



# 18 Indications Your SAP Capital Investment Management System Needs Upgrading

## Overview

This article lists 18 common business issues faced by managers that are drivers for an upgrade of your SAP Capital Investment (CAPEX) system. The effective allocation of limited financial resources is one of the most important responsibilities of management. Yet many executives complain that this vitally important business process is not well supported by their current IT systems.

Firstly, the annual budgeting process is painful. Managers are faced with funding requests from all directions and are consistently: classifying, fairly evaluating, and prioritizing these investment proposals. This is a stressful and often manually intensive process, invariably involving the exchange of multiple versions of spreadsheets. Through a series of stakeholder meetings and board presentations, the budget is finally approved. This annual budget is then the

responsibility of management to steward responsibly. This is where the second challenge arises: nothing ever goes exactly to plan. During the year, actual capital expenditure requests must be linked and reconciled against this approved CAPEX budget. This process is further complicated by trying to compare and prioritize competing initiatives that deliver value, all within the hard CAPEX budget constraint and in accordance with delegation of authority and procurement policies.

Thirdly, once initiatives are approved, the process of ensuring execution to budget and realization of purported benefits typically relies heavily on inefficient and high-risk manual processes.

# Category A: Get Projects Approved more Quickly

## 1. Time Value of Money

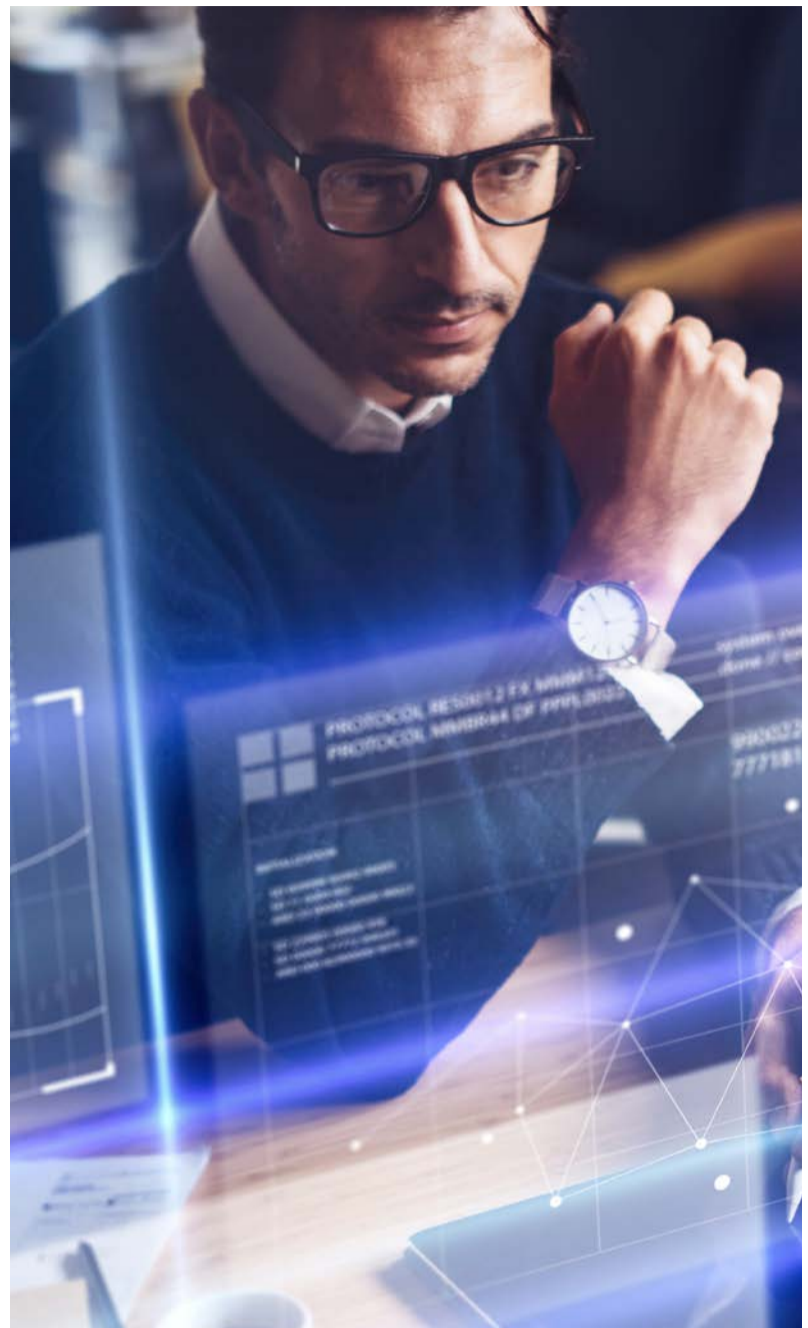
The most common frustration of all participants, at all stages of the process, is delay. But this is not only a frustration, it is a real business cost that can be calculated. Everyone who has submitted a CAPEX request understands the time value of money: \$100 today is worth more than \$100 tomorrow. Therefore, eliminating process bottlenecks and bringing forward positive NPV projects will have a quantifiable net benefit to the bottom line: by increasing sales, or reducing costs sooner. For essential asset replacement investments, the costs of delay can be catastrophic. For time-sensitive strategic initiatives, the opportunity costs can be severely career limiting.

## 2. Transparency

Many users complain about the lack of transparency of CAPEX approval processes. What is the status? Who has it now? Who needs to review it next? An effective system should provide all participants with a clear approval roadmap that is fully compliant with delegation of authority and procurement policies. This transparency is greatly valued by both requesters as well as approvers who should be able to review the previous approvals and comments. Process administrators should be relieved of the responsibility of chasing approvals and responding to status update requests. Long email chains should be replaced with conversation logs embedded in the request itself.

## 3. End-to-End Traceability

A key contributor to delays in the process is difficulty tracing an investment through its lifecycle. Most investments start as an idea, that gets budgeted (in advance, or just in-time), gets managed through execution and results in an asset being capitalized. Where the process is managed in multiple systems and manual spreadsheets and emails, reconciliation



of these initiatives is time-consuming. Managing all stages of the process in an integrated system can facilitate this unique identification of requests and help streamline the end-to-end process.

## 4. Mobility

A common factor in approval bottlenecks is the inability for key decision makers to interact with the process when out of office. It is the expectation of modern managers to be able to access and provide their approval decision from anywhere on any device. All approval decisions including; wish-list submissions, annual budget variations, individual CAPEX requests, reforecasts, and purchase orders should be accessible and actionable in one list.



## Category B: Reduce the Administrative Effort

### 5. Executive Productivity

Executive time saving and productivity is an important driver of change. When executives are reliant on administrators to print and prepare documents for signature they are required to be in the office. When executives need to request further financial and budget reconciliation data their decisions are delayed. When executives are asked to access multiple applications, with multiple credentials and navigation patterns their efficiency and productivity is constrained.

### 6. Eliminate Rekeying

Wherever a CAPEX system requires manual replication of data (for example, between Excel, SharePoint and SAP), this is an opportunity for productivity improvement. Not only just to save the direct, non-value adding, rekeying activity itself, but more importantly to eliminate error and fraud, that generates so much reconciliation and reporting activity.

### 7. Harness Skills

Highly remunerated finance team's efforts are best deployed in helping with the inherently complex task of modelling and evaluating investment initiatives. Not managing budget reconciliations in Excel. Highly remunerated technical teams are most effective when focused on core technologies, not patching failed external system integrations. Consolidating data and processes in a single system is better for both 'the business' and 'IT'.

### 8. Get it from the Source

A better CAPEX system enables all participants to interact directly with the system, and not through administrators. Everyone needs to be able to register a great idea or wish-list item. Project managers should maintain their own forecasts. Decision makers should be able to collate, compare and action requests self-sufficiently at their desk, in a meeting, or on the road.

# Category C: Enable Confident Approvals

## 9. Expert Insights

The most valuable input expressed by senior decision makers is the opinion of experts: functional leads (eg Procurement) and their trusted lieutenants. This history of approvals needs front and centre stage when requesting an executive sign-off. Where required, decision makers should be able to re-route for additional commentary or endorsement prior to finalizing their decision.

## 10. Documentation

Supporting documents including detailed business case papers, designs, quotations are vitally important to the approval decision. These documents need to be readily accessible at all stages of the CAPEX process and for many years thereafter to support post-investment reviews and audit queries. Version management and appropriate classification of documents is essential for efficient and reliable access. Emails and network file stores are poor repositories. Having supporting documents directly accessible, securely from within SAP, provides certainty of the information upon which decision makers rely.

## 11. Reliability/ Integration

Authorization For Expenditure (AFE) requests frequently refer to a budget allocation. Forecast adjustments are based on actual costs to date. Project completion relies upon up-to-date procurement status (eg existence of open purchase order amounts). In order for decision makers to have confidence in the data presented for approval, they need to be confident it comes directly from a reliable data source (and is not simply typed into a form!). Approvers also require confidence that the processing of their approvals is accurately reflected – that there are no changes to the amounts approved and that these flow automatically and accurately into the SAP master data and budgets created.



## 12. Security

High value capital expenditure is often strategic in nature, contains sensitive information and may directly impact current staff. For both commercial competitiveness and internal confidentiality, it is essential that CAPEX processes are effectively restricted to appropriately authorized individuals only. These authorization roles and responsibilities are reflected in an organization's SAP authorization profiles, and an improved CAPEX solution will leverage these authorizations directly without the need for replication of authorization concepts.

## 13. Compliance

A critical objective is to ensure that executives can make more confident investment decisions with a high degree of demonstrable probity and policy compliance. For many organizations Sarbanes-Oxley Act (SOX) compliance is mandatory. Both internal and external auditors require an approval audit trail to validate delegation of authority policy compliance and they need to be able to access event log data to verify controls are effective, documents are approved and unaltered, and access is properly restricted. Particularly now, in a time of remote working, digital processes must ensure the integrity of digital signatures and the confidentiality of critical business initiatives.



**The effective allocation of limited financial resources is one of the most important responsibilities of management.**



## Category D: Make the Right Choices

### 14. Completeness

Keeping track of all requests and ensuring that the information contained within each is complete, are two of the most challenging aspects of informal documentation and email-based CAPEX systems. Often these rely on a manual request logging register and many iterations of submission. A more effective CAPEX solution will automatically assign tracking numbers to all requests from their earliest beginning (ie a great idea) to the very end (ie creation of Fixed Assets). The completeness of each request should be controlled by a dynamic digital form, that starts simply but then automatically expands to capture mandatory data based on the inherent value and risk of each request.

### 15. Portfolio Management

Most key CAPEX related decisions are not simple yes/no choices. Rather they comprise of a ranking and prioritization based urgency, impact, and risk constrained by human and financial resource capacity. Effective comparison requires

consistent classifications and metrics to be applied to all requests. The decision interface should present the proposed portfolio of requests and allow both individuals and committee ranking to be applied, ensuring that the optimal investment portfolio is adopted. Reliable data, and then applying appropriate weighting and ranking of key indicators, are core to optimizing the investment program and maximizing the return on investment at minimal risk.

### 16. Strategic Alignment

Many legacy CAPEX processes focus on a particular project or investment without explicit alignment to corporate strategy. As your capital investments are your most valuable and long-lasting decisions, it is imperative that your requests are clearly aligned to strategic imperatives to assist with the prioritization of scarce capital and resources. If your current CAPEX forms and processes do not integrate corporate strategy, you need to change the system.

### 17. Benefits Realization

The objective of all capital expenditure is to make a difference to the future. However, many systems for tracking investment outcomes are un-structured and manual. Better CAPEX solutions provide a structured process of collecting the anticipated incremental revenue or cost savings, and factor that into future forecasts and comparisons. The actual results can be quantifiably analyzed and evaluated with respect to the expected outcomes, and mitigating actions taken if required.



## 18. Learning

The best systems have built-in improvement processes. If your CAPEX system is not helping with continuous improvement, you are likely to continue to get the same results. With CAPEX processes, the Post Investment Review is the opportunity to learn and improve the assumptions, approval processes, classifications, risk assessment or any other aspect of the process that resulted in a sub-optimal outcome. This process should be automatically triggered and systematically managed to ensure the organization gains from this vital learning.



## Conclusion

Effective performance of a manager's core responsibility of wisely investing an organization's resources requires an accessible, effective, and integrated CAPEX management IT solution. If your CAPEX management system could do with an upgrade, the return on investment can be huge.



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