



Planning for Project Success

Consequences of Lack of Planning and Conflict in Key Supplier

Consequences of Lack of Planning on a Project and Lack of Control of Conflicts of Interest in Key Supplier

A project that we reviewed some time ago concerned reactivation of drilling facilities on a North Sea platform. Our findings regarding this reactivation project demonstrate yet again the advantages of creating and adhering to project control documents and controlling conflicts of interest in key suppliers.

Previous papers discuss (1) [conflicts of interest in general and how a project owner can avoid resulting adverse consequences](#); and (2) [the benefits of preparing and adhering to project control documents](#). This paper discusses the reactivation project described above, which involved both issues and how we were able to help the project owner mitigate the conditions that had developed.

Background

The project owner, had engaged a drilling and well services company to define and plan the reactivation project. The project was schedule-driven and the timetable for commencement of drilling operations was tight.

One month before scheduled commencement of execution, the owner engaged us to conduct a quantitative and qualitative risk review of the contractor's project plan.

The analysis showed that the contractor's plan was deeply flawed. First, the contractor (cum project manager) had not prepared a project control plan (which we call a Project Execution and Control Plan or PECP). Among other things, this had resulted in

- an unclear work scope;
- a substantial number of pending inspections; and
- untimely procurement of materials and equipment.

Second, the contractor's estimates of required resources were inconsistent and inflated. There were allowances for direct, indirect, and non-productive man-hours as well as allowances for stores, scaffolding, and mobilisation/demobilisation on cost time reports ("CTR's"). In particular, the engineering costs were exaggerated, as the project philosophy should have been a like-for-like replacement (gross maintenance), reducing engineering requirements to the bare minimum. The allowances substantially inflated the total "direct" man-hour estimates and therefore the projected cost of project management team and engineering support.



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Consequences of Allowing Main Contractor To Define and Plan Project

These results demonstrate the dangers inherent in allowing the main contractor to define and plan the project and to act as the project manager. As our [earlier paper](#) demonstrated, the contractor's primary goal is to maximise its income, not to protect the project owner's interest as a fiduciary. Allowing the same company to plan a project and then to execute it project is tantamount to opening your cheque book to that contractor.

For example, the CTR estimates, which were used to build up the project budget, were significantly greater than the amount of work to be performed. This was true across all categories of work – offshore, onshore support, engineering, vendor, and close-out reporting.

The contractor's estimates were that the project would require 81,900 man hours and cost £11 million. Our estimate for the actual scope of work was 10,000 direct man hours for the project at a cost of £4.5 million.

The contractor had originally estimated 5 months to complete the work. The contractor's failure even to prepare an overall project controls plan, however, precluded the ability to conduct a proper risk analysis that the

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project could be completed within the expectations of the project owner.

Consequence of Lack of Project Control Documents

As discussed in other [papers](#), the benefits of generating and adhering to project control documents are many.

When prepared properly, a Project Execution and Controls Plan ("PECP") is a documented and communicated approach from the beginning of the definition phase, as well as a project management approach to the planning phase through close-out.

On the reactivation project, the absence of a PECP resulted in increased costs and wasted time. Because the contractor had not used an effective planning strategy, our focus became scope reduction that would not have been needed if the contractor had adopted an appropriate approach to identification of scope of work in the first place.

The lack of a PECP for the reactivation project meant that neither the overall project nor the scope of work was broken down and organised in a logical and systematic manner. Also evident was that numbering protocols differed across the documentation that we reviewed, which made tracking, traceability, and accurate reporting extremely difficult. These factors also introduced a high probability, high impact risk profile of:



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- Loss of overall control of the project budget, schedule, and resources
- Scope responsibilities not clearly defined and understood
- Inefficiencies leading to increase of support hours for no tangible benefit to owner
- Lack of control over changes to scope
- Meaningless and unworkable project schedules where impacts from proposed changes could not be gauged
- The project organisation does not reflect the requirements of the work
- Underuse of some resources and overburdening of others
- Project documentation and close-out deficiencies
- Purchased material and equipment tracking issues

Results and Conclusion

We engage in execution work only in Triage or rescue situations. Because the project owner could not revoke the contract anyway, the contractor executed the project in question and did not employ any of the cost-saving

and schedule mitigation strategies that we had recommended based on our audit and analysis.

Our client, however, used our estimate of £4.5 million as the basis for its budget, with the addition of £1 million for contingencies, and 5 months for completion. The project was 30% over the resulting client's £5.5 million budget and 3 months past the original 5-month schedule.

If the project owner had not engaged our services, it is certain that the cost of the reactivation project would have been closer to the contractor's original estimates.

Even with our analysis and recommendations, however, the project cost the owner far more than it would have if a third-party independent firm like ours had been involved in the definition and planning phases. The deficiencies caused by the contractor would have been addressed and avoided by an independent project management specialist organisation such as Èpeus.

Visit our [website](#) for more information about Èpeus and how we can help you achieve project success.