



Reviewing key delivery areas can result in cost savings for reinvestment of capital while also creating a planning process that produces year-over-year savings in CAPEX spend.

MANAGING CAPITAL SPEND FOR REINVESTMENT

Globalization, consumer demand, technology advancements and emerging market dynamics are driving intensive changes in the industrial marketplace. Organizations must meet these demands while coping with an aging infrastructure base, shortages of skilled resources, stricter regulatory compliance, constrained capital funding, productivity demands, and elevated management and stakeholder expectations.

Optimizing CAPEX spending can create savings and new investment opportunities. However, based upon decades of work with industrial corporations, Arcadis consistently finds most industrial corporations are leaving 8 -14 percent cost savings on the table. Today's capital projects must ensure responsible use of natural resources as well as safe and highly sustainable operations that align with corporate stewardship goals. By reallocating capital spending, organizations can meet these project requirements while freeing up funds to invest elsewhere.

REALIZING GREATER COST SAVINGS

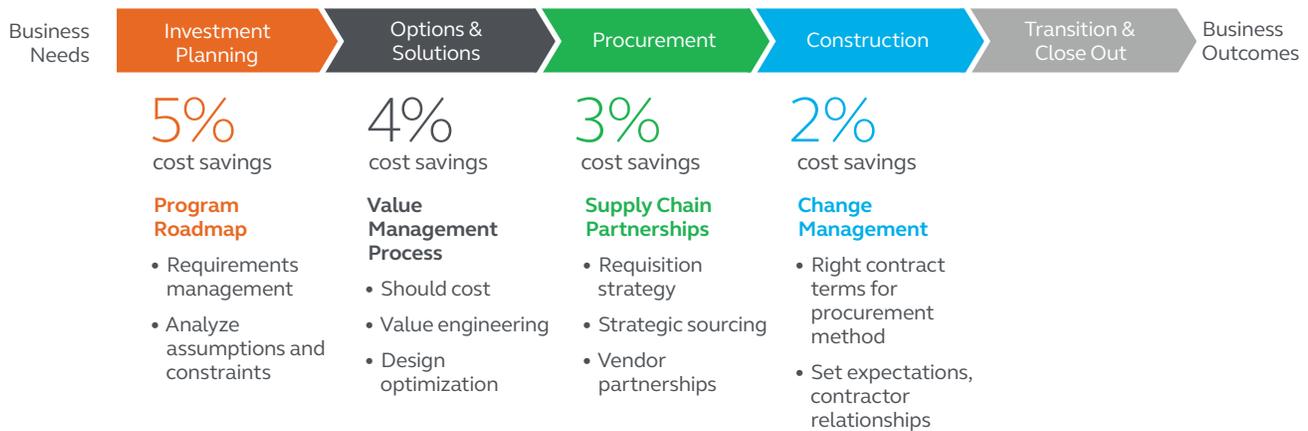
Stakeholders to capital planning processes are demanding greater transparency and processes that produce best in class, or even maximized, return on investment of CAPEX spend. Arcadis has identified four key areas where most industrial corporations can realize greater cost savings and ultimately free up capital more efficiently for reinvestment: program roadmap, value management, supply chain and change management.

Internal dynamics can prevent organizations from realizing these savings, as there are often more pressing issues to which organizations must respond. However, an aggressive review of these areas can not only result in cost savings for reinvestment of capital, but can also form the foundation of a capital planning process that continues to improve, producing year-over-year savings in CAPEX spend.

WHITE PAPER FREEING UP CAPEX FOR REINVESTMENT

CAPEX COST-SAVING OPPORTUNITIES

End-to-end capital delivery process:



Organizations could be driving an additional 5% cost savings in their CAPEX spend through a more robust program roadmap/business case process.

Most industrial infrastructure projects could see approximately 4% cost savings over the entire program through a more digitally enabled value management process.

PROGRAM ROADMAP

Many companies have some form of a structured business case for securing capital program investments. Most of these documents and processes provide the required information to justify the need for the investment, and do so in a way that allows organizations to compare different investment priorities. However, many of these business cases fall short of a full strategic analysis identifying cost savings opportunities and hidden organizational costs.

For example, in working with a large global client Arcadis found that the business case/program brief fell short of identifying stakeholder friction and subsequent costs and delays. A review of past projects confirmed these costs were real and could be mitigated with an expanded and more rigorous program brief. Additionally, upon reviewing the stakeholder issues and delays Arcadis found that while some were political in nature, most were valid and produced short- and long-term value to the program.

Organizations could be driving an additional 5 percent cost savings from their CAPEX spend through a more robust program roadmap/business case process.

VALUE MANAGEMENT

One of the most exciting developments in CAPEX management is the emerging technologies surrounding design and value management. Over the past several decades, industrial clients have lagged behind larger, more complicated infrastructure projects in should-cost modeling and value engineering. This has been largely due to the nature of how industry typically implements projects, and how the financial cycle affects the funding of these projects.

However, with the rapid acceleration of technology around design visualization and the next generations of building information modeling (BIM), industry should be able to rapidly accelerate capital design processes to capture cost savings (and time savings) in a manner that allows for a more efficient deployment of capital.

Arcadis estimates that the simple use of design visualization across geographies and stakeholders could provide a 25 percent reduction in design time for the typical industrial/manufacturing capital project. Tools such as Microsoft HoloLens are currently being used to more quickly move through project stage-gates.

Most industrial infrastructure projects could see approximately 4 percent cost savings over the entire program through a more digitally enabled value management process.

SUPPLY CHAIN

On a global scale, supply chain management is a critical area where many companies could benefit from a deeper level of exploration on capital programs. Many industrial and manufacturing companies are adopting state-of-the-business supply chain programs for the products and services they offer to the market.

However, many of these clients are also attempting to drive the supply chain program internally for their own capital projects. Arcadis sees this on a global level — companies could significantly benefit from partnerships with global firms that have existing supply chain programs and are implementing these programs across multiple industrial sectors.

Alternately, companies that already have these relationships need to work better across these partnerships to ensure proper governance control and management.



A greater level of partnership among industry and CAPEX providers could lead to a savings of

2-3%

Arcadis has identified approximately 2-3 percent savings that could be unlocked through a greater level of partnership among industry and CAPEX providers. Both sides of the supply chain may need to recognize that existing and historical contracting programs may actually prevent and impede unlocking this value.

A greater level of partnership between industry and CAPEX providers could unlock total CAPEX savings of approximately 2-3 percent.

CHANGE MANAGEMENT IN CONSTRUCTION

Change management in construction may not be the most robust area to realize cost savings, but capital could be freed up by changing the construction management process.

Organizations that wait to identify cost savings until the time of construction are likely missing out on larger savings opportunities. Arcadis continues to see industrial clients locked into contracting programs that are ill-suited to recognize a broader cost-savings goal.

Similarly, technological advances that link the design process with construction management will provide opportunity for cost savings. The continued use of the next generations of BIM and design visualization will provide cost savings in terms of time to completion and reduction in construction litigation.

Change management in construction may not be the most robust area to realize cost savings, but capital could be freed up by changing the construction management process.

THE TRANSFORMATION OF CAPEX SPENDING

By following an end-to-end capital delivery process, organizations can realize greater cost savings and free up funds to reinvest elsewhere. Arcadis can partner with companies to identify opportunities to increase savings and ensure safe, sustainable operations.

GET CONTROL OVER YOUR ASSETS

One of the most common issues our clients face is gaining control over their aging infrastructure. It's hard to understand what options you have and know where to start if you don't have a complete look at your industrial facilities. We find that it's difficult to get this data from your internal teams for a variety of reasons.

Arcadis' Industrial Facility Condition Assessment (IFCA) gives you a complete look at your facility in a way that allows you to drill down into key analytics. The IFCA is backstopped by a proprietary web application which serves as the core for data collection and for pre-FEED optioneering.

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