Be a Hero! Follow a Cost Management Plan

Question:

Samoht, It is my first time managing a project, and I want to do everything right. My team and I worked hard to create a thorough budget. Now we have been asked to create a Cost Management Plan. Help! What is a Cost Management Plan, and what should it include?

Charles

Answer:

Charles,

Great question! It used to be that project managers could just come up with a budget and then completely abandon it as soon as it became inconvenient. Those were the good old days!

Nowadays there is something called a Cost Management Plan. This document describes how you will manage the budget. Unfortunately, this means that you will actually be held accountable for keeping the project on budget. Bummer, right?! Here is the plus side – if you follow your Cost Management Plan and stay on budget, you will have the chance to be a real hero!

The components of the Cost Management Plan can include:

- **Roles and responsibilities.** First off, make sure that it is obvious that you are in charge – that way you will get all the glory. Give yourself all of the good responsibilities:

    - **Budget owner.** The project manager

    - **Who can approve expenses?** Only the project manager – no exceptions. If you can get in a position where you approve your own expenses you will not have anyone complaining about all those expensive lunches.

    - **Who can review the budget?** Only the project manager. If you approve any funny expenses you don't want someone to find out later do you?

    It can't hurt to give team members some responsibilities as well. That way you can shift some of the blame if things go wrong. Here are some suggestions for budget responsibilities to assign your team members:

    - **Person in charge of printing reports**

    - **Person in charge of bringing the calculator to team meetings**

    - **Person who takes attendance at the budget meetings**

- **Frequency.** You should describe the timing of budget analysis. My recommendation is to do this monthly so it does not bog you down too much. Looking at numbers gets me depressed. I don't like to do it very frequently.

- **Budget change review and approval.** This is where you define the process required to evaluate and approve proposed budget changes. Make this process as complicated

as possible. You do not want people coming in all the time to ask you to change it. For example, on one project I managed I required all changes to be presented on Wednesdays between 3:00 and 3:30 only, and they had to be presented with a 10-page report on why the change was necessary. Believe me, people were bending over backwards to avoid asking for changes to the budget!

- **Reports.** Of course, you will need to create reports to let everyone know how great you are doing at keeping the project on budget. In the Cost Management Plan, you should specify how often you will want to send these reports out and who will receive them. The general thought is that if you are on budget you want to send these reports to everyone you can think of. If you are trending over your budget, send them to as few people as possible. Remember, it is all around making yourself look good. Make sure you are sending around hard copies of the report – these look much more impressive than electronic reports. (You should have already assigned someone as "person in charge of printing reports" above, and with so many reports, this could be a full-time position!)

  Of course, there is always the risk that your budget will be veering off track. You will definitely want to keep that information to yourself. In that case, just tell everyone your printer is broken – this is another great reason to send out hard copy reports!

In short, a Cost Management Plan is a pain, but you can really make it work for you. The simple rule for budget success is to pad your estimates by 50%, then double the final estimate, then hope and pray you can hit that inflated number.

The way to be a hero is to hit your budget and create a Cost Management Plan so people think you actually hit the budget on purpose.