Contents

Successful or failed project? 3
Key phases of business benefits realization 4
  1. Defining a clear objectives and a business case 4
  2. Setting up a foundation for success 5
  3. Professional execution 6
  4. Tracking and managing the benefits 9
Business benefits are not realized by coincidence 10
Successful or failed project?

It is well-known that a large proportion of business projects and programs fail. Kotter International (2016) states that more than 70% of all major transformations fail. A study by the Standish Group (Hastie, Oct 2015) analyzed 50,000 projects in the software industry; only 29% of them were successful. Gartner estimates that 55 – 75% of ERP projects fail. HBR (March 2011) writes: “… study after study puts the failure rate of mergers and acquisitions somewhere between 70 and 90%.”

What does a project failure or not being successful actually mean? Is it always a complete failure where millions are spent while the project is cancelled, never completed or does not deliver any value?

Not exactly. There is no precise boundary between successful and failed projects. In the Standish Group’s report, 19% of the projects were considered to be failures while 52% of the projects were somewhere between a success and a failure. These were called challenged projects.

A project that is not successful may not meet all of the criteria of a successful project such as being on-time, on-budget and delivering a satisfactory result. They can, for example, be delayed but still bring substantial value to the organization.

Although not being successful does not necessarily mean a complete failure, it may still have major implications. In their 2014 report, Standish Group identified that among the failed or the challenged projects:

- 53% had a cost overrun of 50% or more
- 68% had a schedule overrun of over 50% and
- 68% had a content deficiency with more than 50% of the anticipated content not being delivered.

These issues reduce the return on project investment either by increasing costs or reducing or delaying the benefits.

![Project success vs project failure](image)

Project objectives are often either not defined or are so generic that it is impossible to evaluate whether they have been met. Although the project methodology would require creation of a business case, the methodologies seldom define an approach for systematic management of business benefits realization.

“The greatest projects deliver remarkable business benefits, often in increments, and by motivating the people to change their behavior well ahead of the project’s technical milestones.”

Copyright © Midagon 2016 Ltd. All rights reserved
Key phases of business benefits realization

What can companies do to improve their success rate and increase the benefits? Business benefits are not achieved without determined actions. The actions to ensure benefits realization can be divided into four, partially overlapping phases:

1. Defining clear objectives and a business case
2. Setting up a foundation for success
3. Professional execution
4. Tracking and managing the benefits realization

“Business case indisputably answers the simple question: Does the project make sense?”

Creating a business case will force the program to drill down from high-level goals to more concrete outcomes and measurements, including project level contribution.

A good business case will drive program's actions and decision-making. It will act as the reference point against which all key decisions are made, e.g. is the defined solution or service provider's proposal acceptable? Finding out the expected net benefit of each project will also enable comparison and making choices between different initiatives.

A business case should also describe the required change and alternative solutions at a high-level. Detailed analysis of expected financial benefits of the proposed change is the core content of a business case. Changes to current cost items are probably the easiest step in calculating concrete financial gains, e.g. a reduction in services procurement or equipment costs, or working capital employed.

Other financial benefits probably need more analysis such as process efficiencies, additional sales and amount of FTEs needed compared to the current state. Non-financial benefits – such as the focus on core competencies, change support and control – should also be included in the analysis. One should also determine if there is a net benefit of changing the project schedule and whether faster time to value is worth the additional investment.

The identified benefits are then analyzed against all of the explicit and implicit costs.
of implementing the change. Future costs resulting from the change must be taken into consideration. Opportunity costs should also be carefully thought out. A good business case will look at the alternatives to the proposed change and reasons for not selecting them. Management will use information from a business case to make a go/no-go decision on a new project idea. A business case should, therefore, always contain an executive summary for busy decision makers. If the summary has more than 3 pages, you are taking a risk...

In most large organizations, business case templates are part of the standard methodology. Document templates can range from a bare bones Excel spreadsheet to bureaucratically extensive ‘novels’.

At the organizational level, the templates will most likely affect the probability of ultimate success. However, the existing culture is even more important. The key question to be asked is: Are business cases and the effort to build them, taken seriously - or is the outcome merely a check in the list of things required by ‘process bureaucrats’ to get financing?

The work of creating a business case is often the project team’s responsibility. However, not much thought is usually put into checking the team’s capabilities in this area. There may be lack of sufficient financial understanding in the team to create a solid cash flow analysis. In this situation, it is recommended to seek support from outside of the team, such as a business analyst resource from finance. An Excel sheet with the relevant numbers is not enough - it is also necessary to identify the logic and assumptions behind those numbers.

A good business case provides clear metrics that allow business benefits realization to be measured during and after the project. Yet, only 14% of businesses define metrics and align them with the strategic vision and the desired business outcomes before getting the effort underway (KPMG 2015).

The best metrics are fact-based and indisputable – they are taken from the systems, process KPIs and through regular surveys of customers and personnel. “Providing the best services in the market” or “improving communication” do not fill these criteria, while “accelerating inventory rotation by 12% by end of the year” or “reaching 98,5% service accuracy after project’s release 2 go-live” will do.

2. Setting up a foundation for success

There are several factors that are pre-requisites for and enablers of a successful change.

Following factors are of specific importance:

• Management support and commitment as well as the availability of active business owner(s).

  • Management support is visible in different forms. Management agrees with the targeted change, stands behind it and is not shy of openly communicating about it to any of the stakeholders.

  • Management is visibly present within the change, frequently shows up and is genuinely interested in the project activities.

  • In situations requiring decision-making or conflict resolution, management is ready to help immediately – not within two days or two weeks after which the project is already delayed.

• The project is assigned the resources it needs to deliver the change.

  • The persons participating in the project are released from their daily responsibilities to the extent needed instead of having a group of overloaded
people nominally participating in the project without true chances for relevant contribution.

• The best available team with the required competencies participates in the project. Team diversity introduces cross-functional skills, results in better risk management and provides more learning opportunities, thus motivation.

• The project is adequately planned, roles and responsibilities are very clearly defined and each of the individuals participating in the project know exactly what is needed and when.

• The schedule and the budget are realistically estimated. Underestimating them is a typical pitfall. A large change is split into multiple smaller projects to make them more manageable. According to Standish Group (2014), smaller projects have a much higher likelihood of success than larger ones.

• Portfolio management needs to be aware of and approve the project (where relevant). In large organizations, there could, for example, already be a similar on-going initiative. Doing the same thing twice does not bring additional benefits.

“The top three causes for project failures are unrealistic plan, unclear roles & responsibilities, lack of change leadership.”

3. Professional execution
Program/Project Methodology and Change Leadership

Execution is needed to successfully implement the targeted change.

“Projects that do not use project methodology are close to ten times more likely to fail delivering the business benefits than projects that follow the project methodology.”

How often do project managers use a project management methodology?

<table>
<thead>
<tr>
<th>Successful</th>
<th>Unsuccessful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always</td>
<td>Always</td>
</tr>
<tr>
<td>Often</td>
<td>Often</td>
</tr>
<tr>
<td>Sometimes</td>
<td>Sometimes</td>
</tr>
<tr>
<td>Never</td>
<td>Never</td>
</tr>
<tr>
<td>Don’t know 0%</td>
<td>Don’t know</td>
</tr>
</tbody>
</table>

Source: KPMG, 2013

1 Based on Midagon project experience.
2 Midagon provides free of charge project management templates within a methodology framework at http://www.midagon.fi/project-tools/
Change leadership is the other key success factor. It combines the concepts of project and change management with leadership competence.

A great leader inspires the team and communicates and solves problems, while taking care of the more mundane project management and tracking activities. A skillful leader also understands the wider business context and has an adequate understanding on the subject of the project.

“Being able to change the behavior of the people may accelerate business benefits realization by a mile.”

A good leader or project team member also has tacit knowledge on the ways to successfully execute a project. Tacit knowledge consists of effective ways of working and organizing work, which increases the likelihood of project success. The following examples illustrate some of the best practices:

• Carrying responsibility on activities under one's own responsibility and also discretely ensuring that those tasks that are the responsibility of others get done. A project, where people strictly focus on their own responsibilities is doomed to fail or at least has an increased risk of failure.

• A positive attitude and a great atmosphere increase energy levels and motivation, and allow team members to focus on project execution. When issues are faced, one is not interested in finding who is guilty. Instead, the focus is on solving the issue and ‘learning for the future’.

• Prioritization and identifying the most important actions that need to be completed during a particular day, week or month allows the project to focus on those activities that are the most critical for success.

• Systematic tracking of tasks, issues and status ensures the quality of project’s outcome and reduces the risk of negative surprises resulting from omission.

• Fast decision-making on all levels minimizes idle time and reduces the risk of delay. Decision-making can be accelerated by delegating the decision-making power within the project organization.

• Knowing how to navigate around obstacles and minimize waiting reduces delays and idle time.

• Instead of waiting for two weeks for the next steering group meeting to get a critical approval, practices for emergency approval can be established.

• Rigid service level agreements that are not designed to support hectic project work also cause delays. Often, for example, an IT project needs support from 3rd party service providers. The service level agreements with these providers may be so long that just waiting for the requests to be fulfilled automatically results in lengthy delays.

“Less e-mails, more telephone calls” is one of the leadership principles of Matti Alahuhta (former president and CEO of Kone Corporation). This also applies to project management. Use of e-mail (alone) is one of the best ways to destroy project schedule when there is an urgent activity, e.g., a need to get help from a busy person within a short notice. Use of telephone allows a fast, two-way dialogue and issues are often solved immediately.

• Providing full transparency and fast communication allows all affected parties – management, project team members and stakeholders – to stay up to date on the status of the project and/or of the status of the individual activities. This gives peace of mind, eliminates unnecessary questions and concerns, allows people to promptly react to deviations and enables people to immediately know when a dependent activity has been completed and they can continue.

• When things do not proceed as planned, skillful and discrete escalation allows
issues to be solved while minimizing the possible damage in relations.

Successful change leadership increases the buy-in of the change at all levels and includes the traditional elements of change management. It makes the people see the value of the outcome – thus accepting the efforts to reach the goal. At best, change leadership creates a positive atmosphere and accelerates the speed of acceptance.

• **Stakeholder Management** ensures that the right people are on board, ready and willing for the change. Typically, the first reaction to change is optimistic. As more information is received, the acceptance level of change drops. As time passes, through proper stakeholder management activities, such as engagement, for example, people become willing to accept and commit to the change. Individuals move at different paces on the Change Curve.

• In addition to communication within the project team and with the management responsible for the project, **communication to other stakeholders** is needed. It should be planned so that individuals get the most relevant and the proper level of information at the right time. Communication on successes strengthens the buy-in of the change and keeps up the spirit.

• Conducting **Change Impact Analysis** helps to define the change impact on different levels such as the company, department, process and role. Communication messages should explain what the changes are and how they will concretely impact individuals. *What is in it for me and how will it change my job?* That is what people want to know.

• **Training** and **competency development** provide people the new skills and knowledge for the project work, throughout the period of change and after the change has been implemented.

• **Change network** is an essential element in successful project execution. In addition to the project team, it consists of project sponsors, change agents and opinion leaders. The right people shall have the power, expertise, credibility and drive. They should share the vision and the objective for the change. The vision should be stated repeatedly and in a maximum of 60 seconds. Walk the talk and match words and deeds. It is important to behave in ways that are consistent with the vision. This includes creating a change brand.

• There are common **barriers to change**, which should be identified. These barriers typically have to do with the mindset, feelings, company politics and culture. There are always some individuals who are initially against the change. To tackle it, invite the lions in, then respond respectfully to the attacks. Management support is one of the pre-requisites of a successful change implementation.

• **Performance management and rewards** should be in line with the change strategy. This will guide people to act towards the new way of working. Engage with HR to refine rewards and feedback systems to encourage the desired behavior. HR should always be kept in the loop when the change introduced an impact on people.

“*If people do not change their behavior, ask three questions: Do they know? Can they? Are they motivated?’*
4. Tracking and managing the benefits

A successful project needs to deliver a change that brings the targeted business benefits. However, tracking and managing business benefits is widely neglected. Once the project has passed the initiation and planning milestones and proceeds to execution, a typical project and a typical steering group forget that there ever was a business case.

The approach for benefits tracking and management includes the following actions:

• The project business case is continuously updated during and after the project. Even when the project is in good shape, the business case may change. For example, factors outside of the project may change the situation and result in the business case becoming negative.

• The project is discontinued if the business case (for the remaining activities) proves to be negative.

• The project plan is created with a focus on business benefits. Early realization of benefits is a planning target. For example, country deployments can be scheduled so that the deployment starts in the countries with the biggest benefits.

• Each status report and steering group presentation reports the status of benefits realization, while benefits realization is a part of the standard steering group agenda. The KPIs defined when the business case has initially been prepared are used throughout the project. Before the change is implemented and the first benefits start to be realized, the focus is on ensuring that the concept, implementation and deployment of the work can be expected to bring continued benefits. For example, before the concept can be approved, it must be such that when implemented, it will bring the targeted change and the desired business benefits.

• The full coverage of each deployment is ensured in order to maximize benefits.

• The project is only closed once the targeted change is in place and expected benefits have steadily started to flow in.
requires active benefits planning and management, and the right tools and methods. In this White Paper, we have presented Midagon’s view on the recipe for success including four phases.

1. Defining clear objectives and a business case
2. Setting up a foundation for success
3. Professional execution
4. Tracking and managing the benefits realization

Business benefits are not realized by coincidence

The majority of the projects fail to meet their objectives. We are aware of major organizations that have reduced their development efforts, because “if change anyhow fails, why waste money”.

There is room for significantly raising the likelihood of success. A success is not a coincidence. Achieving business benefits...
This white paper is based on authors' project leadership experience from hundreds of projects and programs.

Nina Asikainen
Petri Malmelin
Heikki J. Mattila
Eero Raunio
Ilkka Töyrylä

References


Contact

Marko Yli-Pietilä
Business Development Director
+358 50 4820 794
marko.yli-pietila@midagon.com

Lauri Eskola
CEO, Partner
+358 50 484 5662
lauri.eskola@midagon.com