

Engaging Project Managers in a Multi-Sector Partnership:

trends in the extractive industry and
how these impact brokering activities

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Summary

In the extractive industries where investments are large, the drivers for partnerships are moving from purely philanthropic to those driven by compliance or commercial objectives.

These partnerships then will more directly influence the design, construction and operation of the investment projects.

This in turn will result in project and line managers having to become more intimately involved in multi-sector partnerships.

Given these developments, it will be important for a partnership broker (as well as the non-industry partners) to understand and work with the objectives, drivers and behaviors of project managers. It will be equally important for the project managers to understand the re-tooling necessary to equip themselves for a successful running of these partnerships.

1. Introduction

The basis for this paper was formed in four parts. Step one was a realization while working on a new project in a new country. The project, like many energy projects, has to balance the industry and customer needs of providing energy in an efficient manner with the needs of the environment and communities surrounding the operations.

My role in the project is not directly related to either environmental management or community affairs, yet by understanding the impact these areas will have on design, construction and operations of the project, I became a key stakeholder. I needed to understand both the intricacies of environmental management and community relations, relationships with the outside world, as well as the linkages to the other parts of the organization. This realization led me to step two: I signed up for PBAS.

During the PBAS training week, it took me a while to find my place. The other participants came from the world of partnerships: business units, government departments, environmental experts, and not-for-profit members all with a focus and day-to-day experience of building and working in partnerships with each other. Where could I add value to the discussions? With my background in technical and commercial (i.e. contractual) work, I realized parallels existed in the area of partnership negotiations. These are interest-based negotiations in which all parties will safeguard their own needs as well as cater for success of the partnership. It will define ways of working together as a team with each party fulfilling a designated role. This sounded a lot like the joint venture negotiations and operations of those contracts I had been involved in. This realization helped me understand that regardless of our role in a project, we all have a part to play in multi-sector partnerships, we all have skills to apply, and we all have brokering roles to fulfill.

So, what was my role, and how could I fulfill it best?

The project I worked on really needed to start off trying to understand whether multi-sector partnerships were a solution to the success of the venture. My dilemma was two-fold: first of all, my company did not do the work, one of our other joint venture partners is the operator of this project. Secondly, I am not an expert in environmental or community affairs. Yet I understood that we as a joint venture needed to address these options. I could clearly see the potential impact partnerships could have in securing the project outcomes we all were aiming for. Influencing skills would become very important. The question was: what would be the best “hook” to sell these ideas, broker the start of partnership merits assessment, and then – whom should I sell these ideas to?

The other item PBAS provided me during the many discussions and presentations we enjoyed, was the understanding that there were many projects with parallels to mine, especially in the extractive industries. Some good contacts and initial friendships were seeded.

Step three was to put all the learning and initial ideas into practice. Setting up a game-plan, involving the experts within my company, both in functional capacity as well as those directly tied to the project was key in two ways. First of all it made me think in a very structured way about how to tackle the issues, and secondly, this PBAS practical practice component gave me the right excuse to become involved. Getting this hands on experience and hearing more stories of others brought some key messages home to me.

As step four in my learning journey of brokering the idea of a partnership, this document tries to assemble the messages learned and ideas tested in the area of seeding the ideas of a partnership with the right people at the right time. Who would need to be involved in a partnership? How could one motivate future sponsors and owners of a partnership? What would ensure its success? These questions formed the start of discussions I undertook with some experienced hands in the area of community involvement and partnership building in the extractive industry. These discussions helped me shape the ideas outlined below.

2. Movement of Partnerships

As experienced around the world, public opinion has shifted from an “I trust you” to a “tell me” to a “show me” to an “involve me” interaction model when dealing with big business. This can be interpreted in two ways. Firstly, trust in big business has deteriorated, and business has to clearly demonstrate its best intentions, and effects of its operations. More positively however, one can interpret this movement also as the desire of the community to be part of a sustainable future where economic prosperity can co-exist with environmental and social stewardship.

As discussed in the ODI/IBLF reading materials, different type of partnerships exists as well as different drivers for partnerships. From a business perspective, the drivers can be:

- Philanthropic – corporate giving programs aimed at raising reputation levels;
- Compliance – driven by conditions from the regulator;
- Commercial – aiming to reduce risk, reduce costs or increase market share.

It appears to me that the business view of partnerships has evolved from a purely philanthropic angle to one including compliance and more and more realizing that a commercial benefit can be gained from sustainable, multi-sector partnerships. The realization that objectives of business, government and community can be aligned must have evolved through the building of experience and trust in setting up and running these types of partnerships. An underlying current perhaps also is the wider societal expectations on corporate responsibility filtering through behaviors of the people working in these industries.

Especially in the business sector of the extractive industries, where projects are often of a massive scale with both an environmental and a social impact, the changing – and more international – community dialogue brought about by an “involve me” worldview has resulted in a movement into compliance and commercial oriented partnerships.

Regulators now require involvement in the detailed planning of a company’s development and operations. Conditions to regulatory approval reflecting impacts on environment and social structures are very common, as is the opportunity for the community to review, comment upon and demand influence on a company’s planned investments.

These movements then have resulted in partnerships tied to specific projects investments and / or operations.

3. Tying Partnerships to Projects

Environmental and Social Impact Studies, Review and Management Plans, and the like are now all standard fare in the licensing and approvals process. These processes more often than not involve public comment periods, appeals procedures and culminate in a license given by government that includes a list of conditions to be met.

The conditions imposed by the regulator will impact the design, construction or operations philosophy of the project. Examples include:

- Minimum requirements for use of domestic labor or industries in contracting and procurement;
- Relocation of plant sites to minimize environmental impact;
- Rehabilitation requirements upon termination of operations;
- Investment to off-set the impact of the project (i.e. invest in a conservation benefits program, trade training and schooling).

These conditions imposed by the regulator will then likely form the basis of compliance-based partnerships discussed in the previous chapter.

In parallel, the “involve me” culture of the world, the internationalization of world community action, has introduced a large risk component to the construction of new projects. Projects themselves are a target, not the company as a whole. Examples here are:

- Environmental protest during operations;
- Environmental protest during construction or design;
- Union action or Local community action to include local labor;
- Local community demands for developmental programs.

These movements have resulted in a realization from the industry that upfront involvement and dialogue on project design, construction and operation planning minimizes the risk of action during the activities.

It also implies that the project and operations management teams will need to be intimately involved in the approvals process and the dialogue with the regulator on the options, do-ability and consequences of imposed conditions for approval. Furthermore, a dialogue with community and social and environmental representatives needs to take place not “only” by community affairs specialists, but also with the local management teams.

4. Retooling the Business Support Model for Partnerships

From the limited interaction I had with representatives from the Australian extractive industries, I find that corporate or regional programs are run by external affairs groups focused on raising the reputation of the company. Programs aim to find a “hook” into the company’s business or location. An example here would be research into the effects of global warming on marine life, the planting of trees, wetland restoration programs, research in tropical diseases, reducing literacy. These programs deliver on two fronts: it raises reputation with the general public and “neighboring interest groups” and it also raises the sustainable responsibility profile with the employees of the company as their involvement is often encouraged.

Ongoing operations at (remote) established locations tend to engage in local partnerships. Programs are often selected by the plant management in dialogue with a local community representative group. Partnerships therefore tend to focus on local needs. Examples I encountered were a youth safe driving campaign, building of a community center, increasing living conditions. These programs tend to look for hooks into the business as well: for instance the driving campaign could be linked to the increased road usage by the company; or increasing amenities in the area could entice employees to relocate near the plant site.

Migrating from philanthropic to compliance or commercial partnerships will require a change in organizational support model. Line management will need to “own” these activities as integral part of the project. Moving from sponsorships run by external affairs to partnerships with a large project or line management involvement will require re-schooling of many people in the business. Line management will need to be more intimately involved in the interaction with regulators as well as representatives from the communities or environmental focus groups.

Within the project management teams, a clear understanding will have to be generated to the added value generated by partnerships with government, universities, community or ngo representatives. Perhaps more important will be to create an awareness and understanding of the different objectives of the other partners and how as business partner one can best interact.

Sufficient time will have to be set aside determining where such interaction could add value or mitigate project risk – however defined.

Subsequently, an action plan and responsible parties within the team will have to be established, setting up partnerships where warranted, running the partnerships, and creating processes to integrate these partnerships and the outcomes thereof into the design, construction or operational philosophy of the project. In other words, an awareness and appropriate working knowledge of the complete cycle of the partnering process will need to be brought into the skills set of line management.

Fortunately, there are logical interaction areas within the organization that could cater for a natural migration of the ownership of partnerships. For example:

Local or national community development requirements can integrate into partnerships focused on increasing local capacity and becoming competitive in bidding as a supplier to the project, increasing local capacity as labor resource during construction or operations. These programs can be driven by requirements by the regulator, or a genuine need by the project (e.g. in the case of labor shortage in West Australia).

Environmental guidelines requiring research into the habitat and impact of operations or development, adjusting the concept or design to minimize impact, develop and select containment strategies, or the continued monitoring of environmental impact during operations.

In addition, management of ongoing operations will have had at least a peripheral involvement in philanthropic partnerships.

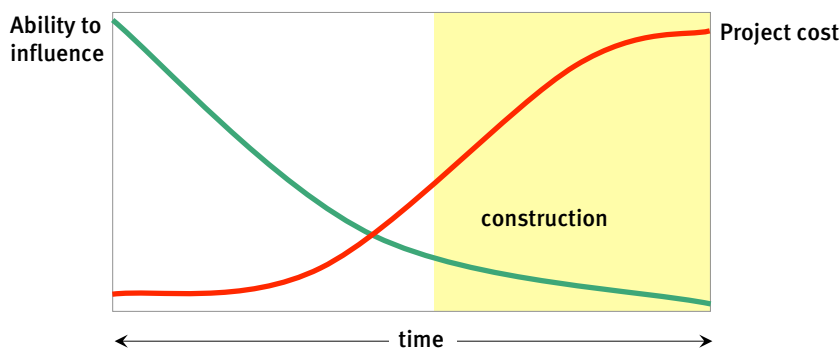
The experiences within parts of the company and the natural links into project success will likely form an entry point to successfully sell or broker partnerships within the project community. Existing specialists in partnership brokering or running a partnership within a company will continue to play a vital role in providing “functional” expertise.

5. Seeding Partnership Ideas in this New World

It will be important as a broker of partnerships to understand the shifts discussed above. It will also be important to understand the world-view, speak, and drivers of project management.

As private business is driven by economic returns on investments, the management of projects will focus on generating a design that is cost effective (both in construction as in operations and maintenance). When a commitment to an investment is made, the successful construction thereof will be measured in terms of keeping the cost at or below plan, keeping the schedule so that operations (i.e. revenues) can start as planned, and delivering the quality of the product as planned to keep the projected level of revenues.

Looking at the cost profile of a project, it becomes clear that a project management team will be more amenable to changing the design of a project prior to construction than during construction. Similarly, the costs of delays will be less painful before the construction crews and equipment are mobilized.



A project team will undertake careful risk analyses to assess the risks and opportunities influencing a successful outcome of the project. This assessment will be reflecting risks and opportunities from all angles, such as technical, economic, environmental, commercial, organizational, political; and will try to quantify their impact on costs, schedule and quality of the outcome. Risks are then categorized according to likelihood of occurrence, and the level of impact they will have. An assessment will be made on the ability to lower the risk (or increase the opportunity), and the preferred method to deal with the risk (prevent or lower the likelihood from happening by doing X, or treat results when risk does materialize by doing Y), and assign owners within the team to address the risk management plan.

Given this focus of a project team, it will in my mind make good sense as a broker to understand the project risk assessment, and to contribute to the identification of risks and opportunities. It will then be easier to prioritize activities, programs or partnerships that can truly impact the outcome of the project, and it will become much easier to sell these proposals in terms of risk mitigation or opportunity generation, and to justify the associated costs (be it money, time or resources). In this manner, partnerships will move from being regarded as (purely) philanthropic to those addressing compliance or commercial objectives, aligned with the project.

Good parallels can be drawn with the increased focus on safety that has become mainstream in the (extractive) industry. It may have started as a compliance driven activity, but soon companies realized that the focus on safety increased project and operational effectiveness: less reputation, time and money was lost preventing an accident than having to deal with the consequences. It provided even a positive focus instead of purely preventing a negative outcome.

The same will hold true in my mind for partnerships that aim for sustainable development. Risk mitigation will be a first step in ingraining sustainable outcomes directly to project success. This can first be accommodated by responding to compliance requirements by the regulator. Trends I have recently come across include:

- Requirement to install community reference groups and the requirement to provide the views and recommendations of these groups in the investment proposals or social/environmental impact assessment submittals to government;
- Stricter conditions on permit approvals requiring more research in the impact of operations;
- Requirements from government to achieve a target of local content – e.g. in value of work contracted out.

These imposed conditions will form the first steps in providing exposure of project management to the running of partnerships, and to experience their results. Good and bad days will follow, and it will be up to the broker to understand the best ways to move these partnerships ahead.

Already in some companies, contracting and procurement departments have formalized guidelines to address incorporating local bidders in the contracting selection and award procedures. This could be built out further to integrate resource strategies into partnerships focusing on training and enhancing local capabilities; or include research and council to advice on environmental monitoring and reaction planning.

Understanding who in the project team is involved in these activities and what their deliverables and objectives are (e.g. using the risk register) will be important for the partnership broker.

Given the inherent strengths of project teams, once the decision has been made to incorporate these programs or partnerships into the deliverables of the project, I believe the implementation will be relatively easy to accommodate. One will have to realize however, that the project team will need to deliver on the plan, and that changes are easier accommodated early in the project-planning phase.

Partner selection will need to be taken carefully, as the alignment of objectives between the partners will likely have an added dimension through the time drivers of the investment project.

Similarly, the initiation of partnerships will have to be done well in advance to constructively contribute to the project. This will put some pressure on both the company, by assessing the project risks and partnering opportunities early enough - as well as the broker and potential partners, by understanding what is achievable in the available time.

Though this shift in partnership ownership will result in growing pains, new challenges and frustration for all partners, I believe that putting a partnership as close to the “coal-face” as possible will result in more tangible results. Direct dialogue between project decision makers and government and community representatives will create a better understanding of each others objectives, and a more effective implementation of the generated program proposals.

The functional expertise of internal brokers, or traditional business representatives in the partnerships (community affairs or environmental specialists), will remain critical. Companies will continue to participate in a portfolio of partnerships, aimed at general improvement of reputation, or good neighbor practices. The addition of project driven partnership will shift the ownership of these partnership to line management. Equipping the project managers with the right tools, understanding and behavior will continue to be an area for specialists and brokers involvement.