EBOOK

Turning Capital Project Approval Challenges Into Opportunities

Seven keys to help AEC firms power through unpredictability with an empowering, proactive approach to project management

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Threading the Needle

It can be challenging to get budgets approved for capital projects. Internal and external circumstances such as supply chain issues or material prices are often outside your control and can make the process feel like an uphill battle.

Yet in spite of these many challenges, architecture, engineering, and construction (AEC) firms and their customers that embrace change can position themselves to excel going forward. With the right mindset and set of business practices, you can meet these challenges head-on, minimize risk, and emerge as a more resilient firm.

Capital projects must move forward on time, on budget, and delivering positive outcomes not only for the end user but also for the AEC firms and other stakeholders. It's true that this is no easy task. But by proactively taking certain risk-mitigation measures early in the capital project approval process, project participants can stay flexible and lead projects to success.

You can achieve all of this while keeping projects on track in terms of scope and timing, enabling a smooth workflow, and maintaining positive relationships with all project stakeholders.

A Tale as Old as Time

Having worked in and around the AEC industry for decades, Unanet is deeply experienced in the steps stakeholders take in the early stages of a capital project. Our hope is to now pass along our insights (or “steps”) to you and support your successes in managing your capital project approval.

These seven steps that precede budget presentations and project greenlighting are critical to producing better outcomes on the back end and throughout the duration of a project. In particular, we’ve found the following seven best practices and lessons learned as tremendous opportunities to turn business challenges disrupting the cost, schedule, quality, and safety of a project into major wins. In doing so, they also can also make life easier for the people involved in the budget approval process.

In this eBook, we will explore how each of the seven steps, from conducting preparatory work before your proposal to managing your expected value, can help your project get approved.

01

STEP ONE

Do Your Due Diligence Before Proposing an Initial Budget

First impressions are lasting ones, and you want to maintain a positive impression of the project from the outset when setting the budget. Everyone tends to fixate on that initial budget figure, which is why it's crucial to hold off on floating an initial budget until you've conducted thorough due diligence to answer all the key budgetary questions as completely as possible.

Consider creating a checklist of insights the builder should be able to provide (local pricing for supplies, vendors, subcontractors, etc.) better than anyone. Ensure they are closely involved to validate budget line items.

It's also important to get the builder involved early and often. By leaving builders out of the initial steps of the budgeting process, you are giving them plausible deniability if costs get out of hand. Looping them in is of the utmost importance, as they will ultimately be accountable for project costs.

Take this opportunity to instill the practice of total team alignment for every step of the process. In addition to creating operational efficiency, presenting a united team is conscience inspiring (and a great way to get that project approval).

02

STEP TWO

Define and Fix Your Project's Scope

Out-of-control costs and schedules are such a cultural stereotype about any building project that it's almost surprising when initiatives come in on-time and on-budget. Avoid the headache altogether, and align all of your stakeholders on the project scope from its inception.

Scope creep can be a major hurdle for a capital project. Preventing it requires bringing all the right parties to the table early in the project design process to gather input, understand needs, and ensure everyone's on the same page with the scope and corresponding budget. Too often, we see unexpected scope-related issues bubble up that can cause long-term problems. Here are four major issues to maintain awareness of to avoid scope creep:

NITPICKING

as when a client seek to lock a builder into a budget line-item number, and the builder responds by building contingencies into the contract.

INCONSISTENT COMMUNICATION

amongst different teams, which can lead to instant frustration, resentment, and inefficiencies.

POOR PRIORITIZATION

Roadblocks are inevitable in the project approval process, but they're made even more difficult when everyone doesn't agree on which roadblocks should be cleared first.

CHANGE ORDERS

Even if all parties agree to the change order, there is inevitably some lingering resentment. Take your time on the initial scope, plan for all possible eventualities, and avoid change orders at all costs.

The more collaborative and complete the due diligence process is in defining scope, the less prone projects will be to any unnecessary dissension caused by scope creep, costly change orders, etc.

03

STEP THREE

Define Your Project's Business Case and Purpose

The best project outcomes tend to be those in which the client is clear on key criteria, such as:

- The purpose of the project (why the investment is justified and the value it is intended to bring)
- What the expected ROI is, and why it makes sense to build it now versus later (costs aren't likely to de-escalate to justify delaying the project, for example)
- Why it's a strategic fit: what their needs and wants are with respect to the project

In short, you're defining the "Why?" behind the project. This is a good exercise not only for initial alignment, but also as a touchstone statement throughout your project to ensure everyone involved stays aligned with your ultimate goal.

04

STEP FOUR

Quickly Involve Key Stakeholders

Collaboration and consensus-building among project stakeholders from the earliest stages of a project are key to keeping your project on track. Your likely key stakeholders include:

1. Boards of directors
2. Project end users
3. Architects and designers
4. Engineering and construction firms
5. Project managers
6. Procurement specialists
7. Other team members that have a voice and a role in decision-making, issue-resolution, etc.

The last thing you want to do during a project launch is to step on any toes, so make sure you bring in all essential parties early enough to avoid any ill will or posturing. Most importantly, having all stakeholders present throughout the various stages of the project will deliver an overall more collaborative and successful outcome.

05

STEP FIVE

Communicate Early and Consistently

We can recall a recent capital project where the end user, an academic institution, set an inadequate budget for a project, in large part because they had not involved the builder in the process. Communication issues cascaded from there, causing tension among the parties and suboptimal outcomes that largely could have been avoided had the parties been transparent every step of the way.

Beyond preventing relational damage, oftentimes your stakeholders can share insights in a cross-team format that can help solve issues on the fly. Say your construction firm is having difficulty sourcing material. Your architecture firm may have a contact that can source the material for the construction company and maintain project momentum. If the construction firm was not transparent about the issue, delays may have ensued, disrupting the whole project. Encourage your stakeholders to share information and resources, and watch your project run smoothly as a result.

The lesson here is that you can't kick the can down the road in these situations. Sharing bad news can be difficult, but emphasizing transparency helps build trust and mitigate potential damage.

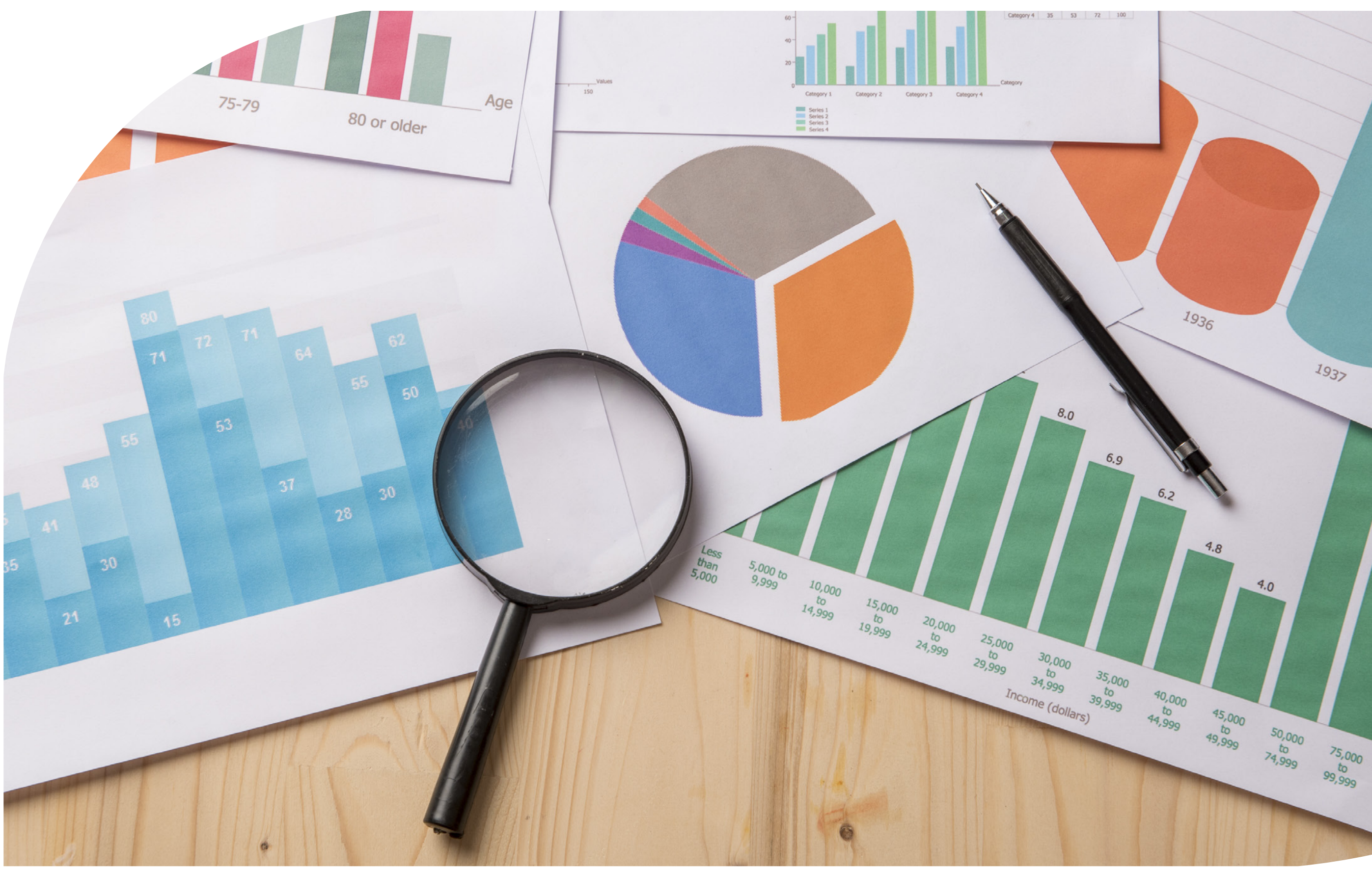
06

STEP SIX

Arm Yourself with Meaningful Third-Party Data

Material and labor costs, supply chain dynamics, and other budget dynamics can all be unpredictable. To counteract that unpredictability, firms will want to be ready with fresh, relevant, accurate, and independently sourced data to justify and support all project costs. Be ready to use data from sources like ENR, McGraw-Hill, Associated General Contractors of America, government databases, and similar institutions.

Citing well-respected third-party sources also helps build trust with any interested parties. Transparency is always a good idea here, and it will help build a solid reputation for your business. In the current climate, we're seeing far more budget challenges than ever before. Always be ready with the right data to support your case.



07

STEP SEVEN

Focus on Value Management

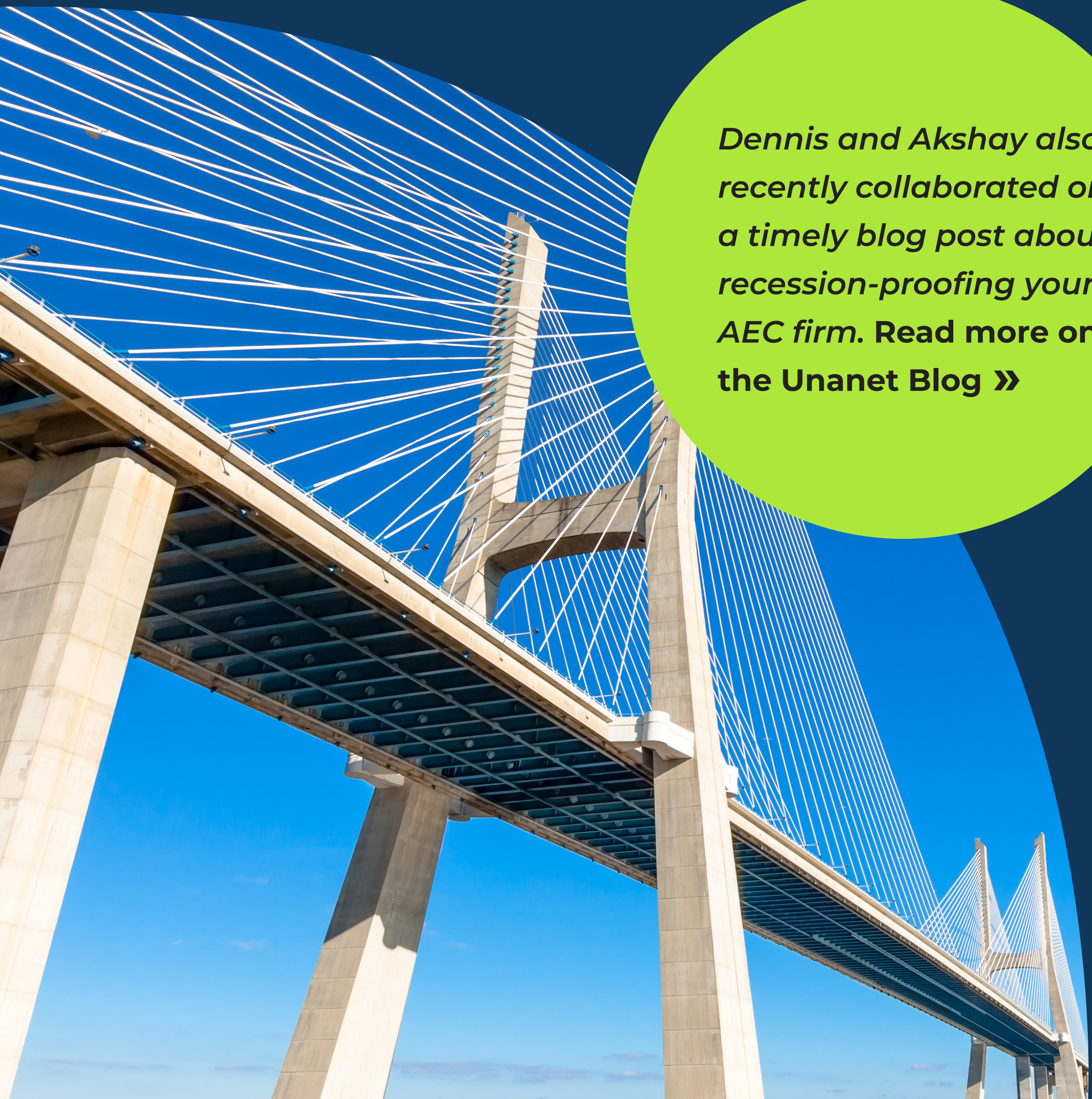
Ultimately, the goal of a project is to ensure it provides value to all the various stakeholders. Managing value (AKA value engineering) should be a point of emphasis throughout the process, with the goal of ensuring that all stakeholders bring their expertise to the table so that everyone understands and buys into the value the project is expected to deliver to each of them.

At its best, value management is a transparent and collaborative process where the parties leave their egos at the door to align around the goal of maximizing and balancing all project objectives. The best time to begin value engineering is in the program and schematic design phase — the longer you wait, the higher the risk of increased costs and schedule delays due to redesign.

We’re All in This Together

AEC firms and other capital project stakeholder must manage numerous unpredictable factors when moving projects forward. The best way to overcome these challenges and turn them into winning projects? Adopting a proactive, highly collaborative, "we're all in this together" approach from the outset.

Experience tells us that when project stakeholders take initiative, set and agree on clear expectations, and maintain transparency, winning outcomes usually follow.



Dennis and Akshay also recently collaborated on a timely blog post about recession-proofing your AEC firm. **Read more on the Unanet Blog »**

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