

Stakeholder engagement in an international research and development project

Project type: Industry

Location: Global

RICS/APM stakeholder principles: Communicate, Consult, early and often, Remember, Relationships are key, Just part of managing risk, Understand what success is

Stakeholder terms: Project integration, stakeholder expectations, communication

Abstract

This case study recounts an international project that fared badly, mainly due to poor control of subcontractors (who are nonetheless stakeholders). There were other contributory factors including lack of risk management and false economy at the business case stage. The solution to the issues wiped out the anticipated project profit, and led to overall poor business performance, for both the primary organisation and its subcontractors.

Background

- A UK company was appointed to execute a prestigious research project on behalf of an overseas government, via a contract let by a (funded agency) organisation acting for that overseas government; this organisation is “the customer”. The project called for a significant amount of equipment to be built and commissioned and operated to some demanding standards. We will call the UK company, “company X”
- As part of the business case, the costs of doing the work were researched and subdivided between various subcontractors, who would do the following.
- Build part of the equipment and all the control and instrumentation (C&I) system, in the UK. This is subcontractor A.
- Build the remainder of the equipment (which would need to interface with the equipment from (A)) this part of the equipment being built overseas (not the customer’s country) by a separate subcontractor (subcontractor B).
- Assemble and operate the equipment at a site in yet another overseas country, operated by another subcontractor (subcontractor C).
- The project sponsor in this instance was the overseas sales manager of Company X, who gathered the information on costs from some of the key staff in the UK, and then presented the business case to the managing director of company X, with whom agreement was reached that the costs and predicted profit margin were acceptable and that the project should proceed.
- Once a contract had been agreed, the project sponsor brought in a project manager to oversee the day to day running of the project. The project manager had no involvement in the business case preparation, nor was any risk assessment done as part of the business case.

The issues

Subcontractor A had a ‘frequent churn’ on staff, unbeknown to the staff of company X. Not

long after letting the subcontract and the start of work, the key individual in subcontractor A, who had been the primary point of contact in agreeing the specification and price, parted company with subcontractor A. His replacement was not technically conversant with the project as a whole. The project manager from company X also inherited a situation where the policing of some of these subcontracts was already earmarked to some of the ‘key individuals’ who had been involved in the preparation of the business case. But they were overloaded, and delegated to others in their department (project engineers), outside the management authority of the project manager. Progress reports from these project engineers were at first very promising but soon issues began to arise that the equipment, as-built, was not performing correctly. The new technical lead at subcontractor A had not really grasped some of the key requirements but was not about to admit it, insisting that progress had just “hit a few snags”.

Meanwhile, subcontractors B and C were getting on with their tasks, making other bits of equipment and preparing to operate the equipment.

The deadline date came for shipping subcontractor A’s product overseas, to subcontractor C’s site. The system wasn’t ready and particularly the C&I part of it. The control software programming was taking far longer than planned. Eventually, a month late and after a heroic effort, the shipment was made. Meanwhile, subcontractor B had been busy and their equipment was sent to subcontractor C pretty much on schedule.

The real problems came when the equipment from A and B were coupled together and integration was attempted. This didn’t work and a project engineer from company X spent many fruitless weeks overseas, at subcontractor C’s site trying and failing to make the system work. Weeks stretched into months and further faults were found: subcontractor A hadn’t been very fussy about cleanliness in their commissioning bay in the factory and their equipment was hopelessly contaminated with dirt, dust and grease. This affected the running of the plant and added more weeks to the commissioning, trying to clean and purge this system. The project manager was running out of goodwill from the customer, although the sponsor was kept fully aware and was highly supportive of all the efforts being made. At this stage it became clear that this project was not going to be a glowing success.

Things came to a head when the delays reached “unacceptable” and several months in magnitude.

The challenges

The project manager was faced with a need to turn round a project which was drifting, partly because of the way it had been set up and partly because of factors beyond company X’s control. Everyone wanted to see rapid progress but to date it had been painfully slow due to technical causes. The challenge to the project manager was to assert full control of the project and to force change on both governance and technical fronts.

The solution

At significant cost, company X and subcontractor A agreed to send a joint team out to subcontractor C, including a C&I programmer, a project engineer, a ‘key individual’ and the project manager. They spent around three weeks at subcontractor C’s site working seven day weeks and eventually turned the situation round. The C&I was reprogrammed to include interface with subcontractor B’s equipment, and eventually worked and the plant was cleaned up. However, this additional effort took most of the profit margin out of the contract, which lost all of its appeal to the business MD, the project found itself a ‘lame duck’ with little

enthusiasm for it at board level. Subcontractor A made a clear loss on their involvement in the project.

The benefits

Despite having lost most of its profit margin on this contract, the benefit to company X was avoidance of serious 'loss of reputation'. In point of fact, further issues came to light down the line indicating that the specification of what subcontractor B had to supply was inadequate, and some of that part of the equipment failed in service, at an early stage. That had to be remedied by a separate exercise again at significant cost to company X. The whole exercise ended with a significant financial loss, under some threat of legal action from the customer who was overall very unimpressed with the service they had received. Company X no longer trades in the UK.

The learning points

This was a project with a complex set of stakeholder interactions. Whilst communications were good overall and all parties were kept informed, there were times when the project manager was under pressure to delay a 'bad news' message, since the project engineer or subcontractor was sure "success lay just around the corner". There were a number of points where things could have been better. For example:

- No involvement of the project manager at bid and business case stage. (Not done to save money).
- Development of a risk register and its update through the business case / bid process, leading to a true appreciation of risk when the contract was agreed.
- Stronger policing of subcontractors even though key staff were overloaded.
- Lack of liability clauses in the subcontracts. There was a failure to recognise that subcontractors (who are stakeholders) need to be managed with a view that they may fail to complete their part of the project.

The experience provided a stern test to the project manager and his team and the episode is still referred to in the 'folklore' of the respective industry.

This case study was written by the APM Stakeholder Engagement Focus Group.

- *For more information on the group or stakeholder engagement, [click here](#).*