

What **benefits** can your organization expect from improving its approach to asset investment planning?

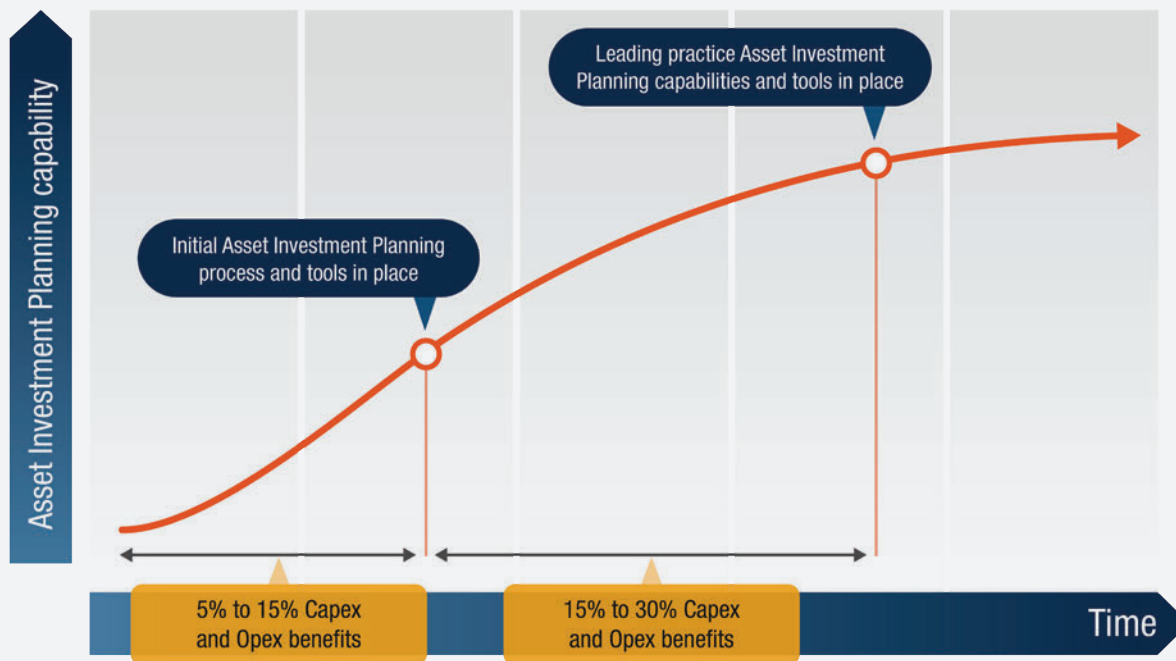


Introduction & Context

Infrastructure owner / operator organizations are facing unprecedented demands from customers, industry regulators, Governments and other stakeholder groups to deliver better overall asset performance and service outcomes, often for less funding than was previously available. Even in markets where financial affordability is less of a constraint, organizations are now having to be much smarter and more transparent about their investment choices and the data, information and decision making that led to those investment 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 or in direct conflict with the needs, priorities and influence of other stakeholders, so arriving at the optimal overall investment plan that will satisfy the majority of stakeholders at an acceptable cost over the long term with high levels of transparency is a real challenge.

Introduction & Context Cont.



The benefit opportunity from being better at asset investment planning is significant. Given the considerable size of most asset investment portfolios and plans (in the Millions and often Billions) even the smallest capability improvement which results in better investment decision-making can have a significant impact. Developing from less mature approaches through to more mature approaches, risks are better controlled and both Capex and Opex savings in the order of up to 30% are possible. Typically, these benefits are more modest in the early part of the journey but accelerate once the initial Asset Investment Planning process and tools are in place and these can be leveraged to make more impactful decisions.

Building on our previous papers on the subject of asset investment planning which can be found here, this fourth paper in AMCL's Perspectives on AIP series takes a closer look at the benefits that infrastructure organisations are able to realise when they are successfully able to improve their approach to asset investment planning. The paper will look at the causal relationships between an organizations investment planning capabilities, the improvement opportunities these capabilities can enable and the benefits organizations can often expect to receive.

The topics highlighted in this paper can be used by business leaders to help build the business case for a project to improve their approach to investment planning, or to structure and prioritise an improvement initiative to maximise benefit or to validate the benefits from a project that is already underway.

Why do organizations embark upon initiatives to improve their approach to asset investment planning?

As we have touched on in previous papers there are often a number of common reasons that organizations are struggling to develop infrastructure investment plans.

Examples of the common problems with contemporary approaches to investment planning are:

- 1 Data and information on the performance, condition and risk of individual assets and asset systems is lacking so it is difficult to know with high levels of confidence where the money should be spent to meet service and performance targets aligned to agreed priorities
- 2 Investment decisions based on emotion, experience, anecdotal evidence or engineering judgement rather than through a data-driven, fully objective methodology and approach
- 3 Governance protocols being circumvented or wilfully ignored altogether in order to get the investment project approved
- 4 Capital investment plans that contain fixes to address short-term asset and operational problems at the expense of longer-term strategic needs
- 5 The tooling and systems that are used to create the plan are a hinderance rather than an enabler of efficiency and supporting confident decision making
- 6 Taking a long time to generate and commit to a baseline investment plan. By the time the plan is agreed it is known to be materially incorrect because circumstances, priorities and constraints have already changed
- 7 Multiple versions of the same plan are being used by different teams, functions or departments. Departmental or functional plans are often prepared on a different basis using different criteria and without reference to each other. They are often conflicting, lack consistency and are not strategically aligned
- 8 A material disconnect between the investment being requested and the benefit provided from that investment (and no mechanism in place to measure the benefit to help inform future investment decisions)
- 9 Plans that look good on paper, but cannot be realistically delivered with the resource and access availability or other constraints
- 10 Lack of auditability and transparency in the overall planning process and the resultant plans

How many of these challenges are present in your organization?

How do infrastructure organizations respond to these challenges?

In responding to these challenges there are some common responses that infrastructure organisations often take. **Examples of these responses are:**

- Making changes to the investment planning process or governance arrangements
- Changing the organisation structure, by creating a new team or changing reporting lines
- Undertaking a data and information improvement initiatives
- Implementing a new investment planning IT system

These responses are well intentioned and, by themselves they often can deliver incremental benefits. But there is also a risk in looking at each of these improvements in isolation. For example, overlaying a new IT system on top of a broken investment planning process will generally not fix the process. In fact, it is likely to make things worse as the deficiencies become hard coded into system workflows and more entrenched in the organizations practices.

For a truly transformative approach to asset investment planning, it is important to look at the full range of organizational capabilities required for investment planning and ensure that the pace of change in each domain does progress too far ahead to the detriment of other areas.

This is summarized in the following diagram which illustrates that the AIP Capability Improvement Path should be in the 'Goldilocks Zone' where the pace of technology change should match the pace of change within the other investment planning capabilities such as business processes, value framework, organization design and data and information.



A truly effective approach to investment planning requires a range of capabilities within the organization to work together harmoniously:

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

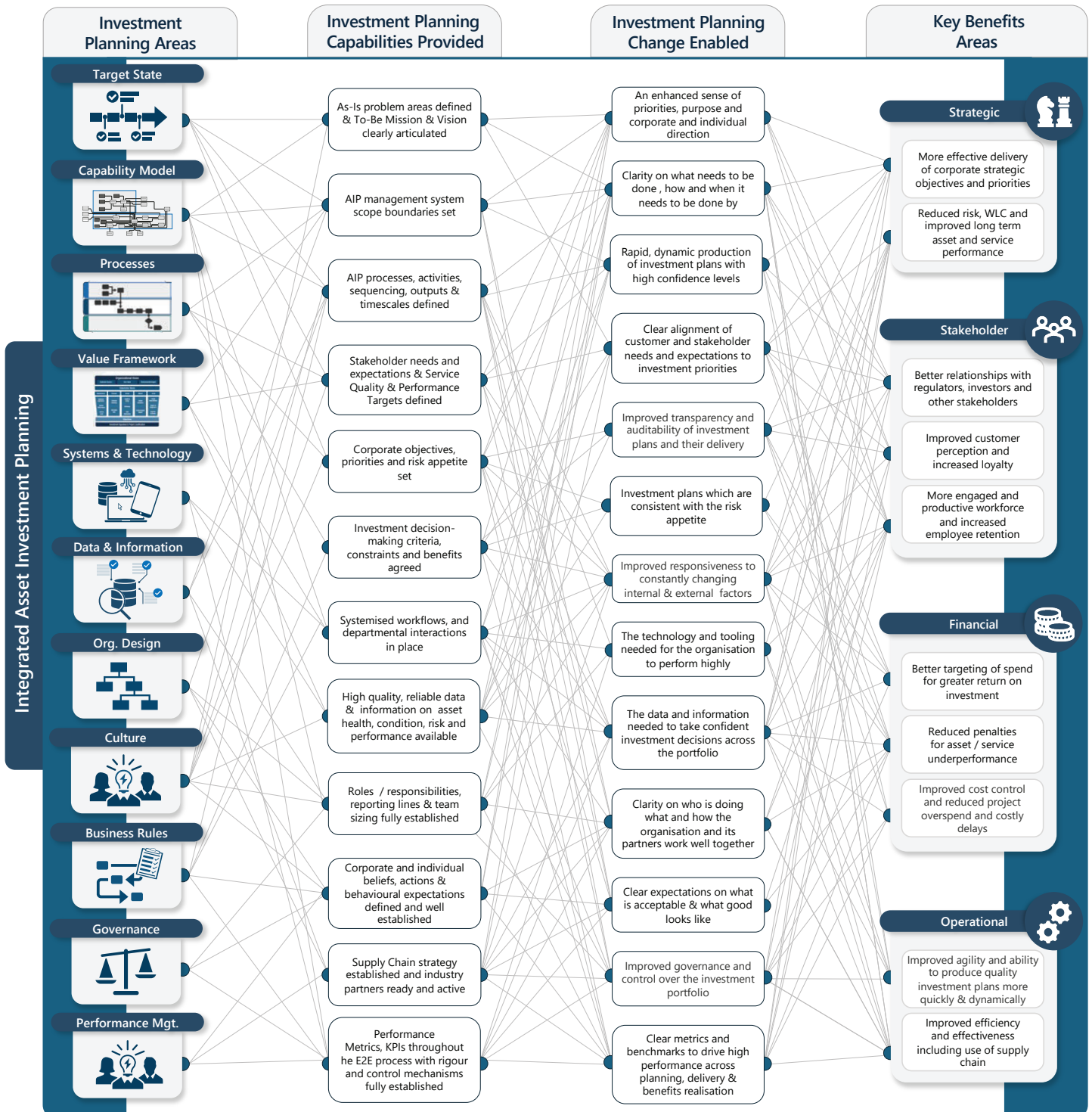


A leading approach to investment planning is not necessarily about implementing the ‘best’ software, having the most accurate data, having a dedicated specialist team or department or the most streamlined processes. More importantly than that, it is about how all of these capabilities combine together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

How do these integrated investment planning capabilities drive value and provide benefit?

In the same way that the integrated business capabilities for asset investment planning combine together to drive a better, higher performing approach, they to also combine together to enable the strategic, stakeholder, financial and operational benefits.

The **Benefits Dependency Logic** diagram below illustrates an example of the common correlation and relationships between the organisations investment planning capabilities, the improvement changes they enable and the benefits these can provide.



*It is important to note that the correlation relationships above are for illustrative purposes. The capabilities and their relationships to the enablement of change and level of benefits would depend upon an organizations specific context, the relative maturity of the capabilities, the level of integration and the degree to which the capabilities have become embedded and effective in the organization. Having these investment planning capabilities in place does not guarantee the attainment of benefits highlighted above.



Conclusions

What benefits can your organization expect from improving its approach to asset investment planning?

In summary, an organisation who is able to successfully bring together the capabilities needed for investment planning together so that they work harmoniously, and they are at the broadly same level of maturity can reasonably expect to attain a quantum of strategic, stakeholder, financial and operational benefits.

Being able to improve asset service performance while reducing cost, and delivering a better return on investment more aligned to corporate objectives and priorities while also satisfying multiple conflicting stakeholders is a prime goal of asset investment planning in infrastructure organisations.

The likelihood of achieving these benefits will be largely driven by the relative maturity of the investment planning capabilities, the level of integration and the degree to which the capabilities have become embedded and effective in the organisation.

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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.

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Richard is a Chartered Engineer and the Global Technical Director and the technical authority for the development of products and services within AMCL.

Richard is a Past President of the Institute of Asset Management and a member of the Council for the Global Forum on Maintenance and Asset Management. He advises a range of infrastructure owners and regulators on Asset Management and related business issues to identify the most effective ways of investing in new or existing assets to deliver the best outcomes for stakeholders. He is passionate about upskilling all people in asset intensive businesses to deliver better outcomes’.

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