

## Planning a new project? Don't leave it to chance to create value from your investment.

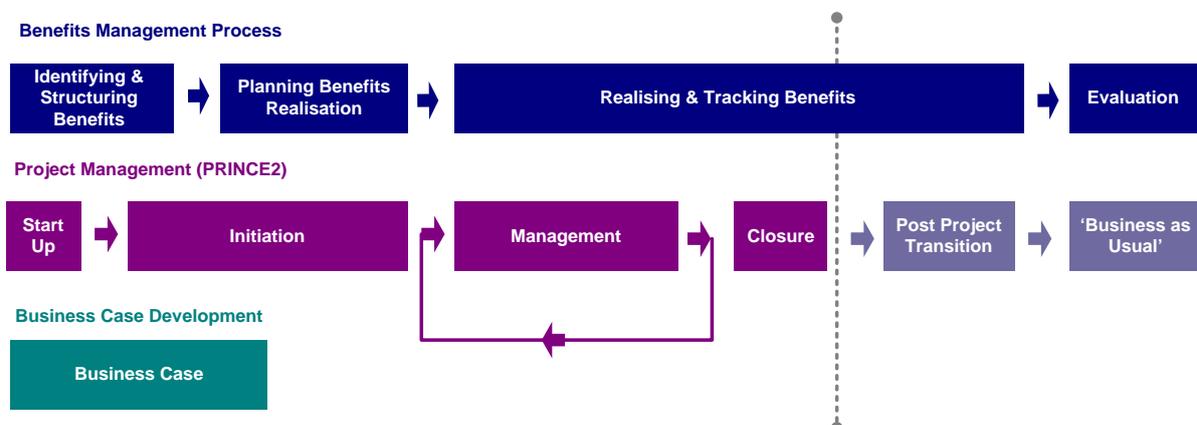


The decision to embark on a project is normally based on the rational premise that it will generate some kind of benefit that justifies the cost, disruption and risk involved. Typically, approval is considered on the basis of a business case that sets out a schedule of expected costs and the flow of benefits that will materialize for a given appetite for risk.

However, while the process for estimating costs is generally well understood and easily scrutinized, articulation and measurement of benefits can be more elusive. The justification for proposing a project is often based on an inadequate understanding of potential benefits, what they are, how to measure them and how, in practical terms, they will be realized, when and by whom. Also, the investment decision can sometimes be distorted by what has been called “delusional optimism”<sup>1</sup>, whereby potential benefits are overstated and costs underestimated to make the proposition more attractive. Further, and contrary to what some believers in the power of the project management process might suggest, benefits and value don't automatically flow from the delivery of projects. You have to work hard at it.

So let's look at benefits realization management (BRM) and how you can use it to make sure that you extract maximum business value from your project investment.

BRM has evolved as part of the governance framework for managing change. Originally developed to overcome the limitations of traditional investment appraisal of IT spend, it was made popular in the UK by inclusion in the Government's standardized approach to managing change programmes. As the diagram below shows, it sits alongside recognized project management methodologies like PRINCE2 but is not embedded within it. While project management and project managers (PMs) are concerned primarily with **delivery**, BRM focuses on creating **value** from change by actively managing a rigorous process to drive out every component of value, tangible and intangible.



<sup>1</sup> Lovallo and Kahneman – Delusions of Success (Harvard Business Review July 2003)

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### **Planning the BRM process**

To stand the best chance of achieving real and full benefits from change investment requires a tightly-managed, hands-on process that starts at the early project scoping and planning stage and may run for months or even years after project delivery.

One way to kick-start that process is to bring together all the stakeholders in a Benefits Workshop, the purpose of which is to reach common agreement on the project aims, expected/desired benefits, enablers and changes as the basis for producing a detailed benefits map.

Once this map is completed, the serious work can begin to structure the benefits according to whether they are primary/secondary, tangible/intangible, financial/non-financial, easy/hard to achieve, etc., from which flows a natural selection and prioritization of eligible value-creation opportunities.

The next, critical, step is to quantify target/expected benefits and establish the measures and baselines by which their achievement will be judged. It is essential to have a peer review and challenge process to ensure that the figures are robust and have appropriate buy-in by stakeholders.

The final stage in the planning process is to work in conjunction with the PM to develop a profile of how and when the benefits will flow during and after the change project life cycle. Clearly, many benefits will not be possible until the project is delivered but it is important to bear in mind the power of "quick wins" to maintain motivation and create real value as soon as possible in the project lifecycle.

### **Managing benefits realization**

It is important to assign overall responsibility for realizing the collective portfolio of benefits to a senior person with long-term interest in the success of the change. This may be the project sponsor or head of the business area most affected by the change. Individual benefits, or clusters of related benefits, should be assigned to a "benefit owner", ideally someone with the knowledge to understand the nature of how the benefit will accrue, how to prepare the business to use new capabilities to maximum advantage and how to motivate staff to accept the change rapidly.

The management process then becomes one of regularly monitoring benefit flows, measuring against the baselines and evaluating final outcomes. The results of this work can be used not only to demonstrate the "value for money" of the investment, but also to inform future decisions involving the justification of new projects.

### **Is it worth the effort?**

Despite its known shortcomings, most change initiatives still follow the path of traditional project management. A business case is built around a standard cost:benefit analysis that seeks to

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demonstrate that a positive NPV or hurdle rate can be achieved and therefore the investment becomes “a good thing”.

And that's it. Once the business case is approved, everything that follows is focused exclusively on delivery against agreed time, quality and budget parameters. By the time a project is signed off and handed over to the receiving business area, there is often little appetite for any follow-through. The project team disperses, the sponsor quietly returns to the day job and life moves on. Unless there is an immediate, obvious and tangible impact, such as reduced costs due to downsizing of a department following a process automation programme, the whole messy business of measuring benefits achievement against targets tends to be passed over.

This is not good business practice. As we have said elsewhere, most projects don't “fail” in the sense that they are stopped ahead of completion. However many do disappoint by not delivering the value over time that was predicted in the heady days of making the business case. Avoiding this disappointment is nevertheless manageable by using the rigour of BRM as a continuous governance process, from informing the business case to the point beyond actual delivery when all the benefits have been realized and validated. Effective use of BRM not only reduces risk of poor or negative ROI, it also helps the organization to tackle future investment in change with confidence.

### Seeking expert guidance and support

While the underlying philosophy of BRM is very simple and logical, our experience is that the work needed to establish the process, capture, analyse and structure data from multiple sources and to develop a practical operational BRM tool can be quite complex.

If BRM is important to your organization but you're not sure how to get started, we can help shortcut the process and reduce the risk of missing key value creation opportunities. Depending on your needs we can:

- Plan, set up and lead workshops to inform sponsors, project managers and stakeholders in the use of BRM techniques.
- Carry out a benefit planning and mapping exercise for your project.
- Work with you to establish appropriate benefits measures and baseline figures.
- Help develop and independently validate your business case.
- Provide ongoing independent oversight and validation of your BRM process and results.

***If you want to know more about BRM and how we can support your needs, please call or email us to discuss your requirements.***

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