



PR-02 Consulting Newsletter

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Consulting

Enhancing Organisational Performance through Programme and Project Management

Supporting Best Practice in Programme and Project Management

Welcome to Issue 9 of the PR-02 Consulting Newsletter. We've been producing the Newsletter for about 2 years now and have had positive feedback from our readers. We would like to hear from you if you have any views on the content or on specific topics you would like us to cover. If you'd like to share your experiences with our readers do get in touch. We are always happy to include articles from new writers. As you will see from our web-site www.PR-02.com one of our goals is to increase awareness of best practice in programme and project management. That's why we offer a number of services including publishing this Newsletter. To further support this goal our plan is to increase the frequency of the Newsletter over the next few months. So look for more frequent visits from us in your mailbox.

How helpful would it be to have someone to bounce ideas off in managing your project? What do you think about? How would you deal with....? What is the best way to take this forward? PR-02's Prince2Coach provides you with this opportunity. Drop an e-mail to Prince2Coach@PR-02.com. There is a PRINCE2 expert waiting to help provide support and advice. See our article on this for more details.

PR-02 has developed an Implementation and Scaling tool to support project managers in the implementation of PRINCE2. This is an inexpensive tool which can provide a range of information which can help you in delivering your projects successfully particularly if you are new to using PRINCE2. Visit our website and have a look at what is available in the tool and what a major Government Department said after reviewing it for PR-02. Could it help you deliver your project more effectively?

The Credit Crunch !

And finally ...there's a Credit Crunch. Every time you watch or listen to the news we are being told about it and the effect it is having on business and the economy. So what will the effect be on projects and the project management community? How will it impact on projects? We believe organisations are likely to scrutinise programmes and projects more fully. There will be a greater need to justify projects before they start. Business cases are likely to come under greater scrutiny. Projects will need to be more effectively managed to control costs. Greater pressure is likely to be brought to bear on the need to define and deliver real measurable benefits. You will see from the topics in this issue of the Newsletter that this is what our focus is on. Eddie Lamont, a Senior Project Manager with Lothian and Borders Police reflects on the need to cost projects effectively and thereafter trap cost performance against planned cost. We also have the first in a series of articles about Benefits Realisation. Greater focus in these areas is likely to be seen in the months ahead. Hence the need for project managers developing their knowledge and understanding of good practice.

Best regards

Arvin Gardiner

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Projects—at what cost?

Why do we do projects? In the majority of cases, it is surely to reap the benefits, whether these are financial, say through efficiency savings, or passed on to our customers through improved service delivery, or, who knows, perhaps even both.

Looking back on projects carried out in the past, how often have we painted a rosier picture than is actually the case by understating the costs to the organisation and overstating the predicted benefits? How many times have we actually dared to compare what we intended to delivered against what was actually delivered and what the true cost was?

An area of good project management practice that is essential in ensuring that your organisation is in control of what resource is being utilised and the true financial impact is: **-Financial Planning**

A common practice is to term the cost of a project as the budget that it has been pre-allocated. Of course, we all have financial constraints and many projects have to plan to deliver within a 'no more money under any circumstances' environment. Such constraints of course impact on the quality of the deliverables and therefore the benefits.

Many projects do not even have an earmarked budget, they simply dip into several different cost centres, with various Departments absorbing the costs, as and when an expense arises. Tracking the true cost of these projects becomes almost impossible, especially where subject to audit

What should be included within the project costs? One of the major expenses that many organisations still do not consider is: **- Resource Costs**

All projects will have identified staff resource applied to them, ranging from perhaps an individual Project Manager (full or part time), reporting to a Project Executive to full blown governance structures involving User Groups, Configuration Librarian, Project Support (through a PSO) and several full time project posts.

The removal of a member of staff from their normal job to work on a project represents a project cost. It is of course not always that simple and different organisation may wish to look at how they apportion these costs in different ways. This assessment is often interlinked with how the organisation manages its finances at a high level. When creating an approach to calculating project cost, involvement of your Finance Section is essential.

For example, some organisations may only consider the secondment of a member of staff onto a project as a project expense where the post from which the project team member has been removed has required to be back-filled. Others may only consider adding resource time to a project cost where the project team member's allocated time to the project exceeds a certain percentage of their overall employment time

Another major area of costs that is often overlooked when calculating the total project cost, and, when comparing against the benefits, is: **- Training Costs**

If a project has been created to deliver a new system (almost always involving ICT these days!) for carrying out a specific task that your organisation has responsibility for and this new system is predicted to result in efficiency savings, then as well as the capital costs involved, it is very important that the organisation consider the impact of training costs. A new IT system can potentially involve the re-training of large numbers of staff. Even at a couple of hours per head, these costs can be significant and should be offset against the financial benefits identified of operating the new system.

There are of course several other headings under which costs require to be considered and captured. When putting together your stakeholder management and communication plans, what costs may be involved in publications, printing and hospitality? Are the project team to be located into one office? If so, what are the hardware / software requirements and office furniture needs? What is the likely extent of travel requirements for the project team including, say, benchmarking, where you wish to visit a similar organisation that is perhaps located in another part of the country. These are just some of the areas you need to think about.

As an organisation, you may wish to create a standardised approach to costing projects in order that direct comparisons can be made at Business Change level. Identifying what is Capital and what is Revenue costs allows forward planning of yearly budget requirements and breaking each project budget down into phases (again, often in line with Finance Department) provides even greater control and transparency of predicted spend.

The cost of any project should be forecast in as much detail as possible during the Initiation Stage of the project and these costs should be included within the Business Case presented within or alongside the PID.

It may be that a project is estimated to deliver financial savings of, say, £50k, but if the project costs £40k, is it worth the risk and how accurate is the estimated £40k? Perhaps in reality the project is costing the organisation £60k and the actual benefit realised may only result in £45k of savings. Familiar??

Alternatively, a project may cost £200k, a big commitment in any circumstances, but is predicted to deliver savings of £5million. Estimated project costs based around a sound method of calculation allows the senior management (or Business Change Board) to make informed decisions on committing large sums of money to projects and to decide which projects should receive the green light to proceed.

Once a project has been shown the green light to enter into Controlled Progress or Delivery, actual spend should be recorded and this can be compared against predicted spend. This will assist the Project Manager in identifying or predicting when the project is looking like it will exceed the financial tolerance set within the PID and therefore kick-start the Exception Process.

If you are costing your projects accurately, then, in order to make the correct, best informed decisions on which ones to commit to, your organisation also requires to ensure that a system is in place regarding the forecasting of benefits....but that's another topic which will be explored in a future article.

Eddie Lamont has recently joined Lothian & Borders Police as a Senior Project Manager within their Programme Support Office, having previously been a Project Manager with The City of Edinburgh Council, responsible for the delivery of projects within diverse subject areas

Benefits Realisation

Why do we need Benefits Realisation?

Business programmes and projects are undertaken to deliver benefits to organisations. However, they are frequently criticised for failing to deliver their objectives or benefits. Research has shown that over 60% of projects fail to deliver benefits, and even when they are delivered, the benefits are far from fully realised.

So why does this happen? There are a number of reasons for this, but much of this can be directly related to a lack of planning and allocation of responsibility for benefits. This results in

- Projects poorly aligned to the business strategy
- Business cases focused on target savings instead of demonstrating actual business benefits in a manner that can be commonly understood
 - Too much emphasis on deliverables - too little or none on benefits
 - No mechanisms or structures to manage the realisation of benefits

For Benefits Realisation to work it is critical to identify clear benefits that relate to the business objectives of the organisation, division or department, and to assign ownership to those responsible for ensuring and managing the realisation of the benefits. In addition, projects are often considered to be finished when their deliverables are complete. However, the benefits of a project are typically realised over a period of time after the project has delivered. Focus on the benefits is therefore lost with no-one taking responsibility for achieving the benefits.

The challenge for organisations is in identifying benefits, assigning ownership, determining how they can be measured and then making sure they are delivered.

Recently a local authority constructed a fast link bus facility to transport local residents into a major city. This involved realigning the road structure and constructing several car parks for the residents to park their cars and travel by bus.

The project delivered the facility on time, on budget (£6 million) and it met the quality requirements expected of it. However, since its introduction 18 months ago a car has never been seen parked in any of the car parks constructed. Whilst the delivery of the project was successful it has not achieved any the benefits that could have been expected.

What is a Benefit?

Managing Successful Programmes (P61) defines a benefit as *"A measurable improvement resulting from an outcome which is perceived as an advantage by a stakeholder"*

It is important to recognise the distinction between a project deliverable, which is usually an enabler e.g. a system that delivers a capability, and the benefit which will result from a change e.g. training and the development of new processes in order for users to efficiently use a system. It should be noted that enablers in themselves are not benefits, it is the resulting changes in performance, process, operations etc. that leads to the achievement of potential benefits. Figure 1 below illustrates this.

Benefits should be:

- In line with the organisation's objectives
- Generally acknowledged to be valuable to the business
- Measurable

It should be noted that measurable does not equate to being expressed in purely financial terms.

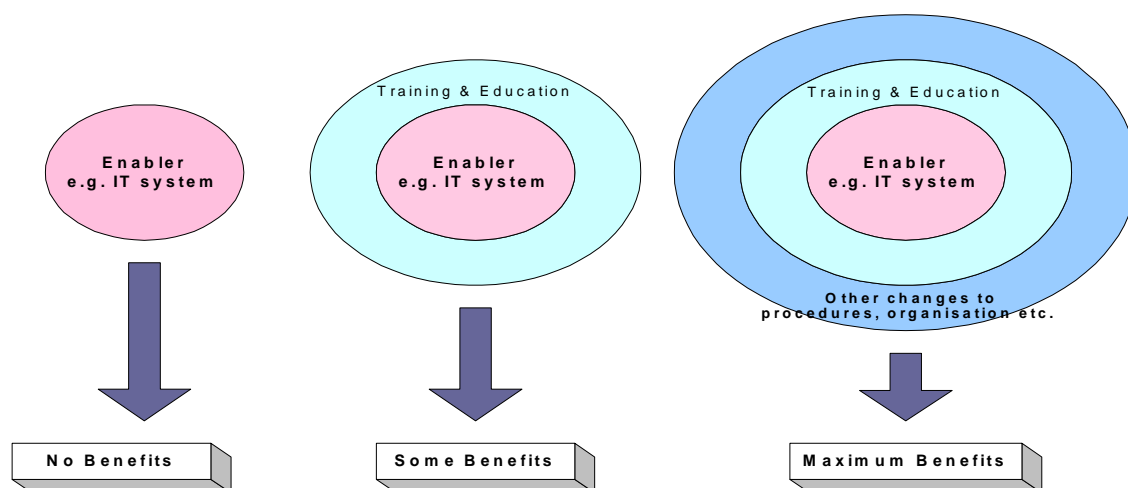


Figure 1

Benefits Realisation (contd)

Classification of Benefits

Benefits may usefully be classified for a number of reasons:

- To assign ownership
- To aid analysis
- To manage expectations
- To identify business impact
- To tailor the message for stakeholders

Financial measures have frequently been used to justify a project by showing that the financial benefits outweighed the cost of the project, therefore the project should progress. This approach often means that non-financial or intangible benefits are not assessed, measured or seen as critical success factors. Particularly in the public sector, the current climate of e-enablement, legislative change and the focus on service provision means that financial factors, although still important, are not the sole drivers for change.

Benefits Management within projects.

Benefits Management starts before a project or programme begins and continues after its closure. It is the identification of potential benefits, their planning, modelling and tracking, the assignment of responsibilities and authorities and their actual realisation as a result of investing in business change. Benefits management is intrinsically linked to the successful implementation of project deliverables in order to achieve their full potential and value to the organisation.

In addition to standard project delivery documentation effective benefits management will involve the generation of a Benefits Realisation Plan (BRP) at project initiation. This living document helps to maintain focus on the anticipated benefits throughout the life of the project and beyond, forming the basis of the Implementation Plan, identifying practical and/or procedural changes that are prerequisites to the achievement of the identified benefits. The BRP is not intended as a replacement for the business case. It stands in support of it by translating the elements identified into practical and realistic actions and measures.

The Benefits Realisation Plan's purpose is to:

- state the benefits to be realised
- document the changes required
- ensure a common understanding of the actions to be taken
- obtain stakeholder ownership
- establish accountability, and
- facilitate the tracking and reporting of benefits

Benefits Management aims to ensure that the desired business change has been clearly defined the benefits are measurable and provide a compelling case for investment. An explicit process for benefits management will assist an organisation in producing evidence of best value in its programme and project activity. Ultimately benefits management should be able to demonstrate whether the change outcome has actually been achieved.

Next month we will look at how you can integrate the use of the Benefits Realisation Plan into the use of the PRINCE2 method.

The PRINCE2 Coach

How helpful would it be to have someone to bounce ideas off in using PRINCE2 to manage your project? What do you think about? How would you deal with....? What is the best way to take this forward? How can I scale this to an acceptable level for my project?

PR-02 offers an e-mail advice service in which you can contact the PRINCE2 coach at Prince2Coach@PR-02.com and gain useful advice on the use of elements of PRINCE2 for your project. You can subscribe to this service and get up to 2 hours free advice from an experienced PRINCE2 expert. E-mail the PRINCE2 Coach today and sign up.

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And finally if you contact Advantage Learning do be sure to quote PR2 to them.

Contact them on +44(0)131 668 2445

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