

Benefits Management



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Introduction

Benefits Management is often the poor relation in the programme management arena.

We devote time and effort to defining, planning, monitoring and managing our projects but we could give great deal more thought to the purpose of each project.

Benefits Management is concerned with the beginning and end of project management and surrounds each project. Change programmes should all begin with a definition of benefits, those benefits being the raison d'être of every project. Every change project and programme should at least end with a measurable contribution to a specific benefit.

Benefits Management puts the focus in its most appropriate place and asks questions like: 'why are we doing these projects?' and 'why are we still doing these projects?'

This paper attempts to provide a framework for **Benefits Management** and to introduce some simple but elegant tools to assist in the management of programmes in benefits terms.

The Value Path

Within change programmes, projects result in deliverables and deliverables give benefits. A change project must deliver something that benefits the organisation: a new system, some software, a report or a new building. The deliverable in the programme management world is rarely physical but this does not make it any less significant. These deliverables are utilised or operated and hence deliver the benefits.

Therefore projects actually deliver the potential for a benefit - the management of the organisation extracts and enjoys those benefits. By utilising those facilities.

The Relationships between Benefits & Deliverables

There is a many-to-many relationship between deliverables and benefits.

Occasionally there is a single link between a deliverable and a benefit. For example a simple requirement to reduce a retail organisation's distribution costs might be met by a project to create a new warehouse. The new warehouse

might directly deliver reduced storage costs and therefore reduce distribution expenditure.

But the general case is more complex. The reduced distribution costs are likely to depend on

1: a new warehouse.

2: an upgraded IT stock control system.

3: changes to the communications systems to bring the new warehouse on line.

4: new staff for the warehouse.

5: some changes to the vehicle fleet.

Benefits have normally an indirect relationship with each project. The benefits of each project can only be derived when combined with the outcome of other projects. Only if all of the above projects result in a successful outcome will the benefits be maximised. Two of the projects will deliver no benefit without the other projects.

The warehouse makes all the other projects possible but delivers no direct benefit.

Benefits Orientated Classification

We can classify projects in terms of their ability to deliver benefits.

DIRECT: projects with direct benefits.

ENABLING: projects that deliver no direct benefit but which are vital to the delivery of a whole range of benefits from other projects.

PASSENGER: projects that can only add to benefits expected from other projects.

SYNERGISTIC: a group of projects each of which makes no (or only a small) contribution unless combined into a programme.

Some examples of these classifications follow:

A new energy efficient heating control system would provide direct benefits in an existing office.

An example of a Platform project is a project or programme management initiative. Whilst the initiative delivers no direct benefit, it should improve the organisation's ability to deliver its projects and therefore makes

possible benefits within other projects.

Passenger projects are the 'cream on the cake'. They look and taste good but are unmanageable without the cake. A new energy efficient heating control system would only be a passenger system in an office block being built for your organisation. It would be useless if the office block project is cancelled but would add benefit once the new office is complete.

A marketing campaign for a new chocolate bar delivers no direct benefit but once combined with projects to set up manufacture, distribution, stock management, quality control and a whole host of other items becomes part of a Synergistic whole.

It seems sensible to recognise and guard projects that make possibly many benefits. This classification might help us to monitor our projects so that we better understand the implications of delays, scope changes or cancellation to each of our projects.

The ever changing environment

Benefits depend on the external environment that is very likely to change due to the relatively lengthy time-scale of programmes.

In the warehouse example above, if rail transport were to become cheaper due to a change in national taxation policy, the whole project would need reconsideration. It might be well progressed and the decisions may be hard but it might be wise to cancel the project recognising that there is no longer a justifiable case.

Benefits Creep is a phenomenon that degrades benefits. During the life of a programme, changes modify each project's ability to deliver benefits. These changes can come from within (changes to the projects themselves) or from the environment (changes in the outside world that effect the value of the benefits).

Tangible vs Intangible Benefits

There are two arguments surrounding the tangibility of benefits.

1: One should always be in a position to measure and evaluate the benefits of any programme. These may be financial but they may be the result of surveys or statistically significant subjective measures from customers, staff or other party. One always measures before and after the projects or programmes to evaluate the change derived.

This is applicable in internal change projects where measures are possible and where the environment plays only a small role.

2: It is impossible to measure benefits as one should compare the state of the organisation after the project or programmes with the state of the organisation at the same point in time as if those projects or programmes had not been run. This is impossible and this argument is supported in programmes where the external environment plays a large role. This includes marketing programmes.

Successful benefit delivery need not depend on successful projects. A poor project, badly managed might still cause the benefits to be enhanced because of environmental changes. Equally a great project might be run well but suffer as environmental changes eliminate the benefits.

Consider the benefit expected from two synergistic projects where one is run well and the second runs well over schedule. The failure of the second eliminates or delays the benefits of both.

Benefits Management should be separated from Project Management

Project managers are not well placed to monitor benefits - there is a strong case for the role of delivering projects and delivering benefits to be separated. Project managers tend to be 'head down' and heading for the finish line. They do not have the mind set to consider the validity of their projects.

Summary

Benefits Management does provide a top down approach to the selection and evaluation of projects in a programme management environment.

Some simple tools can help to model the relationships between projects and benefits and map the interaction between those projects and the way in which they contribute to benefits.

Benefits are the reasons behind the initiation and execution of projects.

Related Information

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