

Getting capital projects back on track: Six elements of a successful turnaround

Leaders don't want their projects to be in a turnaround situation, but that often happens. Here are some tactics for resolving problems quickly.

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The first signs of a distressed project are clear. Cost begins to creep and the project rapidly consumes the float that planners built into the schedule. As work progresses, important milestone dates continue to slip and each forecast of projected expenses is higher than the last. Team meetings are less productive and people become skeptical that progress reports truly reflect realities in the field. As frustration builds, enthusiasm wanes.

Even the most seasoned managers may miss early signals that their project is in trouble because of cognitive bias. Some convince themselves that things aren't as bad as they seem, or simply don't see that a turnaround is imminent. Others blame factors beyond their control, such as poor weather. When managers do intervene, their response is typically muted—often a series of isolated initiatives that have little impact. By the time they take more decisive action, the project has veered into dangerous territory.

With capital projects becoming more expensive and complicated each year, managers can't afford to repeat these mistakes. So how can they improve? There's no secret formula that will work in every instance, since each project faces unique challenges. But our research on distressed projects, combined with interviews with internal and external experts, suggests that leaders of successful turnarounds implement some common tactics.¹ Here are the main elements.

Develop a recovery plan and realign stakeholders

When setting a new course for a troubled project, many companies don't know where to begin. A good first step involves determining where the project truly stands with respect to milestones, budget, and scheduling. In the process, they'll have to ask difficult questions to learn from past mistakes and avoid repeating them. What went wrong and how do we change things? How can we make better and

more timely decisions? The main goal is to identify the exact reasons the project went south, rather than just making a general claim that teams were underperforming. Often, it's very effective to have fresh eyes independently review a project's status, diagnose problems, and make forecasts about the outlook. An in-house team that hasn't been intimately associated with the project, or external experts in the construction or capital-projects sectors, might be a good choice for this task. As outsiders who don't have a stake in the game, they won't hesitate to speak up if they see that the project doesn't measure up to the vision in the original project plan.

Once stakeholders have an accurate picture of a project, including the areas where it is broken and dysfunctional, they can craft a recovery strategy that identifies major problems, their root causes, and possible solutions. In many cases, companies revisit the ambitious goals in the original project plan. As they establish a new baseline to create a challenging but achievable vision for success, they should focus on schedule, cost, and quality. They will also need to manage commercial aspects of the project—for instance, by developing strategies for quickly processing change orders. Recovery plans will always include safety targets, especially for construction sites where employees have been injured or narrowly escaped danger.

In addition to defining new targets and milestones, the project-recovery strategy should outline the execution approach and key enablers. That might include a new system for bonuses and incentives, or major changes in the project's organizational structure. For instance, a construction team that has responsibility for an entire site is sometimes tasked with managing both processing plants and utilities. Usually, the original organization for such projects is purely functional—a single construction or engineering team covering all facilities, for example. If multiple problems arise, these teams

will be spread so thin that the most critical facilities won't receive the attention they deserve. In cases like that, companies should consider creating a new organizational plan in which each critical or near-critical facility has its own teams dedicated to implementing effective solutions, as needed.

Once the strategy is defined, companies must align all project stakeholders and win their buy-in. In some cases, they'll need to create incentives for stakeholders to increase their commitment to the project. If a contractor is behind, for instance, leaders might need to revise the incentives outlined in the project-recovery strategy to encourage more rapid work. At one \$750 million energy project, leaders created a new retention-bonus program for welders to combat high attrition rates that were at the heart of some schedule slippage. The subsequent increase in retention boosted productivity.

When developing a recovery plan, the most difficult conversations invariably focus on costs and schedule. But our interview panelists stressed that it was extremely important to put all facts and benchmarks on the table. Without that information, critical stakeholders will question the details within the plan and withhold their support. Some discussions will relate to project leadership and will frequently result in new appointments or a shift in responsibilities.

Install new leadership to encourage progress

On distressed projects, top executives must often acknowledge that the original project leaders are ineffective—a serious problem that necessitates immediate change. According to our interview panelists, even very experienced leaders may lack one or more critical skills. Their main weaknesses might include indecisiveness, failure to maintain the trust of important project stakeholders, approximation in planning activities and following through, and the inability to get people to work as a team. Others withhold information, or aren't

entirely candid when asked about the project's status. And some don't adhere to standard processes. Such problems can interfere with progress and create a toxic culture in which line managers and others follow their example.

The implications of these findings are clear: executives must install new leadership, rather than trying to protect managers or shield them from criticism. This shift is the only way to drive progress, interject needed enthusiasm, and help the team implement the changes that it has struggled to make.

Since team members may be disillusioned, the new leaders face a tough situation. They must quickly connect with critical staff, from functional managers to crew foremen and line supervisors, through one-on-one conversations or group meetings. To make these discussions count, leaders should focus on facts—where the project is, why targets are not being met, obstacles encountered, and other difficult topics.

Above all, leaders must convey a new vision and aspirations for the project, as well as concrete solutions that show they won't repeat past mistakes. If they only make vague statements about the need for alignment or avoid discussions about major problems, they'll rapidly lose the battle. New leaders should also focus on the future, including the project's goal. This positive outlook can go a long way when trying to reenergize jaded teams.

Stabilize the project

After establishing new leadership and creating a recovery strategy, teams may take months to stabilize a large project in distress. Consider the case of a turnaround at a large refinery. The project leader had a detailed recovery plan that required extensive groundwork. One major goal involved restructuring the engineering, procurement, and construction-management teams, as well as the owner's team, to increase the focus on the critical

path for priority facilities. As a first step, the project leader negotiated for approximately 60 new staff, assigned them responsibilities, and set them to work. These activities, which included the identification and mobilization of new resources, required two months.

The recovery plan also called for improved governance, since leaders wanted to reduce bureaucracy and encourage more rapid and effective decision-making. The project leader spent the first three months adjusting the new agenda and shifting the composition of key meetings before they were satisfactory. To improve interactions with stakeholders—another major goal—he worked with the team to evaluate and implement new performance-management tools. These solutions, in combination with the improved governance system, increased transparency and facilitated decision making.

As in most projects, the recovery plan included some activities designed to score quick wins and mitigate short-term risks, including those related to the supply chain, fabrication, and contractor management. Almost immediately, the project leader created a list of 20 critical solutions and implemented them within the first 30 days of the stabilization process. For example, he rebalanced the scope of work to eliminate bottlenecks for contractors and arranged to airfreight some critical materials.

Finally, the recovery strategy called for creating a new schedule sequence that would help compensate for lost time on critical tasks. The project leader brought in a new construction manager to lead a team review of the three most critical facilities. The team's main goal was to determine the optimal construction methods. It evaluated different cranes and lifting techniques to increase the number of work fronts. The team also identified more efficient methods for erecting steel and piping. In many

cases, it also pointed out skill and process gaps that subcontractors had to address if they wanted to increase field productivity. By identifying these opportunities, the team created more than 12 weeks of new schedule float.

The stabilization phase is of utmost importance in turnarounds. If new leaders demonstrate that they're willing to make big changes, tackle problems, and work with contractors within their first few weeks, they'll help the project gain momentum. But if they can't report any major accomplishments or progress after 30 days, companies will know that they have a new—and larger—problem to fix.

Install an operating model with a dual focus

Strong project leaders can manage the unexpected problems that usually pop up each week. These problems may involve trouble-shooting the late delivery of equipment or materials, resolving an engineering problem, or resolving a quality problem. But the best project leaders will also dedicate significant time and resources to capture float or buffers—elements that will make the project more robust and protect against unforeseen events.

Most project leaders recognize the importance of being strategic, rather than just tactical, since they know that new opportunities to cut costs and reduce timelines always arise as the project transitions from early construction to bulk construction and again from late-stage construction into pre-commissioning and commissioning. But leaders often become so focused on their day-to-day work that strategy takes a back seat. They can overcome this bias by establishing an operating model with a dual focus. In addition to optimizing day-to-day performance management and capturing short-term value, they must engage in medium- to long-term strategy development.

For this operating model to work, project leaders should establish a full-time team of highly skilled

staff who can recognize and capture strategic opportunities. Team members should have the right mix of operations, construction, engineering, and planning skills. For best results, they should report to the project leader, who can provide rapid access to the information and resources required to implement their recommended strategies.

In one case, the project leader dedicated a team of four highly experienced staff to identify opportunities to reduce costs and timelines. The team analyzed activities that needed to occur about 6 to 12 months out, as well as those that were in no-man's land because they didn't fall under a line manager's responsibilities. The leader spent about one or two hours with the team each day to discuss their findings. For example, the project plans for construction and commissioning were originally separate, since they were contracted to different parties. The team realized that it might be able to reduce the project timeline dramatically if it created an integrated plan. By considering construction and commissioning together, the team significantly reduced the schedule. The team also recognized that it could capture long-term savings and reduce rework if it set up a boot camp to help contractors improve welding productivity.

Take active ownership of the turnaround

As they monitor performance, leaders will inevitably discover that some contractors are missing their targets. All too often, however, they'll just silently acknowledge the failings because they think that interventions will create more chaos or because they fear potential liabilities, such as penalties imposed for missing deadlines. Later, leaders regret not taking more decisive action.

If a contractor is struggling, leaders won't make progress by pointing fingers or assigning blame. A much better solution involves serving as an active partner in the problem-solving process and

mobilizing additional resources when necessary. Such cooperation may be the most difficult and delicate part of any turnaround. Managed poorly, they could alienate critical contractors. But if managed well, they could be one of the primary improvement levers.

On one project, a contractor failed to meet earth-movement targets for reasons beyond its control, including poor soil conditions, bad weather, and untrained staff. Rather than issuing penalties, managers on the owner's team collaborated with the contractor to develop solutions. The owner's team agreed to purchase more equipment to alleviate bottlenecks, changed the strategy for disposing of unusable earth as spoil, and searched for alternative sources of competent material. These efforts helped double the quantity of earth moved—even tripling it on some days—allowing the contractor to reach its established goals. When the construction team saw these results, it agreed to new earth-moving targets that were more ambitious than the original goals.

In more extreme cases, project leaders might have to take more interventionist measures, such as descoping a contractor's work by reassigning some responsibilities to another one. They might also ask contractors to replace their project leaders or supervisors, or second resources into the contractors' organization to bolster performance.

Ensure transparency

The same scene often plays out in progress-review meetings on troubled projects. Instead of reaching alignment on future milestones and resolving the issues that impede performance, participants hold long debates about which group has the best or most recent information. Then they spend time reconciling their progress reports or providing rationales to explain why they're lagging on performance metrics.

The only way to avoid this morass is by creating a common report that describes progress on major performance metrics, with a special focus on those essential to project success. While common reports can benefit any project, they are especially critical for turnarounds, where struggling teams tend to rely on intuition when making difficult choices.

In one schedule-driven turnaround, the team had to complete work on eight critical and near-critical facilities. To track progress, it created a simple report that showed the weekly and cumulative progress, both actual and target, for major trades at each facility. This report helped the team focus on priority activities.

Teams can also increase transparency by establishing very clear metrics. On one pipeline project, leaders originally relied on a “stoplight” system to assess progress. They didn’t look at facts to see if the project was on track—they simply made a qualitative assessment for each goal. If they felt they were behind schedule, they’d put an icon of a yellow light next to the task; missed goals were supposed to get a red light. But few tasks received these warning symbols, since managers were inclined to be overly optimistic or rationalize missed deadlines. To increase the rigor of their assessments, the team switched to more quantified metrics. For instance, they assigned red lights to any milestones that the team missed by more than two weeks. This shift changed meeting dynamics, since the data-driven metrics eliminated endless debates over whose progress reports were most accurate.

That said, ensuring transparency is not just a matter of tools—it’s first and foremost a matter of choice. In too many instances, project leaders consciously avoid raising difficult issues with key stakeholders, often because they fear overreaction. Some leaders also hope that they can buy more time to improve the project’s outlook, but this strategy

is rarely effective. In our interview panel, not a single project leader regretted surfacing issues early. Time is a scarce resource in any project, and rapid action is fundamental to success. Almost all the seasoned leaders we interviewed said that the best communication strategies involved fearlessly exposing a project’s weaknesses. By bringing the issues to light, they were more likely to find solutions and deliver the desired outcomes.



Project plans aren’t written in stone. If the original strategy isn’t working, top executives must intervene by staging an intensive turnaround. But it’s not enough to set new objectives and declare a break with the past. Project leaders should also ensure that their turnarounds contain the basic elements essential for success, from a clear recovery strategy to full transparency. Without this structured approach, they’ll inevitably repeat past mistakes. ■

¹ We interviewed over ten experts, internal and external, who were current or former senior managers or executives with more than 25 years of experience within the capital-projects industry. They had experience in a variety of capital-projects and infrastructure asset classes.

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