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AMQ International's

STRATEGIC ASSET MANAGEMENT

Solutions, not Problems



Our job as asset managers may be to ensure that our assets deliver the service our organisation requires - effectively and efficiently - but in order to get this done we need to work, not with assets, but with people. If you can inspire your team to take an organisational focus (rather than have them trying to protect their own patch); to take a positive 'can do' attitude (rather than the victim mentality adopted by those who expect solutions to be provided by others); and if you can encourage innovation (rather than blind adherence to the way things have always been done), then you will have a team that can work miracles - and thoroughly enjoy themselves doing it.

I am currently working with a team that ticks all these boxes so I know it is possible. And I recall with distinct pleasure walking into such an agency some years ago and finding that every member of the asset management team enthusiastically wanted to show me what they were working on - because they had invented it! The CEO's rule was 'Show me a sound business case, and the money is yours!'. This organisation won more AM Competition prizes than the next three best performers put together and it was routinely acclaimed by the regulator and the rest of the industry.

Even in today's more resource constricted environment, you can make great improvements with the "Solutions Focus" that we present here - and the chances are you will not need to get approval from anybody to do them, nor will they cost much. I look at a number of possible applications and trust that you will find many more. (If you want to give this approach a try and would like to talk to me about it, I am happy to act as a sounding board!)

Also in this issue is our "Best Of" selection for this week, an article written in November 2000 by Jeff Powys, then the 'ideas person' with the NSW Public Works AM team that produced Australia's first Statewide 'Total Asset Management' manual. (And incidentally, this was also a world first.)

Learn, Apply, Enjoy!
Penny

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PROBLEMS, OR SOLUTIONS?

Change your view and you can change your outcomes.

Here is a short story - with potential.

The situation

The chemical site had a problem that was looming larger, with a threat of closure from a new safety inspector. The plant had seen plenty of change over the years, with old machinery decommissioned and new processes brought on stream. Safety, which had always been a key issue, was now managed by a plant safety team in conjunction with the safety regulator's site inspector. The inspector had a great deal of power: he could go wherever he wanted on site, enforce improvement notices (potentially at great expense), and ultimately stop operations and close down the plant. In the past, working relations with successive inspectors had been reasonable. Now, however, the new inspector was proving uncooperative when presented with the plant team's latest plans to improve the site's safety culture. The team members had been expecting support from the regulator and were surprised by his officious attitude. He wanted to see every piece of paper and was reluctant to engage in the customary informal exchanges with managers.

The team tried all their regular good tactics for getting along, but to no avail. As stories spread – “You can't get a straight answer out of him...” “He's not interested in anything but the paperwork...” “He's out of his depth, you know...” “He won't stop until he's found something wrong” – a sense of despondency gripped the site. The safety team knew the essence of the problem: the inspector was stopping them from making progress with their safety culture plans and a worsening impasse would threaten the very future of the site, with appalling knock-on effects for their parent company.

What would you do?

Traditional **problem-focused** ways of approaching the situation might include:

- An examination of why the inspector wouldn't see sense.
- A “barrier analysis” of what was impeding matters.
- A psychological profile of the inspector to establish the cause of his behaviour.
- Attacking the inspector by official complaints to his seniors.
- A workshop with the inspector to firm up the nature of his concerns.
- Writing off the time and money invested in the safety culture project and starting again.”

A Solutions Approach

The safety team called in outside help suspecting that they would begin by setting up mediation between them and the inspector. Instead, the specialists took a solutions focus, asking the team members to rate their encounters with the inspector on a scale of 0 to 10.

One manager quickly snorted. “Zero!” The outside team paused and waited, and he continued, “apart from once, when it was a three for 20 seconds.”

Suddenly there was a glimmer of hope. The crux of the solution, the specialists figured would be in those few seconds – not in any of the traditional approaches, and not even requiring conscious action from the inspector. The solution was not going to center on him as an individual, with all his flaws, failings and difficulties, but on the interactions between him and the safety team.

How did it work?

The specialists reported that: “When we asked the manager what he had done to bring about this dramatic, if brief, improvement, he said “I suppose I stopped pushing him for a moment and gave him time to think.”

The mood of the meeting palpably changed. The team outlined the parts they had individually played in their own best exchanges with the inspector and from these strands drew out a list of 14 actions that they could do quickly, simply and cheaply to move just one point up the scale.”

Actions—cheap, simple, small

“These included bringing fewer people to meet the inspector, wearing name badges at meetings and giving him more notice of impending questions and issues. The individual who had most contact with the inspector was given the task of noticing what was working best.

Instead of gloom at their lack of options, the managers said they now felt refreshed to be analysing what was going well instead of what was going badly.

When we followed up some weeks later, matters were much improved. The threat of an improvement notice had been lifted, and the project was back on track. One manager said that she knew they were making real progress when the “impersonal” inspector had enquired about her recent holiday.”

The most important differences between a problem focus and a solution focus

Problem Focus

A focus on the past,
What's wrong
Allocating blame
Exerting control
The expert knows best
Deficits
Complications
Definitions

Solution Focus

A focus on the future
What's working?
A way to progress
Using influence
Collaboration
Resources
Simplicity
Actions

In Engineering, we look to the causes of failure – so we use past history, look at what's wrong, and identify the cause. This can be a quite complicated task, requiring expert analysis with complex data and definitions.

As we move increasingly into a “Knowledge Arena” where we are dealing more with people, and especially the interactions between people, it may help to adopt a more ‘people approach’ rather than the ‘task approach’ that has served well in the past.

The Solutions Focus may help us make this transition. The benefits are that discovering what works and doing more of it, is generally a positive, enjoyable and empowering activity for all concerned. By cultivating what is already happening as the seeds of change, you nurture growth through small initiating events. Changing as little as possible has benefits in time, cost and effort. This form of change takes the path of least resistance.

KEY IDEAS

- Situation involved communication difficulties
- Standard approaches had been tried to no avail
- ‘Solutions Focus’ adopted
- Focus - What is the desired outcome?
- When does it happen now, if only briefly?
- What did you do to bring about the improvement?
- Remedial actions: cheap, simple, small and immediate
- Improved morale from focussing on actions that can be taken rather than problems that exist

The foregoing short story and ideas come from “The Solutions Focus” by Paul Z Jackson and Mark McKergow, Nicholas Brealey Publishing, London, 2000

The authors argue that asking ‘When does success happen already’ generates a different kind of conversation from ‘When do you do wrong’? They say that energy, enthusiasm and co-operation are frequent side effects.

Here is how they sum up this approach.

SIMPLE

Solutions not problems
Inbetween – the action is in the interaction
Make use of what is there
Possibilities – past, present and future
Language – simply said
Every case is different”

Solutions Not Problems

“In the chemical factory the problem talk was all about the difficulty – or even the impossibility – of dealing with the safety inspector. By focussing instead on how the inspector worked (or might work) constructively, all sorts of possibilities appeared.”

In between

“Many aspects of a solution are most helpfully thought of as being in between the people involved, rather than isolated or belonging only to one party. Empowerment, for example, is not something you give me or I give you; we co-construct it between us by the actions each of us takes. This interactional view is a link into systems thinking; the system has properties that exist outside any of the individual components.”

Making Use of What's there

“The seeds of the solution are almost always present in the form of various Counters, parts of the solution that have been happening occasionally before, or in part, or in embryo.” We need to search them out.

Possibilities

“Any useful story of the past, explanations (of what is happening in the present) or vision (of the future) will contain possibilities” – ideas of things that may be done to make a difference

Language

“Big words can make matters more complicated. To stay simple, it is best to keep the language simple.” Talk the language of the person that you are hoping may come up with an idea!

Every case is different

“The Solutions Focus is an approach to change, not a set of prefigured methods to fit every case. It offers a pragmatic route to find out what works in this instance.” It doesn't even matter if you don't know why it works!

The Solutions Focus is about small, incremental change: steps you can take immediately.

You don't need a consultant. It is the antithesis of something like “systems reengineering” and other such movements that have created such havoc.

Worth a go?

APPLYING THE SOLUTION FOCUS

BACKLOG For many years (decades!) now agencies have been developing ‘backlog lists’, in the vain hope that someone will be inspired to allocate them more money for maintenance and renewal. What if this creative effort had, instead, gone into reducing the amount of ‘backlog’ needed? We know this is possible, because there are many agencies that have done it. How much better off could we have been today if all had?

UPSIDE RISK Some years ago I was at a conference where a speaker declared “In asset management there is no upside risk”. His tone was belligerent, as if defying anyone in the room to contradict him, and no one did. But how ridiculous! Asset managers are the beneficiaries of upset risk all the time - and backlog maintenance is indeed the proof! If we believed that an asset had to be renewed or we risked failure, and we didn't renew, and failure did not occur, then we could say that ‘well, we were lucky’. That is upside risk.

At the same conference, there was a group of defence asset managers bemoaning the fact that a number of their F111s were ‘way past their replacement date’. Were we ‘lucky’ that no serious problem had occurred and that these aircraft were still operational despite their age - or were we doing something right? Consider, if the nominal ‘asset live’ is the mid-point of a distribution, this means that half of the fleet will fail short of this magic number and half will last beyond it. But what determines the ‘success’ of this better half?

We can regard it as luck. But if we do, that stops us looking more closely at what we are doing right. The 'Solution Focus' would say look more closely at these assets, not to determine how much money we would need to replace them, but rather at what we are doing that they are surviving longer than their short-dated brethren. Use the Solution Focus and look more closely at what is working, what we are doing right. If we do, we may succeed in increasing the life estimate and reducing the size of the renewal problem we are facing.

This is something that every practising asset manager can do.

RESEARCH AND REVIEW

Most research and review projects also focus on what is going wrong, rather than looking for what is going right. In a previous issue (SAM 370) we looked at research that had been undertaken in the Pacific Region where countries were very small and quite poor. The concern was that infrastructure, provided by external bodies, was not being maintained. Reading the report one realises that the problem is not so much a lack of asset management as a lack of funding. With so few resources of their own, the 'build- neglect - rebuild' approach (where rebuilding is also done with foreign assistance) is actually not a bad 'asset management strategy'.

The report documents what is going wrong. The only instances of asset management being done well is in the utilities which have a revenue flow - again emphasising the importance of resourcing (rather than a lack of interest).

The report concludes that:

“Managers must be motivated and provided with support to undertake asset management activities. Clear roles and responsibilities for which managers are accountable are important for establishing such incentives. Communities must also value infrastructure services for their provision to be a success. A typical reason for the failure of service delivery in rural areas is that communities are not involved in the planning for and design of infrastructure services.”

I have suggested to the authors of this report that their further research in this area could build on what they already know - and that is that there are pockets of the region where, despite the problem of poor resourcing that is affecting everyone, nevertheless some progress is being made. Focusing on what is happening in these pockets of success (*no matter how small*) is more likely to provide an answer to the problem of motivation mentioned above, than a focus on what is going wrong.

When a ready cause for your failure is not apparent - and the failure is people related - why not try to find an example of where 'something' is working - and build on it?

“Best Of SAM” Selection

There is more to Asset Management than Managing Assets Jeff Powys, November 2000

Asset management has evolved over the last decade or so from relatively humble beginnings into an effective and comprehensive methodology. But where to from here?

I believe we are approaching the point where asset management can go down two different paths.

One path will see asset management continue to consolidate its role in the corporate and strategic management of agencies. The other path will see asset managers relegated to the role of asset administrators, operational people that are excluded from the strategic planning of their agencies. Of course, the former path is the one asset management should take. It is where asset managers should ensure it ends up. However to get there, much is still to be done. And the starting point is an acknowledgment that *there is far more to asset management than managing assets*. Let me explain what I mean.

Public sector organisations exist to deliver services.

Physical assets are only one of the inputs to service delivery, alongside the organisation’s people and their skills, its information, its technologies, and external suppliers in various forms. While asset managers believe that their assets are pivotal to service delivery, **we need to put pride to one side and recognise that assets are often a minor player in terms of cost and influence**, particularly for agencies delivering social services. For example, in the health industry, salaries and other “people costs” can comprise up to 80% of the operating budget, and health service strategies are increasingly being driven by emerging medical technologies. People issues and costs also dominate education, justice and community services.

Given the wide range of potential resource inputs, agencies optimise service delivery by combining their available inputs in a manner that best achieves whatever service outcomes they may nominate. Simply, they consider their options and pick the mix of resources that seems the best in the circumstances.

Asset managers should be involved at this strategic level by participating in the development and evaluation of resource options that combine people, information, technology and assets.

The first step, then, is optimising service delivery, with asset managers contributing to the decision. Once the service strategy is established, the asset manager aligns the agencies’ assets in support.

So, there are two quite separate tiers to asset management:

- The first involves understanding service needs, and participating in assessing the potential interaction of assets with other resources to meet these service needs, in conjunction with other resource managers, with the aim of optimising service delivery.

- Once the first tier framework is established, the second involves planning and managing the acquisition, operation and maintenance of assets. This second tier is what I term “managing assets”.

“**Know all that**” I can hear you say. “**What’s new?**” Well, the issue is not the two tiers – they have been accepted for some time and incorporated into Government policy in many States.

The issue is that so few asset managers are grappling with the both tiers. Unfortunately, for any number of reasons, in my opinion too many asset managers are leaving the first tier to others. These “others” come under a range of titles, eg clinicians, curriculum planners, service planners, strategic planners, corporate planners, financial officers and so on, depending on the industry.

Does it matter?

Aren’t decisions being made and assets being managed? Here, at last, I come to the point I believe needs to be made. By avoiding the first tier activities:

- Firstly, agencies risk sub-optimal decisions for themselves and the community. The knowledge and experience of asset managers is often significant in identifying and refining strategic options, in assessing risks, and in setting performance targets. It should be an input to service planning. By not participating, asset managers are not serving the interests of their agency;
- Secondly, asset managers abdicate the greater part of their influence upon strategic leadership in their organisation. I am not trying to say that asset managers should set the strategic direction of organisations, because clearly this is not the case. But they should contribute to the debate on how outcomes can be achieved. Unless they do so, they risk being perceived as administrators with technical skills, people who can be assigned to implement the decisions of others. This is not a management role.

Remaining in Tier 2 activities is simply not sufficient!

Asset managers should be engaged in both, and my experience suggests most asset managers want to. So why does it occur in only a few agencies? What are the impediments and what should be done about them?

The answer is far from simple and varies from agency to agency.

The impediments are generally unrelated to managing assets, and have to do with the history and culture of the agencies, their organisational structures, the way responsibilities are defined, and the background of corporate managers. Another key factor is the breadth of skills of asset managers. The technical background of many asset managers does not always equip them to debate strategic issues related to social outcomes. These are very real and deep-seated issues that cannot be changed in the short term. In fact, we need to be realistic and accept that some are immensely difficult to change at all, particularly from within. Nevertheless, they should be challenged where they impede rational decision making, if asset management is to consolidate its role as a participator in strategic management.

Just as in the 90’s the methodology of asset management was developed and refined, looking ahead I believe we need **to set an agenda for the coming decade to overcome the corporate impediments**

To effective resource management.

As a starting point, could we consider:

- Embracing managing for outcomes (however it might be defined in different agencies and different States) as a driving mechanism for new approaches to asset management. This will engender cross-resource planning and management;
- Improving the strategic planning skills and competencies of asset managers. If asset managers genuinely intend to participate on an equal footing with strategic planners and other resource planners, they need to acquire skills at looking at service delivery from a system wide perspective.
- Improving the interpersonal and communication skills of asset managers that are essential in exerting influence outside the technical arena.;
- “Breaking down the silos’, the artificial barriers that separate the various categories of resource and other managers so that HR, IT and asset managers can jointly plan service strategies that will best deliver corporate outcomes, and where possible involve consumers in decision making. I am under no illusion - this one will incur a lot of work!
- Developing a common set of measurable sector-wide performance benchmarks that will relate service outcomes to asset performance, to assist cross-sector performance comparisons and
- Working with financial officers to recast charts of accounts and redefine expenditure items to improve the usefulness of the financial accounting system (which is, after all, the most powerful information system in agencies) for reporting service-asset performance and asset performance, and developing performance benchmarks. Asset managers simply must be able to understand the role and scope of the financial system as well as the accountants, and be able to converse with accountants on asset-related matters on equal terms;
- Adopting the opportunities of technology to enhance management effectiveness, eg the web-enabled approaches that are particularly useful for agencies with dispersed assets.

Encouragingly, agencies are increasingly tackling these issues.

To wrap up, let me return to where I started this article. Asset managers can be applauded for the work done to date in developing a comprehensive methodology. But the task is far from complete, indeed perhaps the more difficult steps still lie ahead. These steps lie outside “managing assets”, and involve changing the external context in which asset managers operate, so that they can effectively participate in identifying and evaluating service strategies and resource strategies.

Success will consolidate asset management as a key part of resource management.

But failure will threaten the effectiveness of the work to date and risk relegating asset managers to asset administrators.

That’s why I believe there is more to asset management than managing assets.