



**BRINGING THE WORLD OF CONSTRUCTION TO EGYPT**  
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# Aligning Expectations , Requirements and Strategies Between Owners & Contractors in Industrial Projects

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# Definition of Alignment and Causes of Misalignment

- **Alignment Definition:**
- “Alignment is the condition where appropriate project participants are working within acceptable tolerances to develop and meet a uniformly defined and understood set of project objectives.”

## Construction Industry Institute (CII) Best Practice Summary: 1.02 Alignment

- there is no known process or strategy in the industry that can be used to strategically align owner and contractor resources.” CII Report 111-2
- **Main Causes of Misalignment:**
  - ✓ Late Scope Changes- Owner Scope;
  - ✓ Poor Communication;
  - ✓ Poorly Developed Teams Including Owner Project Team;
  - ✓ Poorly Partnering Strategies;
  - ✓ Contractor Business Development; and
  - ✓ Contractor Execution Plan

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# Seven Deadly Sins in Industrial Megaprojects



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- ✓ I want to keep it all!
- ✓ I want it yesterday!
- ✓ We will just work out the details of the deal later
- ✓ Why do you want to spend so much up-front?
- ✓ Let cut that cost estimate down!
- ✓ Let contractors carry the risk; they are doing the project!
- ✓ Fire those project managers who overrun the projects!

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# Definition of Alignment Between Owners and Contractors- Current Alignment Methods



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## Generally:

- **Alignment between Owners and Contractors means:**

- ✓ Owners get a safe high quality project with cost and schedule certainty; and
- ✓ Contractors deliver a safe high quality project with cost and schedule certainty.

## Current Alignment Methods:

1. **Contractor – Owner Alignment Sessions Bid Explanation, Two Way Contract Negotiation, Project Kick Off Meeting, Regular Alignment Sessions**
2. **Executive Sponsor Programs**
3. **Contract Risk Apportionment between Owner and Contractor**

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# Major areas for Alignment and Misalignment

- **Safety;**
- **Scope of Work;**
- **Quality Requirement of Work;**
- **Schedule and Schedule Slip Risk;**
- **Cost and Cost Growth Risk; and**
- **Change Management.**



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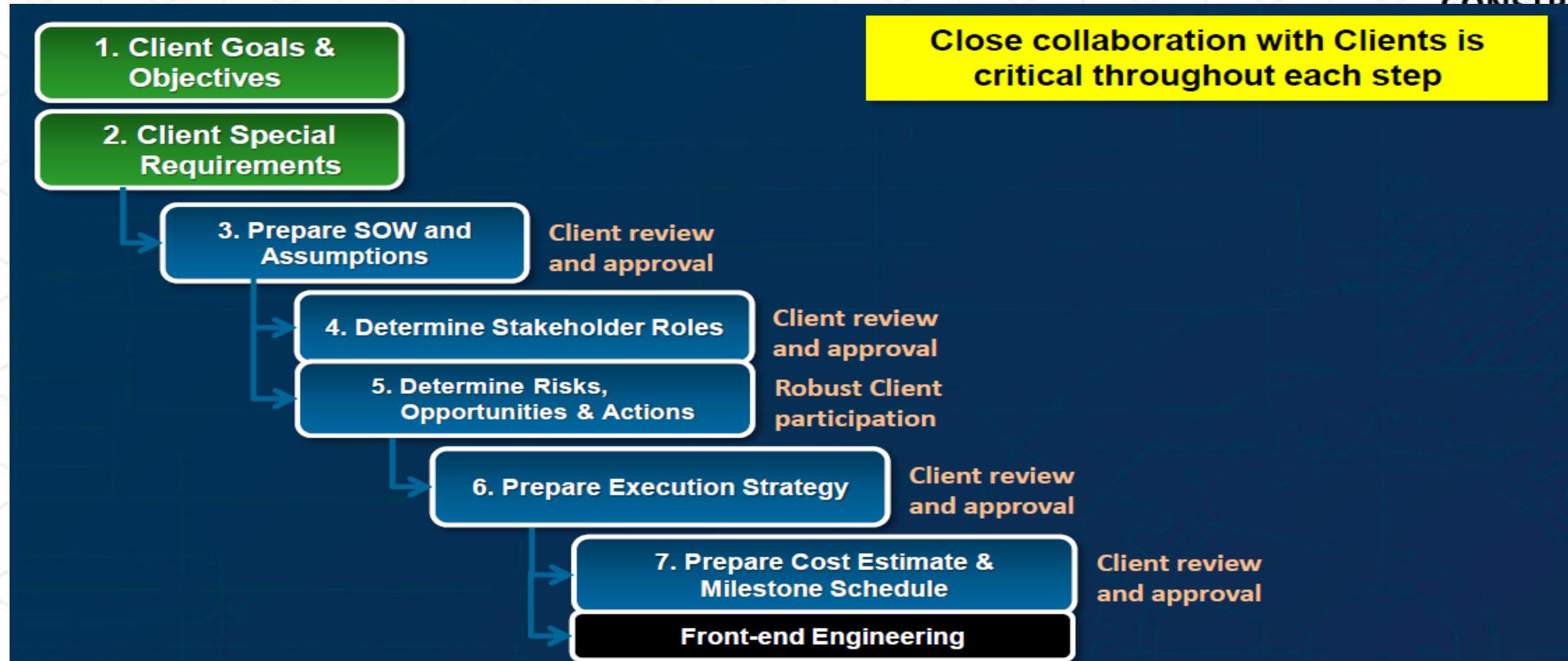
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# Importance of Front-End Planning



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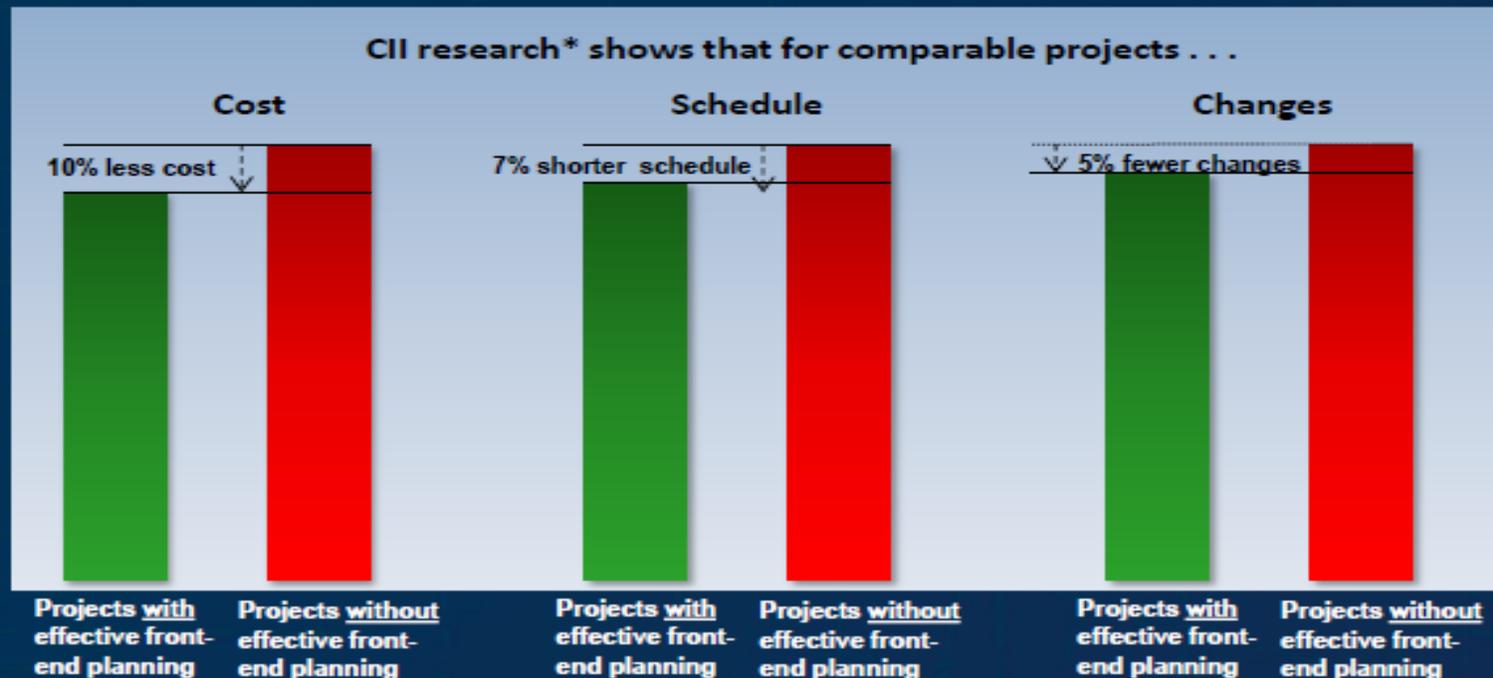
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# Importance of Front-End Planning (Cont'd)



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## Industry research confirms the importance of front-end planning . . .



\* Source CII Research Team 213, Sample of 609 projects with total TIC of \$37B

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# Risk, Opportunities and Change Management



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Elements	Do's	Don'ts
Scope	Ensure scope defined in detail or if not, then initiate an initial phase to define the scope collaboratively	Proceed into an EPC/CM project with poorly defined scope
Risk	Place project risk with the party that has most control over the outcome	Assume both parties share a common vision of risk
Front-End Planning	Take time in the frontend planning to ensure scope is well defined, roles and risks are understood, and a sound execution strategy and plan is developed	Jointly give frontend planning short shrift in order to get shovels in the ground
Communication and Trust	Establish open, trusting communication	Allow "us vs. them" culture to develop
Surprises	Prevent surprises through disciplined and effective project controls and regular joint project meetings	Drop "bombshells" in interface meetings
Change Control	Establish the change control philosophy and methods upfront	Jointly confuse management of funding with change control

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# Case Study-Building Construction Project



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## Symptoms:

This large construction firm manages and constructs large projects around the world. Some of their most complex work is on hospital projects. In this case, the number of change orders, RFI's (Requests for Information) and building decisions awaiting government regulatory agency approval had pushed a \$500 million hospital project into crisis.

The owners and prime contractors were faced with escalating change orders brought on by a number of factors including drawing quality, owner groups changing their specifications and a series of contractual changes. Consequently, the overall contingency fund for a three hospital project was being depleted at an accelerated rate. Relations between owners, engineering firms, architectural design professionals, subcontractors and the general contractor had become strained.

The leadership group representing the major players became increasingly concerned about the ineffectiveness of OAC meetings (Owner/Architect/Contractor), and the cost of having so many professionals/consultants on hand, all charging professional level hourly rates.



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# Case Study-Building Construction Project (Cont'd)



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## **Diagnosis and Remedy:**

- Facilitation of meetings with each of the main group's leaders to elicit their perspective on the key issues and what they wanted to be better aligned on with other groups/individuals.
- Development of consensus of six key issues or “components” on which all 7 groups (a total of 35 people from 17 companies) agreed would require alignment.
- Coaching of all these players in generating expectations for each of these components (within and between groups).
- Aligning OAC representatives to focus on key initiatives in each of the three projects
- Setting up structured coaching within owner, general contractor and architectural firms
- Aligning the change order process across the three projects
- Accelerating the decision to replace the incumbent architects and help integrate their replacement

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# Case Study-Building Construction Project (Cont'd)



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## **Outcomes:**

- Cost hemorrhaging was stopped.
- The project was completed on schedule.
- There was no post project litigation among the 17 organizations involved in project planning and execution.
- Created a more productive environment for all of our building Partners
- Reduced or eliminated conflicts of all kinds by improving the way we communicate with each other
- Reduced schedule blocks and re-work, thereby maintaining the approved construction schedule
- Led the way for our partners (Client, Design Team, Inspection Agencies, and Subcontractors) in conducting business in a fair, open, and trusting way as the means to eliminate profit erosion, conflicts, and claims.

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# Conclusions



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**The following methodologies are being applied to ensure alignment of owners and contractors expectations:**

- Connect bridge to engine room on project (kick-off alignment workshop, project sponsors meetings, war rooms, build culture...etc.).
- Get aligned at the top (regular executive meetings, discuss portfolio performance and priorities...etc.).
- Ensure quality of interpersonal communications.
- Verify and validate the integration of new team members.
- Error free documents.
- Early collaboration.
- Issue resolution.
- Shared Liability.

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