



White Paper

Benefits Realization

Project Success is More Than on Specification, Time and Budget

Measuring project benefits is a headache for many organizations. Projects have been running since the pyramids were built, so why the pain?

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Introduction

Increasingly organizations are utilizing projects to implement business strategies. These can range from organizational change initiatives, to technology and business process improvements through to customer satisfaction programmes. The business plan sets out the mission and vision, key objectives, and their related strategies, actions, targets and measures for the organization.

These objectives are owned by a business unit from a financial and operational perspective. That is the business unit develops the business case in support of the objective, initiates the project and takes operational control post implementation. The project team is responsible for developing the solution to be delivered to an agreed specification, time and budget.

If the business case clearly states the forecasted benefits and the project is delivered to specification, time and budget then why is measuring the resulting performance changes and calculating the benefits so hard?

Is it because the business case didn't forecast any measurable benefits?

Is it because the project was delivered but never implemented so the benefits were never realized?

Is it because the business unit ticked the initiative off the "To Do List" moving on to the next exciting challenge without measuring success?

Is it because measurement sounds easy but is hard to do?

Is a project which was on specification, budget and time successful if the benefits are not realized?

Do businesses do projects just for the sake of successfully completing the process?

Projects are undertaken to deliver competitive, operational, financial and management value.

This paper looks at the current situation with regard to benefits realization, highlighting the problems that are being encountered, the implications arising from those problems and the payoff for getting it right.

The Current Situation

The industry press, web sites and blogs are full of discussion around the topic. A whole new set of acronyms have been coined, jargon spawned and processes developed to elevate benefits realization to the level of a science. Consultants are travelling the corridors with obscure titles and engaging in techno-speak about new holistic approaches to benefits realization.

The renewed focus on corporate governance and transparency of reporting means that using company assets without a commensurate return is not acceptable. As a result, senior

management are turning up the heat on accountability and getting measurable value out of every dollar spent.

Against this landscape nothing has really changed in terms of project management discipline.

The simple truths fundamental to project success are:

1. If there isn't measurable benefit don't do it
2. What you can't measure you can't manage
3. Make someone accountable for what you measure
4. Measure their accountability
5. Be on specification, time and budget
6. Something has to change before something changes
7. Measurement is a process not an event

Capturing project benefits gets down to effective management of people, process and tools.

So how does adhering to theses truths enhance project success through measuring the actual benefit derived from the investment?

If there isn't a measurable benefit don't do it!

Many organizations focus on project costs because they can be easily identified. It is a simple matter to estimate labour and get quotes from suppliers for capital purchases to develop a project budget. Cost of delivery then becomes the focus of management rather than getting the benefits.

There is a common perception that measuring benefits is more difficult than costs as there are multiple factors that can come into play to cause a change in performance. Isolating the specific factor that gave rise to the benefit can be difficult but is essential to successful measurement.

In today's business environment all organizations are being asked to do more with less as all resources are at a premium. Setting project priorities must include consideration of the resources employed and the expected return to be gained. No measurement equals no return so it should equal no project when living this truth.

The key to this truth in ensuring all business cases are benefit based rather than cost based.

Not identifying benefits raises the following questions:

- How does the organization assign a priority to this project?
- Why should a project which delivers no defined value be approved?

Estimating benefits provides a:

- Complete picture of expected value
- Basis for setting project priorities

- Critical component of the approval process

What you can't measure you can't manage

In reality it is not more difficult to forecast benefits than it is costs. Ask any management accountant about the power of understanding financial ratios and how to leverage them to improve performance. In fact the parameters for delivering benefit are fewer and better defined than cost parameters.

Capturing and agreeing them as the baseline for future measurement is not a priority for many organizations. Yet it is a critical success factor for measuring benefits contribution.

One of the major failings of projects is being on budget. How many project budgets are revised on the way through as the degree of certainty about estimates improves as more information becomes available? This logic applies equally to benefits.

Revising the benefits forecast is a continuous process starting with the initial project budget through to the continuous improvement initiatives required to fine tune based on lessons learned post implementation.

The key to this truth lies in establishing a base line and re-forecasting the business case throughout the life of the project. Forecasting benefit is critical to measuring project success and helps answer the following questions:

- Is this project worth doing?
- How far out do the benefit estimates have to be before the project becomes unviable?
- Are the costs and benefits still within range for success at each decision gate?
- What are the opportunities for improving benefit realization for this project?

Measuring benefits enables:

- Clarity and commitment to priorities
- Understand sensitivity and certainty of project success
- Knowing when to kill or continue with a project
- Identifying and understanding continuous improvement opportunities

Make someone accountable for what you measure

The business unit or the project manager should be accountable for realizing benefits. The problem here is process. If the project management process has a benefits realization phase then the project manager should be made accountable. If not, then the business unit management team should be made accountable. Either way close cooperation is required for successful measurement of results achieved.

Accountability combines responsibility and authority. Do current performance management systems in your organization cater for assigning this accountability? In most cases

performance management systems operate on an annual or semi annual basis. With project time lines being compressed into a budget cycle or less this may not be responsive enough.

The key to this truth is making one, and only one person, accountable for realizing the benefits regardless of whether this is achieved via the project management or performance management process.

The questions raised in relation to accountability include:

- Who is accountable?
- How do we measure accountability?
- What do we measure?
- When do we measure?

Clearly getting the process right pays big dividends by:

- Getting the organization focussed on success
- Developing a performance based culture
- Putting the enablers in place to maximize the opportunity for success
- Making the process sustainable

Measure their accountability

Measurement is the cornerstone of accountability. Those accountable need to be measured during the project lifecycle right through to the initiation of continuous improvement.

The initial business case has to be kept current during the course of the project. Every schedule change, scope change, issue and risk raised during the course of the project will have an impact on the business case. Each reporting cycle should include the updated business case to assess the on going health of the project.

The key here is having the project reporting standards, processes and tools in place that enable measurement to be made quickly and simply when required.

The issues here are ones of sustainability including:

- Does your current project reporting standard cater for benefits?
- Can your performance management systems be adapted to support measurement?

The opportunities to realize include:

- Reinforcement of a performance based culture
- Focuses on returns to be realized from projects
- Highlights top performers for retention development and promotion
- Having the ability to reassess project performance every reporting cycle

It still has to be on specification, time and budget

Delivering projects on specification, time and budget is a vital part of the benefits realization process, but only a part. Never the less project managers need to continue to strive to achieve these outcomes as it is their contribution to success.

Many organizations are still struggling to manage resources and effort to deliver successful outcomes. From a management prospective, information is critical to effective decision making so project processes and information systems have to be responsive to these requirements.

Very few companies have yet to get this right. The long term shortage of experienced project managers globally (Refer to bijingo's White Paper on Resource Allocation and Management) means that better processes and systems are required to support less experienced project managers to achieve on specification, time and budget results.

The key to this truth is having effective project management processes and tools implemented and in use.

Being able to answer the following questions with confidence and accuracy means you are well on the way to realizing on specification, time and budget.

- How many projects are you currently running?
- Do they have the right priorities?
- What is the status of all projects?
- Who is working on which projects?
- Do we have the resources required?
- Will they be available when we need them?
- What benefits will be realized from each project?
- Will we realize them?
- Which projects have compliance requirements?
- Will we satisfy them?

The payoff here is couched in terms of their contribution to benefits realization:

- Shorter time to market and the opportunity to realize benefits
- Containing cost within the business case envelope
- Sustaining a performance based culture

Something has to change before something changes

Many process improvement and technology innovation projects often stall after implementation for reasons too numerous to cite here. Successful implementation boils down to two basic issues, leadership and organizational readiness. The leadership issue is about enrolling the organization and individuals impacted in the vision of the changes required for

implementation success. That is, getting the organization to understand collectively and individually that implementation success is a critical success factor for long term sustainability.

Organizational readiness is a function of two factors, ability and willingness to implement and be accountable. Ability is developing the capability within the organization to sustain focus on getting through implementation to day to day operation of the new system or process.

Willingness is about the organization's and individual's capacity to deal with change.

It is only through effective implementation that project benefits can be realized. The key to this truth lies in incorporating change management into the project management process.

The implications of ineffective implementation include:

- Lengthen the time to realize benefits
- Incur additional costs due to delay
- Render the business case negative
- Delay or subvert the measurement process
- Undermine accountability

The payoffs for successful implementation:

- Shorten time to benefits
- Minimize costs
- Provide a baseline for measurement and continuous improvement
- Sustain high performance culture

Measurement is a process not an event

So your organization has successfully approved, delivered and implemented projects and the benefits have been realized. Looks like you have a blue print for on going success. What about continuous improvement? Surprise, surprise these initiatives look like projects, smell like projects, sound like projects – guess what they are projects! So do we start all over again? The answer here is yes and no.

Yes, you need to start over in terms of delivering the continuous improvement project. No, you do not need to start all over from the point of view of benefits realization. You already have an agreed baseline from which to measure based on the original project as discussed in “What you can't measure you can't manage” above. You have measured the initial implementation benefits derived. So why not utilize this as the ongoing baseline for measurement.

Your project and portfolio management system should allow access to both the original baseline information and the initial benefits realization results as a basis of continued

measurement. This process should be applied to every case to ensure that real benefits will be derived from an initiative.

Measurement should never stop as it forms a basis for setting priorities and allocating the organizations scarce resources to extract the greatest benefits. Cumulative measurement provides a basis for strategic evaluation of business operations and markets.

The key to this truth lies in the capability of your program and project management system. Good systems facilitate easy access and sharing of information.

Continuous measurement raises the following questions:

- Are continuous improvement initiatives of value?
- How do the returns compare with major projects?
- Are continuous improvement initiatives realizing the forecasted benefits?

The benefit of continuous measurement is simply being able to objectively:

- Evaluate project viability
- Prioritize projects
- Allocate resources accordingly
- Maximize benefits

Conclusion

The three key aspects to benefits realization are people, process and tools. People need to be aligned with the organization's mission, vision, values and goals to understand and effectively support the initiatives designed to deliver long term success and sustainability. It is the responsibility of the organizations leaders to engage their people in the pursuit and achievement of the organizational vision.

People need to clearly understand their roles within the organization and projects, including their accountabilities. The organization's culture needs to be change ready meaning the people are both willing and able to embrace new initiatives. Finally the measurement systems need to reflect current accountabilities, progress achieved and reward for results.

Projects are one of the key vehicles to delivering new initiatives. Project processes need to incorporate realization of success, the benefits sought, in order to re enforce overall alignment with the organization's vision. On going improvements are most often implemented via project teams. Having robust, well implemented and adhered to project processes will become increasingly important to long term organizational success and sustainability.

Tools enable people and processes to work effectively. They allow people to understand who, what, when, where, why and how to meet their accountabilities. They need to facilitate measurement of process adherence and progress to facilitate effective management and

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communication within the organization. Most importantly they must enable all participating to measure their success in achieving their objectives.

Benefits realization is simply the lynch pin which provides common focus, understanding and measurement of the organizations progress towards achieving its vision.

About bijingo Pty Ltd

If you would like more information on realizing project benefits or to learn how other organizations like yours deal with this situation visit us at www.bijingo.com

Bijingo develops and provides b-smart, a comprehensive software as a service project management solution.

About This White Paper

This white paper is based on customer experience