Managing Benefits

Optimizing the Return from Investments

A short overview

Oslo – 28th & 29th September 2017

Stephen Jenner
change remains difficult to pull off, and few companies manage the process as well as they would like. Most of their initiatives – installing new technology, downsizing, restructuring, or trying to change corporate culture – have had low success rates. The brutal fact is that about 70 per cent of all change initiatives fail.” Beer & Nohria

“even when technically successful, ICT projects do not often deliver the financial and other benefits they promise. It is the remarkable ubiquity of the failure of ICT projects – particularly large ICT projects – and the large sums of money that can disappear as a result that should be of most concern.” Gauld & Goldfinch

“a large proportion of recent mega-projects fail any reasonable benefit-cost test” Altschuler & Luberoff

70% to 80% of acquisitions fail, meaning they create no wealth for the shareholders of the acquiring company. Most often, in fact, they destroy wealth” Seldon & Colvin
So... Managing Benefits

Benefits Management – 5 Practices

- Identify & Quantify
- Value & Appraise
- Plan
- Realize
- Review

Identify & Quantify
Value & Appraise
Plan
Realize
Review

Realize
Plan

The Benefits Management Model

- Align benefits with strategy
- Start with the end in mind
- Utilize successful delivery methods
- Integrate benefits with performance management
- Manage benefits from a portfolio perspective
- Apply effective governance
- Develop a value culture

Based on Realism in planning & Enthusiasm in delivery
Principle 1. Align Benefits with Strategy

“Project benefits can be considered synonymous with positive strategic impacts” PMI
### Principle 2. Start with the End in Mind

**Southbank Arts Precinct Redevelopment (Fictional)**
Department of Premier and Cabinet

**Investment Logic Map**

<table>
<thead>
<tr>
<th>DRIVER</th>
<th>OBJECTIVE</th>
<th>BENEFITS</th>
<th>SOLUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing facilities will not support Victoria’s continued leadership position in the arts (60%)</td>
<td>Improve the connection of the arts precinct with Melbourne and its local community (20%)</td>
<td>Strengthen the Victorian community (40%)</td>
<td>Generate vision for use of arts precinct over 20 years</td>
</tr>
<tr>
<td>Arts precinct is dislocated and is no longer aligned with the way the city is developing (40%)</td>
<td>Create a precinct which functions as a distinctive attraction (40%)</td>
<td>Improve Victoria’s industry (20%)</td>
<td>Strengthen enterprise and precinct marketing</td>
</tr>
<tr>
<td>Arts precinct is dislocated and is no longer aligned with the way the city is developing (40%)</td>
<td>Renew and upgrade existing facilities so they can meet current and future needs (40%)</td>
<td>Enhance Victoria’s arts profile and reputation (40%)</td>
<td>Establish a precinct governance and management model</td>
</tr>
</tbody>
</table>

**SOLUTION**

- **Generate vision for use of arts precinct over 20 years**
- **Strengthen enterprise and precinct marketing**
- **Establish a precinct governance and management model**
- **Make physical changes to arts precinct**
- **Develop integrated ticketing, security and precinct management systems**

**Source:** The Victorian Investment Management Standard

Benefits-led rather than Activity-centered change initiatives
With more reliable forecasting – the ‘How much’ question

- Three point estimating
- Optimism Bias adjustments
- Reference class forecasting
- Challenge

And “the best collective decisions are the product of disagreement and contest, not consensus and compromise.” Surowiecki
Principle 3. Utilize Successful Delivery Methods

- Agile
- Waterfall
- PMBoK
- OGC
- etc etc

Caveat - With benefits embedded in the approach
Principle 4. Integrate benefits with the performance management regime – ‘booking’ the benefits

### Contract sign-off

<table>
<thead>
<tr>
<th>Role</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Executive sign-off</td>
<td></td>
</tr>
<tr>
<td>Benefit Owner sign-off</td>
<td></td>
</tr>
<tr>
<td>Business Partner sign-off</td>
<td></td>
</tr>
<tr>
<td>Business Change Manager sign-off</td>
<td></td>
</tr>
</tbody>
</table>

**Sufi parable:** “Trust in God, but tether your camel.”
And be clear about the benefits you are buying

Financial Cashable Benefits

Financial Non-Cashable Benefits?

“We were survivors, dwellers forever in the cracks of the vast organisational chart. Disperse us, downsize us, squash us, transfer us, and we will reassemble someday, somewhere, to once again build new layers of redundancy, waste, and glaring irrelevance.” Lerner
Principle 5. Manage benefits from a Portfolio perspective

**Business Unit:** Jabel Ali Customs

**Project Name:** Advanced Container Scanning

**Project Overview:** Efficient and trouble-free scanning operation of the imported and exported containers

**Business Objectives:**
- Operational Cost Savings
- Advanced Container Scanning

**Outcome:**
- Implementation of X-ray machines that has advanced scanning capabilities and the integrated solution to check the declaration details.

**Enablers:**
- Advanced Container Scanning machines (better penetration, clear images and capability to deduct radioactive materials).

**Cost/Benefit Analysis**

**Is that the best we can do from our accumulated investment in change?**
Principle 6. Apply Effective Governance

With nominated Benefit Owners

Source: Managing Benefits™
With regular Stage/Phase Gate reviews & staged release of funding

Prescribed requirements

- Updated Business Case
- Progress since last gate
- Updated 3 A’s assessment

Decision – Go, Kill, Hold

Decision criteria

- Funding to next gate
- Resources release
- Deliverables due by next gate & key milestones
- Any interim conditions on funding

Including:
- Performance to date
- Measurable strategic contribution
- Acceptable risk profile
- Cost to complete

With formal recommitment to the benefits – no ‘orphan’ benefits
Solutions 7. Develop a Value Culture – expecting improvement

“By applying rigorous Benefits Management, expected benefits can increase from 70% to 85%, with an additional project or programme overhead that should not exceed 5%.” Michael Payne

San Retna - “demonstrates how his company applied advanced portfolio management techniques to realize in excess of 80% of expected business benefits from its corporate investments”

Activist Accountability - “The buck doesn’t stop here, it starts here” John Thorp
Continuing Participative Stakeholder Engagement - looking beyond tracking against target

- An active forward-looking approach
- Including emergent/unplanned benefits
- Mitigating dis-benefits
- Measures that engage people
- Learning from experience (and collecting reference class data on performance)

Based on **Realism** in planning & **Enthusiasm** in delivery
For example...

**Tell Us Once Birth Service Benefits Logic Map – Benefits to Citizens and LA’s**

- **Strategic Drivers**
  - Economic climate reflected in the need to deliver significant efficiency savings.
  - Government and taxpayers will benefit from faster and more effective identification of customers for their services, reduced unnecessary contact and improved efficiency.

- **Investment Objectives**
  - As a result of Tell Us Once: Citizens will receive a better experience, faster, cheaper and easier access to government services.
  - Government and taxpayers will benefit from faster and more effective identification of customers for their services, reduced unnecessary contact and improved efficiency.

- **End Benefits**
  - Citizen time savings in notifying local government.

- **Intermediate Benefits**
  - Improved citizen experience.

- **Solution / Initiatives**
  - Reduced avoidable contact.

- **Disbenefit – additional workload for registrars.

**Tell Us Once Birth Service**
- Speeding up and improving data sharing resulting in more up to date records.
- Training staff.

**Surveys – Staff, Customers & Management**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The initiative has contributed to improved services to our customers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I will recommend the service to our customers.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The service has improved my job satisfaction.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Please record below any other comments you would wish to make either positive or negative – including reference to any improvements to the service provided.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
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<tr>
<th>Forecast Benefit Impact locally – please enter scale of impact in boxes below</th>
<th>Assessment by – name and position</th>
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<tr>
<td>Reduced avoidable contact.</td>
<td></td>
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<tr>
<td>Resulting in:</td>
<td></td>
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<td>Citizen time savings in notifying government.</td>
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<td>Citizen cost savings in notifying government.</td>
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**Source:** Tell Us Once Programme
Thank you

Questions?

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Free materials at www.stephenjenner.com