Project Management Development – Practice and Perspectives
9th International Scientific Conference on Project Management in the Baltic Countries
April 23-24, 2020, Riga, University of Latvia
ISSN 2501-0263

HOW TO DEVELOP END-TO-END BENEFITS REALIZATION PROCESS THROUGH INTEGRATING PORTFOLIO MANAGEMENT WITH PROGRAM AND PROJECT MANAGEMENT

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Abstract

In the business dictionary, there are three definitions of the word "benefit". The first definition is "advantage, privilege, right or financial reimbursement", the second is "desirable and measurable outcome or result from an action, investment, project, resource, or technology", the last is "desirable attribute of a good or service, which a customer perceives he or she will get from purchasing. Whereas vendors sell features, buyers seek the benefit".

According to the Project Management Institute (PMI), "Projects are a key way to create value and benefits in organization". (PMBOK Guide, 2017, p.10) Furthermore, the PMI stated that "successful business value realization begins with comprehensive strategic planning and management" and continued "In order to bridge the gap between organizational strategy and successful business value realization, the use of portfolio, program, and project management techniques is essential." in the "A Guide to the Project Management Body of Knowledge". (PMBOK Guide, 2013, p.16)

The primary aim of this paper is to develop end-to-end benefits realization process through integrating portfolio management with program and project management. In order to achieve this, the author conducted a deep research about benefit management based on PMI's perspective and will explain them on the background section. Then, the relationship between portfolio management, program management and project management will be developed and a new end-to-end benefits realization process will be proposed.

Key words: *Benefits Realization, Benefits Realization in Portfolio Management, Benefits Realization in Program Management, Benefits Realization in Project Management, End-to-End Benefits Realization*
JEL code: Z00

Introduction

In the last few decades, the awareness of benefits realization has increased. Ginger Levin argued that "although much has been written on benefits realization since the 1980s, primarily regarding return on investment in the information systems field, it began to be discussed in the project management field in the 1990s in program management". (Ginger Levin, 2015)

PMI stated in the Pulse of the Profession report that "the traditional measures of scope, time, and cost are no longer sufficient" and a project must deliver the expected benefits. (Pulse of the Profession 2017) Benefits realization management (BRM) is a way to achieve this through aligning projects, programs and portfolios to the organizational strategy. (The Boston Consulting Group, 2016)

The purpose of this paper is to develop and visualize end-to-end benefits realization process based on the PMI's view. In order to achieve this, the author will explain the key word "benefit" on the background section. Then, the benefit management will be discussed in detail from the project, program and portfolio management perspective. Finally, a new process will be

ISSN 2501-0263

proposed through visualization the relationship between portfolio, program and project management.

Background

1. Benefit

As stated on the abstract section, the word "benefit" has three definitions in the business dictionary. The first definition is "advantage, privilege, right or financial reimbursement", the second is "desirable and measurable outcome or result from an action, investment, project, resource, or technology", and the last is "desirable attribute of a good or service, which a customer perceives he or she will get from purchasing. Whereas vendors sell features, buyers seek the benefit".

PMI defined benefit as "the gains and assets realized by the organization and other stakeholders as the result of outcomes delivered by the program". (The Standard for Program Management, 2017, p.164) "Programs are conducted primarily to deliver benefits to the sponsor organizations or constituents of the sponsoring organization" (The Standard for Program Management, 2017, p.3), and "for a benefit to have value, it needs to be realized to a sufficient degree and in a timely manner". (The Standard for Program Management, 2017, p.52)

Benefits are varied such as: expanded market presence, improved financial performance, operational efficiencies, enhancing current capabilities, facilitating change, creating or maintaining assets, offering new products and services, or developing new opportunities to generate or preserve value.

2. Benefit Management Project Management Perspective

In the PMI's view, projects create value and benefits in organizations, and the net quantifiable benefit derived from a business endeavor is named "business value". "The benefit may be tangible, intangible, or both." (PMBOK Guide, 2017, p.7) A project manager uses two important business documents during managing a project. Project business case and project benefits management plan.

The project business case is used "to establish the validity of the benefits". (PMBOK Guide, 2017, p.29) The evaluation statement in the business case explains "the plan for measuring the benefits the project will deliver. This should include any ongoing operational aspects of the recommended option beyond initial implementation". (PMBOK Guide, 2017, p.32)

The project benefits management plan defines "the processes for creating, maximizing, and sustaining the benefits provided by a project" and includes the following key information: target benefits such as net present value calculations, strategic alignment, timeframe for realizing benefits, benefits owner, metrics, assumptions, and risks. It is developed prior to the project being initiated, and maintained iteratively throughout the lifecycle of the project. "The project manager works with the sponsor to ensure that the project charter, project management plan, and the benefits management plan remain in alignment throughout the life cycle of the project". (PMBOK Guide, 2017, p.33) This plan is one input of the following project management processes: Develop project charter, identify stakeholders, determine budget, plan procurement management, close project or phase.

The benefits management plan is a way to develop more understanding about the expected benefits during developing project charter.

Then it is used as an input to the stakeholder identification process. PMI stated that "it may identify the individuals and groups that will benefit from the delivery of the outcomes of the project and are thus considered as stakeholders." (PMBOK, 2017, 509)

In the planning stage of procurement management process, the plan "describes when specific project benefits are expected to be available, which will drive procurement dates and contract languages". (PMBOK, 2017, p.469)

Finally, during the closing project or phase, the project manager measures whether the benefits of the project were achieved as planned through using the plan. The output of this process is a final report, which consists of a summary of project performance. "If the benefits are not met at the close of the project, indicate the degree to which they are achieved and estimate for future benefits realization". (PMBOK, 2017, p.128)

According to the PMI, one of the project objectives is to complete the project benefits management plan. Another objective is to meet the agreed –upon financial measures, such as benefit cost ratio (BCR) documented in the business case.

3. Benefit Management from the Program Management Perspective

Based on the definition in the organizational project management context, a program is consisted of "a group of related projects, subsidiary programs, and program activities managed in a coordinated manner to obtain benefits not available from managing them individually" and program management enhances the optimally delivery of program benefits to the sponsor organizations or constituents of the sponsoring organization. (PMBOK Guide, 2017, p.29) PMI puts forward that benefits realization is achieved incrementally throughout the program or at the end or after the end of the program and sustained. Mahon and Driessnack argued that "program management harmonizes its project and sub-program components, and manages their interdependencies in order to realize specified benefits". (Mahon & Driessnack, 2017)

In the Standard for Program Management, there are five performance domains: Program Strategic Alignment, Program Benefits Management, Program Stakeholder Engagement, Program Governance, Program Life Cycle Management.

Program Strategic Alignment is the first performance domain. In this performance domain, program outputs and outcomes which aim is to provide benefits aligned with the organization's goals and objectives are identified. Three types of documents are existed: Program business case, program charter and a program roadmap.

The program business case is used to assess the program's investment against the intended benefits. The program charter authorizes the program and expresses the organization's vision, mission and high-level benefits expected to be produced. "A program roadmap is a graphical representation of the incremental benefits and provides a visual of when the return on investment may help fund the future program benefits and outcomes". (The Standard for Program Management, 2017, p.45) It is useful when communicating the overarching plan and benefits to stakeholders and assessing a program's progress toward achieving its expected benefits.

The next performance domain Program Benefits Management Performance. The phases in this domain are the following: Benefits Identification, Benefits Analysis and Planning, Benefits Delivery, Benefits Transition, Benefits Sustainment.

In the "Benefits Identification" phase, the benefits are identified and qualified through creating benefits register, "developed based on the program business case, the organization's strategic plan, and other relevant program objectives." (The Standard for Program Management, 2017, p.47) In the "Benefits Analysis and Planning" phase, benefits management plan is established, benefits metrics and framework are developed. Based on the PMI, this plan should be defined "how the resulting benefits and capabilities will be transitioned into an operational state to achieve benefits, and to the individuals, groups, or organizations responsible for sustaining the benefits". (The Standard for Program Management, 2017, p.50) Furthermore, it is stated that "program costs may continue after program closeout as operational costs to sustain the benefits in the program funding." (The Standard for Program Management, 2017, p.48) In the "Benefits Delivery" phase, the program manager ensures to deliver the expected benefits through monitoring the organizational environment, program objectives, and benefits realization evaluating opportunities and threats affecting benefits, producing a defined set of reports or metrics and sharing them with the related program stakeholders. During this phase, strategic alignment and value delivery are analysed and assessed. "For internally focused programs, the benefits realization processes measure how the new benefits affect the flow of operations of the organization". (The Standard for Program Management, 2017, p.52) Another phase is "Benefits

ISSN 2501-0263

Transition", which aim is "to ensure that program benefits are transitioned to operational areas and can be sustained once they are transferred" through defining the scope of transition, identifying the stakeholders, measuring the program benefits, developing sustainment plans, and executing the transition.(The Standard for Program Management, 2017, p.53) The last phase is "Benefits Sustainment". It is defined as "ongoing maintenance activities performed beyond the end of the program by receiving organizations to assure continued generation of the improvements and outcomes delivered by the program". (The Standard for Program Management, 2017, p.164) The sustainment ways of benefits are operations, maintenance, new components, or other efforts. Before program closure, a benefits sustainment plan, in which the risks, processes, measures, metrics, and tools are identified, should be created.

The third performance domain is Program Stakeholder Engagement. Five phases in this performance domain are listed as follows: Program Stakeholder Identification, Program Stakeholder Analysis, Program Stakeholder Engagement Planning, Program Stakeholder Engagement, Program Stakeholder Communications. In this performance domain, the stakeholder interests should be balanced, the potential impact on program benefits realization should be considered, and desired benefits should be agreed.

The next performance domain is Program Governance. The definition of this domain is "the framework, functions, and processes by which a program is monitored, managed, and supported in order to meet organizational strategic and operational goals." (The Standard for Program Management, 2017, p.165) It is used to enable the effective realization of program benefits. (Standard for Program Management, 2017, p.59).

Program Life Cycle Management is the last performance domain. The definition of this domain is "to manage all program activities related to program definition, program delivery, and program closure". (Standard for Program Management, 2017, p.166) The program life cycles consists of three phases: Program Definition Phase, Program Delivery Phase, Program Closure Phase.

Program management is performed by the program manager whose focus is to deliver organizational benefits aligned with the organization' strategic plan as:

- maintaining responsibility for the leadership, conduct, and performance of a program;
- building program team;
- monitoring the output and outcomes of a program's component activities;
- ensuring that program components are adapted as required;
- managing or coordinating the management of complex issues through using the communication skills, stakeholder engagement skills, change management skills, leadership skills, analytical skills, integration skills.

A program sponsor's responsibilities are to ensure delivery of the intended benefits, secure the available positive benefits, steward the handling of negative benefits.

"To provide capable governance resources to oversee and monitor program uncertainty and complexity related to achieving benefits delivery", "provide oversight and monitoring so program benefits are planned, measured, and achieved", "review expected benefits and benefits delivery" are a program steering committee's responsibilities.

4. Benefit Management from the Portfolio Management Perspective

In the organizational project management context, "success is measured in terms of the aggregate investment performance and benefit realization of the portfolio". (PMBOK, 2017, p.13) The focus of portfolio management is value, "the entire quantifiable and qualifiable benefits, worth and usefulness of the organization", and it can be defined "in terms of its short-, medium-, or long-term realization. Value is created through the effective management of ongoing operations". (The Standard for Portfolio Management, 2017, p.7)

The portfolio manager should take into account financial and non-financial benefits and risks during portfolio strategic management and alignment, organizational change impacts on the expected benefits, provide oversight and feedback on the delivery of benefits, secure the available benefits leading to value realization. The operational manager's responsibility is to realize the outcomes and benefits from the successfully implemented portfolio components. The portfolio has life cycle, "the ongoing processes and functions that occur to a set of portfolios, programs, projects, and operations within a continuous time frame". (The Standard for Portfolio Management, 2017, p.117) The stages of the life cycle are Initiating. Planning, Executing, and Optimization. During planning stage, portfolio strategic planning is realized regularly, and the portfolio business model is reviewed in order to ensure that it is aligned with customer values/benefits. The next stage is execution stage in which benefits realization potential based on component delivery is monitored. In the optimization stage, "the portfolio manager facilitates discussions with stakeholders to ensure that the organization realizes the intended benefits for the remaining components", and continued "benefit realization from components that have been transitioned into the operational work of the organization may also provide credible evidence for optimization". (The Standard for Portfolio Management, 2017, p.25)

In the portfolio management, there are six performance domains: Portfolio Strategic Management, Portfolio Governance, Portfolio Capacity and Capability Management, Portfolio Stakeholder Engagement, Portfolio Value Management, Portfolio Risk Management.

In the Portfolio Strategic Management, benefits are considered during the following sections: Portfolio Strategic Objectives, Portfolio Charter, Defining Key Portfolio Components, Portfolio Optimization.

In this performance domain, a portfolio strategic plan is developed and aligned to the organizational strategy and objectives. PMI argued "that the summation of the initiatives' outcomes under a specific strategic goal lead to %100 realization of that strategic goal's benefits." (The Standard for Portfolio Management, 2017, p.30) The expected benefits are listed in the portfolio strategic plan. A portfolio performance management plan is "a subsidiary plan or component of the portfolio management plan that describes performance measures, reporting (on scope, cost, schedule, and resources), resource optimization, and benefits realization". (The Standard for Portfolio Management, 2017, p.117)

A portfolio chapter is created based on the portfolio strategic plan, portfolio process assets and enterprise environmental factors in order to give authorization to the portfolio manager. "A portfolio is built using a set of subsidiary portfolios, programs, projects, and operational activities managed in a coordinated way". (The Standard for Portfolio Management, 2017, p.36) A key component in the portfolio is to realize the desired benefits. During optimizing the portfolio, the benefits, risks, and resources are balanced and optimized.

The second performance domain is Portfolio Governance Domain, "a set of practices, functions, and processes within a framework based on a set of principles that are fundamental norms, rules, or values that guide portfolio management activities in order to optimize investments and meet organizational strategic and operational goals." (The Standard for Portfolio Management, 2017, p.117)

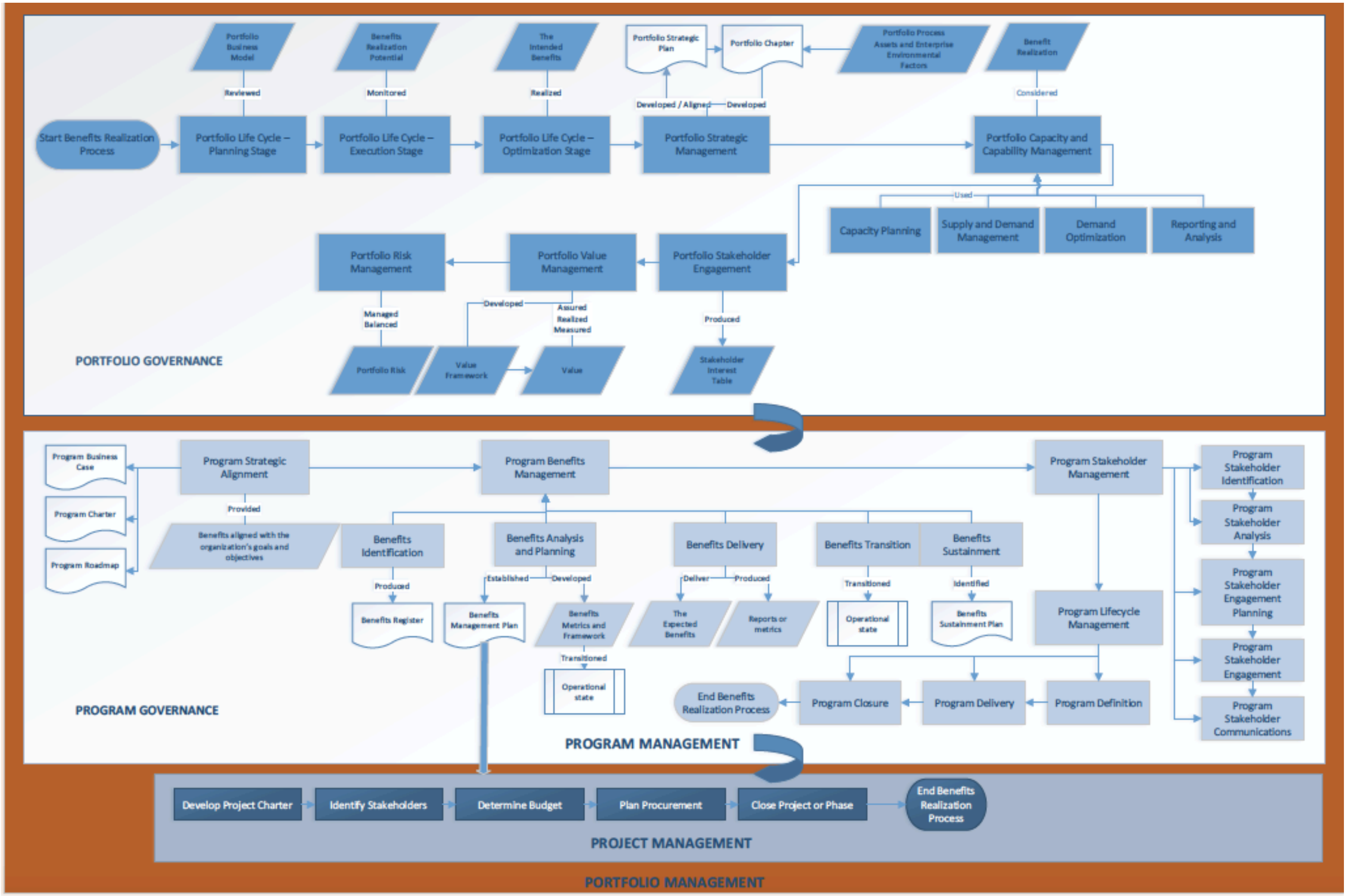
The other performance domain is "Portfolio Capacity and Capability Management". It is "a comprehensive framework based on a set of guiding consisting a set of tools and practices to identify, allocate, and optimize resources for maximizing resource utilization and minimizing resource conflicts in portfolio execution". (The Standard for Portfolio Management, 2017, p.117) During managing capacity and capability, the portfolio manager should consider benefit realization. There are four elements in capacity management. Capacity Planning, Supply and Demand Management, Demand Optimization, Reporting and Analytics. The targeted portfolio benefits are achieved through using these elements during managing capacity. In the Capacity Planning, benefits of portfolio components and their priority are considered while allocating resource. In the Supply and Demand Optimization, the mitigation strategies are developed, and metrics are measured for optimization. In the Capability Development, new capabilities are developed and existing capabilities are sustained, and their benefits realization are measured.

The fourth performance domain is Portfolio Stakeholder Engagement. In this performance domain, the stakeholder interest table is defined. The roles of Portfolio Governance, one of stakeholder group, are to oversee the portfolio, set priorities, manage the spending, report progress, and manage timely delivery of benefits. The interest of portfolio sponsor is benefits and outcomes that meet the organization's goals. (The Standard for Portfolio Management, 2017, p.66)

Portfolio value management is another performance domain. Assuring, realizing, and measuring value are key concepts in this performance domain. "Value assurance is concerned with ensuring that the deliverables enable the intended beneficial changes". (The Standard for Portfolio Management, 2017, p.81) In order to realize value, portfolio managers "need to ensure that the components receiving outputs from other components in the portfolio exploit those outputs effectively and deliver the targeted benefits so that the portfolio's expected value continues to align with the requirement". (The Standard for Portfolio Management, 2017, p.82) For measuring the value of portfolio, value measurement framework is developed.

Portfolio risk management is the last performance domain. The portfolio manager should manage portfolio risk and balance risk through taking a proactive approach. It is stated that "the sum of benefits among the component elements of the portfolio or the delivery of specific capabilities via projects or ongoing operations does not fully define the delivered value of the portfolio". (The Standard for Portfolio Management, 2017, p.92).

ISSN 2501-0263



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ISSN 2501-0263

Conclusions

To understand the importance of benefits realization, establish a process integrating portfolio management, program management and project management, moves the organization forward to realize its vision. This research is the first step in achieving this goal. The proposed process provides end-to-end benefits tracking, developed based on the PMI standards. In the future, the research could be expanded through integrating the other standards.

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