Managing Benefits

the key to project success

In the second of his current series of articles, Terry Cooke-Davies turns his attention to another hot topic in project management – the management of benefits. Terry is the managing director of Human Systems International Limited, a company with operations in UK, USA and Australia, that supports global Networks of organisations that are committed to working together to improve their own organisations' results through projects.

'Managing benefits' sounds as if it is more to do with health insurance than with managing projects. But every project represents an investment by a sponsoring organisation. And the investment is made with a view to obtaining benefits. In fact, the 'essence' of a project is a unique piece of work designed to deliver beneficial change, so managing project benefits underpins all aspects of project success. When anticipated benefits are delivered, customers are satisfied, sponsors get their return on investment, and the project team can see that their job has been well done. When anticipated benefits aren't delivered, the would-be beneficiaries are frustrated, and count the project a failure. That is why successful project management is all about managing benefits.

The problem is, however, that organisations are not good at measuring the benefits that projects deliver, and comparing them to the money that was expended on the project. Evidence from an analysis of project management practices within large national or global organisationsi that are committed to project management excellence shows that only 5% of those organisations achieve high scores for both the 'approach' and the 'deployment' of benefits management practices (See Figure 1).

What this means is that in the majority of organisations, critical decisions about projects are taken without an adequate basis of information. They have to rely on intuition that is not substantiated by well-founded evidence, and thus they have no objective way of assessing the quality of the decisions.

If this isn't bad enough, the project management profession has largely neglected the subject. From over 1,300 articles published in project management journals in USA and Europe between 1984 and 1998, only one article dealt primarily with 'the business case' for projects. An analysis of six different bodies of knowledge published since 1994 shows that only one has 'benefits management' as the heading for a knowledge area (although all of them include some reference to the subject at some level).ii

So how can organisations take high quality decisions about projects so that they maximise the benefit that the organisation receives from its investment in projects?

Clearly, any organisation that is serious about improving project results needs to develop the systems, processes, capabilities and mechanisms that are necessary to realise benefits from individual projects, and to optimise benefits from the whole project portfolio.

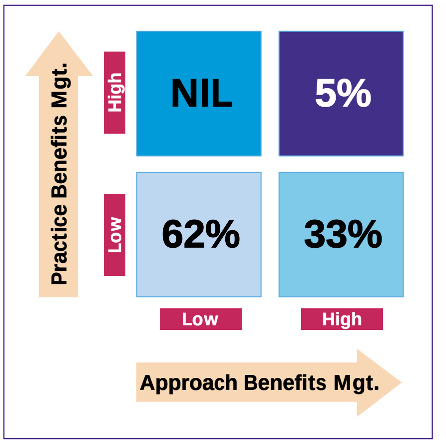

Figure 1: Current Practice of Benefits Management.

But that just begs a further question. How do you set about implementing a benefits management system in an organisation? What are the characteristics of a simple process for planning, reviewing, controlling and delivering project benefits?

A review of the practices of leading European organisations suggests that there are three principles that underpin any effective benefits management system, although as the data in Figure 1 suggest, such a system is easier to design and to mandate than it is to implement. The three principles are:

- Create project governance structures that involve both the project and the functional line organisation.
- Drive all governance decisions about the project through the business case.
- Redefine project management methods and frameworks so as to make benefits management an integral part.

1 Governance structures

The first of these three principles is to create project governance structures that involve both the project and the functional line organisation.

'Governance' is a word that is being bandied about quite a bit in project management circles these days. What I am talking about when I use the word is a layer of control over the project that is exercised by, or on behalf of, the people who are paying for the project. It is usually at a higher level in the organisation than the level of detailed operational control. It can involve the project sponsor, the project director and/or an advisory board or steering group, in addition to the project manager and core members of the project team.

There are three broad areas of good practice that illustrate how this first principle is being applied in leading organisations.

Nurture a culture of mutual co-operation between the line and the project organisation, which has at its heart a clear accountability for the delivery of benefits in return for investment.

In most leading organisations nowadays, business change is delivered through a portfolio of programmes or projects, managed by a project management community, and governed by some organisational body that is responsible for maximising the success of both individual projects and the project portfolio as a whole. Taken as a whole, the sum of the programmes and projects represents the organisation's efforts to implement its strategy for achieving its long-term goals.

The trouble is that most organisations are structured so that the part that is responsible for planning, managing and delivering the projects is usually different from the part that is responsible for operating the products, services or capabilities delivered by the projects. (See Figure 2)

The organisational barriers can be broken down only through a combination of structural measures involving roles and responsibilities (such as ensuring that project sponsorship comes from those who will most benefit from operating the products produced by a project or programme) and of cultural measures, involving fostering a climate of openness and co-operation between the two parts of the organisation.

Define clearly the responsibilities of the project sponsor, project manager, end-users and other significant roles that are necessary to assure the contribution of the benefits for which the project was funded.

The structural practices that were recommended in 1a, do not need to be implemented through a massive reorganisation. Indeed, smart companies recognise that it is more appropriate to deal with it through specifying clear roles and responsibilities in the programme or project team to ensure that benefits planning, delivery and realisation each clearly belong to those people who are best able to ensure that they happen as they should.

This has implications for programme and project management processes, as will be explored in Principle 3 (Modified project management processes) below.

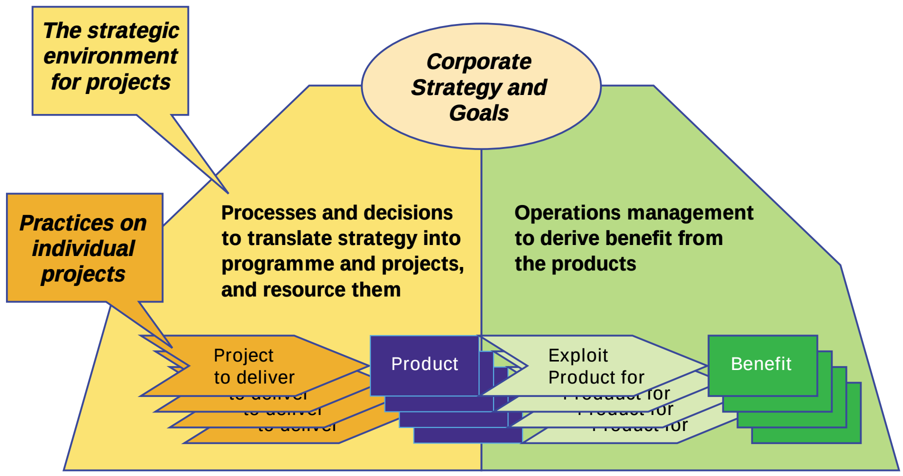

Figure 2: Organisational Barriers to Benefits Management.

Identify all stakeholders who will need to be involved in the project in order for it to contribute the anticipated benefits to the business, incorporate their roles into the benefits delivery plan, and involve them in appropriate ways throughout the life of the project.

The third good practice area is to ensure that the scope of the programme or project includes all those activities that are necessary to ensure the appropriate management of all the project stakeholders. Preliminary mapping such as that shown in Figure 3 can identify the need for some of these 'softer' activities, but that is in itself only a first step. The diagram depicts a hypothetical example, where a group of key players in the delivery of the benefits are insufficiently committed to the project to assure that the full benefits are realised.

A second step is to include clear responsibilities for the delivery of benefits once project deliverables have been produced, and to have these stakeholders work together with the project team to develop a 'benefits delivery plan', which can itself form the basis for future decisions about operational budgets and practices.

The practice of creating a benefits delivery plan, leads us naturally into a discussion of the second principle: drive all governance decisions about the project through the business case.

2 Business-case based decision-making

In last month's article in this journal (Thriving during tough times) I considered in considerable detail the necessity of constructing a business case 'with teeth' for each programme and project. This gives rise to three areas of good practice.

Use the business case to link project deliverables to corporate strategy through understanding and quantifying the benefits that the project is intended to contribute.

Far too often, the benefits that are expected from a programme or project are expressed in general terms which have more in common with 'motherhood' statements than with concrete plans upon which the organization can confidently build. Companies that apply good practice in this area are very clear about two things: which deliverable makes which benefits available, and what needs to happen to the deliverables in order for the forecast benefits to be harvested.

When this is well done, the precise timing of the flow of benefits can be

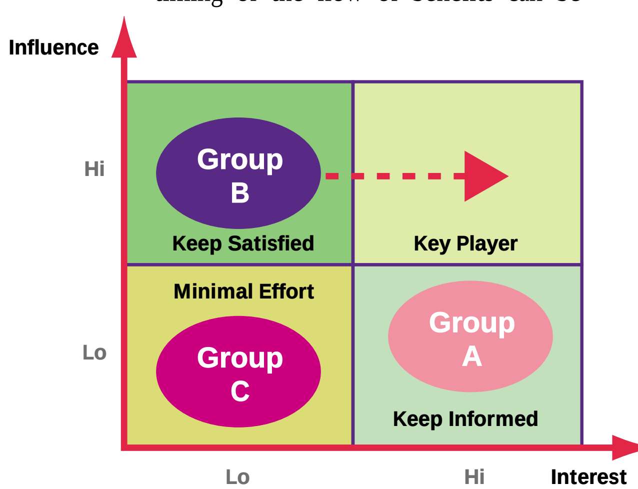

Figure 3: Identifying the Scope of 'Stakeholder' work.

predicted from the project or programme schedule, and the impact of any changes or unplanned delays can be assessed. This enables sensible trade-offs to be made by the project governance body, and raises the quality of decision-making.

In addition to the ongoing activity of steering the project through day-to-day decisions, there are two different but complementary formal streams of decision-making reviews that are essential to the effective delivery of project benefits.

Periodic business reviews to assess project priorities.

The first of these is a regular review of the whole portfolio of programmes and projects carried out at regular intervals (such as annually), as appropriate. The purpose of these reviews is to assess whether the organization's strategic priorities are reflected in the total project portfolio, and whether or not the anticipated suite of benefits is sufficient to accomplish the organization's strategic goals. If not, then it may be necessary to introduce new projects or programmes, discontinue some, or seek intentional changes to others.

Natural 'gate' reviews as projects reach specific decision points.

Most organizations that are serious about project and programme management now recognise the need to conduct reviews regularly throughout the life of the project, usually when the project reaches specified points or 'gates' in its life cycle. These reviews are the second stream of decision-making that affects benefits management. It is good practice at these reviews to involve all appropriate stakeholders in a forward-looking assessment of the probable benefits that each project will or does contribute to the business.

1. THE LINE AND THE PROJECT MUST WORK TOGETHER
2. ASSIGN CLEAR RESPONSIBILITIES FOR BENEFITS DELIVERY
3. INVOLVE ALL STAKEHOLDERS IN PLANNING BENEFITS DELIVERY
4. LINK PROJECT DELIVERABLES TO CORPORATE STRATEGY
5. HOLD PERIODIC REVIEWS OF WHOLE PORTFOLIO
6. CONDUCT BENEFITS REVIEWS AT PROJECT STAGE GATES
7. INCORPORATE BENEFITS DELIVERY INTO THE PROJECT PLAN
8. DEVELOP BENEFITS METRICS FOR EVERY PROJECT
9. INTEGRATE RISK MANAGEMENT WITH BENEFITS MANAGEMENT
10. COMMUNICATE BENEFITS DELIVERY PLAN TO ALL STAKEHOLDERS

Figure 4: The 'Ten Commandments' of Benefits Management.

3 Modified project management processes

By now it will be clear that good practice in benefits management is not something that can be 'bolted on' to existing project management systems, methods and processes – it must be 'built in' to their heart. This leads us on to the final four good practice principles:

Incorporate benefits planning into the project planning process such that all appropriate stakeholders are committed to a benefits delivery plan.

Planning for the delivery of benefits must be built into the planning process right from the start if it is to be successfully executed and monitored. In effect, the scope of the project has to extend to the creation of a benefits delivery plan that will show not only what benefits will be realised and when, but who will be responsible in the operational part of the organisation for ensuring that they are delivered.

Ensure that each project team develops an appropriate suite of metrics to assess the probable benefits that their project will or does contribute to the business, in such a way that they can be compared at any time during the project life cycle with the benefits that were anticipated in the business case, and with the benefits required by the business in the light of current trading performance.

The second good practice principle is easier to say than to do. It is relatively straightforward to show when benefits will become available, if the benefits are explicitly linked to specific deliverables (see 2a above). It is less easy to develop 'early warning' systems of indicators (such as traffic lights or dashboard dials) that can predict the total value of the project as compared with the initial business case. This is where the rigorous use of some financial measure such as Net Present Value (NPV) can be of great assistance.

Integrate risk management principles into the benefits management process.

The third good practice area is to take the benefits that can be released by specific deliverables, and then tie these into risk analyses associated with the timing of the deliverables in the project plan. Two separate reviews can prove useful in this context. Firstly, the size of the benefit compared with the time that it is forecast to become available during the project's life can encourage bringing benefits forward so as to improve the cost/benefit profile of the project. Secondly, the size of a benefit compared to the risks inherent in its associated deliverables can lead to a revised project strategy, using the principles of 'value management'.

Communicate both the benefits plan and current project status to all participants, in both the project and the line organisation.

And so we come to the final good practice area, which is perhaps the most obvious, and yet one of the least commonly practiced. Companies that excel at benefits management major on the need to keep all parts of the organisation continually informed of the current status of the benefits plan, as it is affected by current project status.

At the start of this article, we saw that only one company in twenty is successfully applying all of these good practice areas at the moment. What Figure 1 also shows, however, is that one company in three is aware of some or all of these areas, and is actively seeking to implement them.

My earnest hope is that alongside seeking to manage projects better in terms of the classic 'triple constraint' (time, cost and scope/quality), all organizations that are serious about project management will turn their attention to excelling at the management of benefits. It may well hold the key to project success.

i Evidence from data in the 'Corporate Practices Questionnaire' employed by members of the Human Systems Project Management Knowledge Network.

ii See Chapter 2 of Cooke-Davies, T (2001) 'Towards Improved Project Management Practice', dissertation.com, U.S.A.

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Although Terry wrote the words in this article, and any errors in it are his, he would like to acknowledge that the credit for any wisdom that it contains belongs to members of the Networks. They are the ones who find out what works and what doesn't where it counts – 'where the rubber hits the road'.