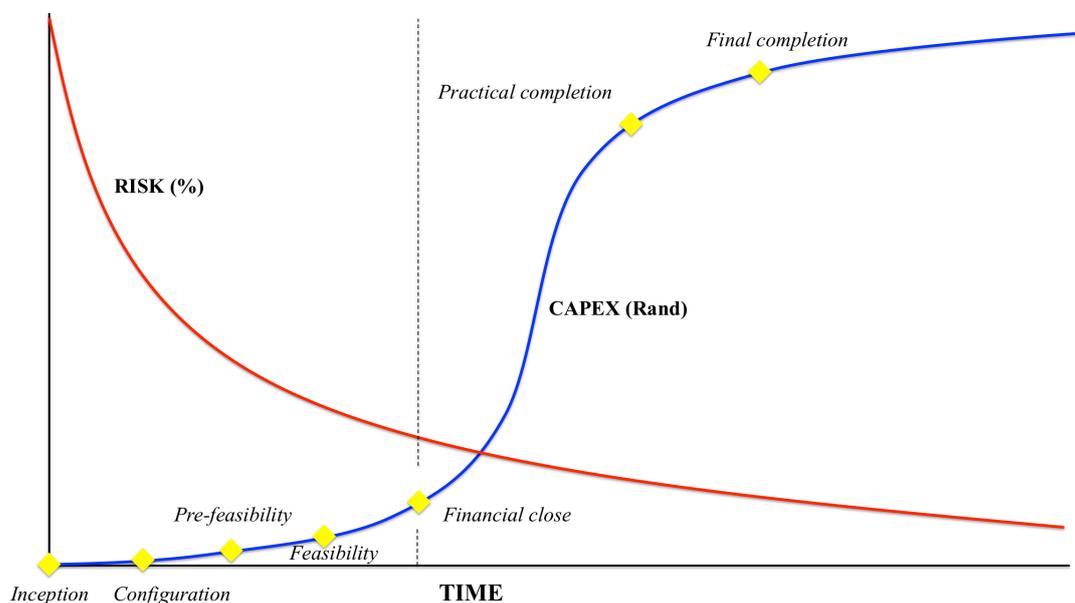


Project preparation and project management is not the same

Let me tell you why....

It is quite common in industry when the process of **developing a new (infrastructure) project** is initiated that one of the first appointments made is that of the project manager. Equally common is for the project manager to be an engineer with suitable experience in the relevant field of practice (i.e. water treatment, dam construction, road construction etc.). Yet, too often it is this very first appointment, which sets the project firmly on the path to **failure** from which it is difficult to escape. The reason: not a lack of skills and experience of the project manager or the team assembled by him (or her) but simply a lack of understanding of the broad **project development** process and failure to establish a suitable project development regime rather than a project management regime.

As a first step to explain this argument of mine it let us take a look at the typical project life cycle and identify key factors for success throughout the cycle. For project managers, the project life cycle is defined through the capital expenditure curve, which is generally referred to as the S-curve due to its typical profile. Managing this cash flow profile is one of the critical functions of the project manager - remember the project management mantra: *on time, on budget....* It is thus quite understandable that the S-curve should be a key focus of the project management function. But, the S-curve only tells part of the story of the life of a project. There is a second curve that is equally important: that is the curve reflecting the overall risk profile of the project. The figure below shows the two curves super-imposed and also highlights some key milestones in a project's life.



It is the relative high risk of new projects that causes so many of them to never really get out of the starting blocks or to progress only through the first few steps before being abandoned.

So, while the project manager is primarily concerned with managing the S-curve and getting the project to completion, on time and on budget and at the right quality, the project developer is primarily concerned with managing and mitigating risks and getting the project to financial close – a key date in the project life when all the funding to implement the project is in place and typically signalling the commencement of construction. After financial close, cash flow is indeed a critical performance factor – the quicker cumulative cash flow rises up the S-curve, the more progress is made. Prior to financial close, cash flow is definitely not a performance factor, in fact you would rather want to spend as little cash as possible. The key performance factor prior to financial close is mitigating risk and reducing the overall risk profile of the project. Post-financial close, time (to completion) is a key project parameter that is carefully managed: time is of the essence! Except for certain emergency situations, time is not a critical parameter to be managed in the pre-financial close phase. The only issue that matters here is risk mitigation.

This highlights the need for fundamentally different paradigms from which the project manager and the project developer must operate. The project manager operates from the paradigm of spending money to reach completion (as soon as possible) while the project developer operates from the paradigm of spending money to identify, mitigate or eliminate risks in order to reach financial close. For the project manager, progress is measured by how much capital has been spent. For the project developer, progress is measured by how much risk has been mitigated. Similarly, for the project manager time-to-completion is one of the most critical deadlines whereas for the project developer there can be no compromise on risk mitigation no matter how long it takes. This explains what we see so often in practice, where infrastructure projects can take years or even decades to reach the point where construction commences.

Experienced project managers and anyone who is well versed in PMBOK will immediately object on the basis that risk management is a key project management function. That is correct, but project managers typically conduct their risk management activities in a well defined and structured environment utilising tools such as signed contracts, insurance products and risk matrices. They also operate in an environment where the project risk is significantly reduced (as per the risk curve). The project developer on the other hand mostly operates in an undefined and unstructured environment – in fact some of the key deliverables of the project

development activity is to define the structured environment and those risk management tools that the project manager will rely on.

The key point here is this: *specific risks that are inherent in the project as conceived and developed and which risks are not adequately mitigated during the project development phase ~ (1) will not necessarily manifest during the development phase and (2) will not go away simply because the project has reached Financial Close or even Final Completion.*

Thus, such unmitigated risks can strike at any time in the life of the project and when they do and the project fails the reason for this failure can often be traced back to mistakes made right at the beginning of the project i.e. during the project development phase (or project preparation phase as it is often referred to).

The key dividing line between the two management paradigms is typically at Financial Close – this is the instance when the management paradigm should switch from a project development paradigm to the standard project management paradigm.