

Changing Plans by Planning for Change

PM File by David Elam

“Be prepared to modify your plans.” I folded the slip of paper from the fortune cookie along with the charge card receipt for dinner and placed them in my wallet without a second thought. Two days later, the Clean Air Mercury Rule (CAMR) would be vacated. I had spent the past several months working on CAMR projects and expected to spend the next several months doing the same. But now it looked like I would be modifying my plans—perhaps to include buying a lottery ticket based on the “lucky numbers” printed on the back of the fortune I had so easily dismissed two days earlier.

Project managers develop contingency plans based on specified risks that may affect a project. A contingency plan is based on a quantitative or qualitative analysis of risks or uncertainties and outlines procedures that should be implemented to achieve project objectives if the risks or uncertainties are realized. The contingency plan is reviewed throughout the project to ensure that it remains relevant and is invoked if specified risks occur that threaten the established project goal.

A contingency plan will often address the effect that project termination will have on the organization, specifically if the organization implementing the project decides to terminate it. But recently, we’ve seen many projects cancelled, postponed, or rescope because the regulations driving the need for the project were changed or eliminated. The vacatur of CAMR, the Boiler Maximum Achievable Control Technology (MACT), and the Plywood and Composite Wood Products MACT are recent examples where requirements established by the U.S. Environmental Protection Agency (EPA) and state regulatory agencies were changed or eliminated after organizations had implemented projects to comply with them. Some will argue that the affected organizations benefit from these changes in requirements because investments in process modifications and pollution control equipment have been eliminated or postponed; however, this argument fails to recognize the enormous resources that have

been expended—and potentially wasted—in the development and implementation of compliance strategies for requirements that no longer exist.

The next few years are sure to offer up controversial regulations to replace the vacated MACT standards, address climate change, and respond to residual risks associated with hazardous air pollutants. Given the scope and impact of upcoming regulations, we are likely to see more instances where regulations are promulgated only to be reconsidered, vacated, postponed, or changed. Because these regulations will influence operating strategies and capital expenditures that require extended planning and implementation horizons, we will not have the luxury of waiting to be sure that a “final rule” is truly final. We will have to plan for compliance as soon as a rule takes shape.

Our challenge as project managers is to ensure that the investments our organizations or our client organizations make in these new compliance projects retain their value or produce other benefits even if the regulations change during project execution.

This challenge requires a slight modification to the contingency planning process—a modification based on two assumptions: (1) the project will be terminated or the project objective will change and (2) the primary mechanism for recovering project investments is embodied in project design. Approaching projects from this perspective helps us identify implementation strategies that yield benefits that survive terminations or changes that are outside of a project manager’s control. For example, we might anticipate alternate compliance requirements in the planning phases. Anticipating compliance requirements at the outset allows us to incorporate elements in our project design that will enable us to change direction while preserving our investments. Alternatively, we might perform additional studies or measurements during the planning phases. Although the additional information may not be required for the initially planned compliance strategy, it may facilitate the implementation of alternate or additional project tasks without delays or additional data gathering expenses.





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We can also explore ways to share the risks associated with changing project requirements over which we have little control. There seems to be no shortage of organizations that want to “partner” today. Partnerships are based on the sharing of risks and rewards commensurate with investments. Unfortunately, many organizations propose partnering arrangements that are nothing more than discounts based on an extended or expanded contract. Partners will recognize the challenges of today’s regulatory environment and be prepared to share appropriately in risk. By sharing in the risk, partners are thoroughly engaged in the project and likely to identify additional contingency actions that increase the prospects for maintaining the value of project investments if regulations are changed or postponed.

We must also remain involved in and informed about the regulatory process. We need to have an understanding of the statutes and data that drive regulatory developments, the controversies surrounding regulations and

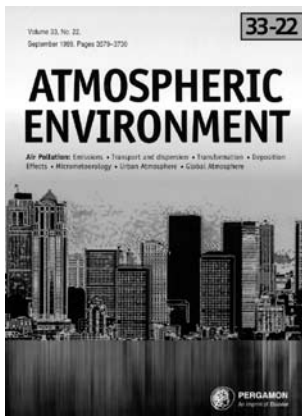
any associated legal actions, and regulatory nuances in the jurisdictions where we operate. Keeping up with this information can be a challenging task; however, doing so is essential for the development of project contingency plans that recognize the specific risks that apply to a particular facility or operation. Unfortunately, a single information source can be difficult to identify. We will likely have to glean such information from a variety of sources, including regulations, background documents, subscription services, trade associations, journals, magazines, newsletters, and conversations with peers.

Project management has always involved contingency planning to ensure that project goals are achieved; however, the challenges associated with preserving project implementation investments in the face of uncertain and changing regulatory requirements requires an expanded approach to contingency planning. Within this context, contingency planning needs to address the primary and potentially alternate project objectives and thereby improve the prospects for retaining the value of project actions regardless of the final project objective. Additionally, we must align with those willing to share proportionately in the project risks, and in so doing, benefit from their input to the contingency planning effort. Finally, we need to have a solid understanding of the regulatory environment so that we can improve the specificity of our contingency plans. Then when time comes, we will be fully prepared to modify our plans. **em**

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