

*How does your organization
build a better approach to*

Asset Investment Planning?



Introduction

Infrastructure owner / operator organizations are facing unprecedented demands from customers, industry regulators, Governments and other influential stakeholder groups to deliver better overall asset performance and service outcomes, often for less funding than was previously available. Even in geographies and sectors where financial affordability is less of a constraint, organizations are now having to be much smarter and much more transparent about their infrastructure investment choices and the decision-making activities that led to those choices.

Organizations are coming under increasing scrutiny to demonstrate that they are achieving the best possible 'bang for the buck' for the infrastructure investments they have selected over the long-term and be able to clearly explain why other investments are not being made. This is no easy task. Often the needs, priorities and influence of one set of stakeholders is competing with (or in some cases in direct conflict with) the needs, priorities and influence of other stakeholders. Arriving at the optimal overall investment plan that satisfies the needs and priorities of the majority of stakeholders at an acceptable cost over the long term with high levels of transparency is a real challenge that most asset owner / operator organizations are continuously grappling with.

Common Challenges in Early Generational Approaches to Asset Investment Planning

The benefits of a highly performing Asset Investment Planning capability are wide-ranging (this will be explored in a later publication in this 'AMCL Perspectives' Series). However, many organizations are wrestling with getting the essential building blocks in place and successfully embedded so they have solid platform from which to build a more advanced approach.

Common characteristics in early generational approaches to Asset Investment Planning:

1 Insufficient Data & Information

Insufficient data and information available to carry out analysis on the performance and condition of the asset portfolio so it is difficult to identify and agree future investment needs

2 Premature 'Preferred' Investment Option

The premature selection of a 'preferred' investment option to meet an investment need and not progressing other viable alternative investment options further beyond an early feasibility study or initial outline business case

3 Gaming the System

Regular overstatement of the benefits and understatement of the costs of a proposed project in order to 'game the system' and get the investment through the manual decision making and approval process overseen by an investment review committee

4 Inability to Compare All Investments Equally

Different investment types being described in different ways which makes meaningful cross comparison across a wider variety of investment types very difficult, or even impossible

5 Lack of Ownership of Data & Information

No one taking responsibility or ownership of data and information required for investment decision-making meaning that investment decisions are taken with lower levels of confidence

6 No Single View of the Investment Portfolio

Different business functions having their own views of the plan (which is different to other functions) and a general lack of visibility over the single overall enterprise-wide investment portfolio

7 Lack of Transparency & Auditability

A lack of transparency and auditability in the process for investment decision-making so that everyone can understand how budgets have been allocated and everyone agrees how, where, and when the funding will be spent to achieve the best overall outcome for the organization as a whole

8 Lengthy Planning Timescales

Taking months to prepare Investment Plans and Business Cases and an inability to revise and re-cut the investment plan in reasonable timescales when the priorities of the organization change

9 Constrained by Technology & Tools

A general recognition that the current decision-making tools and systems are not being used to their full potential or are not meeting the demands placed upon them by the users

10 Benefits Realization

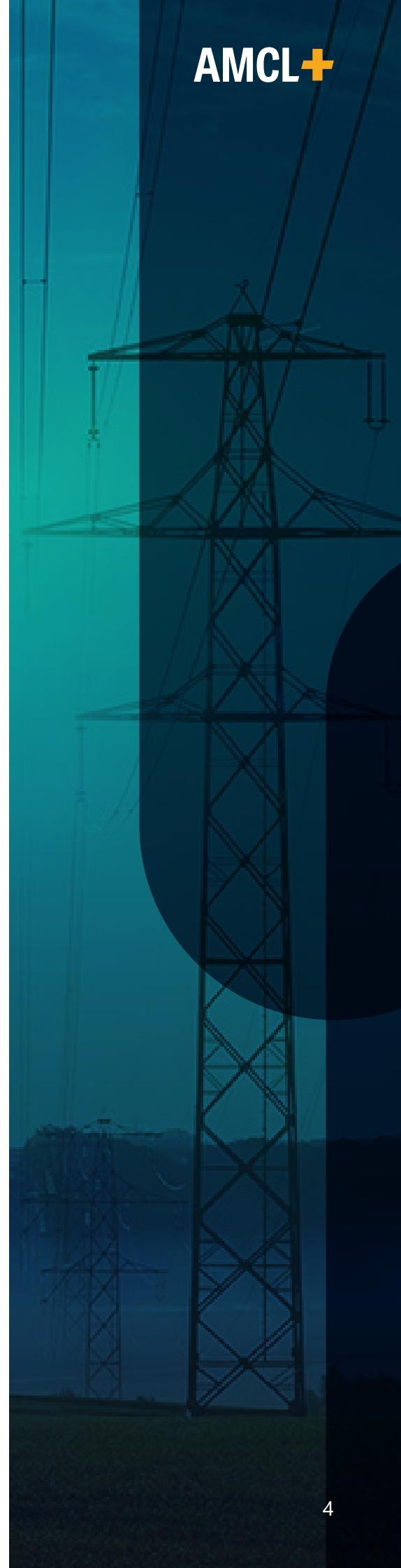
Not being able to confirm with any real degree of certainty if the investments chosen are delivering the benefits that were expected of them

Responding to these Challenges

In response to these characteristics organization have been opting to enhance their **Asset Investment Planning capabilities** in a variety of ways, for example:

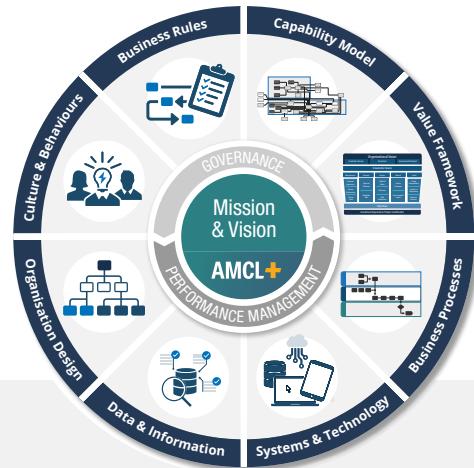
- Data and information improvement projects to collect, cleanse, standardize and generally improve the quality and availability of investment planning data and information
- Redesigning investment planning and decision making business processes to streamline activities, improve efficiency, shorten investment plan production and approval timescales and enhance the transparency of decision-making
- Developing and implementing software tools of varying degrees of complexity and maturity to take advantage of automated workflows and consolidated data and information for more confident decision making
- Redesigning elements of the organization structure; functions, investment planning teams roles and responsibilities to provide clearer accountability, enhance team and process interactions

In summary, many organizations exhibit at least some characteristics of an early generational approach and have a desire to improve their approach, but **where do they start and how does an organization build a better approach to investment planning?**



What Does Good Look Like?

This question is best addressed by firstly looking at what a **better approach to asset investment planning** is.



The investment planning capabilities united around a single Mission and Vision for investment planning which describes the primary objectives and purpose for investment planning within the organization and how the organizations investment planning capability will evolve and improve over time.

A Capability Model

A Capability Model that outlines the key activities throughout the full investment planning and delivery cycle including which team or business function is involved in each activity and has the responsibility for the activity outputs and outcomes

A Value Framework

A value framework to enable valued based investment decision making aligned to the organizations objectives and priorities (taking into account the range of stakeholder expectations)

Efficient Business Processes

Efficient business processes that enact the decision making activities in the Capability Model with speed, rigour and transparency

Systems & Technologies

Systems and & technologies that enable values-based investment decision making and which consume and process the investment data and information to propose the optimal blend of investments within the given constraints

Data & Information

Data and information regarding investment needs and solution options aligned to the information requirements of the Value Framework for investment decision-making

An Organization Design

An organization design with clear roles and responsibilities at the function, department, team and individual level aligned to the activities in the Capability Model and enabling business processes

An Organizational Culture

An organizational culture in which the organizations people exhibit a preferred mindset and a set of behaviours and actions consistent with good investment planning practices

A Set of Business Rules

A set of business rules that provide the guidelines and working principles on the preferred way of working to the organizations investment planners and other people involved in the investment planning and delivery activities

Appropriate Governance Arrangements

Appropriate governance arrangements that enable good investment decisions to be taken at the right speed with the appropriate levels of control, rigour and oversight

A Performance Management Capability

A performance management capability in which the performance of the organizations investment planning activities are being routinely monitored and tracked and actions taken to improve the efficiency and effectiveness of investment planning activities and its outcomes

So, a leading approach to investment planning is not necessarily about implementing the 'best' software, having the most accurate data, having a dedicated / specialist team or department or the most streamlined processes. More importantly than that, it is about how all of those capabilities combine together in an integrated way to deliver a reliable, repeatable and consistent approach for investment planning relative to the current level of maturity of the organization and having a clear view on the short, medium and long-term priorities on the improvement journey.

Planning the Improvement Journey

Every journey needs to have a starting point and a destination in mind. Similarly, the Asset Investment Planning improvement journey should start with a current state assessment. An honest and impartial assessment of the eleven asset investment planning capabilities (as described on the previous page) should provide a good indicator of how the organization is performing and where improvements can be made in each capability area or to improve the integration of capabilities that make up the overall approach. Where possible this should be supplemented by benchmarking within sector or cross-sector comparator organizations to calibrate the capability assessment and target the most relevant and beneficial improvement opportunities.

It is also important to start the journey with an end in mind. Defining a clear Mission and future Vision for investment planning (also one of the eleven capability areas) will help to frame the ambition and inform the initial priorities for the organizations Asset Investment Planning improvement journey.

Generation 1

Whoever shouts loudest

Tools / Approach:

Basic spreadsheets/ anecdotal evidence

Pre-requisites:

- Basic / mandatory investment requirements defined
- Poor data quality / availability



Generation 2

Prioritized based on single criteria

Tools / Approach:

Multiple spreadsheets – single prioritization criteria (e.g. risk)

Pre-requisites:

As previous plus:

- Understanding of asset health & criticality
- Strategic investment requirements
- Moderate data quality / availability



Generation 3

Prioritized based on multi-criteria

Tools / Approach:

Standardized, consistent spreadsheet(s) with multiple prioritization criteria

Pre-requisites:

As previous plus:

- Value Framework defined
- Understanding of funding constraints
- Good data quality/ availability



Generation 4

Foundation-level Optimization

Tools / Approach:

Optimization tooling capable of using multiple weighted decision making criteria

Pre-requisites:

As previous plus:

- Multiple constraints
- High data quality/ availability



Generation 5

Advanced-level Optimization

Tools / Approach:

Enterprise level integrated Asset Investment Planning Systems

Pre-requisites:

As previous plus:

- Asset deterioration modelling
- Fully Optimized, scenario-driven, multi-dimension and constraints
- Excellent data quality/ availability



Spreadsheet-based solutions appropriate

Enterprise-level solutions appropriate

Summary

'How does your organization build a better approach to *Asset Investment Planning*?'

In response to the question in the title of this paper 'How does your organization build a better approach to Asset Investment Planning?' It can be simplified in **five key points**:

- 1  Take the view that Asset Investment Planning is not a team or a department or an IT system. It is an enterprise-wide multi-disciplinary approach in which the essential organizational components are highly integrated and must combine together effectively for a highly performing approach.
- 2  Improving one or two investment planning capability areas can be a short-term 'fix', but without due consideration for the impacts and opportunities on other capability areas it is unlikely to deliver enduring benefits (and may actually make things worse and more difficult to fix in the medium to longer term).
- 3  Building a better, more effective approach to Asset Investment Planning begins with a good understanding of the both the starting position (current state assessment) and the end point (the Mission & Vision).
- 4  With the starting point and end position defined the prioritised improvement journey to address any shortcomings in the current state assessment and deliver on the ambition in the Mission & Vision can be plotted out with confidence and higher levels of certainty on the delivery of benefits.
- 5  Building a better approach to Asset Investment Planning means carefully evolving the capabilities of your organization with both clarity and purpose and recognising that progression should happen on multiple fronts in pursuit of a highly performing, later generational approach. 'Quick fixes' rarely deliver lasting capability improvements.

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Kris is AMCL's Asset Investment Planning Service Line Lead and has been developing Asset Investment Planning technology solutions since 1997. His technical specialisms include business operating model design, asset information systems and organizational change and transformation.

During his 25 year career he has amassed expertise in designing process, organization and technology improvements to increase productivity, reduce costs, facilitate strategy delivery and improve decision making in the asset-intensive industries.

Get in touch with Kris to explore how AMCL's investment planning specialists in your region can help you with your organization's Asset Investment Planning improvement journey.

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