Benefits management – a quick guide

If you're new to benefits management, this guide will give you a basic understanding of what benefits are, why they matter, and how to manage them.

WHAT ARE 'BENEFITS'?

Organisations generally invest in change initiatives to improve their current state and achieve some gain from it – either by solving a problem (like an outdated software system), or creating a new product or service. The gain could be faster production, increased revenue, or more satisfied customers or staff. This gain is called a **benefit**.

A benefit is the **measurable** improvement seen as an advantage by one or more stakeholders. Benefits are the **'why'** of an investment.

A benefit is commonly expressed with words like faster, better, safer, higher, lower, increased, decreased, or reduced.

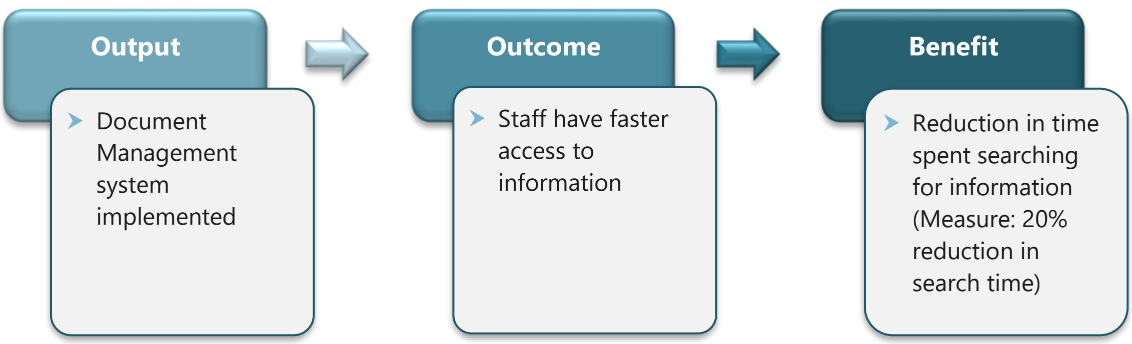
Realisation of the benefits often extends beyond the life of the project. For example, an organisation may choose to continue measuring the benefits for five years after the project is handed over. Measures can also become part of the organisation's regular performance monitoring and reporting.

WHAT BENEFITS ARE NOT

Often the terms outputs, deliverables, outcomes, and benefits are used interchangeably, which is confusing and incorrect.

- **Outputs or deliverables** are the tangible processes or products produced by a change initiative.
- **Outcomes** are the results we want to achieve – usually the outputs together with other activities like change management.
- **Benefits** are the measurable gains resulting from an outcome or part of an outcome.

For example:



WHAT DOES A GOOD BENEFIT LOOK LIKE?

A benefit must pass three tests:

1. It has removed or mitigated the problem, and is aligned to the organisation's strategy.
2. It is supported by one or two Key Performance Indicators (KPIs) that are meaningful, measurable and attributable to this investment. If you can't measure a benefit, then you can't claim it.
3. It is cost-effective. This means that the effort required to track the benefit and measures is proportionate with the value the benefit provides to the organisation.

Benefits must be **SMART**:

- **S**pecific – distinct, unambiguous and coherent.
- **M**easurable – have Key Performance Indicators (KPIs) which are financial or non-financial metrics for setting and measuring progress.
- **A**ttainable – realistic and feasible.
- **R**elevant – unique to the project and align to the organisation's strategic objectives.
- **T**imebound – achievable within a specified timeframe.

WHY SHOULD WE CARE ABOUT BENEFITS?

Organisations usually have limited resources to invest and use a prioritisation process to decide what they invest in. A project's expected benefits are considered as part of that prioritisation process, so it is critical that the benefits are clearly defined to justify the organisation's investment.

WHEN ARE BENEFITS IDENTIFIED?

Benefits must be identified, at least at a high level, when the concept for the change is first raised. They are then refined in the business case and planning stages of the project.

HOW ARE BENEFITS IDENTIFIED?

Identifying benefits should be done in consultation with the project sponsor/product manager and relevant stakeholders. This will include the business areas implementing the change as well as the benefit recipients.

There are several ways to capture benefits. For example, Benefits Maps or Investment Logic Maps. When identifying benefits it is important to ensure there is a real problem that needs to be addressed, and the benefits of addressing the problem are compelling.

It is helpful to use the **MEDIC** technique to identify benefits:

- **M**aintain – keep a current capability that is still needed
- **E**liminate – remove an unnecessary capability
- **D**ecrease – cost / time / errors / risks
- **I**ncrease – efficiency / effectiveness / satisfaction
- **C**reate – a new capability that is strategically necessary or that itself enables new benefits

WHY DO BENEFITS NEED TO BE MANAGED?

It's not enough to identify benefits and expect them to be achieved automatically by simply delivering the outputs of a project. Benefits can be eroded during the project through increased costs, reduced quality and/or longer timeframe. They must, therefore, be regularly reviewed and monitored throughout the life of a project, and even afterwards until all the benefits have been achieved. Also, benefits realisation increases with user adoption and therefore must be accompanied by good change management.

For example, if an organisation develops a new document management system intended to improve staff productivity by saving time spent in searching for documents, the benefits will not be achieved if the system is not used in the correct way. It is necessary to train users and help them adopt the new system and ways of working, for the benefits to be achieved.

THE BENEFITS MANAGEMENT LIFECYCLE

Benefits are not static. They go through a continual process of review and refinement as the project or programme evolves. The following diagram shows the various stages benefits go through and how they align with the project management lifecycle, as well as the key questions that need to be asked at each stage. These stages can overlap and many of the activities can take place earlier or later in the project.

PROJECT STAGES

1	What are the benefits?	Pre-initiate, before the business case
2	What are they worth?	Initiate or business case
3	How do we realise them?	Project planning
4	How are we doing?	Project delivery and implementation
5	What should we change?	Post-implementation review – did we deliver the benefits?

Adapted from *"Managing Benefits"* by Steve Jenner, 2012

WHO'S INVOLVED IN BENEFITS MANAGEMENT?

There are usually a range of people involved, both within and outside the project. For example:

- **Project sponsor**– accountable for ensuring the solution delivers or enables the business case benefits.
- **Business/Benefit owner** – accountable for achieving the approved benefits.
- **Project board** – reviews progress and advises the project sponsor on achievement of the approved benefits.
- **Project manager** – facilitates the benefits management process.
- **Business analysts** – identify changes required in the current systems and processes to achieve the outcomes and benefits.
- **Change analysts** – identify the impacts of the change and help people adopt and adjust to the new products/processes.
- **Operational managers** – provide subject matter expertise for identifying, planning and measuring the benefits, and drive adoption of the new products.

WHAT ARE THE DIFFERENT BENEFIT TYPES AND MEASURES?

Benefits can relate to efficiency or effectiveness, risk, or cost. For example:

- Time or cost savings are **efficiency benefits**.
- Increased productivity or improved performance are **effectiveness benefits**.
- Making a system more secure is a **risk-avoidance benefit**.
- Increasing system availability may lead to **cost-avoidance**.

Benefits measures can be financial or non-financial, qualitative or quantitative. For example, increased revenue or reduced costs are **financial** and **quantitative** measures, while improved customer satisfaction is a **non-financial**, **qualitative** measure.

It is a good idea to refer to your own organisation's Performance Management Framework for a pre-existing set of KPIs, along with their targets, metrics and measurement methods.

BENEFITS TOOLS AND ARTEFACTS

The following tools help manage the tasks associated with the management and realisation of project benefits:

- **Benefits map** – shows the linkages between a project or programme's outputs, change activities, benefits and measures, and how these align to business and organisational goals. It can serve as a powerful communication tool to tell the benefits story.
- **Benefit profile** – records all the characteristics and attributes of a single benefit, including its description, measures, measurement frequency, baselines and targets. Each benefit will have its own benefit profile.
- **Benefit register** – a spreadsheet summarising all benefits relating to a project, including the priority, baseline, targets and measures. The benefit register can also be used at a programme or portfolio level to review common benefits across multiple projects.
- **Benefits management and realisation plan** – used to establish the approach to both the management and realisation of benefits. It describes how to identify, monitor, review and report on project benefits and complements the project management plan. The benefits plan should be regularly reviewed, and updated when benefits are achieved, or if any new benefits or dis-benefits emerge, or if there is a change that will impact the realisation of any benefits.