

# Drive high performance capital projects

## By engaging contractor teams

Achieving high performance on capital projects is not a simple endeavour. With many diverse entities ultimately responsible for the successful delivery of a project – each with their own ways of working and priorities that often conflict with each other – most projects fail to meet budget and completion targets. By establishing a relentless focus on driving performance from project approval through to delivery, aligning all parties around this shared objective and incentivising each team to achieve it, capital projects can, and will, come in on time and in budget.



**Mega capital projects are essentially set up as large temporary businesses, staffed by diverse teams, with varying capabilities and different approaches to their work.**

Many of these projects aspire to some level of partnership amongst all parties involved, yet creating truly aligned partnerships often proves difficult. The sheer scale of major projects, as well as the number of individuals and factors involved in the decision-making process, often create stress in relationships and unprofitable contractors, as well as budget and schedule overruns.

# We observe four common barriers to achieving partnership and high productivity on a capital project

## 1 Contractor performance is not considered, nor built into the initial contract

Contracts tend to focus on price and deliverables with little to no consideration of performance:

- Contracts lack explicit expectations and daily incentives for proactive contractor collaboration to deliver a better project
- Negotiations seek to drive down costs, but instead drive down margins
- Performance is not rewarded – often, the most common ‘incentive’ is avoided penalties

Ultimately, most contracts work against the fundamental requirements for high performance as they fail to align, motivate or adequately resource teams.

## 2 There is no common approach to planning and scheduling to the capital project

Project planning tends to focus on what individual components of the project need, rather than what the broader project requires. Plans are often created in isolation, so key parties are unaware of key requirements across the project’s lifecycle – including their own activities which are directly on their critical path. As a result, sub-teams often branch out and build separate plans to meet their own deadlines and project goals, leading to potentially disastrous project outcomes.

## 3 Capital projects lack performance transparency, processes and management systems to align contractors

When systems and processes are not aligned to deliver desired outcomes, projects become susceptible to mistakes, miscalculation, and miscommunication. It is all too common that the various stakeholders lack a full understanding of their required tasks and deliverables. Rarely do they understand how their performance impacts the ability of other teams on the critical path to deliver their work – and hence the overall project – on time.

## 4 Decisions are made by default, rather than through mutual problem solving between contractors

Project schedules are almost always tight, leading project managers to default to solutions which satisfy their own contracted commitments, rather than considering implications for the broader project. Further, recovery plans are rarely established, leaving teams to solve for their own benefit rather than that of the project. Without robust systems and regular forums to surface potential problems and collaboratively discuss how to resolve them, an apparent resolution in one area could create a series of subsequent issues for other areas.



# Building strong, aligned supply chain partnerships.

Effective partnerships across the entire life of the capital project are essential to a project's success. By fully engaging with their contracted partners from the very beginning, owners and their partners can jointly develop the project.

## Successful projects usually adopt the below practices:

### 1 Design contracts to incentivise high performance

Operators should engage with contracted partners from the project's inception and work directly with these partners, as they are critical to a project's success.

Owners must recognise that risk is never truly transferred to their contracted partners – the risk ultimately stays with them. By acknowledging this, both owners and contractors can work to create beneficial contracts where both parties work to elevate each other's success.

Prior to making final contractor selections, owners should not be afraid to engage contractors, and be willing to pay them to develop solutions to current project challenges – an exercise which also helps the owner identify the best partners available. Similarly, working with contracted partners to set milestones early (prior to contract signing) helps build ownership of dates and rates.

Contract design should incentivise performance with systems and tools in place to reward contractors who deliver high-level performance. And, to set contractors up for success, contracts should include clauses which clearly articulate what is expected from them beyond traditional clauses around safety – this should include expectations around planning and productivity, whether this is key milestones or what is required before the contractor mobilises or demobilises from site.

By establishing more effective contracts, infield productivity increases as contractors work towards a common goal, while contractors and subcontractors are motivated to drive performance.

# Case study

Incentive and penalty mechanisms were incorporated into contracts for a \$425m silver and gold mine expansion project, allowing contractors to share the benefits of strong project performance.

The contract design aligned the interests of the main contractor with project objectives by clearly articulating performance targets across seven dimensions (safety, environment, quality, cost, schedule, construction management, site support services).

It also established a structured process to reinforce desired behaviours with cascaded performance reviews flowing down to the front line.

The contract and supporting processes clearly established that 'good performance' was expected, while regular performance assessments enabled sharing the savings between the owner and the contractor with bonuses of up to 20% margin paid quarterly.

## 2

### **Set up contractor teams so they are 'good to go' when they arrive on site**

Before contractors can start work, they need the right people, tools and approvals. Even with these in place, it is not uncommon to find contractor teams idle once they arrive at site.

Clearly articulating what is needed from the contractors before they arrive on site, supported with clear processes and simple checklists, enables contractor teams to mobilise with the right tickets and sufficient resources.

This sets contractors up for success and helps minimise frustration (from both the owner and the contractor), as well as costs incurred by having contractor teams available, yet unable to work. It also helps control project costs, and reduces the risk of delays to individual work packages and knock-on effects to the broader project.

## 3

### **Invest in systems and tools to drive productivity**

A project is only successful if critical subcontracts are completed on time and budget to the right level of quality; so, investing in contractor success is just 'good business.' Owners should ensure they have systems in place to review performance daily and weekly supported by visual boards, digital tools and contractor toolkits. When owners invest in resources to better align their teams, team members feel a unified sense of purpose and can watch their goals come to fruition. The right systems and tools enable contractors to work collaboratively with other teams to minimise cost increases and project delays – as such, their use should be broadly promoted and appropriately incentivised.

## KPI reviews and tracking are supported by a matching cascade of visual boards and used to facilitate discussions

Creating alignment begins with early planning, establishing clear visual boards, and promoting daily and weekly discussions to ensure everyone has clear direction on project goals.

Regular meetings facilitate open communication and collaboration and provide a clear framework of what needs to happen each day for each person to ensure high performance.

### Overall project visual board

- Weekly review of project performance
- Priorities focus with whole project perspective

### Contractor visual board

- Weekly review of performance
- Performance across crews
- Delivering to right sequence

### Site/crew visual board

- Daily review of performance
- Focus on maintaining rate, avoiding blocks and tracking actions

Making essential information available electronically helps focus people on what matters and reinforces desired behaviours. While numerous tools are available to create visual representations and cut data in various ways, it's crucial that reporting focusses on performance drivers (rather than just creating an ever-growing family of pretty charts). Done well, flexible digital platforms make information available to all, from the Project Director to the frontline, with tailored reports and underlying data appropriate to each role, promoting and informing daily performance (rather than progress) discussions.

To be effective in daily meetings and in the field, managers and supervisors/superintendents need to become skilled coaches to create alignment around project goals and drive performance. The shift from managing against a contract to engaging and supporting contractors to perform will likely require changing long-held mindsets and building new capabilities. Investing in training of project leads sets up contractors for success and drives proactive resolution of short-notice issues. Coaching cards are a simple, but effective, tool to support supervisors as prompts for the right questions to ask their contractor counterparts.



## 4

### Embed a culture of execution excellence

Improving productivity requires daily commitment to driving and facilitating improved performance from all teams. Across the life of the project, it is important to focus on the most critical frontline teams and support them as needed. Having open conversations around project needs creates better communication and fewer surprises down the line.

Owners need to drive the performance culture, rather than relying on third party providers to do it for them. While third-party providers design, construct and project manage their capital projects, their most experienced people are often spread thinly across many projects and lack the bandwidth and focus required to embed excellence.

The owner's team should demonstrate and promote an enhanced working environment, striving to help contractors be successful rather than tracking contractual progress and reacting to noncompliance. With owned targets and financial incentive to achieve them, all parties have a vested interest in supporting other frontline teams that impact their workstream and, ultimately, the overall success of the project – "my success depends on yours."

Managers and supervisors need to fully understand the role they play in driving performance and relentlessly coach towards achieving high performance. Creating a forum for mutual problem-solving and agreeing to escalation process with teams upfront will help keep the project on track. Project leads should always work to help contractors be successful and reinforce broader project goals over individual needs.

## Case study

### Engaged an extensive network of contractors to get a complex mega project back on track and through to completion

A new £1b stadium construction project was within six months of their official opening and several areas were behind schedule. They needed to drive productivity improvements in the electrical and emergency systems installation to rapidly recover their schedule.

#### Client achieved

Accelerated the most critical components and operational requirements to get the stadium open and within budget.

- Increased labour productivity by 38%
- Reduced average age of open dependencies by 17%
- Reduced open dependencies by 46% in four weeks
- Completed 80% of fire detection and PAVA containment and cable pulling activities
- Maintained installation rates for fire detection and PAVA cable as activity doubled

#### What we did

By working across contractual boundaries to unlock real productivity improvements and focussing on collaboration, we earned the respect of contractors onsite and broke down siloes. This included:

- Engaging contractor teams and the owner to build alignment and a common, unwavering focus on the most critical workstreams
- Setting-up planning, readiness and productivity reporting and transparency for each package
- Establishing daily problem-solving forum for subcontractors and principal contractor to speed up problem resolution
- Working daily with contractors and professional teams on critical workstreams to resolve issues



# Conclusion

To truly improve productivity in capital projects, it is necessary to engage with contractor teams to drive performance together, rather than just manage penalties against a contract. To be successful, the right processes and controls should be established for all parties. From mobilisation through to completion, contractor teams should be actively engaged in the early planning, regular review of progress and coaching of frontline supervisors. Ideally the overarching contract is written to accomplish this goal; however, once the contract has been awarded, owners should proactively set up the project – and their contractors – to drive behaviours which ensure owners and contractors actively work together to continuously improve performance.

## About the author



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Guy Turner co-leads Partners in Performance's Global Capital Practice. With over 20 years experience in delivering capital and construction projects, Guy has helped clients improve performance improvement and strategy in up and downstream oil and gas, mining and complex processing plants. Beyond his industrial construction experience, Guy has overseen the development of high-rise buildings, bridges, airports and sports stadia. His particular area of focus is on working with owners and contractors to build integrated project teams that deliver high performance every day.

