

Reaping the value — realising benefits through strategy transition to successful results at AXA

Businesses are increasingly adopting a benefits realisation approach as part of a dedicated project management capability. This is in growing recognition that successful project delivery is critical for transition of organisation strategy to an enterprise-wide project deployment approach which delivers the organisation target outcomes.

Organisations, value outcomes and projects

Project management is increasingly relied upon as a key enabler of corporate strategy delivery. This has arisen from the realisation that managing change within 'business as usual' has become problematic due to skill differentials, operational resource constraints and demand for faster delivery. As reliance on projects has increased, so has the focus on achieving and measuring the consistency of project delivery and the organisational value projects provide. Essential to creating this performance orientation is a benefits management process and project delivery capability that aligns projects with corporate strategy development through to their execution lifecycle.

In 2000, AXA Australia appointed an executive to the development of an enterprise wide project management capability. Over 8 years AXA has created a robust project management culture from an almost non-existent base. All projects are coordinated via an enterprise PMO, which has central control over funding, performance monitoring, project delivery, resource management, and continuous development of project capability.

Aligning strategy and projects

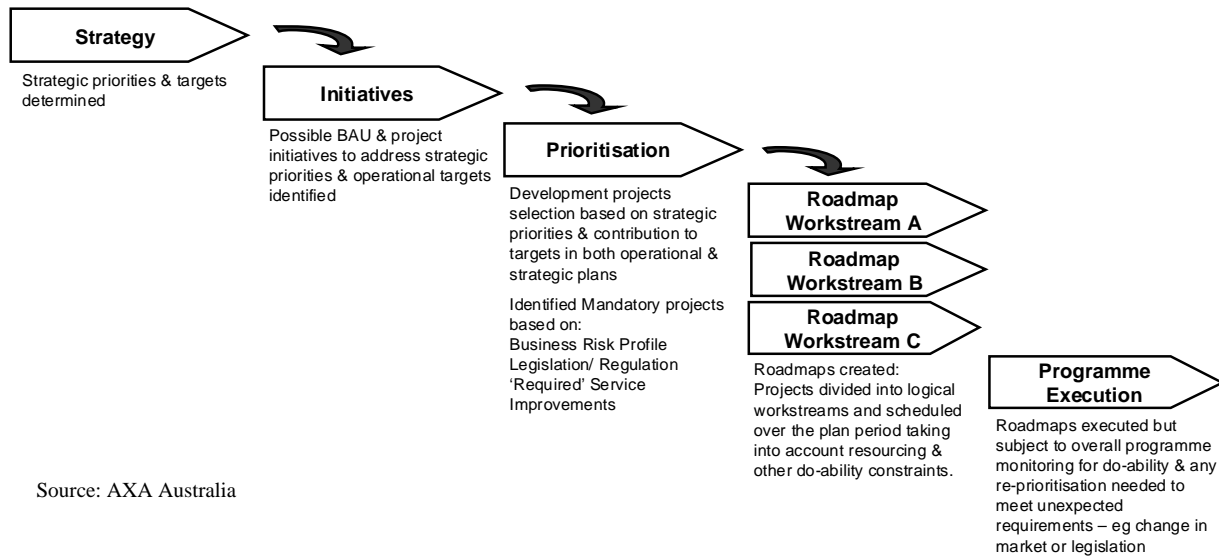
Most projects commence with a clear view of the deliverables or 'what' is to be created. Historically, this has been the focus of project activity and, the key measure of success. However, what is often lost is the 'why'. Why was this project commissioned, for which purpose and to achieve which organisation benefits? The primary driver of project decisions under this latter focus is how decisions will maximise realisation of organisational benefits. This approach ensures project deliverables AND benefits align with, and contribute to, organisational strategic goals.

Central to this process is the creation of direct, formal links between organisational strategy development and the project roadmap. By aligning corporate goals, strategic and financial planning and project portfolio selection, the organisation can ensure it commissions only those projects that will maximise organisational benefit and directly support achievement of corporate goals. This relationship is demonstrated in Figure 1. In determining the effective selection and management of the project portfolio for the optimal organisation benefit there are three critical elements:

1. *Project prioritisation*: selection of the 'right' portfolio of projects viz. the organisational goals ensures resources are deployed for optimal strategic benefit.
2. *Project delivery*: once the optimal portfolio is determined the focus becomes 'doing projects right', that is, deploying processes, skills and tools to maximise delivery success.

3. *Results measurement*: monitoring project performance requires measurement of project efficiency (cost, scope and time adherence) and project effectiveness (how well project outputs translate into organisational benefits.)

Figure 1: Linking project prioritisation with corporate strategy



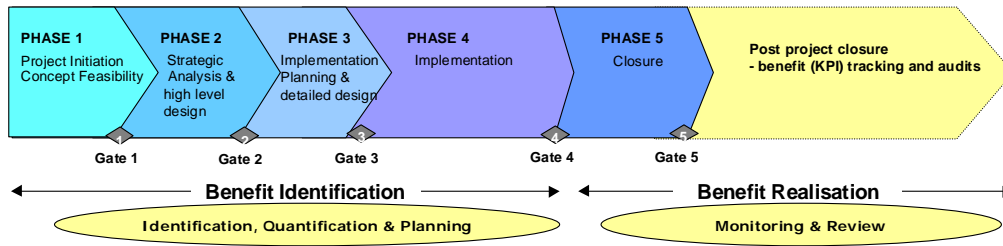
Source: AXA Australia

To successfully manage benefits all elements must be integrated so organisational decisions about project priorities align with strategy, project selection defines the optimal benefits outcomes and the capacity to deliver and measure the desired outputs is confirmed. AXA has developed an integrated process for the progression of strategic studies through project feasibility and priority assessment into development of prioritised project roadmaps. Central to this is the belief that all projects must prove their contribution to organisation goals and strategy to obtain funding. This has ensured projects are fully assessed through the strategic assessment and prioritisation processes to ensure they are aligned with the organisation strategic needs and business value objectives.

Benefits realisation process

The objective of benefits management is to identify and quantify the project benefits that will achieve the organisation goals, thus ensuring project efforts focus on achieving tangible, targeted benefits in response to a specific organisational problem or opportunity. To achieve benefits realisation, effort must be allocated to continually assess the benefit applicability, feasibility and accuracy throughout the project lifecycle as illustrated in Figure 2.

Figure 2. AXA Australia benefits management throughout the project lifecycle

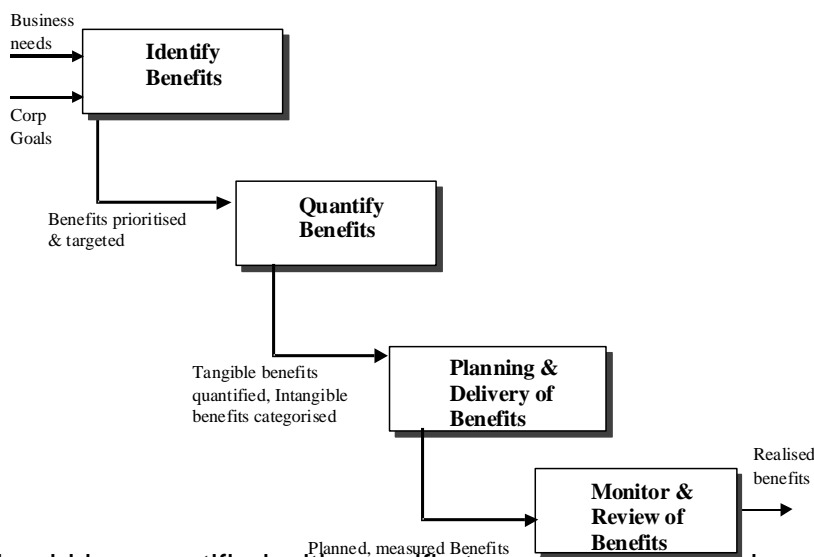


Benefit realisation is not about whether the project delivered things on time and on budget. Whilst these are important measures of project efficiency and delivery, benefit realisation is concerned with obtaining the stated contributions to organisation value expected from the project after implementation and upon which the project business case was approved.

In the project initiation and planning phases high-level benefits are identified and subsequently developed as the project progresses, validating that the project remains worthwhile. There should be a business case that quantifies what benefits are expected, at what cost and when they can be realised. The process ensures appropriate measurements and data collection methods exist to monitor benefits realisation over time. Benefits realisation targets must be aligned closely to business goals as failure to achieve them would compromise the organisation performance outcomes.

In its simplest form the benefits management process involves four key elements: identifying and quantifying benefit outcomes; planning and implementing actions to deliver the benefits; and measuring and reviewing benefit achievement. The process uses specific business objectives as key inputs and the resultant outcome is the business value derived from project outputs. This simplified process is shown in Figure 3.

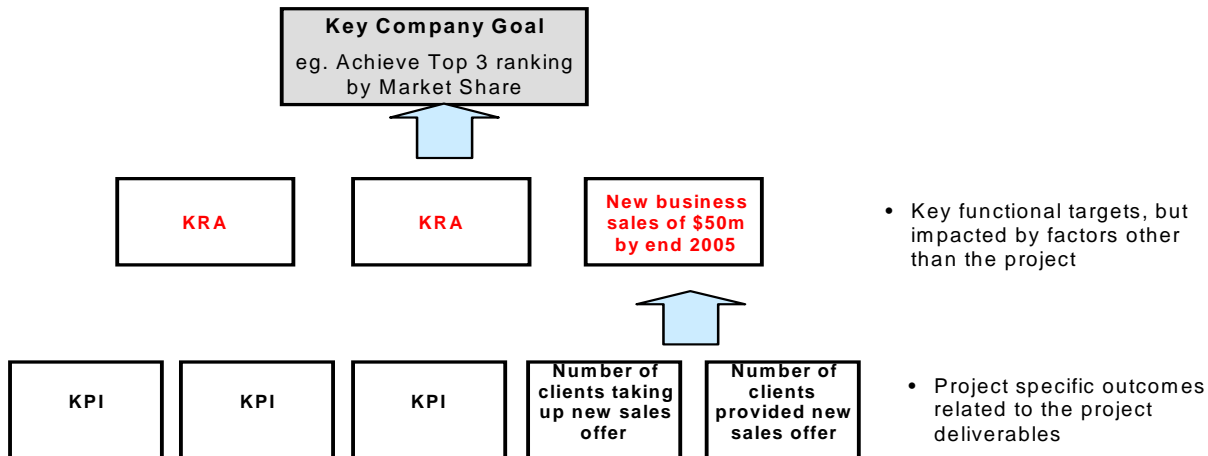
Figure 3. High-level benefits management process



Benefits should be quantified with specific targets relative to a baseline and be described using organisationally accepted measures. Key performance indicators (KPI's) link together the performance baseline and future targets arising from the project and validate translation of

project benefits to business and strategic goals. The KPI Value Tree (see Figure 4) clearly demonstrates this relationship between project delivery and business benefit.

Figure 4. KPI Value Tree



AXA uses Key Performance Indicators (KPI's), measured each month and tied to business owner's scorecards to reinforce accountability for benefits realisation. Project Manager's are measured on project execution against a consistent formula for QDC (quality/scope, delivery [schedule] and cost) also in their scorecards. These ensure that project execution is focused on efficient delivery and that prioritised projects support corporate goals and delivers tangible benefits.

Implementing benefits management

Implementing benefits management requires strong levels of support and infrastructure development over time to ensure the optimal benefits can be realised across the portfolio. There are three principles that underpin any effective benefits management system.

1. Create governance process and structures that bring together functional and project organisation staff to define and prioritise projects that will support the organisation goals;
2. Drive all project decisions through the business case with particular emphasis on benefits definition and strategic alignment; and
3. Make the benefits management process an integrated component of the project method including project selection, planning, risk management and performance management.

Key process enablers to operationalise and strengthen the benefits management and project capability implementation across the enterprise are:

- A clear link between organisation strategy development and project selection and prioritisation;
- Accountability for project delivery and benefit realisation is shared with project delivery staff and business owners;
- Benefit measurement is visible at all levels of project and strategic delivery
- Foundation of project tools, process and disciplines that promote project competency
- Continuous improvement of project delivery informed by benefit realisation and project outcomes measurement and review
- Strong project support and co-ordination body that monitors and supports project delivery and promotes capability development

The PMO in AXA is structured as a single organisation wide body that has significant control over project approval, funding and prioritisation, resource allocation, monitoring of delivery and performance and provides centralised governance. The PMO's focus has been skewed towards building process competency and consistency, developing strong governance to monitor organisation project risk and benefits realisation to protect the capital investment of projects.

Since the PMO was introduced AXA has seen dramatic improvements in benefit capture, project completion rates, project failures and the like. PMO records show that the percentage of KPI's met today is consistently over 95% from very low base and completion rates have increased from less 50% to over 85%. Most projects complete within 10% of project schedule and costs compared to an unknown, but suspected variance of 30-50% prior to 2000. Other benefits include building corporate acceptance and understanding of the critical role of projects, driving a consistent project approach, creation of an accountability culture and enterprise wide prioritisation of initiatives using benefits, risks and strategic fit to ensure 'best bang for the buck.'

Conclusion

As organisational demand for projects to realise strategic goals increases so does the need for those making project investment decisions to be able to measure the return on that investment. Benefits management is a discipline that enables quantification, ownership and performance review of project outcomes in business terms. For benefits management to be effective it requires integration within the project method from project selection, through execution and closure to operational handover. Benefits management ensures organisations focus on project outputs and delivering their value in terms of organisational goals. When linked to corporate reward systems the process ensures assignment of accountability to those parties charged with delivery of business value.

When expected project benefits are delivered there are winners all round including satisfied shareholders, happier customers and business partners, more fulfilled project teams and the organisation executive who receive good returns on their investment. When projects don't realise benefits, these same parties typically feel the brunt of failure. This emphasises why organisational project management success requires benefit realisation competence and why benefits management should be a core component of the enterprise project methods.

AXA will continue to evolve in line with company strategy and as the level of project maturity/competency improves. The PMO will continue to fulfill a keystone role in supporting the execution of the corporate change program. The PMO will strengthen its integration with the corporate strategy function and together with continued improvements in project approach and consistency help prove the CEO correct in believing that project management is a source of competitive advantage.