

Implementing BS202002: Benefits management on portfolios, programmes and projects¹

Retrofitting benefits to existing projects:

Understanding value when you didn't do benefits management the first time²

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How do you choose what projects will get you the best return for your money (and key staff)? The simplest answer is “benefits management”, but there are opponents to this.

100% or 0% of projects have benefits

The issue is that when choosing which project to fund ([*see previous article](#)), an investment committee wants to be able to compare like with like to make decisions. In other words, if you haven't documented benefits for every possible project in the funnel, then you can't make a decision on the prioritisation of the projects by comparing benefits because some don't have documented benefits. And since this decision on priorities can't be made, it is often argued that it's not worth doing benefits management at all.



Figure 1 How do you compare projects with dissimilar benefits, or benefits that haven't been identified or calculated?

Bear in mind that benefits are unconsciously perceived as a threat by many project leadership teams – it's something they could be measured on – so they subconsciously want to resist!

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Existing projects

But that isn't the whole problem.

The investment committee needs to review projects that are already started, where the project's reason for existence might have changed, or the top priorities for the organization might have changed, to determine if a new (perhaps urgent) project has a stronger call on the resources (money, key staff, other scarce resources) than the existing one, to the point where it's worth stopping work in progress. So we also need to retrofit benefits to projects that didn't have them in the first place, and measure the likely realization of benefits on projects that perhaps didn't use a very robust process for establishing their benefits first time around.

It's unusual to stop or change a project, people tell me, although that wasn't always the case. For example, [900 years ago when we built cathedrals](#), a great many towns started with cathedral projects. Building a cathedral is a difficult balance between materials and workers (the masons need a steady supply of stone and wood, but any extra stone in a stockpile anywhere is at risk of being stolen), much like modern projects, and most projects failed and the materials and masons quickly redeployed to another project. During the industrial revolution, transport links were built for very commercial reasons (to fill a demand). Initially canals and railways transported bulk goods from a source (a Duke's mines or works) to an international port, but later the same route was used by multiple carriers for multiple uses and in both directions. Canals and railways under construction followed their customers or declared bankruptcy. However, modern project management believes its own hubris and generally doesn't close down or change a project that is no longer useful.

If we are going to allocate resources efficiently, we need to know whether a new urgent project really does deserve some of the resources from the project that's half way through. What's the cost (in terms of lost benefits) of delaying the existing project? What's the advantage (benefit) of the new project? What's the right amount of resources of each kind to reallocate? Should we postpone the new project, or cannibalise the old project? This means calculating benefits across all the projects in a portfolio, in double-quick time and probably with almost zero resources.

The total value of benefits – avoiding double-counting

A criticism often levelled at those trying to add together benefits from more than one project is that benefits are being counted more than once. For example, time saved by a new IT system, and time saved by a new process, are being added together when there's only one amount of time saved.

There's an easy way around this – work out the total value of the overall benefit (the total time that could be saved), and then either attribute it to the different contributing

projects, or recognise the projects all rely on each other, and call the combination a “programme” with one set of benefits.

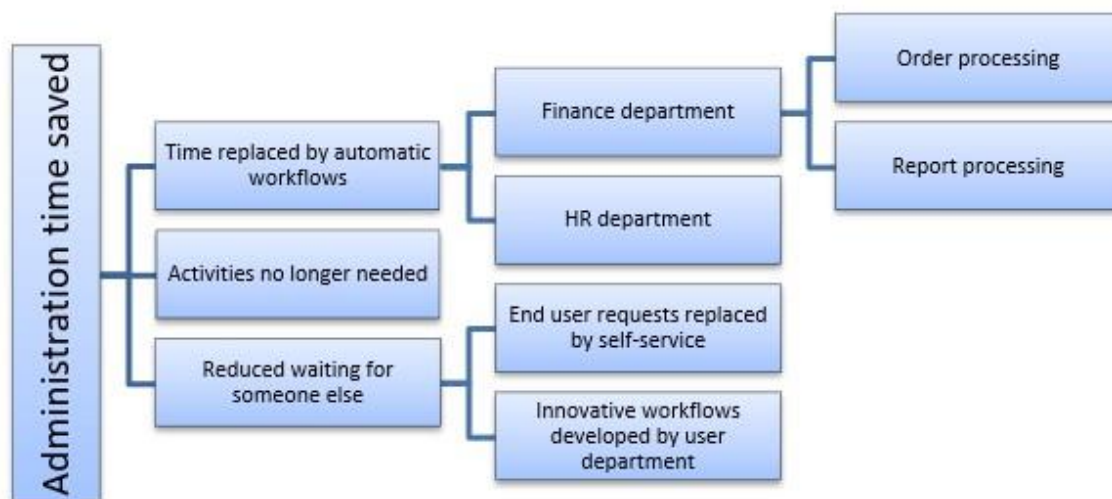


Figure 2 Summary benefits are made up of component benefits

In Figure 2, we show that benefits cascade from big enterprise-wide (or organization-wide) benefits (essentially the strategic objectives and KPIs), to component benefits for departments, to smaller component benefits for projects. And the sum of the component benefits can't add up to more than the enterprise-wide benefit. They might once the change is delivered, but they shouldn't be allocated that way during planning.

An example – replacing old ICT equipment

For example, at one company where I offer consultancy, we're replacing old ICT equipment (servers, operating systems, databases, network routers and switches, cables, desktop computers, laptops, and everything else) because we believe that the old systems keep breaking down and have cyber vulnerabilities.

Do we know how much the systems break down? A simple report from the helpdesk shows us that. Do we know how much that's worth? The biggest impact will be on lost hours – time we have to pay for in salaries and contractor costs when people aren't able to do useful work. We knew that the organization pays for approximately 18 million hours of employee time per year. That was our start point.

I took a report from the helpdesk (priority 1 and priority 2 unplanned downtime causing loss of productive time), worked out how many people are affected by each unplanned outage (stoppage), and whether they were able to do anything useful (and what proportion of useful) when their line-of-business system wasn't working.

In our example, we used Priority 1 incidents (business critical apps that were not running or not accessible), and one fifth of Priority 2 incidents (because people could fill in the time with other activities - if a building's printing services is down, then people could do some of their work but not all or could fill the time with a less important task), and we did not use the Priority 3 and Priority 4 calls at all because we could assume that people were working around the problem. Out of 18 million working hours, using this calculation, 4 million were unproductive due to unplanned outages (for the year reviewed). We tested this (27%) assumption with different departments and they considered it a reasonable figure for the last few years.

Note that there's no figure included for planned outages. We assume that people have different tasks allocated so they keep productive during planned outages.

That gave us our number for the size of the problem. 4 million paid hours was the absolute maximum that the solution could improve by (from a financial point of view).

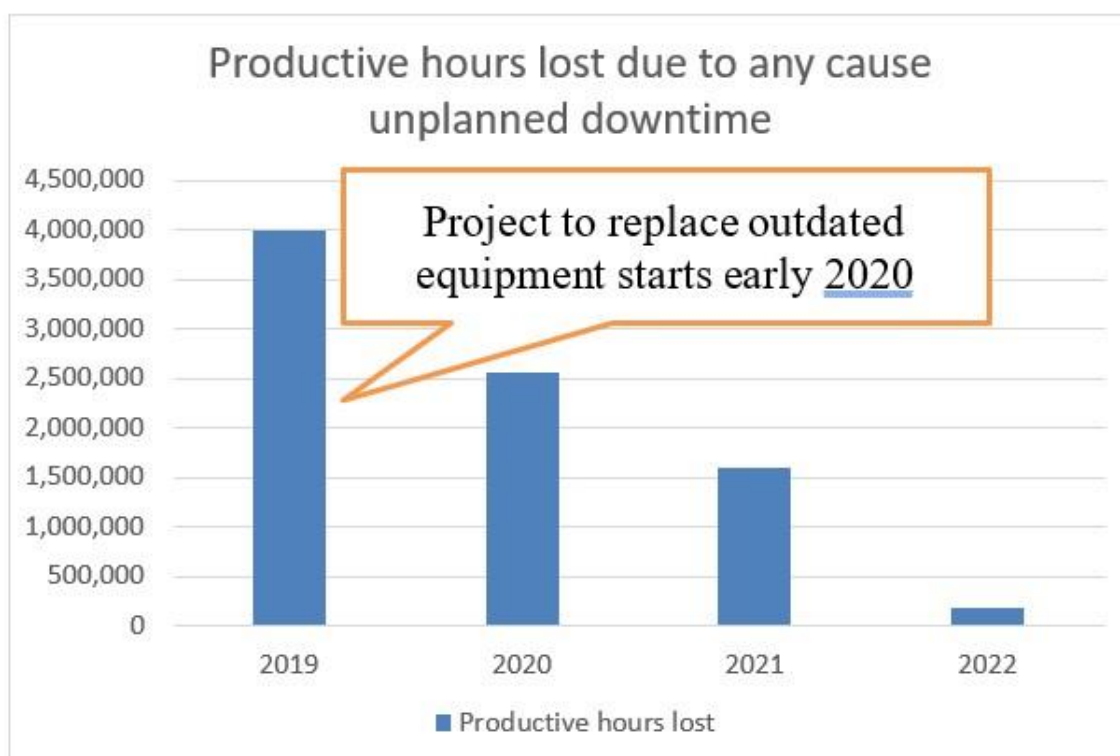


Figure 3 Productive hours lost to any cause unplanned downtime - the impact of replacing outdated ICT equipment and software

Replacing servers, operating systems, databases, network gear, cables, desktops, laptops and other connected equipment are individual projects or tasks. The sum total of the whole benefit can't be greater than the totals calculated above, so we could attribute different percentage of the total to the individual projects. The asset programme (replacing equipment and operating systems) consisted of about 400 tasks. Each task

could have had its own benefits, however, for speed we didn't break it down and treated it as a single programme. The results are in Figure 3, with only 179,000 hours lost in calendar year 2022, $\frac{3}{4}$ of the way through the replacement project.

Improvements – changes in operating processes

The same quick and simple way to calculate benefits applies to a change in business processes.

The same client has accumulated multiple different systems, each one a world leader and specialist for a specific task. It meant that we had multiple databases and even multiple server operating systems, different training for different staff because of the different User Interfaces (UI). Therefore, we lost flexibility as people couldn't easily move from one part of the process to another to cover for sickness or changes in demand. We also had discreet servers, which represented a risk of failure and a cost of maintenance, energy, space.

There's a cost to consolidating onto fewer enterprise-wide systems – one cost is that people wouldn't have the most specialist tool for their requirement. But there are advantages in reducing the error rate from transferring data from one system to another, and the administrative time taken to make the transfer. And there's an advantage of staff flexibility because of a common UI. But we can't reduce the error rate below zero, and can't reduce the administrative time below zero, and flexibility can only go from 0% to 100% flexible.

Therefore, we calculate the total value (e.g. cost) of the area of the business, the total likely benefit as a proportion of this, and then allocate it by proportion to each of the activities that contribute to it. For example, if consolidation of systems reduces administrative time transferring data by 75%, and administrative time is 100,000 hours per year, then 75,000 hours is the maximum of this benefit to make attributions, at whatever is the hourly cost of labour.

The total value of a benefit

There isn't going to be the time or resources to calculate the exact value of a benefit, or of all the benefits, when retrofitting across a portfolio, so I have a number of shortcuts that I use.

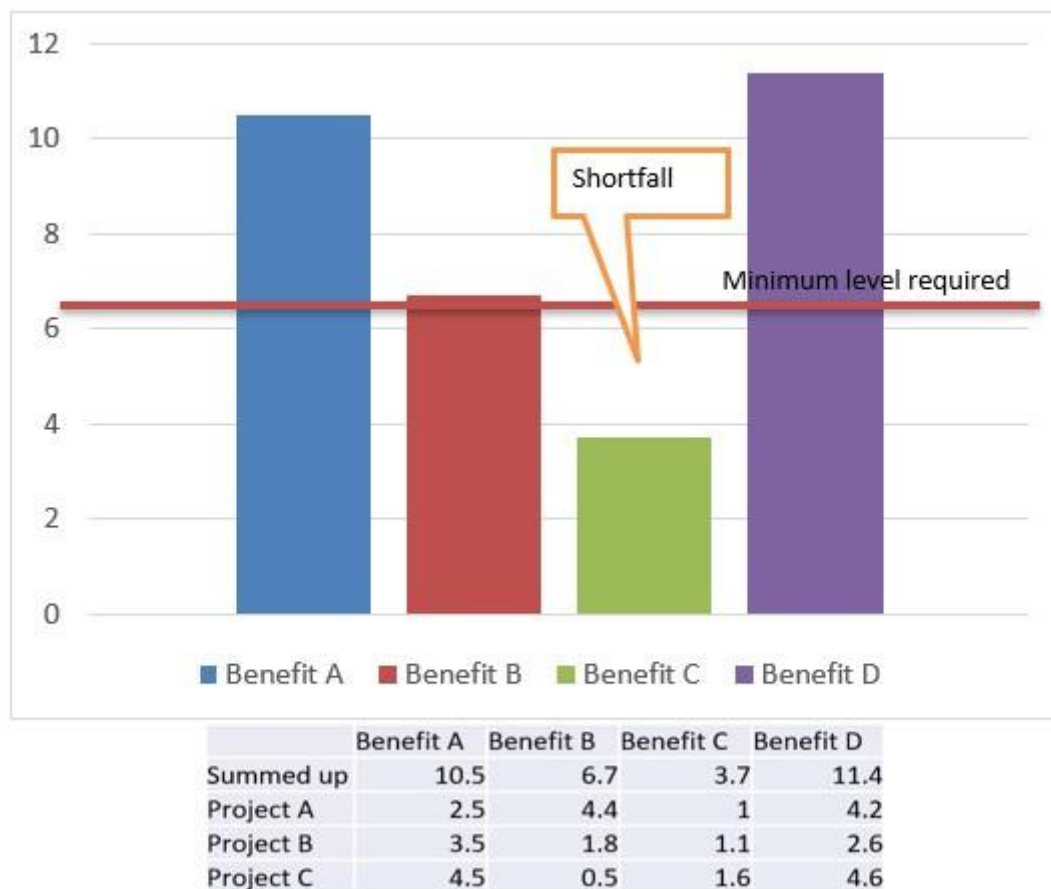
- 1) Pick a few important benefits, usually those that align with the organization's (or portfolio's) strategic objectives. Bear in mind that many organizations only list the change objectives in their strategic objectives, so you might need to dig out organizational KPIs, which are often the operational strategic objectives. You'll probably have 8-16 objectives, and for simplicity, you can assign a benefit to each in order to report progressive achievement of the objective.

- 2) Work out the amount of threat or opportunity for a single year – then you can multiply it over any number of years as needed. It's often much easier to calculate a number as a saving on x budget per year than to try to come up with a total (there are other advantages to using the annual value that we'll explore in a later article)
- 3) Work out the likely benefit as a proportion of the total for each benefit, or if you can, for each component benefit at whatever level is most appropriate. For example, if you are trying to save administrative time, then estimate the impact. If 50% of administration time is spent writing conclusions to the analysis, and 25% is reporting to regulators, then collating data and analysing it can't be more than 25% of the total (remainder after taking off 50% + 25%). 25% of the number in shortcut 2 is the number that goes in shortcut 3
- 4) Decide whether it's useful to attribute the benefit across the projects that contribute to it. You might combine projects into a programme and score them all the same from a prioritisation point of view – or you might score them individually. This could be because your organization's needs are better met by doing parts of a number of different programmes rather than the completing one or two projects and not starting the others.

Over-performance or minimum viable end state?

Once you have quick and dirty benefits for all of your activities, and much more accurate and detailed benefits for some, how do you prioritise which to go ahead with and which not?

The priority is to meet the Minimum Viable End State (MVS) for your organization or portfolio. We covered this in the last article [Doing the Right Things](#), but in essence, you start with the projects which everyone agrees are highest priority and put their contributions into your portfolio benefits report. Once their contribution is counted (see Figure 4), that shows where your biggest shortfall from MVS is (which benefit is furthest off being fulfilled) so projects which contribute to this benefit should be chosen preferentially. I likened it to a game of tetris.



*Figure 4 each project contributes to the summary benefits.
 Prioritise projects which fill shortfalls.*

Conclusion

Benefits management provides the information needed to make decisions, and is also a motivator (both to motivate and engage stakeholders who might resist change, and to motivate the project team to deliver more effectively). Consider what information you need to make decisions, and what it costs to obtain. Ask yourself if the additional cost of obtaining greater accuracy or detail will improve the decision by enough to invest the extra cost.

Proportionality also applies when calculating the benefits of an individual project or a programme (coherent collection of projects). How much effort is reasonable to put in to calculate benefits? What difference will it make to any decisions? What confidence can you have in quick-and-dirty benefit calculations – is it sufficient for the planning stage? Using the approach outlined, it’s possible and viable to assign benefits both to new projects and to existing projects (and projects in flight) quickly and with low investment

of resources. This means that a benefits approach to prioritising investment across a portfolio is possible.

Be prepared to close an existing project which scores badly against other projects competing for the same resources; reallocate the resources.

If something doesn't look right, for example, a project that everyone agrees is important scores badly compared with other project, then consider whether the benefits for the organization that you identified are wrong and apply this change across the whole portfolio again. It's much more effective to get the planning right and then do the work, than to get the planning wrong and only find out after you have invested millions.

About the Author



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Dr. Hugo Minney is a Fellow of APM (Association for Project Management), a Member of PMI and PMI UK, Co-Chair of APM's Benefits and Value SIG and committee member of PMI UK's Sustainability Community of Action (none of which are paid).

Minney set out to become a farmer, but was defeated by bureaucracy. He sold high ticket computer systems and specialist software for workforce planning; joined the National Health Service for 18 years (and as a Chief Executive for the last 7 of these), and is now a project management consultant with a sideline chairing a charity restoring the sense of community for young people.

Minney works in project management, and in particular benefits management, motivating team members by reporting what they are achieving together and changing the community and culture to want to achieve – together. At present, he's more involved on the governance side, accredited as a Social Value practitioner and Chartered Project Professional, and reviewing the balance of projects and contribution to objectives and benefits across portfolios.

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