

Capital Project Management: A Cost-Saver

With today's economy creating more funding constraints for the construction industry, every owner, developer and contractor is asking the same question: Where does all the time and money go, and can it be better tracked?

Unfortunately, waste has become an accepted part of construction work. Often owners reach the halfway point on a major project only to realize the budget is blown, the project is nowhere near being on schedule and there's a shortage of materials.

For example, costs for Boston's "Big Dig" project escalated from \$2.6 billion to \$14.6 billion, and the schedule ran over by five years.

A 2005 study of the construction industry's productivity, published in the *Journal of Construction Engineering and Management*, found that up to 30 percent of all money spent on construction labor is wasted because of poor coordination and late deliveries that leave workers idle.

In the book *Broken Buildings, Busted Budgets: How to Fix America's Trillion-Dollar Construction Industry*, author Barry B. LePatner estimates the construction industry wastes more than \$120 billion annually due to inefficiencies and delays.

Yet as outlays expand, funding is decreasing. The U.S. Census Bureau announced that private nonresidential construction spending decreased 0.6 percent in May compared to April, and spending is down 24.8 percent on a year-over-year basis. Turner Construction's First Quarter 2010 Building Cost Index found similar cuts: Construction spending is down 0.5 percent from the fourth



quarter of 2009 and 7.7 percent from the first quarter of 2010.

Gone are the days of outrageous construction spending, when cost overages and blown completion dates were tolerated. Now owners and developers are pressuring contractors to manage projects more efficiently and to view waste as unacceptable.

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To ensure projects are delivered on time and on budget, owners, developers and

contractors need a comprehensive capital project and program management solution that offers visibility and control. Additionally, they need to seriously examine their own business practices for fundamental flaws.

Software helps users manage standard business processes related to cost, schedule and scope, ensuring projects move forward with as few delays as possible. Capital project management is a data-centric collaborative platform that overlays business process automation with core capabilities of document management, cost controls, schedule, resource and funding management.

When considering capital project and program management solutions, look for:

- a configuration that can be tailored to the company's specific needs;
- integrated cost and schedule controls that help predict risks and control change;
- automation of the defined project processes to ensure compliance;
- dashboard views of actionable key performance indicators;
- online team collaboration and tracking tools; and
- seamless integration with existing enterprise resource planning systems.

Such a solution ensures all relevant project partners can access project information in real time and enables owners to manage information flow through every phase of a project—from planning and design to procurement, execution, operations and maintenance.

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