

Owner: Office of the CIO	Status: FINAL 1.0	Date of Effect: 1 Jan 2007	Revision date: 31 Mar 2007
--------------------------	-------------------	----------------------------	----------------------------

ICT Guideline

Benefit Management Plan

Contents

1	About this guideline	2
2	How to create a benefit management plan.....	3
	Appendices	5
	Appendix 1: Glossary.....	5
	Appendix 2: KPI Criteria.....	6
	Appendix 3: Further Information	6

© The Victorian Government - 2007

This document has been created by the State of Victoria and is the copyright material of the State of Victoria. No part of this document may be reproduced, stored in a retrieval system or disseminated without prior written permission. Enquiries should be addressed to the Office of the CIO, Department of Treasury of Finance, Government of Victoria

This document may contain information that is commercial-in-confidence. This document should not be disclosed to third parties outside the VPS without:

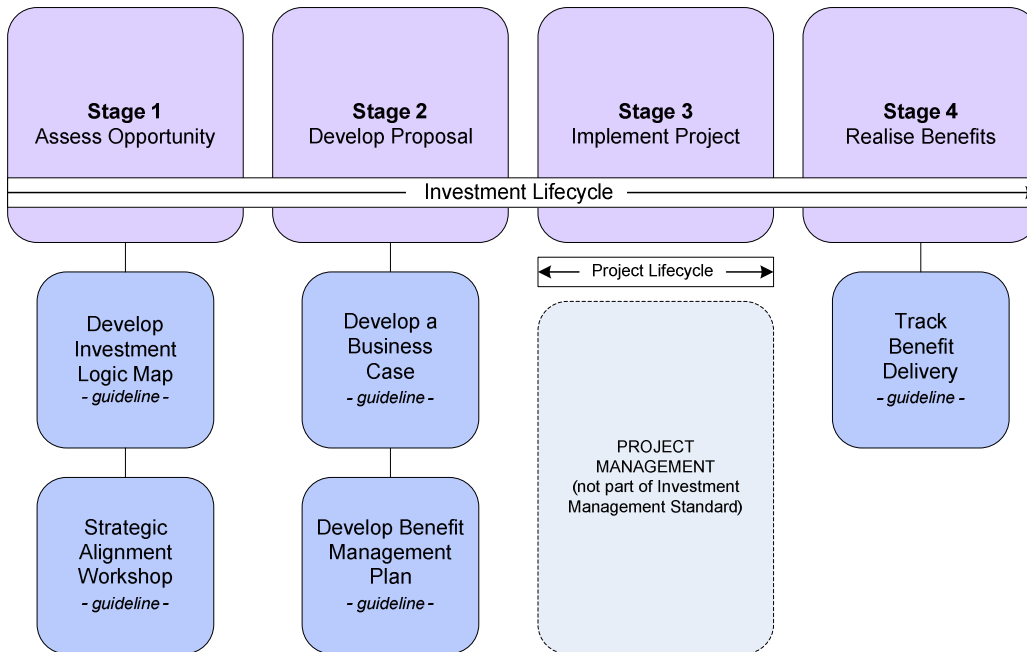
- Prior written permission from the Office of the CIO.
- Execution by third parties of a deed of confidentiality.

1 About this guideline

The investment management process outlined in the Investment Management Standard involves four separate stages. The second of these requires a benefit management plan be developed.

This is the process of defining more precisely how, when and by whom the benefits are to be achieved.

Figure 1: The Investment Management Guidelines



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

- investor expectation that are unrealistic, uncommunicated, or not agreed to by all concerned parties;
- the business changes that were a pre-requisite to obtaining the benefits were never completed, or;
- the benefits were not fully describe or subsequently tracked and reported.

While benefit management plans have existed, they have been of limited value as they were expensive to develop, difficult to understand and complex to apply. The Benefit Management Plan Guideline redresses these shortcomings with an approach that builds on the preceding aspects of the Investment Management Standard and is simple, practical and effective.

2 How to create a benefit management plan

Each of the benefits identified in the Investment Logic Map is considered separately and occupies one page in the Benefit Management Plan. For each benefit one or two KPIs are selected and measures and targets for each are selected. Against each benefit the pre-requisite business changes and enablers are identified and the people responsible for measuring the benefits and for their ultimate delivery are nominated.

The 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 can realistically be achieved. This is a shift in thinking where previously such plans have been required (if at all) after an investment decision had been taken. An example extract of a Benefit Management Plan pertaining to one benefit is at Appendix 2. As the rigour of this methodology aims to restrict the number of benefits claimed by any investment to no more than five, Benefit Management Plans developed in this way are short and focussed.

To create a benefit management plan, use the benefit management plan template. The following instructions follow the template. The plan includes both the investment logic map and separate benefit profiles for each benefit identified in the map. While additional benefits may have been identified as part of the business case or other project initiation documentation, only those benefits identified as part of the investment logic mapping process should be profiled. The aim is to define more precisely how, when and by whom the benefits are to be achieved. The general information required for the benefit management plan includes:

- Header – Add the Department, Status, Version and Date of Effect
- Title Page – Add the Project Name and Investment Logic Map

The information required to complete each benefit profile includes:

- **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 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

- **Key Performance Indicators**

Each benefit should have either one or two KPIs attributed to it. The use of KPIs ensures that during any given quarter, the total benefit achieved through an investment can be quantified. Not all benefits are equally measurable – for those benefits that are considered “intangible” or “qualitative” KPIs should still be selected, however proxy measures should be used. 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’¹. Criteria to aid in the creation of KPIs has been included at Appendix 2. The information required includes:

- KPI - Each key performance indicator 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 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 actual value at conclusion of benefit reporting.
- Frequency - The regularity with which the benefit will be measured. This is usually quarterly, biannually or annually.

¹ For more information, see the following information *Valuing Benefits without Established Monetary Value* from the Californian Government’s Office of Transportation Economics. (http://www.dot.ca.gov/hq/tpp/offices/ote/Benefit_Cost/calculations/nonmonetary.html)

- Collection Method - 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 first quarter in which KPI data will be compiled. e.g. Q3 2007.
- Measurement end date - The last quarter in which KPI data will be compiled. e.g. Q1 2010.
- Data provider - Responsibility for provision of KPI data may lie with more than one individual if data must be collected across departments and/or agencies². The information required includes the person's name, position and organisation.
- **Business Changes**
 - List all business changes linked to this benefit and provide an anticipated completion date. Once the last business change or enabler has been delivered, there will be an expectation that achievement against this benefit will be reported.
- **Enablers**
 - List all business changes linked to this benefit and provide an anticipated completion date. Once the last business change or enabler has been delivered, there will be an expectation that achievement against this benefit will be reported.

² If the project impacts on more than one department or agency, agreements regarding data collection should be made as early in the planning process as possible.

Appendices

Appendix 1: Glossary

Benefit Management

Benefit management is the process of organising and managing such that the benefits expected of the investment are tracked and reported.

Benefit Management Plan

A benefit management plan is the document which identifies the benefits expected to be achieved by a specific investment and specifies the criteria for their achievement and who is responsible for their measurement and achievement.

Benefit Report

A benefit report is status report on each benefit claimed in the benefit management plan. The raw data on the KPI's is entered and the output is reflected in terms of the total benefit achieved at a point in time.

Government

Government is the party that has the confidence of the lower house, and from whose numbers ministers are appointed.

ICT

Information and Communications Technologies

Investment Logic Map

An investment logic map is a clear, diagrammatic representation of the relationships between the investment rationale (drivers, objectives and benefits) and the project activities (business changes and enablers).

Investment Management Standard

The investment management standard is a document which provides direction on the implementation of this policy.

Investor

The person that has identified a business need and will be responsible for making an investment aimed at satisfying that need. The investor will ultimately be responsible for achieving the benefits that had been the intention of the investment.

IT

Information Technology

KPI

Key performance indicator

Project

A project is a planned activity that contributes to the resolution of an issue and is unique and temporary in nature. That is, has a designated end date and unique and well defined end result/s.

Appendix 2: 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. The *Business Case Guidelines* provide a set of example KPIs. Alternatively there are numerous resources on the Internet.

Table 1: Performance Measurement Checklist

<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.

Appendix 3: Further Information

For further information:

- Go to <http://www.dtf.vic.gov.au>
- Select Gateway reviews and best practice guidelines
- Select Lifecycle guidance material