



Executive Briefing

Capex Benchmark Assessment: 10-Steps To Evaluating & Creating A Single Source Of Truth

An effective capital project portfolio is vital to a healthy, growing business. It's why assessing your Capex efficiency and performance is so important. To do so, start with this simple guide to help gauge how you're doing, and discover ways to improve.

Is it time to rethink how your organization approaches its capital planning and management?

Here are ten questions to help evaluate where you stand ... discover where there may be opportunity for improvement ... and recognize how creating a single source of truth for Capex data can be transformative.



How many members of your finance team would characterize your Capex portfolio as spending money vs. investing?



It may seem like a simple question, but it's a critical one. For most companies it's been shown that Capex is directly responsible for more than 50% of future growth. So it's worth assessing how your leadership team(s) approach capital expenditures.

Questions like these will paint the picture: Does our process focus more on approving and tracking capital spend, OR on consistently projecting ROI and using it in a timely manner to guide capital allocation decisions? Are we estimating ROI at the time a Capex request is submitted for approval or when it's proposed for the annual budget? When we compose the capital budget, are we able to quickly build a baseline of carryover and mandatory "keep the lights" on projects and then make the rest compete on the basis of carefully projected ROI models? When material projects are completed, do we spend as much time determining ROI variance as we do cost variance?

For too many companies, unfortunately, the answers to most of these questions are "no." To invest optimally, it's simply too difficult to do everything that is necessary in a consistent and timely manner when your capital process is taped together with endless spreadsheets and generic workflow tools.

What percentage of new project ideas/innovations are planned and submitted by engineers, IT, or mid-level members of your finance function?



If your answer is less than 25% you may be missing a golden opportunity to drive innovation and process improvement throughout your organization. After all, some of the best ideas can be found “on the shop floor.” But if your colleagues don’t have a collaborative forum for their ideas, they may never surface.

Creating a Capex budgeting “sandbox” within your capital planning solution is the perfect way to invite these ideas. With its zero-based budgeting framework, the sandbox allows any user to frame a project that could move the business forward – and defend the idea with strategic rationale, ROI metrics, etc.

What percentage of your annual Capex budget is built from the bottom up?



More and more companies are moving to bottom-up budgeting to ensure that those capital projects with the most merit get funded, vs. simply declaring a budget target (that is adjusted from the prior year), and asking business units to “compete” for a piece of the pie. If you answered 100% – congratulations, your company is giving Capex the attention and rigor it deserves. If you answered 0%, starting with your capital portfolio can make a lot of sense.

If your answer was somewhere in between, the next logical question is on what type of projects does that number apply? Larger, more complex, more strategically-driven, and time-sensitive projects should universally be budgeted from the bottom up. This will ensure that proper vetting has occurred, and essential stakeholders in the organization have weighed in. Which leads to the next metric ...

Do your project approvals typically take more than 45 days?



If you're still working with spreadsheets, or generic workflow solutions like SharePoint or Lotus Notes, you undoubtedly said "yes." In fact, having talked with hundreds of companies, typical approval processes can take as long as 90-120 days, whereas it should take 45 days or much less. Longer workflows not only drive up cost in terms of labor hours required to shepherd the process from one approver to the next, it can have a devastating impact on a company's ability to be opportunistic, competitive, and efficient.

In fact, solving for the "pain" of a long and unwieldy approval workflow process is often the catalyst for pursuing a capital planning software solution. While this is logical, it should only be the launching point of your exploration as there is opportunity to improve virtually every stage of the process.

What percentage of your projects go over budget?



According to research appearing on CFO.com, best-performing companies report that 12% of their approved projects go over budget, while bottom performers say that 30% or more do. Take your average capital project cost and do the math; if you're over 10% that can have a significant impact on your organization's bottom line.

Now imagine that that number is closer to zero. This metric alone can be sufficient rationale for moving to a purpose-built capital planning software solution. From better project evaluation to accurate forecasting with actuals, to habitual post-completion reviews, chronic cost overruns can become a thing of the past.

Do your Capex forecasts include actual spend to date?



If your answer is “no” you’re not alone. It’s one of the most asked-for features in a capital planning software solution. That’s because creating a “single source of truth” is a key driver of forecasting accuracy and a huge time-saver in compiling essential reporting. Integrating actuals to and from your ERP system lets project managers and finance teams see, in real time, how forecasts are tracking. If set thresholds have been exceeded, a new round of approvals can be automatically triggered.

Managing portfolios by entity, division, geography, etc. is also infinitely more effective. Many companies already have policies requiring these reviews, but compliance can be poor when accessing required data is difficult.

Do you have 100% confidence in the numbers you report each month?



Only 38% of finance professionals say they completely trust the accuracy of the financial data they report, according to a study by Blackline. If you're among them, think about the potential consequences of reporting errors on your organization's credibility, its relationship with stakeholders, and even how it reflects on your own role and standing among your peers.

When you create a single source of truth with a purpose-built capital planning software solution, you have far fewer opportunities for things to go wrong; because data isn't being passed manually or among disparate systems, its integrity is safeguarded from synchronization issues, input mistakes, and other factors that produce errors. So, when you're asked, what keeps you awake at night?, you can sleep easy knowing that Capex is not a vulnerability in your reporting accuracy.

Can you tell right now how much of your budget you have left to spend if there is an unexpected expenditure vying for approval?



Knowing what has, or hasn't, been spent across your Capex portfolio(s) at any given time is critical to being able to assess your capital position. Is there room in the budget for additional, opportunistic or otherwise unanticipated projects? Is there a mandate to reduce capital expenditures, and thus be able to assess the status of individual projects to know which can or shouldn't be put on hold?

If you're still operating with spreadsheets, your ability to know that can be quite challenging as you're forced to aggregate data, update actuals, and connect with individual project owners. An enterprise capital planning solution integrated with your ERP and/or procurement systems solves for this.

How long would it take to produce a report on the status of every capital project in your portfolio – at the entity, or enterprise level?



You get the call that you need an updated status of all capital expenditures for the CFO or CEO right away. Would it take you days, or even a week, to produce ... or could you click a few buttons and produce it in an instant? It's an important question, because ad hoc requests like this can derail members of the team from their tasks at hand, ultimately impacting productivity.

Moreover, if there are urgent decisions to be made, the quicker that essential data is provided, and the insights that can be gleaned from it are presented in an easily digestible manner, the more effective the organization will be at managing change.

If five years from now someone in leadership asked who approved a particular project and why, would you be able to answer?

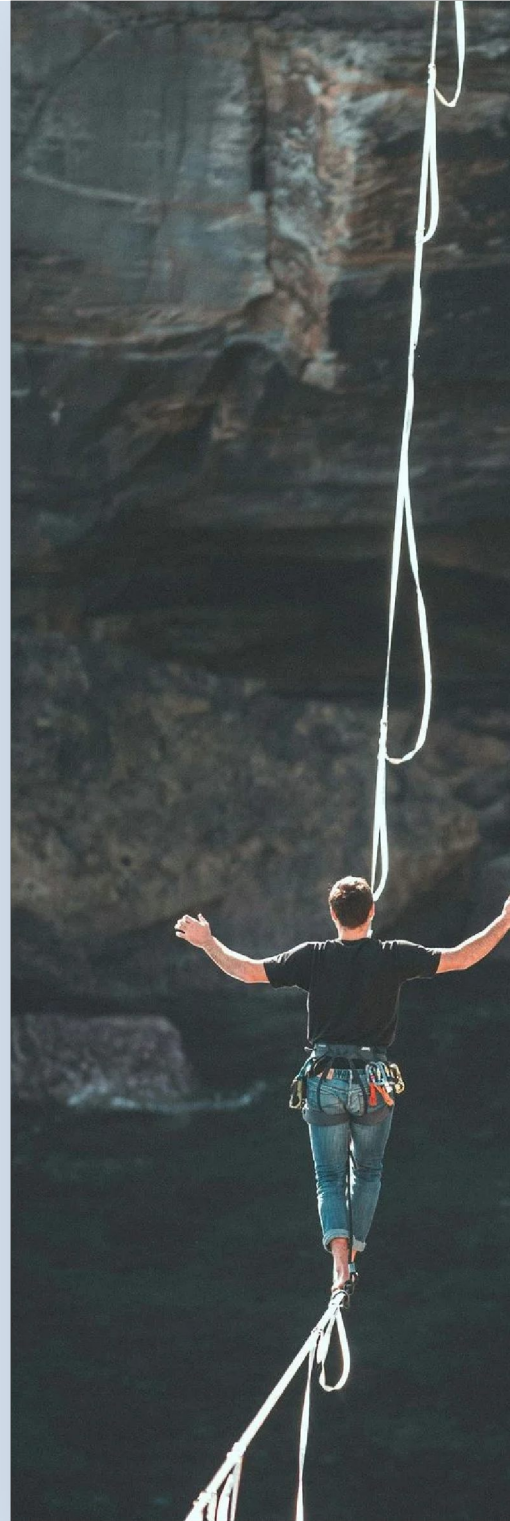


Corporate “re-orgs” are not only commonplace, in many organizations they occur all- to frequently. For those who move into new positions that require an understanding of why certain projects were approved in the past, and by whom, having this critical data on demand can radically shorten the time required to get up to speed.

Moreover, having project-level data over extended periods of time provides an essential audit trail, while also contributing to a culture of continuous learning and improvement.

So how did your organization perform in this assessment? If there's room for improvement, and you're still operating with spreadsheets, simple workflow solutions, or both, it's time to start thinking about an enterprise Capex software solution.

Here are ten things to ask before choosing the solution that will work best for you.



Creating a single source of truth for capital project data to drive better decisions and collaboration across the enterprise

1. | Is it Purpose-Built?

Some purported “Capex solutions” are nothing more than form builders with workflow and rudimentary reporting. They are “form-centric” rather than “project-centric” and can’t provide a single source of truth across the capital investment lifecycle or the range of functionality required for effective Capex decision making. So you should ask: Does the provider specialize in workflow or in capital planning? Because, let’s face it: managing Capex well takes a lot more than workflow. Capital investment is too important to your organization’s performance to place it on an inadequate foundation.



Finario is the first and only purpose-built, enterprise Capex software solution. Capex is all we do, and helping you invest better is our only mission.

2. | Can it Be Integrated Across Your Enterprise?

Capex does not operate in a bubble, or at least it shouldn’t! Want to integrate your Capex system with your ERP (such as JD Edwards, SAP, Oracle, or Microsoft) or procurement system (such as Coupa or Ariba) to dynamically update actuals, improve sourcing efficiency, streamline approval processes, etc., immediately or in the future? Ask if they have a well documented API, or if the interfaces will have to be built from scratch. If the latter, you are looking at a longer install, increased complexity, and higher costs.



Finario has been integrated to all the leading ERP and procurement systems via its API.

3. | Is it Built on a Dynamic Project Environment?

If the solution's architecture is project-centric, the next question is whether it is capable of capturing as much detail as necessary. Does it make it easy to enter a very small expenditure but also seamlessly accommodate the considerable amount of information required for your largest, most strategic capital project? If not, how can you expect to approve, manage, and report meaningful data? To truly understand material projects you need to be able to break the project down into its constituent parts, however you want to define them. This is critical for two reasons:

1. It enables you to see what costs have and have not come through (for management review and analysis)
2. It greatly simplifies the transition of assets from Construction in Progress (CIP) to Fixed Assets and depreciation expense since all relevant detail has been captured (for accounting and reporting).



Finario has been built from the ground-up to support every phase of the capital investment process for every project - from the most simple to the most complex.

4. | Does it Leverage Financial Intelligence?

A true financial application rolls through plan and quarterly forecasts from quarter to quarter and year to year. Its not a static "dumb" form, and data isn't constrained to a single fiscal year. This is critical if you want to compare projects or portfolios over multiple years, perform reference class forecasting, and many more essential tasks. The technology behind a financial reporting system is very different from the technology driving an approval process and workflow. To manage the financial impact of Capex spend you need an application built from the ground up for finance. You need an application designed around the planning and forecasting financial cycle. A system that understands both fiscal years and project years, can cross multiple years and knows the difference between a new project and carryover spend. You need real financial intelligence.



Finario's portfolio planning, capital budgeting and project forecasting application includes 50+ "standard" reports from the get go, and the ability for business users to create an unlimited number of ad-hoc custom reports - without IT support.

5. | Does it Support an Investing Mindset?

Another thing to look for: Some applications are focused solely on cost control. Yes, capturing costs is important, but it's only a small part of what a Capex system should do. Capital expenditures are an investment and should be treated as such. Your application should include a robust and flexible ROI modeling capability that allows standardized and financial correct estimation of ROI for all material projects. Consistently applied, the ROI metrics enable you to compare one project against another on level ground without the risk of error inherent to spreadsheets. It's all about getting the most from your finite investment of funds. "ROI" can't just be a box you check on a form or a rough number generated from a simplistic, static ROI calculation.



ROI is woven into the fabric of Finario, from budgeting through approval and post-completion review. Our robust ROI modeling and reporting capabilities give leaders in financial planning and analysis what they require to take a more strategic role in their organizations.

6. | Does it Provide Portfolio Scenario Planning?

One of the great benefits of a robust Capex system is the ability to create a portfolio of projects to understand the "what if" implications of adding or removing specific projects to your plant. The portfolio building process should be as simple as picking a financial metric, a threshold, and applying it to your list of proposed projects. You should then be able to stack rank projects and add or remove individual projects as needed based on established priorities and immediately see the implications of such. Ask whether you can create unlimited portfolio scenarios and whether the same project can be included in multiple scenarios. Are the scenarios solely cost based, or can they reflect ROI metrics and risk scoring. Are you able to compare portfolios themselves on the basis of ROI. Do the scenario capabilities extend beyond the planning period, that is can they be used to complement the approval and quarterly re-forecasting processes?



Finario provides the ability to evaluate present and construct future portfolios with ease. Effortlessly see how specific approval decisions impact your plan and cash flow forecast.

7. | Does it Empower Bottom-Up Budgeting?

Ideally, budgeting should be performed with project-level detail, not just top down. Why? Because you can't determine meaningful variances to a budget without granular project-level details. Does the application house all budgeting activity or does the vendor suggest using offline tools like Excel to capture details? Besides defeating the purpose of moving to a digital platform in the first place, it's critical to have all data in one location and viewable by leadership at any given time. If you can't drill into your budget to see the detail that makes it up, you simply cannot perform variance analysis when comparing to actuals.



Finario provides the flexibility you need, and is ideal for bottom-up budgeting and zero-based budgeting. All investment selection and budgeting can be done within the application.





8. | Does it Have a Best-in-Class Approval Rules Engine?

Most generic workflow systems focus on routing forms with fancy drag-and-drop workflow builders. While this works well for simple business processes like time off requests, it creates two serious problems for Capex.

First, the criteria are too varied to be able to map them effectively graphically, turning those slick builders into spaghetti. A rules builder is much more efficient and easy to manage. Twenty simple rules, for example, can create and easily manage hundreds of different paths to accommodate all the different types of projects and needs across your capital portfolio.

Second, form-based systems are inflexible. Once the form has begun routing, any changes to personnel or policies will require manual intervention and workarounds - defeating the purpose of the workflow automation in the first place.



Finario's approval workflow is rules-based, dynamically updated for all changes to the project, policies or personnel - never requiring manual intervention to set it right.

9. | Is it Trusted Worldwide?

Obviously, it's important that the application you choose is able to handle the volume of users and projects that you have today. But, how about five years from now? You want a solution that can grow with you. Another question to ask: Are any of the Global 2000 using the candidate provider's application? Will the provider give you references to speak with about their use of the application? Real-world experience lends credibility to the provider's claims, and confidence to your decision.



Finario is enterprise-ready at every level and used by some of the most respected companies in the world across dozens of different industries.

10. | Can You Map its TCO to Value?

It's easy to be lured in by a low license or subscription fee. The old adage applies: you get what you pay for. Deconstruct the total cost of ownership ("TCO"): Is the set up and implementation fee a fixed bid or for time and materials? This can be a major variable if the "base" capabilities you get require customization. How about user support costs? Don't assume unlimited support is included in the annual fee. Also ask if continuous feature enhancements are included. Are they automatically pushed to your users in updates (via the cloud)? Or do they incur additional costs. Again, don't just assume the answer is "yes." Will there be expensive, "forced" migrations when underlying hardware or software components are no longer supported.



Finario's solution advisors will help you select the product that provides the features and functions you need today, while giving you the flexibility to upgrade over time. Everything is included in your annual subscription fees; there are no "gotchas." Moreover, our cloud application is continuously updated to provide best-in-class performance.

Finario // The Solution for Capex

Finario is enterprise Capex software that connects your projects, people and systems for an accurate view of all capital project activity and options.

We enable industrial companies globally to accelerate decision making, drive faster growth and generate higher profits.

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