How to increase benefits realization likelihood?

Usually people think that a strong business case together with a proper business analysis requirements definition and an effective project management are enough to ensure benefits as a natural flow-on. However, according to Harvard Business Review, about 70% of the projects fail on delivering the planned benefits and there is an increasing trend of this number. So, does it worth expect benefits realize on their own? Can we increase sharply the likelihood of realization by having an active role during the project?

Introduction

A benefit can be defined as a consequence of change or more precisely as a quantifiable improvement that is understood as positive by stakeholders and its monetary value can be assessed.

The Benefits Management is a process that aims to identify, define, plan, track and realize business benefits. The first mission of any manager is to create wealth, therefore management needs to be aware of the effectiveness of benefits management. It's possible to say that delivering benefits is the main reason why organizations undertake change and go ahead with projects.

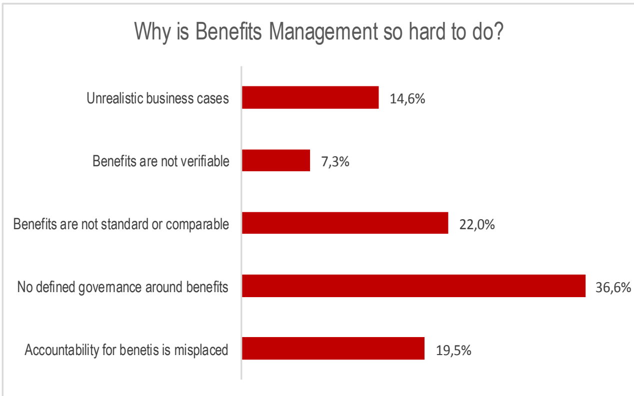
Pereira (2014) defines 4 types of benefits that sum up every other benefits:

Source: Pereira (2014)

Why do Benefits Management fail?

If organizations' main concern is to take care of benefits, why don't they pay attention to that? Why is Benefits Management so hard to do?

Let's take a look to the following survey questions:



Source: ProjectManagementTimes.com

Governance is probably one of the most *hot topics* in the Project Management field; however, the actual processes are oriented to execute projects and deliver outputs which is strongly different from delivering benefits. To have proper defined governance in benefits, it should be included:

⇒ Guiding principles;

⇒ Definitions;

⇒ Roles and responsibilities;

⇒ Processes;

⇒ Tools and templates.

Among these points, Roles and Responsibilities are perhaps the most important ones. **If a benefit doesn't have an owner, the likelihood of realization falls drastically.**

Following are 12 reasons stated by the Benefits Institute for Benefits Realization failure:

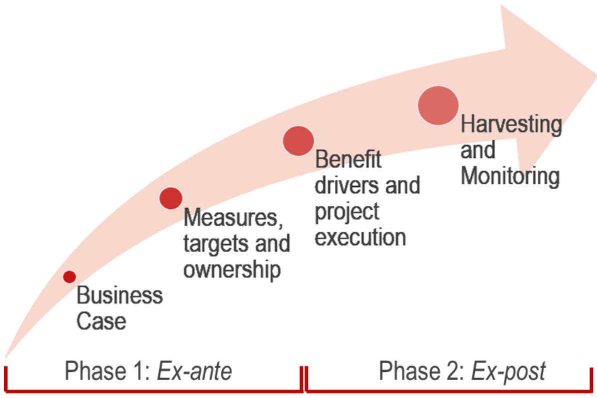
1. The major project management **methodologies were written to avoid delivery failure** – benefits are not their central concern.
2. **Third party suppliers** (contractors, software vendors, consultants) are more concerned with their own business case and therefore deliver what is required of them and move on. **The customer's benefit realization is not their focus**. The high use of contractors can mean there is little vested interest in benefits realization.
3. **Project managers do not see benefits as their responsibility.** The growth in other specializations such as business analysis and change management means that the project delivery personnel are further removed from the business consequences of their actions.

4. The common misconception that if you build the projects, the benefits will come. **Benefits management is therefore seen as an unnecessary overhead.**
5. **Once projects are approved, no further justification is sought** – therefore not only are the claimed benefits not leveraged or managed but additional potential benefits are ignored. This effect is exacerbated where claimed benefits are 'booked' in future budget allocations – business managers will not admit to the possibility of greater financial benefits than they need to.
6. **CEOs do not demand to see the actual and cumulative ROI** on the capital investments and reporting to shareholders is not done in this way.

7. **Corporate planning, budgeting and portfolio planning are usually not integrated,** so particular projects are not regarded as essential to delivering strategy.
8. **Project costs are rarely aligned to specific benefits so the best value for money is not achieved.** This would occur if high cost/low value outcomes were eliminated.
9. **Risk management processes are normally directed at delivery** rather than benefit impact.
10. The primary project management measure of success is "**on time and on budget**"
11. **Measurement activities are seen as an overhead.** When baseline measures are not taken or confirmed, improvements cannot be measured.
12. There is often a **long time lag between initiative planning and benefits realization** which can make attribution difficult.

How to overcome all these problems?

Benefits realization measurement is divided in **2 fundamental phases: *ex-ante* and *ex-post.***



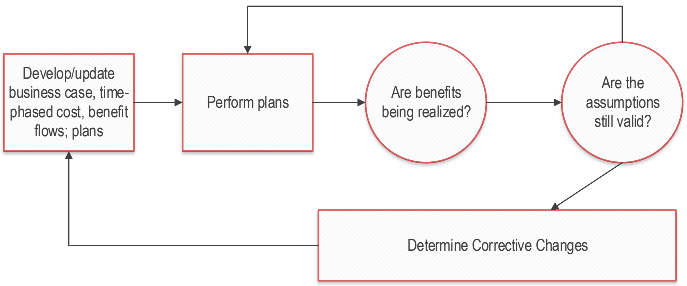
Source: Adapted from Herlihy (2010)

First, it's important to do a **detailed and objective business case**, this includes not only quantifying and making tangible all the relevant benefits but also **creating a Benefits Realization Plan.**

A Benefits Realization Plan (BRP) documents **what** are the expected benefits of the project, details **how** they will be measured during the project life-cycle and also **who** is the accountable for measuring benefits and **when** should they do it.

The second fundamental step is Monitoring and Control benefits through the project life-cycle. This step is the application in practice of what was defined in the BRP. Tracking benefits is imperative because **benefits have a dynamic behavior,** this means that they can change over the time. An expected benefit can in practice have the opposite value so it is considered a disbenefit. On the other hand there are unexpected benefits that can occur during the project, **the owner of the benefit must ensure these benefits are realized.**

To sum up, benefits can't deliver themselves, they don't happen by accident and also "on time, budget and scope" isn't enough. Benefits need a close and active tracking role, this means: when a benefit has some kind of deviation it is necessary to infer what's going wrong and apply corrective changes if applicable.



Source: Biffl, Aurum, Boehm, Erdogmus, Grünbacher (2006)

BRP example

A Benefits Realization Plan should be tailored according to each organization's reality. However there are topics that probably are transversal to several firms and they should be included in this document:

⇒ **Benefits category** — the instantiation of the benefits by Business Increase, Cost Reduction, Efficiency Increase or Legal Compliance;

⇒ **Description of the benefit** — Short description that explaines the benefits in a meaningful way;

⇒ **Periodicity** — How often the benefit will be monitored;

⇒ **Owner** — The owner will be the person in charge for managing the benefits realization. This includes reviewing the benefit through time. The owner must be whenever it is possible a person and not an area or department;

⇒ **Delivery date** — Should indicate when a particular benefit is expected to be realized. Generally it represents a commitment with the sponsor;

⇒ **Current baseline** — It includes the actual value of the metric(s) used to represent a specific benefit;

⇒ **Target** — The level of performance that is expected to be achieved through the implementation of the project;

⇒ **Status metrics** — Metrics used to control how the benefit is performing during its realization.

«Benefit realization management is common sense but not common practice.»

Gerald Bradley

References

- Biffl, S., Aurum, A., Boehm, B., Erdogmus, H. & Grünbacher (2006). ***Value-Based Software Engineering***. Springer

- Herlihy R. (2010). ***Benefits Realisation Guide***

- Pereira, L. (2014). ***Como Criar Riqueza***. Bnomics.