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# BENEFIT REALISATION

A WHITEPAPER

Beware evangelistic transformation hype...  
Change without governance brings uncertain results

# INTRODUCTION

So you are planning a transformation – a new customer focussed culture, a flash new brand, a smart new CRM system, some hi-powered entrepreneurial types on board to drive the message through, a re-focussed marketing group, project managers in place to create the new capabilities ...what could go wrong?

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Well a lot can go wrong, particularly with realising the planned benefit return of the initiative!

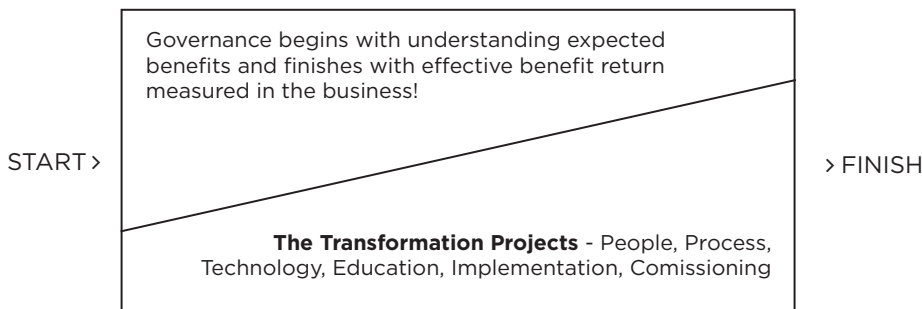


Figure 1

It is important to firstly recognise that a programme of change is exactly that; we have to be able to scope and monitor the delivery of planned benefits that will become the end result of the programme of work. One must always be able to answer the questions:

Why are we spending this money? Is the business case robust enough? Will we get what we are hoping for? To what end? How is it progressing? Which benefits have been delivered to date?

None of these answers will be attainable without firstly, a clear 'go/no go' decision based on the business case and secondly ongoing effective diagnosis, measurement and reconciliation across the life of the change programme. The governance framework alluded to here must be at work before the projects begin and continue to be used rigorously over systems and general management (line or matrix) controls so as to ensure enlightened decision making within the greater business across the life of the change initiative.

The biggest risk within the life of the change programme will be whether the proposed value is well understood and articulated up front by the sponsors themselves. What is the risk of not doing it? Will this be conveyed in the business case? What are the desired benefits?

## So... Where can we go wrong with benefit realisation?

- A** There is often a presumption that a new culture (achieved via the classical transformative leadership mantra) will add value via enhanced productivity and lowered costs. Or indeed, a new cloud based transformation will automatically 'add value' and create the desired organisational change.
- B** ROI will come from implementing a great idea – imagination should drive adoption of new technologies ...not the other way around!
- C** Project management alone is often seen as a panacea to change although it is really an asset focussed regimen (new facility, new software, new knowledge, new skills – all assets ready to be deployed into the business – but rarely an 'end' in themselves).
- D** Failure to intersect with the operations groups that 'give life' to these new assets is always a major oversight. These people must ultimately deliver the committed benefits.
- E** Business cases supported by articulated benefits must be signed off by the sponsor and then controlled at the programme level over time into business results.
- F** It is commonplace for programme managers to be rapidly redeployed on completion of the aggregate projects - not at a time where the realised benefit delivery in the impacted business units is anywhere near complete.
- G** A failure to measure KPI's against the ultimate Key Performance Objectives of the change programme. A logical hierarchy of KPI's needs to be clear from the start based on the business case deliverables.
- H** Programme paybacks can be due early in the cycle. They need to be allowed for at budget time, so that the benefits can be reported when realised. Early payback is great for reinforcing belief in the programme's progress and viability.
- I** Measurement to budget will need to assess realised actuals so the coding within business units impacted by all planned change must be fully reflected in the budgeting cycle.

## So ...Where can we go wrong with benefit realisation?

- J** The finance department must thereby be engaged from the start. PMO's often downplay the importance of this. A separate PMO is indeed optional within the executive office but is surely limited to very large companies. They can easily diffuse accountability.
- K** The empirical 'leader profile' of transformational leaders shows that they have no tangible affiliation with measuring and monitoring progress toward goals. In fact, it has been recognised that these leaders need to do more than just exhibit leadership skills if they are to achieve greater organisational change and stated performance.
- L** Risk is ever-present and change is constant. The directors must instil a system that manages uncertainty at all the appropriate levels in the requisite organisation. The processes must inspire decision making at each level in relation to change and this should feature delegation, transparency and accountability.
- M** While transformational leadership style has its undeniable merits, clear policy is a sure way to ensure that goal alignment is possible.
- N** Behavioural change must be enhanced by direct intervention at the supervisory and team levels to create the 'to be' state. Organisational level and role clarity are vital too. Measurement of progress at the impacted levels is important to ensure a full transition.
- O** Change leaders must be accountable. Change managers operating across multiple levels do not add value – they are not accountable for anything. The change programme leader has a much more engaged role in being responsible for clear business commitments and sustainability. The programme leader should carry out 'pre and post' transition tasks.
- P** The barriers to change are most often found in the senior management levels of the organisation. Often because of differing views and possibly other strategies may be already planned or underway but not yet effectively communicated to the other players.
- Q** A clear articulation of business benefits is mandatory up front; thereby honest communication is essential to ensure that specific goals are agreed before proceeding.
- R** The change programme manager may find it hard to resolve items P & Q in order to proceed with an enforceable business case for the programme without a clear mandate.

## So... Where can we go wrong with benefit realisation?

- S** The scoping and the preparation of the business case is the most important governance task to be undertaken in any programme. The sponsor's role and ongoing involvement are 'essential' and should not be cursory at any stage.
- T** Top management must be seen to 'buy in' early and be recognised for their involvement or the initiative is 'doomed to fail'.
- U** A communications plan is vital in order to verbalise the key reasons for major change.
- V** In setting up a change programme the 'go/no go' decision should be explicit.
- W** Values, beliefs and norms are key elements but are not directly reconcilable to business benefits despite the 'rhetoric of imbalance' provided by industry 'transformative healers'.
- X** This popular thrust of transformational leadership today needs to be challenged on the basis of clear deliverables and the means of delivery toward improved business results.
- Y** Change sponsors need to demand a sound balance of transformative style and traditional management via the budgetary process. Hands-on governance processes must feature.
- Z** Recent Standish research (2015) shows that up to 75% of project managers believe that their hi-level change initiatives will fail ...perhaps not surprising given the length of this list! This reflects oversight 'early on' in change initiatives to fully address its foundation ...the *all-important programme business case*.

## What's all this about governance?

Systems and general business management have a habit of running side by side... not as one! That's where the governance really needs to come in.

None of the a-z of shortcomings can be satisfactorily addressed without a requisite governance hierarchy featuring an iterative management system underpinning decision making and monitoring regular progress towards planned benefit return. It is this governance hierarchy that will deliver planned business benefits over time.

Standards and methodology (eg: OGC/MSP) are important across the change process; so as to assist with effective communication, role and decision making clarity in the programme commissioning in the business (where the benefits are realised). Formal programmes are a key part of the overall governance system.

Programmes serve several functions in governance particularly in funding management eg: capital works/ maintenance/ budgetary business units and also with directors' endorsed strategic change initiatives (change programmes).

Programmes at this level are all about capital management. It is only natural that each programme would be linked with the budget processes.

Benefit realisation must thereby be planned, reported, reconciled and adjusted, where needed, to meet with: ad hoc, specific or formal enquiries over time in relation to their delivery.

The OGC (UK) definition of (change focussed) Programme Management is as follows: the co-ordinated organisation, direction and implementation of a dossier of projects and transformation activities to achieve outcomes and realise benefits of strategic importance.

Sanctioned programmes should carry key performance objectives which fold into a formal business case for the programmes. If these are not pre-determined, the programme (specifically key transformations) should not begin.



## What's all this about governance?

The descriptive of the programme should include cascading clear benefits for a value chain breakdown of its core element groupings of project deliverables for (say) People, Process, Technology, Organisation, Education ...and other 'custom'.

Measurement must be achievable against targets and should contribute as part of the regular management reporting cycle amongst value offices.

It is important to appreciate the varying goals and characteristics of Projects / Programmes so as to understand the accountabilities at work. See Table 1 following:

PROJECTs	PROGRAMMEs
Deliver Capabilities	Return planned benefits to the business
Linked with planning custom dates	Linked with business fiscal cycles
Decentralised and within tiers	Centralised and across whole of business
Resource and activity focused	Governance intensive
Portfolio of solution alternatives	Reflective of changing strategies
Stepped approach to change	Transformative approach to change
Delivers to time and budget	Ensures operational change

Table 1

There are often projects for implementation (think IT) where implementation and commissioning are not the same thing. Awareness of this should be highlighted during the change programme definition. The programme budget cannot be allowed to be expended prior to full adoption of the transition and measurement of impacts within the business. Otherwise, all the questions raised in the introductory section of this article remain valid.

The OGC UK (change focussed) standard defines 'governance' to be: the functions, responsibilities, processes, and procedures that define how a programme is set up, managed and controlled. Project/ Programme/Portfolio Management should all ultimately roll into enterprise governance. Benefit return must be fostered via cyclic review and control processes throughout the discovery, approval and treatment of high level change. Enterprise governance manages this and the function should be seen as a key responsibility of the executive office.

## In these uncertain times, risk drives timely change...

We live in uncertain times. Risk, while the primary responsibility of directors in the firm, should be addressed at the appropriate levels in the firm once identified. A formal hierarchy is recommended for an enterprise-wide governance model within which risk management plays its central part. The treatment of risk (threats & opportunities) throughout the various levels is fundamental and delegated responsibilities must be regulated within the particular business unit or control group (eg: steering committee) involved.

Whilst it is easy to articulate different types of risk: strategic, change and operational (M-o-R, OGC UK standard) that serve this, it is clear that change is always pervasive throughout the business and its treatment should be driven from the top of the organisation using the change programmes (for example) and managed at appropriate levels in consultation. It is important that a consolidated view of risk should be taken across its various disciplines (not a silo locked approach). Risk should be managed as an iterative cycle within governance processes at appropriate levels. Decisions about risk/opportunity at the strategic level should never be delegated.

Benefits and fiscal delivery dates should be a fixed target for all change programmes (where feasible). However, the paths to achievement can be hampered at times through conflict and decisions that will be made given changes in strategy from time to time; especially in keeping with changes in external market forces. So pressure to adjust course will be seen from time to time and can optimally be met by alternate project options available within the portfolio (see OGC/MOP). Senior executives are always sensitive to priorities and options available and as such will optimise their planning windows as best they can.

Such agile approaches will drive adjustments, but the programmes must still be seen to deliver to target. It has to be borne in mind that functional groups/teams within operations are not able to meet with late change so the risk driven iterative planning process should protect this real and constant exposure – benefit delivery should always be treated as a premium process. That is, a shared responsibility of the sponsor and the programme manager in question. It should not simply be delegated to operational managers to decide on the compromising of benefit return.

Much uncertainty will of course be directed toward strategic risk; which can always 'open the door' to possible trade-offs between sustainability and commitments. Once again, 'benefit return' should not be compromised (whenever possible).



## Systems theory, Management & Governance

Systems for information dispersal, decision making and approval are vitally important within periods of rapid change and indeed it is not easy to separate all day-to-day activities from overlaid change initiatives. There is instead a distinct interplay here that cannot be ignored. Systems theory always formally recognised this! Disappointingly, we have not ever had great success in building effective decision support systems at the highest levels in the business that reflect the consolidated 'status quo' of the 'total system'. A 'single source of truth' the idealists tend to call it. Indeed, it takes a new 'top level view' in order to serve the transparency, accountabilities and interplays that should be present so as to effectively serve enlightened decision making and measured benefit realisation.

Today, it is even more critical than ever to promote change (and ways of managing it) so as to ensure innovation is encouraged and then matched by benefit return for dollars spent. It is not enough to just be doing new things, such as cultural re-engineering. Boards are demanding payback for all dollars invested. In fact across contemporary Australia, directors are reticent to spend on new initiatives because of such 'uncertainty'. We read of this in the press daily. Perhaps 'flavour of the month' indulgences such as 'transformation' are mere sacrificial offerings to a far greater fear that "we need to be seen to be doing something". Or perhaps internal screening is culling major change opportunities in their infancy if governance allows decision making such as "it's easier to cull innovation than to promote real change".

An enterprise-wide governance model should be founded in a 'systems concept' with a closed loop to address rolling uncertainty and opportunity management. Resolution of issues to be effected via both the formal establishment and control entities across the organisational hierarchy. The explicit framework as such lends itself to a management operating system (MOS), see figure 2, which can drive decision-making (especially concerned with strategic change and related operational commitments). Sharp lines of demarcation should not be drawn between 'business as usual' and 'the strategic' within this general model. Nor should the governance layer seek to constrain the creative flow that generated the ideas and ensuing change in the first place.

## Systems theory, Management & Governance

The objective of system theory here should be to develop an objective, understandable environment for achieving results. The new processes (assume: workflow) should be able to be applied to governance of all these situations. Systems theory from fifty years ago recognised the nature of a necessary interplay of transactional, project and the 'very process of managing'. The following management operating system model is representative of that; a 'total system' model that embraces controlling all major change and 'business as usual' with a view to sustaining and delivering benefit return for dollars invested in the business.

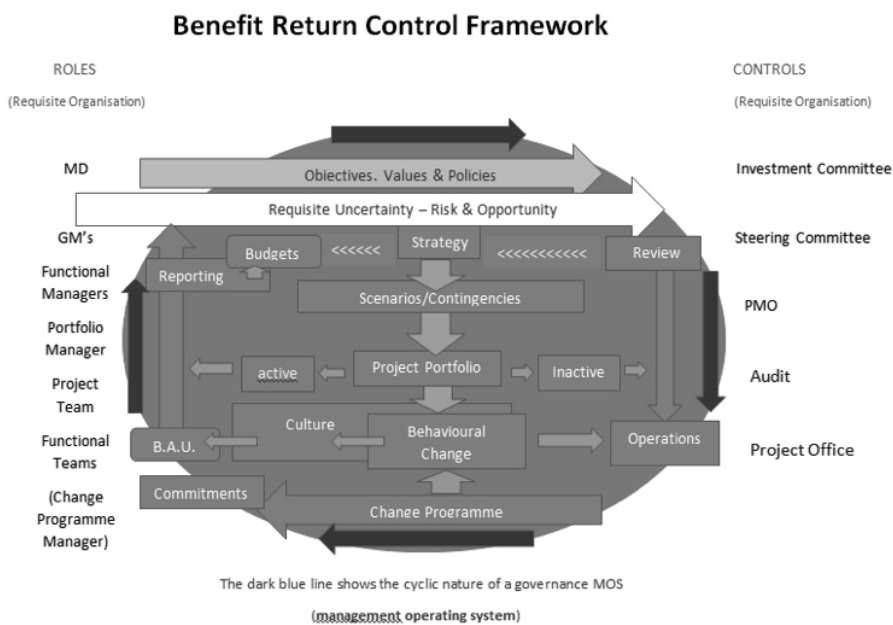


Figure 2

Goal setting criteria and methods of measurement are of course key ingredients and the MOS would be interactive with all change programme indicators. The various management functions are implied within the governance system model. The elements of planning, leadership, communication, organisation and control are implicit (...and vital!).

## Systems theory, Management & Governance

Matrix organisations are still an evolving process as far as budgeting goes in most organisations however increased decision making across more flexible lines should evolve to better serve a 'systems concept' model. The model has one overarching purpose: to ensure a process where unrelated resources are woven into an overarching total system for accomplishment of objectives. The MOS (Figure 2) will then be the core communications conduit in the process. This should include information, proposal, approval flow, measurement and quality.

The upper levels of the enterprise governance model should thereby keep the internal functions in tune with the external environment and the risk elements there will drive further assurance or opportunity recognition into the cycle. The interactions within the cycle should be intentionally 'social' so as to promote the development of / agreement to appropriate policy definitions which should form not only the desired values platform but also convey explicit business rules.

## Assuring the value return of our businesses



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The primary task of governance in relation to change is to ensure that business benefits are articulated in the business case. The best way to avoid risk in the programme is to fully scope out the foundation case and ensure that all related players are in strong agreement. This is the only acceptable platform for a clear 'go' decision for a major change programme.

A transformation programme should reflect business unit line items where the benefits will appear so the interface to finance is fundamental on major programmes. For instance, if the transformation programme is designed to boost customer service/sales, then revenue should be expected to go up within certain business units. The programme should specify every intervention in the business that will bring this about and the transformation leader should ensure inclusion in the budgeting cycle.

### **IFAC/CIMA (UK) and COSO (US) define enterprise governance to be:**

Enterprise Governance: the set of responsibilities and practices exercised by the Board and the executive management team with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the organisation's resources are used responsibly.

## Assuring the value return of our businesses

The responsibilities inherent within this definition are too numerous to list. However, it is clear that ongoing risk will always challenge the status quo of 'works in process' and that measurement is vital in order to ensure progress and optimisation of finite resources.

The iterative schematic as shown below is risk driven; ultimately testing effective change processes and providing planned benefit control. The management cycle should also be founded in a periodic schedule that underpins the control processes of a customised MOS

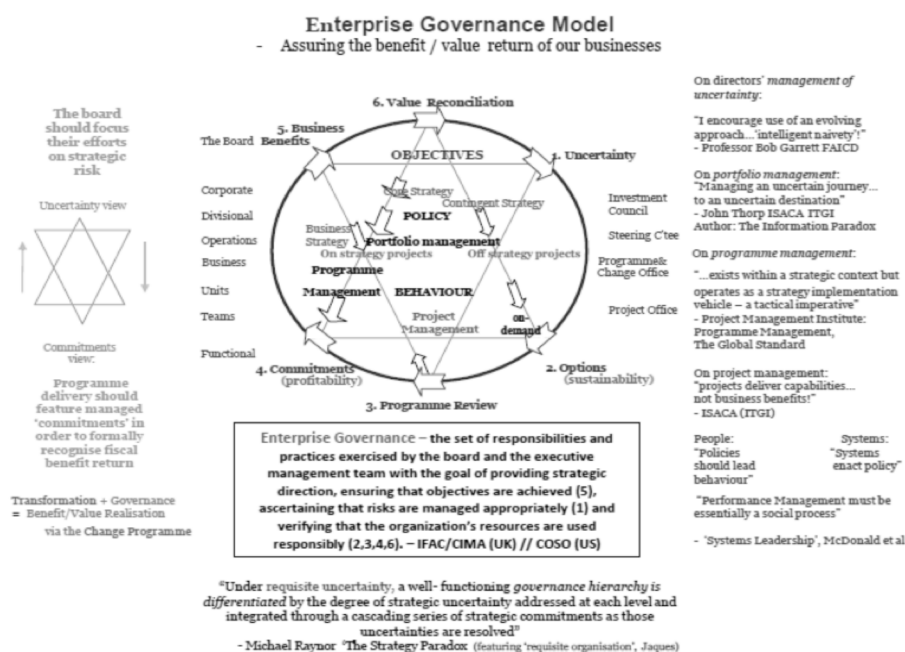


Figure 3

Given the board will always be focussed on the longer term, the directors will logically look to optimise the value of their available time and resources at hand. 'Uncertainty' therefore will always challenge control groups re sustainable change/improvement options from proposed works across considered time frames.

## Assuring the value return of our businesses

As a result, there will always be a healthy conflict between strategic optimisation and the tactical commitments made to meet programme objectives; being the 'operations view' versus the 'executive view' of what 'may be' achievable. The high level view of offsetting 'commitments versus uncertainty' are highlighted at the left side in Figure 3. This is also reflected in the middle of the central model depicted by the inverted triangles within the proposed enterprise governance model highlighting decision making at appropriate levels.

Programme commitments should thereby deliver profitability into the short term aside from their 'resourced' strategic value. Commitments should be honoured and promoted into returned benefits wherever possible. Once rightfully engaged in the budget cycle; benefit monitoring and competing barriers to success should take on a new transparency and accountability from all involved.

This proposed model delivers answers to some of the questions posed in the introductory section of this report re progress with benefit delivery. Governance ensures knowledge of not only the plan but also of progress and of looming threats; hopefully too, ensuring prompt and informed decision making. The worst kind of decisions... are the ones that are not made at all!



## Is alignment of behaviour important in this...?

Yes it is! There is a presumption emanating from the corporate world (based on empirical evidence dating back to the 80's) that major organisational change can be effected purely by an appropriate leadership style (transformational, the case in point). Given the number of failing programmes today ...this is clearly not working. Why?

It must also be pointed out that there are several major factors empirically founded to be missing from the transformational leader's (empirical) operating profile:

- › Ability to set clear goals
- › A focus on making rewards contingent on performance
- › Interest in monitoring followers' performance levels
- › Intervening when problems occur

Again based on empirical references, these characteristics are said to be only found in leaders who belong to the 'rational school' of leadership. The rational approach puts more emphasis on analytic, planning and management skills. Clearly, this highlights the fact that in order to achieve alignment in goals and reporting of performance aimed at reconciling business benefits there is also a need for:

- › A strong focus on policy
- › Coaching and mentoring so as to ensure desired behavioural change
- › An enterprise governance hierarchy so as to drive and embed all planned changes

The foundation requirement for a clear commitment to the initial get-go decision in relation to business benefits is of course a pre-requisite to this. The change programme will not deliver required benefits via a 'flaky' business case.

Explicit top level understanding and support of every major business case is mandatory to all success. Benefit realisation will also depend on an honest communication plan d for each programme scenario.

## Is alignment of behaviour important in this...?

The OGC British standard definition for policy is: a course of action (or principle) adopted by an organisation; a business statement of intent in setting the tone for an organisation's culture.

So, it makes one think that the return from transformational leadership can be reasonably shallow given the appropriate matching with the rational model (especially for the largest firms). However, very few firms today are putting the prescribed levels of focus on policy and supporting procedures with a view to process standardisation and alignment.

There seems to be instead a 'blind faith' in transformative leadership as a solitary cultural change agenda. Is it any surprise that 'transformation projects' are failing across the board?

- Organisations must use culture to fully execute their strategy  
- *Chatman & Cha, 2015*

There is no doubt that cultural re-engineering is important, however the latter half of the above quotation simply leaves too much to the imagination. Many transformation programmes deliver a new capability to an organisation but do not go the whole (benefit return) distance because the rest of the journey is quite simply the hardest part.

What happens is that the transformation team hands the programme back to the line managers with the expectation that the line managers will somehow deliver the new capability into a different behavioural model ...which in turn may somehow deliver benefits.

- The whole is purposely made ambiguous, which complicates the task of making sense of the parts - *Ewald & Vann, 2008*.

Little can change the way things are done in an 'as is' vs 'to be' state unless a clear commitment is made toward new ways, roles and related processes at the operational level. Much of the focus in operations needs to be on coaching and mentoring across the management levels where they can then proactively take teams towards the 'to be' state in marrying policies and system flows.

## Is alignment of behaviour important in this...?

Cultural realignment should clearly also play its part in this operational innovation. Policies and systems assist too with the messages promoted within the communication plan. Systems enact policies. Professional interventions can also help to provide a disciplined approach toward alignment and goal fulfilment via reinforcement of necessary team behaviours.

It is generally accepted that transformative leadership provides values enhancement across all management levels. Values serve as a 'north point' for behavioural alignment.

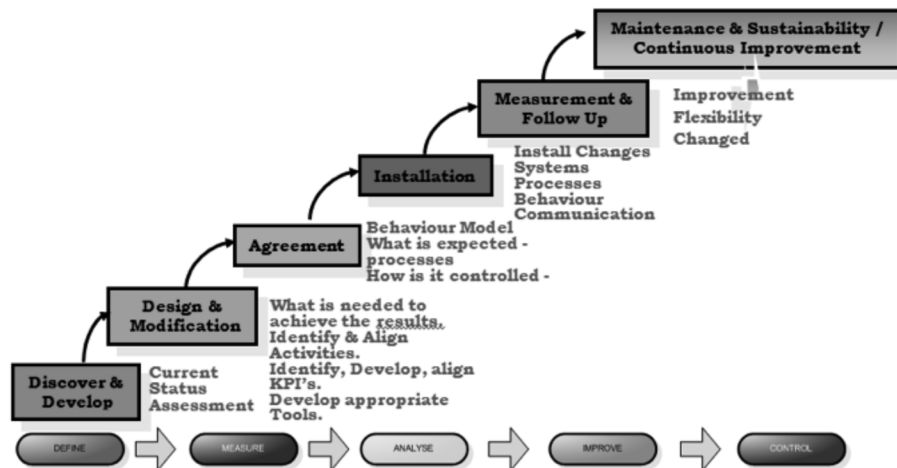


Figure 4

The steps in figure 4 would provide a useful backbone for any major organisational change initiative. In order to ensure sustainability, continuous improvement must be the ultimate goal beyond any type of transformation.

Active supervision is a key part of governance in that measurement of team results enhances the profile of the team as a whole, promotes common goals and should not demotivate the individual in any way. The model then aligns teams toward the common goals.

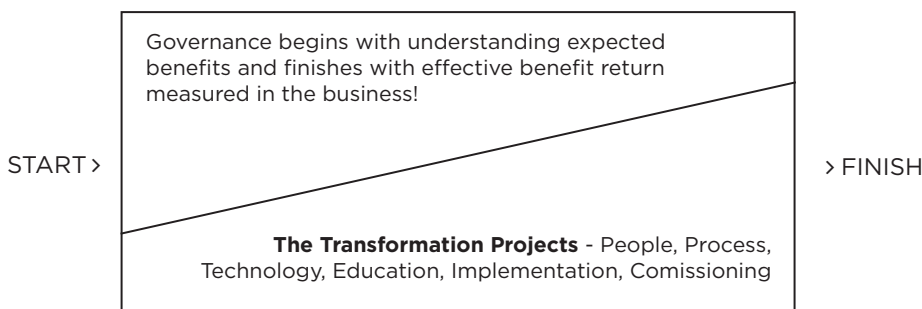
## Discussion

Benefit return should be a primary focal point in transformational initiatives in the business world of today. Agreement to required benefits of approved funding should indeed be fundamental to all such initiatives. This ambition however requires explicit governance across all of these processes. Maybe unfashionable, but necessary! Benefit realisation of change initiatives doesn't just happen.

'Transformation' has however become a 'trendy' phenomenon inside the corporate world these days. As with many business and corporate 'must haves', its adoption has now developed a miraculous import all of its own. In the traditional understanding of the term, a 'transformation' should result in a dramatic difference in the shape, capability, competitiveness and profitability of an organisation. But all too often those impacted are being left clueless as to what real results should be expected from such an initiative. Thereby, measurement towards success is undefined and reporting is simply not possible.

### **The hype is unmistakable; the facts are plain to see:**

This transformational style of leadership does not focus on clear returns. This is despite the undeniable faith being placed in it today with related change programme investments by a legion of corporate and government bodies. In truth, the results are only implied. The hype of 'the transformation' is exciting ...but in fact its delivery is not measurable.



## Discussion

This paper has presented a view that enterprise governance is a mandatory backbone to all initiatives that aspire towards leadership-driven 'transformational' change. The approach also favours a distinct focus on change programme management as the formal platform for benefit delivery. Governance is further bolstered by the suggested use of clear policies, behavioural change initiatives and a strong collaboration with divisional leaders, finance and the executive office as strategic partners.

Translating the benefits that the board and management are looking for into key performance objectives is a foundation stone towards success because if this is not done thoroughly one cannot ultimately measure progress towards the initial business case. If the sponsors haven't endorsed a suitably articulated case to begin with, then they need to be singled out in no uncertain terms. No matter how unpalatable, work should not begin without an absolutely clear and quantified mandate of what will be realised via the programme of work.

## Recommendation

There are no short cuts to effective governance in ensuring value return on investments. However it's a funny thing how governance can appear to be something that is 'optional' or 'dispensable' to some business people or, even more alarmingly ...'not very well understood' by others. Project portfolio management today stands as a solitary pillar towards measured control of change initiatives in most businesses, while its ongoing indifference toward budget control frameworks in operation remains a root cause of conflicting objectives in practice.

Enterprise governance should be considered a best practice 'total system' for corporate objectives accomplishment. Transformative leadership offers a philosophy for the stimulation of organisational change; however this also demands formalisation towards benefit articulation of which due realisation in turn requires a deep understanding and commitment to appropriate drivers, methodologies and management control frameworks.



Given that this paper has adopted a somewhat 'rational' view of organisational change rather than the currently trending focus on the more 'human' aspects, it must be said that nothing reduces the importance of enthusiastic and enlightened leadership that puts both the customer and the employee first in most matters of 'everydayness'.

Furthermore, nothing can undermine the absolute need for institutions that value a suitably articulated organisational structure which includes functional interfaces solidly founded in 'trust'.

## **Transformation + Governance = Value Realisation**

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