

# Assets

The Institute of Asset Management magazine

August 2010



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# Becoming an asset management organisation

Chris Lloyd and Dr Charles Johnson from CAS explore how and why organisations pursue an asset management strategy – and how to cope with the challenges they'll face.

## Changing attitudes and beliefs

Asset management is powerful business logic. It helps companies establish the full implications of any investment, define the consequences of spending and not spending and articulate the risks associated with decisions. It enables investments, maintenance and operations to be orchestrated to deliver what shareholders, directors, regulators, banks and credit rating agencies value most.

To apply this logic, it goes without saying that companies need to have people in place who are comfortable with asset management concepts and principles, and working towards goals which they are motivated to achieve. In turn, this requires an organisational culture and structure which is conducive to asset management thinking and practices.

Companies pursuing an asset management strategy need to be clear on their cash and profit drivers, the factors that influence these, their key cost components and what is driving market trends and customer behaviours. This is not familiar territory for the kinds of people who are most often charged with producing asset management strategies and plans but if their work is to contribute value to the business, they need to understand how its value will be measured, not just its costs. In most cases, the asset management team will need some education in these matters and in some cases, so will the people they report to.

Chief executives, chief operating officers, finance directors and marketing and sales people don't often expect engineers and operators to enter their worlds. It can come as quite a shock to them when asset management

people start asking for commercially sensitive data on revenue streams, profit sources, growth forecasts, internal rates of return, debt servicing, cash flows and the like. But if organisations want to embed asset management thinking, they are going to have to be prepared for the consequences of a wider group of people thinking and acting commercially. This may be particularly challenging to traditional hierarchies and functional separations but it is equally exciting to engineers and operators who want to get more involved in business decisions.

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## Becoming an asset management organisation involves much more than shifting the emphasis from corrective to preventative maintenance.

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To produce good asset management strategies and plans, companies have to make sure their asset management people are conversant with financial principles and that business, finance and sales people are conversant with asset management principles.

People in asset management have to be able to sell upwards, they need the skills to negotiate OPEX and CAPEX requirements with senior managers and they need to write asset management plans with senior audiences in mind. For example:

- Chief executives need to understand the link between the way assets are used and competitiveness

- Financial directors need to know that the numbers in asset management plans are compatible with their financial forecasts
- Procurement needs to ensure suppliers are contracted to deliver the results that are needed.

All of this has a significant bearing on the requirements and criteria that are used in recruiting and selecting people for asset management roles. It also affects how these people work, who they work with and how they relate to others.

## Line of sight

Line of sight is a key principle of asset management. It's a useful metaphor borrowed from telecommunications where it refers to an unobstructed path between sending and receiving antennas.

As asset management evolves from concept stage through planning to implementation, so the importance of having clear line of sight between strategy, delivery activities and individual roles and responsibilities grows. Inevitably this means extending line of sight beyond specialists and converts in the ranks of the asset management planning team to people who are being asked to change what they do and the way they do it. However, the farther the line of sight is extended, the more factors there are that can block or limit the view senior managers have of what is actually happening and how closely this conforms to their policies and strategies. The less that is done to deal with these factors, the more imaginary the line of sight becomes.

In effect, the asset management plan should



describe how line of sight will be delivered:

- From asset management policy and strategy through to what is done, why it is done and who does it on the front line
- From financial performance targets to the rationale that guides OPEX-CAPEX trade-offs
- From the promises made by sales and marketing people to the strengths, capabilities and limitations identified in the asset management plan.

This is why the way roles and responsibilities are defined, and how the relationships between them are structured, are so important.

Whole life asset management is concerned primarily with the future. For this reason, people in asset management roles need to get involved in the strategic thinking of the business and they need to understand OPEX/CAPEX models, budgets, business models and targets. They need to be proactive, imaginative and influential – not just wait around for information or models to be fed to or imposed on them or to limit their knowledge to the requirements of BSI PAS 55. This has implications for the personal as well as the professional development of people in asset management roles, particularly those who are fairly conservative in the way they build relationships with more senior managers in other functions.

### Shaping the culture

All organisations have cultures, whether they like it or not. If they are not careful, they can end up with cultures they don't want and which

can seriously impair their performance. Most directors we have worked with are unclear what kind of culture their business needs to create. This hasn't stopped them conducting staff surveys, investing in behavioural change programmes and introducing new incentive schemes but in the absence of clearly defined culture goals or aspirations they struggle to get full value from these projects.

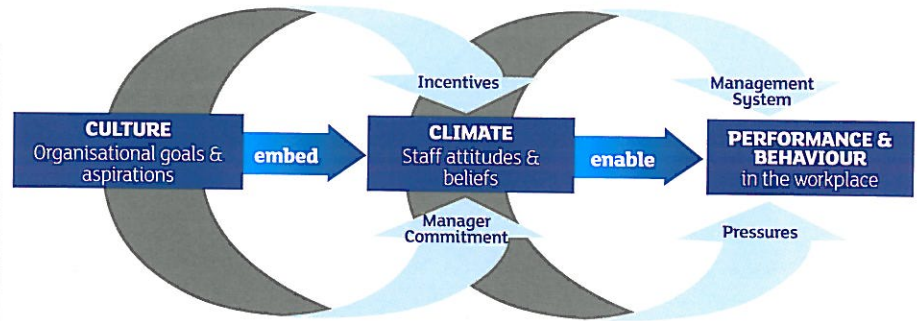
The kind of organisational culture a company needs to create to support asset management thinking and practices depends

on what is driving it and its relative maturity. There are big differences between what drives privately and publicly owned businesses, just as there are differences between what drives highly regulated and relatively unregulated businesses. Directors and senior managers need to be clear on these when they define culture goals and aspirations for their businesses and they need to be realistic about what can be achieved by when. Otherwise they are likely to be indulging in wishful thinking.

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We have designed a set of culture type indicators and an exercise based on these which senior teams can use to describe the culture they need in order to be successful and the culture they currently have. These indicators focus on what are known to be the main dimensions of organisational culture. They are concerned with balancing between process and output, short-term and longer-term considerations, compliance and innovation and the like. Aside from its value as a reality check, the exercise teases out useful portraits of the business that can be used to design a culture change programme that helps to embed asset management thinking and practice.

With a clear set of culture goals in hand, it is more likely that culture change can be managed proactively. We have also designed a culture management model (see Figure 1) to help businesses plan and measure their culture change activities. The change mechanisms identified in the model provide the basis for a climate survey which is used to assess staff attitudes towards the culture they work in and the way the organisation is enabling and embedding asset management thinking and practice.



**Figure 1: CAS Culture Management Model**  
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### Progression

Becoming an asset management organisation involves much more than shifting the emphasis from corrective to preventative maintenance, although this is a sizeable culture change in itself. Most of all, it needs the culture of the business, the competence of the people it relies on, their attitudes, their beliefs about what is possible and what their jobs are really about to be brought into a structured process that lines up fully with the strategic direction coming from the board.

The IAM competences framework describes what people working in asset management should be able to do. The subject areas in the IAM Asset Management Landscape scope the range of potentially relevant knowledge and understanding. However, personal skills and attributes are likely to make the difference between average and high performers. For sure, people working in asset management will need well-designed professional development to help them address the kinds of challenges described in this article:

- Deal with – and more often than not placate – operations people who always want new equipment or finance people who tend to focus on short-term targets
- Produce lifecycle plans and review assumptions
- Level out CAPEX peaks and work out how OPEX costs might rise with growth in volume

- Ensure OPEX and CAPEX forecasts line up with business requirements
- Understand the requirements of corporate governance
- Build a conducive organisational culture and climate.

However, they will also need the personal skills and maturity to be able to:

- Handle challenging and highly sensitive commercial data
- Work bottom up and top down and be comfortable doing both so that pressures on asset management plans can be managed
- Influence and persuade members of the senior team
- Be equally comfortable with technical and non-technical improvement actions
- Get other professionals involved in the process.

So how companies recruit, select and develop people for asset management roles really counts and will really cost if they get it wrong.

### Authors' biographies

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