

# **ANALYZING AND REALIZING PROJECT BENEFITS: KEY INSIGHTS AND RECOMMENDATIONS FROM AN ORGANIZATIONAL PERSPECTIVE**

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## **ABSTRACT**

There are multiple reasons why projects fail. This paper provides some background information on how project management has evolved over the years and how project success has transformed from simply meeting the triple constraint of scope, time, and cost goals to realizing business benefits. It addresses benefit realization management as a key factor for project success as it aligns with strategic goals of the organization. This paper also addresses the different components that organizations should focus on which are identifying benefits, analyzing benefits, executing benefits, sustaining benefits, utilizing benefits as a measure of success by implementing successful strategies/processes, and finally understanding the importance of benefit realization.

**Keywords:** Project management, organizational analysis, Project Management Institute (PMI), sustained benefits, challenged projects

## **INTRODUCTION**

Project management has evolved over many years. Even though project management as we know it today did not develop until the 1900s, it has been around since the construction of the Great Pyramid and the Great Wall of China. Project management principles of managing resources, maintaining schedules and coordinating different activities have remained the same throughout the history of project management (Collins, 2015). Some critical timelines in the history of project management include the publication of Frederic Taylor's "The Principle of Scientific Management" in 1911, Henry Gantt's development of the Gantt Chart in 1917 to monitor and manage projects, development of the critical path method (CPM) in 1957, and the US Navy's development of the Program Review Evaluation Technique (PERT) to discern risk (Westland, 2018). In today's world, the need for successful project management has become a necessity rather than a luxury.

A 2014 pulse survey by the Project Management Institute (PMI) showed that approximately 49% of organizations have the necessary resources needed to perform requirements management needed for a project. Additionally, only 24% report doing well on recognizing and developing skills needed for effective management of requirements (PMI's Pulse of the Profession, 2014). Not addressing these findings could hinder the project's ability to deliver project success. Team member availability and budget sufficiency are also crucial aspects of a successful project. If team members are assigned to multiple projects, they are either not available to provide input consistently or they are not committed fully like the other team members (Serrador, Gemino, and Reich, 2018). Similarly, if there is a budget constraint,

successful delivery of the project may be impacted since during the course of the project extra budget may be needed due to unforeseen circumstances such as technology failure, and new feature implementation.

Employee training is particularly important in project management as it is in other fields. In addition to top management fully valuing the competencies required for project initiatives, they also need to grant the project manager the authority needed to complete the project, manage resources such as money, manpower and raw materials as well as support them in the event that unforeseen circumstances arise (Serrador, Geminor, and Reich, 2018).

Research has been conducted to determine how organizations identify, execute and sustain benefits. At the project level, there are some gaps in benefit analysis and project success. Benefit realization is identifying, planning, and actual realization of the benefits of a business improvement project. It is necessary because the majority of projects fail as a result of benefits not being fully realized. Projects fail due to many reasons that can directly be attributed to benefit realization. These include: 1) Failure to clearly express business benefits that is understandable, 2) Not defining specific benefits, and 3) Not having a structure in place for benefits realization (“Benefits Realisation - A Hugely Valuable Process”, n.d.).

## **Identifying Benefits**

Benefits realization management (BRM) should begin with identifying benefits and be included in the organization’s business case. PMI Thought Leadership Series (2016) states benefits identification is about practices being performed at the beginning of a project to help determine intended business results. Organizations will experience better results when benefits are identified. PMI also states that the intended business results are criteria to be used to determine the best project and program investment. Benefits should align with the organization’s business strategy and be accurately defined and outlined in the business case to effectively measure and forecast delivery. Identified benefits are both tangible and intangible and benefits identification will help draw a clear distinction between the two. Utilizing a benefits register, benefits realization roadmap, and benefits breakdown structure will help with documenting and communicating with stakeholders.

Sera and Kunc (2015) conclude BRM alone isn’t sufficient to result in project success. It should also include other project management practices. Organizations will experience even better results when using mature project management practices to address benefits identification. Understanding the relationship between project management practices and the benefits identification process will help strengthen the conversation between senior executives and project managers, promoting dual ownership of identifying metrics, key performance indicators, and benefits to be delivered.

Considering benefits identification and project management practices, various techniques can be applied to develop a strategic plan for an organization, such as SWOT analysis and mind mapping. A mind map of a SWOT analysis is helpful to identify potential projects and ensure that projects are tied to the organization’s strategic plan. An organization can also follow a detailed four-stage planning process: 1) strategic planning, 2) business area analysis, 3) project planning, and 4) resource allocation (Schwalbe, 2015). Many projects can be identified as part of an organization’s strategic plan including projects for day-to-day operations. Senior managers will need methods to narrow down projects due to resource and time constraints.

## **Analyzing Benefits**

Once benefits have been identified, you will need to ensure that there are processes and procedures in place to analyze the benefits of a project before, during, and after completion. Doing this ensures that the required benefits are delivered and enacted into everyday business operations. With goals-based evaluations, there are predefined goals or objectives that need to be checked to determine if they are being met and to what extent. For this kind of measurement, you will want to consider: 1) the person/group that established the program's goals and objectives, 2) whether a change is needed to achieve these goals and objectives, 3) whether the change needs to be at the program or the expectation level, 4) assess if there is a gap amongst stakeholders between actual and perceived goal delivery levels, and 5) whether new goals have been identified as the project progresses (Schibi, 2012).

If an organization is looking to check the sustained benefits, the outcomes and benefits evaluation would be the best fit. This evaluation checks to see if benefits are realized beyond the delivery of goals. It helps the organization determine if true value is being delivered, not just the desired results, to the customer. Recommendations to follow are: 1) review outcomes and benefits as defined for the program, 2) define the outcomes and benefits to examine, 3) evaluate from a value perspective as to what is getting done and why it is getting done, 4) perform a cost-benefit analysis to evaluate the justification of benefits, and 5) perform a cost-benefit analysis for the sustainment of benefits (Schibi, 2012).

## **Executing Benefits**

Executing benefits is the next step in benefit realization management. It looks at practices that enable organizations to deliver the expected benefits (PMI Thought Leadership Series, 2016). According to PMI Thought Leadership Series in Benefit Realization Management Framework, some questions to answer include: 1) do stakeholders understand the expected benefits?, 2) does the project team understand how the project is contributing to business benefits?, 3) is project progress being continually reviewed?, 4) are benefits being modified to match the change in the business environment?, 5) how are we closing gaps between expected benefits and actual benefits?, 6) how do we identify new business opportunities?, 7) should the project be continued if unexpected changes occur that may impede benefit realization?, and 8) are the benefit owners responsible, accountable, and evaluated for achieving benefit targets? These are important questions to consider since it will help execute benefits fully.

Good practices include preparing and realizing both intended and unintended benefits by ensuring the project or program aligns with the strategic objectives, risk evaluation, and key performance indicators related to financials, compliance, quality, safety, and stakeholder satisfaction, as they might impact the delivery of benefits. Project progress needs to be frequently documented for stakeholder review to ensure alignment with identified benefit realization goals. Project progress also needs to be delivered frequently to key stakeholders as outlined in the communication plan, thereby ensuring key stakeholders have reviewed and understand identified benefit realization goals (PMI Thought Leadership Series, 2016).

## **Sustaining Benefits**

Sustaining benefits looks at practices that enable organizations to sustain benefits and achieve strategic objectives (PMI Thought Leadership Series, 2016). Questions to answer in this section include: 1) assessing whether tangible, intangible, short-term, and long-term benefits have been optimized, 2) ensuring that benefits have been approved by key stakeholders, including senior executives, 3) ensuring

that business leaders are responsible for project outcomes and capabilities, 4) ensuring benefits are being measured and validated against business sustainment plans, 5) ensuring actual benefits are being realized within the established timeframe, 6) ensuring lessons learned are captured and communicated, and 7) assessing whether unanticipated benefits have been captured and realized for the future (PMI Thought Leadership Series, 2016).

Good practices include delivering continuous value from project outcomes by making necessary operational, financial, and behavioral changes to achieve benefit performance, implementing the required change and taking appropriate action, performing a benefits assessment, facilitating continuous improvement through ongoing knowledge sharing such as lessons learned, sharing pertinent information about how the deliverables are contributing to business success, responding to customer feedback, and comparing actual benefits results against targets and adjusting for variances (PMI Thought Leadership Series, 2016).

### **Utilizing Benefits as a Key to Success**

Scope, time, and cost are still essential to a project's success and can be considered a good starting point for basic project management. However, in this day of complex projects, project delivery with scope, time and cost should include benefits realization as a marker for success. Shenhar and Dvir (2007) define new success criteria that involve the following five metrics: 1) project efficiency (meeting time and budget goals), 2) impact on the customer (achieving customer satisfaction, benefits, and loyalty), 3) impact on the team (satisfaction, retention, and personal growth), 4) business results (return on investment, market share, and growth), and 5) preparation for the future (new technologies, new markets, and new capabilities). Since there are different types of projects, the authors also help identify and classify projects through a diamond shaped framework that has four dimensions. These dimensions include novelty (the uncertainty of the project's goal and/or market), technology (the level of technological uncertainty), complexity, and pace (the urgency of the project).

Benefits should be measured by customer satisfaction and stakeholder benefits as well as by achieving strategic objectives for business success (Serra and Kunc, 2015). A good business strategy delivers stakeholder value through improvements in internal changes. These improvements are called benefits and they add value to the business. Successful projects often deliver the expected benefits as outlined in the project management plan since it aligns with the organization's strategic goals.

### **Benefits Realization**

Project benefit realization is tied to organizational success. Project benefits are 'the flows of value that arise from a project' (Chih and Zwikael, 2015). Realized benefits should be targeted and set before initiating a project. Project target benefits should be formulated and appraised to ensure successful benefit realization (Chih and Zwikael, 2015). Four steps have been identified by the UK Government for project target benefit formulation. These are identifying the benefits, selecting objective measures that consistently prove the benefits, collecting the baseline measure, and deciding how, when, and by whom, the benefit measures will be collected. Although these steps are outlined, there are no details provided as to how to execute them or assess their effectiveness.

Cross-functional collaboration is important since many projects are multifaceted and cover multiple areas. Benchmarking approach can be beneficial since you can compare the project's target benefits with other

projects that are similar. This can be done both internally and externally (i.e. compare a given project's target benefits with other similar projects within the organization as well as other organizations).

Another proposition in relation to appraisal was based on organizational strategic goals, target value, target date, accountability, realistic, measurable, and comprehensive. For effective appraisal, prior to project implementation, benefits should align with organizational strategic goals. Target values should be associated with these benefits (e.g. customer satisfaction) that measures outcomes. Target dates should be set to continually monitor and track benefit realization. Target benefits should be realistic and measurable. There should be realistic expectations given the time and budget constraints. It should also be measurable in the sense that the measures chosen for target benefits must allow future assessment of benefit realization (Chih and Zwaikel, 2015).

According to Hemlock (2018), there are three things managers can do to realize project benefits. These include spending time with the team and asking thoughtful questions, focusing on outcome rather than process or documentation to build trust and credibility with the team, and calmly helping the team focus on one or two challenges at a time and expressing gratitude. Understanding these three issues and executing them can help achieve project management success.

## **IMPLICATIONS FOR RESEARCH**

### **Contributions to the Body of Knowledge**

There are many articles regarding benefits realization management and how it is important for project success. Our paper provides a comprehensive literature review on why organizations struggle to realize project benefits. It identifies the different steps in benefits realization management and how organizations can utilize benefits for project success.

### **Limitations of Current Study**

Our study focuses on all the steps needed to realize benefits and how that can contribute to project success. Our literature review mainly consists of articles regarding benefit realization management and identifies the steps involved in this process. However, we didn't include articles that address how following these steps will lead to organizational success. In the future, we need to include literature that has shown success at specific organizations that identified good practices for benefit realization management.

### **Directions for Future Research**

Although there are articles regarding benefits realization management and why it is important, there is a lack of literature that provides comprehensive knowledge regarding how organizations can capitalize on benefits and thus have successful projects. In this paper, we provide a summary of literature review regarding various aspects of benefits realization management for project success. However, future research warrants applying these principles and conducting a research study to see how successful organizations are that follow these principles. It would be beneficial for organizations to see evidence-based results based on controlled studies to realize what strategies they need to implement to realize benefits and thus have project success.

## **IMPLICATIONS FOR MANAGEMENT**

### **Key Takeaways for Managers**

Many project managers either incorrectly perform benefits realization steps or neglect to do them at all. This is usually due to having other organizational priorities, no long term vision, constraints (money, time, resources), or not being able to properly evaluate a program for benefits. It is important to understand that realizing benefits is not only important to help determine if a project was successful and valuable to the business but also helps meet a company's overall strategic objectives. Managers need to properly train and provide resources to help their project managers fully understand and document the benefits of completing a project. It would also be beneficial for managers and executives to be familiar with benefits realization management as well.

### **Lessons Learned for Managers**

The techniques described in this paper help managers and project managers determine which benefit measurement best fits their projects and organization's overall goals. Having a plan on how to realize benefits before a project/program starts will help the team sustain the benefits as well. Although there are financial calculations and templates that could be used, they sometimes miss the mark in realizing benefits that cannot be accounted for using those measures. Projects and programs will go through many changes but it is important to maintain the focus and ensure the benefits that have the most value are realized. It should also be noted that having a benefits focused business case will help drive a project/program around benefits realization.

### **Memo to the CEO/Board of Directors**

The memo to the CEO/Board of Directors needs to address the following: Literature review has shown that project success is not only defined by the triple constraint goal of scope, time, and cost but also by benefits realization management which includes identifying, analyzing, sustaining, executing, and finally realizing benefits. Benefits need to be identified prior to the start of a project and need to be aligned with organizational strategic goals. This will determine project success and justify costs. It is also pertinent to provide the project manager with adequate resources such as staffing and money in addition to providing adequate training required to complete the project.

## **CONCLUSION**

Project management is becoming increasingly important for an organization's success. Traditional output-focused project has limitations and may not be effective if project benefit realization is neglected. There are many reasons that a project fails but identifying benefits, analyzing benefits, executing and sustaining benefits, and benefits realization can improve project management success rate. In addition, thoroughly evaluating projects to see whether they align with strategic goals, and providing continual feedback against progress towards strategic goals through measures in the benefits realization plan can also help make a successful project.

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