



Sustainable Communities
Sharing Knowledge

Strategic Asset Management

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Asset Management – moving from theory
to everyday practice

Asset management in New Zealand

- Strong public sector framework in place
- Joined up thinking between central and local government sectors – Third National Infrastructure Plan in 2015
- Asset management practice varies between sectors
- More variation between organisations within each sector, than between the two sectors
- Some organisations have an advanced level of practice, others barely meet core*

Why?

*as defined in IIMM 2011

Level of practice is a poor way to compare organisations

- ISO 55000 - complexity of practices and processes within the 'asset management system' determined in the context of achieving the strategic plan
- Different organisations have different strategic contexts, even if manage the same type of assets
 - appropriate level of asset management practice likely to be different
- Organisations deliver levels of service through many types of assets
 - benefit/ cost analyses inevitably will lead to differing levels of appropriate practice for different assets within same organisation

Better comparator is the asset management maturity gap

Asset management maturity gap

- Gap between current and appropriate asset management practice
- When an asset management maturity tool is used, comparisons can be made
- Limited information in New Zealand to compare on this basis
- What we do know:
 - some organisations have steadily closed their gaps
 - some organisations initially closed gaps and have now stalled
 - for some organisations maturity gaps have increased over time

The case studies

- Three organisations studied for five years
- Asset management maturity gaps formally assessed at least every two years, across the 17 attributes described in IIMM
- Progress in closing maturity gaps observed
 - Hamilton City Council – large metropolitan local authority, multiple asset types, significant amount of in-house service delivery
 - Ministry of Education – state provider of 2,300 schools, \$0.5b provided to boards annually to maintain and upgrade schools
 - Victoria University of Wellington – significant property portfolio over three campuses, all maintenance contracted out

Changes that occur as asset management embeds

- Asset management becomes an integral part of the business, not just something one or two departments do
- All asset management business is linked to strategy
- Attention shifts from managing assets to asset management
- Asset management coordination shifts from writing AMPs to driving change
- The organisational form changes
- Skills of asset management staff change- training or new recruitment

Asset management – business context

- Not all asset management activities can be formalised through the asset management system set out in ISO 55000
 - Leadership, culture, motivation, behaviour managed by the organisation by arrangements outside the asset management system
- Asset management system needs to be an integral part of the complex organisation, not an add on activity
- The way the organisation is managed can have a profound effect on the asset management system

Advancing asset management relies on managing the organisation

1. Appropriate level of asset management maturity defined and communicated

- Defines the end goal for asset management as a business process
- Engages non-asset based parts of the business in an asset management system conversation
- May be the first step in wider organisation understanding that asset management does not occur in isolation
- Until appropriate practice has been defined, the benefits and costs of improvement items can not be assessed and should not be resourced

Everyone knows what we are trying to achieve

2. Strategy leads all aspects of asset management

- Organisational strategy is known and communicated (big S)
- The strategic issues facing each activity have been defined by those managing it (little s)
- Decision making is both centralised and devolved, but always linked to organisational strategy

E.g. Business cases are used for all investment decisions – they are reviewed corporately but developed by staff within the organisation

Everything everyone does must link to strategy

Part 1: The Business We Are In	Questions to answer
Where We've Come From and Where We're Heading	<ul style="list-style-type: none"> •Background about the activity and assets and how it has evolved over time. •What is the strategic direction of the activity? •How is this strategic direction known – is there a plan relating to future levels of service and activity direction?
Successes, Issues, Opportunities and Risks.	<ul style="list-style-type: none"> •What are the key success factors for the activity? What's going well? •What are the key strategic issues facing the activity? •Where are the opportunities to improve how we do things in the future? •What are the key strategic risks for the activity in terms of service provision?

3. Asset management is managed corporately

- **Asset management sponsor** -understands what outcomes need to be delivered and has ability to influence business decisions
- **Asset management champion**- understands strategy and role of asset management in meeting strategic outcomes
- **The asset management coordination group** – drive improvement in asset management
- **Asset management teams** – use asset management techniques to deliver levels of service for least life cycle cost

Asset management is both centralised and devolved

4. Exceptional contract management skills in place

- Strong link between what is required and what is delivered
 - Contracts are based on the outcomes desired
- Contractor is encouraged to share ideas for improving asset management outcomes, not just delivering levels of service
- Asset data collection is an integral part of physical works and maintenance contracts
- Contract managers are excellent communicators and focused on outcomes

Contract managers understand the organisational context in which the contracts exist

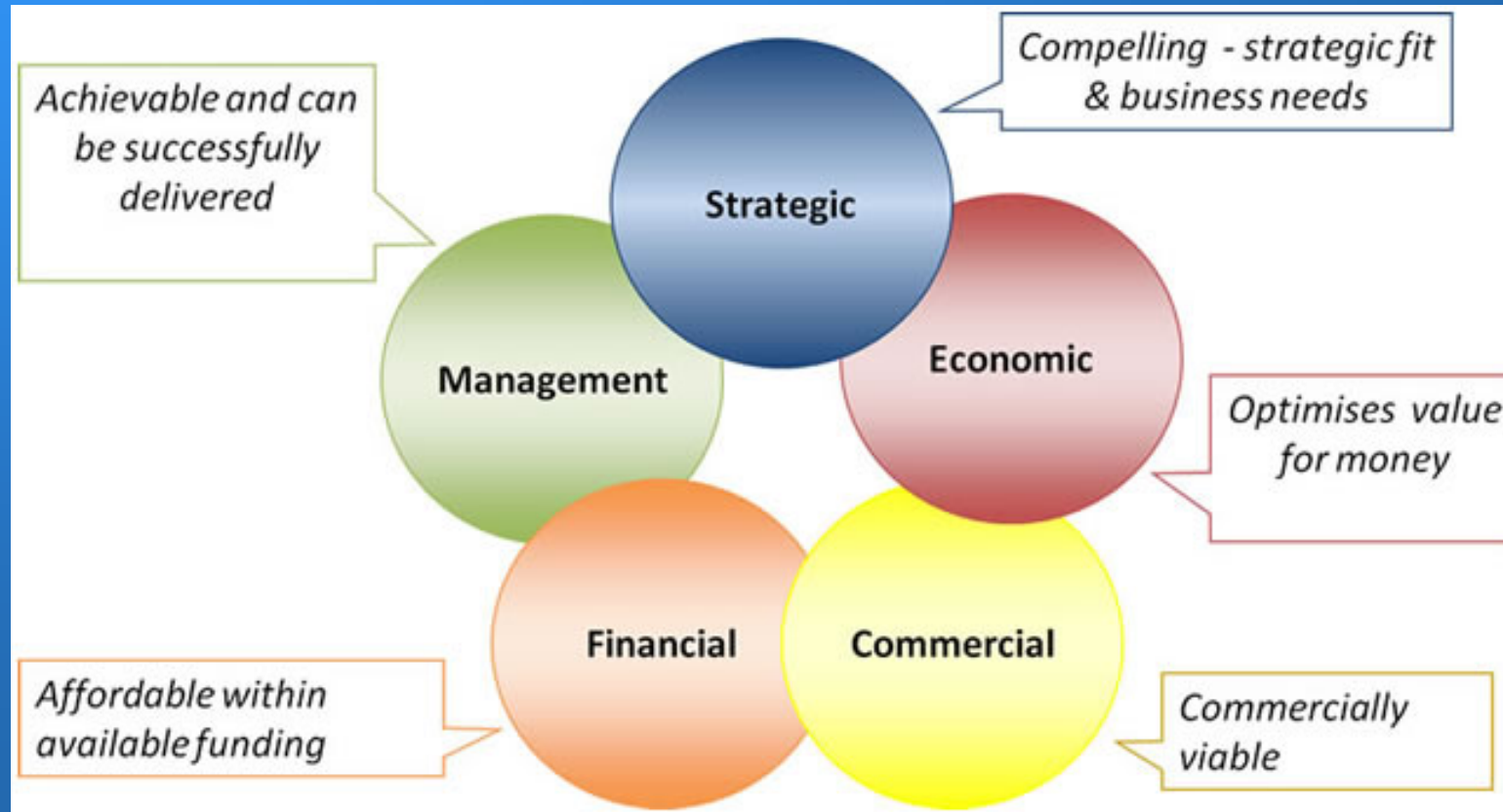
5. Business cases are used across the organisation

- Business cases are used for both capital and operational programmes
 - Links project outcomes to organisational strategy
 - Ensures options are explored and evaluated against desired outcomes
 - Decision makers get the information they need to justify all investments, not just asset based ones
- Requires multi-disciplinary input – people working together
- Extends assets manager's skills

Ensures best use of limited resources

Sustainable organisational change through asset management

E.g. : Better Business Cases www.treasury.govt.nz

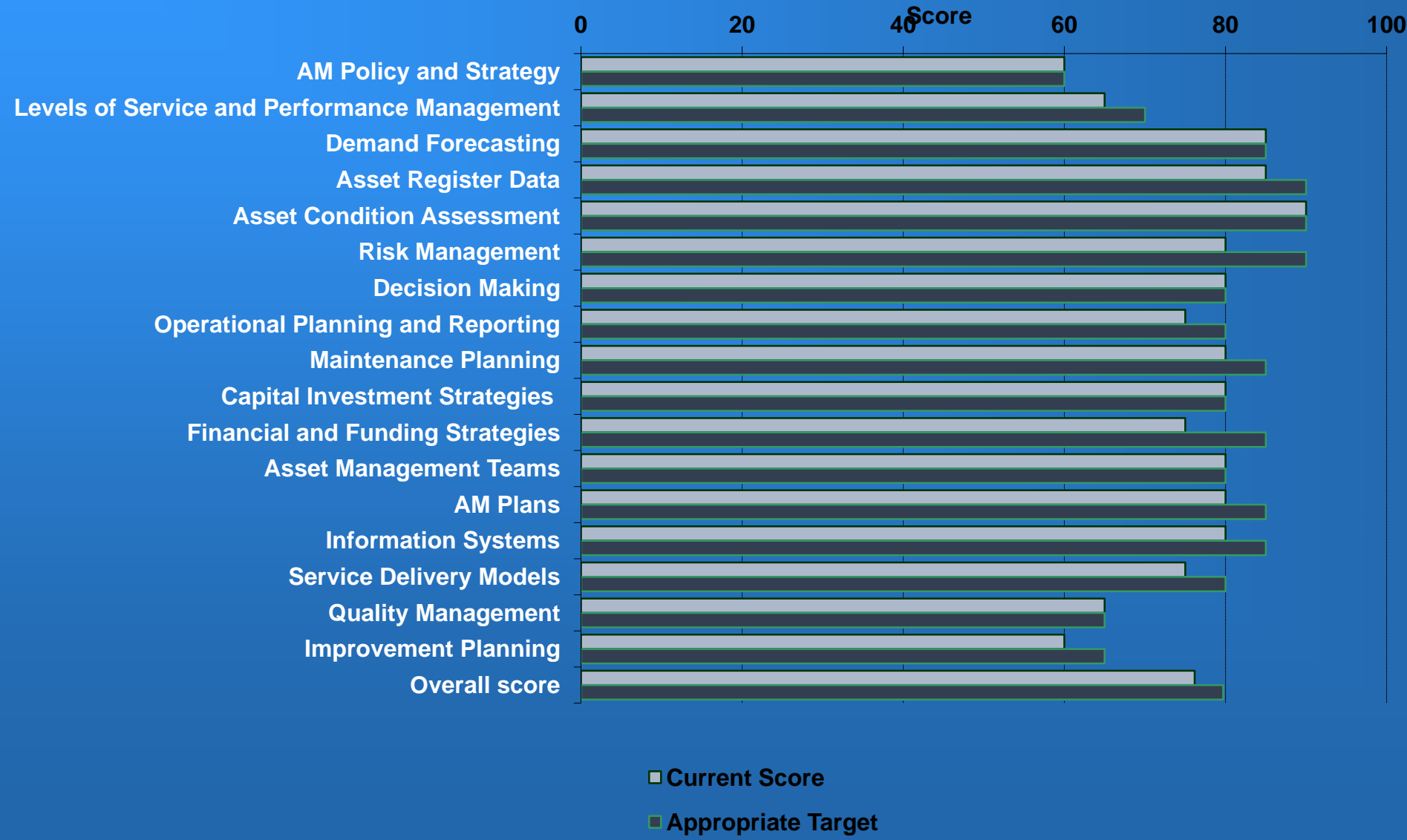


6. Improvement plan is actioned

- Every improvement item leads to closing a maturity gap, otherwise not included
- Items are prioritised and resourced
 - Items within biggest gaps are addressed first – to bring up the lowest performing attributes
 - Interdependencies between items considered
- Improvement programme is managed corporately, and progress formally reported regularly to senior management

Promotes working together, shows that we are getting somewhere

CAM Maturity Assessment – Victoria University of Wellington May 2015



Asset managers need generalist management skills

- Strategist- able to understand relationships between outcomes, levels of service, costs and risk
- Financial- able to predict future costs at outcomes level
- Relationship management- understand the needs of governance, customers and their own staff
- Asset knowledge – understand how the assets they are responsible for deliver levels of service
- Information management - able to bring a range of information sources together and see the picture
- Change management – ability to deliver change outcomes

In summary

- The way an organisation is managed affects the asset management 'system'
- Management of the wider organisation has the greatest impact on success in closing asset management maturity gaps
- The organisation must adapt, the asset management 'system' becomes part of a new organisational model, not an add on
- A biological analogy –
 - ❖ **an organisation is a complex organism, moving and adapting to the ecosystem within which it exists, asset management is merely one of its vital organs**