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by - [Elizabeth Harrin](#)

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## Tips from the experts: J. LeRoy Ward

I like to think that I know a lot about managing money on projects – after all, it's something I do as part of my day job – but there is always more you can learn. I spoke to J. LeRoy Ward, PMP, PgMP, Executive Vice President, Product Strategy & Management, at [ESI International](#) recently about his top tips for project managers handling project finances.



It turned out to be quite a long interview, but it was so interesting that I didn't want to edit any of it out. Here's the first bit, and I'll publish the second half here next week.

### What's the one top thing project managers should bear in mind when handling project finances?

Regardless of what people claim, money is ultimately the most important element on a project. Even if the schedule is more important from a project objective point of view (in other words, the company is willing to pay more to get the job done earlier), being able to account for all the funds and where they were spent is the thing in which the organization -and its auditors- is most interested.

So, you need to know how much was actually budgeted to the project, and you need to keep accurate, comprehensive, and detailed records of all actual (i.e., expenses and payments) costs. This may not be as simple as it sounds. Many organizations don't do project accounting; they have systems for general accounting. You need to sort out how your organization does it first; thereafter, you can make adjustments accordingly. In addition, as a project manager you probably won't be able to be the project financial controller at the same time you're managing every aspect of the project, so hire someone capable and trustworthy for that job.

### That's a good tip. Project accounting can be a lot of work.

It is no accident that in many organizations the CFO/Controller has his office right next to the CEO's. Take a page from their playbook. Have your project financial controller always by your side, and always know the financial status of your project. In other words, always know what you have spent and how much you have left and what the unfinished work is going to cost. This way, you'll know if you need more money well in advance of asking for it.

### What advice do you have for budgeting properly so you don't have to ask for more money later?

Simply put, you need to figure out how you are going to allocate your money across the project's components. When Emaar Properties developed Burj Khalifa in Dubai (the world's tallest building) I doubt the project manager and developers just said to everyone, "We have a lot of money, so let's start working."

The budget was broken down and allocated to 'pieces' of the work. Therefore, each element of that project had a budget, there was someone responsible for each element, and it was their job to monitor and control their piece of the budget. Project financial information was then collected and aggregated so the project manager and developers could see the big picture and then were able to make certain decisions across the board for the good of the project. So, for example, if one element of the project, buying and installing windows was ahead of budget, but the HVAC [heating, ventilating and air conditioning] piece was over budget, the project manager could take some of the money from the windows piece and reallocate it to the HVAC.

### I see. So splitting up the budget into manageable chunks is the best way to do it?

It is simply impossible, and ill-advisable, to try to manage a budget at the highest level without having the lowest level budgeting and monitoring taking place on components of work. Of course, if the project is small, this can be done, but I would suspect most people reading this don't work on projects that are that simple; rather, they work on complex undertakings that are comprised of many pieces. To be sure, the best way to approach financial management is to have a thorough and complete work breakdown structure (WBS). By using a WBS, each major deliverable, at the very least, has its own budget to be monitored.

Next week you can find out what J. LeRoy Ward had to say about starting out managing project finances and his tips for handling budgets on international projects.

### More on my interviewee:

J. LeRoy Ward, PMP, PgMP, Executive Vice President, Product Strategy & Management, ESI International, brings more than 30 years of expertise in project and program management to the refinement of ESI's portfolio of learning programs. He works closely with ESI clients worldwide to guide the assessment, implementation and reinforcement of knowledge and skills that allow for the effective measurement and successful adoption of learning program objectives.

| Posted: May 22, 2010 01:25 PM | [Permalink](#) |

## Comments

[Vasoula Christoforides](#) says:

Thank you Elizabeth for giving us this excellent article from J LeRoy Ward. As I was reading his tips on the management of project finance it was inspiring and encouraging for me to do a sanity check by tick boxing in my head what we do correctly on our project finance with what J LeRoy Ward has advised. Excellent tips.

Monday, May 24, 2010 7:26:05 PM EDT

[Elizabeth Harrin](#) says:

There will be some more from J LeRoy Ward later this week too! I hope you find that as useful as this one.

Tuesday, May 25, 2010 2:27:30 AM EDT

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**People on dates shouldn't even be allowed out in public.**

- Jerry Seinfeld

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