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How Essential It Is That the Owner Team Has Sufficient Project Experience For Project Success

In the same manner as successful projects require adequate governance, we also consistently observe that project success requires sufficiently experienced Owner organisations. Irrespective of the professionalism of the contractors, projects that are run with inexperienced or not sufficiently staffed Owners will often lead to inadequate delivery, delays and ultimately in disappointing results. In this White Paper we investigate more in detail the causes of this phenomenon and what can be done to avoid it.

Consequences of inadequate Owner experience

Inadequate Owner experience will translate into inadequate Owner supervision of the project, and substantial delays in taking decisions. The major symptoms we have observed across many such projects are:

- Unclear project objectives, sometimes conflicting, resulting in poor decision-making, or conflicting decisions,
- Delays in reviews of documents and key decisions requested by the contractors,
- Too many, irrelevant or inadequate comments made during review of contractor documents reflecting a lack of knowledge and experience that are onerous to address by the contractors and slow down further the document production process,
- Weak implementation and poor decision-making (in quality and delay) related to interface management and management of changes,
- Inadequate contract management leading to substantial contractual issues with contractors that impede work progress.

Relying on the experience of execution contractors to compensate for inadequate Owner experience is often not sufficient and the temptation of contractors to take advantage of the situation may be irresistible. Owners lacking experience may not be willing to delegate actual decision-making to contractors fearing commercial consequences, but may not actually take decisions either, or only very slowly, leading to very difficult situations.

The issue is compounded when the Owner employs many contracted personnel of diverse origin rather than staff personnel in its project supervision team, as their interests may not be aligned with the Owner's (typically, contracted personnel may seek to show themselves indispensable with substantial commenting on contractor documents and may induce the project to take longer than strictly necessary).

Projects run by inexperienced Owners are often the most difficult for contractors to manage, and often result in disastrous project outcomes in terms of cost and schedule. They are therefore difficult situations for all parties involved.

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What type of Owner experience is needed to supervise a project

Owner experience when supervising the execution of a project is required in two dimensions:

- Sufficient technical understanding and expertise to challenge the contractor's design and engineering, procurement and construction activities, with the aim to achieve the required performance considering the context and environment of the project (e.g. consistency and integration with existing facilities in the case of a brownfield project),
- Sufficient project execution experience to enable proper control of the contractor(s) and more generally, proper understanding of the project status and challenges; while having sufficient experience to recognise when the contractors are effectively entitled to change orders.

Typical issues with technical expertise

Insufficient Owner technical expertise can apply in the case of innovative projects, when new technology is implemented, or for projects involving an unfamiliar process or equipment. For example, challenges can appear when advanced control systems are envisaged, or when unfamiliar installation approaches are considered.

Technical expertise issues may extend to lack of familiarity with mandatory processes associated with licensing or independent checks on engineering such as those required by law or by insurance companies. This may be the case for example when the Owner is executing a project in an unfamiliar country or in an unfamiliar regulatory regime.

Typical issues with project execution expertise

Insufficient Owner project execution expertise is quite common in Owner organisations whose main focus is not capital projects. For example, financing bodies for infrastructure or rolling stock may lack this type of expertise. Another common situation is Owners that focus on operating existing facilities; while they may execute small maintenance and revamping projects, they may not have experienced resources for the execution of projects of the size and complexity of a major capital investment in a new facility or in a plant extension.

How to ensure Owner competency?

Have a sufficiently large budget for Owner project team

We consistently find that the importance of a sufficient Owner project management team is often underestimated. This often shows in the assigned budget which is too low, resulting in an insufficient number and calibre of project team members. The leverage effect of the quality and quantity of resources assigned to the Owner team is huge, and this should be considered as an investment. This is applicable even in the case of a single EPC turn-key contractor, even if the size of the team may be adapted, because of the interfaces that need to be managed at Owner level and the need for a comprehensive contract management approach.

Have key personnel be staff

It is essential that key Owner project team contributors are Owner staff or have a status that ensures alignment with the Owner interest as well as long term commitment over the entire project lifecycle. The hiring process for those key personnel must also be started sufficiently early to ensure that they are mobilised in a timely manner i.e. in any case prior to the Final Investment Decision and award of the key execution contracts; and if possible, already during the last part of the definition phase, when the project execution plan gets defined.

It is essential to hire experts from the industry with substantial project execution experience. One difficulty is that the salary range of those personnel may be significantly different from the usual Owner HR policies applicable for operations personnel; again, this represents an investment for project success and the specific project execution-related skills and experience must be recognised. It is a good idea to hire some personnel with substantial project experience from the contractor side for

their knowledge, although it must be recognised that the Owner role is substantially different so that they must be clear that their role will differ.

In case of an EPCm or PMC (project management contractor) approach, key Owner personnel must be in sufficient number to control the EPCm/PMC contractor and maintain proper oversight on the project so as to remain in the driver's seat. Delegation does not prevent proper control and supervision by competent personnel.

Essential functions such as HSE and quality must also be enforced strictly by Owner representatives that ensure that the Owner interests are properly defended.

Whatever the Project Contracting strategy is, Owners must have the skills to properly control and supervise the Contractors' work.

Allow the Owner project team to take decisions

Sometimes we find that the Owner team is sufficiently numerous and competent, but that the project cannot effectively take decisions, because they have to be reviewed by an Owner Steering Committee composed of managers with limited or no project experience. This defeats the purpose, and adequate delegation must be given to the Owner team. Of course, the fact that the Project Director be a staff personnel with some visibility on his/her career path inside the organisation will help.

Conclusion

Projects conducted with inexperienced or insufficient Owner project management teams are often nightmares for all parties involved and often lead to substantial schedule and cost overruns. A sufficient level of experience on the Owner side – and the capability to take decisions based on this experience, is an essential success factor. A sufficient Owner team budget and agreement that properly experienced key resources must be hired staff personnel even if that bends usual HR policy are essential factors to achieve success.



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