



The Dirty Dozen of Project Financial Management

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Through work with many geotechnical and other engineering professionals for over 25 years, I have gained immense respect for their willingness and enthusiasm to literally get into the dirt and do whatever is needed to address their clients’ technical problems. My experience also continually confirms that, if ever challenged by someone, there is no end to the level of detail researched and resources uncovered by engineers to support a position.

In my work as a business professional supporting the engineering profession I often wish the same level of resolve and tenacity occurred when someone challenges the engineering professional on pricing, contract terms, changes and other business aspects. To fully obtain what is deserved in the engineering business one must be willing to get into the dirty basics and accept that ‘the devil is in the details’ of completing the business aspects of your projects.

This article is intended to arm the engineering professional in obtaining what is deserved in all project assignments. In accomplishing this clients and peers must be held accountable in implementing disciplines that assure increased success. By getting actively involved, engaged and mixing it up with clients and fellow professionals many positive outcomes result. The dirty dozen is as follows:

1. **Client Selection** – Every client is not a good client. Select clients that fit with your culture and business strategy. If you are a relationship based firm, do not work for clients who only select based on lowest price. Spend your time and energy with prospective and present clients who value relationships and select based upon wanting present and lasting relationships. At times, and particularly at the beginning of a relationship, you may need to lower your price to win work but after that the relationship basis can enable an edge in understanding what is specifically needed and/or sole source work.

Recommended Action:

- Leadership – Institute a formal documented Go/No Go evaluation process;
- Project Managers – Document decisions for all new clients.

2. **Pricing** – Do you believe in your rates? If not, how can you possibly address an objection stating you are too highly priced? Become comfortable with your pricing so that you are prepared to address objections that you are too expensive. There will always be someone who will price their services lower than you. Accept this and be prepared to differentiate yourself, your services and your firm. Consider pricing your services on other than an hourly basis then learn to sell total price commitments and the benefits of this to your clients.

Recommended Action:

- Leadership – Share ‘lessons learned’ about pricing objections and how successfully overcome;
- Project Managers – Understand how your pricing compares with competitors and establish an approach to support and sell.

3. **Communicate Well Defined Scopes of Work** – Two circumstances often cause difficulty in developing a well defined scope. The first one is, “I don’t have time to do this!” When the need

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to begin work immediately exits the well defined scope should be developed as soon as possible after starting the work and should be communicated both verbally and in writing.

Circumstance two occurs when it is difficult to define the scope because of the ill defined nature of the work to be performed. As the engineering professional, it is important for you to define what it is you will and will not do for a specific price. How can you possibly make commitments to your client if you do not develop a well defined scope of work? Assure that your client and your people working on the project understand the scope of work. Also assure that your professionals understand the expected budget to complete assigned responsibilities. Without this changes to projects are difficult or impossible to properly define and obtain.

Recommended Action:

- Leadership – Implement a discipline/policy that no significant (\$ limit defined by you) work will be performed without a well defined scope of work;
- Project Managers – Take time to define and communicate scope to the client and all assigned project people.

4. **Written Contractual Commitments** – Assure that executed contracts are obtained. If work must begin without a signed contract either ask for a deposit on the amount and/or communicate the limited amount that will be performed before a written signed contract is obtained. Eliminate or limit ‘pay when paid’ and ‘retainage’ provisions in client contracts.

Recommended Action:

- Leadership – Establish an initial at risk amount to enable projects to begin. Enforce this and hold people accountable;
- Project Managers – Understand the general purpose and meaning of clauses. Work actively, internally and externally, to complete process.

5. **Project Setup** – Assure that all necessary project information is included. Garbage-in equals garbage-out. This data serves as the brains of the computer. Doing this correctly and completely is important in obtaining meaningful data to manage the project and report progress to clients.

Recommended Action:

- Leadership – Facilitate and streamline the Project Set-up process through use of technology;
- Project Managers – Take time to do it right the first time.

6. **Kick-off Meetings** – Complete this process with clients and all staff working on the project. This is your last opportunity to establish a full understanding with everyone involved on the project, and this is the best time to determine the good, bad and possible ugly aspects of the project. Assure that the What, When, Where, Who and How of the project are understood by all involved. For small projects a telephone conference call may suffice. For large projects the involvement of your entire team and the client’s team may be needed at a face to face meeting. Follow-up with an email and/or formal one page document summarizing conclusions of the meetings. Time spent doing these meetings will pay huge dividends throughout the life of the project.

Recommended Action:

- Leadership – Promote and support the kick-off meeting process;
- Project Managers – Plan time for such meetings and complete for all projects.

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7. **Recording Time** – If time sheets are completed judiciously daily one additional chargeable hour per person per week will appear in most firms. Record all quality project work time. Stop eating time! If the time worked is not charged you and your firm will never have the opportunity to obtain what is deserved.

Recommended Action:

- Leadership – Provide tools to enable easy daily completion of time sheets;
- Project Staff – Take five minutes at the end of each day to complete recording of time worked.

8. **Track Project Progress** – Staying on time and on budget is often the most important factor in client satisfaction. Learn and utilize your job costing accounting system. Review what is included and excluded. Conduct this weekly or as frequently as your system will allow. Waiting until invoicing is too long a period for most project members to remember accurately and efficiently the specifics of project activity.

Recommended Action:

- Leadership – Provide timely and easy access to information;
- Project Managers – Commit one to two hours a week to the review of your project cost and schedule compared to budget expectations.

9. **Invoicing and Collecting** – From a business perspective, the three most important items companies (particularly privately owned companies) need to manage and control are (1) Cash (2) Cash and (3) Cash. Usually the only way to obtain cash from your clients is to invoice. Invoice as frequently as allowed by your client. Communicate and obtain agreements regarding your invoicing format, when to do invoicing, where to send the completed invoice, who to send it to and include the supporting documentation required. Share with your client the format that your system produces and obtain an agreement that this is acceptable. Track collections and call, or have someone else call, clients to determine payment plans and status. Monitor aging of your accounts. Consider stopping work if payment is not obtained in a timely manner.

Recommended Action:

- Leadership – Establish and communicate your invoicing process including standardized methods and formats;
- Project Managers – Commit time to invoicing and collecting in the same manner you commit time meeting your technical commitments.

10. **Managing Changes** – In the environment of cost reduction and wanting more for less, clients frequently demand the minimum scopes of work. Then, after projects begin, changes are requested by clients or recognized as necessary by the project professionals doing the work. Clients are not bashful in requesting changes, but they are sometimes reticent in accepting cost and/or schedule changes. Timely communication and obtaining client approval *before* change work is started is hugely important in positively addressing changes. Communicate at the start of a project regarding how the change process will work and again when change results occur. Updates on changes should be a part of any progress reporting provided to clients. Properly doing and managing change is hugely important to the success of projects and to your relationship with your client and project personnel.

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Recommended Action:

- Leadership – Establish and communicate your company’s approach to the change process;
- Project Managers – Follow the change process, communicate this process at the start of projects and implement when changes occur.

11. **Understanding Financial/Operational Performance** – Whether you are managing small or large projects, a department, division or an entire company, understanding your company’s reporting of financial/operational performance is crucial to your professional success. Learn the economics of the industry and of your company. Understand the ratios used and how you compare with industry averages. Use this analysis to reward and hold people accountable.

Recommended Action:

- Leadership – Train your employees on your company metrics and their related responsibilities;
- Professional Staff – Invest time to learn financial and operational ratios which will enable you to better understand performance results.

12. **Negotiate Professionally** – Almost everything in our professional and personal life is directly or indirectly a negotiation. We negotiate something several times each day. And our clients are trained to negotiate. Yet many times the engineering professional takes little to no time to understanding the benefits of positive negotiating or to plan for such an experience. Negotiating is viewed as a losing proposition where one has to give up more and get nothing in return. The result is a losing experience and further engrains the desire to avoid negotiating.

It is possible to gain more by negotiating while having a fulfilling experience for all parties involved if the negotiation process is planned and implemented appropriately. This will result in a better understanding of each other, improves scopes, allows for fairer pricing, and enables you to better serve and meet your client’s needs. Clients will better understand your professionalism, the reason for your needs, your willingness to share positions and they will respect you for this. In the end, each party obtains a better overall solution.

Recommended Actions:

- Leadership – Support a negotiation process and develop this as part of your culture;
- Project Managers – Read a book on the art of negotiation, attend a negotiating training program, share ‘lessons learned,’ and practice, practice, practice – personally and professionally.

Mastering this dirty dozen will enable you to positively differentiate yourself and your company. As you develop a comfort level with these practices the process is not nearly as dirty as you may think. In properly dealing with this dirt you will position yourself for greater future success while you more frequently obtain what you deserve. Throughout this process, stronger client relationships will result, employees will experience greater professional fulfillment and your company will prosper.