



## White Paper 2022-12

### How to Measure Success for a Project

*Definitions of project success can vary according to the circumstances and stakeholder viewpoint. A clear definition of expected project success, translated in terms of project objectives, is however essential at the outset to ensure that actual performance can be compared to expectations. In this White Paper we review different possible definitions and how they can be combined to support performance target definition.*

#### **Possible different perspectives on project success**

What does project success mean for an industrial project? There are several dimensions to this term depending on the perspective. We provide here a sample.

##### **Safety and worker well-being perspective**

Actual safety performance and worker well-being are increasingly important success factors, in particular for challenging projects in remote and tough environments. Sometimes this also includes the respect of decent employment conditions, and the development of local competency and resources.

This is now generally accepted as a minimum ethical standard.

##### **Technical versus commercial perspectives**

Some projects can be very successful technically (providing a facility that responds or exceeds expectations, even if this requires substantial innovation) but not so much commercially or financially. The reverse can also be true, although a minimum of technical capability is required – however, sometimes facilities can be a commercial success even if they do not reach their name-plate capacity, performance or availability target.

##### **Project development process versus project execution**

Success of the project development phase can be measured by the number of changes during the course of project execution, and by the amount of oversights in the initial budget, schedule and execution plan that are revealed by actual project execution.

##### **Owner versus project execution perspective**

The owner will typically judge project success for the industrial facility from its return of investment viewpoint, i.e. profitability over its lifecycle. This includes such considerations like maintainability, availability, cost of operations, and even actual added value of its product on the international market. Alignment of the project with the organisation's strategy is also an important parameter that will be considered.

Conversely the project team (or a contractor) will judge project success on a narrower basis, mainly whether the project budget and schedule for the capital expenditure have been met, plus sometimes whether the facility ramped up as planned.

#### **Internal versus external project environment perspective**

Large complex industrial projects affect communities and are executed within a social and ecological system. For external stakeholders, project success may be judged on whether the perceived benefits have effectively been delivered, and to what extent these outweigh the perceived social and environmental impact. From that perspective, greenhouse gas impact and lifecycle impact of both the facility and its product are aspects that are increasingly important for public opinion.

This viewpoint can sometimes be directly opposed to the viewpoint of the owner of the facility in terms of profitability and operability.

##### **Contributor versus owner or main contractor perspective**

The overall success of a project seen from the owner or main contractor can be quite different from the perspective of suppliers or contractors, depending on the contractual setup. Very poor projects for owners can sometimes be very profitable for contractors, or the opposite.

##### **Shareholder / financing body versus owner perspective**

Shareholder and financing bodies may also have a quite different perspective on project success compared to the owner, depending on the final risk profile and actual benefits and profits from a purely financial perspective.

#### **How to deal with potentially contradictory objectives**

##### **Adopting a balanced scorecard**

As we can observe in the previous section, many possible objectives can be defined and they can be contradictory by themselves, or at least require a balanced approach. Thus, a balanced scorecard appears to be the best approach, stating a number of relevant dimensions and criteria for success on those topics.

Choosing the relevant success criteria for the particular project and associated setup is part of project definition itself. It is a task that needs to be considered carefully.

##### **Consider the overall project ecosystem**

Because priorities will not be the same for all contributors it can be important to determine objectives and success factors for the entire project ecosystem including stakeholders, so as to increase the balance in the scorecard.

**Success factors can often be contradictory. Definition of project success thus requires the usage of balanced scorecards**

We believe that key stakeholders, including key suppliers, should be aligned on the most important objectives.

**Defining priorities**

In addition to the balanced scorecard stating the optimum balance of objectives, it is also important to state an order of priority for the various success factors to address changes of circumstances. The classical example is between cost and schedule: with a fixed scope, they are not independent (as per the famous project triangle) and it is essential for the project to know whether it is primarily driven by schedule or by cost. This example can be applied more generally to other possibly opposing project success factors: in case of conflict or as a rationale for decision-making, the project needs to know which dimensions are more important and should be a priority. The final choice will be very dependent on the project itself, the type of facility and its context and will require a lot of reflection, but it must certainly be made explicit to support effective decision-making during project execution. Red lines can also be defined for certain success parameters that should not be crossed under any circumstance.

**Key stakeholders, including key suppliers, should be aligned on the most important objectives**

**Communicating project success expectations**

It is essential that project success expectations be widely communicated to the project contributors and stakeholders in the form of project objectives. Project too often do not formalise project objectives, which creates alignment issues during their execution (refer to our White Paper [2012-13] *‘Define Clearly your Project Objectives! Why is this Key Project Step so Often Skipped?’*). Formalisation of project objectives will also ensure that there is an actual alignment on project delivery expectations.

**Evaluating project success**

Evaluating actual project success with respect to the targets set initially is not always straightforward and may require some work. Unfortunately, this exercise is not always performed objectively even if it is essential for continuous improvement for future projects.

**Identifying actual project success versus changes in project circumstances**

In the analysis of project success, the effect of actual project achievements needs to be separated from the effect of significant external changes. For example, it is well known that the first offshore North Sea oil


developments in the 1970s were much more costly than expected, but they still have been very profitable thanks to the subsequent substantial increase in oil prices. Because external market circumstances and other factors can change dramatically, their impact needs to be accounted for when assessing the actual performance relative to the initial baseline established upon the final investment decision.

**Summary**

Project success can be defined in multiple ways depending on the viewpoint, and success factors can often be contradictory. Definition of project success thus requires the usage of balanced scorecards to be established as a reference set of targets. In addition, a clear prioritisation of success factors needs to be defined at the outset to drive decision-making when the project is faced with evolving circumstances. Final evaluation of project success compared to initial expectations is also not straightforward as circumstances and markets may have changed significantly in the meantime, but it remains a useful exercise for continuous improvement of the decision-making process.

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