McKinsey & Company

Engineering acceleration using Project Production Management

Case study, December 2020

PROJECT PRODUCTION INSTITUTE

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Client struggling to deliver engineering as per schedule

Context

Advanced Industries client in **engineering phase of major project** in Europe

Engineering scope critical to unlock long lead procurement activities

Challenging regulatory environment with design inputs from multiple stakeholders

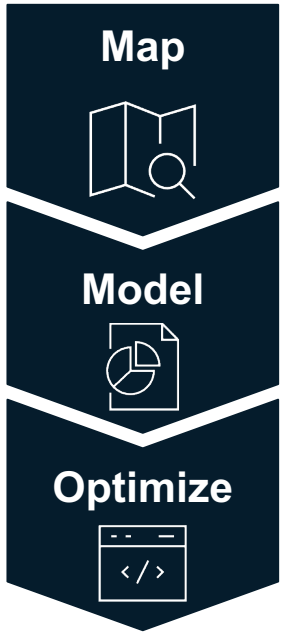
Low clarity on overall engineering process

Challenges to deliver on customer requirements and schedule

Our approach

Deploy Project Production Management:

Production System Optimization



Define standard engineering process

Develop simulation model of process performance

Optimize engineering process

Production Control

Deploy Project Production Control

Source: McKinsey Capital Projects and Infrastructure Practice

Challenges experienced by project team

Tasks needed to complete engineering **not fully defined, aligned or, worst case, known**

Siloed approach with too infrequent or inefficient interaction and alignment between individuals and/or sub-teams

Fragmentation of resources leading to sub optimal prioritization at working/ task level

No early warning or visibility on (risk of) delays

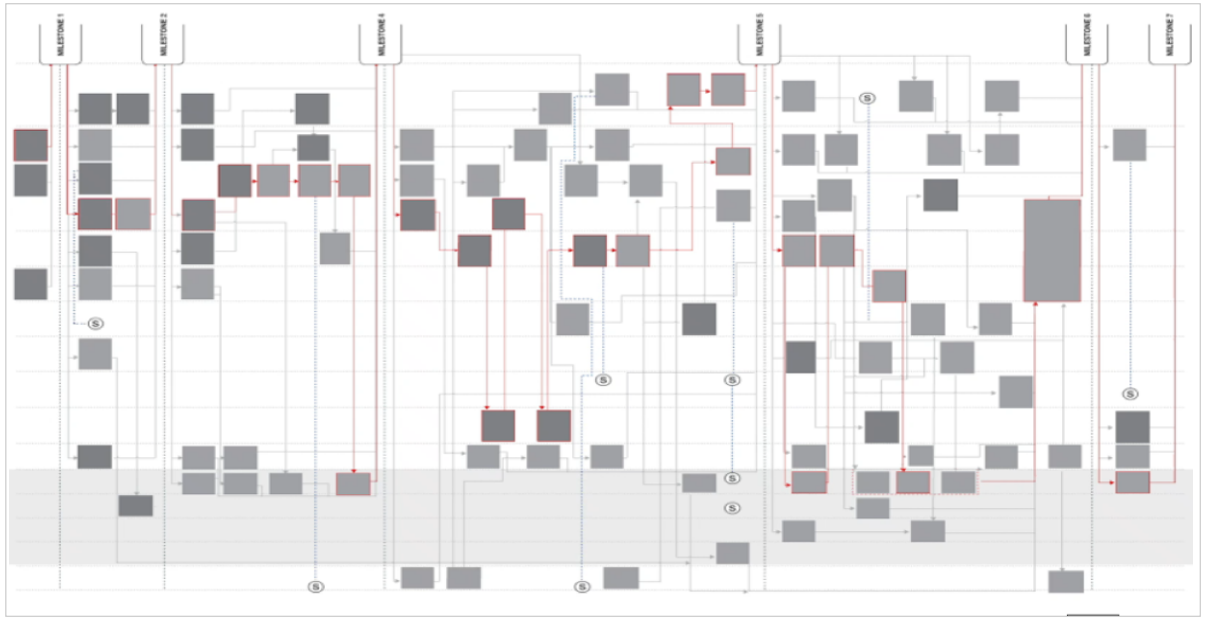
Focus on excuses and blame, not on addressing the root causes for delays in task execution

Build up of work-in-process resulting in deliverables taking longer and longer to complete

Source: McKinsey Capital Projects and Infrastructure Practice

Detailed production mapping set the stage

Engineering process defined and tested with project team



Production mapping captured:

Activity sequences and handoffs

Work load and level of effort

Capacity constraints of team members

Engineer feedback

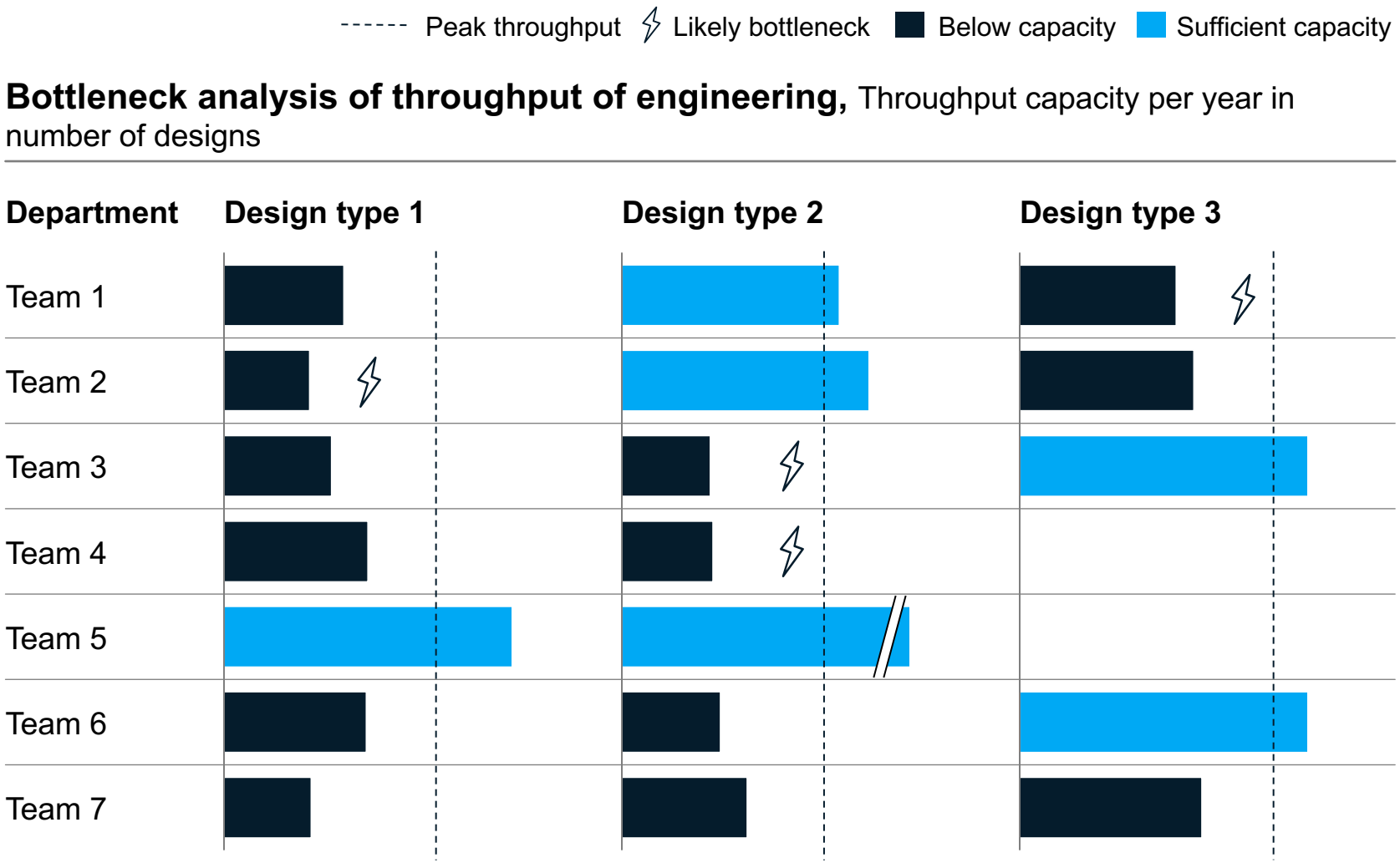
This exercise has been **extremely helpful** in defining required work to deliver

I don’t know why we didn’t have this in place earlier. It has been a **breath of fresh air** to understand what we need to get done

I really see the value this map has in **helping the team to deliver**

Source: McKinsey Capital Projects and Infrastructure Practice

Initial analysis highlighted likely bottlenecks

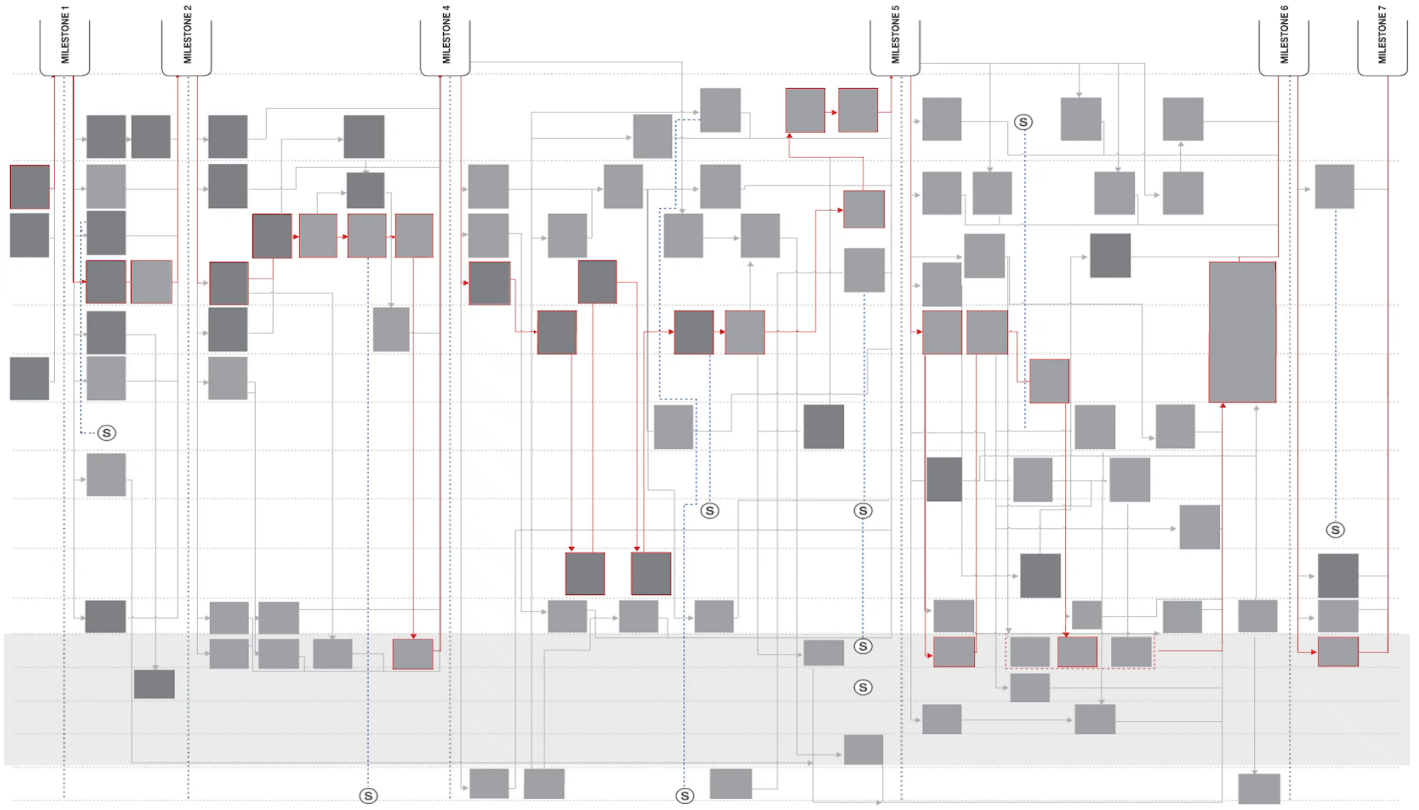


Source: McKinsey Capital Projects and Infrastructure Practice

Bottleneck analysis on mapped process identified likely bottlenecks and areas of concern

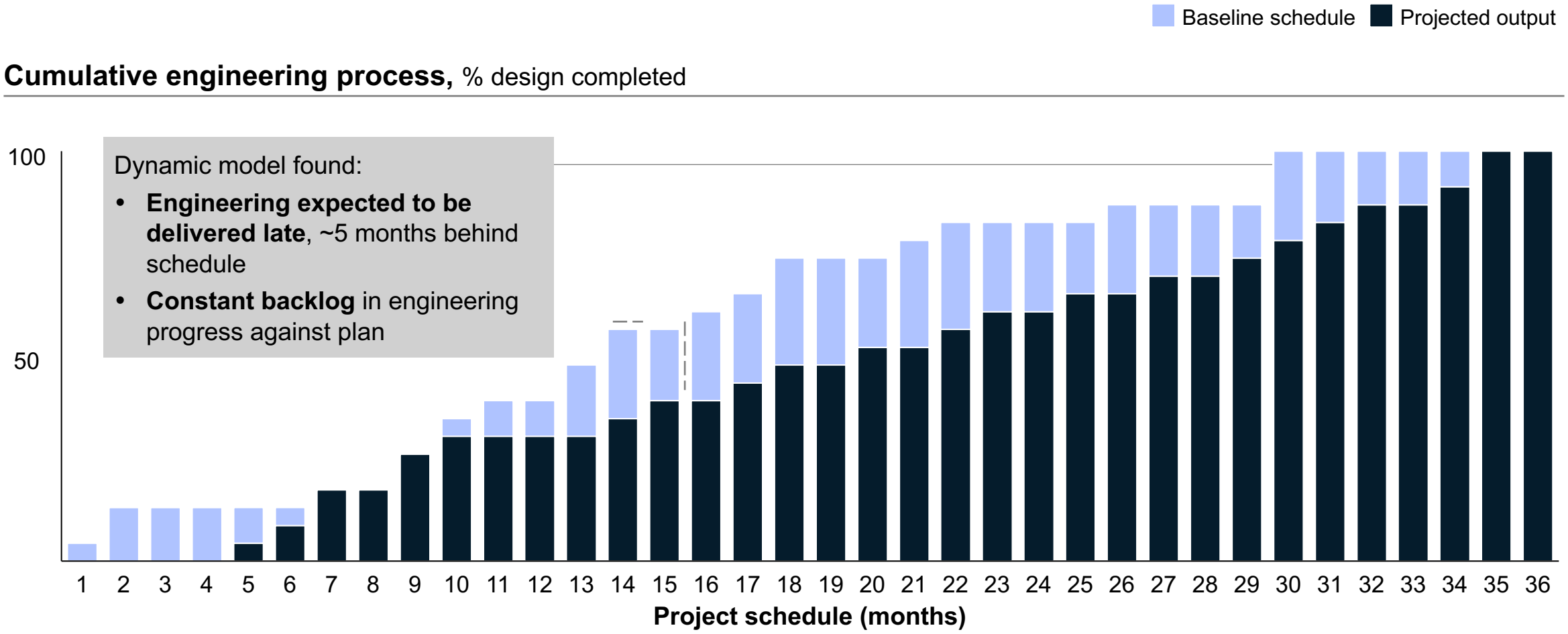
Dynamic model using Discrete Event Simulation showed process complexity and impact of variability

Simplified dynamic run of seven designs moving through engineering process:



Source: McKinsey Capital Projects and Infrastructure Practice

Dynamic model also predicted a five month schedule overrun

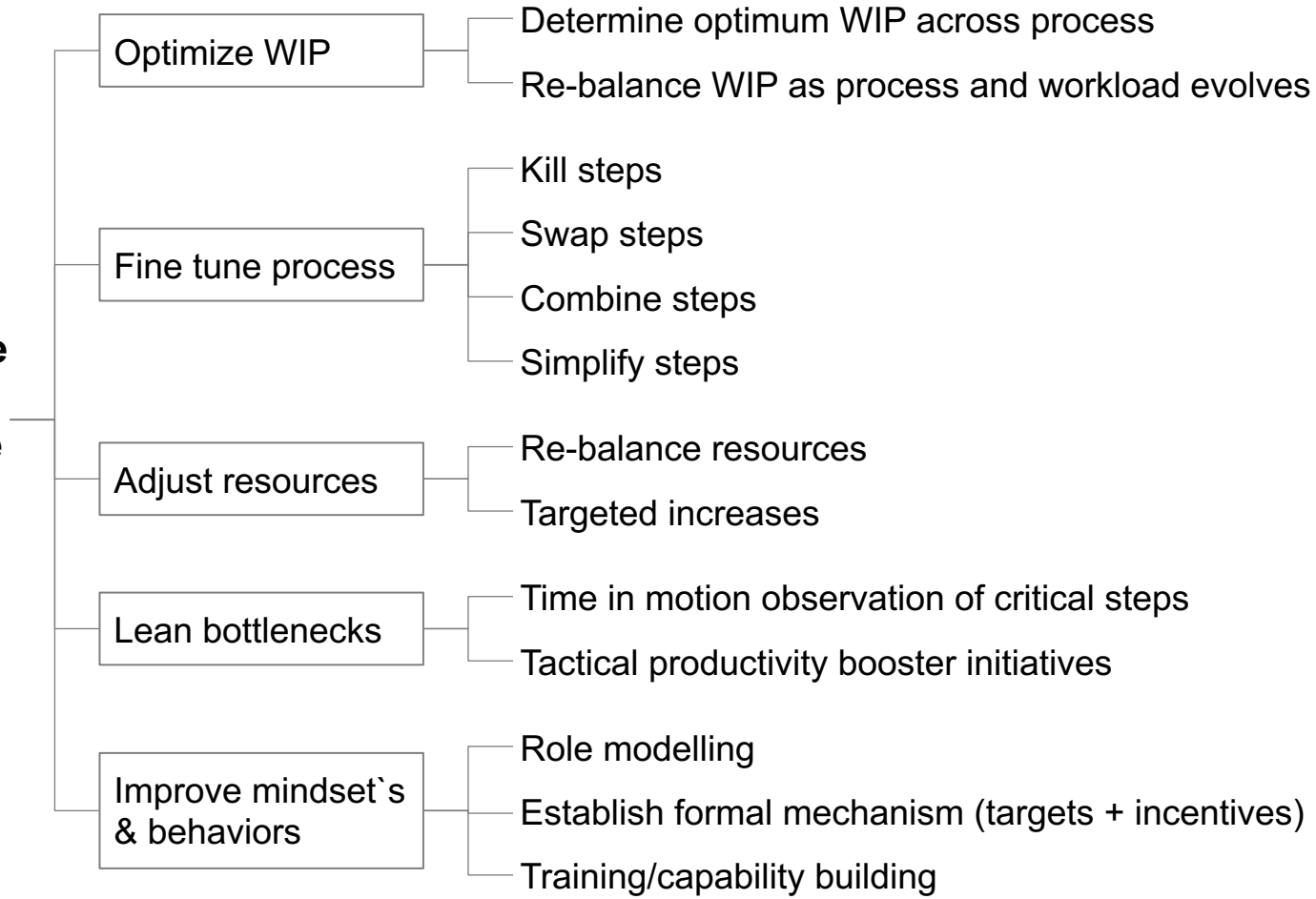


With baseline model established, scenarios tested to explore benefit of interventions to meeting project schedule

Source: McKinsey Capital Projects and Infrastructure Practice

Levers to optimize cycle time and throughput

Illustrative



Levers reviewed and prioritized with the project team

Source: McKinsey Capital Projects and Infrastructure Practice

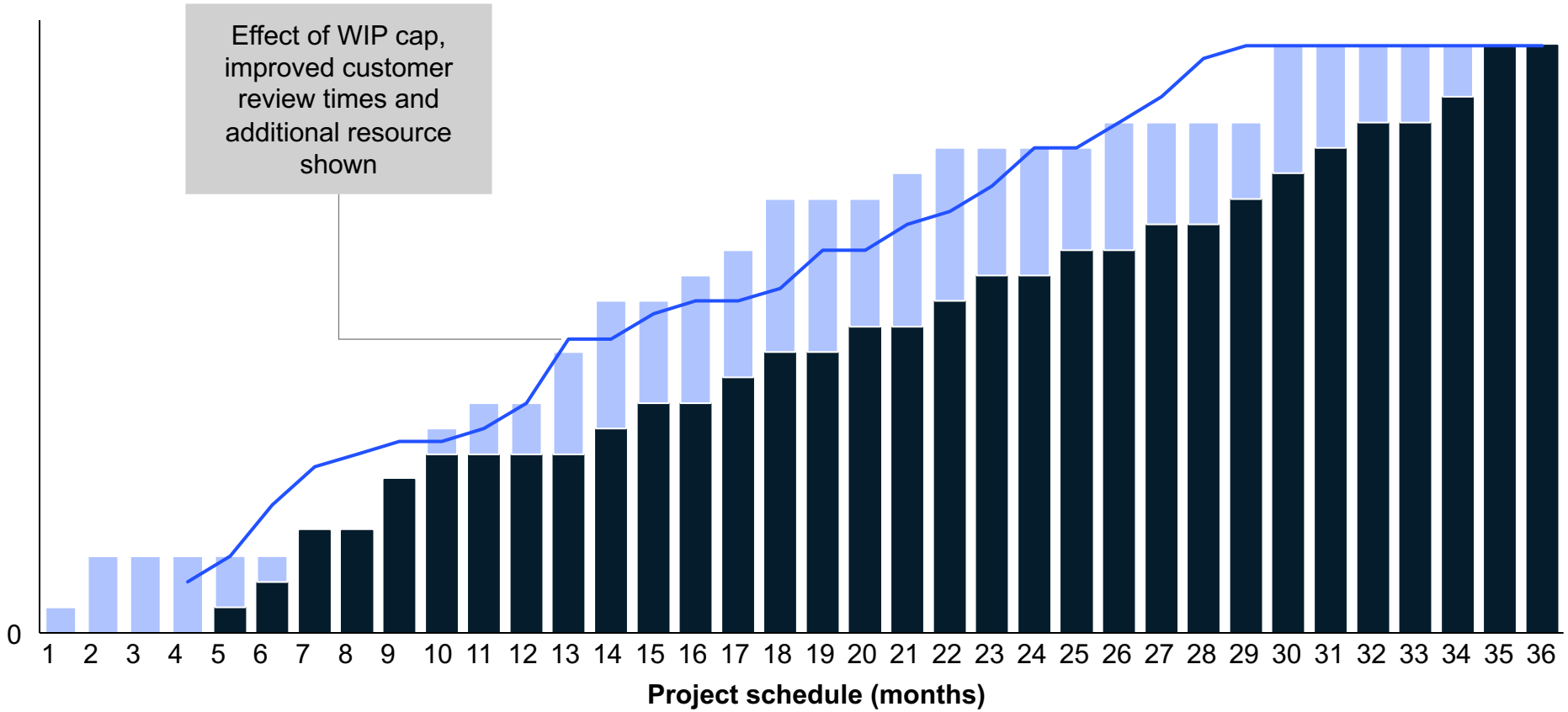
Targeted interventions could deliver project within current schedule

Scenarios applied

Production System modelled with:

- **WIP capped at xx** designs in process
- Customer team **review times reduced by 50%**
- One **additional resource added in bottleneck teams**

Cumulative number of designs at handover to sites, Number of designs



Source: McKinsey Capital Projects and Infrastructure Practice

PPC set up to drive daily work and capture the data required to refine the model

PPC kicked off

Standard process used to define **production schedule & production plan**

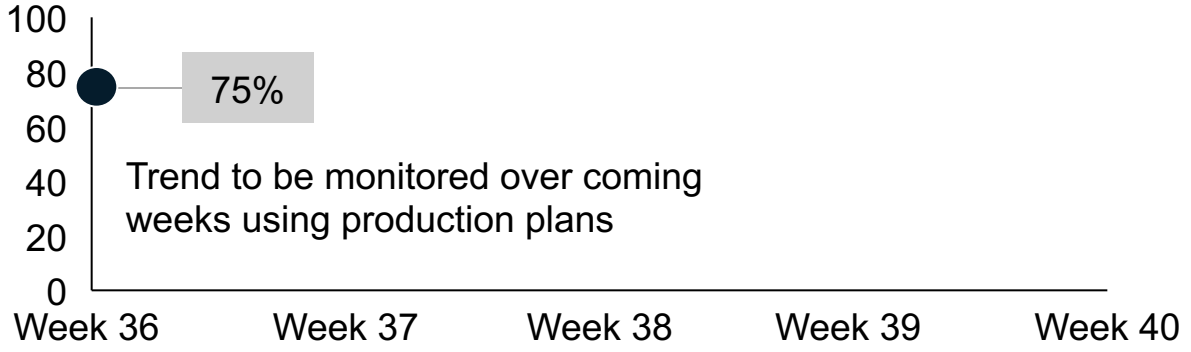
Structured review of production plan tasks completed to assess **commitment reliability and plan adherence**

Root cause of incomplete tasks captured, with preventative actions defined

Outputs from production control week 1

Commitment reliability

(% planned tasks complete)



Root causes categories for incomplete tasks

Categories of incomplete tasks , Number of incomplete tasks

Category	Count	Detail
Tools & equipment		Incomplete training for IT system
Under estimated workload		First of type design activities
Priority change		Management re-direction on priority

Source: McKinsey Capital Projects and Infrastructure Practice

PPM brought tangible benefits to project while setting teams up for future performance improvement

Interventions made

- **Mapped three engineering processes** through 10+ workshops with all relevant stakeholders
- **Dynamic simulation model** created one solution to identify critical path and potential **bottlenecks**
- Identification of 10+ initiatives to **optimize process** incl. capping of WIP and introduction of production control
- Established **weekly production control meeting** to discuss progress and potential blockers, and capture data for model
- **Trained** two clients in production control tool and **coached** teams on task prioritization and internal communication

Impact realized

Visibility:

- **Workflow** of activities to follow identified
- **Projected finish date** estimated
- **Impact of interventions** on delivery schedule assessed

Schedule de-risking:

- **5 months** compression potential on critical engineering

Capability building:

- **2 production control facilitators** in training
- **~20 people** introduced to project production management

Source: McKinsey Capital Projects and Infrastructure Practice