

# Gateways and Score Cards

## Measuring Project Performance

Measuring the success of a project is always difficult. In most situations time and cost are the least effective measures; what really matters is the value generated by the project for its 'owner'. But the realisation of benefits and the creation of value occur after the project is completed and handed over to its 'owners' management team<sup>1</sup>. Measuring success or failure after the event is potentially helpful to the owing organisation but of little value to the actual management of the project and the real-time decisions people such as Portfolio Managers<sup>2</sup> have to make when deciding whether to continue investing in the project or to terminate the project.

Two approaches to determining the on-going viability of a project and measuring its success are 'gateway reviews' and balanced scorecards.

### Gateway Reviews

Gateway reviews are a flexible process that addresses major projects from the client's perspective. There are numerous variations on the basic theme originally developed by the OGC in the UK. These review points have various names including 'gateway reviews', 'stage gates' and 'phase gates'.

On major projects, the review process may take some time to complete and if future funding is dependent on passing the 'gate' successfully it is important to structure the review process and funding approvals in a way that allows the forward momentum of the team to continue on the 'real work' whilst the review is being undertaken. One approach is to fund a project up to the next gate plus a month. The risks associated with the additional funding are far less than the certainty of losing most of the project team if work stops for several weeks.

A typical 5 gate process can include:

- **Gateway 1** = Business Justification, options identified and appraised, affordability, achievability and value for money established.
- **Gateway 2** = Procurement strategy, will the proposed strategy achieve the project objectives?
- **Gateway 3** = Investment decision, based on realistic project cost information (eg, tenders or bids) can the business case be confirmed from both the cost and the benefit perspective?
- **Gateway 4** = Readiness for service. The completion of the project work and a reassessment/confirmation of the expected benefits as the deliverable is put into 'service'.
- **Gateway 5** = Benefits evaluation. Did we get what was expected now the project's outputs are being used?

At each gate, a review is undertaken by external assessors to determine if the objectives of the project are reasonable, valuable and achievable through to the final review which determines if the benefits have been realised<sup>3</sup>.

A six phase process may include the following:

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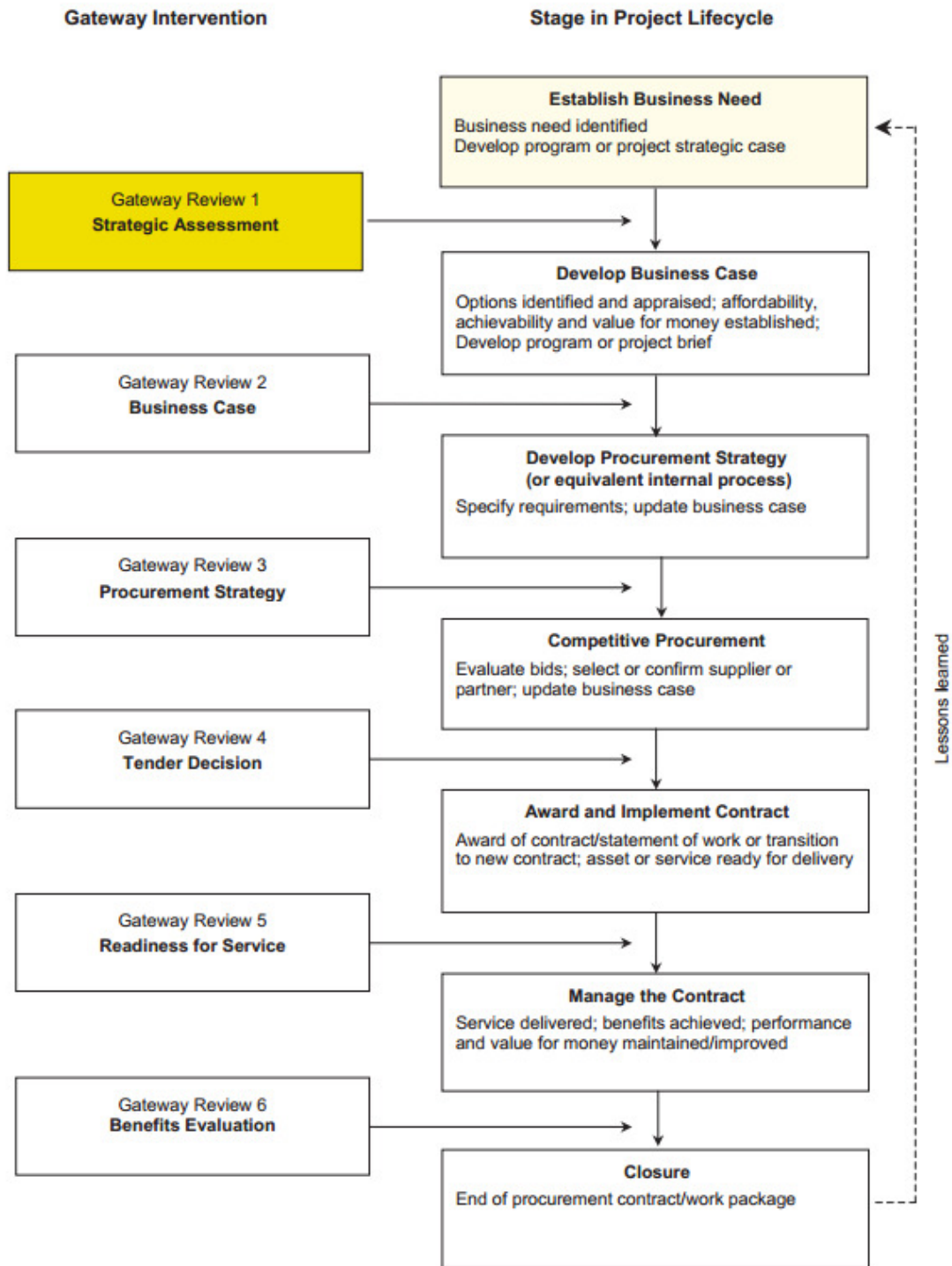
<sup>1</sup> For more on **benefits and value** see:

[http://www.mosaicprojects.com.au/WhitePapers/WP1023\\_Benefits\\_and\\_Value.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1023_Benefits_and_Value.pdf)

<sup>2</sup> For more on **Portfolio Management** see: [http://www.mosaicprojects.com.au/WhitePapers/WP1017\\_Portfolios.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1017_Portfolios.pdf)

<sup>3</sup> For more on **project reviews** see: [http://www.mosaicprojects.com.au/WhitePapers/WP1080\\_Project\\_Reviews.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1080_Project_Reviews.pdf)





At each of the ‘gates’ the project team and the reviewer need to assess the value of what’s been achieved and agree the value of continuing into the next phase. The review of work accomplished includes:

- **Deliverables:** confirming all of the required deliverables have been completed and approved. Some final approvals may be planned to take place during the phase gate review.
- **Budget and schedule:** confirming the project budget and schedule were achieved and appropriate corrective actions were taken if necessary. Based on this performance information, assess the viability of both the schedule and budgets planned for future phases.

- **Open issues:** confirming all issues have been resolved or that there is a plan in place to resolve any that remain open<sup>4</sup>.
- **Risks:** validate and update the project risks. This is a good time for a risk review meeting.

Having established the project is ready for the assessment, the most important part of each gate review is the formal approval to move forward with the work of the project. The assessor should consider and agree:

- **The Business Case:** confirm that the current Business Case is still valid. The gate review should cancel or change a project that no longer makes sense.
- **Validate sponsorship and governance:** confirm that the project is still a priority with the sponsor and appropriate governance systems are in place and working. Cancel the project if the sponsor is no longer committed.
- **Confirm the proposed schedule and budget<sup>5</sup>:** confirm that the proposed schedule and cost estimates are valid, realistic and achievable based on both performance to date, updated risk assessments, and forecast (or actual) changes in the project environment; and that the budget and schedule contain adequate contingencies.
- **Resources availability:** confirm that the resources required to complete the remainder of the project are available.

Once the review team has validated that all of the prior work is complete and correct, and have validated the project's readiness to proceed, formal approval should be obtained to commence the next phase.

## Balanced Score Cards for Projects

Gateway reviews are designed to protect the client's investment, but project teams should know if they are successful or not. Whilst in one respect the success of a project is determined by its stakeholders – they determine success based on their perceptions and expectations – incorporating non-subjective measures helps remove subjectivity and manage expectations,

One approach is to create a 'tactical' project scorecard based on the organisational 'balanced scorecard' approach to define the metrics that will be used to validate project success. The best metrics are measurable and useful during the work of the project and can be used to assist the Gateway review process, the regular reporting of performance to key stakeholders, and to motivate the project team.

The six steps to create the project scorecard are as follows:

1. **Identify criteria for success:** Review the objectives and deliverables in the Project Charter, as well as any other existing information that is relevant to the project. Based on this existing documentation, define the information that is needed to show that the project was successful.
2. **Assign potential metrics:** Identify potential metrics for each success criterion that provide an indication of whether you are on-track for success. These can be direct, quantifiable metrics or indirect metrics that give a sense for success criteria.
3. **Look for a balance:** The potential list of metrics should be placed into categories to make sure that they provide a balanced view of the project, not just those that are the easiest to obtain. In general, look for metrics that provide information in the areas such as:

<sup>4</sup> For more on *issues management* see:

[http://www.mosaicprojects.com.au/WhitePapers/WP1089\\_Issues\\_Management.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1089_Issues_Management.pdf)

<sup>5</sup> For more on *project controls* see: [http://www.mosaicprojects.com.au/WhitePapers/WP1093\\_Project\\_Controls.pdf](http://www.mosaicprojects.com.au/WhitePapers/WP1093_Project_Controls.pdf)



- Cost
  - Effort
  - Duration
  - Quality of deliverables
  - Client satisfaction with the project processes and the deliverables produced
4. **Focus on ‘leading indicators’:** Leading indicators show problems or trends that are emerging (eg, the number of job advertisements) lagging indicators show a problem or trend that has occurred (eg, the unemployment rate).
  5. **Prioritise the balanced list of metrics:** Depending on how many metrics you have identified, prioritise the list to include only those that have the least cost to collect and provide the most value to the project. A maximum of 6 to 8 metrics is recommended – 3 to 5 is better.
  6. **Set targets:** The raw metric may be of some interest, but the measure of success comes from comparing actual performance against a predefined target. The target provides the context to know if the current measurement value is good, bad or moving in the right direction.
  7. **Make the information accessible:** The system needs to be simple, easy to understand and follow, accessible and let the team now how they are doing *at a glance!* More detail can follow for those interested.
  8. **Add schedule detail:** For each metric that remains, determine the specific activities necessary to collect and analyse the information. These activities are then added to the project schedule. This information needs to include:
    - What specific data is needed for the metrics?
    - Who is responsible for collecting the metric?
    - When will the metric be collected and reported?
    - How will the metrics be reported (status reports, quarterly meetings, metrics reports)?

The project scorecard is updated throughout the project so the team knows how they are tracking against their success criteria, and when the project is completed, you can have a fact-based discussion on project success instead of a discussion based on your stakeholder’s perceptions.

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