

Avoiding Death by a Thousand Cuts Cost and Schedule Issues

By Daniel J. Sporer, Consultant

You are a month and a half into construction of a planned one year project. It's a new client and if you do well, you are in line to construct his future projects. However, the Engineers' drawings don't quite match the existing site conditions; there is already an inordinate amount of Requests for Information (RFIs), and the Client is very involved with your construction means and methods. No change orders have been written because 1: You "worked-around" the site layout problems; 2: There is still time to resolve the unanswered RFIs and 3: The finish milestone on the project has not been affected because you used float in the schedule. In any event, you don't want to "nickel and dime" the new client.

If you haven't heard a version of a story like this, then you have not been in the construction industry long enough. It is very easy to submit a change order to a client when you are asked to do additional work that will cost more money. But how do you document subtle delays and interferences that individually do not cause your project to fail? If they continue, the cumulative or ripple effect can be just as devastating as a large client-requested change. In fact, it's worse. When you experience an event that immediately delays the schedule or impacts the bottom line, you react and take appropriate action. But, when an individual event does not have an immediate result, you tend to lick your wounds and believe you have time to correct the situation. If these subtle events continue to occur, the project will overrun the schedule and you will exceed the budget without even knowing the cause.

The most important step to protect your right to recover any damages from this type of event is documenting the potential changes when they occur. In the example given in the first paragraph, the inordinate number, or type, of RFIs may be an indication that the Engineer did not have enough time to properly prepare the Issued for Construction drawings (IFC) which could be a precursor to future design problems. The RFI should include your question, the

latest date the RFI can be answered without delaying the schedule, and the consequences, if the late date is not met. The RFI's log should contain enough detail to track when it was transmitted, the response date and any other intermediate steps that needed to be taken before the RFI was completely answered.

The next step should be to insure that a proper field cost coding system is being used and any work, such as additional time required to correct inadequate drawings, is segregated by codes or spelled out on the timecards or daily reports. The project schedule can be your early key to predict if the project can achieve future milestones. It should be carefully reviewed to find current and future impacts that were affected by these past events. The current critical path should be targeted to the previous schedule's critical path. If the critical path has changed and is now through non-critical path activities, this could be an indication of future problems. The amount of float of activities on the near critical paths should be targeted to the previous schedule. If it becomes necessary to adjust relationships in the schedule to achieve intermediate milestones, this is a problem. When you encounter problems of this nature, add additional activities into the schedule such as "waiting for RFI xxx" even if the finish milestone is not yet affected.

Monthly project reports can be your best early warning system to the client. State the problem and your predictions if this type of problem continues. It is better to risk upsetting the client by informing him early rather than to wait for a problem to develop that leaves the client no options and a loss for your organization.

A prudent decision whether or not to issue a change order can be made by management using the tools described above and knowledge of the customer-client relationship. There is a fine line between "nickel and diming" your client and your project bleeding to death from a thousand small events.