



White Paper 2020-09

How to Organise Projects Executed in Contractor Consortium or Joint-Venture

Following our White Paper [\[2020-08\]](#) on how best to setup governance for projects executed in consortium or Joint Venture, this White Paper investigates in more detail how to organise the project team itself for success. The key lies in the identification of those functions that require transverse monitoring and standardisation and having a sufficiently powerful common project team. This White Paper details those aspects and how they affect project performance and ultimate success.

Context

When a client engages a contractor consortium or joint-venture, the objective is the realisation of a single facility composed of contributions from the various contractors. The contractor's project team is placed under the supervision of a Project Director and each contractor provides a team headed by a Project Manager and all relevant functions for its roles within the consortium management team and for its scope. In joint-venture situations it is more natural to build an integrated team, although, the project is often split in projects or packages that are delivered by one of the parties and its team members.

Interfaces between contractors

While the extent of interfaces will vary depending on the project and its scope, and how it is packaged between contractors, there will always be significant interfaces and commonalities that need to be managed across the different contractors.

Those interfaces and commonalities will for example be:

- Definition and management of common engineering and quality standards across the facility
- The necessity of common suppliers for key components that span across the facility (e.g. control systems, power systems, even rotating machinery to optimise maintenance and spares)
- Definition of actual physical interfaces between packages, including piping, cabling, etc.
- General services to be provided on the construction site, including quality and HSE and shared scarce resources such as lifting equipment and the general organisation of logistics for equipment and personnel,
- Common commissioning activities of systems across contractor packages, or requiring input from one package for all others (e.g. power plant needed to commission all other parts of the plant),
- Common project control (cost, schedule, risk, contract) to have an integrated view of the project

The effort required to manage those commonalities is too often underestimated during the planning / tendering phase and as a consequence, the roles required in the project team are overlooked, and the project start-up and detailed planning does not account for those activities.

This creates substantial inefficiencies and can sometimes jeopardise the project.

Organising the team to address transverse activities for the project

Certain activities and functions will thus have to be planned and resourced to ensure that the common aspects of project realisation are properly addressed. Some of those activities and functions will actually require a transverse role across the teams of the various contractors that are party to the consortium or joint venture. Those are typically: project control, interface management, some aspects of engineering and sourcing standardisation, and some aspects of logistics, construction and commissioning coordination.

Those positions must be filled, usually by personnel chosen from one of the contractors, and be provided with some authority on the matter over the other contractors; always under the authority of the overall Project Director.

This finally translates into the need for the Project Director to

have a transverse team under his/her authority and that takes care of those aspects.

This transverse team, irrespective of the origin of the contributors, also needs to be co-located with the Project Director. This aspect is particularly important and may have substantial consequences in the choice of people if the various contractors' execution offices are substantially spread geographically.

Financing the transverse team

The cost for this team will be non-negligible and another hurdle is often to get it approved by the consortium or joint venture, since it is extra coordination cost compared to a straightforward bid by any of the contractors. It is thus often overlooked at bid stage and this item is particularly difficult to address in the consortium or joint venture agreement. Several models exist (sharing costs in some manner, having some balance of people being seconded etc.). The most important is that there will be great pressure to try to squeeze this cost as much as possible, whereas it is in reality an important investment into the project success. This unfortunately leads to situations of under-estimation of that team only to realise several months into the project how important it is, and have it mobilised de facto by giving some personnel an additional

Project management must be centered around the effective management of interfaces

role. However, without the proper setup, the coordination effort required will be even greater.

In reality, the fact that those transverse functions work for the project should lead to some savings to the contractors' teams, for example in terms of project control and even some efficiency gains should be accounted for by having a joint team. However, those savings are often lost because of the fear of losing control or reluctance to modify and simplify ways of working when some work is done by the joint team and is no longer required by each party. It all comes down to trust.

Accounting for contractor-specific project control and reporting at project setup

It is reasonable to expect that even if some functions are consolidated in a consortium or joint-venture, each contractor will still need to have full visibility on what is happening from their perspective and according to their usual processes. Therefore, in addition to full project visibility, the setup of the project should account for specific additional reporting and dashboards that are fit for each partner of the consortium or joint-venture.

For example, extracts from the overall project integrated schedule should be specifically produced that show only the activities of each contractor individually.

In consortiums each partner will generally control its own costs; in joint-ventures cost control may be unified, but the project setup still needs to account for the specific

reporting requirements of each contractor as to the cost performance of their share of the project (accounting for the rules defined in the initial agreement and their own internal reporting rules and formats).

When some services are managed in a coordinated manner, rules of back-charging should also be defined (e.g. when people get something from a common site store it should be charged to the

relevant contractor).

Therefore, the project setup needs to account for specific requirements related to the need to be able to attribute costs to the relevant party, and to produce workable control outputs that allow each contractor to steer its project. This requires significant effort in terms of setup, and this explains why it is so important to have the transverse team effectively in place from the start of the project. Once the setup is done properly the effort to administer the system returns to normal.

Conclusion

The need for transverse coordination of projects executed in contractor consortium or joint venture is too often underestimated or identified too late in the project. It is an important investment specifically at the project setup stage to ensure that the Project Director will remain fully in control of the project and so that each party has clear visibility on project and individual performance.

Proper thought needs to be given to the practical organisation of this transverse team.

Integrating a transverse team at the start of the project is an important investment into the project success



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