From time and materials to lump sum: when the risk moves to operations



As wind service contracts move from time and materials to lump sum agreements, the responsibility for managing costs and efficiency increasingly falls on service providers. Delivering the work is only part of the challenge. Providers also need to know how progress, hours and scope compare with the original plan. Reliable operational information can make the difference between identifying a problem early and discovering it when there is little time to act.

When a service contract moves from time and materials (T&M) to lump sum, the conversation usually starts with price: rates, margins, contingencies and payment milestones. It is natural to treat the shift as a commercial event, something for sales and contracts to settle before the project moves on.

The consequences become clear once work begins. Moving to lump sum changes how a project needs to be managed and delivered.

Who carries the risk

Under T&M, much of the time-related risk sits with the client. If a task takes longer than planned, the hours are logged and invoiced. The service provider's responsibility is to mobilise the right people with the right skills at the right time and document the work properly.

Under a lump sum model, a significantly larger share of the efficiency risk moves to the service provider. The price is fixed; the hours are not. Every hour above plan puts pressure on the margin.

Profitability is no longer primarily about having the right people onsite. It also depends on how efficiently they complete the work within the hours allowed by the contract. The question is no longer simply 'do we have the people?' but 'are we progressing at the pace the price assumes?'

From contract assumptions to site operations

In complex service organisations, the main challenge is often not technical. Experienced teams know how to install, service and retrofit turbines. The difficulty arises when they do not have all the information needed to deliver the work within the commercial assumptions of the contract.

During the commercial phase, assumptions are made about crew productivity, task durations, scope boundaries and how to handle unexpected conditions, such as restricted access, adverse weather or additional customer requests. These assumptions form the basis of the price.

Problems arise when those assumptions remain in the proposal rather than becoming part of day-to-day operations. For a lump sum contract to work, they must translate into clear operational targets, including planned hours, expected productivity, milestones and a defined process for managing changes.

These need to be available to project managers and site supervisors throughout the project, not simply filed away at handover.

Without that alignment, field teams may struggle to manage planned hours or distinguish between additional customer requests and work already included in the contract. Even experienced teams can find themselves in difficulty when important information never reaches the people who need it.

The human cost of a losing project

Nobody likes working on a project that is losing money. Beyond the financial impact, it creates pressure on decision making, team dynamics and customer relationships.

When margins shrink, decisions become harder. Should the schedule be accelerated? Should the scope be challenged? Should a change request be raised, knowing the customer may not welcome it?



Without reliable information, these decisions are often made too late or under unnecessary pressure.

Tension can build between site teams and the office, project managers and commercial teams and ultimately service providers and customers. Relationships built over many projects can be damaged by a contract that was not properly prepared for delivery.

Protecting margins while maintaining strong customer relationships requires clear priorities, relevant key performance indicators (KPIs) and reliable operational information.

Managing growth through digitalisation

As the wind industry expands across markets, technologies and service models, operational complexity increases. Service providers bring together specialised capabilities, multiple business units and teams with different working practices. This creates valuable expertise but can make it harder to maintain a consistent view of operational performance.

Local processes, standalone tools and spreadsheets often solve genuine operational problems. However, when information is collected in different formats, stored in different places and measured in different ways, comparing projects becomes difficult. Consolidating progress reports takes time, and teams may be working from different versions of the same information.

Reliable digital records help project managers see whether work is progressing as planned.

Collecting data is only the first step. Its value lies in helping teams compare actual performance against the plan and identify deviations early.

Under lump sum contracts, a deviation spotted in week two gives teams an opportunity to respond. The same deviation discovered in week six may already have affected costs and delivery.

Changing mindsets

Moving from manual reporting and locally developed tools towards standardised digital processes requires changes in working habits. Field teams and project managers need a clear reason to adopt new approaches. Simply telling people that the organisation needs more data is unlikely to be enough.

Site teams need information they can use while there is still time to make changes.

Effective digital processes should reduce the time spent reconciling spreadsheets and responding to update requests. They should also provide clearer targets, earlier warnings and better evidence when changes to the scope of work need to be discussed.

For customers, this means more reliable progress updates and earlier warning of potential delays. Rather than discovering problems at the end of a project, both parties can address them while there is still time to act.

Reliable records also protect the work carried out by field teams. Properly recorded hours support discussions about productivity, while documented changes provide evidence when assessing additional work and agreeing on its commercial implications.

The people closest to the work understand its practical challenges. Their experience should therefore help shape the tools and processes



used to manage it, rather than having systems imposed on them without sufficient consideration of how they work.

Visibility where the pressure is highest

Whether in onshore installation, offshore pre-assembly, scheduled service or mechanical and electrical retrofits, every activity has its own constraints and patterns of labour consumption.

What they share is the need to understand how physical progress relates to the resources being used.

For service providers working under lump sum contracts, comparing completed work against hours consumed can reveal problems before they become more serious.

If 60% of budgeted hours have been consumed while only 40% of the work is complete, the project is signalling a potential issue.

Identifying that difference early gives teams more options. They may be able to change the sequence of activities, address bottlenecks, adjust team allocation or discuss a change in scope with the customer.

Service providers can address inefficiencies and manage costs, while customers have a clearer understanding of progress and can participate in decisions that may affect delivery.

Without timely information, action may come only after the financial impact has become significant. An end-of-project report can explain what happened, but it cannot recover missed opportunities.

Clarity, not bureaucracy

Digitalising the recording of tasks, hours and physical progress should not mean adding more administration. Systems that create extra work without offering practical benefits are unlikely to be adopted consistently.

Data collection should be a natural part of the job. Processes need to be straightforward, suitable for use in the field and designed around operational requirements.

Information should be recorded once in a consistent format and made available to those who need it.

When implemented effectively, standardised systems allow project managers to compare progress across different teams and projects. Field teams know what is expected, while customers receive more dependable information about delivery.

The purpose is not standardisation for its own sake. It is to help everyone involved complete the work safely, efficiently and in line with customer commitments.

The contract is won or lost in operations

Lump sum contracts leave less room for unexpected hours and delays. Planning matters, but so does knowing what is happening once teams are onsite.

At Muehlhan Wind Service, the focus is on connecting the commercial assumptions made at the start of a project with the work being carried out in the field. Better reporting and closer coordination between teams are intended to help identify problems before they affect the schedule or budget.

A contract may be agreed in the office, but whether it succeeds is determined by what happens onsite.

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