

# Best Practices Add Strategic Value

## *Comprehensive design + construction strategy also enhanced*

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As the time clock ticks over the course of a construction project, material costs are likely to spike. This has certainly been the case over the past five years, according to Los Angeles-based Laydoms, a construction cost analysis firm, which has tracked increases as 66% across the United States over the past five years. The McGraw Hill Commercial

Construction Cost Indices echo these statistics.

Project owners are searching for additional ways to control costs and keep project pro forma statements in the black while complying with new codes and regulations, including those involved in the \$60 billion in building renovations projected for 2007.

### THREE FREQUENTLY ASKED QUESTIONS

As an active owner's representative and design + construction project manager, Irvine Team is often asked about the single most important thing to ensure a successful project outcome. Whether a new project or a building renovation, this is one of the most vital questions most owners' and executives will face.

Irvine Team's answer is consistently the same: The project strategy phase is the key to a successful project outcome. And owners, project managers, architects and engineers share the responsibility of managing, designing and constructing peak-operating projects. The second question asked frequently is whether a project a project manager is really needed. History has taught us that if an organization has the in-house experience, resources and capabilities to manage the process, a third-party project manager may not be required. What is required, however, is a comprehensive design + construction project strategy.

Our second answer leads to the third question: What is a design + construction strategy? From a macro perspective, a comprehensive design + construction strategy is a high-level, objectives-driven plan that encompasses best practices for executing a time-tested process that delivers predictable results.

The importance of proper planning for a design + construction project cannot be overstated. In fact, most project failures can be traced to the lack of a full-scope project planning process, encompassing the design + construction strategy.

### FIRST-PHASE DELIVERABLES

Kicking off the first project phase are three primary deliverables: in the project strategy phase that you should always remember:

- The project's definition (the program, goals and objectives)
- The Work Plan (the process)
- The Project Management Procedures (the best practices)

### *Allocation of Joint Costs*

The project definition is the primary deliverable from the strategy phase and describes all aspects of the project at a very high level. Once approved by all relevant stakeholders, it becomes the basis for the work performed and should include:

- Project Overview
- Objectives
- Scope
- Assumptions and risks
- Approach
- Organizational structure
- Signature and approval process
- Initial effort, cost and duration estimates

There is a tendency for project stakeholders to short change the first step of the design + construction process, with emphasis oftentimes placed on architectural drawings. In doing so, the cart is placed before the horse, so to speak, by failing to identify project goals and objectives. Additionally, it does not allow for properly planning that results in reduced costs, duration and enhanced quality over the life of the project.

### ***Project Work Plan***

After the project definition has been prepared, the work plan is created to provide step-by-step instructions for procuring resources, executing objectives, identifying project deliverables, managing and documenting the project process throughout construction and move-in, and identifying the sequence of events and milestones important to stakeholders.

The detailed work plan — assigned resources, a project timeline and detailed cost estimates — must address the specific needs as defined in the project definition's scope, goals and objectives, cost, duration, organization and approach. This plan should be comprehensive and address all aspects of the project, including design, construction, commissioning, owner move-in, operations and warranty of the building.

### ***Project Best Practices***

The project work plan relies heavily on best practices for developing a work (new word) breakdown diagram, critical path activity schedule with clearly defined deliverable milestones and a well-detailed comprehensive project cost plan. High-level activities may be vague at the beginning of the planning process, highlighting the value role best practices play during the strategy phase. The establishment over time of best practices, rooted in successful execution and lessons learned on historical projects, provides strategic guidance for managing issues, changes in scope, risk, quality, communications and other project components. Importantly, best practices arms team members and stakeholders with a common understanding and framework for managing a project rigorously and proactively. Best practices also

In a nutshell, predictable project tested procedures are the basis of best practices and serve to manage and control a project by drawing upon experience, a proven process and owner-centric management tools and systems. And in theory, by agreeing on the project definition through the strategy phase and having best practices in place, the only challenge remaining is to execute the plans correctly.

## **A CLOSER LOOK AT THE PROJECT MANAGER**

Further addressing the question about whether a third-party project manager is needed, many owners have some level of in-house expertise in managing design + construction projects. In most cases, however, it is limited to a human resource contact. As a result, these owners generally elect to outsource design + construction project management support services for multiple or large complex projects to ensure that management needs are met. Others outsource as a means of developing their own in-house design + construction management capabilities.

By retaining an outside professional design + construction management firm, companies can train their staff to identify key processes and procedures and best practices that can be applied to future projects.

The challenge to most owners is having the rigor and discipline to apply project management skills correctly and proactively throughout each phase of the design + construction process. In most cases, owners or stakeholders may not have the time or experience to manage the extensive and minute details associated with a project. From an efficiency perspective, managing the extensive day-to-day activities of a construction project internally may not be the most time- or cost-efficient use of resources.

## **SELECTING A DESIGN + CONSTRUCTION MANAGEMENT FIRM**

When selecting a design + construction management firm, a company should look at:

- Relevant experience
- A proven process-driven approach
- Good communication skills
- Established best practices and procedures
- The team members who will work on the project

Unfortunately, many owners are unaware of the pitfalls they will encounter throughout the design + construction process and do not always consider experience with the weight it deserves. According to studies conducted by (organization), most commercial building projects exceed their original budgets, schedules or both by as much as 15 percent. On a \$20 million project, that overrun equates to \$3 million. To protect against such overruns, it has become industry standard to include a contingency, knowing or expecting that it will be used to cover errors or omissions caused by poor planning,

negligent processes or unforeseen conditions associated with a lack of experience.

Owners that assemble a solid team of experienced, qualified professionals and take the time to identify, communicate and follow a comprehensive project strategy from the very beginning of a project's inception have a much greater chance of successfully completing the project on time and on budget.

Because no building project ever proceeds entirely as planned — there are just too many variables for it to do so — a risk management process must be identified in the strategy phase and is best executed by an experienced team that can proactively predict and act on such challenges.

With a carefully selected professional design + construction manager on your side, the entire process is managed on your behalf, and your company becomes the beneficiary of experience, procedures and best practices designed to reach your specific goals and objectives. Your project will also be enhanced by the project manager's strengths in:

- Relevant experience
- Quality Management
- Communications Management
- Schedule Management
- Risk management
- Issues Management
- Scope Management
- Cost Management

#### A CUSTOMER-CENTRIC, MISSION-FOCUSED PROCESS

A comprehensive "Best Practices Process," together with an experienced design + construction manager, ensures that you are guided through each phase of a design + construction program successfully with a customer-centric, mission-focused approach.

Drawing upon time-proven best practices, the design + construction manager can proactively identify signs of possible opportunities or problematic issues, including:

- A gap in communication between the architect and contractor can lead to a misunderstanding about the project scope and cost definitions.
- A variance in the schedule or budget, incorrectly believed to be absorbed by the project owner, not the contractor or architect, has the potential to snowball. These variances often happen early in the project and there is a tendency to think they can be made up when, in fact, they are really warning signs. When variances are not addressed and corrected immediately, the project may experience an increase in cost, a delay in completion and a reduction in quality.

■ Activities you may think are complete may still be in the works. Using construction documents as an example, a project owner may believe that the documents are 100 percent completed when, in fact, they are only 80% completed or coordinated. The impact to the bottom line is an increase in time, money or both tied to change orders.

■ During the building process, a contractor may begin to work overtime to keep up with scheduled activities. Despite the positive first impression this may make, unscheduled overtime or out-of-sequence work can be a red flag that the contractor and project is behind schedule.

■ If the deliverable and service quality of either the architect or contractor begins to Decline, this is often a direct result of falling behind schedule and having to work faster to get more done.

Project owners who have experienced situations similar to these already understand the role experience has in recognizing problems and having proven best practices in place to manage risks.

For anyone embarking on a project, whether new construction or a renovation, it is imperative to secure the most qualified design + construction resources who bring a history of time-proven best practices and rigorous discipline that deliver predictable results.

#### CLOSING THOUGHTS

No one likes surprises, particularly those associated with time, cost and quality. These pitfalls can most effectively be avoided through comprehensive, strategic planning spearheaded by an experienced design + construction team that will execute your plan with confidence and predictability.

Reflecting the value of meticulous planning, best practices and a comprehensive strategy, Irvine Team has surpassed the national average by completing \$1 billion in commercial design + construction projects on time, on budget and oftentimes under budget. To the benefit of stakeholders, this has allowed owners to build more value into their projects by increasing their project scopes.

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