The theoretical basis for benefits management – part of the solution or part of the problem?

Stephen Jenner, Author and Chief Examiner of Managing Benefits™ &
Richard Breese, Senior Lecturer at Sheffield Business School

This is the fourth in a series of articles examining themes identified in Managing Benefits from APMG-International. Whilst covering relevant material from the Guide, these articles also seek to set the debate in a wider context – drawing on experience from practitioners, academics and thought leaders from related fields, just as Managing Benefits itself draws on insights from a wide range of disciplines beyond project and programme management including: behavioural finance, psychology, and systems thinking. In this case, the co-author is Richard Breese, Senior Lecturer at Sheffield Business School, Sheffield Hallam University and author of a recent article in the International Journal of Project Management entitled, 'Benefits realisation management: Panacea or false dawn?'[1]

This article explores the theoretical underpinnings for the practice of benefits management, building on Richard's conclusion that the current model compromises the effective realisation of benefits in practice. The key features of an alternative model, reflecting many of the themes discussed in Managing Benefits are also explored in this article.

Earlier articles in this series are available for free download at http://www.apmg-international.com/en/qualifications/managing-benefits/managing-benefits.aspx.

Managing Benefits argues that the fundamental driver for the adoption of benefits management is the poor track record of projects and programmes in realising benefits - for example, it is regularly reported that 70% of change initiatives fail to deliver the benefits they were established to deliver. The paradox is, however, that despite much of the existing guidance having been around for a decade or more, there doesn't appear to have been a significant improvement in terms of benefits realised - for example, a study by Moorhouse in 2012[2] concluded that the success rates reported represented an unacceptable return on investment. Why might this be? Well, Managing Benefits refers to a number of obstacles that can hinder the effectiveness of benefits management in practice.

Firstly, we have what Pfeffer and Sutton[3] refer to as the 'Knowing-Doing gap' i.e. in many areas of management, good practice is well known but rarely applied. A recent joint study by the APM and CIMA in Ireland[4] found that less than half the respondents described their organisation's benefits management approach as 'formal/structured'; and another Moorhouse study[5] concluded that there was, "scant evidence of any maturation in the discipline of benefits realisation generally".

Secondly, too often benefits management adopts an activity-focus rather than being results or benefits-led. In short, 'box ticking' approaches are applied based on process compliance rather than achieving improved benefits realisation. The result – a study for the OGC[6] found little demonstrable evidence of impact and researchers examining the realisation of benefits from e-government initiatives report[7], "agencies that adopt a stringent formal process do not appear to perform significantly better than agencies who have a less stringent process, or better than even those who report having no process at all." While not all the evidence paints such a bleak picture (see Ward et al (2008)[8] and Serra (2012)[9], for example), too often benefits management is a case of going through the motions to justify a course of action already decided on.

Thirdly, psychologists say we suffer from a series of cognitive biases (such as the 'planning fallacy', 'sunk cost effect', 'self-serving bias' and 'groupthink') that adversely affect the accuracy of benefits forecasting; the effectiveness of benefits management 'in flight'; and our ability to learn from experience. Lovallo and Kahneman[10] argue that the result of such cognitive biases is that, "we overemphasise projects' potential benefits and underestimate likely costs, spinning success scenarios while ignoring the possibility of mistakes."

Beyond these three factors, it has also been suggested that the apparently widespread poor track record is due to an inappropriate or incomplete theoretical basis underpinning the practice of benefits management. Some may consider this to be of merely academic interest, and of little value in the 'real world'[11]. However, as Kurt Lewin said, "There is nothing more practical than a good theory" . So it's worth considering what assumptions underpin the traditional approaches to benefits management and whether they help or hinder the effective realisation of benefits in practice.

Breese (2012)[12] suggests that benefits management is generally undertaken within the 'modern paradigm' of management science. This paradigm is characterised by seven supporting themes (Darwin et al[13]) -

evidence of which can be seen throughout the existing benefits management guidance:

1. Logic: by applying logic to the decision-making process a good outcome can be derived. This is seen for example, in the assumptions of economic rationality underpinning cost-benefit appraisal.

2. Linear thinking: the benefits management process involves a prescribed series of procedures over the lifetime of a project or programme. This is seen in the common description of benefits management occurring in a series of sequential steps – from identification and planning, through to realisation and finally post-implementation review.

3. Quantification: to compare different proposals, benefits need to be quantified as far as possible. For example, the APM[14] defines benefits as,

"The quantifiable and measurable improvement resulting from completion of deliverables that is perceived as positive by a stakeholder. It will normally have a tangible value, expressed in monetary terms that will justify the investment."

4. Cause and effect: causal links between activities and the benefits to be gained can be established – for example, in the form of benefits maps showing a direct cause and effect chain from project deliverable through to benefits realisation.

5. Reductionism: amongst the different impacts some can be isolated as the most important ones for decision-making – seen in the advocacy of initiatives designed to 'solve' problems without considering the wider effects (or what economists call 'externalities').

6. Split between thinking and doing: there is a distinction between the benefits planning process and the implementation of the activities which lead to benefits realisation. This is seen in the all too often gap between: those who design policy and strategy and those responsible for delivery; and then between those responsible for delivery and those responsible for benefits realisation.

7. Control: the appraisal process is a means of achieving management control over resources. This is seen in the tendency to track progress against the forecast in the Business Case without acknowledging subsequent changes in the business environment (which might be favourable or unfavourable).

Breese[15] used his experience of benefits management in UK regeneration programmes to demonstrate that these assumptions do not always hold in the real world. Wheatley[16] agrees, seeing the causes of project failure as being due to linear thinking and a mechanistic view of organisations rooted in a mindset derived from the traditions of Newtonian physics (see Article 1 in this series).

Darwin et al. suggested that the Cartesian-Newtonian view (and by implication the 'modern paradigm') is not so much wrong, but limited[17] . The seven themes of the 'modern paradigm' provide a reasonable starting point for benefits management, but need to be balanced with an acknowledgement of the assumptions being made and the essential fallibility of the process. Additionally, perspectives reflecting uncertainty, ambiguity and emergence need to be woven into the theoretical framework.

Unfortunately, there is a tendency in human nature to ignore the shortcomings in the 'modern paradigm' and act as if the assumptions should hold, even when they manifestly do not. Schwartz[18], observed that students of organisational behaviour held to the notion of 'clockwork' organisations as an ideal form, even though they thought the organisations with which they were most familiar had more in common with a 'snakepit' where interested parties pursued their own vested interests. The result all too often is that formal processes are subverted by individuals and groups within the organisation. This view is supported by the research undertaken by Flyvbjerg[19] et al who conclude that forecasts are,

"highly, systematically and significantly misleading (inflated). The result is large benefit shortfalls". The cause is what they term, "strategic misrepresentation", which is defined as, "the planned, systematic, deliberate misstatement of costs and benefits to get projects approved".

The result is a series of 'tricks of the trade' that are used to maximize the benefits in the Business Case, but with little attention being given to whether these benefits are actually realisable. These 'tricks of the trade' include:

■ Ignoring risks and assumptions and using best case/most optimistic estimates of benefits and costs to calculate the return on investment.

■ Deliberate double counting of benefits.

■ Forecasting benefits to stakeholders without validating them with those stakeholders.

■ Claiming staff time savings in full, but with no indication as to how the time saved will be redeployed to value-adding activity.

■ Overvaluing benefits by, for example, including savings in overhead costs even when there will be no reduction in those overheads.

■ Failing to account for dis-benefits.

■ Ignoring some of the costs required to realise the benefits (for example, counting the salary costs saved from staff redundancies, but not including the costs of the redundancy payments).

The result is the benefits management regime is built on unstable foundations[20] with subsequent management activities being undertaken with a backward looking perspective that seeks to evidence benefits that were unreliable to start with. It's no surprise that in such circumstances benefits management fails.

It is therefore suggested that an enhanced theoretical underpinning is required reflecting an environment often characterised by ambiguity and uncertainty, using emergent rather than planned models of change. But what would such a theoretical underpinning look like? Well we propose that it might be characterised by the following themes, modifying the assumptions of the 'modern paradigm' to reflect the way that the world is, rather than trying to pretend it conforms to an unrealistic ideal:

1. **Success depends on winning hearts as well as minds:** beyond logic, we need to apply approaches that facilitate the behavioural change on which benefits realisation is so often dependent. As David Snowden, former head of Knowledge Management at IBM[21] said,

"Consider what happens in an organization when a rumour of reorganization surfaces: the complex human system starts to mutate and change in unfathomable ways; new patterns form in anticipation of the event. On the other hand, if you walk up to an aircraft with a box of tools in your hand, nothing changes."

Central to this shift of focus is an ongoing participative approach to stakeholder engagement – as Marchand & Peppard[22] say, "Business change initiatives are about engaging the minds, hearts and values of people in making change happen and achieving shared business results and benefits, and not about possessing new tools, renewing legacy systems or standardizing technology to reduce costs." We therefore need to engage stakeholders at an emotional level utilizing techniques such as narrative leadership (see the second article in this series) and measures that engage (see the 'crisps' example in the first article in this series). As Dearing, Dilts & Russell[23] say, "We shy away from forceful demands for loyalty and commitment, but we flock to and swarm round focal points where 'cool stuff' seems either to be happening or about to happen. Good leaders work with our hunger to involve ourselves, with others, in interesting work and exciting projects."

2. **Apply feedback loops throughout the benefits management process:** so rather than a strictly linear process, learnings are fed back throughout. For example, the review practice should apply throughout the process with:

- At initiation – 'pre-mortems' to consider the potential causes of failure and overcome the cognitive bias of over-confidence;

- 'In-flight' – stage or phase gate reviews to confirm the case for continued investment; and

- Post-completion – to evaluate performance against the promise (summative review) as well as identifying, disseminating and applying lessons learned (formative review).

3. **Selection of appropriate benefit measures to provide a 'rich picture' encompassing evidence from multiple perspectives:** rather than seeking to attribute monetary values to all benefits, we should collect a suite of metrics to provide a rich picture that informs our understanding of the benefits realised. Such metrics include leading and lagging measures, proxy indicators, evidence events, surveys, stories and case studies.

4. **Accept uncertainty:** recognize that as Taleb[24] says, the world is far more random than we would like to believe and that effects often have multiple and uncertain causes. Consequently, we need to understand the assumptions that underpin our claims of cause and effect and use the benefits management process to inform our understanding as to whether, and to what extent, these assumptions hold true in practice. This means undertaking regular reviews throughout the business change lifecycle.

5. **Focus on the whole rather than performance of the parts:** measurement is never neutral and can have unintended consequences where changes in the indicator are pursued at the expense of overall system performance and people engage in gaming behaviour and appearance manipulation. Seddon[25] argues that such behaviour is, "ubiquitous and systematic" as, "Targets drive people to use their ingenuity to meet the target, not improve performance." The solution is to develop an ethos premised on planning for success rather than attributing blame, and based on: close engagement with users to identify measures that are meaningful to them; employing multiple measures and indicators to provide different perspectives on performance (as discussed at point 3 above); and adopting a forward-facing perspective that focuses on organisational learning as a basis for value creation, rather than a backward-looking tracking approach that is fixated on comparing actuals against forecast (see 7 below). As Tony Hinkley of Dudley Council says[26],

"Feedback provides insight whereas targets distort actions."

6. **Integrate thinking and doing:** based on a recognition that strategy without effective execution is pointless. So SRO's are expected to stay on beyond approval of the Business Case to ensure the business and behavioural change upon which benefits realisation is dependent actually occurs. Ultimately this depends on our organisations valuing delivery at least equally as strategy or policy development.

7. **Insight rather than control:** rather than passive, backward-looking tracking against forecast, the focus is instead on gaining insight and feedback, and on identifying emergent or unplanned benefits.

The question for the benefits manager is thus – do you spend the majority of your time in the office compiling reports, or out in the 'field' talking to users and customers? Managing Benefits recommends organizations apply what Andrew & Sirkin[27] refer to as a 'scout and beacon' approach in which: 'scouts' scan the environment for potential opportunities; and 'beacons' are 'lit' clearly communicating that ideas are welcomed.

Conclusions

Keynes said, "Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist". It is therefore crucial that we question the theoretical basis of benefits management. It is proposed that the assumptions underpinning the 'modern paradigm of management science', rooted as they are in a mechanistic view of organisations, have contributed to the failure of benefits management to deliver on its promise to date. We could continue in the hope that things will work out in the end but, to paraphrase Einstein, insanity is doing the same thing over and over again and expecting different results. It is therefore proposed that we need to apply an approach that recognizes complexity and uncertainty, and which is forward-looking, based on insight and learning rather than being merely focused on backward-looking tracking against forecast.

But what's your view? Join the debate at the Managing Benefits Community of Interest at http://www.linkedin.com/groups/Managing-Benefits-4493501.

Steve Jenner is author of, and Chief Examiner for, Managing Benefits. He can be contacted at stephen.jenner5@btinternet.com or via the Managing Benefits Community of Interest at http://www.linkedin.com/groups/Managing-Benefits-4493501.

Richard Breese is a Senior Lecturer at Sheffield Business School, Sheffield Hallam University, and is a Committee Member of the Association for Project Management's Benefits Management Specific Interest Group. He can be contacted at r.breese@shu.ac.uk

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