

REIMAGINING BENCHMARKING



Highlights from the Major Projects Association event held on 17th March 2021

'Virtually all the key questions we have in capital projects are addressed, at least in part, by benchmarking.'

Ed Merrow, Founder and CEO of IPA Global

When benchmarking is done well it allows us to see patterns in data that reveal the relationship between what we do and what we get. This is particularly valuable for major projects because that relationship is not always clear, due largely to the time lag between what we do at the front end of projects and our ability to assess the operational performance of what has been delivered.

This seminar explored the benefits that benchmarking can deliver to major projects and how organisations can work more effectively with data.

BENCHMARKING THE PROJECT SYSTEM

'The project system is a bit like a project factory. The aim of the system is to deliver high-quality consistent projects, that hopefully are cost efficient. If you think in those terms, the things that we're trying to identify and fix are not necessarily the direct outputs of the factory, but the processes that go on inside – the processes that cause things to succeed or fail.'

Julian Raison, Head of PMO, Connect Plus Services

Using benchmarking to drive continuous improvement of the functioning of his project factory was, for Julian Raison of Connect Plus Services, much more valuable than simple comparisons with peer group performance. In his current role and previous post at Gatwick airport, this approach had underpinned systemic improvements in key areas, including establishing clear team roles, responsibilities and competencies, enhancing the quality of front-end loading (the crucial preparatory work that only the owner can deliver) and improving project controls.

To deliver continuous improvement, a key lesson was the need to reduce the variation in the outcomes of projects within the system. Only once you have this under control are you in a strong position to shift overall performance to a better place. This can be a challenging message to land inside organisations, not least because the long life cycle of major projects means that the benefits of systems improvements may take two to three years or more to come through.

Throughout the seminar contributors returned to this theme of benchmarking as understanding and then improving the owners' project system.

Ed Merrow explained that much of IPA Global's work focuses on data-driven analysis of an owner's ability to carry out the work only it can do to set up a project for successful execution. Focused and granular data collection and analysis can help identify if the system for delivering this work is leading owners to select the right projects. Once that fundamental hurdle is cleared, the organisation can determine which particular aspects of project delivery could be improved. The data can also show if the owner has the right people with the right competences to carry out this crucial front-end work. This is vital, as the data shows that the quality, completeness and functioning of the owner's team is the single most significant marker of future success.

Nick Smallwood, CEO of the UK Government's Infrastructure and Projects Authority (IPA) echoed the importance of the focus on the project system, adding that improvement efforts needed to be grounded in an understanding of how all of its elements are linked. Nick's IPA colleague Simon Lawrence added that IPA's **benchmarking work** (including the forthcoming launch of a new data platform) sat alongside efforts to **improve cost estimating** and assurance as a triumvirate of activity to generate more insight into how the UK Government's project delivery system is performing, and how it can be improved.

'Benchmarking is ALWAYS about improvement...and it helps you figure out what you should fix first.'

Ed Merrow, Founder and CEO of IPA Global

LEFT-SHIFT THINKING

Malcolm Dare, Executive Director, Commercial and Procurement at Highways England (HE), introduced the term 'left-shift thinking'. In previous roles in manufacturing, Malcolm learnt that 70% of costs are designed in by the owners before the start of the delivery phase. HE is now working to left-shift more activity into this early stage, where the ability to effect outcomes is greater. HE uses benchmark data extensively in commercial negotiations with its partners – benchmarks that some suppliers struggle to accept. Making a strategic change to the project system can help.

Tier 1 contractors are being asked to take responsibility for design and build, working with their design partners on buildability and repeatability. This can unlock a much more strategic approach to procurement via category management and allows the supply chain to focus on optimising their activity. Early results are promising, with speed and reliability of project delivery improving, while suppliers are making increased margins, allowing reinvestment in further system improvement.

BENCHMARKING AT THE PROJECT LEVEL

Anne Falchi, Value for Money Programme Manager at EDF's Sizewell C project, explained that the decade-plus length of nuclear new build projects means the cost of borrowing makes up a significant proportion of the final cost to the electricity consumer, and thus the project's competitiveness and viability. The project therefore needs to be able to convince investors and government that it can bring down its risk profile in advance of a final investment decision. Using sector-level data from IPA Global, EDF has established that the causes of failure in nuclear projects are predictable and largely relate to front-end loading. This insight has been used to create a **14-criteria risk assessment tool**, which is being used systematically to address the key strategic questions for the project's risk profile: do you know what you will build, do you know how you will build it, and do you know how much it will cost, how long it will take and the value that will be created?

HUMAN FACTORS

'It's information, not criticism.'

Katy Pat Johansson, Competitive Intelligence Advisor,
ExxonMobil Global Projects Company

Katy Pat Johansson of ExxonMobil switched the focus to talk about how people inside organisations interact with data. A first step is to stress that it is just data. Presenting the material as something to help everyone think more clearly about what is going on inside the project system helps depersonalise benchmarking and overcome the 'but my project is different' style of resistance. This is reinforced by a 'no weaponising' culture, in which using the data in internal political disputes is frowned upon.

Once these rules of engagement have been established, what is really important is to commit for the long haul. There is little value in dipping in and out of benchmarking, not least because it takes time to build

up the expertise, in-house and with partners, to collect and prepare quality data. This point was endorsed strongly by all the other contributors to the seminar. In immature organisations, simply locating the data and building up the basic capability to work with it can take several years. Similarly, it takes time to get people on board with the idea of benchmarking as an ongoing process, that you are never done, and that the value comes from committing to continuous improvement not one-off snapshots of current performance.

In landing that message ExxonMobil has benefited from building up a cadre of 'professional explainers', a group of influential people within the business and its customer base who are willing to commit the time to really understand the data and promote its value. These powerful advocates create an environment in which other players are ready to receive more focused material, speaking to their concerns, which they have the power to act on.

The final point of the day went to the Chair, Ed Merrow, who stressed that to act on benchmarking insight demands discipline, and prioritisation. Organisations that try to fix everything at the same time often end up fixing nothing.

POINTS FOR FURTHER DISCUSSION

- What are the most effective ways to overcome psychological and cultural barriers to learning from benchmarking data, particularly across sectors?
- Can we increase the understanding of the difference between performance benchmarking (how much it should cost) and capability benchmarking (why it cost so much)?
- Can we improve the definition of key roles e.g. sponsor, programme manager and project manager, as a precursor to driving improvement through benchmarking performance?

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Chair: Ed Merrow, Founder, President & CEO, IPA Global

Contributors:

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Participating Organisations:

Advance Consultancy Ltd
Alliance Manchester Business School
Balfour Beatty plc
Bentley Systems
BP Exploration Operating Company Ltd
Cavendish Nuclear
Connect Plus Services
Department for Transport
EDF Energy
Environment Agency
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Major Projects Association
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Network Rail Ltd
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