ALIGNING PERFORMANCE MEASURES AND INCREASING MATURITY – A BETTER RECIPE FOR PROJECT SUCCESS?

Delivering major programmes successfully is intrinsically difficult. They are often large scale, technically and operationally complex and attempt to do things that have not been done before. The organisations involved in the delivery of these major infrastructure and construction programmes will have many stakeholders to satisfy, both in the short and long term. Equally the current political/media culture is now able to influence support for these projects more than ever before. In order to secure a future pipeline and investment, the industry as a whole must be focused on delivering these programmes as efficiently as possible. It is acknowledged that senior leaders of the businesses involved in the delivery of these programmes are primarily targeted on short term measures such as 'earnings per share' and 'productivity', often overshadowing medium to long-term objectives. With the ever pressing need to ensure value for money in both the public and private sectors, the imperative for aligning short-term and long-term measures to improve performance is clear. In short, the expectation is for these business leaders to produce results today while preparing for tomorrow, so how can this be achieved?

Combined research conducted by HKA and LogiKal is clear that the short-term measures mentioned above coupled with best practice set up and maturation of project and programme capabilities can help delivery organisations achieve this.

SHORT TERM DEMANDS DOMINATE

We live and work in a society where rapid access to communication, people and knowledge appears to be driving an insatiable appetite for immediate answers to problems and a demand for quick results. So, is it any wonder that there is growing pressure on companies to focus predominantly on performance in the short term of the next month or quarter? Equally, with the understandable, yet relentless pressure from City analysts and investors on companies to deliver continuous improvements in quarterly returns, is it a surprise that medium to long-term objectives can sometimes seem to be over-shadowed by what is needed this quarter? Though not universally the case, there has been a recent tendency for Key Performance Indicators to focus on 'Earnings per Share', 'Revenue growth rate', ‘Net Promoter Scores’, ‘Productivity’ and ‘Customer Retention’[1].

Inevitably this will steer senior business leaders in pursuit, first and foremost, of satisfying these immediate priorities. When coupled with short average tenures of Senior Directors and CEOs (in the order of 6-7 years[2]), these sorts of pressures have been seen to perpetuate short-termism possibly at the expense of long-term objectives.

This problem is exacerbated when the self-same companies are also engaged in the delivery of construction and infrastructure programmes whose lifecycle is closer to 15-20 years. The complexity of delivering many schemes within a programme means that companies often need to enlist support from a multi-layered, specialist supply chain. By turn, the problems of the short-term view, alluded to above, worsen when the objectives of companies in the supply chain are different and out of synchronisation with both the lead delivery company and the end client, often a public sector body.

SHIFTING THE BALANCE TOWARDS THE LONGER TERM

Notwithstanding this, is there a palate within the industry for reconciling short and long-term benefits in scheme delivery programmes?

Peter Drucker’s view on the matter is that the CEO’s role is all about keeping his nose to the grindstone while lifting his eyes to the hills. In effect, businesses must operate in two modes simultaneously: produce results today and prepare for tomorrow. As opposed to giving the majority of effort and emphasis to short-term needs, the extension of this thinking is that the focus of interest needs to be approximately as follows[3]:

- **CEO / Director:** Short-term--50%; Long-term--50%
- **Middle Management:** Short-term--60%; Long-term--40%
- **Junior Management:** Short-term--75-90%; Long-term--10-25%

A balancing of effort between the next quarter and longer term programme requirements is often built into the agenda of the CEO in the private sector; financial bonuses for short term performance are complemented by the realisation of share options for longer term delivery. Such measures are not, however, always available to those occupying comparable roles in the public sector; a concern if a large number of end clients for complex construction and infrastructure reside in public ownership.

As well as individual measures, there is also a great need to create long term teams comprising personnel from both the client and its supply chain who seek to better understand each other and build relationships based on mutual understanding and interests.

COMBINING PERFORMANCE MEASURES WITH OTHER FACTORS

Whilst we strongly agree with this, our research suggests that there are other factors at play causing the benefits of long-term programmes to not always be realised. The findings of our organisations – HKA, LogiKal and Aspire Europe – are clear; in instances where complex projects are not set up properly from the outset, in excess of 59% go on to run over budget, miss delivery deadlines and exceed defined risk parameters[4]. In instances of the end client being a public body those who pick up the tab, albeit indirectly, are tax-payers. With the ever pressing need to ensure value for money in both the public and private sectors, the imperative for aligning short term and long term measures to improve performance is clear. The alignment of measures, however, needs to be done as part of a commitment to set up and seek to consciously mature project and programme performance.

COMBINING MEASURES WITH BEST PRACTICE PROJECT SET UP AND MATURITY ENHANCEMENT

To align short and long term measures, we contend that to achieve this, the delivery company, and end client, must:

- Set up programmes and projects properly; and

1 Source: www.quality.eqms.co.uk
2 Source – www.PwC.com
3 Source: Vision Link https://blog.vladvisors.com/blog/the-ceo-dilemma-reward-short-or-long-term-performance
4 Source: HKA CRUX survey of 257 companies, completed Autumn 2018

- Actively seek to mature capabilities and skills that will help enable successful programme and project delivery.

Clearly this is easy to recommend, but what do we mean by that in practical terms?

FACTORS TO CONSIDER AT THE TIME OF PROJECT SET UP

Over the last two years we have surveyed the outcomes of projects and programmes with a total capital value of US$436 billion[5]. These projects have been delivered by companies trading in the buildings, industrial, infrastructure, oil & gas, power & utilities and technology sectors across Europe, Australia and Northern America. Our analysis of the projects surveyed has clearly demonstrated that a series of recurrent factors - and measures relating to these – need to be addressed at the time of setting projects up. Once addressed, these factors will enable companies to deliver the long-term benefits sought from these projects and programmes. Equally, there needs to be consistent monitoring and reconciliation between the short-term company measures and the long-term KPIs for delivery programmes to ensure a balanced concentration of effort is applied to both.

The principal factors, that are not necessarily new in the world of project management, but which still need to have greatest attention paid to them, during project set up are:

- Agreeing the joint objectives, outcomes and benefits to be achieved between the end client and supply chain;
- The 'production system' of processes, technologies and ways of working that will determine how the programme will be delivered. Great emphasis has been placed, particularly in the UK Water industry, on examining how standardised ways of working, modular and or standard kits of parts can be built into asset renewal and maintenance, so as to bring inherent increased efficiency into delivery;
- Developing mechanisms for establishing and monitoring accurate costs;
- Adopting a structured approach for identifying and mitigating risks; and
- Developing and managing a properly integrated programme schedule.

Certainly, the absence of these factors causes concerning outcomes. Whilst in North America and Europe an absence of focus on these areas caused, respectively, 56% and 57% projects to yield fewer benefits than originally targeted, this figure rose to 70% in Australia.[6]

By contrast our research also shone a light on approaches which enabled benefits to be delivered, if addressed at the time of setting up projects. These approaches enabled companies to actively manage cost and risk escalation in conjunction with project schedule, to avoid timetable prolongation, as follows:

- The majority of projects that focus on building the foundations for sustained success and driving clear performance tend to deliver the outcomes sought; those that focus on which way an asset is to be positioned when everyone knows it will change multiple times before it gets built, lose;
- 80% of those who said the budget for project controls was set as an overhead of the overall project budget, instead of being set on a project-by-project basis also said their projects had succeeded;
- Where project controls were set up as an independent function on projects, this was a clear factor in enabling project success;
- A highly pronounced 77% believed that having fully integrated project control systems makes a positive difference to project outcomes;
- 55% of respondents who reported higher success rates also favoured working from a single source of data; and
- 33% of respondents in 2018 who have achieved successful project delivery attribute this to 4D planning, itself up from 15% in 2017.

5 Source: HKA CRUX report 2018 and LogiKal Project Controls Survey2 2018 & 2019
6 Source: HKA CRUX report 2018 and LogiKal Project Controls Survey2 2018 & 2019

INCREASING MATURITY OVER THE DURATION OF PROJECTS AND PROGRAMMES

Our research also demonstrates that the approaches cited above, adopted to get projects and programmes set up on the right footing, are also characteristic of companies and organisations that actively seek to mature and thereby continuously improve their performance. By extension of that, this implies that a focus on both setting up and actively seeking to mature capability is of key importance. Our experience is that the achievement of enhanced maturity – itself depicted and defined in Figure 1 below - is a gradual process, which requires a series of well- structured steps to be adopted:

1. An initial understanding of the alignment between a company's performance and the benefits that a given project or programme will yield;

2. Due consideration to the type of contracting options that can be adopted, in light of the outcomes that a project or programme seeks to yield;

3. A clear plan for aligning short and long term measures through actively enhancing project and programme delivery to improve performance;

4. The adoption of better project controls tools, processes and systems;

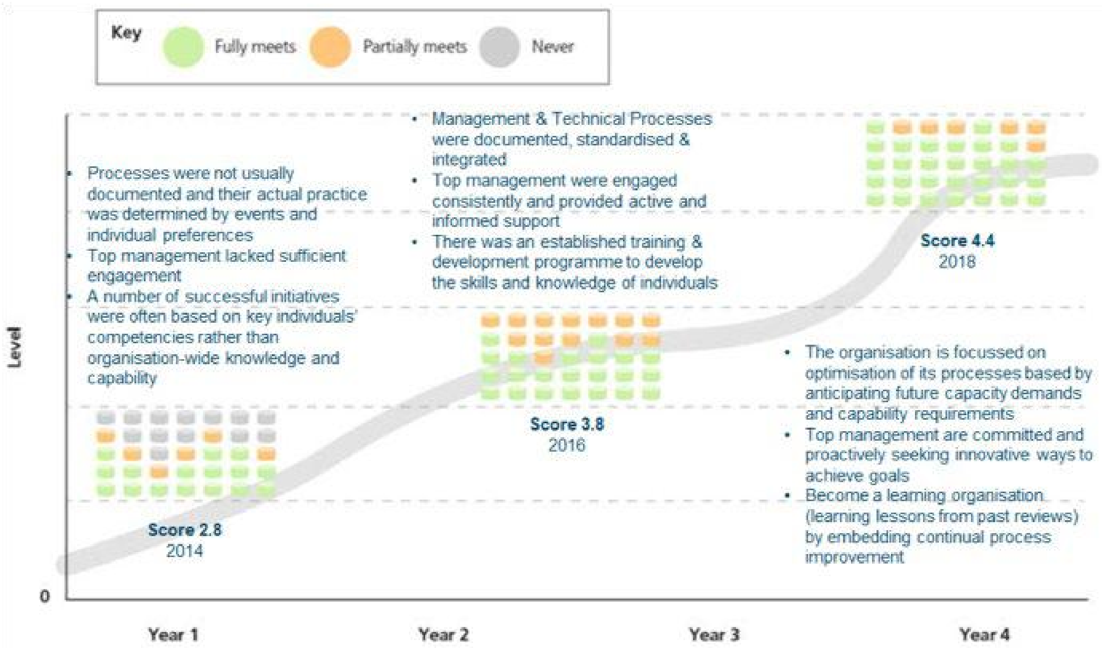
5. Regular measurement to check that performance and benefits are being achieved; and

6. A focus on developing and building functional capability by enhancing people's skills, knowledge and behaviour to enable delivery.

To achieve enhanced maturity, we advocate the use of a structured methodology set up to monitor, assess and improve project performance. The methodology should provide a means of enhancing performance by affecting a shift from a low level of maturity (to which a score of Level 1 is attributed) to the highest performance (to which a score of Level 5 is ascribed). A company employing such a methodology will first need to assess the level of maturity at which it is currently operating.

An example of the stages of the journey from relatively low maturity of Level 2 to sound performance where Level 4 maturity is reach are typified by the following pattern of activity and results.

Figure 1 - Stages of maturity in complex programmes



At all stages, project controls encompassing risk, cost and time, as well as factors such as the leadership capability, team integration and collaboration across the supply chain, are appraised.

Our support of over 200 companies, where short and long term measures are incorporated into project set up and concerted efforts to improve the maturity of their project and programme delivery, has yielded tangible and measurable outcomes. This combination of factors has benefitted:

- the delivery companies in terms of their productivity;
- the end clients in terms of the delivery of projects whose benefits are delivered in full; and
- the investment community that owns shares in the delivery company in question.

We have witnessed demonstrable benefits as a result of reaching Level 4 maturity including:

1. 35% improvement in project schedule adherence in four years, from 63% to 98% over a four- year period;
2. 41% reduction in lost time from accidents;
3. 97% reduction in delays from project overruns in two years; and
4. 6% reduction in headcount whilst delivering an increased volume of work.

THE INTEGRATION OF FACTORS CONTRIBUTES TO DELIVERING SUCCESS AND YIELDING BENEFITS

Our findings to date suggest that, as opposed to concentrating on a single set of short-term factors, a weather eye needs to be trained on combining multiple elements to deliver the best outcomes and benefits. Namely:

- Clarity of the mutual benefits that an end client and its supply chain are seeking;
- Rigorous project / programme set up, at which juncture short term measures to be adopted are agreed mindful of long-term measures that will enable the benefits of a project of programme to be realised;
- Delivering to flexible objectives in a controlled manner through clear and effective top-down and bottom-up management of change, ensuring any resulting changes to objectives & benefits are communicated; and
- A concerted effort to mature integrated cost, risk, schedule project and people management.

Indeed, the success of a mature and integrated approach is also borne out by additional findings from our research[7]:

- A 91% project success rate where all or most objectives are met is achieved for projects deploying highly skilled teams, fully integrated processes and systems;
- Full integration of processes increases project success rates by 5 times;
- 82% of respondents believe that system integration has a positive impact on project success rates, yet <10% have fully integrated systems; and
- Full system integration increases project success rates by 4 times.

These findings are also corroborated by over forty years of practice which has shown us that this balanced, integrated approach where programmes capability is more mature will enable:

- CEO's to direct from a position where short and longer term objectives are aligned;
- enhance the delivery reputation of both the end client and contractor;
- support a company's probability of achieving repeat business; and
- increase a public sector's body likelihood of achieving funding for future work.

7 LogiKal Project Controls Survey 2018 & 2019

COMPANY PROFILES

HKA is one of the world's leading providers of consulting, expert and advisory services for the construction and engineering industry. From construction and manufacturing to processes and technology, our people provide the consulting, expert and advisory insight that make the best possible outcomes a reality for public and private sector clients worldwide. Our prestigious projects across a wide range of market sectors that include buildings, industrial, infrastructure, oil and gas, power and utilities, and technology. With over 900 professionals operating from 39 offices in 19 countries worldwide, we have a footprint in every continent. We provide our clients with local knowledge whilst drawing on our global experience from around the world.

LogiKal offers a range of services including consulting and advice, information management and managed services to help your project succeed. To enhance industry capability, it also provides coaching, training and professional development services with a range of accreditations and non-accredited specialist skills courses. Its expert advice and performance management solutions improve operational performance, reduce cost and mitigate risk. Its unique mix of specialised and proprietary systems and services integrate into its clients' project controls. This means our that our clients can make effective decisions faster and easier. Founded in 2002, LogiKal now has project planning and controls specialists across the UK, Europe, Australia and Asia. Everyone at LogiKal shares a vision for building and enhancing capabilities within teams so they can achieve consistent and sustainable results.

Formed in 2004, with the mission to be a niche programme management consultancy, **Aspire Europe** seeks to support organisations in improving their transformational programme delivery. It has established itself at the forefront of the global development of programme management, in the modelling of the characteristics of high performing organisations and individual programmes and projects. The company offers a mix of products that reflect the diverse needs of our clients and the current marketplace.

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