

by Steve Revay



It was a decade ago that the volume of RAL assignments in Western Canada and in the Western USA was such that it was decided to open up an office in Calgary and thereby provide closer-to-home service to our Western clients.

This issue of *The Revay Report* celebrates the tenth anniversary of

CALGARY SALUTE!

RAL-Calgary. In doing so, I would first like to thank all of our clients for having made it possible! And, secondly, I would like to recognize the people who have staffed the office. Consulting is a people business and they are the key to success or failure.

The current group are featured in the following pages but I would like to make particular mention of Tom Watts and Wally Lutes, who opened the Calgary office as Branch Manager and Senior Consultant, respectively. Both were graduates of Morrison-Knudsen's claims section. Wally had just retired from M-K but agreed to help us get started in Calgary. Tom managed the Branch until last year,

when he returned to his native Australia for family reasons. Our special thanks go to both of them.

The list of highlights of the first ten years recorded for the Calgary office is gratifying but one must focus on the future rather than dwell unduly on the past. It is fitting, therefore, that the feature article deals with PMO - Project Management Overview. The concept has been oversold at times but it can be very valuable under certain conditions. RAL has provided this service and feels confident that there will be an increasing demand for it in the future.

"PROJECT MANAGEMENT OVERVIEW" SOLUTION OR FAD?

by Steve Revay Jr.

In Ottawa circles "PMO" means "Prime Minister's Office" but in U.S. construction circles the abbreviation has become the latest buzzword and stands for "Project Management Overview." In essence, it involves a periodic monitoring of the project manager and has application whether or not the owner has its own supervising engineering department or engages project managers, construction managers or general contractors to execute its projects. This article briefly describes the procedure, discusses its pros and cons, and offers a set of criteria as a basis for considering its suitability for a particular project.

In fashion somewhat akin to the old travelling medicine shows, recent American technical journals are advocating Project Management Overview (PMO) as the cure for what ails the construction industry. The

extent of that illness has generally been demonstrated through the current proliferation of contractual disputes and their root causes, i.e., overruns in time and/or money.

There is little doubt that there is merit to the assertions contained within these articles. After all, PMO has been successfully used in the United States and is currently being used on several major U.S. Government projects. There is, however, equally little doubt that the concept of PMO is being exploited, by some, so as to generate work for the authors of these articles and their firms without due consideration to its cost effectiveness.

The following comments initially explain the principles of PMO and then discuss its advantages and disadvantages. Final comments will offer criteria for implementation.

OBJECTIVES

Conceptually, PMO is adjunct to project management with a view to overcoming the following common failings of many project management arrangements:

- Management cannot see the forest for the trees;
- Management decisions are biased by contractual commitments and/or corporate policy.

These problems can be circumvented by having outside personnel, with no inherent financial or organizational ties to the project or its progress, reporting directly to senior management on the status of the project and the effectiveness of the project team.

These individuals would be consultants independent of the firms

associated with or responsible for the management, engineering, procurement and construction of the project, who - because of this independence - could offer an unbiased assessment of the performance of team members (those responsible for the aforementioned function) and of the tools and processes being utilized to meet project objectives.

There is of course nothing new about owners engaging independent consultants to perform such assessments. In the past, this exercise has been called "management audit." What is innovative and different about PMO, however, is that this assessment is continuous throughout the life of the project and is intended to forestall problems - as opposed to being the consequence of a recognized problem. PMO is, as such, a preemptive, proactive approach to project management.

CRITERIA

For an effective PMO process, one needs to look at two further integral aspects of this concept. They are:

- reporting level;
- projections/forecasting.

Inherent to the success of the process is the requirement that the PMO consultant does not report to the individual(s) he may have to comment on. This prerequisite also implies that the consultant will be reporting to executives who can act on information provided to them. PMO reporting should be the early warning signal for senior management. That signal should not be jammed by individual pride, client-consultant relationship, or personality conflict; these can be avoided if the PMO consultant reports to the level of management that is ultimately responsible for the financial success of the project.

The second requirement is the PMO consultant's ability to understand and verbalize the significance and impact of warning signs associated with either one of the following:

Before Contract Award

- Quality of the tender documents
- Budgetary constraints
- A large discrepancy in tender prices
- Innovative technology
- Requirement for regulatory approval
- Public opposition
- Fast-tracking (e.g. degree of design completion)
- Multiple prime contracts
- Constructibility analysis
- Qualifications of project team

Ongoing Construction

- Mobilization process
- Delays in owner-supplied equipment and material
- Method of communication (record-keeping) at the jobsite
- Handling of change order requests and claims
- Slippage in the quality of work
- Progress measurements/payments safety infractions
- Disorderly site operations
- Complaints from subcontractors and vendors
- Turnaround time of shop drawings and/or response time for clarifications
- Liens
- Undermanning and/or schedule slip-pages
- Labour-Management relationships
- Inaccurate and/or ineffective control systems

REQUIREMENTS

It should be stressed that it is not sufficient for a PMO consultant to simply advise management of the existence of certain warning signs; he must also indicate (a) their potential implication on the attainment of project objectives, and (b) possible means of correcting the situations that are warning of potential problems. Otherwise, the consultant is incurring cost without providing benefit.

The PMO consultant, to justify his existence, must be able to demonstrate improvements in the following areas:

- recognition of problems in advance of when they might otherwise have been noted;

- suggestion of appropriate actions;
- PMO consultant's presence benefits members of the project management team;

Expansion on this latter item is to be found hereinafter in the discussion on advantages. First, however, a comment on the potential problems of the PMO concept is provided.

CAVEAT EMPTOR

It has been stated that for the concept to be viable it must provide a benefit greater than its cost.

Notwithstanding opinion to the contrary, there are a number of construction projects, even large ones, that are completed without major problems. There are some who would suggest that this number is rapidly diminishing. Nevertheless, on those projects the introduction of PMO would not have provided a commensurate benefit, except perhaps - as argued by PMO proponents - some intangible ones such as the insight and learning which may be gained from the PMO consultant.

The cost of PMO is obviously dependent on the mandate and the number of consultants employed. It is here where this concept is usually abused, and the greatest suspicion of the articles written by PMO salesmen develops.

PMO is not intended to replace Project Management. The objective of Project Management is to get the job done in the most cost-effective and expeditious manner. Focus is therefore on day-to-day activities, whereas with PMO the focus is on the people, the process, and the tools employed in meeting project objectives. The PMO process, contrary to the desires of some of its more zealous advocates, does not require a second project team. Equally, it does not require day-to-day involvement, particularly when the PMO consultant and the project team are in sync (working harmoniously). The interaction which will occur between the project team and the PMO consultants can either be of mutual benefit or a serious handicap

to the successful utilization of the PMO process. In proceeding with PMO, one must recognize that:

- interaction with the project team is essential;
- members of the project team who are insecure in their role will feel threatened regardless of the means used to introduce the process.

This potential difficulty cannot be overlooked, particularly concerning the information required by the PMO consultant for successful performance, but controlled by the project team. To overcome this problem, the PMO consultant ought not to be given a larger mandate than is absolutely necessary.

ADVANTAGES

If the process is going to be introduced, it should be commenced in the initial stages of the job. It must be introduced as a proactive tool. To introduce PMO after some of the warning signs have already appeared is asking for trouble, because the project team is bound to be defensive and will invariably handicap the flow of information between the project team and the PMO consultant. At the same time it probably will deprive the project team of one of the basic advantages of this process, which is to learn more and better planning and/or control procedures from the PMO consultant. The project team must be convinced that the PMO consultant is there to help and not to act as a senior management spy. A fundamental requirement of a PMO consultant is experience. That experience can be shared if the right environment is created. It has been earlier stated that the PMO process can overcome the common problem of crisis management by introducing someone who is specifically not responsible for day-to-day operations. With the right working environment, the PMO consultant will not only think and plan for the future, but get the project team to think in that same vein.

The second problem which PMO can circumvent is the potential lack of

objectivity on the part of the project team. This problem is most prevalent with disputes and/or claims. On this subject, a surprising number of people tend to operate from the gut, or on the basis of corporate policy. It is amazing how often the merit in a dispute is considered an incidental issue. If members of the project team are treating the claim as a personal issue, ultimately there will be trouble and resolution of the dispute will be more costly and lengthy than would have otherwise been the case.

Disposition of a claim may be detrimentally affected by corporate desires because (a) the claim could frequently cause budget overruns, and (b) can be perceived to affect careers. In these situations, the resolution of the claim will be put off as long as possible, and conceivably forced into litigation.

It is evident that claims should be disposed of solely on the basis of merit. A PMO consultant with no axe to grind or fear of downstream consequences is best able to provide the objectivity that is frequently lacking.

IMPLEMENTATION

There are three significant variables which must be considered in implementing PMO:

- the project;
- the project team; and,
- the PMO consultant.

The object is to have harmony among these three variables; the means is wholly dependent on each factor. There is thus no magic formula for implementing PMO. The following comments are, therefore, general in nature.

To implement PMO, one must first evaluate the risks inherent in the project and the potential for difficulty. Budget constraints must then be measured against those risks in determining whether one should proceed with PMO. Significant risks might well necessitate the introduction of PMO, regardless of budget constraints.

In assessing potential risks, judgement regarding the relative strength of the project team should be determined, which in turn ought to provide insight into the required qualities of the PMO consultant. Having completed the above exercise and assuming that the risk warrants it, the next process is to engage a PMO consultant and establish his mandate, including the frequency of his reports. Here, the best advice is to proceed slowly: simply because the concept of PMO is worthwhile doesn't mean that one should rush out and implement the process without appropriate consideration.

The concept will work best when a working relationship between the project team and the PMO consultant has been developed. This will take time. It is thus suggested that for a first endeavour, a PMO consultant be engaged to provide a monthly report. To achieve same, the PMO consultant would require:

- copies of all minutes of meetings occasional attendance;
- copies of all schedules;
- copies of all correspondence;
- records of monthly site visits including meetings with project team;
- communications with project team on an ad hoc basis;
- control reports

This process must be commenced as early as possible and must be evaluated carefully. In submitting reports, the PMO consultant should also comment on the process itself.

The Project Management Overview concept as it is being introduced in the United States is in its infancy. Accordingly, it will have to be watched carefully and reviewed continuously. It is certain, however, that an independent "management audit" of the project team's modus operandi, particularly on large and complex projects, has been found beneficial in the past. Without doubt, it will be employed more and more frequently as the size of construction projects grows and the time to complete them shrinks.

RAL - CALGARY

Highlights of the First Decade, 1979-1989

- Branch opens in "Center 70", a new office complex.
- First major seminar - a two-day forum on Construction Efficiency and Productivity - organized and operated for the Universities of Calgary and Alberta at the Calgary Convention Centre, April 1979.
- First major study - on Construction Productivity Standards - was commissioned by the Construction Owners Association of Alberta, October 1980.
- A three-day seminar on "The Causes and Settlement of Construction Contract Disputes" was sponsored by RAL at the Four Seasons Hotel, Calgary, January 1981.
- Publication of "Managing for Profit - A Guide to Construction Management". This was first a series of 10 articles published by the Journal of Commerce under the heading "Successful Construction Management", and was later printed in booklet form in response to the many requests for copies of the articles. These articles offer advice to contractors on management decisions that directly affect the profitability of their business.
- Completion of 380 construction claims, consulting assignments and expert studies, not only in Western Canada, but also in Eastern Canada, the United States, Panama, France and Hong Kong.
- Opening of a satellite bureau in Vancouver through an arrangement with K. W. (Ken) Fraser.

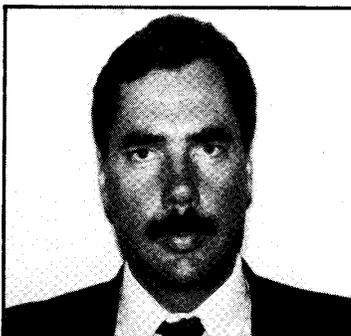
SUSAN WRIGHT



To those visiting or phoning RAL-Calgary, the first contact is usually Susan Wright, who has acted as office manager - secretary - bookkeeper - den-mother since 1980. In addition, she exudes the good humour, confidence and authority that come from being a true native Calgarian and a grandmother to boot!

RAL PROFILE

STEPHEN O. REVAY



Steve Revay Jr. joined RAL in 1977, after graduating from Sir George Williams University, Montreal, with a B. Comm. degree in 1971; five years experience in the Allancroft Centre for emotionally disturbed children; and two years sales experience with McBee and SunLife. (He declines to comment as to how his Allancroft years may have prepared him for his present activities!)

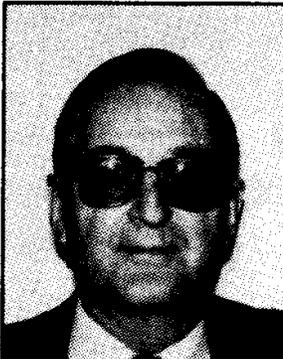
After two years of basic training in the Montreal head office, he packed his skis and moved to the new RAL office in Calgary in 1979 as its Administrative Manager. He subsequently acted as Assistant Manager and became Calgary Branch Manager in 1988.

His particular expertise relates to schedule and productivity analysis and to the quantification of claims. He has also been active in RAL

survey and seminar programs and has authored a dozen papers and lectured students at the University of Calgary and the Southern Alberta Institute of Technology on claims. Although mainly involved in projects in Western Canada, he has also been engaged on assignments in Eastern Canada, the United States and Europe.

Steve has been especially active in industry associations in Calgary. Currently he is Past-Chairman and a director of the Calgary chapter of Construction Specifications Canada. During his two-year term as chapter chairman it received the "Chapter of the Year" award. In addition, he is a director of the local chapter of the American Association of Cost

Engineers and has satisfied the AACE requirements for qualification as a Certified Cost Consultant. Other active memberships include those in the Project Management Institute and the Alberta Arbitration and Mediation Society.



**MICHAEL T. WHEELER, P.Eng.,
F.I.M.E.**

Michael Wheeler joined Revay and Associates Limited in December 1988 as a Senior Consultant in the Calgary Branch. He brought with him 33

years of experience as a senior executive engaged in Project/Construction management, Construction Engineering and Contract Management.

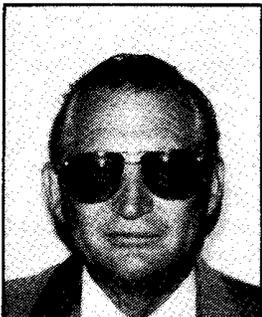
He is also a prime example of "Enter Construction and see the World!" After his schooling in England, he came to Canada to work with Ewbank & Partners (Canada) Ltd. This, plus a later stint with Acres Consulting Services, involved him with power projects in Canada, Brazil and Pakistan. Moving into the petroleum sector with Kellogg International and Gulf Oil Canada, he acted as the Owner's Representative or engaged in construction management on refinery and petrochemical projects in

Canada, the United Kingdom, Iraq, Germany, Holland and Belgium.

His last ten years were with Atco Industries Ltd., serving successively as Construction Manager, Manager-Construction Technical Services, General Manager Construction, Project Manager and Offsite Manager. And here the projects ranged from Nigeria, Saudi Arabia, Abu Dhabi, Algeria and North Yemen to Syria, Chile, Argentina and Venezuela. And, oh yes, Canada.

Michael is registered as a professional engineer in Alberta and Ontario and is a Fellow of the Institute of Mechanical Engineers.

FRANK KANANEN



Joining the ranks of consultants after retiring as Vice-President of Bird Construction Co. Ltd., Frank has been engaged in RAL assignments since November 1988.

His 33-year career with Bird commenced in Lethbridge in 1955, after a stint in the RCAF as an Officer and Pilot Trainee, and then with a building supply house. Rising through the ranks from timekeeper and estimator, he progressed to Senior Estimator and Project Manager and then to Area Manager.

In 1982 he was promoted to Vice-President and Western Regional Manager, based in Calgary, responsible for the company's branches in Vancouver, Edmonton and Calgary. The firm had several

major projects at Expo '86 in Vancouver and Frank was named Senior Corporate Representative. This work commenced with the contract negotiations and ended with the wrap-up demolition phase. Subsequent responsibilities included corporate development in Alberta and B.C., and Saskatchewan operations.

All of which has helped to make him a sought-after Expert Witness on Construction matters.

KENNETH W. FRASER, P.Eng.



RAL has had many assignments in British Columbia over the years. In a move to provide resident service to its

B.C. clients, Ken Fraser is now acting as a Senior Consultant and RALs "West Coast Connection."

Ken has had 22 years experience with Dillingham Construction Canada Ltd., including seven as Vice-President, Contract Administration & Planning. In this capacity he directed the company's Contracts Administration, Central Costing, Insurance and Information Systems Departments, and coordinated claims preparation and other legal matters with the company's legal counsel.

Previously Ken had managed, in turn, Dillingham's Central Costing and Contract Administration Departments. Prior responsibilities included Chief Cost Engineer, Assistant to Chief Engineer, Estimator and Contract Administrator.

He graduated with a B.Sc. (Civil Engineering) from U.B.C. in 1951 and first acted as a structural engineer with O. Safir and Columbia Engineering Co. Ltd. He is a member of the Association of Professional Engineers of British Columbia.

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