

# **Benefit Management Plan**

## *Investment Management Guideline*

Version 2.0

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Department of Treasury and Finance

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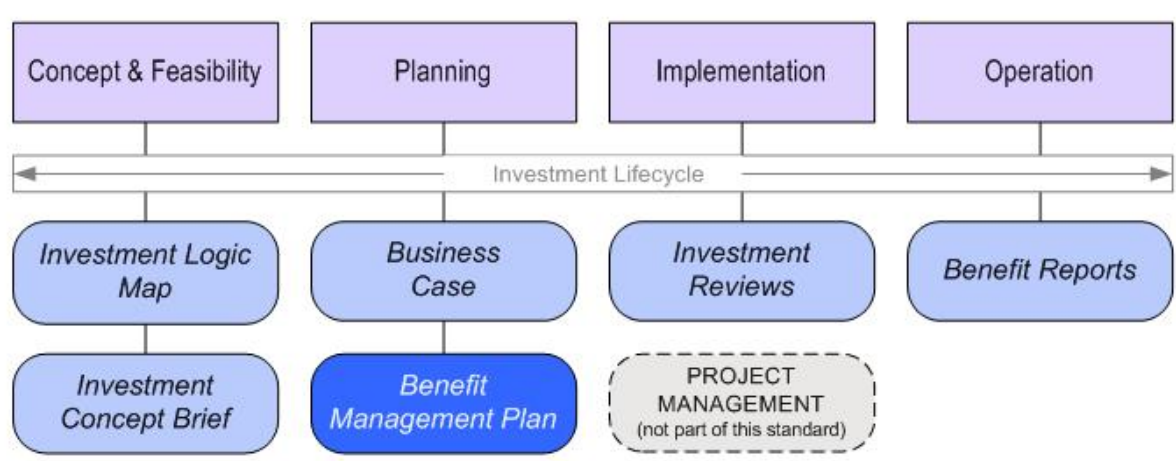
# 1 Introduction

## 1.1 Context within the Investment Management Standard

Investment management establishes a set of simple practices that allow an ‘investor’ to clearly define the reason for an investment, shape the solution that will best respond to the need and track the delivery of benefits throughout the investment lifecycle. The adoption of these practices has been shown to drive investments that are more effective at implementing government policy and reduce the risk of investment failure.

The current Investment Management Standard (IMS) defines six practices that are documented in the form of guidelines as depicted in Figure 1. This guideline relates to the benefit management plan.

**Figure 1: The Investment Lifecycle**



## 1.2 The purpose of this guideline

The decision to make an investment is often hindered by a lack of confidence by the investors that the investment really will produce the benefits they are seeking. The most common reason for this is that insufficient evidence exists that previous similar investments had delivered the required benefits.

This is often caused by:

- The expectations of the investor being unrealistic or never communicated to, or agreed to, by all the concerned parties
- The business changes that were a pre-requisite to obtaining the benefits never being completed, or
- Nobody was assigned the responsibility of tracking and reporting the delivery of the benefits.

Where benefit management plans have existed in the past they were usually of limited value as they were expensive to develop, difficult to understand and complex to apply. This Guideline redresses these shortcomings with an approach that builds on the previous guidelines and is simple, practical and effective.

# 2 How to create an benefit management plan

Benefit management plans developed as part of this standard are brief and to the point. For each benefit, key performance indicators (KPIs) that can be measured and are directly attributable to the particular investment are selected.

The investment logic map developed that was developed previously will have identified a small number of benefits - normally around three but no more than five. For each of these benefits either 1 or 2 KPIs will also have been identified. Each benefit is considered separately and occupies just one page in the benefit management plan. On that page the benefit, with its overall percentage weighting when considered against the other benefits is recorded along with the KPIs and target measures for each KPI. Also recorded on that page are the changes that must be made as pre-requisites for obtaining the benefit, who will be responsible for realising the benefit and who will be responsible for collecting the data to determine whether the benefit has been delivered.

The benefits management plan is developed as a pre-cursor to making an investment decision as it provides evidence that the benefits expected of the investment are well understood and are achievable. This is a shift in thinking where previously such plans have only been required (if at all) after an investment decision has been taken. An example extract of a benefit management plan (one benefit profile only) is shown in the Appendix.

## 2.1 Participants

The participants should include the business case developer and those people responsible for providing the data which will allow for measurement against the plan. If this involves multiple departments, each department must agree to provide the data defined in the plan. The benefit manager (who is usually the investor or senior responsible owner) must approve the plan.

## 2.2 Process

Complete the following fields for each benefit:

- **The benefit name and weighting**

The name of the benefit and its weighting is used in the section heading. Both the name and weighting are carried forward from the investment logic map.

- **Benefit manager**

Responsibility for realisation should always lie with a senior responsible owner (most likely the investor) in the business area that is ultimately responsible for management and use of the assets or services being delivered. The information required includes:

- Name
- Position
- Organisation

- **KPIs**

Each benefit should have either one or two KPIs attributed to it. The use of KPIs ensures that during any given period, the total benefit achieved for an investment can be quantified. All benefits, even if they are considered “intangible” or “qualitative” should be measured. If a benefit is proving difficult to quantify, consider using one of the commonly accepted methods for valuing such benefits - these methods include ‘contingent valuation’ and ‘hedonic pricing’.

Criteria to aid in the creation of KPIs have been included at Appendix 2. The information required includes:

- The KPIs - each KPI should be written in such a way as to inform the reader as to whether the value is increasing or decreasing and what is being measured. For example, ‘Increase the number of hospital beds’. Or, ‘Reduce the number of cases of bird flu’.
- Baseline value - the baseline value is the actual value at commencement of benefit reporting. This value may be reviewed and updated up to the point at which the benefit is to be measured.
- Target value - the target value is the desired value at the point measurement is to cease for a given benefit.

- Frequency - frequency is the regularity with which the benefit will be measured. This is usually quarterly, biannually or annually.
- Collection method - the collection method is the means by which the KPI data will be gathered. Common methods include management reports, surveys and questionnaires, audits and web statistics.
- Measurement start date - the measurement start date is the first quarter in which KPI data will be compiled.
- Measurement end date - the measurement end date is the last quarter in which KPI data will be compiled.
- Data provider - the data provider is responsible for the provision of KPI data. This responsibility may reside with more than one individual if data must be collected across departments and/or agencies. The information required includes the person's name, position and organisation.
- **Prerequisites**
  - List all changes and enablers linked to this benefit on the investment logic map and provide an anticipated completion date. Once the last change or enabler has been delivered, there will be an expectation that reporting against the benefit will commence.

### 3 More information

The benefit management plan template is available on the DTF website.

For more information, please go to [www.dtf.vic.gov.au/investmentmanagement](http://www.dtf.vic.gov.au/investmentmanagement)

or email [investmentmanagement@dtf.vic.gov.au](mailto:investmentmanagement@dtf.vic.gov.au)

## 4 Appendices

### 4.1 Appendix: Glossary

#### **Business Case**

A document providing the information that an investor needs to decide whether to commit resources to a new investment.

#### **Benefit Management Plan**

A short document that defines the pre-requisites for the delivery of each expected benefit, how the delivery of each benefit will be measured, and who will be responsible for measuring and realising each benefit.

#### **Benefit Reports**

A report for the investor that depicts the status of the delivery of the benefits compared to the original expectations.

#### **Gateway**

The Gateway Review Process is a best practice initiative based on proven techniques used extensively in progressive industries and governments. The Gateway Review Process has been validated and optimised for use in Victoria over a wide variety of projects and programs.

#### **Growing Victoria Together**

A ten-year vision that articulates what is important to Victorians and the priorities that the Victorian Government has set to build a better society.

#### **Investment Concept Brief**

A two-page document that provides the logic underpinning an investment along with the likely costs, risks, dependencies and deliverables. Its purposes are shape the best solution to an identified business problem and to enable the selection of competing investments before proceeding to full business case.

#### **Investment Logic Map**

A one-page depiction of the logic the underpinning a potential investment. It diagrammatically depicts and relates the drivers, objectives and benefits for an investment and the changes necessary to deliver the identified benefits.

#### **Investment Management Standard**

A best practice approach applied over the life of an investment that aim to reduce the risk of investment failure, provide greater value-for-money and drive better outcomes.

#### **Investment Reviews**

Formal scheduled periodic reviews that aim to confirm that the logic for an investment remains valid before recommitting to the investment.

#### **Investor**

The person who has an identified business problem (or opportunity), will be responsible for making an investment decision aimed at solving the problem and will ultimately be responsible for delivering the expected benefits of that investment. This person is often referred to as the 'senior responsible owner'.

#### **Key Performance Indicator (KPI)**

A measure that has been selected to demonstrate that a benefit expected from an investment has been delivered.

#### **Project Management**

A controlled process of initiating, planning, executing, and closing down a project. The changes required to enable the benefits of an investment to be delivered are usually defined as projects.

## 4.2 Appendix: KPI criteria

The following checklist may aid in identifying the KPIs that should be included in a benefit management plan. A selected KPI should pass all the tests listed in the checklist prior to being used to measure achievement of a given benefit.

**Table 1: KPI criteria**

<input type="checkbox"/>	Relevance	The measure will assist government in deciding how to allocate funds and resources
<input type="checkbox"/>	Understandable	The measure is easy to understand and is expressed clearly
<input type="checkbox"/>	Robustness	The measure will facilitate comparison with similar benefits delivered by other projects
<input type="checkbox"/>	Manageability	The department will have the capacity to collect data and report the performance information within agreed-time-frames
<input type="checkbox"/>	Success Indicator	The measure will provide information to allow assessment of whether the benefit has been successfully realised
<input type="checkbox"/>	Audit	Data to support the reported performance will be available at the end of the reporting period
<input type="checkbox"/>	Accountability	It is clear who is accountable for realisation of the benefit and who is accountable for undertaking the required measurement activity
<input type="checkbox"/>	Consultation	Key stakeholders will regard the measure as a useful indicator of progress toward realising the benefit
<input type="checkbox"/>	Focal length	The measure should be appropriate to the scope of investment. Where there investment is large, the measure should be appropriate to the scope of impact the investment is likely to have. Where the investment is smaller, the measure should be targeted in more specific objectives.

## 4.3 Appendix: Benefit management plan (example)

### Lower cost of justice (15%)

#### BENEFIT MANAGER

<b>Name</b>
<add name>
<b>Position</b>
<add position>
<b>Organisation</b>
<add organisation >

#### KEY PERFORMANCE INDICATORS

KPI 1	KPI 2
Decrease in trial length of major eTrials compared to manual trials	Number of court locations provided with Smart Court facilities
<b>Baseline value</b>	<b>Baseline value</b>
	0%
<b>Target value</b>	<b>Target value</b>
- 5% criminal jurisdiction - 7% civil jurisdiction	53%
<b>Frequency</b>	<b>Frequency</b>
Quarterly	Quarterly
<b>Collection method</b>	<b>Collection method</b>
School records	School records
<b>Measurement start date</b>	<b>Measurement start date</b>
Q4 2007	Q4 2007
<b>Measurement end date</b>	<b>Measurement end date</b>
Q4 2009	Q4 2008
<b>Data provider</b>	<b>Data provider</b>
<add name>	<add name>
<add position>	<add position>
<add organisation>	<add organisation >

#### PREREQUISITES - CHANGES

Change	Anticipated completion date
Standardise processes and terminology	July 2007
Actively encourage use of eServices, eTrials, eForums & other eServices by modifying court rules and/or offering discounts for eFiling.	May 2009

#### PREREQUISITES - ENABLERS

Enablers	Anticipated completion date
Complete Smart Court Program	June 2008