Optimize Strategy Execution by Planning-In Benefits Realization

Benefits-Focused Project Management
“Because most organizations don’t focus on realizing the benefits of initiatives, many corporate strategies are never achieved. Combine a cultural ‘change of focus’ with the implementation of familiar tools to manage benefits realization today.”
Ever since the 1980s, when Kaplan, Drucker and others began to seriously study strategic planning and strategy management processes, study after study has shown that only a fraction of the strategic plans that companies form are ever fully implemented. Further, a 2012 Gartner CFO Advisory Forum stated that portfolio investment success rates (considering only investment in projects that directly relate to revenue growth) are below 50%. Worse, only 25% of projects considered to be transformational for the organization’s future achieved success. They pinpointed a major cause of this poor performance as the “failure of organizations to adopt a discipline to maximize the business value of projects and investments.” This should be a wake-up call: organizations must adopt a benefits realization management (BRM) approach to ensure that the payoff expected from business investments actually occurs.

Execution Maturity: An Urgent Need

Why have organizations turned a blind eye to BRM as a way to optimize portfolio investments? Recently, a study covered in the Harvard Business Review explored in depth the specific reasons why strategies that are carefully crafted nevertheless falter in the execution phase. Their findings hold few surprises for those who have worked within strategic or enterprise Project Management Offices (PMOs):

» Although most companies now understand that strategic plans must be expressed in terms of measurable objectives that are actionable by the various departments or business units, once an initiative begins, companies lose track of whether the initial vision is being delivered on and the follow-up on projected return fades.
» Whenever an initiative is cross-functional, the silo mentality still rules.
» Companies don’t utilize the full power of portfolio management to track initiative progress or results.
» Companies are not agile enough to shift personnel and money away from faltering initiatives and into those that are successful.

Thus, despite an increased focus on strategic planning, execution suffers; and the project failure rate, which has remained more or less stable over the past decade, persists in causing the loss of millions in investment. A recent PMI study indicates $122 million is wasted for every $1 billion invested. And this is to say nothing of the emerging benefits that are not recognized and tracked and the dis-benefits that might occur when strategies are not fully implemented.

Pressure to remedy these perennial failures has never been as intense as it is now becoming, due to various factors that make it necessary to achieve more with less, on a shorter cycle. Organizations are faced with extremely volatile and unpredictable markets. The complex uncertainties of globalization, climate change, and political unrest, coupled with the speed of technology change, make the need for managing benefits and strategic execution more urgent. In addition, these pressures push organizations to develop more agile responses to risk and benefits management.

The irony in this is that all along we have had tools and practices that can readily be adapted to remedy both these problems. Inherent in the project and portfolio management disciplines, though under- or mis-utilized...
in practice, we possess the tools to plan for desired benefits, track the measures that will tell us if we are realizing them, change course if we are not, and collect results data to feed back into the portfolio and strategic planning processes.

Of course, senior management needs to integrate BRM into its strategy formulation processes, shifting focus to "starting with the end in mind." Clear performance management processes must also be in place to support benefits management and realization. It also helps if the Project Management Office (PMO) plays a role in managing the portfolio of projects and the benefit realization of those projects, and today’s enterprise and strategic PMOs are deeply involved in every phase necessary to benefits realization, from strategy formulation to portfolio management to performance and value measurement … and of course, project/program management.

The good news is that benefits realization does not need to be a complicated new add-on; a welter of unfamiliar practices with its own separate life cycle and process model. Really, it is a matter of integrating BRM processes into existing strategy formation, performance management, and portfolio processes at the senior level (See Figure 1). At the project management level, where benefits realization is executed, it is already aligned with familiar project management activities. With the proper focus on realizing benefits as the end goal of the project, these benefits realization activities can be merged with existing processes. Improvements in project management practice also play into our ability to make benefits realization a reality. After years of studies on project failure, we now know that, in fact, project recoveries are common whenever an organization focuses on developing a process for recouping value from troubled projects. The most encouraging finding from this study was that even the most rudimentary, informal process began at once to improve project outcomes. It was the shift in focus that was most powerful. In the same way, focusing on benefits realization during project execution can begin to improve our outcomes almost immediately.

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Improved project management practice in the area of professional development also contributes to benefits realization. Understanding how to assess and improve competence – along with the PMO’s increasing involvement in developing project management talent – plays into our ability to realize benefits and execute strategy. As we build project manager and project contributor capability, we increase employee engagement as well, which can improve project outcomes of all types.

Finally, the chasm between project management and organizational change management is closing. Any change in work processes is a cultural and organizational change, the type of change that project management has proved itself to be essential in mastering. We now need to master the discipline of benefits realization management. Just as project management shifted its focus a few years ago onto the importance...
of stakeholder involvement in all phases of projects, now the required shift is toward the desired project outcomes. This will mean not only changes in some work processes, but more important, a cultural change in the way we think about what “success” means for projects.⁷

Changing the culture so that benefits realization becomes a focal point and a value culture develops will be the most difficult challenge to overcome. To frame a picture of what this challenge looks like “on the ground,” for this paper we interviewed a number of consultants and clients about their attempts to implement benefits realization programs.⁸

The Challenges of Benefits Realization

What stands in the way of implementing a BRM practice in your organization? According to our interviewees, there are three primary barriers.

“Get the Right People in the Room”

As with any cultural change, having support at the executive level is key. Describing her implementation of a BR program at a major telecommunications company, one consultant we interviewed said she did a presentation to executives showing that they were not able to track benefits under existing systems. “This mobilized them to act,” she reported. “It created a sense of urgency. Now, every project that applies for funding has to show that they will be able to show benefits realization.” She notes that a key factor in getting executive support was the program management training provided to 10 key individuals in various departments. “They were chosen based on who would be capable of influencing others to accept a new process.” They also took a “top-down” approach to training, educating product owners and accountable executives on the benefits process first. “By bringing training to the front end,” she says, “the journey becomes easier.”

Next, they hired a consultant to bring an external perspec-

Figure 1. Benefits Realization Management is the “connective tissue” that flows across all levels and phases of strategy execution when managing projects for strategic impact. It comprises both a cultural mindset/focus and a set of tools — some new, many familiar. It is unique in that it extends past the usual closing of projects to determine impacts to processes, portfolios, and strategies over the life of the benefit(s).
tive. “We needed to create something new, so we needed someone who was not attached to existing systems or habits.” This is a common strategy for organizational change, implemented often, according to our research, by high-performing companies.

Ensuring the involvement of influential stakeholders was also of primary concern to another consultant interviewed for this paper. When the Managed Services division of a major consulting and IT services firm engaged a consultant to support development of a strategic plan, they formed a Change Management Office (CMO) to orchestrate execution in partnership with senior organization leaders. The Program Director of the CMO created a strategy execution roadmap, with each strategic initiative owned by an executive who reported to the vice president. “The CMO led the effort to charter over 40 individual projects to drive strategy execution. Each project was correlated to a top-level Strategic Plan KPI as an initial means of confirming alignment to strategy, and the CMO established a Benefits Realization Metrics framework to define and monitor the attainment of specific, measurable business benefits attributable to each project, and aligned to strategy,” according to the consultant. “Having the right level of sponsorship meant that executives were accountable to deliver the goods.”

To bring coherence to the management of a benefits realization process, some PMOs have been adding a role dedicated to that process (see sidebar: Who Owns BRM?). Note that we recommend the role of Benefits Realization Manager – a role which might well be held by a portfolio manager or PMO director, particularly when the PMO is a strategic one with a seat at the portfolio selection table. This is a stewardship role, making sure that, in aggregate, processes and accountabilities are in place, benefits are planned and tracked, lessons learned are harvested and the other organizational roles that need to be accountable for specific benefit attainment are held to task. Recognize that, for the success of this program, the role of Benefits Realization Manager must continue, at times, far beyond the life of the project or program.

For example, if a major initiative is intended to roll out a new business development process, and a key result is to improve bid-to-win ratio given some new capability, the director of sales may sponsor the initiative and be accountable for the attainment of planned benefits. The Benefits Realization Manager facilitates the overarching process but is not accountable for attainment of the intended business benefits / results of a specific initiative. Likewise the project manager will have a role, likely a responsibility to execute the project in concert with planned benefits, but the project manager may be off to other projects when the
opportunity for operational benefits realization occurs, and likely does not hold the organizational accountability to enforce the use of a new capability within the sales force to achieve the planned benefits.

“You Can’t Manage What You Don’t Measure”

In a series of interviews with client organizations, spanning over five years, the consistent theme regarding failure to establish benefits realization programs has been a very basic lack of performance measurement. Companies realize they need to be able to quantify the results from their investments in projects or in training, yet because baseline performance measures have not be delineated, improvement remains subjective. You can’t manage what you don’t measure … and you also cannot tell if it has improved or not. Particularly when the benefits pertain to process improvement, as in the case of measuring the value realized from project management training or the implementation of a PMO, baseline metrics for performance must be established in advance. (See sidebar “A Formula for Performance and Value Reporting” for tips on measurement.)

At present, when we present project managers with a complex benefits realization process model that includes a measurement component, we are asking them to implement two new processes on top of each other, since few companies currently engage in performance and value measurement. Over the last decade, performance measurement has been a goal of PMOs in each State of the PMO study we have completed; yet as of our most recent edition of the study, only about half of PMOs actually do so. (For a comprehensive overview of establishing a measurement system, see Mastering Performance Measurement: Do Your Numbers Tell the Right Story?)

Approaching Benefits Realization as a Cultural Change

As with any change in work practices, encouraging a systemic focus on benefits – shifting to “beginning with the end in mind” – will require not only an executive mandate and the modelling of the desired behaviors by organiza-

tional leaders; but also a corresponding change in the attitudes of project managers and project personnel.

This “attitude shift” will encounter resistance, both active (“I don’t see why I have to do that”) and passive, which stems more from unawareness than from refusal to cooperate. For this reason, we believe that change agents for the inclusion of a benefits mindset in project management practice will make more headway by introducing the change via a two-pronged approach:

1. Create an organizational vision of benefits-focused management that begins with strategic planning, is promoted by executives, and expected of everyone who participates in strategic initiatives. The shift in mindset has to be woven into the organizational DNA from the top down.

2. At the same time, introduce those aspects of benefit realization management that expand on existing project management practices within the existing portfolio and

A Formula for Performance and Value Reporting

- Measure current status (baseline)
- Measure new status (periodically)
- Difference = Performance Change
- Cumulative Performance Change should be translated into a value metric. (eg. improvement in schedule performance yields an improvement in time-to-market),
- Convert performance gains into financial metrics if possible. If not possible, link to some other organizational value measure. Tell a story that links performance changes to business outcomes.

project/program management framework. Folding benefits realization tasks into the existing framework makes the change in focus seem less daunting, and helps organizations begin today, even with projects already under way, to identify and address issues impacting the business outcomes of projects. The actual work of benefits realization thus begins from the bottom up.

**Hand in Hand with PPM and Agile Processes**

Many of the practitioners we interviewed believe that benefits realization is just part of the evolution of the discipline, a logical development from improved portfolio management and data mining tools. In addition, the focus on benefits during the life cycle and beyond requires increased agility as project managers and sponsors respond to the development (or failure) of benefits in real time. And executives, for whom one of the perennial questions about project management has been its value to the business, now are embracing this powerful process for tracking, and delivering on, strategies.

**A Simplified Benefits Realization Process**

Many organizations mistakenly think that BRM is radically different from what project managers do, and that formally tracking benefits will necessarily mean adding overhead. But as one of the consultants experienced in this area commented in our interview, “Whenever we have incremental changes, we should be justifying them, getting what we expected out of them, planning, measuring, monitoring and controlling. The change control process lends itself very well to benefits tracking and measurement.” This is just one example of how BRM can be jump-started using standard project management practices.

Approaching BRM this way eases the integration of benefits realization into normal program governance, and positions standard project management governance to effectively consider not only the classic cost / scope / schedule triangle, but also impacts to planned benefits.

Rather than developing a separate life cycle for benefits realization, Figure 2 provides a vision of how benefits realization can go hand-in-hand with an existing project management practice, with the addition of a “benefits mindset” within the project management framework, and provision for post-closure tracking activities. You can see how benefits management can be integrated into project management, with a few major differences:

1. Benefits Realization begins in Strategy Development, and filters down through the portfolio selection process, with the anticipated benefits clearly described and planned in the business case.

2. New tools, such as a Benefits Register, Benefit Profiles, a Benefits Realization Plan, and a Benefits Performance Scorecard are done in parallel with the traditional project management tools.

3. BRM goes on beyond the project closure. As such, transition of the benefits management must be accounted for in the project’s work breakdown structure. The embedded changes are continuously measured and reviewed until the benefits projected in the business case are realized.

4. The BRM is forward looking, always trying to identify emerging benefits and dis-benefits. It is an iterative process with continuous looping back in all process areas.

**Project Initiation (Benefits Identification)**

As an early step in the progressive elaboration of strategy, the selection of projects provides the logical starting point for a process that folds benefits realization into the management of projects or programs. When we “begin with the end in mind,” a business case for a strategic project links directly to KPIs that, when met, will move strategic objectives forward in some measurable way. Although it seems obvious that project charters should closely link
to strategic objectives and financial (or other benefit) rationale that inspired and funded them, this is not usually the case.

PM Solutions Executive VP Debbie Bigelow Crawford goes a step further, saying that benefits should actually come before “projects”: “We should begin not by asking what projects we want to do, and then figuring out what benefits they may bring, but by asking ‘what benefits do we want to see?’ or, even more powerfully, ‘what benefits do our customers want or need?’”

After developing a business strategy and prioritizing the portfolio with benefit-driven projects, the next step is managing and monitoring these projects. The “benefit management mindset” is dynamic, always looking for and identifying emerging benefits and dis-benefits.

A **Benefits Profile** should be developed for each benefit, noting how it will be measured, associated KPIs, the dependencies, and any other pertinent information. Throughout this process, you are not just creating a Precedence Diagram for project activities but, in parallel, also creating a **Benefits Dependency Map**. In addition to the traditional Risk Register, you now have a **Benefits Register**.
Requirements Identification (Refine Benefits Identification)

The telecoms consultant quoted earlier notes that “Realizing we had to include benefits at the requirements step was a ‘wow!’ moment for us. A business case is not enough. We added a section in the template to discuss how to track benefits.” When requirements are not paired with their relationship to planned benefits, it is too easy to add “nice to have” aspects into the project—especially when these are championed by influential stakeholders.

Project Planning (Benefits Planning)

If you aren’t intentional about building the benefits into the project plan, you can get to the end of the project and discover that you can’t measure it because you didn’t build in the analytics nor did you transition the benefits tracking post project implementation. PM Solutions Consulting Practice Director Roger Bryson recommends tying measures of success explicitly to the project deliverables. “Establishing clear, explicitly defined, measurable business benefits forces the project to be defined in a way that benefits are tied to deliverables,” he says. This helps test the completeness of strategy execution roadmap. “When the analytics are built in, executives see it happening in real time: ‘This deliverable is supposed to generate this benefit. This is how we are going to measure it,’” says Bryson.

Project Execution (Tracking Benefits)

If there is any point in the project life cycle where agility most organically fits into our processes, it is at the point where, as the project moves forward, we cross-check our project progress against our planned benefits. At the identified status meetings or stage gates in a company’s methodology, the KPIs associated with benefits should be reviewed, and in words of Roger Bryson, “If it’s not moving the needle on one or more KPIs, revisit the business case. If projects are about driving cost relief they ought to be showing up as organizational financial improvement. So you repeatedly come to a litmus test where you have to ask, If we can’t attribute benefits in some way, why are we doing it? Some projects will need to be killed, and we have come to the understanding that this is not failure, but smart management.” In addition, throughout execution and beyond, the project team and Benefits Realization Manager should be looking for unplanned “emerging” benefits and dis-benefits. Another distinction of a benefits management process: it is always “forward looking.” While project performance tracking asks “How are we doing against our plan?” benefits management asks “What is the forecast for benefits achievement?”

Monitor and Control (Benefits Tracking; Change Control to Deal with Dis-Benefits)

The relative ease with which we can now analyze and display project and program data makes tracking the realization of benefits during the project life cycle a very achievable goal. We have, in the standard process of Change Control, a tool for keeping not just the project schedule and budget, but also the benefits plan, on track. When you perform project change control without a benefits realization focus, you may undermine those benefits via the change process, eroding benefits by accepting incremental changes.

This is where benefits mapping can play a key role in understanding the impact of change on intended benefits. Such a framework also empowers the project manager to resist changes that he can demonstrate will derail benefits … or even strategies.

Lessons Learned (Describe Benefits Realized; Identify Improvements to BR Process)

Harold Kerzner refers to this step as “converting benefits to value,” and this is useful shorthand for the final step that connects the finished project back to the strategy it was conceived to execute. As we compare outcomes to the baselined measures that projects were initiated to improve, and see how project completion benefits KPIs that express organizational
strategies, the lessons learned process will feed back into both benefits realization process improvement as well as portfolio and strategy development processes.

**Beyond Project Closure**

Projects close; but benefits persist and continue to accrue, moving organizations toward strategic goals. This transition in thinking beyond the end of the project may be one of the biggest shifts in mindset facing project management and benefits management today.

Transitioning the tracking of benefits into a “post-closure” phase is the biggest change inherent in benefits tracking. This step must be recognized and built into the work breakdown structure. Only by determining the impacts of the project as it transitions to the clients and the marketplace can an organization fully measure the benefit of its work. This measurement will be a key input to future strategic planning, as shown in our model.

**Conclusion**

The integration of strategy management with benefits realization and project management processes is best facilitated by an enterprise Project Management Office, which offers a nexus where strategic thinking, portfolio and performance management, and project work intersect. Managing both up and down the organization, the EPMO opens a channel where strategy execution can become a reality. Surely this is what Gartner had in mind when they suggested that the PMO become a Strategy Management Office. Benefits realization could very well be the path for the PMO to finally have profound influence on corporate strategy.

**The Value Realization Challenge**

*Challenge:* A global business software firm needed to justify for clients the costs and cultural pain of implementing its major systems.

The consultant we interviewed joked, “Putting in a systems upgrade is like telling the client, ‘you are going to have to drink this cod liver oil every day for six months and it’s going to cost you $5 million.’ Unless you have an argument of how this is going to really make life better, it’s a very hard sell.”

These arguments for proposed benefits, he noted, have always been common in the sales cycle. The issue began once the project started; lacking a process for checking in to calculate whether the promised gains in efficiency, for example, were being achieved. “There was a business case and a strategy and justification at the outset. And then, the project just started running, [and] you started diverging almost immediately from the benefits track.”

The company realized they needed to identify a way to systematically plan in the benefits. “We built that into the methodology, with the help of PM Solutions. We had to tie back to the sales side and understand the document that authorized the appropriation for the project. We had to derive the charter from the form we used with customers to justify the project.

“One innovative thing we did was to consciously capture intermediate benefits. We executed them quickly: (30) thirty small pieces of work delivered in 30 days.”

The resulting process was successfully used with clients in a variety of industries, helping to justify the pain of systems implementation or upgrade, and creating a focus on future capabilities that made organizational change smoother.
References


8. PM Solutions Research. Internal qualitative research study, conducted over three years with 12+ training and consulting clients. Glen Mills, PA: PM Solutions.


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