

A case study dualist

Business



It appears cost thought and planning was given to direct project costs and not so much to indirect project costs. One of the most common constraints is having a limited project budget. Determining the project budget in Dualist's case was overlooked greatly. Building a dam, erecting a hydroelectric generating station and then stringing hundreds of miles of transmission lines from the rugged Dodd region of the Himalayas to the nearest largest city, several hundred kilometers away was a gross oversight.

Weather conditions and the lack of paved roads, and railroads in and out of that undeveloped area forced the French consortium to helicopter everything in.

Inch in turn escalated the where, and the when, to spend the money and to have a capable labor force in place to earn the money kept rising out of control. The type of contract to be used and the specific contract terms and conditions, fix the degree of risk being assumed by the buyer and seller. In the Dualist contract they agreed on fixed price contract. The firm-fixed contract is typically preferred and encouraged by most organizations.

There are times when other types of contracts best serve the project. As in this case, the fixed price with economic price adjustment type would have served both buyer and seller the best due to the 24 year duration of the project.

Low initial estimates, unexpected technical and geographical difficulties, lack of definition, specification changes and external factors all played a huge role in how unfavorable the fixed contract was to both the buyer and seller.

The original French contractor estimated the Job at 40 million; they won the contract, only to lose it, claiming cost estimates had risen.

The Indian Prime Minister then awarded the contract to another French company for even less money, only to have them pull out, forcing the Indian government to rebid and award the contract to a Norwegian firm that completed the Job 24 years later for nearly seven hundred and fifty million. If a cost performance baseline had been followed as far as how much they should have spent per day, week, and month and so on and constantly updating project documents to look back on, they may have not been in such a Once that project was hitting critical mass, to where it was starting to reduce on its own, that's when you sit back and start to manage cost.