



Project benefit management: Setting effective target benefits

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Abstract

Target benefits such as “reduced operational costs” are project goals that can contribute to the long-term improvement of organizational performance following project completion. Setting effective target benefits is critical because it supports project investment decisions, clear project management direction, and thereby enhanced project and organizational performance. Based on goal setting theory, we present three studies to develop and validate a scale to measure effective target benefits. The proposed scale is comprised of three dimensions - specificity (e.g., specific target values), attainability (e.g., the capacity to realize the target benefits), and comprehensiveness (e.g., reflect the views of key stakeholders). This scale can be used by senior managers to assess proposed projects’ target benefits, contributing to more informed project investment decision-making and the subsequent benefit management process. Theoretically, it can also be used as an instrument to facilitate theory development in the fields of project benefit management, strategy implementation, and organizational performance.

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1. Introduction

Project management practice has improved in delivering projects according to the iron triangle measures (i.e., scope, cost, and time), but much less so in terms of meeting the projects’ desired benefits (Zwikael and Meredith, 2018). This represents a lost opportunity for project funders to ensure benefits are realized from their investments to support their organizational strategic goals (Samset and Volden, 2016). Recognizing this gap, the project management discipline has increased its emphasis on project benefit management (Zwikael, 2016). This emphasis is particularly important now with an increased number of larger, complex, inter-organizational, and mega projects.

Failing to realize benefits from such endeavors will result in significant loss to project funders and project management as a profession.

Project benefits can be classified into two groups: (1) “target benefits”, those benefits set prior to project commencement which the project funder seeks thorough an investment in a project; and, (2) “fortuitous benefits”, which may emerge during the project (Zwikael and Smyrk, 2011). As fortuitous benefits are emergent, the project benefit management process we discuss here is focused on setting target benefits only (Musawir et al., 2017; Bradley, 2010). In this paper we define “target benefits” as “strategic project goals that following project completion will enhance organizational performance”. Target benefits are also referred to in the literature as project business objectives, as they are “what the project owner expects to obtain from using the project results after the project has been handed over to them from the project organization” (Rolstadås et al., 2014, p. 639).

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Therefore, target benefits can be viewed as a sub-set of project goals, alongside other tactical short-term goals such as completing a project on time and on budget. Target benefits are set during a project's initiation phase and then documented in the project business case for approval by the project funder (Zwikael and Smyrk, 2012; Doherty, 2014; Breese, 2015; Laursen and Svejvig, 2016; Zwikael and Meredith, 2018). They are then used as a baseline for ongoing monitoring and control, as well as the later project performance evaluation. The importance of setting effective target benefits is illustrated by the fact that 74% of the organizations that identify target benefits in their business cases meet their project goals, compared with only 48% of the organizations that do not (PMI, 2016).

Although research acknowledges the importance of setting target benefits, it is still unclear what constitutes "effective target benefits." Managing Successful Projects (MSP), a leading benefit management approach developed by the UK government (OGC, 2009), requires project target benefits to be measurable. Similarly, Aubry et al. (2017) identify measurability as one of the four benefit management themes (together with evaluation process, organizational change, and performance). Further, Jenner (2009) suggests project target benefits should be "robust" and "realizable". However, the literature falls short of defining what "robust and realizable" target benefits are. Indeed, Chih and Zwikael (2015) conclude that little is known in the literature about setting effective target benefits.

Given these gaps in the literature and the importance of setting project target benefits, we aim to answer the following research question: "What are effective project target benefits?" In particular, this paper is the first to develop and validate a scale to allow the measurement and evaluation of "Effective Target Benefits" (ETB). In this research, we define ETB as "strategic project goals that are set in a manner that will allow their successful measurement, management, and realization." Such a scale is expected to contribute significantly to both practice and theory. Practically, this scale can be used to ensure well-defined target benefits for projects. This in turn will enable organizations to make better informed project investment and portfolio selection decisions. Further, effective target benefits will support the benefit management process throughout project execution and enhance the likelihood of benefit realization following project completion. Theoretically, this scale can be used to further develop and test theory in the area of project benefit management. This research also extends the goal-setting literature and models such as management by objectives (Drucker, 1954) and balanced scorecard (Kaplan and Norton, 1996) to the project benefit management context.

The paper employs the following structure. In the next section, we review the literature and define the new ETB construct, followed by a detailed description of three studies to develop and validate a scale to measure effective target benefits. Last, we discuss the results of the studies, their implications for theory and practice, and conclude the paper.

2. Literature review

2.1. Project goal setting

Goal-setting literature has established the positive relationship between well-defined goals and performance at the individual, group, and organizational levels (Linderman et al., 2006; Latham, et al., 2007). One can explain this goal-performance link through the motivational and goal-oriented, effort-directed mechanisms. As such, we anticipate that setting goals effectively will improve project performance. For example, a review by the World Bank found that 80% of projects with satisfactory "quality-at-entry" were successful, whereas only 35% of those with unsatisfactory quality-at-entry achieved success (World Bank, 1996).

Managers make better decisions when high-quality information is available for them. In this regard, clear project goals can contribute to more informed project funding decisions (Raghunathan, 1999; Mihm, 2010; Paese and Sniezek, 1991). Clear goals justify a proposed project's contributions to organizational strategic goals and serve as the basis for the subsequent project-planning effort. Project goals discussed in a business case often include monetary measures, such as return on investment (ROI) or net present value (NPV) (e.g., Jørgensen et al., 2012). However, many projects also have non-monetary goals that are more difficult to capture with measures. Examples of such goals from a service improvement project may include "reduced customer complaints" and "increased service quality". Literature and practice agree that such project goals are often vaguely defined (Norris, 1996; Lin and Pervan, 2003), optimistically biased, and deliberately inflated to increase the chance of project approval (Jenner, 2009; Flyvbjerg, 2007). Therefore, researchers have called for more research on setting effective project goals (Scott-Young and Samson, 2008; Won and Lee, 2016).

2.2. Effective target benefits

Target benefits specifications and characteristics, as well as the process of setting target benefits have been discussed in the literature. Managing Successful Projects (MSP) outlines four steps in setting effective project target benefits: (1) identify the benefits, (2) select objective measures that will reliably prove the benefits; (3) collect the baseline measure, and (4) decide how, when and by whom the benefit measures will be collected (OGC, 2009). Goal setting theory argues that "specific hard goals produce a higher level of outputs than a goal of 'do your best'" (Locke, 1968, p. 157). Similarly, Goldstein and Naor (2005) found that Six Sigma projects employing explicit challenging goals resulted in a greater magnitude of improvement than projects lacking such goals. Others have suggested goals should be "specific and challenging" (Chesney and Locke, 1991) and "robust and realizable" (Jenner, 2009). Doran (1981) suggested a "SMART" approach for setting effective goals; namely, goals should be Specific, Measurable, Attainable, Relevant, and Time targeted. Chih and Zwikael (2015) suggested adding two project-specific dimensions to the five SMART goal setting ones: accountability and comprehensiveness. Even though

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