
# The Fundamentals of Managing Benefits

## Optimizing the Return from Investments

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*INSTALMENT 3 OF 3:*
***DECISION SUPPORT FUNCTION, BEST PRACTICE TECHNIQUES & TAILORING***

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## INSTALMENT 3 OF 3

Our Fundamentals of Managing Benefits white paper has been broken down into three separate instalments. This is instalment 3 of 3.

Instalments 1 & 2 and the complete white paper are available here.

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# 7. DECISION SUPPORT FUNCTION

A decision support function aids the main investment board in decision-making activities that require judgement, determination and a sequence of actions to optimize the return from investment.

A decision support function within any organization aids the main investment board in decision making activities that require judgement, determination and a sequence of actions to optimize the return from investment. The three elements critical to any decision support function are outlined below.

## 7.1 VALUE MANAGEMENT OFFICE

Effective portfolio management of programmes, projects, products and/or services typically does not happen in isolation without the involvement of a Portfolio, Programme and/or Project Management Office that provides the necessary investment decision and support business model function for all business change within an organization.

In 2015, Robert Kaplan discussed the concept of Value Management Office (VMO) noting that organizations today are striving to deliver benefits at a lower cost and to be rewarded for accomplishing both. Simply, a VMO is about putting knowledge into action while measuring the tangible forecast benefits. A Portfolio, Programme and/or Project Office (PMO) may provide this service, but the change of title signifies to everyone in the organization, particularly to executive management that benefits realization, not initiative delivery, is what really matters (Jenner, S and APMG International, 2014).

Like Thorp, J (2003) says, it *'acts as an advocate of change in the organizational mindset in the way people think about both benefits and value'*. It makes much more economic and operational sense to create and leverage a centralized cadre of benefits management professionals than to ask each business or functional unit, on its own, to acquire such expertise particularly to optimize return on investment.

As Nieto-Rodriguez, R (2021) advises, a Strategy Execution Office (or a VMO for that matter) should help answer the following questions:

1. What are the strategic goals of our organization? Given these goals, how are we going to achieve them—through programmes, projects, products and/services?
2. Which spending proposals should we invest in for the long-term interest of our organization?
3. What is the best use of our existing and future financial and operational capacities?
4. Do we have the right people resources to lead these spending proposals?
5. Are there any initiatives we can stop, suspend, or delay if there is a sudden economic downturn?
6. Is the timing right? What if any of the initiatives fail? Do we have a plan B? And are we learning from failures?
7. What value and benefits are we capturing from each project?

A VMO monitors every organizational activity and clearly articulates why it is being done, who it is being done for, what value it provides, and whether it is necessary. That is, the ''what'' an organization does can change with the times, but the ''why'' an organization undertakes and invests in business change never changes (Sinek, S, 2009). Explaining the 'why' demonstrates the benefits and value of change to the organization and most importantly, its people.

According to Hodes, D (2019), a critical part of the VMO is the idea of benefits tracking - that is, ensuring that what was promised as an improvement is actually delivered; and if not, then why not? In a fundamental way, the VMO is an instrument of organizational learning and systems thinking that continuously innovates existing ways of working to realize the benefits and value from investment.

## 7.2 GATED ASSURANCE AND DECISION GATE PROCESS

> The Gate Review process is not a substitute for a rigorous governance and decision gate framework that manages an organization's key processes.

Nobel Prize winner Dr. Daniel Kahneman states in *Thinking, Fast and Slow, 'It is much easier to identify a minefield when you observe others wandering into it than when you are about to do so* [yourself]'. What the Gate Review process by the Infrastructure and Projects Authority provides is independent and impartial confirmation that the programme or project or any of its planned activities, particularly benefits realization, is on track. Simply, it provides an objective and unbiased assessment that the programme or project's spending objectives can be delivered successfully and improves the prospects of actually realizing the forecast benefits from the investment.

The Gate Review process facilitates progressive investment decision making at five critical points throughout the programme or project's lifecycle to ensure that it is well positioned to enter its next phase or stage. At this critical point, it's important to recognize that assurance is not the decision at the gate but it provides the single point of accountability with insight from a critical friend about both the positive or the negative programme or project management practices in place. The challenge arises when the Gate Review to be undertaken is cherry picked as each review serves a specific purpose in the development of the business case and the return from investment.

When undertaken, prior to a key decision point, it supports the commissioning organization and the accountable person to decide whether to continue, discontinue or vary the scope for implementing the investment. That is, successful organizations have effective decision gate processes in place separate to gated assurance to ensure the organization is delivering the right projects and programmes in the right way. When a decision is made to continue, the benefit to the organization does not come from simply undertaking the Gate Review - but through the timely and actual resolution of any report recommendations, particularly those related to benefits realization. Similar to the advice imparted by Tyrian Lannister from Game of Thrones, 'I'm the hand, not the head!'

It's important to emphasize that the Gate Review process is not a substitute for a rigorous governance and decision gate framework that manages an organization's key processes including:

- strategic planning
- investment appraisal and business case management (including benefits management)
- programme and project management
- risk management
- procurement and acquisition
- service and contract management.

The Gate Review process provides a snapshot view of progress at a point in time and, therefore, should be seen as complementary to the above internal processes, and not a replacement for them, particularly separate decision gates.

Simply, the Gate Review process gives independent guidance to those who commission work on how best to ensure that their programmes and projects are successful in terms of benefits realization (Infrastructure and Projects Authority, 2021). Decision gates make decisions to stop, go or change direction based on strategic alignment and benefits realization. As such, these are not mutually exclusive approaches as both are required. The Gate Review (including health check reviews) help to provide clarity of thought and expertise for the decision-making authorities at the decision gate.

Good management and control of programmes and projects is essential to the successful delivery of government objectives and protecting value for money.

It should be noted that a post implementation review should ideally be undertaken to independently evaluate whether the programme or project objectives were met, how effectively the investment was run, learn lessons for the future, and ensure that the organization gets the greatest possible benefit from the project (MindTools, 2017). It supports the Gate 5 – Operational Service and Benefits Realization review by providing a basis for identifying improvements to the benefits management practices and the collection of a reference class of benefits data to inform future forecasting (Jenner, S and APMG International, 2014).

The most important, and the least undertaken is the Gate 5 Review, which confirms that the benefits set out in the updated full business case are being achieved and that the operational service (or facility) is running smoothly and the agreed organizational (including strategic) objectives are being met. This gate review should be repeated throughout the life of the service, with the first gate review typically occurring when the project is about to hand over to business as usual (BAU) operation and then 6-12 months after handover to the new owner and a final gate review shortly before the end of a service contract.

## 7.3 STAGED RELEASE OF FUNDING

According to the Infrastructure and Projects Authority, good management and control of programmes and projects is essential to the successful delivery of government objectives and protecting value for money. The Gate Review and Decision Gate process is designed to provide a realistic view on a programme and project's ability to deliver agreed outcomes to time; cost; quality and most importantly benefits.

Successful organizations adopt the proven technique of staged release of funding by Gated Review process where continued funding for spending proposals is dependent upon incremental benefits exceeding the costs required to realize them, and continuing stakeholder commitment for benefits realization. This is why initiatives are benefits-led rather than activity centered.

A change of title from Portfolio, Programme or Project Management Office to Value Management Office signifies to everyone in the organization, particularly to executive management and key stakeholders that benefits realization, not initiative delivery, is what really matters.

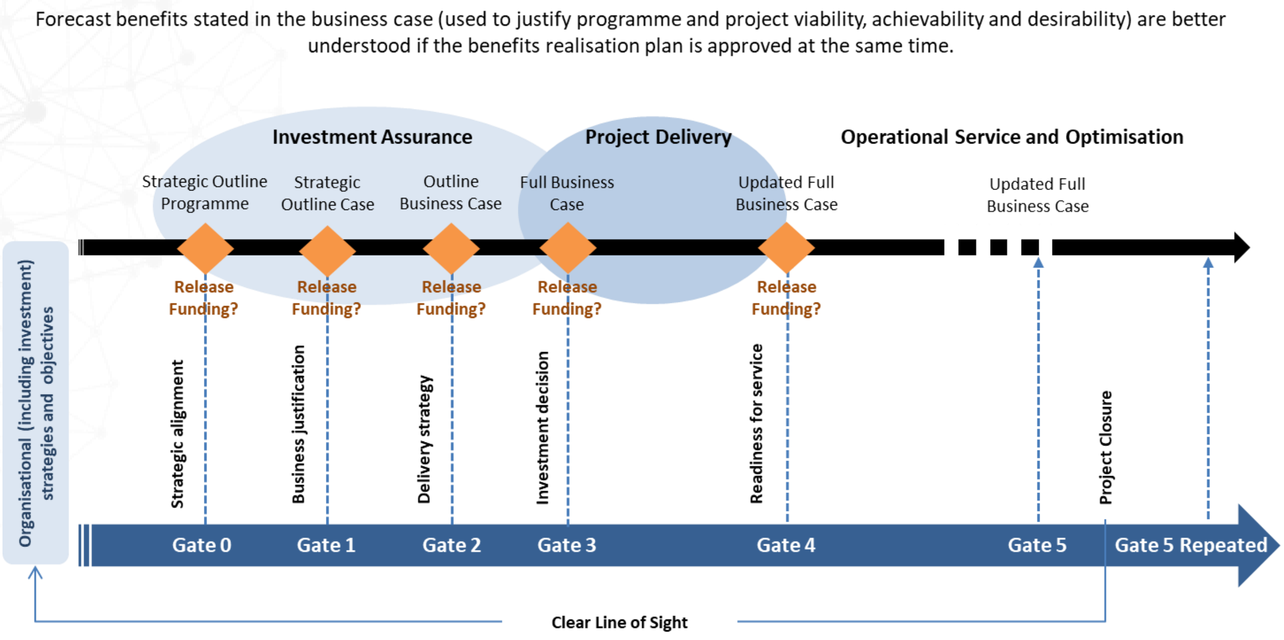


Figure 6: Staged Release of Funding by Gated Review and Gate Decision Process

> Much of the value lies in the process of completing the benefits map (regardless of technique used), rather than in the benefits map itself.

## 8. BEST PRACTICE TECHNIQUES AND TAILORING

There are number of driver-based analysis techniques (such as Benefits Dependency Network, Results Chain®, and Benefits Map) to explicitly link and demonstrate benefits alignment with strategy objectives. That is, the implicit logic underpinning the strategic objectives that is made explicit by the clear articulation of the beliefs and assumptions that underlie the cause-and-effect relationships between (and the drivers of) the elements in the organization's business model. The point to bear in mind is that much of the value lies in the process of completing the benefits map (regardless of technique used), rather than in the benefits map itself. It also helps to avoid double counting of benefits, ensuring benefits are attributed to the correct programme or project.

Below are some leading-edge techniques that are best used sequentially.

### 8.1 THREE-COLUMN ANALYSIS

Three Column Analysis was developed by the New South Wales Government in Australia as a simple technique to help stakeholders understand and agree what the current business problem is, what has to change (and what must be stopped) to start to identify benefits. This three-column analysis technique involves brainstorming answers to each of the four sections shown below. This technique involves asking key stakeholders and the project sponsor three simple questions and using the answers to graphically develop a benefits pathway on a single A4 page, providing a representation of how current business problems can be redressed to achieve the desired benefits.

| Current business problems | + | What has to change? | + | What must be stopped? | = | Benefits |
|---|---|---|---|---|---|---|
| | | | | | | |

Figure 7: Three-Column Analysis

## 8.2 PROJECTS, RESULTS, USERS AND BENEFITS (PRUB)

According to Dr Phil Driver from Open Strategies, organizations need to create strategies that work with the reasons for their continued existence. That is, they inevitably exist to provide a service, that in turn achieves results for the customers and/or stakeholders that then changes something. Simply, organizations run projects to produce results that enables people to use them to create benefits. Everything that organizations wish to achieve can be described in this sequence so every strategy should be designed to optimize this sequence. The use of PRUB guides the rapid and effective development, validation, implementation and performance management of strategies.

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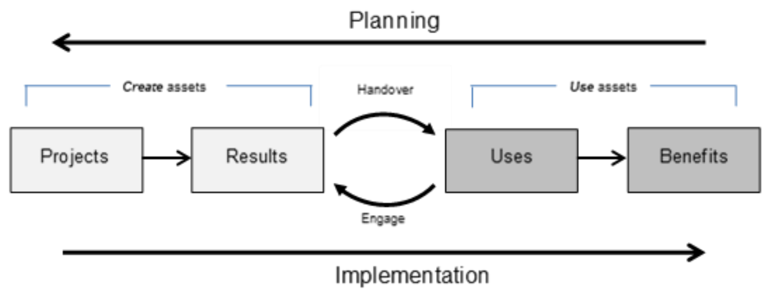


Figure 8: Projects, Results, Users and Benefits (PRUB) sequence

## 8.3 PROJECT CANVASS

The Project Canvas was developed by Antonio Nieto-Rodriguez to ensure that every project has a clear purpose that aligns with the organizational (including strategic) objectives. It is a living document that is used to inform any significant investment decision or to assess any proposed changes to scope. It's a simple one-page strategic template composed of just three domains: foundation, people, and creation. Each domain is vital to the success of any project that focuses on value and benefits rather than processes and controls, and it encourages you to focus on how to quickly deliver the elements of greatest value (Nieto-Rodriguez, A, 2021).

It is used before the project begins, to assess how well it has been defined and whether it is ready to go. It is used throughout the project to track progress and ensure that critical elements and assumptions remain valid. It is used near the end, to assess whether the project is delivering its intended benefits, and after the project is over, to capture lessons learned and build up competencies found to be lacking.

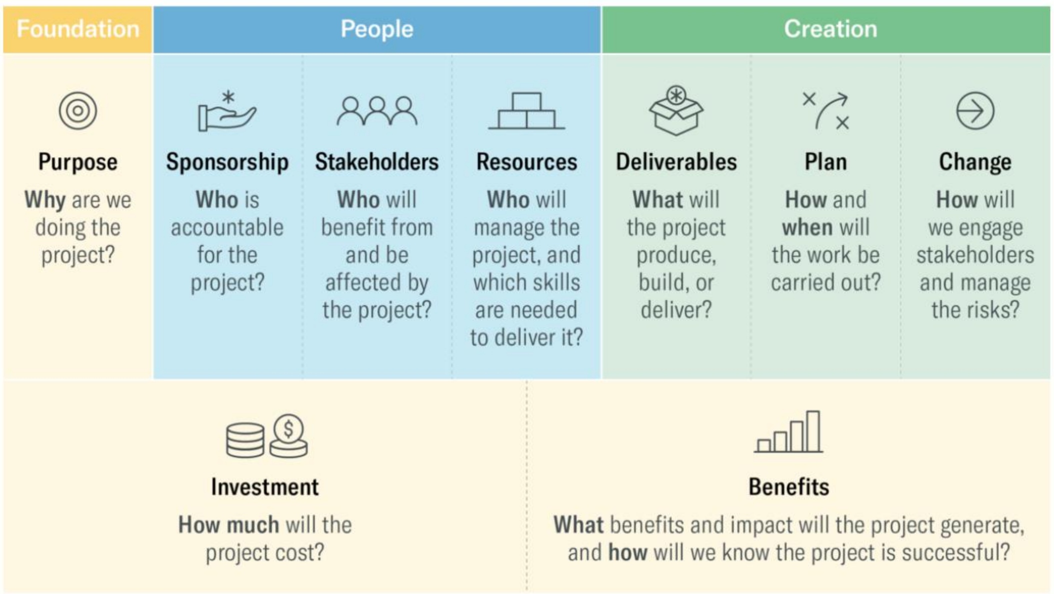


Figure 9: Project Canvas

## 8.4 INVESTMENT LOGIC MAPPING

Investment Logic Mapping (ILM) is part of the Investment Management Standard developed by the Department of Treasury and Finance (Victoria, Australia) in 2017. The technique has evolved as a reaction to investment practices that demand compliance with complex processes but fail to articulate the need for the investment or the benefits that the investment will deliver. ILM ensures that robust discussion and thinking is done up-front about benefits, resulting in a fully defined business problem, before solutions are even identified and before any investment decision is made without benefits consideration. Furthermore, it is also supported by a 16-question decision maker's checklist (refer to section 8.7) that should be used at key investment decision points across both the programme or project lifecycle.

ILM ensures that robust discussion and thinking is done up-front about benefits, resulting in a fully defined business problem.

The Investment Logic Map follows the structure of the 'line of enquiry', which links business or customer problems to benefits to responses and then finally to solutions. It does this in terms of the business change and physical asset to be developed or purchased drawn on a single A4 page, with an internal logic that tells tell a powerful and cogent investment story to stakeholders (shown below).Unlike other driver-based analysis techniques, ILM also supports the organization's issue and change control process as the problem, benefits, and response columns are each individually ranked with each response scored a percentage based on importance equaling 100%. If there is a request for change, particularly where an intervention, business change and/or physical asset is descoped, the commissioning organization can immediately assess the impact to benefits and ongoing investment in the programme or project.

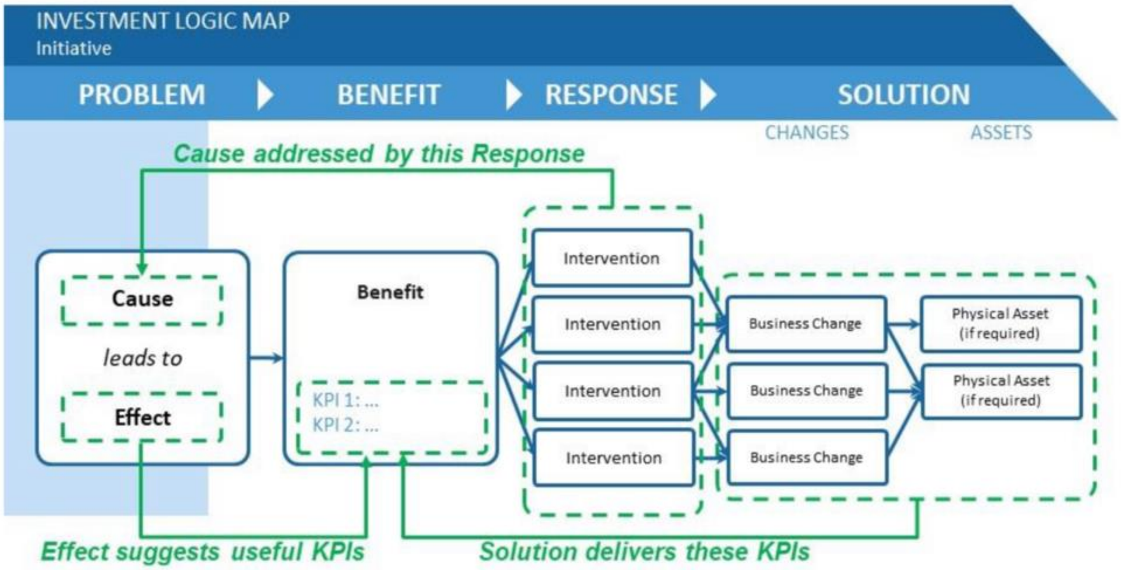


Figure 10: Investment Logic Map Template

## 8.5 BENEFITS DISTRIBUTION MATRIX

The benefits distribution matrix identifies how the benefits and potential dis-benefits are distributed between the stakeholders for the programme, project, product and/or service. It not only helps with stakeholder engagement and communication but also to understand what should be expected from the investment in change to raise awareness of any perceived or real impacts. The example below is based on the work of author and benefits management pioneer, Gerald Bradley (2010). As such, a benefits distribution matrix should therefore be included alongside any benefits map to clearly demonstrate how the key benefits and dis-benefits are distributed amongst key stakeholders.

| | Main Investment Board | Value Management Office (VMO) | Program / Project Boards | PM | Benefit Owners |
|---|---|---|---|---|---|
| **Key Benefits** | | | | | |
| Creating and maintaining optimum project portfolio | | | | | |
| Increase return on investment | | | | | |
| **Key dis-benefits** | | | | | |
| Extra effort required | | | | | |

Figure 11: Benefits distribution matrix

The benefits distribution matrix can be easily created, often facilitated by an experienced benefits subject matter expert during a benefits identification and quantification workshop and shows the distribution of benefits across the various stakeholder groups. It enables those accountable for the business change to identify potential areas of concern and to plan mitigating actions. The benefits distribution matrix can be used to identify appropriate benefit owners within the organization or review the scope of the initiative to ensure that benefits are more evenly distributed.

> The Balanced Scorecard and Strategy Map facilitate successful strategy implementation and benefits management maturity by placing organizational strategy and vision - not control - at the centre of investment decision making.

## 8.6 BALANCED SCORECARDS

Balanced Scorecards and Strategy Maps were first introduced by Dr. Robert Kaplan and Dr. David Norton in 1992 as a framework for measuring and communicating organizational performance using a more balanced set of performance measures focused on financial, customer, internal business process, and learning and growth. Its use serves two primary purposes. It demonstrates and communicates strategic contribution, but it also links benefits with the organizational performance management system where benefit measures are reported. Ideally it should be cascaded down and used across the organization - so benefits can be explicitly mapped to the measures used at a unit or functional level. Specifically, it should also be noted that the four perspectives below and their measures are integrated given the cause-and-effect relationship (Kaplan, R & Norton, D, 1992).

- How do customers see us? (customer perspective)
- What must we excel at? (internal perspective)
- Can we continue to improve and create value? (innovation and learning perspective)
- How do we look to stakeholders? (financial perspective)

The Balanced Scorecard and Strategy Map facilitates successful strategy implementation and benefits management maturity by placing organizational (including unit or functional) strategy and vision, not control, at the centre of investment decision making. It establishes ambitious but achievable goals but expects that people will adopt whatever behaviours and take whatever actions are necessary to achieve those goals over a set period of time. Typically, the measures are designed to encourage people towards achieving the organizational (including strategy) objectives.

According to Kaplan, R & Norton, D (1992), organizational leaders may know what the end result should be, but may not be able tell employees exactly how to achieve that result, if only because the digital economy and technology in which employees operate is constantly changing. Canadian President, Justin Trudeau once said *'the pace of change has never been this fast, yet it will never be this slow again'*.

There is also a wonderful thing about adopting technology, particularly in a digital environment: it changes everything! Strategy now drives the culture in many successful organizations and that drives the way leaders must achieve benefits realization from their investment.

Organizational (including strategic) objectives can drive strategy execution but only when they are aligned with strategic priorities, account for critical interdependencies across functional silos, and enable course corrections as circumstances change. If these conditions aren't met, every employee could still achieve their individual goals, but the organization as a whole will still fail to execute its strategy (Sull, D & Sull, C, 2018). As such, Robin Speculand, Global Pioneer and Specialist in Strategy and Digital Implementation explained by email (2021) that a key component of successful strategy implementation is what measures and targets organizations use to define success for their strategy.

The critical question is 'in the time you set to implement your strategy what percentage of your measures have you actually achieved?' To reiterate, the Strategy Implementation Institute found in 2020 that 48% of all strategy implementations fail (Speculand, R, 2020). However, Forbes found in the same year that 84% of all digital transformation projects fail due to the failed adoption of technology (Silverstorm, 2020) - a fundamental aspect to enable realization of the forecast benefits.

## 8.7 THE VICTORIAN GOVERNMENT'S SIXTEEN QUESTION DECISION MAKERS CHECKLIST

Below has been adapted from the Victorian Government's Investment Management Standard to suit both private and public sector investment.

| PROBLEM | BENEFITS | RESPONSE | SOLUTION |
|---|---|---|---|
| 1. Is it clear what the business and customer problem is that needs to be redressed – both the *cause* and *effect*? | 5. Have the forecast benefits that will result from fixing the business and/or customer problem been adequately defined? | 9. Has a reasonable spread of *interventions* been identified and packaged into sensible response options? | 13. Consistent with the preferred response option, has a reasonable *spread of project* options been analyzed against a do-nothing option? |
| Yes / Partial / No | Yes / Partial / No | Yes / Partial / No | Yes / Partial / No |
| 2. Is there *sufficient evidence* to confirm both the cause and effect of the business and/or customer problem? | 6. Are the benefits of high value to the organization? | 10. Is there evidence to demonstrate that the response options are feasible and can respond to future uncertainty? | 14. Is the recommended solution the *best value for money* action, and have opportunities for building flexibility to deal with uncertainty been considered? |
| Yes / Partial / No | Yes / Partial / No | Yes / Partial / No | Yes / Partial / No |
| 3. Does the problem need to be redressed *now* and by this organization? | 7. Are the KPIs FAST and will they provide strong evidence that the benefits have been delivered? | 11. Were the options *evaluated fairly* to reflect their ability to respond to the business and/or customer problem, deliver the forecast benefits? | 15. Is the solution *specified clearly and fully* and have opportunities for adding value been identified and costed? (all business changes and assets) |
| Yes / Partial / No | Yes / Partial / No | Yes / Partial / No | Yes / Partial / No |
| 4. Does the defined business and/or customer problem capture its full extent/scope including sources of future uncertainty? | 8. Have the sources of uncertainty and key dependencies critical to benefit delivery been considered? | 12. Is the *preferred response option* the most effective way to redress the business and/or customer problem and deliver the forecast benefits? | 16. Can the solution really be successfully delivered (cost, risk, timescale, quality criteria, risks and prioritized benefits)? |

## 8.8 TAILORING THE BENEFITS MANAGEMENT ARTEFACTS

The typical benefits management process highlights the business need to develop a standard set of templates particularly for the benefits management strategy, benefits realization plan, benefits profile, benefits map, and benefits realization report. However, what if there was a better way utilizing available project portfolio management toolsets already in use in many organizations.

> The Balanced Scorecard and Strategy Map facilitates successful strategy implementation and benefits management maturity by placing organizational (including unit and functional) strategy and vision, not control, at the center of investment decision making.

To simplify the process, organizations should explore the use of web-based collaborative platforms like Microsoft SharePoint to develop a benefits register that encapsulates and captures the benefit profile information set. That is, the details associated with each benefit (and dis-benefit) including: when it will be realized, the measures that will be used and who is accountable for its realization - the benefit 'owner'. This register in turn then becomes the benefits plan not only for the project, or programme but also for the portfolio as a whole by providing a baseline against which performance in terms of benefits realization can be tracked at each individual level. The information and any benefits realization dashboard reports extracted using PowerBI from the PPM toolset becomes the single source of truth rather than the document itself that can be better relied upon for investment decision making regardless of data quality.

The main investment board can then visualize at-a-glance what benefits information exists across the portfolio and assess if the forecast benefits and indicators designed to demonstrate benefits are ‘real’, measurable and reportable (as opposed to simply aspirational). As such, a spending proposal’s importance or criticality should not be the deciding factor about how the organization proceeds prior to full allocation but rather the benefits to be realized from the investment. Organizations should think carefully about whether the required benefits arrangements are in place from the outset, and not left until after the programme or project is nearing completion or transitioned into business as usual.

The only benefit management template any programme or project would need to complete is the driver-based analysis (i.e. benefit map) and benefits distribution matrix to show how project outputs combine to create capabilities, which transition into outcomes, and which in turn enable the realization of benefits, which contribute to organizational (including strategic) objectives. Once approved, this should be stored in the project portfolio management tool and continually used by the portfolio, programme or project boards to assess the impact of any requests for change to an agreed baseline particularly related to benefits used to justify the investment.

To enable consistent benefits management practices, the organization should set the benefits management strategy at the portfolio level to detail how and by whom benefits will be managed throughout the benefits management cycle utilizing the VMO. Where individual capability and organizational maturity is low particularly regarding benefits realization, then the above approach is better than having each programme or project develop its own benefits management strategy. The VMO will ensure the benefits management strategy for the organization is consistent with the Portfolio Benefits Management Framework. They will also act as facilitators for the end-to-end benefits management process, working with each spending proposal within the portfolio to ensure initiatives are benefits-driven and what difference it plans to make to the organization and its customers.