



NAC Executive Insights

Owners’ Program Management Contracting “Rules Of The Road”

Key Points

- Defines program management contracting (PMC) from an owner’s perspective.
- Provides “rules of the road” to improve successful outcomes.
- Stresses importance of having a strategic alignment between owner and contractor senior management teams.

This Executive Insight briefly looks at owner's "rules of the road" to ensure that a program management contracting (PMC) approach on large, complex programs delivers expected results. It is primarily focused on activities which should occur prior to and immediately after program initiation while addressing fundamental management challenges during the execution phase.

Table 1 provides a summary of these “rules of the road,” which are elaborated in this Executive Insight.

Table 1 Owner’s PMC “Rules of the Road”
1. Ensure common understanding of program management.
2. Recognize the number one reason programs fail is a lack of clearly articulated strategic business objectives (SBOs) that have been agreed to and will be <i>continuously</i> communicated.
3. Address governance and oversight.
4. Increase focus on scope gaps.
5. Recognize changed stakeholder framework and mindset.
6. Recognize the nature of risk changes.
7. Recurring schedule deficiencies must be addressed.
8. Understand the value of time.
9. Things change. Stuff happens. Deal with it.
10. Understand the role of the executive sponsor.

1. **Ensure common understanding of what program management is among the owner's team.**
 - a. Program management is about translating the owner's strategic plan into a defined set of discrete but interrelated activities (projects) and then managing the delivery and successful completion of these activities in a holistic way.
 - b. Program management is the process of providing execution certainty to meet the strategic business objectives (SBOs) of an owner.
 - c. Program management is not only the sum of all project management activities. It also includes management of the risks, opportunities, and activities that occur in the "white space" between projects. It also requires a heightened focus on the flows inside the project as well as those impacting the project from the outside.
 - d. While an individual project will employ a specific project delivery approach (design-bid-build, design-build, DBOM, and others), program management may combine different delivery approaches across multiple projects to best achieve the desired strategic business objectives.
2. **Recognize the number one reason programs fail is a lack of clearly articulated strategic business objectives (SBOs) that have been agreed to and will be *continuously* communicated.**
 - a. "Level 0" alignment (if you will).
 - b. The entirety of the owner's organization must buy into SBOs and the approach and allocation of governance, oversight, and management responsibilities.
 - c. Ensure clarity on capital efficiency.
3. **Address governance and oversight and understand the difference between these and management.**
 - a. Role clarity is essential; lack of clarity impacts effective and timely decision making.
 - i. Program Management Oversight (PMO) vs PMC
 - b. Inefficient organization/decisions structure
 - c. Inadequate, regular (monthly) oversight reviews: performance, trends, mitigations, risks/opportunities, management barriers, process and system performance, and others
4. **Increase focus on the second reason large complex programs fail: scope gaps not in the program's purview and related "white space" risks.**
 - a. Environmental, safety, and existing conditions are unclear.
 - b. An absence of a "no change" culture (wants vs needs) exists.
 - c. Goals and expectations are poorly developed.
 - d. Poor scope definition leads to poor schedules and base cost estimates. Invest in scope definition.
5. **Recognize changed stakeholder framework and mindset required.**
 - a. Stakeholder engagement vs. stakeholder management
 - b. External (stakeholder) factors as a principle source of program disruption
6. **Recognize the nature of risk changes in large, complex programs.**
 - a. Our risk assessment practices tend to drive us towards excluding rare, impactful events, modeling risk behavior as normally (or similarly) distributed. It is not. Large complex programs exhibit the same type of "catastrophic" behavior that we see in other large complex systems such as in nature. Rare events happen much more frequently than we are led to expect.

- b. The shape of the risk distribution curve as well as the top risks that the program is facing changes over the lifetime of the program. That initial assessment of top risks and their relative contributions changes as the program proceeds and, even worse, the rare events our risk modeling effectively eliminated and took off our radar screen are likely becoming more important.
 - c. A second risk aspect to pay attention to is the assumptions we make. As good as they may be at the time that we made them, they are still assumptions. Assumptions need to be tracked since “assumption migration” is a key feature of risk behavior in large, complex projects.
 - d. Opportunities require increased attention and management focus. There is a heightened need to get past the paradigm of “we’ve always done it this way.”
7. **Recurring schedule deficiencies must be addressed prior to program initiation.**
- a. Program initiation schedules are not sufficiently granular.
 - b. Resource requirements for project initiation (and closeout) are different from execution. Appreciate and plan for start-up and close-out teams to supplement the core program team.
 - c. Understand that the “arrows” are not dimensionless. They have embedded assumptions and are subject to disruption from “flows” arising from outside the project team (stakeholders).
8. **Understand the value of time (literally) on the project.**
- a. A program manager must understand the value of time. How does one full day impact project cost and schedule? What about an hour or even a minute?
9. **Things change. Stuff happens. Deal with it.**
- a. Time is not your friend.
 - b. Recognize, understand, and address cascading disruptions the change has caused or will cause.
 - c. There is a tendency when a change occurs to try to get back on the original execution plan. Recovering to the baseline drives a set of management decisions and approaches that may fail to clearly understand the systemic changes in project environment acting on the project until a much later stage when “normal” corrective actions have failed to yield desired results. These systemic changes may be the result of combinations of factors such as assumption migration, constraint coupling, white space risks, inherent complexity, and inadequate baselines based on Gaussian modeling in an increasingly non-Gaussian environment. The effected corrections may act to increase inefficiency of execution as resources are jerked from one task to another.
 - d. Dealing with change is best accomplished through a series of “sprints,” allowing for reassessment and intermediate benefits to be realized (big bangs often blow up in your face).
 - e. If a change is required, there is one last question to ask: When should the change be made? Now, later in execution, startup, or afterwards? (This rarely happens).
10. **Understand the role of the executive sponsor.**
- a. Remember that the role of the executive sponsor is a governance role, not a management role.

- b. The executive sponsor has responsibilities to the program and the program manager, but importantly he/she has roles and obligations with respect to the overall owner organization and other key stakeholders.
- c. The executive sponsor provides leadership on culture and values; brings a broader organizational risk perspective; provides regular challenge seeking out opportunities as well as mobilizing resources to support challenges beyond the program team's capabilities or purview; provides real time assessment of the team and its management's performance; and sponsors regular program review meetings, mobilizing participation from other elements of the organization.

About the Author

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