FIVE STEPS TO SUCCESSFUL BENEFITS MANAGEMENT

HOW DO YOU KNOW WHETHER A PROJECT IS A SUCCESS?

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You’re probably all too familiar with this scenario: a project is deployed, the team moves on to the next big thing, but no-one knows for sure whether the project actually achieved what it was supposed to achieve, and therefore whether it will deliver benefits into its ‘business as usual’ future. Several studies indicate that between 20% and 65% of large-scale investments in IT enabled change are not returning the expected business benefit\(^1\)\(^2\)\(^3\).

This scenario usually plays out when no rigorous benefits management structure has been agreed upfront, and the risk is that underperforming projects are left to run when they should be rectified or discontinued. Projects can be heralded as successes despite no measures being in place to adequately capture and report on what real value has been generated; even post-implementation reviews won’t necessarily cover this. When this is a technology project, the operational areas of the business can be left with a sour taste in their mouths, as project funding usually comes from their bottom line.

Return on investment is paramount in any business decision, but ascertaining this for projects is not always simple, especially while the project is still in delivery mode. It is, however, something that can be done for every project if you have right benefits management structures in place.

\(^1\)Gartner, ‘The Elusive Business Value of IT’, August 2002

\(^2\) IBM Strategy and Change Survey of Fortune 1000 CIOs, as presented to SHARE in New York by Doug Watters, 17 August 2004

\(^3\) Cook, R.; ‘How to Spot a Failing IT Project’, CIO Magazine, 17 July 2007
Benefits management needs a rigorous framework tailored to your business environment and culture that starts prior to project inception and carries on after deployment, through to the end of the effective life of the project. Benefits management improves value capture and can provide valuable input into ‘lessons learned’ for your business. Here are our five steps to successful benefits management.

1. Before you start: have the right governance structure in place
2. At project initiation: clearly identify the benefits for all stakeholders
3. At project initiation: specify when and how you’ll capture the benefits
4. During the project lifecycle: measure and report on the benefits
5. During the project lifecycle and post-project: perform a benefits realisation review to assess the project

1: BEFORE YOU START: HAVE THE RIGHT GOVERNANCE STRUCTURE IN PLACE

The right governance structure will have the following ingredients:

- Each benefit clearly defined and aligned to the corporate strategy, and signed off by the relevant stakeholders
- A specific person from the project team and someone in the business accountable for the delivery of each benefit
- Establishment of Benefits Realisation Gateways to be incorporated in the project methodologies in use.
- A benefits reporting framework with associated report templates and schedule, along with someone within the project responsible and accountable for reporting on each benefit. Ideally this reporting framework should allow easy roll up of benefits reporting all the way from project to enterprise level

The project sponsor and owner need to show, before project commencement, not only how the benefits are aligned to the corporate strategy but also how the benefits at the project level roll up to the program, portfolio, and enterprise level. This gives the business the opportunity to ensure that benefits obtained in one project don’t conflict with or adversely impact benefits expected from another project.
In establishing a permanent and enduring governance framework, consideration needs to be given to corporate culture, organisational structure, project mix and which project methodologies are in use. Often the demands of delivering a project on time and on budget versus delivering the benefits articulated in a project business case seem to be mutually exclusive. This can be overcome when reward systems and corporate culture are realigned and supported by a benefits governance structure. In other words, the organisation needs to be explicit about the importance of benefits realisation in the way it supports activity and rewards behaviour, creating a culture where successful delivery AND benefits realisation together are the measures of project success.

2: AT PROJECT INITIATION: CLEARLY IDENTIFY THE BENEFITS FOR ALL STAKEHOLDERS

The project needs to clearly communicate what the delivered benefits will be and how they will be measured before the project commences. This is best done via the business case.
The audience for this communication is all stakeholders who have an interest in the project, particularly financial or resources. In some cases, some of these stakeholders may be the people who are accountable for delivery of the benefits. However, there is a broader audience too – the project team, the business management team, anyone external who has ‘skin in the game’. Clear and transparent communication of benefits holds the project accountable for delivery and creates motivation for regular checks of progress against the original benefits statement.

These benefits can be both quantitative and qualitative benefits, as both are of equal relevance. Qualitative benefits can be measured; examples include improved customer satisfaction and improved staff morale, which can be measured by questionnaires or surveys taken throughout the lifetime of the project.

When defining the benefits, you should realise that most, if not all, benefits are usually delivered after deployment. Therefore measurement and reporting of benefits should continue post deployment to ensure that the return on investment detailed in the business case has been achieved. This is commonsense – until the change delivered by the project starts impacting operational areas of the business, it may not be generating cost savings or direct or indirect improvements in profit.

3: AT PROJECT INITIATION: SPECIFY WHEN AND HOW YOU’LL CAPTURE THE BENEFITS

It can be hard to know when and how to measure the benefits of a project but it is important to ensure you specify:

- What is being measured and what is expected
- What measures will be used and how these measures roll up and align with program, portfolio and enterprise measures
- When the benefits will be measured and how will they be measured, especially if they are realised after project go-live
- What is the threshold for success for benefits realisation? For example, if a project looks like it will only achieve $10 million in cost savings as opposed to $15 million, is that still a good enough result to justify continuing with the project? Stakeholders will be instrumental in determining these thresholds
● What will be the impact to the project if measured benefits don’t match projected benefits?

Project benefits measurement milestones should be aligned with gateways dictated by the benefits governance framework.

The method for measuring project benefits needs to be established before the project has started. It is vital to have the whole assessment structure in place so everyone understands what is happening and the process goes smoothly. It’s also a great opportunity to collect information that might be useful on other projects, so feedback loops should be incorporated into the assessment structure to help inform current and future projects about lessons learned.

In some cases benefits are realised part way through a project (especially for large multiphase projects) and in some cases no benefits are realised until well after project go-live. Identifying when the benefits are realised is creating a ‘benefits realisation profile’, and it’s important to do it during project initiation. You can then ensure processes are in place to capture benefits at the right time.

4: DURING THE PROJECT LIFECYCLE: MEASURE AND REPORT ON THE BENEFITS

Once the project has started, it is important to measure and report on the actual outcomes versus the expected outcomes throughout its lifecycle, not just at the end. These reports can then be used during doing periodic reviews to regularly assess whether a project is still on track in terms of benefits. Often it seems like a project is going well, but if there is no formal reporting through the lifecycle it can be impossible to know for certain. Regular reporting will clearly show if a project is likely to achieve its aims. Clearly, in many cases the final benefits cannot be determined during the project but it is possible to measure the progress towards the benefits and thereby determine whether any remediation needs to occur before it’s too late.

A timeline of data-points can really help identify inefficiencies or failings in a project which need to be remedied. Often benefits realisation can be impacted by factors external to the organisation, such as activities of government, competitors and customers. These factors
can and should be incorporated into measurement and reporting, and taken into account when determining whether the project is still viable.

It is essential that measurement of benefits continues past the go-live and continues until the end of any period used in the business case to justify project initiation and return on investment.

5: DURING THE PROJECT LIFECYCLE AND POST-PROJECT: PERFORM A BENEFITS REALISATION REVIEW TO ASSESS THE PROJECT

You need data – evidence, if you will – that a project is underperforming if you want to justify the rectification, suspension or cancellation of that project. Given the size of projects these days, and the financial investment, no senior stakeholder will sign-off these actions without the compelling facts laid out in front of them. Depending on the benefits realisation profile of a project, it is often useful to perform one or more benefits realisation reviews during the life of a project to assess how outcomes compare to expectations. Looking at the benefits measures and comparing them with the intended benefits identified at the beginning of the project will give a good indication of how a project is performing.

This performance assessment can be a useful guide for decision-makers in determining what course of action, if any, needs to be taken with regard to the project. It’s a fact of corporate life that projects don’t always achieve their anticipated benefits, and there will be degrees of success. Looking at the data from the review and comparing it to a pre-identified threshold will assist management in maximising a project’s potential and knowing when there is no advantage in putting more money into it.

Post project completion, just like a project post implementation, it is important to conduct a benefits realisation review to help inform future projects about lessons learned. The review should also, where appropriate, assist in refining the benefits model for future projects.

WRAPPING IT ALL TOGETHER

Benefits management seems like, and to some extent is, just good business sense but in reality many organisations fail to manage the entire benefits lifecycle; that is, identify, measure, capture, and report throughout the project’s life. Many of the issues arise from
poorly defined goals which then change over the course of the project and aren’t properly measured due to a lack of governance. As the saying goes, knowledge is power – and knowing exactly how your project is tracking in terms of benefits realisation is a very powerful tool in successfully managing that project.

It should be clearly reported throughout the life of the project what the benefits are, who is responsible for realising them, how they are being delivered, and when the benefits need to be measured. Following these five steps is the key to unlocking the true potential of a project, and making informed decisions about the project’s useful life.

Never forget that the rationale for initiating a project is to achieve a benefit for the organisation. It is not good enough just to deliver on time and on budget. If benefits are managed and measured then you know you:

- haven’t adversely affected another part of the organisation
- have supported corporate strategy
- can declare the project a success

Good luck!

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**CONTACT US**

If you require assistance with your benefits realisation management, Terra Firma can help. Our experienced consultants can guide you through benefits governance, measurement and reporting.

Contact us today at info@terrafirma.com.au.