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Infrastructure
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PROJECT X

IDENTIFYING AND REALIZING PROJECT BENEFITS - A CROSS-NATIONAL COMPARISON OF BENEFITS MANAGEMENT PRACTICES

PHASE 2: EFFECTIVENESS OF FRAMEWORKS IN APPLICATION

A Project Funded by the Project Management Institute

White Paper

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November 2018

Introduction

Government policy is, in the main, delivered through projects and programmes; their successful delivery is an essential ingredient in achieving strategic objectives such as military capability, sustainable economic growth, new infrastructure, and improving the efficiency of public services. Despite the strategic importance of major government projects and programmes, there are significant variations in the levels of success.

Scholars and practitioners who argue that a more holistic assessment of the benefits upon which projects are predicated are increasingly challenging traditional views of “success” in the form of the iron-triangle variables of cost, time and quality. The theoretical discourse on benefits in the context of major projects and programmes is relatively new and underdeveloped in terms of sophistication and recognition of complexity, yet many governments and sub-national public bodies are transitioning to a strong benefits-led culture.

In late 2016, a programme of research into the identification and realization of project benefits was launched, with funding from the Project Management Institute (PMI). The proposed programme comprised three distinct phases, as follows:

- **Phase 1 - Espoused Methods:** a collation of information on official benefits realization management (BRM) methods, supported by a systematic review of the literature.
- **Phase 2 - Effectiveness of BRM Frameworks in Application:** considering how well these frameworks actually work out in practice.
- **Phase 3 - Recommendations for Improvement:** considering the basis of the espoused and used BRM methods and drawing conclusions about how effective they should be, with recommendations on how to improve them.

Only “64% of projects successfully met their original goals and business intent.”

Source: PMI's 2012 Pulse of the Profession® - Driving Success in Challenging Times.

In Phase 1 of this study (Williams et al., 2017), we presented the summary of BRM literature and a comparative study of the BRM frameworks promulgated in eight governments or supra-national bodies (Australia, Canada, the European Union, Norway, UAE, UK, USA, and the World Bank). It also raised some areas of research, which formed the basis for this Phase 2 examining the effectiveness of those frameworks in application.

This phase – Phase 2 - compares and contrasts the implementation of the espoused frameworks in four of the Phase 1 countries: Australia, Canada, the UK, and the USA. Central to the Phase 2 study is the exploration of ‘methods in action,’ considering how well the BRM systems outlined in Phase 1 really work out in practice. In other words, the researchers investigate to what extent ‘espoused’ or ‘required’ frameworks are actually used, and to what extent they are considered by their users to be beneficial. Where possible, the results were considered through one (or more) brief case-study per country to get a more in-depth understanding of the realization of the issues found earlier. The study also identifies a significant number of suggestions for future research, with proposals given for the next phase of the study.

Researchers

The research work was led by University of Hull with contributions from Cranfield University, The University of Edinburgh and The University of Manchester; it had guidance, support and further inputs from PMI advisers. The study falls under the governance of “Project X” (<https://www.bettergovprojects.com>) that receives funding and support from the Economic and Social Research Council (ESRC) and the Infrastructure and Projects Authority (IPA).

Methodology

In this study, we consider benefits as measurable, resulting from changes, perceived as positive by stakeholders, and demonstrating the contribution of project/programme/portfolio to the strategic objectives of the (permanent) organization. The term ‘outcome’ is used interchangeably with the term ‘benefit’ in this study.

This phase takes as its basis the set of questions raised at the end of Phase 1 (Williams et al., 2017). These questions are of the nature of “how well does it work in practice?”, so the researchers needed to dig into the detail and causality of implementation. Semi-structured interviews were therefore used to provide the interviewees with the flexibility to probe for details, explore emergent issues with the interviewees, and tailor questions to the interview context and/or the people who were interviewed.

Recruitment and Sampling

Participants in this study were selected based on their knowledge of benefits management in public projects in the countries studied, their seniority in the role, and their ability to give full and comprehensive views about the implementation of BRM systems in their governments. Particularly, we recruited participants that fell under one or more of the following categories:

- Category A: Senior government officials (such as Senior Responsible Owners (or the equivalent in that country)).
- Category B: Interviewees with experience in managing government projects.
- Category C: Interviewees on any bodies similar to the UK’s IPA and/or authorized government Project Reviewers.
- Category D: Interviewees from Project/Programme Management Offices of major public projects.

The total number of interviewees in each designated government varied, depending on how many could be recruited.

Table 1 – Research participant characteristics

	Australia	Canada	The UK	The USA	Total
Category A	2	2	1	8	13
Category B	3	4	4	5	16
Category C	5	2	1	0	8
Category D	1	2	4	2	9
Total Participants	11	10	10	15	47
Total Interviews	9	9	10	12	40
	<i>(2 of these were group interviews)</i>	<i>(1 of these was group interview)</i>		<i>(1 of these was group interviews)</i>	<i>(4 of these was group interviews)</i>

The interviews were carried out over a five-month period, between April and August, in 2018. The majority of interviews with the UK participants were face-to-face. For other countries, most of the interviews were undertaken via Skype or similar and lasted about 30-40 minutes. Participation in the interviews was voluntary, and formal consent was obtained from the interviewees to use the interview data for the study.

Summary of the findings

▪ Frameworks used in practice

- We observed a wide range of BRM guidelines, frameworks and practices across and within the four countries.
- There was evidence of a tendency towards the use of tailored approaches by department/sector in some countries; frameworks for transport/infrastructure tended to be well developed compared to other areas (such as transformation) in the majority of countries.
- Generally, some form of BRM frameworks were used and their purpose understood; however, the level of uptake was variable.
- Frameworks were often only advisory, except sometimes where they were effectively mandated for preparation of business cases prior to project sanction, after which the emphasis was on project delivery rather than outcomes/benefits.
- We acknowledged increasing emphasis on public scrutiny.

▪ Benefits identification

- All of the countries had some organizations which had well-developed frameworks and practices for benefits identification and Cost-Benefit Analysis (CBA). Policy and guidance on CBA and business cases were sometimes mandated for project proposals exceeding a certain threshold, although implementation varied in different government departments.
- There was a general intention to align project benefits with strategic objectives at the project start, although nuances in the detail of strategic fit in different departments and sectors.
- Optimism bias and 'gaming the system' occasionally occurred to 'get things through,' and there were a few systems in place to minimize this. The UK was the only country offering an explicit approach to quantifying optimism bias.
- All countries had various classification systems for types of benefits, which varied by departments and sectors.
- Stakeholder engagement and discourse were increasingly used in benefits identification in some organizations, although it was unclear whether this process was formal or the extent to which process outcomes fed into decision-making. We did not find methods to help align conflicts between stakeholders.

▪ Benefits management/ realization

- There was a clear emphasis on getting the project through approval. Emphasis on BRM tended to fade once funding was achieved, apart from occasional enthusiasm for benefits tracking.
- Most participants recognized changes in expectations of project benefits through the project from identification through to ex-post evaluation; however, there were no practices in place to capture that evolution.
- There was not a clear picture of how to balance delivery and benefits during execution.

Common reasons why the prescribed frameworks were not followed:

- Limited resources,
- Concerns regarding the extensiveness and quality of the frameworks,
- Lack of buy-in from senior management,
- Lack of awareness of the existence of the frameworks.

Common motivations behind the prescribed frameworks:

- Increasing emphasis on public scrutiny,
- The desire to connect project benefits with strategic objectives.

"We throw it [the BRM framework] over the wall once funding has been approved," said one Australian interviewee

- BRM and Risk Management methods are not generally integrated (except sometimes in the US and NSW); however, there was a strong interest and slow trend moving towards this way. The body of knowledge, e.g., implied that needed a mind-set change.
- We did not detect clear evidence suggesting that BRM is more or less relevant in different sectors.
- Many participants did not relate to agile methods, but those who did felt that BRM methods seemed well suited to agile projects.
- **Ex-post evaluation**
 - Long-term ex-post evaluations of projects were considered important but rarely done due to the nature of long-term public projects – and thus there was little learning regarding BRM best practice.
 - A definite answer on the appropriate time to assess longer-term benefits could not be found since it depends on the type of project and projects varied significantly.
 - Public reporting on the longer-term evaluation of benefits occurred but again varied between countries. They are usually only done for some specific projects.
 - Where ex-post evaluations were undertaken, participants recognized the particular problems and challenges of disentangling benefits between projects or from general economic trends.
 - All felt that capturing lessons learned was important, but practice varied across countries.
- **Quantification**
 - All participants confirmed the important role of benefits quantification methods in setting a baseline, attaining funding, and assessing changes to the benefits position during the project lifecycle. However, quantifying benefits appears to lack standardization.
 - The maturity and compulsion of quantification processes varied widely between different parts of government. Most participants felt that current systems were not sufficient and/or sophisticated enough to measure many different types of benefits.
 - There was a strong emphasis on quantifying benefits which are easy to measure or useful for showing strategic alignment in the project proposal. Most participants could not give evidence of a clear treatment for benefits which could not be quantified or were difficult to monetize.
 - We found that while all acknowledged the usefulness of ex-post evaluations to determine the effectiveness of various BRM approaches, few efforts were made to collect data on benefits and costs to use for future projects, although there was some evidence that this is possibly increasing.
- **Effectiveness of frameworks**
 - We found a mixed picture of the efficacy of the frameworks. Many barriers and enablers to the wider adoption and implementation of the frameworks being used were identified, and questions raised about how barriers could be overcome and enablers facilitated.
 - Common barriers include, e.g.,
 - lack of awareness
 - lack of senior management buy-in,
 - lack of Culture of doing BRM
 - lack of requirement for ex-post analysis
 - Common enablers are, e.g.,:
 - desire to maintain a database of best practice.
 - the culture of doing BRM,
 - senior level support
 - increasing stakeholder engagement
 - clear accountability

Conclusion and Further Work

This study has gone some way towards enhancing our understanding of the use of BRM frameworks in practice. The key strength of this study has been its opportunity to interview a cross-national group of people who have extensive knowledge and experience in managing major public investments in the countries studied. We observed a number of differences and degrees of applications of BRM between the selected governments.

As part of this work, we have also highlighted some questions in need of further investigation, and these are captured in Table 2.

Table 2 – Suggestions for future research

Frameworks	<p>The use of agile in BRM</p> <ul style="list-style-type: none"> • To what extent can Agile be seen as a better methodology in engaging stakeholders, especially those of complex transformation projects? • Does BRM fit more naturally with agile projects than with waterfall projects? • How can BRM guidelines be drawn up for agile projects?
Benefits Identification	<ul style="list-style-type: none"> • During the benefits identification stage, there might be two or more different “tribes” who have different business or economics interests. In that case, is there a potential risk of one “tribe” not taking information on board if it is from a different “tribe” so inhibiting “real stakeholder discourse”? • Can the new design of governance procedures help in the identification and continuous scrutiny of benefits’ definition and realization? • Are benefits used as a way of legitimizing the project but not for the broader social interest? • Discussion with stakeholders: What are the usefulness and problems of public consultation, and how can we carry out an effective stakeholder analysis? • Does gaming happen less/differently where the rules are more relaxed?
Benefits management	<ul style="list-style-type: none"> • Cost-benefit analysis <ul style="list-style-type: none"> ○ CBA can be seen as being all about getting permission to run a project rather than anything about benefits management. Can this behavior be equally regarded as gaming the system? If so, would it be sensible to conclude that if there is no real benefits discourse at the beginning of a project, there would not be ‘gaming’? Another possible area of future research would be to investigate different ways of deciding between options – e.g., Delphi. • Accountability: <ul style="list-style-type: none"> ○ What is the role of project funder, project owner, project sponsor, project manager, and benefits recipients/beneficiaries in managing outcomes/benefits, especially when there is a high turnover of project sponsor and manager throughout the lifecycle of a project? Who is the real beneficiary of a project? ○ What is the significance of clear benefits ownership in ensuring that benefits are equally focused throughout the project lifecycle – not only discussion of temporary/permanent split (procurer/supplier) but also within government (e.g., “throwing it over the wall” after funding has been approved)? ○ How can the principal-agent problem in benefits management be addressed? • Evolving benefits: <ul style="list-style-type: none"> ○ We do not seem to have practices in place to capture the evolution of changes in many categories of projects (e.g., Transformation projects – easier for

construction projects). How do we manage the “the world’s moved on” problem? Again, it is do-able, and excellent practice does exist. What differentiates the excellent from the others?

- How can we manage and capture evolving benefits in a complex environment such as transformation projects?
- **Risk Management:**
 - Should risk management and benefits management be integrated and why? How can we combine the two systems – this needs some sophisticated methods, particularly for complex projects? Do the different areas require different skill sets?
- **Outputs/outcomes/benefits:**
 - Do people plan the project in the first place to deliver outputs or outcomes?
 - Managing Outcomes versus Outputs – What is the distinction in accountability and what is its implication on benefits realization and management?
 - Where is the formal link between Benefits and Outcomes?
 - While does there generally seem not much emphasis on Benefits Management after approval? It is do-able, and excellent practice does exist: what differentiates the excellent from the others?
 - How do we get a culture shift from ‘extreme emphasis on output’ toward ‘focusing mainly on outcomes while continuingly responsible for outputs’?
 - Where is the appropriate balance between ‘extremely emphasizing output and disregarding outcomes’ and ‘extremely emphasizing outcome and disregarding outputs’?
 - Is the responsibility for outcomes shared between the parties (specifically the project manager and the sponsor) or only the responsibility of the sponsor?
 - In certain types of project, too much emphasis on delivery and not enough on benefits might be an indication of a lack of “change management.” Does it mean that the skills needed for BRM are those which are useful for “change management”?
- **Enablers to benefits realization:**
 - What are the enablers and barriers to benefits realization (given the initial indications in this research)?
 - How can we design a remuneration/ incentivization system that motivates the adoption of BRM frameworks? (I.e., how individuals are measured and rewarded?; how departments are measured and rewarded?)
 - How can we design an effective reporting system which allows benefits to be realised?
 - What are the roles of the media and public scrutiny in encouraging BRM practices?
- **Changes to the project environment:**
 - Are people good at monitoring changes to the project environment that might, for example, cause the final product to become obsolete earlier than expected or the transformation to not be relevant anymore?

**Ex-post
evaluation**

- Ex-post valuation has to deal with the challenge of distinguishing project-specific benefits from macroeconomic trends and other external, challenging to forecast social changes. What techniques should be used to improve the quality of project ex-post evaluation, taking account of 'external' trends?
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- In this study, we had almost no interviews with audit offices to get their view on ex-post evaluation practice. How can discussions with people from supreme audit institutions such as UK National Audit Office, U.S. Government Accountability Office, Office of the Auditor General of Canada, Australian Auditor-General, and similar provincial/state offices on ex-post evaluation help to develop better benefits realization?
 - To what extent can ex-post evaluations be used to determine the effectiveness of various approaches to BRM?
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Quantification

- What is the role of the culture factor in dealing with optimism bias? What is the difference between optimism biases as individual thinking vs. groupthink? How can we develop an “open culture” with no blame?
 - Do the present systems set up projects to fail (i.e., quantifying benefits that are just guesses) – but what does “fail” mean? When would be an appropriate time to establish expected benefits?
 - What is the implication of the principal-agency relationship in quantifying project benefits, or more specifically the ‘stewardship’ of projects and ‘stewardship management’?
 - What distinguishes those countries with best practice in quantifying benefits?
 - Why do few (if any) countries follow the UK in using RCF to add contingencies to estimates, and is this the most effective approach?
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Effectiveness of frameworks

- What are the barriers to the implementation of the BRM frameworks (following the start made in this study) and how can they be overcome? How do you overcome the “why bother”?
 - What are the enablers to the implementation of the BRM frameworks (following the start made in this study) and how can they be facilitated?
 - What is good practice, how did organizations get there and is it validated?
 - What is the link with contractual mechanisms (either formal, between organizations, such as alliance mechanisms, or implied, within an organization)?
 - What are the transaction costs of implementing BRM, are they worth the additional value they bring, and if so, how can project teams be convinced of this?
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References

Williams, T. et al. (2017). A cross-national comparison of benefits management practices – Phase 1. Report submitted to the Project Management Institute, Newtown Square, PA, November 2017; also deposited with Project X, Infrastructure & Projects Authority, London, UK.

Acknowledgement

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