“How Will Project Execution Change in the Next Five Years?”

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Well the truth is....

I have no idea!

...but at least I’m honest!
Recent Comments…..

• “We don’t worry about project cost because if our projects overrun, we just increase the rates to the customer.”

• Can we all do that?
• For how long?
Recent Comments…..

• “We have a 45% contingency on our projects and we still overrun them.”

• Do they have any competition?
• For how long?
Recent Comments…..

• “We cannot tell if changes are down to us or the client so we eat them. We don’t know if our projects come in under budget.”

• Have we learned nothing about Scope Definition and MoC?
Project Management.....

• PMI is now 36 years old – the oldest Chapter is here in Houston.
• PM has been around longer than that and many of the tools are over 50 years old.
• 156,895 members worldwide
• 108,005 PMP certifications worldwide
Recent PMI Survey of 103 Presidents, VP’s and Directors:

- 40% use outside PM’s and consultants to manage projects because they lack the skills in-house.
- Less than 50% have a PM career path in place
- 75% of the career paths were informal
Some Changes........

• It is not enough to have a PM who is a Type ‘A’ personality

• PM’s now have to employ the **Arts** and the **Sciences** using both sides of their brain!
Some Changes........

• PM Methodology used for consistent execution

• There are fewer Accidental PM’s but more contract PM’s

• PM training is more available – no follow-up

• PM is now a career path in some companies

• Encouragement and incentives for PM’s to get certified
Some Changes........

• Emphasis on Portfolio/Program management – Enterprise

• Greater emphasis on the ‘Knowledge Areas’
  – Scope Management
  – Integration Management
  – Communication Management
  – Etc. etc.
  – Risk Management – threats & opportunities

• Standardized nomenclature
Some Concerns………

• Aging engineering society in US
  – Average age - 47 in US
  – Internationally it is 37

• Engineers in their 30’s – good engineers but with little experience

• Engineers in their 50’s – wide range of experience but no company longevity and motivation

• Owner’s only want experienced engineers – 10 to 12 years minimum

• Who pays for training them?
Some Concerns

• Employees are losing as many as 3 hours per day looking for their stuff – information they need to do their jobs.

• Employees bogged down with a plethora of emails.

• Projects are more Global with more Virtual Teams rather than the traditional Co-located Teams.

• Need for management systems that enable us to work smarter not harder.
Some Concerns………

• Senior mgmt are not experienced in PM and are not always asking the right questions.
  • Schedule & cost – Why not Scope?
• PM’s are not supplying the feedback required by senior mgmt to run the enterprise.
  • Timely and accurate cost data
Some Concerns........

• As more EP&C projects are overseas, it is becoming more difficult to offer meaningful careers to US citizens graduating.

• Government tax on expatriates working overseas is making it more costly to position project execs. on foreign projects
…..and the Industry experts say........
Last Ten Years

- Decade of ‘solidly unprofitable growth’ for many companies
- Return on capital (ROC) has not been great despite many efforts
- Poor performance on asset development
- New reservoirs are less profitable than before
- Oil prices are higher than ever - $58 to $105?
- Wide range of results indicates a certain volatility and volatility erodes rationality of deciding what projects to approve
Self Inflicted?

- Somebody somewhere – usually very high in the company – gives promises to the financial analysts on what is going to happen, and when.
- Sometimes a career building opportunity for a ‘high flyer’
- Failure to harmonize the many disciplines and functions that populate the asset development process
**World Class Poor Practices**

- Projects are schedule driven rather than data driven
- Aggressive appraisal strategy (reducing appraisal cost/time while ‘managing the risk’)
- Poor average level of front end loading for facilities and drilling
- Minimum owner involvement
World Class Poor Practices (cont.)

- Often have wholly inappropriate contracting strategies
- Everyone caught up in company politics
- All ignored what the company knew were best practices. (Only 6% followed them.)
World Class Best Practices

Ref: Ed Morrow – IPA (Upstream 5/23/03 by Adrian Cottrill

Cost Asset Growth

- Best Practices
  - Underrun: -6%
  - Overrun: 10%

- Ind. Average
  - Underrun: 0%
  - Overrun: 30%

- Disasters
  - Underrun: -25%
  - Overrun: 50%

Cost Consistently Better
World Class Best Practices

Ref: Ed Morrow – IPA (Upstream 5/23/03 by Adrian Cottrill

Schedule Slip

Best Practices

Schedule Consistently Better

Ind. Average

Disasters

-25 0 25 50 75

Underrun ←→ Overrun

4% 10% 37%
World Class Best Practices
Ref: Ed Morrow – IPA (Upstream 5/23/03 by Adrian Cottrill
Five Year Operation as a % of Plan

Operability Consistently Better

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<thead>
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<th>Best Practices</th>
<th>Operability Consistently Better</th>
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<td>73%</td>
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<tr>
<td>Disasters</td>
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Underrun ↔ Overrun
Encourage nurture and compensate - Winners

Encourage to them be in the 20%

Be honest with them and give them the news
Considering Management of Projects;

• What are the three key issues facing E&C companies domestically?

• What are the three key issues facing E&C companies internationally?
Considering the three issues;

• **What is your company doing now to deal with these issues today?**

• **What are you doing now to be successful in 2010?**
Thank you for your participation.

Feedback will be posted on the web site;
www.forum.rice.edu