

Relook and Reset Projects

When changed circumstances have overtaken your project, in planning or construction

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Projects are founded on a set of constraints

- Those that we know are true we call “givens”
- Those that we think are true we call “assumptions”
- In either case, they are only true at a point in time; usually the “truth” changes slowly over time; but a disruptive event can cause this process to accelerate, and that’s what Covid-19 has caused
- Nobody is to blame for getting their planning wrong; it is simply a reality that could not have been foreseen, i.e. a “black swan”
- However, we can be blamed if we throw good money after bad by pretending nothing has changed
- Conveniently, constraints can be categorised in a way that organises our review:

Strategic Constraints

Questions to be asked

- Have we defined our new (assumed) operating environment?
- What is the high level purpose of the investment – is the need still compelling?
- How does the investment align with other (evolving?) strategies?
- Are all of the investment objectives still valid?
- Do the service requirements and potential business scope still pertain?
- Are the expected benefits sufficient to justify the changes planned?
- How does classification/quantification of the investment risks match your appetite for risk in the new environment?
- Can planning limitations and dependencies still be relied on?
- What new opportunities or possibilities now exist?

Economic Evaluation

Does the investment still provide value for money?

- Have new critical success factors emerged; do the former ones still hold?
- Have changed circumstances identified new option(s)
- Does the cost-benefit analysis warrant re-calculation with new values for costs, benefits, time, quantified risk, discount factors, cost of money, etc.?
- How do the intangible benefits and costs stack up now?
- Is the preferred option still the best one?; what is the cost of changing?

Financial Evaluation

Is the investment still affordable and fundable?

- Does the financial model warrant re-calculation with new values for revenue, capital costs, operating costs, depreciation, discount factors, cost of capital, etc.?
- How does the whole of organisation financial plan (evolving?) accommodate the investment outcomes?
- Is funding available for this type of investment?
- Does the investor still present an attractive proposition to funders?

Implementation Plan

Should we review our execution approach?

- Are project governance structures/delegations sufficient for elevated skill required in the “unprecedented” context?
- Have we got the right people (skills, experience, attitude) in each role?
- Are we clear about all of the functions (change, communication, benefits realisation, risk, programming) and accountability for each?
- Are project execution plans and status reporting focussed where the new realities require them to be (or are they the usual pro-forma)?
- Should we re-set our arrangements and re-programme and re-price?

Procurement and Contracts

How do new priorities change our commercial priorities?

- Are we using the most beneficial procurement method (what's the evidence for that)?
- What due diligence have we done on counter-parties' financial stability?
- Is the risk allocation optimal for the times? And are they clear to each party?
- Are payment mechanisms the best for our purpose?
- Is our form of contract robust; is it too tough/weak for the market we're engaging with; how is it impacting cost vs risk-transfer?
- Will the market be eager to engage on a different basis?

Process for Project/Investment Reviews

Horses for courses

- Nearly all projects are either planning (at a slower pace than expected) or shuttered on site, so this is the time when a re-think will have least-impact
- A desktop review can deliver a Pareto (80:20) approach, once information is gathered together
- Front-ending that with a facilitated (Zoom) workshop will increase the robustness and bring more capability to bear on the problem
- Time is never free, but over the lifetime of the investment, a second look can be the best investment we can make

