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E3 Advisory Viewpoint
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Making Stimulus Spending a Success

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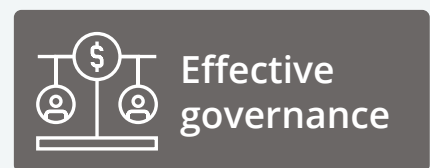
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Summary

Government stimulus spending aims to minimise the impacts of the COVID-19 pandemic in Australia by sustaining employment and spreading benefits across the economy. Infrastructure stimulus is likely to be a mix of individual large scale (and complex) infrastructure projects and programs of smaller projects with a broad geographical distribution. The short term success of stimulus spending will be measured by starting construction quickly to sustain employment, but long term success will inevitably be measured by the more usual criteria of achieving value for money, budget, completion date, and satisfaction of diverse stakeholder requirements.

E3 Advisory and **eci partners** have collaborated to show how to make stimulus spending a success by focusing on three critical factors – empowered leadership, engaged teams and effective governance – as part of a five-step ‘people and performance’ model.



These factors, together with a proactive and solution oriented approach to contingent risks, will maximise both the short term and long term success of government infrastructure stimulus spending.

Introduction

Minimising the impacts of COVID-19 on the Australian economy will require financial stimulus by governments to sustain employment and spread benefits throughout the economy. Infrastructure is one focus of stimulus spending.

Governments want delivery agencies to commence construction quickly in order to sustain employment, whether on a large and complex individual infrastructure project or a program of smaller projects. Traditional or business-as-usual (BAU) approaches for

infrastructure development and procurement will need to be modified, while still focusing on managing risks through development and delivery.

E3 Advisory and **eci partners** believe three factors will be critical for successful infrastructure stimulus spending: empowered leadership, engaged teams and effective governance. These factors need to be coupled with a proactive and solution oriented approach to any contingent risks which may materialise during delivery.

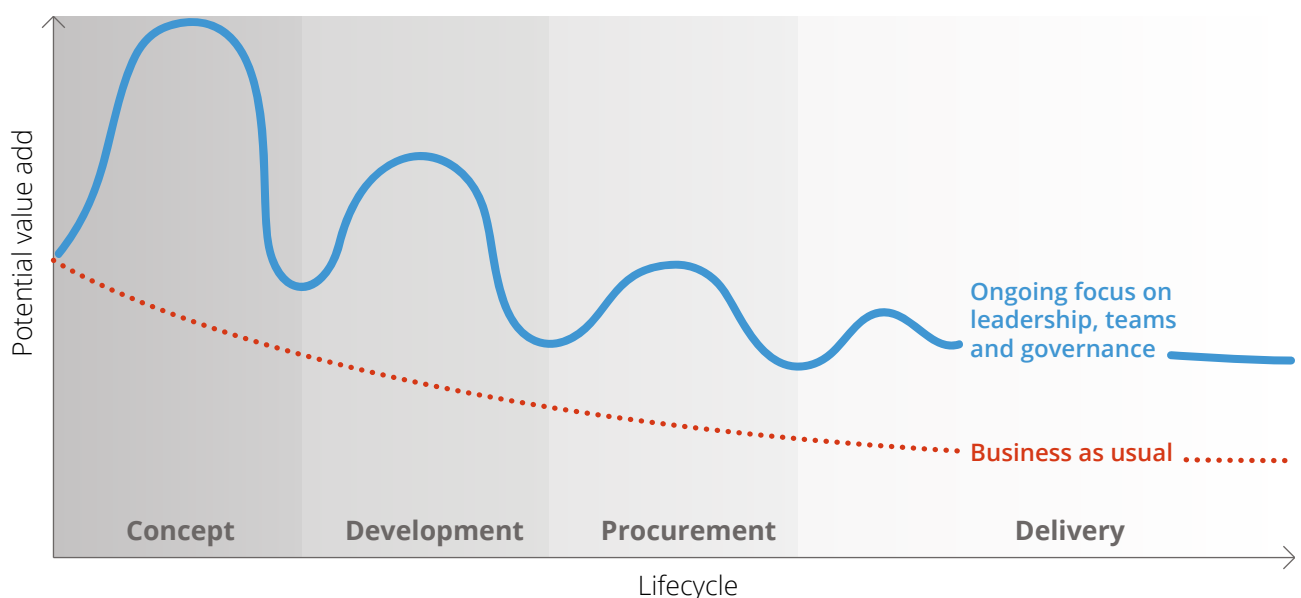


The challenge of stimulus spending: speed

The speed required for infrastructure stimulus spending will challenge BAU approaches to many aspects of project concept definition and development including community consultation, planning approvals, land acquisition and stakeholder requirements – all critical to defining project scope, budget (including contingency) and contractor delivery methods.

However, speed brings uncertainty and risk, for both the client and the contractor. During the first stages of the project lifecycle the greatest value can be added, or lost, through the decisions and ongoing performance of a client's leaders and teams, as shown in Figure 1.

FIGURE 1: Potential to add value over the project lifecycle



As projects and programs progress through the project lifecycle to delivery, the potential for substantive innovation reduces.

Governments will inevitably shift their focus from the speed of commencing stimulus spending to the more usual success criteria of achieving value for money, meeting the budget and completion date and satisfying diverse stakeholder requirements.

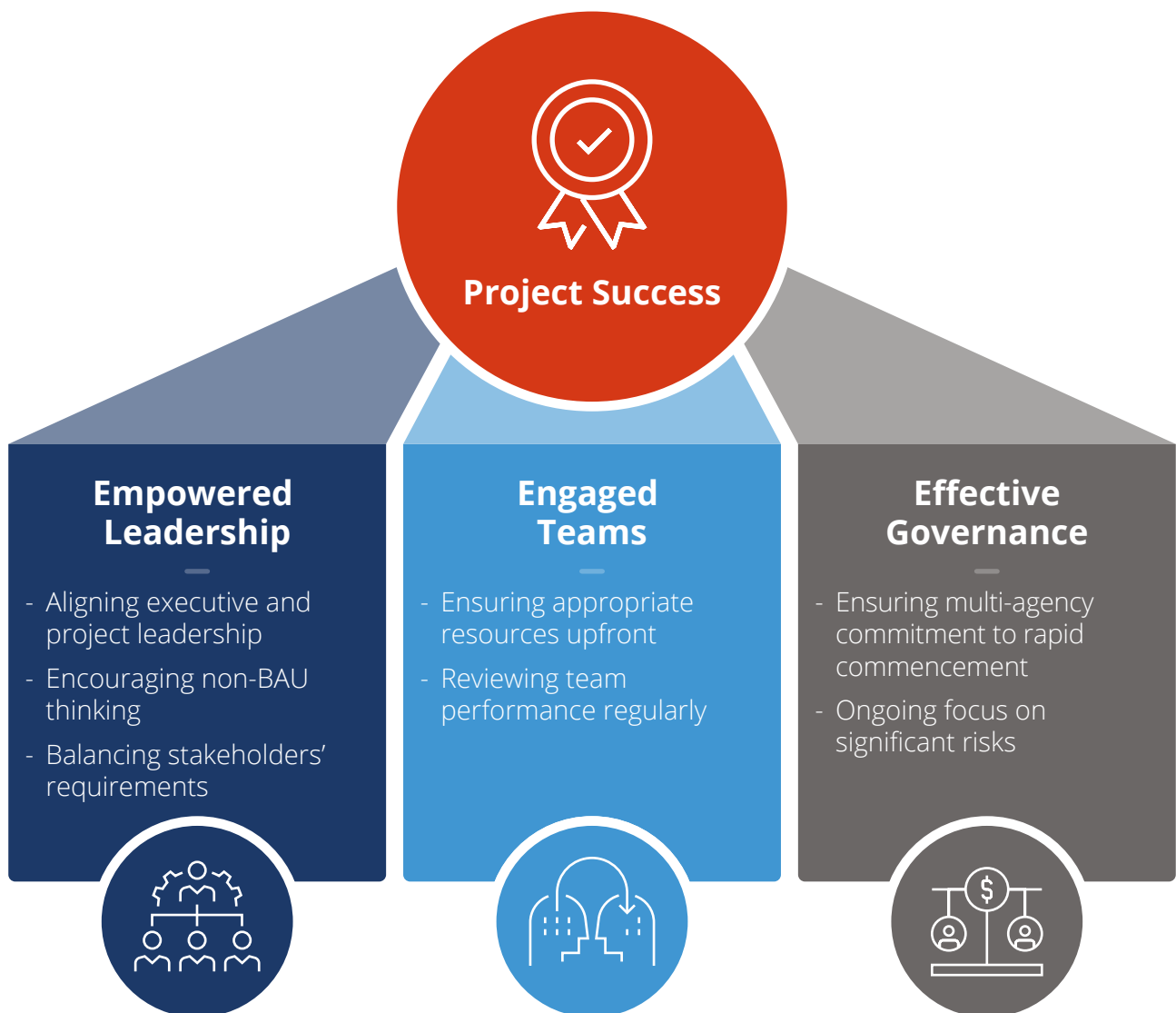
Risks that materialise during delivery will require the client and contractor to resolve problems within a defined contractual framework including planning approval conditions and risk allocation. Experience shows that if problems arise and they become big enough because the contracting parties fail to address them, they eventually become the client's problems, whatever the contractual framework.

Three factors for stimulus success: empowered leadership, engaged teams and effective governance

Leadership, teams and governance will be even more critical than usual for infrastructure stimulus spending.

The ability of these factors to work together and self-reinforce will determine the long term success of any infrastructure stimulus spending, as shown in Figure 2.

FIGURE 2: Three factors for stimulus success: empowered leadership, engaged teams and effective governance





Success factor 1: Empowered leadership

Leadership is always critical, with significant correlation between quality of leadership and organisational performance and achievement of goals. COVID-19 has already been a catalyst for quickly adopting non-BAU approaches such as forming a National Cabinet and creating online workforces, healthcare and education. Similar unconstrained thinking is needed to deliver both short term and long term success in infrastructure stimulus spending. Project leaders will need to conceptualise and then adopt non-BAU approaches to create an environment which encourages non-BAU thinking by teams for early commencement of construction, risk allocation and risk management, and ongoing team performance. In some cases, this may require more collaborative forms of contracting.

Empowered leadership for stimulus success means:

- aligning executive and project leadership to ensure common understanding of expectations
- creating an environment for non-BAU thinking that develops 'fit for purpose' processes to support the unique objectives of the project or program
- balancing diverse stakeholder requirements in the context of speed, which will require high level negotiation skills and the ability to compromise
- bringing together diverse teams and quickly forming and developing high performing teams with a shared understanding of what constitutes both short term and long term success
- decisive decision making, striking the right balance between being informed and collaborative with making decisions and moving quickly.



Success factor 2: Engaged teams

Leaders deliver outcomes through teams. The challenge of infrastructure stimulus spending will be to quickly form teams with the requisite capability and experience and then develop high performing teams that can adapt, pivot and adjust to the inevitable changes during the project lifecycle.

Achieving effective, engaged teams means:

- ensuring appropriate resources are appointed quickly, sometimes on a short term basis
- reviewing team performance regularly. Successful teams regularly set time aside to reflect on team performance against short and long term objectives including what is and isn't working well, and how the team works together.

Competition for resources in an already heated construction market means that leaders and teams are likely to have even more diversity in capability, skills and experience than usual, making regular reviews of performance even more important.



Success factor 3: Effective governance

Audits and royal commissions of previous stimulus programs, and more recent audits of significant infrastructure projects in Australia, have all highlighted the importance of governance to project success. As noted in one audit, a governance structure is not an end in itself, it is merely a means by which to achieve steps of substance.

For infrastructure stimulus spending, effective governance means:

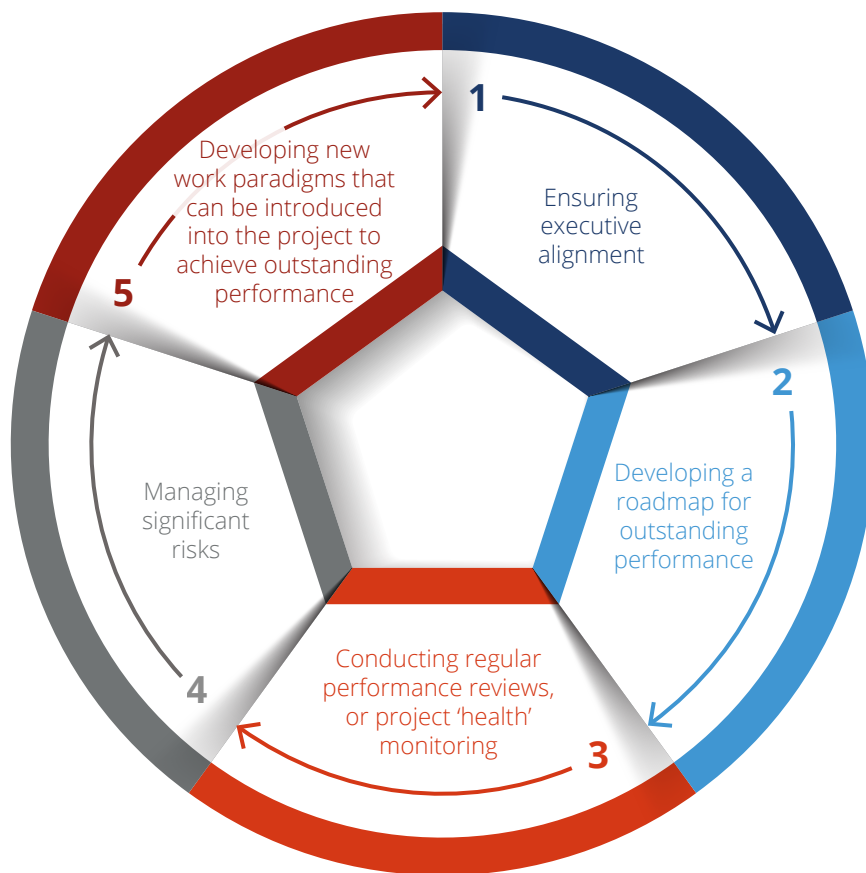
- ensuring policy agencies and delivery agencies work together to define objectives that are achievable
- ensuring multiagency commitment to rapid commencement of construction while meeting diverse stakeholder requirements, which may require Ministerial intervention to overcome business-as-usual thinking and avoid 'protection of turf' by non-delivery agency government stakeholders
- communicating risks to decision makers within the defined governance structure as decision makers can only make the necessary risk-reward tradeoffs when they have appropriate information
- maintaining a focus on managing significant risks and finding timely solutions if these risks materialise during delivery.

Working together to meet the challenges of stimulus speed

E3 Advisory and **eci partners** have developed a five-step model that focuses on empowered leaders, engaged teams and effective governance in order to maximise the success of infrastructure stimulus spending, whether on a single large project or a program of smaller projects. The five steps are shown in Figure 3 below.

Executive alignment and the roadmap for outstanding performance should be revisited on a regular basis as circumstances will change through the project life cycle.

FIGURE 3: People and performance model for infrastructure delivery



Conclusion

Governments are making significant financial commitments to both improve infrastructure and stimulate the economy. Governments want construction to start quickly, but in the long term they will also want to achieve value for money, with projects delivered on budget and schedule and meeting diverse stakeholder requirements.

Successful stimulus projects and programs will need empowered leaders, engaged teams and effective governance to work together to adopt non-business-as-usual approaches and to effectively manage risks during delivery.

E3 Advisory and **eci partners** have developed a five-step model for infrastructure delivery to maximise the success of infrastructure stimulus spending for all parties.

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