Benefits Realisation Management Framework

Part 1: Principles

NSW GOVERNMENT

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1. Benefits Realisation Management Framework

This document is part of the NSW Government Benefits Realisation Management framework. The structure of the framework is as follows:

Part 1:	**Principles**
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The purpose of the Benefits Realisation Management Framework is to provide:

- a framework of best practice principles and concepts drawn from latest experiences and proven practice in setting up and managing programs that is transferable across NSW agencies
- a standard approach for benefits realisation management for anyone not familiar with the subject matter, including program directors and managers, change managers project managers, business analysts and program management office (PMO) staff across NSW Government
- consistent terminology and benefits categorisation
- introduction and guidance for program sponsors and business benefit owners.

The framework:

- is aimed at those who are interested in benefits realisation within agencies, enabling them to adapt and tailor the guidance to their specific needs
- must be accessible by strategy groups, operational business areas and program/ project teams as well as by individual practitioners and business benefit owners
- should help PMO practitioners improve their decision making and become better at implementing beneficial change.

2. Principles

Principles about how we THINK ABOUT benefits realisation

1 **Benefits need to be first understood as outcomes.** Benefits are the reason the investment is made.

2 **The benefits must be aligned to the organisation's strategic goals.** The outcomes and benefits realisation delivered by the change helps achieve strategic goals.

3 **Benefits realisation is an end-to-end process during the full lifecycle of the investment.** Benefit measurement, reporting and evaluation will occur during and after the project / program has delivered its capabilities and change.

4 **Benefit Management is the cornerstone of a successful business case.** Identification and understanding of benefits will provide evidence that the proposal will be effective and represents value for money.

Principles about how we APPROACH benefits realisation

5 **Change programs deliver benefits.** It is critical that change initiatives are successfully embedded in order to deliver the benefits.

6 **Benefits are not automatic.** In addition to effective project management, delivery of desired benefits requires active monitoring of project/program progress and the outcomes and benefits to be realised.

7 **Benefits are dynamic; they need to be regularly reviewed and updated.** Benefits identified at the commencement of the project/program's life cycle will almost certainly change over the life of the investment.

8 **Benefits are both financial and non-financial.** A benefit is the measurable improvement resulting from an outcome which is perceived as an advantage by a stakeholder.

9 **Intermediate outcomes are needed to realise end benefits (and are just as important).** Achievement of and reporting on intermediate benefits are just as important as the benefits associated with final strategic outcomes.

10 **Benefits must be measurable.** Benefits must be measurable and evidence based in order to demonstrate that an investment provides value.

Principles about how we MANAGE benefits realisation

11 **The 'Business' needs to own the benefits.** Benefits must be owned by appropriate sponsors and managers, not by the project / program manager.

12 **Keep the number of benefits to a sensible, manageable number.** Priority should be given to those benefits with the greatest potential value whether they are financial or non financial.

13 **Benefits management needs to linked to Project/Program management.** The new capabilities delivered by project and program management need to be understood in terms of their bringing about change and therefore benefits.

14 **Benefit Realisation needs to be integrated.** Effective benefits management will have integration with the other relevant management. It is therefore necessary that throughout the benefits management cycle that there be integration with other relevant management frameworks.

15 **Benefits need to be communicated.** Benefits need to be communicated to demonstrate how the project/program is performing in its progress towards the outcomes

3. Expanded principles

Principle 1

Benefits need to be first understood as outcomes.

Rationale

Benefits are the reason the investment is made.

Benefit Management starts with defining the business change needed and the business outcomes required.

Ultimately it is the realisation of benefits which helps achieve one or more program/project outcomes. The benefits management cycle should start as early as possible by identifying likely outcomes and benefits and mapping them. It is preferable to do this in a systematic way by working from the program/project objectives back to the enabling project outputs (objective > benefits > outcomes > capabilities > project outputs).

Implications

a) In order to identify the outcomes required and the benefits that result from a program/project - benefits mapping may be used as a tool.

b) Benefits mapping (starting by defining program/project objectives) are highly useful because benefits typically don't happen in isolation, and there are cause and effect relationship between the elements.

c) Failure to deliver a specific output or capability may appear to have a minor effect from a project perspective, however, may have a great effect on the desired business outcome and the extent of benefits being realised.

Principle 2

The benefits must be aligned to the organisation's strategic goals.

Rationale

The outcomes and benefits realisation delivered by the change helps achieve strategic goals.

Strategic goals describe how an organisation wishes to evolve and change in order to survive and grow, whether through reduced costs, increased revenues, or improved delivery.

Implications

a) If benefits are not aligned with strategic goals then their overall corporate value must be questioned. Investment decisions must be based upon realisation of benefits supporting the delivery of corporate objectives. Projects and programs which are not properly aligned with the right corporate strategies and objectives should not proceed (unless they are compliance related).

Principle 3

Benefits realisation is an end-to-end process during the full lifecycle of the investment.

Rationale

Benefit measurement, reporting and evaluation will occur during and after the project / program has delivered its capabilities and change.

Implications

a) In order for benefits to be tracked after a program has ended there needs to be clear identification of the owners of benefits within the business, and effective handover of benefits measurement and reporting to the business owner.

b) Any unexpected benefits or negative impacts should be captured, evaluated and reported to ensure the full value of the program is recognised or remediation steps are put in place.

Principle 4

Benefit Management is the cornerstone of a successful business case.

Rationale

Benefit realisation and achieving the business outcomes are a key focus of a business case. Identification and understanding of benefits will provide evidence that the proposal will be effective and represents value for money. Identifying and understanding the business outcomes also provides insight into how the benefits can be measured, when they are likely to be realised, and what risks are associated with them.

Implications

a) Failure to fully identify and understand benefits will result in a weakened business case which in turn may not be supported (not funded), or otherwise may only be partially supported (partial funding).

b) If benefits are not identified or valued in the business case then this could result in incorrect prioritisation of the project/program.

Principle 5

Change programs deliver benefits.

Rationale

It is critical that change initiatives are successfully embedded in order to deliver the benefits. Change may span any (or all) of the areas of people, processes, technology, and organisational (i.e. re-structuring), and needs to be successful across all spheres from a benefits realisation viewpoint.

Implications

a) Failure to successfully undertake change management activities, including ensuring the change is properly embedded, greatly increases the risk that benefits will not be realised in full, or in a timely manner.

b) Failure to broadly consider change impacts (across the areas of people, processes, technology, & organisational) may lead to points of failure in terms of embedding new capability in the business, and hence not realise expected benefits.

Principle 6

Benefits are not automatic.

Rationale

In addition to effective project management, delivery of desired benefits requires active monitoring of program progress and the outcomes and benefits to be realised.

Implications

a) Without active monitoring of benefits, senior management and other stakeholders cannot assure themselves that business benefits will be delivered in full, or in a timely manner.

b) Unless benefits are progressively tracked and reported, there is no opportunity for management to implement corrective measures (if need be) to ensure benefits will be delivered in full, or in a timely manner.

Principle 7

Benefits are dynamic; they need to be regularly reviewed and updated.

Rationale

Benefits identified at the commencement of the investment's life cycle will almost certainly change over the life of the investment. They need to be regularly reviewed and updated, in response to changes in program scope, objectives and delivery.

Implications

a) Failure to regularly review and update benefits may result in non-capture of new or changed benefits.

   This would result in the reporting of benefits to be overstated or understated and could result in adverse senior management decisions.

b) In a changing program environment any reduction in the overall value of benefits forecast needs to be clearly understood and communicated to senior management, as may impact on the overall viability of the program.

Principle 8

Benefits are both financial and non-financial.

Rationale

A benefit is the measurable improvement resulting from an outcome which is perceived as an advantage by a stakeholder.

Financial benefits are readily quantifiable. Examples are cost savings or increased revenues.

Non-financial benefits are also readily quantifiable and will often be related to the measurable effect on the business key performance indicators. Examples are reduction in hospital emergency wait times, educational outcomes improved or compliance with government legislation requirements.

For service oriented benefits, the level of client satisfaction could be measured via the use of surveys at regular intervals.

Intermediate outcomes are often non-financial indicators of benefits realisation.

Implications

a) A broad approach to the identification and categorisation of benefits is highly desirable in terms of fully supporting the business case.

b) If a benefit is not measurable it cannot be formally recognised as a benefit as there will be insufficient evidence of the realisation of the actual benefit.

c) Non-financial benefits are not always seen to be easily quantifiable; however, there can often be ways of turning them into measurable benefits. Workshopping with relevant subject matter experts can often assist in identification of appropriate measures.

d) Care should be taken if trying to give financial values to non-financial benefits as this can be misleading if the value is used as part of an investment justification, but will not be able to be realised and measured.

Principle 9

Intermediate outcomes are needed to realise end benefits (and are just as important).

Rationale

Reporting intermediate benefits are just as important as the benefits associated with final strategic outcomes.

Implications

a) There can often be critical dependencies between intermediate outcomes and other subsequent outcomes (and their associated benefits), hence failure to materialise intermediate outcomes is an indicator of a risk to the overall benefits realisation.

b) Unless intermediate outcomes and their associated benefits are progressively tracked and reported then there is no opportunity for management to implement corrective measures (if need be). Failure to implement necessary corrective actions could result in end benefits not being delivered in full, or otherwise in a timely manner.

Principle 10

Benefits must be measurable.

Rationale

Benefits must be measurable and evidence based in order to demonstrate that an investment provides value, therefore supporting the business case.

It is critical that baseline measures and target values are established. This will enable the extent of success (or otherwise) of the initiative.

Both benefits and disbenefits need to be measured. Business cases and benefit registers should list both.

Implications

a) If initial baseline measures are not established then the extent of benefits realisation cannot be demonstrated.

b) If benefits are not measured, or are not measureable, then insufficient evidence exists to justify the investment in the initiative.

c) Informed and accurate decisions around business cases cannot be made unless disbenefits are identified and measured.

d) Projects or programs should not be claiming the same benefits. Double counting of benefits impacts the ability of senior management to make an informed decision.

3. Expanded principles (cont.)

Principle 11

The 'Business' needs to own the benefits.

Rationale

Accountability and responsibility for benefit realisation is key for successful benefits management. Benefits must be owned by appropriate sponsors and managers, not by the project / program manager. It is important that responsibility for benefit realisation remains with those business units affected.

Implications

a) Failure to formally assign accountability and responsibility for benefits creates a significant risk that benefits will not be fully realised, measured or tracked throughout the full lifecycle of the benefits. If this risk is realised then the success or otherwise of the original investment decision cannot be properly ascertained.

b) Failure to assign benefit owners will most likely impede benefit realisation.

c) Benefit profiles assist benefit owners in confirming and endorsing a specific benefit

d) Incorporating a confidence level for each identified benefit which can be monitored and updated over time.

Principle 12

Keep the number of benefits to a sensible, manageable number.

Rationale

Priority should be given to those benefits with the greatest potential value whether that be financial or non financial.

The business / benefits owners in consultation with project / program team need to reconfirm what benefits to measure with a focus on the benefit measures identified as part of the business case submission as they were used in successfully valuing the business case submission.

Implications

a) The use of a Benefits Profile is good way of reconfirming the measurable benefits that a project may have against each outcome.

b) Failure to adequately highlight those benefits measures that provide best business value may lead to an over complicated and timely approach to reporting on the ongoing achievement of each benefit measure. This may ultimately limit the amount of benefit reporting occurring and limit the amount of assurance that a program has on delivering business outcomes and benefit realised.

Principle 13

Benefits management needs to linked to Project/Program management.

Rationale

The new capabilities delivered by project and program management need to be understood in terms of their bringing about change and therefore benefits.

Implications

a) Without active monitoring of benefits, senior management and other stakeholders cannot assure themselves that business benefits will be delivered in full, or in a timely manner.

b) Unless benefits are progressively tracked and reported, there is no opportunity for management to implement corrective measures (if need be) to ensure benefits will be delivered in full, or in a timely manner. Benefits management is at the heart of Program management. Program management frameworks should be driven by the need to deliver the program benefits and the organisation's strategic outcomes. It is essential that the Program management frameworks are focused on benefits and the threats to them. Without realising benefits, programs should not exist.

c) Benefits realisation should be a standing agenda item at each Program Board meeting.

Principle 14

Benefit Realisation needs to be integrated.

Rationale

Benefits realisation is the end product of the implementation of change initiatives. It is therefore necessary that throughout the benefits management cycle that there be integration with other relevant management frameworks such as Financial, Value Governance, Delivery Governance, Portfolio Management and Change Management Frameworks where relevant.

Implications

a) Failure to align with Financial management frameworks may prevent the business case from attracting funding, or continued funding. It may also not allow for appropriate validation of return on investment.

b) Failure to align with Change management frameworks may not allow for successful embedding of new capability into the business, thus preventing delivery of the required outcomes and hence benefits. Strategic objectives in turn may not be realised.

3. Expanded principles (cont.)

Principle 15

Benefits need to be communicated.

Rationale

Benefits need to be communicated to demonstrate how projects and programs are performing on their progress towards the strategic outcomes.

Benefits should be communicated to senior management, project teams, the wider audience and any external to the organisation stakeholders.

Communications should include rationale for the initiative, capabilities delivered and the extent of benefits being realised or remediation activities required. Senior management will act on this information to make informed decisions on progress (or viability) and will also inform future decision making.

Implications

a) Failure to communicate benefits will result in insufficient clarity on the progress of the project or program and may impact the support for the investment. This may lead to adverse senior management decisions, or decisions being made based upon insufficient evidence.

More information

Department of Finance, Services and Innovation
McKell Building, 2-24 Rawson Place
Sydney NSW 2000

BRMFramework@finance.nsw.gov.au