

Getting the Benefits of Programmes and Projects

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Introduction

This paper looks at a pragmatic and structured approach to realising the benefits of “Technology Enabled Change”.

The point of investing in new tools and technology is not the technology itself, but getting tangible benefits expressed as financial worth, business risk, strategic alignment and compliance.

The word “change initiative” will be used in the remainder of this paper to describe all change initiatives, regardless of whether they would normally be called projects or programmes of business change. This paper also applies to change initiatives that do not directly aim at implementing tools and technology.

When starting a new change initiative, the first thing we do is develop a business case or a cost-benefits analysis. The intent is to justify the investment and obtain the go-ahead to proceed. This is distinct from ensuring that the benefits identified are managed until they are realised, or ensuring that the “valid reason” for the investment is clearly understood, communicated and fulfilled.

Once a change initiative has been given the go-ahead, the business case has fulfilled its purpose and is filed away. Formal management will then focus on scope, cost and schedule. We tend to take it for granted that if the change initiative meets its objectives then the benefits will automatically follow. Sometimes we also perform a post-implementation review, hoping that the intended benefits have been magically realised.

Often we know whether the tools and technology have been delivered within budget and on time, and we can even determine how to do a better job next time. We do not know however, and cannot ensure, that the business benefits have been or will be realised.

This paper proposes that managing the realisation of business benefits in a structured way, starting from even before an investment decision is made, makes it possible to:

- Align “The Project” with “The Business”.
- Identify and clarify accountabilities for benefits realisation
- Manage the commitment and contribution of critical and essential stakeholders
- Implement the tools and processes needed to measure, track and report benefits.
- React to changes in the business environment and ensure that investments do not become obsolete
- Provide a framework to ensure that the expected benefits are actually realised

What is the point of a change initiative?

Put simply, business benefits are the returns that a business expects to obtain as a result of an investment.

A change initiative might aim at improving the business processes, tools, technology, data, organisation, policies and/or people that make up the business. Any change initiative is an investment. It incurs cost, uses resources, generates risk and takes time.

When evaluating an opportunity to invest in the Stock Market, we normally take into consideration the expected yield over time as well as the risk of the investment before making a decision.

The same principles apply when investing in a business. The main parameters in measuring the worth of an investment in change are

- financial worth (revenue, profit, shareholder value)
- risk (business risk and threats to the organisation's position or survival)
- alignment (the degree to which the business achieves its purpose)

For many non-profit organisations alignment to corporate mission is more important than financial worth.

In addition, a business also has to comply with regulatory requirements as well as safety and environmental standards

In summary, an investment provides business benefit when it improves the company's balance sheet, increases shareholder value, reduces business risk and/or achieves/improves/maintains compliance to the company's mission, to regulatory requirements and to applicable safety and environmental standards.

Not all outcomes are Benefits

One way of looking at the link between investments and benefits is to imagine that there are different types of outcome that can be produced by change initiatives.

Different types of outcome can be related to each other via contribution links. At the low end (the start) of the chain you have specific technical deliverables, and at the high end of the chain you have tangible business benefits as defined above.

The following are examples of different possible types of outcome:

- **Enablers.** These are direct outcomes of specialist projects, such as a new payroll system, new or changed business processes, new organisation and skills, new sales channels, new products etc. As a general rule, enablers are of no use on their own, they have to be used (and used effectively) to contribute to “higher-order” outcomes such as capability enhancements.
- **Capability Enhancements.** This is the impact of making effective use of enablers. They normally consist of new or expanded results (new, more, better). Examples would be increased productivity, more flexible manufacturing capability, a more competitive product set, a more effective sales force.
- **Areas Of Effectiveness.** A number of Capability Enhancements can contribute to making the business more effective in particular areas, for example Customer Service, Processing Business Transactions, IT Service Management or Change & Innovation. It is possible therefore to identify an overall outcome that summarises improved effectiveness in the specific area.
- **Tangible Business Benefits.** These are achieved by becoming more effective at what we do. Examples are increased revenue, profitability or shareholder value, decreased risk of product or technological obsolescence, decreased risk of environmental damage, stronger alignment with company’s mission and image, improved compliance with regulatory requirements, reduced risk of non-compliance, reduced cost of compliance.

At times the line of contribution between different outcomes is obstructed by a risk or issue, or is constrained by a condition that must be met. For example, increased production only generates increased revenue if sales are also increased. This can be identified as an assumption or issue, so that appropriate measures can be taken to address it.

The four steps of getting The Benefits.

Managing the realisation of business benefits is a management practice which is either performed distinctly from Programme and Project Management or is integrated with these.

The four critical steps in this process are:

1. Benefits Modelling.

This step produces a visual model known as the Benefits Model. This describes the complex web of outcomes and initiatives that link the direct outcomes of individual projects to the tangible business benefits that will be realised. During this stage you will distinguish the different types of outcome, identify the relationships between outcomes and initiatives and most importantly identify what initiatives need to take place, in addition to your project or programme, to ensure that enablers are transformed into tangible business benefits. This step takes the form of a series of facilitated workshops.

2. Benefits Analysis.

This step looks at the contents of the Benefits Model in more detail in relation to:

- Specification.

Specifying the outcomes in more detail. For example, translating the generic outcome “streamlined business processes” into a list of the specific business processes that will be streamlined, and a definition of what the streamlining will consist of.

- Stakeholder Analysis.

Identifying stakeholders that will be accountable for achieving the outcomes that have been included in the model. This provides input to the Stakeholder Management Plan.

- Measurability Analysis.

Analysing which outcomes can be (and are already being) measured, how they will be measured and who will be accountable for doing so. This provides input to the Benefits Measurement Plan.

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3. Benefits Planning.

The results of the Benefits Analysis are used as follows:

- Identifying specific measurable results that can be associated to each outcome in the Benefits Model.
- Producing a road-map or timeline of the expected initiatives and outcomes.
- Finalising the Stakeholder Management Plan and documenting Stakeholder commitment and contribution via Stakeholder Agreements.
- Planning and scheduling activities required to develop any measurement and reporting tools required.
- Planning and scheduling the specific activities required to actually measure and report outcomes accomplished and benefits realised.
- Producing a Risk Management Plan.

4. Benefits Measurement and Reporting.

This step consists of the ongoing implementation and maintenance of the plans produced during Benefits Planning. It includes ongoing measurements and reporting of outcomes and benefits over time.

It is important not to link this step to the timeframe of any specific change initiative, but to the timeframe during which it is expected to accomplish the outcomes and realise the benefits.

The entire process can be repeated iteratively, gradually expanding the scope of the change and benefits being managed. In this way Benefits Measurement and Reporting would become a continuous process that measures and reports the results of successive change initiatives over time.

Putting It All Together.

Effective ongoing management of the realisation of business benefits from change initiatives requires the implementation of a Benefits Realisation Management Environment which consists of the following components:

- A process framework.

A customised definition of the activities that need to be performed, of the roles and responsibilities of those performing them and of the deliverables that are to be produced. This framework should include deliverable templates and guidelines for specialised activities such as benefits modelling and workshop facilitation.

- Tools and techniques.

Tools required could include visual modelling tools, value measurement tools, management reporting tools and project planning tools.

For a further discussion on tool requirements for Benefits Realisation Management, refer to “Tool Support for Benefits Realisation”, by John Warner (jwarner@etrack.com.au), presented to Project Insight 2003.

- Capability development.

Assigning staff to the various roles & responsibilities, providing training and development, management and leadership.

An effective approach to implementing a Benefits Realisation Management Environment is to use an Iterative Development approach. The process framework, roles, tools and capability are established gradually via successive projects, each of which performs the entire Benefits Realisation Management process for a specific scope of change, such as a specific project or programme. Via successive approximations the process, tools and capability are gradually improved and refined until they reach the desired level of competence and effectiveness.