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Proven and practical focus to program success in real state developments

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By Yamal Chamoun

In an industry in which growth has beaten out the consolidation of businesses, there is a project management culture focused on the supervision of construction, when the focus should be directed towards the entire integration process of the development, from the analysis of its vocation, feasibility and definition of the business, to the design, construction, commercialization, publicity and management of user satisfaction processes.

In the scope of residential developments there are several important factors to manage which can mean the success or failure of a development. We need to consider and integrate the financial, legal, fiscal, market, commercial, technical (design-construction) and customer services analyses.

In order to qualify a development as being a success we think it will be necessary to fulfill and surpass customer expectations as well as achieving the time, cost and quality objectives while developing long term relationships with suppliers and others involved.

For the real estate developer the project will be successful if the established economic results are achieved, with a quality project to the satisfaction of the development's users.

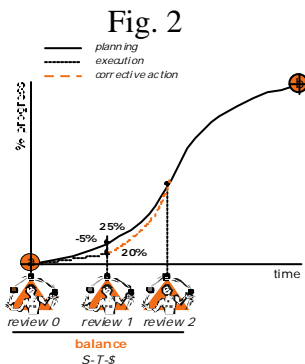
The purchaser will think that the project is successful if it fulfills the promises made by the vendor when the decision is made to purchase the property. This promises in regards to delivery time, price, quality, operation and added value of the investment among others.

In our experience of more than 450 projects and with 150 people managing them, we have confirmed that in order to achieve said objectives it is necessary to identify and reconcile customer expectations as well as document them and share them with the work team in charge of developing a plan that anticipates what is coming and serves as a guide to manage the execution and control of the development.

There are nine factors¹ common to all projects that must be predicted and managed to adequately control the project (Fig. 1), such as: management of scope, time, cost, quality, human resources, communication, risk, procurement and integration. All of these factors maintain a close relationship throughout the life of the project, which can be structured into five general processes; initiation, planning,



execution, control and close. In the initiation process we establish objectives to be achieved by the end of the project, which must be aligned with team expectations.



In Fig. 2 we identify as point A, the place in which we find ourselves at the beginning of the development and as point B, the place where we want to end up. B is a photo of the results obtained when the project development finishes, in other words, we visualize which results the project must have in order to consider it a complete success.

We can talk about the example of a project that we are managing in Escala, called Fontaneres. This is a 145 house residential project with an average sale price of \$1,350,000, residences are on land with an average of 130 m², and 200 m² of construction; the results expected by investors are a profit above sales of 20% and an Internal Rate of Return of 25%, in a project without complaints, with high quality. As we already mentioned, the purchaser considers the objective to be accomplished if the expectations promised by the vendor are fulfilled and surpassed.

For this reason, our responsibility is to make a realistic promise that we can actually deliver, and to give a little more. In this case the delivery date of the houses is an essential factor, as well as the quality of the construction, finishes and amenities that both the development and the houses themselves have. Through the application of several tools such as focus groups, similar Project studies, cost analysis, etc., we identify a series of key factors linked to the preferences of potential customers to understand them in terms of expectations. In this way we ensure that in addition to offering a clear difference in quality with respect to the competition (wider sidewalks, effective security, more functional, taller facilities etc.), we also have the information necessary to develop a plan focused on fulfilling customer expectations. Furthermore, priority is given to the process of customer service and a manual was designed and implemented for the delivery of each residence, similar to that which we get when purchasing a car of the best import quality, which serves as a guide for the purchaser.

In the same graph (Fig. 2), the curved line that joins point A and B, illustrates how we will reach our objective, this line exemplifies the strategic plan to achieve the expected results, which in management jargon is known as the business plan and the case of project management, as the project plan. The objective of said plan is to have a coherent and complete document that takes into account all of the key factors to be considered when developing a residential subdivision, structured in 9 areas (Fig. 1) previously mentioned in this article (the elaboration of the project plan is carried out during the planning process).

Let's imagine that throughout the development we must answer 100 questions. Some examples could be:

Scope: What is to be included in the residences, in the subdivision, in the publicity program? What studies need to be done (financial, market, customer preferences, etc.)? What promotions

will we implement for the commercialization of the houses? What post sale jobs are included? Etc.

Time: How many phases will we have? When will we deliver the first private community? When will we get sales permits? How do we register the first houses? Etc.

Cost: What will the cost of each house be? How much will permits, procedures and service payments cost? What is the publicity and marketing budget? Etc.

Quality: What are the relevant quality standards in regards to the residences, the subdivision, publicity etc? How are we going to ensure the quality of the complete process and specifically the execution?

Human resources: Who will be in charge of the development from the beginning to the end? What responsibility and authority will each person have? What additional personnel will be required? What is their profile? When will we hire and train them? Etc.

“Everything indicates that the almost unstoppable drive of the mortgage business will be kept up for several year because Mexico is a country with investment rating, macroeconomic stability, inflation and interest rates on their way down, and there is certainty that this scenario will continue in the long term”, concluded Tomas Ehrenberg in the ADI Financial Panel.

Communication: What type of reports will be necessary depending on customer hierarchy and the team in general? What indicators will have to be controlled? How often? Who will make the reports? What medium will be used for their distribution? Who should revise and comment on said reports? When will we have project meetings? How often? Etc.

Risk: What could go wrong and which would have the most impact? What is plan A, B or C in case this happens? Who will be responsible for monitoring such risks? What type of contracts, insurance and bonds are worth contracting to transfer risk, in the case where that is one of our strategies?

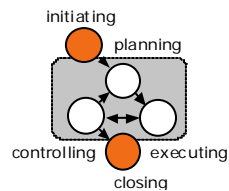
Procurement: How many contracts will we have? What type of contract; lump sum, unit price, by management? What will be the form of payment? How often? Will the commercialization be internal or external; what is more convenient? What jobs will we request quotes for and which will be by tender? Etc.

Integration: How will we manage changes to the project in such a way that they add value and surprises are reduced? What is the procedure? Who documents them? Who approves them? Etc.

We could do this exercise (elaboration of the project plan) in the early stages of the project, or throughout the project, as it is traditionally done; slowly, as answers are required. At the first instance, it is called precaution and at the second, improvisation, which is implemented when we have the most pressure and we are focused on what is urgent, rather than what is important,

generating improvised solutions. Following a proven method like that proposed by the Escala Method®, conceptually described in this article*, it is possible to have alternatives to many of the answers, in order to make a tailored suit and apply best practices to the project in development. This allows a practical and grounded sense to be given to the planning of the project.

In Fig. 2, the execution process is illustrated as the dotted grey lines. We carry out the execution process (elaboration of studies, designs, obtaining permits and procedures, publicity and sales programs, de-sign, construction, etc.) sticking to project plan previously agreed to by the parties.



The control process implicates comparing the execution results against the planned results in order to identify deviations and to propose and implement corrective action in a team, when it is still feasible and economically viable. During the elaboration of the project plan we de-fine, in the communication area (one of the nine areas in Fig. 1), the type of report and how often it should be elaborated and presented. We implement said agreements during the control process.

If the duration of the project is 18 months or 75 weeks, and if each week we monitor the deviations and implement corrective actions, our probability for success increases considerably. Here, the important thing is that the curve that illustrates planning is truthful and coherent, if not our control, as common practice reflects, is based on subjective perceptions, on not evaluating all of the factors in play. Generally they tell us that everything is ok until it is evident that both the budget and the remaining time will be insufficient to fulfill the objectives. Here is where commonly both the budget and the delivery date are exceeded, in detriment to the quality, because of the desire to finish in days what couldn't be done in months.

The close process considers the contractual close, while getting closer to the final stages of the project, ensuring the professional conclusion of legal agreements (bonds, guarantees, manuals, communiqués, etc). In addition, in favor of facilitating the development of future projects, carrying out the administrative close, documenting the budget and final schedule; file index, report of changes, participant directory, and lessons learnt, among other documents, that would help us to provide answers to the questions of subsequent projects.

On several occasions people have asked me, if this scheme is so logical and clear, why isn't it used in the majority of developments and companies in the medium? The reason is due to the fact that we are facing an environment where there is a resistance to use new techniques and concepts; improvisation about planning predominates; lack of general knowledge about the topic of APP®; project management is under-estimated and is done empirically without structure or methodology; and there is an absurd belief about saving time and cost reducing the planning period, which results in delays and extra costs during execution because a method is not followed.

Because of that, the Escala Method®, which we share through the book "Administración Profesional de Proyectos, La Guía (Professional Project Management, The Guide)"², considers

certain essential cultural factors necessary to program success in projects, in addition to the tools it proposes.

Within these cultural aspects a culture is included that is focused on predicting instead of improvising; managing projects with long term vision; working in a team understanding that the project has priority and is the most important thing; having a focus towards accountability reports; encouraging a culture of integrity, commitment and ethics based on ordered practices with discipline; making the team aware of the delivery of value to the customer and others involved; and mainly, always looking to development long term relationships with a win-win philosophy.

References

1. Chamoun Yamal, "Administración Profesional de Proyectos, La Guía". Editorial McGraw-Hill. Mexico, D.F. 2002
2. idem.

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Yamal Chamoun is the President of Monterrey, Mexico - based ESCALA, an organization he founded in 1990, now with 150 professionals and three business units: Escala Project Management, Escala Consulting, and Escala Education. Mr. Chamoun has implemented professional project management solutions in over 500 projects managing annually more than 400 Million dollars in the real estate investment sector (residential, tourism, 2nd home, commercial, office buildings, industrial and education). Also, Escala has trained more than 4,500 professionals in Project Management. His 25 years of experience include 7 in the USA as project manager, advisor and executive in the field. At present he is Chairman of the Board for ESCALA. Yamal Chamoun has a Masters Degree in Construction Engineering and Project Management from the University of Texas at Austin and a Doctor Honoris Causa by the Consejo Iberoamericano en Honor a la Calidad Educativa. A Civil Engineer, he was valedictorian graduate of the Institute of Technology and Higher Studies of Monterrey (ITESM), Mexico. Mr. Chamoun was founder and president of the Monterrey, Mexico Chapter of the Project Management Institute (PMI) from 1997 to 2001. He was also a founding member of the PMI Mexico City Chapter. He is a certified Project Management Professional (PMP). Yamal has designed and imparted programs, courses, seminars and conferences on project management to companies, government agencies and universities in various countries. He is the author of the book "***Professional Project Management, THE GUIDE***" published by McGraw Hill International, and the creator of the ESCALA METHOD for Project Management. Information about Escala can be found at www.escala.com.mx, where he can also be contacted.