



# Business Benefit Realisation Process Analysis for a Telecommunications Organisation

A Case Study presented to the

School of Information Management

Victoria University of Wellington

by

Sarah Martin

300181041

Word Count 9448

in partial fulfilment of the requirements for the MMIM590 course:

19<sup>th</sup> October 2015

**Declaration**

1. I know that plagiarism is wrong. Plagiarism is to use another's work and pretend that it is one's own.
2. I have used the APA convention for citation and referencing. Each contribution to, and quotation in, this ..... entitled .....from the work(s) of other people has been attributed, and has been cited and referenced.
3. This paper is my own work.
4. I have not allowed, and will not allow, anyone to copy my work with the intention of passing it off as his or her own work
5. I acknowledge that copying someone else's assignment, essay or paper, or part of it, is wrong, and declare that this is my own work.

Signature(s) .....

Date .../.../.....

## Table of Contents

Executive Summary .....	1
1.0 Case Description.....	4
1.1 Background .....	4
1.2 Brief History of the Telecommunications Market.....	4
1.3 The Growth of FMS .....	5
1.4 Organisational Structure .....	5
1.5 FMS Products.....	6
1.6 How FMS Growth was Impacted by Government Strategy .....	7
1.7 Current Issues for FMS.....	9
2.0 Introduction to Analysis .....	12
2.1 Significance of the Business Benefit Realisation Issue .....	12
2.2 Key Guiding Research Literature on Business Benefit Realisation .....	13
2.3 Justification of the Stakeholder Identification Framework.....	15
3.0 Analysis .....	19
3.1 Analysis Method .....	19
3.2 In-Depth Analysis of Research .....	21
3.2.1 Stakeholders in the Draft Process Diagram .....	21
3.2.2 Feedback on the Process Diagram from Interviews .....	22
3.2.3 Analysis of Interview Trends.....	24

3.3 Application of Stakeholder Identification Theory to Research .....	29
4.0 Recommendations and Conclusion.....	33
4.1 Recommendations for Business Benefit Realisation at FMS.....	33
4.1.1 Part-Time Business Owner Accountability .....	33
4.1.2 Use the 3 'O' Model in the Business Case .....	33
4.1.3 Close the Loop Back to the CCC .....	33
4.2 Conclusion.....	34
References .....	37
Appendix A: Human Ethics Paperwork.....	

## **Executive Summary**

### **FMS**

The rapid growth in New Zealand's telecommunications industries allowed growth of supportive industries like Information Technology (IT) development companies. This case study is about a small IT company called Field Management Services (FMS) and their struggle in the current economic market. New Zealand's telecommunications industry is regulated by the government and due to economic benefits of the internet the government invested \$5billion in its growth and made changes to promote competition in the market. This allowed FMS to grow along with the market.

FMS launched in 2003 and doubled in size every 2-3 years until 2013 when the market became unstable due to the government conducting a price review of regulated products. This stopped the Retail Service Providers (RSP's) like 2degrees, Telecom and Vodafone from spending what they usually do with FMS for software and hardware services. FMS needed to be more careful with how they spend their capital expenditure, they needed to make sure it was being spent on the right IT initiatives to produce a certain level of benefits for the organisation.

Key products for FMS are software applications development specifically for the telecommunications network and data centre management offering cloud solutions. The FMS organisational structure has a Chief Executive Officer (CEO) and four key executives that also sit on the Capital Control Council (CCC). The IT department sits under the Chief Information Officer (CIO) who also manages the Project Management Office (PMO) which runs all the IT project initiatives.

The current issue facing FMS is the CIO cannot justify the current capital expenditure of his IT department. There does not seem to be an end to end process for benefit realisation. Everyone in the IT department agreed that the benefits are never measured. The benefits appear in the business case presented to the CCC but they are not tracked and even if they were most times projects cancelled out each other's benefits. The CIO conducted research to find out if there was a business benefit realisation process and if it could be improved upon. With business on the decline FMS needed to become more efficient.

### **Literature**

The academic literature identified the lack of a business benefit programme as an issue in the IT sector. There have been advances in project management to track the time, scope and cost of IT projects but 30-40% of IS projects are still delivering no benefits at all (Bradley, 2010). Very few organisations engage benefit identification early enough and they also do not track the benefits through to completion, which could be 6 months to 2 years down the track.

The literature also recommends what an organisation can adopt to increase the benefit realisation in their organisation. Fink (2003), suggests identifying and tracking tangible and non tangible benefits which are financial and non financial. Using a tracking register that regularly reports up to an executive level is beneficial, along with a clear plan of what , who and how it will be measured. The Stakeholder Identification Theory will be applied to the current validated benefit process at FMS to identify weaknesses and assist in making those weaknesses stronger. The theory analyses each stakeholder and assigns them a ranking. If the ranking is low it is a weakness in the process and recommendations will be made on how to increase the ranking of the weak stakeholders.

## **Analysis**

The method of research consists of qualitative research in the form of conversational style interviews. Some preliminary investigation produced a draft benefit realisation process that would be used as a hypothesis for the interviewees to validate and comment on.

Validation of the process diagram showed: 1. No official process for benefit realisation, 2. Business Technology Manager (BTM) was missing, 3. No feedback loop to the CCC, 4. Only two people in the whole organisation knew about a benefit tracking register, 5. PMO successfully using the 3 'O' model to outline benefits at the initiate gate phase, 6. Specialist Material Expert (SME) needed to be added. There were six trends that came out of the interview questions that gave deeper insight to the weaknesses in the benefit process for FMS:

1. CCC is only about funding and the report to executive committee on benefits is too highlevel.
2. Capital Performance Manager (CPM) has tracking register but is only tracking financial benefits from business cases.
3. BTM acts as Business Owner (BO) as well as a BTM on some projects, is the BTM appropriate to act in all the BO roles.
4. Benefits in business case are too vague and only financial (tangible) benefits officially reviewed.
5. BO is part-time and has disbanded so no one is responsible for measuring benefits.
6. Benefits in business case not always reviewed when scope of funding changes to the project.

With these issues in mind the case study then applies the Stakeholder Identification Theory to the categorised stakeholders in the FMS benefit process and assigns a ranking number. Three stakeholders stood out with low ranking numbers, this pinpoints weaknesses in the process.

Stakeholder: Part-time BO and Investment Manager = 2 Discretionary stakeholder, and the CPM = 3 Demanding stakeholder.

## **Recommendation**

Three recommendations came out of the analysis: 1. Part-time BO passes on accountability for benefit realisation to someone else once they leave, 2. IM incorporates the 3 'O' model currently being used in the PMO to identify benefits clearly in the business case, 3. CPM, IM and BO develop a report specifically on benefits to close the loop with the CCC.

The case study concludes by applying the theory to the benefit realisation process again once the recommendations have been incorporated. The results on the three weak rankings of the stakeholders improves to: Part-time BO moved up to a 7 Definitive stakeholder, the IM and the CPM improved to a 6 Dependant. The BO had continuity of accountability with the IM and the CPM having clear and official reporting tools. The IT division were now able to effectively and efficiently report on business benefit realisation and justify the value that they add to the organisation through capital funding initiatives.

## **1.0 Case Description**

### **1.1 Background**

The New Zealand telecommunications industry experienced a rapid period of growth during the years 2001-2005 (Nethistory, 2006). This supported a growth not only for an increase in internet providers for New Zealand but also companies in supporting industries like software and hardware development. This is a case study about FMS, a small New Zealand organisation's rise in the telecommunications industry and the struggles they face in today's global economic market.

### **1.2 Brief History of the Telecommunications Market**

The Telecommunications industry in New Zealand is regulated by the government due to Telecom starting out as a state owned enterprise and having a monopoly on telecommunication services. Since it split from NZ Post in 1997 and became a State owned Enterprise (Nethistory,2006). In 1989 the government deregulated the telecommunications market to open up competition. By 1990, the government had a serious debt issue and decided to sell Telecom to Bell Atlantic and Ameritech for \$4,250m. It was the largest deal in New Zealand history and 6<sup>th</sup> largest in the world. In 1991 there was a merger between TVNZ, Todd Corporation and British Telecom to create Clear Communications, a competitor against Telecom (Nethistory, 2006).

By the end of 1991 there were 1193 New Zealanders connected to the internet this grew to 15,000 in 1993, the internet and the telecommunications industry was taking off. 1996 Bell Atlantic and Ameritech exited Telecom and New Zealand leaving Kiwi Share owning Telecom. Also a new kiwi cable company emerged called Saturn creating more competition against Telecom and Clear Communications. By 1997 Clear Communications had grown to an 8% market share. By 2000 the internet had 862,000 internet connections.

Clear Communications went on record stating the Telecom had an unfair monopoly on ownership of the existing Local Copper phone and internet network and suggested that the local network should be broken up and used by competitors. This proved strangely prophetic in future years (Nethistory, 2006).

\$5billion had been spent on the industry since demerger in 1989 and it looked like it was going to continue to grow. 2001 TelstraSaturn and Clear Communications merged to form Telstraclear, a formidable force to challenge Telecom's monopoly. The telecommunications industry was now worth NZ\$4.1B and was expected to rise to \$5-6billion by 2005 (Nethistory, 2006).

### **1.3 The Growth of FMS**

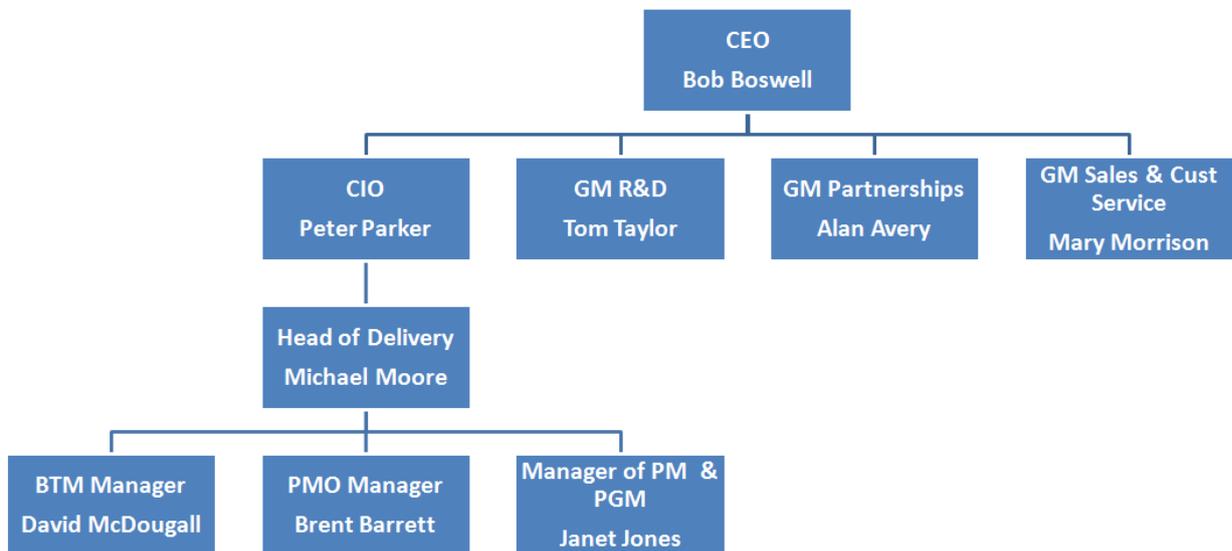
FMS was launched in New Zealand in 2003 when two companies merged to increase their market share of the telecommunications industry. One specialised in telecommunications application software development the other an expert in data centre management. The merger pooled assets and customer base together to strengthen their market share in the industry.

At the completion of the financial year FMS reported that an operating revenue of \$50million and they made a record \$2million profit. This exceeded what had been forecast at the beginning of the year, this was due to cross pollination between customer bases and the software and data centre divisions picking up new work from each other's customers.

### **1.4 Organisational Structure**

The Chief Executive Officer (CEO) of the software company became the CEO of FMS, as his company had the largest revenue stream out of the two. The CEO of data centre company became the CIO to manage the large asset base that he brought to the merger. After a year the organisation was growing and they found the need to restructure by adding in a General Manager (GM) of Research and Development (R&D), a GM of Partnerships and a GM of Sales & Customer Services. The R&D department was a mix of employees from software development and data centre management, they looked for continual improvements and new software and hardware developments. The Partnership team developed contractual relationships with key partners in the IT and telecommunications industries: Microsoft, Unix, Cisco, Ericsson and Alacatel Lucent to name a few. Sales and Customer Services looked after the relationships with FMS customers, of which most were in the telecommunications industry consisting of phone and internet providers like Telecom and Telstraclear. Diagram 1 illustrates the relevant section of the organisational structure for this case study.

**Diagram 1: Section of FMS Organisational Structure**



### **1.5 FMS Products**

The products the Data Centre Division offers are: web services that hosts websites, Software as a Service, Backup as a Service and Infrastructure as a Service. Most companies would usually build their own data centres but there was a growing trend for small to medium companies to outsource the task to another company so they could get on with their core business tasks. It also allows for rapid expansion and downsizing of an organisation as they do not have to buy and install new equipment on their own site they just pay for what they use in an outsourced data centre.

The software division had some legacy products that have been around for a while as well as cutting edge technology for the telecommunications industry. They have a range of software that can be developed and adapted to the needs of the internet provider, who are their main customers. The products range from billing solutions interfacing with SAP products, to software that manages the traffic load from the internet to ensure consistency of the internet providers product to the public.

One of their highest revenue earners is the Network Management Records System (NMRS). This interfaces with old legacy systems in the Telecom network that manages the fault jobs coming in from the customer phone and internet lines. Telecom relies on it to communicate fault jobs to their technicians in a timely manner, this maintains service levels for their customer that the government regulates.

The NMRS software manages the workflow of a job ticket raised by the faults team in Telecom. It also has intelligence to know which regional technical office to assign the fault job to and at the time of electronically sending the job, it automatically tests the phone connection that is reporting the fault. The test results are bundled with the fault job so the technician has all the information they need to repair the line. The software developed by FMS interfaces with these automated systems to ensure a speedy resolution to the fault on the network. Once the technician has gone on site to fix the fault they fill in all the details on the fault ticket and close it out. Once again the system generates an automated test on the line and bundles with the ticket so the faults team in Telecom who originally raised the ticket can see the fault is fixed and the job is closed.

### **1.6 How FMS Growth was Impacted by Government Strategy**

In 2004 the government announced a new e-business strategy to use advancements in internet services to boost the economic growth in New Zealand via the internet (Nethistory, 2006). This continued on into 2005 when the government announced a digital strategy outlining a plan to educate New Zealand citizens about broadband technology (Cunliff, 2005a). In 2006 the government announced that Telecom would be required to unbundle their phone and internet network services. This lowered the cost of entry into the telecommunications industry. New entrants would not need to build their own network and telephone exchanges, they could rent the services off Telecom's existing infrastructure at wholesale prices (Cunliff, 2006a). This move by the government was to create more competition in the telecommunications market, customers finally had more choice over mobile phone, landline and internet providers, the collective term for the new entrants was Retail Service Providers (RSP's). It was the government's goal to increase the uptake of high speed broadband in New Zealand to compete with the global economy (Nethistory, 2006).

FMS revenue was steady during the first three years since the merger in 2003, the new teams were settling into the new organisational structure and there was definitely enough work. However with a careful eye on the market they knew there were big opportunities in the industry coming out of the governments unbundling decision.

In 2007 the unbundling was complete by Telecom and they were selling space in their exchanges to new companies like 2Degrees and Vodafone (Nethistory, 2006). With all the new RSP entrants into the telecommunications market the FMS organisation started growing at a rapid rate. Their software applications were easily adaptable to a wide range of new and old equipment that the new RSP's brought with them into the market and into the existing Telecom exchanges. FMS was in an excellent position to sell their products as they were already familiar with the existing network from working with Telecom and Telstraclear.

In 2008 the government announced a 2.0 strategy for network infrastructure coupled with a government commitment of \$500m over 5 years to bring affordable fast broadband across New Zealand (Cunliff, 2008). FMS could see that this meant the government was pushing for a huge increase in internet connections which would attract even more new RSP's to New Zealand. By the end of 2008 things were on the up for FMS, they had opened another data centre mainly to house new systems that had been outsourced by other RSP's. The sales of software products were increasing and so was the work force of the project teams to implement the software. The staff doubled to around 400 employees, operating revenue was up to \$80m with a profit of \$4.2m, FMS had doubled in size.

In 2009 the government was seeing continual growth and uptake from the New Zealand public and announced a further pledge of \$1.5billion to roll out Ultrafast Broadband (UFB), New Zealand was switching to fibre optic cable instead of copper. The government pitched it as crucial to New Zealand's growing economy and it would improve our competitive advantage in the global market (Joyce, 2009). FMS was going from strength to strength, 2008-2011 was a period of rapid growth. Their customer base tripled due to new RSP's start-ups and the rapid advances in technology meant that the new RSP's wanted new products to be developed and supported. The R&D department doubled in size and was producing an amazing selection of technology that automated a lot of the support and testing for operation of software on the existing network. This made the products popular because it would save the RSP's time and money on operating costs.

By the end of 2011 FMS had an operating revenue of \$200m and produced a profit of 10.6m. They opened had successfully launched a further two data centres bringing the total to four, covering all the main cities in New Zealand. The advances in cloud computing and security, meant confidence was at an all time high from organisations to outsource standard IT operations to data centres. They could reduce their operating costs by reducing not only the hardware but the head count in their IT departments. For FMS this meant higher than normal growth as demand for their data centres increased, they made plans for further growth in this division.

The growth of the telecommunications market through the government strategy went from strength to strength from 2011 until the end of 2012. It was early in 2013 the government announced that the regulated price for Unbundled Copper Local Loop (UCLL) would be reviewed to generate further competition in the industry (Adam, 2013). This created instability in the telecommunications market as it was unclear how long the review would take and whether the monthly price the RSP's paid for use of the local copper network would be favourable for the RSP's. FSM experienced their first drop in growth since they launched in 2003, RSP's were being cautious and reducing their spending until a final UCLL price was announce which was due mid 2014.

In 2014 the government announced that due to complexities the completion of the UCLL price review was being pushed out to the end of 2015 (Adams, 2014). This was of grave concern to FMS as it caused further instability in the spending capabilities for the RSP's. At the end of 2014 the operating revenue for FMS was \$175m but the profit dropped by 36% to \$6.8m. With a reduction in revenue causing a reduction in available capital available to FMS they would have to look at ways to reduce their operations cost while still maintaining expected service levels for customers. What ever happened in the UCLL price review there were definitely going to be some changes for FMS.

### **1.7 Current Issues for FMS**

Peter sighed heavily, put away the papers in his briefcase and tucked it back under the seat in front of him, the constant drone of the plane's engines was relaxing to him on his flight down to Wellington for an important meeting. As the CIO it was up to him to find a way to ensure the business benefits are realised from the IT projects run through the Project Management Office (PMO) in his IT department. He leaned back remembering the strategy session he had earlier that morning with his friend and CEO, Bob Boswell. The numbers are

not good said Bob, our operating revenue has dropped but not as much as our profit. Our shareholders are not happy, we predicted the telecommunications market was on a steady rise that would allow for a solid revenue stream and dividend payments for our shareholders. We have been in a decline since 2013 and the numbers are not looking good. Peter agreed with Bob that they needed to cut costs and it was Peters PMO office that used the highest share of the capital budget without bringing in a direct revenue stream. Every department was being asked to justify its value to the business and the PMO was no different. Peter would have to come up with a way of showing that the business benefits pitched for each business case were being realised and adding value to the organisation.

Peter arrived at the Wellington office for a meeting he called with his Head of Delivery and PMO department heads under him. He explained the problem of funding cuts and business benefit realisation to the team. Michael Moore, Head of Delivery said what everyone else was thinking.

*“We don’t do benefit realisation, we have been so busy completing one project then moving on to the next that we don’t have time to measure the benefits”.*

Brent Barrett, the PMO Manager, went on to explain that the benefits are stated in the project business case that is presented at the CCC for funding approval. But from that point the project team are not aware of how the benefits are tracked. Peter asked about the most recent project to implement a new state of the art data centre, the project was deemed a success but not without a few challenges along the way. The new data centre was originally estimated to cost \$4m to implement, equipped with the latest blade servers, capable of server virtualisation, able to support multiple operating systems and offering customers private and hybrid cloud services. The total bill came closer to \$6m as the estimate did not include the cost of air conditioning, heating and ventilation equipment. Peter asked Michael if this impacted the benefits of the whole project and how that was measured, Michael replied.

*“The benefits tend to stay the same from when they are presented in the Initiate phase business case through to the build business case, even when the costs increase.”*

Janet Jones, Head of Projects, agreed with Michael and added,

*“We only go to the CCC to unlock funding or for a reauthorisation of project funding.”*

Even when the scope changed for the data centre project and it was found that it could not interface with legacy systems, the scope change went to the CCC but the impact to the benefits was not discussed. Peter was getting a sinking feeling, it looked like the IT department had been focusing too much on delivering functionality without proper assessment of the benefits it was responsible to bring to the organisation.

Peter turned his attention to Brent and asked about the efficiency initiatives that the PMO were undertaking. Brent very proudly gave a run down on the project status and outcomes focusing on the benefits of the two projects. He really wanted to show Peter that his projects were on board with the cost savings and efficiency drives that FMS was aiming for. The first project was around making efficiencies in the project management methodology framework, the changes would make the framework adjustable to the size and complexity of the project therefore providing the benefit of reducing the amount of paperwork and effort required therefore reducing cost. The second project was to implement a suite of tools the programme and project managers could use to create efficiencies in reporting and planning. Peter was starting to feel optimistic about the changes until David McDougall, Manager of the BTM, mentioned that when you look at the benefits of both the PMO projects,

*“The benefits of one project cancel out the benefits of the other.”*

The cost savings from efficiencies in the methodology are wiped out by the high implementation and ongoing operational expenditure costs to run the new tools for the project managers. Peter had no idea how he was going to measure the benefits and justify how his department added value to FMS. He decided to go and talk to the finance department surely they tracked the financial benefits that were presented in the business cases at the CCC. Peter went to see the financial controller for FMS and was told,

*“We don’t track the benefits financial or otherwise.”*

Peter needed some fresh air he was starting to panic, on his way out he bumped into Rhonda Reid, Investment Manager for delivery projects, she asked if he was ok. Rhonda had been with him before the merger in 2003 and their kids went to the same school. He asked if she had some time to talk about business benefit realisation, they talked for about an hour. He explained the new strategy facing FMS and the need to justify the capital expenditure. He also discussed his concerns that FMS does not track business benefits or have a business benefit realisation process. Rhonda confirmed that,

*“All the investment managers work with the project business owners to develop the benefits for the business cases but after it was approved we don’t do the tracking. However the Capital Performance Manager did report on the financial benefits to the Executive committee but it is a one page powerpoint with not a lot of detail.”*

Peter went into a meeting room to think about all the information he heard today and what his next steps were. He decided he needed more information and to do that he would need help. He planned to enlist the help of someone internally to undertake some research. He noted down some basic questions he needed answers to: 1. Do we have a business benefit realisation process, 2. If so, who is involved and is it working, 3. Is there a better way to do it?

## **2.0 Introduction to Analysis**

### **2.1 Significance of the Business Benefit Realisation Issue**

Ashurst and Doherty (2003), found that IT projects were seen as exercises in technology change not organisational change. Irani (2010), agreed and took it further stating that there have been recent advances in project management approaches and technology development but not evaluations of internal investments in organisations. Doherty and King (2001), attributed 30-70% of project failure happened when organisations did not address the business or organisational change and impacts. There was a clear focus on success of the IT project but it is not observed at a wider view of the success of the organisation.

There is a real need to have a better understanding of the impact of Information Systems (IS) on organisational performance and a better understanding of the benefits that it could bring (Irani, 2010). It has always taken too long, involved too many people and a large amount of funding to implement and maintain IS and it is usually perceived as not delivering any benefits (Irani, 2010).

In an increasingly competitive global market organisations cannot afford wasting costly investment (Bradley, 2010). There needs to be a change in the way organisations perceive benefits as an output of capital investment and increase the importance of benefit realisation in their organisation. Bradley (2010), has found a positive angle where 35% of organisations are effectively tracking the realisation of benefits, this has increased from 5% back in 1990. However Bradley (2010), also states that 30-40% of IS projects still deliver no benefits at all. This shows us that even though there have been improvements in benefit realisation in the past 15 years it still has a long way to go.

Most organisations fail to identify the Business Realisation Management (BRM) contribution by not starting early enough in the process at a higher level (Bradley, 2010). This leads to benefit opportunities being missed and not able to be exploited. Ward, Taylor & Bond, (1996), observed that very few IS projects followed the benefits through the implementation to ensure the benefits were managed successfully. There are silos of understanding of the business benefit realisation process but a lack of an knowledge of an end to end process.

## **2.2 Key Guiding Research Literature on Business Benefit Realisation**

The literature around business benefit realisation begins with Seddon, Calvert & Yang (2010), who identifies the key benefits that managers are after. Table 1 below illustrates the mix of operational and strategic benefits, other authors also identified these two types of benefits. Ashurst & Docherty (2003), Bradley (2010), Karimi, Bhattacharjee, Gupta & Somers (2000) and Fearon, McLaughlin & Jackson (2014), all focused on the identity of operational benefits from: time, cost, scope and quality. However Karimi et al (2000) does stretch further stating that evaluating benefits is not just about cost and technology functionality. Fearon, McLaughlin & Jackson (2014) and Fink (2003), agree that strategic benefits are harder to identify as they are not easily attributed to adoption of IT technology. Fink (2003), defines the difference between strategic and operational benefits further as likening it to the difference between tangible and intangible benefits. Tangible benefits have a direct effect on the organisations profits and intangible benefits have a positive effect on the business and are not able to be quantified.

**Table 1: Important Benefits for Managers**

Number	Benefit
1.	Better decision making
2.	Improved financial management
3.	Faster more accurate transactions
4.	Cost reduction
5.	Improved inventory and asset management
4.	Ease of expansion of growth
7.	Increased flexibility
8.	Larger gap between benefit and the cost to achieve those benefits

Business benefit realisation plans work as a bridge between organisational strategy and project delivery (Irani, 2010) (Karimi et al, 2000). Bradley (2012) defines benefits as an outcome or change which is perceived as positive by the stakeholder. Ward and Elvin (1999), define business benefit realisation as a process of organising and managing to ensure the potential benefits created from the use of IT are actually realised. These two definitions are generally accepted by the pool of literature consulted for this case study.

The literature then focused on the types, purpose and advantages of having a benefit realisation plan. Irani (2010), identified the benefit realisation plan as a purpose for identifying and managing the realisation of benefits that are attached to each new process. By attaching benefits to processes it widens the focus to incorporate a strategic focus not just a technology focus. Tan, Cater-Steel & Toleman (2009), agreed with Fink's (2003) tangible versus intangible benefits definition and identified a structured approach to tracking them. 1. Use KPI's to be reported to senior management, 2. Use a benefit register and 3. Project executives track benefits on a monthly basis. The advantages of this enhances communication with senior management and contributes to ongoing management of the project. Fearson, McLaughlin & Jackson (2009), is similar but adds in an analytical step: have a benchmark before the project change is implemented then measure new benefit outcome to determine the benefit delta, then finally assign a benefit result of positive, negative or neutral. This helps determine the success of the project. Bradley (2012) discusses that without a structured approach most organisations only achieve about 10-25% of their potential benefits and Bradley (2012) and Irani and Love (2002) agrees that the benefit plan should be included in the business case.

Most articles discussed the different impacts of not including a benefit plan in the business case, Bradley (2010) and Meyer (2010), agreed that traditional Return on Investment (ROI) is a tried-and-tested method of measuring benefits but it does not incorporate intangible benefits so it is only half the picture. Remenyi (1999), even 15 years ago, identified that most organisations do not know what constitutes a good business case in regard to benefits. Keil (1995), takes it one step further and identifies the impact of not having a benefit realisation plan in the business case as leaving the project vulnerable. With a lack of clear intangible benefits it can make it difficult for an organisation to effectively assess the project for escalation, the project would be assessed as lower importance and not get the support and resources it needs to successfully deliver the benefits to the organisation.

### **2.3 Justification of the Stakeholder Identification Framework**

Mitchell, Agle and Wood's (1997), Theory of Stakeholder Identification and Salience was selected to add further depth to this case study analysis for FMS. However they were not the first choice. Fink's (2003), theory of Active Benefit Realisation was considered, the main reason it was not selected was that it is only a recommendation of how to measure the benefits and it was not something that could be applied to the whole FMS benefit realisation process. Other theory that could have added to Fink's ABR theory to help analyse the whole process was, Critical Success Factors (CSF). CSF's are a good way to find out what is needed to achieve success but there was not a lot of articles out there specifically for benefit realisation. It was decided the best way was to create a draft version of the end to end process specifically for FMS and have that validated. Then use Mitchell, Agle and Wood's (1997) Theory of Stakeholder Identification and Salience it identify stakeholders characteristics in the form of a ranking system, then assess if that ranking can be improved to strengthen the process.

The Stakeholder Identification Theory will work for this project due to the way it can be applied to a whole organisation or a specific process. It is usually used by managers to assess the many stakeholders that they interact with and prioritising them so they know the most important and influential stakeholders are. It is also important for managers to know what drives each type of stakeholder so they can be managed in an effective manner. This case study is not assessing it from a managers point-of-view, it will be assessed from the stakeholder's point-of-view. Instead of prioritising them and only interacting with the highest priority stakeholders, this case study will use that ranking as an indication of weakness in the business benefit realisation process and look at ways to strengthen that stakeholders

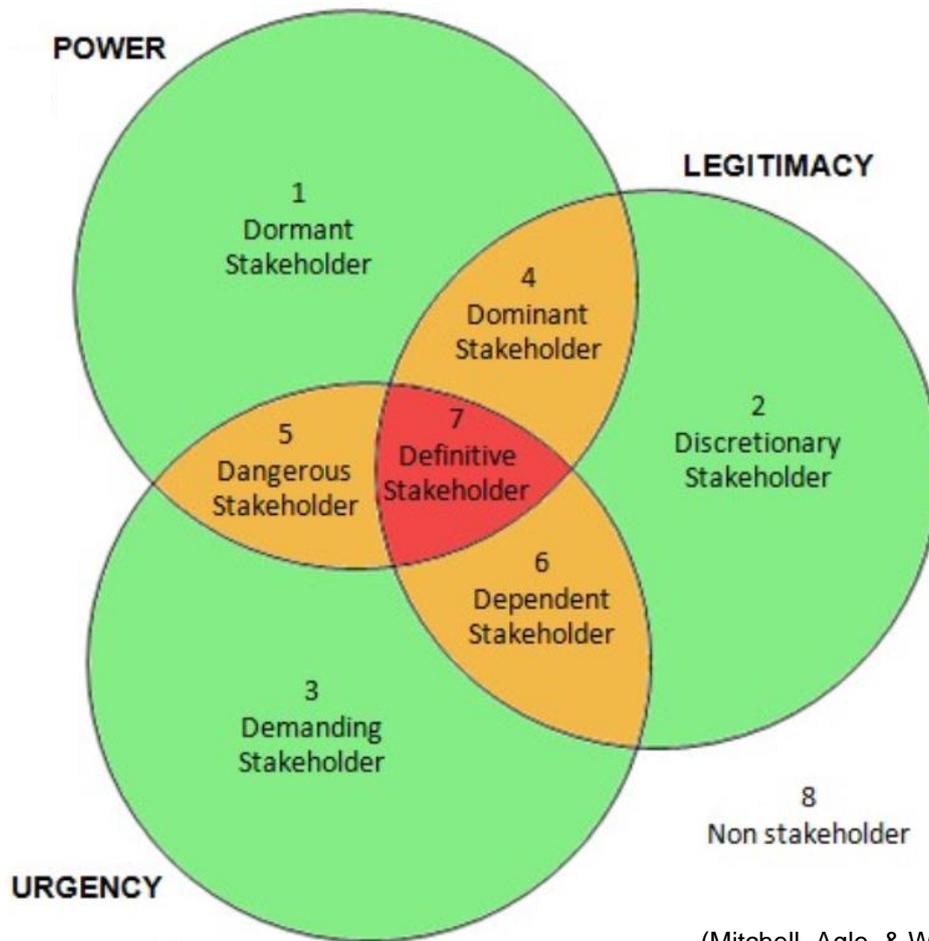
ranking. This means that recommendations can be made to ensure each stakeholder has the mechanisms at their disposal to effectively bring about business benefit realisation for FMS.

The Stakeholder Identification and Salience theory originates from Freeman (1994), who asked “who and what really counts”. Mitchell, Agle and Wood’s (1997) combined Freeman’s theory with the normative theory which allowed stakeholders to have different definitions depending on their engagement with the organisation. Table 2 and Diagram 2 below illustrate the different types of stakeholders into three coloured groups, this case study will be tailoring it to fit the FMS process analysis.

**Table 2: Definitions of Colour Coding in Diagram 2**

Colour	Original Definition	Modified Definition for this Case Study
Green	<b>Latent Stakeholder</b> – only one of the three elements therefore low salience. Low priority to managers.	<b>Passive Stakeholder</b> – only one element and no matter how much they try, their efforts have low impact on the process. This is identified as a weakness in the process.
Amber	<b>Expectant Stakeholder</b> – two elements and moderate salience. High level of engagement with these stakeholders but could be intermittent.	<b>Active stakeholder</b> – achieve moderate results from their tasks in the process, or could just be involved in one section of the process.
Red	<b>Definitive Stakeholder</b> – all there elements and high salience. Managers give immediate priority.	<b>Effective Stakeholder</b> – engaged with all three elements and achieves excellent results in the process.

**Diagram 2: Theory of Stakeholder Identification**



(Mitchell, Agle, & Wood, 1997)

Table 3 defines the seven types of stakeholders that are identified in Diagram 2 by singular circular elements or combinations of elements shown as overlapping circles. This is also coupled with a ranking number that Mitchell, Agle and Wood's (1997) used to assign a priority, one being lowest and seven being highest and most important. For this case study one, two and three are passive stakeholders, the lowest rank that indicated weakness in the process and had room for improvement. Four, five and six are active stakeholders that achieve moderate outcomes or are just involved in a portion of the process, possibly room for improvement. Seven is the highest, most effective in the process and the ideal ranking for achieving an efficient and effective process.

**Table 3: Descriptions of Elements of the Theory of Stakeholder Management**

Legitimacy	Power	Urgency	Ranking	Description Modified for Case Study
	✓		1	<b>Dormant</b> – stakeholder has power but little or no need to interact with the process.
✓			2	<b>Discretionary</b> – stakeholder has legitimacy by being assigned a specific task in the process but without power or urgency the impact of that task can fall short of the overall goal of the process.
		✓	3	<b>Demanding</b> – stakeholder has an urgent claim but no power or legitimacy they are not only reliant on others to complete the task but also have no formal responsibility for that task.
✓	✓		4	<b>Dominant</b> – stakeholder has formal responsibility for their tasks and the power to fulfil them but not the urgency in place to ensure quality of the task.
	✓	✓	5	<b>Dangerous</b> – stakeholder has power and urgency, they may rely on an output from the process but have no legitimacy to be directly involved in process tasks. This stakeholder is a disrupter to the whole process.
✓		✓	6	<b>Dependant</b> – stakeholder has urgency and legitimacy to achieve a high standard task in the process but they are reliant on the power of others to complete the task fully.
✓	✓	✓	7	<b>Definitive</b> – stakeholder holds all the elements, fully engaged with the process and achieves excellent results interacting with the process.

## 3.0 Analysis

### 3.1 Analysis Method

This study is using qualitative research methods to collect data for in-depth analysis. The initial objective was set by the CIO to find out if FMS has an end to end process for business benefit realisation, if so can we do it better? This objective was the basis for developing a method to conduct the research to ensure the gathering of rich data. At a high level the method consists of qualitative research in the form of conversational style interviews. Some preliminary investigation produced a draft benefit realisation process that would be used as a hypothesis for the interviewees to validate and comment on. The answers would be considered along with the body of academic research on the topic of benefit realisation.

Schultze and Avital, (2011) describe qualitative research as describing the issues or situation from many perspectives through one on one interview techniques. The interview method selected for this case study was the appreciative interview technique commonly used for retrospective enquiry into the interviewees personal experiences with the benefit realisation process. The questions were structured in engage using a conversational approach that moved between past and future examples and between personal and collective frames of reference (Schultze & Avital, 2011).

The type of questions asked in the interviews were open-ended as it invites a more open-ended descriptive answer. This results in obtaining more qualitative data for the case study (Myers, 2013). The appreciative interview method dictates the structure of the questions which began broadly with: What types of IT projects are you usually involved in? This also acted as an ice-breaker for the interviewee to settle in by talking about themselves. The second question became more specific and asked: where does your role fit into the benefit realisation process? This brought the wide focus down to a narrow personal focus. The third question was: Is the diagram a good reflection of what actually happens? This is challenging the hypothesis and also switching back to a broad question about the whole process involving all the different stakeholders. The fourth question was: have you ever been involved in a project where the benefits changed? This focuses back in of the personal experience of the interviewee and their point of view. And finally the last question: looking back on the examples you gave would you recommend any changes to the diagram? This switches back to broad inviting any and all feedback on the process. This final question reaped the most qualitative data.

Data collected from the interviews was compared to the secondary data for this case study from websites, practitioner and academic journals. The interviews only lasted 30 minutes each and the type of interviewees invited to participate were all identified as stakeholders in the draft process diagram. Table 4 below, details how the stakeholders made up the 9 interviewees.

**Table 4: Stakeholder Breakdown of Interviewees**

Type of Interviewees	N° Participants
Business Owner (BO1, BO2)	2
Business Technology Manager (BTM)	1
Investment Manager (IM)	1
Head of Project Management Office (PMO)	1
Project Manager (PM1, PM2)	2
Programme Manager (PGM)	1
Capital Performance Manager (CPM)	1
<b>Total</b>	<b>9</b>

### 3.2 In-Depth Analysis of Research

#### 3.2.1 Stakeholders in the Draft Process Diagram

**Diagram 3: Draft Process Diagram of Benefit Realisation for FMS**

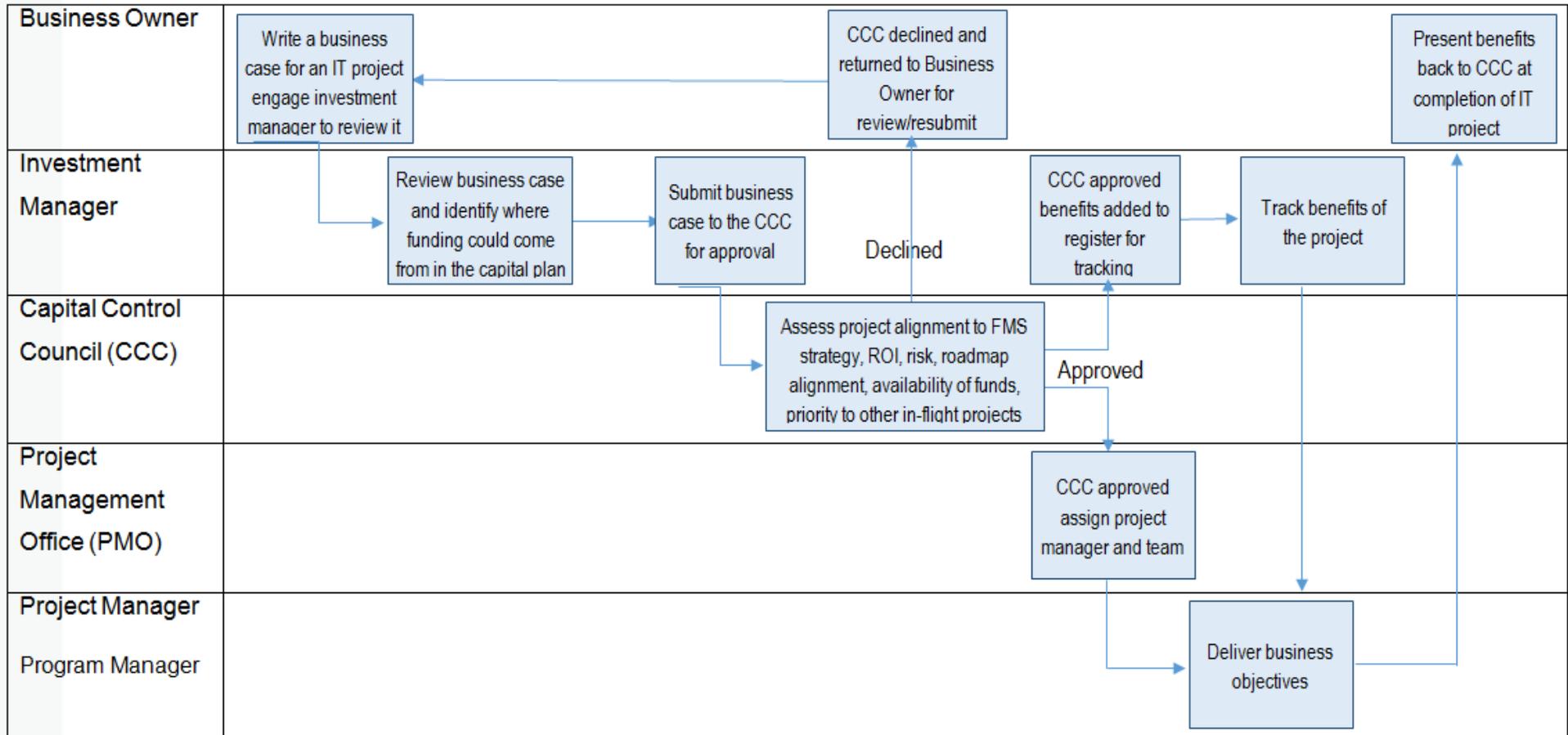


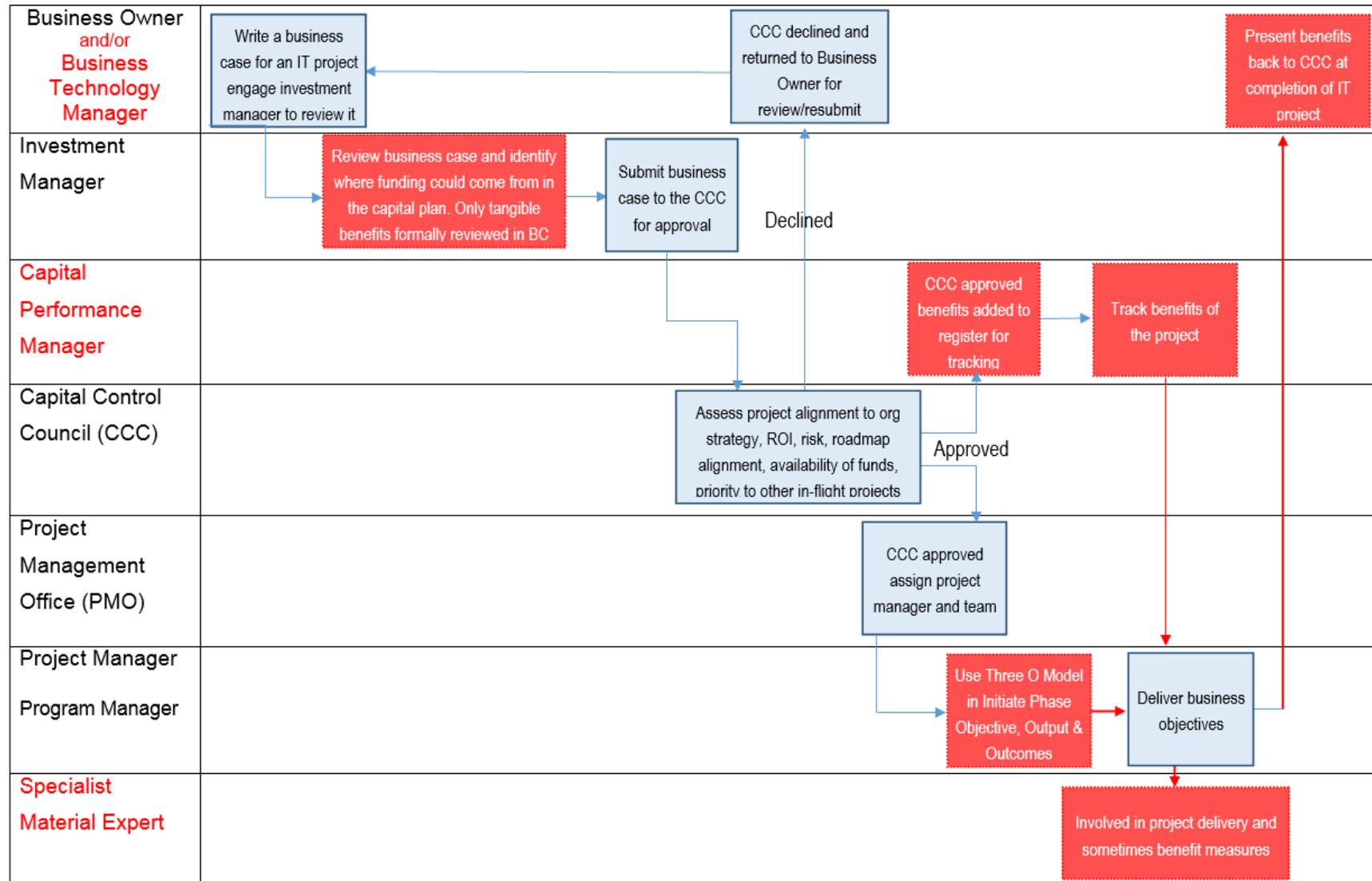
Diagram 3 illustrates the draft FMS business benefit realisation process. The process begins with the BO can come from anywhere in the business usually a person in charge of the team that will be receiving the benefits like the Software Product team or the Customer Services team. They write the business case and present it to the CCC. The Investment Manager (IM) helps the BO put the tangible and non tangible benefits in the business case and they help present at the CCC.

The CCC is made of the CEO, CIO, GM of R&D, GM of Partnerships and GM of Sales and Customer Services. They meet monthly to review and decide if a project goes ahead. The PMO, Project Manager (PM) and Programme Manager (PGM) are the delivery team and only get involved once the project has been approved by the CCC. Once the PMO delivery team have delivered the project the BO reports back to the CCC.

### **3.2.2 Feedback on the Process Diagram from Interviews.**

Diagram 4 illustrates in red the changes that have been incorporated into the business benefit realisation process from the feedback in the interviews. This is now the validated version of what happens today in the FMS organisation. Table 5 discusses the reasoning behind the changes. This confirms the CIO's initial concerns that the benefits are not being measured, only the financial benefits are being tracked and no one knows who is doing the tracking. Also it seems that once the benefits have been through the CCC in the business case they are no longer referred back to. The whole focus is on delivery of the project scope within budget and time allocations. It was decided further in-depth analysis was needed of the interviews to analyse the problem further.

**Diagram 4: Validated Process Diagram of Benefit Realisation for FMS**



**Table 5: Validation of the Benefit Realisation Process Diagram**

N°	Changes to Validate the Business Benefit Realisation Process Diagram
1.	All interviewees agreed that there is no official process for business benefit realisation and this was the first time they had seen an end to end process diagram for it.
2.	Both BO's mentioned that the BTM was missing, their job is to manage the lifecycle of the IT system and they are usually involved in Business as Usual (BAU) activities which is the IT support team for the IT department.
3.	All nine interviewees mentioned that there is no feedback loop back to the CCC after the completion of the project.
4.	There were only 2 interviewees that were aware of a benefits register and that was the CPM and the IM. All IM's report to the CPM. The CPM is the only person in the organisation that uses the benefit register and it only tracks the financial benefits that are tangible.
5.	The PMO implemented a small benefits model in their implementation phase to bring more robustness to projects and increase the project success rates. They use Rob Thomsett 3 'O' model that brings more detail about the benefits to be realised.
6.	The BTM and BO1, mentioned that a SME needed to be added. They usually work in the team that is receiving the benefits and they are usually involved in gathering the evidence to measure the benefits.

### 3.2.3 Analysis of Interview Trends

Table 6 below was used to group common interview answers from the interviews. It highlights six themes and also identifies which interviewee said it. This allows the analysis to see common understandings across teams. A discussion on the findings from the table will follow.

**Table 6: Trends from Interview Responses**

Trend	Interview Response
Feedback Loop to the CCC	<ul style="list-style-type: none"> <li>• All: No official feedback loop but all agreed there should be.</li> <li>• BO2: Only time a project goes back to the CCC is for more funding.</li> <li>• PMO &amp; PM: CCC is all about funding not benefits.</li> <li>• BO2: who owns the benefit register?</li> <li>• CPM: a report goes to the executive committee but it does not outline what we spent this money on and what benefits we received.</li> </ul>
Tracking Register	<ul style="list-style-type: none"> <li>• BO2: CPM not formally reporting benefit tracking back to CCC.</li> <li>• PM2: someone should be accountable for tracking financial and non-financial benefits.</li> <li>• PM2: Not tracking benefits the right way need a set system</li> <li>• PGM: Do not see any side of that I only deal with delivery of the project.</li> <li>• PMO: someone should manage a calendar to track tangible and non-tangible benefits that need to be measured in the future.</li> <li>• PCM: IM's track benefits and do reports at the time the project closes after launch.</li> <li>• PCM no one is measuring the benefits that will turn up in a year in the future.</li> </ul>
BTM's Role	<ul style="list-style-type: none"> <li>• BTM: Add in a swimlane for the BTM sometimes that act in the BO role</li> <li>• BO1: acting BO have a day job to go back to, there is no one to hand over accountability to once project is finished</li> <li>• PM1: BTM only looks after the IT side of the system not the business team side so they are not the best match for the BO role.</li> <li>• BO1: BO can be a part-time role. Some act in the position, then when the project finishes they go back to their day job, sometimes the acting BO is the BTM.</li> </ul>
Accurate Benefits Identified in the Business Case	<ul style="list-style-type: none"> <li>• All agreed that the non tangible (non financial) benefits were too vague in the business case.</li> <li>• PGM: PMO project team work on delivering scope that delivers the benefits.</li> <li>• PGM: PM owns scope, BO owns benefits.</li> <li>• PMO: Business benefits should be discussed up front in the concept phase before the business case is written.</li> <li>• BO2: Benefits should be identified at the start with financial and non financial (tangible/intangible) benefits but they are not done well at all.</li> <li>• PGM: some benefits in the business case are not necessarily measureable.</li> <li>• BO2: Finance only review the financial benefits in the business case for the CCC meeting.</li> <li>• PM1: business case does not really get down to the nuts and bolts of benefits.</li> <li>• PMO: we put a 3'O' model into initiate gate for projects to add detail to the scope and benefits. It outlines when the benefit measurements will happen and how.</li> <li>• PCM: I am not included in the business case creation I just get the info for tracking the financial benefits for the capital plan.</li> </ul>

Trend	Interview Response
Measurement of Benefits	<ul style="list-style-type: none"> <li>• PMO: can take up to 2 years for benefits to be measured and realised.</li> <li>• IM: can be 6 months to 1 year before the benefits turn up, need someone to be around for at least 2 years to go back and measure the benefits.</li> <li>• IM: Too hard to measure when the project is still underway.</li> <li>• PM1: When the time comes to measure the benefits the project team has disbanded. Only people left to measure is the BTM and finance team.</li> <li>• IM: BO's do not always stay with the project sometimes they change during the life of the project.</li> <li>• BO2: The effort to go back and quantify the benefits is sometimes not beneficial to the project.</li> <li>• PMO sometimes there are many projects playing in the same space, hard to say benefits came for specific project.</li> <li>• PMO: Benefits not measured as people move on and it is not transferred to a new person.</li> <li>• BTM &amp; PM2: projects claim the same benefits</li> <li>• BTM &amp; IM: one project may wipe out the benefit of another, how do you measure the benefit in isolation to just one project.</li> <li>• BO1: Should focus on benefits for shareholder value not just delivering scope.</li> </ul>
Changes to Benefits during the Project	<ul style="list-style-type: none"> <li>• BTM: At what point does the project get assessed to say the investment is not worth it anymore, we are not getting the return back that was originally stated.</li> <li>• BTM: I am not sure the benefits are reassessed when the business case goes back to the CCC for reauthorisation for more funding.</li> <li>• PMO: sometimes items get descoped in a project, the business case is not revisited when this happens.</li> <li>• PGM: if the scope change is really big it goes back to the CCC to be reassessed.</li> </ul>

The feedback loop issue in table 6 illustrates the importance of the organisation knowing that they are getting a good return on their capital investment for tangible and non tangible benefits. If there is no feedback loop how can the CCC know that they are approving the right types of projects that are achieving the right amount of benefit realisation for the organisation. The CEO has requested the CPM report to the executive committee on the performance of the capital plan but there is no formal reporting process in place. This results in a lack of meaningful detail in the one page powerpoint report. This ties in with Fink's (2003), emphasis on the need for a project to report to the executive team on the progress of the benefits on a monthly basis and that the information must be meaningful.

To be able to report on the benefits they must be able to be tracked, the CPM only tracks the financial (tangible) benefits and only uses the detail that is provided in the business case. The creation of the business benefits in the business case is done by the BO and the IM and does not include the CPM therefore there may be a degradation of understanding during the knowledge transfer when the CPM picks up the benefits information for tracking. The CPM and the IM are aware of a benefits register but no one else in the process is aware of it. Fink (2003), states the importance of using a benefit register to ensure efficient tracking of the business benefits and understanding when the benefits will be realised. If no one is aware of the benefits register and the information going into it is not fully understood, then the benefits are not being tracked as efficiently as they could be.

Everyone agrees the accuracy of the benefits identified in the business case is low, a lack of detail meant that they were too vague and some benefits were not able to be measured at all. The IM added that only the financial (tangible) benefits went through the robust financial review to be presented at the CCC. This meant that from that point the non financial (intangible) benefits were not in a robust enough state to be efficiently tracked. The PMO felt the brunt of this, projects came through that did not have clear scope or benefits. To overcome this the PMO saw the need for a benefit realisation plan and implemented Thomsett's (2002) 3 'O' model at the implementation phase of a project, his added a level clarity for all the stakeholders. The project now had clear objectives from a business focus and could be translated into outputs from the project scope and deliverables to finally have the outcomes measured to assess the business benefits.

Thomsett (2002), outlines the objectives as being specific to the project but written as a highlevel view of the project scope and what the project going to achieve. There may be more than one project output to each objective and the project is responsible for delivering the outputs. The BO then uses the outputs from the project to deliver business outcomes, it is these outcomes that are measured to identify what benefits have been delivered. The PMO found an improvement in project success once this model was implemented in the initiation phase of the project methodology. They also confirmed that it was the projects responsibility to deliver the IT capability and the BO was accountable for delivering the benefits. Irani and Love (2002), agrees with this approach and takes it one step further by stating that the benefit plan should be included in the business case.

The BTM and BO1 confirmed that the BTM sometimes was used as a part-time BO on a project, also a part-time BO can be seconded from anywhere in the organisation to work with the project. This is problematic as their accountability for the benefits ends at the end of the project as they disband at the same time as the rest of the project team. This is different to a full-time BO, as previously stated they usually come from the part of the organisations that manages the team that will directly receive the benefits from the project. Therefore the full-time BO stays engaged with the benefits and has continuity of accountability for as long as it takes for the benefits to be realised.

The PMO, IM and BO1 all highlighted the issue that the BO is sometimes part-time and has no one to transfer accountability onto to ensure the benefits are measured. This means that the benefits are never realised as they can take anywhere from 6 months to 2 years to turn up, there needs to be someone engaged long term to conduct the measures. Fearson, McLaughlin & Jackson (2009) and Fink (2003), both recommend using a snapshot of the planned measures before the projects start to use as a benchmark to measure against once the project is completed, this is to clearly show what benefits directly came out of the project.

The PMO highlights that FMS does not use a calendar or schedule to track when the long term benefits are due to be measured and the CPM confirms that the IM only measures benefits at the time the project closes just after launch. In some cases, after the project has been disbanded the information is so disjointed that it takes too much effort to go back and quantify the benefits and it is not worth it.

Not only are there difficulties around measuring and tracking the benefits after a project but there are also issues with how to track the changes that happen during a project. There are standard project methodologies to cope with scope changes to assess the impact on time, cost and quality but there is little to do with assessing the change in the benefits. The BTM addressed this with an example of a reauthorisation of funds, at what point does the extra investment erode away all project benefits. It is assessed on the large projects but not the medium or small ones. The business benefit realisation plan needs to incorporate continual assessment throughout the project. Fink (2003), promotes the continual assessment of benefits throughout the project as a key feature to successful a business benefit realisation plan.

### 3.3 Application of Stakeholder Identification Theory to Research

The assessment of each stakeholder's legitimacy, power and urgency in the current situation will add another level of detail to the FMS issues in identification of business benefit realisation in their own organisation. It will identify weaknesses in the process that can be problem solved and produce a set of recommendations that have the potential to strengthen the business benefit realisation process for FMS. Table 7 assesses the identification level for all stakeholders in the process and assigns them a ranking number depending on their positive or negative result from each of the three elements. A low number is weakness a high number shows strength, also it is colour coded green as a positive result and red as a negative.

Table 7 has the BO split into two different lines as it was identified in the interviews that one stays with the benefits and one does not. A full-time BO has legitimacy for benefit realisation because it is their job to identify the benefits in the business case and deliver them. They also have power as they are usually managing the team that is mostly impacted by the benefits and the team will directly be involved in measuring the benefits, they instruct the team to carry out the measurements. They also have urgency as the BO and the team they manage are usually impacted on a daily basis with the inefficiencies that the project will elevate, they want the change. With a positive outcome on all three elements their ranking is strong at a number 7 and a definitive Stakeholder.

Table 7 shows a part-time BO on line 2, the legitimacy is the same, as it is still their job to identify the benefits but they have no power to carry out the measurements as they disband at the same time as the project team so they have no power to instruct employees to carry out the measurements. Also due to their absence from the team that is impacted by the benefits on a daily basis they have no urgency, it does not impact them in their day to day job. They only have one positive element giving them a ranking on number 2 which is a discretionary stakeholder. This is a weakness in the benefit realisation process and engaging with this stakeholder to deliver benefits is futile as they have minimal influence.

**Table 7: Application of Stakeholder Identification theory to FMS Stakeholders**

Stakeholder	Legitimacy	Power	Urgency	Ranking
Business Owner Full time (BO)	YES – creates benefits to go in Business Case, states why their business team will benefits from this project	YES – permanent business owners have the power to make the measurement of the benefits happen as they usually lead the business team most impacted.	YES – they want the business benefit for their team. They want their business unit to improve, efficiency, lower cost, deliver new products, increased accuracy.	<b>7. Definitive</b> Accountable
Business Owner Part time (BO)	YES – creates benefits to go in Business Case, states why their business team will benefits from this project	NO – No longer on the project to conduct the benefit measures	NO – has gone back to their 'day' job. Benefits do not affect them.	<b>2. Discretionary</b> Not accountable
Investment Manager (IM)	YES – creates financial benefits to go in Business Case. Does the number crunching for the set financial measures	NO – does not have official power. Can ask if benefits have turned up but can't make the measurements happen	NO – Financial benefits only	<b>2. Discretionary</b> No influence
Capital Performance Manager (CPM)	NO – is not involved in creating the benefits	NO - does not have official power. Can ask if benefits have turned up but can't make the measurements happen	YES – reports on capital performance to the executive but financial only	<b>3. Demanding</b> No understanding or power
Capital Control Council (CCC)	YES – review Business case, align with strategy assess legitimacy of project.	YES – has the power to approve or decline the project if the benefits don't align with the strategy or add up. And can request that the benefits be measured.	NO – as the CCC they don't they are only interested in the approvals for spending money, no feedback loop to them for benefits.	<b>4. Dominant</b> No understanding of urgency
			YES – individually there teams will be receiving the benefits from the projects they are approving	<b>7. Definitive</b> accountable
Project Management Office (PMO)	YES – Measure the success of the projects effectiveness with governance and reporting. Change requests have impacts on business benefits	NO – only concerned with on time on budget within scope	NO – only delivery of scope	<b>2. Discretionary</b> Only part of process
Project Manager & Pgm mgr	YES – build the capability that the business <u>uses</u> to create business benefits	NO – only delivers the scope of the system change	NO - only delivery of scope	<b>2. Discretionary</b> Only part of process
Specialist Material Expert (SME)	YES – Works with the system on a daily basis, expert in the business use of the system	NO – can carry out the measures but only if instructed to do so. Is not in charge of others	YES – will get benefits and the original problem affects their daily work lives	<b>6. Dependant</b> No power

Like the part-time BO the IM also has legitimacy as it is their job to make sure the business case has all the correct information to be presented at the CCC and they work closely with the BO to achieve this. They do not have any official power to instruct a team to measure the benefits, that is the responsibility of the BO. They also have no urgency as the benefits do not impact their everyday job, it is the job of the CPM to track the benefits not them. This also gives the IM a ranking of 2 making them a discretionary stakeholder, expecting them to make sure the benefits are delivered will end in failure as they only engage with the process at the benefit creation end.

The CPM is different, they have no legitimacy as they are not involved in creating or reviewing the benefits only tracking the information that is given to them. They have no control over the quality of the information. They also have no power, they cannot instruct a team to conduct the measurements only the teams manager can do that. The CPM does have legitimacy as his job is to report to the Executive Committee on the capital performance of the organisation, even though it is only the financial (tangible) benefits. This gives them a ranking of number 3 and they are a demanding stakeholder. They can demand the information from the project and BO about the results of the benefit realisation measures but have no power or legitimacy to actually get the results. Their job is just to report on the benefits and they have no authority to ensure they are undertaken.

The CCC is made up of four key executives, of which any singular or combination of their divisions would be receiving the benefits from the IT projects. However from a point of view of the CCC as a single entity they do not have urgency as it does not impact the CCC's daily life or purpose, its job is to assess projects and approve funding. They have legitimacy as they need to ensure the business case aligns with the organisational strategy. They also have power to approve or decline a project and can request that the benefits are measured, as the team that will be conducting the measuring would sit directly under one of the four key executives on the CCC. Assessing the CCC as a single entity they have only two elements giving them a ranking of 4 making them a dominant stakeholder. Together they form a dominant coalition, they have legitimacy on benefit realisation and the power to act on it.

From a slightly different perspective, if we assess the CCC and take into account the members as individual stakeholders in charge of their separate divisions they would then have urgency as well. The benefits from projects would impact their daily lives as it would directly impact their individual divisions under their management. Assessing the CCC executives individually they score positive on all elements giving them a ranking of 7 making them a definitive stakeholder.

The PMO, PM and PGM all have the same assessment, they have legitimacy as it is the job of their department to deliver the outputs, scope and functionality of the project which must be delivered in order to realise the benefits. However they have disbanded upon delivery and are not around to influence the measurement of the benefits. Similarly the benefits do not impact their daily lives as they have moved on to delivering another project with different benefits. They hold the ranking of 2 making them discretionary. They are engaging with the benefit process at the correct place, it is their job to only deliver the outputs.

The SME is slightly different as like the BO they act as a bridge between the project and the business. They are part of the project team but they will also be left with the benefits after it is delivered. Therefore they have legitimacy as an expert on the IS that they use daily, they also have urgency as the benefits will impact their daily life but no power. They might be involved in carrying out the measurements but cannot instruct their peers to carry out the measures, that is the responsibility of the BO. Therefore they have the ranking of number 6 making them a dependant stakeholder. These stakeholders are dependant on the BO's power to ensure the full benefits have been achieved from the measurements.

Table 7 illustrates that there are three weaknesses the BO, IM and CPM. The next section will recommend some changes that have the potential to improve their ranking and strengthen the benefit realisation process. The conclusion will reassess the potential of the three stakeholders if the recommendations were adopted.

## **4.0 Recommendations and Conclusion**

### **4.1 Recommendations for Business Benefit Realisation at FMS**

#### **4.1.1 Part-Time Business Owner Accountability**

Roles and responsibilities for business owners need to be broadened to cover the part-time business owners. It needs to address consistent accountability for the business owner over the whole benefit realisation process. The issue of the part-time business owner disbanding with the rest of the project team before the benefits are measured causes a weakness in the process that stops projects with part-time business owners from realising any benefits at all. This is a wasted opportunity to measure how well the capital expenditure is working for the organisation. If the roles and responsibilities reflected that a chain of accountability needed to be established and documented in the business benefit plan, it would ensure the responsibility of measuring the benefits was handed on. The part-time business owner could be buddied by a full-time business owner who takes on the responsibility after they have gone or it may be passed on higher up the chain at the executive level.

#### **4.1.2 Use the 3 'O' Model in the Business Case**

Adopt Thomsett's (2012), 3 'O' model that is currently being used in at the initiation gate in delivery, move it to the business case earlier in the process. By holding off until the delivery phase causes an issue that stakeholders earlier in the process are missing out on clear and concise benefits and measures. This means the quality of information the CPM uses for tracking purposes is not the most current or detailed information about the project benefits, as they only use what is in the business case. This also means the CPM could be chasing unclear or even the incorrect benefits, this would cause a weakness in the process and jeopardise the benefits from being realised. The IM would take responsibility for making sure the 3 'O's objectives, outputs and outcomes were filled in to the correct standard for presentation at the CCC.

#### **4.1.3 Close the Loop Back to the CCC**

Develop a high level report to be used to report back on benefit realisation to the CCC. The CPM, BO and IM, in consultation with the CCC develop a report based on the information from the 3 'O' model in the business case. Currently the CCC do not receive a report at all and the executive committee receive a report that is too broad. This is a weakness in the

process as the CCC is not able to get feedback on funding decisions and implement continual improvement methods. The report needs to outline the estimated tangible and non tangible benefits against the actual benefits realised. This would also need to reconcile with the capital plan update report to the executive committee. By instructing the CPM, IM and BO to develop a report, it creates buy-in from all three and links all the recommendations together. Detailed tangible and non tangible benefit realisation information in the business case outlining exactly how the benefits will be measured, accountability of who will be carrying out the measures and finally reporting the performance of those measures back to the CCC to give it credibility and the ability for continuous improvement.

## **4.2 Conclusion**

Table 8, illustrates the re-application of Mitchell, Agle and Wood (1997), Stakeholder Identification Theory to the stakeholders of FMS if the recommendations were implemented. The three changes involve the part-time BO, the IM and the CPM.

The part-time BO formally passes on the accountability for realising the business benefits that is outlined in the 3 'O' model in the business case. This means the BO has handed over accountability and power to ensure the measures are completed at a later planned stage. They also have urgency, as the person who has accepted the accountability will be someone who manages or is directly engaged with the team that is receiving the benefits. This means their day to day life is impacted by the benefits so it matters to them that the benefits are received. This means the part-time BO now has three positive elements and has moved up from a number 2 to a number 7, a definitive stakeholder. This means their position has gained strength in the benefit process and they are now fully empowered to ensure business benefit realisation is undertaken on their projects.

The IM has also strengthened, they now have urgency due to the new responsibility of ensuring the 3 'O' model is filled in correctly for presentation to the CCC. This new detail also strengthens the information the CPM uses from the business case to track the benefits and allow the tangible and non tangible benefits to be tracked. The IM now has two out of three positive elements and has increased their ranking from 2 to a number 6 making them a Dependant stakeholder. The IM still has no power, the accountability for that sits with the BO therefore making the IM dependant on the BO for the benefits to be realised.

**Table 8: Re-application of Stakeholder Identification Theory After Recommendations**

Stakeholder	Legitimacy	Power	Urgency	Ranking	New Ranking
Business Owner Full time	YES – creates benefits to go in Business Case, states why their business team will benefit from this project	YES – permanent business owners have the power to make the measurement of the benefits happen as they usually lead the business team most impacted.	YES – they want the business benefit for their team. They want their business unit to improve, efficiency, lower cost, deliver new products, increased accuracy.	<b>7. Definitive</b> Accountable	
Business Owner Part time	YES – creates benefits to go in Business Case, states why their business team will benefit from this project	YES – Shares accountability with full-time BO. Benefit measures are completed	YES – Shares accountability with full time BO to improve, efficiency, lower cost, deliver new products, increased accuracy.	<b>2. Discretionary</b> Not accountable	<b>7. Definitive</b> Accountable
Investment Manager	YES – creates financial benefits to go in Business Case. Does the number crunching for the set financial measures	NO – does not have official power. Can ask if benefits have turned up but can't make the measurements happen	YES – use of structured model to fill in and must be included in BC	<b>2. Discretionary</b> No influence	<b>6. Dependant</b> No power
Capital Performance Manager	YES – along with BO and IM develop benefit report with names of <u>accountable</u> people for the executive.	NO - does not have official power. Can ask if benefits have turned up but can't make the measurements happen	YES – reports on capital performance to the executive but financial only	<b>3. Demanding</b> No understanding or power	<b>6. Dependant</b> No power
Chorus Capital Council	YES – review Business case, align with strategy assess legitimacy of project.	YES – has the power to approve or decline the project if the benefits don't align with the strategy or add up. And can request that the benefits be measured.	NO – as the CC they don't they are only interested in the approvals for spending money, no feedback loop to them for benefits.	<b>4. Dominant</b> No understanding of urgency	
			YES – individually there teams will be receiving the benefits from the projects they are approving	<b>7. Definitive</b> accountable	<b>7. Definitive</b> Accountability 'tree' up to exec
Project Management Office	YES – Measure the success of the projects effectiveness with governance and reporting. Change requests have impacts on business benefits	NO – only concerned with on time on budget within scope	NO – only delivery of scope	<b>2. Discretionary</b> Only part of process	
Project Manager & Pgm mgr	YES – build the capability that the business users to create business benefits	NO – only delivers the scope of the system change	NO - only delivery of scope	<b>2. Discretionary</b> Only part of process	
Specialist Material Expert	YES – Works with the system on a daily basis, expert in the business use of the system	NO – can carry out the measures but only if instructed to do so. Is not in charge of others	YES – will get benefits and the original problem affects their daily work lives	<b>6. Dependant</b> No power	

The CPM has strengthened their position by incorporating the recommendation of developing a report and closing the loop back to the CCC. This has given them legitimacy as the detailed report of the business benefits has been formalised. This means the clarity gained in the business case using the 3 'O' model will make it easier for the CPM to track and report back to the CCC. This increases the ranking of the CPM from a 3 to a number 6, they are a Dependant stakeholder. Much like the IM they have no power to enforce the measures the BO is accountable for that.

The CCC still sits on a number 4, Dominant stakeholder with the option of moving to a 7, definitive stakeholder if the accountability of each projects benefit realisation is traced all the way up the chain to the executive responsible for the division receiving the benefits. The PMO, PM and PGM all remain the same as a Discretionary stakeholder as it is not their role to deliver business outcomes only the capability for the BO's to do so. Also the SME has not changed, they remain dependant on the BO to ensure all the benefit realisation measures have taken place.

Peter Parkinson walked back into his office in Auckland, sat down with a thump and breathed a sigh of relief, he had just come out of a second strategy meeting with Bob the CEO. He had presented the research and recommendations on business benefit realisation for his division. Even though it highlighted several shortcomings around lack of process and measurement of the benefits it came across positive as the recommendations were effective, fairly inexpensive and fast to implement. His divisions were now able to effectively and efficiently report on business benefit realisation and justify the value that they add to the organisation through capital funding initiatives.

## References

- Adams, A. (2013). *UFB installation made easier for apartments*. Retrieved September 6, 2014, from <http://www.beehive.govt.nz/release/ufb-installation-made-easier-apartments>
- Adams, A. (2014). *UFB rolled out to half a million households, schools, businesses*. Retrieved September 6, 2014, from <http://www.beehive.govt.nz/release/ufb-rolled-out-half-million-households-schools-businesses>
- Ashurst, C., & Doherty, N. (2003). Towards the formulation of a best practice framework for business benefit realisation in IT projects. *Electronic Journal of information systems*, 6(2), p1-10. Retrieved from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.69.440&rep=rep1&type=pdf>
- Bradley, G. (2006). *Benefit Realisation Management: A Practical Guide to Achieving Benefits Through Change*. Gower: UK.
- Bradley, G. (2010), *Fundamentals of Benefit Realisation*. London: TSO. Retrieved from <https://books.google.co.nz/books?id=c0UDxY0Fv0kC&printsec=frontcover&dq=bradley+business+benefit&hl=en&sa=X&ved=0CCEQ6AEwAWoVChMly7qPlpCtyAlVgxmCh3EOwlp#v=onepage&q=bradley%20business%20benefit&f=false>
- Bradley, G. (2012). *Business Benefit Realisation: a practical guide to achieving benefits through change*, Gower: UK. Retrieved from <https://books.google.co.nz/books?id=EzaVeWc-FNQC&printsec=frontcover&dq=bradley+business+benefit&hl=en&sa=X&ved=0CBsQ6AEwAGoVChMly7qPlpCtyAlVgxmCh3EOwlp#v=onepage&q=bradley%20business%20benefit&f=false>
- Clarke, S., & Doherty, N. (2004). The importance of a strong business-IT relationship for the realisation of benefits in e-business projects: The experiences of egg. *Qualitative Market Research*, 7(1), p58-66

- Clegg, C., Axtell, C., Damadoran, L., Farbey, B., Hull, R., Lloyd-Jones, R., Nicholls, J., Sell, R. and Tomlinson, C. (1997), *Information technology: a study of performance and the role of human and organisational factors*, *Ergonomics*. 40(9), p851-71.
- Cunliff, D. (2005a). *New Digital Strategy Funds Launched*. Retrieved September 2, 2015 from <http://www.beehive.govt.nz/release/new-digital-strategy-funds-launched-0>
- Cunliff, D. (2005b). *Budget 2005: The Digital Strategy – Creating a digital future*. Retrieved September 3, 2015 from <http://www.beehive.govt.nz/release/budget-2005-digital-strategy-%E2%80%93-creating-digital-future>
- Cunliff, D. (2006a). *\$16 million for urban Broadband Challenge projects*. Retrieved September 2, 2015 from <http://www.beehive.govt.nz/release/16-million-urban-broadband-challenge-projects>
- Cunliff, D. (2006b). *Telecommunications Act Amendment Bill - First Reading Speech*. Retrieved September 2, 2015 from <http://www.beehive.govt.nz/speech/telecommunications-act-amendment-bill-first-reading-speech>
- Cunliff, D. (2006c). *Landmark broadband bill passed*. Retrieved September 2, 2015 from <http://www.beehive.govt.nz/release/landmark-broadband-bill-passed>
- Cunliff, D. (2007). *Delivering on telecommunications*. Retrieved September 3, 2015, from <http://www.beehive.govt.nz/speech/delivering-telecommunications>
- Cunliff, D. (2008). *Digital Strategy 2.0*. Retrieved September 4, 2015, from <http://www.beehive.govt.nz/feature/digital-strategy-20>
- Doherty, N. & King, M., (2001) An investigation of the factors affecting the successful treatment of organizational issues in systems development projects. *European Journal of Information Systems*, 10(3), p147-160.
- Fearon, C., McLaughlin, H., & Jackson, S. (2014). Measuring and evaluating IS expectations and benefit success from B2B electronic trading: a new survey approach. *Behaviour & Information Technology*, 33(4), p308-317

- Fink, D. (2003). Case analyses of the "3 rs" of information technology benefit management: Realise, retrofit and review. *Benchmarking*, 10(4), p367-381. Retrieved from <http://search.proquest.com/docview/217375634?accountid=14782>
- Freeman, R. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.
- Ghoneim, A., & El-Haddadeh, R. (2006). Enhancing IT investments productivity: integrating network QoS and IT indirect Costs. *European and Mediterranean Conference on Information Systems (EMCIS 2006)*. CD Proceedings, Costa Blanca, Alicante, Spain, July 6–7.
- Irani, Z. (2010). Investment evaluation within project management: an information systems perspective. *Journal of the Operational Research Society* 61(6), p 917-928.
- Irani, Z., & Love, P. (2001). The propagation of technology management taxonomies for evaluating investments in information systems. *Journal of Management Information Systems*. 17(3), p161–177.
- Irani, Z., & Love, P. (2002). Developing a frame of reference for ex-ante information system investment evaluation. *European Journal of Information Systems*. 11(1), p 74–82.
- Joyce, S. (2009). *Ultra-fast broadband investment proposal finalised*. Retrieved September 3, 2015 from <http://www.beehive.govt.nz/release/ultra-fast-broadband-investment-proposal-finalised>
- Karimi, J., Bhattacharjee, A., Gupta, Y., & Somers, T. (2000). The effects of MIS steering committees on information technology management sophistication. *Journal of Management Information Systems*, 17(2), 207-230.
- Keil, M. (1995). Pulling the plug: Software project management and the problem of project escalation. *MIS quarterly*, 421-447.
- Meyer, W. (2014). The effect of optimism bias on the decision to terminate failing projects. *Project Management Journal*. 45(4), p7-20.

- Mitchell, R., Agle, B., & Wood, D. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review*, 22(4), 853-886. Retrieved from <http://search.proquest.com/docview/210945979?accountid=14782>
- Myers, M. (2013). *Qualitative research in business and management*. Sage.
- Nethistory. (2006). *Internet in New Zealand Timeline*. Retrieved September 2, 2015 from [http://www.nethistory.co.nz/Internet\\_in\\_New\\_Zealand\\_Timeline/](http://www.nethistory.co.nz/Internet_in_New_Zealand_Timeline/)
- Peppard, J. and Ward, J. (1999), "Mind the gap: diagnosing the relationship between the IT organisation and the rest of the business", *Journal of Strategic Information Systems*, Vol. 8 No. 1, pp. 29-60.
- Remenyi D (1999). *How to Prepare a Business Case for IT Investment*. Butterworth-Heinemann: UK.
- Schultze, U., & Avital, M. (2011). Designing interviews to generate rich data for information systems research. *Information and Organization*, 21(1), 1-16
- Seddon, P., Calvert, C., & Yang, S. (2010). A multi-project model of key factors affecting organizational benefits from enterprise systems. *MIS Quarterly*, 34(2), p305-A11.
- Tan, W., Cater-Steel, A., & Toleman, M. (2009). Implementing IT service management: a case study focussing on critical success factors. *The Journal of Computer Information Systems*, 50(2), p1-12.
- TCP. (2014). *Regulates services*. Retrieved September 2, 2014 from <http://www.tcf.org.nz/content/950146ef-5e86-48ca-a3b0-8d6c760e1cc8.html>
- Thomsett, R. (2002). *Radical Project Management*. Prentice Hall Professional: UK
- Ward, J. & Elvin, R. (1999) A new framework for managing IT-enabled business change. *Information Systems Journal*, 9(3), p197-222
- Ward, J., Taylor, P. & Bond, P. (1996) Evaluation and the realisation of IS/IT Benefits. *European Journal of Information Systems*, 4(4), p214-225.

## **Appendix A: Human Ethics Paperwork**

See separate documentation sent in email 19/10/2015