

CAPEX OPTIMIZATION IS A STRATEGIC IMPERATIVE



The optimization of long-term investments has become a critical topic on the management agenda. What are the reasons for this development?

Today, various forces are influencing companies' investment processes. On the one hand, there is the difficult political and economic framework and the relocation decisions that companies are faced with. At the same time, the energy transformation must be mastered. And last but not least, new approaches are emerging to fundamentally improve industrial value creation – through new production processes, automation, and digitalization. All of this requires massive investment. The urgent need for investment is growing immensely, but there is not enough money – or time. This is a paradigm shift that cannot be managed with conventional instruments and perspectives.

What new perspective is needed?

On the one hand, it's a matter of dealing with CapEx as a manageable dimension in the first place and not just focusing on operating costs and operational processes, which has often been the case in recent years. On the other hand, it's not just about costs; it's also about time. Time is becoming an increasingly critical dimension in investments, a resource that is just as scarce as money. There is – especially in transformation phases – fierce competition for delivery capability and time-to-market. For many companies, CapEx is not primarily about costs. The focus is increasingly on the question of how quickly CapEx begins to take effect, as this can have a major impact on success and competitiveness.

This is very challenging – because complex investment projects are very often characterized by the fact, that they massively miss their time and budget targets.

Yes, but this situation is not God-given. We can no longer afford such projects in the future. CapEx optimization is a strategic imperative. Long-term investments are urgently needed today to meet rapidly growing demand, manage transformation processes, and secure a strong position in new markets. CapEx projects must, therefore, be reliable, predictable, and highly efficient in the future. This is achieved through short ramp-up phases and avoiding failures, interruptions, or bad investments. Companies are often unaware of the extent to which CapEx can be influenced. Delays in completion, cost explosions, delayed commissioning and operational interruptions are often considered invariants. They are not. There are very effective approaches to optimize CapEx, and not only the project management around it, because you are only scratching the surface.



INTERVIEW
WITH LUCA LECCHI,
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What are the most common mistakes and the most important levers?

The example of automation initiatives is a good illustration of this. In some cases, robots are used in areas where they do not really add any value. Or the company lacks the knowledge and capacity to maintain them professionally and proactively, to organize effective networking or to plan smooth spare parts logistics. There is a lack of comparative values and models for calculating the appropriate level of

automation for specific industries, regions, or products. It is also necessary to consider which regulations need to be observed and the quantities of resources and energy required.

These are questions that require comprehensive experience and extensive know-how in the field; this cannot be replaced by higher-level frameworks. In addition to this technical and procedural dimension, it is also important to build a bridge to the company's business plan and strategy and to develop valid scenarios: Which markets are to be supplied? What is the overall cost perspective? What volumes can be produced over the life cycle of the product? What kind of flexibility and modularity must be guaranteed in manufacturing?

The challenge often lies in integrating these two dimensions and in mastering the complexity and long-term nature of CapEx projects. You have to go all the way to the point where the investments are running – at the right cost, in the right quality, at the right speed and with a clear view to free up scarce liquidity. This is the approach that EFESO takes with CapEx projects.