Project Summary

Measuring ROI on Project Management / Project Controls

For years the question has been, "How do organizations justify implementing or utilizing PM / PC?" To put this question to the test, Integrated Consulting conducted a year-long study analyzing over fifty (50) projects. In addition, interviews were completed with over 100 Project Managers, Project Controls Managers, and Engineers who were involved with projects in Upstream, Downstream, Midstream Oil and Gas, and Power sectors.

Return on investment (ROI) is imperative when capitalizing in Project Management/Project Controls best practices. Understanding what ROI is and how to measure the results is a good practice to ensure that your PM/PC process is properly supporting your projects and organization. At the same time, senior managers are demanding that the investment in PM tools, systems, and practices, be measured and justified. Because every industry is requiring employees to manage multiple projects with competing priorities, critical deadlines, and unexpected interruptions, organizations have responded by investing large amounts of time and money to improve or implement PM.

It was identified that successful projects have the following in their organizational structure and Project Life Cycles (PLC):

- Highly trained and qualified staff (with real project experience in the lead role at a minimum)
- Well defined roles and responsibilities
- Risk Management and Analysis to determine project contingencies
- Contingency and Change Management Policies followed and updated
- Project Peer and Constructability Reviews
- Estimate Classifications and Validations throughout the PLC
- Logically tied and updated schedules (utilizing EVM in Construction stages) throughout the PLC
- Executive level "buy-in" and support
- Client or 3rd party non bias project controls support
- Benchmarking PM/PC to establish historical data

It was discovered that projects which had the above PM processes (in plan and followed) inside their PLC, saw their projects completed (on an average) +/- 5% of the target schedule and budget for the current stage. Projects that did not properly utilize effective PM/PC (listed above) processes completed their project anywhere from +10 to +50% over their project budgets and target schedules.

Also noted, the projects totaled a savings of +$250MM USD (with PM/PC) compared to a total loss of $655MM USD (without or limited use of PM/PC). By comparing similar projects and impacts, we concluded that having PM/PC support and processes in place allow you to minimize your effects on an individual average basis of 65%. This savings was largely due to effective project management and controls, which gave the project teams the ability to identify issues early enough to minimize impacts.

To sum up, we found the answer to the question, "How do organizations justify implementing or utilizing PM / PC?" Companies have to be straight forward and quantifiable. To have an increased probability of project success, firms should have some level of PM/PC in place and followed.