

# Aligning the Supply Chain with Project Execution

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# Discussion Outline



- Productivity Alberta
- Energy Demand and Oilsands Growth
- Project Performance – Alberta
- Why industry should react to the challenge
- Project Alignment and Delivery
- How can you participate
- Next Steps

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Productivity Alberta is a not for profit corporation that enhances the skills and capabilities of small and medium sized businesses through objective ongoing diagnosis and guidance leading to client focused application of productivity leading practices.



**Leading expertise in improving clients' productivity and competitiveness**

# What we offer



**Productivity Assessments and coaching in productivity improvements. This includes operational excellence, innovation and leadership combined with a collaborative culture and the strategic integration of these elements**

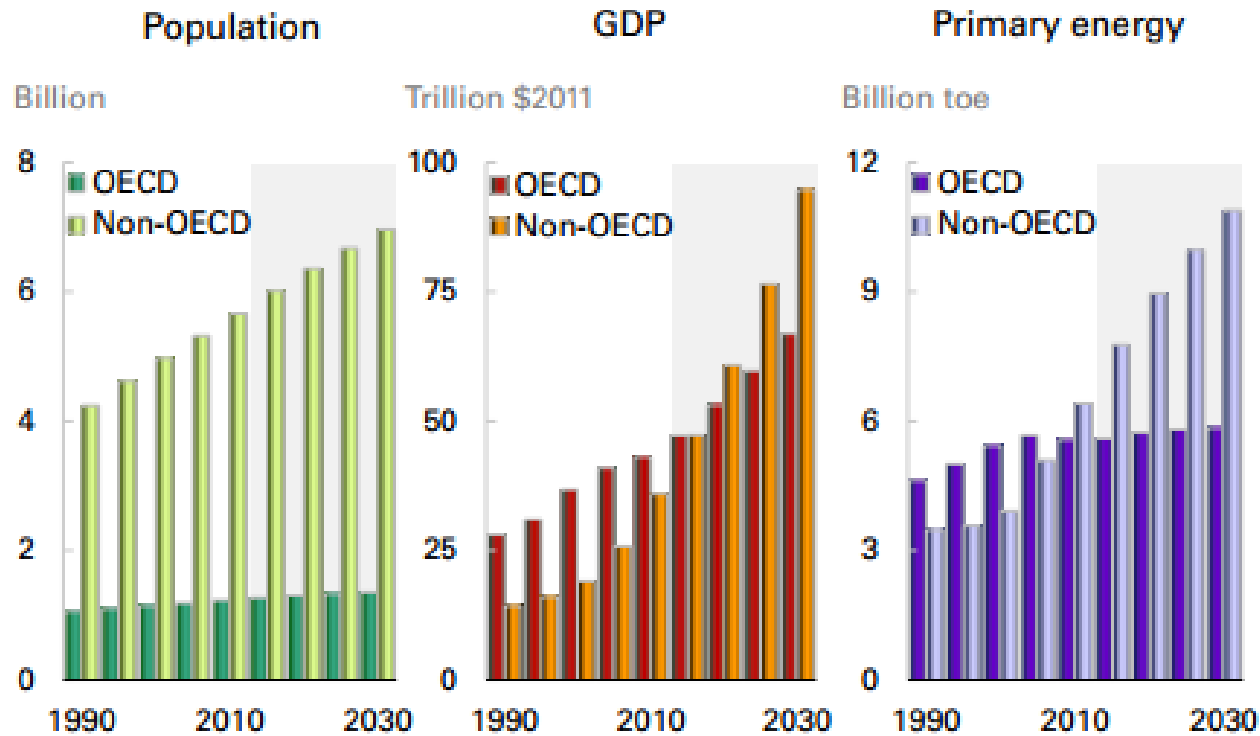
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# Energy Demand

Global energy demand increasing
   
 Primarily driven by emerging economies

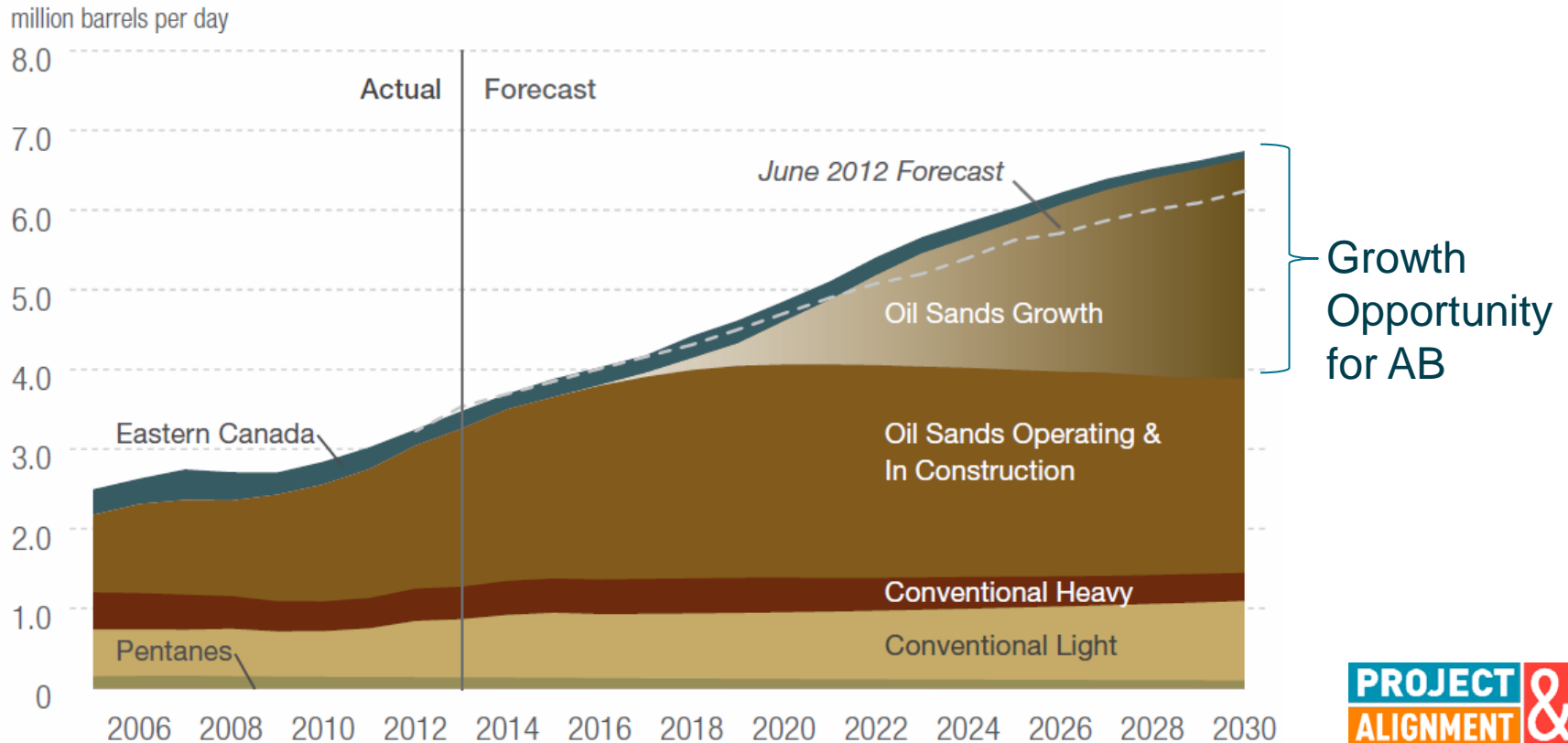


Source: BP Energy Outlook

# Alberta Oilsands growth



Alberta oilsands production growth positioned to supply global energy needs today and in the future  
 Investment decisions driven by portfolio decisions of





# Alberta Capital Expenditure Profile



The Alberta capital expenditure outlook is above \$45 billion per annum

Project investment decisions are being postponed in the wake of current project performance

International oil companies are making portfolio decisions as a result of a number of factors

- Project over expenditures
- Project delays
- Investment performance
- Incentive environment

***“ Any improvement in Project Performance – will make a difference to the performance of companies and the industry ”***

Challenge to industry – work together for a better Alberta



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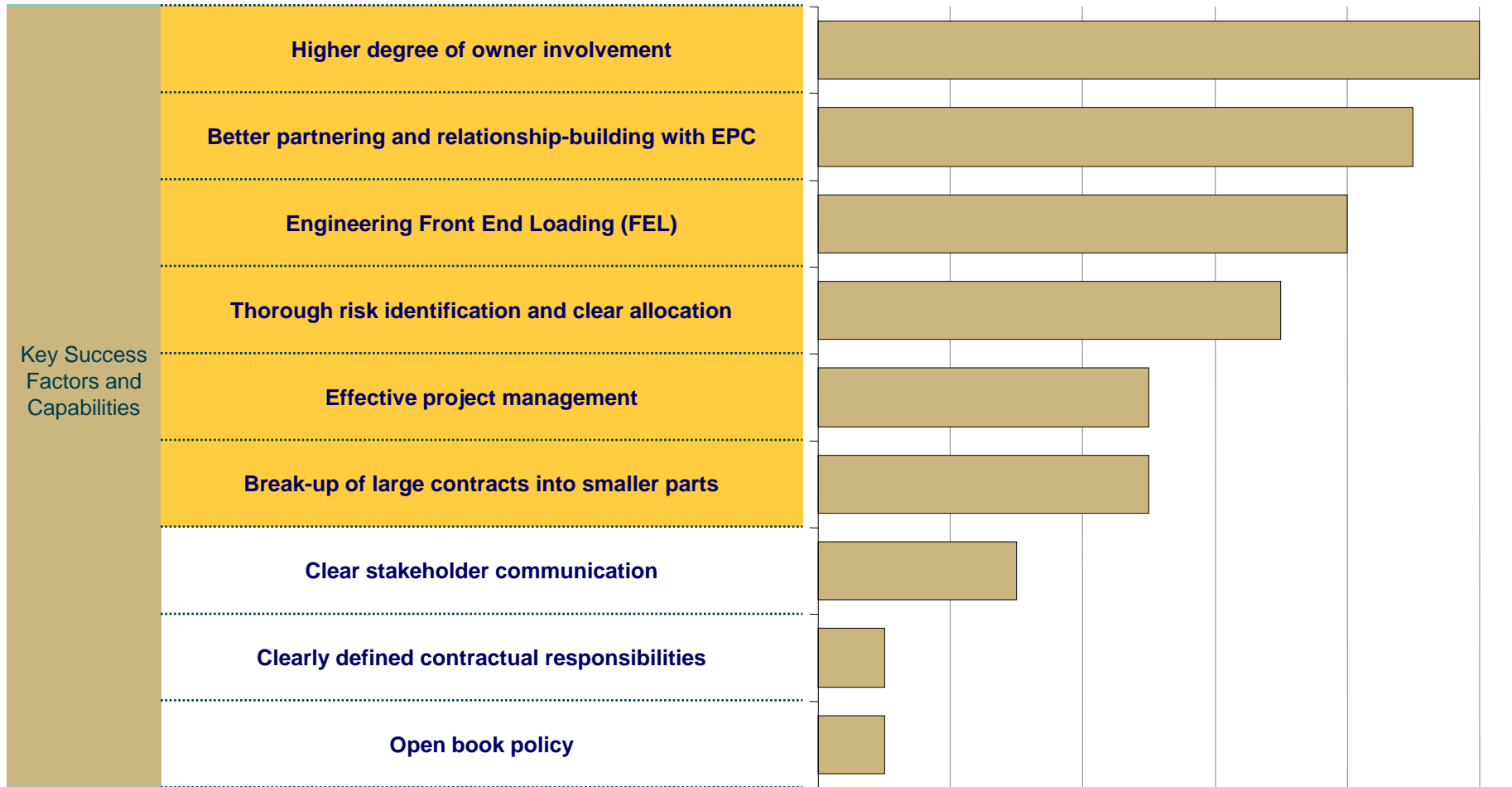


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- Study by Booz Allan Hamilton in 2006 identified a number of challenges
- Work by COAA, IPA, Go Productivity still indicates similar challenges – little difference - what we did, did not improve our situation
- A different approach is required that is holistically addressing the major issues in a systematic manner

***“ Almost moving from essential requirement to future survival Critical for future growth of the companies and industry in Alberta ”***

# Owners identified six key success factors and owner capabilities needed in today's market for "mega-project" success



Source: External interviews, research documents, BAH Analysis  
 \*Shows % interviewees who mentioned specific owners' right during interview

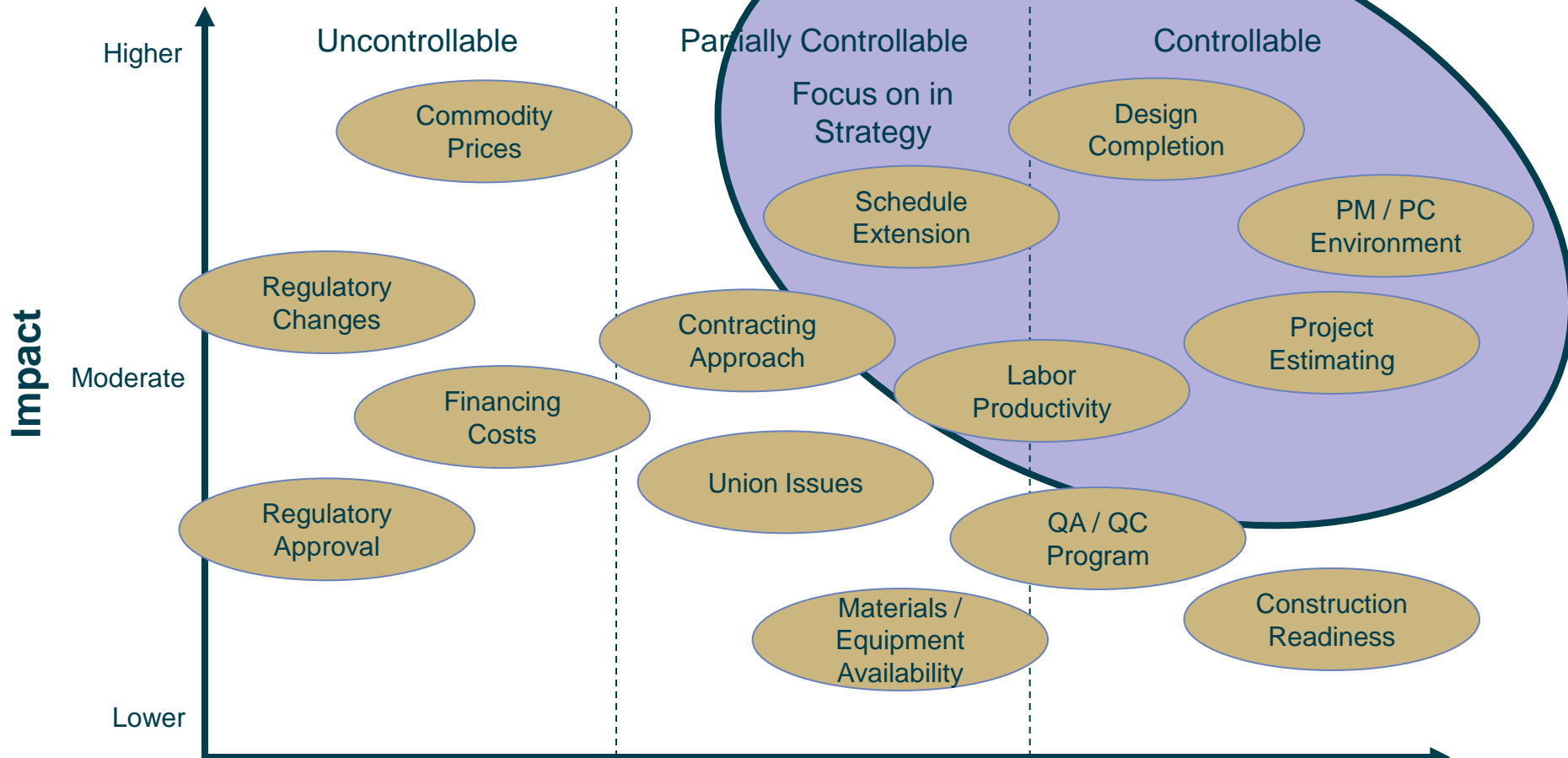
Source: Booz Allen Hamilton  
 Mega Project Market Study



# Project underperformance is caused by a variety of factors ... each of which has a differing degree of avoidability



## Project Performance Root Causes



Source: Booz Allen



# Embracing Complexity Report



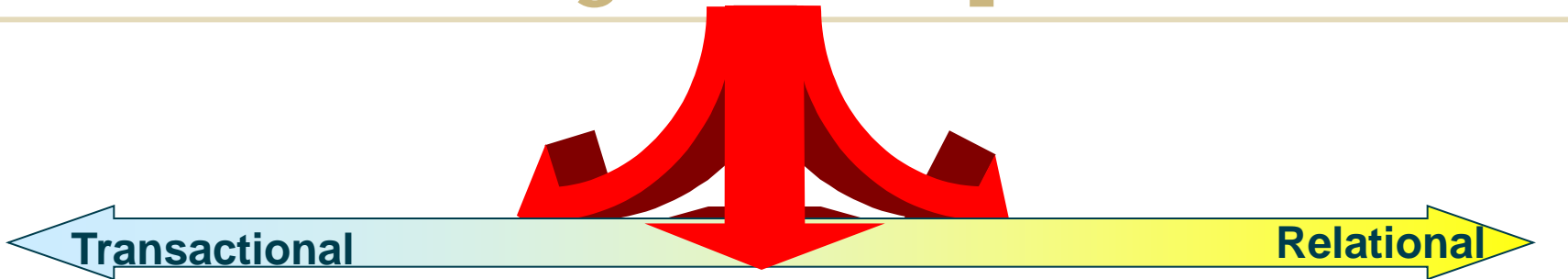
- 50 Interviews (from project owners to sub contractors)
- Identified key challenges
  - Management gaps
  - Contracts set relationships up for failure
  - Pace of development driven by the province
  - Regional vs. international procurement
  - According to owners, companies here aren't competitive
  - Processes for corporate learning and
  - Knowledge management

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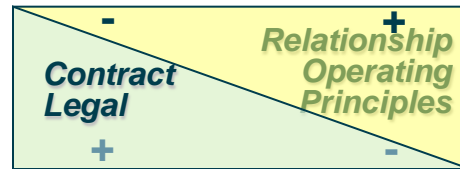
# Legal Contract Management Options



- Driven by Strict Financial Costing
- Very Legalistic
- Rigid Interpretation
- Clearly Defined Contract
- Managed at Junior Levels
- Penalties for Non-Performance

**Works best with:**

- ✓ Vendors
- ✓ Short Term Contracts
- ✓ Commodities & Procurement Situations
- ✓ Stable Conditions
- ✓ Low Levels of Integration
- ✓ Power Lies Primarily with the Contractor
- ✓ Multiple Options for Shifting Suppliers (Win-Lose results will not jeopardize the Contractor's Future)



- Dynamic Strategic Conditions
- Win-Win Based
- Shared Objectives & Values
- Driven by Innovation, Operating Principles, & TCO
- Committed in Absence of Well Defined Contract
- Managed at Senior Levels

**Works best with:**

- ✓ Strategic Suppliers & Mission Critical Providers
- ✓ Long Term Arrangements
- ✓ Conditions of Uncertainty
- ✓ High Levels of Integration & Collaboration
- ✓ Power is Balanced or on the Side of the Supplier
- ✓ Limited Options for Shifting Suppliers



# Partnering and Collaborating Models



## Calgary interchange

- 5 months using a partnering approach

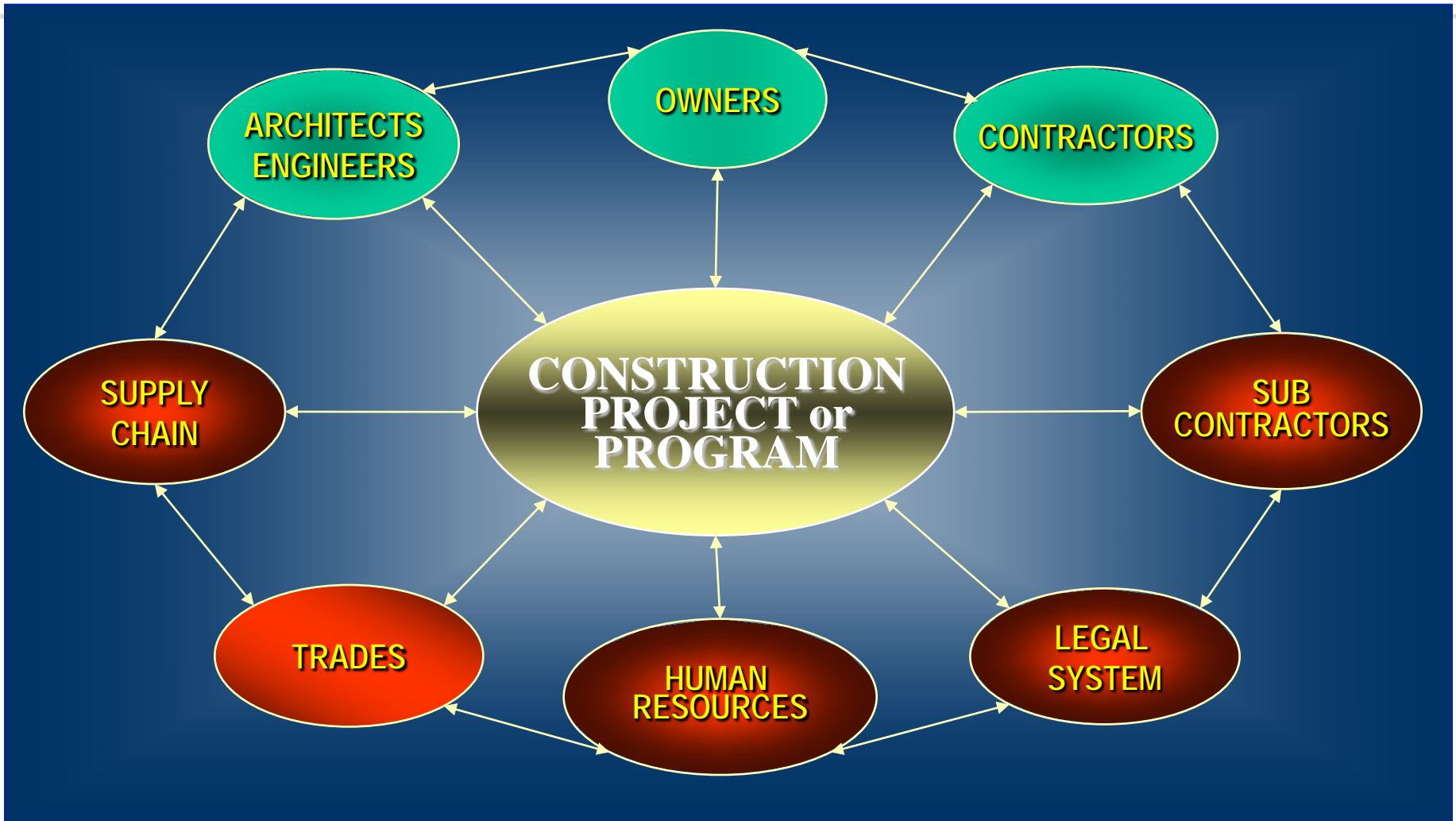


## Santa Monica Expressway

- 60 days using a collaborative strategy



# Must See a Value Network - Aligned



# What is the key cause for under performance?



## Do a poll - prioritization by selecting your own 3 key areas

- Project Execution Capabilities
- Project Systems
- Project Talent / People / Skills / Leadership
- EPC's Performance
- Project Risk Management
- Project Communication
- Lack of Collaboration/Alignment
- Lack of Trust & Relationships
- Environmental Requirements
- Regulations and Specifications Requirements
- Local / USA Fabricator Performance
- Trade Performance / Availability
- Project Documentation / IM Management
- Project Contract Strategy and Management
- Project Planning
- Project Cost Management
- Project Governance
- Project Integration Management
- Project People Management
- Project Contractor Management
- Project Outsourcing
- Supplier Performance
- Project Scope Management
- Project Change Management



# Prioritize Key Areas



## Facilitated Session – Drivers and Outcomes

# SCWG Challenges Identified



SCWG – Key Themes	Priority Count, Over Other Themes
Project Execution	10
Talent Skills & Leadership	9
Communication	8
Regulatory & Specifications	8
Risk Management	5
Contract Strategy	4
Collaboration	3
Trust & Relationships	3
Environmental	2
Excellence & Innovation	0
Increasing Competitive Advantage	0



# Alberta needs to take action- Project Alignment and Delivery



- Investment will follow the easiest path to success
- Canada and Alberta's future depends on the sustainable success of the Oilsands industry
- The ability for Alberta to deliver projects on time, within budget and quality constraints will be key for future growth
- Combination of pressures on the project delivery success
  - High percentage of senior people retiring in the next 5 years
  - Increase in capital projects put further demand on critical skills
  - Project alignment and effectiveness essential between Operating, EPC, Fabrication and Supplier sectors – need improvement
  - Sending work offshore results with mixed results – no clear answer
  - Global situation facing similar challenges

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## *Key Objectives:*

- Development of a framework for the improvement of project execution and aligned capability building
- Identify gaps and build a structure of support for project execution and improved productivity performance in the energy sector
- Look at project execution and delivery in a holistic manner to deliver industry results and not individual sector benefits

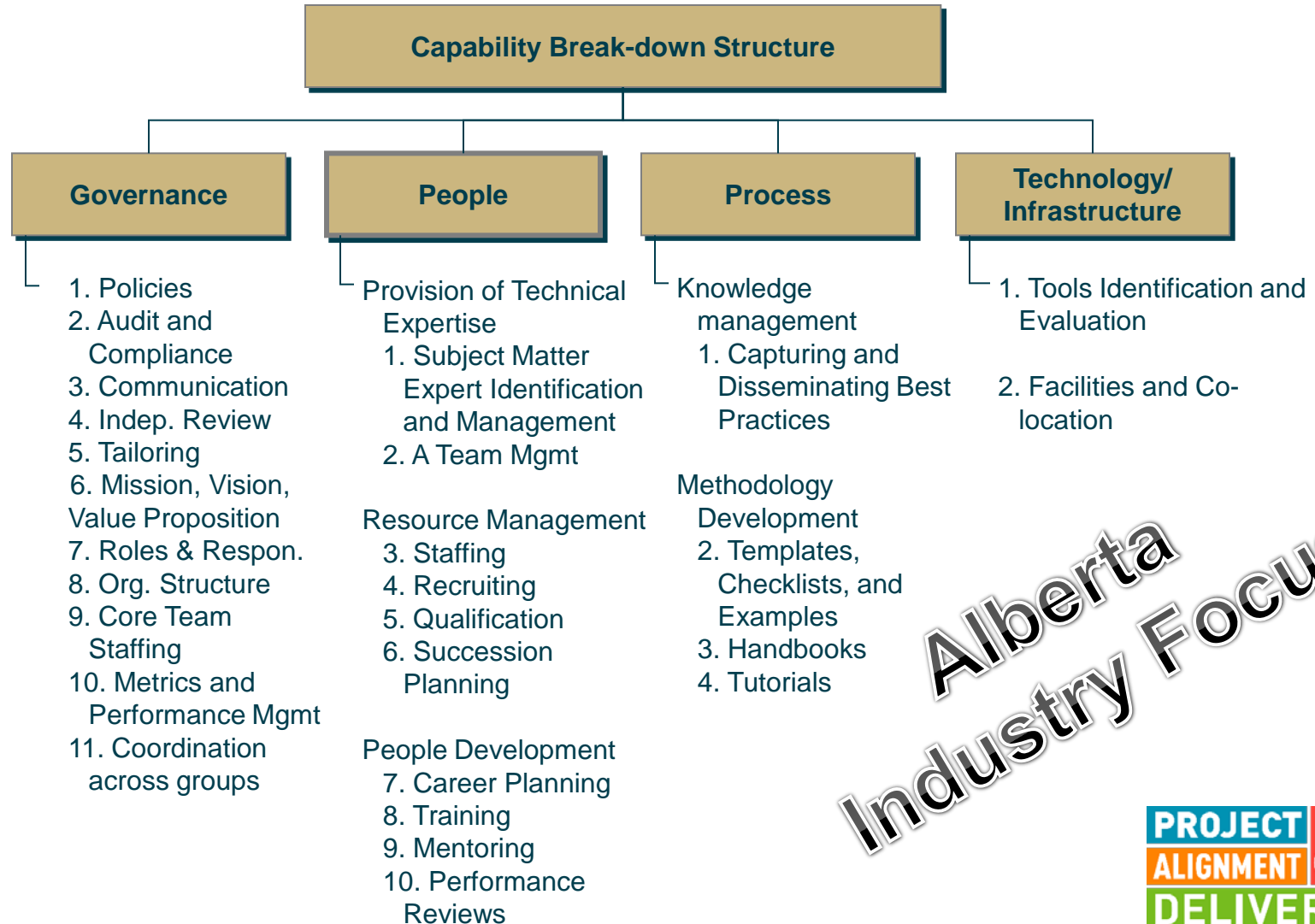


# Project Scope



- Major issue continuously identified by industry
- Project execution and all the systems, processes, and transactions contained within are determiners of and are affected by how productive a project and the various players are individually and together.
- The scope is to facilitate change in project execution capabilities. Will include focus areas ie Supply Chain, Labor and areas of governance, people, systems, processes and technologies with each

# Capability is more than just “process”



Alberta  
 Industry Focus

# PAAD - Project Phases



## Transformation Framework

Phase 1

### Internal Focus

- Define Objectives / Scope
- Define Industry Capabilities
  - Define Stakeholders
- Define Responsibilities
  - Issue / Opportunity Identification
- Align Initiatives

Phase 2

### External Focus

- Industry Trends and Drivers Review
- Government Initiatives review
  - Global Impacts Review
- Review Investment criteria

Phase 3

### Strategic Plan

- Strategic Goals
  - Strategic Challenges
  - Strategies
- Objectives and Targets
- Critical Success Factors
- Key Performance Indicators
  - Budgets
- Align Initiatives

Phase 4

### Industry Performance Management

- Implementation
  - Accountabilities
- Individual Sector/Areas Assessment
- Ongoing monitoring of the Industry CSFs and triggers for changes
- Support Infrastructure for Industry

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# Project Timeline

**Start** Jan 2014



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# How can you participate?



- Become partners in success to align efforts and knock down barriers to find new ways to improve our future
- Company and individual participation in project (benchmarking, strategic work groups, people development initiatives)
- Add value to industry groups

## Benefits – short term

- Industry forums feedback and results – Access to information and development initiatives, platform to discuss challenges, support
- Alignment of activities – testing/validation of best practices
- Company Project Management Maturity Assessment – Results available to companies - Partnership with IIL
- People competency modeling – assessment of development areas, support, training and development  
-Increase productivity - addressing major issues

# Industry Forums – interaction



**Industry Change Key Roles:**

Overall Holistic Project Execution Improvement and Alignment

Integration and alignment of initiatives - direction to industry forums

Integration and alignment with key stakeholders groups including industry, government , academia and investment community

**Forums - Key Roles**

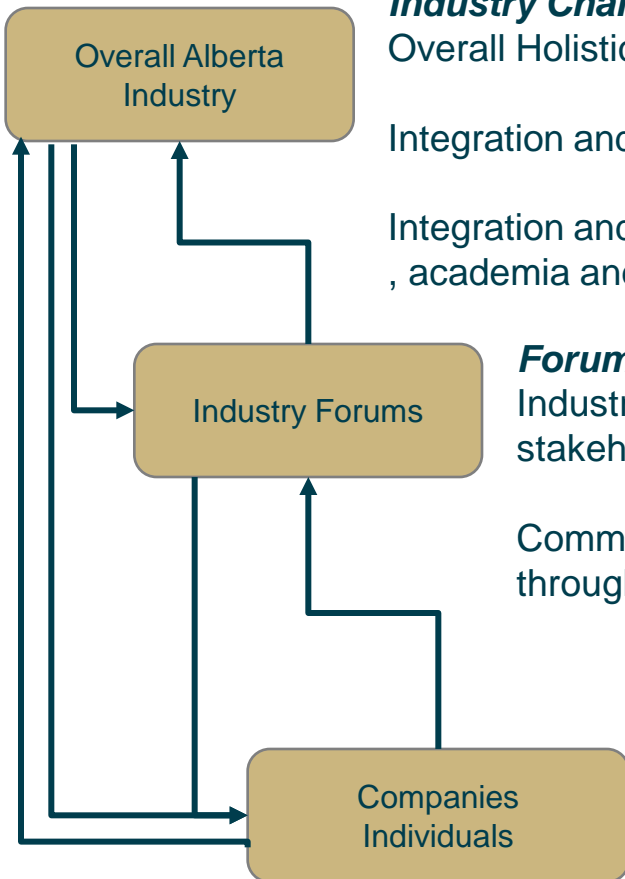
Industry forums on key issues addressing the needs of the forum and their stakeholder groups

Communication of key issues not being able to address to overall steering group through members

**Companies - Key Roles**

Participation in industry forums on key issues addressing the needs of the forum and their company needs

Communication of key issues not being able to address to the industry forums and overall project through participation in initiative membership and industry forums



# Immediate Actions for You



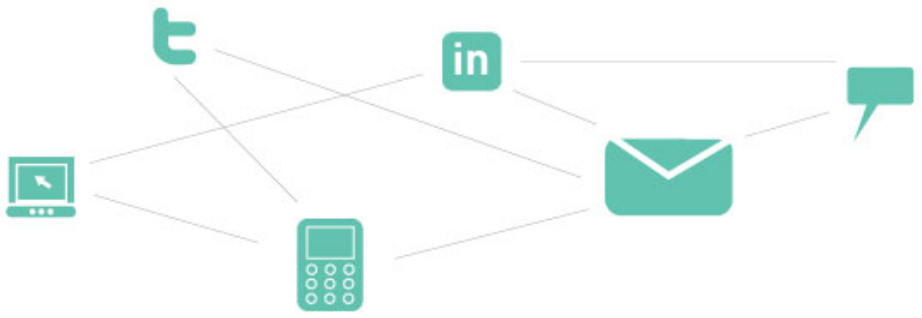
- Leave your card for ongoing distribution and updates on PAAD
- Competency and Maturity Assessment
- Spread the word and get involved



# Contact Us

Have your questions been answered?

- ▶ Visit [www.projectdelivery.solutions](http://www.projectdelivery.solutions)
- ▶ Call us at 403 984 5171
- ▶ Subscribe to our e-Newsletter
- ▶ Follow us on Twitter @ProductivityAB
- ▶ Join us on LinkedIn



# What is the key cause for under performance?



## Do a poll - prioritization by selecting your own 3 key areas

- Project Execution Capabilities **2**
- Project Systems **0**
- Project Talent / People / Skills / Leadership **24**
- EPC's Performance **3**
- Project Risk Management **3**
- Project Communication **10**
- Lack of Collaboration/Alignment **28**
- Lack of Trust & Relationships **20**
- Environmental Requirements **0**
- Regulations and Specifications Requirements **0**
- Local / USA Fabricator Performance **0**
- Trade Performance / Availability **1**
- Project Documentation / IM Management **0**
- Project Contract Strategy and Management **11**
- Project Planning **11**
- Project Cost Management **1**
- Project Governance **0**
- Project Integration Management **4**
- Project People Management **1**
- Project Contractor Management **1**
- Project Outsourcing **0**
- Supplier Performance **2**
- Project Scope Management **4**
- Project Change Management **2**



# Session Results

