

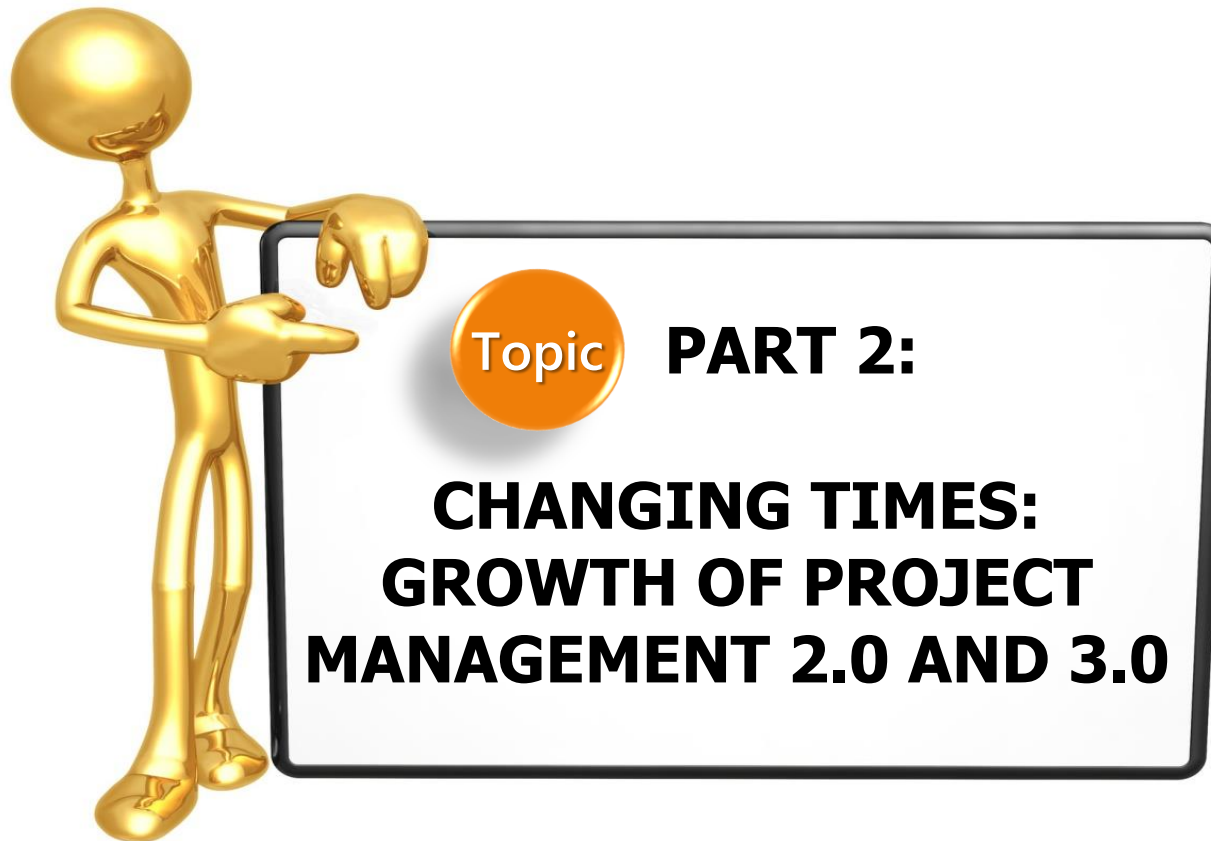
Benefits Realization and Value Management Using Project Management 2.0/3.0

**By
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The International Institute for Learning**





- **More than 70% of the companies fail to achieve the desired benefits in full or in part from their investments.**
- **Even if the benefits are achieved in part, they are most often less than fully realized or expected.**
- **Board members attribute this to poor estimating when the real culprit is poor project management (i.e. the benefits realization component/process).**



Comparison of PM 1.0 and PM 2.0



Factor	PM 1.0	PM 2.0
Project approval process	Minimal PM involvement	Mandatory PM involvement
Types of projects	Operational	Operational and strategic
Sponsor selection criteria	From funding organization	Required business knowledge
Overall project sponsorship	A single person acting as a sponsor	Committee governance
Life-cycle phases	Traditional life-cycle phases	Investment life-cycle phases
Project requirements	Well-defined	Evolving and flexible
Executive's trust in the project manager	Low level of trust	High level of trust

Comparison of PM 1.0 and PM 2.0



Factor	PM 1.0	PM 2.0
Number of constraints	Time, cost and scope primarily	Competing constraints
Definition of success	Time, cost and scope	Creation of business value
Scope changes	Minimized (low customer tolerance)	Possibly continuous (high tolerance level)
Amount of documentation	Extensive	Minimal
Communication media	Formal reports	Dashboards (more informal)
Project health checks	Optional	Mandatory
Customer involvement	Optional	Mandatory

- **Stakeholders governance personnel are expected to make informed decisions rather than just any decision.**
- **Informed decision-making requires more meaningful metrics.**
- **The metrics information must be shared rapidly for timely decisions to be made.**



PM 2.0 = PM 1.0 + distributed collaboration



PM 2.0 will use much of the social media software that is currently in use.



We can input metric information from any location in the world.

PM 2.0 and Web 2.0



We can customize the cell phones and tablets from a world of PM 2.0 project-specific apps.

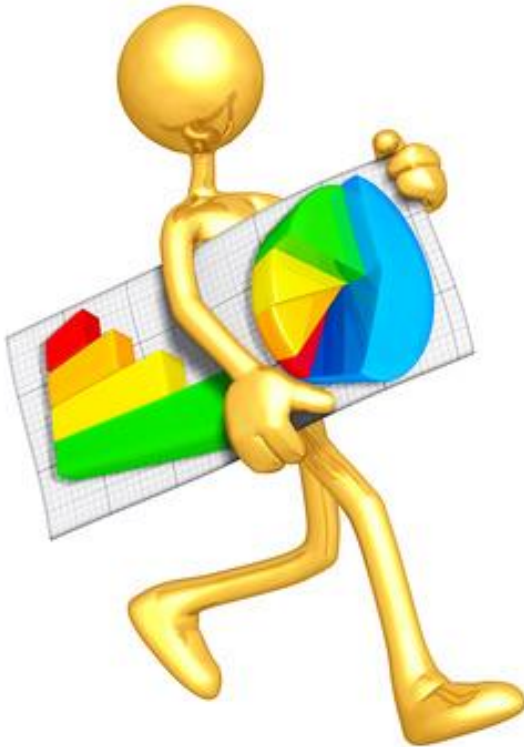


Future of PM 2.0 is transmitting project data on time and from any place with a mobile device, be it phone or tablet, such that value and performance can be verified.



Data can be displayed over cell phone or tablet screens.

Metrics Accompany You Everywhere



With PM 2.0, all project personnel will have metrics and project status at their fingertips.

Comparison of PM 2.0 and PM 3.0



Factor	PM 2.0	PM 3.0
Project management area of emphasis	Planning, measuring and controlling	Benefits realization and value management
Project investment drivers	Cost and profitability	Alignment to strategic business objectives
Metrics selected	To track tangible elements only	To track tangible and intangible elements
Assumptions and constraints	Fixed over the project's life-cycle	Can change over the project's life-cycle
Business case development	Unstructured, with vague assumptions	Structured including benefits and value
Methodologies	Project methodology; EVMS and EPM	Framework; VMM
Project staffing	Misapplication of critical resources	Capacity planning and resource management



PM 2.0/3.0 is neither a magical quick fix for problems nor a bandaid. It is a cultural change in the way that benefits realization management must work.



- A ***benefit*** is an outcome or a deliverable from actions, behaviors, products or services that is considered to be important or advantageous to specific individuals, such as business owners, government agencies, or a group of individuals such as stakeholders.
- ***Benefit realization management*** is a collection of processes, principles and deliverables to effectively manage the organization's investments to achieve the desired benefits.
- Project ***value*** is what the benefits are worth to someone.

Benefits can be tangible, intangible or a combination of both.

Intangible benefits might be improvement in employee morale.

Benefits are often hard to quantify, especially in the early stages of a project.



Is it possible that today we can measure anything?

- **Intangibles, often including benefits and value, may be tough to measure, but they are not immeasurable. Tough things to measure include:**

Collaboration	Image/reputation
Commitment	Leadership effectiveness
Creativity	Motivation
Culture	Quality of life
Customer satisfaction	Stress level
Emotional maturity	Sustainability
Employee morale	Teamwork

Generic benefits

- **Improvements in quality, productivity, and service**
- **Cost avoidance or cost reduction**
- **Increase in revenue generation**

Measure increase in market share

Measure reduction in operating costs

Measure reduction in waste

Measure increase in profitability

Measure improvements in productivity and efficiency

Measure increase in quality

Measure increase in customer satisfaction

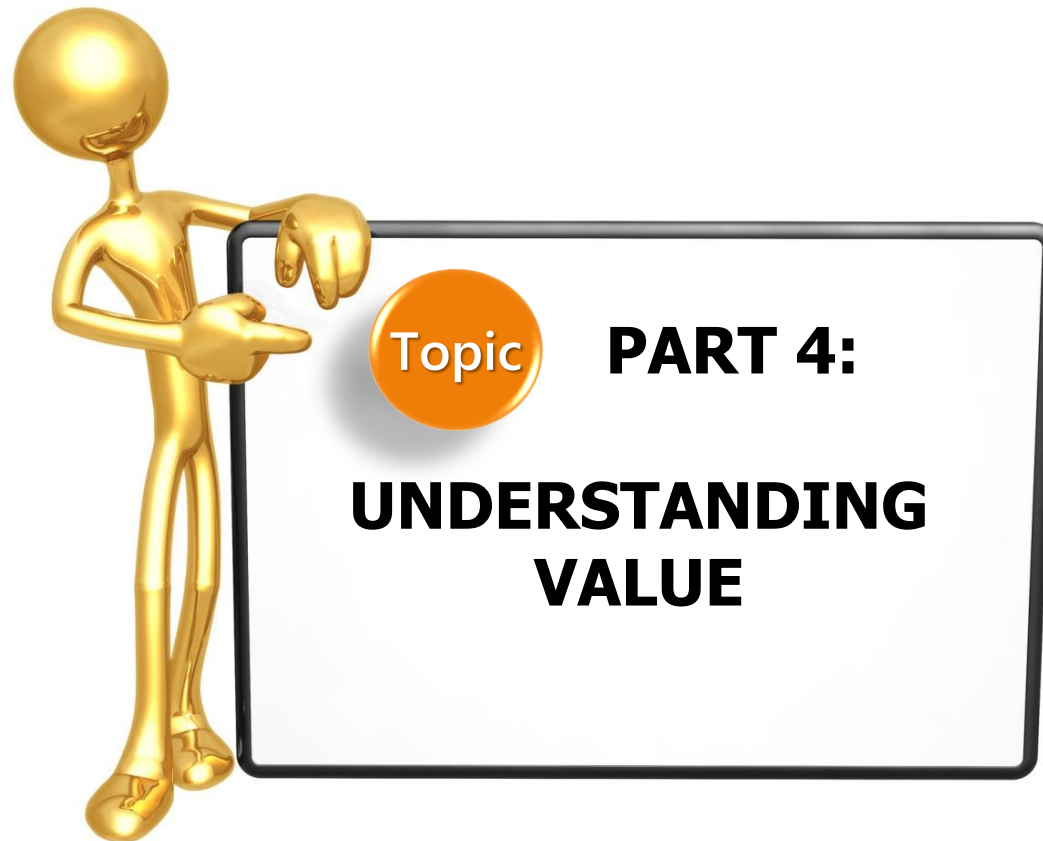
Measure improvements in employee morale

**Measure increase in employee retention and/or
reduction in employee turnover**

There can be dependencies between benefits where one benefit is dependent on the outcome of another. (i.e. revenue generation resulting from an improvement in quality or better marketing to attract more tourists)

Benefits realization management (BRM) is a collection of processes used to make the benefits happen. Project management is the vehicle for producing the outcomes that create the benefits delivery.

- **The ultimate goal of benefits realization management (BRM) is not merely to achieve the benefits, but to sustain them over the long term.**



The early years: The Rule of Inversion

The historical equation:

$$\text{Value} = \frac{\text{Quality}}{\text{Cost}}$$

- **Value Dynamics**
- **Value Gap Analysis**
- **Intellectual Capital Valuation**
- **Human Capital Valuation**
- **Economic Value-Based Analysis**
- **Intangible Value Streams**
- **Customer Value Management/Mapping**
- **Competitive Value Matrix**
- **Value Chain Analysis**
- **Valuation of IT Projects**
- **Balanced Scorecard**

- **Intellectual Capital Valuation**
- **Intellectual Property Scoring**
- **Balanced Scorecard**
- **Future Value Management™**
- **Intellectual Capital Rating™**
- **Intangible Value Stream Modeling**
- **Inclusive Value Measurement™**
- **Value Measurement Methodology (VMM)**

- ***PMBOK® Guide* definition:** A temporary endeavor undertaken to create a unique product, service or result.

PMBOK® Guide – Fifth Edition, Glossary

- **Future definition:** A collection of sustainable business value scheduled for realization.

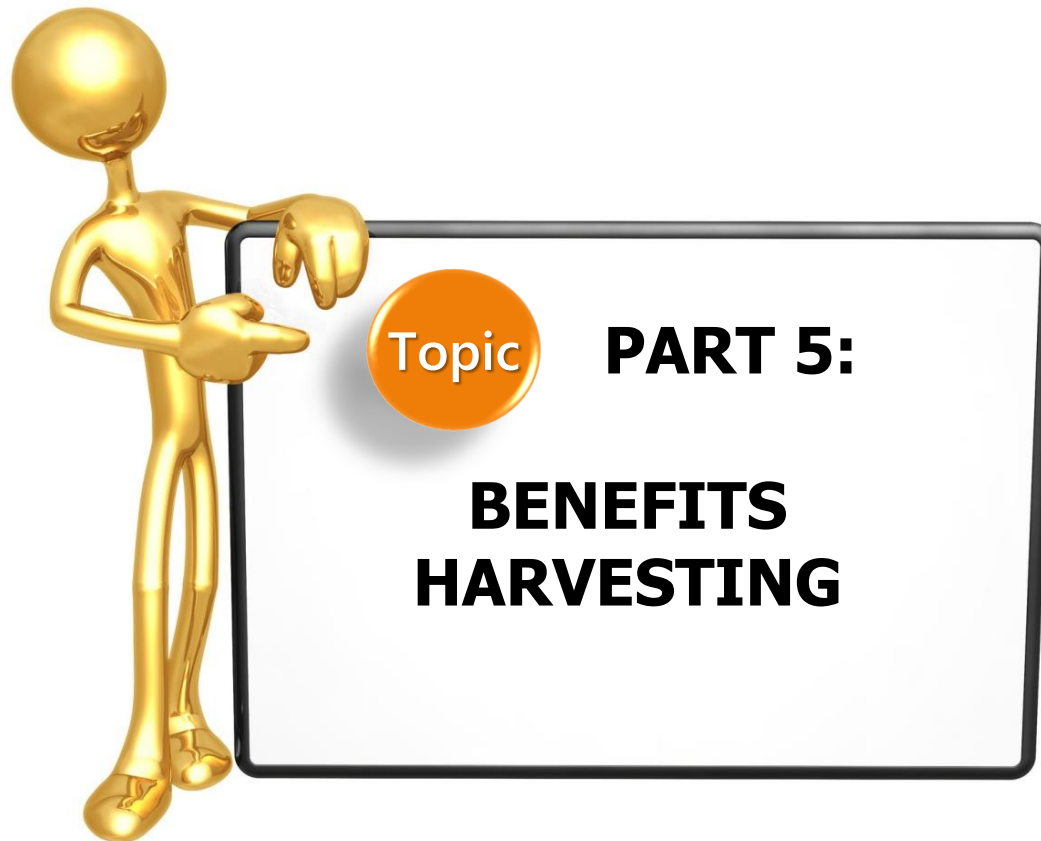
- **Traditional definition:** Completion of the projects within the triple constraints of time, cost and scope.
- **Future definition:** Achieving the desired business value within the competing constraints.

Decision-makers must understand that, over the life-cycle of a project, circumstances can change requiring modification of the requirements, shifting of priorities and redefinition of the desired outcomes.

Reasons for Tradeoffs on Benefits and Value



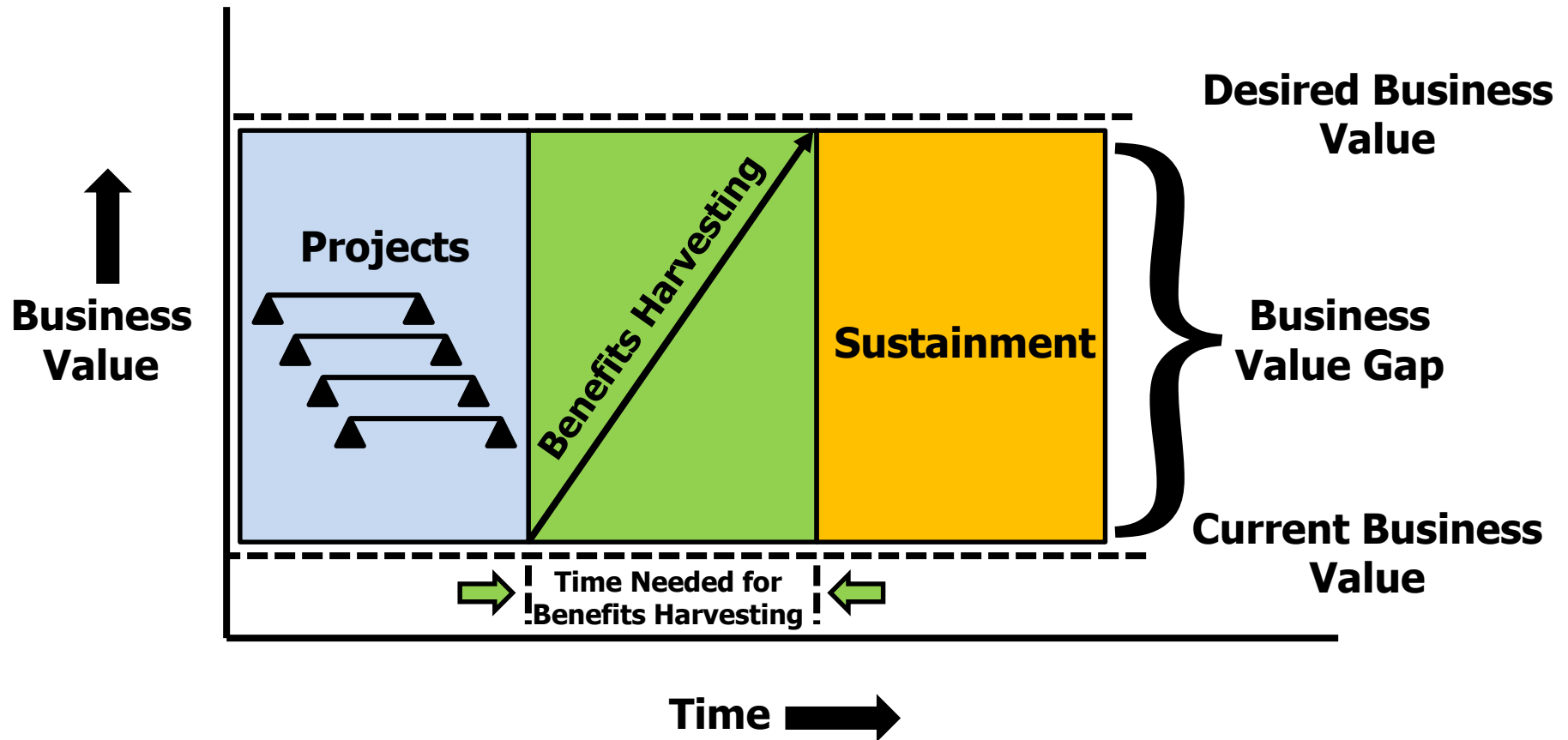
- **Changes in the enterprise environmental factors including markets served and consumer behavior**
- **Changes in the assumptions**
- **Organization changes (i.e. new leadership with different agendas)**
- **Better approaches have been found, possibly with less risk**
- **Availability or loss of highly skilled labor**
- **A breakthrough in technology**



The problem is not with identifying the benefits or managing projects to create benefits. The real issue is harvesting the benefits and managing the transition once the projects are over.

- **The benefits of a project are typically realized over time. This could be years after the project has been completed.**
- **Some benefits will be near-term, mid-term and long-term.**
- **Someone must take ownership for the harvesting of the benefits.**

Benefits Harvesting



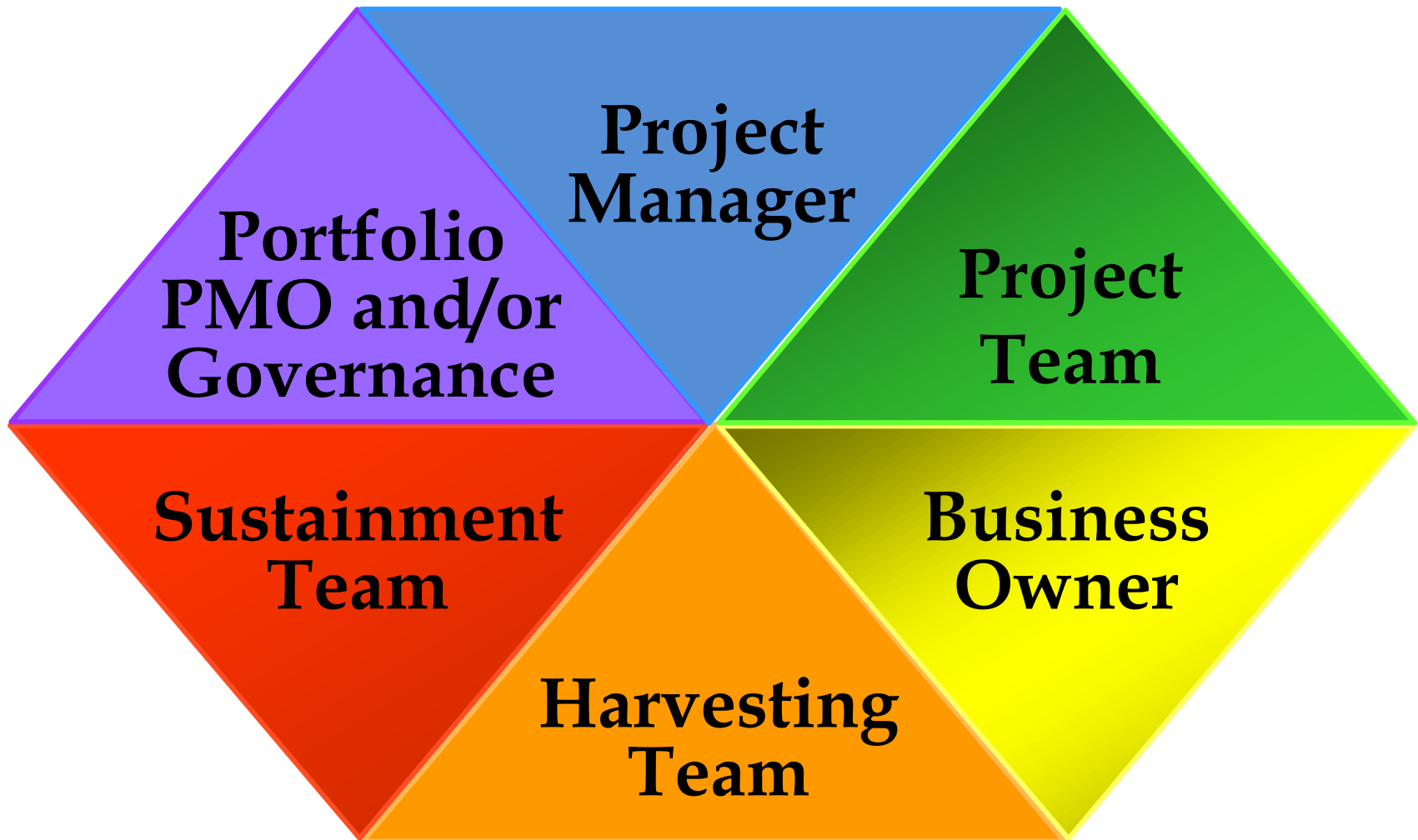
- **Benefit harvesting is the realization of the benefit and accompanying value.**
- **Organizational change management may be needed.**
- **People must be willing to be removed from their comfort zone.**
- **Even if the project is short term, there must be long term adoption consideration to maintain benefit sustainment.**

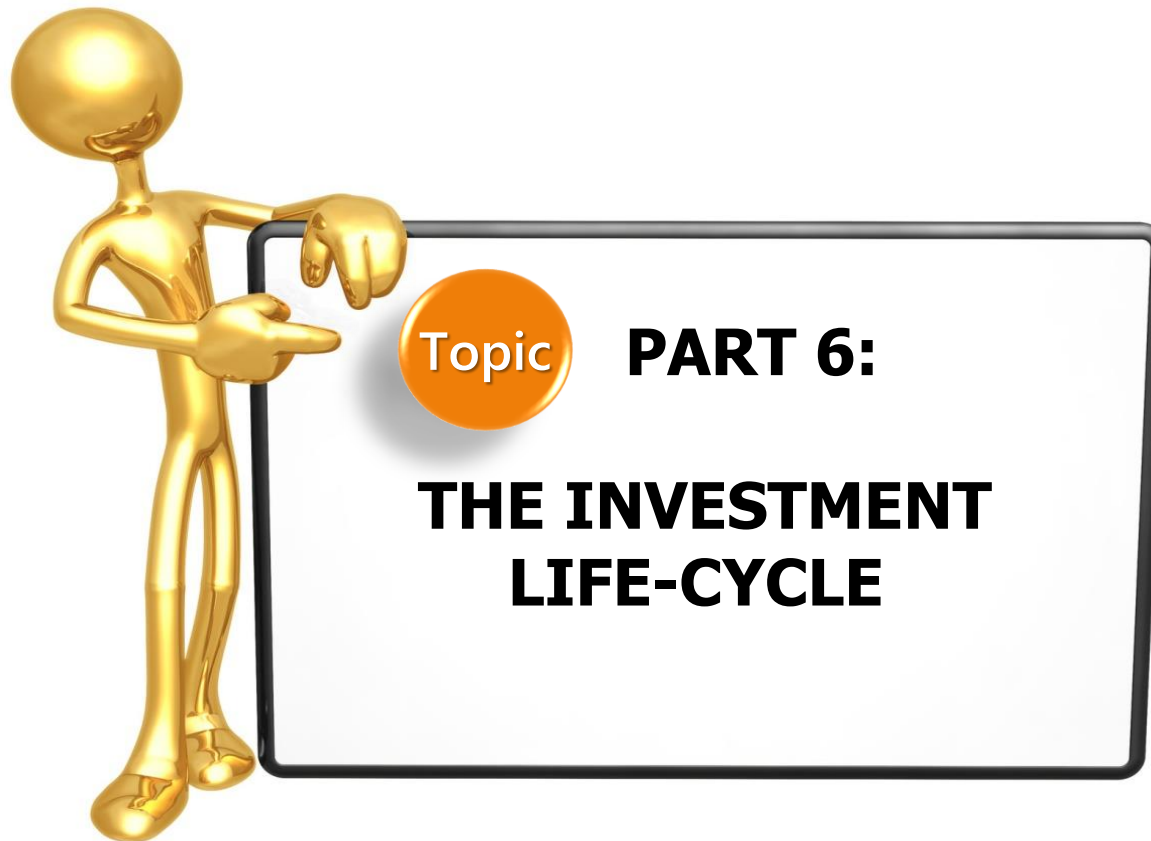
- **People responsible for benefits harvesting need to consider:**
 - **Organizational restructuring**
 - **New reward systems**
 - **Changing skills requirements**
 - **Records management**
 - **System upgrades**
 - **Industrial relations agreements**

- **During benefits harvesting and sustainment, changes may be needed:**
 - **People may have to change their habits**
 - **Processes will change**
 - **Technology will change**
- **We need to learn how to manage change in an organization.**

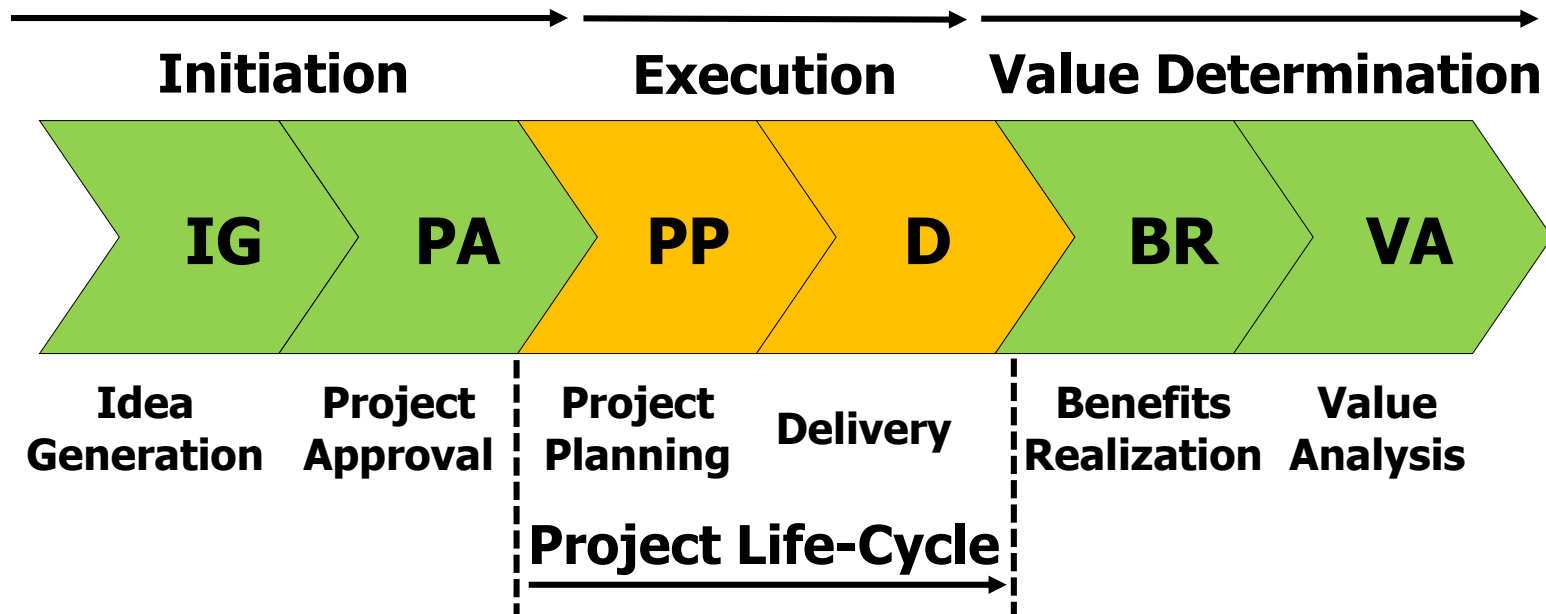
Full benefit realization may face resistance from managers, workers, customers, suppliers and partners because they may be removed from their comfort zones. There is also an inherent fear that change will be accompanied by loss of promotion prospects, less authority and responsibility, and loss of respect from peers.

The Major Players for BRM

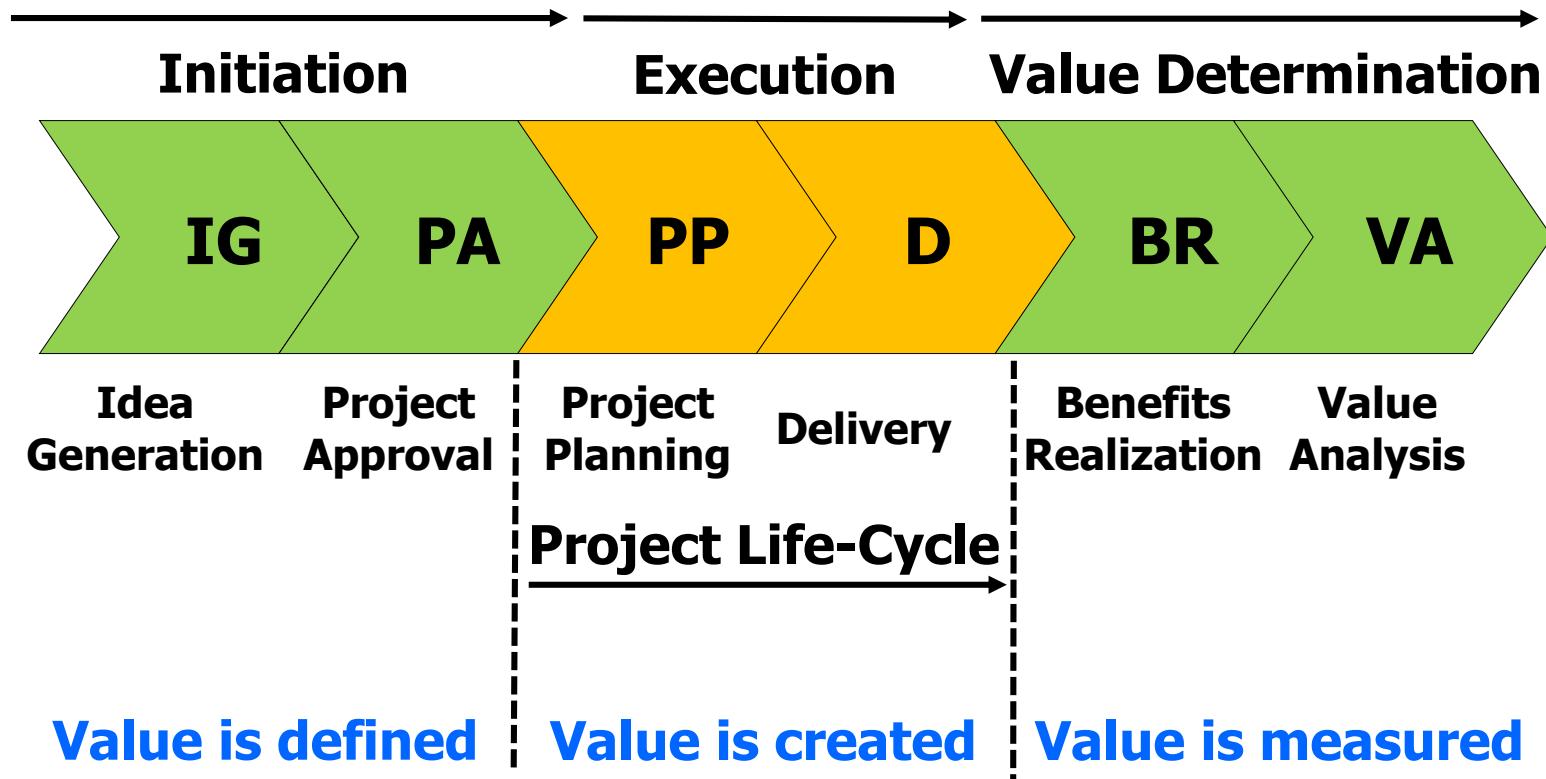




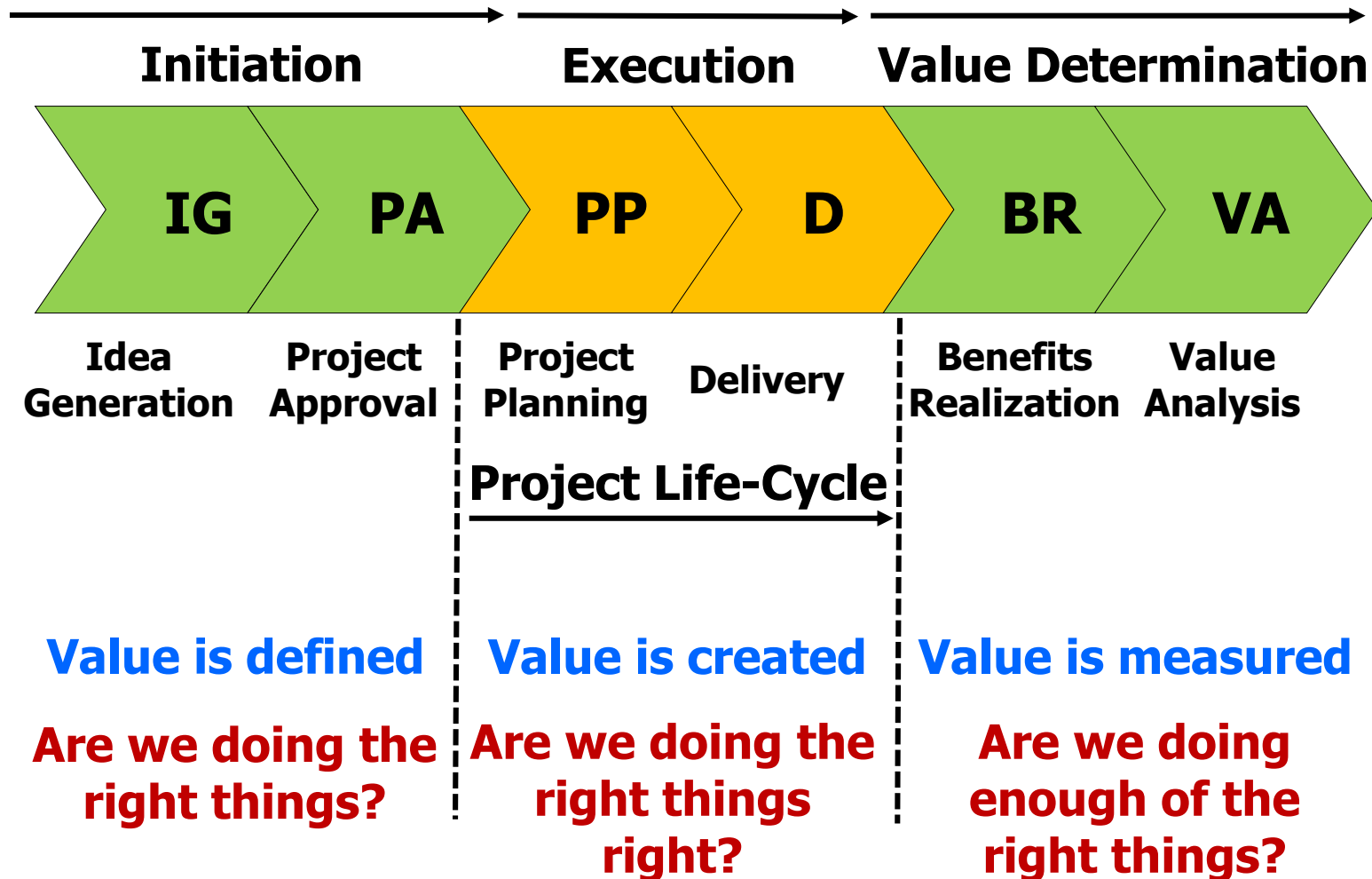
The Investment Life-Cycle



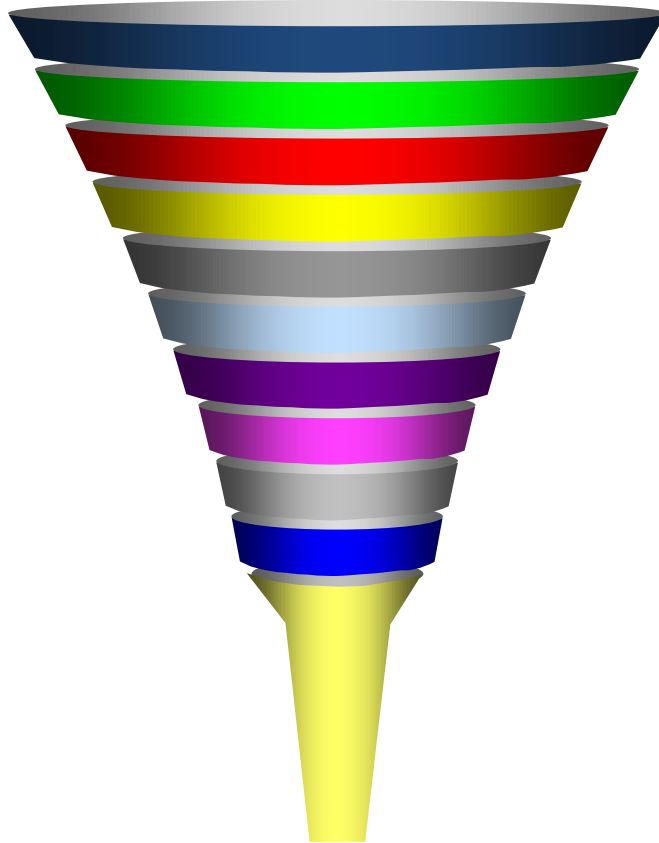
The Investment Life-Cycle



The Investment Life-Cycle



Input: Idea/Information



- Validate That An Opportunity Exists
- Alignment with Corporate Objectives
- Establish a Benefit Realization Plan
- Identify Project Objectives
- Establish the Priority
- Identify Resource Needs
- Identify Assumptions and Constraints
- Preliminary Budget & Schedule Estimates
- Assess Potential Risks
- Establish Benefits/Value Metrics

Output: Business Case

- **A description of the benefits**
- **Identification of each benefit as tangible or intangible**
- **Identification of the recipient of each benefit**
- **How the benefits will be realized**
- **How the benefits will be measured**
- **The realization date for each benefit**
- **The handover activities to another group that may be responsible for converting the project's deliverables into benefits realization**



Is there a preferred time when we can effectively measure the benefits and value created on each project?

Waterfall

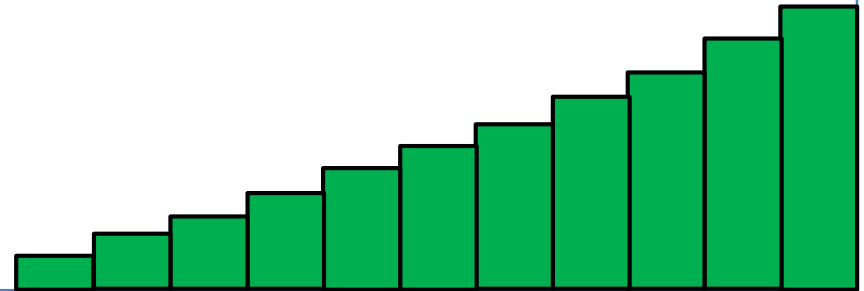
**(Business Value Measured
At Project Closure)**



Time 

Agile

**(Business Value Measured
Throughout The Project)**



Time 

 **Business Value Delivered**

Metric Categories



Project Mgt. (Micro Metrics)	Support PMO (Macro Metrics)	Portfolio PMO (Macro Metrics)
<ul style="list-style-type: none">• Time• Cost• Scope• Quality• Resource usage• Stakeholder satisfaction• Project performance• Number of deliverables	<ul style="list-style-type: none">• Growth in customer satisfaction• Number of projects at risk• Conformance to the methodology• Ways to reduce the number of scope changes• Growth in the yearly throughput of work• Validation of timing and funding• Measuring project closure rates	<ul style="list-style-type: none">• Business profitability• Portfolio health• Portfolio benefits realization• Portfolio value achieved• Portfolio selection and mix• Resource availability• Capacity utilization• Strategic alignment• Business performance

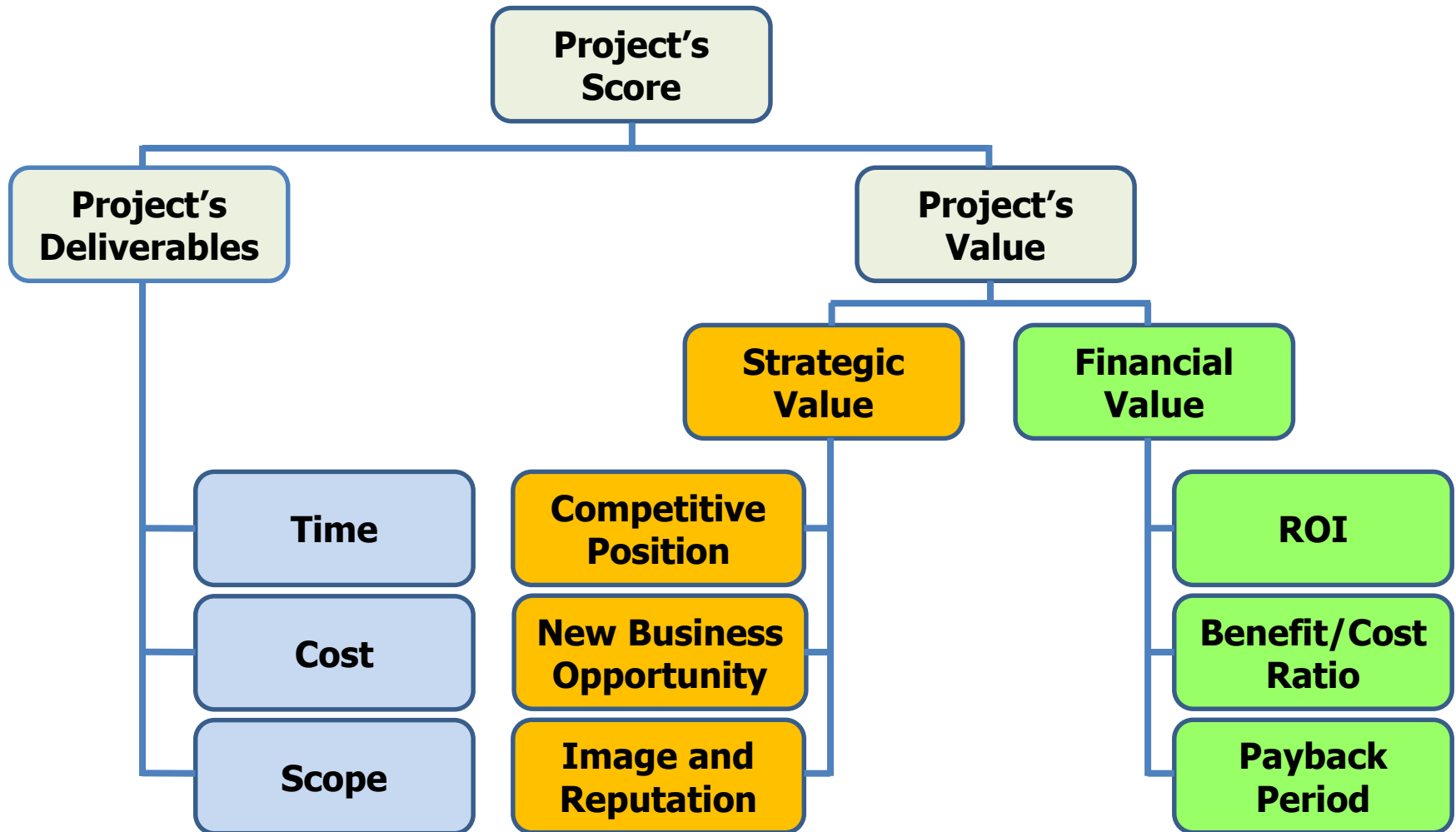
High Level Information Needs (Metrics) for Business Value Governance



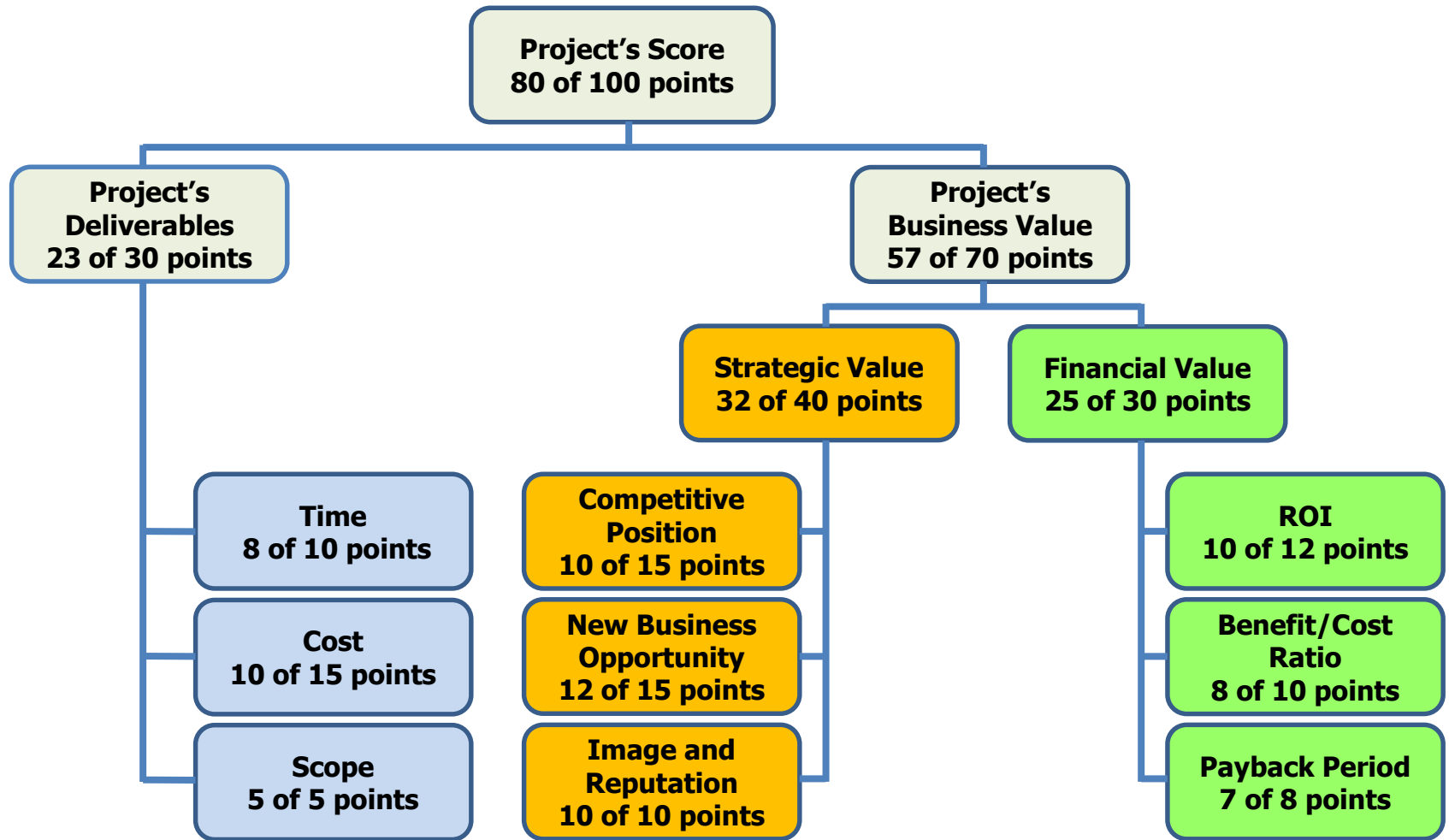
- **The need to verify that value is being created**
- **The need to know the risks and how risks are being mitigated**
- **The need to know when to intervene**
- **The need to predict future corporate performance**
- **The need to confirm that the projects are still aligned to strategic objectives**
- **The need to perform resource re-optimization if necessary**

- **Some questions that Portfolio PMO metrics need to help answer:**
 - **Do we have any weak investments that need to be cancelled or replaced?**
 - **Must any of the programs and/or projects be consolidated?**
 - **Must any of the projects be accelerated or decelerated?**
 - **How well are we aligned to strategic objectives?**
 - **Does the portfolio have to be rebalanced?**

Project Scoring Categories



Example of a Project's Score



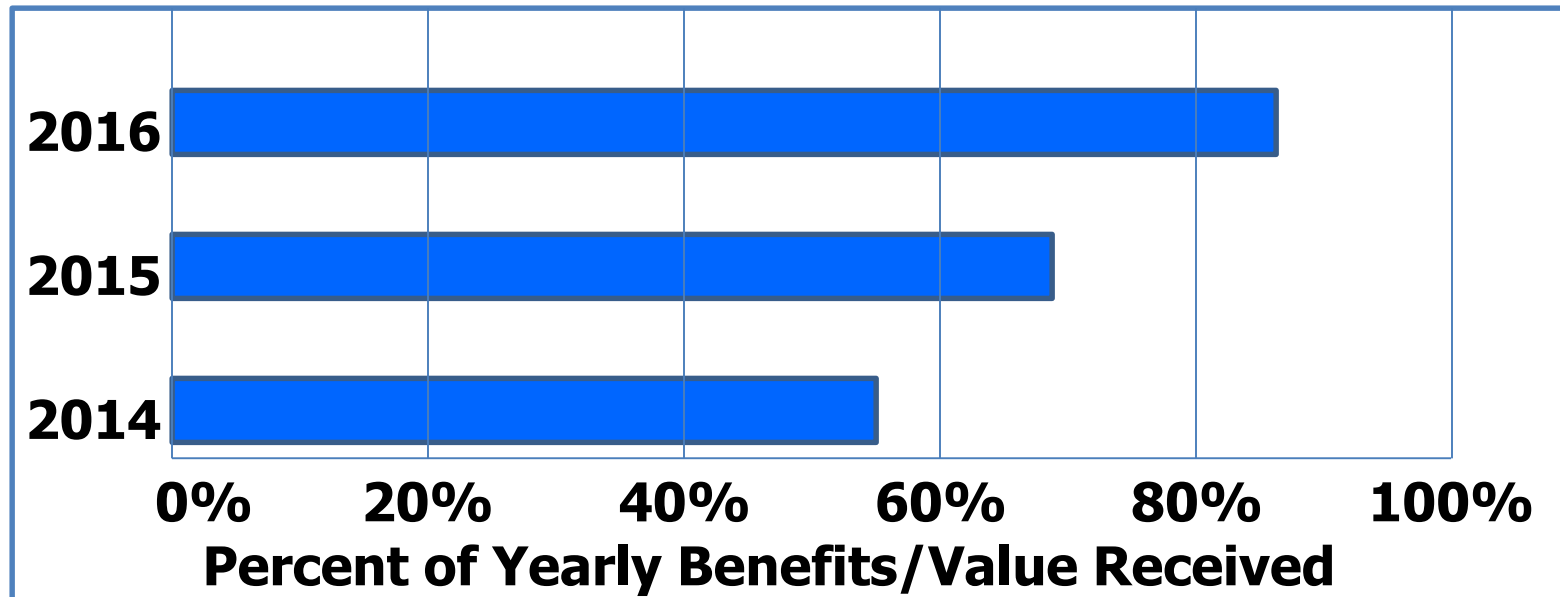
Matching Projects to Strategic Objectives



Strategic Objectives:	Projects								Scores
	Project 1	Project 2	Project 3	Project 4	Project 5	Project 6	Project 7	Project 8	
Technical Superiority	2		1			2		1	6
Reduced Operating Costs				2	2				4
Reduced Time-To-Market	1		1	2	1	1		2	8
Increase Business Profits			2	1	1	1		2	7
Add Manufacturing Capacity	1		2	2		1		1	7
Column Scores	4	0	6	7	4	5	0	6	

	No Contribution
1	Supports Objective
2	Fulfills Objective

Yearly Benefits/Value Achieved





Value Maximization Efforts



Are companies today planning for portfolio value maximization using project mgt.?

PM 1.0

Looking at the value and profit of individual projects

PM 2.0

Focusing on value maximization of the SBU project portfolio

PM 3.0

Focusing on value maximization of the corporate project portfolio

Performance Reporting



Has the content of forecast performance reporting changed?

PM 1.0

Time at completion and cost at completion

PM 2.0

Business metrics related to the project and portfolio of projects

PM 3.0

Projections on benefits and value at completion

Organizational Reporting of Project Management and BRM Performance



Who now asks to see project performance information, especially benefits and value?

PM 1.0

Reporting to the sponsor and the lowest level in the organization

PM 2.0

Performance reporting to PMOs, middle and senior management

PM 3.0

Reporting to the corporate board room

Thank you for attending the webinar:

Benefits Realization and Value Management Using Project Management 2.0/3.0

 IIL's Provider ID: **1003**

 Activity Number: **R11175**

This event is eligible for 1 PDU in the PMI Talent Triangle XX Category



Thank You

Below the "Thank You" text is a large, stylized "IIL" logo. The letters are in a bold, serif font, with the "I" and "L" being significantly larger than the "I" in the middle. The logo is rendered in a light blue color.

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