APMG-International™ Managing Benefits

Managing Benefits

Foundation Pre-Course Reading

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OVERVIEW

This document is provided to candidates who are preparing for the Managing Benefits Foundation exam. This document is meant to be read by the candidates prior to attending the course on which you have booked, and is to take between 2 and 5 hours.

When you attend the course you will then be provided with the official OGC product "Managing Benefits".

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The material contained within this document will provide you with a solid grounding in the framework for benefits management.

IMPORTANT

Please remember to bring with you some photographic identification to show the tutor prior to the Foundation exam. This is required as part of the registration process and you will not be eligible to sit the exam if this is not provided. Examples of acceptable photographic identification are:

- Passport
- Photographic driving licence
- Work photo ID badge

Should you have any queries over this pre-course work or any aspect of the course, please contact QA on:

- Tel: 0845 757 3888
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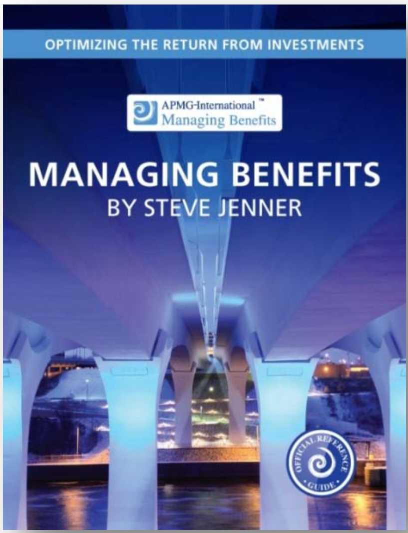
Good luck and we hope you have an enjoyable event!

The QA Team



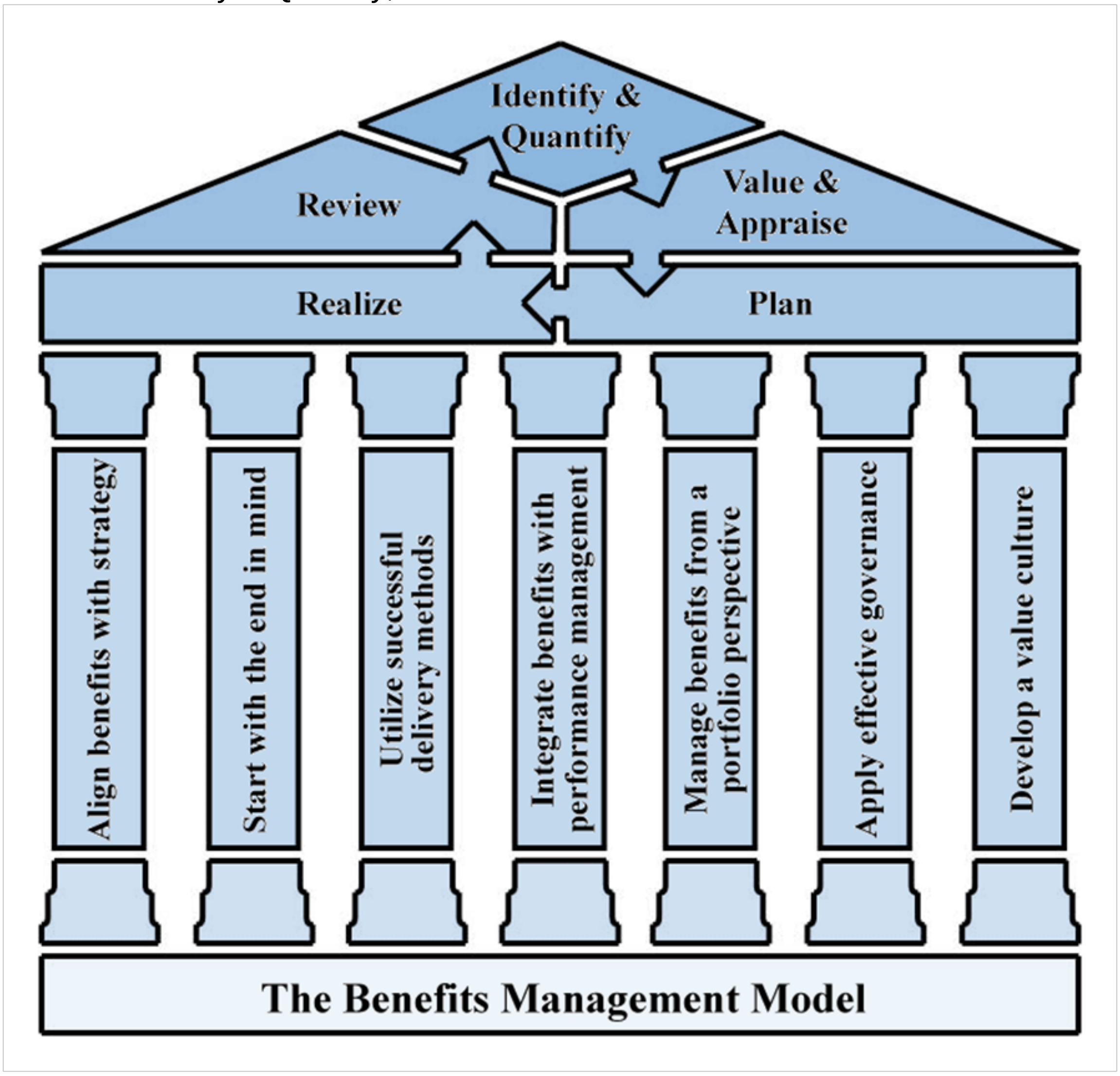
We will provide a copy of the Managing Benefits manual on the first day of the course. The course and exam is based on the latest edition. This preparation document is intended to introduce you to the discipline and not to replace the manual.

You do not need to have seen the manual before attending but we do appreciate that colleagues may have copies. There is no problem if you wish to read it.

CHAPTER 1 INTRODUCTION

Benefits Management extends from identification of desired benefits through benefits realization and application of lessons learned. The scope of benefits management is illustrated in the Benefits Management model (below).

This model highlights firstly, that the Benefits Management Cycle consists of five practices: Identify & Quantify, Value & Appraise, Plan, Realize and Review; and secondly that effective benefits management practices are dependent on the seven principles, namely align benefits with strategy, start with the end in mind, utilize successful delivery methods, integrate benefits with performance management, manage benefits from a portfolio perspective apply effective governance and develop a value culture.



Nine themes run through the Guide:

1. ***The principles themselves are integral to effective benefits management***, no matter which methods an organization adopts, e.g. PRINCE2, MSP. The principle of 'utilising effective delivery methods' is fundamental to effective benefits realization.
2. There is no one true way to effective benefits management. ***Practices should therefore be tailored to the local circumstance***, reflecting factors such as the organization's strategic objectives; scale of investment in change initiatives; the complexity of those initiatives; existing strategic planning; project and programme, financial, performance and risk management processes; experience and track record in terms of benefits realization; governance structure; and culture.
3. ***The five practices in the benefits Management Cycle are broadly sequential but are characterized by iterative feedback loops***, with learning being applied throughout the cycle. The emphasis is on actively managing the journey where both the journey itself, and the ultimate destination, are subject to change.
4. It is crucial that we avoid creating a parallel industry that treats benefits management as a separate discipline. This is costly and ineffective. ***Benefits management should be coordinated with, and wherever possible integrated into the wider organizational context*** – and in particular the organization's strategic planning, PPM and performance management systems.
5. ***Benefits and value management are mutually supportive disciplines*** and are concerned with delivering value for money in relation to ensuring firstly that each initiative and the portfolio as a whole, represents the optimum use of available funds; and secondly that the management of these benefits is delivered as cost-effectively as possible. In short the benefits of benefit management should exceed the costs of benefits management.
6. ***While the focus in decision-making should be on realism*** (to overcome the twin risks of strategic misrepresentation and cognitive bias), ***the approach to benefits realization should be one characterized by enthusiasm***, to overcome the obstacles that can often arise during initiative implementation and delivery***.***
7. ***Effective management of benefits realization is aided by the selection of appropriate measures*** – at least one for each benefit, and preferably a suite of measures, including leading and lagging measures, proxy indicators, evidence events, case studies, surveys and stories, to create a 'rich picture' providing feedback on benefits realization from multiple perspectives; as well as by techniques including 'one version of the truth', 'management by exception' and 'clear line of sight reporting'.
8. ***The governance structures outlined are based on those that apply in MSP, P3O and MoP environments***. Organizations do not need to follow these to the letter. Different job titles may exist and the responsibilities may be shared by more than one person. But ***what is crucial is that someone owns the key responsibilities identified,*** and in particular that:
   - Someone is responsible and accountable for delivering each of the enabling products/services and

business changes upon which benefits realization is dependent.
- Benefit Owners are identified for each significant benefit
- Someone has overall accountability for benefits realization from each change initiative.

9. Effective benefits management is characterized by the following six ***Key Success Characteristics*** – benefits management should be
   - ***Active*** – rather than passive tracking against forecast, the focus is on an active search for benefits, via ongoing participative stakeholder engagement, and encompasses realising planned benefits, leveraging emergent benefits, and mitigating the impact of dis-benefits.
   - ***Evidence-based*** – forecasts and practices are driven by evidence about what works rather than assumptions and advocacy.
   - ***Transparent*** – based on open and honest forecasting and reporting, with a 'clear line of sight' from strategic objectives to benefits forecast and realized.
   - ***Benefits-led*** – just as we expect change initiatives and the portfolio to be benefits-led, so too should benefits management be focused on what difference it is making.
   - **Forward-looking** – with an emphasis on learning and continuous improvement rather than backward-looking attribution of blame.
   - ***Managed across the full business change lifecycle*** – extending from benefits identification through to realization and applying lessons learned.

Various techniques are discussed. They represent the ways in which the benefits management practices can be applied and examples of their use in practice are included throughout the Guide. The main techniques are shown in the table below:

Key Benefits management techniques

Practice	Key techniques	Application
Identify & Quantify	Driver-based analysis	Facilitating determination of the strategic contribution of change initiatives
	Investment logic mapping	Applying benefits-led change
	SWOT & PESTLE analysis	Identifying strategic drivers and investment objectives for change
	Benefits discovery workshops Benefits mapping Customer insight	Identifying strategic drivers, investment objectives, benefits, and the business changes and enabling changes on which they rely
	Reference class forecasting	Developing accurate and reliable

	Optimum bias adjustments Benefits quantification workshops Stochastic forecasting (including Monte Carlo simulation and three-point estimating) The Delphi technique	benefits forecasts
Value & Appraise	Willingness to pay and Willingness to accept	Valuing benefits in monetary terms in the absence of market prices/values
	Conversion rations	Distinguishing between potential and realisable benefits
	Sensitivity and scenario analysis	Determining the margin of safety before an investment decision changes
	Cost-benefit analysis Cost effectiveness analysis Real options analysis Multi-criteria analysis	Options appraisal, investment appraisal and portfolio prioritization
Plan	The ‘dog that didn’t bark’ test	Ensuring all potential benefits are identified
	Pareto rule Pair-wise comparisons	Prioritising benefits
	Benefits Measurement Taxonomy	Selecting appropriate benefit measures
	Stakeholder segmentation and analysis	Designing effective stakeholder engagement strategies
	Scout and beacon approach	Identifying emergent benefits

Realize	Booking the benefits Benefits contracts	Aligning benefits with the HR and operational performance management systems
	Rich picture	Gaining a view on benefits realization from multiple perspectives
	One version of the truth	Consistent and reliable reporting
	Management by exception	Aiding management control by focusing attention on variances that exceed tolerance
Review	Start gate Pre-mortems 'In-flight' benefit reviews Stage/phase gate reviews and 'staged release of funding' Post-implementation review Post-implementation review	Confirming the case for moving from strategy to delivery Continued assessment of the robustness of benefit forecasts and value for money from change initiatives Identifying lessons learned and collecting a reference class of data
Across the Benefits Management Cycle	Champion-challenger model Journey mapping	Building stakeholder commitment to the Benefits Management Cycle
	Clear line of sight	Transparent planning and reporting
	Decision conferencing	Building senior management commitment to benefits management
	P3M3 Health-check assessment	Assessing practices against recognized good-practice standards

CHAPTER 2: WHAT IS BENEFITS MANAGEMENT?

We begin with a definition of benefits and benefits management. They are integral to the successful management of projects, programmes and portfolios. We consider the objectives of benefits management and then review the track record of change initiatives in terms of benefits realization.

DEFINITIONS:

- Benefits are defined as *the measurable improvement resulting from an outcome perceived as an* *advantage by one or more stakeholders, which contributes towards one or more organizational objective(s)*.

- Benefits management is *the process that runs across the full business change lifecycle from benefits identification through to realization and application of lessons learned*.

The objectives of benefits management are to ensure benefits realization is optimized by the following: forecast benefits are complete, realisable and represent value for money; realization of forecast benefits is maximized; benefits are realized as early as possible and are sustained for as long as possible; emergent benefits are captured and leveraged (and any dis-benefits are minimized); and that the aforementioned can be demonstrated.

The case for more effective benefits management is made by the relatively poor track record of many change initiatives not delivering the benefits they were established to realize.

Notwithstanding the case for benefits management, many organizations still/continue to struggle to implement benefits management effectively this Guide contains solutions to address this problem, starting with the principles discussed in the next chapter.

Reflection:

Consider your organization's track record in benefits management:

- Are benefits consistently identified, profiled, tracked and realized?
- Are post-project benefits reviews held for each project?
- Are post-programme benefits reviews held?
- Who take responsibility for these benefits reviews?

CHAPTER 3: THE BENEFITS MANAGEMENT PRINCIPLES

We have considered the strong case for applying effective benefits management practices to address the failure to consistently optimize the realization of benefits from change. The practices that constitute the Benefits Management Cycle are: Identify & Quantify benefits, Value & Appraise benefits, Plan for benefits realization, Realize benefits and Review.

However, defined practices are no silver bullet solution. The effectiveness of the benefits management practices depends on a series of enabling factors or principles that represent the foundations upon which successful benefits management practices are built. These principles, and their relationship with the practices in the Benefits Management Cycle, are illustrated in the Benefits Management Model in the introductory section (page 2)

PRINCIPLES AS FOUNDATIONS

The benefits management principles represent the foundations upon which effective benefits management practices are built. The seven principles are:

1. **Align benefits with strategy**: benefits represent a measurable improvement which contributes towards one or more organizational or strategic objectives and it is therefore important that strategy is clearly articulated so that this contribution can be measured consistently. Aligning benefits with strategy can be achieved by using, for example, driver-based analysis, so that we can assess the strategic contribution of individual change initiatives in a meaningful and consistent manner.
2. **Start with the end in mind** with benefits-led rather than activity-centred change. Benefits should determine the solution rather than vice versa.
3. **Utilize successful delivery methods**: benefits realization is dependent on effective initiative delivery and change management. ‘Best Management Practice’ methods such as PRINCE2 and MSP provide flexible solutions to achieve this. However, we also live in an increasingly complex world characterized by uncertainty and ambiguity and this calls for the adoption of agile and modular approaches to initiative development; tight controls over the start of initiatives; regular independent review to ensure the initiative is still strategically aligned and represents value for money; and effective approaches to achieve the business and behavioural change upon which benefits realization is dependent.
4. **Integrate benefits with performance management**, including linking benefits measures to the organizations’ KPIs and making use of data available from the management information system; ‘booking’ benefits into budgets, headcount targets, unit costs and performance targets (including those contained in the Balanced Scorecard); aligning responsibilities for benefits management with individual’s performance objectives; and aligning responsibilities for benefits management with the reward and recognition processes.
5. **Manage benefits from a portfolio perspective**, so ensuring consistent approaches to assessing strategic contribution; good practice is repeatable across all initiatives within the change portfolio; double counting is minimized; lessons are learned and applied more widely; and benefits realization and value for money from available resources is optimized.
6. **Apply effective governance**, the characteristics of which are that it is clear, aligned, consistent and active.
7. **Develop a value culture**, which can be achieved by managing the implementation of benefits management as a business change programme; recognising that active engagement in the process can lead to behavioural change, with a focus on coordination, commitment and competencies; and building senior management commitment by their active involvement via techniques such as decision conferencing.

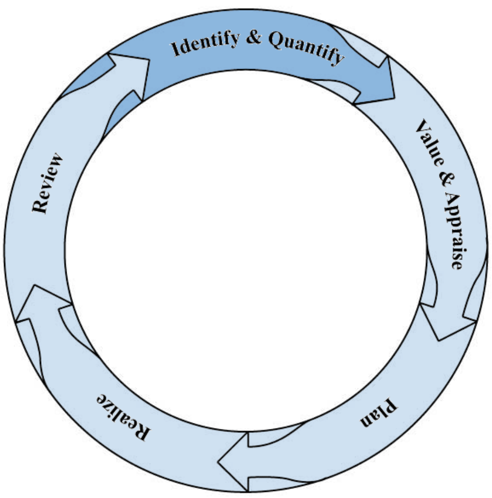
Reflection:

Consider the approach of your organization in relating strategic objectives to identification of benefits:

- What is the core business of your organization?
- Is there a clear understanding of the strategic objectives of your organization in the PPM environment?
- How do you currently align benefits to the organization's strategic objectives?

CHAPTER 4: THE BENEFITS MANAGEMENT CYCLE

We begin our examination of the Benefits Management Cycle and its constituent practices by considering the context within which the cycle operates; some of the barriers to effective practice and how to overcome them; an overview of who does what; the Key Success Characteristics of benefits management.



The Benefits Management Cycle consists of five practices: Identify & Quantify, Value & Appraise, Plan, Realize and Review. While these practices are broadly sequential, their effective operation requires iterative feedback loops throughout the cycle.

Barriers to effective benefits management include the difficulties sometimes associated with measuring benefits; some common misconceptions about benefits and benefits management; the knowing-doing gap; and a series of cognitive biases.

Addressing these barriers calls for us to address not only the practices of benefits management but also the principles discussed in Chapter 3. We also need to apply the Key Success Characteristics so that benefits management is active, evidence-based, transparent, benefits-led, forward-looking, and managed across the full business change lifecycle.

- **Active** rather than passive tracking against forecasts, the focus is on the active search for benefits, with ongoing participative stakeholder engagement
- **Evidence-based** forecasts and practices are driven by evidence about what works rather than assumptions and advocacy
- **Transparent** based on open and honest forecasting and reporting, and a 'clear line of sight' from strategic objectives to benefits forecast and realized
- **Benefits**-led focusing less on the activities undertaken to realize benefits and more on the actual realization of those benefits
- **Forward-looking** with an emphasis on learning and continuous improvement, rather than backward-looking attribution of blame
- **Managed across the full business change lifecycle** extending from

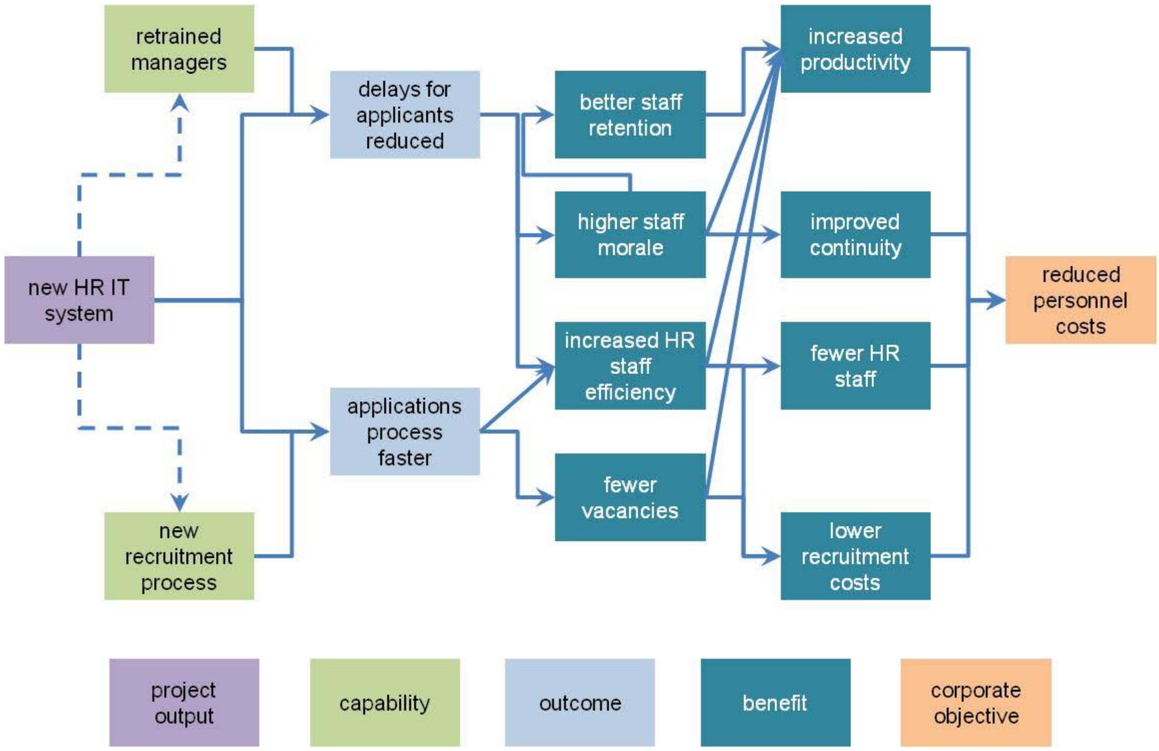
benefits identification and quantification through to realization and capturing and applying lessons learned

CHAPTER 5: MANAGEMENT BENEFITS PRACTICE 1 – IDENTIFY & QUANTIFY

The first practice in the Benefits Management Cycle is Identify & Quantify. The objective of this practice is to lay the basis for: informed options analysis, investment appraisal, and portfolio prioritization; and the management of benefits realization in due course. Much of the analysis undertaken during this practice will be captured in the Benefit Profiles, Benefits Realization Plan and Business Case (that are considered and used in Practice 3 – 'Plan').

Benefits Identification & Quantification summary

1. The first practice in the Benefits Management Cycle concerns the identification and quantification of benefits. The objective is to lay the basis for informed options analysis, investment appraisal and portfolio prioritization; and the management of benefits realization in due course.
2. Approaches to benefits identification include benefits discovery workshops, benefits mapping and 'customer insight'. See MSP Benefits Map below
3. Benefits forecasts provide the foundation upon which the subsequent practices in the Benefits Management Cycle are built. Research indicates that benefits forecasts are often neither accurate nor reliable due to a combination of cognitive bias and strategic misrepresentation.
4. There are a range of strategies and techniques that can be used to promote more accurate and reliable benefits forecasting including: strategies that address organizational and cultural factors; regular and independent challenge; and more reliable forecasting methods including 'reference class' forecasting.
5. Where a reference class of data is unavailable, the following techniques can be applied to improve the reliability of benefits forecasts: benefits quantification workshops, pilot studies and the Delphi technique.
6. The reliability of forecasts can be further enhanced by stochastic rather than single-point estimates, sensitivity analysis and confidence/certainty ratings.



The MSP benefits map: new HR system example

CHAPTER 6: MANAGEMENT BENEFITS PRACTICE 2 – VALUE & APPRAISE

The objective of the Value & Appraise practice is to ensure resources are allocated to those change initiatives that individually and collectively represent best value for money.

Value management and benefits management are mutually supportive disciplines, and are most effective when they operate in an integrated manner.

The relationship between benefits and value can be approached from 2 linked perspectives:

- Value management perspective
- Value definition: *"The concept of Value is based on the relationship between satisfying needs and expectations and the resources required to achieve them. The aim of Value Management is to reconcile all stakeholders' views and to achieve the best balance between satisfied needs and resources."*
- In short value is the extent to which benefits, financial and non-financial, exceed the resources required to realize them
- Economics perspective – the emphasis is on valuing costs and benefits in monetary terms to enable assessments to be made in terms of:
- Investment appraisal undertaken 'ex ante' or prior to investment to

determine whether an investment is justified
- Investment evaluation undertaken 'ex post' or after completion to determine whether value for money was achieved

This practice encompasses:

- The valuation of benefits in monetary terms the reasons for doing so (to facilitate options analysis, investment appraisal and portfolio prioritization) and approaches to doing it (using market prices where possible and, where not, the alternatives that are available such as 'willingness to pay' and 'willingness to accept')
- The four main methods of investment appraisal: cost-benefit, real options, cost-effectiveness and multi-criteria analysis. Note that our focus here is less on independent appraisal of the Business Case, than using the most appropriate approach to support the preparation of the Business Case

We also review techniques that can be used not only to value the benefits of change initiatives but also to improve the value to be derived from those initiatives by using value management techniques.

Note sections of this chapter may appear to be relatively technical but it is important that those involved in benefits management have at least an awareness of the wider context within which it operates and, specifically, an understanding of the techniques applied to investment appraisal and portfolio prioritization.

Value & Appraise Summary

1. The objective of the Value & Appraise practice is to ensure resources are allocated to those change initiatives that represent the optimum use of limited funds and individually and collectively represent value for money.
2. Benefits may be valued in monetary terms to facilitate options analysis, investment appraisal and portfolio prioritization.
3. Valuing cashable financial benefits is relatively straightforward but the value of non-cashable efficiency savings depends on the use to which the time savings are put.
4. Cost avoidance benefits should be treated carefully they are often appropriate for consideration at the options appraisal stage, but cease to be relevant once a preferred option is selected.
5. Economists have developed a series of techniques to assist in valuing non-financial benefits where market prices are absent. These include 'willingness to pay' and 'willingness to accept'. Such techniques are, however, not without issue. It is therefore recommended that cost-benefit analyses be prepared on both the economists' basis and the management accountants' basis.
6. Cost-benefit appraisal is the most commonly used form of investment appraisal and is based on DCF approaches. These, however, suffer from a number of limiting assumptions including a failure to recognize the value of flexibility. Real options analysis has been proposed as a solution to this, particularly in highly uncertain environments. However, the approach is reliant on complex mathematics and also suffers from the difficulty of determining robust values for key variables in the model.
7. Other approaches to appraisal include cost-effectiveness analysis, which can be combined with 'willingness to pay' analysis to help determine values in

relation to mandatory initiatives, and multi-criteria analysis, which combines consideration of financial and non-financial benefits as well as the likelihood that those benefits will be realized.

8. Benefits and value management are mutually supportive disciplines. Value management techniques can be applied to good effect throughout the Benefits Management Cycle.

CHAPTER 7: MANAGEMENT BENEFITS PRACTICE 3 – PLAN

So far we have identified and quantified benefits, and valued and appraised them to confirm the investment rationale to ensure they represent value for money. We now need to plan for their realization.

Summary of the Plan practice

1. The objective of the Plan practice is to ensure accountability and transparency for the realization of identified benefits, mitigation of dis-benefits (both expected and unexpected), and that emergent benefits are identified and leveraged.

2. Four themes underpin the effective operation of the Plan practice:
    - The Plan practice extends across the Benefits Management Cycle although the focus of activity will vary at the different stages
    - The focus is more on planning as an activity than plans as documents
    - Planning extends beyond laying the basis for tracking forecast benefits to encompass mitigating dis-benefits and leveraging emergent benefits
    - The result should be a transparent view on what benefits are envisaged, when they will be realized, how they will be evidenced and who is responsible for their realization; and clear accountability for the business changes on which the realization of benefits depends, and for benefits realization at the individual and collective levels
3. The seven main elements in the Plan practice are:
    - Validation of the benefits forecast
    - Prioritization of benefits
    - Pre-transition activity to ensure appropriate arrangements are made for the business change upon which benefits realization is dependent. Managing **pre-transition** activity encompasses the analysis, preparation and planning for business transformation, includes the following steps:
        a. Establish benefits measures
        b. Monitor benefits realization
        c. Plan transition
        d. Communicate the change
        e. Assess readiness for change
    - Selection of appropriate benefit measures to provide a ‘rich picture’ encompassing evidence from multiple perspectives.
    - Benefits risk and opportunity management
    - Planning stakeholder engagement
    - Preparing benefits documentation bringing the above together in the main initiative-level benefits

management documentation (portfolio-level documentation is covered in Chapter 10)

Benefits documents are used to inform the preparation and presentation of the Business Case. Though each organization will have its own approach to writing business cases, the Cabinet Office recommends the use of the Five-Case Business Case framework:

1. **Strategic** case – is the initiative supported by a robust case for change?
2. **Economic** case – does the preferred way forward optimize value for money?
3. **Financial** case – is the initiative affordable?
4. **Commercial** case – is the initiative commercially viable?
5. **Management** case – can the initiative be delivered successfully

The three-phase approach to Business Case development:

Phase 1: Strategic Outline Business Case
Primary purpose: initial scoping:

- To establish the case for change and the strategic fit with other programmes
- To indicate the preferred way forward

Phase 2: Outline Business Case
Primary purpose: planning (pre-procurement).

- To identify a preferred option
- To assess potential value for money, affordability, and achievability

Phase 3: Full Business Case
Primary purpose: selection of solution/procurement (pre-contract)

- To select the service solution
- To finalize post-procurement arrangements

CHAPTER 8: MANAGEMENT BENEFITS PRACTICE 4 – REALIZE

The objective of the Realize practice is to optimize benefits realization by actively managing planned benefits through to their realization; capturing and leveraging emergent benefits; and minimising and mitigating any dis-benefits. This includes ensuring that the business and behavioural changes on which benefits realization is dependent actually take place.

While the focus in decision-making should be on realism (to overcome the twin risks of strategic misrepresentation and optimism bias), the approach to benefits realization should be one based on enthusiasm to help overcome the obstacles that can often arise during implementation and delivery.

The Realize practice encompasses the following three main elements:

1. Ensuring that initiative outputs are fit for purpose and can be integrated into business operations. This is considered in Section 8.3 Transition Management.
2. Tracking and reporting benefits realization at an initiative level and taking appropriate action where required (see Section 8.4).

Consolidating data in a portfolio-level view is addressed in Chapter 10.

3. Effective benefits realization also requires that we go beyond processes and practices to consider the softer side of business change, and in particular the people dimension. This requires consideration of how best to achieve the behavioural change on which benefits realization is so often dependent. As David Snowden, former head of Knowledge Management at IBM, 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."* So we need to consider strategies to achieve the required behavioural change, including ongoing participative stakeholder engagement with 'measures that engage' and 'narrative leadership', so that we win hearts as well as minds.

Transition management includes ensuring that the business changes on which benefits realization is dependent actually occur. Where in the previous Plan section we covered the steps of Pre-transition; these are the steps of Transition and Post Transition:

Transition:

- Initiate transition – prepare business operations for implementing the project outputs and take-up of the new capability
- Establish Support arrangements for the new working environment
- Enact transition
- Review transition – and document lessons learned
- Manage outcome achievement – ensure that the change is fully embedded

Post-Transition:

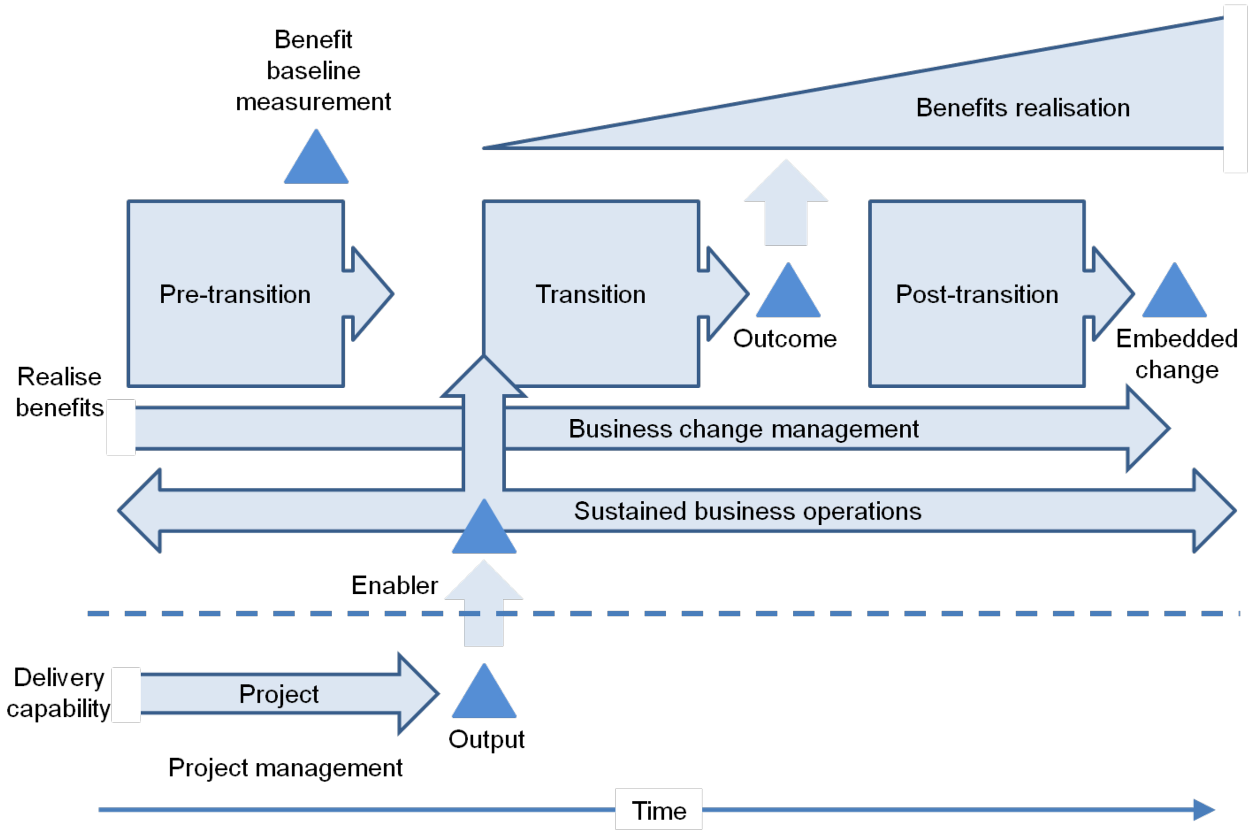
- Measure benefits – these were documented in the Benefit Profiles during the Plan practice. Data is collected to compare actual performance against plan.
- Remove access to legacy working practices and systems – to prevent slipping back into old ways of working.
- Respond to changing requirements – unanticipated problems and issues
- Monitor and report benefits realization

In monitoring benefits realization we should distinguish between forecasts and targets; the former, as part of the investment appraisal process, should be realistic; the latter should be motivational and inspirational and this requires that they be used less as a means of backward-looking accountability, and more as a basis of forward-looking insight and learning.

Effective monitoring and management of benefits realization is aided by the selection of a suite of measures including leading and lagging measures, proxy indicators, evidence events, case studies, surveys and stories, to create a 'rich picture' providing feedback on benefits realization from multiple perspectives; as well as by techniques including: 'one version of the truth', 'management by exception', and 'clear line of sight' reporting.

Benefits realization is often dependent on behavioural change. Strategies that can contribute to this include:

- Align incentives with benefits realization
- Recognise the power of conversations
- Adopt new routines, which can lead to behavioural change
- Apply insights from the fields of neuroscience and psychology
- Develop measures that engage and influence
- Utilize narrative leadership and storytelling



Simple example showing outputs, transition management and benefits realization

Transition Management

MSP identifies three stages in Transition Management

1. Pre-transition – see the previous 'Plan' section.
2. Transition – the following would be required:
    a. Initiate transition
    b. Establish support arrangements
    c. Enact transition
    d. Review transition
    e. Manage outcome achievement
3. Post-transition – the following would be required to review progress, ensure performance and adapt to change:
    a. Measure benefits

b. Remove access to legacy working practices and systems
c. Respond to changing requirements
d. Monitor and report benefits realization

CHAPTER 9; MANAGEMENT BENEFITS PRACTICE 5 – REVIEW

The objectives of the Review practice are to ensure, and assure, that:

- The benefits to be realized are achievable and continue to represent value for money
- Appropriate arrangements have been made for benefits monitoring, management and evaluation
- Benefits realization is being effectively managed
- Lessons are learned for both the current initiative and as a basis for more effective benefits management practices generally

The scope of this practice encompasses reviews undertaken:

- At the commencement of an initiative for example, start gates and pre-mortems
- During the lifetime of an initiative 'in-flight' reviews including those undertaken at the end of a tranche within a programme, and those at mandated stage/phase gates
- After implementation post-implementation and post-investment reviews

No matter when they occur, benefit reviews include consideration of:

- Planned benefits, i.e. are the forecast benefits still realisable/being realized?
- Emergent benefits, i.e. are unplanned benefits identified and leveraged?
- Dis-benefits (both anticipated and unanticipated), i.e. are dis-benefits mitigated effectively?
- Is value for money being maximized?
- Are the practices used to manage benefits efficient and effective?

Important note

The scope of the Review practice runs throughout the business change lifecycle from start-up, through 'in-flight' (i.e. change initiatives included in the change portfolio at the design, development or implementation stage), to after initiative closure and integration into business as usual (BAU). It also includes reviews undertaken internal to the initiative, as well as independent reviews such as the OGC Gateway™ reviews, and stage/phase gate reviews. 'Review' is an active practice going beyond passive, desk-based assessment of performance against plan. The focus is on identifying and applying lessons learned and planning for success by taking appropriate action.

Summary of the Review practice

1. The Review practice extends throughout the business change lifecycle and is an active process designed to optimize benefits realization and identify and apply lessons learned.
2. Benefits review at initiation includes start gate review, with a focus on ensuring that the initiative is designed

with the end in mind, and the technique of pre-mortems to overcome the issues of optimism bias and the planning fallacy.

3. In-flight reviews focus on both a backward look (does benefits realization to date match the forecast?) and a forward look (what action is required to optimize benefits realization?). They also include reviews undertaken directly for the SRO and those undertaken independently as part of the portfolio stage/phase gate process.
4. Research indicates that post-implementation reviews are generally poorly done, which is in part due to cognitive biases such as the self-serving bias, hindsight bias, outcome bias and Texas Sharpshooter fallacy. Overcoming these biases and the knowing-doing' gap requires more disciplined approaches to 'Review', with a focus on applying lessons learned going forward.
5. Post-implementation reviews should be undertaken on all initiatives. Independent post-investment reviews are undertaken on a more select basis and represent an in-depth review of an initiative from start to finish or a deep-dive thematic review across several initiatives. They may be undertaken by the Portfolio Office, and report to the governance body that authorized the original investment.
6. OGC Gateway review guidance provides a useful list of areas to probe and the evidence expected at various stages throughout the business change lifecycle.

CHAPTER 10 – PORTFOLIO BASED BENEFITS MANAGEMENT

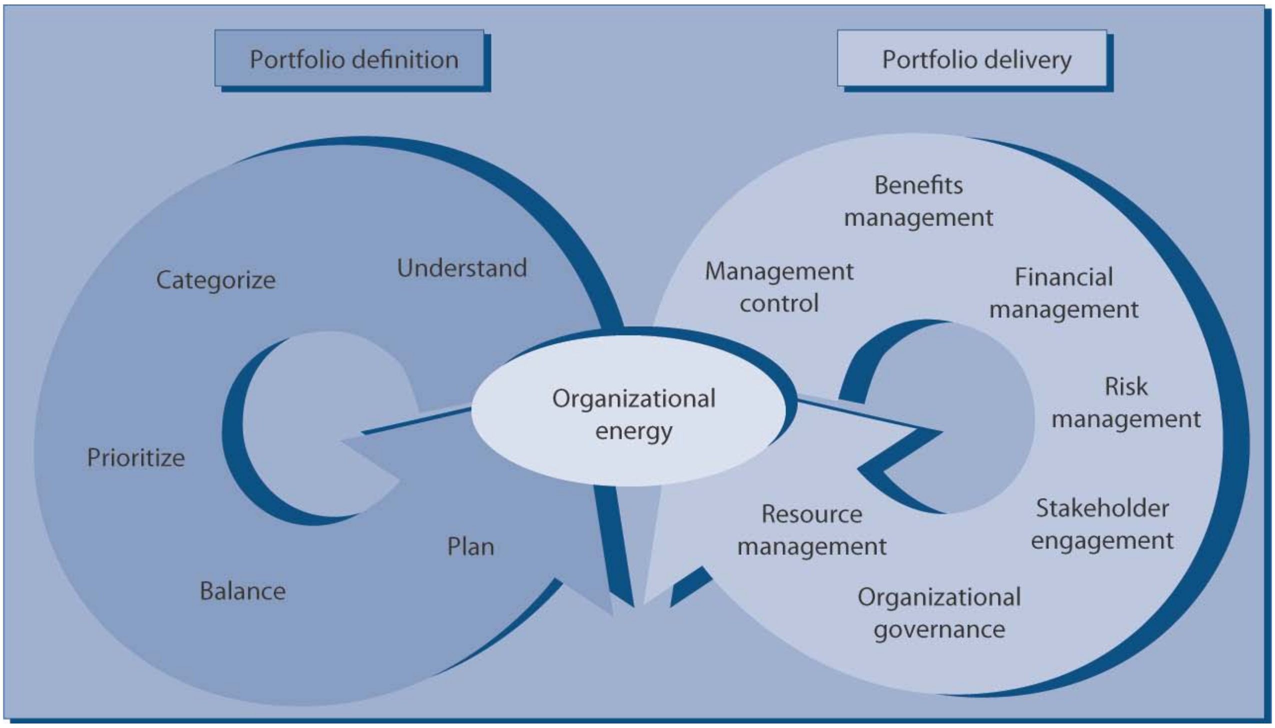
So far we have focused on the Benefits Management Cycle as it applies to individual change initiatives. The most effective organizations also ensure that these initiatives are appraised in terms of their strategic contribution, subject to an acceptable level of risk, and remain aligned to their strategic objectives. This is where the portfolio approach to benefits management why and how benefits can be managed at the collective level comes in. This includes:

- Determining a consistent approach to benefits management that applies to all initiatives included within the change portfolio
- Applying benefits-led approaches to investment appraisal and portfolio prioritization ensuring that we invest, and continue to invest, in the 'right' things
- Managing benefits realization at the portfolio level by, for example, effective management of dependencies, tracking benefits realization and taking corrective action where required including after initiative closure

We consider the six main elements identified by 'Management of Portfolios' (MoP), along with the portfolio-level benefits management roles and documentation. As with the other chapters in this Guide, we include examples of how organizations have applied the main elements in practice.

A common theme identified by many researchers is that organizations undertake too much change, with new initiatives being started without considering the existing portfolio and the change capacity of the organization. The results are seen in delivery delays and failure and so sub-optimal benefits realization. Portfolio management can help address this and other causes of sub-optimal benefits realization such as double counting and ineffective dependency management. Portfolio management is therefore a foundation for effective benefits management, but at the same time, effective portfolio management should be benefits-led. In short:

- Benefits management is most efficient and effective when it is managed consistently across the change portfolio
- Portfolio management is most effective when it is managed to optimize benefits realization from the change portfolio, within the constraints of available resources and with an acceptable overall level of risk



The Portfolio Management Cycles used by MoP

Note that:

- Benefits considerations run through the Portfolio Definition Cycle including ensuring that assessments of ‘attractiveness’ and ‘achievability’, undertaken as part of the ‘Prioritize’ practice, are benefits-led, and that the Portfolio Strategy and Delivery Plan clearly identify the benefits to be realized and their contribution to the strategic objectives.
- Benefits management is one of the seven practices in the Portfolio

Delivery Cycle but benefits-related issues also apply to other practices including: consideration of benefits (scale and achievability) at stage/phase gates and portfolio-level reviews (part of the management control practice); portfolio-level risks and dependencies (part of the risk management practice); and valuing efficiency benefits and recycling cashable savings (part of the financial management practice).

Summary of the Portfolio Management Approach

1. A portfolio-based approach to benefits management is crucial because it helps to ensure that:
    - Change initiatives are aligned consistently with the organization's strategic objectives and performance management system.
    - Good practice is repeatable across all initiatives within the change portfolio
    - Double counting is minimized.
    - Lessons are learned and applied more widely
    - Benefits realization and value for money from available resources are optimized
2. A portfolio-based approach to benefits management encompasses six main elements:
    - Benefits eligibility rules, including a consistent approach to benefits categorization
    - A portfolio-level Benefits Realization Plan (and consideration of relevant benefits-related risks, dependencies and opportunities)
    - Inclusion of re-appraisal of benefits at stage/phase gate reviews and regular portfolio-level reviews
    - Effective arrangements to manage benefits after initiative closure.
    - Clear arrangements for benefits tracking and reporting at a portfolio level, including via the Portfolio Dashboard Report
    - Regular and robust post-implementation reviews and feeding lessons learned back into forecasting and the benefits management practices
3. Portfolio-based benefits management is aided by the nomination/appointment of a Portfolio Benefits Manager.
4. Key portfolio-level benefits management documents are: the Portfolio Benefits Management Framework; the Portfolio Benefits Realization Plan; and the Portfolio Dashboard Report (which can be a single report including benefits data or a separate Benefits Dashboard report).

CHAPTER 11; IMPLEMENTING AND SUSTAINING PROGRESS

Guidance is given on:

- The three main approaches to implementing benefits management.
- Where to start the first 10 steps that organizations should consider in implementing benefits management.
- How to sustain progress and achieve continuous improvement in benefits management.

Summary of the three approaches

1. The three approaches to implementation of benefits management are big bang, evolutionary and ad hoc.
2. The suitability of each approach depends on factors such as breadth and depth of senior management commitment; whether top-down or emergent approaches to strategy formulation are applied; whether the environment is stable or dynamic; and the degree of existing maturity in PPM.
3. Whichever approach is adopted, most organizations will need to consider the following 10 first steps:
    - Undertake driver-based analysis to ensure that the organization's strategic objectives are measurable
    - Adopt guidance on benefits-led rather than activity-centred change initiatives
    - Compile a Benefits Management Framework including benefits eligibility rules to apply to all initiatives in the organization's change portfolio
    - Implement consistent approaches to benefits mapping
    - Adopt the technique of 'staged release of funding'
    - Ensure clarity about the key benefits of the major initiatives in the organization's change portfolio
    - Consolidate the information collected above into a portfolio-level Benefits Realization Plan (BRP)
    - Track and report progress against the portfolio BRP on a regular basis
    - Implement post-implementation and post-investment reviews
    - Organize a programme of ongoing benefits management workshops and master classes
4. Sustaining progress can be a challenge, but is aided by:
    - Effective governance including considering expanding the Portfolio Office into a Value Management Office
    - Treating the development of benefits management as a benefits-led business and behavioural change programme
    - Ongoing stakeholder engagement in the development of benefits management including adoption of the champion-challenger model
    - Measuring progress on a regular basis including impact and process/practice maturity for example, via P3M3
    - Appropriate use of software solutions
    - Relevant training and development including accredited training in 'Managing Benefits' and participation in relevant Communities of Interest

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Managing Benefits™ Practitioner

This course provides managers and practitioners from multiple disciplines, working in a wide variety of organizations, and in all sectors, with generally applicable guidance encompassing the principles, practices and techniques of benefits management.

Who should attend:

- Change leaders, e.g. Senior Responsible Owners and Directors of Change.
- Change initiators, e.g. Strategic Planners and Policy Leads.
- Change appraisers and evaluators, e.g. Business Case Writers and Appraisers
- Change implementers/enablers, e.g. Portfolio, Programme and Project Managers, as well as Business Change Managers.
- Change support staff, e.g. Portfolio, Programme and Project Office staff, including Benefits Managers.

Learning should be as natural as breathing.

We learn when we find ourselves in an unfamiliar situation, when we try something new, when we interact with other people. All of these are triggers that kick off the **learning cycle**.

We learn most of all when we take time to reflect on how our attitude and behaviour has a positive or negative influence on our collective ability to meet our goals.

QA is currently deploying learning solutions that incorporate blends of the above engagement strategies in both our public and bespoke programmes.

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