BENEFITS REALIZATION

What You Need to Know, Why It’s Important, and How to Implement!

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Learning Objectives

At the conclusion of this session participants will be able to understand:

1. What is Benefits Realization
2. Components of Benefits Realization
3. Steps to Implement a Benefits Realization Process
Ruth Anne Guerrero - Background Info

1997 – 1998 – Member PMI New York City Chapter
1998 – 2004 – PMI – Long Island Chapter Founding Member, VP Programs
2004 – Present – PMI-DVC Member; Several offices, including President 2011- 2013
2012 – 2015 – PMI Global Executive Council Member
2016 – Present – PMI Seminars World Instructor
2016 – PMI Benefits Management Realization Framework Co-author
Ruth Anne Guerrero – Work Experience

2015 – Present – President, Ruth Anne Guerrero Project Management Consulting, LLC

2012 – 2015 – Senior Vice President US Portfolio Management Office, TD Bank, N.A.

2007 – 2012 – Vice President Enterprise Portfolio Management Office, AmeriHealth Caritas

2006 – 2007 – PMI Standards Manager

1997 – 2002 – Vice President JP Morgan Chase – heading various global PMOs
Project Management Statistics…..

Only 40% of projects met schedule, budget and quality goals

(IBM Change Management Survey of 1500 execs)

An astounding 97% of organizations believe project management is critical to business performance and organizational success

(Price Waterhouse Coopers)

Only a third of all projects were successfully completed on time and on budget over the past year

(Standish Group’s CHAOS report)
PMOs are becoming mainstream!

Most large organizations have a PMO.

(PM Solutions, 2012)
Current Benefit Realization State*…..

![Pie charts showing maturity levels of project organizations.]

Fewer than 1 in 10 organizations report having a very high maturity with their value delivery capabilities.

The average percentage of projects that met original goals/business intent was 78% for mature organizations and 56% for immature organizations.

* Project Management Institute. 2018. Pulse of the Profession Survey: Success in Disruptive Times – Expanding the Value Delivery Landscape to Address the High Cost of Low Performance
Only 31% of organizations are prioritizing the development of a comprehensive value delivery capability.

* Project Management Institute. 2018. Pulse of the Profession Survey: Success in Disruptive Times – Expanding the Value Delivery Landscape to Address the High Cost of Low Performance
How to Prevent Failure

• Recognize that projects are investments

• Like other investments, they should offer a “return” on that investment – Benefits!

• Introduce or strengthen the organization’s concept of Benefits Realization
What is Benefits Realization?
What is Benefits Realization?

A process that helps to ensure that projects deliver anticipated business results consistently and predictably
Key Distinctions

**Project Deliverable*** – a unique and verifiable product, result, or capability to perform a service that is produced to complete a process, phase, or project.
  • i.e., a new or upgraded computer system, a new or improved product, capability, or process, etc.

**Project Benefits*** – the gain that is created for the project sponsor or beneficiary as a result of the successful completion of a project.
  • i.e., a new or increased revenue stream, new customers, increased efficiency, etc.

Key Distinctions Continued

**Project Value** – the net result of realized benefits less the cost of achieving these benefits

Benefits Realization

A process that ensures project benefits are realized as anticipated

- Intended benefits are identified at the project proposal stage
- Cost Benefit Analysis includes timeframes
- “Benefit Owner” is responsible for benefit
- Risks and changes to anticipated benefits are monitored and controlled throughout the project life cycle.
- Ends with post-implementation measurement to see if the project benefits delivered matched expectations
Benefits Realization

Includes “traditional” portfolio, program, and project management processes

Also includes all phases of:

- investment decision making
- project management
- delivery/implementation
- risk management
- stakeholder engagement
- monitoring and continuous adjustment
Current State of Benefits Realization*

Strategic change in organizations occurs through project and program management.

Today’s business environments are characterized by rapid change and increasing complexity. Yet,

• Only $\frac{3}{4}$ of organizations identify expected benefits before a project starts

• Only $\frac{1}{2}$ have any idea whether or not their projects are delivering those identified business benefits

Benefits Realization Process Links to Strategy

An organization’s strategy:

- Sets the vision, or framework for desired accomplishments, with associated timeframes
- Defines how benefits will be quantified and measured
- Provides the link between project output and delivered benefits
Why is Benefits Realization so important?

- Benefit Realization drives the delivery of an organization's strategic objectives
- Can also drive negative benefits
- Outcomes perceived as a disadvantage by project stakeholders
Benefits Realization Management Framework*

An integrated set of governance and management practices designed to define, develop, deliver, and sustain benefits derived from the outputs of portfolios, programs, and projects.

It is expressed in three stages:

- Identify Benefits
- Execute Benefits
- Sustain Benefits

Best in Class Organizations

- Determine initiatives, align initiatives to their strategy & re-evaluate based on changing conditions
- Project the business results of the initiatives and verify those benefits were realized
- Put accountability structures in place
- Have visibility into all levels of performance
- Build sustainable processes for all of the above
Lesson #1 Opportunities

- Introduce the concepts and language of Benefits Realization
- Focus on project benefits – the value they deliver
- Include timeframes in the cost benefit analysis/business case
- Identify a “Benefits Owner”
- Plan for post implementation
3 Components of Benefits Realization
Benefits Realization Processes*

1. **Benefit Identification**
   - Determines whether projects, programs, and portfolios can produce the intended business results

2. **Benefit Execution**
   - Minimizes risks to future benefits and maximizes the opportunity to gain additional benefits

3. **Benefit Sustainment**
   - Ensures that whatever the project or program produces continues to create value.

Benefit Identification

To objectively measure business value, expected benefits must be described in quantifiable terms

- Clearly articulating intended benefits can be a challenge
Benefits Identification & Timing Considerations

- Benefits may not be realized as soon as a project completes.
- Post-delivery support may be needed to fully realize the advantages of the new capability or services delivered by the project.
- Organization’s strategy provides the context and balance.
Benefit Identification *

- Gives leaders insight into whether they are making the right investments at the right time.

- Is a shared responsibility between leadership and project teams.

- Business value expressed in tangible, measurable terms such as increased revenue or cost savings, which are linked to the time span for key milestones.

- Intangible benefits should be captured as well.

- Can also distinguish between short-term and long-term benefits.

Off Target Benefits

Even a “correctly written” benefit may be off target . . .

• Not linked to the corporate goal and strategy
• No Value-added
• Impact trivial
• Impact grandiose
Benefits Realization Processes*  

1. Benefit Identification  
   • Determines whether projects, programs, and portfolios can produce the intended business results  

2. Benefit Execution  
   • Minimizes risks to future benefits and maximizes the opportunity to gain additional benefits  

3. Benefit Sustainment  
   • Ensures that whatever the project or program produces continues to create value.  

Benefit Execution

Anticipated benefits must be continually monitored and updated as needed to reflect:

• Changing business conditions and strategies
• Regulatory and contractual changes
• Resource challenges
• External forces, such as sudden shifts in customer demands, which no longer align with the organization’s original strategic goals
PM role in Benefit Execution*

Project managers typically:

• Regularly revisit expected benefits (46%)
• Communicate with business owners and keep them informed about benefits-related issues (63%)
• Ensure project benefits stay aligned to the organization’s strategic objectives (38%)

*Project Management Institute. 2016. Delivering Value: Focus on benefits during project execution
Metrics used for Tangible Benefits*

- Customer or user satisfaction, customer retention or loyalty (66%)
- ROI, revenue generation, share of market (61%)
- Regulatory, compliance, and/or security requirements (50%)
- Downtime (IT, Production, etc.) (40%)
- Employee engagement and/or retention (34%)
- Product/service portfolio expansion (32%)

*Project Management Institute. 2016. Delivering Value: Focus on benefits during project execution
Measuring Intangible Benefits*

Intangible benefits can include:

- Customer satisfaction
- Brand image
- Reputation
- Risk Profile

Deciding how to measure intangible (soft) benefits can be difficult, but “soft” data can be converted to dollars or other “hard” statistics.

*Project Management Institute. 2016. Delivering Value: Focus on benefits during project execution
Benefit Execution

- Governance, risk, issues, quality, and change control processes should be expanded to include benefits.

- Communication and stakeholder management plans must include reporting on benefit progress versus plans.
Benefits Realization Processes*

1. Benefit Identification
   • Determines whether projects, programs, and portfolios can produce the intended business results

2. Benefit Execution
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3. Benefit Sustainment
   • Ensures that whatever the project or program produces continues to create value.

Benefit Sustainment*

- Post-project phase of the benefits realization cycle
- Ensures that whatever the project produces continues to create value once those outputs and outcomes transition back to the business
- Identifies the processes, measures, metrics, and tools necessary to ensure the continued realization of the intended benefits.
- A root cause analysis and lessons learned should be performed for any significant variance.

Roles in Benefit Sustainment*

**Project Manager:**
- Formally transitions project deliverables to the business owner and operations.
- Ensures a two-way dialogue around benefits sustainment, regardless of when the benefits will be realized.
- Captures and shares lessons learned

**Business/Benefit Owner:**
- Responsible for on-going harvesting and reporting of benefits

*Project Management Institute. 2016. Beyond the Project: Focus Sustain benefits to optimize business value.*
Typical Business Owner Activities in Benefit Sustainment*

- Monitor performance of the deliverable and compare actual to planned, including KPIs (64%)
- Respond to needs for assistance or improvement in performance of the deliverable (62%)
- Manage risks associated with project outputs (62%)
- Monitor continued suitability of the deliverable to yield the benefits expected by its recipients (41%)

Lesson #2 Opportunities

Benefits Identification
• Focus on describing business value in measurable terms
• Consider timing of benefits delivery

Benefits Execution
• Monitor expected benefits throughout for any changes and update as needed

Benefits Sustainment
• Introduce role of Business/Benefits Owner for on-going harvesting and reporting on benefits
Steps to Implement a Benefits Realization Process
3 Step “Scalable” Benefits Realization Process

For all projects:

1. Develop Business Case
2. Determine “net benefit”
3. Measure and sustain the benefits delivered
Step 1 – Develop Business Case

Business Case must include:

- Tangible and intangible benefits
- Show link between benefits and business organizational strategies
- Risks to achieving benefits and associated risk management plan
- Estimated cost to deliver benefits
- Anticipated timeframe for delivery of benefits
- May not match project completion date!
- Include short term, long term, and ongoing
Step 2 – Determine “Net” Benefit

Net Benefit will help the organization determine the tradeoff between the cost of the new capability vs. the realizable benefit and value anticipated to be delivered:

- ROI
- NPV
- Benefit vs. Investment
- Risk vs. Strategic Value
- Risk vs. Investment
Step 3 – Measure the Benefits

Benefits may not be delivered as soon as the project ends

- Need to be sure of the timeframe for measurement
- Measure must be previously agreed to and documented
- Measurement must be current, accurate, and relevant
- Adjustments may be needed if benefits do not match expectations
Benefits of Implementing a Benefits Realization Process

- Improved organizational ability to compare and select projects
- Clear documentation explains how an organization will benefit from implementing a project
- “Lessons Learned” will help organizations to do a better job at forecasting and realizing benefits
Sample PM Methodology including Benefits Realization

Pre-Initiation Phase
• Assesses Strategic, Financial and Project Value of requested “work”

Initiation Phase
• High Level Cost Benefit Analysis includes benefits & their timing

Benefit Realization Phase
• Benefit Measurement
• Benefit Realized Assessment & Report
Benefits Realization Key Concepts

- Benefits do not just happen
- Benefits rarely happen according to plan - you have to keep checking
- Benefits realization is a continuous process
Benefits Realization Critical Success Factors

• Focus on project benefits and threats to them
• Clearly identify and define expected benefits
• Ensure accountability for delivering benefits to the organization
  • Define and quantify costs and benefits
  • Monitor Cost Benefit Analysis/Business Case for changes
  • Manage risks and threats to benefits
  • Deliver expected benefits to the organization in support of its strategic vision
Lesson #3 Opportunities

Enhance Business Case
- Include both tangible and intangible benefits
- Show clear link showing support and alignment with organization’s strategies

Consistently Define Net Benefit
- How it makes sense for your organization

Time and Measure the Benefits
- How and when to measure as previously agreed upon
Key Takeaways

1. What is Benefits Realization
2. Components of Benefits Realization
3. Steps to Implement a Benefits Realization Process
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<thead>
<tr>
<th>Potential Benefit Realization Improvement</th>
<th>Organizational Impact (5= High, 1=Low)</th>
<th>PMO Goals (5= High, 1=Low)</th>
<th>Attainability (5=Easy, 1=Hard)</th>
<th>Speed (5=Quick, 1=Slow)</th>
<th>Sustainability (5=Easy, 1=Hard)</th>
<th>Score (Sum of previous columns)</th>
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<td>Introduce the concepts and language of benefits realization</td>
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<td>Identify a “Benefits Owner” for every project</td>
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<td>Monitor expected benefits throughout the project for any risks or other changes and update as needed</td>
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Action Plan

**Next week:**
- Socialize ideas for implementing and/or strengthening your organization’s focus on benefits realization
- Adapt/use workshop tool to create a 12 month roadmap

**Next 90 days:**
- Implement 1st 3 months of improvements
- Evaluate

**Next 12 months:**
- Continue!
THANK YOU!

QUESTION AND ANSWER