



Solving the BENEFITS PUZZLE

Why project value has been
so difficult to measure and a practical,
proven solution based on the
simple Value Equation™

Preface

For years, organisations have struggled to effectively track and measure the benefits expected from their projects. Managers are frustrated at the continuing lack of benefits measurement.

But the situation is worse than just poor measurement. Most projects actually leave many of their potential benefits 'on the table' unidentified. They then, inadvertently, lose, destroy or miss many the other benefits. Our research has shown that most projects deliver less than half of their potential value.

This loss represents billions of dollars a year in lost or missed benefits!

Most of this loss goes unmeasured. Traditional approaches to benefits management just haven't worked. They seem workable on paper but, when put to test, do not effectively identify, quantify, track and measure benefits both during and after the project.

The reasons why benefits management has remained a 'lost cause' for so long are numerous, including lack of attention, desires to avoid accountability, confusion, sloppy language and the bad results of previous half-baked attempts.

"Solving the Benefits Puzzle" spells out the problems in measuring benefits and presents the solution by outlining a scientific approach to benefits measurement. The solution presented has already been adopted in numerous organisations with astounding success.

The solution is based on the deceptively simple methodology called The Value Equation™¹ that focuses attention on the five key elements of benefits management and allows all of them to be tracked and measured.

We have worked on this problem for nearly 20 years. Our solution works. It challenges conventional views, but is easy to learn and adopt.

It solves, for all time, the benefits puzzle!

JED SIMMS

Author and Executive Chairman,
Capability Management Pty Ltd
and creator of www.project-sponsor.com



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About the Author



Jed Simms is the founder and Executive Chairman of Capability Management and Project-Sponsor.Com, organizations that specialize in providing tools, processes and training in new ways to deliver projects that maximise the value realised. Benefits Management is just one of these processes.

Jed was previously Regional IT Strategist for The Boston Consulting Group in the Asia/Pacific region where he conducted numerous studies into the drivers and destroyers of project value. He established the measurable correlation between a business' level of project-delivery capability and the returns it generates on its investments.

In particular, Jed has specialized in the area of value delivery from projects – of which benefits management is a critical component. With, according to research, only 5% of projects delivering their expected value this is an area that needs significant improvement.

A pioneer in developing new and effective approaches to value delivery management, his work was selected as one of "Australia's Outstanding Product Innovations" by the AIIA in 2004.

Further ebooks will be published shortly. To ensure you know about them or find out more about other articles or interest, please send an email to Jed@project-sponsor.com.

From the Author

Thank you for choosing to read "Solving the Benefits Puzzle"; I hope you enjoy it and find it valuable.

"Solving the Benefits Puzzle" is designed as an introduction to the topic of benefits management and the issues involved. Further information and specialized support and information in the form of "How to ..." and "Understanding ..." Guides are available from www.project-sponsor.com.

For further information on Benefits and Value Delivery Management and The Value Equation™ contact me jed@project-sponsor.com or call me on 613 9654 0400 in Melbourne Australia.

I look forward to hearing from you.

JED



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1 A Wealth of Excuses

“I am really frustrated...”

“...and I won’t take it anymore!” laughed Jack, as Richard, the Executive General Manager of Consumer Products, collapsed into a chair in front of his desk. Jack waited for Richard to continue.

“I’ve just been looking for the benefits from my CRM system.”

“Oh no!” exclaimed Jack, “Isn’t that ‘mission impossible’?”

“Exactly. I have not found the promised wealth of benefits, but I have only found a wealth of excuses, such as, these benefits never existed, were already realised, could never be realised by the project, weren’t of value anyway, and so on. I sent Brendan, Brendan Grant, to track and measure the benefits. He came back with just about 10% of the original business case figure; and even that was a stretch. I had never seen him so embarrassed before.”

“I know,” responded Jack, who was Head of Shared Services, “every now and then, when I’ve nothing better to do, I muse on our stupidity in this area. I mean, we put every project through the wringer to test the business case. Alternative scenarios, sensitivity analyses and so on. We are rigorous! But...we have no means of tracking and measuring

these ‘benefits’ once they leave the Investment Management Committee.”

“Hey Diane!” exclaimed Richard as Diane Walker, the CIO walked passed the open door, “Do you have a moment?”

“For you gentlemen, of course!” said Diane with a twinkle in her eye. She entered Jack’s office and rested her hands on the back of the empty visitor’s chair. “What can you do for me?” she asked cheekily.

“Ask not what your country...,” joked Jack before he was cut off by Richard.

“It’s all your fault!” said Richard teasingly.

“It always is” responded Diane, “We’re IT, everything’s always our fault. You lot, of course, live perfect lives in a perfect world! But what’s my fault this time?”

“Lack of benefits measurement,” Richard replied.

“Ah, that old hairy chestnut! Don’t you know that business cases are only ‘mugging’ devices? They ‘mug’ the organisation into giving money and resources on the promise of benefits – which everyone knows will not be measured!”



“Probably truer than I would like to admit,” said Jack, “but it is probably time we did something about it. I know that David tried to put business case dollar values into subsequent budgets to ‘ensure the benefits were realised’ but then found himself in continuous arguments with line managers as to why his figures did not equal theirs.”

“A typical CFO’s answer,” said Richard. “Look, if it were that easy, we’d have solved this puzzle years ago, no sweat. But the approach of putting business case ‘benefits’ into future budgets, for whatever reason, doesn’t work.”

It’s funny that you two raise this topic,” said Diane, “as I was reading something about it in one of the email newsletters I subscribe to. I didn’t really read it at the time as I didn’t have time and it wasn’t a topic in my ‘Top 50’ list, but I’ll go back and try to find it – hope I haven’t deleted it! – and, if it is any good, I’ll forward it to you two.”

“If it is any good you should forward it to all the execs,” said Richard, “as it is time to sort this out. I don’t want to be in the position I am in now, where I have to face the Board to demonstrate the benefits from my CRM project and I can’t find them!”



2 Why Current Approaches Fail

That evening, Diane went through her newsletters to find the one from Deep Smarts, a consultancy, on benefits management. Luckily, it was the latest one from them and, she quickly discerned, the first in a series covering the topic.

What she read surprised her and she had to think long and hard before she was ready to accept the arguments put forward – but then she realised they were right and their breakthrough opened the door to solving the benefits measurement puzzle. This is what she read:

Deep Smarts Newsletter No. 6 The problems with the financials

Some accountants and others believe that the only way to measure project success is to track and measure the numbers. "If the dollars don't appear in the P&L, the benefits haven't been realised!" is the view.

Many CFOs use dollar realisation as a proxy for benefit realisation. This is an erroneous approach.

Focusing on the financials does not work because:

- 1 the dollar value can legitimately change during the course of the project;
- 2 the business dynamics are too variable; and
- 3 the dollar value can be negated while the project still has real value.

We'll explain.

1 The dollar value can legitimately change

The world does not stand still during a project. Events, internal and external, can change the potential value of a project's dollar benefits (in either direction!).

This value change need not be caused by the (non) performance of the project team. However, this value change does need to be tracked and measured to explain the variances caused.



3 The Need for Discipline in Definitions

Diane's task was to put in place a new system to monitor the organisation's computer network and systems performance, and resolve the associated problems. The intent was to provide better service to the business by both responding faster to problems and eliminating repeat problems.

The concept and its value were obvious but Diane had had tremendous trouble generating a passable business case to get it approved. She'd had to scale back the solution to keep the costs down while needlessly losing an extra head to get the benefits up.

She looked at her approved business case and, to her horror, found that the newsletter was right. Although she "knew" what the project was going to deliver, and the business case even talked about it in numerous ways, there was no clear, measurable description or definition of the "desired business outcomes," as the newsletter referred to it.

This project, she felt, would be a great candidate for The Value Equation™ approach.

"Clear, measurable description or definition of the desired business outcomes."

There were words of intent and descriptions of how

the new system would operate, the project's overall objectives and lots of numbers – but the business case did not detail, in one place, *"at the end of the project, this is going to be the end state achieved"* in measurable terms.

Overall the language in the business case was "sloppy," not precise enough to spell out the true end states she was trying to deliver.

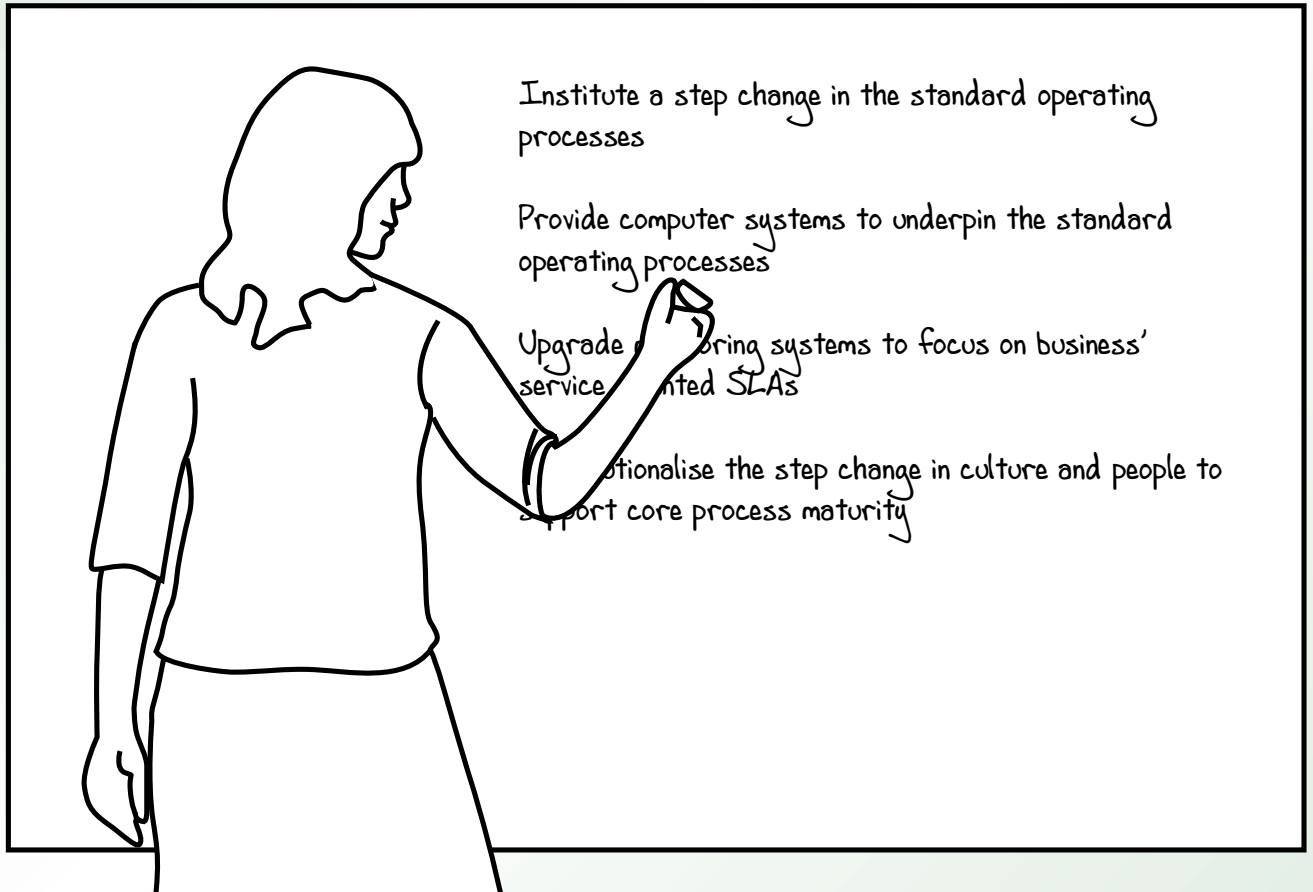
Slightly admonished by this, she wrote out a few of the sentences from the business case that sort of described where it was going. She wrote:

Institute a step change in the standard operating processes

Provide computer systems to underpin the standard operating processes

Upgrade monitoring systems to focus on business' service oriented SLAs

Institutionalise the step change in culture and people to support core process maturity



• Institute a step change in the standard operating processes

• Provide computer systems to underpin the standard operating processes

• Upgrade service oriented SLAs bringing systems to focus on business'

• Rationalise the step change in culture and people to support core process maturity



4 The Benefits Gap

The newsletter argued: “Most projects leave a ‘gap’ between their project outcomes (deliverables) and what is needed to deliver the benefits. When you define a project’s true ‘desired business outcomes,’ the focus of the project changes and the activities required for success also change. Often, additional activities are needed to close the gap between the project’s deliverables and the benefits – to clearly

and measurably deliver ‘business outcomes’ that in turn enable or directly deliver the expected business benefits.”

Diane put the theory to test and asked herself, “What are we really trying to achieve here with this network monitoring project?” and importantly, “If I’m in the business, what do I want me to achieve?”

6 The Value Equation™

Diane went to Richard's whiteboard and drew:

