

First Things First—Initial steps for a successful project

Don't let this happen to you:

“We estimated the project for \$60 million”

5 months later, the estimate is \$84 million, payback is 20 years and the submission package to the board is due in 2 weeks.

“No problem being up and running by harvest next year”

14 months later, the fruit is ripe and you can't get an occupancy permit.

“We designed for 100 million lbs. annual production”

Three months after startup, production schedules have more changeovers, shorter runs and slower line speeds than you planned, eliminating all forecasted COGS savings.

All this is avoidable if you launch your project right. However, too often, expectations are set too early, without spending enough time or money for a well-planned scoping and justification effort. The initial team doesn't have the experience and they don't solicit input from the right people.

With an experienced project team leader, supported by senior management, you have a better chance of success by focusing on First Things First:

Relevant Background:

- Understand your own company culture and what about it might get in the way of success.
- Understand the market environment, your customer's needs, and competitive challenges.
- Define what Success looks like: First to Market, lowest cost of goods, extraordinary customer service and flexibility?

Project Team and ways of working together:

- What are the skills and experience of the team leader?
- What critical roles are not represented on the core project team and how do you fill those gaps?
- Thoroughly discuss divisions of responsibility and decision authorities. Evaluate team chemistry and make adjustments early.
- Put the best communication and reporting tools in place.

Supply Chain:

- Upstream ingredient and materials options that impact scope and space requirements.
- Downstream distribution options, Customer Service approaches, distribution center capacity sizing and material handling technologies.

Finance:

- Criteria for IRR, impact on EBITA, availability of funding, cash flow constraints

Schedule:

- Complete the first CPM schedule and understand the risks of site acquisition, permitting, equipment deliveries, and necessary scopes not under your control.
- Discuss the critical path and consider implementation methodologies that shorten the timeline.

Design Basis:

- Annual volume, monthly peaks, shifting schedules, line design rates and efficiencies. Allow for a reasonable commissioning phase and production ramp up curve.
- Understand the line-limiting process steps. Confirm the SKUs, SKU mix, and how production scheduling can impact plant capacity.

Develop the critical few initial documents:

- Block Flow Diagram or Process Flow Diagram with critical rates
- Design Basis Model
- Equipment List
- Room Schedule
- Process floor plans or General Arrangement Drawings
- Critical section sketches to understand room and building height requirements
- Schedule
- Estimate

If you have a project leader who understands these issues and if others on the team have had the time to provide input, these initial steps do not require too much time or effort. With a small focused team and realistic expectations of the accuracy of the initial estimating, this can be accomplished in 4-6 weeks.

Well worth the effort. A well-planned project gives you what you need to engage Site Selection and Real Estate, Municipalities, Lenders, Legal, your customers, Public Relations, Regulatory, and the Design and Construction companies. If your plan is half-baked, you can squander months and miss opportunities to reduce the investment. Worst of all, a difficult project will impact your Brand and lose your customers to the competition.