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Navigating Construction Risks With the Go-No-Go Process

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Construction companies pitch to new clients and evaluate project proposals every day. For growing businesses, finding time, focus, and a standardized process for selecting clients and projects can be challenging. Many experienced contractors streamline their decision-making by using the go-no-go process.

Go-no-go gives leaders and staff a customized framework to identify and document potential risks before greenlighting any project. Construction leaders use the process to preevaluate potential challenges and opportunities against their existing business plan.

The process is meant to reflect a company's business scope and realistic tolerance levels for capacity, capital, risk, and return. Most importantly, a go-no-go system is meant to be reevaluated over time so project successes or failures are recorded, improving the overall process.

Firms may choose to build different goals and metrics for their go-no-go plan. Here are four major considerations that can help leaders design their process:

CAPACITY: CAN YOU SAFELY AND EFFICIENTLY STAFF THIS JOB?

With labor as the top expense faced by most companies and tight hiring conditions continuing throughout the construction industry as of late 2024, staff capacity becomes the natural place for go-no-go planning to start. Construction companies should consider these initial key questions:

- Can we staff this project entirely with our own team or will we have to hire or work with partners to complete this job as contracted?
- Do the members of our team have the necessary experience to successfully complete this job?
- Do the members of the team needed to complete this job have the capacity to do so considering their existing work responsibilities?

A company's workforce is the first consideration in any go-no-go plan. The company needs to conduct a thorough evaluation of employee strengths and weaknesses. These factors can either contribute to the firm's growth or jeopardize client relationships at any time.

Consider the case of a utility contractor who wanted to pursue a job that seemed outside of his business plan: he would need to hire an entirely new team to run the job. But the contractor was confident that he could "build a rocket ship to Mars" if he hired the right people. While he may or may not have been correct, that level of overconfidence can lead to challenges.

CAPITAL: WILL THE COMPANY'S FINANCES SURVIVE UNEXPECTED PROBLEMS IF YOU TAKE THIS JOB?

Project choices shouldn't exist in a vacuum. Companies need to evaluate whether identified project risks could threaten their existing work backlog and future project pipeline if a prospective project runs into trouble.

A go-no-go process should pressure-test a potential contract to make sure the job can be properly funded amid challenges. Funding comes down to whether the company has the ability, talent, tools, and financial strength to weather all potential challenges in a future job without impacting the company's broader operation.

A key question to consider: If one job falters during construction or in its aftermath, is your company financially strong enough to withstand that possibility?

Evaluating the cash and capital requirements necessary to support a prospective job shouldn't endanger existing commitments. If a go-no-go evaluation reveals even the possibility of that outcome, it may be cause for a no-go decision on that particular project.

RISK: ARE THERE OTHER CONSIDERATIONS POSING DELAYS OR CONCERNS?

Since the 2020 pandemic shutdowns, construction leaders have received a master class in the unexpected. Industrywide project slowdowns, talent shortages, tariffs, and supply interruptions became major factors in companies' abilities to successfully complete projects.

Now there are many more factors besides staff and cash flow that define a prospective project's risk profile. Some jobs with complex factors could potentially add significant research and consideration time to any go-no-go project evaluation.

Even in light of all those potential challenges, most bad jobs share a similar trait: a challenging owner.

While there is always potential for challenging demands from any owner, changing priorities are increasingly driving disputes that can wind up in court and result in nuclear verdicts. In 2024, "change in scope" was the number one cause of engineering and construction claims or disputes during the past year.

Before accepting a job, it's crucial to thoroughly evaluate important characteristics of both owners and partners. Questions to consider include:

» Does the owner have the funds?

» Are they frequently involved in disputes?

» Do they understand the nuances of construction?

This step might seem basic, but go-no-go forces leaders and key team members to discuss all factual details about a potential client. A company's research on that front can often make the difference between a troubled job with potentially years of conflict or a profitable, long-term client relationship that grows the business.

RETURN: DOES THE PROFITABILITY POTENTIAL OUTWEIGH IDENTIFIED RISKS?

Evaluating capacity, capital, and risk factors can shed new light on whether a new project has real potential to make money. When a company designs its go-no-go process, it's important to consider the potential profitability of the specific project measured against the maximum expected loss taking into account known risk factors. Construction leaders should attempt to quantify the maximum potential downside on a job and whether that downside requires a no-go decision on a project pursuit. Viewing each job through the lens of a worst-case scenario can offer a realistic risk-return calculation that either continues the client discussion or ends it.

A lower-margin, higher-risk job can still be worth pursuing based on a company's long-term business plan and ability to withstand potential turbulence amid other ongoing or backlogged projects. Companies take on risk every day. The question is how much risk they should take on after their leaders have thoroughly researched the opportunity.

It's not uncommon to hear construction leaders say that their best project was the one that got away. However, companies with an established and process-driven go-no-go procedure are better-equipped to identify and avoid bad jobs. Instead, they can focus on the specific work that keeps them and profitable.

About the Author

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About the Article

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