WELCOME TO THE SECOND EDITION
OF THE EMD NEWSLETTER

The EMD Newsletter is one of the initiatives presented in the EMD Strategic Plan prepared by the Officers of the EMD in 2015. This Second Edition will present a Summary View of the Discipline of ASSET MANAGEMENT.

INTRODUCTION TO ASSET MANAGEMENT

When considering the Scope of ASSET MANAGEMENT it is best to start with the Basics – What does Each Term Mean?

From Wikipedia: An ASSET is Anything - Tangible or Intangible - that can be Owned or Controlled to Produce Value. Also from Wikipedia: Value is the Amount of Money that can be Received for Something. (Refs 1,2)

So, it seems from the start: ASSET MANAGEMENT IS ALL ABOUT MONEY!!
INTRODUCTION TO ASSET MANAGEMENT

From Wikipedia: **Management** means Directing and Controlling an Organization To Reach a Goal. A prime goal of management is to realize value. Hence, **Management** is directing/controlling an organization to realize Value. (Ref 3)

If we join these two definitions together, we determine that:

Asset Management is the Direction and Control of an Organization to Realize Value from Assets

It is notable in this regard to consider the Definition of Asset Management that appears in the governing International Standards Organization (ISO) document ISO 55000: (Ref 3)

Asset Management is the Coordinated Activity of an Organization to Realize Value from Assets

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From this definition, it is recognized that the “Coordinated Activity” of an organization involved in Asset Management fundamentally involves the Direction and Control of the organization.

The direction of an organization involves Planning, Organizing and Leading operations. If we include these three operations into the Direction and Control operations of an organization, it is recognized that the definition of Asset Management in the ISO 55K standards document encompasses the four Prime Functions of Management - Planning, Organizing, Leading, Controlling. (Ref 4)

In the final analysis:

**Asset Management is the**

**Planning, Organizing,**

**Leading and Control**

**of an Organization to**

**Realize Value from Assets**
A further exposition of the terms involved in the definition of Asset Management reveals the following information:

**Planning:** Managers **PLAN** by deciding where to take a company and by selecting the intermediate steps needed to reach a goal. Planning requires managers to forecast future business economic conditions. Managers then formulate work objectives to be reached by specific deadlines and decide on precise steps to reach company goals over a designated period of time. Managers must re-evaluate their plans as conditions change and make adjustments in order to allocate resources and reduce waste.

**Organizing:** Managers **ORGANIZE** by bringing together company physical, human and financial resources in order to achieve objectives. Managers identify activities to be accomplished, classify the importance of each activity, assign activities to groups or individuals and determine all of the various realms of responsibility and delegate authority to accomplish company goals.

Managers also coordinate the relationships of responsibility and authority among the teams and the individuals engaged in the overall business of the enterprise to realize a maximum value for effort.
**INTRODUCTION TO ASSET MANAGEMENT**

**Leading:** Managers **LEAD** by motivating employees to achieve business objectives and goals. Leading requires the use of authority to achieve objectives and goals as well as the ability to communicate effectively.

Effective leaders are students of human personalities, motivation and communication practices.

Effective leaders can influence company personnel to view situations from their Management perspectives. Leading also involves the direct supervision of employees work associated with accomplishing objectives and goals at specified deadlines with optimal resource allocations.

**Controlling:** Managers **CONTROL** by measuring actual achievement against established objectives and goals. Managers measure accomplishment by identifying anything that keeps the company from achieving its goals and by providing the resources for correction of deficiencies as necessary.

It is to be noted that Controlling means more than achieving only monetary goals. It can include achieving nontangible goals such as meeting production quotas as well as reducing customer complaints.
INTRODUCTION TO ASSET MANAGEMENT

The four Prime Functions of Management are applied to ASSET MANAGEMENT through the ISO 55000 Standards. The ISO 55K Standards were developed by the International Organization for Standards (ISO) – an enterprise consisting of 162 National Standards Organizations that enforce Commercial Standards in Global Markets. ISO has its headquarters in Geneva, Switzerland.

The fundamental materials that appear in the ISO 55K Standards have their origins in a Publicly Available Specification - PAS 55 - that was developed by the Institute of Asset Management. IAM is a UK Not-For-Profit Professional Body for those involved in Acquisition, Operation and Care of Physical Assets. (Ref 6)

To appreciate the breath and depth of the ISO 55K Standards and their future application in international Commerce, it is instructive to consider the Evolution of the ISO 55K Standards. The Evolution Period features the efforts of two professional bodies - one national (UK) and one global - over a development period of TEN years and comprises the combined efforts of many dedicated volunteers involved in Asset Management activities around the globe.
EVOLUTION OF ISO 55K STANDARDS

To study the Evolution of ISO 55K STDS, we ask the following questions:

1. **WHO** developed the ISO 55K Standards?

2. **WHAT** are the main contents of ISO 55K?

3. **WHEN** were ISO 55K Standards introduced?

4. **WHERE** have ISO 55K Standards been applied?

5. **WHY** are the ISO 55K Standards important today?

1. **WHO** Developed the ISO 55K Standards?

The Institute of Asset Management (IAM) is a UK-based Not-For-Profit Professional Body for those involved in Acquisition, Operation and Care of Physical Assets. IAM was incorporated in 2004. (Ref 5)

In 2004, IAM Managed the Production of the initial Public Available Specification document - PAS 55:2004 - on ASSET MANAGEMENT. It then underwent a substantial revision by the ISO with 50 participating organizations from 15 industry sectors in 10 countries. The PAS 55:2008 documents were
released in both English and Spanish versions on Dec 2008 together with companion instructions for conducting a company self-assessment against the specification. (Ref 6)

ISO Project Committee 251 held its First Meeting in Melbourne in 2011; a Final Meeting was in Calgary in 2013. Six years after the PAS55:2008 document was issued, three International AM Standards documents (ISO 55000/1/2) were published by ISO in London in 2014. (Ref 7)

The 2014 ISO Standards were comprised of three documents:

ISO 55000-2014: AM Overview/Principles & Terminology
ISO 55001-2014: AM Management Systems Requirements
ISO 55002-2014: Guidelines for Application of ISO 55001

2. **WHAT** are the main contents of ISO 55K Standards?

The IAM developed the ANATOMY of ASSET MANAGEMENT - a booklet to provide an appreciation of what AM is; what it can achieve; the scope of the discipline and a description of the underlying concepts and philosophy. Version 1 of the ANATOMY was published in 2011. Version 2 was presented in 2014 to align with the newly published ISO 55000 Standards. (Ref 8)
The Main Contents of the ISO 55K Standards documents present a total of **39 SUBJECTS** that must be considered when applying for Certification of an Organization to the ISO 55K Standards. The extent of the subjects indicates the breadth and depth of the corporate management actions that must be undertaken to accomplish the full application of an ISO 55K regimen over the lifecycle of an asset.

The **39 SUBJECTS** of ISO 55K are arranged into **6 GROUPS**:

1. AM Strategy and Planning  
2. AM Decision Making Activities  
3. AM Life-Cycle Delivery Activities  
4. Asset Knowledge Enablers  
5. Organization & People Enablers  
6. Risk and Review Operations in AM

The 6 GROUPS incorporate the singular activities that must be accomplished to prepare an organization for CERTIFICATION to the ISO 55000 Standards. They form the framework of an organization that must be in place to exercise the LIFE-CYCLE actions that must be accomplished by both Management and Workers - in concert to realize the benefits of ISO 55K.
It is instructive at this point to note the 6 GROUPS that appear in the ISO 55K STANDARDS incorporate the FOUR PRIME FUNCTIONS OF MANAGEMENT:

1. AM Strategy & Planning emphasizes **Planning**
2. AM Decision Making demands **Leading**
3. Life-Cycle Delivery Activities support **Controlling**
4. Asset Knowledge Enablers support **Planning**
5. Org & People Enablers support **Organizing**
6. Risk & Review are prime aspects of **Controlling**

As such, the ISO 55K STANDARDS are recognized as being comprehensive in nature as well as being based on fundamental Management Principles.

3. **WHEN** were ISO 55K Standards introduced?

Three International Asset Management Standards (ISO 55000/1/2) were launched by the ISO in London on 5 February 2014. The ISO 55K Standards are Now Available in the English, French, Spanish, Russian, Chinese, Japanese, Dutch, Swedish & Portuguese languages. Updates to ISO 55K Standards Contents are Under the Purview of ISO Technical Committee 251 (ISO/TC 251).
4. **WHERE** have ISO 55K Standards been applied?

The Companies listed below are a Sample of the Global Entities that have been CERTIFIED to the ISO 55K STANDARDS: (Ref 9)

**AMERICA:** Pacific Gas & Electric (PG&E) Company – USA

**EUROPE:** EDF Nuclear Power Company – United Kingdom

- Fingrid Electric Power Company – Finland
- London Gatwick Airport – United Kingdom
- London Underground – United Kingdom
- Scotia Gas Network Company – Nova Scotia

**ASIA:** Tenga National Berhad Power – Malaysia

It is to be noted that Power Utilities were Early Adopters of the Asset Management ISO 55K Standards. They Recognized the Assurance of Business Competence that ISO 55K Certification Process Provides to ALL of its Stakeholders – Employees, Managers, Stockholders, Community Partners Plus Local, State and National Government Regulatory Agencies!
5. **WHY** are ISO 55K Standards important today?

The Recognition of Regulatory Relevance has Gathered Momentum in the Power, Water and Fuels Business Sectors and in the Global Transportation Sector. Airports, Railroads, Truck and Marine Shipping Companies now seek ISO 55000 Certification in order to validate their Business Performance. Furthermore, the certified Life-Cycle Increase in Corporate VALUATION attributable to an effective ISO 55K implementation is a very TANGIBLE ASSET of the Undertaking.

**SUMMARY**


An ISO-55K Certified ASSET MANAGEMENT Plan develops a Collaborative and Engaging Relationship between ALL of these Business Entities to Deliver Optimal Value through Effective Asset Utilization and thereby enhances the Reputation of the Company to ALL Stakeholders.
REFERENCES

7. https://www.iso.org/committee/604321.html