

Project Delivery

Excellence Through Industrial Relations

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Industrial Relations Strategies for projects

Canada has been involved in mega-projects for decades. Whilst owners are focused on operating their assets optimally, there have been similar experiences across major projects with the execution of projects; that is, they typically diverge from their original plan, change scope or otherwise need course corrections as they are being built. Despite the best laid plans, there is the potential for major projects to end up over budget and over schedule.

Industrial Relations (IR) has often been relegated to being a secondary consideration. On most projects it is understood that labour relations, community engagement and stakeholder involvement are important considerations. Yet they are managed as separate matters. Owners and others think of these IR issues as necessary distractions or “costs of doing business” and not as essential strategic elements that might influence the success or failure of the project.

Oakbridges advise owners and EPCMs, at an early stage, on an integrated approach to IR that encompasses not only the stakeholder considerations but also the project phases. We create a relatively simple plan, with significant potential rewards. The right IR approach not only supports the achievement of the socio-economic objectives of a project but also facilitates bringing the project in on time and on budget.

Our project approach lays out the elements that make up an ideal project planning model from an IR perspective. We have studied and worked with our clients to identify those actions which have been successful and analysing those that are not. We offer a model for success that is an embedded part of any project team.

Savings

In the context of a single project, e.g. the BHP Billiton Jansen Potash Project, the potential savings from an ideal IR Strategy can be measured in the millions of dollars. These opportunities are significant enough to be material in any context. Early and continuous involvement from Industrial Relations will yield significant savings.

Early engagement – creating the project culture

Labour productivity, labour sourcing and labour relations are amongst the most significant risks faced on any project. We identify and quantify these risks up front, as their management is a major determinant of project success.

Early on, there is a need to establish a strategy that includes gaining community and government acceptance, addresses the labour supply issues (e.g. labour sourcing and mobility issues as a result of remoteness) and otherwise identifies the mitigation steps that will be taken against each risk.

Feasibility and project value assessment

Successful projects must establish an understanding of the unique industrial and labour relations context in the specific locations each project is being planned for. To do this, the project owner needs up-to-date data on the labour market, with an understanding of the local political landscape local laws.

This needs to include IR expertise given the level of risks projects face because of labour sourcing, productivity and labour relations.

It is not intended at any stage that IR holds a veto power over project decision making but rather that it is there to ensure that all risks are identified, understood and accounted for early and front end loaded.

Definition Phase Studies

The idea is to reduce risks, increase predictability and establish frameworks for success. Despite the fact that it is more or less inevitable that project scope and definition will change several times before the final investment decision is made, the IR Strategy must be enduring and but for minor adjustments should be locked-in early. It is at this stage that a breakdown often occurs. In that respect, the general approach should be descriptive rather than prescriptive. The IR team should provide direction and integration and ensure as many strategic options as possible are left open.

When we talk about integration we need to be sure that what we do so by way of Project Labour Agreements, employment contracts, contracting strategies and commercial arrangements that are coordinated with other arrangements made with communities and other stakeholders.

Contracting Strategy

At one level we would suggest that the IR Strategy would establish selection criteria for evaluating bids by EPCMs and certainly contractors.

IR involvement in selection and evaluation provides benefits in terms of being yet another member of the team that can challenge bidders to ensure they are providing critical information by which owners make important decisions.

In this way IR can develop support systems for contractors like training programs, mentoring arrangements and other direct services in order to enable their success. Often

the EPCM promises to deliver in this aspect of the project delivery however in reality has little interest where it may impact on their performance metrics. At this stage of a project IR serves an important role as an enabler and later during execution to audit compliance and provide oversight.

Execution

During execution the IR function needs to have a definitive role in ensuring the intended culture is established and maintained. As part of the owner organization the IR function can establish an oversight and governance role but also ensure that it maintains an arms-length relationship between the owner and contractors under an EPCM arrangement. Therefore it is important to establish practices regarding governance and oversight that ensure goals are met without interfering with the contractual arrangements under an EPCM structure.

Oakbridges has resources to aid owners and EPCMs when examining productivity and assessing labour assumptions. We offer standards and norms regarding potential productivity and to compare to realized productivity.

We believe there is potential for significant benefits to clients in this approach to project delivery.

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