

Mining Misfits – Roundtable Discussion: Owner-Contractor Relations

Discussion Overview & Debrief of Major Topics/Themes

1.0 Introduction

Prime Contract Solutions (“PCS”) hosted a Roundtable Discussion centered around broken Owner/Contractor relationships in the mining and metals industry and rebuilding a strong and thriving contractor market. The discussion was held among eight prominent industry leaders whom are all experts in their own right.

The goal of this conversation was to discuss the current dichotomy between Owners and Contractors, so that objectives could be set to ultimately improve these relations for the benefit of both owner and contractor entities, as well as for the benefit of capital project success throughout the industry.

It is worth noting that this was the first of many similar and/or related discussions planned for the Mining Misfits network of interested professionals. During the introductory remarks, it was noted that the designation “Misfit” by definition is a *person whose behavior sets them apart from others in an uncomfortable or conspicuous way*.

This name was given to the group because the objective is to set about positive change within the industry, regardless of how uncomfortable that may make some feel.

As Charles Kettering, American inventor, engineer and businessman once said, “The world hates change, yet it is the only thing that has brought progress.” The goal of the Mining Misfits is to bring about a new era in the industry, an era where all involved parties can share in the same success.

In the following sections we will share some of the findings (major and minor themes discussed) as part of this introductory Roundtable Discussion. However, the conversation does not end here. This is just the beginning.

2.0 Primary Themes

Throughout the conversation, there were a number of themes that each participant discussed in one form or another, and which the conversation kept coming back to. These major themes are as outlined below.

2.1. Trust – the most common theme discussed amongst the group, and frequently brought back into the conversation was Trust. This trust needs to be developed right from the concept/inception phase of a project, and needs to be between project team participants, as well as within the organizations of partnering companies, right up through executive leadership.

Trust in terms of business is when parties respond to challenges with a shared set of values. This is an interesting perspective because (i) every capital project faces challenges, and (ii) if the response is made with a shared set of values rather than an “us vs. them” response, then the benefit can be shared on both sides; what is better for the project as opposed to what is better for any single organization.

2.2. Collaboration and Relationships – when partnering organizations trust that each participant is making decisions for the project rather than for their own organization, then true Collaboration can help to move that project forward. Each individual participating in this discussion hinted at the fact that the success of a project (safety, budget, schedule) is driven by collaboration as well as trusted relationships.

Once again, this is a selfless approach to project execution in that decisions are made to benefit the project, not any one organization which commonly and ultimately results in damage to the partner organization and/or the project itself.

It is not uncommon for owner organizations to have a mindset of risk management, and a contractor organization to have a mindset of claims management. Much of this starts on day one of developing the contractual relationship. More importantly, these defensive mindsets inhibit collaboration.

- 2.3. Understanding – it is quite possible that the lack of Trust and Collaboration between partnering organizations is rooted in the fact that decision makers and contract architects (whether legal, commercial or leadership) do not understand the business model and needs of the partner organization. This Understanding is critical in defining the relationship and setting the stage for project execution.

By understanding the business model of the contractor, or the needs of the owner, the partners are able to nurture a relationship of compassion. There is no reason why both business partners cannot be successful in executing a project; again, it does not have to be an “us vs. them” relationship.

- 2.4. Risk Transfer and “Price” – Legal contract negotiating, and modern procurement practices are detrimental to developing relationships. During contract negotiations, the predominant legal position among many mining companies is aimed at transferring as much risk as possible to the contractors to give them the full burden of cost and schedule overruns. This behavior poses a significant detriment to any organizational relationship. The consensus among the Mining Misfits was that this behavior is primarily due to a lack of understanding of the other party’s primary drivers and overall business objectives, and typically results in an adversarial environment before the contract is even signed.

If you couple such legal practices with current Supply Chain Bots, the constant focus on “price” versus “value” only further hinders the relationships of mining companies and contractors. It was the impression of many Mining Misfits that mining companies, for the most part, do not want contractors to make a good profit. It seems illogical. Do we demand our doctors give us a price reduction rather than fair-market value for quality services? Who would trust the cheapest surgeon for their own open-heart surgery? Most would concur that they would want the best, not the cheapest!

3.0 Secondary Themes

As the primary themes provided some structure to the entire conversation, there were also a number of secondary themes that were discussed and are worth mentioning here. Some of these secondary themes are directly related to those primary themes mentioned above, and some we will explore in more detail in future round table discussions.

- 3.1. Relationships need to be between owner-contractor organizations and leadership teams, as well as between owner and contractor project-dedicated teams and personnel. This is commonly referred to as organizational “stitching”, as it does not end with the project teams alone.
- 3.2. Personnel retention from one project to the next is the challenge of contractor organizations. Owners need to recognize this challenge and provide solutions from their side.

- 3.3. In addition to personnel retention, owners and contractor both need to invest in personnel training and development. Every organization has a vested interest in personnel training and development, both within their own organization, as well as personnel in their partnering organizations.
- 3.4. Both owners and contractors benefit from investing in innovation and technology. It is unfair for one partner to take all the risks in investing in research and development, while the other only reaps the benefits of applicable technologies developed.
- 3.5. Contractor margins affect bench strength (maintaining personnel through lifecycle of multiple projects). Owners have a vested interest in contractors retaining and developing project personnel.

4.0 Key Take-aways

In summary, one sentiment that was expressed by a plurality of the group if not the completeness of the group is that relationships among owners and contractors in the mining industry are hurting. The outcome of this conversation was not the development of an exhaustive list of solutions, but rather exploratory dialogue focused on understanding the **why** and the **how** these relationships are so damaged.

It is the goal of PCS to explore these topics and others in greater detail, and to ultimately provide solutions as to how owner-contractor relations can be salvaged, renewed, and made mutually beneficial once again in the industry.

5.0 Conclusion

One additional point of interest that was brought up during the conversation is the notion that the human element is starting to come back among industry leaders. This in part may be a direct result given the current state of global affairs, and the shake-up that has had in the business world and global industry.

This is interesting not just in that it demonstrates that we care about our colleagues, but it also presents us a unique opportunity in the industry to say, 'How can we treat each other better?'

How can we ensure that project execution provides the same opportunity for success in both owner and contractor organizations? How can we create a culture where the success of one partner leads to the success of all partners?

These are the objectives that PCS is looking to explore.

This introductory Roundtable Discussion: Owner-Contractor Relationships was merely the first step in a long process of exploring opportunities and putting into action the plans that will help the industry get to the point where we are once again working with each other, not working against each other.

How will we do it? By re-structuring our contractual and business relations to ones developed in TRUST, COLLABORATION, and UNDERSTANDING through mutually beneficial relationships.

If you're a progressive thinker and mining leader and you want to make a difference in our industry, connect with me. I would love the opportunity to speak with you and get your personal experience and perspective as well as share the thoughts, connections and ideas of other leaders in the industry!

Many thanks, and much appreciated.

Jason Fearnow, Founder & CEO – Prime Contract Solutions