



Reducing costs, improving project outcomes

Collaborative, integrated delivery approach offers benefits, protection against strong market headwinds

There is no question for those in the oil and gas industry that owner/operators continue to face strong headwinds. Rising inventories, decreased demand and continued low commodity prices are just a few of the market realities behind spending cuts across the industry. These cuts are being made in sourcing strategies as well as the provision of goods and services.

Among the first cuts to be made are in workforce, with a focus on achieving cost savings through early retirements and/or general reductions. The result is fewer, less experienced personnel who are required to shoulder increased workloads until the headwinds die down and the industry recovers.

Against this backdrop, the pendulum in contracting strategy also seems to swing somewhat reactively with a strong, familiar beat. First, it swings toward transactional, low-dollar costs of goods and services, where owner/operators break up and bid out individual discipline scope packages with the hope of capitalizing on a feeding frenzy of hungry service providers. Owners do so despite having fewer employees available to manage multiple contracts. Service providers, in turn, try to safely and successfully execute quality work but have to do so on extremely slim margins.

Critical components of successful projects, such as pre-planning, engineering, project resources and key participant alignment engagements, are also often reduced or eliminated under the perception that doing so will reduce costs.

With the attention of both the owner/operator and service providers set squarely on controlling costs, the collaborative, integrated approach known to consistently result in successful project delivery is set aside. As a result, project outcomes suffer, as do innovation and commitment. The long-term total cost of ownership, direct and indirect costs to complete a project and the cost to maintain the asset all increase in one-off, transactional-type relationships.

Once the swing of the pendulum reaches its highpoint, both owner/operators and service providers remind themselves there has to be a better way. It is then the pendulum begins its swing back to a more collaborative,

integrated project delivery approach.

Unfortunately, these lessons are learned anew with each market downturn, primarily because those who had to painfully endure the pendulum swing and its unsatisfactory outcome during the last downturn have since moved on through promotion or attrition.

But the question remains: How can we keep the pendulum from taking that first hard swing?

Collaborating for successful project delivery

It is in these very times of constrained resources and urgent cost pressure both owner/operators and service providers should hold fast to the benefits of collaborative, integrated project delivery, the key elements of which include:

- Early involvement of key participants and stakeholders, including engineering, contractors, subcontractors, OEMs, major suppliers and owner facility personnel from management, operations and support services.
- Relentless planning from project inception through completion.
- Constructability reviews.
- Stakeholder alignment on goals and expectations.
- Joint decision making.
- Shared risk and reward among all participants.
- Pre-established conflict resolution methods.
- Incorporation of industry best practices throughout the entire process.
- Transparency by all participants and stakeholders.

Establishing an integrated project delivery approach helps ensure better alignment of goals through open sharing of business plans, priorities and a longer-term program view over single, transactional engagement.

For Matrix, whether serving as a single-source contractor or part of a larger team, this means taking time to understand the business issues our customers are trying to resolve so we can then help develop the best possible solution. On any project, although challenges will present themselves, by staying focused on the customer's business issues and objectives, we

can be assured the team makes the best possible decisions to ensure successful project delivery.

Earlier engagement of service providers in the planning and constructability phases increases the opportunity to identify better solutions and more efficient practices, brings value-added service and reduces total cost of ownership.

One of the greatest opportunities owner/operators have when employing an integrated project delivery approach is the access it provides to service provider expertise. One recent example came about during the coker turnaround at Shell Deer Park Refinery, where Matrix Service provided mechanical and turnaround services. During constructability reviews, questions arose about how to safely remove the existing drums, given their condition. Because the Matrix Service team had encountered and had to address similar situations at other refineries, the expertise the team offered early on allowed for the development of a successful solution. If the entire team not been engaged in the earliest stages of the project, this expertise might not have been tapped and the results, in turn, could have been dramatically different.

An integrated project team can also reduce indirect overhead costs, jobsite interference and delays, transition time between project phases and management issues as a result of fewer individual service providers.

Owner/operators can achieve verifiable cost savings through volume purchase of materials and subcontracts when the owners commit to a larger book of business versus transactional, one-off project work. Likewise, overhead cost savings for both owner/operators and service providers are achieved as a result of a reduction in the number of individual bid solicitations and the resulting resource-consuming bid cycle.

Efficiency gains are realized through better management of resources, consistent dedicated crews and support staff intimately familiar with owner/operator and facility expectations, requirements, policies and standards.

Continuous improvement and effective leveraging of lessons learned are also improved as owner/operators and service providers choose to collaborate with each other to become a single, integrated team. Likewise, key performance indicators and scorecards that measure and motivate behavior toward better alignment and desired owner/operator outcomes are possible.

The reductions in cost and increases in value-added benefits are significant and are not mutually exclusive to a single project. These same benefits can also be attained by combining a number of similar projects together into a program or by authorizing one service provider to handle multiple phases of a project or maintenance program

Checklist: The key elements of a collaborative, integrated project delivery

- Early involvement of key participants and stakeholders, including engineering, contractors, subcontractors, OEMs, major suppliers and owner facility personnel from management, operations and support services
- Relentless planning from project inception through completion
- Constructability reviews
- Stakeholder alignment on goals and expectations
- Joint decision making
- Shared risk and reward among all participants
- Pre-established conflict resolution methods
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— for example, single-sourcing the cleaning, inspection with owner oversight, repair and commissioning of a portfolio of tanks or vessels, rather than using multiple providers to perform separate scopes on these individual assets. In doing so, owner/operators are assured a safe, consistent, efficient, repeatable process, tank to tank and site to site. Another example might be the hiring of a single provider for the engineering, procurement, fabrication and construction of capex projects versus separate entities each handling these individual components.

A better way

There is no question the quality of a project team and the level to which that team works together can make or break an event. Collaborative, integrated project delivery is imperative regardless of market conditions, but it is even more critical in times when owner/operators face challenges.

In the current market environment, owner/operators that choose a collaborative, integrated project delivery approach lead their industry by reaping the benefits of such teams now, while positioning themselves to have the resources and collaborative relationships necessary to execute their business plans more rapidly as the markets recover.

Those who choose this better way employ the expertise offered by their service provider, but also draw on other equally valuable leadership attributes: commitment, responsibility, accountability, integrity, mutual respect, trust and service.

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