

Sense and nonsense of splitting Asset Management roles

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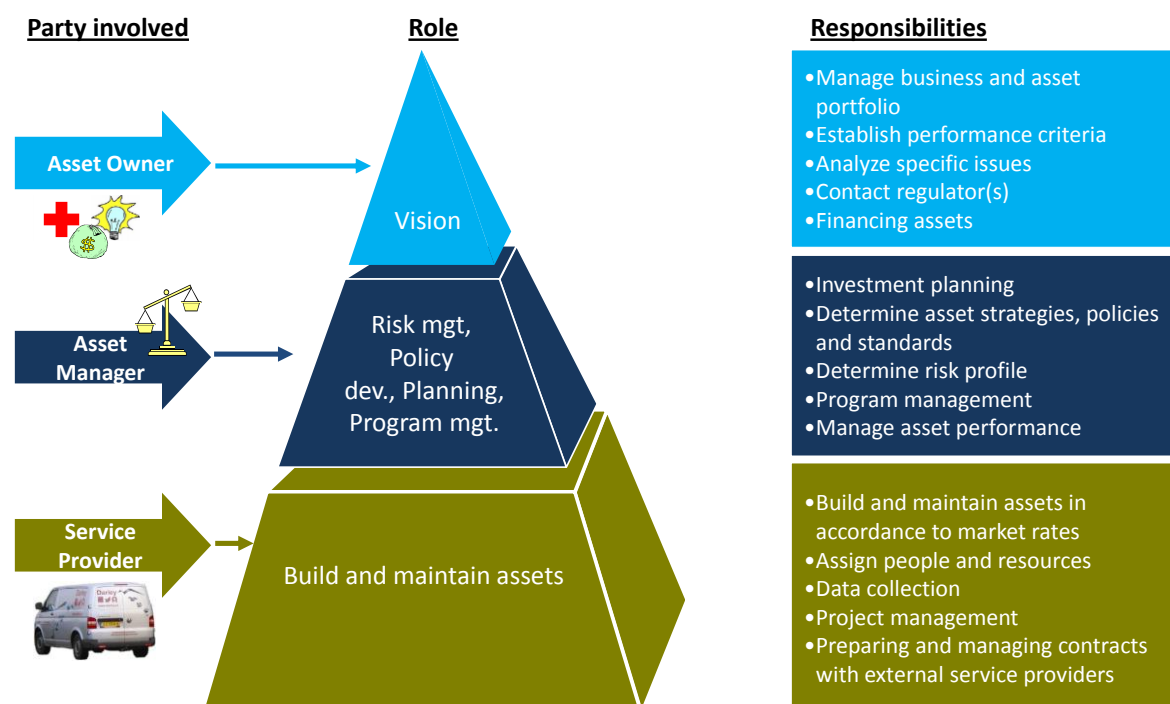
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Asset Owner, Asset Manager, Service Provider. These terms are often used in asset management. Sometimes correctly, sometimes not. This column briefly describes the concept, advantages and problems which go with the split of roles. And how you can successfully implement the roles.

The terms above can exist as roles (sometimes even as formal departments) in asset intensive businesses. Some companies are aware of the roles and have these roles formalised¹. Other companies are aware of the roles, but do not see the advantages and disadvantages of splitting them yet. And there are companies that are still not aware of the roles².

Visible are overlapping responsibilities (it is likely that an activity is performed, but it is probably rather inefficient...) or lacking responsibilities (then nothing happens. This often occurs for example for performing risk assessments on business value level). Also we see that terms are mixed up and people miscommunicate. So first now the concepts will first be briefly discussed.

The Asset Owner is responsible for the 'Governance system'. This means the asset owner must decide which stakeholders are important and what value the asset intensive company wants to add for the stakeholders. This is a long term vision. The asset manager should provide this as a concrete framework³ with which decisions must be taken. The asset manager evaluates which risks could pose a threat and defines mitigation measures (plans) for unacceptable risks. The plans are carried out by a role called Service Provider. In the figure this is summarized.



¹ Think of energy utility companies, rail infra companies and water companies

² In the Netherlands public district boards often are "consciously incompetent" of "unconsciously incompetent"

³ By means of a business values, KPIs and a risk matrix

‘But why should I have to split roles?’ is often heard. Advantages are focus and clarity in the desired goals. The Asset Manager connects to the long term vision of the Asset Owner, regardless of operational problems which the Service Provider deals with. The Asset Manager is then relieved of the responsibility to get the staff in the field to work and to keep the right competencies associated with the right role. But there are more advantages. Similarly there are disadvantages as well.

Advantages	Disadvantages
Focus. Asset Manager does not change goals immediately after incidents. The work the Asset Manager performs is usually not urgent, but important. When this work is continually disrupted by short-term problems, this would go at the expense of the quality of decisions. When roles are split, this does not happen anymore.	For small companies a formalisation of roles in departments could not be attractive, because of the lack of scale.
Highest added value per invested monetary unit. The Asset Manager is to get the staff in the field to work.	The allocation of budgets and reports need to be adapted to the new roles.
Roles are set up according to the necessary competencies. It is then possible to make decisions which add value throughout the life cycle. The functional separation disappears. This separation leads to sub optimization in for example the 'design', 'realization' or 'maintenance'.	<p>Underestimating the impact of the culture</p> <ul style="list-style-type: none"> • If, for example the Asset Manager takes the responsibility of the Asset Owner, it is likely that individual preferences prevail, and the maximum value for stakeholders is not added. • "If the Asset Manager knows so well what to do, then I execute my work only and nothing else." The challenge is to use the implicit knowledge of involved people of the Service Provider. These people often have decades of experience. And this experience is often barely stored in automated systems! • It can be hard to make agreements on market conformity between the Asset Manager and Service Provider, because people therefore sometimes have to work more efficient and lose their freedom. • The leadership style must be changed to the new role. • The Asset Manager can keep waiting until the Asset Owner provides a business value framework, while the Asset Owner does not yet have the capability to set it up.
The dominant cultural aspect in the asset intensive industry often is technological superiority and avoiding conflicts. This could lead to unnecessary costs. The Asset Manager must optimise across business values, so more than just finance. With the split of roles implicit behaviour of group decision makers can be positively influenced.	

Writing down roles and responsibilities is the least difficult. If you involve the right people from the new roles and play a belote card game with a snack and a drink, you will already get a long way. The pain will be in the cultural aspects. A fair and open culture is needed in which the roles can grow together. The balance of power must be 'on top of the table'.

Maybe playing belote is not such a bad idea. It can be played with different people (roles). Eventually it always becomes clear who had which cards and how the cards were distributed. The powers are always on the table! So if you actually want to split your roles, start with belote. And do care for snacks and drinks. And paper If you lack a player, I will join.