

# Capital programme management

Delivering stakeholder value\*



# Working together



## Who do we typically work with?

Our team works with a diverse range of clients from both the public and private sectors, active in a broad spectrum of capital projects. Our clients generally fall into one or more of the following groups:

- Organisations implementing a capital expenditure programme
- Funders or insurers of capital projects or programmes
- Members of special purpose vehicles, joint ventures and alliances
- Investors in businesses undertaking, or with exposure to, major capital projects
- Suppliers, primary contractors and subcontractors forming the industry supply chain

## What issues do they face?

Whether an organisation is involved as an owner, funder or contractor, capital projects often create challenges and uncertainties. Crucially, no two capital projects are alike, or have precisely the same set of objectives, issues and constraints. This means capital projects and programmes are bespoke by nature, and require a flexible and dynamic approach both to maintaining control and to ensuring they are delivered on time, within budget, and in accordance with the business case.

Here are some of the issues commonly faced by our clients:

### Projects lack effective control

Control over the budget, schedule and business case is critical to the success of any capital project or programme. However, evaluating and controlling these areas effectively throughout the project lifecycle is very difficult, requiring experience and objectivity.

Initial budgets and schedules are often tight or even unrealistic, creating higher risk. The original business rationale can become obscured in the 'heat' of design and

implementation, leading to ineffective decision-making – especially around governance and change.

### Lack of status clarity

It is vital to understand the likely outcome of projects or programmes at each stage of their lifecycle. When the reporting inputs and methods are not sufficiently robust, valid or appropriate, the outcome is poor decisions and missed opportunities for corrective actions.

Related problems may include over-reporting of costs and schedules, a bullish approach to risk, and constant re-alignment of the delivery strategy. These can obscure the true status of the project – to the point where achievement of the targets becomes virtually impossible.

### **Changes have had major impacts**

Seemingly minor changes, either singly or in combination, can result in disproportionate increases in cost and schedule. The ability to identify whether these increases are fair and reasonable often becomes lost between request, authorisation and implementation.

Owners sometimes feel that contractors have rolled their own defaults into these changes, while contractors claim the owner was misinformed by its own team on their full impact.

### **Stakeholder assurance is required**

Frequently, the parties central to the project's success start asking searching questions about its status and likely outcomes. This often reflects uncertainty and declining confidence caused by higher- than-

expected risk, underperformance against schedule and budget, and adverse reporting.

The problem may be exacerbated by poor communication and seemingly biased and unverifiable information. Such shortcomings can result in funding being withdrawn, the project or programme suspended, or key parties or personnel replaced.

### **Diverted management focus**

Different organisations apply differing appetites and approaches to managing their capital project portfolios. Each organisation has typically determined its own preferred approach, ranging from hands-on to distant, and resources its projects accordingly. When projects become uncertain or appear to be failing, management is often diverted into 'fire-fighting' at the expense of wider business needs.

### **Lack of transparency over risks and opportunities**

Successful delivery of any capital project requires robust and informed identification, assessment and management of both risks and opportunities. These processes often become subject to individual interpretation, resulting in unrealistic

risk identification and ineffective mitigation.

A significant risk event or missed opportunity could make or break the project's financial structure and viability. Unless funding is managed effectively with a thorough understanding of the risks, their potential impacts and their positioning in the schedule, delays may well result.

### **Disputes arise**

Dispute resolution can become protracted and arduous, with many parties finding themselves sucked in. All too often, adjudication and arbitration are pursued without a thorough investigation of the business benefits, likely outcomes or costs.

The chances of success in any dispute may be undermined by a failure to capture and record key information and metrics during the project. Such information is vital in demonstrating causal links between technical issues and time and cost impacts.

## What services do we provide to our clients?

We work closely with our clients to review the project management arrangements throughout the capital project lifecycle, including governance, risk and quality management, procurement strategies, forecast outturn and management reporting. Specific services include:

- Advising, reviewing and implementing programme, risk and controls on major capital projects/programmes
- Review appropriateness and effectiveness of core components within programme management systems
- Internal audit support
- Commercial assurance/dispute readiness reviews, including a review of data integrity
- Buyer/vendor due diligence support
- Value for money analyses
- Dispute resolution and avoidance, including mediation and expert witness roles

## Why our clients work with us?

We are independent of our clients' business and industry sector, enabling us to deal objectively with relationship issues. Many client solutions require international resources, which we provide from our local centres of excellence around the world. Our deep understanding of the legal, jurisdictional, technical, financial and business issues surrounding capital projects means we can effectively manage the deliverables and enhance the value resulting from complex and difficult projects. Our team's assets can be summarised as:

- Deep industry expertise with operational experience
- Independent and respected perspective
- A sound understanding of your industry and the likely issues arising
- An ability to combine technical, financial and economic solutions
- Seamless global reach
- A role as trusted advisers to our clients
- Established methodologies and review techniques

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