

## Take on Board



Helga Svendsen 0:00

Today on the Take On Board Podcast, I'm speaking with Dr. Monique Beedles about the board's role in asset management. First, let me tell you about Monique. Monique is on the boards of the Queensland College of Teachers and the build apps advisory board. She's got a long list of boards that she's previously been on, but they include the Asset Management Council, connection technology for business, QUT Faculty of creative industries, faculty academic board, and the Health Quality and compliance commission of Queensland. Monique is a fellow of the Australian Institute of company directors and a graduate of their company directors course and the chairs course. Monique is a member of the aicd faculty and facilitates their programs on governance, strategy and risk. Monique's latest book, *Asset Management for Directors* was published by the AICD in late 2016. Welcome to the Take On Board Podcast Monique.

Monique Beedles 0:54

Thanks. Helga. It's lovely to be here.

Helga Svendsen 0:56

It is fabulous to have you. And whilst I'm very keen to talk about asset management, as always, first, let's dig a little bit deeper about you. Can you tell me what was young Monique? Like?

Monique Beedles 1:09

Well, I suppose it depends how young you want to go.

Helga Svendsen 1:13

Leave that to your discretion.

Monique Beedles 1:15

I think I was always very curious and very inquisitive. And I was, but I was always, I guess, looking beyond the place where I lived in a regional area to what was happening in the wider world. So I suppose I've always liked to have a bit of a wider global view. And I think when I was young, I always expected that I'd go to uni, and then and then I'd go overseas. You know, I think that that was sort of what we all expected when we grew up in there. But anyway, so I was doing my PhD in strategy. And that's sort of when I first started to get interested in boards, because I had to obviously look at, you know, the, the way that board worked and its role in strategy. But I also had my very first boss, who, in his office, had his certificate from doing the company directors course. And he had it sitting right there. He talked to him in his office, it'd be right there beside you on his wall. And so I was curious, this is when I was just a new graduate. And so quite curious about that. And I talked to him about it. And, you know, he was on quite a number of boards, but I think I saw him as a bit of a role model.

And he really encouraged me in taking on my first board role, which I did when I was 25. So um, yeah, so I think I thank him a lot for his mentorship, I guess, in those early days.

Helga Svendsen 2:45

Fantastic, how wonderful that year to have someone who can help to encourage and motivate you along that path. Although I'm intrigued you did a PhD in strategy that is magnificent. What was the topic?

Monique Beedles 2:59

Well, it was to do with strategic alliances in global pharmaceutical industry. So what I looked at was the alliances between multinational pharmaceutical companies and small biotech startups for new product development. And it's, it's quite relevant now, actually, because lots 20 years ago, quite relevant. What we've seen with the COVID vaccine really sort of illustrates the whole scenario here, which is that big global companies, which are structured for efficiency and scale, don't always have the culture to for innovation and new product development. So what happens in reality is that a lot of these big companies will look to universities of biotech startups and other small innovative companies for their pipeline of new products. So because of Payton it last 20 years, you've always got to have new products coming through the pipeline. So I think it's been really interesting to see how that's all played out with the, with the COVID vaccine. So that's what I, you know, researched in my PhD looked at how those companies made those strategic decisions about what they would do, would they would they license would they acquire, would they merge, you know, all of those types of decisions that they needed to make and how that impacted their financial performance over the long run? Yeah,

Helga Svendsen 4:25

how fantastic I remember my graduation or graduations because I did two of them and you're always hear the PhD topics. And it must be said they normally sound a little more abstract than what you did.

Monique Beedles 4:38

Well, if I gave you the official title is equally abstract. After I finished my PhD, I went I worked in the UK for a little while and I remembered somebody, just one night when I was out, someone saying to me, oh, what was the title of your PhD and I had this entire mental blank, and I just could not even think of it. That's my brain saying no. But after you put it away, I'd say and I needed a respite. It's funny how Yeah, that doesn't always flow off the tongue that easily?

Helga Svendsen 5:17

Well, it sounds like you've got the hang of being able to explain it again, albeit maybe not in the technical words that we're used to as the official title. And that might be a good thing. So Oh, fabulous. Okay. Well, you know, we may well draw on some of that, that continual learning from the last couple of decades around and what we're going to talk about today, which is asset management. So thinking about the board's role in asset management, firstly, it'd be great if you could explain to us what Asset Management actually is. And then maybe let's start with how you became interested in Asset Management at the board level.

Monique Beedles 5:55

Okay, well, to give you an official definition, management is they coordinated activities of an organization to realize value from its assets. So really, in the essence, it's all about creating value from assets. So in terms of the board's role, I mean, we can go into that more, but the board, you know, is are the custodians of the company's assets. Basically, they're given that job by the shareholders or the members or the owners or whoever that might be. And it's their job to make the most of those assets to pursue the purpose of the organization, whether that's generating return for the shareholders or providing services to the community, or whatever it might be. So that's really what asset management is all about creating value for stakeholders through assets. And how did I become interested in it? Well, it's, it's an interesting story, because after I did my PhD, and then I was in some management roles for a while. And then I decided to go out on my own in my strategy consulting practice, which I started in 2004. And being based in Brisbane, a lot of my early work was in mining, because that's obviously a major industry here. And I went in there to help them with strategy. But what I soon realized is that, within companies like that asset management is central to their strategy. So I became quite interested in that, and obviously started to develop my skills and my knowledge around asset management as a discipline itself, which has really been emerging and professionalizing over the last 10 years, with the introduction of the international standard in 2014. So there's been a lot of, I guess, development in this space over the recent decades. So I got quite involved in that. And what's interesting is that, you know, when I look back now, I say, Well, you know, my PhD was really all about asset management. It's just that in the case of pharmaceutical companies, their most important assets are their patents. So it's an intangible asset, but nevertheless, it has a lifecycle, you need to generate value from it, all of the sort of concepts that we apply to asset management, apply in just the same way to a to a patent or, or a copyright or any sort of intangible asset, just as they do to a truck or a trailer. Building. Yeah.

Helga Svendsen 8:22

And I was thinking exactly that when you were describing, you know, asset management is about realizing the value of the assets. That is such a key thing for boards to do. It kind of sounds a bit like I say, a bit abstract. What is asset management? Well, it's just, you know, what is the value of those assets? And as you've just beautifully said, there are a real range of assets for organizations. So we've talked about those trucks, whatever it might be about IP, what are the sorts of other sorts of assets within organizations?

Monique Beedles 8:56

Yeah, so obviously, you've got your physical assets, and some of those are going to be your income generating assets. And some of them are going to be the assets that support you to provide your services or manufacture goods or whatever it might be that you do. Some of the research that I've done in the ASX, all industrials has actually been about classifying the way companies use assets and how that impacts return on assets in terms of how well they are being utilized. So for example, if you've got a block of land that's not earning any money, it's an asset, but it's passive compared to some sort of intellectual property that, in fact, is being sold many, many, you know, 1000s, hundreds of 1000s, potentially millions of times and has essentially no theoretical limit on how many times it can be sold. So there's a spectrum from a sort of very fixed passive asset that in fact can have negative growth in a time of constraints. losses, compared to those very flexible and in more intangible assets. So when we're talking about applying a robust Asset Management System, we're normally talking about the large and valuable assets of the company. So, so we would look and say, you know, is that high risk is that high cost? And does it require a whole of life maintenance plan. So something like a mining truck, for example, that might be worth about \$5 million each, they are all those things that are high costs that are high risk, and they require maintenance across their life in order to maintain their functionality. Whereas you know, a light bulb, while it might technically be an asset, but it's low cost, it's low risk, and it's run to failure. So when the light bulb blows, you just replace it, you don't have a maintenance plan for your light bulbs. So you know, there's different sort of weights given I guess, to different assets, depending on what their purpose is. And those things about risk cost and the way you look after them.

Helga Svendsen 11:05

So is it a little like when you're doing your risk framework, for example, in organizations, there are lots of risks within an organization, and they might be mitigated in different ways. And then the board looks at the strategic risks, not every little, not the rats and mice. How does it work in practice for boards around asset management?

Monique Beedles 11:24

Yes, well, asset management is a risk based discipline. And that's often, you know, when I'm talking with asset managers, about how they convey these things to the board, and in vice versa, risk is often the common ground that the board and asset management practitioners have. And it really Yes, it will depend because some of these risks are going to be at the level that they need to be escalated to the board, and the board needs to be aware, because you're talking about high dollar value, quite often you're talking about things with high level of operational risk as well. And then that leads on to your other things like your reputational risk, and all those other types of risk the board needs to deal with. So certainly in terms of which types of decisions is the board going to be involved with, from an asset management perspective, it's not going to be the daily maintenance plan, but it is going to be decisions around acquisition and disposal of major assets, you know, is it time to sell these properties or these airplanes or these ships, you know, things that are of a high value in their own right, that with a delegation of authority will most likely come to the board for those decisions. And likewise, with risk, if its risk is at a level that it's going to be something that the board needs to deal with, then that's also where they would come into it. I've written a book around asset management for directors, as you already mentioned, and in that I've developed an integrated model that basically takes trickers model of governance and overlays the asset management fundamentals.

And so risk is one where they do overlap, we talk about assurance and management. So there's internal and external assurance and there's compliance. But also, there's then policy, you know, how do we convert our strategy into our activities? And that's an important element of asset management as well, in terms of aligning corporate objectives, to asset management activities, you know, why do we have this asset in the first place? How is it helping us achieve, we're here to do, but the one that is perhaps, you know, quite often overlooked is that there's been also a really important strategic role for asset management. And that's obviously a core purpose at the board. And that comes back again to how do we create value for our stakeholders, you know, whether that's how we generate revenue or how we deliver services. And it's really important, from an asset management perspective, that we're aligning all of those asset management activities with achieving the company's overall strategic objectives. And then that will guide a whole lot of the decision making that happens around acquisition and disposal and what are our budgetary constraints? Do we need to put money into this aging asset? Or should we sell it? Or are we better off to try to extend its life? You know, all of those sorts of decisions, really about how we make best use of our resources?

Helga Svendsen 14:26

Can you talk us through an example maybe of how this might work in practice, and what some of the challenges might be?

Monique Beedles 14:32

Oh, there's a whole range of challenges, I suppose. And in terms of the board's specific role in that decisions might need to be around a while we're always looking at demand, what do our stakeholders value? That's, you know, a key question. And then how do we achieve that through our assets? So the first question is really about do we need an asset at all? Or is there a non asset solution? And one of the examples that I had mentioned to you earlier as well is that I was on a board a few years ago, I was on a school board. And we were looking at building a performing arts center. Now, might I say that the first proposals around this and in fact, the first drawings of this Performing Arts Center were made before I was born?

Helga Svendsen 15:23

Oh, I mean, 21 years ago, hmm.

Monique Beedles 15:27

It's fair to say that it wasn't the first time the board had considered that Yeah. And that there had been money raised, in fact, you know, over those decades, it's actually a school that I went to, and I can remember, as a student, as a teenager, there being one of those thermometers for fundraising where there was a big board, you know, painted by hand back in the day, where they would, you know, fill it up with red paint as more money was raised. So there had been effort gone into this for quite some time. And during the time that I was on the board, and I was the chairman, at that time, we, you know, through a whole range of factors, decided that the time was right to build it now, you know, the financial position of the school, the various factors also around the need, you know, so because the school does have a world leading music program, and big range of Performing Arts

activities that were going on, and orchestras rehearsing, you know, under buildings, and, you know, all sorts of finding every nook and cranny you could to put a piano and, you know, all that sort of thing. And, you know, when we opened that complex, you know, I gave a speech that night, and it's one of the things that I said was, you know, it didn't require this building to make the music. Excellent. But because the music is excellent means there's a real need for this. So, you know, I think that sometimes we've got it, it's a chicken and egg, you sort of, say, build it, and they will come. But sometimes it's the other way around. The fact that, you know, there's a highly engaged performing arts community that there are so many outstanding groups that really needed a home was part of the driver to go ahead with investing the money in that facility. You know, whereas if you were sort of fledgling arts program, it might be hard to justify that kind of expenditure. And look, can I say now, it's about eight years since it's been built. And if you look at the landscape of that site, now, you'd think it had always been there, and you'd wondered, how did we ever do all these things without this facility? So I think it was certainly money well spent. And it's been a great success, because what you don't want, of course, is to invest a lot of money in a facility like that, and then have it standing empty. So you know, that's fantastic to see that it's become like this core part of the campus that that everybody uses. Yeah, so you know, these are all asset management decisions. Because you saying, alright, well, we have a need, or we have a demand for certain thing, how can we provide this? You know, because you can always make decisions around? Well, yes, we could build our own facility, that's one option. We could hire external venues, that's another option. You know, we could have multiple small venues, or we could have one big V, there's just so many ways to skin a cat, you know, it's, it's never a simple answer. And then you've got to look at well, how's it going to be funded, you know, you're going to have to borrow all this sort of stuff. And what's going to give us the best outcome, not just for now, but for the entire life of that asset. So when you build something like that, you know, it's, you've got to be looking out 50 years or even more, you can't just be building what's right, for now, you have to be building what's right for the future needs as well. So, so these are all the sorts of decisions that boards need to make that are really all about asset management. The same comes when you know, is it time to demolish a certain building, or replace it? You know, obviously, with asbestos over recent times, that's been a big decision that a lot of companies have had to make where really, the cost to remediate the asbestos outweighs the cost to demolish and rebuild from scratch. And in fact, you then know you're getting a safe building that isn't contaminated and doesn't have those issues. And again, you've got to build it for the future. So yeah, so I guess those are sort of the some of the, and I'm sure, you know, just about every board director, listening here would have many such have their own examples of the sorts of decisions that come across their agenda, every meeting that certainly involve asset management.

Helga Svendsen 19:57

Yeah, but it's a great story to bring it to life. Really about, you know, strategic alignment, stakeholder alignment, that long term view, lining everything up. So that that, that so that it really works. It's it's a great story

Monique Beedles 20:11

And not having assets for the asset sake. And in the work that I do, that's always really important, where the first question is about what you're trying to deliver. And the question is not what assets

Do you have, we shouldn't make our focus on the assets themselves, we should make up focus on what value we're delivering. Yeah.

Helga Svendsen 20:34

Now, I want to turn to another story. I understand, you know, you'd spoken about working in mining, but I understand you were working in Beaconsfield, when the mind collapsed. So I'd be interested to hear that story. And in particular, that any of the relevant links obviously, to the board's role in asset management,

Monique Beedles 20:52

Yeah, look, that was really quite a, you know, interesting experience. I wasn't working in the mine. And I was not on the board of them. to point that out. However, I was working in the community in Beaconsfield, and it's a very small town, in the northern part of Tasmania. So it's one of those places where everybody knows everybody, and, and really, the mind was the main employer. And then all of the other businesses in the town obviously rely on the mind for their trade as well. So you know, it's the sort of place that has one small independent supermarket slash convenience store and three hubs, you know, that's that bad size, a very small, close knit community. And look, you know, obviously, it was a shock, because it's a quiet place where nothing ever happens. And, you know, all of a sudden, you've got cnn on your doorstep, like it was was just inundated with media and all sorts of people, and there was no space for any of them. Yes, in Launceston, which is about 40 minutes south, that would have been some there. But what in reality, what happened is that journalists would fly over from Melbourne by helicopter. And so, you know, on a daily basis, and so they were helicopters all day long, all day long. Helicopters Normally, you know, it's a town where everything's quite quiet. And all you can hear was the turning of the Martin shaft has this really regular rhythm that you know, all day you could hear sort of, you know, that metallic sound of it, of it turning, and of course, that stopped. So you didn't have that kind of familiar sound anymore. Instead, you had this very unfamiliar and intrusive sound of helicopters. And you know, what puzzled me the most was that all of this was happening 925 meters below the ground, and I wondered what you expected to see from a helicopter. Anyway, you would look up very, look, I would say it was two weeks of sheer adrenaline and no sleep pretty much. Because it was uncertain, you know, he didn't know what was going to happen. And at the beginning, of course, we all

Monique Beedles 23:13

we all assumed it was the recovery mission. So even though of course, you want to have hope that people are still alive until they're found, I think, people, you know, in their reality, they really didn't believe anyone would be alive. And so it was kind of Yes, it was reported, and it was a story. But you know, it didn't really become a big media event. until those two men were found alive, then suddenly, it was really a story. But then suddenly, it was also a very, very delicate rescue mission, you know, it was longer just about recovering bodies, or, you know, investigating what went wrong was now about saying, hey, there's two people here, and we've got to get them out. So of course, media came in, but also a whole lot of mining specialists, explosive specialists, tunneling specialists, every specialist you can name turned up as well, to try to do everything they could to, to make that mission

a success. And obviously, as we all know, it was and I didn't have alive, which is really fantastic. But you know, then that mine was closed for a while it was closed for at least 12 months after that. They did open it for a brief time following that, but it's subsequently closed and it hasn't opened again. So you know, in terms of the livelihood of that town, that's obviously you know, that was the main income and that was the main jobs that most people had. And look, one of the interesting things about Beaconsfield is a long story of mining in that town, which started back in the 1800s. It is a very rich gold vein. It's one of the richest gold mines in the world in terms of the density of gold within with how many times of rock, you bring out how much gold you get it's very high ratio. And at that time, the gold price was very high. So it was extremely lucrative to be mining that gold vein, even where it was quite risky. And so this is where, you know, it comes to be the case of how do you make those decisions? Yes, we've got this asset, which is, you know, quite valuable. There's, we know, there's gold down there, we want to get it out. But, you know, after more than 100 years of mining under that town, it's just like a honeycomb. And, you know, there's sort of the bits that are holding it up, have all got gold in them. So you know, but there's only so much you can remove before it's organic collapsing. So, you know, there's this fine line to tread between what's the value of extracting that resource? And what are the risks that, you know, people are taking, or the companies taking, by pursuing that. Now, in the early 20th century, the mine also closed, and that was because it's quite close to the River. And at those very low levels, like we're talking nearly down to a kilometer, the riverbed seeped in and they weren't able to go any further because of the water. But then in the 80s, or the later 20th century, there was technology was good enough with pumping and so on, that they could then continue to, to excavate, which is what they did. So, you know, I'm curious about whether the story of Beaconsfield might not be over yet. And that, because that God's still there. And I think sooner or later, one day, the technology will be available to allow them to excavate further gold. But you know, what they did try was they did try using robotic mining equipment,

Helga Svendsen 26:57

Exactly what I was just thinking about, how do you do it without any people?

Monique Beedles 27:00

That there's still risks with that, but obviously, you know, the more advanced that sort of autonomous technology becomes, then the more possibility they might be in these sorts of really high risk environments. And again, these are all the decisions that you have to weigh up and you have to balance you know. So we close it, do we keep it going? Is it worth the cost and the risk of extracting that asset, you know, all those things on the site comes back to priorities, values, all of those things that then come into making those decisions,

Helga Svendsen 27:37

Two fantastic stories to really help bring this stuff to life. As always, particularly with those great stories. The time has gone ridiculously quickly, what are the key things you want people to take away from the conversation that we've had today?

Monique Beedles 27:52

Well, I think for board directors, the really important thing to understand is the board directors are asset managers. If you're sitting on the board, you are an asset manager, it is not just a technical job

for engineers, or something that the accounting department takes care of your job as a board member is that you are a custodian of the company's assets. And you need to be making the decisions that determine what value will come from that. So I think that that's, you know, a really important message for directors who are listening. And so what it means is you need to have some level of understanding of asset management concepts, and what why it's important, and also to understand what systems is your company have in place? And what are your asset management practices? And how are you ensuring that the decisions that are being made every day in your company are held to those objectives. So it's really like any other management system that you might have around risk or safety or environment? Your asset management system is also one that the board needs to ensure is, is in place and working? Well?

Helga Svendsen 29:01

Is there a resource that you would like to share with the take on board community?

Monique Beedles 29:05

Yes, so I have a paper on the board's role in asset management. And so I'm happy to share that I've provided a link there we we can download it. And that's kind of the you know, brief summary of what I've talked about. So

Helga Svendsen 29:18

We love cheat sheets here. that is fabulous. I will make sure there is a link in the show notes for today. And if people are out walking, whilst you're listening to this, or somewhere where you can't just click on that. Just go to the take on board, website, and you'll be able to access all the show notes there as well, which might be easier. Oh, Monique, fantastic. Thank you so much for joining us here today. Oh, it's been great. And I know people will get a lot from both the really practical strategies and from the stories that you've shared today. So yeah, thanks for being here.

Monique Beedles 29:47

Thank you for inviting me. It's fantastic to speak with you

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