The Perceived Value: a powerful influencer of project success

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ABSTRACT

In each project, and specifically in those projects that are characterized by high levels of innovation and/or complexity, the success is based on the stakeholder satisfaction about project delivered value, which, in turn, is intrinsically a combination of a generated value that is incorporated in the deliverables and of a business and/or social value that is perceived by the stakeholders. This paper focuses on the effective management of perceived value, which, being purely stakeholder-centered and, therefore, subjective, requires a specific professional approach, also to draw out those stakeholder expectations and cause-effect relationships that are often unexplored, and/or unexpressed, and/or even hidden. Ultimately, this paper explores issues that are relevant to the subjective nature of the projects, to the process of value generation and delivery, to the stakeholder perspective – covering the concepts of invested, generated, perceived and delivered value –, and then proposes an approach for the effective management of the perceived value via the use of proper Key Performance Indicators (KPIs).

THE SUBJECTIVE NATURE OF PROJECTS

When we deal with stakeholders who have a neutral behavior toward our project, which is characterized by a reluctance of being engaged, which, in turn, often manifests itself and materializes in delaying signatures on progress reports, acceptance tests, or even on payments, we generally hope that this is due to a very rational stakeholders’ will of postponing a due date in order to gain some financial advantage, while, unfortunately, this phenomenon is often due to some stakeholder unease about perceived value, which, if it is not promptly and properly managed, may rapidly become a nightmare in terms of impacts on project success.

In fact, while the project deliverables are generally based on the fulfillment of project/stakeholder requirements, which are somehow known because they are written in a contract, in a Statement of Work, or similar, the project perceived value is always based on the satisfaction of stakeholder expectations, which, at least as regards stakeholder purchaser community (Pirozzi, 2017) – i.e. customers, users, contracting organizations, etc. –, are mostly unknown or even hidden.

Although “all projects are made by stakeholders for other stakeholders”, and, therefore, include essential subjective components, the management of the diverse stakeholder subjectivities is often under evaluated or even missing. In addition, the dichotomy between project/stakeholder (objective?) requirements and stakeholder (subjective?)

expectations may lead to harmful misunderstandings, and it may become a basic cause for projects lacks of success and/or failures (Pirozzi, 2019). Indeed, possible misunderstandings are because, while we consider natural and/or normal that stakeholders have one-sided behaviors in accordance with the diversity of their interests, we tend to consider the projects as if they are neutral – maybe because in the depths of our being we hope that. In other words, while we feel uncomfortable when dealing with stakeholder expectations, because they are subjective, we feel more comfortable when dealing with project requirements, which we tend to consider as objective… although they are intrinsically not.

Actually, project requirements are nothing but stakeholder requirements, and, moreover, requirements are the result of a complex, non-linear, and affected by semantic noise mediation among diverse subjective expectations, which, although it has been initially somehow agreed when stakeholders signed the contract, can be evidently interpreted differently by diverse “stakeholders at stake”. Furthermore, requirements have a dynamic nature too, and this can be either positive for the project, if they are managed accurately and properly during all project life cycle, or negative for the project, if they diverge from what it has been “apparently” agreed before, so that, in most of these cases “scope creeps” phenomena arise, or, definitively, as it happens quite often, the result is a combination of positivity and negativity that is very difficult to manage.

In any case, since, especially in complex projects, success is closely tied to the satisfaction of both stakeholder requirements and expectations, understanding properly the intrinsic subjectivity of project nature become essential. Indeed, at least for the different key stakeholder communities of purchasers and investors (Pirozzi, 2017), all projects are operational means to achieve, via the delivered value and the consequent outcomes, their different strategic business and/or social goals – it is noted that for these key stakeholders the projects are means to achieve strategic goals, and not strategic goals themselves! – and thus, a fortiori, they are perceived accordingly.

Above concept has two fundamental subjective effects:

- both purchasers and investors, since each project is financed to achieve strategic results, and since in any case it evidently impacts on their different strategies, give to each project even a greater “strategical” importance, so their expectations might – even largely – exceed their requirements, and this is the basic explanation of those “scope creeps” that manifest themselves in almost 50% of projects (Project Management Institute, 2018);
- since it will be possible to measure and, eventually, to validate all project outcomes/impacts only during the infrastructure/product lifecycle, which, of course, will occur only after project completion, both purchasers and investors, even if they have to think “operationally” about present project results, will always think “strategically” about future project outcomes, i.e. about “the changes that will result from the use of project results” (ISO - International Organization for Standardization, 2020).
THE PROCESS OF VALUE GENERATION AND DELIVERY

In general, we may consider the process of value generation and delivery as a multiphase one, which starts with the definition of the strategy and of the objectives, and, then, proceeds sequentially with the assessment of opportunities and threats, with the development of requirements and business cases, with the definition of programmes and projects, with the implementation of projects, with the accomplishment of deliverables, outputs/results, and outcomes, and, finally, with the realization of benefits that, in turn, iteratively contributes to strategy definition, and so on (ISO - International Organization for Standardization, 2020).

Going into a deeper detail (Fig.1), the definition of the strategy and of the objectives may be realized via a strategic planning and a strategic objectives definition, the assessment of opportunities and threats may require feasibility evaluations, the development of requirements and business cases may include business and operational planning, the definition of scope, technical requirements, and Statement Of Work, the issue of a Request for Bid and the correspondent release of a technical/ economic proposal, up to the signature of a contact (or similar) complete of its annexes, which states project definition. In project lifecycle, we will include – of course if we apply project management discipline – the verification of scope, constraints, stakeholder requirements and expectations, a structured, defined, planned and controlled approach, an effective stakeholder relationships management, up to arrive to the issue of deliverables. In the lifecycle of the product and/or the service that have been realized and/or setup by the project, deliverables will be integrated in results, performances will be measured to determine the outcomes, and these achievements will state whether original strategic goals have been met and expected benefits have been generated.

Specifically, generating social value has an increasing importance, and not only in those projects in which social value has a dominant role if compared to economic value, as it happens in all the projects that, for instance, are owned by public administrations or by non-profit organizations. Indeed, the importance of social value asserts itself more and more, both from the ethical perspective in which Project Management ever more needs a higher purpose (Pells, 2021), and from the pragmatic perspective in which eventual
positive social impacts are ever more considered beneficial for the success of relevant originating projects by both customers and investors.

In above value chain, there are two main critical areas, which occur, as we could logically expect, when passing from one phase to the subsequent, and the combination of which generate project performances that, on average, show how about 30% projects still do not achieve their original goals and business intents (Project Management Institute, 2018). The first critical area arises when project is initiated, and is relevant to the verification of stakeholder requirements and expectations, and to their consequent harmonization and/or prioritization; in order to solve this first critical area, an accurate stakeholder identification, including a professional analysis of their requirements and expectations via a systemic approach to reconstruct the cause (strategies)/ effect (expectations) relations is foundational (Pirozzi, 2019). The second critical area is when deliverables are released to be integrated in results, and, in this moment, the stakeholder perception about the fact that original goals and expectations will be achieved or not may be determinant in order to obtain the acceptance of the project.

THE STAKEHOLDER PERSPECTIVE: INVESTED, GENERATED, PERCEIVED AND DELIVERED VALUE

A project is really successful when its results, in terms of delivered value, do not only achieve those project objectives that traditionally correspond to the fulfillment of project requirements, but are also perceived that they will achieve those project goals, which correspond to the satisfaction of stakeholder expectations. Therefore, perception becomes a basic driver during project life cycle, because project’s performances could be evidently measured only after project completion, i.e., during following product/service/infrastructure life cycle, and, then, subjectivity of stakeholder relations takes, through and through, that central role, which is crucial for driving stakeholder satisfaction (Pirozzi, 2019).

In the stakeholder perspective, starting from the invested value in terms of resources, stakeholder relations both generate a value in terms of deliverables, and determine a perceived value in terms of satisfaction. Indeed, a rational domain of requirements, which is oriented to efficiency and targets project objectives, interacts with a relational domain of expectations, which is oriented to efficacy and targets project goals: each of the two domains both influences and supports the other, and a stream of project value is created to be delivered at project completion (Fig. 2). The perceived value acts, through and through, as a powerful “influencer” of the delivered value, because it adds “algebraically” a value – which could then be either positive or negative! – to the generated value that is contained in the deliverables.

Definitively, effective stakeholder management should target both the fulfillment of project/stakeholder requirements and the satisfaction of stakeholder expectations, which correspond to both the achievement of project operational objectives and the perception that project strategic goals will be achieved: stakeholder satisfaction, which is based on the stakeholder perceived value, instead of being “a” critical success factor, proves then to be “the” critical success factor.
MANAGING EFFECTIVELY THE PERCEIVED VALUE VIA THE USE OF KEY PERFORMANCE INDICATORS

In general – but especially in innovative and/or complex projects –, Key Performance Indicators (KPIs) are part of the necessary multidimensional evaluation of project success and value (Archibald and Archibald, 2016). Indeed, the effective management of the diverse typologies of value requires appropriate metrics and measures, which have to help us not only in assessing the present project situation, but also in estimating at best a possible future project scenario: proper Key Performance Indicators (KPIs) are therefore required. Although most KPIs were born to measure performances in the product/service lifecycle, i.e. after project completion, they can be very useful also during project lifecycle, in order both to assess the situation and to make estimates for the future. In particular, the awareness that objective measures can relate to the past only, while only the subjective estimates – of course if appropriate – may help in indicating a proper route for the future, empowers project management in all respects; in fact, since, in any case, all business/social value estimates – with respect to which we feel more familiar and confident – are to a large extent subjective, also perceived value estimates – with respect to which we feel much less familiar and confident – may be managed, and, in turn, may result in an additional precious help in managing effectively the projects.

Specifically, KPIs should address different types of value to cover both project management, economic, and business/social domains (Pirozzi, 2019). Project Management KPIs are especially useful to enhance project control and to maintain and/or modify the proper route toward deliveries that fulfill stakeholder requirements. Main example of these KPIs is Earned Value, while additional KPIs may include, for example (Kerzner, 2017), cost variance, schedule variance, cost performance index, schedule performance index, resource utilization, percent of milestones missed, percent turnover of key workers, percent of work packages adhering to the schedule and/or to the budget.
number of critical assumptions made, percent of critical assumptions that have changed, number of cost and/or schedule revisions, number of critical constraints, percent of work packages with a critical risk designation etc.

Economic KPIs are especially useful to improve relations with top management and funders, and to maintain and/or modify the proper route toward the satisfaction of their economic and financial expectations. Economic KPIs may include, for example, economic and financial indicators, marketing indicators, Customer Relationship Management indicators, Human Resource indicators, and sustainability Indicators.

On other side, Business and Social Value KPIs are especially useful to improve relations with customers and users, and to maintain and/or modify the proper route toward the satisfaction of their business expectations; their use is foundational in complex projects (Pirozzi, 2018). These types of KPIs may be either specific or common with respect to the diverse sectors of activity; business value KPIs, as, for instance, functional and/or quantitative measures, and the relevant percentages of completion/deviation from budget/schedule, are indeed specific of each sector of activity.

The business and/or social value KPIs that are actually common to the different sectors of activity are relevant to the perceived value, and they are of primary importance, because they may include measures and percentages of stakeholder satisfaction (in terms of both requirements and expectations), measures and percentages of stakeholder positive engagement, perceived business value, perceived social value, perceived quality, perceived reputation, perceived innovation, perceived sustainability, perceived security/ safety/ privacy, and perceived sustainability.

Generally, managing effectively KPIs has naturally to be a set of processes to be carried out systematically, rather than a set of responses to unpredictable emergencies, so that it can be considered as a part of that “project in the project” which is the stakeholder relationship management project (Fig.3). Concisely, KPIs have to be determined, agreed, managed, and controlled during the whole project lifecycle, and relevant processes are substantially included in all the process groups of project management.

Typically, almost all the processes that are relevant to KPI measures are not immediately executable, and this is valid a fortiori in the case of perceived value KPIs, which can be considered as full-fledged project deliverables, because obtaining relevant measures requires processes of definition, agreement, planning, detection, monitoring and controlling. In addition, obtaining measures of perceived value KPIs requires a set of processes in which the interactivity with stakeholders is foundational, so that stakeholder relationships become determinant to reach effectiveness. Therefore, since it is obviously our interest to opening, developing and maintaining effective stakeholder relationships, our professional behavior has to be proactive – the sole transmission of report cannot evidently be sufficient! – in order to positively influencing stakeholder perceived value, also considering that the perceived value might be the only actual deliverable that will exist in a timeframe between the initiating of the project and the release of all other project deliverables. Definitively, effective relationships with stakeholders are foundational to “feed” stakeholder expectations: otherwise, uncontrollable relations among stakeholders (part of whom may have negative behaviors too!) might fill in the relationship gaps with
very risky value perceptions, which, especially in the case of key stakeholders, could be very difficult to change positively and/or to undermine at a later time.

Fig.3 – The Relationship Management Project (Pirozzi, 2019)

Pragmatically, the systematic approach that is required for perceived value management is almost identical to the systematic approach that is required for Earned Value Management, since both approaches are based on KPI measures. In fact, in Earned Value Management, we use a combination of objective measures – i.e. the Actual Cost – and of subjective estimates – i.e. the Earned Value, which, in turn, is the product of two subjective estimates, i.e. the Planned Value and the percentage of completion – in order to both assess the present situation and to estimate the time and the costs that could be relevant to the future completion of the project – of course having the purpose of determining the next actions that could be the most appropriated. In a corresponding manner, in perceived value management, we use a combination of objective measures – e.g. the detected stakeholder satisfaction – and of subjective estimates – e.g. the correspondent analysis and interpretation of the same detected stakeholder satisfaction measures – to both assess the present situation and to estimate, for example, the stakeholder satisfaction that could be relevant to the delivered value at project completion – of course having, in this case too, the purpose of determining the next actions that could be the most appropriated. On other hand, although earned value management and perceived value management approaches are substantially the same, the relevant techniques of stakeholder relationship management and of communication management (Pirozzi, 2019) are profoundly different, also because, evidently, they involve mainly
internal (i.e. the team) and external (e.g. customers, investors) stakeholders, respectively.

CONCLUSIONS

The perceived value is a powerful influencer of project success, because it is driven by stakeholder satisfaction, which is “the” Critical Success Factor in all projects. The stakeholders introduce subjectivity factors, which, on one hand, bring complexity, while, on other hand, if properly managed, can greatly help to maintain and/or to modify the proper route toward the creation and the release of a delivered value that can fulfill both stakeholder requirements and expectations. Therefore, an effective perceived value management is foundational to support project success, and a systematic approach of project management that is based on the use of specific Key Performance Indicators is recommended.

REFERENCES


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Massimo Pirozzi, MSc cum laude, Electronic Engineering, University of Rome “La Sapienza”, Principal Consultant, Project Manager, and Educator. He is a Member of the Executive Board and of the Scientific Committee, and an Accredited Master Teacher, of the Istituto Italiano di Project Management (Italian Institute of Project Management). He is certified as a Professional Project Manager, as an Information Security Management Systems Lead Auditor, and as an International Mediator. He is a Researcher, a Lecturer, and an Author about Stakeholder Management, Relationship Management, and Complex Projects Management, and his papers have been published in U.S.A., in Italy, and also in Russia; in particular, he is the Author of the innovative Book “The Stakeholder Perspective: Relationship Management to enhance Project value and Success”, CRC Press, Taylor & Francis Group, Boca Raton (FL), U.S.A., October 2019. Due to the acknowledgement of his comments on stakeholder-related issues contained in Exposure Draft of The Standard for Project Management - 7th Edition, he will be also included in the list of Contributors and Reviewers of The PMBOK® Guide - Seventh Edition.

Massimo Pirozzi has a wide experience in managing large and complex projects, programs, and portfolios in national and international contexts, and in managing business relations with public and private organizations, including multinational companies, small and medium-sized enterprises, research institutes, and non-profit organizations. He worked successfully in several sectors, including Defense, Security, Health, Education, Engineering, Logistics, Cultural Heritage, Transport, Gaming, Services to Citizens, Consulting, and Web. He was also, for many years, a Top Manager in ICT Industry, and an Adjunct Professor in Organizational Psychology. He is registered as an Expert both of the European Commission, and of Italian Public Administrations.

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