

Collaboration & Cooperation – What a Concept!

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Collaboration & Cooperation – What a Concept!

Panelist



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Director
BAA



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True or False?

1. The more front-end loading, the better cost and schedule performance will be

1. True



2. False



2. Cost – Schedule – Quality: You can have any two, but never all three

1. True



2. False



3. Fixed price contracts produce better contractor performance than reimbursable cost contracts

1. True



2. False



Cooperation & Collaboration – Topics for Today

- Why was a more collaborative approach needed?
- What are the basic concepts?
- What challenges/barriers had to be overcome?
- Examples of improved performance
- Recommendations & Lessons Learned



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Why Was a More Collaborative Approach Needed? (SPS)

- Today's business environment requires:
 - Better control of time to market
 - Life-cycle performance improvement
 - The need to adopt to ever-evolving environmental requirements



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Why Was a More Collaborative Approach Needed? Anadarko

- 1995: applying new technology for deepwater oil production – required collaboration & cooperation between engineer, fabricator, installer and owner
- Very small owner team empowered to deliver a solution



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Why Was a More Collaborative Approach Needed? Merck

- Schedule – driven project at West Point, PA manufacturing plant
- Challenge for 24 months (vs. 27 best)
- Permitting issues delayed construction start by 2 months



Why Was a More Collaborative Approach Needed?

Case Study: BAA Terminal 5



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Discussion Question:

When should new methods of Collaboration & Cooperation be applied?

1. On mega-projects

1%

2. On projects with new technology

2%

3. On projects with aggressive schedules

3%

4. On all projects

82%

5. Only on projects with special challenges

12%



What Are the Basic Concepts? Anadarko

- Integrated project team – incl. owners (operator + partners), and contractors
- Put project priorities first; requires
 - Trust
 - Open communication
 - Executive Steering Committee
 - Effective issues management
- Open to standardization



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What Are the Basic Concepts? Merck

- Integrated key subcontractors into design effort
- 50% design package from A/E – issued for bid
- Tailored selection criteria emphasizing quality of team, integration ideas, VIPs
- Insisted on frequent communication among contractors, A/E and with Merck
- Encouraged “lean” ideas to simplify process & save time (e.g., IFC package)
- Unit-price type contracts – convert to LS



What Are the Basic Concepts? SPS

- Value from the perspective of the end-user customer vs. project-centric objectives
- Relational agreements vs. transactional
- Concurrent processing vs. sequential



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What Are the Basic Concepts? Case Study: BAA Terminal 5



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Discussion Question:

All the approaches use some form of “integrated teams”. How easy is it to form an effective integrated team across companies?

1. Very easy



2. Not too difficult



3. Somewhat difficult



4. Brutally difficult



What Challenges / Barriers Had to be Overcome? Anadarko

- Global fabrication requires coordination of work on several continents
- Goal alignment – getting people to appreciate the value of the C&C effort and that their efforts are appreciated - *Project Stock Certificates* for all participants
- Empowering the team to execute “best for project” decisions



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One Share

What Challenges / Barriers Had to be Overcome? Merck

- Selling the new approach to management (a license to steal?)
- Selling the new approach to the A/E Firm (will all this collaboration kill the schedule?)
- Selling the new approach to the contractors (just another buzzword?)



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What Challenges / Barriers Had to be Overcome? SPS

- “Social” issues
 - Site supervisor: “Can I really participate in the scheduling?”
 - Scheduler: “So what is my job now?”
 - Crafts: “Overtime is reduced – so how is this a good thing?”
 - CM: “So what is my role now?”
 - Do traditional project controls help or hurt?
 - How to behave in this new environment?



What Challenges / Barriers Had to be Overcome?

Case Study: BAA Terminal 5



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Discussion Question:

What is the source of the biggest challenges in improving Collaboration & Cooperation?

1. Management



2. Project Manager



3. Site Supervision



4. Crafts / Unions



Examples of Improved Performance Anadarko

- Benefits under any form of contract
- Open communication in China fab. yard provided early warning of schedule delay, was basis for jointly developed solution (that *reduced* cost and schedule!)
- Benchmarking shows 20% faster and more than 20% lower cost with excellent safety performance and operability



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Examples of Improved Performance Merck

- When clashes discovered, Merck was presented with a solution (not a problem).
- “Everyone is a lot less frustrated.”
- “This gives us a chance to show what we can do, given the right environment.”
- Greatly reduced change: 6% vs. >20% historical average.
- At 95% complete, team is one month ahead and >10% under budget



Examples of Improved Performance SPS

- Chemicals project: schedule reduced by 7 months
- Refinery: 40% reduction in labor cost
- Pulp & Paper: record time for TAR (70% of best previous duration)
- Impact of project performance on HEALTH (in addition to Safety)



Examples of Improved Performance

Case Study: BAA Terminal 5



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Discussion Question:

What percentage of your projects are actually fun for all the participants?

1. A few



2. About half



3. Most of them



4. You're kidding, right?



Discussion Question:

Does the form of contract impact Collaboration & Cooperation effectiveness?

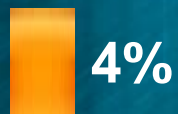
1. Yes , a great deal



2. Somewhat



3. No , not at all



Recommendations & Lessons Learned Anadarko

- Trust – Truth - Openness
- Empowerment – Literally enabling people to influence the outcome. “Steel by itself is pretty dumb - it is people who make it into something.”
- Listening to people makes them feel valued



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Recommendations & Lessons Learned Merck

- Easiest to implement when the parties have worked together
- Use open book pricing
- Owner behavior drives contractor's
 - Open-minded
 - Listen well
 - Model C&C



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Recommendations & Lessons Learned SPS

- Get started – competitors are!
- Don't wait for the “perfect project” – innovation happens best when driven by necessity
- It won't be easy – but stay the course!



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Recommendations & Lessons Learned

Case Study: BAA Terminal 5



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