

AMQ
International's **STRATEGIC**
342 ASSET MANAGEMENT



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**“What is Asset Management?”
(or, how not to baffle your audience)**

You have been given the opportunity to present to your council / organisation / or professional journal on the topic “What is Asset Management?” What do you do?

What I often see on these occasions are lists of roles or tasks often written with high sounding phrases, perhaps to establish the importance of what we are talking about.

For example, we might say:

Asset Management incorporates: Project Management, Program Management, Quality Management, Result Oriented Management, Enterprise Management, and Systems Thinking - listing all the related management specialities

Or, worse, we might say:

Asset Management’s primary activities are: planning, acquiring/creating, operating, maintaining, disposing, renewing, and financing of an organization’s assets - listing all the tasks that are assisted by AM **but are not AM in themselves.**

However, whether true or not, the chances are that they leave the listener / reader completely baffled!

In this issue I suggest a practical alternative.

I also respond to a request about how a new asset manager can get started in understanding asset management, and Ashley Bishop suggests the skills needed for an asset manager’s development.

Please enjoy!

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Most people do not understand what asset management is.

The best thing that we can do for them is to make it simple.

The reaction you want is: “**Is THAT what it is? Well, I can do that.**”



If our listeners or readers think that the whole thing is just too darned difficult, they won't even start - and they probably won't even finish reading our article or listening intently to our presentation. However, if we make it simple to understand they will be grateful - and continue reading / listening just to see what else we can make clear for them. Once they think they *can* do it, all we need to do is to give them reasons why they *should*. So, two things - (1) make it simple and (2) give them reasons.

How to make your explanation more difficult

At coffee this morning I was reading “How to write a sentence” by Stanley Fish. This turns out, like asset management, to be difficult enough to warrant an entire book! One thing that quickly becomes obvious is that to explain a sentence by saying it is composed of eight parts of speech, to wit: - nouns, pronouns, verbs, adjectives, adverbs, prepositions, conjunctions, and interjections - doesn't really help.

Where we started with one unknown, we now have nine!

In describing asset management by listing the different elements of which it is composed, we are doing the same.

It's not what we do - but what gets done - that counts

Whether we are addressing other engineers or managers and administrators, we are addressing people who have a job of their own to do, a job that is not asset management, but which can be greatly helped by asset management.

In all likelihood these are the people who will influence whether money and resources are to be dedicated to asset management in our or their councils or organisations. So we shouldn't talk to them about **what asset managers do**, but rather talk to them about **what asset management can do for them**.

In a few pages or a half hour presentation we cannot hope to explain asset management (think of the number of pages in the IIMM!) **but we can interest them enough to want to know more and to get involved or to support us**.

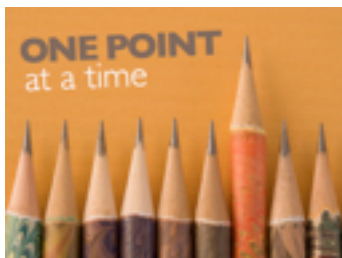
What is the **SIMPLEST** way to explain AM?



We *can* use high sounding phrases and complicated concepts, but at its simplest, **Asset Management is just collecting and using information about assets to provide the services that our community wants and can afford - and to be able to do this at the least possible life time cost.**

This is a simple statement that anyone can understand. Everything else is refinement.

(PS. If you think that this is too simple and makes your work as an asset manager seem unimportant, consider this: you can learn the basic moves of chess in five minutes, but it takes a life time to know how to move them well. Nobody thought less of Bobby Fisher because we could describe the mechanics of the game in a few sentences)



For the rest, take it one point at a time

What assets are we talking about?

We **can** include everything - finance, people, IT, physical assets, land, etc, but definitions that are all inclusive are not very useful. To be useful we need to know not only what an asset *is*, but also what *it is not*. In other words we need to be able to see the boundaries of our definition. I know that, in a popular context, we can say: 'our people are our greatest asset', but they are not assets in the sense that they are owned by the organisation.

There are a number of advantages to limiting the definition to physical assets -

- (1) This is the area that has in the past been most neglected,
- (2) We avoid stepping on other people's toes by taking over areas that they think are theirs (e.g. finance and human resources),
- (3) We can avoid rather difficult problems that result from including land (which cannot be renewed).

What stage of Asset Management are we talking about?

We don't do ourselves any favours by jumping straight to a discussion of advanced asset management if our audience is not at least acquainted with the results of basic asset management.

We make our explanation easier to understand if we start from the basics and break up asset management into its various stages of development, that way we do not overwhelm (and for those organisations that have reached beyond stage 1, we are implicitly recognising their progress).

Basic asset management

This is where all asset management starts. It answers the questions: what do we have? where is it? what condition is it in? what is it worth? and what do we need to do to keep it operating well? Yes, it is true that the assets provide service and therefore we need to get a handle on the services, but just documenting the 'asset facts' is where we start. The 'what is it worth' question also addresses the issues of economic life and asset age. So even at this basic level, asset management provides benefits for the organisation. It serves the needs of **Stewardship**.



Focus on the Benefits:- Create Mind Pictures for Stewardship

Benefits of Basic Asset Management. One organisation won over its board completely when they demonstrated that a knowledge of what they had, and where the critical problems were, would help them keep their agency off the 6 o'clock news. Or give examples of breakdowns and customer complaints that are now avoidable. Whatever it takes to make the **benefits** obvious. Concentrate on the immediate, not the long term, benefits. The more specific and concentrate your illustrations the better.

Avoid claiming too much. Asset management is about information. Make your illustrations examples of what you can do with information that enable you to prioritise your existing funds, rather than what you can only if you have more funds. This is a mistake many of us make. Save this argument until you have some primary runs on the board. One council won the hearts of its councillors by pinning up pictures of its trouble spots around the walls of the council chamber. The council voted large sums for the establishment of a computerised database which they mistakenly thought would result in the disappearance of the trouble spots. When it didn't, they declared asset management to be a failure!

Intermediate asset management

Progress in asset management is progress in the use of information! Having gathered the facts, the next step is to start analysing the information, developing forward looking models that can alert us to problems before we trip over them.

This is the value of planning one, five, ten and more years ahead. The questions at this level are: what will we need to have to do in the future, when is it likely to be needed? what options are there? and how much will it cost? This is where we apply our concepts of whole life costing. The benefits to the organisation address the issue of **Prudence and Financial Planning**.



Create Mind Pictures for Prudence and Financial Planning

Portfolios age at different rates and a council, or any other organisation, that has a number of different asset portfolios will find that there are times when, say, its building portfolio needs major attention, and times when the critical problems are with roads, or, say, with parks. Without knowledge of when the crunch maintenance and renewal times arrive for each asset type or location, the tendency of organisations is to allocate funding according to what was allocated last year, plus or minus 1 or 2% depending on whether we are in good times or bad. What intermediate asset management knowledge allows us to do is to prepare for large shifts in resources between departments according to need. This is organisationally difficult and needs time to prepare. Use illustrations that make this clear.

Other benefits at this level - maintenance engineers can optimise reliability and risk avoidance; accountants can underpin their balance sheets and satisfy the demands of their auditors; human resources can calculate what training is required; finance can use it for long run planning, management can use it to determine where outsourcing will, or will not be, of benefit.

Advanced Asset Management

However, this is not all. Reaching the intermediate level of information and analysis enables the organisation to move ahead to **Advanced Asset Management** and this is where the real benefits begin to flow in straightened economic times.



At the basic and intermediate levels of asset management, the focus has been on information about the supply side of assets - the kind of data that we record and analyse from the asset information system. In other words, asset management has been 'asset centric'. At the advanced level, we progress to being 'service centric'. This requires using all the data we have about the assets and ***combining it with detailed information and analysis about the services we want the assets to provide.***

At the advanced level asset information is used to restructure asset and service portfolios. We start to ask ourselves - and find the answers! - to questions such as: What other options exist? Can we maintain our assets differently and at lower cost? Can we provide our services differently and at a lower cost? Do we really need to do what we are doing - and why? What would we save by doing something differently? What greater service value for our community could we provide by doing something differently? Can we afford not to explore these options?

Advanced asset management addresses the organisation's need for **Innovation, Improvement, and Enhanced Service Delivery.**

Create Mind Pictures for Innovation, Improvement, and Enhanced Service Delivery

The best way to develop the mind pictures that you need is to talk about asset managers to the kind of people that you expect in the audience for your presentation or for your article. Don't try to 'tell' people about asset management - consider it a two way learning process - they find out what is possible, and you find out what is needed.

To give you the confidence to take this step, I would suggest that you watch a great YouTube video from Saskatchewan in Canada. It is short, bright and cheerful, with animated sequences and, importantly for you, many comments from both asset managers and the beneficiaries of asset management.

You can find it at <http://www.youtube.com/watch?v=agP0LCPL4nw>

Get the words right

Every discipline has its own jargon. Listen to the words that the managers, councillors, engineers, client managers, urban planners, architects and others use to describe the benefits they get from asset management - and then use these words in your presentations. You will make better connections with your audience if you do.

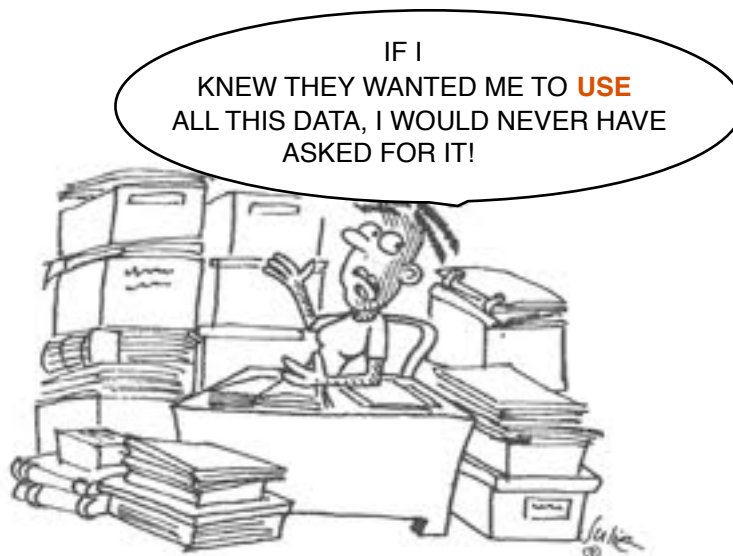
Every article you write, every presentation you make,
should have a

CALL TO ACTION

You have the opportunity to make a difference with your article. To take full advantage of this opportunity to need to make sure that your call to action is specific. Don't just ask them to 'do asset management', tell them specifically what they need to do.

If you are able to and know your audience well enough, you could tie this in with where they are now. Do they have basic asset information? If not, the call should be for basic asset management. Reiterate the benefits of basic information and make it clear that this is just the first step on the ladder to real improvements. Do they have basic information but are doing little analysis. Then the call could be for analysis. Again reiterate the benefits. If possible, give some clues on how to get started and where to go for further information.

Finally, **DATA is not INFORMATION**



Earlier, I defined as Asset Management as “collecting and using information about assets to provide the services that our community wants and can afford - and to be able to do this at the least possible life time cost.” It is important to make a clear distinction between AM DATA and AM INFORMATION, the latter is the data sorted, catalogued, analysed, linked with other data, in other words ‘made sense of’. Too often we stop at the DATA COLLECTION and fail to move on to DATA ANALYSIS.

*In the last issue I reported on a presentation I made to the MAV conference on Asset Management earlier this month. Subsequently I received the following very interesting email from **Ashley Bishop, who is Asset Management Coordinator at Glenelg Shire Council in Victoria.***

ASSET MANAGEMENT SKILLS

“I have a strong belief that AM is a strategic function of an organisation (Council) and needs to be recognised as such by placing in its own group reporting to the CEO rather than as part of Engineering or Finance. After all the AM does not design or build an asset or pay for it, it is the supply of data, knowledge and forecasting that is required so the organisation can plan into the future and needs some sort of qualification/recognition before it becomes a truly recognised area of study.



I have on numerous occasions tried to scope what a TAFE level course in AM would consist of and broadly thought these would be the areas required:

- Construction methods: To gain an understanding the basics of how structures are built, both vertical and horizontal)
- Accounting: To gain an understanding of the terminology and processes used
- Spatial data management: Using a GIS program to map assets and create thematic reports and collect data
- Statistics: For analysis of data
- Report Writing: Standard business report writing stuff
- Public sector economics: To understand what the economic drivers are and how decisions are made
- Database management: Either select a specific one to use or base it out of Access
- Project Management: To be able to develop a project for implementation and planning skills
- Local Government: An understanding of how local govt works
- Asset management theory: include history (now I know there is one), current practice and basic theory
- Environmental Engineering: Applying the constraints of the environment to future asset development
- Asset management practicum: pulling together the knowledge to be able to work in an AM dept

I see much of this course being able to be delivered off campus or at multiple campuses by using already established subjects. It could be delivered at the Diploma/Assoc Diploma level in order to generate the staff who make up a large portion of those working in AM who are learning as they go, either with or without graduate qualifications.

Many of the people I meet and including myself don't have the civil engineering qualifications that people assume are required. I suppose there is scope to move into the Graduate/postgrad field as well especially if combined with another area of study."

Editor: This would also be a valuable check list for asset managers seeking to identify their strengths / weaknesses or to develop a course of personal study. I would seek only to add a component on Listening Skills & Communication.

**THERE IS SO MUCH INFORMATION OUT
THERE!
WHERE SHOULD I START?**



In another email communication from a participant in the MAV conference came this interesting request

As a new engineer, who is being exposed to Asset Management, I found your talk extremely informative and insightful. One of the things that I took away from your presentation, besides the fact that I have a lot to learn, was that no matter what sort of software or program you use, it is ultimately the users who update and use the information, that make the difference.

As my education into Asset Management continues I see that I need to learn more about the fundamentals of Asset Management. Would you be able to recommend any literature or training programs that would provide a good base for someone new to Asset Management? I understand that this may be a very broad question, but there is a lot of information out there, and I would appreciate if you could point me in the right direction so that I am not simply wading through tonnes of information.

This is my response - What would you add?

“It might sound self serving but I think that the best thing that you could read is "Strategic Asset Management" - this is specifically designed to be easy to absorb, the articles are short, they are current, they are also designed to encourage thought. A subscription to SAM also gives you access to many years of archives.

At the other extreme, it would be worth having access to the International Infrastructure Asset Management Manual - this is designed to instruct (rather than to encourage you to think) and it is big. But it is the best comprehensive manual available. Its focus is largely on the technical 'doing' type of asset management. Not to be read from cover to cover, but rather to be dipped into when you want detail on some aspect or other.

A copy of PASS 55 could also be helpful. This is not a 'how to do it manual' like the IIMM but rather a set of prescriptions (without instruction on how to achieve them). But it does help to expand the boundaries of asset management beyond the technical. This is just to be skimmed - but return to it from time to time as you progress in your understanding of asset management, and you will understand more each time.”

And you will also get benefit from the short YouTube video referenced earlier and which can be found at <http://www.youtube.com/watch?v=agP0LCPL4nw>

ASSET MANAGEMENT HISTORY PROJECT

I have had a number of inquiries from asset managers who say that they are happy to contribute their ideas to the history project but they don't know how to get started. Here is a method I have been using very successfully with others.



Thinking of time in five year blocks, say 1985 - 1990, 1990 -1995, 1995-2000, 2000- 2005, 2005- 2010, 2010 -- and starting from when you first became interested and involved in asset management, list the key things that you can remember doing, being involved in, hearing about, reading, etc. It doesn't have to be complete - put the items in that come readily to mind, they are the important ones.

You will note that my time periods overlap. That is because I don't want anyone to get too fazed about whether it happened 'at the end of 1995 or the beginning of 1996'. For this purpose 'near enough is good enough' **Then send me your list and we can talk**