Why My Capital Planning Role Is So Challenging

Although roles in planning differ, we’ve seen, time and again, the same handful of challenges related to the effective planning and execution of capital programs. If I walk a mile in a Director of Engineering’s shoes, here’s how my world would look...

I have a huge responsibility to manage competing demands for my department’s budget – not just all the capital projects but also the operational expenses. And I also have to be cognizant of internal and external stakeholders, regulators, etc. It’s more than just dollars and cents. So, for months, I wrestle with the annual budgeting process that involves a lot of back and forth including both top-down guidance along with aggregated requests from my staff. Project requests need to be reviewed and prioritized multiple times then consolidated for approvals.

I also know that if I want to be credible, I need to make data-driven decisions. I’ve created some intricate templates and spreadsheets; some even have macros to make sense of the detailed data collected. Then the mechanical manipulation and manual translation from specific line items that only the corporate financial system can understand. As can be expected, over time the spreadsheets have continued to grow more complicated and convoluted. I must admit I spend way too much valuable time validating formulas and chasing linked cells across all tabs on the spreadsheets. There’s scant time left for real analysis to make good decisions.

I’ve even tried to use the enterprise budgeting software to evaluate the consolidated bottom-up requests, but at that high level there is not enough detail to analyze trade-offs and evaluate impacts of resource allocation scenarios. The back-office systems are simply disjointed from operational reality.

As a last-ditch effort to optimize my budget planning I have tried to use asset/project management software. I had hoped this will enable me to make more credible trade-off decisions in particular by analyzing projects at a lower level of detail. However, I realize quickly that I’m buried in too much detail – do I really need to plan out all the details of every single project to prioritize them? I need a middle ground where I can see the forest and also the trees, and that’s not by using a microscope.

Do these challenges resonate with you? I’m sure there are elements that do. Essentially, as a capital program leader, it really boils down to having 3 key capabilities to enable success. You need to be able to...

Adjust – Things are always in a state of flux. But if you can increase visibility into unplanned and unforeseen project risks and changes, you’ll be able to rapidly address
the impacts of performance variances and changing constraints. And the way you do it? By finding a cost-effective way to automate the process of combining data from existing, often siloed, enterprise systems and disjointed, manually managed, spreadsheets.

Optimize – with the improved visibility you can now address the inefficient and sub-optimal allocation of your capital and resources in a timely manner. What you need is the ability to objectively develop a roadmap that optimizes your execution strategies. But unless you can confidently leverage accurate data using modeling capabilities for variance impacts and what-if scenarios, it’s going to be tough, or worse, nearly impossible.

Empower – finally you can now avoid slow, inaccurate and doubtful decision-making. How? By clearly communicating your defensible and bold plans to key stakeholders because you’re able to rapidly create agile, forward-looking reports, along with dynamic dashboards of credible program & portfolio plans.

In the end, planning, executing and managing projects and programs to meet corporate goals is a challenging process. There’s no way to avoid that. But in large part those challenges can be minimized and mitigated when distilled down to three actionable areas: Adjust, Optimize and Empower. Addressing the challenges posed by those areas and adopting their approach is a step in the right direction to planning excellence.