

# Kathy Dever-Tod

Strategic Asset Management - becomes  
Business as Usual (BAU)

# 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 (AM) 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 AM practice is not a good comparison

- The complexity of practices and processes within the ‘asset management system’ are determined in the context of achieving the strategic plan – (ISO 55000)
- Different organisations have different strategic contexts, even if they manage the same asset types
  - 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 size of the asset management maturity gap***

\* (As defined in IIMM 2011)

# Asset management maturity gap

- The 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 make direct comparisons across sectors at this stage
- 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

- Three organisations studied for seven years
  - Hamilton City Council – large metropolitan local authority, multiple asset types, significant amount of in-house service delivery
  - Ministry of Education (MoE)– 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, with all maintenance contracted out
- Asset management maturity gaps formally assessed at least every two years, across the 16 attributes described in IIMM, using the NZ Treasury assessment tool - [www.treasury.govt.nz](http://www.treasury.govt.nz)
- Progress in closing maturity gaps observed

# Assessment Tool – 16 Attributes – Example MoE

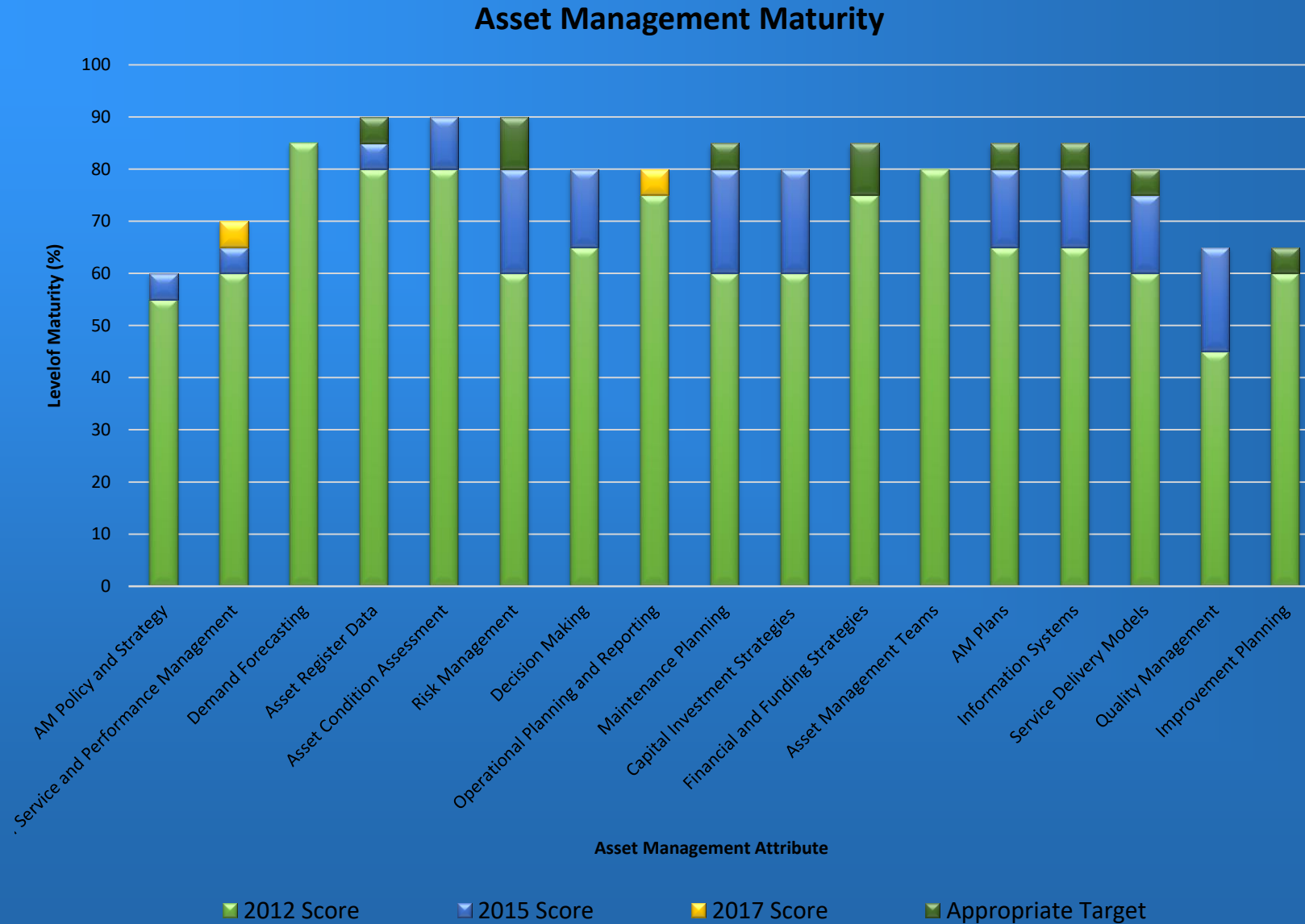
Reference	Question	Section	Questions	Prior Score Oct 2011	Prior Score June 2013	Current Score June 2014	Assessed Score June 2015	Target Score June 2016	Target Score June 2017	Target Score Final	Reason for score - June 14/June 15
IIMM 2.1	1	AM Policy and Strategy	<p>To what extent has your agency's AM Policy and AM Strategy been articulated, approved, communicated and acted on?</p> <p>How consistent is this policy and strategy with current government policies?</p>	60	70	75	80	85	85	90	<ul style="list-style-type: none"> <li>• School Property Strategy, EIS and regional Business Plans in place.</li> <li>• Functional organisational model in place aligned to delivering the strategy</li> <li>• Portfolio Asset Management Plan demonstrates alignment between School Property Strategy and wider Ministry &amp; Whole of Government Strategies</li> <li>• Closer integration between network planning and EIS.</li> <li>• Improvements to school 10 year property planning processes, including requirement to include condition assessment and MLE assessment data.</li> <li>• Further improvements to school property planning with planning services introduced to provide specialised support independent of project managers to ensure quality outputs in line with strategy &amp; priorities.</li> <li>• Strategy is being re-freshed to clarify vision and objectives arising out of recent broadening of service model</li> <li>• Service design work is well underway to ensure business activity is resourced and aligned with strategic objectives</li> <li>• Audit function established to review and update practice.</li> </ul>

# Hamilton City – summary results for Parks

## Asset Management Maturity - Parks and Open Spaces



# Change in AM Maturity – Victoria University





# Changes observed as AM embedded

- 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 form of the organisation changes
- Skills of asset management staff change – either through training or new recruitment

- Not all asset management activities can be formalised through the asset management 'system' set out in ISO 55000
  - Leadership, culture, motivation, and behaviour are managed by organisational arrangements which sit outside the asset management 'system'
- Asset management 'system' needs to be an integral part of the complex organisation, not just 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***

# Example- Hamilton City Council AMP

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

# 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***

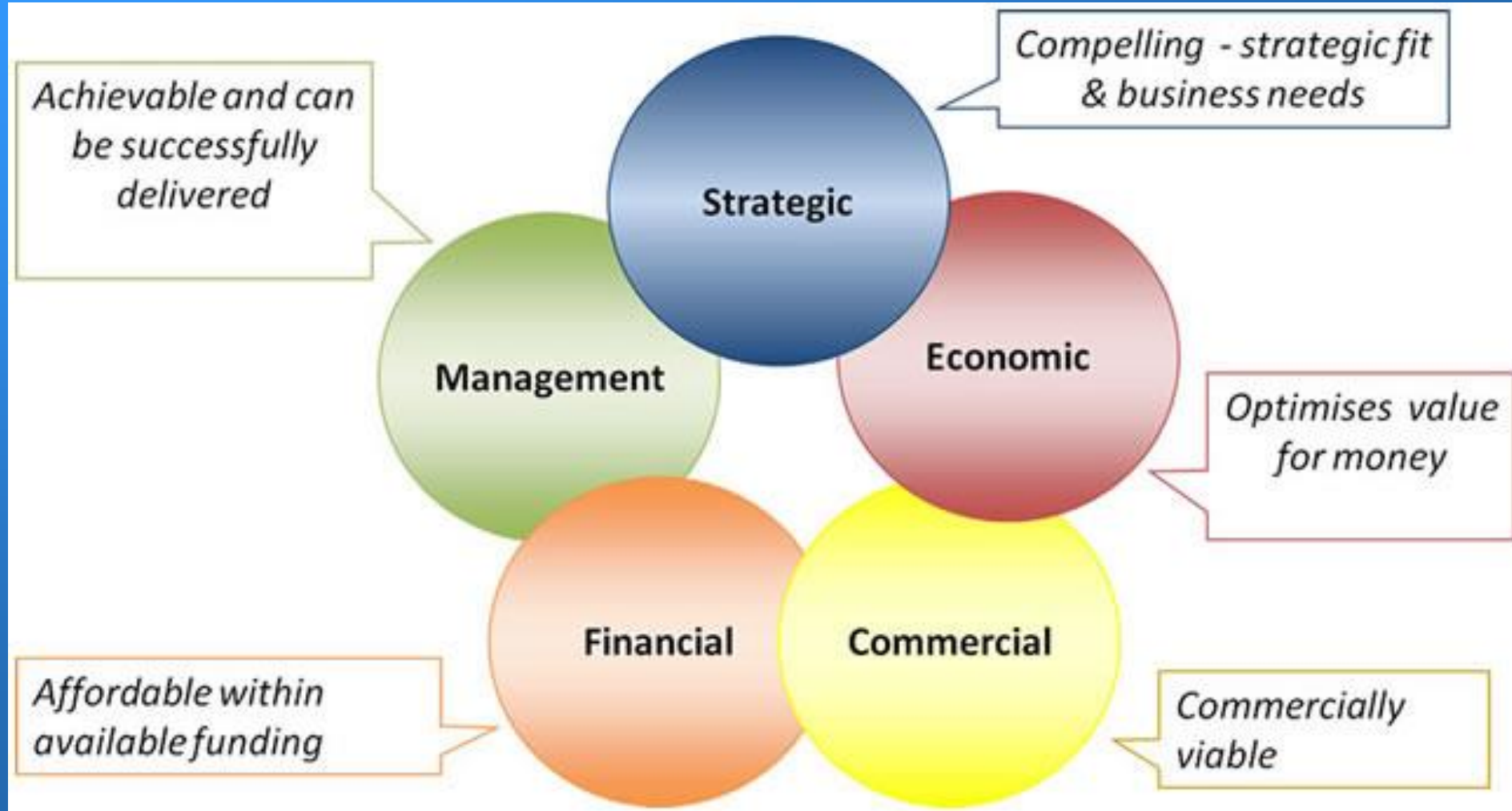
# 5. Business cases used across the organisation

- 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***



# E.g. : Better Business Cases [www.treasury.govt.nz](http://www.treasury.govt.nz)



# 6. Improvement plan is actioned

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

***Promotes working together, shows that we are getting somewhere***

# Asset managers need general 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**