Managing projects in a global environment.

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The writer discusses the special leadership skills that are needed in managing international projects. These leadership and management skills, together with the technical strengths of the project team, determine the success of the project. The challenges and opportunities in managing projects in global environment are explained.

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What does it take to facilitate projects in several time zones away?

Globalization is driving many EPC projects to be international in nature. As such, the project owner and/or selected contractors are from various parts of the world. Sometimes, the international project is not located in the main contractor's homeland but is located in a third country. Such scenarios are becoming more prevalent than ever before.

Managing any project, particularly an international project, requires special leadership skills and awareness by the project manager, and his/her team must work together in a coherent manner to drive project success. This article explains the challenges and opportunities in managing international projects. More important, it discusses the special leadership skills needed.

KEY DRIVERS TO EXECUTE A PROJECT

Successful execution of a given project is influenced by properly controlling the budget (cost), schedule (time) and deliverables. All of these interdependent factors are accomplished by people (project manager and team) and supported by the best available technical knowledge and tools.

The leadership and management skills coupled with the technical strengths of the project team -- not necessarily project management consultant (PMC) -- determine the success of the project.

CHALLENGES AND OPPORTUNITIES

For an international EPC project, the challenges are:

Technical. This involves the engineering/technical strength of the project manager and the project team members.

Non-technical or cultural. This challenge requires special leadership skills.

Challenges associated with the technical part are mostly similar irrespective of whether they are for a national or an international project as long as the project manager and the team members are technically qualified and proficient in using the best available technologies and tools. Challenges associated with the non-technical part, however, deserve special attention because they involve leading the project team effectively, which requires special leadership skill sets. Technical and non-technical challenges involve:

Understanding and establishing the scope of work

At the start of any project, a clear understanding of the scope of work (SOW) is vitally important. For an international project, the SOW must be established by careful discussions, including face-to-face clarification meetings to arrive at the client's real expectation. During this step, the team must carefully address all four Ws (Which, Where, When and Why) and one H (How). Often, the SOW will include a request for proposal (RFP); the RFP may not be exactly what the client's expectations are for the project. Accordingly, understanding and executing the SOW is even more important for bid preparation. Any divergence in understanding can potentially cause substantial monetary loss and lasting dissatisfaction from the client. Although the SOW is a technical issue, it is a significant part that requires a good understanding of the diversity and differences stemming from the client's culture.

Implementing a disciplined and structured engineering approach. For a typical project involving engineering, procurement and construction (EPC), the total installed cost (TIC) is split between three phases: E-10% to 20%, P-35% to 45% and C-40% to 50%, respectively. Therefore, the common notion is to focus heavily on the procurement and construction phases of the project because P&C are two significantly higher cost components for any given project. However, the cost influence of engineering most often can be very significant. Attention to details should be considered at the very beginning of project development as shown in Fig. 1.

Following a rigorous systematic methodology and gated approach during the engineering phase, E, can help avoid any adverse impacts on the remaining two significantly higher cost components -- P and C. Once the engineering phase is completed, the influencing factor minimizing cost overruns and the overall project schedule diminishes significantly and often is completely eliminated. technical. Typically, during the progression of the project's life cycle, cost-estimate accuracy improves from ±40% to preliminary ±25% to definitive ±10%. Although the terminology and associated percentage of accuracy may change from country to country or organization to organization, they are basically same. There is no special consideration of non-technical skills necessary for an international vs. a domestic project.

Developing a realistic project schedule. For this activity, one must understand the client's culture. Depending on the country and the client's culture, some cultures are more tolerant and/or demanding than others. In general, most projects are schedule driven, and adherence to schedule becomes extremely important. One must remember that the project cost and project schedule are very much interdependent. Earned value analysis (EVA) is often done to evaluate and track progress with reference to project cost.

Negotiating contract terms to drive project execution through EPC phases. Understanding the contract language and the pros and cons of various contracts, and understanding the client's culture, are extremely important to achieve successful negotiation. This step is often a significant challenge in an international environment.

Developing suitable quality assurance and control procedures. A rigorous quality assurance (QA) and quality control (QC) procedure must be developed to appropriately monitor project performance. Open intra - and inter-level discussion with the project team members, with appropriate level of involvement and input from the client, are very essential when implementing a detailed QA and QC scheme at the onset of project execution.

Understanding and implementing EHS issues into project execution plan. Successful implementation of environment, health and safety (EHS) issues and requirements depend on the technical knowledge, as well as a clear understanding of various requirements of local government and other nongovernmental entities where the project is located. Special attention to understanding these requirements and integrating them early in the project execution planning (PEP) is very important for any international project. In particular, understanding cultural diversity plays a significant role to determine the agreed upon methodology to achieve a well-thought-out EHS strategy and its execution.

Managing risk factors associated with international projects. These risks can be of different natures; there could be technical risks, especially when the project involves implementing new technologies, or a first-of-a-kind situation without any prior experience. There could be engineering and other performance risks involving construction performance.

For international projects, the interface management risks with the client are often challenging. This can intensify when dealing with a first-time international client and/or any major international supplier located overseas. A few other risks to address include managing suppliers, especially new and/or unproven ones; traffic and logistics risks, such as heavy hauls to the project construction site; and expatriate content and risks for local customs and duties.

If the project is a lump-sum, turnkey (LSTK) project, then the pricing risks include currency issues as appropriate. Sometimes, it is mitigated by choosing a basket of currency in the offer as well as incorporating currency hedging in an international project. Project location risks include local politics, political stability, security, labor availability and quality. Also, site accessibility could be of great importance.

Caution should be taken in selecting subcontractors and negotiating subcontract languages. This requires a thorough knowledge of local government and non-government requirements including the local content requirement. Sometimes, a project specific joint venture may be a better approach to mitigate some risks associated with subcontractors.

Prior knowledge and understanding, and proper proactive recognition of these risks in implementing them in the PEP are critically important for the successful execution of any international project.

Managing in-country rules, regulations and specific requirements. A thorough understanding of these requirements is important even before a project bid is prepared, let alone during the project execution stage. Very often, managing in-country becomes a catch up effort, and it creates many difficulties.

SPECIAL LEADERSHIP SKILLS

There is a fundamental difference between management and leadership. "Managers are people who do things right and leaders are people who do the right thing." Vision is a unique trait of true leaders as they overcome barriers to change. A leader is able to instill a common vision to employees across the boundary by absorbing available cultural diversity as strength and by not setting aside such diversity as a weakness. An organization driven by an effective leader translates vision to reality. This translation is manifested by an effective 360° communication between leaders and their followers. The two important leadership traits are credibility and commitment fueled by trust and integrity.

Getting the message across all levels is the key to success. This is achieved through establishing a common goal (vision) and creating alignment among all team members. Trust is the glue that keeps the organization moving forward, and effective leadership is the catalyst that builds trust. More important, trust creates accountability, dependability, integrity, predictability and identity for any organization. Effective leaders pull people together by attracting, energizing and motivating them towards a common goal. Effective leaders are proactive listeners. All of these are achieved by special character traits and other proactive day-to-day actions influenced by the leaders' effective communication in a cross-cultural environment. Fig. 2 is a qualitative representation of how the leaders' communication effectiveness influences the process of Trust building.

Communication and cross-cultural communication

It is important to recognize the importance of the leaders' effective communication skills. Leaders managing international projects must be culturally sensitive with a global outlook. Creating effective human capital from a diverse cultural background is becoming more important than monetary capital. Proficiency in cross-cultural communications is of tantamount importance. The leaders who create cultural synergy emphasize similarities and common concerns, and integrate differences to enrich organizational strength. Culturally sensitive and skilled leaders, who value diversity as strength and not weakness, are the leaders who are successful in managing international projects. The key element of success in a multi-cultural setup is proficiency in nonverbal communication skills.

GLOBAL LEADERS FOR GLOBAL PROJECTS

Very often, successful project execution calls for not only the project manager's and the team's technical competencies in effectively managing the above, but also for special leadership skill-sets to understand, integrate and manage the cultural diversity.

Most often, it is not the technical strength of the project management team but the soft leadership skills such as understanding of cultural differences, effective communication skill and extraordinary level of interpersonal skills, as shown schematically in Fig. 3 that create trust and drive the project success. This is even truer for an international project. A successful project execution delivers two important end-results. They are: profit, and most importantly, client satisfaction.

Estimating various project cost levels at progressive execution stages. This part of the project is purely

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Adding value to our customer is our motto

FIG. 1. Life cycle for a project and cost influence.

FIG. 2. Trust vs. communication effectiveness.

FIG. 3. Key project drivers for international project success.

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Dr. Syamal K. Poddar brings over 35 years of professional experience combining university teaching and industry. His industry experience extends over a broad range of technology and in processes related to the hydrocarbon and energy industries, encompassing RandD, process and project engineering, project and business development, and management. Prior to forming a consulting company, Poddar and Associates, Dr. Poddar worked in various capacities in the hydrocarbon industry sector including Exxon Research and Engineering Co., Bechtel Corp. and CDI. His global business exposure and Indian heritage helped him to acquire a unique set of skills to develop, lead and manage international projects. In addition to his industrial career, he maintained his teaching interest as an adjunct faculty for several years. Dr. Poddar has given several technical, project and business development and leadership courses nationally and internationally. With Bachelors and Masters degrees in chemical engineering from Jadavpur University, India, Dr. Poddar earned his PhD in chemical engineering from the University of Pennsylvania. In addition to authoring 42 technical papers and holding 2 US patents, he has made numerous technical and business presentations at national and international conferences, and organized and chaired many such conferences. He is a registered professional engineer in the State of Texas. He is a passionate volunteer and, as elected president, contributed significantly in the growth of professional and social organizations. He has held various elected positions at the AlChE's divisional level. At present, he is the chair of the Fuels and Petrochemicals division, a member of Operating Council and a Trustee of the AlChE Foundation. He is an elected Fellow of the AlChE