

Do you have the requisite tools?

In the first of three articles on project controls, Nick Curran outlines the reasons why cost managers aren't given the correct tools to manage cost and time

We are all taught that time, cost and quality are the three elements in judging the success of a construction project. Two of these, cost and time, are also essential in the measurement and forecasting of project performance. It is reasonable, therefore, to assume that the identification and implementation of appropriate, effective project controls to measure these basics is crucial to the successful delivery of any construction project. Yet in many cases, construction companies do not take enough care in the selection and implementation of the methods they use to track and compare time and cost.

The reason for using the word 'appropriate' in the opening paragraph is that some projects require more complex project controls than others; simple projects can be managed on the back of a proverbial fag packet, while projects such as Heathrow Terminal 5 are being managed through a seven-tier hierarchy of projects, sub-projects, work packages and control activities.

Great expectations

With the management of cost and time, the problem is that we just do not give our project quantity surveyors, commercial managers and project managers the tools to do this effectively; estimated costs are produced in one format, time information in another and actual cost information in another format altogether. They are then expected to provide monthly cost/value reconciliations and project profitability forecasts for the next quarter, financial year end and project life, plus related cash-flow forecasts.

Adequate methods or systems are not used within the construction industry to bring cost, value and time together; it is like 'comparing apples with oranges with pears'.

However, it isn't just the methods or systems in place that cause problems, it is their implementation and the education of users. Many construction companies are tightly governed by corporate (IT or other) policies and expect IT to miraculously produce the information they require.

A simple life?

The root of this issue goes back many years and relates to the evolution of IT systems to manage construction. Once upon a time, everything that has been described above was performed manually using armies of assistants or 'compers' who number crunched data in abstract sheets before IT systems were introduced to gain efficiencies and remove the 'armies'. However, accounting software was developed to make the life of the accountant simpler, estimating software to make the life of the estimator simpler, planners and buyers the same, all with



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little consideration of the others involved in the process and certainly with no understanding of what would be required to pull everything back together to produce a cost value reconciliation.

Many try, and ultimately fail, to bring estimated cost, actual cost and time together by retrospectively re-analysing cost data in spreadsheets or hastily developed databases against the elemental analysis. Others try to recalculate 'value' against the corporate cost heads. Some don't even try at all. The result is that projects are not accurately reconciled or forecast and consolidated company results and forecasts must therefore be viewed with a degree of scepticism.

We need common levels at which to collect cost and value together with robust systems and business processes to capture and allocate these costs as they are incurred and to produce, track and manage estimates and budgets. Only then will there be a solid basis for managing project performance on our construction projects, reducing the risk of another Wembley and the horrors that are uncovered when due diligence is performed during a takeover or merger.

The next article in this series will look in detail at how effective controls can be achieved and a model of how projects controls should be implemented.

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