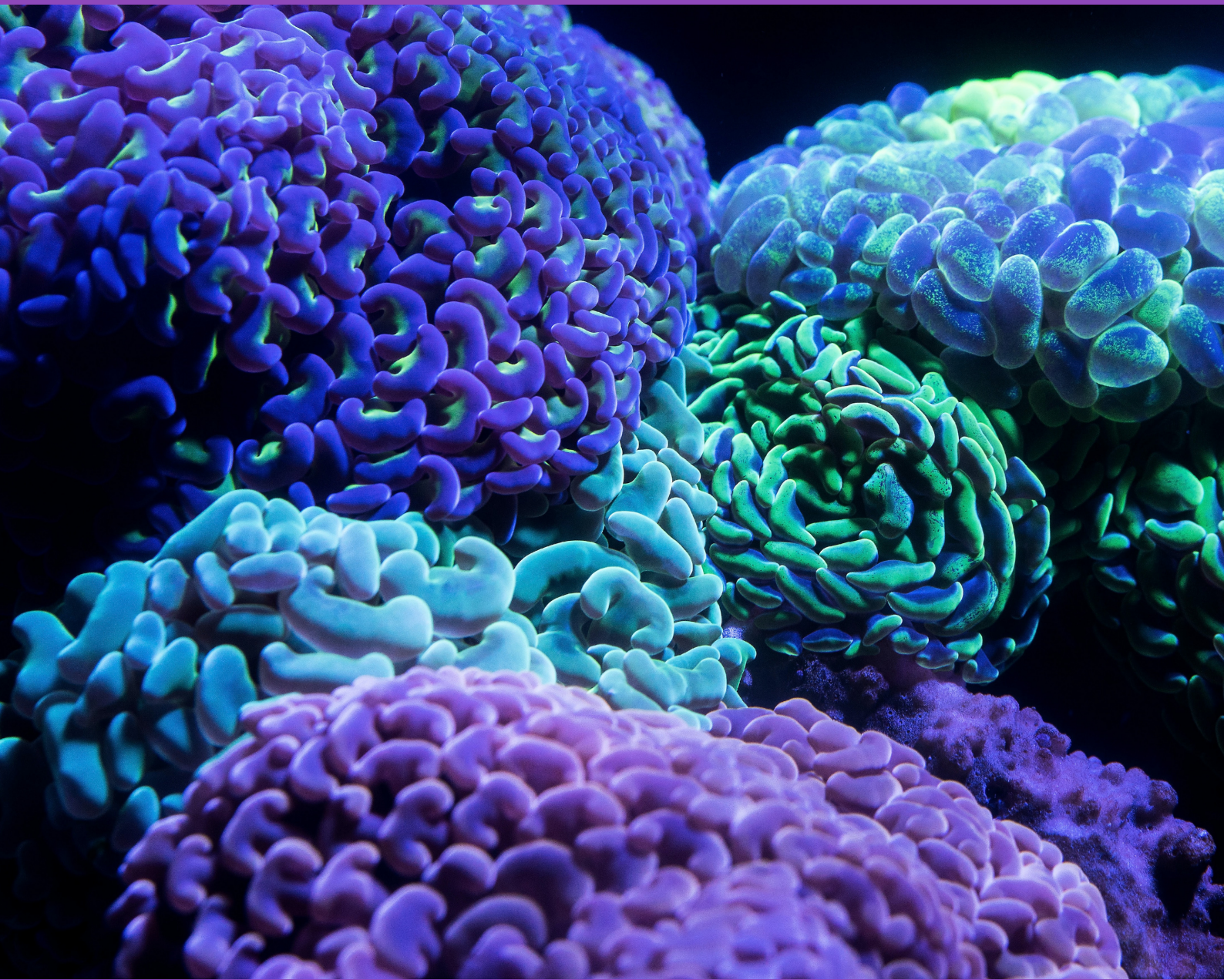




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LEADERSHIP IN ASSET MANAGEMENT:

WHY YOUR PEOPLE ARE
NOT YOUR GREATEST
ASSETS

ABSTRACT

A common catch-cry of many organisations, and their leaders, is that 'people are our greatest assets'. However, as leaders in asset management it's not acceptable to treat our people like machines, or as mere economic artefacts.

There's a value exchange between a person and their employer, whereby that person contributes their skill and effort to the aims of the enterprise and is rewarded with remuneration and other benefits. At no time does the organisation own that person. People are not commodities to be exploited. Instead, they are human beings with real feelings and emotions, real lives and real futures.

Of course, we need to value our people, but putting them on the balance sheet alongside buildings and equipment, as some would advocate, isn't the way to do that. Defining a person's worth by their monetary 'value' does both the person and their organisation a gross disservice.

It's essential that as leaders in asset management, we don't fall into the trap of characterising people within our asset management system as if they were just another piece of equipment. The technical approach and the business perspective are necessary, but not sufficient. Machines are expendable, but people are not.

Human integrity defines good leadership. Having the humility to understand the priorities of others, the empathy to connect on a human level, and a focus on creating real meaning for our people and our communities are essential qualities of any leader and fundamental for leaders in asset management.

This paper outlines the technical, business and human capabilities essential for leaders in asset management and illustrates how they can be developed based on case study evidence and industry learning frameworks.

As presented to AMPEAK Asset Management Conference: Canberra 2022



1 INTRODUCTION

It has become acceptable, perhaps even fashionable, for organisations to say that ‘people are our greatest assets’. However, the use of such terminology in phrases like this is flawed, both legally and grammatically. People are not assets. As asset management professionals, it’s important that we neither perpetuate nor encourage this misuse of the term assets. Beyond definitional clarity, as leaders, we have a moral imperative not to treat our people as though they were assets, or mere ‘things’ - of value solely for their economic utility.

Leadership is a human pursuit. Therefore, leaders in asset management need to consider how they define the distinction between people and assets and ensure that they develop their human leadership capabilities as a complement to their technical and business skills. While assets can be managed, they cannot be led. The concepts of leadership apply only to people, not to assets.

Leaders in asset management have a role to develop their own leadership skills across the technical, business and human capabilities required to lead teams, organisations and communities, as well as to create opportunities for the people they lead to also develop these capabilities.

Development of these capabilities can be accomplished through a combination of formal learning, on-the-job learning and mentoring approaches.

2 PEOPLE ARE NOT ASSETS

ISO 55000 defines an asset as ‘an item, thing, or entity that has value or potential value to the organisation (ISO, 2014)’. People are not things - neither legally, nor grammatically. In common law, people are treated separately from things as legal entities (Pottage & Mundy 2004). A non-human animal can be a thing, because it can be the property of a person, but under current laws, a human person is not a thing and cannot be the property of another person. Over the course of history there have been times when the law allowed this. In the case of human slavery, a slave was considered property and therefore treated according to law as a thing, rather than a person. In the past the same was true for women, who upon marriage were no longer a legal person, but rather the property of their husbands. Contemporary law and the concept of human rights instead grant the status of a person (not a thing) to every human being from birth.



Despite this, phrases such as ‘people are our greatest assets’, along with ‘human resources’, ‘human capital’ and even ‘the human asset’ remain prevalent in modern day corporate language. A concerted effort is required to re-humanise workplace language, and through it to re-humanise the workplace. From the perspective of leadership in asset management, this re-humanisation is critical to ensuring a clear understanding of asset management in the context of organisational leadership and decision making. A defined separation between the role of assets and the role of people is required. Through asset management we seek to create value for stakeholders through assets. Assets then, are a means to an end, which is consistent with the legal definition of ‘things.’ Conversely, people are ends within themselves and have inherent value, independent of their economic utility.

2.1 GLOBAL MOVEMENTS TO CLASSIFY PEOPLE AS ASSETS

In 2020, the World Economic Forum (WEF) published its paper, Human Capital as an Asset (WEF 2020), in which they call for a scheme of Human Capital Accounting saying that ‘it is essential that the workforce be viewed as an asset’ and that ‘there is relevant precedent for this view when we consider how we account for natural resources (WEF 2020)’. In other words, the WEF suggests that people should be treated in a similar manner to coal, oil, water and other commodities. In their proposal, a measure called ‘Total Cost of Work’ would be calculated from the sum of human labour costs, robotic or AI vendor costs and capital investment in robotic/AI equipment (WEF 2020).

Concerningly, this view treats people and robotic machines as though they were equivalent, and therefore substitutable, in terms of their value to the company. The International Business Council of the World Economic Forum proposes that these metrics be incorporated into the Environmental, Social and Governance (ESG) reporting of corporations (WEF 2020).

The proposals of the World Economic Forum follow a similar trend to the movement towards integrated reporting, as promoted by the International Integrated Reporting Council (IIRC)’s Integrated Reporting Framework <IR> (VRF 2022). Integrated Reporting focuses on the reporting of six ‘Capitals’ which are: financial capital, manufactured capital, intellectual capital, human capital, social and relational capital and natural capital. The background paper to the ‘Capitals’ was prepared for the IIRC by a group comprising the Association of Chartered Certified Accountants (ACCC) and the Netherlands Institute of Chartered Accountants (NBA) (IIRC 2013). In this paper they



acknowledge that the use of the term 'Human Capital' is pejorative, with some respondents emphasising that people are not a 'mere store of economic value'. However, the use of the term persists.

The background paper also acknowledges the 1944 Declaration of Philadelphia in which the International Labour Organisation declared as one of its principles that 'Labour is not a commodity' (ILO 1944). The authors of the 'Capitals' background paper likewise acknowledge that while they use the term human capital, that this capital is embodied in individuals and that 'this prevents valuing human capital as an organizational asset since organizations do not have property rights with respect to individuals (IIRC 2013)'. Nevertheless, the World Economic Forum, as outlined above, have seen fit to use this terminology to propose just that. This demonstrates the risk of using these terms inappropriately, as it can lead to consequences that were not originally intended, once the assumptions and qualifications of the original work are set aside. It's important, then, that we make efforts to eliminate the use of these pejorative terms.

As is the case with the 'Capitals' a financial term has been applied to non-financial factors, such as people or the environment. This has been done for 'ease of use' with an attempt to compare 'apples with apples' or create some kind of equivalency between concepts that are fundamentally different. It has been said that because these financial terms are already in use, it is easier to adopt these to apply to people, rather than the other way around (VRF 2021). It serves neither well. Rather than try to equilibrate people and assets, we can instead maintain the clear distinction that allows us to treat each in an appropriate manner. The fact that we anthropomorphise machines and other inanimate objects, doesn't legitimate the dehumanising of people.

3 INTELLECTUAL PROPERTY IS AN ASSET

While people are not assets, a person's work can create assets, which may be the property of the company which employs them. These can include both tangible and intangible assets. It's customary for employment contracts to include clauses which grant intellectual property rights to the employer, if created by an employee during the course of their employment.

Likewise, a company's reputation can be an asset to a company, most often described as 'goodwill' in accounting terms. While the actions of a person, or people, can undoubtedly influence a company's reputation, it is the reputation, rather than the people themselves, that is the asset.



Intellectual property is conceptually ‘ideas as assets.’ Not every idea will be formally codified as intellectual property, but a company’s intellectual property consists of those ideas that are recognised to have commercial value. A person’s role is as a creator of intellectual property and potentially as an owner of it, but there is always a separation between the person and the intellectual asset.

In its latest Intangible Asset Market Value Study, Ocean Tomo have reported that approximately 90% of the market capitalisation of the companies comprising the S&P 500 consists of intangible assets. Recognising the contribution of intangible assets is therefore a critical component of strategic asset management (Ocean Tomo 2020).

4 CAPABILITIES FOR LEADERSHIP IN ASSET MANAGEMENT

Assets can be managed, but they are not led. Leadership is a human pursuit. Leaders lead people, not assets. Leadership in asset management is therefore a human undertaking. The capabilities required of leaders in asset management include the technical skills of their trade or profession, the business capabilities required for a leadership role within their organisation, and the human capabilities required to be a leader of people.

4.1 TECHNICAL CAPABILITIES

Technical skills are essential to any asset management role. These skills usually come from formal training, such as through university, or trade training. In asset management, typical technical training can include engineering, accounting and a range of maintenance trades, but there are many other disciplines that are relevant. To be a leader in asset management, these technical skills are necessary, but not sufficient. While these technical capabilities are developed through initial training, they are enhanced through ongoing experience as competency is developed in a particular field.

Working in a risk-based discipline, asset managers have an essential role in identifying problems, this requires exercising curiosity, which is a key capability. As leaders in asset management, there’s a need to identify which are the important problems worth solving, before resources are allocated to developing solutions.



Following identification of a relevant problem, evidence must be collected and analysed. Proficiency in analysing evidence is a core skill of asset managers. Whether that evidence consists of data generated through routine or automated monitoring, or is gathered through more qualitative observations, there are many types of evidence that asset managers need to analyse.

Having analysed the evidence, asset managers create solutions. This requires using their human ingenuity and that of their colleagues. Quite often, this means bringing people together to collectively create the solution, using their combined ingenuity. Leading a team requires applying business and human capabilities, with a recognition that people are not assets, and cannot be treated as 'technical' problem.

4.2 BUSINESS CAPABILITIES

It's not enough to have excellent technical solutions, to add value, these solutions must meet a market need. Whether the market is internal or external, and whether in a commercial or non-commercial context, a solution without a market remains an idea, rather than a true solution.

Asset managers need to be able to identify markets for the solutions they create and as leaders in asset management mastery of this capability is essential to linking the practice of asset management to the strategic objectives of the organisation. Understanding stakeholder needs is an essential part of this practice, along with determining what value means from the perspective of each stakeholder.

Risk management is a core component of asset management and analysing risks is a key capability for asset managers. Leaders in asset management need to analyse risks across the full spectrum beyond technical and operational risks, to financial, strategic and reputational risks. In an ever-changing landscape, analysis and re-analysis of business risks is a continual process and tenacity is required to maintain a leadership position while navigating these changes.

Ultimately, the purpose of asset management is to create value for stakeholders and therefore creativity is central to the work of asset management. Creativity need not relate only to artistic pursuits. Ideas as assets and the development of intangible assets through intellectual property requires creativity, which is at the core of creating value. Creating new value, rather than merely protecting existing value requires new ideas and different ways of working (Beedles 2021a).



4.3 HUMAN CAPABILITIES

As a human pursuit, leadership inherently requires human capabilities, regardless of the business and financial implications of the technical work undertaken. Ultimately, the meaning that people draw is what defines leadership. Beyond leading oneself or a small team, more senior leadership roles require leading leaders of teams and may also involve leading multi-organisation and cross-sector communities.

Leading people requires the humility to prioritise their needs above one's own needs. Identifying the priorities of the full range of stakeholders is essential to establishing the need for assets and their subsequent lifecycle management. Analysing connections between people and the competing priorities they may have requires empathy and the ability to put oneself in another's shoes.

Ultimately, the work of leadership is to create meaning through the work done for the people and communities one leads. Demonstrating integrity is essential to creating meaning and a lack of integrity can erode or destroy that meaning very rapidly.

Table 1 Core capabilities for leadership in asset management (adapted from Beedles 2021b)

	Identify	Analyse	Create
Technical	Problems (curiosity)	Evidence (Proficiency)	Solutions (Ingenuity)
Business	Markets (Mastery)	Risks (Tenacity)	Value (Creativity)
Human	Priorities (Humility)	Connections (Empathy)	Meaning (Integrity)

5 DEVELOPING LEADERSHIP CAPABILITIES

Case study research, which has been published elsewhere (Beedles 2020, Beedles 2021b) reveals the real importance of multiple learning strategies to develop the leadership capabilities required over the trajectory of a career. Based on interviews with asset management professionals at various stages of their career, from apprentice and graduate, through to executive manager. Technical skills, especially those that are core to a trade or profession are initially developed through formal training and further developed through on-the-job learning. This is also true for some of the business capabilities, that may be pursued through initial or post-graduate training or industry



based formal learning programs. Many people will find themselves ‘thrown in the deep end’ when they first lead a team, or project, and on-the-job learning is critical to this. Mentoring and coaching can augment these approaches and may be either formal, or informal and may be offered internally within the organisation, or through an external program.

6 CONCLUSION

Recognising that there are multiple aspects to the leadership capabilities required within the asset management field will ensure that approaches to developing these leadership capabilities, in individuals and organisations, take a multi-dimensional perspective that includes formal training, on-the-job learning and mentoring. Foundational to this approach is the underpinning distinction that people are not assets, and that leadership is a human pursuit, distinguished from the management of assets as things.

A re-humanising of the language of leadership supports a move away from valuing people purely for their economic utility and recognising that every person has inherent value. People are not ‘your greatest assets’ - people are far more important.

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