

# Multi-Dimensional Report Cards: The Rest of the Story



## Endeavor Management

2700 Post Oak Blvd.  
Suite 1400  
Houston, Texas 77056

P + 713.877.8130  
F + 713.877.1823  
[www.endeavormgmt.com](http://www.endeavormgmt.com)

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# Multi-Dimensional Report Cards

## Overview

When doing EPC work for some large and very sophisticated clients, vendors frequently encounter what seem to be complex report cards with a variety of performance dimensions. Some grading items stand out clearly on report cards ... and some items don't seem to stand out at all, even though they are very real.<sup>1</sup>

## Dimensions of Performance

We recently worked with a vendor and such a large customer to clarify the basis for grading the vendor's performance in the relationship. After some detailed work, the following report card was judged by the customer as “just what we are looking for.” The report card was divided into three different dimensions of performance.

### **P1: Project Performance...** including:

- a. **Safety...** results, processes, and practices
- b. **Build to specifications...** the physical asset completed to specifications
- c. **Cost...** total costs incurred to meet all aspects of required performance
- d. **Schedule...** timeliness of completion, milestones on all aspects of performance

### **P2: Conformance of Working Methods...** including:

- a. **Work methods conforming** to customer methods
- b. **Requirements for documentation** of all aspects of work
- c. **Customer information systems requirements met**
- d. **Ability of customer to “see into the work** as it was being accomplished” (i.e., “transparent turnkey”)

### **P3: Analysis and Reporting...** including:

- a. **Leadership in “issue and solution” reporting**
- b. **Ability of vendor to explain** “current status and reasons for being there”
- c. **Problem solving methods** in line with customer expectations
- d. **Management reporting aligned** with customer requirements

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<sup>1</sup> Is a report card the same as a contract? No, a report card is usually broader than a contract, including items or dimensions that are usually not written into the contract for a specific project. The report card does grade whether or not the contract has been or is being met by the vendor.

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## Total Performance

The total performance of the vendor was judged based on the following “crude formula:”

$$\text{Total Performance} = P1 \times P2 \times P3$$

The formula (with “multiplication signs”) was designed to make several key points:

1. Total performance would be the resultant of all three dimensions of performance
2. An unsatisfactory rating on any one factor would result in an unsatisfactory total score.
3. An extremely high score on any one dimension would not offset a low score on another dimension.

This relatively sophisticated report card seems a far cry from the conventional criteria of “performance, cost, and schedule” ... and in many ways it is. Gone are the days when we can righteously say...“Well, you got your asset on target, on time, and on budget. Maybe we didn't get there just the way we planned...but we got there, and you ought to be satisfied with that.”

## Root Causes of Multi-Dimensional Scorecards

A number of “overlapping” forces are at work in business today that have been the root causes of “report card sophistication.” Most of these factors should be no surprise to us.

### Fiduciary responsibility

Customers are clearly accountable for how the company spends the shareholders money. And in addition, customers are accountable for knowing where that investment is at any one point of time... as well as having “sufficient financial controls in place” to be able to properly manage the investment.

### Risk Management

Customers are building assets to be used in their core businesses. Managing the risks associated with the creating of any new asset is a business requirement that any engineering department will be accountable for. The customer will require “early warning of any impending issue that will impact the asset coming on line” as well as complete information about the game plan to resolve the issue.

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## Best Practices

The large sophisticated customer is likely to have many projects underway at any one time... projects in many parts of the world, projects for multiple organizations/divisions/regions. From the customer enterprise point of view, these ongoing projects will need to be compared, analyzed, indexed, and fronts that can deliver UBF value. Two, build awareness and educate on the possibilities of the most promising technologies. Three, conduct multiple pilots of the most promising new technologies. And, four, focus on efficiently integrating the best new technologies into the company's daily operations.

## Management Metrics

“You can't manage what you can't measure” is an old saying that has been taken to heart by the large sophisticated client. Years of refining metrics, developing indices, and designing balanced scorecards have lead to carefully-decided and implemented measures that customers pay attention to. Vendors will need to be able to perform against such metrics if they are to be seen as “in the hunt” for future work.

## Required Actions

While each vendor and customer should work out the details of the report cards for each job, the following general actions should be considered:

1. **Get into the Details...** The vendor and customer start the project and the relationship by clarifying
2. **Agree to the Report Card...** The vendor should pro-actively propose the report card and get customer discussion, buy-in, and buy-off as early in the job as possible.
3. **Frequently Evaluate Performance...** Timely face-to-face evaluations of the grades on the report cards should be made, with the vendor taking the responsibility to initiative the evaluation.
4. **Respond to the Punch List...** Each evaluation should lead to a “punch list” of business actions required by both the vendor and the customer in order to keep the business relationship and the project on course. Key words for the punch list are “execute, execute, execute!”
5. **Communicate...** And the three most important success factors underlying the use of a report card are... communicate, communicate, and communicate. In fact, communication around the project and the report card should be looked at as “work processes” ...processes that can be mapped, improved, and managed to get needed results.

# Multi-Dimensional Report Cards

Bottom line, if vendors are to thrive in the world of the sophisticated big client, they must pick up the gauntlet and do business the “new way.” Kicking against the use of multidimensional grading is pointless. Labeling the “method conformance” (P2) and “analyses/reporting” (P3) requirements as “fluff” and “a waste of time” are self defeating... they are tactics that can only **thin the ranks of competitors** to those few who can fully meet all customer needs and requirements.

## About Endeavor

Endeavor Management, is an international management consulting firm that collaboratively works with their clients to achieve greater value from their transformational business initiatives. Endeavor serves as a catalyst by providing pragmatic methodologies and industry expertise in Transformational Strategies, Operational Excellence, Organizational Effectiveness, and Transformational Leadership.

Our clients include those responsible for:

- Business Strategy
- Marketing and Brand Strategy
- Operations
- Technology Deployment
- Strategic Human Capital
- Corporate Finance

The firm’s 40 year heritage has produced a substantial portfolio of proven methodologies, deep operational insight and broad industry experience. This experience enables our team to quickly understand the dynamics of client companies and markets. Endeavor’s clients span the globe and are typically leaders in their industry.

Gelb Consulting Group, a wholly owned subsidiary, monitors organizational performance and designs winning marketing strategies. Gelb helps organizations focus their marketing initiatives by fully understanding customer needs through proven strategic frameworks to guide marketing strategies, build trusted brands, deliver exceptional experiences and launch new products.

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