

Straight Talk – Project Development

Part 5

Listen 

click on/off

WELCOME TO MY NIGHTMARE

READ TIME: 7min

I want to take a minute and bring first-time readers up to speed on what has been discussed and perhaps provide a little reinforcement for everyone else. I named this series 'Straight Talk' because I don't have my hand in your pocket trying to sell you, sway you, or influence you to my benefit. I'm hoping you can take some of my experience and apply it to make your next project more successful.

The flaws in human nature run rampant in the construction industry. No matter how much you want to believe that you and your team are friends and friends don't take advantage of friends, after the contract

is signed there is too much money on the line to keep all parties from moving to their advantage point. This creates distrust and disputes, resulting in project delay and overruns. Therefore, selecting the right team, the correct delivery and contract methods, and paying very close attention to contract provisions becomes very important.

There are a few running themes throughout previous articles that I want to reinforce right up front:

- Picking the right team
- Scope is king
- Cost is the least important aspect



By Paul Davis, NineDots LLC



Yes, this month's title is from the Alice Cooper song of the same name. For those who are serial industry participants, the lyrics will make sense.

*Welcome to my nightmare
I think you're gonna like it
I think you're gonna feel you belong*

*We sweat and laugh and scream here
'Cause life is just a dream here
You know inside you feel right at home here*

Reintroducing myself

A little about me for those who dived right in without reading my bio. I spent forty years in the Architectural/Engineering/Construction (AEC) industry. In that time, I engaged in nearly every aspect of construction as a designer; a contractor, subcontractor, and supplier; an estimator, scheduler, and superintendent. I am a lawyer, a university professor, a construction manager, an owner's representative, and a developer's consultant.

My personality is bent on solving problems and large complex construction has well fed my appetite. The last fifteen years of my career were spent being dropped into projects that had gone off the rails and working as an expert witness. As a past partner commented, "Paul is our BGOCE (pronounced 'b-goise') Executive." In my tenure as the 'Break Glass Only in Case of Emergency' executive, I witnessed all the ways to wreck a project and the repeated mistakes stakeholders make. I began this series in the hope of guiding you not to follow the path of so many in the industry.

Part 1 – Selecting the right team

What I learned is that construction projects are a three-legged stool standing on the owner, design team, and construction team. Each leg must stand strong on its own to support the project or risk collapsing. The strength comes from each leg performing its duties effectively. The owner provides vision and leadership, the designer protects the project and provides direction, and the constructor executes and

In my tenure as the 'Break Glass Only in Case of Emergency' executive, I witnessed all the ways to wreck a project...

mitigates risk. Mixing these responsibilities under dual principalities spells disaster.

Owner

Most owners need to take a hard look at what role they actually want to play in the project. Do they want to be an investor or developer or a creative influence? None of these is the CEO of a construction project. Being CEO involves being candid and direct, with vision, providing timely clarification of the vision, and making effective decisions without usurping the responsibilities of others. It is a full-time job.

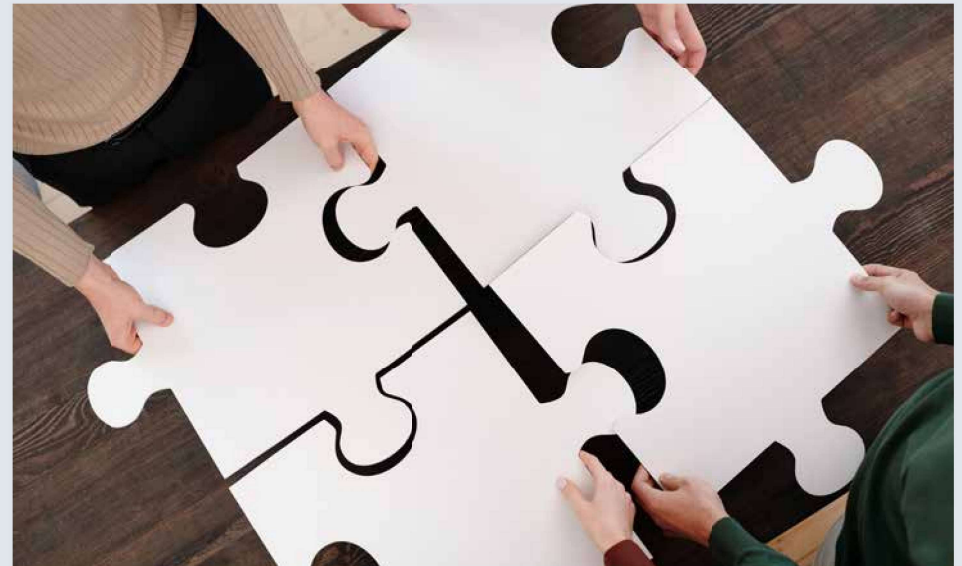
If the owner wants to be something other than the CEO, they should seek professional

owners' representation to keep this leg from collapsing. The owner's representative will distill the ownership group's vision, provide the leadership necessary for a successful project, and translate the needs of the project from the ownership perspective.

If you can find the right visionary and leader, you have fulfilled your duty and a successful project will follow.

Design

Designers must specialise in the type of building you want to construct. A professional spending 30 years designing hospitals would not be effective in designing a hotel nor would a



...construction projects are a three-legged stool standing on the owner, design team, and construction team.

residential professional be effective in designing a high-rise condominium. People being people, if you are willing to pay, they are willing to design. Selection of the properly experienced specialists and professionals is one step in the right direction for a successful project.

Contractor

Similar to other professionals, contractors have better skills in one area than another. It is important to select either a contractor proficient in the multitude of skills required by the project or divide the responsibilities between multiple entities.

A balancing act

Successful projects do not happen by accident. Prior to contracting the other team

members, the owner will need to candidly evaluate their own skills and then hire the proper design and construction teams carefully, considering who will need additional expertise, manpower, or resources. Project success relies on the proper division of work along with each player performing their duties effectively and timely.

There is an intricate balance between the members, where each player must properly execute their duties and hold the others accountable for a successful project. This is no different from any team that wants to win. In this case, the only win is a successful project.

Part 2 – Project Delivery

"A project delivery system defines the structure of the relationships of the parties, the roles

and responsibilities of the parties, and the general sequence of activities required to deliver the project." (Project Management Institute PMI, 1999, p.4)

Today, there are many project delivery methods (PDM) in the industry and every bad project brings new ideas to the table. If you pick up an industry publication or scholarly paper on construction, it's likely that PDM will be discussed. With a multitude of methods and no one being the overall best choice, everyone has an opinion based on the types of projects they perform and their experiences.

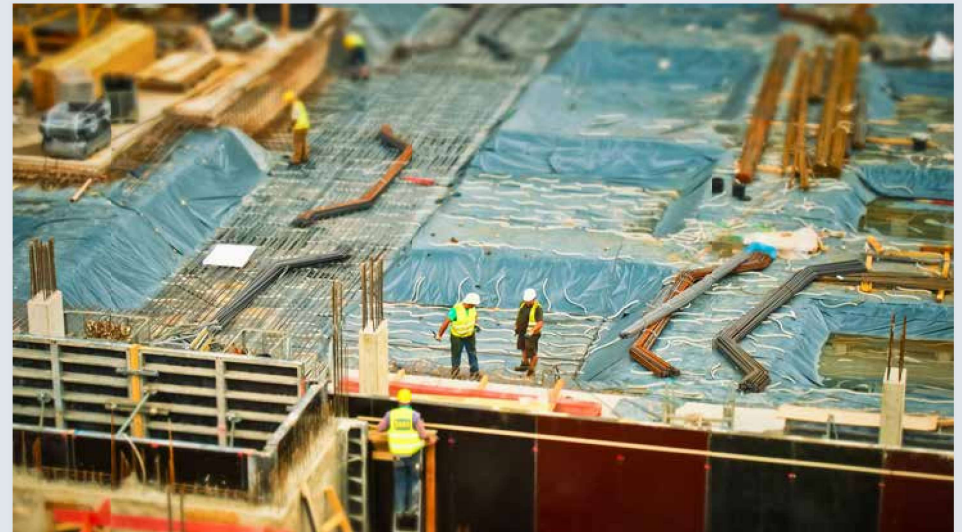
The project delivery method chosen will define the relationship, roles and responsibilities of the parties and will control the project cost, quality, and schedule. This is a discussion you must have with your professionals prior to hiring them.

...the only win is a successful project.

The least important aspect of a project is cost. Much of the customer experience and functionality of the works becomes at risk when focusing on cost. The success of the project is better served by scaling back the scope or increasing funding. Laying the foundation of proper division of responsibilities provides the best assurance of a well-executed project. Skipping this step is a fool's errand.

Part 3 – Contract Method

A contract is nothing more than a piece of paper unless you are willing to enforce it. The project contract method chosen must closely integrate with the employer's finance arrangements and the project delivery method. Risk is the primary aspect of concern. In one dispute in my career, the participant said, "You cheated, you read the contract."





If you are going to take the time to create a written contract, use it and understand your rights and responsibilities. Knowing the rules of the game and maintaining diligence to the contract, by holding each party to the agreed requirements, assures a well-executed project. Ignoring the rules or careless execution of contractual remedies will jeopardise the success of the project.

Part 4 – Contract Provisions

Bad projects are created when owners of large complex construction projects concentrate on price. Focus your attention on 'Scope, Schedule, Delay and Dispute' and price will effortlessly fall out.



The success of the project is better served by scaling back the scope or increasing funding.

The starting point of contract negotiations is scope. It defines every aspect of the project: size, quality, duration, fit, feel, and impact. Schedule naturally follows the activities and durations designated in the scope producing a reliable tool for project delivery management. Delays and dispute resolution provisions adjust the schedule to produce a known deviation from an ideal time frame thereby mitigating risk and cost overruns.

When scope and schedule are properly defined, price becomes a simple maths problem with little need for negotiation. Confidence is high and there are tangible measurements for what we all want – a good project.

Conclusion:

So, try not to be the frog or the scorpion; just lay the groundwork to keep the field fair with incentives aligned with project success.

In my next article, we will begin a deep dive into professional design team selection. ▲

About Paul Davis

Paul has 40 years' experience leading complex construction projects and is currently CEO of NineDots LLC, a firm dedicated to helping clients find their way through complex crises. On most projects he has acted as the owner's representative for resort and casino projects. He has managed the process from conception to operation, and his success derives from proper division of contractual responsibilities, consensus building and divergent thinking. Paul is based in Mississippi and is additionally a licensed construction attorney and university lecturer in construction management.

Email Paul: pdavis@c-9dots.com



Part 1 in the October issue



Part 2 in the November issue



Part 3 in the Dec/Jan issue



Part 4 in the February issue