



Project benefit management: A conceptual framework of target benefit formulation

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Abstract

Successful realization of project benefits is strongly associated with organizational performance. Formulating project target benefits is regarded as the first and critical step in the benefit management process. In this study, we drew upon relevant theories and conducted in-depth interviews with senior managers in Australia to develop a conceptual framework of project target benefit formulation and corresponding propositions. Our findings highlight the important role of project target benefits in funding decision-making and suggest seven criteria for their appraisal (strategic fit, target value, measurability, realism, target date, accountability and comprehensiveness) and four constructs which improve the formulated target benefits (a formal benefit formulation process, senior executive leadership, senior executive supports, and public service motivation). These findings extend the current literature on project benefit management by providing a holistic view on how project target benefits should be formulated and appraised.

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1. Introduction

Projects are important means to implement organization strategies (Morris and Jamieson, 2005). Benefit realization from projects is thus strongly associated with successful organizational performance (Zwikael and Smyrk, 2011). Project benefits are “the flows of value that arise from a project” (Zwikael and Smyrk, 2012: 11). For example, one benefit of the Australia National Security Hotline project is “increased reporting level of suspicious behavior by members of the public” (ANAO, 2010), which in turn contributed to the achievement of a national-level objective of “enhanced national security.”

Target benefits are those set for a proposed project prior to its commencement, with the expectation they will be realized at its completion. Formulating and appraising project target benefits are

considered the first and critical step to ensure successful benefit realization (Bradley, 2010). In particular, project target benefits form a vital part of the business case (Williams and Samset, 2010), which is the basis for project funding and prioritization decisions (Young, 2006). Once approved, target benefits become the basis for ongoing project performance review. A proper formulation and appraisal of such information is thus essential.

Despite of their recognized importance in ensuring the “choice of the right project” (Williams and Samset, 2010), very little is known in the literature about how project target benefits should be formulated and even less how they should be appraised. Literature on project benefit formulation and appraisal is too broad in scope, hence failing to provide sufficient insights on how they should be performed. For example, Managing Successful Projects, a leading benefit management approach developed by the UK government (OGC, 2009), outlines four steps in project target benefit formulation: (1) identify the benefits; (2) select objective measures that reliably prove the benefits; (3) collect the baseline measure; and (4) decide how, when and by whom the benefit measures will be collected.

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However, despite providing high-level guidance of the process, no satisfactory details are provided on how these steps should be executed and what affects their effectiveness. Moreover, no other research has yet identified antecedents for well-formulated project target benefits. Another limitation with the current literature is lack of information regarding target benefit appraisal, except that they should be “*measurable*” (OGC, 2009). Jenner (2009) suggested two additional potential criteria for appraising project target benefits – being “*robust*” and “*realizable*.” Yet, it remains unclear whether these two appraisal criteria are sufficient and how to determine if target benefits are “*robust and realizable*.” Given these gaps in the literature and the importance of target benefit formulation for project benefit realization, we aim to answer two research questions: (1) “*how should the formulated project target benefits be appraised?*” and (2) “*what are the factors that may improve the formulated project target benefits?*”

“*One size does not fit all*” (Shenhar, 2001) suggests that the context within which the project occurs matters. In this paper we choose to focus on public organizations as our research context for several reasons. First, public projects worldwide continually fail to realize their target benefits (Kwak and Smith, 2009). For example, the UK Office of Government Commerce (OGC) found that “*30–40% of systems to support business change deliver no benefits whatsoever*” (OGC, 2005). Failure in realizing target benefits from public projects significantly affects national growth. Furthermore, governments worldwide are under increasing pressure to meet public needs within more restricted budgets, calling for more informed and justifiable project funding decisions. Finally, government projects are usually concerned with a wide variety of stakeholders (Crawford et al., 2003) and diverse benefits (e.g., improved public service and improved education quality). This diversity in target benefits adds another level of complexity to their formulation and appraisal, and as such reinforces the need for this research.

In the next sections, we first present the theoretical underpinning of our research. Second, we describe the research methodology and present our findings in forms of a conceptual framework and a series of propositions. We continue to discuss the theoretical and managerial implications and conclude with suggestions for future research.

2. Theoretical background

2.1. Project benefit management

Researchers (e.g., Shenhar and Dvir, 2007) have recognized the limitations and the misleading nature of the traditional output-focused project management approach. Particularly, this approach focuses on efficient delivery of project outputs (e.g., an artifact such as a bridge) on time, on budget and according to specifications (the so-called iron triangle), while neglecting the importance of project benefit realization. Literature (e.g., Samset, 2009; Zwikael and Smyrk, 2012) has shown that a project can still be a failure even if the iron triangle is met. One such example is the Los Angeles (LA) Metro project (Shenhar and Dvir, 2007). Consequently, there is a shift in the literature towards benefit-oriented project management. This line of research emphasizes the strategic roles of projects (e.g., Arto et al., 2008; Kolltveit et al., 2007), aiming to link organizational strategies and project benefit realization (e.g., Eweje et al., 2012). Within this research stream, some researchers conceptualize projects as value creation processes (e.g., Winter and Szczepanek, 2008) and project success as a multi-dimensional concept requiring various measures and leadership focus (e.g., Chang et al., 2013; Zwikael and Smyrk, 2012). Others discuss the challenges in the project front-end phase (e.g., Williams and Samset, 2010; Yu et al., 2005) and illustrate how project benefits can be managed through structured governance frameworks (e.g., Klakegg et al., 2008; Williams et al., 2010). A comparison of the benefit-oriented and output-focused paradigms is presented in Table 1. Our research expands this line of work by focusing on the project target benefit formulation.

2.2. Challenges of project target benefit formulation in the government context

Formulating and appraising project target benefits are challenging tasks, because benefits are often dynamic and mean differently to various stakeholders (Chang et al., 2013). This difficulty is amplified in the government context where ambiguity and stakeholder management issues are multifaceted and complex (Crawford et al., 2003). As a result, most organizations were

Table 1
Output-focused vs. benefit-oriented project management.

	Output-focused project management	Benefit-oriented project management
Managerial focuses	Managing inputs and outputs	Multiple focuses: managing inputs and outputs with a focus on the ultimate realization of project benefits
Project objectives	Meet agreed efficiency targets measured by the iron triangle	Multiple objectives: response to stakeholder needs, improve organizational capacity and implement strategic plans
Performance evaluation	Iron triangle (time, budget and scope/quality)	Multiple evaluation measures: distinguish project success and project management success, where iron triangle is used for measuring project management success and benefit realization is used to measure project success
Project leadership focus	The project manager leading the output delivery process	Multiple project leadership focuses: project owner leading the benefit realization process, whereas the project manager remains the leader for the output delivery process

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