DIRECTORS BALANCING THE ASSETS: ISO 55000
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Being a director of a board requires the individual to not only understand their fiduciary duties owed to the organisation, it also demands a thorough understanding of the organisation's business, assets and operations. Whilst the board of directors are fore mostly accountable for the organisation's strategic direction, they also need to ensure the organisation remains compliant with numerous legislation, as well as keeping in line with its policies and procedures. As demands for sound governance in organisations has increased -- evidenced through more legislation and various corporate governance codes across the world -- so too have there been changes set by the International Standards Organisation ('ISO') which most organisations need to comply with. ISO develop and publish international standards; and some of the more commonly used standards are ISO 9000 (Quality Management), ISO 14000 (Environmental Management), ISO 26000 (Social Responsibility) and ISO 31000 (Risk Management).

Indeed, the previous adage that directors need *only* be concerned with strategic issues is long time past. Directors need to be fully cognisant of all the organisation's key objectives and they must be able to apply their minds to the nature of the business at both a *strategic* and *operational* level in order to understand (and mitigate) any risks which could negatively impact the strategy as well as the organisation's bottom line.

One of the key areas organisations must protect is its assets. After all, this is ultimately the reason for the organisation's existence and profitability. The more commonly known and measured physical assets include the physical property owned by the organisation, its inventory as well as its equipment as examples. But non-physical assets such as the organisation's people, its brand and reputation, digital assets, intellectual property rights and so forth have not until recently been held at the same level of importance as the organisation's tangible assets.

The collective value of an organisation's *tangible* and *intangible* assets is critical to measure, understand and deploy. These are the critical components that make business work, which done correctly, defines the organisation's success. For this reason a new suite of international standards has been created by the International Standards Organisation to give organisations clear guidance in asset management and best practices.

"The Top Management [the board] are the leaders of asset management in an organization. They are the people at the highest level in an organization.

Just as Top Management is ultimately responsible for quality and safety, so too are they responsible for successful asset management. Top Management set the vision and objectives. They align the organization and provide the resources to achieve the goals."

Source: www.lifetime-reliablilty.com

With the recently launched ISO 55001 in January 2014, as compared to its narrowly focussed predecessor -- namely PAS 55 -- it is more business-centric than asset-centric. PAS 55 is a British publication focused only on tangible assets. Due to its international nature, the ISO 5500X asset management suite -- namely ISO 55000, ISO 55001 and ISO 55002 – superseded PAS 55 in January this year.

Organisations are now able to establish a formal lifecycle asset management system to optimise the value of its tangible and intangible assets. Broadly defined, the term *'asset management'* relates to the organisation's system that monitors and maintains things of value to the organisation.

Notably, the ISO 5500X suite of standards is made up of three standards, namely:

(i) ISO 55000 which contains the overview, principles and terminology;
(ii) ISO 55001 which contains the requirements of an asset management system; and
(iii) ISO 55002 which contains the guidelines for the application of ISO 55001.

Interestingly, the South African Bureau of Standards (SABS) has fully accepted ISO 55000 and ISO 55001.

The main standard in the asset management suite is ISO 55001; it contains the requirements an organisation must comply with in order to be ISO certified. As this standard 'talks to the heart' of the organisation's assets, it is imperative for directors to read ISO 55000 and 55002, which are supporting documents of ISO 55001.

The obligations of the board and individual directors are set out in Sections 5 and 9 of ISO 55001. That having been said, the board of directors should also observe other sections of the standard which could affect them, namely Sections 4.1, 4.2 and 6.1. These sections cover internal and external issues as well as risks and opportunities. The duties of the board in respect of the asset management system are divided into four areas: (i) leadership and commitment; (ii) policy; (iii) organisational roles, responsibilities and authorities; and (iv) management review. Whilst this particular ISO standard refers to the organisation's 'top management'; this may generally be considered to be the organisation's board and its executive management structures. Directors and boards of organisations that are -- or who seek to become -- ISO 55001 certified, must be aware of their obligations with regard to asset management.

According to this new suite of international standards, whether it refers to the board or its top management structures; there's no doubt that all the organisation's directors will need to debate (and agree) the manner in which the organisation develops its asset management policy and asset management objectives and that these are aligned with the organisation's objectives. Quite correctly, the board and its directors must create the vision and values that guide the organisation's policies and procedures. To this end, all the organisation's leaders must be involved in the strategic planning, implementation and operation of the organisation's asset management system.

Indeed, the asset management system must also be congruent with the other management systems being used in the organisation. The different management systems should be integrated and these should be rewritten into the same format as ISO 55001, which has a risk-based approach. But if the board and its directors naively believe that this is a matter for management only, and the board does not lend its authority to supporting the organisation's integrated management systems, the project will be doomed and the organisation will not be able to claim compliance with this critical international standard.

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