

Why Adopting Asset Management is Really About Organizational Change

CDM

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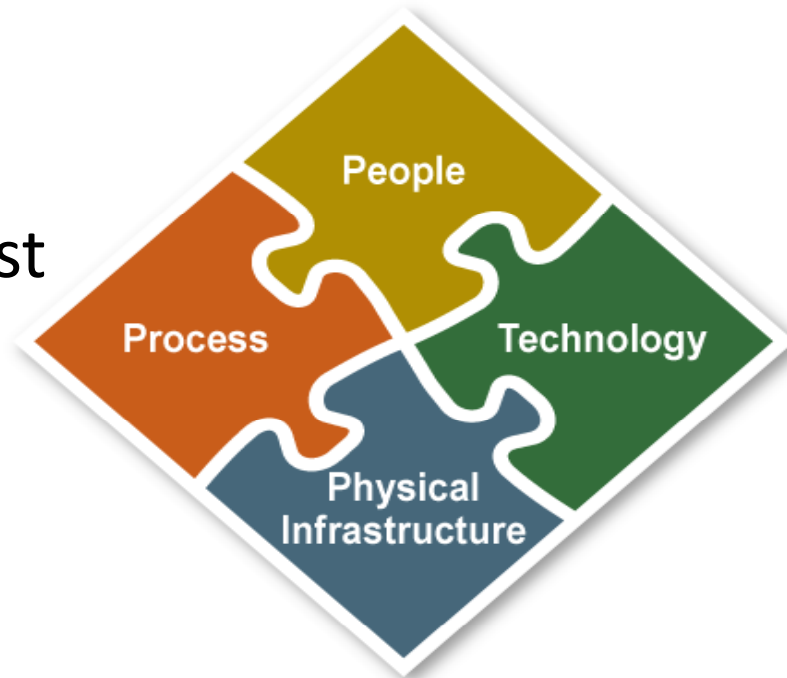
**ARAB
WATER
WEEK**

Cost Recovery at water and wastewater utilities
Achievements, Challenges and Solutions
December 5 - 9, 2010, Amman, Jordan



Presentation Agenda

- Define Asset Management (AM)
- Challenges with Implementing AM
 - WaterRF Project 4173
- AM and Change Management (CM)
- Tools & Techniques to Assist with AM Implementations
- Conclusions



Utilities Around the World Face Challenges

- Limited Budgets
- Deteriorating Infrastructure
- Staffing Issues
- Higher Customer Expectations
- Regulations
- Political Pressures
- Risk

Asset Management Can Help

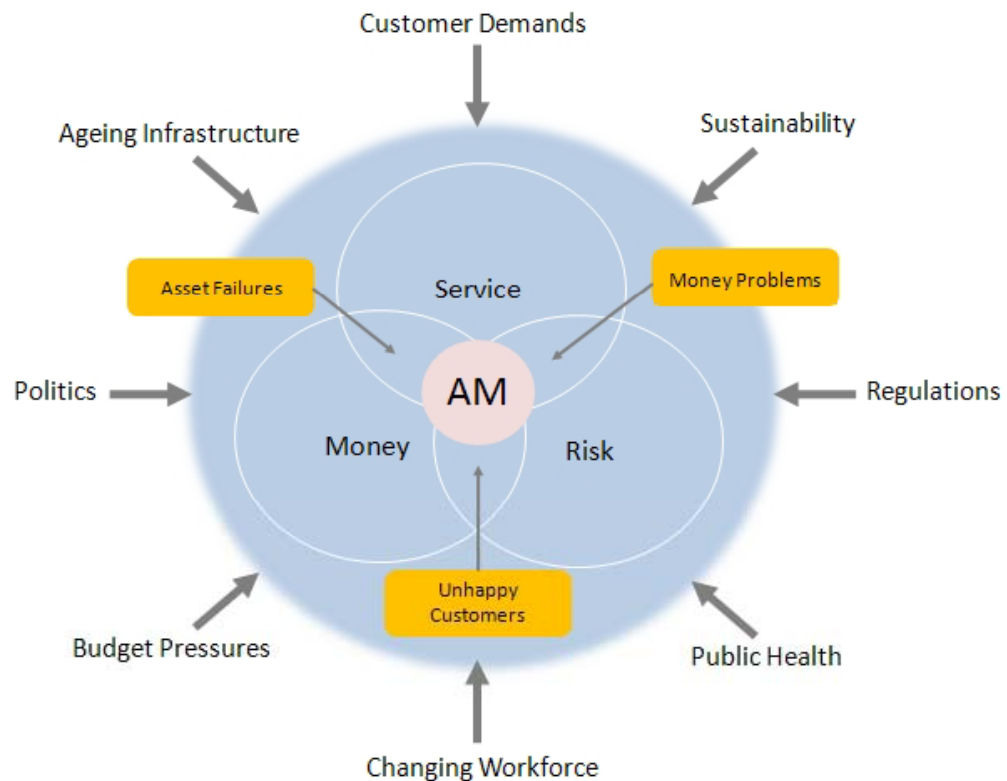
- ✓ Saves Money
- ✓ Guides Maintenance and Replacement Activities
- ✓ Lowers the Lifecycle Cost of Assets
- ✓ Improves Staff Efficiency
- ✓ Improves Service Levels
- ✓ Reduces Risk
- ✓ Creates Defensible Budgets

AM Helps Balances Competing Goals

AM is a way of doing business that helps effectively balance budgets, service levels and risk

What is AM?

- ✓ An Integrated Approach
- ✓ A Collection of Maintenance Practices
- ✓ A Rehabilitation and Replacement Approach
- ✓ Risk Mitigation Techniques
- ✓ A Way to Organize Critical Asset Data Effectively



Leading Asset Management Frameworks in the U.S. Water and Wastewater Industry

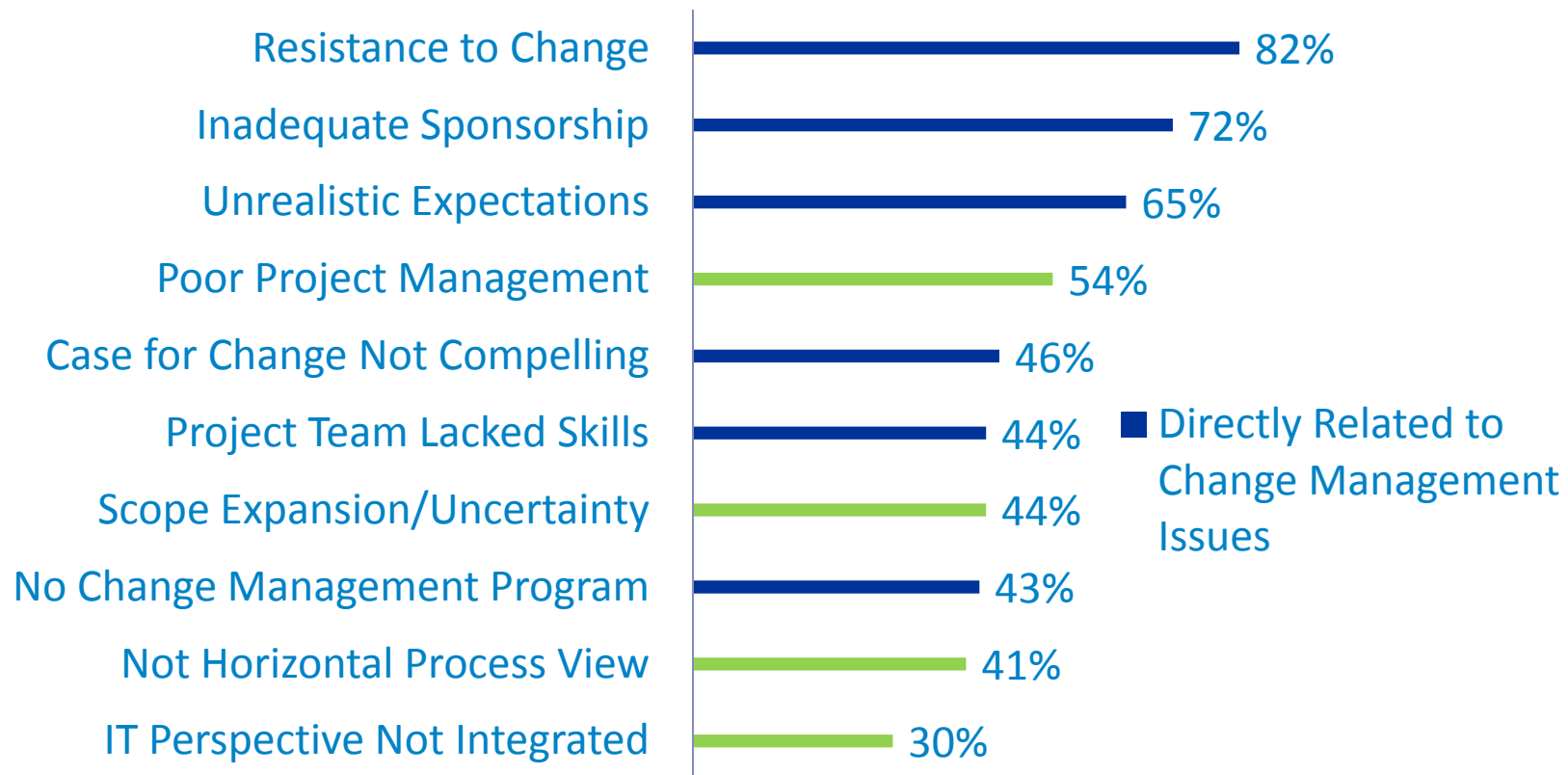
- **The “Australian and New Zealand Model”**
 - Global standard for managing assets
 - International Infrastructure Management Manual (IIMM): National Asset Management Steering Group, New Zealand
- **The AM “Handbook”**
 - Supported by many national industry trade organizations
 - Managing Public Infrastructure Assets and Implementing Asset Management: A Practical Guide (AWWA, AMWA, NACWA, WEF)
- **SIMPLE (Sustainable Infrastructure Management Program Learning Environment)**
 - Water Environment Research Foundation (WERF) and Water Research Foundation (WaterRF) Collaboration
 - Derived From the “Australian and New Zealand Model”

Utilities Have Found AM Difficult to Implement

There are many possible reasons...

- U.S. utilities are not required by regulation to implement AM practices (different in Europe, Australia and New Zealand)
- Competing priorities for resources (time, money, etc.)
- Utilities are slow to change practices; they have been doing things the same way for a long time
- The benefits of AM are not always clearly defined
- Changing practices requires training and adopting new ways of doing things
- Utility workers are already busy with many other activities, programs and initiatives

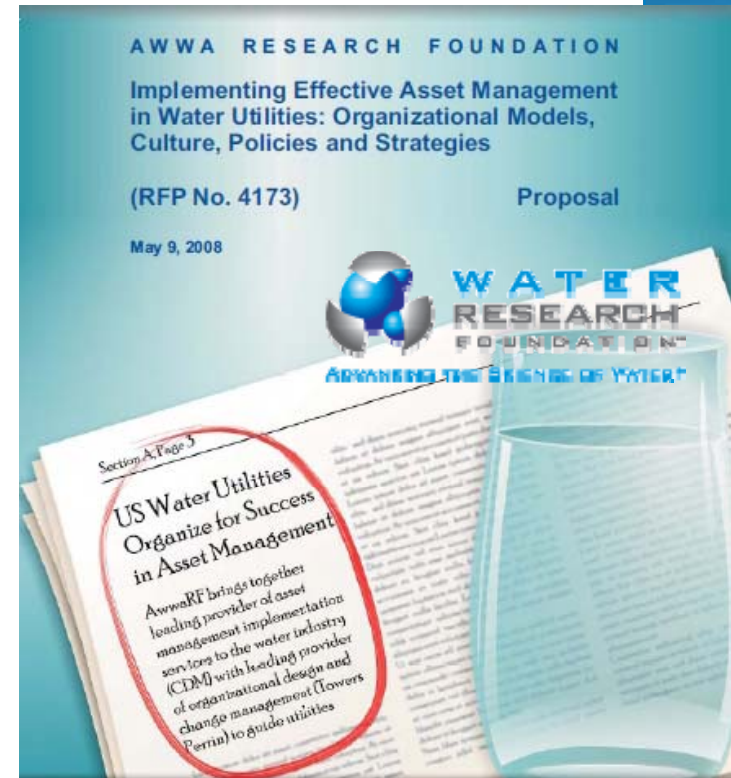
Typical Barriers to Successful Programs



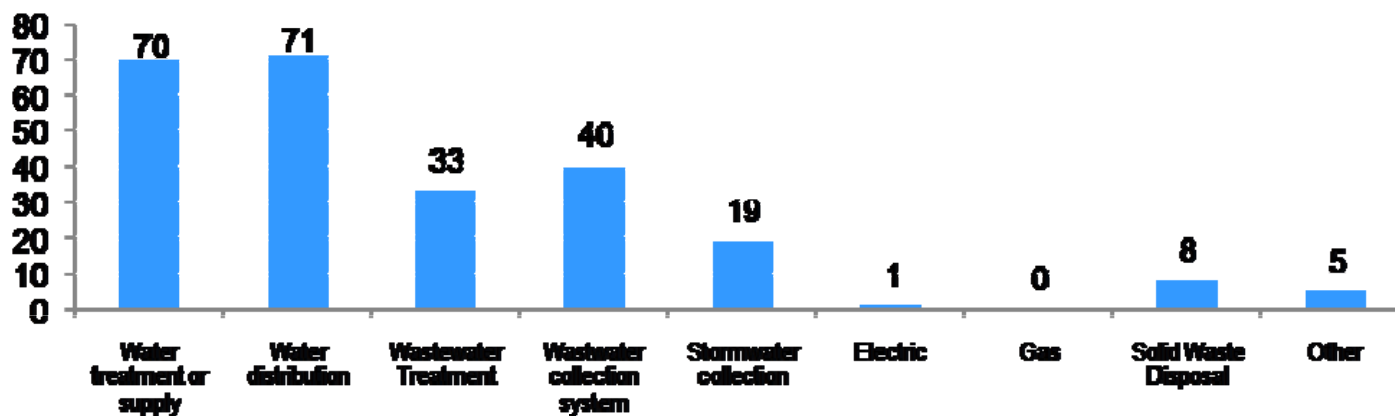
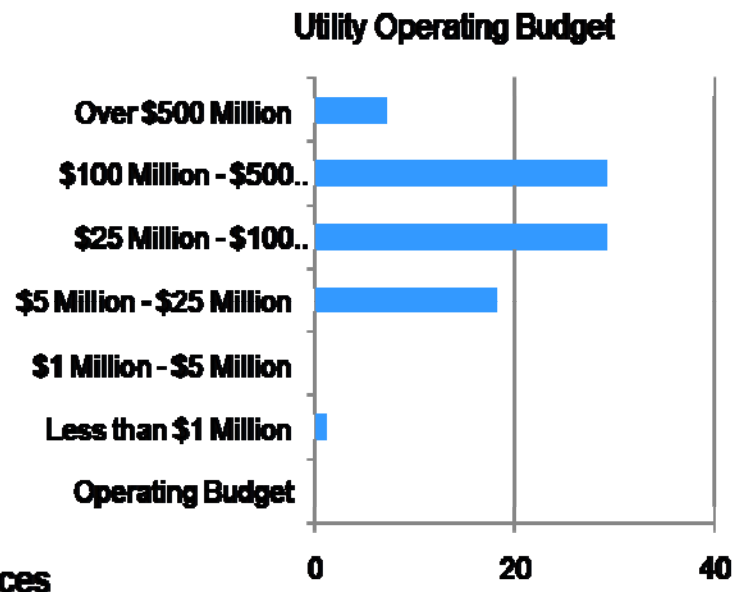
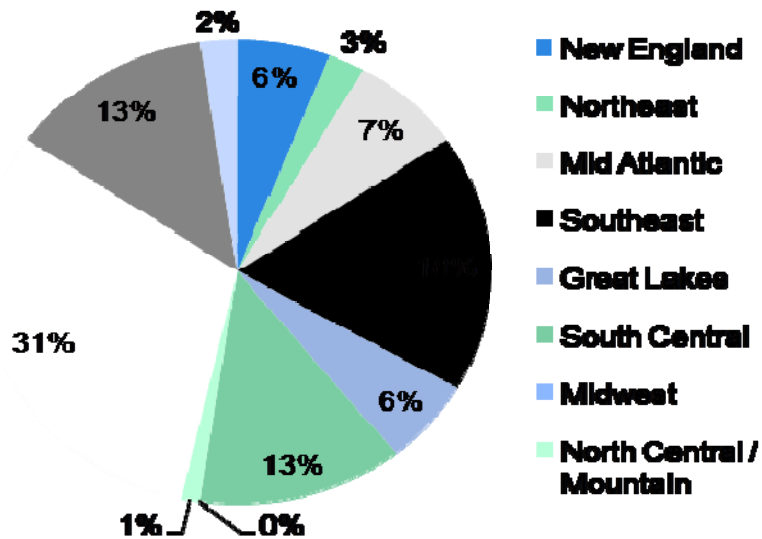
Source: Deloitte & Touche Survey of CIOs Regarding Business Transformation: Barriers to Success
http://www.smartfactory.org/DSF2002/presentations2002/Montague_Frank.pdf

WaterRF Project 4173 - Implementing AM

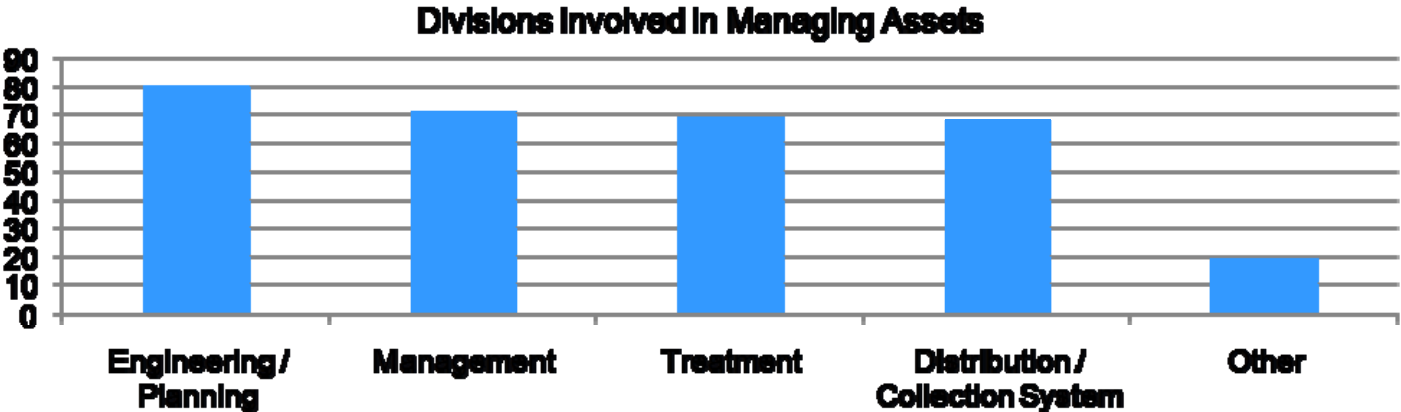
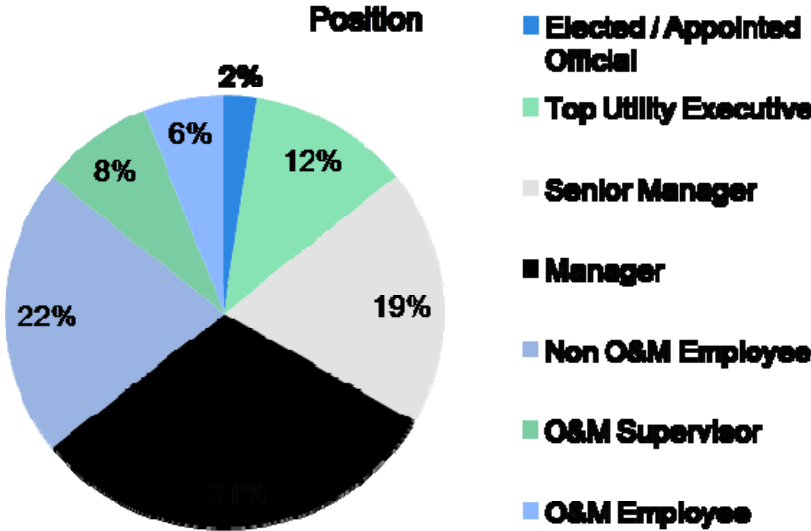
- ✓ Studied the “people” side of AM implementations
- ✓ Identified six (6) key “themes” that created problems during AM implementations
- ✓ Identified cultures that can cause resistance
- ✓ Developed a self-guided change management “Toolkit” to support AM implementations



Scope of the WaterRF 4173 Project



Scope of the WaterRF 4173 Project - Continued



Key AM Implementation Themes

1. **Benefits Message** - Utilities have been weak in articulating the benefits of AM. Stakeholders often do not see how implementing AM will result in positive outcomes.
2. **Worker Motivation** - Utilities are unsure what motivates workers to change. Effective incentives for workers to change are often absent from AM efforts.
3. **Communication** - Utilities do not communicate regularly, effectively or often enough, internally or externally. Most utilities have grossly underestimated the importance of communication as a mechanism creating change from “business as usual” to AM

Key AM Implementation Themes - Continued

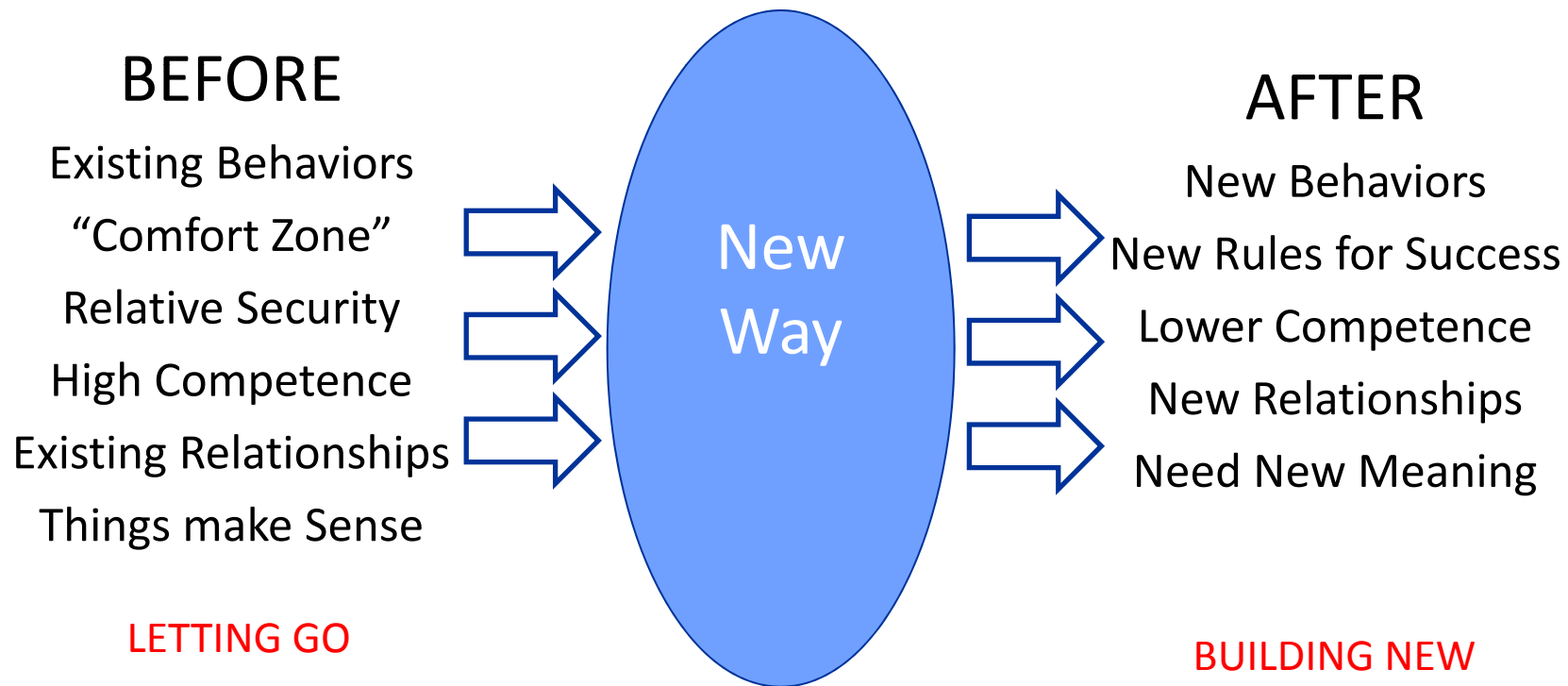
4. **Organizational Inertia** - Utilities do not respond rapidly enough to changes in the environment that require more robust management of information.
5. **Momentum** - Utilities and their workers have difficulty sustaining momentum when they adopt new approaches like AM, if the results are not significant and immediately apparent.
6. **What Do We Do?** - Individual workers do not know what they specifically should do differently to adopt AM. Workers must have clear direction on how they are to behave.

AM is about Change Management (CM)

- **Change Management (CM)** is a set of processes for transitioning from one way of doing business to another
- The process of managing change is often divided into three separate phases:
 1. **Prepare for Change**
 2. **Manage the Change**
 3. **Reinforce the Change**
- These phases are often referred to as the ***Change Management Approach***
 - Provides an approach to planning, executing, and sustaining a new way of doing business

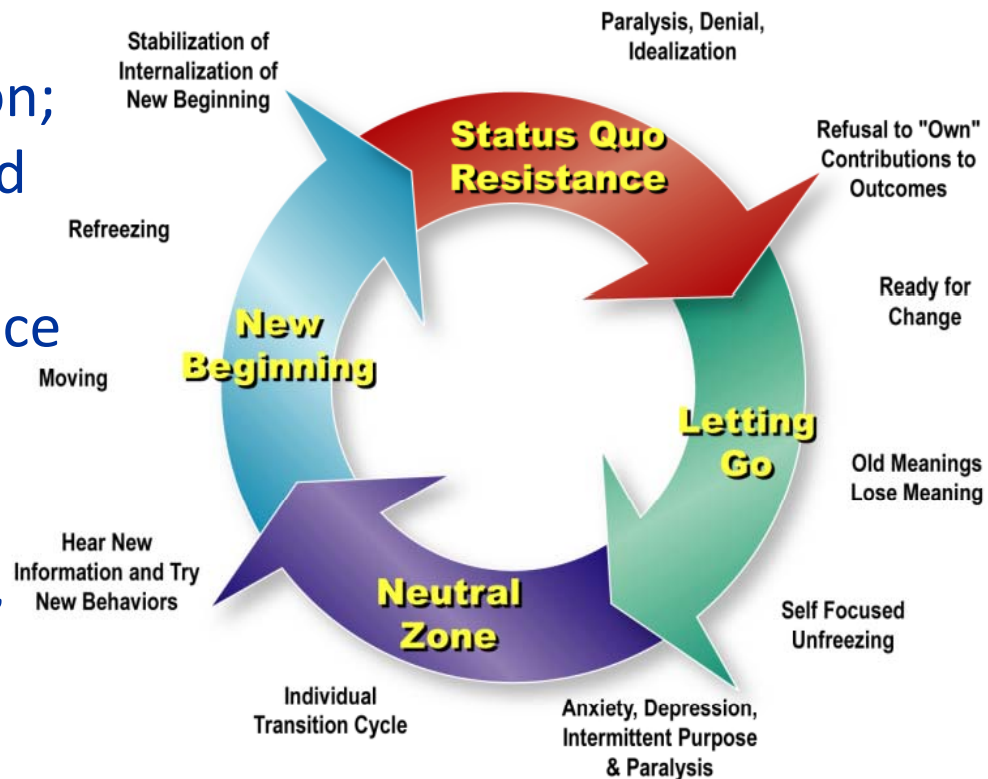
Change Management (CM)

Change requires people and groups to “let go” of important things or habits



Lewin's Three-Stage Change Process

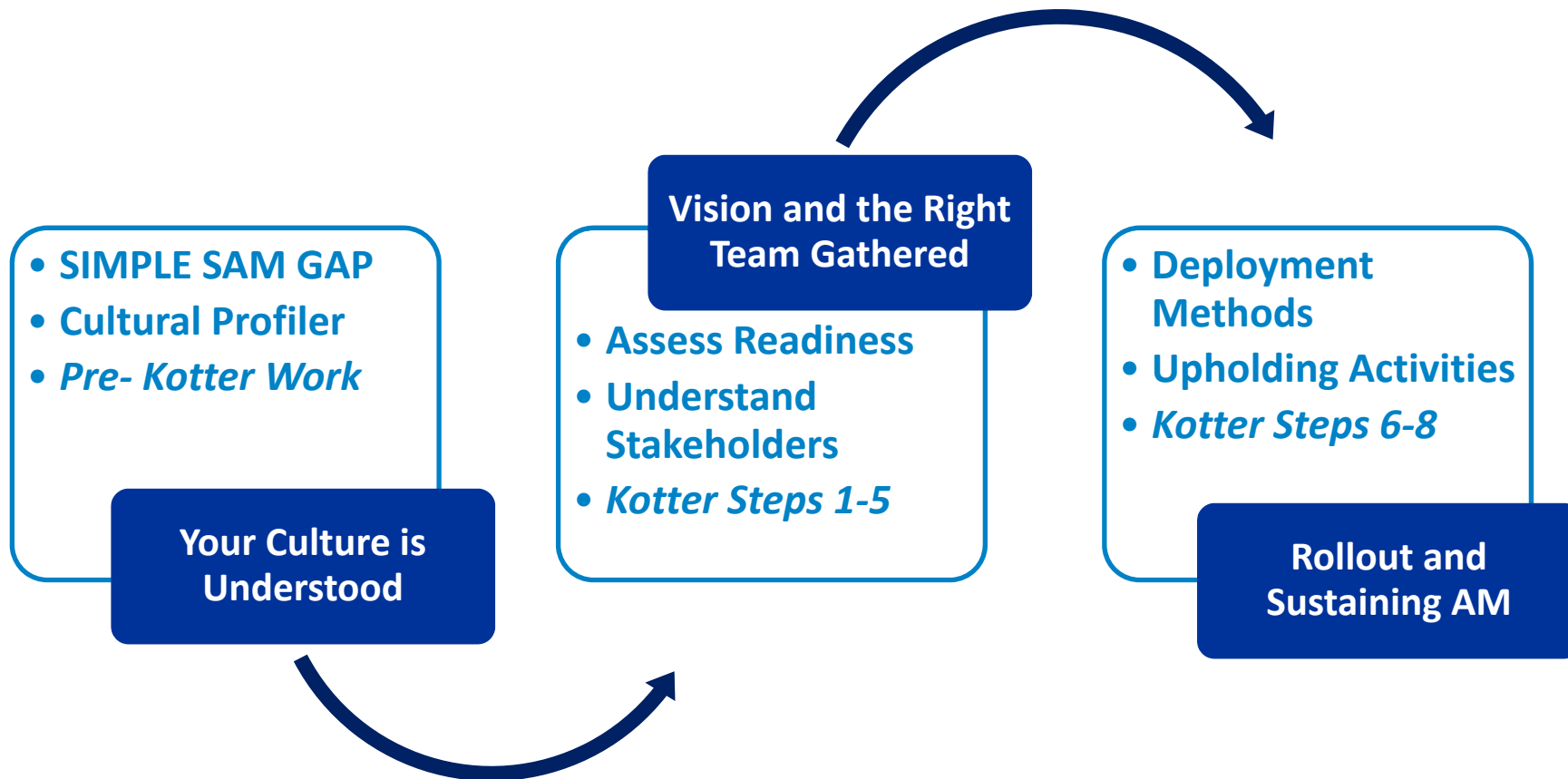
- **Unfreeze:** Overcoming inertia and dismantling the existing "mindset"
- **Change:** A period of confusion and transition; old ways are challenged but there is no clear picture of how to replace them
- **Refreeze:** The new mindset is crystallizing, comfort is returning to previous levels



Kotter's Eight Steps for Change

<u>Step</u>	<u>Action</u>	<u>New Behavior</u>
1	Increase Urgency	People start telling each other, "Let's go, we need to change things!"
2	Build a Guiding Team	A group powerful enough to guide a big change is formed and they start to work together well.
3	Create a Vision	The guiding team develops the right vision and strategy for the change effort.
4	Communicate for Buy-In	People begin to buy into the change, and this shows in their behavior.
5	Empower Action	More people feel able to act, and do act, on the vision.
6	Create Short-Term Wins	Momentum builds as people try to fulfill the vision, while fewer and fewer resist change.
7	Don't Let Up	People make wave after wave of changes until the vision is fulfilled.
8	Make Change Stick	New and winning behavior continues despite the pull of tradition, turnover of change leaders, etc.

The AM Change Management “Toolkit”



Getting Ready for the Toolkit: 3 Critical Elements

Current State

- SIMPLE and the toolkit's cultural tools can be utilized; the utility can then define what must occur to reach the future state

Customized CM Plan

- Once the change is defined, the utility develops a CM plan, using CM methodologies as a guide to the process

Consider Culture

- The utility should consider cultural impacts when designing the plan for change as the organization's culture may present unique challenges and opportunities

15 Tools to Guide the CM Process

Preparing for Change

SIMPLE

Stakeholder map

Stakeholder Assmt

Change Diagnostic

Cultural Profile

CM Action Plan

Managing Change

Working Group Charter

Change Network Tool

Change Agent Readiness

Change Impact Assessment

CM Roadmap

Reinforcing the New Behavior

Key messages

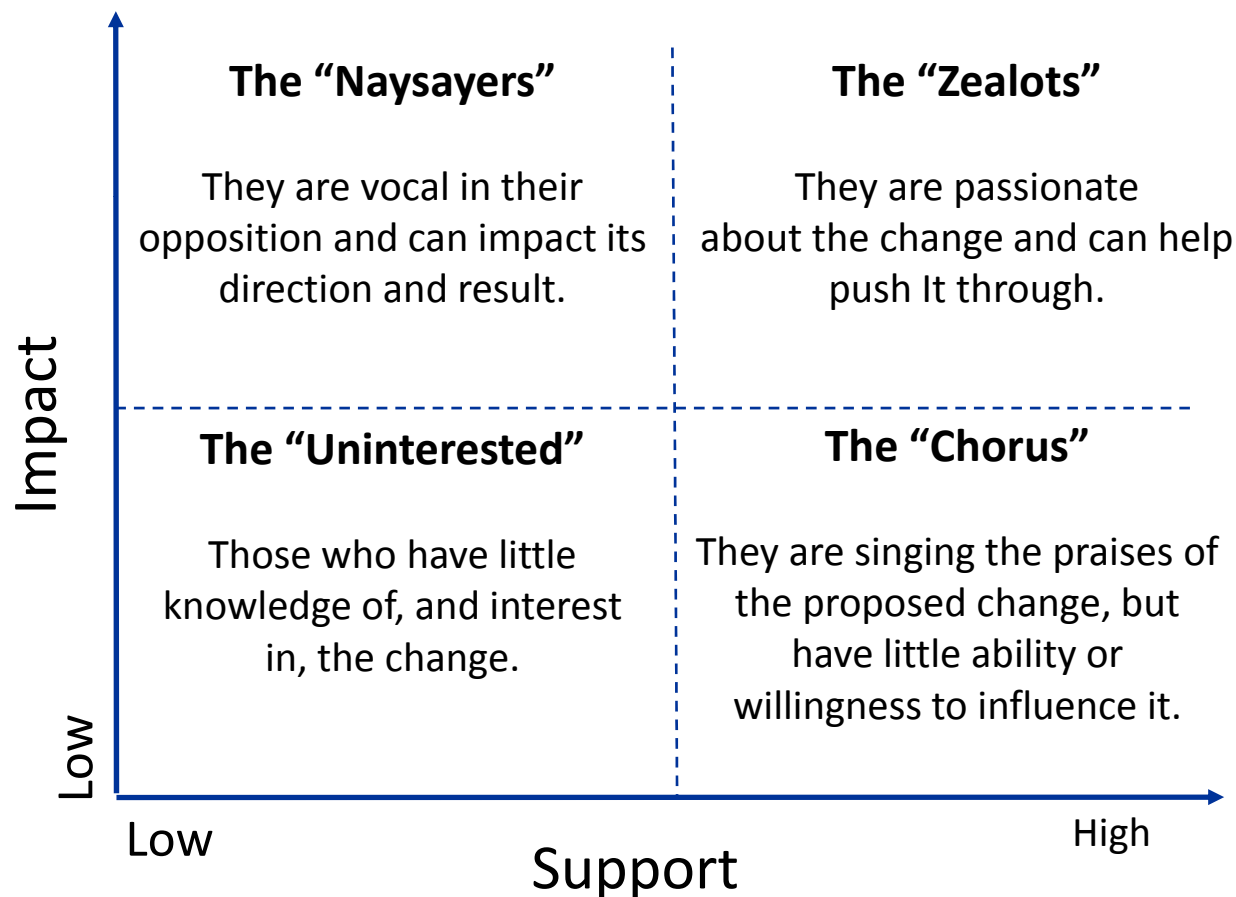
Strategic Communications
Channel Assessment

Communication Action
Plan

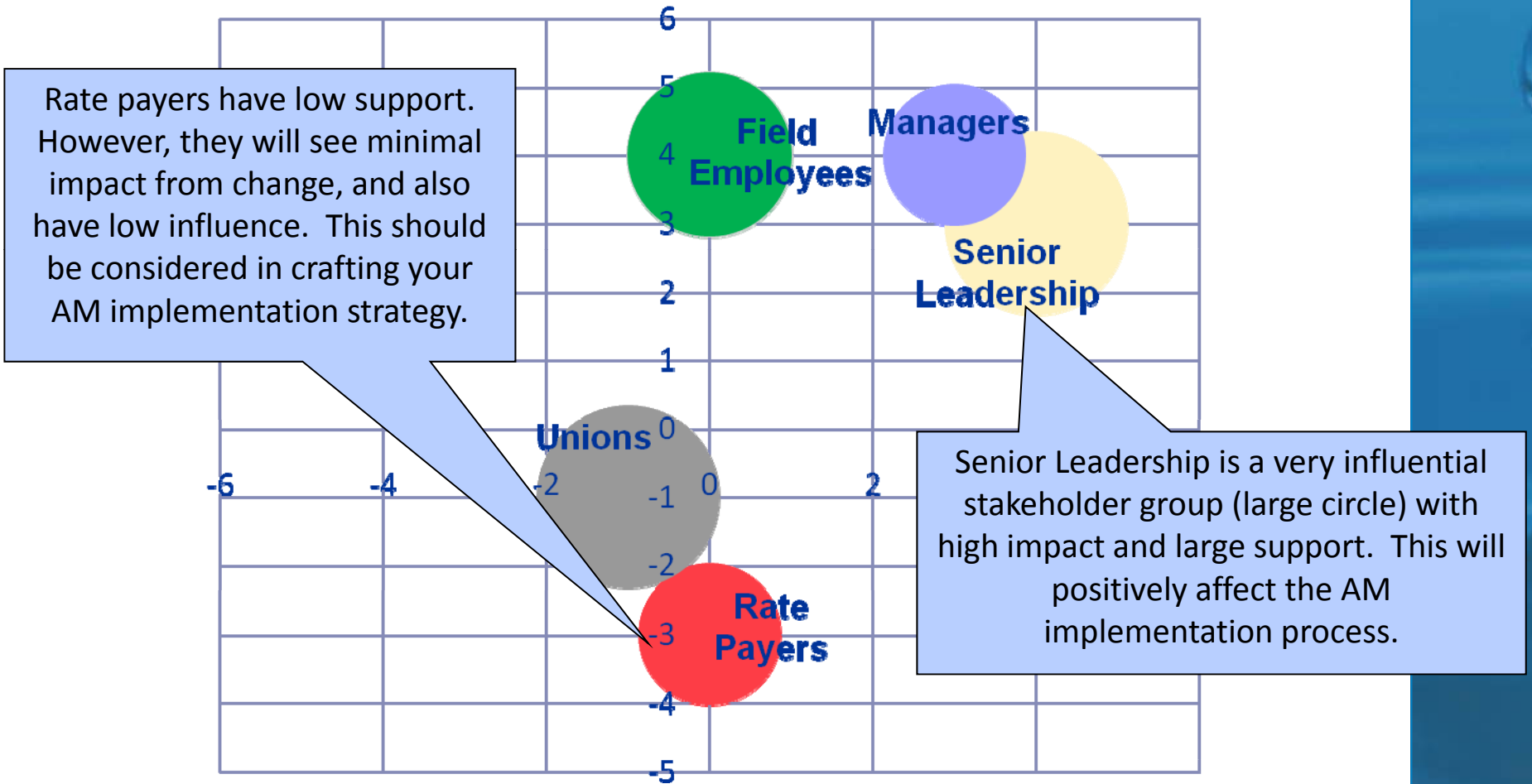
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Begin with a Vision → Sample Tools

Stakeholder Power Assessment



Begin with a Vision → Sample Tools



Conclusions

- ✓ **AM is about changing peoples' mindset and their practices dealing with assets**
- ✓ **CM is essential to tackle the people and organizational obstacles associated with implementing successful AM practices**
- ✓ **CM is a proven process with many tools, techniques and approaches**

QUESTIONS

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