



Perspective

## Deloitte Flash for Construction

Unlocking value through Asset Lifecycle Management

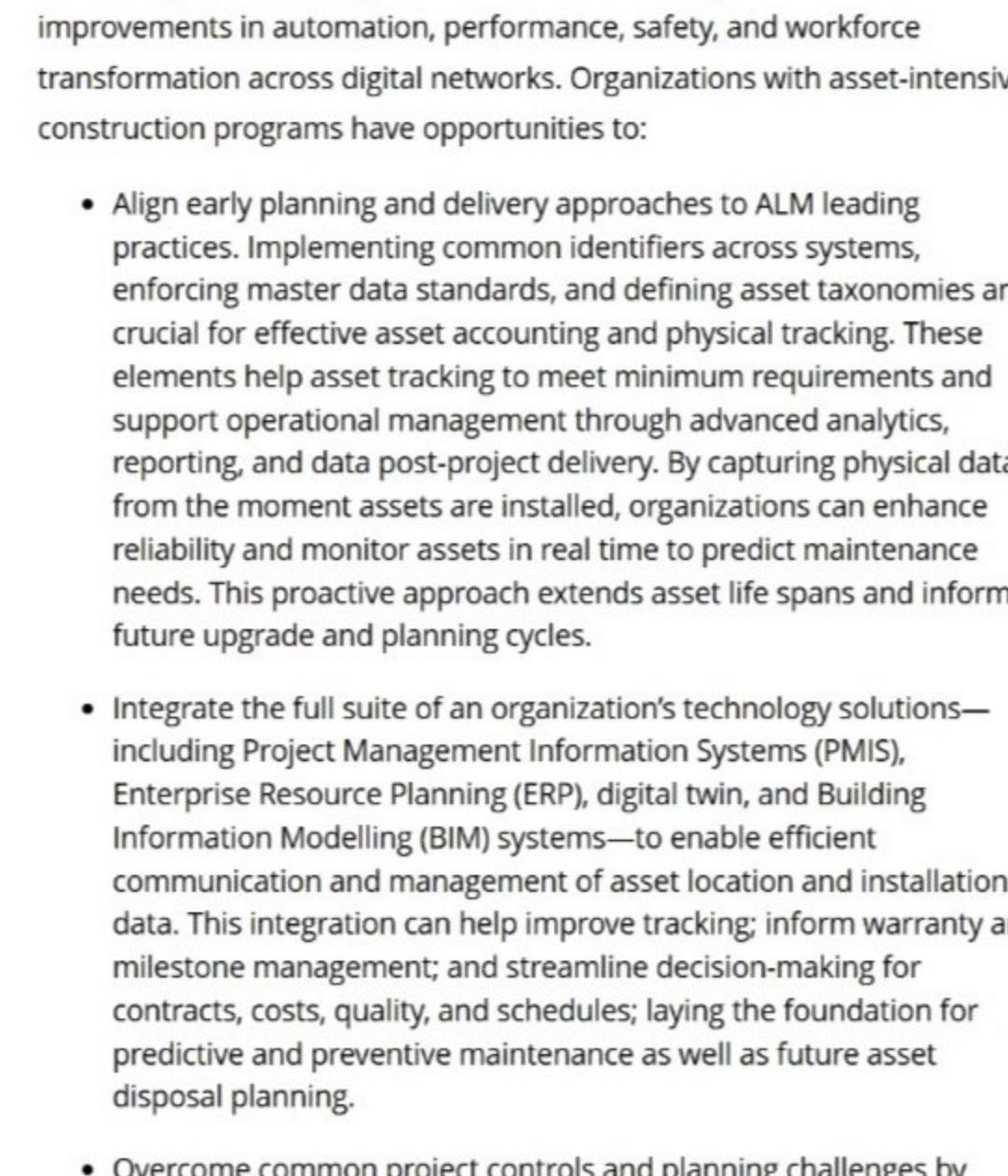
Welcome to the *Deloitte Flash for Construction*—a quick read from Deloitte designed to provide you with insights into today's business issues related to construction. Our current Flash highlights **strategies that integrate asset life cycle management with capital project planning and delivery**.

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### THE ISSUE:

Effective asset lifecycle management (ALM)—the coordinated strategy for acquiring, operating, and retiring assets—is essential for maximizing the long-term value of capital projects. Facility equipment and operational assets are procured during the construction phase of capital projects; yet, many organizations struggle to integrate their operations, fixed asset accounting, and finance teams into ALM considerations during project strategy, controls, and delivery planning.

In today's era of digital construction and smart infrastructure, project success is measured not only by the completion of construction activities but also by how effectively the project supports long-term business objectives, including capturing and leveraging the wealth of data generated through project planning and execution. Even after the construction phase, effective asset management strategies can deliver ongoing benefits across the entire organization, positively influencing engineering, finance, accounting, and operations throughout the asset's life cycle. Organizations that proactively integrate ALM leading practices into their capital project planning processes better position themselves for physical and financial tracking, asset reuse, effective warranty management, and forecasting asset replacement needs. This approach can result in operational expenditure (OPEX) savings of 10 to 15 percent and capital expenditure (CAPEX) savings of five to eight percent.<sup>1</sup>



### INSIGHTS:

Advanced analytic capabilities enable generative AI (GenAI) by providing the necessary data insights and patterns that GenAI uses to create compelling and accurate narratives. These capabilities are designed to ensure that the data fed is clean, relevant, and comprehensive, allowing for more precise and impactful storytelling and reduced time spent reviewing and honing GenAI outputs. To build on the benefits of integrated planning and mitigate future risks, organizations should recognize that current projects shape tomorrow's asset portfolio—including essential tools, equipment, and technology—which requires well-defined plans for project controls, asset accounting, physical asset tracking, operational management, and facility management. Without this information, organizations can face significant post-project challenges, including inaccurate asset records, inefficient asset utilization (such as delayed maintenance or increased downtime), difficulties with depreciation and valuation, and increased regulatory and compliance risks.

A comprehensive approach to ALM requires more than just technology; it calls for the alignment of people, processes, systems, and data. Deloitte's Connected Everything solution emphasizes a human-centered approach, enhancing human intelligence with machine intelligence to drive improvements in automation, performance, safety, and workforce transformation across digital networks. Organizations with asset-intensive construction programs have opportunities to:

- Align early planning and delivery approaches to ALM leading practices. Implementing common identifiers across systems, enforcing master data standards, and defining asset taxonomies are crucial for effective asset accounting and physical tracking. These elements help asset tracking to meet minimum requirements and support operational management through advanced analytics, reporting, and data post-project delivery. By capturing physical data from the moment assets are installed, organizations can enhance reliability and monitor assets in real time to predict maintenance needs. This proactive approach extends asset life spans and informs future upgrade and planning cycles.

- Integrate the full suite of an organization's technology solutions—including Project Management Information Systems (PMIS), Enterprise Resource Planning (ERP), digital twin, and Building Information Modelling (BIM) systems—to enable efficient communication and management of asset location and installation data. This integration can help improve tracking, inform warranty and milestone management, and streamline decision-making for contracts, costs, quality, and schedules, laying the foundation for predictive and preventive maintenance as well as future asset disposal planning.

- Overcome common project controls and planning challenges by standardizing processes, implementing decision trees for CAPEX eligibility, and providing standardized submission templates. These improvements enhance cost tracking and enable proper monitoring of the total cost of ownership (TCO) from budget through to actuals.

- Transform facilities and equipment management by standardizing master data and enforcing asset-led practices that enable space optimization, continuous monitoring, condition-based maintenance, and resource allocation.



For more information, please contact one of our leaders. We look forward to assisting you in your ALM journey.

<sup>1</sup> Ian Wright et al. "Connected Asset Lifecycle Management," Deloitte Development, 2018.

<sup>2</sup> Paul Chilli et al. "Connected Everything: Asset Lifecycle Management," Deloitte Transactions

and Business Analytics LLP, February 2023.

