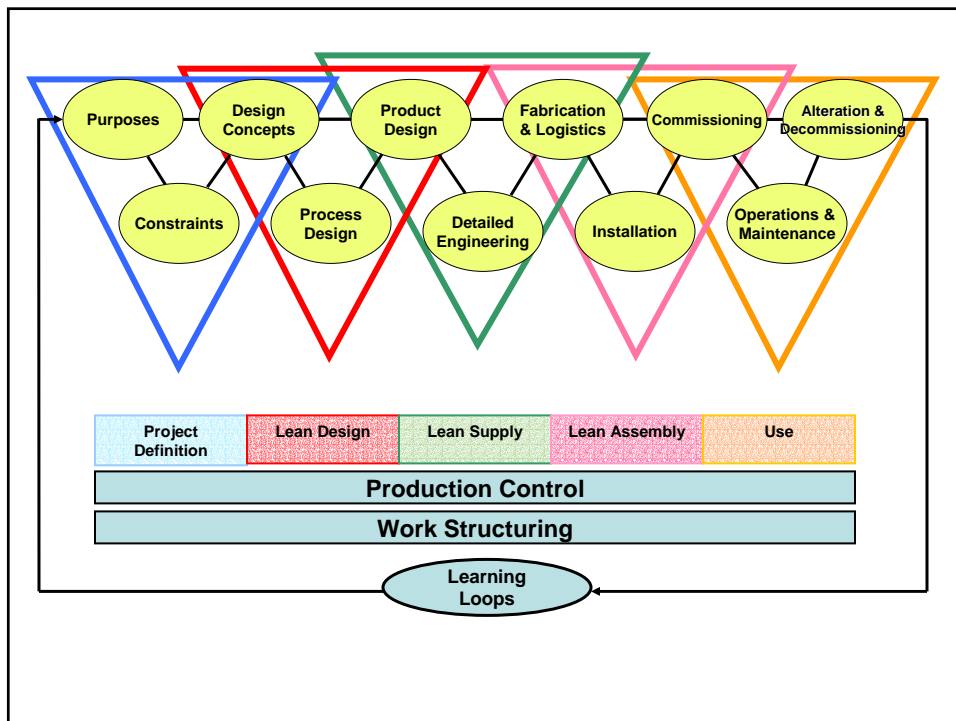
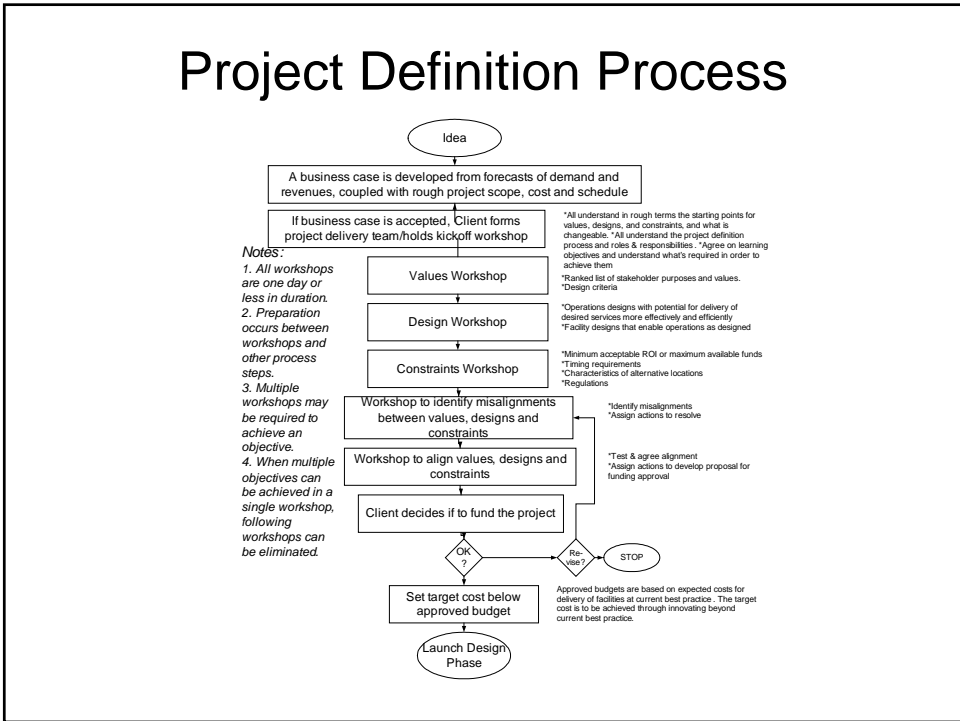
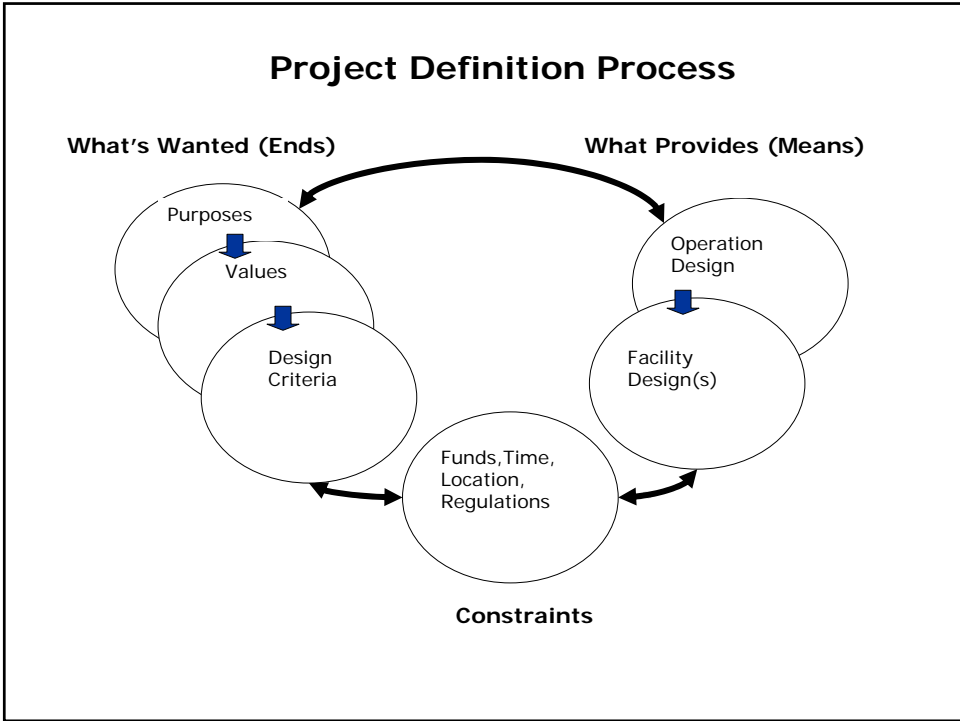


Rethinking Project Definition in terms of Target Costing

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Setting the Target Cost

1. Determine minimum acceptable ROI or maximum available funds.
2. Select cross functional team.
3. Determine and rank stakeholder values.
4. Scope the facility(s) that will deliver the values.
5. Determine the expected cost if the facility(s) were provided **at current best practice**.
6. If expected cost > available funds or violates ROI, attack the gap with innovations in product/process design, restructure commercial relationships, etc.
7. If expected cost still exceeds available funds or violates ROI, adjust scope by sacrificing lesser ranking values.
8. If expected cost can be made to meet financial and functional requirements, submit project budget to Business Planning for approval and conformance of project business plan.
9. Submit project business plan and budget to board for approval.
10. Set target cost below budget or set target scope above expected to drive innovation beyond current best practice.
11. Agree if/how to divide budget underruns/share value gains between client and project team.

Current Process Benchmark for Target Costing of 'Production' Facilities

- The client evaluates the business case and decides whether to fund a feasibility study.
- The feasibility study involves all key members (designers, constructors, and client stakeholders) of the team that will deliver the project if the study findings are positive.
- The client is an active and permanent member of the project delivery team.
- The feasibility study produces a detailed budget aligned with scope.
- All team members understand the business case and stakeholder values.
- A cardinal rule is agreed upon by all performers – the Target Cost cannot be exceeded.
- Cost estimating and budgeting is done continuously through intimate collaboration between design professionals and cost modelers—'over the shoulder estimating'.
- The Last Planner™ system is used to coordinate the actions of team members.

Research Plan

| | Tostrud Fieldhouse | ARC |
|---|--------------------|---------|
| Setting the Target Cost | | |
| Assess the business case | x | x |
| Determine min ROI or max funds | x | x |
| Fund a feasibility study | | x |
| Engage project delivery team | | partial |
| Rank stakeholder values | | |
| Translate values into design criteria | | |
| Best practice estimating | | |
| Explicit alignment of ends, means & constraints | | |
| Set target cost below expected cost/target scope above expected scope | | |
| Decide how to apply savings or value gains | x | |
| Set contingencies appropriate to the variability to be buffered | | |

Now it's your turn to talk