



# THE PROJECT MANAGEMENT STANDARD

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## THE ILLUSION OF THE GUARANTEED MAXIMUM PRICE



**Douglas J. Kaiser, PMP**  
DPC SIG Past Chair

As owners look for more ways to reduce the cost of their capital projects, they want to capture the savings that would otherwise belong to the contractor. I see this often in negotiated, fast track work where one of the **Owner's** concerns is that the **Contractor** will load the budget with his own contingencies to manage risks that may be more appropriately managed by the Owner. In these cases, Owners are utilizing a cost plus contract. At the same time, they want to limit the upside risk. This results in establishing a **Guaranteed Maximum Price** (GMP or GMAX).

Most cost-plus contracts that I encounter include a Guaranteed Maximum Price. It is considered good practice by business people to place a cap on construction costs. Owners can create a false expectation for themselves if they believe that they can change their scope within the context of this Guaranteed Maximum Price. At the same time, Contractors should be just as careful to manage scope changes within the context of the GMP as they are in a lump sum environment. Additional contractor administration may also be necessary to ensure that good financial reporting and forecasting is utilized to communicate how the expectations are being met throughout the course of the project. As usual in capital projects, clear communication between the Owner and the Contractor is the key to a successful contractual relationship.

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## GUARANTEED MAXIMUM PRICE CONTINUED

Robert Dorsey, in his book entitled *Project Delivery Systems for Building Construction*, offers a few items for Contractors to consider:

- **Is a GMP necessary?** On projects which are time-driven or quality-driven or highly specialized, a GMP may distract from program objectives or produce an adversarial relationship.
- **The contractor is at risk with a GMP.** If projected costs are exceeded, the contractor may suffer an absolute loss on the project.
- **GMPs are frequently based on partially completed drawings.** Therefore, flexibility must be allowed for changing the price if systems and materials are changed. It is very risky to base a firm GMP on schematics and outline specifications. Ordinarily, a contingency amount is agreed upon to allow for cost growth during the completion of contract documents and for changes during construction.
- **The use of contingency funds should be clearly spelled out,** along with guidelines for their use.
- **Change orders increase the GMP.** One objective of negotiated contracts, however, is to reduce changes and possible resulting claims.
- **A standard form of agreement should be used** to assure that disagreements of interpretation don't spring up around the GMP.

One of the most often asked questions that owners ask me is about the timing to establish a Guaranteed Maximum Price. Unfortunately, there are no clear cut answers here, but I do know that the GMP should be established when the owner's program is sufficiently defined to make the number realistic and meaningful. I have had the experience where it was set too early and it takes away from the design-build process limiting opportunities for scope definition and evaluation of project risk by either the owner or the contractor. This can result in the owner receiving an unrealistic price (high or low).

On the other hand, setting it too late won't provide concrete input to the owner for the budget verification process needed to advance the project to the construction phase commitment.

I have had owners that perceive the GMP to be a silver bullet that can resolve all of their issues. This type of owner likes to fool themselves by seeing projected savings as a contingency fund – this is the wrong approach. Savings, by definition, do not exist until **all** of the costs are included in the accounting. This is especially magnified in times of cost escalation. Contingencies need to be established as part of the owner's budget and utilized to properly manage project risks. I won't go into any detail, because the administration of these contingencies between the owner and the contractor is a complicated subject.

The key to successfully establishing a GMP is clear communication before proceeding with a scope and establishing mutually beneficial controls which enhance this communication during the design and construction processes. The Guaranteed Maximum Price delivers different benefits to both the owner and the contractor than the traditional lump sum approach that can only be realized through excellent communication.



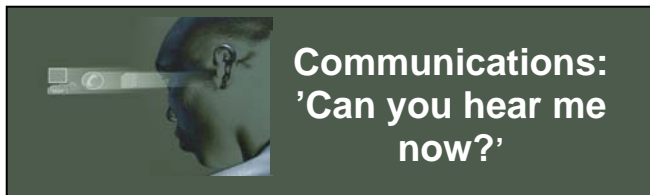
### We're Looking for Global News Contributors

The DPC SIG is expanding its member communications to include more content of interest to members located outside North America.

To volunteer to submit PM-related news, articles, events, etc. for your region, please contact the Vice Chair Communication or the DPC SIG Administrator.

# LETTER FROM THE CHAIR

Robb Gries, PMP, Chair



Verizon is a telecommunications company in the United States that has a television commercial in which a technician shows up in unusual places with this cellular telephone and checks on the reception quality of his cellular service. The point of the commercial is that this particular company is working hard to improve its communications.

Now that I have been serving as the Chair for about a year, one of the issues that the Board of Directors in general, and myself in particular, has been working on is making all of our communications more *effective*. Our communication channels include those between board members, between the Board and PMI® Global Operations Center (GOC), and, most importantly, between the board and our members. I use the word *effective*, because we need to ensure that we fully *understand* each other. To do this, **we need to overcome several challenges: language barriers, cultural differences, time zones, different occupations, and different experiences to name a few.** We are making some definite progress in several key areas, but this will continue to be a work in progress.

One of the recent successes I would like to briefly highlight is the completion of the membership survey. Our Vice Chair Marketing, Wayne Baruch, elaborates on the specific results of the survey on page 14, but I want you to know that the information you provided will help guide the board in their planning efforts. For those of you who took some time out of your busy schedule, I thank you. In addition, for the four lucky members who completed the survey and received a free copy of the ***Construction Extension***, I congratulate you.

Another recent development is the renewed effort in our international commissions. For example, Fabio Teixeira de Melo and Peter Santillana are taking the lead in addressing the needs of our members in Latin America. Because we all know, that one size does not fit all, the board would like to develop Commissions in each of the four regions, and eventually have these Commissions become Regional Interest Groups (RIGs).

Some of you may have heard about PMI GOC's Community Transformation Project (CTP). You can read more about the CTP on their web site, but the simple description of this effort is to develop communities that will "normalize" the membership experience. This will have an impact on various PMI components (e.g., chapters, SIGs, and colleges), but exactly how and when is still to be determined. Nevertheless, our SIG is in the process of developing Local Interest Groups (LIGs) to meet the needs of our members who are concentrated near particular chapters.

All of the efforts I have briefly described above are in alignment with our SIG's strategic plan and addresses two strategic objectives: 1) Expand the global reach of our organization; and 2) Facilitate communication and sharing of best practices. The key to implementing them is effective communications. If you are interested in working on any of these efforts, please let me know and we will get you started.

On an administrative note, I want to express my appreciation to Cruz Bernal-Albano for her efforts on the board this year. Unfortunately, Cruz's workload with her employer had increased to the point where she felt she could not devote as much time to the SIG as she had wanted. All of us sad to say goodbye, but we wish Cruz all the best and hope that, if the opportunity presents itself again, she will have enough time to become active in with the SIG leadership. I would also like to welcome back Ed Asci as the Vice Chair Finance. Ed served as our previous VC Finance, and recently stepped up to address some critical issues for the Board. Thanks, Ed, for your diligence and for keeping the DPC SIG boat afloat.

# PROJECTS WITHOUT BORDERS: GATHERING REQUIREMENTS ON A MULTICULTURAL PROJECT

Elizabeth Larson, PMP, and Richard Larson, PMP, Co-Principals, Watermark Learning

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Elizabeth Larson, PMP, and Richard Larson, PMP, are principals of Watermark Learning, a project management, requirements analysis, business analysis training and skills development company. Watermark Learning maintains training facilities in both Minnesota and Arizona. For more information, visit [watermarklearning.com](http://watermarklearning.com) or contact them at (800) 646-9362.

One of the most difficult tasks project managers and business analysts face is obtaining customer requirements. Even when business customers and the business analyst work in the same building, misunderstandings are bound to arise. It's a challenge to ask the right questions, get the right people involved and document unambiguous requirements, regardless of the backgrounds of those participating. When the project includes multicultural stakeholders, and particularly when those stakeholders form a virtual team working in geographically dispersed areas, the job becomes much harder.

Some of the challenges facing project managers and business analysts aren't unique to multicultural projects. However, personal agendas, conflicts about roles and priorities, and availability worsen the situation. In addition, recent studies have shown that almost half of the typical project budget is spent reworking defects in requirements. While there are many underlying reasons for this rework, dealing with a group of multicultural business customers and/or project team members can create significant hurdles.

## Physical distance of stakeholders

Although many of the challenges exist even when the team and business customers are located on the same floor in the same building, the difficulties in dealing with them increase with physical distance. Time zones make meetings hard to schedule. Business analysts on today's global projects have learned that the standard eight-hour workday doesn't exist. If we are truly customer-focused and interested in building relationships to capture requirements, we schedule meetings at a time convenient to our customers, not to us.

Few meetings on global projects are face-to-face, making the assessment of nonverbal communication nearly impossible. Since most business analysts pay a great deal of attention to nonverbals as part of the elicitation process, not being able to see them diminishes the communication and therefore the ability to capture requirements. Finally, although there are alternatives to face-to-face meetings, neither videoconferencing nor Net meetings are ideal. Videoconferences usually lack some spontaneity, and the audio lag can be distracting. Facilitating large groups over a videoconference is quite challenging, since multiple conversations, dominance of one group or individual and other facilitation difficulties abound. With both videoconferencing and Net meetings, there are often equipment issues that hinder the elicitation of requirements.

## Roles and responsibilities

Unclear roles and responsibilities can be the bane of project managers and business analysts everywhere. When they are unclear, tasks invariably fall through the cracks and finger-pointing ensues.

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## PROJECTS WITHOUT BORDERS *CONTINUED*

Unfortunately, when stakeholders are removed from each other, it takes longer to find omissions, and the resulting errors are harder to correct. Trouble usually occurs when a business analyst expects the business client to define the requirements, but the business client thinks he has already provided his part. With differing cultural attitudes toward conflict, it can take even longer to perceive that there is a difference of opinion, let alone resolve it.

### **Language**

Language barriers across cultures are numerous. The difficulties caused by differences in languages and even pronunciation are well known. In addition, there are disparities in people's abilities with second and third languages. For example, some people can understand another language when spoken but have difficulty writing it. Others can read with comprehension and speak well but don't understand as much in conversation. To facilitate requirements gathering from business customers who speak a different language, project managers and business analysts need to assess each person's level of ability and whether they are better with written or oral communication.

Participants also need to keep in mind that communication roadblocks are as common as the widespread use of TLAs (three-letter acronyms) and also are caused by humor, euphemisms ("powder room," "passed away," "downsizing"), and sports analogies ("ballpark estimate," "coming out of left field," "long shot"). In a multicultural setting, all of these can cause confusion and misunderstanding.

### **The cultural landscape**

Another barrier is assuming that all team members, whether or not they are collocated, approach the project with the same cultural perspective. For example, the female author of this article was managing a project that included a male team member who became increasingly uncommunicative and uncooperative as she discussed the importance of meeting deadlines, communicating status and working in teams.

She thought this man was uncomfortable taking direction from a woman, but she eventually realized that the real problem was that she had done nothing to build trust and a strong relationship with him. His cultural work ethic dictated the importance of relationships -- he completed tasks because of the relationship, not because tasks appeared on a work breakdown structure.

### **Tips and Techniques for Making It Work**

As organizations take on more global projects or projects that include a diverse set of business customers, they need to establish a corporate mind-set of acceptance, inclusion and learning that crosses borders. In addition, the project team needs to understand its interdependency in order to have project success. Synergy between the business customers and the project manager or business analyst is required to ensure that the end product is successful. Therefore, each party - - the project manager, business analyst, sponsor and all the business customers -- have an obligation and a stake in making this cultural diversity work. Without the project manager, the organization will spend more time and money on failed projects. Without the business analyst, the end product will not be usable. Without strong sponsorship and actively engaged business clients, the true requirements will not be discovered, and the end product will not be viable.

Although each party has its responsibility for making the project and end product successful, there are some things that the project manager and business analyst can do that help bridge the cultural gap.

### **Build relationships and trust**

Building relationships and trust is important on all projects. There are myriad ways business customers can sabotage a project if they are afraid that the result will jeopardize or dramatically change their jobs, or when the local requirements aren't taken into account.

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## PROJECTS WITHOUT BORDERS *CONTINUED*

With good relationships, issues surface more easily and can be resolved quicker. The different requirements elicitation venues promote team-building to a greater or lesser degree.

- For example, the use of surveys does little to promote mutual understanding.
- Facilitated sessions (which may have to be Net meetings on global projects) can help build teamwork, but it could take weeks or months for a virtual team to solidify.
- One-on-ones serve to build relationships and help navigate the political and cultural landscape. By meeting individually, the project manager or business analyst can assess commitment to the project, discuss individual concerns, gather requirements from those who may not speak up in meetings, and gather requirements related to local needs of the global business experts. One-on-ones can also more easily promote understanding of team members from various cultural backgrounds, because language differences are the least problematic and personal stories and experiences can be more easily shared.

### **Define roles and responsibilities using a matrix**

One technique that can aid in avoiding the pitfalls of unclear roles and responsibilities is to document them using some form of matrix, such as the Responsibility Assignment Matrix or the RACI chart. These tools use minimal text, so they are easier to understand than textual descriptions. In addition, in order to complete them, valuable discussion needs to occur. By facilitating this discussion, the project manager can help ensure that the fine distinctions between such things as a role and responsibility can be cleared up earlier rather than later in the project.

### **Model the Requirements**

One of the best ways to elicit requirements is to use various models to represent the requirements. Models, such as process models, usage models and prototypes, can provide a structure that encourages asking questions to find hidden requirements and more quickly document a complete set of requirements. Models have a number of advantages in general, and for cross-cultural projects in particular:

- Models have the advantage of needing few words, so the language issues can be more easily overcome. They also have the advantage of promoting a two-way translation of requirements, from business customer to the model and back to the business customer, again with a great deal of structure and a minimum use of words. Models should be created so that they are clear and for the most part understood and used by the business clients.
- Models are the most effective way to avoid having different members of the group have different mental pictures of the requirements. They are, for the most part, culturally independent. They can be created using several of the requirements venues including facilitated sessions, one-on-ones, and observation.
- Models can help traverse the cultural landscape because they produce unambiguous requirements. That is, there is little room for misinterpreting them. Regardless of the birth countries of the business customers, business analyst and team, cultural interpretations of the requirements are minimized by using pictures instead of text.
- Finally, models can be used whether or not the business customers are local or dispersed. Technology now permits models to be easily shared via e-mail, videoconferencing and Net meetings. Because models can be viewed by all, there is less chance for miscommunication of requirements.

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## PROJECTS WITHOUT BORDERS *CONTINUED*

### Some Examples

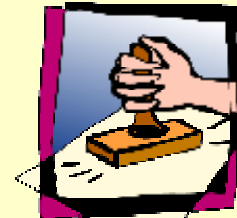
A large, multinational U.S.-based pharmaceutical client of ours regularly experiences the challenge of cross-cultural requirements gathering. The following are some anecdotes to summarize a few of the key points in this article.

- A conference call with a Tokyo client took twice as long to review a process flow as with domestic clients. The analyst kept asking “Is there anything else?” because of not wanting to omit something important. (Conclusion: You need to plan for extra time when working cross-culturally.)
- A similar group of Japanese clients insist on spending time at the beginning of a project getting to know their IT counterparts. They repeatedly ask that the IT staff come over to Japan to meet and visit with them. When the groups do meet in person, each meeting ends with a glass of sake to celebrate. (Conclusion: Relationships are more important than the work in some cultures than others, even to the extent of delaying work. Projects will be stalled until relationships are established, and trust may be even more difficult to establish.)
- A cross-cultural team of American, French and British clients spent two hours disagreeing about three industry terms. They later discovered that the terms were all defining the same thing and then had to agree on which one to adopt. (Conclusion: Language differences will be a challenge, so take the time to define key terms and record them in a glossary during projects.)
- A project manager made an on-site visit to a client from Latin America on a project. The project manager had written in an e-mail that he had found a restaurant to go to, but you had to “BYOB.” The client was confused and asked when they got together, “Who is ‘bee-yob’?” (Conclusion: Be careful with and define all acronyms.)

In summary, gathering requirements on a multicultural project has numerous challenges. To avoid or lessen the affects of these pitfalls, project managers and business analysts should spend time developing relationships, clarify roles and responsibilities in a chart format to ensure understanding by all, use terms and language carefully, and model the requirements to help ask questions. The ultimate goal is to uncover requirements in a way that is easier for all stakeholders, regardless of their language and culture.

### DPC SIG Revised Bylaws Approved by PMI®

After a number of years, the SIG’s bylaws have been revised to reflect the way in which we are operating today. The process led by Sherrill Mc Donald, PMP,



Vice Chair Administration and supported by Doug Kaiser, PMP, Past Chair and Paula Anderson, Administrator, required PMI approval and adherence to certain stipulated standards. Approval was received from PMI on April 20, 2006.

The revisions were not major, but one of the most important was to fully describe the present increased complement of officers and their responsibilities. As our SIG has grown we have had to add officer positions to take care of the increased responsibilities. One example is the former position of Vice Chair Membership and Marketing. Those activities became too much to handle for one person so we created two separate Vice Chairs for them and the revisions now reflect that change.

The revised bylaws are posted on our web site under “About,” replacing the older version. Any questions may be referred to the Vice Chair Administration.

# TRENDS IN PROJECT MANAGEMENT

Jon Antevy, CEO, e-Builder, Inc.



Jon Antevy is a recognized leader in the field of Web-based systems for construction. Following his research of multimedia and Internet applications for the construction industry as part of his master's thesis, he launched e-Builder. Before founding e-Builder, Jon worked for several construction companies as a pre-construction services specialist.

In 1999 Jon was selected by Engineering News-Record as one of the Top 125 Innovators in the last 125 years of the construction industry. He holds a master's degree in construction management from the M.E. Rinker Sr. School of Building Construction, and a bachelor's degree in architecture from the University of Florida.

Online project management systems continue to prove their value in the marketplace. Understanding the trends allows organizations to make informed decisions and grow more profitably.

Online project management has given the construction industry a more efficient method to secure and perform work. Companies seeking to differentiate themselves on negotiated projects or build repeat business with good customers are finally getting results from web-based communication systems.

Contractors who continue to forgo some form of online project management tools and continue to use a combination of outdated, paper-based and software tools are at a severe disadvantage. In the last five years, the industry has witnessed a definite shift from paper-based systems to web-based systems. And the results are finally in: web-based, project management systems followed with thorough implementation with owners, architects, contractors and consultants manage their projects more effectively and profitably.

These available communication/management tools make it possible to speed up the time it takes to obtain the necessary approvals; design and construct projects; reduce or eliminate claims brought against the project team; communicate specific progress information to keep the public informed; control cost; and manage the critical project milestones.

## Existing Challenges

Before any consideration is given to the types of technologies that are available, let's first identify the existing challenges. Without a clear understanding of the problem, there can be no clear path to the solution. Challenges may be identified broadly at first, but further discussions are needed to narrow the specific obstacles to success.

Examples of broad challenges include 1) slow response times to questions, 2) the use of spreadsheets to manage projects, and 3) a low level of accountability that invariably leads to finger-pointing. Further refinement of these challenges might include:

- **An ill-defined process** where employees located in disparate offices use faxes and e-mail to communicate.
- **Poor tracking of questions and answers** that makes it difficult to make an informed decision, ultimately leading to errors, omissions, and rework.
- **Dependence on project administrators** to determine how much project information can be seen, who sees this information and how this information is delivered.

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# TRENDS IN PROJECT MANAGEMENT CONTINUED

One way to control costs, minimize claims, and handle schedules can be achieved with a secure web-based project management and collaboration system. The system improves communication between project participants, increases accountability, and streamlines the development process from site selection to design, construction, and operation. This reduces the costs incurred by change orders, claims, and record maintenance as well as minimizes or eliminates delays.

It has been over 11 years since the first project-specific web site went live. Highlighted by Engineering News Record in their June 24, 1995 issue, the Washington Suburban Sanitary Commission made history by consolidating all their project documents and correspondence into one centralized location, accessible 24/7 from anywhere in the world. Considered “revolutionary” at the time, technology advancements and cultural changes have spawned a series of new trends in world-wide construction project management.

## **Trend #1 – Wireless Integration**

When one looks back at the development of project management systems, the integration of handheld devices to manage construction workflow was not on the horizon. But while the construction industry is still working hard to catch up to other industries technology-wise, developments continue in web-based construction management that can deliver significant benefits. e-Builder already has a program that allows professionals in the field to use their BlackBerry devices to receive, respond to, and close workflow items that are automatically updated in the system. This trend is putting additional pressure on project teams, as it can be argued they are now literally connected to a project 24 hours a day.

## **Trend #2 – Who’s Driving?**

The trend of owners demanding that contractors use online project management systems continues. Prior to 2002, contractors were the clear winners in bringing online project management systems to the project. At the time, owners did not know much about how such systems could benefit them, only that they would be able to view project status on a more frequent basis from the comfort of their home or office. It was a win-win for everyone involved because it placed the contractor in a preferred position to win work while helping the owner and contractor communicate more effectively with the project team.

For owners involved with multiple contractors, it didn’t take long to figure out that logging into multiple project web sites was inefficient. Additionally, most owners quickly saw the value of being able to aggregate all their project data. An owner may generate summary reports across an entire program because of the system’s ability to standardize the way data is entered into the system.

However, if the owner is not on one system, the ability to generate reports across multiple projects as well as the ability to “manage by exception” is eliminated. Owners have realized that any additional work their consultants may do will be greatly offset by decreased costs across their entire building program.

City and county governments involved with program managers are also deciding to take back control of their data. At the end of a typical five-year program, many owners complain about being left with databases that are incompatible with their current systems. Unless the program manager is awarded additional work, the onus is on the owner to integrate the data back into their enterprise. This switching cost is eliminated with owner-led program management systems.

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# TRENDS IN PROJECT MANAGEMENT CONTINUED

## **Trend #3 – The Enterprise**

Due in part to trend #1, contractors, despite their investment in an online system of their own, are being forced to adopt owner's systems. No doubt, the biggest question facing contractors today is whether to standardize with any one of the online project-management services available in the marketplace. This inevitable trend is growing and requires the contractor to maintain flexibility in how the team manages the project. Proven ability of contractors to adapt to different owner systems becomes a differentiator.

## **Trend #4 – Ready, Set, Go**

A community of consultants focused on the successful implementation of online project management systems continues to gain momentum. The benefit of these online services is that they allow speedy activation, but without proper implementation, the sites will fail miserably.

A large amount of quality software is implemented incorrectly and therefore never gets used. An understanding by the application service provider (ASP) of the problems facing the market has become a critical success factor.

Change on design and construction projects can blow budgets and schedules. It is the ASP's job to figure out and apply procedures and tools based on the well-known concepts of reducing the impact of change on a project.

User training focused on a document's need continues to be one of the leading implementation success factors that is often overlooked. It is not uncommon for vendors to highlight their features and then forget to ask about the challenges facing the owner. Without this knowledge, it is impossible to develop instructional material that is concise for each user. Users don't have the desire or the time to read through manuals that are hundreds of pages in length.

They would rather pick up an instructional booklet that may be 10 to 15 pages, showing them exactly how to do their job within the system more effectively. It's still not uncommon for vendors to get a call from a contractor requesting to have an online project communication set ready within two days. Since 1995, many teams have learned to partner and use proven methodologies to ensure buy-in. In fact, communication issues identified in advance of the project kickoff are opportune times to determine how an online system will be best used. Role-based training and formalized implementation increase the probability of meeting team goals and objectives through the use of an online system.

## **Trend #5 – Build, Buy or Lease**

ASPs, or those firms who provide the software as a service, continue to rule the day. An ASP maintains the software on a central network and handles all the support, security, and back-up of the system so the client does not have to hire a technical team. In addition, updates to the software happen instantaneously; whereas with traditional software purchases, updates have to be installed by the client. Even organizations that possess the technical prowess to build or buy a system, underestimate the on-going support required. In addition to the support calls from internal users, there are calls from external consultants utilizing the project web site.

The support task alone can be quite daunting as online project teams tend to grow rather quickly after inception.

Support considerations aside, project teams also tend to work better knowing that a neutral party is managing the information. It is not uncommon for missed deadlines by the architect to be blamed on the inoperability of a contractor-hosted system during a certain time period.

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# TRENDS IN PROJECT MANAGEMENT CONTINUED

Service by the online service provider is guaranteed. They have to continually prove themselves or risk losing the business. In fact, many providers monitor the usage of each project and take proactive steps to ensure that the team is getting the value it expects.

## Trend #6 – Starting Earlier

Online project management systems are now helping owners manage their projects earlier in the process. While contractors initially led the industry in use of these systems, it made sense that most implementations took place during the construction phase.

This is not the case anymore since owners have taken the lead. During the planning process, there are multiple parties that need to be involved. Users of the facility convey their requirements to the architectural staff where conceptual designs are produced. Working in parallel are the budget keepers, ensuring that the costs do not exceed a specified amount.

The continued use of traditional communication means and outdated management tools only contribute to missed deadlines and cost overruns.

Online project management systems have become part of the project participants' tool chest and are continuing to prove their value in the marketplace. Understanding the trends allows organizations to make informed decisions and grow their organizations more profitably.

## We're Looking for Book Reviewers

Is there a new project management book you would like to read? How would you like to obtain that book for free?

The DPC SIG is starting a book review program. We will be receiving single review copies of books from publishers. Members will be given the opportunity to volunteer to read a book and write a review for the DPC SIG newsletter. In exchange for the review, you'll get to keep the book you reviewed.

The first book to be reviewed is  
*This Isn't Excel, It's Magic!*

This book by Bob Umlas provides clear guidance on tips and tricks for getting the most out of Microsoft® Excel. The author has carefully selected tips and tricks showing readers how to work with features, formulas, keyboard shortcuts, printing, VBA and a lot more. Discover the magic of Excel and find out how to unleash its full power.



This book is provided by the International Institute for Learning, Inc.

If you would like to volunteer to this book, or future books, e-mail [vccommunications@dpcsig.org](mailto:vccommunications@dpcsig.org) or [administrator@dpcsig.org](mailto:administrator@dpcsig.org) and we will notify you of titles as they become available.

# CONSTRUCTION MANAGEMENT: PROPERLY DEFINE YOUR NEXT PROJECT

Ted Garrison, president, Garrison Associates

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**Ted Garrison, president of Garrison Associates, is a catalyst for change. As a consultant, author and speaker he works with businesses in the construction industry to grow their business by improving profit margins and increasing productivity. He focuses on critical issues in leadership, project management, innovation, strategic alliances and marketing. He can be reached at [growing@TedGarrison.com](mailto:growing@TedGarrison.com).**

Despite the facts that the construction industry is project focused and most contractors perform the standard project management skills reasonably well, I've noticed many fail in the most critical area of all - defining the project.

The philosopher Yogi Berra said, "If you don't know where you are going, you'll likely end up someplace else." Many people believe poor planning is the primary source of most project problems, but without a properly defined goal it's impossible to even start planning.

When I ask my project management seminar attendees, "How do you define a project?" The majority respond, "Plans and specifications." On the surface this seems reasonable, but it's the wrong answer for contractors who want to improve profit margins. It may get this project done, but it leads to one of the biggest problems facing contractors - lack of customer loyalty. I challenge project managers with, "What's your project's goal?" They usually say, "On time, on budget and good quality." This answer isn't wrong, but it falls short of the desired goal.

They make statements like: "It's easier to work with them because we know our way around." "There's better communication." "We know what's expected."

Therefore, every project's goal should be: "Get the customer's next project." There's a huge difference between, "bringing it in on time, on budget and good quality" and "getting the next project." The first is a short-term approach that gets the project done, while the second is a long-term philosophy that increases customer loyalty and profitability.

Contractors often defend their actions by saying they have satisfied customers. So what! Research indicates that 86% of satisfied customers will go to a competitor. So who wants customers who are just satisfied? If you're skeptical, think about how many times you have heard a contractor complain, "I delivered the project on time, on budget and with good quality, yet the customer went with another contractor on its next project." The problem was the contractor had only a satisfied customer.

The problem with plans and specifications as the project definition is they represent the commodity portion of the project. If a contractor can't consistently complete projects on time and according to the plans they simply will not stay in business. Accept the fact your competition can meet the plans and specifications. There are some differences in contractor's quality, but this is minor because the contractor will be forced to correct any unacceptable work. When competition is based only on plans and specifications, the only way for a contractor to distinguish itself is by low price. Worse, even if you do a good job, you only end up with a satisfied customer who still bids its next project.

*Continued on page 13*

## CONSTRUCTION MANAGEMENT CONTINUED

Defining the project as "getting the next project" changes the way you do business by creating the necessary long-term perspective.

When issues come up, it forces you to ask yourself, "If I were the client, how would I want this issue resolved?" Instead, of asking yourself, "How can we solve this as cheaply and quickly as possible?" Often these two questions will provide the same answer, but many times the answers are totally different.

In most cases, the customer hires a contractor because they can't do the work themselves. So why should a contractor disregard its expertise and merely accept the plans and specifications as what the customer really needs or wants? The essential key to developing loyal customers and repeat business is to exceed the customer's expectations. The only way to continuously exceed expectations is for a contractor to employ its expertise and take the initiative to uncover the customer's unstated or latent needs. When the contractor delivers these special needs it exceeds the customer's expectations and increases loyalty and repeat business.

It takes time and hard work by both the contractor and the customer to uncover these unstated needs. In fact, it is to the contractor's advantage to get the client involved in this process as much as possible. The greater a client's investment in time and money, the less likely the client will switch contractors.

When contractors define their projects as "getting the next project," they shift their focus to acting like their customer's partner and eliminating much of the adversarial tension on projects. They will turn into an ally and resource. Of course, it takes time and money to develop loyal relationships. But compared to the dollars wasted in estimating lost bids, it's worth the investment. Studies reveal it costs five times more to get a new client than it does to keep an existing one. So for contractors that want to build loyalty and negotiate client's largest projects - they should immediately start defining their projects the right way.

Attendees do better when asked, "What is your most profitable project?" They correctly answer, "Repeat customers." Further, the more projects a contractor does for a customer the more profitable their future work becomes. When I talk with mechanics, even they prefer repeat customers.

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**October 23, 2006**

***- this meeting will be held after the SIG Networking meeting. Details to be announced -***

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# THE RESULTS ARE IN! DPC SIG MEMBERSHIP SURVEY

## Warne Baruch, PMP, Vice Chair Marketing

I am pleased to report that as a result of your survey responses and additional brainstorming by the board, we have developed a number of tactics to consider in our efforts to improve services to members.

**Our Vision** is to be recognized by our industry as the global link to collaborative wisdom for project management knowledge.

**Our Mission** is to lead project management knowledge and methodology for capital projects in the global economy, and become the professional organization of choice for those involved in the management of capital projects

- Breaking down barriers that fragment the profession
- Improving the understanding of capital project management
- Promote collaboration between capital project stakeholders
- Contribute to the professional development of our membership

We intend to achieve our mission by focusing on the following **Strategic Objectives**:

- Increase professionalism of our members by promoting project & program management education and training programs.
- Promote diversity in the workforce.
- Expand the global reach of our organization.
- Demonstrate and promote project management principles and practices as an essential element in planning and managing capital facility projects and programs.
- Drive process solutions that support alignment with the owner's business requirements to promote the right project being built right.
- Facilitate the continuous improvement of implementation tools to assure project management effectiveness.
- Facilitate communication and sharing of best practices.

## Ideas for Improvement

### Increase your involvement

- Involve more of you in the SIG to write articles, conduct programs. Doing so would provide you with visibility, networking opportunities, PDU's, etc., and spread the work of serving you.
- Provide means by which busy members can contribute, while using their limited available/discretionary time efficiently
- Consider efforts to attract members from the design and procurement professions to our SIG.
- Possibly, some of you could become Local Member Service Deputies, thereby addressing the priority issues of your area and facilitating the global communication that we want to achieve. This would also add a channel by which we could better serve members and increase our visibility as project managers and an organization.

### Become more responsive and improve communications

- Investigate the possibility of providing every member with access to the complete SIG membership list; especially including company, location, email, phone, on a searchable basis, while maintaining your privacy
- Become more responsive from you by following up with those who leave the SIG, and asking questions like "What do you want from the DPC SIG?" and "Can we provide it, and at what price?"

## Newsletter Submissions



One of the benefits of belonging to a professional organization like PMI is the opportunity to **share information, experiences and Best Practices with your colleagues**. The DPC SIG Newsletter is a great forum for expressing one's ideas in print and we are looking for members who have something to say to submit written articles for consideration.

In addition to being eligible to earn PDUs toward your PMP recertification, many "published" individuals actually list their works in their professional résumés.

Articles are typically 500 – 700 words in length and should be **pertinent to design engineering, procurement, construction, business, management or the project management profession**. All submissions are subject to review by the editorial committee prior to publication and will be printed on a space-available basis. We're looking forward to hearing from you! For more information or to submit articles contact the Vice Chair Communications.

## Engineering News-Record Subscription Offer

Thanks to the enthusiastic response from DPC SIG members, the publishers of *ENR* have extended the opportunity to subscribe to *ENR* at less than half price!

**Limited-Time Opportunity**  
**..\$39 Rate for New Subscribers.**



The special discount program for members has been extended. For more details, go to the DPC SIG web site.

## Management of Building Projects

**A practice manual for all lead roles in managing projects from concept to completion**

DPC SIG members can now order the **Management of Building Projects Manual** at a discounted price of only **\$80 (US)**.

**Order Online!**



"[The Task Force has] produced a complete and thoughtful work that can help improve the management of building construction in general anywhere." - Sherrill McDonald, VC Administration, DPC SIG and Project Manager – Construction Extension to the PMI® PMBOK® Guide.



# Executive Book Summaries



## Introducing Soundview Executive Book Summaries<sup>®</sup> for PMI Members

PMI has teamed with Soundview to offer PMI members an exclusive subscription of summaries of the year's most popular business and project management books. If you seek the latest thinking in business and project management but lack the time to read stacks of books, **Soundview Executive Book Summaries** may be just right for you.

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# WELCOME NEW MEMBERS

March 2006

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Mr. Marwan M. Daou  
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Mr. Andrew J Gardner  
Mr. Steve A. Garibsingh  
Mr. Daniel Garneau  
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Mr. Radwan F Ghazal  
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Mr. Zachary A. Kinney  
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Mr. Mostafa Ahmed Ouf  
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## Membership Stats

**1904 Members**  
**661 PMPs**



### DPC SIG Members Worldwide

North American Members - 1335

EMEA Members – 343

Latin American Members - 104

Asia Pacific Members - 122



## WELCOME NEW MEMBERS CONTINUED

### April 2006

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## CALENDAR OF EVENTS

### July 2006

10-14 July 2006

Principles of Enterprise Project Management -  
San Diego, CA , USA

16-19 July 2006

PMI Research Conference - Montréal, Canada



### August 2006

1-2 August 2006

2<sup>nd</sup> Annual International “Mastering IT Project Management” Congress - Malaysia

26 August 2006

PMI Atlanta Chapter Professional Development Day - Atlanta, Georgia, USA

### September 2006

14-16 September 2006

First Asia Government Forum - Hong Kong, China

27-29 September 2006

3rd International Conference on Project Management (ProMAC2006) -  
PMI Sydney Chapter Annual Conference, Sydney, Australia

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