



## Expert's Corner Paper 2015-03

# Overcoming the Business Excellence Paradox: 7 Key Practices to Create Real Business Improvement

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*EPC Project companies implement process continuous improvement and business excellence practices. However, in spite of significant resource investment, those improvements rarely transfer into actual business improvement. Actually in most cases, business effectiveness tends to decrease over time. How is it possible to overcome this paradox? This Paper exposes 7 key practices that will effectively transform process improvement into tangible business improvement.*

## Introduction

EPC Companies develop internal work practices for achieving project excellence certainty. At significant expense, these Companies employ corporate excellence teams to establish and manage their best practices, such as work policies and procedures, work flow navigation tools, responsibility matrices, extensive lessons learnt systems, computational and automated tools.

However, the effect of these practices on project success is not clear. The industry increasingly sees performance uncertainty in terms of project cost overruns, schedule delays, quality problems, rework, execution changes, and lower margins. The cost of executing projects seems to increase in percentage of the overall investment, with little improvement on the success factor.

This begs the paradoxical question – **why is the industry project performance not improving?**

This paper discusses seven key practices that are not used systematically in EPC companies, while they would greatly enhance performance. The lack of application of these practices is at the core of the lack of progress of the industry.

## 7 Principles for Business Improvement

### 1. Prioritize Core Objectives

Companies should stick to the core objective and benefits of work practices, and resist the temptation to maximize the practice effect. Avoid the approach of - 'Because we can, we shall do it'.

Successful Companies realize that a work practice requires an absorption gestation period. Instituting first simple work practices with formalized clear core objective increases the success probability. The extent and success of the practice absorption is subject to the complexity of the change i.e. a complicated practice change is challenging.

Implementation of a phased approach is practical in instituting complex practices. This allows the team an evolutionary opportunity to master the work practice. *Example – whilst creating a new risk management, initially focus on risk identification and mitigation, and later expand on performing statistical computation like contingency and schedule.*

In addition even when the practice is embedded in the organization it is always essential to refer back to its core

objectives to avoid the natural tendency of bureaucratic growth, where practices are applied 'because it has always been done like this'.

### 2. Diligent Implementation

A work practice will be successful if diligently adopted. It is commonly observed that project teams may defer certain routine practice rigor steps or misapply the steps, which will impede in achieving the desired outcome.

Contemporary work practice designs include document requirements to illustrate compliance (for internal and external reasons), such as forms, checklists, and reports.

Companies have successfully utilized their quality function in this regard:

- Periodically audit the projects to confirm accurate practice application.
- Continual Improvement - Recommend solution for why the teams are failing in compliance i.e. require training, more communication, and other matters.

*Note – the quality function is useful in collecting user feedback and reducing onerous compliance bureaucracy.*

### 3. Measure Practice Application

Management's approach towards measuring work practice success contributes towards its work force culture. Measurement as an approach is too often neglected, while it can be extremely effective.

Companies that monitor work practice completion as the success measure, shall invariably motivate the work force to achieve a high measurement score, and can lead to a culture of perfunctory checklist compliance i.e. check the box approach.

Successful Companies believe that the application and fundamental adoption of a practice paves the roadway to project excellence culture. They monitor work practice implementation efficiency along with project team engagement on improvement discussions.

*Example – Whilst measuring the quantity of engineering documents completed, focus on their approval efficiency and discuss the reasons for delays and their mitigation.*

### 4. Leverage on People: Process + People = Project Performance

EPC project management is an art, and the Company practices are scientific means to convert the Company personnel artistic abilities into superior performance.

Company's people utilize the practice static output, along with their experience and wisdom and convert this effort into desired results.

**This begs the paradoxical question:  
Why is the industry project performance not improving?**

Modern tools have impressive computing and automation capacity, but such practices are not to be mistakenly applied in replacing the human rigor, analyses and decisions. The employees of successful companies manage content and not limited to process management. They are not just man-hours.

Successful companies appreciate the people element of their project performance, and collaboratively include that within their work culture through:

- Early engagement with users on work practice design, and implementation.
- Cascade practice training and knowledge, using local office experts in process implementation and application.  
*Example: via local case based study exercises, emphasize on how to utilize the practice outputs to improve project results.*
- Collect lessons learned from users for continual practice improvement

*Example – Practice concern output + People analysis = Project Opportunity. Customer payment dashboards may warrant concern over large overdue payments. The project team can clarify that customer's accounting system temporarily is causing payment delays, and can leverage this into an opportunity for additional change order approval.*

### 5. Practice Functional Ownership

Company practices are effective when there is a clear line of functional ownership.

Some Companies rely on the universal fact that a PM is accountable for the project, and hence appoint PM responsible for the process. However, this will dilute the PM's leadership role.

In successful Companies, each practice is owned by a function. This function shall be responsible for creating, enforcing, training and updating the associated Company practice. The functional representative on the project team shall be responsible for executing that practice, and providing PM with a choice of solutions.

*Example - Project forecasting process could be assigned to a single function such as finance, and the project finance lead is responsible for supplying PM with the forecast amounts.*

### 6. Anticipate Changes in Business Environment

The Oil and Gas is cyclical and a technology driven business. The commercial economics are continually evolving vis-à-vis new technological advancements, and macro-economic factors such as oil prices:

- Conventional offshore shallow water; versus deep subsea technology
- Material and equipment delivery; versus service delivery culture
- Risk associated with standardized work; versus customized work risks

The changes in the macro environment affect the business rules of engagement. Customers expect EPC contractors to:

- partake more work risks
- shift from upfront capital intensive projects to long service contracts
- provide faster and economical solution based on standard work specifications

The existing Company practice benchmarks may be suitable to conditions from the past. Successful Companies are agile in

adapting their practice and people structures. They contemporize them every 5-10 years, incorporating business changes including workforce millennia social media culture.

### 7. Manage Scalability – Size Matters

EPC Companies execute a portfolio of projects ranging in size, scope, and complexity, which possess a unique risk profile. For example:

- A labor service project; V/S field development project
- A customer lump-sum reimbursement; V/S reimbursable compensation

The project risks and economics i.e. budgets, schedule, and work force constraints vary on these projects. The complex projects usually warrant a full blown detailed set of controls, whilst simpler projects could only afford a lighter load of controls.

Successful Companies have allowed for a variation of their practices and people wherein they have full and a light version for complex and simple projects respectively.

*Note –Key here is to develop versions of a same practice, enabling maturing of competence and seamless transfer of skills from one to another structure.*

### Conclusion

To summarize, Company work practices can be effective in achieving project excellence, if we consider the following:

- Remain true to the core objective
- Diligently comply with the practice design
- Maturely create a culture of measuring practice success
- Leverage on the work force experience and wisdom
- Assign functions to own and manage the work practices
- Flexible to apply, and anticipate business changes
- Have a scalable model

### Abbreviations

- Contract – Customer supplied project terms, specifications and other supporting exhibits
- EPC – Engineering, Procurement, Construction
- Company – Refers to an EPC Company
- Practice – Broadly refers to internal Company tools, processes, procedures, systems, policies
- PM – Project Manager, Project Director
- Work – Contract described work and service delivery

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