

Why there are costs overruns on construction projects?



Cost Consultants

Newsletter
Volume 7
July 7, 2009

1 866 694 6494 info@emangepro.com www.emangepro.com

News

eManagePro, represented by Monica Bialski, PQS, was elected to the board of directors of Économistes en Construction du Québec (ECQ)

Why there are cost overruns on construction projects? by Ray D'Onofrio

To identify the causes behind the cost overruns, certain avenues were explored by our consulting firm eManagePro. We have analyzed 27 construction projects from Quebec and Ontario and for which a major overrun had been discovered.

Many factors have been identified to explain the major cost overruns that the projects have undergone. However, it is important to mention that from the very start, cost projections for the completion of these projects were greatly underestimated even work started. The analysis of the documents reveals that revised assessments were at least 9.5% higher than the fixed budgets.

According to our study, the main causes for overruns in hours worked are the following:

- _ Modification of the scope of the work
- _ Compression of implementation schedules
- _ Erroneous tenders
- _ Design changes
- _ Bad quality of materials
- _ Failure to implement
- _ Changing conditions
- _ Perturbations due to clients or other stakeholders changes

Cost overruns can also be explained by a frequent and insidious increase of the scope of the work.

After analyzing data, the following conclusions were made:

- _ Cost overruns are rarely attributable to a single cause or person;
- _ Stakeholders involved in these projects where cost overruns took place are used to blame the others;
- _ Projects where efficient planning and control were observed, rarely had experienced major cost overruns.



1 866 694 6494 info@emangepro.com www.emangepro.com