

Do all the best ideas come from construction?

Many people say that project management as we know it today, if not first thought of in the construction industry, was certainly developed and massively enhanced there. When you think about it the construction industry comes in many guises; civil, mechanical, electrical, chemical and building to name but a few and without effective project management some of the largest constructions could never have been achieved e.g. North Sea Oil rigs, the Channel Tunnel, the Severn Bridges, Nuclear Power Stations etc.




One thing that we are certain that really did start in the construction industry is the project controls department. The PSO, PPSO, PMO or whatever buzzword or acronym is nothing new and in fact dates back nearly 30 years to the time when planning engineers (now often called planning analysts) prepared critical path networks and carried out critical path analysis ON PAPER! They were accompanied by estimators who prepared the project budget, cost engineers (now often called financial analysts) who kept track of budgetary expenditure and forecast the final cost, document

controllers who administered version control (configuration management) and other specialists such as risk management experts. Talking of risk management, companies such as BP were carrying out formal risk management in the early 1980's with the assistance of Professor Chris Chapman. **So why is it that this is still so new and innovative to many industries and business sectors when it's been available in construction for over 25 years?**

So if all the best ideas come originally from the construction industry what else can we learn? One thing that has been prevalent in the last few years is the use of partnering (often called alliancing) i.e. a contractual arrangement between a client organisation and a contracting organisation that guarantees a level of work over a fixed time period with the ability for both parties to profit from the arrangement in financial and other terms.

Much has been written about partnering and the benefits that companies have achieved, but there are inevitably downsides too. Our experience of working with clients who have adopted a partnering approach tells us that some things are being lost by assumptions being made about project management. Naïvely many client companies have assumed that their partners are as good at project management as they are. Unfortunately this is not always or in reality ever the case and for many good reasons. How many contracting organisations (we actually do know one!) invest heavily in the education and development of their Project Managers? Client organisations, in contrast, with the big training budgets, tend to do the exact opposite. Therefore passing on responsibility for project management to a partner, linked to a pain share/gain share arrangement may seem an attractive notion, but it is really



akin to the problems of trying to transfer risk to a third party. The danger is that you 'throw the baby out with the bath water' and of course in such a circumstance if they fail, you fail. **This means that close attention needs to be paid to the project management competence of the partner organisation if, as a client, you don't just stop doing all the good things that you've learned and taken for granted over the years.**

Having said this partnering is still the preferred option for routine, smaller projects in the utilities sector where payment is on a pain share/gain share basis and in heavy construction for maintenance of assets where payment terms are based on cost plus performance related pay to agreed key performance indicators such as reliability or availability of plant and equipment. However, partnering is no longer the preferred approach for large capital works where companies have gone back to using competitive tendering and lump sum contracts. This approach may be cheaper in the short-term, but what about longer term value? Surely this is just a step back to the old days of adversarial contracting arrangements where no-one wins and in fact everyone loses. It seems that many of the non cost-related benefits of partnering may have been lost because in the final analysis there was insufficient trust between client and contractor.

So after 20+ years of experience, companies have lost much of their internal capability and rely on sub-contractors who are working to a lowest cost contract to deliver their mission-critical capital projects. This doesn't seem right!

Moreover, traditional sectors innovate, but then often don't 'hold the gains' so their performance deteriorates over time and other sectors have to 'innovate' all over again. Organisational learning and knowledge management is one of the hot topics of the moment. Not only do individual organisations often fail to do this well, but it seems that industry and commerce as a whole is **reluctant to learn from others and keep a continuous upward spiral going, rather than a disjointed 'reinvention of the wheel'.**

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