

Capital Management

= Customers + Cash + Control

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The history of Capital Planning was written by architects and baptized in concrete. That is why the focus is on facilities & equipment, ROI and projects. Unfortunately, once the capital budget is completed and approved by the Board the financial plan is to get the funding, freeze the assets and write checks to the contractor. Now it's time for Capital Planning to graduate to Capital Management.

Capital Management is about Customers, Cash and Control. Once the capital budget is approved the executive team needs to manage the priorities to first -- deliver the customer volume and value, second -- manage cash flow and third -- control the purchasing decisions to "spend no dime before its time." How well is your capital plan increasing your customers, cash and control?

CUSTOMERS

What are the priorities and performance goals for your capital program? Is the focus on the facilities & technology or the customer? Each program needs to focus on translating the investment into new customer volume, how much and how soon. Spending priorities are based on customer value -- "sooner is better than later and more is better than less." And, success is measured by activity-based performance improvements for the customer.

Activity-based planning means that project leaders must identify operational activity improvements that translate into increased volume or value. Which improvements will motivate customer selection decisions? What is the performance baseline, competitive gap and targets for increasing service and customers?

Capital plans need to focus on the customers and the high-value activities that will make a difference in your organization. Capital Management should focus accountability on the key customer activity that will impact the bottom line.

CASH

Spend no dime before its time. A flexible capital management approach should give you the ability to forecast and allocate cash to projects. You manage your accounts payable and supply purchases, you should have the same control of your capital programs. Yet, the critical path of interwoven projects and purchase orders is too complex to make a near-term cash decision, without risking greater long-term penalties.

Managing capital cash flow requires an ability to use the project critical path to make informed decisions about managing purchases. Rather than be held captive by

contractors, architects and vendors, your capital management program should give you the information you need to make the best decisions with the least long-term consequences. And in these times of reduced volume and reimbursement, managing your cash can make a major difference in your interest expense.

CONTROL

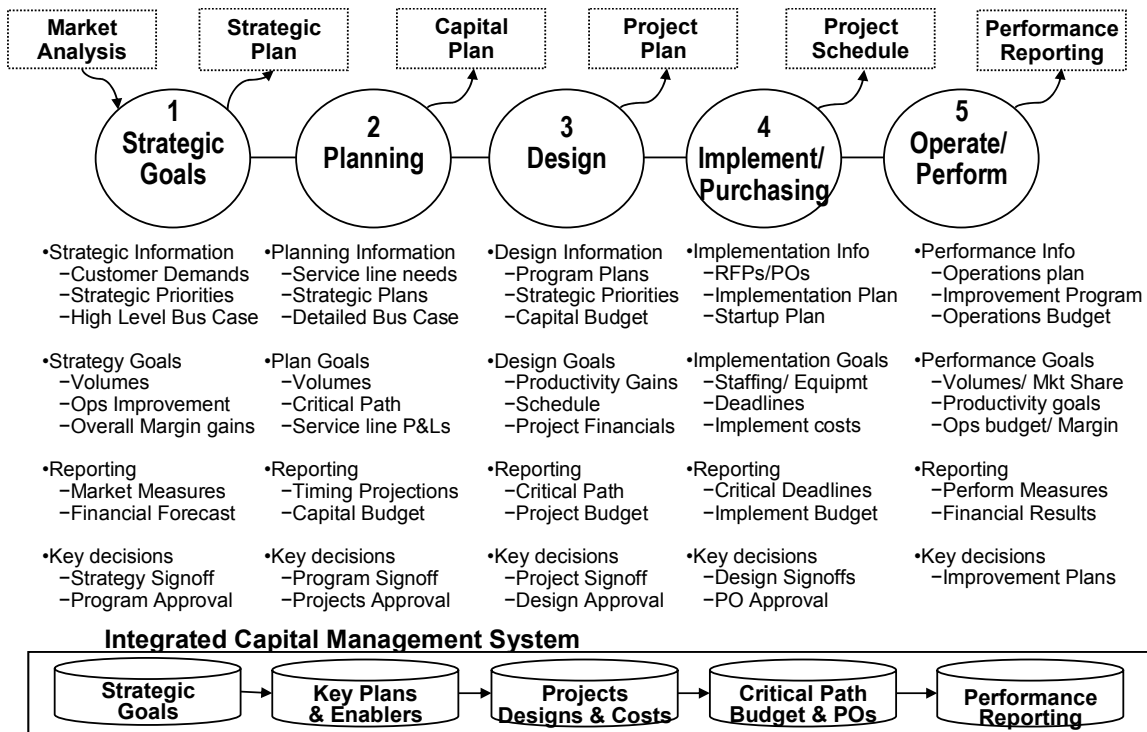
So, how do you gain control of your Capital Programs? The key is in developing the capital purchasing management work flow process. With a clear understanding of the decision points, accountability, policies and practices, you can provide your staff the flexibility to make the right purchasing decisions, while giving the executive team the limits/ controls to monitor and manage the overall pace of capital spending.

Control is measured in time and information. Can you get the timely information you need to make confident purchasing decisions? Does the information forecast the cash flow requirements and give you additional insights into cash savings opportunities? You need an approach that will give you tight control of priorities and plans, yet loosen the decision making process to allow project managers to make the right decisions without an onerous process of meetings and signoffs. Capital Management allows you to control the overall decision process, without bogging your team down in bureaucratic overhead.

IMPLEMENTING CAPITAL MANAGEMENT

Implementing a Capital Management program is all about improving your focus on customers, cash and control. Verity Partners can quickly assist you in assessing your current practices, policies and systems to identify the gaps and requirements for the change. Over a four week period our team can define your baseline, identify key opportunities and define a streamlined implementation plan.

The work begins with a week of assessment and goal setting. Our team will interview your key people, outline your current capabilities and identify opportunities to implement best practices in process, policy, systems and management. This high level analysis will define a plan for designing a new process, practices and tools over the following weeks. We will also outline the potential costs and benefits of the new approach.



During the next three weeks, our team will work closely with your organization to define a new capital management process and workflow that will simplify the current practices. The new work flow will identify the information, analysis, decision making and toll gates that will streamline the management process.

The design work will also define new policies for accountability, responsibility and authority for capital management. This approach will streamline the tiered approach to review and approval to reduce the overhead and increase the information and controls over decision making and purchasing. Of course, these new policies will need to be reviewed and approved by the Audit & Finance Committee of the Board, in the following months.

The team will define the requirements for a capital management system, decision support and monitoring tools. This work will outline critical features and performance measures to use in selecting and implementing the new technologies.

Finally, We will outline the critical path and plan for implementing the new Capital Management process and systems over a three to four month period. This program will deliver a new level of capital management capability for your organization:

- Create clear expectations for Capital Management
 - Knowledge of business cases, requirements, plans and decisions
 - Goals for budgets, deadlines, performance measures and deliverables
 - Measures for reporting on timing, cost, cash, benefits and customer impact
 - Control of key decisions, ownership, resources and funding

- Integrate the Capital Management Process end-to-end
 - Integrate information throughout the program, from strategy to startup.
 - Connect program financial, operational, information and facility decisions
 - Drive goals, performance and key success factors through all work steps
- Implement a System for Access, Timeliness, Communication and Reporting
- Consolidate Capital Programs to identify new opportunities (purchasing)
- Clarify authority, responsibility and accountability for decisions and signoffs
 - Outline clear decision path, workflow and decision points
 - Simplify authority and signoff procedures
 - Track program workflow to identify key decisions and timing
- Define a common Capital Program development process and language
 - A framework of work steps, roles and goals
 - Flexible to work with a range of approaches and vendors
 - Defines core principles and expectations (policies & practices)

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