

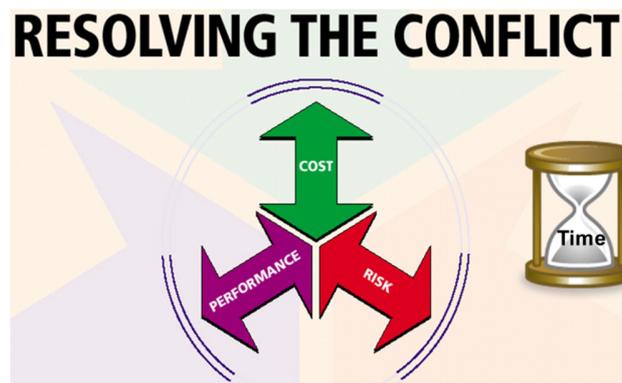
Blog 1: Why asset management should be this year's obsession for CEOs

(Getting Ready for ISO 55000 – Part 1 of 10)

Insights from the "Asset Management for the 21st Century - Getting Ready for ISO 55000" Seminar, May 2013, Calgary: *This blog is based on a series of interviews with John Woodhouse from The Woodhouse Partnership (TWPL), who delivered this well-received seminar. John Woodhouse is CEO and Managing Director of asset management consulting firm TWPL, is a founder member of the Institute of Asset Management. He chaired the development of the PAS 55 standard and is UK Principal Expert in the development team for the ISO 55000 standard.*

CEOs are the agenda setters who decide what is important and what can wait. This year, for industries large and small, improving asset management would be a good addition to the top of the strategic agenda. The reason? Asset management can yield many benefits in terms of cost savings, operational efficiencies, investor confidence and business agility.

While it is nothing new to ask everyone to squeeze out costs, asking them to think about how to manage assets in a more thorough and sophisticated way can have a much higher return because it spurs creativity in how to think about assets, the value obtainable from them, and how to re-engineer processes to release that value.



The sad truth is that most industries have a large stock of assets of one kind or another that are neither well understood nor optimally employed. In addition, technical and business knowledge about the assets is not being captured and tends to walk out the door as employees leave.

Asset management is the term for the emerging management science that sorts this out. The asset management practices that work are no longer a mystery: they have been standardized in a Publicly Available

Specification (BSI PAS 55:2008, one of the fastest selling 'good practice checklists' around the globe). Over the last two years, these practices have been refined into the ISO 55000 standard, slated to be published before the end of 2013 (see www.ISO55000.info for details).

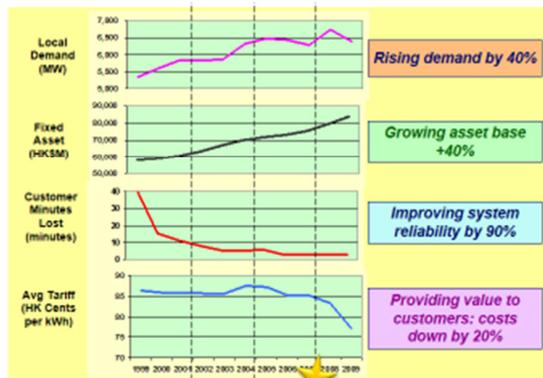
Companies seeking to increase return on their assets should be urgently exploring the science of asset management as a way to address the following challenges:

- **Organizational silos.** Many C-suite executives won't admit this openly, but they are actually aiding and abetting a silo mentality by protecting their turf. A silo mentality is also reinforced by the way we measure and record localized successes without considering secondary consequences. Key performance indicators for different groups are often competing rather than collaborative: one part of a business advances at the expense of another, which further exacerbates the internal fighting rather than achieving real value. Asset management enables a macro-analytic view that delivers optimizations that are hidden by siloed thinking.
- **Short-termism.** Executive leadership often takes the "short-termist" view to look good or meet immediate priorities. But this often causes false economies and deferred pain. Day to day decision-making must consider longer-term consequences and opportunities, even though future impacts carry greater uncertainty and deferred responsibilities. Big benefits come from looking at the combined picture, including the pricing of risk and uncertainty.
- **Looking at assets individually, and in combination.** On a day-to-day, practical level, assets are dealt with individually, but their benefits are derived from working in combination – in functional systems. New levels of optimization can be achieved by looking at assets in their systems context, to be managed for total, sustained value for money.
- **Temporary enthusiasm.** Good ideas become a temporary enthusiasm or just a flavor-of-the-month for several reasons. The first is the churn rate of leaders and managers. Each new manager introduces his or her own idea, wanting to make a mark while downgrading momentum on previous initiatives. The second is that we like new things, but when they become part of our day job, enthusiasm wanes. The third factor is that we add tasks and responsibilities but never give anyone (including ourselves) permission to stop doing the old stuff. To sustain real improvement in asset management, we have to fight these tendencies and persevere to the point where improved practices become the new normal.



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The bottom line: Asset management is becoming a mature management science, one that can be used to transform an organization. Major improvements are being achieved in many sectors all over the world. CEOs should invest time on asset management because it is a proven path to massive ROI.