

## Navigating Uncertainty: A Capital Program Playbook

Unprecedented. Unthinkable. Uncertain. Over the last few months we've seen the use of these "un" words along with many others to describe the unheard-of situation we find ourselves in.

First and foremost, taking care of each other is the number one priority. But, quickly, our attention turns to business and for those of us engaged with utilities, we see an immediate shock to the capital program plan. In short, revenue ambiguity is creating a state-of-flux with current, and future, spending plans. As Gary King, chief workforce officer for the Sacramento Municipal Utility District put it "There is no existing playbook that we have to reference to give us direction to move through this crisis."

But what if there were such a high-level playbook? Or, at least, a means by which these capital-intensive entities could quickly reorient, refocus and reprioritize both complex, lengthy capital programs and shorter-term, routine programs (like maintenance) with data-driven accuracy instead of, potentially, fear-inspired decisions. Slashing budgets and programs by a standard 20, 30 or 50 percent certainly is a quick way to approach the situation but is it the best option?

The short answer is no. Companies running myriad programs now have the ability to manage them like never before. With the right software solution in place planners and analysts can rapidly model competing priorities, demands and constraints and then evaluate and clearly present optimal scenarios to executives for budget, timeline, resource reallocation or other changes. No longer do we have to "roll the dice" or undertake questionable ("pet projects", anyone?) initiatives to ascertain which projects should be put on hold, cut or shelved.

We see 5 areas where capital improvement planning software can enable stressed out decisionmakers to make confident choices in an ever-evolving environment of uncertainty.

- 1. Enhance Modeling Capabilities** – Understanding cause and effect presents a challenge for planning and executing programs. But, it's the inflexible, disconnected financial systems and reams of standalone spreadsheets, that challenge them most. Manually modeling the various drivers and their varying degrees of cascading impacts is daunting, especially in this rapidly changing environment. Without the right solution to easily model cause and effect, for a rapid refocus, decisions are all too often made on gut feel and outdated or erroneous data.

2. **Increase Interdependence Visibility** – The effectiveness of most projects and investments is dependent on the successful completion of *other* projects or investments. The logical interdependencies among investments or projects need to be tracked and accurately reflected. The downside – higher risks, increased costs – is when interdependencies are missing in budget models, and decisions get made as if projects and investments are completely autonomous and independent.
3. **Reduce Archaic Manual Processes** – We can't rely forever on a few heroic employees with years of institutional knowledge so using spreadsheets and other manual techniques for planning is no longer viable. That's why the most conscientious planners and analysts look to automate, via software, the existing archaic, manual, repetitive and mistake-laden process.
4. **Ask More Questions** – “What if?” Now more than ever this is a question all decisionmakers should be asking in order to evaluate multiple scenarios and their impacts on costs, risks, goals, and objectives. Without these scenario comparisons refocusing is near impossible; how would someone objectively demonstrate that the optimal scenario is being recommended—the one most aligned with objectives and constraints—while reducing uncertainty and increasing confidence of business decisions?
5. **Collaborate Consistently** – One of the softer planning skills – e.g., beyond analysis and scenario modeling – is the ability to collaborate. With restrictions in place and other constraints this has become a challenge for organizations unaccustomed to remote working. Capital planning software immediately solves this problem by enabling access to and collaboration with key information. Being engaged and empowered early-on and throughout the process, an organization can speed its way to the best business outcomes.

Today we face greater ambiguity in general but, in particular, our businesses need to adapt to and thrive in an environment that is only going to grow more complex and uncertain. We may not have had a playbook to turn to in the last few weeks, but we can certainly start to build one quickly as we move through this environment. And, regardless of the future challenges we'll be prepared to react with certainty and greater confidence when faced with another daunting challenge.