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Three *questions* to ask... when you're up against the 'Capital Monster'

You're successfully squeezing costs out of many parts of your business operations, yet still struggling to develop and execute capital spending within two percent of your plan. You're up against the capital monster.

If this sounds familiar, you're in good company. On average, Forbes 1000 companies miss their capital plan targets for office real estate alone by $12.2 billion annually[1]. Where do capital plans go wrong?

Here are three questions you should be asking in capital planning to promote long-term growth for your organization.

1 Are we starting with reliable, relevant data?

Developing a plan based on poor inputs is a common pitfall. Inaccurate, outdated or irrelevant facts prevent proper forecasting and make a poor foundation for strategic decision-making. How does this happen?

If the plan is too narrowly focused (i.e., at a facility rather than portfolio level), there may be a lack of alignment between the plan builders and the overall organization. Alternately, projects in the plan may be prioritized due to politics and personal relationships rather than predicted growth potential.

In order to hit capital spending targets, a capital plan must be based on the most accurate, relevant, and objective data that reflects broader strategic priorities.

2 Is our plan transparent and flexible?

Most companies build inflexible capital plans that cannot adapt as business strategy or the operating environment evolves. In today's rapidly evolving global business landscape, this is a big problem.

Without visibility to compare progress to the plan or the flexibility to adapt after critical business decisions are made, reallocation of resources is often not an option. Worse yet, money continues to be channeled in the wrong direction.

Like any good plan, the way capital is managed must remain fluid and transparent so that teams and stakeholders can ensure that timelines will be met and strategic plans are still aligned.

3 Are there gaps in the plan's delivery and governance?

It's common that the team that develops the plan doesn't own the resources to deliver. This organizational misalignment makes it tough to adjust or make decisions, especially when roles and accountability are not well defined.

A capital budget can also quickly get out of hand when managed in a reactive, piecemeal fashion. Often delivery teams must deal with the loudest stakeholders and solve urgent issues. As a result, deferred maintenance can squeeze out growth-oriented capital spending.

Managing the plan in a holistic, proactive way with centralized oversight is key to avoiding these gaps in delivery and governance.

JLL's answers to questions on capital planning

Your capital plan can and should generate the most benefit for your organization and enable you to attain your goals, including growth. Asking the right questions can help companies become aware of the inefficiencies in their process, and take the first step toward finding the best ways to correct them.

[1] JLL Research