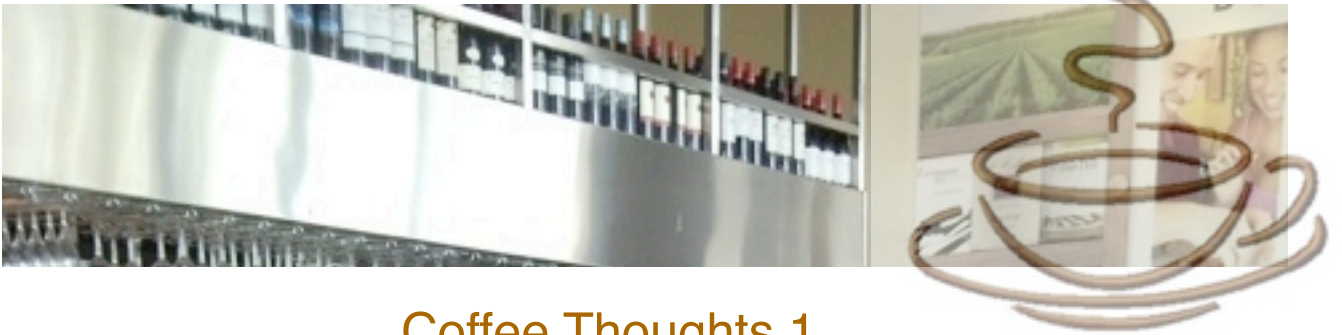
Normally we only have one set of coffee shop thoughts, but in this issue we have three. Three ideas commonly voiced - all of which would benefit from contemplation over a cup of coffee. (pp2-4) We also look at the role of Asset Management Standards. What do we hope to get out of them? Why are asset managers not using them? What are the key success factors and what are the potential hazards? What should your reaction be to such standards? Peter Kohler talks about the intent of the new international AM standard, Linda Newton considers the use (and non-use) of standards, and I voice some of the fears I hold for creativity with the advent of standards. Surely enough ideas here to happily occupy the back of your mind for the next several weeks?

Please consider - and enjoy!

Penny



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Coffee Thoughts 1.

“Nobody thanks us!” (Why?)

What we say:

“We don’t get the recognition we deserve” he said, “nobody ever says,

“ Thanks for your efforts Fred, I am really pleased that you have discovered the organisation has an insurmountable renewal gap in its road assets” !

Whilst agreeing with the sentiment, I wonder if presenting problems without solutions is really what asset management is about. ‘What if a brain surgeon told you that you have a brain tumour but nothing could be done about it, would you say ‘thanks’? Or would you be inclined to downgrade his expertise, seek a second opinion and/or wallow in the misery of the diagnosis? If so, why should councils be any different?

If, however, your brain surgeon said: ‘You have a brain tumour, it is tricky, but we can operate and there is an excellent chance that, if you follow the regime that I will give you, you will recover well.’ Would you now say a heartfelt ‘Thanks!!’ Indeed you would. Again, why should councils be any different?

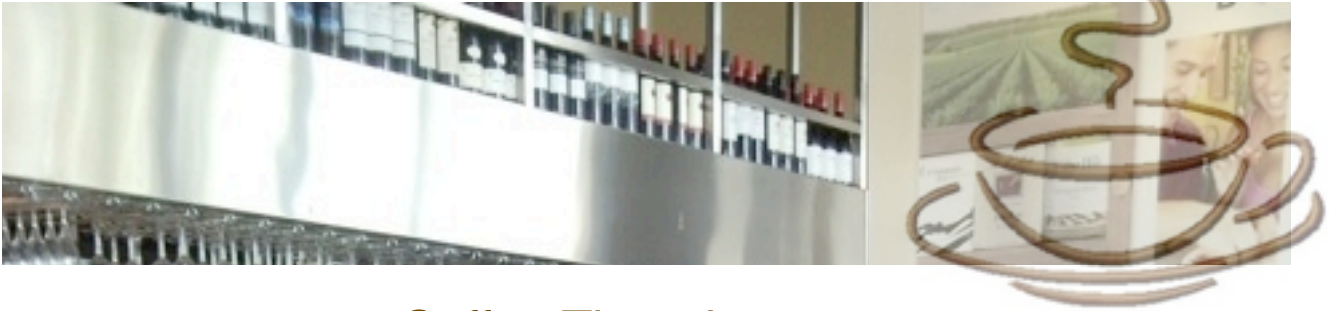
Nowadays we have models that enable prediction of future asset renewal. It really is ‘plug and play’, we put in the data and, hey presto, out come the answers. These projected asset renewal costs will generally be far above the capacity of the organisation to finance, so we cannot stop there. Providing this ‘raw data’ is NOT the end of the Asset Management task, merely a preliminary data input.

A Solution?

Suppose now that you say to your council. “This is the current state of the asset renewal gap. The figures represent the cost of continuing to do things the way we have always done them in the past. This problem has built up over many years and it will take a number of years to correct but with your support and using the asset management tools and knowledge we now have, we can reduce this gap to manageable levels.

Moreover, if at the end of the year, you are able to recalculate the gap and demonstrate that you have made a 20% reduction, and that, with actions already in hand, you are on track to reduce the gap even further in the following year, do you think then that they will say: “THANKS!?”

Asset Management is not about presenting problems - it is about solving them



Coffee Thoughts 2.

“We need a common system!” (Why?)

What we say:

“Everybody has different systems, different accounting, different asset systems!”

There has been much debate over getting common accounting and asset management systems across councils. The Commonwealth and State Governments would presumably like it so that they can compare one council with another. Also for benchmarking between councils, it seems that it would be an advantage. Ten years ago I counted as many as 27 different systems in practice in South Australia. Not one of these had any clear superiority over the others in terms of popularity. When a group of the larger councils wished to undertake a benchmarking exercise with each other, they were faced with the problems that none of them recorded, or even defined, their assets in the same way. However none of them considered that the benefits of benchmarking warranted a change.

Today it may be possible to mandate a common system - but should we?

Two examples are worth thinking about.

- (1) In 1996, a few New Zealand councils got together to design and commission a system specifically for their own needs. The word spread and more councils joined the group. Eventually, all councils were involved and together they commissioned a common system. This was a true feat of co-operation and it justified its Award in the first of the Asset Management Competitions. But what is the situation now? Are all the councils still using the same system? No, not at all. Some are, but others having tried it out, have gone back to a previous system that suited them better or have moved to a new system that presented advantages for them. Some councils did not even unpack the new software!
- (2) In Europe, a common monetary system was adopted - and we all now know the problems that a common currency without common values, attitudes and management brings.

In the late 1980s, the buzzword was ‘integrated’, everything had to be ‘integrated’. I ran a fleet system for 200 vehicles and a property system for the entire state’s building portfolios and I was taken to task by the Audit office for not ‘integrating’ them. When asked how and what benefits such integration would bring, no one could say!

Perhaps we need to be equally cautious in accepting the current buzz for common asset systems?



Coffee Thoughts 3.

We have to become more efficient! (Why?)

What we say:

We have to be more efficient, do more with less!

It has been of increasing concern to me that we seem to be focussing on efficiency without having the right steps in place for effectiveness. Why, I asked myself was this happening? The answer I came up with - which you may not agree with - is that it is relatively easy if you are the Commonwealth or State Government or Head Office to focus on policies that impose efficiency on others. Effectiveness, however, requires each of us to make changes of our own, so that is much harder.

Thinking along these lines I issued a challenge to the asset managers taking part in the History Forum, I asked “ Is Asset Management still fun? Or has our concern for efficiency (doing the same with fewer resources) driven out our interest in effectiveness (doing better by doing differently)?

I was thinking of effectiveness as getting the right assets in place, in other words, capital optimisation (which I still think we do rather badly) rather than maintenance optimisation (which I think we do rather well). But John saw another aspect to effectiveness. He saw the necessity to get the right culture and information infrastructure in place. Both logically pre-date a focus on efficiency. Here is John’s comment, which is worth thinking about.

Well, I can't miss the opportunity to comment on this one. I don't know how you pick your topics but this one is great. I think the doing more with less can only really become successful if you have already put the building blocks in place, set up the right culture and created the IT systems to gather the information for decision making. This creates the effective part of the story but how do you then deal with efficiency? Well, for me there are two options. One you can take on more risk. At least if your Asset Management is working you can articulate the change in risk. The other option is to look at your people and process to understand if this is optimum. What interested me the most with this topic Penny is you must be in sync with our company. I have just been moved from the strategic area of our company to managing about 700 people delivering outcomes. Interestingly i am still the business process owner for Asset Management. I am sure there are going to be some real challenges in this move. The funny part is this means I am more excited then ever. New challenges, new people to influence, more people to become part of the Asset Management community if i get it right. If it does not excite you then get out of the field and do something else.

Amen!



STANDARDS AND CREATIVITY

My Fears

I fear for the death of creativity as we create ever more standards. I understand what impels their creation (see Peter Kohler's brief resume of the new ISO 55000 series) yet I perversely take heart from Linda Newton's observation of how little they are used. The original ISO standard on Quality Management is still, far and away, their best seller, largely, I suspect, because it was - at least here in Australia - mandated on all suppliers to the Commonwealth Government. The Risk Management Standard has also been very successful - again, its use was mandated.

Is this the dilemma that we face? Either to mandate (and take the risk that practices and policies will ossify around today's understanding) or to leave people free to adopt as they see the value in them (and risk having them not used at all.)

I also have another fear and that is that they could be applied by bureaucrats who lack an understanding of asset management. For example, in Australia we are just starting to recognise the value of **service delivery** - by which we mean the outcomes received by consumers and community. (see SAM Issues 328-330) We see 'service delivery' as related to outcomes, or the value that the community receives from the assets. This is very different from the physical life of the asset. An asset can continue to be physically sound but deliver services that no longer match the real needs of the community. Yet the Service Delivery standard to which Linda refers is really a standard for extending asset life. So you see how we could be at cross purposes. Words do not mean the same thing in different countries - even when our common tongue is English.



The following two articles, by Peter Kohler and Linda Newton, are by practitioners involved in the Investigation and Development Stages as illustrated above. It is at these stages that creativity and imagination are applied. But after that ???

The Intention

An international Asset Management Standard

**Peter Kohler,
Asset Management Council**

Currently, the International Standards Organisation (ISO) is developing the ISO 55000 Series of Standards for the management of assets - Asset Management. The ISO committee (ISO PC 251) comprises some 32 participating countries - Australia being one of those.

The completed suite of three asset management ISO standards is expected to be available to the public in 2014

Asset Management Standards Content

The proposed Standards are performance based (certainly not prescriptive) and while introducing the subject of asset management also specify the requirements for an asset management system to manage assets and asset systems over their life cycles. Some information on tailoring the asset management system is also provided

The Standards will be applicable to any organisation that wishes to:

- Establish an asset management system to manage its assets over the life cycles or over a defined period;
- Implement, maintain and improve the management of its assets;
- Assure itself of conformity with its stated asset management policy and organisational objectives; and

- Demonstrate conformity with the Standard.

The Standards are applicable to all types of organisations (e.g. commercial enterprises, government agencies, non-profit organisations), as well as to all sizes of organisation (from small to medium enterprises through to multinationals).

The Purpose of the Standards

Within Australia, there are many industry specific standards and practices that relate to one or more aspects of the management of assets. These have been developed across asset classes and industries to deal with specific issues and as a result tend to be very specific in scope

Further, maturity in asset management practice and outcomes varies considerably across sectors. Some sectors, with existing guides and strong technical leadership are a considerable way down the asset management pathway. Others are not.

So for some sectors, those with less mature asset management practices, and no widely accepted framework or coordinating body, a Standard setting out a framework and requirements for managing assets might be a welcome development.

From an Australian perspective alone, it appears timely then to agree terminology and principles and to develop an agreed perspective for the management of assets - asset management.

Within many industries there is also a growing desire to adopt a uniform, interchangeable and commonly understood asset management language.

There is little doubt that with an increasing need to do better, the Australian public is raising the bar for the owners and operators of assets. ■

Do you think there is any truth in this?



Actuality

Not Another Standard!

By Linda Newton

Defence Construction Canada

Several years ago I became involved, through the Standards Council of Canada, on the ISO subcommittee responsible for writing ISO standard 15686, Buildings and Constructed Assets: Service Life Planning. As someone involved in asset management the concept of service life planning is core to everything I do so participating on the committee was a natural fit. What better way to contribute than bringing the AM best practices into the ISO realm?



ISO 15686-1 was first released in 2000 and is applicable to the service life planning of individual buildings. The standard has grown to six parts with five others on the way. It now comprises 11 parts that collectively provide functional direction and guidance to ensure that the service life of a building or other constructed asset will be equal to or exceed its design life. These parts are:

- Part 1: General principles (ISO 15686-1) 2011
- Part 2: Service life prediction procedures (ISO 15686-2)2001
- Part 3: Performance audits and reviews (ISO 15686-3) 2002
- Part 4: Service life planning Using IFC based building information modelling (ISO 15686-4)
- Part 5: Life cycle costing (ISO 15686-5) 2008
- Part 6: Procedures for considering environmental impacts (ISO 15686-6) 2004
- Part 7: Performance evaluation for feedback of service life data from practice (ISO 15686-7) 2006
- Part 8: Reference service life and service life estimation (ISO 15686-8) 2008
- Part 9: Guidance on the assessment of service life data (ISO TS 15686-9) 2008
- Part 10: Assessing functionality and serviceability (ISO 15686-10) 2010
- Part 11: Terminology (ISO TS 15686-11)

ISO 15686-1:2011 establishes general principles for service life planning and provides a framework for undertaking service life planning of a planned building or construction work throughout its life cycle from initiation to ultimate disposal, recycling or re-use of the asset. The most recent part, ISO 15686-10:2010, addresses functional performance requirements during the service life of buildings and building-related facilities, and when to check the capability of buildings and facilities to meet identified requirements. ISO 15686 is applicable to a building asset portfolio, a single building or a facility which is part of a building. It is equally applicable to a wide range of stakeholders from owners and managers to

occupants, tenants, or other users. A summary of each part can be found on the [ISO website](#).

This standard is an excellent reference for anyone involved in asset management and fits well with two other AM related ISO standards: ISO 15392:2008 'Sustainability in Building Construction' and ISO 55000 'Asset Management', which is currently under development.

At this point you may be asking, “Why have I not heard of these standards?” or “Why do we need international standards when I already have manuals, standards and best practices that I use?” These are valid questions.

It got me thinking, why do we need international, or even national standards, when asset management is such a broad field?



Can there be a 'one size fits all' approach when the role of the manager differs greatly between the public and private sector. Some of us work at the strategic level and others at the operational and tactical levels. Some of us may manage very technical portfolios that comprise predominantly of buildings whilst others may manage primarily municipal works.

My response is, “Yes, we do need standards or we keep reinventing the wheel and yes, there can be a one size fits all approach. But, we have to get the standard right!”

Standards can be prescriptive or objective.

I like to explain the difference between the two in terms of travel directions. Consider this example I often use when I'm teaching my graduate students. I am starting in Ottawa, Canada and I've been told to go 'west'. North America is a very large continent and west could be anywhere from the Mexico border to Alaska. I need something to help me get 'west'. I need a standard; I need directions.

A prescriptive standard will tell me my destination is Vancouver and that I must arrive by "X". It will give me the exact route to take to get there and what means of transportation I will use. But what happens if my route is blocked or my vehicle breaks down? What then – do I stop and wait the route opens up or until my vehicle is fixed?

An objective standard will still tell me my destination or 'objective' is Vancouver and still give me a time to be there. Rather than tell me the exact route or means of transportation however, it will provide guidance on how to achieve the objective such as: 'select a route within Canada', 'select the most economical and efficient means of transportation', etc. The guiding principles give me the flexibility to reach my objective using the most

effective and efficient means but they still provide limits to ensure that I do not take six years to get to Vancouver or end up in Juneau, Alaska.

AM, by its very nature requires an objective standard, one that outlines 'what' needs to be done and provides a framework or 'how' to accomplish it. Such a standard may give suggestions on the 'how' through examples in annexes but will not prescribe either the 'what' or the 'how'. An objective standard provides general principles, which if they have been properly developed will apply to all aspects of AM, and focuses on the outcome, in the case of my example – getting to Vancouver. This is how we achieve a 'one size fits all' standard.

So the question that needs to be asked is not 'why do we need international standards' but rather 'why are we not using the standards that have been developed'? Is it because they are too prescriptive? Is it because there are too many saying the same thing? And so I am asking you ...

Do you know of the standards I have mentioned? Do you use them or other standards to manage your assets? Should we try to bring them into the ISO realm? If not, what should be done about it? I'd love to hear from you.

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What are your reactions to AM Standards?

1. Common standards are absolutely essential and I will do everything I can to ensure that the new AM standards are adopted in my organisation
2. Standards make excellent guidelines, but they should be voluntary. I will wait and see.
3. Not more guidelines!

You can vote your reaction on the poll on the amqi.com website

Our series on Mental Models and The Asset Management Story have been held over till the next issue.

