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Evolution of Owners Role Under Program Management

By Robert Prieto

Implementation of major capital facility programs requires Owner organizations to undergo change in several dimensions. Each of these dimensions involves a significant departure from the established management, operating, commercial and cultural patterns which have typically characterized the Owner's capital delivery programs and processes.

Organizational Transformation must be achieved while the skills and capabilities of the current teams, their performance excellence, and accumulated lessons learned are retained and, in fact, a new larger, more diverse organization is built upon them to achieve the higher level of performance.

When considering this Organizational Transformation, two generic types of change must both be managed synergistically in order to effect the strategic change that is the goal in the decision to shift from a multi-project to program based delivery.

Tactical Change:

- the basic changes in the way the projects are organized and executed, including the move from project to programmatic focus.
- changes affecting all the execution activities which will be adjusted and/or implemented to accelerate the actual delivery of plant and production.

Cultural Change:

- those changes dealing with the people aspects of reorientation of teams to programmatic focus
- all these factors will dramatically increase the cultural impacts and interfaces which must be recognized and effectively addressed to ensure the harmony of vision, commitment, focus, and dedication that the program goals demand.

Evolution of the Owner's Role

In a programmatic approach to achievement of a set of business objectives, Owners may engage the services of a Program Manager. Under such an approach many of the processes and responsibilities of the traditional Owner organization are transferred to the Program Manager and the Owner's organization takes on different or changed responsibilities. It is important for Owner organizations to recognize this shift in focus in order to avoid duplication of efforts between the Owner's organization and the Program Manager but more importantly, to assure that the new areas of focus, purely within the purview of the Owner's organization are adequately addressed.

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The summary that follows looks at how the Owner's focus changes from a more traditional delivery methodology to one employing a program management approach. The typical responsibilities of the Program Manager have been included for clarity.

The activities reflected represent many of the major activities and the list is not intended to be all encompassing. Similarly the actual allocation of responsibilities between Owner and Program Manager may vary from what is shown.

"C"- Level Executive Sponsorship

Traditional Owner Role

"C"- Level Executive has direct management oversight of executives in charge of program delivery and oversight. Executive interaction will vary broadly based on styles and competencies of the Program Level Executive and the "C"- Level Executive

Owner Role Under Program Management

"C"-Level Executive gains improved separation of delivery and oversight vectors enhancing the probability for earlier identification and resolution of issues. "C"-Level day-to-day interaction will likely be reduced in the execution area and quality of assessment of program progress strengthened. Interactions with Program Manager will be focused on areas requiring strategic shift by Program Manager; review of any significant performance issues as reinforcement of the Program Level Executive's own findings and conflict resolution of issues not resolvable at the Program Executive's Level. This later category of issues will be required to be at a threshold level in order to engender "C"-Level Executive Involvement. Interaction in these settings with Program Manager's representatives will be above the Program Director's level.

Program Manager's Role Under Program Management

Executive sponsor for the Program Manager will interact with the Owner's Program Level Executive on a periodic basis to ensure performance objectives of the Program Management team are being met. Quarterly-type meetings with the Owner's "C"-Level Executive and the Program Level Executive will focus on strategic issues; program level change management, including organizational change management; contract administration issues and any areas of dispute.

Program Level Executive

Traditional Owner Role

Responsible for both direct management of all program execution activities as well as overall program oversight and assurance activities. Principal point of interface with other Owner organizational elements and third party stakeholders.

Owner Role Under Program Management

Continuing overall owner execution responsibility but role transitions to more of an executive level as it relates to the project execution activities and responsibilities assigned to the Program Director.

Leads organizational change management within the Owner's organization as roles transition from direct execution to oversight, audit and interface management in those areas under the Program Manager control.

Increasingly assumes roles and responsibilities related to overall program delivery that previously had more active engagement of the "C"-Level executive.

Direction related to activities under the Program Manager's control will be formally provided by the Program Level Executive to the Program Director as part of an overall change control and contract administration authority. Certain authorities formerly the purview of the Program Level Executive will be delegated to the Program Manager with strengthened audit and oversight under the control of the Program Level Executive.

Program Manager's Role Under Program Management

Program Director (Program Manager's lead representative responsible for day to day execution of the program) will assume leadership of many of the project execution responsibilities and activities previously under the direct day to day management of the Owner's Program Level Executive. Areas of program execution not under the Program Director's direct day to day control will include clearly defined owner's activities and the independent oversight and audit of the Program Manager's own activities and the adequacy of the processes, systems, procedures, controls and reporting required to assure the performance and payments related to activities under his management.

Scope

Traditional Owner Role

Overall program objectives are defined at the "C"-Level and translation of those objectives into a definitive program description is carried out under the Program Level Executive. Definition of specific projects including associated trade-off studies are led by the Owner organization with strong support from requisite external resources. Optimization often focuses on project by project optimization.

Owner Role Under Program Management

Overall program objectives are defined at the "C"-Level and translation of those objectives into a definitive program description is carried out under the Program Level Executive. Definition of specific projects including associated trade-off studies are led by the Owner organization with strong support from requisite external resources, including resources not traditionally engaged, but with the additional involvement of the Program Manager in order

to ensure that standardization across all projects within the program is maximized and that overall optimization is focused on programmatic versus project by project optimization.

Program Manager's Role Under Program Management

Participates with the Owner in top level program definition and tradeoff activities, providing added specialty resources not traditionally engaged by the Owner organization and bringing a programmatic focus to assessing strategies and impacts on overall program schedule and cost. Works in support of the Owner to define the level of scope definition required at the study phase while avoiding prescriptive definitions that undermine overall programmatic standardization and procurement leverage activities.

Schedule

Traditional Owner Role

Detailed project based schedules to meet individual intermediate milestones. Compilation of project level schedules and select program-wide activities such as environmental, stakeholder outreach etc.

Owner Role Under Program Management

Review and acceptance of integrated schedules prepared by the program manager reflecting Owner led activities retained by the Owner. Integrated schedules will reflect required timeframes for various Owner approvals or hold points and will take a more programmatic view reflecting any changed delivery or procurement strategies implemented by the Program Manager.

Assess the adequacy of schedule measurement systems implemented by the Program Manager and review overall progress against the Master Schedule.

Program Manager's Role Under Program Management

Program Manager prepares an integrated Master Schedule clearly reflecting Owner activities impacting activities under his control. The Master Schedule will reflect a clear programmatic view showing interfaces between various projects, allocation of resources across individual projects and to programmatic activities and changed delivery and procurement activities conducted on a programmatic basis across all projects in the program.

Risk Assessment & Contingency

Traditional Owner Role

Risk assessment activities are often conducted on a rule-of-thumb basis at the earliest program stages with more detailed risk assessments performed for discrete projects or project phases. Owner relies on inputs from others under his direct management.

Contingencies established as a result of these risk assessments are under the control of the Owner.

Owner Role Under Program Management

Overall risk assessment activities are strengthened at an earlier stage to reflect the added complexity of a large scale program including the increased complexity associated with a reconfigured supply chain and internal program competition for limited resources and increased interface management. Owner will utilize the Program Manager to undertake a significantly more robust risk assessment on a programmatic as well as a project by project basis. Increased emphasis will be placed on interface risks across all program elements as well as event driven risks that arise out of the scope of the overall program. Risks associated with scale will take on increased importance.

Contingency management will be partitioned between the Owner and Program Manager with certain contingency elements retained by the Owner, reflecting his ability to best manage the associated risks, and other elements of contingency either under shared management of the Owner and Program Manager.

Program Manager's Role Under Program Management

Program Manager will undertake a significantly more robust risk assessment on a programmatic as well as a project by project basis. Increased emphasis will be placed on interface risks across all program elements as well as event driven risks that arise out of the scope of the overall program. Risks associated with scale will take on increased importance.

Contingency management will be partitioned between the Owner and Program Manager with certain contingency elements retained by the Owner, reflecting his ability to best manage the associated risks, and other elements of contingency either under shared management of the Owner and Program Manager. Contingency management by the Program Manager will be accomplished under a well structured process, any contingency releases reported to the Owner as part of periodic reporting and appropriate thresholds established for releases of contingency above which Owner concurrence is required.

Budget

Traditional Owner Role

Budget requests including anticipated cash disbursements are prepared by the Program Level Executive and approved for Board Level submission by the "C"-Level Executive. Owner's staff leads budget preparation in consideration of risk assessments performed. Budget performance is tracked by the Owner's staff at varying levels of detail. Such tracking is traditionally against individual projects or project phases and consolidated on a program basis.

Owner Role Under Program Management

Budget request processes are fundamentally unchanged but build upon more robust and comprehensive risk assessments led by the Program Manager. Budget requests by the Program Manager are independently reviewed by the Owner's staff as opposed to being developed by the Owner's staff under more traditional approaches.

Overall budget performance assessment remains with the Owner organization with the Program Manager taking on a large portion of the day to day management and oversight of budget related performance consistent with those activities and program elements under his purview. Owner's efforts related to activities managed by the Program Manager will require strengthened audit capability and assessment of programmatic trend analyses to be prepared by the Program Manager (examples include labor forecasts, material price forecasts and trends).

Program Manager's Role Under Program Management

Program Manager provides robust and comprehensive risk assessments; prepares budget requests that are independently reviewed by the Owner's staff, budget performance assessment for activities under the Program Manager's purview, audit of invoices and other expenditures of costs incurred, and augmented forecasting activities when compared to project based approaches.

Project Management***Traditional Owner Role***

Extensive ongoing involvement in the oversight and direction of various third party contractors engaged to execute specific project elements. Heavily involved in day to day management of individual project elements.

Owner Role Under Program Management

Owner's project management role migrates to one more focused on strategic and executive guidance of many activities previously directly managed. Owner's project managers assess overall progress, robustness of execution managed by the Program Manager, emerging risks and Program Manager's strategies to address, and authorize releases as appropriate from shared contingency pools.

Program Manager's Role Under Program Management

Program Manager provides direct management of all projects and program activities within his scope of work. Project management activities are accomplished with a heavy emphasis on identifying opportunities for multi-project sharing and leveraging of resources. Management reporting is consolidated on a programmatic basis and provides both project performance as well as programmatic views.

Project and programmatic reviews is conducted on a scheduled basis with both individual Owner project managers as well as Owner functional leadership.

Engineering

Traditional Owner Role

Engineering management and leadership of study and initial scoping activities; packaging of engineering work packages for execution by others; review of intermediate design products and direction on specific design features.

Owner Role Under Program Management

Engineering management and leadership of study and initial scoping activities with extensive involvement of Program Manager's functional team. Review and acceptance of programmatic engineering design standards and concurrence on third party engineering design resources above threshold levels. Quality assurance reviews of Program Manager's design processes, procedures and standards to assure agreed to engineering design standards are being employed and defined scope being comprehensively addressed.

Program Manager's Role Under Program Management

Increased input of standardization, consolidated procurement and constructability considerations into definitional and trade-off studies conducted under the Owner's leadership but employing enhanced sets of planning tools.

Packaging, procurement and management of engineering work packages to be provided by third parties in addition to work performed directly by the Program Manager.

Third party engineering procurements above a threshold level require Owner concurrence. Program Manager provides consolidated resource management in constrained situations, design processes, standards and procedures to be utilized across all projects comprising the program. Interface management takes on increased importance as does assurance of comprehensive implementation of programmatic engineering standards.

Procurement

Traditional Owner Role

Owner's procurement responsibilities encompass development of contract packages, applicable terms and conditions, advertising and conduct of solicitation processes, bid evaluation, negotiation and issuance of contracts. Contract change processes typically require additional procurement support in the evaluation of contractor requests for financial or other contract modifications

Owner Role Under Program Management

Owner's procurement responsibilities will be limited to development of very select, major contract packages. Owner will work with Program Manager to develop standard program terms and conditions.

Owner would approve procurements over threshold values with other procurement authority traditionally delegated to the Program Manager. Direct procurement by the Program Manager on his own commercial paper and with the Program Manager's standard terms and conditions augmented by special provisions Owner may require may be utilized as part of transitioning the majority of procurement efforts to the Program Manager.

Owner's activities under program management transition to a strengthened audit and oversight role with respect to activities undertaken by the Program Manager

Program Manager's Role Under Program Management

Program Manager will lead all procurement activities within the scope he is responsible for except as otherwise reserved by the Owner. Approval and authority to execute contracts on the Owner's behalf may be delegated up to a threshold level directly to the Program Manager.

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Robert Prieto is a Senior Vice President for Fluor, responsible for strategy in support of the firm's Industrial & Infrastructure Group and its key clients. He focuses on the development and delivery of large, complex projects worldwide. Prior to joining Fluor, Bob served as chairman of Parsons Brinckerhoff Inc. He is a member of the executive committee of the National Center for Asia-Pacific Economic Cooperation, a member of the board of directors of the Business Council on International Understanding, a member of the board of the Civil Engineering Forum for Innovation, and co-founder and member of the board of the Disaster Resource Network. He currently serves on the National Research Council's committee framing the challenges on Critical Infrastructure Systems. Until 2006 he served as one of three U.S. presidential appointees to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council (ABAC) and served as chairman of the Engineering and Construction Governors of The World Economic Forum and co-chair of the infrastructure task force formed after September 11th by the New York City Chamber of Commerce. He is also a member of the board of trustees of Polytechnic University of New York.