STRATEGIC BENEFITS REALIZATION

Optimizing Value through Programs, Portfolios and Organizational Change Management

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INTRODUCTION TO BENEFITS REALIZATION MANAGEMENT

INTRODUCTION

This chapter presents an overview of the fundamental terminology of benefits realization management. In addition, it identifies the primary differences between benefits realization management and capability creation, drawing on parallels between projects and programs in the practical business environment.

WHAT IS A BENEFIT?

Before discussing benefits realization management, it is important to define what is meant by a benefit. Definitions of benefits vary, but for the purposes of this discussion, we will focus on the foundational benefits definition found in two well-regarded industry standards in project and program management, as well as a classic dictionary definition.

Beginning first with a dictionary definition, the Merriam-Webster dictionary defines a benefit as “something that promotes well-being” or a “useful aid.” We can view something that promotes well-being or a useful aid as representing some sort of desirable outcome or advantage. Perhaps some information system that provides better information to support business decision making, if correctly designed and appropriately implemented, provides a useful aid to business users.
who have data analysis needs. This notion of a benefit underscores the basic notion of a benefit as providing some advantage. That advantage, however, must be valued by someone in order to truly be a benefit. If one creates a better mousetrap in a world with no mice, it might be proposed that the relative advantage is lost and—although improvement of the mousetrap is created—there is no customer for the better mousetrap and therefore, no advantage. This may seem a simplistic example, and counterpoints could be made, but in essence the point is: benefits need to benefit someone.

A second, and more relevant example in a project management context, comes from the definition of a benefit in the Project Management Institute's *Standard for Program Management*, which defines a benefit as, “an outcome of actions, behaviors, products, or services that provide utility to the sponsoring organization as well as to the program's intended beneficiaries.” This definition is significantly more focused than the general dictionary definition and is worth digesting a bit. The first notion worthy of mention is the idea of benefits coming from actions, behaviors, products, or services. Benefits have to be delivered by something: It could be a differentiated product that provides a benefit to a user, such as a simpler user experience; it could be a service that offers convenience; or it could be some other form of action that creates value.

These benefits are provided to a sponsoring organization and to intended beneficiaries; both are worthy of mention. The idea of a sponsoring organization is not new in our project and program management world. We understand that sponsors are the people who pay the bills and champion the project or program efforts. In our benefits realization management world, the sponsoring organization plays this role, but as indicated by the definition of a benefit, the sponsoring organization expects to get value from the delivered benefits. The sponsoring organization doesn’t just want the work to be done; it wants the benefits to be realized. As such, representatives of the sponsoring organization will play a strong role in “benefits realization management.”

Secondly, it is expected that utility will be provided to the program’s intended recipients. While the use of the word “program” is somewhat specific to a definition that comes from a program management standard, it can be extended beyond programs to the general notion that there are intended customers of the benefits, and those customers need to derive benefits from whatever is created. The diversity of these intended customers may be large. We could imagine a scenario of building a public park. Intended customers of the park may be the general public, and thus the group of intended beneficiaries may be quite large. Will it be possible to build a park that satisfies everyone's needs perfectly? Probably not, but we recognize that benefits may be extended to relatively large stakeholder groups, and while it may not be possible to meet all of their needs perfectly, understanding the intended beneficiaries and their needs will be an important part
of the process of aligning the proposed benefits with the sponsoring organization early in the benefits realization management life cycle.

Finally, we can look to the very well regarded APMG-International Managing Benefits reference guide, which defines a benefit, as per the UK Cabinet Office, as “the measurable improvement resulting from an outcome perceived as an advantage by one or more stakeholders, which contributes towards one or more organizational objective(s).” I prefer this definition for its simplicity and completeness. It contains some important words. First, and perhaps foremost, is the notion that a benefit is not just an improvement but also a measurable improvement. It is unfortunate how many business cases in the world are built largely on intangible benefits. We need to get better. A fundamental notion of benefits realization management that is worth repeating many times is that we need to be able to measure the improvement. Does this mean that we always need to develop complex measurement systems and financial models that are accurate to the second decimal place? Certainly not. But at some minimal level, we need to be able to establish a target and measure against it in order to understand whether the benefits to be achieved will meet the plan. If we don’t do this, how will we ever know whether we are heading towards a situation in which what we deliver is not “beneficial enough” to be used? The idea that some benefits are better than no benefits is a dangerous one. We use benefits realization management to fully realize the potential of the benefits we desire, not to create compromises. And while some compromises may be made from time to time, effective measurement helps to limit the risk that we must make compromises down the road—by being the proactive mechanism by which we monitor and manage benefits realization.

The concept of a benefit being valued by a stakeholder has already been discussed, so the second point is the notion of the benefit contributing towards one or more organizational objectives. Some may be flip and say it is obvious that the work we do has to contribute to the organization’s objectives. But how often have we found situations where, despite our best efforts, pockets of work occur that appear to be contrary to the general direction of the organization? How often have we encountered cases where managers are doing what is best for them, rather than what is best for the organization at large? It happens. In fact, in the project portfolio management discipline, we often advocate that an initial starting point for implementing portfolio management is to inventory the in-progress projects and programs to determine the extent to which these projects and programs align with the current organizational priorities. Inevitably, this exercise roots out work that probably shouldn’t be occurring. As we undertake benefits realization management, we have an imperative to ensure that as we define benefits, we correspondingly ensure the alignment of those benefits with something the organization values, which is often articulated in corporate strategies, objectives, or similar constructs. As these strategies or objectives are cascaded through the
organization at large and transformed into actionable initiatives, projects, programs, or other work, benefits realization management may be used as a basis for alignment of work with what the organization values.

And so, the basic notions of a benefit can be summarized in a few key points:

- Benefits are perceived advantages—things that put someone in a better place than they are today
- Benefits must be valued by someone—often a sponsoring organization as well as an end customer of the benefit
- Benefits require alignment with the goals of the organization
- Benefits are delivered through work—project work, program work, operational work, and the like
- Benefits must be measurable—we can’t rely exclusively on intangibility

This is a lot. And it’s not easy. Throughout the remainder of this book, we will focus on all of these aspects, individually and collectively. But first, it’s important to relate benefits to the context of project and program work.

WHERE DO BENEFITS COME FROM?

One may intuitively understand that benefits do not create themselves out of thin air. In fact, benefits are often the end result of a lot of work that gets done to create them for the stakeholder(s). Consider a large program. Initially, the program may charter certain projects to accomplish work. These projects themselves may not create any benefits at all. Rather, they may create some set of capabilities that when integrated together and into the business organization, begin to realize benefits. A practical example may be useful here. Consider an IT system to help a company better process travel expense reports. One component of that system may be a feature that allows employees to submit expense reports electronically versus having to submit paper documents and receipts. Once the programmers have done their work, the system is tested, and the software is delivered by the IT staff to the business users, with the capability to reduce costs and processing times for expense reporting. The capability to enhance user satisfaction through a simpler process exists. These capabilities are created by the IT project itself. Does the IT project realize the benefits? Perhaps not. Only after the appropriate business processes are implemented, the users are successfully trained, the initial bugs are worked out, and the change associated with this new system is successfully embedded in the organization and working properly may the benefits of increased efficiency, reduced costs, or other desirable outcomes be realized.
Introduction to Benefits Realization Management

So, we have a simple notion that can be summarized in a basic diagram, as shown in Figure 1.1.

As Figure 1.1 demonstrates, the realization of benefits is dependent upon the creation of capabilities, which are often themselves realized via projects. Those capabilities, if successfully embedded in the organization via program and organizational change management, create the relevant benefits of interest to the organization. A further extension of this diagram might describe where the definition of these planned benefits originates, a topic to be discussed separately.

Some benefits realization management literature describes additional terms to distinguish between the tangible outputs of the project, the corresponding capabilities that are created, the results of business change, and the corresponding benefits realization. The commonly used terms are identified in Table 1.1.

These terms can be applied to the general model provided in Figure 1.1, which has been modified in Figure 1.2 to illustrate this relationship.

Figure 1.2 demonstrates the relationship between projects, capabilities, outcomes, and benefits. In this figure, projects produce outputs that are combined to create capabilities. Capabilities are embedded in the business organization through transition, which undertakes the appropriate organizational change management activities to introduce the developed capabilities into the business organization. These capabilities, once transitioned and in use in the receiving business organization, create benefits. The models presented in Figures 1.1 and 1.2 are similar and are presented separately here to enable the reader to understand the common terminology in use in the benefits realization management literature, which does vary from methodology to methodology. However, the essence of projects, business change, and benefits realization are common—despite minor differences in terminology.

Table 1.1 Benefits realization management terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Output</td>
<td>The deliverable created by a project</td>
</tr>
<tr>
<td>Capability</td>
<td>The set of outputs required to create an outcome</td>
</tr>
<tr>
<td>Outcome</td>
<td>The result of transition that embeds a capability in the business organization</td>
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A few key characteristics of benefits are relevant to more precisely defining the nature of benefits. These characteristics, while not meant to be an exhaustive list, provide an overview of considerations relevant to the definition of benefits in the project, program, and portfolio management contexts.

Intermediate and End Benefits

The concept of intermediate and end benefits can be most easily described as a relationship in which the achievement of a final (end) benefit is dependent upon the achievement of one or more intermediate benefits. Figure 1.3 provides an example.

Though a simple example, Figure 1.3 demonstrates the essence of intermediate and end benefits. The end benefit of “increased repeat sales” is not likely to happen on its own. It ultimately occurs as the result of one or more intermediate benefits, such as increasing customer satisfaction. One way that customer satisfaction might be increased is through fewer order processing errors. It is important to note, as the diagram illustrates, that this occurs as a pseudo chain of events, with the achievement of some benefits depending upon the achievement of others. This principle makes effective organizational change management and integration of capabilities into the business environment that much more important. Our ability to realize increased customer satisfaction will be significantly diminished if we do not do a good job of creating the capabilities required to reduce errors and to introduce the corresponding required change into the business environment.

Disbenefits

It is interesting to note that positive change may come with negative outcomes. The concept of disbenefits refers to an outcome that is viewed negatively by one
or more stakeholders. Disbenefits are a natural occurrence in many business change environments. Sometimes, a positive change for one person or group results in undesirable change for another person or group. Consider an example. It is possible that through implementing a particular tool to make the job of the accounting department easier, you lose some visibility to data that makes the work for the sales operations department a bit more difficult. Weighing benefits and disbenefits against each other is important. If the benefit to the organization of simplifying the work in the accounting department outweighs the additional inconvenience created in the sales operations department, then the organization may consider the disbenefit to be acceptable. Of course, two goals of organizational change management in this context would be to minimize the negative impacts of the disbenefits while also providing the appropriate communication, training, and related processes required to ensure that the sales operations department fully understands the nature of the perceived negative change and is as prepared as possible to accept it.

Emergent Benefits

There’s a saying about “the best laid plans of mice and men,” referring to the fact that things don’t always go as planned. While the connotation of this adage may be negative in the benefits realization management context, there may be positive outcomes, called emergent benefits, which are not planned from the start but become apparent as time goes on. These emergent benefits, often realized later in the benefits realization management life cycle, while change is being implemented, may represent opportunities for the organization to enhance benefits realization. These opportunities should not be ignored; rather, they should be assessed to understand whether the value of capitalizing on the emergent opportunity outweighs the relevant costs and risks of changing plans that are already in progress. These decisions are not always easy; strong change management processes, combined with sound opportunity analysis processes, must be used to assess the relevant opportunities and risks.

Tangible and Intangible Benefits

The concept of a tangible benefit represents, at a simple level, a benefit that can be measured. For example, decreased wait time to reach a helpdesk agent could be measured by using wait time data in the helpdesk environment. The concept of an intangible benefit represents a benefit that cannot be measured. As benefits realization management professionals, our goal should be to ensure that we define and manage against tangible benefits whenever possible. If a particular benefit cannot be quantified and measured, then one could argue there is no benefit at all. Though this may be an oversimplification, it is extremely important to
point out that there is a large body of evidence suggesting that many problems associated with projects not meeting business needs (especially in industries such as information technology) can be tied to issues with defining and documenting what, exactly, is expected to be realized in terms of benefits—once the systems are implemented, and the measuring and managing to ensure that those desired benefits are realized. It is often the case that quantifying these benefits and defining their associated measures is not impossible, but it is often not easy either.

Consider a proposed benefit, such as “increased ease of use.” At first review, it may be difficult to conceive how an increase in ease of use can be measured. There may be no baseline for ease of use in the organization, against which improvement can be measured. There may be no organizational guideline or standard that defines “acceptable” ease of use. These situations can create tempting arguments to the effect that ease of use is simply something we intuitively believe will be a benefit but have no relevant measure for validating. Realistically however, even without a clear baseline, a measurement process can be implemented. Tools, such as surveys, could be used to assess the as-is and to-be states in order to validate that an increased ease of use is attainable, and then to measure whether this ease of use was actually realized at the end of the work. Some organizations fall into a trap of believing that measuring means measuring in dollars. And while monetary analysis is often necessary (especially as part of processes such as business case development), tangible benefits may not always be easily monetized but can very often be quantified, albeit with some effort.

In some cases, certain benefits may be largely intangible and correspondingly difficult to quantify in any relevant way. A benefit, such as increased employee knowledge, may be both difficult to measure in financial terms and difficult to measure on a nonfinancial basis as well. It is recognized that such benefits exist and should not be ignored, but the contribution of these intangible benefits to the organization will be much harder to articulate in a business case or other documentation. In these cases, the intangible contribution should be noted as appropriate with any supporting information to clearly articulate how the benefit contributes to the organization.

**Time Bound Benefits**

Many benefits are not tied to specific time validity periods. For example, increasing customer satisfaction may not be something that is only necessary in September. Similarly, increasing productivity may be a desirable benefit that carries well into the future, rather than something with a specific time frame of relevance. Some benefits, by their nature, are relatively time bound. In these cases, the organization may need to assess the specific required delivery periods in order not to miss the “window of opportunity” for seizing a particular benefit.
A related concept that is important to note here is that the value of particular benefits to the organization may change over time. As projects and programs progress, the business world moves along as well. A benefit viewed as critical to the organization six months ago may be relatively inconsequential today. As we will discuss later in this book, this concept is critical. The benefits realization management process must relate closely to the organization’s business planning processes in order to ensure that as needs change, the relevant projects and programs responsible for capability creation and benefits realization change as well.

**WHAT IS BENEFITS REALIZATION MANAGEMENT?**

Having discussed the topic of benefits in some detail, the concept of benefits realization management can now be introduced. In essence, benefits realization management is the process by which benefits are identified, documented, planned, and managed through to successful delivery. The benefits realization management process typically occurs in a series of phases, over the life of the program that is responsible for benefits realization management. These phases include:

- Identifying potential benefits
- Analyzing potential benefits
- Planning for benefits realization management
- Delivering agreed-upon benefits
- Transitioning benefits to the organization
- Sustaining benefits over time

This list of phases is primarily based upon the Project Management Institute’s *Standard for Program Management*, one of the widely distributed standards addressing benefits realization management. While each of these phases will be discussed in more detail in later chapters, it is worth highlighting a few relevant points for each phase here.

**Benefits Identification**

The set of benefits relevant to any particular program or initiative may not be obvious at the start. Diverse stakeholder groups, emerging business demands, and other factors may influence which benefits are potentially relevant to the organization. This first phase seeks to identify potential benefits, which will later be validated and elaborated as part of the benefits realization management process.
Benefits Analysis and Planning

Benefits analysis and planning encompasses the processes required to establish the benefits realization management framework. They also include the processes required to quantify the relevant identified metrics, establish the processes for monitoring benefits, and the work required to integrate benefits realization management activities into the overall program or initiative delivery plans.

Benefits Delivery

Benefits delivery encompasses the work required to ensure delivery of the planned benefits. This work includes proactive monitoring of the business environment, tracking and management of benefits, risk management, and the required reporting to stakeholders regarding progress.

Benefits Transition

Benefits transition encompasses the processes required to transition the delivered benefits from the program or initiative team to the operational business organization. Because activities associated with delivery methodologies, such as program management, come to a logical end, the responsibility for benefits must be transitioned to the permanent organization in order to ensure sustainment of the benefits. These transition activities are critically important, as they serve as the foundation for long-term success. Without successful transition, there is a significant risk that benefits, which have been obtained, will erode over time.

Benefits Sustainment

Benefits sustainment encompasses the activities required to successfully sustain the realized benefits over time. Beyond transition, benefits sustainment seeks to ensure that once the team responsible for benefits realization is assigned to other work, the operational organization is able to successfully maintain what has been created. If not managed well, there is a risk that old ways of working, new inefficiencies, or other factors may begin to affect the realized benefits. This situation could lead to degrading the benefits already realized, resulting in reduced benefits sustainment over time.

SUMMARY

This chapter provided an overview of the fundamental concepts of benefits and benefits realization management in order to provide a basic understanding of the
concepts to be further developed in later chapters. A common definition of benefits and an understanding of the key characteristics of benefits provide an appropriate frame of reference for further discussion. The concepts presented here are generally described in most major benefits realization management methodologies and literature, ensuring that the reader has a background that will allow him or her to speak a language that is common to benefits realization management practitioners.

REFERENCES