

Why Late-stage Cost Overruns Are Symptoms Of A Larger Problem

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Cost overruns have long been a familiar outcome in commercial construction. What has changed is how owners react.

Higher interest rates, tighter capital conditions, and continued volatility across labor and material markets have narrowed the margin for error. Financial surprises that once might have been absorbed through contingency or minor scope adjustments now escalate quickly and draw senior-level attention.

The persistence of cost overruns is vexing, since project oversight has increased. Cost reporting is more frequent. Forecasting is more detailed. Owners are more directly engaged in budget discussions throughout the project lifecycle. In theory, these developments should have reduced cost instability.

Yet the same pattern continues. Overruns continue to surface late in projects and are often explained in familiar terms, regardless of delivery method or market cycle. The consistency of this outcome suggests the issue is not a lack of visibility, but a persistent misalignment in how cost risk is understood and evaluated from the get go.

CONSTRUCTION'S DEFAULT EXPLANATION

When project budgets begin to deteriorate, attention typically shifts to execution-stage causes. Incomplete design documentation, coordination breakdowns, jobsite productivity issues, and elevated change-order volume are frequently cited



as primary drivers. External factors such as permitting delays, inspection backlogs, or unexpected market pricing are often added to the explanation.

These factors are compelling because they align with when cost growth becomes visible. Construction is the phase where commitments turn into invoices, schedules compress, and financial exposure becomes tangible. It is also where responsibility is easiest to identify and assign.

Visibility, however, should not be confused with origin. These explanations describe how overruns appear, not where they are created. By the time cost growth is attributed to field conditions or coordination challenges, the financial trajectory of the project has often already been determined. Treating

late-stage symptoms as root causes allows the same diagnosis to recur from project to project, without addressing the early decisions that made those outcomes difficult to avoid.

WHERE COST RISK GETS LOCKED IN

The most consequential cost decisions on a commercial project are typically made well before construction begins, at a point when information is incomplete but flexibility still exists. During this period, scope assumptions are set, delivery strategies are chosen, procurement approaches are defined, and risk is either accepted, transferred, or deferred – often under compressed schedules and uncertain market conditions.

At this stage, optimism tends to operate quietly rather than explicitly. Familiar delivery models and prior outcomes are used to justify assumptions that may no longer align with current labor availability, pricing volatility, or supply-chain constraints. Risks that appear manageable when considered individually are normalized across multiple early decisions, allowing exposure to accumulate without being fully recognized.

Once contracts are executed and major commitments are in place, the ability to materially alter the cost trajectory narrows quickly. Procurement sequencing, buyout timing, and early risk-allocation decisions constrain the range of viable responses when conditions change. By the time construction begins, the project is no longer evaluating alternatives; it is managing the consequences of earlier judgment calls.

This is why cost overruns rarely originate on the jobsite. They are revealed there. In many cases, the financial outcome has already been determined upstream, even though it only becomes visible once execution exposes the fragility of early assumptions.

THE LIMITS OF LATE-STAGE CONTROL

Once a project reaches construction, the perception of control often increases even as actual flexibility declines. Progress is visible, reporting cadence accelerates, and cost impacts are tracked with greater precision. These signals can create a sense that emerging issues are being actively managed, even when the range of available responses has already narrowed.

At this stage, most corrective actions operate within constraints established earlier. Scope adjustments, sequencing changes, or procurement revisions are limited by contractual commitments and delivery timelines. While these measures may mitigate exposure at the margins, they rarely alter the underlying cost trajectory set during early decision-making.

This distinction helps explain why projects can appear well-managed while still trending toward unfavorable outcomes. Strong execution can slow cost growth or reduce disruption, but it cannot fully offset risk that was accepted, deferred, or underestimated upstream. The effectiveness of late-stage intervention is therefore bounded by choices made before construction began.

Recognizing these limits is essential to understanding why cost overruns persist despite increased oversight. The issue is not insufficient effort during execution, but an overestimation of how much control remains once key decisions have already been made.

WHY VOLATILITY HAS EXPOSED THIS NOW

Recent market volatility has magnified the consequences of early misjudgment. Pricing instability, persistent labor constraints, and extended lead times have reduced the margin for error that once allowed early assumptions to be corrected downstream. Conditions that previously produced manageable variances now generate material cost impacts.


As a result, a gap has emerged between perceived and actual control over project costs. Risk may appear contained through contingencies or contractual provisions, while in practice those buffers are insufficient for the level of uncertainty being carried. When market conditions shift, projects often discover that early decisions were expected to absorb more volatility than they were structured to handle.

This dynamic does not reflect a decline in competence or diligence. It points to a structural mismatch between how cost risk has traditionally been evaluated and the environment projects now operate within. Decision patterns that once produced acceptable outcomes persist, but current conditions offer far less tolerance for error.

REFRAMING ACCOUNTABILITY

Reframing cost overruns for today's environment requires a shift in where accountability is placed. Financial outcomes are not determined by late-stage interventions or corrective actions alone. They are shaped by disciplined judgment at the front end, when uncertainty is highest and decisions carry the greatest leverage.

This does not diminish the importance of execution. It clarifies its limits. Expecting construction-phase performance to compensate for early risk misalignment places an unrealistic burden on project teams and obscures where meaningful control actually exists. The old saying of measure twice, cut once, applies here. But ironically, it is more fitting for the planning stages of a project than actual construction.

Until the industry distinguishes between where cost overruns are created and where they are actually detected – usually late in the game, onsite – the same explanations will continue to circulate, regardless of how sophisticated reporting becomes or how experienced teams may be. In an environment with less tolerance for error, diagnosing overruns only after they surface is no longer sufficient. We must head them off earlier, in the planning stages, rather than kicking them farther down the road. 



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