



**Change Management
for Entry-Level
Cost Control Professionals**



SAN  **ANTONIO**

A Fiesta for Total Cost Management

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Greg Whiteside Biography

A Fiesta for Total Cost Management

University:

- Texas A&M University

Degree:

- Bachelor of Science, Mechanical Engineering

Years of Experience:

- 4 years of experience

Professional Field:

- Energy and Chemicals

Something you do not know about me:

- Play guitar to accompany my dad on blues harp
(<http://www.youtube.com/watch?v=myuHpwwCHTY>)



Introduction

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Presentation Outline

Basics:

- Cost Controller's Role
- Project Lifecycle
- WBS Setup
- Cost Reporting
- Progress & Performance
- Purchase Orders

Change Management:

- Cost Control Plan
- Project Changes
- Documenting Changes
- Change Order Revisions
- Understanding Changes
- Factors Driving Change
- Client vs Contractor View
Point



Basics: Cost Controller's Role

Basics: Cost Controller's Role

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- Manage project funds
- Plan budget breakdown
- Establish reporting requirements
- Understand how costs are collected
- Track costs against budget – “Own” the budget
- Role relating to other financial groups
 - Estimating (future)
 - Accounting (past)
 - Cost Control (present)
- Change management

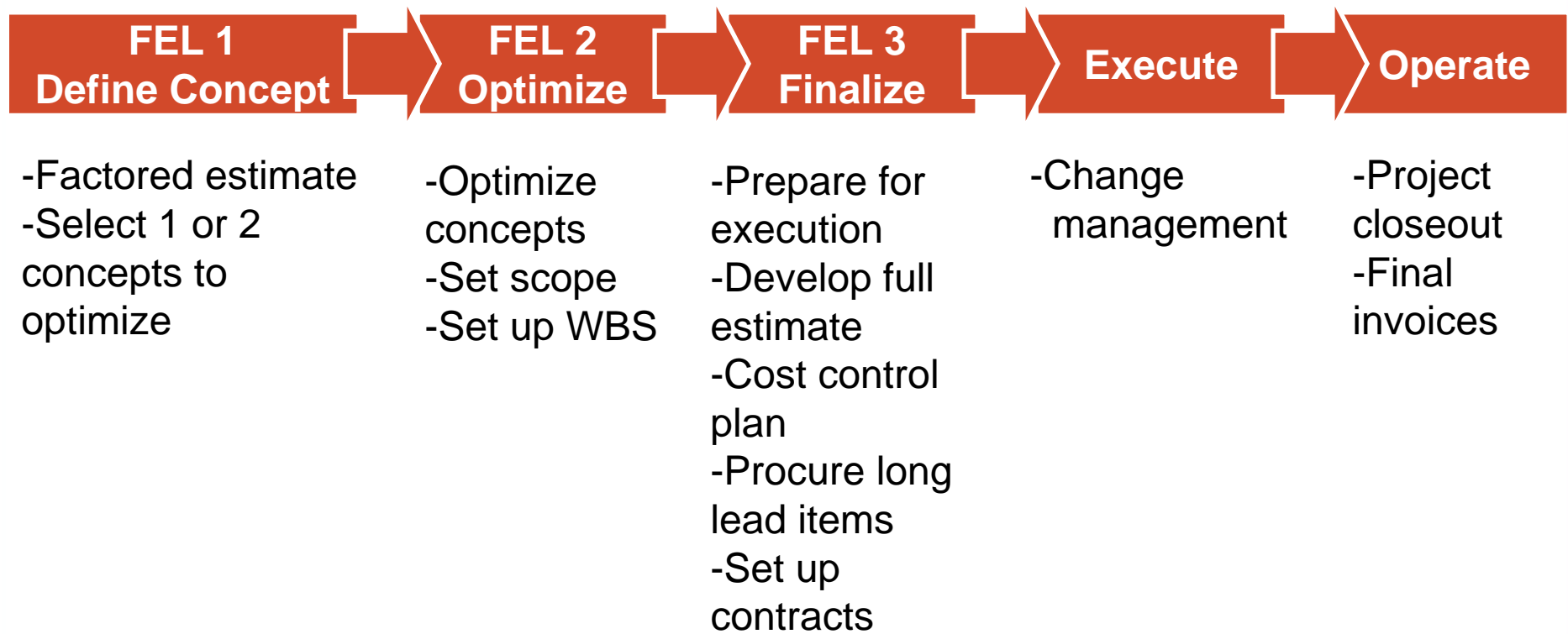
Estimated – Budgeted – Committed – Expended – Invoiced – Paid



Basics: Project Life Cycle

Basics: Project Life Cycle

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- Stage gated approach used by many large oil companies
- FEL – Front End Loading, term introduced by DuPont in 1980's

Basics: WBS Setup

- Original Budget
 - Guidelines
 - Estimate
 - Approved funding
 - Changes
 - Control Budget (snapshot)
- Breakdown
 - Level of detail
 - Home office/Construction
 - Direct/Indirect
 - Labor/Materials

Basics: WBS Setup



```
graph TD; A[Project Definition] --> B[Home Office]; A --> C[Construction];
```

Project
Definition

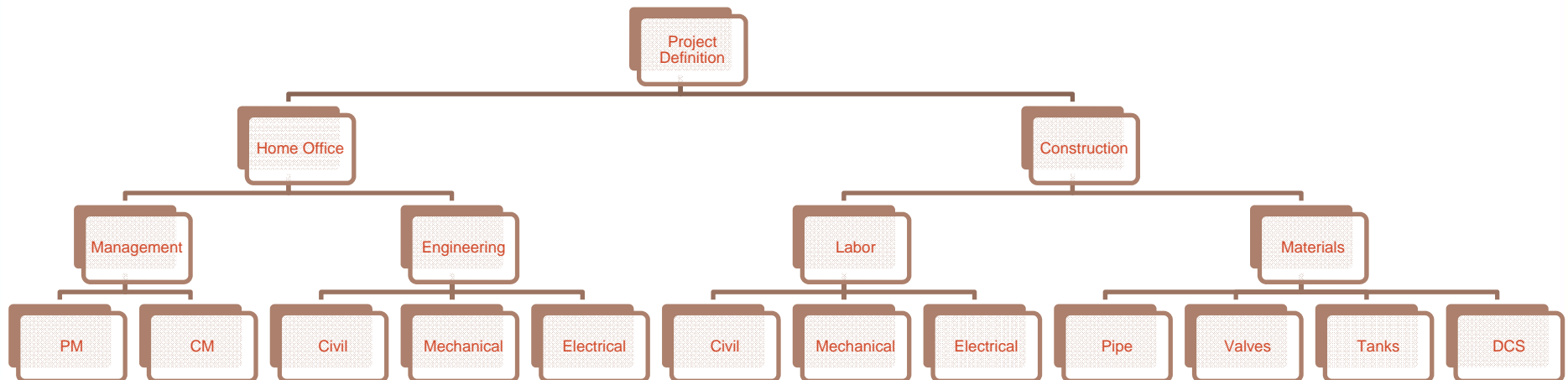
Too Little Detail!

Home Office

Construction

Basics: WBS Setup

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Basics: Cost Reporting

Basics: Cost Reporting

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- Understand how costs are collected
 - Timesheets
 - Material goods receipt
- Track costs against budget
- Financial state of the project



Basics: Progress & Performance

Basics: Progress & Performance

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- Progress
 - Definition
 - Activities and rules of credit
 - Partial progress
- Performance
 - Definition
 - Good/bad

Basics: Purchase Orders

Basics: Purchase Orders

- Contract: Commits funds to a contractor
- Further breakdown of work
- Example



- Outcome
 - Lead time on long lead items retained
 - Work continued unhindered



Basics: Summary

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Change Management

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Change Management: Cost Control Plan

Cost Control Plan

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- Outlines how the team will handle changes
- Process
- Key personnel
- Change implementation
- Change communication
- Forms
 - Change Form
 - Change Log
- Sets the change management requirements



Change Management: Project Changes

Project Changes

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- Added work
- Change in execution
- Cost savings
- Proper documentation
- Early identification

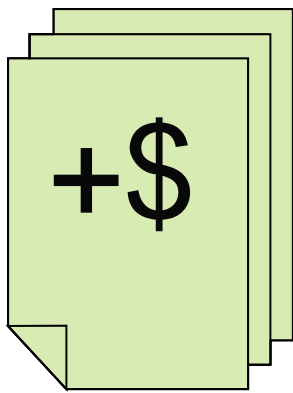
Actual quote: “We haven’t written the change order yet because we don’t know how much it’s going to cost.”

If a change is “hidden” until actual costs are determined, the project team has had no chance to avoid the outcome.

Project Changes

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- “For Documentation Only” (FDO) Changes
- Example



FDO Changes



Rearrange Budget to Cover



Project Ran Over



Change Management: Documenting Changes

Documenting Changes

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- Auditable
- Proper forms
- Proper authorization
- Change Log
 - Unique identifier
 - Short description
 - Originator (go-to person)
 - Basic dates
 - Approval status
 - Cost impact



Change Management: Change Order Revisions

Change Order Revisions

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- Changes change
- Better information
- New portions affected by change
- Updated quotes/proposals
- Change log will show latest revision

- Trade-off between timing, accuracy
- “For Documentation Only” (FDO)



Change Management: Understanding Changes

Understanding Changes

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- Understand original plan
 - Scope
 - Budget
 - Schedule
- Understand the change
 - Incremental
 - New Cumulative
 - What was the value before the change/ after the change?
- Communicate the change
 - Project manager
 - Project team
 - Affected contractors / procurement



Change Management: Factors Driving Change

Factors Driving Change

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- Scope
 - Clarity
 - Disclaimers
- Material quantity
- Labor rate
- Productivity
 - Poor performance
 - Root cause



Change Management: Client vs. Contractor View Point

Client

- Full project
- Oversight
- Revenue generation date
 - Delay/overrun
 - Rate of return

Contractor

- Selected Scope
- Managing labor and materials
- Maximize profits
 - Maximize
 - Breakeven
 - Payout damages

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Conclusion

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- Change management is a major part of the cost controller's role.
- Disciplined approach to change management
 - Good planning
 - Early, easy identification of changes
 - Decisive action
 - Successful execution of changes

If a change is “hidden” until actual costs are determined, the project team has had no chance to avoid the outcome.