

## White Paper 2021-05

### How To Setup An Integrated Owner / Main Contractor Team When It Is Unavoidable

*While normally owner and contractor teams work separately with various levels of possible collaboration, in some instances considering a fully integrated owner / main contractor team is deemed more favourable. However, this solution is fraught with specific risks that need to be considered adequately. In this White Paper we investigate what are the instances that would justify such a setup and what are the specific risks and issues that need to be addressed.*

#### What are integrated Owner / Main contractor teams?

Fully integrated teams respond to the following criteria:

- Full colocation of the teams in the same project office
- While there is a contract with the main contractor with a specific scope, the project organisation chart mixes owner and main contractor staff without specific scopes identified for one organisation
- Owner and main contractor use the same information systems for document control, project control, procurement etc. in a fully integrated and collaborative manner (there is no duplication of systems and document transmittal).

Therefore, these are extreme cases of collaboration between owner and main contractor.

More usual situations that do not fall under the integrated team qualification include:

- Co-location of a limited number of contractor staff in the owner office, or owner staff in the contractor office, to act as liaison
- EPCm setups when the contractor provides procurement services even as the subcontracts are placed nominally by the owner
- Utilisation of contractors placed in the owner's team and effectively acting as owner personnel, without an overall contract to a main contractor that has project delivery responsibility.

#### Instances that lead to building an integrated owner / main contractor team

Such an integrated setup is quite rare because the collaborative nature of project delivery will then tend to invalidate most liabilities that can be imposed on the main contractor as to its delivery performance. Specific situations are thus required, such as:

- Limited owner capability and infrastructure that oblige to rely on the main contractor's capabilities. For example, it may be because the project is in a new country for the owner, or because the project is much larger than the owner's capabilities;
- Projects using a specific core technology that is owned by the owner, and requiring thus an intensive

collaboration in terms of design, procurement, construction and commissioning;

- Owner has specific competencies and expertise that is unavailable to the main contractor
- Recovery situation where the project is in jeopardy because of poor project definition or excessive scope changes, and a joint integrated effort is required to bring the project to completion;
  - Situations of extreme schedule drive that would not allow the usual contracting process of a main contractor, for a lack of the stable scope and the need to

progress the project urgently.

Generally, the main contractor will tend to be open to an integrated team because it tends to decrease its risk level, and therefore it will often be the owner's initiative to move into such an integrated setup.

When such a move is contemplated it is important to ensure that one does not fall prey to the "Do-It-Yourself syndrome" we described in [White Paper \[2020-10\] 'How to Fight The Trap of Do-It-Yourself Approaches on Large Complex Projects'](#), where taking more responsibility gives the illusion of more control on the project outcome. Therefore, there needs to be an essential justification for this move, which should remain quite rare.

#### Benefits and drawbacks of the owner / main contractor integration

From the owner perspective, benefits include:

- The avoidance of lengthy contractual discussions and formalism,
- Quicker turn-around of documentation during early project phases as one layer is removed in the project setup,
- Rapid mobilisation of a competent team and associated infrastructure (processes, systems) to manage and control the project.
- Greater and earlier access to project information and performance indicators

From the owner perspective, drawbacks include:

- Scope creep as owner is more likely to introduce changes including preferential solutions
- Responsibilities and liabilities for performance of the contractor are difficult if not impossible to enforce in a context of fully collaborative work, placing the owner in the front line of project performance,

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- The commercial model with the main contractor cannot be lump sum and will have to be rate-based or reimbursable, with a substantial risk that the main contractor may take advantage of the fact that the scope will be less stable and/or less well defined than in a more conventional setup
- Subcontracts will necessarily mostly be issued in the owner's name, putting the owner in a situation to bear the associated liabilities and possible claims.

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contractor to ensure that there remains a proper alignment to project objectives. Irrespective of those minimum steps, contracting in an integrated team setup will be difficult as the main contractor will avoid most accountability for project delivery.

### Summary

Integrated team setups between owner and main contractor are often attractive but are fraught with risks. They should be reserved to special situations where it proves to be unavoidable. The main issue is that it removes accountability of the main contractor as to the performance of its project scope. Some minimum measures must be taken by the owner to remain in a reasonable position in the event of claims or major issues during project execution. The most important part is to maintain trust at the governance level to ensure that there is a proper alignment of interest and objective between the owner and the main contractor.

### Essential risk areas that need to be addressed by the owner

Some areas have to be covered by the owner in all cases, in particular operability and the setup of the future operating team (or interface with the existing operating team in case of a brownfield project).

Also, an integrated setup still requires sufficient owner competency to be able to judge the quality of the work and take the right decisions for the project. It should not be used in the hope to provide competency to an incompetent owner; such a situation would really put the owner in the hands of the contractor.

In the situation of an integrated team, there are some minimum steps that need to be taken by the owner to protect itself in particular with regard to the main contractor's performance and possible future claims.

- The document and correspondence control system needs to be the owner's. Otherwise there is a risk that in case of claim, access to the system would be shut down by the contractor making access to documentation and correspondence extremely difficult and therefore making any defence by the owner impossible
- The procurement system also needs to be the owner's and terms and conditions must be consistent with the owner's requirements,
- A contract manager and possibly some project control personnel must be in charge of managing the main contractor's contract and thus be somewhat separate from the rest of the team and report directly to the (owner) project director
- Even in the case of full colocation the owner must maintain some private areas for discussions and meetings that do not need to be attended by the main contractor.
- A proper governance must be setup with regular sponsor meetings between owner and main

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