

Asset management – a journey for life

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Asset Management or merely ‘managing’ assets?

“Asset Management” is boring for most people - it sounds like house-keeping or ‘looking after stuff’. Some folks take great pride in doing it well, others treat it as a chore; necessary but tedious. Yet there is much more to the subject than the title suggests. “Asset” provides a positive angle, denoting something of value. And “Management” is not really just ‘looking after’ – it also includes a wide range of other activities, such as acquiring, exploiting, improving and protecting. Two domains have realised this and have been upgrading the subject into a professional discipline:

- the financial services sector, where Asset Management involves juggling investments, risks, returns and sustainability to yield best portfolio value
- organisations heavily dependent upon physical infrastructure, systems, networks and equipment in delivery of their purpose, who are realising that taking a life cycle view and breaking down traditional departmental behaviours can yield much greater.

Others are following (for example, the management of data and information assets, or brand and reputational assets) and a common pattern is emerging. And this is because the time is right.

For many decades, businesses have improved by innovation and specialisation, seeking new niches and ruthlessly pursuing greater efficiency. We have developed expertise and focussed groups or departments in every aspect of the organisation, working intensively in their small part of an increasingly complex jigsaw puzzle. But the improved efficiencies have come at a price. It is more and more difficult for individuals to see and understand the total picture, or to detect where improvements in one area might be counterproductive in others. We have chased efficiency (more output, better quality, less cost), sometimes at the expense of effectiveness (are we doing the *wrong things* more efficiently?) and sustainability. The cheapest initial investment option might cost more downstream (in maintenance, unreliability or shorter life cycles). A warehouse full of spare parts for ‘just in case’ usage would keep the maintenance staff happy, but the finance department will be keen to get rid of such non-productive ‘assets’ and free up their capital value for other purposes. There is rarely an integrated approach, considering costs, risks, performance and sustainability in a consistent and transparent manner.

Furthermore, the evidence is clear that resolving these conflicting priorities, and joining up the jigsaw puzzle, yields big benefits. These include improved performance and service levels, with significantly lower ‘total cost of ownership’, better handling of risk and greater confidence in investors, regulators, customers, staff and suppliers. It also gives everyone in the organisation a clearer and shared view of long-term goals; what are the priorities and what is important (and *why*) for the whole *life cycle, risk-based, value-optimized* management of the assets.

So there is a BIG difference between just ‘managing’ assets (housekeeping and maintenance), and what is now meant by professional Asset Management. And the difference lies primarily in what we mean by *assets*, what we mean by *management* (what this includes, and how we do it). The BSI PAS

55 specification¹ for 'optimal management of physical assets' probably has the best set² of these distinctive features. They form seven key attributes:

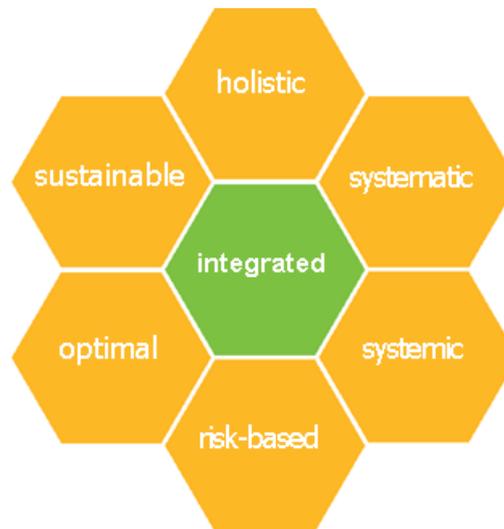


Figure 1. Distinctive attributes of joined-up asset management (from BSI PAS 55-1:2008)

- **Holistic:** taking a 'total view' of what we do, why and how, at all life cycle stages in managing assets, and considering the 'total impact' of costs, risks and performance
- **Systematic:** with rigour, thoroughness and coherence
- **Systemic:** joined-up and embedded, 'our way of working' within a *management system*. Also recognising that assets needs to be considered within their functional *systems*.
- **Risk-based:** incorporating risk awareness and uncertainty into decision-making and all that we do (planning, resourcing, delivery, communications etc.)
- **Optimal:** identifying and demonstrating the best value compromise between conflicting interests (such as costs, risks, performance and sustainability)
- **Sustainable:** considering value on different time horizons (including whole asset life cycle) to ensure that ongoing benefits, requirements and implications are considered
- **Integrated: all parts work together, with a clear, shared purpose.**

How would your organisation be rated against these criteria for the management of its assets? Are you still working in departmental silos, with competing priorities, patchy knowledge of the assets and their condition, facing unknown risks and using inconsistent criteria for prioritisation and decision-making? Or are you already on the journey to establishing a joined-up, systematic and integrated approach to asset life cycle management? Or perhaps you already have an established and stable governance system for strategic planning and asset life cycle management, and are seeking where next to focus your attentions and deliver the next levels of improvement and optimization?

¹ See www.assetmanagementstandards.com

² The subsequent development of an international standard (ISO 55000:2014) did not highlight these features quite so explicitly, describing just four 'fundamentals', namely Value, Alignment, Leadership and Assurance.



Figure 2. Typical stages in the asset management journey

Different starting points, different challenges and priorities

Every organisation has a unique combination of assets and circumstances. The context of the organisation, its current strengths and weaknesses, opportunities, stakeholder expectations and constraints will all shape what is achievable and desirable. To delivery real improvements we need to understand these factors and convert them into a value-prioritised strategic plan. And, whether you just starting out on the ‘asset management journey’, or consolidating and refining an existing, basically robust management system, or pushing the outer boundaries of operational excellence and innovation, there are big prizes available, and big challenges. There are also hundreds of ‘experts’ promoting their solutions, services and ‘models’ of good practice. It can be very confusing.

The Woodhouse Partnership Ltd (TWPL), with over 20 years of explicit focus on this problem, has therefore pre-grouped the most valuable combination of tips, learning and practical tools that will typically be needed at different stages of the journey. There is, for example, little point trying to run before you can walk, so our **Getting Started** range of education, baseline assessment, ‘gap’ analysis and roadmapping methods are geared to establishing a robust starting point, a good business case for moving forward and a clear programme of value-prioritised activity (including ‘quick wins’ to demonstrate the potential benefits).

TWPL offers a comprehensive range of online and classroom introductory training³ along with a wide range of assessment, baseline, gap analysis and roadmapping assistance. A longstanding IAM Endorsed Trainer and Endorsed Assessor, TWPL provides the safest possible hands and most experienced guidance to support you when setting out on the journey. The tools and techniques

³ www.assetmanagementacademy.com

suitable for this stage should also be focussed on establishing a solid foundation: creating a consistent basis for defining asset criticality and prioritisation of activities (based on value), establishing a basic risk management system, and exploring, with pilot studies, some of the methods for breaking down functional silos and developing strategic plans.

Integrating and Embedding creates different challenges, so needs different skills, tools, experience and assistance. The establishment of a joined-up and effective '*management system for asset management*' involves changes to business processes, new mechanisms for risk management, prioritisation, performance monitoring and continual improvement. It also usually requires significant culture change. So this is where first-hand experience of implementation, integration and effective transformation is needed. There is no shortage of individual subject matter expertise (e.g. reliability/maintenance, life cycle planning, risk management etc.) but very few sources of real, in-depth guidance for joining them all together in an effective and sustainable way.

ISO 55001 provides a useful framework for Asset Management, but the real value lies in how to personalise and integrate the combination of people, processes and tools within such a framework. TWPL have spent over 20 years doing just that, and have an unrivalled track record of resulting successes.

"It can be no coincidence that projects facilitated by TWPL have won both of the two IAM Achievement Awards, as judged by a panel of international experts"

David McKeown, CEO, Institute of Asset Management 2015

In particular, success in this stage lies in workforce engagement and the understanding of applicability *and limitations* of different tools. It is essential to create a strong 'home-owned' solution that incorporates the right *mix* of methods. Furthermore, the biggest hurdles are rarely the *perceived* issues of poor data or fragmented information systems. Indeed, an attempt at forcing alignment and transformation through heavy investment in information systems (and associated business process re-engineering) is often unsuccessful – it represents the tail wagging the dog. Such efforts commonly fail to invest enough in the human factors of leadership, education, cross-disciplinary teamwork, communication, behaviours etc. These are the things that provide sustainability, motivation, alignment and commitment. A good management system includes such elements, but it requires care and real, in-depth experience to get the combination right for a specific organisation and to ensure that the management system *effective*.

But establishing a joined-up management system (whether or not certified to ISO 55001) still only represents the minimum needed to demonstrate "Competence" in Asset Management. It is a waypoint on the journey, not an endpoint. It is stage 3 on the 5-level IAM maturity scale⁴. An integrated and rigorous approach does, of course, deliver significant benefits compared to disjointed, short-termist and inconsistent alternatives. And it does provide a robust and credible foundation, including requirements for continual improvement. But it does not truly *optimize* what can be achieved: it does not represent 'excellence', or stretch the boundaries of innovation. And some of the biggest prizes of all only become possible if a competent and aligned approach to asset management already exists.

⁴ Asset Management Maturity Guide www.theIAM.org

So those **Seeking Excellence** have further big opportunities, and need a different form of support. What is *desirable*, and what *achievable*, are constantly changing. New technology, new ideas and changes in organisational context (e.g. regulations, customer expectations, supply chains, economics, politics, global warming etc.) mean that every organisation has to be forward-looking, agile and be able to demonstrate that they are dynamically optimizing. TWPL works at the very front edge of research and development⁵ and thought leadership. With adaptive processes, unique tools⁶ and world leading educational resources⁷, we can help you to help yourself. This typically involves an iterative cycle of benchmarking, innovation, reviewing and updating objectives, adjusting priorities and demonstrating, *in hard numbers*, that the organisation is delivering the best possible value from its assets and its asset management. We have been working with many organisations for 10, 15 or 20 years in an ongoing ‘trusted advisor’ role, constantly pushing the boundaries of what is possible, and transferring learning across different industry sectors. We, ourselves, are also always learning, and are passionate about sharing knowledge, challenging the *status quo* and stimulating fresh thinking.

Life-long learning

The Asset Management journey does not, therefore, have an end – it is one of continual interest, excitement, challenges and opportunities. Indeed, one of the observable features of leading asset management organisations is *humility*. Such organisations recognise that, whatever their current situation, there is always plenty still to do. New mountains to climb, new constraints, risks or barriers to deal with, and plenty of chances for innovation and improvement. This is also what makes us, at TWPL, so passionate in the projects and partnerships we take on – every case is different, even if many of the core principles are the same. We thrive on helping organisations to find their own, unique way forward, and helping them along the journey with pragmatic guidance, deep and diverse first-hand experience, and an open mind. Most of all we like to see the results emerge, not just in bottom line performance figures, but also in the evident changes to culture, motivation, pride and confidence. That is when we can see that we have helped to make a permanent and worthwhile difference.

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www.twpl.com

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⁵ www.SALVOproject.org

⁶ www.decisionsupporttools.com

⁷ Up to Asset Management MSc level for over 12 years. See www.assetmanagementacademy.com