BENEFITS REALISATION PLAN

The Benefits Realisation Plan formally documents the financial benefits to be gained from a change project, and the review process to be used to determine whether they have been gained.

It is one of the two key outputs from the business analysis activity, and is a critical part of the overall project documentation. It does not stand alone, but must be distributed, understood and managed in the context of the Business Case and other project documentation.

WHY ESTIMATE THE BENEFITS?

Financial benefits are not the only reason for proceeding with a project. An organisation, whether public or private sector, may proceed with a project that is not financially profitable for any number of reasons, including social, environment, strategic, and architectural or organisational considerations. However, good governance requires that the decision to proceed be informed properly, and that requires that the low or negative financial return be understood and documented as the price of the other gains.

Understanding the benefits of the project prior to embarking on it is critical to effective decision-making and governance during the life of the project. Without a documented understanding of the project's outcomes, it is impossible for stakeholders to agree on priorities, acceptable levels of risk and returns, or indeed whether to proceed with the project at all.

When determining the business objectives to be addressed in the new proposal, a key determinant of priority is the benefit stream to be gained. Accordingly, the Benefits Realisation Plan is developed in parallel with the Business Requirements Specification, as it is the benefits that will inform decisions about choice and priority of requirements.

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BENEFITS REALISATION PLAN

THE BASIC FORMAT:

<u>Benefits Realisation Plan</u>

For each business objective addressed:

- *a <u>brief</u> description of the outputs (these are documented fully in the Business Requirement Specification)*
- *A list of primary outcomes*
- *For each primary outcome that Improves Service:*
    - Details of the stakeholder that will receive the improved service and be responsible for leveraging it into increased revenue or avoided cost
    - A measure for the service improvement
    - A list of secondary outcomes
- *For all primary and secondary outcomes that Increase Revenue or Avoid Cost:*
    - best case calculation of the benefit stream
    - likely case calculation of the benefit stream
    - worst case calculation of the benefit stream
- *List of assumptions behind calculations, including the timeframe over which they are calculated*

For each Benefits Realisation Review:

- *Date of Review*
- *Key Performance Indicators to be measured*
- *Target levels*

Introduced Risks: identification of any risks introduced into the business as a result of the project's activities, and which may impact:

- ongoing business operations
- benefits realisation
- support activities

The Role of Key Performance Indicators

These are numeric measures of achievement of project outcomes... which admittedly can be difficult. Direct measurement is often not practicable, and so Performance is measured by Key factors which are believed to parallel and indicate the desired outcome. They may be financial, such as Increase in Sales Revenue. They may be numeric, but not financial: such as changes in number of enquiries per operator, claim response time, or the number of applications lodged using the website.

To assess a proposed KPI, ask:

- Does it measure all areas of project impact?
- Is it: specific and measurable
- Is it directly impacted by the project, and only by the project?
- What are the current levels and the date at which measured?
- What are the target level(s) and the date(s) at which they are projected?

If any two projects have the same KPI, then they are the same project. What this means is that if any two objectives have the same outcome, whether in the same or different projects, then some further work must be done. One option is to merge the two objectives, and if necessary allocate them to the same project. Otherwise, the two project teams will unintentionally but actively work against each other.

A second option is to re-work the KPOs so that they effectively distinguish between the two projects. In this latter case what has happened is that the KPIs have been set at too high a level. For example, if the KPI is "increase in Sales Revenue", then in a multi-product organisation many projects and many outcomes are likely to impact Sales Revenue. In this case the KPI should be tightened up to specify precisely which bit of Sales Revenue is to increase. For a financial firm, perhaps "Increase in Revenue from Sales of Life Insurance" would measure the right activity. Given the difficulty sometimes in allocating revenue accurately, perhaps "Number of Life Insurance Policies Sold" would be more practical. But watch out for churn: perhaps "Number of new customers for Life Insurance" is safer.

We are trying to ensure that KPIs and the outcomes (costs or benefits) that they indicate, are not double counted.

SCOPING THE BENEFITS

The Objective/Output/Outcome model[1] developed by Rob Thomsett for understanding benefits makes clear that there are three steps in moving from an understood Business Risk to a benefit stream:

1. Inverting the Risk (problem or opportunity) into a project objective
2. Developing the outputs or proposed solution to the problem as changes to the business model[2], and in the context of corporate strategy[3]. (this is a two-step procedure in its own right: first the business analyst defines the business model to be implemented. This is then handed on to the technical team(s) to form into physical deliverables, which are the actual outputs of the project).
3. Understanding the ramifications of implementing this change—that is, the outcomes that will occur as the outputs "ripple" through the world.

Scope management is a significant focus in project management. Scope and Objectives are understood as being a crucial element of project planning, and clearly encompasses the first element of the Ozone model. Thomsett points out that:

> "in effect, scope and objectives are the same thing—it's just that some objectives are 'in scope' and some are 'outside scope'. However, *both sets of objectives must be met for the project to be successful*."[4]. (my italics)

The PM-BOK[5] documents:

- *product scope* as "the features and functions that are to be included in a product or service", and

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[1] or, by analogy with the chemical formula for molecular ozone (O_3) the Ozone Model (you don't want holes in your Ozone layer..).

[2] These are all finally brought together for the project into the Business Requirements Specification, but need to be modelled, understood, analysed and priorities separately first.

[3] The objectives must rank under a corporate level strategy: otherwise, why are we doing it?

[4] Radical Project Management, Thomsett, R, Prentice Hall, USA, 2002

[5] A Guide to the Project Management Body of Knowledge, PMI, USA, 1996

- *project scope as* "the work that must be done in order to deliver a product with the specified features and functions".

Clearly, these two definitions align within the two halves of the second element of the Ozone model.

However, the concept of scope applies to all three elements. Outcomes are the "ripple-on" effects that occur when the outputs are delivered by the project team, and accordingly can range far and wide. Before undertaking any significant work on benefits analysis, it is important that the Business Analyst understand the scope of the outcomes—that is, the scope of the benefit stream to be measured.

In the past, a project proposal would calculate the net benefit or Net Internal Value as the difference between the costs (to be paid from an organisation's revenues), and benefits in the form of receipts (to be paid into the organisation's revenues). What this led to was the concept of "Externalities": that is, costs that are incurred outside the organisation, and are therefore ignored. At its extreme, this thinking has led to such tragedies as the asbestos injuries of Wittenoom, WA, and the rise in tobacco smoking and associated deaths and injuries through the 20th century.

Modern governance guidelines and Standards, changing social expectations as reflected in Triple-Bottom Line Reporting[6], and a spectacular series of court cases around the world[7] are making it clear that organisations can no longer rely on the concept of Externalities to shield them from the full costs of a proposal.

The Business Analyst requires clear guidance from the Steering Committee on the scope of benefits to be considered, and equally clear guidance on what are not be considered.

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[6] Triple bottom line reporting is two-fold in effect: while it encourages positive action in social and environmental matters, it should also discourage negative impacts being externalised.

[7] While such cases as those mentioned are still attracting media attention, many other cases exist as well...as old as the negligence at Bhopal, India, and as recent as the measurement of lead damage to children at Port Pirie, Australia. It is still unclear whether the fast food industry will have a case to answer.