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BENEFITS REALIZATION MANAGEMENT

BCG

THE BOSTON CONSULTING GROUP



ABOUT THE REPORTS

Throughout 2016 we have been studying, analyzing, and reporting on all aspects of BRM. Our research on benefits realization management includes:



Pulse of the Profession® In-Depth Reports

The Strategic Impact of Projects: Identify benefits to drive business results

Delivering Value: Focus on benefits during project execution

Beyond the Project: Sustain benefits to optimize business value



Thought Leadership Series

Strengthening benefits awareness in the C-suite
Written by The Economist Intelligence Unit (EIU)

Connecting business strategy and project management
Developed in collaboration with The Boston Consulting Group (BCG)

Establishing benefits ownership and accountability

Benefits realization management framework

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Sharing the responsibility for benefits

All strategic change in an organization happens through project and program management. And organizations leave that strategy to chance if they do not focus on benefits realization.

Executives must take charge and ensure that benefits are identified, monitored, and sustained for each and every project in their portfolio. Yet our research shows that only three-quarters of organizations identify expected benefits before the start of a project, and only half have any idea whether or not their projects are delivering those identified business benefits.

This is unacceptable in today's business environment. It wastes money and time, and distracts from an organization's ability to be agile, flexible, and make quick decisions to maintain competitive advantage.

To understand what is behind this organizational lack of discipline, PMI devoted its 2016 research to investigating the challenge of benefits realization management (BRM). As we progressed through our yearlong research, we identified three main challenges with BRM:

Interest is high but few are doing it well.

Confusion exists around roles and responsibilities.

Answers are not clear and concise.

We discovered very quickly that everyone is interested in benefits realization but few organizations are doing it well. There is confusion within organizations about who is responsible for benefits identification, monitoring, and sustainment. And there is no one path to benefits realization maturity that will work in every organization.

Executives, you can't simply wish that one project or your portfolio as a whole will deliver the benefits you expect. It's hard work that requires discipline and attention, a consistent approach, and the right people with the right skills and capabilities.

Read on, and let's do great things together!

A handwritten signature in blue ink that reads "Mark A. Langley".

Mark A. Langley
PMI President and CEO

Connecting business strategy and project management

BENEFITS REALIZATION MANAGEMENT

EXECUTIVE SUMMARY

In a business environment characterized by rapid change and increasing complexity, companies struggle to implement the strategies they need to generate and sustain a competitive advantage.

A key challenge is that many companies manage projects, programs, and portfolios based on traditional, measurable outputs—such as time, scope, and budget—without consistently tracking whether they help the company achieve its larger strategic goals and adjusting them appropriately. The result is a clear gap between strategy and project management.

Benefits realization management (BRM) is a powerful approach to help close that gap, by aligning projects, programs, and portfolios to the company's overarching strategy. BRM delivers measurable benefits: According to a survey conducted by the Project Management Institute (PMI), companies that report having mature BRM capabilities in place are 1.6 times more likely to realize project objectives and 3 times more likely to meet or exceed their target ROI on individual projects.¹

Improving the maturity of BRM processes requires focusing on several priorities:

- **Managing the portfolio of projects**
based on real strategic outcomes—and, specifically, value creation for the organization.
- **Creating dedicated space for dialogue**
among C-suite executives, business owners, and project managers right from the start of each project, to secure alignment, assess projects, and course-correct as needed.
- **Establishing the right conditions for success**
including setting expectations regarding required behaviors, having the right project managers in place, and senior-level sponsorship.

BRM is a continuous journey, in which companies learn by doing and improve their performance over time. Accordingly, rather than attempting a one-time, drastic overhaul in how companies approach strategy and project management, we believe they can generate significant benefits through incremental steps in BRM, launching quick-win measures to build up experience rapidly.

CHARTING STRATEGIC DECISIONS

Sustaining competitive advantage has never been harder, and the stakes have never been higher. Every C-suite leader has experienced the accelerated pace of change and increased complexity in business over the past several years. A Boston Consulting Group (BCG) study analyzed more than 30,000 U.S. public companies over the past five decades and found that turnover is faster than ever.

Public companies currently have a one-in-three chance of being delisted in the next five years, which is six times the rate that companies experienced 40 years ago.²

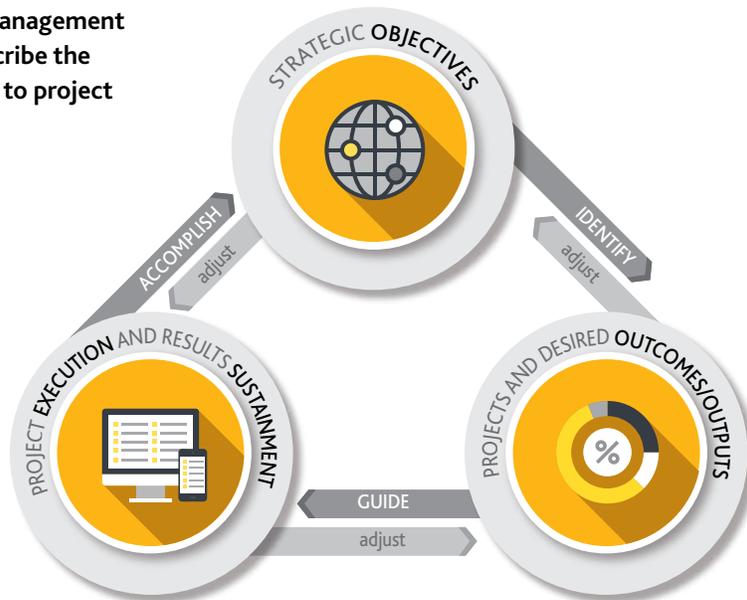
Management teams today must make big-picture, strategic decisions that chart a company's course amid great uncertainty. Companies frequently have many projects underway at any given time; these projects are more complex, interdependent, and based on less-reliable assumptions than in the past. As a result, companies need to be more disciplined and adaptable in how they implement and oversee these projects to ensure strategic objectives are met.

Despite herculean efforts, however, most companies struggle to realize the full potential of their strategies. Typically, and driven by complexity, 50 to 75 percent³ of large-scale change efforts fall short of expectations. The principal problem is that, in many cases, companies focus on executing individual projects and judge their performance based on traditional output-driven metrics such as time, scope, and budget. What gets lost in this approach is a clear perspective on whether the projects, individually or collectively, are truly helping the company achieve its ultimate strategic objectives.

BRM helps maximize project, program, and portfolio value by incorporating and articulating accountabilities across stakeholders to identify, execute, and sustain strategic outcomes (see Figure 1). BRM—known by a variety of names, such as value management and benefits management—supports information flow and an effective dialogue among all key stakeholders (C-suite executives, business owners, and project managers).

Based on our research, it also leads to a better ROI on project, program, and portfolio investments. Through consistent focus on value creation across the project portfolio and proactive strategic dialogue, companies can make the right project management trade-offs (such as changes in scope, project personnel, priorities, time line)—on the ground—to achieve desired business outcomes.

Figure 1: Benefits realization management (BRM) is one term used to describe the systematic linkage of strategy to project management



OUTCOMES VERSUS OUTPUTS

A business **outcome** is defined here as the value, benefit, or utility created as a result of the successful completion of a project, or set of projects, which changes the business in a meaningful way.

In contrast, an **output** is defined as the target result when a project is concluded. This could be the development of a new product, the construction of a new facility, or an IT conversion.

The combination of outputs and outcomes of a project, or set of projects, enable and deliver business benefits.

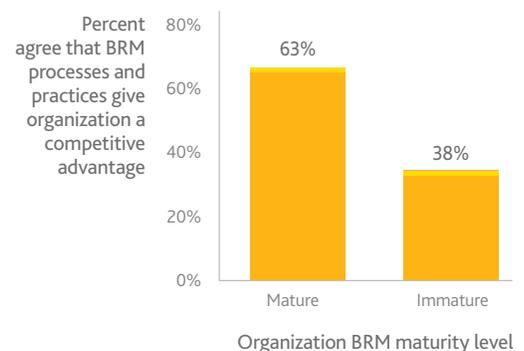
THE VALUE OF BRM

BRM has real value. Based on analysis from PMI, The Economist Intelligence Unit (EIU), and BCG, companies that have mature BRM practices in place are 1.6 times more likely to realize project objectives and 3 times more likely to meet or exceed their target ROI on individual projects.⁴

While it is not a new concept in theory—93 percent⁵ say they have some version of BRM in place, either formal or informal—implementation is low. Only 17 percent report applying it consistently.⁶ Value comes from applying the principles of BRM with real commitment, including at the leadership level.

In addition, our experience shows that companies that have made progress with BRM do not expect perfection. Instead, they are willing to jump in, live with imperfect processes, and start taking pragmatic steps to get better. Because the pace of business moves so fast, there is no time to waste. Companies that begin closing the gap between strategy and project management give themselves a source of competitive advantage that pays larger dividends over time. Indeed, based on respondents to *Strengthening benefits awareness in the C-suite*, 63 percent of organizations with mature BRM practices report that BRM gives them a competitive advantage (see Figure 2).

Figure 2: Organization BRM maturity level



Closing the gap

Given the importance of BRM, companies need a deliberate approach for how they implement it. Three aspects are critical:

1. Managing the portfolio of projects based on real strategic outcomes—specifically value creation for the organization.

All too frequently, organizations assess projects based on traditional outputs, such as time, scope, and budget. Applying these metrics, projects that come in on time and under budget are counted as “wins,” but in reality may no longer be connected to the organization’s strategy. Changing this requires thinking about project management—and gauging success—in a different way, which is often not easy to do.

For example, consider a project that creates a new sales tool for account managers to improve market share. Assuming the tool is completed on time, within budget, and against its original requirements, it would be considered a success. Yet it doesn’t truly affect performance unless the sales force uses it and the company’s market share improves.

BRM requires a clear articulation between strategy and the portfolio of projects underway. Companies need to develop the discipline to define, manage, and track progress against KPIs that are explicitly tied to strategic outcomes—and they also need the discipline to stop projects that aren't leading to strategic improvements. While less than half of organizations identify desired outcomes or define metrics prior to project start, those that do are 1.5 times more likely to report realizing those outcomes.⁷

Some may think that developing KPIs adds a layer of bureaucracy, yet BRM requires only a minimally sufficient set of metrics (typically one to three) that focus on lead indicators of project performance, risks and interdependencies, and value delivery. These metrics—along with regular updates (typically once every two to four weeks)—link individual projects back to strategy and create transparency.



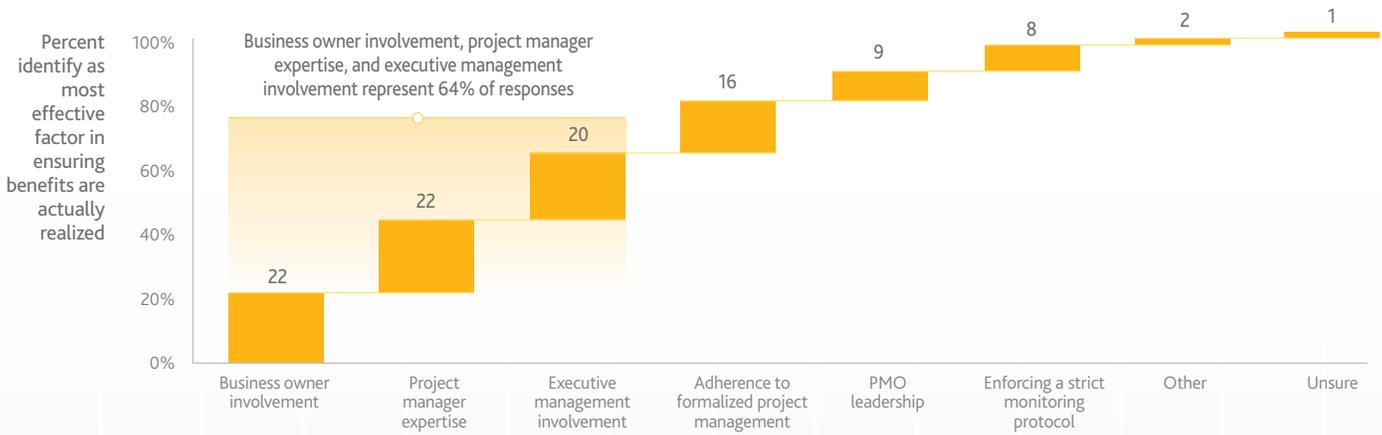
Only 38% of project managers are accountable for identifying project benefits; **just 27%** of them have responsibility for strategic alignment of those identified benefits

2. Creating dedicated space for meaningful dialogue among C-suite executives, business owners, and project managers.

Beyond linking projects to strategy, BRM requires a second aspect: active engagement and shared responsibility among C-suite executives who set and approve strategy, business owners who translate the strategy into projects with targeted outcomes for their area of the business, and project managers who manage the execution of projects to realize those outcomes. (See accompanying report: *Establishing benefits ownership and accountability*.) The data show that engagement from these three key stakeholder groups is the top factor for ensuring benefits realization (see Figure 3). In many organizations, ensuring shared responsibility across these groups to meet strategic business outcomes is a clear opportunity.⁹

4 out of 10 organizations indicate that a functional area VP or director is accountable for ensuring that the identified project benefits are aligned with strategic goals of the organization⁸

Figure 3: Most-effective factors for ensuring benefits realization



Ongoing dialogue among the three stakeholder groups is critical during project execution. Transparency on how well projects are helping to achieve strategic outcomes creates space for dialogue and gives senior leaders the information and insight they need to have broader strategic discussions early on and on a continuous basis, allowing them to make course corrections when needed. The data makes clear that such transparency and dialogue separate top performers from the pack.

Among organizations with mature BRM practices, 68 percent say that there is very good communication between the C-suite and project managers regarding benefits realization, compared to just 11 percent for low-maturity BRM organizations.¹⁰ In fact, more effective communications can occur across all levels through the use of BRM. The improved transparency ensures that everyone is on the same page regarding the current portfolio, creating greater buy-in and understanding across the organization. This kind of communication becomes self-reinforcing over time. With a determination to “stay the course” in implementing BRM, companies can build an explicit link between strategy and project management and ensure it becomes a hardwired aspect of how the company operates.

3. Setting the right conditions for success, including establishing expectations regarding required behaviors, having the right project managers in place, and securing senior-level sponsorship.

Organizations need to put the right conditions in place to improve BRM maturity. One of these conditions is an explicit understanding of required behaviors. These behaviors include frequent assessment and realignment of projects to meet strategic outcomes, a high level of accountability for project progress, quick decision making characterized by solid problem solving and the ability to prioritize solutions, and raising issues early.

Conversely, there are some behaviors that can prevent the successful adoption of BRM. When senior leaders “shoot the messenger,” project teams become reluctant to raise issues, and when people are “addicted to green”—meaning they focus intently on projects staying on track so they can be reported as green—there is a risk of “status watermelon” (i.e., green status reported externally when actual red status is kept internally within the project team). Ultimately, having an awareness of the behaviors needed to improve BRM is an enabler for the C-suite, business owners, and project managers to encourage them.

Another condition is to ensure project managers have the right skills in place to effectively do the job. According to PMI research, when organizations focus on developing the critical project management skill set—technical, leadership, and strategic and business management—40 percent more projects meet goals and original business intent.¹¹

Strengthening project manager capabilities can be done in a number of ways, one of which is through talent management programs that are directly aligned with the organization’s strategy. These programs require an investment, but there is a clear ROI, in the form of higher project success rates and fewer project dollars at risk.¹²

Another option is to selectively hire project managers who already have relevant expertise in a particular area, which may only be an option for complex and high-priority programs where having domain knowledge—in addition to project management knowledge—is an essential prerequisite.



BRM helps create the visibility and insight to serve as a compass that points to “true north” regarding the company’s strategy. BRM highlights deviations between project objectives, outcomes, and strategy. It gives leaders the opportunity to course-correct where small changes can make a big difference.

Either way, the challenge for leaders is to consistently ensure that they have the right project managers in place to execute their specific portfolio of projects and achieve strategic goals.

A final, extremely important condition is sponsorship by senior executives. These leaders are on the hook to help their organizations manage change and they are a vital component of ensuring project success. The demands on them are high: They need visibility and insight into how the organization’s projects are progressing and how they add up to the overall

Approximately **80%** of mature BRM organizations say that the C-suite receives useful information in a timely manner regarding project and portfolio governance, mid-course project changes, project termination, and post-project assessment, compared to approximately **40%** of immature organizations.

business objectives and outcomes, yet they have a smaller window of time in which to understand and counterbalance emerging problems. In BCG’s experience, leaders often struggle to get the information they need to take action across the portfolio of projects to ensure that the company is progressing toward its strategic objectives.

With the right insight, senior leaders can provide a big-picture perspective and guidance for the organization and help pivot both individual projects and the overall portfolio to better capture value. BRM helps create this visibility and insight, serving as a compass that points to “true north” regarding the company’s strategy, highlighting deviations between project objectives and outcomes and that strategy, and giving leaders the opportunity to course-correct at a point where small changes can still make a big difference. That ensures that senior leaders can take decisive action to support those projects that most directly link to strategy.

Approximately 80 percent of mature BRM organizations say that the C-suite receives useful information in a timely manner regarding project and portfolio governance, mid-course project changes, project termination, and post-project assessment, compared to approximately 40 percent of immature organizations.¹³ More broadly, leaders can support BRM by reinforcing accountabilities throughout the project and serving as a role model for the right behaviors.

THE IMPORTANCE OF SPONSORSHIP

PMI research and BCG experience consistently show that an actively engaged executive sponsor is one of the most important factors in project success. Yet top-quality sponsors are a finite resource, and many organizations do not fully recognize the importance of supporting and developing people in that role. A 2014 *Pulse of the Profession*® in-depth report uncovered three primary factors that can limit effective executive sponsorship:

- 1. Overextension:** Some sponsors are spread across too many projects—in addition to their regular jobs—which leads to suboptimal engagement.
- 2. Communication:** Insufficient (or nonexistent) communication to and from the executive sponsor makes it challenging to align projects to business strategy.
- 3. Development:** Most organizations do not invest in the formal development of executive sponsors to build critical skills. Those skills include the ability to influence and work among different stakeholder groups, decision making, leadership, and communication.

Source: PMI, *Pulse of the Profession*® In-Depth Report: Executive Sponsor Engagement—Top Driver of Project and Program Success, 2014.



ACTION PLAN

Improving an organization’s level of BRM maturity is a continuous process, and companies often fall short because they don’t commit to making fundamental changes in how they work. Rather than trying to drastically overhaul the entire project and program management process in one step, companies should use a pilot-test approach to BRM and start making incremental changes. In this way, they can build up institutional expertise, better understand the benefits of BRM, and build from there.

Specific measures fall into two categories: quick wins and medium- to longer-term actions.

QUICK BRM WINS:

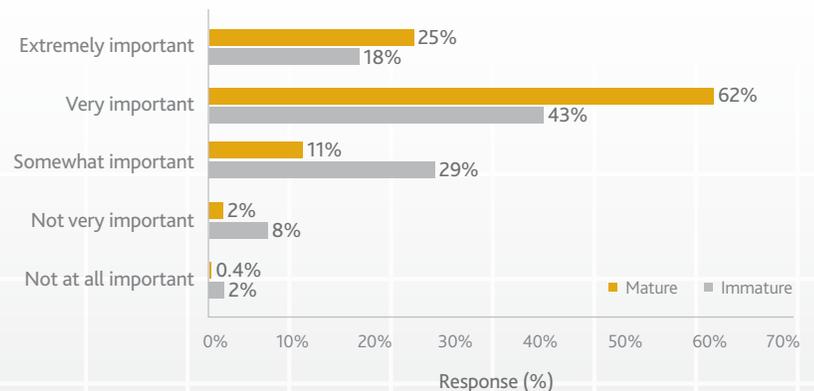
■ SELECT THE RIGHT PROJECTS.

The 80/20 rule of project management firmly applies: 20 percent of projects usually account for 80 percent of the value. Identifying and prioritizing these projects through the lens of BRM can cement quick wins and serve as a proof of concept that builds momentum for BRM in the C-suite.

■ INVOLVE PROJECT MANAGERS THROUGHOUT THE PROJECT PHASES AND INVEST IN STRENGTHENING THEIR CAPABILITIES.

BRM success will entail giving greater responsibility to project managers as early as possible so that they can align with business owners and execute on the project. Project managers’ continued involvement in sustaining results of the project can help ensure that strategic outcomes are maintained. Additionally, organizations can invest to ensure their project managers have the appropriate combination of technical, leadership, and strategic and business management skills for successful BRM. As Figure 4 shows, companies with mature BRM are more likely to place a higher value on investing resources to improve their BRM capability.¹⁴ PMI research also shows that those who invest in BRM waste significantly less money due to poor performance.¹⁵

Figure 4: Importance of investing resources to increase BRM maturity



■ ARTICULATE AND ENCOURAGE THE RIGHT BEHAVIORS.

Many companies believe that they need to start with a software upgrade, or a shift in project management approaches (e.g., from waterfall to agile)—but behavior is almost always the bigger priority. Actions include emphasizing quick decisions, frequent realignment against strategic priorities, rewarding the raising of issues early, and avoiding “shooting the messenger.”

■ BE RELENTLESS ABOUT MATCHING THE RIGHT PROJECT MANAGEMENT SKILLS FOR THE PROJECT, PARTICULARLY FOR COMPLEX PROJECTS.

More than ever, project managers need to understand strategic outcomes and have the content expertise needed to make the right trade-offs at the project level on a day-to-day basis.

MEDIUM- TO LONG-TERM ACTIONS:

■ DEVELOP APPROACHES THAT HARDWIRE THE LINK BETWEEN STRATEGY AND PROJECTS.

Implement processes that facilitate the identification of strategic outcomes in advance, assess progress against those outcomes during execution, and ensure those outcomes are sustained after projects end. Utilize early warning systems to proactively highlight problems and foster agility in allowing senior leaders to course-correct. Provide a clear distinction between output and outcome KPIs to help project managers understand the big picture; this distinction may not be perfect, but it will foster the needed strategic dialogue. Commit to sustaining outcomes after projects conclude—companies that do so are more likely to meet ROI aspirations for projects.¹⁶

■ LINK C-SUITE, BUSINESS OWNER, AND PROJECT MANAGER INCENTIVES TO OUTCOMES IN ADDITION TO OUTPUTS.

This requires critically assessing existing KPIs (such as meeting specific time line milestones, staying with project budgets, and similar output metrics) and updating them to include the link to strategic outcomes (such as improved customer satisfaction, faster time to market, or better financial performance).

■ FORMALIZE APPRENTICESHIP AND ON-THE-JOB TRAINING TO DEVELOP NEEDED ORGANIZATIONAL SKILLS FOR BRM.

Strengthen decision-making capabilities; communication across businesses, functions and levels, and core strategy; and project management skills across C-suite executives, business owners, and project managers. Building these capabilities requires ongoing apprenticeship—not just one-off training programs—as well as providing stakeholders with the content expertise they need to manage complex projects.

CONCLUSION

Companies can be good at developing strategy and be good at project management, but until they link the two, they will consistently fall short of their goals. Those with mature BRM practices consistently and explicitly align individual project outcomes to larger strategic objectives.

They also foster meaningful dialogue among C-suite executives, business owners, and project managers and set the right conditions for success—being explicit about required behaviors, sponsoring projects effectively, and developing the right set of organizational skills. The research is clear—by improving BRM capabilities, companies can position themselves to better execute their strategy and win in a tough business environment.

However, the path to embedding BRM as part of the organizational culture can be daunting, as it represents a fundamental shift in mind-set and approach to managing projects. A key takeaway is that progress does not require a one-time, drastic overhaul of an organization's strategy and project management process; rather, companies need to adapt their existing approach and take small and pragmatic steps to get better at BRM.

**Improving BRM capabilities =
better-positioned to execute strategy + winning in a tough business environment**

= BRM

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- ¹⁵ US\$112 million less for every US\$1 billion invested in projects and programs. Source: PMI, *Pulse of the Profession*[®]: *Beyond the Project: Sustain benefits to optimize business value* (Newtown Square: Project Management Institute, 2016).
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Shared responsibility for benefits is an integral part of the conversation. We need to create the connectivity—align projects to strategic intent, define appropriate measures of success, and enable effective dialogue between project managers and executives.

We also need to carry out the tactics—build accountability in the leadership team, establish clear roles and responsibilities, and create processes and tools to track the effect of dialogue.



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