

Capital Expenditure Project Services (CAPEX)

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For many companies capital expenditure projects (CAPEX) are undertaken infrequently. Really large projects occur even less often. As such it is a challenge to develop the internal procurement skills and experience necessary to support the projects, leading to less than ideal results.

- Suppliers of capital equipment and services regularly engage in such projects thus putting the buyer on unequal footing.
- The disparity in experience between buyer and seller occurs in many sourcing situations but simply because of the relatively low level of activity it is more acute in capex.

When is the best time to involve sourcing professionals in a capital project?

At the very beginning and throughout!

Having professional sourcing on the team will add value and help avoid risk at every stage of the project

Benefits by Stage

Budget & Planning

- Manage initial contact with potential suppliers while obtaining budget estimates to maintain competitive environment and obtain the best input without undermining negotiation position or inadvertently create advantage for a particular supplier.

Supplier/Provider Qualification & RFP

- Lead drafting and distribution of the RFP documents to assure that complete scope and specifications along with commercial and contractual requirements are included.
- Act as single point of contact for bidders during response period to assure consistency and fairness in answers.

Bid Analysis and Negotiations

- Organize RFP responses in a fashion that clearly compares responses on the agreed-to key elements of value.
- Lead analysis with operations on the value differences.
- Provide Operations with unpriced versions of bid responses to ensure evaluation is unbiased by price.
- Once evaluation is complete, include the commercial elements so that the benefits/cost formula can be assessed.

Contract Terms and Execution

- Lead negotiations with assigned roles for operations, finance, legal etc.
- Insure that sourcing has the opportunity to be aggressive in seeking best value without damaging relationship between the Supplier and operations.
- During the delivery period and construction phase insure that Sourcing plays an important role in keeping tabs on progress and expediting.

Post Completion

- Negotiate mechanical and performance warranty issues and maintain information for future projects.



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Risk Free Cost Reductions

Involving experienced procurement professionals early in a capital expenditure project, working with operations and engineering, can assure a higher value return (ROI) through improvement in schedule, cost, scope, parts, services, contract terms, working capital, warranty, performance guarantees etc.

The sourcing of all goods, equipment and services should be done in a manner that optimizes the total value received. Effective execution of capital projects including procurement of equipment and services is an important and significant contributor to the success of the project and overall organization.

Paladin Associates can engage directly in a lead role and/or provide services to support the organization in defining the policies, procedures, roles and responsibilities that will provide a framework for best practice and best value utilization of capital funds.

Paladin Associates Inc., a Sourcing Cost Reduction firm, offers strategic sourcing expertise for multiple commodities to secure “fast track” quantifiable savings and long term cost reduction programs.

We can help you with technology implementations such as spend analysis and eSourcing as well as sourcing process improvements, skill training and staff development while delivering bottom line savings with a guaranteed ROI. For more complete information, visit:

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