***The topic of discussion***

**Real Examples of Project Estimation Errors and Their Causes**

From your own experience or from research, find a project that had problems with estimation (schedule, cost, or both) and describe the magnitude and causes of the problem, and the effect on the project and the project's long-term result.

**Need two reply totally (150-170 words). Can use other materials, but need APA intext citation & References**

**Classmate 1**

About 8 years ago I was tasked to oversee a project that required renovating an old single person office space. I had no previous experience in development at the time, but due to the building’s small footprint, my boss recommended I “give it a shot”. As you can imagine I was both excited and worried.

The company I worked for focused on investing in non-tenant properties. These included billboards and cell-towers. These properties were much easier to manage than traditional commercial real estate because they lacked tenants, required little maintenance, and were low risk. This would all change when we were approached by a seller in Florida looking to sell us a sign along with his adjacent office building. We attempted to negotiate a sale without the building but had no luck. Because we foresaw huge potential on the sign, my boss decided to take a chance doing something we hadn’t in the past. The plan was simple, fix the structure, renovate the interior, and rent the space. However, what sounds simple on paper, isn’t always true.

I was placed in charge of co-managing the project in Texas while a Broker handled overseeing the projects in Florida. Because our investment company had little knowledge of the surrounding market, we teamed up with a local broker who agreed to partner with us on the build. We had a strict budget, and our contingency was ignorantly based off our previous projects. Things started well. We Calculated our budget, assessed the scope, and implemented a schedule. Working with an experienced Broker, things appeared to be going smoothly, however what unfolded taught us a valuable lesson in costs.

Why the project would fail came down too three major mistakes. We lacked appropriate Contingency to mitigate risks, failed to assess and mitigate these risks, and hired poor contractors in a mistake to save money. The overall renovation of the project was completed in about 9-months. We finished on time and were quite proud. We had pre-signed a tenant for the property, so they were able to move in as soon as the project completed. With the Tenant moving in, we viewed the project as a success, but that view lasted about one week.

I remember receiving a frantic call from the Tenant while out at dinner on a Friday night. I could hear them frantically asking for help as the sound of water rushed in the background. My heart dropped. The new roof, one of our biggest investments, had given out. Water had made its way under the membrane and into the walls. The water damaged the ceiling tiles, electrical, carpets and led to mold in the vents and drywall. We required not only a new roof, but also, an almost complete remodel of everything we had renovated. The bill was massive, and our contingency was not prepared. On top of the destruction, our Tenant pulled out of the Lease. After calculating our loss, our goal was no longer to turn a profit, but to break even. The project was essentially back to square one. With a plan in place to repair, we set out on fixing our biggest issue, the roof. We knew that any rain would only make things worse, so we had no time to spare. Because the roof had given out, the roofing company agreed to work free of charge. It took about a month, but the roof was fixed. It was now time to focus on repairs.

Attempting to save money, we agreed to hire individual contractors instead of the firm we had used previously. This slowed down work but saved us money. About 1 month into the repair, I received another phone call, this time it was the contractor working on drywall. “We have water leaking into the bathroom”. This was last thing I wanted to hear. I placed the project was placed on hold. After paying for an inspector to locate the problem, we got our answer. Someone had used the wrong screws on the roof. The membrane was punctured. The inspector’s solution, “I recommend a new roof”. How could this have happened? The answer was because of a critical mistake in our attempt to save costs. We decided early on to go with an inexperienced roofing crew to save money. The inexperience led to the crew installing the roof wrong, not once, but twice. The project was on indefinite hold, and we found ourselves paying for legal help alongside trying to save the building from collapse. Things were an absolute disaster. Ironically another hurricane would hit the building while we took legal action for the roofing work. The damage would end the project. Although this seems bleak, the disaster allowed us to step back and reevaluate the property. This reevaluation would lead to a huge success. The property is now home to a McDonalds lease and the sale of it turned us a profit.

The experience was a hard lesson in cost management. We did not property anticipate risks, risks that we exasperated by hiring unexperienced workers, and give ourselves the proper contingencies to handle risks. Future projects implemented PERT chart methods to account for risks. We also calculated our budget with higher contingencies and learned not to skip on experienced labor on important tasks. The experience was embarrassing at the time. What had started as a “give it a shot” side project had become a huge problem. However, we learn some of our best lessons through failures, so I am thankful for the experience. Without this disaster, I would not have experienced the success that came of that property in the following years. It also positioned me with the knowedge needed to succeed in similar projects.

So, has anyone else been a part of a failed project? What did you learn? Did it turn into something good?

Schwalbe, K. (2017). An Introduction to Project Management, Sixth Edition. CreateSpace Independent Publishing Platform.

Reply 1 (150-170words)

**Classmate 2**

**Project Estimation Errors and Causes**

There is no way a project can be completed without all the necessary resources and labor, both of which are expensive; this is difficult because you want to keep the project's costs low but maximize its quality and scope; this is why accurate budgeting is critical. To complete a project within its intended scope, the process of estimating the funds and resources required in the future is known as cost estimation. To determine a project's budget, preliminary cost accounts for all factors required, including everything from materials to labor. An original cost estimate can help a company decide whether or not to move forward with a project, and if it does, it can help define the project's scope. Without accurate cost estimates, a project is considered a failure, and its scope extends to all of its sub-components.

Since no two projects are alike in every way, every new one brings a new set of specifications and challenges. In the standard project management industry, it is all about whom you know in other professions. Each donor has their vision for the project, which results in something unique; this can significantly burden the estimators. It requires them to develop a particular project approximate value and justify all critical delivery activities. Builders' cost estimators know a lot about everything from material sourcing to labor service (Hatamleh et al., 2018), and they are well-versed in it all. Due to the latest market collapse, construction owners are highly concerned about budget issues, and several cost estimating estimators see this as an ethical challenge. When estimating the cost of a project, construction estimators must consider various factors, ranging from the cost of labor up to the mounting material costs (Hatamleh et al., 2018). Additionally, as the cost of labor rises, these estimators are being compelled to work faster to meet deadlines.

Estimating costs is critical in project and project management because it affects. Failing to do so can have adverse effects on both the project and the company. An incorrect estimate of costs directly affects the project's profitability (Gaur, 2017).  Underestimating costs leads to underestimating profits, while underestimating costs leads to overestimating profits. Inaccurate cost estimates in one area of the project mean that resources are distributed incorrectly throughout the project as a whole. As a result, resources are either over-or under-allocated, affecting productivity (Gaur, 2017). Inaccurate cost estimates lead to erroneous financial information, which harms project decision-making. Wrong figures can have unintended or even harmful effects on the company, reducing its profitability.

Project management's most critical step is cost estimation. The cost estimate identifies the starting point for a specific project's costs as it progresses through its lifecycle. Any cost estimate at a particular stage of a project's development is a forecast produced by a cost analyst or calculator given the information available at the time. It is defined as a field in which scientific methods and practices are cost estimation applications, controlling all costs and profitability problems based on designing experience and judgment.

**References**

Gaur, A. (2017). *Wrong Cost Estimates Implications Solutions • MilestoneTask*. MilestoneTask. Retrieved 2021, from <https://milestonetask.com/wrong-cost-estimates-implications/#.YVWBOppBzIU>.

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Reply 2 (150-170words)