a prosperous **future** for all **Victorians**

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INVESTMENT MANAGEMENT STANDARD

Benefit Definition

Version 3.5

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Department of Treasury and Finance

Investment Management
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This Benefit Definition document is part of the Investment Management Standard.
The publications in the 2009 series are:
Overview
Problem Definition
Benefits Definition
Solution Definition
Business Case
Investment Reviews
Benefits Reports

More information at: www.dtf.vic.gov.au/investmentmanagement

Contents

Abbreviations

BMP	Benefit Management Plan
DTF	Department of Treasury and Finance
ICB	Investment Concept Brief
ILM	Investment Logic Map
IMS	Investment Management Standard
KPI	key performance indicator
SRO	senior responsible owner

1 Introduction

1.1 The Investment Management Standard

Investment management establishes a set of simple practices that allow an 'investor' to clearly define the need for an investment, shape the solution 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 policy and reducing the risk of investment failure.
The current Investment Management Standard defines six practices that are documented in the form of guidelines as depicted in Figure 1. This guideline relates to the *benefit definition*.

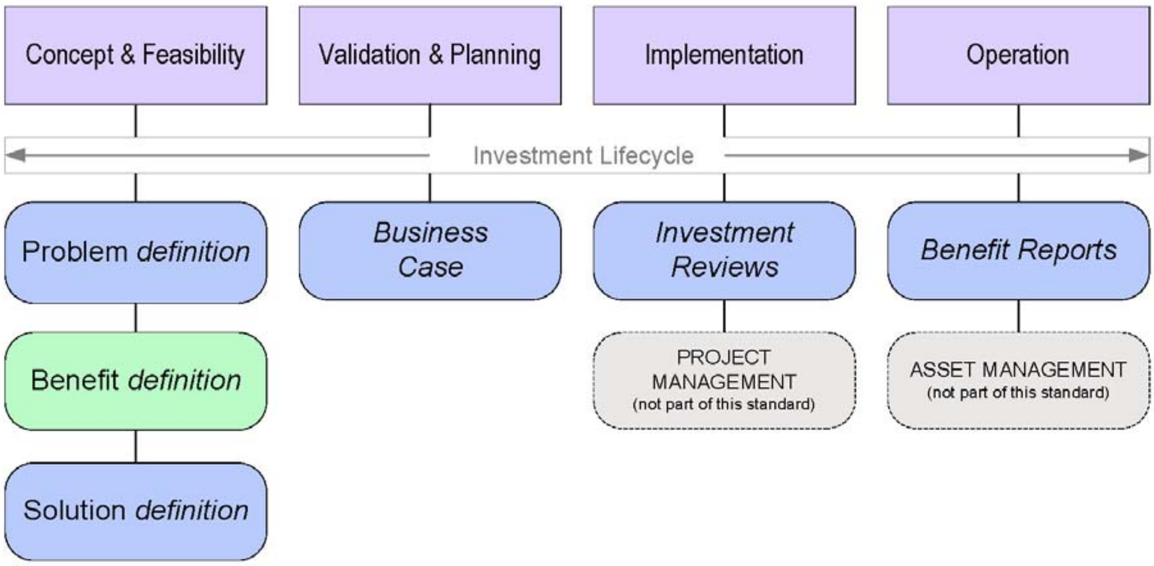

Figure 1: Guidelines of the Investment Management standard

1.2 The purpose of this guideline

The only reason that organisations make investments is to create some form of benefit for that organisation.
It therefore makes no sense why few investments are able to articulate the benefits they plan to deliver. In the past many well-intended organisations have attempted to implement programs to articulate and manage the benefits of their investments but these have typically resulted in benefit management plans that were of limited value as they were expensive to develop, difficult to understand and complex to apply.
This standard had developed a different approach to identifying the benefits of an investment to that which has been used in the past. This allows a more direct articulation and attribution of the benefits an investment is seeking to deliver against the purpose for which the organisation exists.

This guideline develops a brief but focussed benefit management plan that defines the benefits sought, the way the delivery of the benefits will be measured and reported and who will be responsible for the delivering the benefits.

2 The Benefit Definition Workshop

2.1 Intent of the workshop

This workshop will define the investment benefits and associated KPI's to the degree they are currently known by the investor and stakeholders of the potential investment. This workshop also provides a powerful communications forum for the potential investment where the group attending the workshop can discuss and understand the need for the investment and its implications.
The development of the benefit management plan challenges and can significantly change the benefits that were identified in the problem workshop to the point that the solution is no longer valid. For this reason there is a strong argument that the *benefit definition* should be completed before the *solution definition* has been undertaken.

2.2 What is a Benefit Management Plan

A benefit management plan documents the measuring, management and monitoring for each of the claimed benefits and assigns a person accountable for their delivery. Benefits management plans are brief and to the point, providing a quick overview of the investment and helping senior executives to make an informed investment decision. The development of the Benefit Management Plan provides a strong test of the validity of the benefits an investment claims.
A benefit management plan uses the Investment Logic Map (ILM) as its foundation. If the ILM had identified, say, three benefits then the benefit management plan would comprise only three pages, each page detailing the properties of the identified benefit. An example of a Benefit Management Plan is in the Appendix.

2.3 Benefits and KPI's

Benefits are the direct advantage gained by an organisation as a result of undertaking a particular investment. If an investment is delivering benefits that do not contribute to the organisational outcomes then there is no basis of proceeding with the investment.
Benefits identified in the ILM are required to be aligned to the organisational outcomes, real in nature, attainable and a direct consequence of the proposed investment. By underpinning benefits with meaningful, measurable and attributable KPI's benefits are able to be realistically substantiated.
The fundamental building blocks of a benefit are the Key Performance Indicators (KPI). KPI's are used to underpin the benefits and without them a benefit can not be substantiated or claimed. A selected **KPI** should pass all the criteria listed in the list prior to being used to measure achievement of a given benefit.

The KPI criteria are:

Meaningful	Is there a direct relationship between meeting this KPI and achieving the targeted benefit?
Attributable	Can it be reasonably claimed that meeting this KPI is a direct result of this investment and cannot be claimed by any other – i.e. it would not happen without this investment?
Measurable	Can we get the information? Is there an existing baseline? Will it be practical and cost effective to collect the measurement data?

2.4 Outcome of the workshop

The workshop will provide one of three possible outcomes:

1. The benefits defined in the original investment logic map are validated and a benefits management plan is produced
2. The benefits of the original investment logic map were changed and this has altered the investment logic. An amended investment logic map and a benefits management plan is produced to reflect the new logic.
3. The benefits identified in the original investment logic map could not be validated. The investment proposal can no longer be considered valid.

Each of these outcomes is both valid and valuable and will clearly justify the time expended by the participants. Above all, the workshop will have provided a valuable communications forum that brought together the current thinking around a particular problem or problem area.

3 Why use an accredited facilitator

Although the development of a Benefit Management Plan might seem simple, without the facilitation of someone skilled in their development the outcome can be significantly diminished. To rectify this situation, a process of facilitator accreditation has been established. As a result there is now a pool of people who can effectively facilitate investment management workshops. Some of these work within Government and others are consultants. The list of accredited facilitators is on the Investment Management website. It is recommended that for ‘serious’ investments an accredited facilitator is engaged.

An accredited facilitator will also be able to assist in setting up the workshop and advise as to who might be the right mix of participants.

The facilitator accreditation process ensures that a person understands the theory and practice involved in creating a Benefit Management Plan – and this is important. It does not test their facilitation and mediation skills. It is therefore recommended that, before engaging an accredited facilitator, an Investor validates these capabilities by contacting an investor who has previously engaged them.

4 How a benefit definition workshop is conducted

4.1 Before the workshop

4.1.1 Selecting and inviting participants

The participants at a Benefit Management Plan workshop are:

Investor	The person who has an identified business problem (or opportunity), will be responsible for making (or advocating) a decision to investment, and who will be responsible for delivering the expected benefits. This person is often referred to as the 'senior responsible owner'. It is highly recommended that the investor be present at the benefit definition workshop as they will be ultimately responsible for delivering the benefits. If the investor is unavailable an Investor Proxy must be present instead. They must have the **ability** and **authority** to act on behalf of the investor for identifying the KPIs and targets that will demonstrate that the benefits have been delivered.
Business Case Developer	Responsible for developing the business case and linking the Project outputs to the expected investment outcomes (Benefits).
KPI Designer	A person who will develop, table and defend a set of benefit management data that will provide the evidence that the expected benefits have been delivered, consistent with the benefits identified in the ILM.
Benefit Data Providers	The senior people who will be responsible for providing the data that will demonstrate whether the expected benefits are being achieved.
Facilitator	Is accredited in facilitating the development of Befit Management Plans

In preparing for the workshop the Investor must decide who are the most appropriate people (both from inside and outside the organisation) to assist him/her to define the benefits and KPI's of an investment. The ideal number of active participants at a workshop is around 5 but the nature of the investment may dictate that more people may be required.
The Investor should invite the selected participants to the workshop ensuring that they are aware of what their role will be.

4.1.2 Booking venue

The workshop is time-boxed at 2 hours in one single sitting. This limitation has evolved through experience. On the one hand it is not realistic to effectively complete the exercise in less time. On the other, if in a facilitated workshop the Investor and KPI designer are not able to articulate the benefits and KPI's in 2 hours then the compelling need for an investment should be questioned.
The venue must be able to accommodate the number of participants comfortably and have a suitably sized whiteboard - preferable one that can produce screen copies.

4.1.3 Pre Workshop Preparation - KPI Designer

The KPI designer develops, **prior to the workshop**, 2-4 KPI's for each benefit based on the ILM for the proposed investment. The KPI designer must understand the strategic importance of the benefits in terms of policy, business strategy and what measures are available and suitable. The KPI's must be measurable, attributable and meaningful. The better thought out the KPI's are before the workshop the more chance the workshop has of succeeding.

No other preparation of content is required by the other participants of the workshop. It is assumed that the investor, the KPI designer and their invited participants will together be able to provide an understanding of the benefits and KPI's for the potential investment.

4.2 At the workshop

The Facilitator will adopt the following approach:

Item	Objective	Key person	Duration (mins)
Setting the workshop 'RULES'	Participants are introduced. Context and rules are set.	Facilitator	5
Outlining the PROBLEM	Using the Investment Logic Map developed previously, the problem is articulated and the expected benefits are discussed and understood.	Investor	10
Selecting KPIs and TARGETS	• For each individual Benefit defined in the ILM the KPI Designer will propose 2-4 candidate KPIs that will be evaluated against the KPI Selection Criteria • The group will evaluate, further develop and select the most effective KPI for each benefit (max 2) • For each KPI the group will define the benchmark and set the target values and dates • For each KPI the group will define the Benefit Manager and Data Provider.	KPI Designer All	90
Summarising benefits: REALITY CHECK	Benefits identified are summarised and considered in context to the problem and the investment needed	All	10
Concluding the workshop	The facilitator will reflect on the outcome of the workshop and the next steps.	Facilitator	5

4.3 After a workshop

Based on the outcome of the workshop, within 24 hours of the workshop the Facilitator will send each of the participants Version 0.1 of the benefit management plan and any updates to the ILM. This will contain observations of its quality and any suggestions for improvement. Participants will be asked to provide any suggested amendments to the BMP and the ILM within a further 24 hours. The Facilitator will then consider the suggested changes and distribute Version 1.0 to all participants.

A benefit management plan is never final - it merely captures the benefits and KPI's for an investment at some point in time. Version 1.0 is the first iteration that resulted from the benefit definition workshop. It is written in plain English so that any interested person can understand it and validate its ongoing currency as the idea progresses through the investment lifecycle.

5 More information

The documentation of this standard includes templates used to create the KPI work sheet and the benefit management plan once the workshop has been conducted. These templates are on the Department of Treasury and Finance website.

For more information, please go to www.dtf.vic.gov.au/investmentmanagement
or email investmentmanagement@dtf.vic.gov.au

6 Appendices

6.1 Appendix: Glossary

Assets Needed

Any physical asset that must be built or purchased to enable the identified changes to occur. These may be a hospital, a pipeline or an IT system.

Benefits

The value that the investment will provide to the organisation or its customers. Benefits are normally a positive consequence of responding to the identified Problem. Each claimed Benefit must be supported by Key Performance Indicators that demonstrate the investment's specific contribution to the identified Benefit.

Benefits 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.

Benefits Reports

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

Business Case

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

Change

The things that must be done by the business if the Benefits are to be delivered. The changes provide detail of how the strategic intervention defined will actually happen.

Dis-Benefits

A negative impact that might occur as a direct consequence of implementing a particular solution.

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.

Intervention

The high-level action (or strategic intervention) that is proposed as the response to the identified Problem. This intervention must be framed within the context of the organisation's purpose.

Investment Concept Brief

A two-page document that depicts the logic underpinning an investment and identifies the likely costs, risks, dependencies and deliverables of the proposed solution. It is used to summarise the merits of an investment and allow decision makers to prioritise competing investments before proceeding to business case.

Investment Logic Map

A simple single-page depiction of the logic that underpins an investment. It provides the core focus for an investment and is modified to reflect any changes to the logic of an investment throughout its lifecycle.

Investment Management Standard

A best practice approach applied over the life of an investment that aims to reduce the risk of investment failure, provide greater value-for-money and drive better outcomes. It has been designed to enable the *investor* to shape and control investments throughout their lifecycle.

Investment Reviews

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

Investor

The person who has an identified business problem (or opportunity), will be responsible for making (or advocating) a decision to investment, and who will be responsible for delivering the expected Benefit. This person is often referred to as the ‘senior responsible owner’.

Key Performance Indicator (KPI)

The measure that has been selected as evidence that an expected Benefit has been delivered. The KPI must be directly attributable to the investment.

Problem

The reason that action needs to be considered at this time. Problems are normally couched in negative terms but can also be an opportunity that will be lost. The statement of a problem should capture the essence of what is broken and the consequence.

Project Management

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

6.2 Appendix: Benefit management plan (fictional example)

Public Transport Initiative (Fictional)

Department of Transport Benefit Management Plan

BENEFITS SUMMARY

The proposed investment is expected to deliver the following benefits:
BENEFIT 1: Reduce Impact of transport on the environment (40%)
- Increasing the share of trips taken on public transport vs. road from 11% to 20%
BENEFIT 2: Improve liveability in the city (60%)
- Improving the reliability of transport services by increasing the % of public transport services that arrive on time from 95% to 99%
- Increasing the frequency of services that are provided from 10 minutes per services to 5 minutes.

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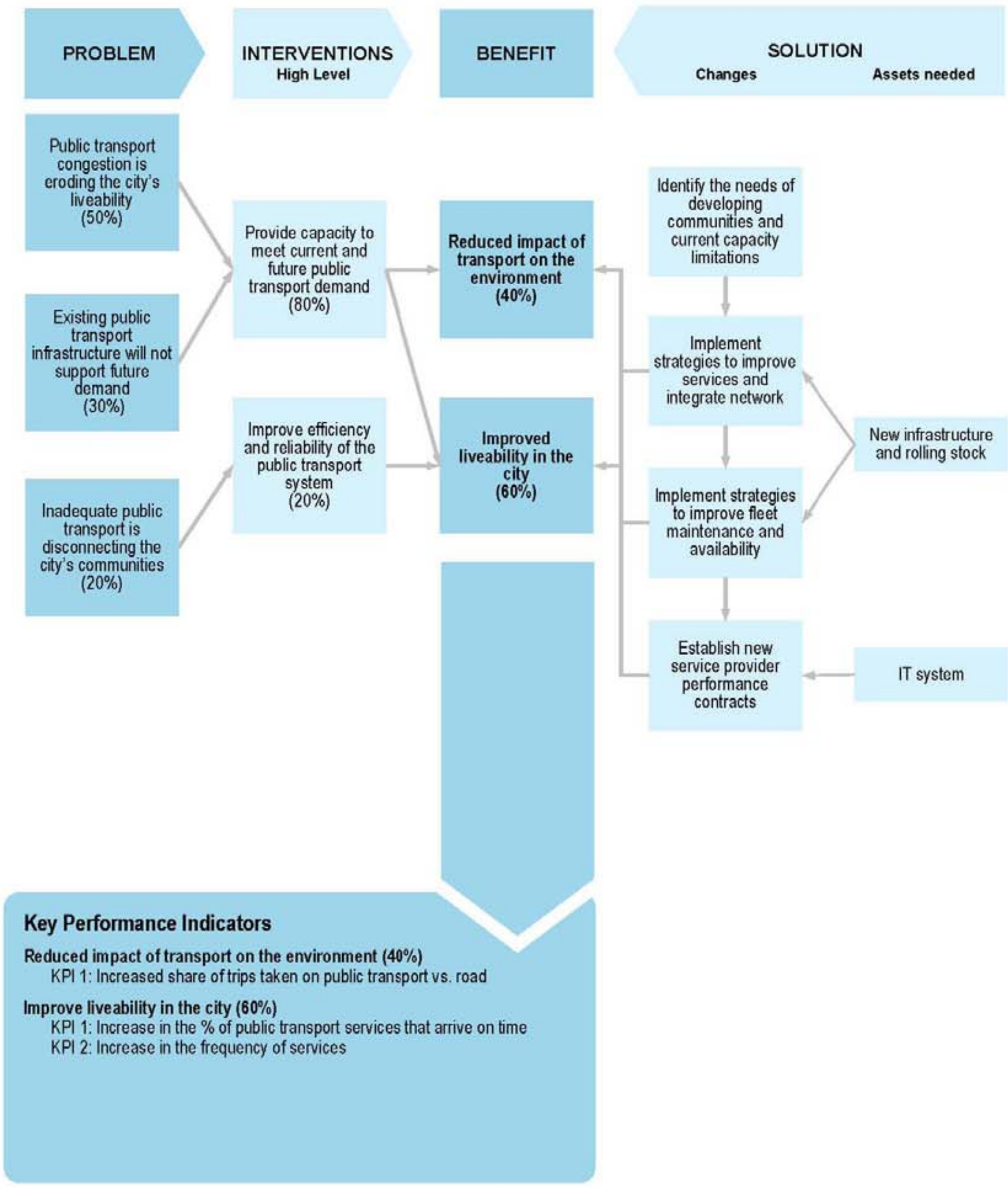
Public Transport Initiative (Fictional)

Department of Transport Benefit Management Plan



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Public Transport Initiative (Fictional)

Department of Transport Benefit Management Plan

REDUCED IMPACT OF TRANSPORT ON THE ENVIRONMENT 40%

KEY PERFORMANCE INDICATORS
KPI 1
Mode share
Measure
Increased share of trips taken on public transport vs road
Baseline value
11%
Target value for measure/s
20%
Date targets will be met
2020

RESPONSIBLITIES
Who is responsible for meeting KPI?
[Name] Director of Transport Department of Transport
Who is responsible for reporting?
[Name] Director of Transport Planning Department of Transport

REPORTING SCHEDULE
Frequency of reporting
Yearly
Source of measurement data
Australian Bureau of Statistics/Department of Transport
Starting date for reporting
2008
Date targets will be met
2020

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Public Transport Initiative (Fictional)

Department of Transport Benefit Management Plan

IMPROVE LIVEABILITY IN THE CITY 60%

KEY PERFORMANCE INDICATORS	
KPI 1	**KPI 2**
Reliability of services	Frequency of services
Measure	**Measure**
Increase in the % of public transport services that arrive on time	Increase in the frequency of services that are provided
Baseline value	**Baseline value**
95%	Services every 10 minutes
Target value for measure/s	**Target value for measure/s**
99%	Services every 5 minutes
Date targets will be met	**Date targets will be met**
2020	2020

RESPONSIBLITIES	
Who is responsible for meeting KPI?	**Who is responsible for meeting KPI?**
[Name] Director of Transport Department of Transport	[Name] Director of Transport Department of Transport
Who is responsible for reporting?	**Who is responsible for reporting?**
[Name] [Position] Private public transport operator	[Name] [Position] Private public transport operator

REPORTING SCHEDULE	
Frequency of reporting	**KPI 1**
Monthly	Monthly
Source of measurement data	**Measure**
Public Transport Operators	Public Transport Operators
Starting date for reporting	**Baseline value**
2009	2009
Date targets will be met	**Target value for measure/s**
Ongoing	Ongoing

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6.3 Appendix: Benefits Framework

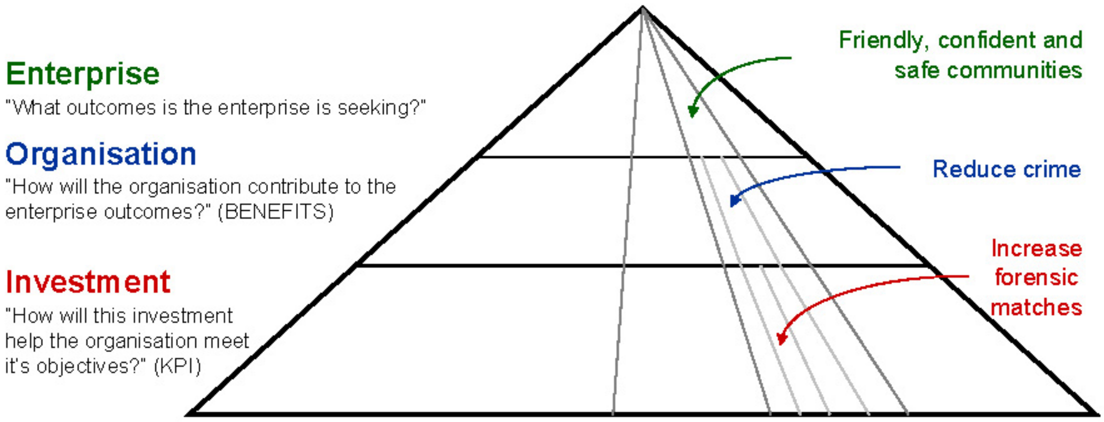
Each time an organisation makes an investment there is an expectation that some form of Benefits will be returned. It therefore follows that the ability to design investment solutions that provide maximum Benefit and to be able to confirm that the expected Benefit were delivered is critical to every organisation.

Why is it then that very few investments are able to articulate the Benefit they will provide, to define how they will be measured or to actually measure the Benefit that are ultimately delivered?

In taking a fresh look at the problem of Benefits management, it seems that within large organisations there has been an inability to define how each individual investment contributes to the primary Benefit that are the point of the organisation's existence.

It is typical and appropriate that everyone within, say Police, believe their individual investment will provide the Benefits of 'reduced crime' and everyone in Education will claim theirs will result in 'better learning outcomes'. But until now there has been limited ability to describe the contribution of an individual investment to reducing crime or to achieving 'better learning outcomes'.

The Benefit Framework that is depicted below has evolved, been tried and found to be effective at addressing this long-standing problem.



The framework is a three-level structure that links the contribution of an individual investment to the outcomes the enterprise is seeking.

In the example depicted here, at the *Enterprise* level, the Government is seeking to create 'friendly, confident and safe communities'. To this end they set Benefit and targets that must be met at the *Organisation* level - in this case the Police are required to 'Reduce Crime'.

At the *Investment* level it is necessary to demonstrate how a particular investment will contribute to the Benefit sought by the organisation. In the fictional example we are using here, the team of forensic scientists are seeking an investment to acquire state-of-art forensic software and to renew their aged computer system. In return for this investment they claim they will 'reduce crime'. Their evidence to support this claim is that they will reduce the time it takes to provide forensic matches by 30% and obtain 20% more forensic matches.

The head of the police organisation is then left to decide the following:

How significant will meeting the targets associated with these KPIs be to a reduction in crime?

Would the claimed KPIs and their targets be directly attributable to the proposed investment? and

Would the likely impact on crime reduction be worth the cost of the proposed investment?

This Benefits Framework is used as the basis for considering the validity of potential Benefit during the development of Investment Logic Maps. It has also been used during the development of more than sixty Benefits Management Plans, many of which are now tracking the delivery of Benefit.