



Benefits Realisation Management and its influence on project success and on the execution of business strategies

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Abstract

Business strategies, which imply organisational change, usually require the development of projects, e.g. IT projects. However, organisations fail in implementing their strategies even though they employ project, programme and portfolio management techniques. Benefits Realisation Management (BRM) is a set of processes structured to close the gap between strategy planning and execution by ensuring the implementation of the most valuable initiatives. However, there is no empirical evidence of its effectiveness. This paper presents the results of a survey to practitioners in Brazil, United Kingdom and United States evaluating the impact of BRM practices on project success rate. Our results show BRM practices being positive predictors to project success on the creation of strategic value for the business. Therefore, these results suggest that BRM practices can be effective to support the successful execution of business strategies.

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1. Introduction

Industry reports, e.g. [The Economist \(2009\)](#), [German Project Management Association \(2010\)](#) and [Price Waterhouse Coopers \(2007\)](#), suggest that practitioners recognise projects as a structured way to implement business changes, an opinion also shared by academics e.g. [Buttrick \(1997\)](#), [Kerzner \(2009\)](#) and [Turner \(2009\)](#). Project success is a vital component of business success ([Price Waterhouse Coopers, 2007](#)) and the global economy. Although projects in an organisational portfolio can address different objectives ([Gray and Larson, 2006](#); [Jenner, 2010](#); [Kendall and Rollins, 2003](#); [Levine, 2005](#)), they are mainly undertaken to support the execution of business strategies ([Buttrick, 1997](#)).

Therefore, organisations need to ensure the success of their projects in order to succeed in executing their strategy and in turning their vision into reality.

In order to be successful, project management teams need to define clearly how to evaluate whether each project is successful. However, there is no consensus on the definition of project success ([Prabhakar, 2008](#); [Yu et al., 2005](#)). A recent analysis of articles published from 1986 to 2004 in the *International Journal of Project Management* and the *Project Management Journal* has found 30 articles discussing project success, but with no consensual definition ([Ika, 2009](#)). In parallel, surveys performed in the last twenty years have found between 60% and 80% of all organisations failing in executing their strategies by not delivering the expected outcomes of their changing process ([Kaplan and Norton, 2008](#)).

This paper, analyses success by two different approaches: Project management performance, also called efficiency, which evaluates success mostly based on budget, schedule

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and requirements goals; and project success, which evaluates how well projects deliver the benefits required by business strategies in order to meet wider business objectives and to create value (Cooke-Davies, 2002; Serrador, 2013). Despite the clear role projects have in implementing business strategies, organisations are still evaluating projects only by their efficiency and not by the benefits delivered and a large group of organisations claims that project benefits are very hard to measure (Zwikael and Smyrk, 2012), especially benefits realised during product operation, often long after project end (Yu et al., 2005).

Recently, some scholars (Bradley, 2010; Jenner, 2010; Melton et al., 2008) have suggested that Benefits Realisation Management (BRM) makes the value and the strategic relevance of each project clear, enabling an increased effectiveness of project governance. More than just governance, ‘strategic governance’ leads organisations to work towards the delivery of planned benefits (Gardiner, 2005). Organisations with mature processes of benefit realisation – and therefore stronger governance – have their management boards prioritising and supporting mostly those projects which can deliver the most relevant benefits. By increasing the effectiveness of project governance, Benefits Realisation Management can arguably reduce project failure rates from a strategic perspective. However, these practices are not widely employed yet, or employed as a subset of other project management processes, and there is scant evidence about its impact on project success (Cooke-Davies, 2002). Thus, this paper intends to evaluate the use of Benefits Realisation Management among the project management communities of three countries: United Kingdom, United States and Brazil in order to understand its impact on project success rates and evaluate the impact of projects on the creation of organisational value (Bryde, 2005; Yu et al., 2005; Zwikael and Smyrk, 2012).

2. Theoretical background

After organisations set their visions and create their strategy, the management team creates individual projects or programmes, which are groups of projects managed together (Thiry, 2002), to deliver the business strategy. However, organisations do not have infinite resources to invest (Amason, 2011) so they choose those projects that deliver the most valuable results for the implementation of the business strategy (Amason, 2011; Gray and Larson, 2006) in the most effective and efficient way (Gray and Larson, 2006). Then, organizations use project portfolio management methods, such as financial and non-financial appraisal and evaluation models, to select and prioritise the best set of projects (Jenner, 2010).

Once the correct projects are selected, project success can be assessed in two steps usually called appraisal and evaluation. The appraisal occurs before the beginning of each project in order to support the approval of the business case, while the evaluation occurs at project closure in order to identify project success or failure (Jenner, 2010; Zwikael and Smyrk, 2011). The appraisal measures the relevance of each project and defines expectations, which are inputs for the definition of success criteria. Since projects are investments which usually aim to maximize return, an important part of this step is the financial appraisal (Jenner,

2010; Levine, 2005) or feasibility studies (Yu et al., 2005). Later, the evaluation analyses the actual achievements against those success criteria previously defined in order to identify whether projects were successful (Jenner, 2010; Zwikael and Smyrk, 2011).

While there are several different models to measure project success, many authors, such as Baccarini (1999) and Pinto and Mantel (1990), agree on two approaches to its assessment: project management performance and delivery of benefits to the business, clients and stakeholders. In the past, project success was evaluated mostly based on criteria associated to the ‘triple constraint’: cost, schedule and scope (Ika, 2009; Shenhar and Patanakul, 2012; Zwikael and Smyrk, 2011), which are strongly related to the evaluation of project management performance, usually assessed using Key Performance Indicators – KPIs – designed to measure the adherence to budgets, schedules and technical specifications (Bryde, 2005). However, a complete evaluation of success requires a value related component (Kerzner, 2011), replacing this evaluation method for another focused on the project contribution to the business strategy (Patanakul and Shenhar, 2012) including the creation of shareholder value (Ika, 2009; Levine, 2005).

Ika (2009) splits the benefit related component of the assessment into ‘Project/Product Success’ – satisfaction of end user and benefits to stakeholders and project staff – and ‘Strategic Project Management’ – business success, achievement of client’s strategic objectives. More recently, Camilleri (2011) divides benefit between ‘project success’ – outcomes and benefits – and ‘Project Corporate Success’ – the achievement of strategic objectives. Zwikael and Smyrk (2011) also separates it into ‘Ownership Success’ – benefits less dis-benefits and costs – and ‘Investment Success’ – financial return to the organisation. Although these authors have suggested different ways to assess the delivery of benefits and the consequent creation of strategic value to the business, this paper suggests that the delivery of benefits to stakeholders has to be related to business strategies and to the achievement of wider business objectives, especially by the financial perspective, considering ‘project success’ as a more comprehensive approach (Cooke-Davies, 2002).

Although there are several criteria available to evaluate project success, the judgment of success or failure can be taken based on a more situational or subjective basis (Ika, 2009; McLeod et al., 2012). Different perspectives using the same criteria can evaluate the same project as a success and as a failure. On the other hand, a set of criteria can be suitable to some perspectives but unsuitable for others. For example, project management success, ownership success and investment success are assessed by different perspectives and criteria (Zwikael and Smyrk, 2011). Nevertheless, project managers are responsible for the alignment of expectations among stakeholders in order to define project success (Kerzner, 2011). Interestingly, these same project managers are usually kept apart of the rationale for project selection and prioritisation, so they may not understand the relevance of their projects in order to deliver the expected benefit to the business (Melton et al., 2008). Thus, a question remains unanswered for them: what value do businesses need?

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