

## The Story of the Oil Sands

by Jeremy Heigh - email note to R.P. Lynch Spring 2013(printed with permission)

With coarse and blunt strokes, let's walk through the general trajectory of a mega-project in Alberta:

- Projects start by being put out for bids. This seems like a good move for the owner but it instantly sets up a zero-trust environment.
  - o It's a cut-throat process where engineers, constructors, and manufacturers battle their peers to provide the lowest bid, within the tightest schedule, at the highest quality.
- The winning companies are rarely given enough time to pull the ideal team together.
  - o They cobble together a group of readily available individuals and throw them into the project.
- The project team stumbles around trying to figure out each other, the other companies they're partnered with for the project and the owners.
- The owner almost always starts by changing the schedule and the plans, immediately making the carefully crafted planning irrelevant.
- Plagued by schedule changes, budget volatility, input constraints, labour shortages, safety violations and regulatory uncertainty, the project teams toil doggedly through the five to seven-year process of producing the project.
  - o Inevitably, the zero-trust environment flourishes, seeded by the bidding process.
  - o Owners complain about engineering, engineering complains about construction, construction complains about schedules and materials, and manufacturers complain about the burden of inspections.
- Exhausted, the management teams of all the partners and any associated executives finally complete the project.
  - o The almost universal response is that it's over budget and past schedule.
  - o The teams are dismantled. Scapegoats are fired.
  - o And the process starts again.
- The learning, strategic implications, and experience within that specific project is dispersed and ineffectively captured.
  - o The individuals are often thrown into new projects where nothing is the same and the learning is only partially leveraged.
- The consequence is that executives tell us the projects today are no better, no faster and far more expensive than they were 10 years ago. Management is full of holes.
  - o And too few of the companies we interviewed trust anyone else.

Firms that adopt Lean practices are evangelists. The ones we interviewed are avid advocates. But many leveraged their success to illustrate the need for similar systems in other areas of their business.

A Lean-like process is needed for driving strategic learning. It's an essential response to the executive and management challenges in Alberta.

Processes are needed to short-circuit this cycle. We need rigorous processes that mechanize the record of learning, make components available for new projects, translate implications for leaders, and make timeless the experience of projects.

We need tools that test tactical choices for strategic consequences. We need to systematize learning too.

Lean and Six Sigma are processes for managing complex production processes. See you Thursday. Looking forward to our lunch.

Jeremy Heigh