



Global views

What are the key influences that prevent senior leadership from aligning behind asset management?

PERU

The vantage point of senior leadership is poorly suited to comprehending asset management, says Newmont's **Manuel A. Vergara**.

Senior leaders usually do not have the holistic and integrated views required to achieve “the coordinated activities of an organisation” through envisioning asset management as a corporation-wide megaprocess, which integrates diverse functions that otherwise perform as functional silos – design, project engineering, supply chain, operations, maintenance and so on – so the organisation does not perform as a true whole.

Not working consistently towards a clear line of sight is another factor. Ensuring connectivity between the directors' organisation-level strategic intent and the ground-level daily activities of individual departments, as well as translation of the asset management strategy into shop-floor tasks, is of paramount importance if the staff on the

front line are to have direct visibility of the reasons for their activities.

On the other hand, senior leaders lack the competences to realise value from assets. When it comes to achieving the best value compromise between competing factors associated with the assets over their lifecycles, such as performance, cost and risks, senior leaders usually consider performance and operational risks the only contributors to business value creation, through profitable and timely delivery of high quality products and services. They frequently fail to consider the significant value of minimising the organisation's exposure to safety and environmental risks that might otherwise affect the neighbouring communities and eventually put the organisation out of business.

CANADA

Executives and asset managers simply live at different speeds, says **John Rivenell** President of SageData.

Life is competitive. Business particularly so. To become a senior leader, individuals need the competitive streak. They need to do more than their peers. In sales, to sell more – to do more and bigger deals. In operations, to break records for their core activity. They need to be recognised for their achievement, and rewarded with a promotion. In their world, more is good.

Asset managers are different. To them, less is good. Less breaking down. Less maintenance cost. Less disruption. Less cost of replacement. Their ideal achievement would be to eliminate their job. Assets would last forever with no need for replacement or maintenance or calibration, and no degradation in performance.

Time is viewed differently too. Most executives work against the clock and calendar. Sales have to hit this quarter's targets. Production has to ship on time. Trains have to run on schedule.

But asset managers work to a different beat. Machinery must be maintained before it fails, but we don't know when that is. Equipment must be replaced by more efficient, reliable models. But a few more days won't make a lot of difference.

So most senior leaders are focused on doing more, against a tight schedule. But asset managers are often focused on doing less, on a more relaxed schedule.

Senior leaders understand at an intellectual level the power and benefit of effective asset management. But this intellectual concept cannot have the gut power and instinctive appeal of the more common, blood red, “more, now” approach to business.



AUSTRALIA

Perhaps senior managers simply haven't had enough exposure to asset management principles, suggests **Ernst Krauss**, editor of The Asset Journal.

While asset management itself is not new, the application of the concepts underlying asset management seems unfamiliar to many. Especially to the senior managers, who often come up through the ranks of organisations not following asset management. Many have participated in MBA programmes preparing them to

become members of management teams or occupants of executive suites. These programmes do not sufficiently identify the need for the whole-lifecycle consideration of assets and the recognition of the significant role assets have in various businesses (public or private); therefore their graduates lack recognition of the decision-making

requirements associated with assets at the highest level. Asset management, then, appears to be a somewhat foreign concept to the discipline of business management.

Decision-making in the business environment depends to a large extent on the schooling and beliefs of the individual manager or senior executive. Some prefer the more scholarly methods, some the more dynamic, some the more naturalistic. The many decisions to be made during the complete lifecycle of an asset require varied approaches that may not be readily apparent to the senior and executive levels.

The lack of alignment of leaders may therefore be simply the intuitive recognition of an unknown, where decision-making is largely devoid of examples and precedent. Leaders may well be supportive of asset management, just not yet in the new form in which asset management and its constituent parts are identified and documented.

AFRICA

The real cash benefit has to be communicated clearly to senior management, says **Chidi Umeano**, Principal Consultant at Codub Consulting Ltd.

Asset management is nothing new in Africa or other developing countries; infrastructure has had to be installed, maintained, operated and expanded for a long time. What's new is the integrated, whole-life costing and risk management approach. But what does that mean to senior leaders and decision makers in this part of the world?

“How does asset management give me extra cash?” is the typical question from senior leaders. It is worth noting that asset management is associated with portfolio and fund management in most places in Africa. While that will excite a lot of senior leaders, they are usually in for a shock when they learn you are talking about physical facilities and infrastructure assets. To them these are expenditure cost centres, not part of the cash generation side of the business like marketing and sales.

Thus, a strong business case is required



that not only shows the good use of money but also clearly communicates the anticipated savings from implementing asset management strategies and policies. If the savings aren't immediate and obvious, people outside asset management hardly recognise them as savings at all. Asset management groups, practitioners and consultants must therefore communicate the financial benefits of asset management

– that is, to help organisations and governments come to terms with the current economic realities – without technical jargon.

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