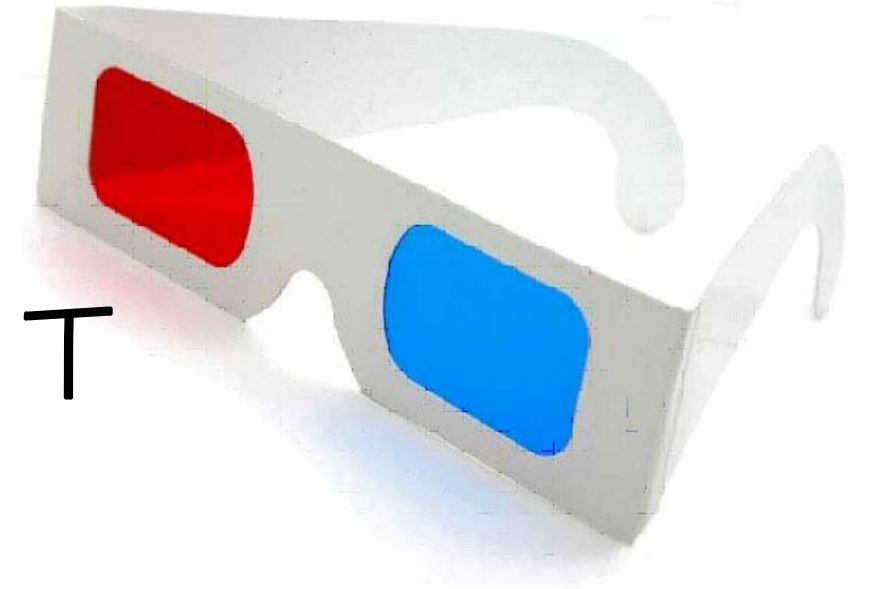View/close full screen

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GREEN PAPER   A1

PROPERTY ASSET MANAGEMENT
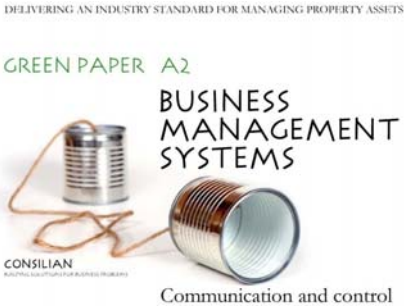
The big picture

CONSILIAN
BUILDING SOLUTIONS FOR BUSINESS PROBLEMS

Consultation papers in this series

Revision control

Revision	Date	Comments
01	14 April 2007	Re-issued as a PDF file. Headings, questionnaire and references added. Text revised.
02	27 April 2007	Summary (page 25) added. Pages 21 and 23 revised.

Preface

This Green Paper is the first in a series of consultation documents that will be used to guide the production of a UK framework for managing property assets. It explains how an ability to understand and manage complex systems in a holistic way can enable organisations to connect property management with the rest of the business at a strategic level; it claims that this approach complements current reductionist thinking, which is better suited to the day-to-day management of property; and it recommends that a systems approach should be included as a key element of the proposed framework.

We look forward to receiving your response to the questionnaire on page 5; if you wish to edit the content of the document, you may do this on-line wherever the pencil icon is shown. When the final draft of this document has been agreed, it will be issued as a White Paper.

Thank you for your comments and suggestions - these will help us build the consensus we need to create a specification for managing property assets that will be accepted as the industry's standard.

CONSILIAN

March 2007

Contents

This paper explains the concept of a systems approach and why we think it is relevant to a specification for managing property assets.

After you have read this paper, please take a moment to reply to the following questions:

YES   NO

1. Does the paper adequately explain the concept of a systems approach?

2. Do you recognise within an organisation that is familiar to you either a systems approach or the need for a systems approach?

    Could you provide a case study?

3. Do you think that a systems approach could make property more relevant to a board of directors?

    Could you provide supporting examples?
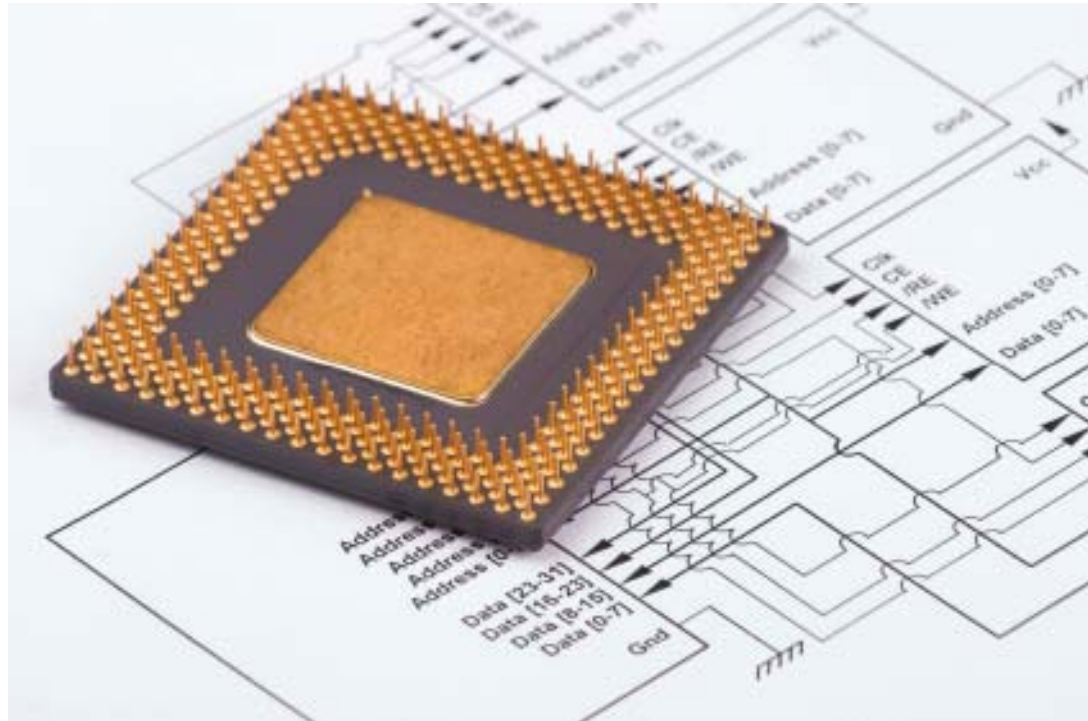
4. Do you think that a systems approach has practical value to this project?

5. Please add any other comments here.

Thank you for your comments. Please submit the form using the button below

The Integrated Circuit dissolved the boundaries between different parts of an existing system to create a new device – resulting in better connections and faster flow of information

Breakthroughs in technology usually occur when relationships between existing components or competencies are reconfigured in novel ways. Innovation can be measured by the extent to which the boundaries between discrete components are dissolved - either through better alignment of the parts or by designing a new device where the identities of the discrete parts are lost as the connections are eliminated. [1] An example of this process is the Integrated Circuit, which was invented in 1958 to cope with the increasing complexity of electronic circuits and the need for faster, more reliable flows of information between components.

Today, organisations face similar challenges in finding property solutions that meet the need for improved business performance. Sir Michael Lyons, in his review of the central government civil estate (2004), observed: 'Area-wide asset management, crossing administrative boundaries seems to be in its infancy' and called for 'greater cross-boundary co-ordination and co-operation, particularly in the development of local area asset management plans'. [2] Management systems and standards play a key role in strategic and operational planning in public and private sectors, aligning different processes within the same organisation and allowing different organisations in business alliances to work together. A standard for managing property assets should follow the example of the Integrated Circuit fifty years ago, joining property management with other parts of the business to form a new and better system.

edit this

Office accommodation for HMRC at Somerset House

Chairman Sir David Varney commented on this project: 'Any initiative that illuminates the dynamic between a business and its assets and provides practical approaches for improving this process is welcome.'

property

is often considered to have greater significance as an overhead to the business than as a productive asset. However, this view is changing as many organisations look for ways to manage their accommodation which will extend beyond cutting costs to adding value to the enterprise. These organisations will be interested to learn how such an approach has already been applied to other types of infrastructure assets over several decades. Members of the Institute of Asset Management (IAM) have pioneered much of this work.
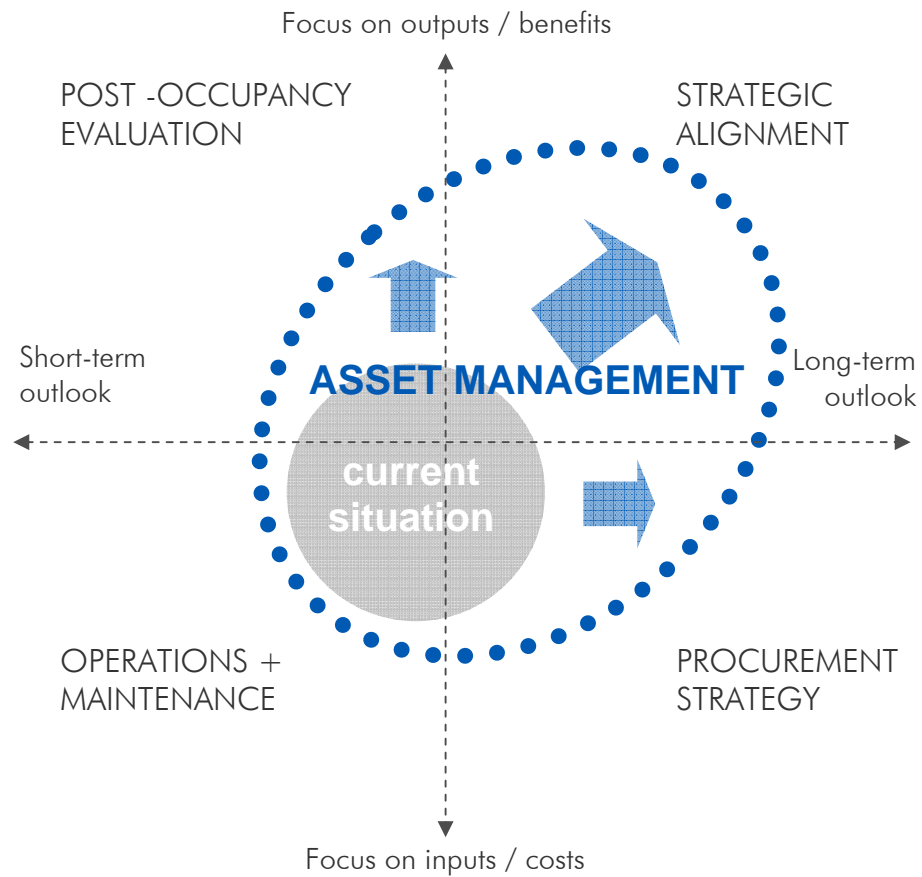
In 2004, IAM launched BSI PAS 55, the world's first standard for implementing an asset management system. It describes physical asset management as 'the optimum way of managing assets to achieve a desired and sustainable outcome.' [3] PAS 55 is a generic standard that applies to all physical assets. In response to demand for a specification that will apply the principles of PAS 55 exclusively to property, IAM is now working with BIFM, RIBA, OGC, COPROP and other industry leaders to prepare a 'de facto' or **industry standard** for managing property assets.

edit this

Focus on outputs / benefits

POST -OCCUPANCY
EVALUATION

STRATEGIC
ALIGNMENT

Short-term
outlook

ASSET MANAGEMENT

Long-term
outlook

**current
situation**

OPERATIONS +
MAINTENANCE

PROCUREMENT
STRATEGY

Focus on inputs / costs

'Without changing our patterns of thought, we will not be able to solve the problems
we created with our current patterns of thought'   Albert Einstein

The simple message of asset management is that one cannot design improvements to a part of the business without understanding the whole system. PAS55 stipulates that the **starting point** for developing an asset management policy is the organisation's strategic plan, but many managers take a narrower view, working within their own functional or departmental boundaries. The result is that property is often managed in isolation to the rest of the enterprise, particularly at the level of business strategy formulation. [4]

Roger Bootle's report to RICS in 2002 regarding commercial and industrial property states: 'Property is rarely on the boardroom agenda, despite often being the second highest business cost after wages … the management of property is usually handled at an operational, rather than strategic level.' [5] If the symptom described in the Bootle Report as 'boardroom blindness' is to be addressed, then a new way of thinking is needed: a mindset that acknowledges that property and the core business are inextricably linked and should be considered as a whole - a **systems thinking** approach. The diagram on the opposite page shows the shift in thinking and practice needed to move from the current situation to a whole systems approach.

edit this

The properties of a system exist at
the level of the whole not the parts

Russ Ackoff, architect and management consultant, explains the tendency of managers to view property in isolation to the rest of the business by the general fact that complex systems (including organisations) are usually managed in a contradictory way, where the emphasis is on improving the constituent parts instead of the whole. [6] However, dividing any system into separate parts affects its connectedness, and hence the properties of the system itself. This is why improving the property function without reference to the rest of the business is unlikely to yield better results for either property or the business. In fact, such an approach can reduce overall performance: a system should be studied as a whole

Systems thinking is a way of viewing and interpreting the world as a set of inter-related elements. It focuses on the links between the parts of a system instead of reducing the system to its constituent parts for analysis. This approach can be applied to all systems: biological, mechanical or social; and lessons learned in one type of system can often be applied to others, [7] so that this approach is very suited to property and business. For example, a systems approach can explain why problems, which might initially appear to require a property solution, can sometimes be resolved by interventions in different areas of the business. Understanding how parts of the system are linked can explain why changes in one part of the enterprise can have unexpected or delayed effects in another, or why planned consequences of some changes never occur. [8]

edit this

All systems are both part of a larger system and contain smaller systems – boundaries between systems are always the result of subjective choices, and these decisions are not always helpful
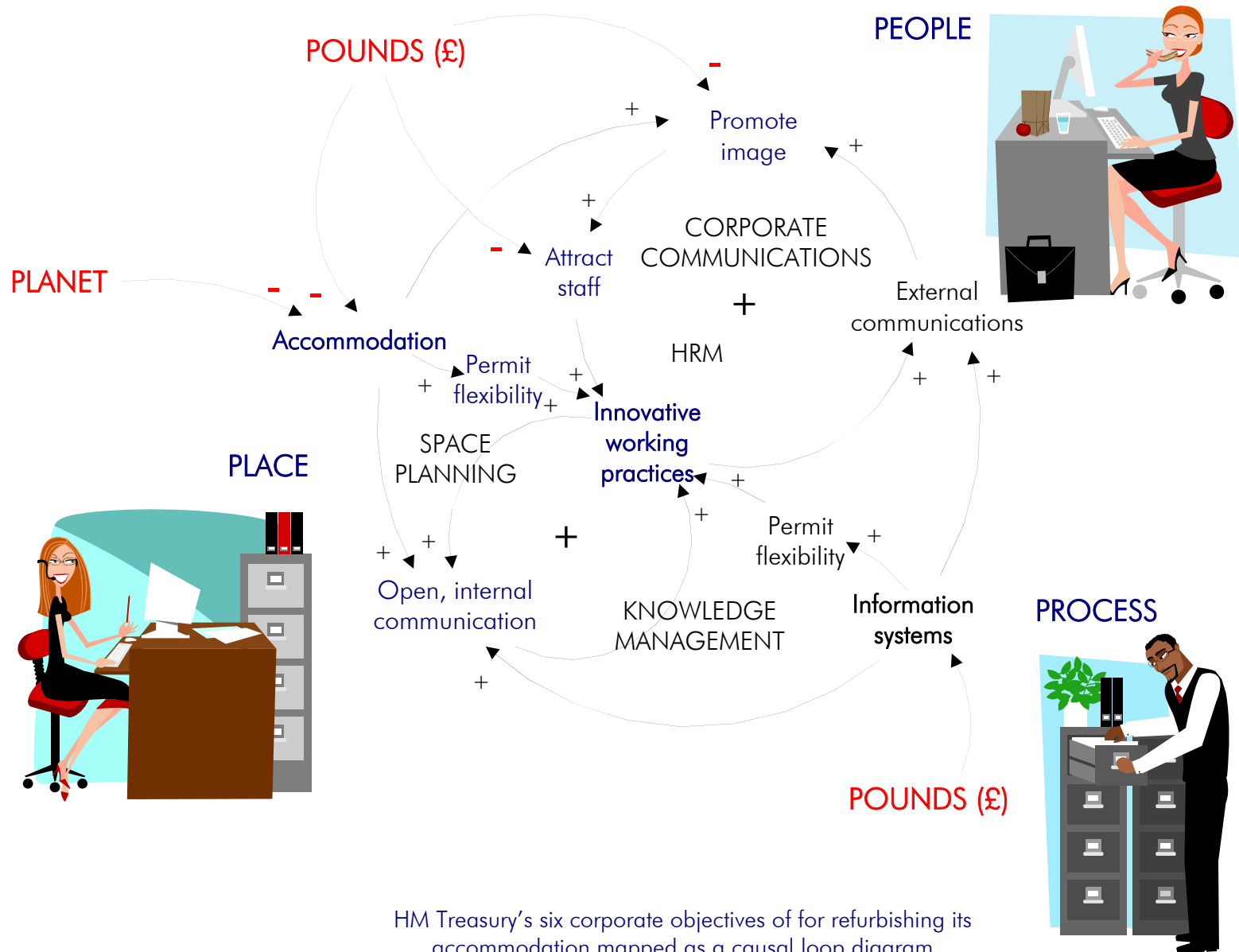
observing

Systems are usually nested within larger systems, [9] all of which are connected in a universal way by inputs and outputs: things that affect the system and things affected by the system. [10] The definition of an input or output depends on how the boundaries of a system are drawn - this is always a subjective choice that depends upon the person who is the system, so that no two people will completely agree on this matter. Charles Handy made this point with an example about deciding the effectiveness of prisons: 'It is not clear, for instance, how the outcome of a prison should be measured, partly because we haven't made up our minds whether the purpose of prison is to punish, to deter, or to rehabilitate the inmates.' [11]

Property asset management views accommodation as a sub-system that is linked to other sub-systems within the organisation - core and non-core activities - all of which are joined in some way to the outside world - customers, suppliers and other interested parties. Making sense of this arrangement is not always easy because we are more used to focusing on the separate parts of a system, rather than standing back to see the **bigger picture** or working with multiple perspectives. Systems thinking reveals this 'big picture'. It combines a practical **approach** to solving problems that is founded on proven theory, a set of **tools** and techniques to do this, and a **language** for communicating a shared understanding of the system. [12] Above all, systems thinking is about evaluating results and then using this knowledge to act upon the system to improve performance.

edit this

POUNDS (£)

PLANET

PLACE

PEOPLE

PROCESS

POUNDS (£)

− Promote image +

+

+ Attract staff −

CORPORATE COMMUNICATIONS

+

HRM

External communications

Accommodation − −

Permit flexibility +

+

+

SPACE PLANNING

Innovative working practices

+ +

+ +

+

Permit flexibility +

Information systems

+ Open, internal communication +

+

+

KNOWLEDGE MANAGEMENT

+

HM Treasury's six corporate objectives of for refurbishing its accommodation mapped as a causal loop diagram

Buckminster Fuller, an American architect, used to say that the best way to teach people a new idea was to provide them with a tool which would lead them to discover the idea you wished them to learn, but through their own efforts. [13] Project management uses the Critical Path Method to model dependencies between activities in a construction programme over time - a systems approach extends this technique from programmes to management systems using **tools** such as Causal Loop Diagrams and System Dynamics - for examples of these tools and techniques refer to the diagram opposite this page and page 23.

Frank Duffy, another architect who explains his ideas in term of systems, lists the key assets of a business enterprise as 'people, process and place', to which might be added the constraints 'planet and pounds'. This perspective makes it easier to see the equations that connect property with overall business performance. Thinking in **network patterns** not only illuminates the complex web of relationships that influence the behaviour of a system but also demonstrates factors which are malleable and can be changed, and tracks the consequences of any changes in the system through cycles of development. [14]

edit this

Window opening

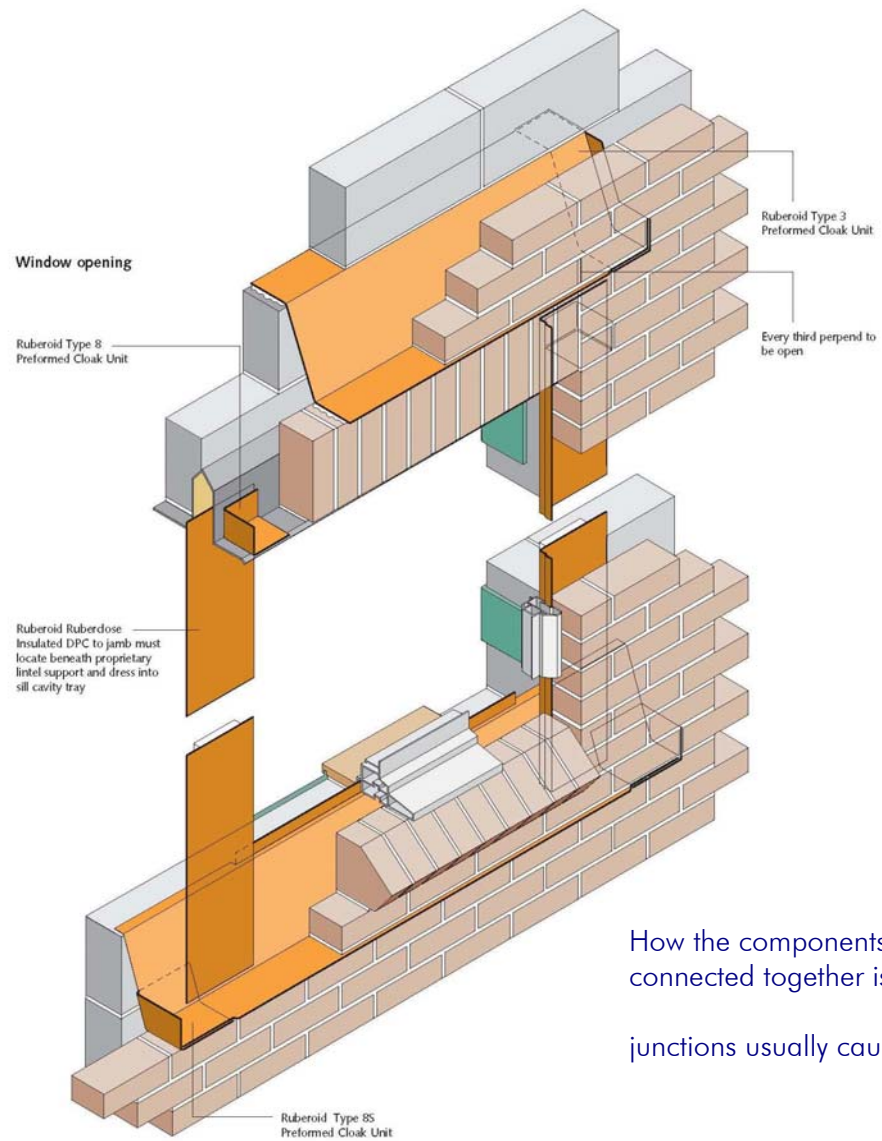Ruberoid Type 8
Preformed Cloak Unit

Ruberoid Type 3
Preformed Cloak Unit

Every third perpend to
be open

Ruberoid Ruberdose
Insulated DPC to jamb must
locate beneath proprietary
lintel support and dress into
sill cavity tray

Ruberoid Type 8S
Preformed Cloak Unit

How the components of a system are
connected together is crucial –

junctions usually cause the most problems

The traditional representation of an organisation is the organisational chart, drawn like a family tree. This type of organisational structure reflects significant progress made years ago by 'scientific' and 'bureaucratic' management - the division of work into specialist functions depicted on the back of the new £20 note. But in today's business environment, these practices are no longer efficient. [15] Asset management does not work inside bureaucracies or within departmental silos: it needs to operate across the enterprise - flowing through the white space of the organisational chart.

If everything is ultimately one system, it can be argued that distinctions between asset management, property management and facilities management are somewhat arbitrary stereotypes because the role of the asset manager crosses conventional boundaries. Asset managers need to know how property and the business are linked, and to be aware of potential 'disconnects' at the interfaces - generally the weakest points of any system. Specialist knowledge is necessary but not sufficient for this task. However, a trans-disciplinary understanding of how property supports the core business is essential.
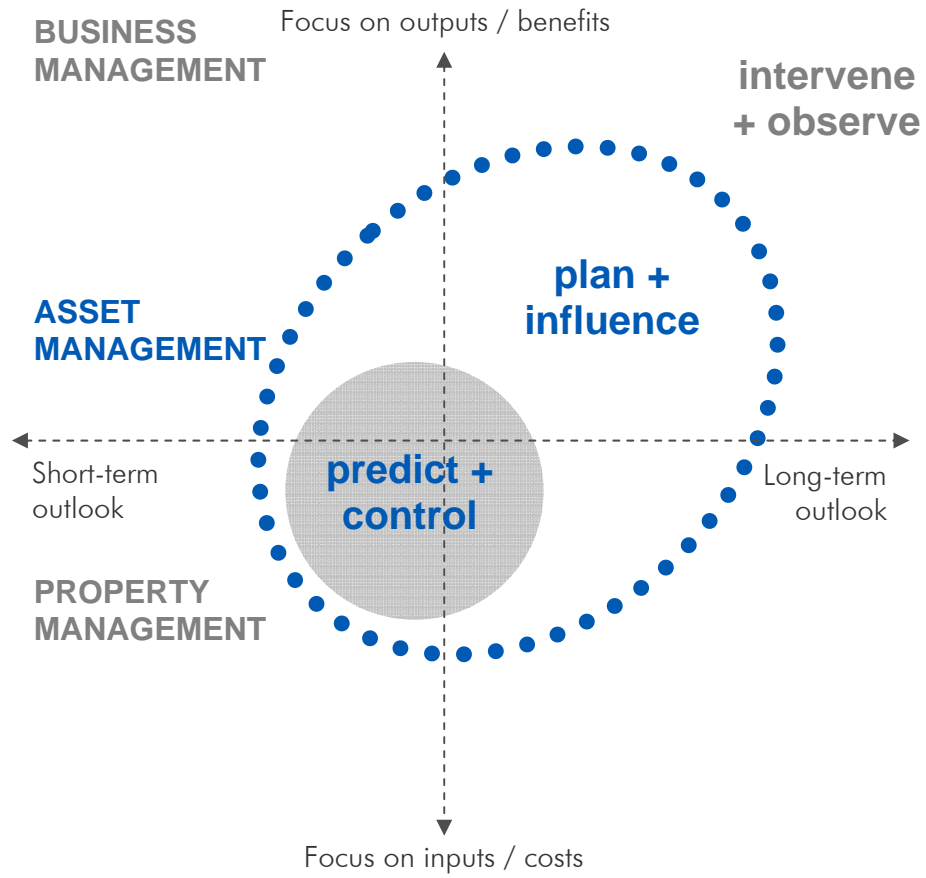
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BUSINESS
MANAGEMENT

Focus on outputs / benefits

intervene
+ observe

ASSET
MANAGEMENT

plan +
influence

Short-term
outlook

predict +
control

Long-term
outlook

PROPERTY
MANAGEMENT

Focus on inputs / costs

In a complex system, the parts are inter-related through circular feedback loops, creating multiplying effects which can cause it to behave unpredictably. Complex behaviour emerges when interactions between the parts of a system are intensified. [8] The growing impact of information technology, globalisation, and greater awareness of the inter-dependence between the built and natural environment are some of the factors which are driving increasingly complex situations for asset managers. Traditional command-and-control methods of management assume that organisations act like simple machines, where cause and effect are linked in a direct, linear fashion. Whilst these methods are suitable for the routine operation and maintenance of property assets, the diagram on the opposite page suggests that a different approach is needed to manage property in a strategic context.

Control of a complex system is built into the network itself - stability is achieved through a process of communication and control between the parts of the system, allowing the whole to be self-regulating. Buckminster Fuller advised managers to design organisations where doing the right thing became the line of least resistance rather than instructing people exactly what to do. When the correct type of organisational structure is in place, managing a complex system then becomes a matter of removing constraints within the system by decoupling relevant sub-systems and promoting better communication and feedback of information. [16] Managers who operate internal rents for space will already know this: organisations that oscillate between centralised control and local autonomy probably do not.

edit this

It is a difficult task to build a competent asset management team that contains all the technical and human skills needed to work across functional boundaries and to avoid fragmenting into separate professional disciplines

A business management system is the means by which an organisation directs and controls its activities to achieve its objectives. In many large organisations, management systems for different activities operate in parallel, so that there is interest in integrating formal standards for management systems within a common framework. However, this issue extends beyond rationalising a regime of paperwork and inspections. The aim should be to **integrate** or align the requirements for separate business processes at the level of strategic planning within the enterprise, thereby satisfying the principles of good corporate governance for internal control and risk management identified in guidance by Turnbull and others.

inter-operate Standards work by allowing different elements of a system to in an efficient and effective way. Our goal is to create an agreed specification for managing property assets that will promote communication and understanding between property professionals, operational managers, financial directors, human resource directors, IT managers and other senior executives, bringing an increased commitment to managing property assts that truly extends 'from board room to boiler room'. The standard will improve the links between property management and different parts of the enterprise and its supply chain - a systems approach is an essential part of this plan.

edit this

This section summarises the themes introduced in previous sections of the paper as a short list of essential points to be included in the proposed framework. The following principles will guide development of the next stage of work:

1. **Understanding the bigger picture**

   'Property is a necessary support to the operational business. Getting your property strategy right requires a complete and detailed understanding of the wider business strategy and its operations.' Keith Martin, Partner, Donaldsons [4]

2. **Identifying critical relationships**

   Understanding the links between property and business and eliminating disconnects in the system is vital, particularly connections with valuations and finance. A common basis of measurement is a prerequisite to this requirement.

3. **Multiple perspectives**

   There is no right or wrong way or even any objective method to define the boundaries of a system and to determine what it should include. A successful outcome depends upon working within a sufficiently wide range of perspectives.

4. **Learning**

   This is the route to making sound decisions in situations that are complex and where outcomes are unpredictable [8] - personal and organisational learning comprises a continual cycle of evaluating the outcomes of planned situations, identifying what needs to change and acting on the system to improve performance.

5. **Communication**

   Each of the above principles depends upon the effective flow of information across different parts of the organisation, particularly feedback - this is the basis of good communication - it requires an appropriate organisational structure.

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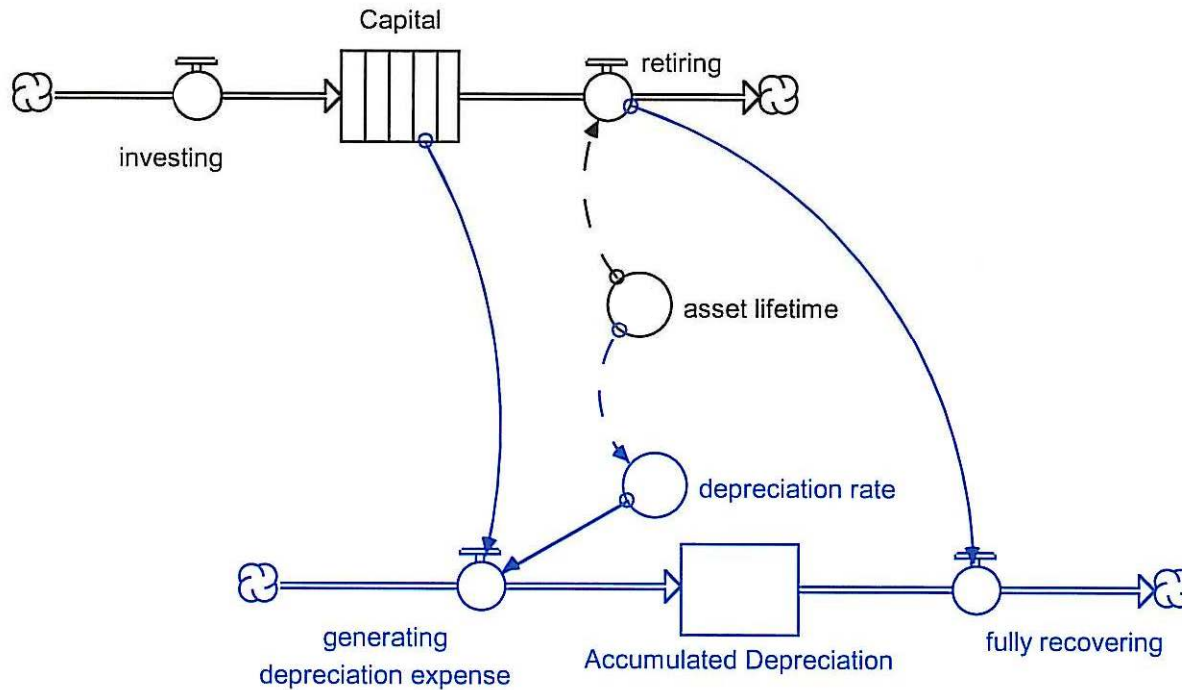
Physical Capital Infrastructure – System dynamics model created using *iThink* software
© High Performance Systems 2001 [17]

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MANAGING PROPERTY ASSETS

SPECIFICATION FOR A BUSINESS MANAGEMENT SYSTEM

This cross-sector project is supported by a wide range of government departments, private companies and professional bodies. Our aim is to develop and deliver a business specification for managing property assets that will be accepted as the industry's norm or standard. The specification will be written for senior executives and property professionals – it will:

1. clarify the complex dynamic between a business and its property assets;
2. demonstrate how buildings and facilities can be put to work as productive assets to support the overall purpose and objectives of the enterprise;
3. show how the full value of buildings as operational assets can be measured – providing a full account of tangible and intangible costs and benefits; and
4. provide practical methods for managing and improving this process - avoiding bureaucratic approaches but rather based on understanding and learning.

Standards are achieved through consensus. If you would like to take part in shaping the specification - shown on the opposite page - then please contact CONSILIAN at:

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