

PROJECT MANAGEMENT



BASIC FIVE – THE ESSENTIALS OF SURVIVAL IN PROJECT MANAGEMENT

I was watching Ray Mears, the survival specialist, on television recently as he identified the five basic questions that need to be answered to survive in the bush: how to create fire, catch fish, kill meat, pick berries and source water. And as I watched him not only surviving but

flourishing in a harsh environment I realised that there are also five basic questions applicable to survival in our world; the world of the commercial manager aiming to deliver a successful project being on time and to budget.

These five basic questions that need to be answered in order to deliver a project on time and to budget are what could be termed the commercial 'Basic Five'. The questions that must be answered in full in order for any project to be successful are:

- 1 What is the scope of work and the budget for it?
- 2 What are the contract terms that govern the delivery of the scope of work?
- 3 What is the programme for delivering the works?
- 4 What are the risks associated with successfully delivering the works, who bears the risks contractually and who manages the risks?
- 5 What is the contract sum, how was it arrived at through the tender process and how does one measure the progress in expending the contract sum against the budget whilst covering the costs and maintaining or improving the margin?

On almost every project that goes wrong, one or more of the Basic Five questions are simply not addressed. The scope of work is often ill defined and consequently the budget and programme incorrectly assessed. Often the contract is inappropriately drafted, missing, set up incorrectly or administered badly. Risks if they are considered at all are treated as a cerebral challenge, statistically balanced but

without the hard commercial, engineering and project management challenge that ensures a realistic risk assessment that is both a management tool and contractually based. The contract sum ends up being a target for adjustment through strong and sometimes sharp commercial practice by both the Client and the Contractor. The forgoing are the major drivers that lead to confrontational attitudes and a claims environment on many unsuccessful projects.

Theorists and politicians say behavioural issues are the solution to ensure a successful project and the number of behaviourally based contract forms attest to this. Good behaviour is to be welcomed in the construction industry but it plays second fiddle to the commercial success of a project.

Constructive friction and proper challenge can be as effective at improving communication that leads to successful outcomes. Although behaviour is a factor in the success of a project, it is not usually a fundamental one. The exception to this is where time is the major driver and cost is relatively irrelevant such as constructing an oil refinery where the payback period is short and each days delay has a significant loss of revenue impact that far outweighs the costs.

Often delivery teams have good communication and a positive behavioural ethos but the project has failed because the contracts are ambiguous in key areas, or the project has been managed on a budget basis rather than a contract sum basis.

Answering the Basic Five questions provides the framework for commercial success and is a common trait in successful projects.

So why aren't the Basic Five questions addressed at the right time?

Because:

- Poor or incomplete scope/poor budget forecasting
- Poor contract drafting
- Lack of programming/risk tools and experienced personnel
- Loss of tender knowledge due to poor processes and loss of personnel
- Lack of competency/experience in post contract commercial management
- Poor and inaccurate internal reporting

More general factors include:

- Lack of time
- Lack of practical expertise/training
- Lack of budget
- Poor/inexperienced management
- Lack of application

Of course there are a number of other areas that could influence the outcome of a project and a commercial manager should be aware of them. They fall outside the Basic Five. Knowledge of such things as applications, certificates, key performance indicators, incentives, insurances, parent company guarantees, bonds, defects, insolvency, internal reporting, processes and procedures, and if there

are likely to be any antiquities or unexploded bombs on site, to name but a few. The list is almost endless. Experience of these issues tends to develop as the years go by until eventually a cynical commercial manager emerges chrysalis-like with grey hair and a saggy jowl as proof of his knowledge.

Whilst this level of experience takes years a short cut to survival and success is to concentrate on answering the Basic Five questions.

Whether providing support to employers or contractors it is the aim of IS Consulting (ISC) to approach each project in an objective and professional manner and ensure that the project has a chance of commercial success and the Basic Five questions form the basis for a commercially successful project.

This article as written by Ian Skinner, Managing Director of IS Consulting. It first appeared in the ICES magazine in June 2007.