

MSP – Sound bites: “Benefits categorisation simplified”



MSP Sound bites are brief articles from the lead author of MSP07, Rod Sowden, where he looks at issues facing organisations using MSP and endeavour to clarify, emphasis or challenge the way the framework is deployed.

A recent discussion with one of our major clients, who sets best practice for their organisation resulted in the question, “How should we recommend our programmes categorise their benefits?”

Benefits Management is continually evolving and the main point of reference for many people is the MSP manual. This was a simple enough question in itself but the Managing Successful Programmes manual provides us with a number of options. There are plenty of other good references around that have developed the ideas further, the HM Treasury Green Book and Steve Jenner’s book *‘Realising Benefits from Government ICT investment – a fool’s errand?’* to name but two.

There are many good ideas in the Managing Successful Programmes “Benefits Realisation Management” chapter that get lost in the noise and detail of the careful and literal interpretation taught to delegates preparing for the APM Group examinations. This chapter was written in a way that required practitioners to interpret and apply the concepts rather than use them literally.

In the MSP™ manual the options for answering the question on how to use categories includes:

Value Types: which the manual states are Tangible or Intangible and are then further broken down as cashable and non cashable, with a further ranking on how likely they are.

Tangible infers they are directly measurable and Intangible infers that they are not measurable or there are some sort of proxy measures.

Cashable is an actual saving whereas Non cashable is an efficiency that is released to do something else. Many organisations weren’t making the distinction and as such were expecting a cash saving which never materialised.

Benefits can also be categorised as either Definite, Expected and Anticipated, these aren’t not really Value Types they are more a reflection of confidence.

Impact: which are either “key operational” or “strategic” and is a way of showing where the benefit will appear and seeking to have a balanced portfolio of benefits.

Types: these are either Intermediate or End benefits. They reflect when and how the benefit will be achieved. in the short term or as an element of bigger or longer term benefit.

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So as a way forward, here is our suggestion on how to categorise your benefits into logical groupings. When you stand back and look at benefits, many of the risk management tools and techniques are quite similar. So we are suggesting that we use some of the more mature vocabulary from the world of risk to bring some consistency to the benefits world as well.

Category: Economic, effective or efficient

This doesn't have an equivalent in the OGC Management of Risk approach, but we can draw from other parts of public sector best practice. The HM Treasury Green Book identifies the 3 E's and over the last couple of years we have worked with many organisations and still have not found a benefit which doesn't fit one of these categories.

A brief description for each is:

- Economic is a financial improvement, either a saving or maybe increased income.
- Effective is doing things better or to a higher standard.
- Efficient is doing more for the same or the same with less.

These are also the starting points for the search for benefits. It may well be that a benefits model is developed to illustrate each category, this in turn will highlight the dependencies between the outputs and outcomes.

Perspective: Strategic, and operational.

The OGC Management of Risk manual uses Perspectives to describe where the affects will be felt, so we can use these in benefits as well.

Strategic will be longer term or have a longer lead time for achievement or it may also be that they are non cashable, benefits in the Effective category may well also be Strategic. Tactical benefits would appear in the shorter term and may contribute to the aggregating value of a strategic benefit, they may also tend to be in the Efficiency category.

Impact: Cashable or Non Cashable

It may be that the value of the benefit is higher than the actual cashable saving, or in fact none of the value of the benefit is cashable. This needs to be clearly understood. It is good practice to show both the value of the benefit and the cashable saving separately to avoid any misunderstanding.

Likelihood: High, Medium or Low

This will provide the level of certainty associated with the achievement of the benefit, this contributes to understanding the overall level of risk for the programme. The best way to use this classification is to associate a numeric value with the level of confidence and use this to factor the amount of the benefit that is achievable.

Numeric levels could be applied to individual benefits as follows:

- High = 90% of the value is accounted for

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- Medium = 60% of the value is accounted for
- Low = 30% of the value is accounted for

We have only used three levels of confidence; you could use 5 or 10 levels if you require more granularity. It is amazing how many business cases lose their lustre when the confidence level is applied. It also focuses the organisation on where the big wins are and also any windows of opportunity.

There is obviously a lot more information about individual benefits that should be stored in the Benefits Profile, but using these categories you can produce a useful Benefits Register for your programme board to monitor progress, ideally supported by a benefits map which shows how the benefits fit together. So your Benefits Register could look a little like this?

Benefit	Category	Perspective	Likelihood	Impact		
				Total	Cashable	Non Cashable
Reduce order processing time	Efficiency	Tactical	High	£120,000 X 90% = £108,000	£50,000 x 90% = £45,000	£63,000
Lower staff turnover	Effective	Tactical	Medium	£100,000 X 60% = £60,000	£0	£60,000
Increased revenue from sales	Economic	Strategic	Low	£250,000 X 30% £83,000	£100,000 X 30% £30,000	£53,000

There are additional headings that would want to include even in a Benefits Register that aren't in this one, e.g. Ownership, timescale and measurement are critical heading that should included. .

We could take another leaf from the book of risk by using proximity to support the Benefits Realisation Plan. This can help us to spot term opportunities or those that are spotted as the programme progresses, including Quick Wins – which is a well established phrase passed down over the years but has dropped off the radar in recently.

In conclusion there are plenty of good ideas around in the benefits management arena, hopefully these will prove useful in helping your organisation bring some order to the proceedings. This kind of categorisation information should be defined in your programme Benefits Management Strategy to ensure that you have a consistent framework across your programme and everyone is clear what standards you are working to. If you have a Portfolio Office, then there should be organisational standards that you should adopt.

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