

Guide to Benefits Realisation

Contents

Introduction	2
What is Benefits Realisation?	2
Scope	2
Document Purpose	2
The case for Benefits Realisation	2
Objectives of Benefits Realisation	2
The Benefits Realisation Process	2
The Phases	3
Phase 1: Understand	3
Phase 2: Plan	5
Phase 3: Manage and report	9
Phase 4: Evaluate	10
More information	11
Disclaimer	11
Appendix 1: Benefits Realisation Management Plan	12
Appendix 2: Benefits Realisation Risks and Mitigations	14

Introduction

What is Benefits Realisation?

Benefits realisation is the process for the identification, definition, tracking, realisation and optimisation of benefits ensuring that potential benefits arising from a program of change are actually realised.

Scope

This guideline covers the steps involved in understanding, planning, realising, reporting and evaluating benefits within the procurement process.

It does not cover areas such as project management, business case development and governance approaches.

Document Purpose

This document provides an outline of phases in the benefits realisation process, a description on the different types of benefits, guidance on better practice methods and better practice information around benefits tracking processes, reporting and evaluation. It is not intended to provide a catch-all for all benefits generating activity and does not provide health services with an assurance or validation of the application of the approach for calculating procurement benefits but more a practical and theoretical approach to determining benefits.

The case for Benefits Realisation

Effective benefits realisation is critical to the achievement of the business outcomes desired from the organisation's investments. Benefits realisation is an important contributor of key information to the development of broader health service planning proposals and decision making.

Objectives of Benefits Realisation

Generally, organisations have clear objectives around Benefits Realisation. Some of the common objectives are to:

- Ensure benefits are identified and defined clearly at the start of a procurement process and that these are linked to strategic outcomes.
- Ensure business areas are committed to realising their defined benefits with assigned ownership and responsibility for adding value through the realisation process
- Drive the process of realising benefits, including benefit measurement, tracking and recording benefits as they are realised
- Use the defined and expected benefits as a roadmap to provide a focus for delivering change
- Provide alignment and clear links between the program (its vision and desired benefits) and the strategic objectives of the organisation.

The Benefits Realisation Process

This section introduces the benefits realisation process, outlining the four key phases that can enable a business change program to realise benefits. The four key phases are displayed as a circle in *Figure 1* to reflect the iterative nature of the process and the four phases: 'Understand', 'Plan', 'Manage and Report', and 'Evaluate'.

Figure 1: The Four Phases of Benefits Realisation



The Phases

Phase 1: Understand

Before we can plan or measure benefits, we must understand our operating environment, the critical success factors and establish the objective and strategic intent of the benefits. The procurement practitioner should consider the following questions prior to establishing a benefits plan:

- Has the organisation established a clear definition of benefits?
- Has the organisation determined the grading or prioritising of the benefits?
- What are the identified Key Performance Indicators (KPIs) or variables that are relevant?
- How will each benefit be measured and tracked (ideally with a before and after comparison)?
- When will each benefit be realised (including progress along the way)?
- Who will each benefit be measured and tracked (ideally with a before and after comparison)?
- When will each benefit be realised (including progress along the way)?
- What are the risks that the planned benefits will not be achieved, including the dependencies and trade-offs that may be required?
- How will the progress towards benefits be tracked?
- What are the costs associated with benefits realisation?
- Who is ultimately responsible?

Critical Success factors

Benefits Realisation Management (BRM) requires the following three strategic and integrated characteristics in place for successful operation (see *Table 1* below).

Table 1: Benefits Realisation Management (BRM) characteristics

Characteristics	Critical success
Stakeholder buy-in	<ul style="list-style-type: none"> • Senior management leadership and commitment • Early stakeholder engagement • Operational ownership of benefits

Management of information	<ul style="list-style-type: none"> • BRM profiles, plans and tracking registers up to date • Alignment with business forecasting/budgeting and actual performance • Alignment with project management systems
Embedded BRM	<ul style="list-style-type: none"> • Achievement of benefits of the organisation's service delivery objectives and wider business strategy • Governing bodies support a BRM focus • Process is ingrained in the organisation • Achievement of integration and change management

Challenges typically encountered in Benefits Realisation

This Guideline addresses steps to enable successful benefits realisation. It addresses typical challenges encountered in benefits realisation including:

- What is a Benefit?
- Benefits are subjective
- Acknowledgement of what could provide the benefit
- Unclear or inaccurate baseline measures
- Measuring what is easy to prove – outputs
- Benefits take time to accrue
- Measuring benefits holds people to account (just because it is difficult doesn't mean we should not do it)

What is a Benefit?

A benefit is the measurable improvement resulting from an outcome which is perceived as an advantage by the stakeholder.

Benefits are used for defining and declaring success of an investment.

Benefits can be classified into the following types outlined in *Table 2*:

Table 2: Benefit types

Benefit types	Type details
Direct financial (tangible/quantitative)	Those benefits that can be quantified and valued in financial terms e.g. cost savings, revenue generation.
Direct non-financial (tangible)	Those that can be quantified but are difficult to value in financial terms e.g. improved resilience.
Indirect benefits (tangible/quantitative)	Those benefits that can be identified, but cannot be easily quantified e.g. end user satisfaction, better access to information, improved customer service.
Dis-benefits	Can be described as the negative consequences of change.

Benefits are subjective

There are various ways of categorising benefits and dis-benefits. *Table 3* may assist with this clarification.

Table 3: Benefit categorisation

Financial	Non-financial
Cashable/Bankable e.g. Asset receipts from the disposal of an asset	Measurable e.g. Greater customer satisfaction, measured using a performance indicator or survey
Non-cashable/Non-bankable e.g. An efficiency gain leading to less time to complete a required task.	Non-measurable e.g. Improved innovation

Acknowledgement of what could provide a benefit

The procurement practitioner would need to undertake a mapping of the project and complete the following mapping exercises:

- Mapping benefits to business change requirements
- Mapping benefits to project objective.

Unclear or inaccurate baseline measures

Develop a profile for each defined benefit. This helps to:

- Define the extent of the improvement that the benefit will deliver
- Ensure an appropriate person is accountable for delivery of the benefit
- Prioritise benefits
- Clarify what tools you will need to enable the benefit.

Measuring what is easy to prove – outputs

Classifying the benefits to be measured allows the balance between cashable and non-cashable benefits to be assessed. It will also assist those responsible for change to identify potential problem areas and to plan mitigating action. The guideline explains this concept further in the [Phase 2: Plan](#).

Benefits take time to accrue

Realising business benefits and starting to accrue and realise value usually takes considerable time. Driving transformation internally is often more complex, time consuming and costlier. This reduces the Return on Investment (ROI) over the project time frame. Outsourcing to a provider to manage the process of value realisation and ROI can be a source of significant competitive advantage.

Measuring benefits holds people to account

It is continuous measurement of the effectiveness of the key performance measures that is vital to the successful management and delivery of benefits realisation, particularly related to spend reduction, category management, compliance and supplier/spend under management. It may be advisable to establish a 'Procurement Scorecard' representing the benefits and value that has been delivered. This concept is discussed further in this guideline. Periodic reporting on the scorecard will hold officials accountable and conscious of consequences that may arise in the event of ineffective management of the procurement function.

Phase 2: Plan

In the next step, a plan is created which further develops the findings from the [Phase 1: Understand](#). It suggests the key tasks that need to be undertaken during the plan phase, such as:

- Developing a detailed Benefits Realisation Plan (BRP) with the following inclusions:
 - Benefits Identification

- Benefits Classification
- Develop an Action Plan with the following steps:
 - Determine the baseline measure
 - Determine the target measure
 - Document the measure attributes
 - Establish and update the Benefits Realisation
 - Register
 - Develop Benefit Profiles.

Develop a Benefits Realisation Plan (BRP)

The BRP is basically a project plan that outlines the timeframe that the benefits will be realised. An example of a BRP with components is detailed in [Appendix 1](#).

The primary purpose of the plan is to facilitate the realisation of the planned benefits. It should enable the procurement practitioner to keep track of what action is required to enable benefits realisation and to facilitate the tracking of benefits by the procurement practitioner and the benefit owner.

A secondary purpose, if relevant, is to ensure benefits are realised on time as documented in the organisation’s strategic plan or business case.

Benefits identification

Benefits identification is the first major milestone in the process of developing a BRP. It should engage a broad spectrum of stakeholders, preferably by means of a workshop to identify the best set of measures.

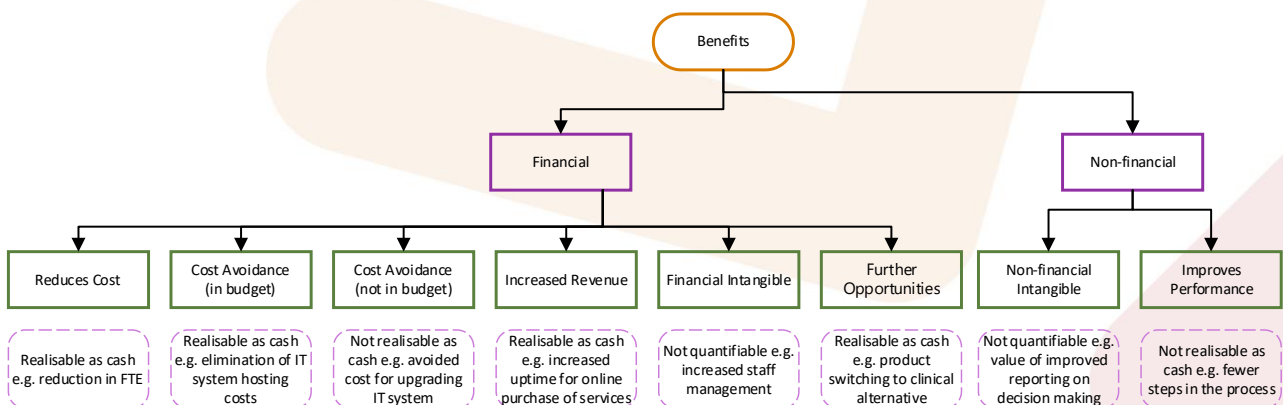
Benefits Types/Classification

Benefits classification increases understanding of the nature of benefits, assists analysis and improves communication. It helps stakeholders understand expectations and it raises awareness of the impacts on other stakeholders.

There are different ways of categorising benefits and dis-benefits. The Generic Classification Model (overleaf) illustrates that benefits can be classified as financial (i.e. quantifiable) and non-financial (nonquantifiable).

The Generic Classification Model below may be used to identify a comprehensive set of benefits.

Figure 2: The Generic Classification Model



Some of the terms are explained below using examples.

Financial benefits

Increased revenue

An organisation may develop a web-based system for the sales of products/ services. The organisation may decide to increase the uptime for online purchases of products/services so that purchasers may purchase items outside the general business hours. This may account for increased revenue. Uptime refers to the system itself being online for purchasers to use for longer periods than normal. However, it does not take into account buyers being able to reach it as in the event of a network outage.

Cost avoidance

A cost avoidance, which is a 'soft' cost saving, usually takes the form of a more intangible cost, which does not show up on, but materially impacts, the bottom-line cost such as:

- A delayed price increase, despite rising costs on the commodity markets or 'inflation' related to a price index
- A negotiated purchase price that is lower than the initial quote
- Additional value-add services in a contract that are free-of-charge
- Long term contracts with price-protection provisions\
- The identification of a new production process that supports utilisation of a lower cost material.

The typical example is index-based cost avoidance.

The assumption is that, when a contract is not in place, suppliers will periodically increase their product prices in line with 'inflation' (e.g. Health Index, CPI, or similar).

Hence when an organisation such as HealthShare Victoria (HSV) puts a fixed-price contract in place, the (index-based) Cost Avoidance is the difference between the fixed-price and the price that would have been charged if prices had not been held fixed for the period. The Cost Avoidance attributed to the whole contract is the sum of all Cost Avoidance values for the individual items on the contract.

Cost reduction

Cost reduction can be generally defined as the act of cutting costs to improve profitability. Cost reduction is often confused with cost avoidance, which is more properly defined as the act of eliminating costs or preventing their occurrence in the first place. Both types of cost control, which are two sides of the cost containment coin, are important and necessary for an organisation that wants to achieve and maintain profitability.

A cost reduction, which is a 'hard' cost saving, usually takes the form of a tangible year-over-year bottom-line cost reduction such as:

- The direct reduction of a capital or operating expense, such as a decrease in the annual lease payments, a reduction in the product cost, or a reduced annual IT maintenance fee.

The example below illustrates this further:

Product A was available from suppliers X, Y, and Z for \$10.00, \$10.10, and \$9.90, respectively prior to an organisation (such as HealthShare Victoria (HSV)) putting a fixed-price contract in place. HSV creates a new state-wide contract for the 'category' of products that includes Product A. Hence, after negotiations with suppliers and the sourcing process, Product A is now available 'under contract' to health services from all three suppliers at \$9.70. Assuming Health Service 'H' used to purchase Product A from Supplier X for \$10.00 per item, under the new contract, 'H' 'saves \$0.30 per item for Product A.

The Cost Reduction attributed to the whole contract is the sum of all Cost Reduction values for individual items on contract – both 'direct match' (exact product and brand 'before' and 'after' the new contract is in place), and 'best match' ('closest', clinically equivalent product) in the exact category is no longer available under the new contract.

Once you've identified those areas that are haemorrhaging cash, you reduce the costs by identifying cost reduction strategies and change management plans to implement those strategies. The following areas are often good starting points:

- Preparation (Strategic sourcing, design for supply, and cost management)
- Operations (manufacturing intelligence, best practice implementation, supplier management)
- Transportation (distribution network re-design, shipment consolidation, multi-mode utilisation)
- Buying (spend analysis, strategic sourcing, optimising decision making)
- Selling (market intelligence, partnerships, green and sustainable approaches, brand building)
- Labour (workforce management).

In addition, you should consider bringing in some external expertise to help you with this effort, as consultancies that live and breathe cost reduction are often able to quickly identify significant cost savings opportunities and to help you realise them faster, and at higher rates of return, than internal efforts.

Non-financial benefits

Non-financial benefits cannot be quantified and therefore may be identified in the initial business case but cannot be easily tracked or reported upon.

Determine the baseline measure

Before a target can be determined, the Procurement Officer will need to measure the baseline value and determine the timescale over which the improvement is expected to be realised.

In order to demonstrate that a project has delivered the expected benefits, it is essential to know what the situation was before the change commenced. Baseline measures provide the means to capture current situational (or base level) data that can be used to compare various business processes before and after project tasks have been progressively implemented. If baseline measures are not taken and validated at the beginning of a project, it is very difficult to objectively demonstrate the achievement of project benefits throughout the project lifecycle. It is essential to take the baseline measures at the earliest opportunity to ensure that any early achievement of benefits i.e. quick wins, are recognised and reported.

Determine the target measure

For each 'tangible' measure, the procurement practitioner will need to determine a target improvement in consultation with the stakeholder. The target measure should be realistic and achievable. For instance, the target value can be defined as a percentage that increases over time in order to implement a gradual performance improvement.

Document the measure attributes

It is important that the level of detail for each benefit measure is appropriate for the type of outcomes that are expected to be delivered. The analysis of the outcome and the achievement of benefits become much more meaningful of the targeted outcome and actual outcome indicators are as detailed as possible.

Examples are:

- Unit of measure
- Method of measurement
- Baseline value (if available)
- Improvement timescale
- Beneficiary of the expected improvement.

It is advised to document the measure attributes to ensure a consistent measurement at various times.

Benefits Realisation Register/Database

In order to record and centrally monitor the savings generated through procurement, a savings capturing process must be established. The information should be collected, validated, recorded centrally in a database, and reported on a periodical basis. There needs to be clear guidance as to how these savings will be accrued. For example, will they be taken off the bottom line of the organisation or will they be reallocated

to other areas of spending? There is a risk if they are just recorded; they may never actually materialise into real tangible financial benefits.

Considerations

Please note the following suggestions:

- Meet with front line staff to ascertain baselines metrics and level of buy in
- All outcomes should be measurable. Measures for benefits can be financial or non-financial
- Focus on identifying the key outcomes that will clearly define success for the project in terms of benefits. Measure only selected outcomes
- Be careful not to have too many measures. Select the key measures of success
- Select measures that will indicate success for this project, for example, overall user satisfaction will be influenced by many initiatives and may be too broad to measure
- Always look for existing measures for benefits. The organisation may have an existing scorecard and performance reporting that identifies existing measures.

Develop a benefit profile

The Benefit Profile provides a one-page, comprehensive set of information relating to each single benefit. Typically, each individual benefit profile documents a detailed understanding of what will be involved and how the benefit will be realised. Once the Benefit Profile is signed off by the Benefit Owner/Stakeholder, a consolidated data set should form the input into the Benefits Realisation Register/Database.

The advantage of consolidating Benefit Profile data allows the prioritisation of benefits to enable a focus on the delivery of high-end benefits.

Phase 3: Manage and report

The Benefits Monitoring and Reporting Phase identify how successfully the project outcomes have been achieved. The phase continues over the entire life cycle of the project, and beyond the project closure. Strategic benefits are usually realised well beyond the project delivery life cycle. The project does not really end until the benefits have been realised.

Key questions include:

- Has a benefit monitoring and reporting process been established?
- Have quick wins been realised?
- Has progress been reviewed against the business plan?
- Has the Benefits Realisation Register/Database been reviewed and updated?

Key tasks

In order to answer the above questions, it is suggested the following tasks are undertaken during the monitoring and reporting phase:

- Update the baseline data
- Agree final targets with benefit owners/stakeholders
- Review progress against the Benefits Realisation Register/Database

Process

To complete these key tasks the following process steps should be undertaken:

- Update the Benefits Realisation Register/Database (BRD)
- Identify from the BRD the frequency and dates for measurement of benefits
- Identify and address issues that may be inhibiting the realisation of benefits
- Collect, collate and record the actual measurements for the benefits in the BRD
- Agree on final targets with benefit owners/stakeholders
- Update the Benefits deliverables:
 - Validate that the outcomes/benefits are still valid and achievable

- Assess if there are benefits that need to be deleted
- Review progress against the BRD:
 - Update the BRD with all changes identified and agreed with the stakeholders.

The BRD can be used to outline the expected impacts of proposed change requests which will inform decision making by Senior Management.

Benefits Reporting in a Balances Scorecard Approach

A Scorecard is a graphical or numeric representation of the organisation's performance over time toward specified KPIs or goals.

An organisation may choose to use a Balanced Scorecard Form for benefits reporting. This is one way of reporting the benefits; however the specific format of the report will depend on the specific project, organisation's requirements and in the case of health services, alignment to the Whole of Government guidelines. Suggested fields in the scorecard may include the following table entries:

Table 4: Balanced scorecard form fields

Fields	Field details
Operational Excellence	Measures relating to the performance of the organisation in managing the procurement activities, for example: <ul style="list-style-type: none"> ● % spend under influence ● # Supplier Performance Surveys ● Return on Investment (ROI) ● Sum of \$ benefits delivered for the whole organisation.
Service Delivery	Measures relating to the delivery of projects and savings: <ul style="list-style-type: none"> ● \$ Benefits delivered (Cost Reduction and Cost Avoidance) ● \$ missed Opportunity Benefits Delivered ● Procurement event execution (average days).
Procurement Innovation	Measures relating to innovation, technology, or improvements related to the organisation to further improve the procurement delivery: <ul style="list-style-type: none"> ● \$ benefits delivered from process improvements (e-Programs) related to procurement ● \$ benefits delivered from reduction in waste (better use of Environmental purchasing) ● Health services comparison of procurement benefits reviews completed.
People	Measures relating directly to the people connected to the Procurement: <ul style="list-style-type: none"> ● % Training days per employee achieved against plan ● % of Employee Engagement participation

Phase 4: Evaluate

The final phase in Benefits Realisation is reporting of achievement against the set target. The monitoring, reporting and escalation of actual versus targeted performance is undertaken by the benefits reporting function. It informs progress and correction actions that may be required.

In the post implementation phase, (reporting should continue beyond project closure) the focus is on the achievement of the desired business and strategic benefits.

Key questions

The procurement practitioner should consider the following questions relating to the post implementation phase:

- Have benefits been optimised with all key stakeholders?
- Has progress towards the vision/end state been reported against?
- Have lessons learnt been captured and communicated?

Process

To complete these key tasks the following process steps should be undertaken:

- Analyse the benefits:
 - Support and conduct measurement activities
 - Record results in the BRD against baseline and targets
 - Analyse the BRD and extract exception data
 - Make observations as to progress in realising benefits
 - Hold benefits evaluation meetings with all key stakeholders
- Conduct post-implementation review to inform corrective action
- Capture lessons learnt to inform continuous improvement, such as:
 - Assess benefits realisation effectiveness
 - Identify any deviation from targets. Discuss and collect suggestions for corrective action with stakeholders. Corrective action may involve further investment in the project and will need to be formally approved
- Report the results:
 - Promptly escalate significant variations and suggest corrective actions with stakeholders
- Ensure corrective actions are implemented.

Considerations

Significant corrective actions may involve significant changes in the program scope and budget. Formal approval will be required for any changes to program or budget.

Start to think about any potential risks or barriers to the achievement of the benefits.

In the risk documentation process consider the practicalities of using a project log to demarcate between risks, benefits and project delivery, or whether to capture risks in the BRD with a cross reference to the project risk log.

Attached is an example table of the Benefits Realisation risk factors and mitigations to be considered as part of the understanding phase (see [Appendix 2](#)).

More information

Related documents and templates are available on the HSV website.

Disclaimer

The information presented in this document is general in nature and based on HealthShare Victoria's interpretation of the *Health Services Act 1988 (Vic)* and any ancillary legislation and regulations in effect at the time and should not be relied upon as legal advice. Please consider seeking professional and independent advice from your legal representative as to the applicability and suitability of this information and the legislation to your own business needs or circumstances.

Appendix 1: Benefits Realisation Management Plan

1.1 Initiative or Program or Project Description

1.1.1 Initiative or Program or Project Description

Summarise the initiative, program or project. Reference existing planning documents, in particular a business case.

1.1.2 Scope

Reference scope of the initiative, program or project, document any exclusion.

1.1.3 Organisational context

1.1.4 List of workshops carried out to provide the information to enable the competition of the Benefits Realisation Plan

List initiative, program or project objectives. List strategic objectives that this initiative is aligned to achieve.

1.2 Overview of Benefits

1.2.1 List of measurable Benefits

Include measurable benefits as agreed to by the steering committee or other governance body. Refer to the key fields in the BRD.

1.2.1 Dis-benefits

Include any dis-benefits and show how they are being reduced, minimised or mitigated.

1.3 Governance

1.3.1 Roles and responsibilities

Identify the benefit owner who will be accountable for achieving and realising the benefit.

Identify each item's owner who will be responsible for ensuring that the agreed measures are reported upon at the required frequency. For larger programs it is advisable to agree to the responsibilities for benefits realisation within the program, project and/or business unit teams. A RACI matrix could be customised to show these responsibilities. The RACI Matrix, also known as a responsibility assignment matrix (RAM), outlines which business areas are responsible for project deliverables.

1.3.2 Steps to achieving Benefits

Include any key steps in the completion of benefit deliverables, any alignment of benefit reporting to project implementation milestones, and any handover of benefit realisation to the procurement team.

1.3.3 Resources, budget and timeframe

Reference project document and requirements for benefits realisation.

1.3.4 Risks, assumptions and dependencies

List any significant risks to the realisation of the benefits and what actions could be taken to mitigate the risks. Use [Appendix 2](#) in the guide to assist with this identification.

1.3.4 Monitoring process

Reference how the measurable benefits will be monitored, including applicable reports, frequency, data collection and responsibilities.

1.4 Baseline and performance management

Include definitions, classifications, responsibilities and any benefits dependencies.

Appendix 2: Benefits Realisation Risks and Mitigations

The following are key risks in relation to Benefits Realisation Management (BRM) and their proposed mitigation and risk owners.

Table 5: Benefits realisation risks and mitigations

Risk	Mitigation	Owners
Lack of consistency in the BRM approach across the sector leads to the inability to effectively consolidate and track sector- wide benefits	<ul style="list-style-type: none"> Establish clear BRM business rules which apply across the sector Establish a support network for Benefits Realisation Coordinators or Procurement Practitioners to promote consistent working practices 	Procurement Practitioner or Benefits Realisation Manager
Benefits are not optimised due to lack of benefits focus during planning phase	<ul style="list-style-type: none"> Identify the sought outcomes/benefits prior to business change process to realise benefits 	Procurement Practitioner or Benefits Realisation Manager
Target benefit measures are unrealistic	<ul style="list-style-type: none"> Determine the baseline measure prior to determining the target measure 	Procurement Practitioner or Benefits Realisation Manager
The focus on benefits realisation is not maintained throughout the full program lifecycle	<ul style="list-style-type: none"> Implement a stage gate review process which includes benefit related deliverables and acceptance criteria for each stage gate 	Benefit Owner
The benefits realised cannot be tracked back to the original business case	<ul style="list-style-type: none"> Baseline the benefits at key milestones and ensure that any changes are subject to a formal change control process 	Benefit Owner
Benefit owners lose focus on benefits realisation	<ul style="list-style-type: none"> Define the Benefit Owners and their accountabilities 	Benefits Realisation Manager
Staff do not have the capability or capacity to support new ways of working	<ul style="list-style-type: none"> Update the organisation structure to reflect the new processes and systems 	Benefits Realisation Manager
Staff culture and behaviour hinders change	<ul style="list-style-type: none"> Develop and align the Communications Strategy with the Vision, Blueprint and Benefits Realisation Plan Engage regularly and appropriately with key stakeholders is of critical importance particularly in programs undergoing major change. It requires a certain level of discipline and attention to detail that is often overseen and undervalued 	Benefits Realisation Manager