Project Outcomes: When success means failure
There’s no success like failure, and that failure’s no success at all.

Bob Dylan

What’s a successful project?

Ask almost any Project Manager for his or her definition of a ‘successful project’ and you will hear a reply that sounds something like, ‘It’s a success if I deliver the agreed project outputs to budget, schedule and quality needs.’ Indeed the Standish Group, whose principal role is to track project successes and failures, defines as ‘an unqualified project success’ a project that has delivered its key outputs within 10% of budget, schedule and quality needs. So even coming within 10% is an ‘unqualified success’. But of course there is a big omission in this list of success criteria: successful business outcomes. For even if the project is delivered exactly to budget, exactly on time, with no scope reductions and to a high quality the Project Sponsor may still say it was a failure if it fails to deliver the desired business outcomes – because positive business outcomes deliver promised business benefits; and if the project did not deliver the business benefits promised how can it possibly be called a ‘success’?

Outputs, outcomes and benefits

Let’s say a CEO wants to increase company sales revenue (a desired business benefit) through ‘building closer relationships with his customers and potential customers’ (a positive business outcome); he sponsors a project to achieve this. The CEO is clear that the project will only be a success if it delivers ‘closer relationships with his customers and potential customers’. Similarly the Project Manager is clear that the project will only be a success if it delivers a new CRM system (the key project output) to budget and schedule targets. The desired positive business outcome, of ‘building closer relationships with his customers and potential customers’, is conveniently forgotten by the Project Manager; in fact he/she may well be of the firm opinion that whoever is responsible for actually delivering the desired business outcome it is certainly not them!

A new CRM system may not of course result in increased sales. There are other ‘mini-outcomes’ that need to be delivered for the desired business outcome to be achieved. For example, marketing and sales processes may need to be changed to make use of the new CRM tool. Users of the new tool need to be trained to use the tool, buy-in to its value and believe that they should use it daily.

If this project had started with the desired business outcome that needed to be achieved and planned backwards to deliver that outcome (instead of planning forwards to deliver just the project outputs) there is a higher probability that the outcome would be achieved. If the active project had been managed and governed with an ongoing focus on delivering the desired business outcomes (rather than just the
outputs) then there would have been a higher probability that the outcome would be achieved. If, after project outputs delivery, the project continued to be managed to deliver the desired business outcome then there is a higher probability that the outcome would be achieved. Conversely, if the project is planned, managed and governed only to deliver the key project output of a new CRM system then there is the very high probability that a new CRM system will be implemented but sales and customer numbers will not rise.

You may choose to define ‘delivering the key outputs to budget, schedule and quality targets’ as a ‘successful project’ but unless you add in ‘delivering the desired positive business outcomes’ it is a sham definition of ‘success’.

**Case Study: A successful project?**

To help understand better what we mean by a ‘successful project outcome’ let’s examine a ‘real life’ project that was performed in one of the world’s largest (and most successful) retailers. The project had been justified on the basis of generating around a £200m annual increase in sales (the desired business benefit) through a radically improved system of merchandising (the positive business outcome). £200m may sound like a suspiciously nice, round, large number, but in this case the predicted sales generation figure was not simply plucked out of the air; far from it. It was determined by a major study undertaken by the world’s largest management consultancy firm. Since the project costs were estimated at under £3m, the Board of the retailer doubtless regarded the decision on the authorisation of this project as a ‘no-brainer’. After all, the project could come in 1000% over budget and still realise massive net benefits!

The project was duly initiated amid much trumpet-blowing about how it would transform the business. A comprehensive Project Mandate was prepared, and a strong IT development team was established, managed by a highly experienced Project Manager. A reputable merchandising package supplier was selected and an excellent relationship was established between this company and the internal IT development group. Inevitably the project suffered its share of problems, but despite these, it delivered the core functionality successfully, tolerably to budget, and exactly to the (very aggressive) deadline. During the project, ‘scope creep’ (an endemic problem in most IT developments) was controlled well, as were key project delivery risks and issues. The IT people were delighted: they had delivered ‘what they said they would deliver, when they said they would deliver it, for the cost they said.’ Not only that, they had achieved all the ‘key project objectives’ set out in the Project Mandate.

What could be more successful than that? When the Standish Group survey papers came round they would have no difficulty whatsoever in registering this project as, ‘an unqualified success’.

It is, of course, at this point that we get to our ‘crunch’ question about project success, the one about successful business outcomes, viz. did the project deliver the desired positive business outcome of a radically improved system of merchandising so realising the £200m per annum sales uplift? The answer is that no one knew for sure (because, of course, nobody was measuring it) but the best guess was that at most £10m in sales uplift could be attributed to the new merchandise planning processes (albeit not necessarily to the new computer system itself).
The margins on this still more than ‘paid’ for the project but it was hardly the bonanza anticipated by the Board. As far as the IT Function was concerned the project was a major success (and doubtless found its way onto numerous CVs); but as far as the business was concerned it was a major failure. The reasons for failure were rooted in wholly unrealistic assumptions about human behaviour in the original Business Case; in essence success depended on the ‘change targets’ embracing the delivered system, a system that if successful could well put them out of a job! As part of the planning process the project team had debated to death the project delivery risks and issues and excellently effected avoidance/mitigation actions; but there had not been a single moment of debate about the benefits delivery risks and issues. These are the kind of risks that are evaluated in Bestoutcome’s PM3 PPM tool. When we rated this project’s project delivery risks in PM3 they scored 2/10; but when we rated the benefits delivery risks they scored 9/10 (see extract below!)

<table>
<thead>
<tr>
<th>Exposure Factor</th>
<th>Assessment Criteria</th>
<th>Weighting Factor</th>
<th>Assigned Value</th>
<th>Weighted Value</th>
<th>Maximum Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visibility of benefits realization failure</td>
<td>External marketplace</td>
<td>x</td>
<td>9</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Financial benefits size</td>
<td>Greater than 30% of business turnover/budget</td>
<td>x</td>
<td>9</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Benefits using assumptions</td>
<td>Highly probable/motivated</td>
<td>x</td>
<td>9</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Benefits realization plan</td>
<td>No abort plan</td>
<td>x</td>
<td>9</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Benefits tangibility</td>
<td>Highly tangible</td>
<td>x</td>
<td>9</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Assumed benefits realization speed</td>
<td>Fast/Immediate</td>
<td>x</td>
<td>9</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Assumed benefits realization life</td>
<td>Long term</td>
<td>x</td>
<td>9</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Benefits realization conditions</td>
<td>Many major (e.g. union resistance)</td>
<td>x</td>
<td>9</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Impact on business model</td>
<td>Transitional/business</td>
<td>x</td>
<td>9</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Impact on future business competitiveness</td>
<td>Major/Strategic</td>
<td>1</td>
<td>9</td>
<td>1</td>
<td>9</td>
</tr>
</tbody>
</table>

So who was responsible for delivering a successful business outcome (so realizing the promised financial benefits)? The Project Manager wasn’t sure who was responsible but certainly was sure it was not her. The same story came from the Programme Manager, the Project Sponsor and the Key Stakeholders. The Project Mandate, signed-off with the business, did in fact specify that the Project Sponsor was ‘responsible for benefits realization’; but when this was shown to the Sponsor he simply laughed. He had a business department to run; that was his job. As far as he was concerned he had commissioned the IT Function to do a piece of work for him and its success or failure depended on them. Since there had been no ‘informed assent’ on his part as to what ‘responsible for benefits realization’ actually meant, and since he made clear he would certainly not have signed-up to it if he had known, and since the cost of the project was not hitting his departmental budget (it was being carried as a corporate overhead), and since his departmental budget was not being adjusted to reflect the financial benefits set out in the business case, and since the IT Function felt no responsibility whatsoever for benefits realization, of course the key determinant of project success ‘fell between the cracks’.

**Delivering successful business outcomes**

The first key to success here is to be ruthlessly honest about the business case for the project. Project management history is littered with projects (especially large, complex, costly projects) that should have been strangled at birth had the project sponsor and project suppliers not ‘tacitly colluded’ in exaggerating the likely benefits, underestimating/omitting costs and quietly ignoring benefits delivery risks.
Additional if the costs and promised financial benefits of the project (as set out in the Business Case) are reflected in the Sponsor’s departmental budget (and not just carried at a corporate level) it greatly ‘concentrates the mind’ on assessing these realistically and honestly. This is ‘Right Project’ in the parlance of Bestoutcome’s Outcome-Driven Project Management approach.

The second key to success here is to plan and manage projects for business outcomes delivery, not just project outputs delivery, from the very start of the life-cycle to the very end. This is achieved primarily by using ‘outcome-driven planning’ techniques to ensure that project planning focuses on delivering the desired positive business outcomes, not just on delivering the project outputs. This planning approach actively involves the business stakeholders in the planning process who therefore buy-in to the planning and business change process; subsequent progress reporting is against this stakeholder-derived plan so they continue their engagement with the project. In Bestoutcome’s PM3 PPM tool key milestones, risks and issues can also be ‘promoted up’ to the programme level so that Programme Managers can ‘see the woods from the trees’. This is ‘Right Planning’ in the parlance of Bestoutcome’s Outcome-Driven Project Management approach.

The initiation and planning processes of a project should always include a ‘stakeholder analysis’ workshop to:

- Identify who exactly the key internal and external stakeholders actually are
- Whether they are likely to be supportive or disruptive to both project outputs delivery and business outcomes delivery
- How they might contribute
- What their expectations are
- What power they have
- How they should be communicated with
- How they might be incentivised (or, better still, instructed by senior management) to do the most good and the least damage

Hostile stakeholders will almost certainly need more Project Management attention than friendly stakeholders. If a hostile stakeholder is also a key stakeholder then he may not be able to stop the project successfully delivering its outputs but (as was vividly illustrated in the Case Study above) will very possibly be able to stop it successfully delivering its promised business outcomes.
The third key to success is to govern projects for business outcomes delivery, not just project outputs delivery, using ‘gateway’ governance processes. With these the project is periodically ‘independently challenged’ as to the likelihood of it still delivering the desired business outcomes (‘Right Governance’ in the parlance of Bestoutcome’s Outcome-Driven Project Management approach).

The fourth key to success is to accept that the life-cycle of a project does not just extend to project outputs delivery; the project is not over until positive business outcomes deliver desired business benefits. This is achieved primarily through effective benefits management and real Project Sponsor accountability for project benefits realisation (‘Right Outcomes’ in the parlance of Bestoutcome’s Outcome-Driven Project Management approach). Benefits management is the planning, measurement, reporting and maximisation of the realized benefits of a project post-implementation (typically against the benefits proposed in the original or revised business case used to justify the project at the demand management stage).

Most Project Managers take the view that whoever is responsible for delivering the project’s desired positive business outcomes and realizing the desired business benefits it certainly isn’t them; once the project is live and the initial system/service bugs are ironed out, their job is at an end. They will often cite the fact that, as in the Case Study above, part of the ‘Project Sponsor’ role is defined in the Project Mandate as ‘responsible for harvesting the system benefits’, so absolving them from responsibility. No matter what the ‘small print’ says in the Project Mandate, it is cynical and pointless to use that as a ‘get out of jail free’ card and expect that to ‘fix the problem’. The business and IT are supposed to be working together to deliver the desired positive business outcomes and realize the promised business benefits; without the realization of the benefits the entire project was pointless. So it should not be a matter of ‘restrictive practices’ being used to let benefits management fall between the cracks. If the mindset of the IT Function generally, and the Project Manager specifically, is that their ‘contract’ excludes the delivery of positive business outcomes and realization of the project’s benefits then they are essentially adopting the role of an External Service Provider (ESP) with the business. An ESP’s primary incentive is to deliver the functionality set out in the Functional Requirements Specification to budget and schedule, and a ‘successful project outcome’ to them is getting their invoice paid. They do not see their role as being to work with the customer to plan and manage the project to achieve the best business outcomes for the customer; they just want the best business outcome for themselves. But delivering the desired customer business outcomes is what the business actually most needs; it is the only justification for doing the project in the first place.

Note that it is essential to identify and agree the baseline from which realized benefits will be measured. Measurements will typically be taken at specific benefits realization milestones in the project’s benefits realization plan. Key here is that there actually is a benefits realization plan, setting out precisely what outcomes are meant to deliver what benefits and who is responsible for realizing those benefits when and how. Outcome and benefit target setting and reporting can be performed in spreadsheets or a specialised tool such as Bestoutcome’s PM3 (see example below).
Commercial and non-commercial ‘traffic light’ outcomes reporting with PM3

It is also necessary to document what assumptions are to be made about the realisation of benefits (remember our Case Study above where £200m of benefits were predicted based on wholly unrealistic assumptions). This is why we say that the project plan does not stop when the project is ‘delivered’; it must continue into the live environment. Outcomes and benefits monitoring and reporting must be an ongoing process (i.e. not just a ‘one-off’ Post-Implementation Review - PIR), must define actions that need to be taken to improve the business outcomes and consequent level of benefits realisation, and log any lessons that can be learned to improve business outcomes and benefits realisation on future projects.

Why is the typical project PIR not adequate for this? Many IT Functions do indeed conduct PIRs (typically 6 to 9 months after implementation) to try to ascertain whether or not the planned benefits have been realised. Unfortunately, our experience of reviewing a great many PIRs has been that, whilst the benefits (as originally defined in the project business case) may have been dutifully ‘SMART’ (Specific, Measurable, Achievable, Relevant and Timebound), the PIR quietly ducked the specifics. A by no means atypical example of a recently reviewed project business case set out a targeted business outcome (and corresponding benefits) of reducing product returns by a very specific 7%. The corresponding section in the subsequent PIR said simply, ‘The project was delivered to schedule’. In fact, that was the entire text of the ‘Realisation of Benefits’ section in the PIR! Furthermore, such PIRs are just a ‘snapshot in time’, not ongoing, and they are essentially backward looking, not forward looking (in terms of seeking ways to ramp up benefits realised), i.e. they are perceived more as ‘audits of failure’ rather than ‘facilitators of success’ (which is why you rarely see a PIR being performed for a project that everyone knows was a disaster!)

Challenges of effective outcomes and benefits tracking

The greatest problem with outcome and benefits tracking and reporting (whether a ‘one-off’ PIR or truly ongoing) is that by the time the tracking begins, so much may have changed, and so many other business or IT initiatives may have been applied, that it is very difficult to say if the outcomes and benefits promised by the project has actually been realized. For example, a project promises a 5% improvement in superstore contribution as a result of the improved ability to range products to meet local customer and demographic needs. By the time of the post-implementation review on the pilot store, sales have indeed increased by 5%. But in the meantime this store has been refitted, the (inept) previous store manager has
been replaced, the nasty buyers have hammered the key suppliers with the threat of product withdrawal and pushed down product cost prices by 5%, and an executive housing estate has been completed nearby, bringing an influx of new, wealthy customers. So precisely what created the 5% uplift? The key to measuring project benefits is 'ring-fencing' the IT benefits as far as is practicable and where full ring-fencing is not possible, apportioning the benefits in an equitable, independently assured, way. It is also necessary to be realistic about how far forward the project benefits realization plan should extend; detailed plans stretching more than a year ahead may well be overtaken by business or external marketplace change. Just as the project delivery plan has to change with time to accommodate current realities, so the benefits realization plan must change with time.

Effective management of outcomes and benefits

Effective outcomes management is driven by an approach known as 'PPSO' (Processes, People, Systems and Organisation). ‘S’ is the end deliverable, in the case of ‘IT projects’ being a system or a service. To deliver the desired positive business outcomes and maximise the benefits realized by a project the ‘PPSO ethos’ is that an equal emphasis must be given to the ‘Ps’ and ‘O’ aspects as the ‘S’ (product/service delivery) aspects. In particular, the people who must embrace and exploit the new/changed system/service in order to harvest the maximum benefits must have an opportunity to influence the development and, once implemented, be helped to make the necessary process transitions to using the new/changed system/service. This is principally achieved by strong business change management, moving the affected users out of their old comfort zone and into a new comfort zone. This involves a variety of techniques, including establishing change champions, persuasion, incentivisation, education, technical surgeries, occupational training, handholding, maintaining online FAQ logs (Frequently Asked Questions) and benefits realization measurement and reporting.

Business change management is needed because people behave like people, which is to say that their response to be asked to change their working practices or behaviours is likely to along the lines of:

- I don’t really understand why they are doing this and the little I do understand I’m not sure I agree with
- Nobody asked my opinion about this
- Maybe it suits others but it sure doesn’t suit the way I work
- I don’t see what’s in it for me – in fact, it might make me look bad
- I’ll get no thanks for adopting this – it’s just more aggravation
- I’m stressed enough without this too
- This just shows how little they trust me
- OK, the way I work now may not be ideal – but it took me years to get my mind round it and it works for me
- Top management aren’t really committed to this change; give it a few months and it will all blow over
- Even the guys at the top don’t really want to do this – they just want to be seen to do this so it makes them look good
- They are being silly about how quickly they are trying to do this
- They made a mess of the last set of changes and they’ll do the same this time
- This is going to cost time and money that could better be spent elsewhere
In short, it is an inconvenient truth that most people are busy, self-interested, cynical and conservative; business change management is designed to counter these attitudes and so help ensure that the promised business outcomes and benefits are actually realized.

Many projects quickly become ends in themselves and lose sight of why they were commissioned in the first place, viz. to deliver positive business outcomes and realize business benefits. Projects without a convincing business case should not start; projects whose business case collapses during the development process (owing to internal or external factors) should be terminated (or rescoped). Terminating a project that has ceased to be commercially viable is a sign of project success, not failure.

Note that although we say that the project’s life extends through implementation and right up to system/service termination or replacement, in practice a separate ‘benefits realization project’ will very probably be created with a different Project Manager (or Business Change Manager). The job of actually monitoring and measuring the benefits delivered and realized would typically fall to the Project Management Office, to provide consistency, independence and objectivity.

**Establishing project delivery partnerships**

When we commissioned a software house to design and write our PM3 software (Bestoutcome’s PPM tool), we insisted on their working with us in a Joint Venture in which they shared both the reward and the risk. They were required to invest a significant percentage of the cost of developing the system in return for a percentage of royalties from sales later. Our view was that if they had insufficient belief in the system to accept these conditions then we didn’t want to work with them. And if they were prepared to work with us in such a Joint Venture then they would be hugely incentivised to maximise the business benefits realized from the project, because the more commercially successful the PM3 product, the faster their investment was recouped and the bigger was their profitability from the project. What was immediately striking about this was that the chosen software house suddenly started asking much more insightful and challenging questions about the business case for the PM3 product, and similarly started suggesting certain ways in which the design could be simplified (at reduced development cost) while not compromising the business functionality delivered. The fact that they were in a Joint Venture had immediately turned around their priorities; they were no longer essentially trying to minimise their business risk and maximise their business profitability, they were instead focused on achieving the best risk/reward commercial outcomes for both parties. Instead of making their money out of us (‘the business’) they were going to make their money out of the product’s success. It also meant that, during the development, the design and functionality changed repeatedly as we jointly identified better commercial (higher benefits-adding) solutions; the name of their game was not ‘delivering what was written in the original spec to budget and schedule’, it was ‘delivering a profitable solution of the highest commercial quality’. The latter was what we (‘the business’) first and foremost wanted and what they, because they were in a Joint Venture, also wanted.

**Selecting outcomes, setting targets**

Great care is required in selecting what outcomes you will measure because setting targets shapes behaviours. Beware of ‘foreseeable but unintended consequences’. For example, if in a Health Service project to increase hospital efficiency the key outcome target is ‘increase the number of operations performed by 10%’ then the target is easily achieved – simply cancel all the serious (and time-consuming) surgery and only perform operations for, say, ingrowing toenails! That outcome target may be ‘best’ for
White Paper

Project Outcomes: When success means failure

the politicians who set them but not necessarily best in terms of patient outcomes. The ‘best’ outcomes should also be:

- Accurate (+/-5%? e.g. a 5% improvement in performance +/-5% isn’t going to impress anyone)
- Objective (i.e. it’s not just a matter of opinion)
- Consistent (i.e. everyone reporting this measure does it exactly the same way)
- ‘Unfudgable’ (i.e. not susceptible to cynical manipulation by vested interests)
- Unambiguous (i.e. there must not be multiple interpretations – high/low numbers are always good/bad and changes in the value are almost certainly attributable to changes in the thing being measured, rather than some other factor)
- Externally ‘bencharkable’ (i.e. tell us how we compare with, say, our competitors or ESPs)
- Important (this is the ‘so what’ test)
- Readily understood by non-IT managers (in particular, the Board)
- And we would also like it to be
- Quick, easy and inexpensive to obtain!

Conclusion

Delivering a project to budget, schedule, scope and quality needs is of course highly important. Indeed a spoof Project Management Consultancy stapline read, ‘Cost, Time, Scope, Quality – Choose any three!’ because the trade-offs that must typically be effected between these four factors mean that delivering them all is hugely challenging. But delivering successful business outcomes still trumps them all and so must be at the heart of project management, not an afterthought or ‘somebody else’s problem’. ‘Project success’ must be defined by the customer (not the project supplier) based on the delivery of desired positive business outcomes leading to desired business benefits – if I isn’t then ‘success’ will go on being another IT term for business failure.