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Benefits Management: the role of the PMO

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Tuesday 22nd June 2021

Context for the debate

We contend that **benefits realisation**, and the **management** thereof, are being seriously impacted by:

- Structural impact that **Covid** is having on client business models
- Significant **squeeze** of Treasury **funds** for those projects funded by the taxpayer
- **Digital transformation**: business models changing at pace
- The impact of **ESG** on project business cases: what does Building Back Better mean for those projects already underway and those under development

However, was it better prior to these issues and, going forward, should the PMO continue to be responsible for this function?

> *What the review has underlined for me is that many of these projects are failing on another, even more serious, count to: they are **NOT** delivering their intended outcomes for the owner or for society…Andrew McNaughton March 2020 – Review as to why so many projects run over time and budget*

Key definitions

- **What is meant by cost benefit analysis?** A cost-benefit analysis **(CBA)** is the process used to measure the benefits of a decision or taking action minus the costs associated with taking that action. A **CBA** involves measurable financial metrics such as revenue earned or costs saved as a result of the decision to pursue a project

- **Why is CBA important?** Performing cost benefit analysis allows companies to measure the benefits of a decision (benefits of taking action minus the costs associated with taking that action). It involves measurable financial metrics such as revenue earned, and costs saved as a result of the decision to pursue a project

Key definitions

- **Why is a cost-benefit ratio important?** A cost-benefit ratio (**CBR**) is an indicator showing the relationship between the relative costs and benefits of a proposed project, expressed in monetary or qualitative terms. If a project has a **CBR** greater than 1.0, the project is expected to deliver a positive net present value to a firm and its investors

- **What are the key elements of a cost benefit analysis?** The following factors must be addressed: Activities and Resources, Cost Categories, Personnel Costs, Direct and Indirect Costs (Overhead), Depreciation, and Annual Costs. Benefits are the services, capabilities, and qualities of each alternative system, and can be viewed as the return from an investment

Key issues:

- Our old friend **Optimism Bias**: stakeholders are overly optimistic about benefits at the outset: sometimes politically driven and where solutions may have been decided before the right outcomes and benefits have been identified

- Benefits mapping is a **"lost art"** and is an undervalued activity (a visualisation as to how scope links to outputs into outcomes into benefits)

- The **impact of change** is not always assessed against the impact on outcomes and benefits

Key issues:

- Value engineering is generally used to **reduce build cost** “today” and does not address WLV / WLC considerations
- **Emerging ESG** drivers are not being linked to benefits fast enough: a rapidly changing environment at present!
- Far too little or late address of **“disbenefits”**: the poor cousin!
- **Emphasis** on those benefits that can be easily tracked and given a CBR v those that are non-financial but equally if not more important strategically (think wider benefits such as levelling up agenda with HS2 and UK fitness uplift from London2012 legacy)

Key issues:

- **Excellent guidance and Lessons Learned** exist but we don't read it or apply it effectively (see IPA Guide for Effective Benefits Management in Major Projects)
- **SROs** are not always competent in benefits management wrt their "benefits accountability" function and also SROs change through the project lifecycle, invariably with poor handovers
- We focus on Risk Registers but we don't do the same with **Benefit Registers**

Arguments for and against

For	Against
Benefits management process is all about **data, data integrity and timeliness**: *PMO is best placed to be the custodian on behalf of the client / SRO / Programme Board – but not the accountable function*	**Non-financial measures (typically non-financial, strategic benefits: qualitative and quantitative) are material and generally outside the control** of the programme, *so not within PMO's gift to manage (report on or track)*
Stakeholders (incl funders, builders, operators) require **regular updates and progress reporting** on outcomes and benefits realisation: *within the context of an overall integrated performance management, PMO is best placed to coordinate this reporting and informing activity*	In many cases the **benefits are inherited as part of the Business Case** and therefore a "given": *irrespective if flawed or not in their assessment! PMO unable to influence*
Throughout the programme lifecycle, **decisions will need to be made in a timely and informed fashion**: *these decisions and their impact on benefits, will need to be underpinned by relevant, accurate and informed data: PMO is best placed to coordinate this on behalf of leadership*	**Full Benefits Realisation can be post completion and the responsibility of others** (i.e. Operators and FM) once the delivery function has finished / demobilised and handed over: *therefore too many factors outside of the direct control of project in the delivery phase (think PESTLE)*
Change management process sits with PMO: **benefits impact is a fundamental consideration**: *again PMO is best placed to coordinate this on behalf of programme leadership*	**Existing contractual mechanisms (e.g. LDs, target incentives, post completion obligations) don't always align with benefits** and *therefore outside of the delivery function and PMO remit*