



Delivering benefits
from investments in change:
Building organisational capability
June 2011



FOREWORD

I'm delighted to introduce the second in a series of four thought leadership reports challenging organisations to move from a culture of delivery to one of also creating sustainable value from investment in change. It considers where to start in the journey to develop organisational capability and builds on the first report in the series "winning hearts and minds", published in March 2011. Targeted at those involved in sponsoring change and leading delivery, this report challenges managers to carefully consider their approach prior to starting the journey to build capability. Your feedback emphasises that the majority of organisations, irrespective of their level of maturity, have identified a need to build capability in benefits realisation. Experience has proven that building organisational capability can be one of the most challenging aspects

of successful benefits realisation. In addition, the current economic challenge facing all sectors accentuates the need to build capability to enable successful benefits realisation.

Together the four reports will provide a valuable challenge for any organization to consider how to maximize the benefits of its investment in change. I look forward to your thoughts and reactions.

Peter Glynne

Chairman
APM Benefits Management
Specific Interest Group (SIG)



CONTENTS

• Executive summary	2
• Our six action points to start the journey	3
• 1 Establish	3
• 2 Identify	3
• 3 Excite	4
• 4 Incentivise	5
• 5 Focus	6
• 6 Innovate	7
• The way forward	8
• Acknowledgements	8

EXECUTIVE SUMMARY

"Value does not come from having the capabilities, it does come from how organisations manage and utilise those capabilities. This may involve re-thinking the nature of the business model, business processes, people skills and competencies, behaviours, reward systems, organisation structure, physical facilities, etc."¹

In the current economic climate, few organisations can avoid the imperative to become value centric. Whilst this statement may appear a well used management cliché, the reality is that many organisations continue to deliver change in isolation of the expected business value e.g. the benefits.

The ability to deliver value through investment in change has always been a critical success factor for organisations. This is becoming increasingly important in the context of public sector cost reduction, constraints on investment funding, the impact of the economy and increased regulatory oversight. The reality is that many organisations are reducing their training budgets and spending less on discretionary staff development activities. Ironically, the need for development of organisational capability in benefits realisation has never been greater.

Experience has proven that anybody can implement a process around benefits realisation. Clearly, this by itself is not going to lead to successful benefits realisation as there are other factors necessary for success, many of them behavioural. This report is intended to challenge managers to lead and sustain organisational capability in benefits realisation. It considers what can be done to improve the realisation of benefits and more importantly, where to start. It builds on the first report of the series, "winning hearts and minds" and considers practical actions that will enable senior executives to create a value-centric culture, *throughout* the organisation.

The creation of a sustainable organisational capability in benefits realisation will not happen by itself.

It requires a clear time-bound focus supported by strong senior management commitment. This report highlights six action points that collectively can provide a strong foundation for building organisational capability. They are:

- 1. Establish a programme of change to build organisational capability;**
- 2. Identify a senior champion and initiate top down implementation;**
- 3. Excite management buy-in;**
- 4. Incentivise value-focussed behaviours through recognition and reward;**
- 5. Focus on identifying the areas of greatest need to maximise effectiveness; and**
- 6. Find innovative ways to engage and develop the commitment of the senior management team**

These action points are highly interdependent and should be addressed within the context of the organisation's priorities including strategic plans and annual business performance targets. Our challenge is to successfully build organisational capability in benefits realisation at a time when both the constraints and the need are greater than ever.

Peter Hawkins

Author

Focussed Change Limited
APM Benefits Management SIG
committee member



¹ From the first report in the series: "Delivering benefits from investment in change: winning hearts and minds" (March 2011)

OUR SIX ACTION POINTS TO START THE JOURNEY

1. Establish a programme of change to build organisational capability

Many organisations have attempted to build organisational capability through establishing isolated pockets of expertise based on available knowledge. This is supported by a belief that capability will spread across the organisation over time. Whilst this may achieve some success at a local level, it is unlikely to embed and sustain organisational capability. With widespread spending cuts and considerable pressures on investment funding across the economy, the harsh reality is that many organisations cannot afford the time to gradually build capability using this incremental approach.

A formal programme of change with clear objectives can greatly assist to build organisational capability. It must be supported by the organisation's board and underpinned by a robust communications strategy to ensure inclusiveness.

Typically, organisational capability will focus on four core stakeholder groups:

- **Senior management including the board;**
- **Operational managers responsible for the realisation of benefits;**
- **Project and Programme delivery staff; and**
- **Managers responsible for business change.**

Each of these stakeholder groups will have different capability requirements however collectively they form the organisation's capability in benefits realisation. The aim of the programme of change should be to create the right environment in the organisation and capability in its people, to maximise the delivery of value from the overall portfolio of change across the organisation. This is likely to require alignment with (or changes to) the organisation's approach to project, programme and portfolio management.

2. Identify a senior champion and initiate top down implementation

Many organisations appoint a lead at middle management level to drive the approach to benefits realisation across the organisation. This is likely to achieve some success however bottom-up implementation can be more challenging with the risk of the approach being perceived as a passing management fad. To achieve a long-term sustainable approach to benefits realisation, top-down implementation is proven to be more successful. Implementation should be led by a senior champion, ideally at CXO or equivalent level. Experience has proven that the organisations most successful at benefits realisation have a CEO or equivalent driving the necessary change.

OUR SIX ACTION POINTS TO START THE JOURNEY continued



The champion should:

- **Have strong leadership skills with the credibility to influence the executive board and the entire senior management team;**
- **Have a strong understanding of the dependencies between strategy, change management, operational performance management and benefits realisation;**
- **Have the necessary time and commitment to actively lead the building of organisational capability;**
- **Be politically savvy and have the courage to successfully address necessary issues; and**
- **Be prepared to challenge negative behaviours across the organisation that could impact success e.g. avoidance of accountability.**

The role requires strong leadership skills including the ability to successfully influence senior level colleagues and the wider organisation. Consequently, it is best suited to a senior level individual at CXO level who relishes challenge and is prepared to question the status quo.

3. Excite management buy-in

The programme to change the organisation's focus, from one of delivering outputs to one of also delivering value needs to have the explicit commitment of the senior management team. Without this it is likely to founder in a conflict of priorities and result in politically driven indecision. Within this context, the senior champion is the key individual providing visible and influential leadership across the organisation. Effective communication at the relevant levels across the organisation will excite management buy-in and provide the necessary foundation for success. This leads to a number of important considerations:

- **Will the champion be at a sufficiently senior level to be able to influence and deliver top level management engagement and commitment?**
- **Will the board act as champions for the changes required, by demonstrating consistent value-focused behaviour?**
- **Does the organisation's leadership team have the commitment to make changes to behaviour in their own areas and to help make those changes sustainable?**
- **Are communications inclusive and sufficiently targeted to support the required cultural change?**

Cultural change is not achieved overnight so visible senior sponsorship must be maintained beyond the initial thrust of enthusiasm. If expectations are high and quick wins are not established early on this can be challenging.

4. Incentivise value-focussed behaviours through recognition and reward

Appropriate incentivisation through recognition and reward is critical to successfully building organisational capability in benefits realisation. This applies to both the programme of change to build organisational capability and to the ongoing realisation of benefits through delivering projects and programmes. Incentivisation for benefits realisation needs to be integrated within the organisation's approach to HR performance management. As previously mentioned, organisational capability typically focuses on:

- Senior management including the board;
- Operational managers responsible for the realisation of benefits;
- Project and Programme delivery staff; and
- Managers responsible for business change

- Will incentivisation reinforce executive accountability for delivering capabilities that are both necessary and sufficient to deliver benefits aligned to strategic organisational objectives?
- Will incentivisation support the broad scope of benefits realisation - from strategy through project/programme delivery to the embedding of change?
- How can incentivisation be focussed so that long term benefits can be realised without the type of risk taking often driven by short-term performance gain e.g. share price increase?

Initially, the senior champion and the senior management team should be incentivised to ensure the success of the programme of change. This should be achieved through the setting of appropriate performance objectives and alignment of these to monetary reward or appropriate recognition. In parallel, the ongoing realisation of benefits need to be incentivised at the relevant levels across the organisation. It is important to consider the design of incentives to support benefits realisation so that they will have appropriate impact on behaviours.

OUR SIX ACTION POINTS TO START THE JOURNEY *continued*



5. Focus on identifying the areas of greatest need to maximise effectiveness

A benefits realisation capability assessment can be helpful in determining the level of maturity and identifying what needs to be improved. As there are likely to be differing levels of maturity across an organisation, capability should be assessed on a consistent basis to avoid skewed results that could misinform the way forward. It is useful to identify pockets of good practice for benchmarking and knowledge sharing purposes. Such examples of success can support effective communications to assist with embedding the required cultural change across the wider organisation.

There are several frameworks and maturity models for assessing benefits realisation. These range from a simple checklist of required activities to more formal assessments based on pre-defined maturity models. In addition, a benchmarking exercise can indicate relative maturity against other business areas or organisations. At a high level, the key questions and areas to probe include:

- **Is there a portfolio management approach and is it linked to business strategy?**
 - Is strategic planning focussed on well understood and communicated goals and does it determine what investment decisions are made?
 - Is the organisation able to determine its overall benefits delivery performance at portfolio level?
 - Does investment decision-making accountability reside at the Board level?
 - Is portfolio management focussed on overall value delivery?
- **Are governance and controls focussed on benefits delivery?**
 - Is business case approval subject to benefits quality criteria?
 - Are reasons for investment decisions documented for future review?
 - Once approved, are business case benefits reflected in budgets and performance targets?
 - Is a portfolio benefits review a standing agenda item at strategy review meetings?
 - Are sponsors accountable to the board for benefits delivery?
 - Are individual benefits assigned to responsible business owners?
 - Do project/ programme stage or gate-style reviews include verification of benefits status?
 - Are projects/ programmes ever stopped due to uncertainty of forecast benefits delivery?
- **Are all participants in change initiatives aligned to appropriate objectives?**
 - Are performance management, incentive and reward schemes for executives and their managers linked to the (shared) delivery of the benefits aligned to organisational objectives? Does this apply in the "business as usual" context?

- **Are roles & responsibilities for the benefits delivery clearly understood²?**
- Does each investment sponsor regard benefits management as a strategic skill and accept accountability for benefits delivery throughout the investment lifecycle?
- Are sponsors then kept informed of progress and empowered to authorise changes required to ensure that the benefits of the investment are fully realised?
- Do the designated benefit owners expect to take action to deliver results?
- Are stakeholders expected to have a common interest in the delivery of results? Will they work in partnership?
- **Are operational 'business as usual' management involved throughout the life cycle?**
- Are the people affected by the changes engaged, informed and incentivised in such a way as to ensure that the changes are embedded and sustained?

6. Find innovative ways to engage and develop the commitment of senior management team

Collectively, the senior management team across the organisation are the catalyst for successful benefits realisation. Benefits realisation should be a core strategic skill for all senior managers and a key element of any formal set of HR competency models.

As part of developing organisational capability, an awareness programme for senior management along with access to guidance and support is important both to share knowledge and receive two-way feedback. The communications strategy

for the programme of change will determine how the organisation should be engaged to ensure success. Providing examples of good practice identified during the capability assessment will greatly assist in clarifying what's expected, building commitment and incentivising positive behaviours. The types of communication used to develop senior management commitment around benefits realisation include:

- **Briefing sessions;**
- **Intranet;**
- **Workshops/Masterclasses;**
- **Regular agenda items at senior management meetings;**
- **Drop-in surgeries/'Meet the sponsor' sessions; and**
- **Newsletters;**

To support the required cultural change, it is important for senior management to have access to appropriate guidance and support on benefits realisation. This could be achieved through the centralised team responsible for the programme of change in the short-term or provision of an organisational value management office (VMO) for the longer term. Without this level of support, it is likely that senior management commitment will wane beyond the initial period of enthusiasm.

Collectively, the senior management team across the organisation are the catalyst for successful benefits realisation. Benefits realisation should be a core strategic skill for all senior managers and a key element of any formal set of HR competency models.

² The roles and responsibilities for sponsors and stakeholders should be especially considered.

THE WAY FORWARD

In responding to the challenges of the current economic climate, organisations need to focus on developing organisational capability in benefits realisation and employ greater innovation to drive sustainability. As with any programme of change, there will be significant challenges during the initial implementation, and beyond.

The two remaining reports in this series will consider the issues that arise during the implementation and embedding phases of building capability, and how to address them.

These challenges will need to be identified, mitigated, monitored and acted upon, to ensure that the change is sustained within the organisation, so that it eventually becomes “the way we do things around here”.

ACKNOWLEDGEMENTS

The APM Benefits Management SIG would like to thank the following people who contributed to the development of this publication:

Peter Glynne	Deloitte
John Thorp	President, The Thorp Network Inc.
Tanya Durlen	Transport for London
Lorraine Trenchard	National Savings and Investments
Sarah Harries (Editor)	British Telecom

CONTACTS

W: www.apm.org.uk/community

E: benefitssig@apm.org.uk



ASSOCIATION FOR PROJECT MANAGEMENT

APM's mission statement is: "To develop and promote the professional disciplines of project and programme management for the public benefit".

APM is the largest independent professional body of its kind in Europe. We have 17,500 individual and 500 corporate members throughout the UK and abroad. Our aim is to develop and promote project management across all sectors of industry and beyond. Through APM, members directly influence and shape their profession, celebrating their professional achievements and contribution to the profession. Get involved in a community of over 17,500 members through APM's extensive branch network and Specific Interest Groups.

MEMBERSHIP BENEFITS INCLUDE:

Project Management Events – with over 150 events annually including networking events, seminars, and the annual APM Project Management Conference and Awards.

Project and Network magazines – free monthly subscription to the industry's leading magazines.

Discounts – on qualifications, events and publications.

To get involved with the debate online join the APM Benefits Management Specific Interest Group at:
<http://www.apm.org.uk/group/apm-benefits-management-specific-interest-group>

Association for Project Management

Ibis House, Regent Park
Summerleys Road,
Princes Risborough
Buckinghamshire, HP27 9LE

Telephone +44 (0) 845 458 1944
Facsimile +44 (0) 845 458 8807
Email info@apm.org.uk
Web www.apm.org.uk

Disclaimer

The contents of this document have been prepared by the APM Benefits Management SIG and do not necessarily represent the views of APM.