



## White Paper 2016-09

### Why Time Has More Value Than Cost in a Project And How to Defend Your Rights for Time

*Time is generally a much more important factor for Project success than cost. Delays will always create significant indirect costs and complications. Certain time options or time windows will create substantial complexity and potential for severe consequential impacts. Discipline in maintaining the Project schedule according to best practices will be essential in defending your rights should the occasion arise. In this White Paper we explore why time is so important, and what these best practices are that should be followed.*

#### Never Forget that Time has More Value than Cost

It is important to remember that in all Projects, time is extremely valuable for the Contractor (due to the standby costs implied throughout the entire Project, and other indirect disruption costs, plus the potential for Liquidated Damages), and even more for the Client (due to delays and loss of production which can impact substantially the economics of the Project, as well as create possible claims from other parties). Hence time has a very huge intrinsic value because of indirect impacts. Claims related to the consequential effects of time will often have more value than claims for direct additional costs.

This has the following consequences that all Project Managers need to understand fully:

- From the contractor perspective, any change by the Client of a time-bound milestone, Owner-provided deliverable, or mobilization window, has a very significant value that has the potential to be claimed either as an Extension of Time (EoT) or as an additional cost (which needs to take into account direct and indirect costs, such as Cost of Opportunity),
- Delays, standby (or suspension) has an intrinsic direct cost and substantial indirect costs thus a very significant value related to the time lost, that will be claimed systematically by the contractor and need to be reasonably bounded from the Client perspective,
- Clients need to be wary of delays created by poor performance of the Contractor such as poor productivity, inadequate overall scheduling and poor anticipation of long lead activities; this explains the emphasis put in verifying that the Project schedule is realistic and well-built including the quality of reforecast taking into account observed productivity,
- Project Managers need to be wary of situations where time delays snowball, which makes it even more important to note and evaluate the first delays as soon as they occur to achieve a full traceability of the cascading events.

Conversely, the Owner should organize itself to maintain a separate "Owner reserve" beyond the contractual completion date if that is critical to its own operations

(such as an interface with another contractor), just as it generally happens in the area of cost.

#### Time Options, Windows and Costs of Opportunity

Time options and mobilization / construction windows also have a huge value for organizations. During contract negotiations, the determination of which party has the hand on the option or the window is an extremely important and valuable element. Its value increases the closer the Project comes to the date, in the form of a Cost of Opportunity. Project Managers need to understand this concept.

The value of a time option or mobilization window is linked to the indirect impacts of its application or its change. For example, if an expensive asset is to be mobilized on a certain date, and the Client wants to change the date, the value of that change depends on the capability to market the asset on other works. As this possibility decreases the closer one gets to the date, a last-minute change of date by the Client should lead to almost a full reimbursement of the asset availability. On the other hand, if the Contractor has the hand on the date, it give it a large flexibility to accommodate other opportunities for the asset, which then should justify a rebate on the price. As Time options and windows alter

the opportunities to value the asset, changing them has thus a cost: the Cost of Opportunity.

Time options and window mechanisms will have been priced as part of the bargain that led to the initial contract.

Any change needs to be considered in the light, not only of its direct cost, but of the related Cost of Opportunity. Project Managers need to be able to uphold these concepts when determining the value of claims related to changes of such dates. The concept can also apply for missing Owner deliverables that impede the start of certain operations, such as regulatory authorizations.

#### Adhere to Scheduling Best Practices to Protect Your Rights

Best practices of schedule management in respect of the contractual mechanisms are necessary to ensure difficult claims can be clearly expressed, understood and

**Time is an essential contractual issue for Projects and is the main driver of performance and most contractual discussions. Adhere to scheduling best practices to protect your rights.**

negotiated, or brought to court or arbitration with a positive outlook at recovery.

The focus of contractual claims will be on the Critical Path activities which determine the Project Completion Date. It is thus essential that as part of the development of the Integrated Project Schedule, the initial Critical Path has been properly identified. It needs to be consistent with the actual execution strategy, which might require some adjustments at schedule baselining stage.

As in all contractual matters, proper traceability and documentation of changes to the schedule, including updates and re-sequencing if carried out, needs to be ensured. This is achieved through the following:

- Systematic archiving of all subsequent updates of the schedule (generally, monthly updates), both in hard copy and in soft copy;
- Production of a monthly report tracing all changes of logic, activities removed and added, and any re-sequencing carried out with the explanations as to the source of the requirement for the change. This report should be produced by the planner(s), approved by a relevant authority within the Project, and archived with the schedule update. A summary version should be appended to the Project monthly internal and external reports.
- Should the Critical Path have changed due to changes in the durations of activity, this event should be raised immediately to the Project management and to the Client as this event has the potential of creating claims, and will change the focus of the Project team.
- Should there be a need for a full re-baseline of the schedule due a significant change in the conditions of Project execution, contracts generally stipulate that the re-baselined execution plan and schedule are to be submitted to the approval of the Client prior to their effective implementation, so as to avoid situations where the Contractor would use re-baselining to escape from contractual obligations by deeply changing the execution methodology that was agreed at the contract stage.

As well as they are managed, however, those good practices are not sufficient to win most cases, as the main resistance to be overcome is human: a request for variation (cost or time) stays a request, enabled by Contract, but for which there is no pre-empted validation whatsoever, and many Owners are extremely reluctant in

these matters. The reason is that they often have to refer to high level stakeholders and this might cause a personal reputation cost.

As a matter of fact, even if the delay event and its impact are clear (or simply arise from an instruction from the Owner), no contractual mechanism forces the Owner to promptly validate a request for Extension of Time, leaving many Projects in a state of

**Time has always more value than direct costs.  
Never forget to claim for time, in particular on reimbursable contract elements!**

wait, with the contractor on one side submitting for Extension of Time and an Owner on the other stalling on its award. The issue is that a change to the contract is not a unilateral decision: a consensus must be found. There will therefore be a need to fight for your case at management and sponsor level, after the logic argument, contractual entitlement and technical demonstration prerequisites have been met. In this regard, the minimum is to have followed good practices, so that your case is consistent, well-structured and supported, as if it was a file meant for a submission to arbitration.

## Conclusion

Time is an essential contractual issue for Projects and is the main driver of performance and most contractual discussions. Adhere to scheduling best practices to protect your rights.

**Find all these principles of Advanced Scheduling exposed in a comprehensive manner in our Handbook,**  
**Advanced Project Scheduling for Project Managers**  
(2<sup>nd</sup> edition available in [Paperback](#) and [Kindle](#) versions!)



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