

Hidden cost in Project

LIMITS PROJECTS ROI



BRIEF ABOUT SPEAKER



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DEFINITIONS

Hidden cost are the alarming costs which can quickly doom any smooth running, well planned and managed project.

Hidden costs can make the difference between success and failure – and between project completion and abandonment.

Hidden costs are the cost of the behaviour that the company or employee intentionally or unintentionally makes, so that it exists in the total cost and is not financial.



HIDDEN COST - MARKETING

“Premium” or “Priority” support

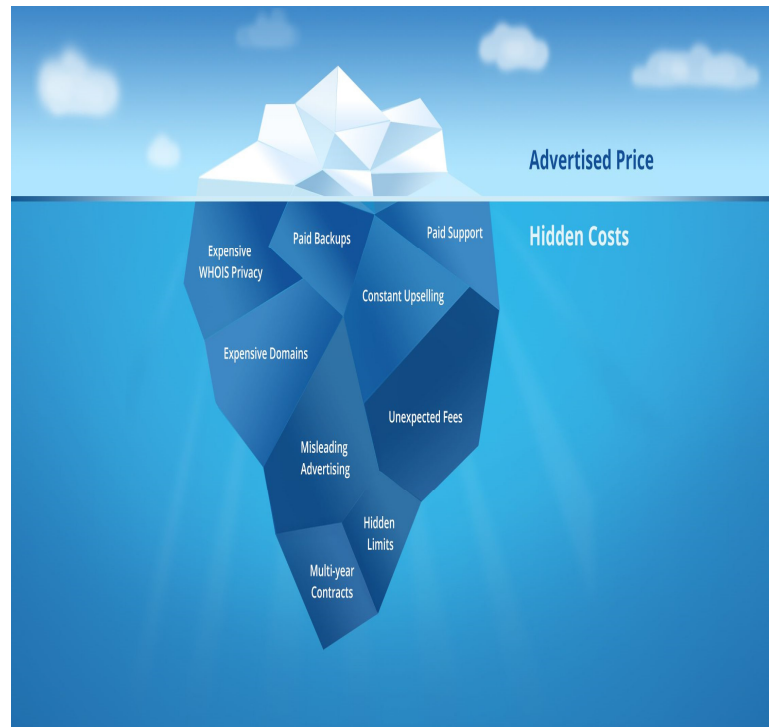
Service allows you to jump the queue. We have a 15-minute response guarantee and our average response time for tickets is 7 minutes.

Expensive domains

The most convenient way to register additional domains for your website is through your hosting provider.

Multi-year contracts

The low price displayed on their website is a “starting at” price, which is actually the price you would pay if you purchase two or more years of service. Before prepaying for such a long period, you should carefully check in the fine print what are the refund and cancellation policies.



Paid Backups

We provide free daily backups for all hosting plans.

Unexpected Fees

Some fee sneaks in your shopping cart and is bundled together with the service you are about to purchase.

Constant Upselling

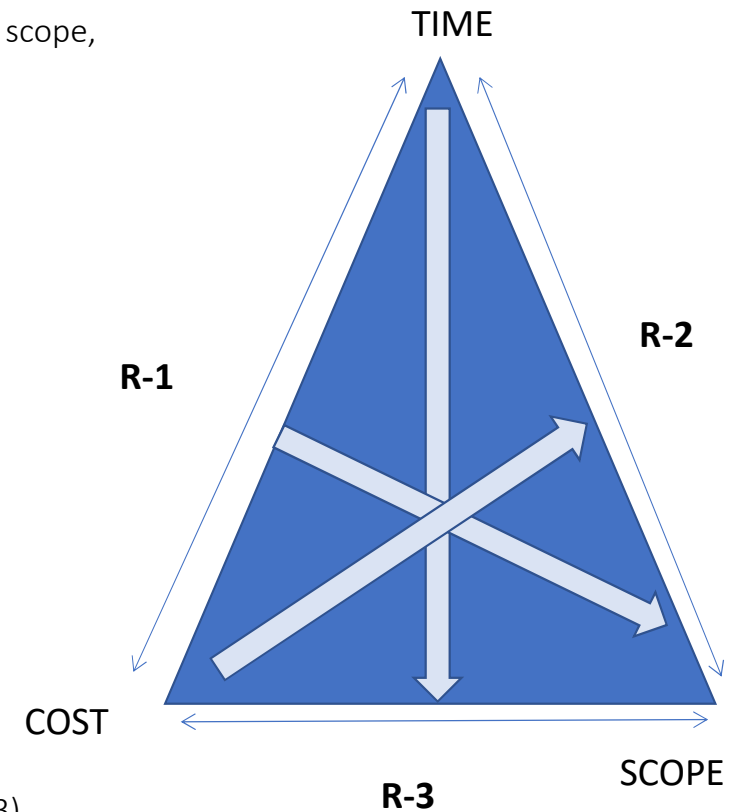
Your hosting provider tries to sell you a bunch of different services that you would never ever want or are of little real value.

Paid affiliates and you can get them for a lower price or even for free from a third party.

Project management triangle (PMT)

The project management triangle asserts that all three constraints of time, scope, and cost

Time	Cost	Scope
Too much optimism	Cost underestimation	Additional feature requests
External delays	Lack of accountability	Ambiguous requirements
Internal delays	Rising personnel costs	Changing specifications
Staffing gaps	Project delays	Internal factors
Unmotivated/overworked staff		



Time is dependent on the relation between cost and scope, presented as relation two (R3).

The form of hiding costs

Manifestations	Cost increase reason
Institutional cost	Unreasonable corporate structure and imperfect system
Mechanism cost	The reward and punishment system is unreasonable, the incentive system is imperfect, and supporting measures are not implemented.
Staff quality cost	Poor quality of management personnel and construction personnel
Quality cost	Increase the cost of quality
Duration of construction	Project delay due to contractor reasons
Safety cost	Protection of people, materials, and equipment

The Hidden Costs of Inventing: Fixed-Fee vs. Time-and-Materials

Pros and Cons of a Fixed-Fee Arrangement

It is the transparency of cost This type of arrangement forces the product development company to work as efficiently as possible and focus on the end game. If the product development company completes the scope of work on time, then the agreed price is paid, but if they run over time, they are still contractually obligated to complete the work, while simultaneously eating any additional cost. In order for the company to stay in the black with fixed-fee projects, they must focus on quoting small, manageable scopes of work that ultimately mitigate risk and can be performed on time.

Pros and Cons of a Time-and-Materials Arrangement

Time-and-materials the advantage lies in the dynamic control. The flexibility of time and material, however, does have a downside: without a clearly defined scope, it can be very easy for a project to go off track leaving the inventor with a large bill and little to show for it. The key to success in this type of agreement is a clear understanding, by both parties, of what the required tasks are and how long they should take to complete.

Causes and Symptoms of Hidden Costs

Cause	Poor project sponsorship
Symptoms	The project fails to make the correct strategic decisions, or struggles to make decisions at all; required resources are not forthcoming; there is a lack of congruency with wider corporate/program strategy; and the business case is not clear.
Cost	Sub-optimal decisions mean labor and materials are spent on unbeneficial activities; lack of resources or decision making ability may put the project into a 'holding pattern' where costs are incurred with little progress

Cause	Poor scope management
Symptoms	Absence of scope management documentation and/or process leads to confusion amongst project team as to what is in scope or out of scope consequently leading to scope creep.
Cost	Higher labor or material costs because effort is spent on unnecessary activities.

Causes and Symptoms of Hidden Costs

Cause	Absence of vision
Symptoms	Without a vision the project team will struggle to unify their effort towards delivering the end product. Symptoms include missing or incomplete project plan, and/or documentation; confusion amongst the project team - time spent trying to figure out what needs to be done, and time spent complaining about the project.
Cost	Higher labor charges because project team are less productive.

Cause	Absence of transparent, cooperative culture
Symptoms	Various communication issues, unwillingness to resolve issues, team silos develop, information is withheld (e.g. burying hidden costs), dominance of certain individuals and views of others ignored. A lack of trust, inflexibility, split agendas across the project team - users, suppliers and business. Conflict generally.
Cost	Unnecessary work, reduced productivity, continued costs after the project finishes, for example as in the case study above.

Causes and Symptoms of Hidden Costs

Cause	Lack of customer focus
Symptoms	A lack of appreciation of what quality standards the customer has. End product lacks features that the customer expected.
Cost	Customer has received poor value for money, and/or is forced to do more work to compensate. For example, if a system automates half a process rather than the whole process, the customer will have to continue to support the process by hand. Therefore the customer incurs additional labor and/or material costs instead of overall savings.

Cause	Poor risk management
Symptoms	Without a risk management strategy and/or governance process project team members will be unwilling to take accountability for their decisions because their decision making is not being properly appraised. This will manifest itself as a lack of decisiveness and unwillingness to commit to a course of action.
Cost	Excessive time is spent trying to make decisions, leading to reduced productivity and higher labor charges. If incorrect decisions are made, expensive consequences can follow.

CONCLUSIONS

Hidden costs hold businesses back from the success that their hard work deserves. Contractors must be able to predict rather than react to increased costs. Live field data lets contractors take this unpredictability and turn it into opportunities and greater profits.

With good project management, sponsorship and a cohesive team's one can deliver the project on the same estimate and time. Project overruns, undelivered on time or exceeding budget because of hidden cost, are not accounted from the start and only show up in practice or under a comprehensive audit. Less productive team will take longer to get through the same amount of work with scope. Quality and cost hit badly to meet deadlines. Project timelines are reviewed explicitly on the ground of hidden costs.



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