

UNIVERSITY OF TARTU

Faculty of Economics

Institute of Business Administration

Andre Soomere

**IMPROVING BENEFITS REALISATION MANAGEMENT
PROCESS IN STATOIL FUEL & RETAIL AS**

Master's thesis

Supervisor: ass. prof. Kertu Lääts

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INTRODUCTION

Companies in all kinds of industries throughout the world invest vast amounts of funds in order to improve their business performance and through this increase the profit and value of an organisation. A number of smaller and larger projects are initiated with an aim to change, improve, optimise, etc. Unfortunately projects are often closed too quickly as people seek to identify their next role – after all, the work planned is completed, what else could be gained from any further tasks?

The global financial crisis had effect on many organisations forcing them to reduce their activity level on investments and other projects, therefore making sure that funds are utilised in the most efficient way giving optimised benefits for the company, which is more important than ever before. Managing investments through benefits realisation management could therefore be even more appropriate than it was preceding the boom years. The benefits realisation management is about optimising the expected outcomes from the organisation's change and investment portfolio.

Despite high focus on the cost budgeting, business cases and funding, and other work being done to establish grounds for business development, organisations are still struggling to derive full benefits from investments or even understand how much they earn on investments. The true outcome of a project rarely meets business case expectations. And even rarer are occasions where the active benefits realisation process would cause exceeding the expected outcome. Similar symptoms are noted within Statoil Fuel & Retail by the author of this thesis. The reasons for that can be many folded and would require further analysis, but without an established benefits realisation management the realisation of forecast benefits in any organisation is potentially cumbersome. The purpose of a benefits realisation management is to follow-through the realisation of benefits to secure the realisation of the expected outcomes and effects. Therefore, the goal of this master thesis is to provide Statoil Fuel & Retail a

comprehensive suggestion for improved benefits realisation management, including the detailed management process, practices and tools that would minimise the required workforce by maximising the value of this exercise. To earn the main goal, following tasks of research are set:

- To give theoretical overview of benefits realisation management, process and tools.
- To provide overview of opportunities and threats of the benefits realisation management practices on the basis of literature and practical studies.
- To map the current situation of the company's benefits realisation process (or similar practices throughout the company) and analyse its positive and negative aspects.
- To provide suggestions for benefits realisation management and process with an aim to optimise outcomes from investments.

In order to achieve the aforementioned goal, the author of this master thesis provides analysis of existing theoretical and practical knowledge from relevant literature on benefits realisation management topics, and literature on project and investment management. The purpose of this is to present the opportunities and effects found between benefits realisation practices and several factors within organisation influencing the realisation of benefits, but also the implementation and sustainability of a benefits realisation management process. The presentation of the experience and researches of several practitioners consists of a description of major surveys done in the last two decades. Despite the wide range of literature, author has mainly relied on the recent works of Stephen Jenner, Gerald Bradley, John Ward and Elizabeth Daniel. Jenner has recently published his extensive publication on the topic of optimising the return from investments providing a thorough overview of the benefits realisation management supported by several researches. He has also analysed the key success criteria and possible problems of the implementation of benefits realisation management process within an organisation. Bradley, Ward and Daniel provide more extensive focus on practical guidelines on applying the process for the projects and portfolio management including extensive overview of interfacing benefits realisation management with other change related disciplines.

The thesis is divided into two major chapters. The first chapter gives extensive overview of benefits realisation management, providing the description of what it is, and what the common processes, practices and methods are. It presents in detail the practices and commonly used process phases within the benefits realisation management providing in addition to the overview of each practice also identified theoretical opportunities and problems. Each of the process stages are separately analysed including an overview of different practical methods provided in the literature. Finally, possible problems related to the benefits realisation process and the implementation of it are discussed providing an overview of the main aspects which should be taken into account while developing, implementing and managing benefits realisation management process in an organisation.

The second chapter provides an introduction of the company investigated in this master thesis, focusing on the aspects having possible effects on the development and implementation of suitable benefits realisation management. Furthermore, this chapter analyses the existing benefits realisation management processes in the organisation, dealing separately with capital investment and projects related processes using the company's guidelines, templates, tools, internal and external presentations, memos, interviews performed with key stakeholders within the company, observations and personal experience of the author. The chapter concludes with a suggestion for the benefits realisation management process for the company, and presentation of a number of recommendations for implementation and sustaining the improved process and practices.

1. MAIN APPROACHES AND PRACTICES OF BENEFITS REALISATION MANAGEMENT

1.1. Benefits realisation management role and expediency in an organisation

The reason for organisations to invest time, money and effort to execute projects is to realise benefits and add value to the company. The common practice is to justify any investment with a cost-benefit case, where the benefits are ultimately the rationale behind any investment or change project. Most project and investment governance committees are doing decent job on identifying projects and programs best aligned with the organisation's strategy, but they fail to consider answers to other critical questions like, does the organisation have the capacity and motivation to undertake the potentially profitable initiative? Is the project on track in terms of anticipated profit from the initiative? Did the project lead to realising the predicted benefits? (Swanson 2011: 52)

Different authors use slightly different terms to describe the benefits realisation management, some use the term 'benefits management', others 'benefits realisation management', or 'active benefits management', but ultimately the purpose and main elements in the process are the same. But before describing the process itself, the term benefits shall be clarified. Commonly benefits are known as a rather narrow term being limited with increased income or reduced cost. This view is driven by the expected justification of an investment – a certain spend should result in increased financial benefit. However, not all benefits are financially measurable, thus it would be necessary to explain the broader view of the term.

Oxford Dictionary defines a benefit as 'an advantage or profit gained from something' (Oxford Dictionaries 2013). The advantage highlights its relative nature – whether the

particular outcome of an act is a benefit depends how certain subject considers it. In addition the 'advantage' widens the scope of benefit not only being money. Also Jenner (2012: 15) emphasises the relative nature describing benefits as positive and measurable improvements resulting from an outcome perceived as advantage by one or more stakeholders, which contributes towards one or more organisational objective(s). Measurable improvements could be, for example, money saved, improved customer satisfaction, increased revenue, reduced risk, etc. Bradley (2010: 23) sums the definition of benefit as 'an outcome of change which is perceived as positive by a stakeholder'. This makes the relative nature explicit and outlines that a benefit is an outcome of a change and not the change itself. In IT/IS projects, the benefit is usually not the direct deliveries of a project, but an outcome of a business change needed for the actual realisation (Dhillon 2005: 503). This highlights the importance of a controlled realisation process – only in rare certain cases the realisation happens itself. It also emphasises the rationale of managing changes based on the expected benefits as the benefit(s) can only be an outcome of a certain change. Contrariwise to benefits, disbenefits are outcomes perceived as negative. When potential disbenefits are identified, they should be prevented of becoming real ones wherever possible. Including disbenefits in the investment appraisals would introduce better balance in the evaluation techniques, which currently are focusing mainly on benefits and ignoring disbenefits (Fox 2007: 1204, 1211).

The forecast benefits can be exceptionally good, however, they also need to be put into life, to be realised. Benefits are usually realised in terms of increased revenue, reduced cost, efficiency gains, compliance with regulatory requirements, and contribution to strategic target (Jenner 2011: 153).

Oxford Dictionaries (2013) gives several meanings of the word 'realise':

- an act of becoming fully aware of something as a fact,
- the achievement of something desired or anticipated,
- the conversion of an asset into cash.

All these definitions are very much relevant to the benefits realisation in the organisation – the essential purpose of benefits realisation management is to make sure

the desired effects are achieved. Benefits realisation management is about to optimise rather than maximise benefits, meaning doing the best that can be achieved within constraints and potential other uses of the funds available. Jenner (2012: 15) describes it as a process that runs across the full business change lifecycle from benefits identification through to realisation and applying lessons learned. Bradley (2010: 29) has defined this as ‘the process of organising and managing, so that potential benefits, arising from investment in change, are actually achieved’. Benefits realisation management recognises the starting point, then defines and establishes with the business the end point, and then identifies changes required to achieve this (Bradley 2010: 29-30). In short, it is the process of organising and managing in the way that the benefits from the use of change enablers (e.g. IS/IT solution) are actually realised (Ward et al 2012: 8). The author of this master thesis defines the benefits realisation management as a discipline focusing on the realisation of benefits from any investment, change or project, by following through the whole lifecycle of a benefit, from identification until complete realisation.

Regardless of investment nature, the main principles and objectives of the benefits realisation management are the same. For example, Greenwalt (2007: 87) describes benefits realisation process for IT projects, but mentions that in principle this is valid for all kinds of investment projects. Jenner (2012: ix) states in his foreword of his newest book called the ‘Managing Benefits’ that it should provide general principles, practices and techniques to practitioners from multiple disciplines, working in a wide variety of organisations in all sectors. Bradley has even stepped back from mentioning any specific project types and in his guide on benefits realisation management (Bradley: 2010) he refers to the enabler for a benefit simply as the ‘change’.

Although the benefits realisation management has experienced increased interest in the last years, this is in fact nothing new, most of it is common sense. However, it is still not a common practice and is, therefore, new to many organisations as a distinct process. The needs for such practice have existed for a long time - the need for a clear end point and a path to get there, stakeholder commitment to the selected path, measure the progress, and declare success. Various methods have emerged which address some of these issues, including balanced business scorecard, value management, but also

several project and programme management techniques. Balanced business scorecard is a widely known and useful practice having strong focus on measurement, which is coordinated throughout the organisation and has senior management attention. Unfortunately, in many organisations, where this technique is used, this rarely drives the change agenda, and benefits forecasted from change initiatives are not linked to the relevant scorecard categories and targets. There are also various other techniques (e.g. Six Sigma, Lean, value management and so on) which have similar or related aims to benefits realisation management, but they are less comprehensive and do not cover the whole lifecycle of a benefit. In theory, the benefits realisation management could replace all the other techniques, since it includes most of their key elements. Since the benefits realisation management covers wider perspective, if there exist other techniques in the organisation, the benefits realisation management approach should still be implemented, but by carefully integrating this with existing elements to fill the gaps and tie everything together. (Bradley 2010: 323-326)

The benefits realisation management is not something that can just be defined and forced into an organisation as a standalone process. It is very much dependent and interlinked with other change related practices, Jenner (2012: 25) has in his latest publication defined the Benefits Management Model (see Figure 1), which sets seven foundation principles (pillars), on which the benefits realisation management process is dependent on (Jenner 2012: 25-26):

- Benefits should be closely aligned with strategy to ensure the contribution to strategic objectives;
- Change initiatives should be established to realise the required benefits, rather the other way;
- Proven delivery methodologies should be closely linked to the benefits to enable efficient realisation of required benefits;
- By integrating benefits with organisation's operational and HR performance management systems ensures sufficient follow-up and ownership of the benefits realisation;
- Benefits-led approach should be applied consistently to the whole change portfolio to gain optimised effects from benefits realisation throughout the organisation;

- Benefits realisation management in the organisation should have clear, aligned, consistent and active governance ensuring clear accountability and responsibility for changes upon which the benefits realisation is dependent;
- An organisation should have the value culture, where the focus is on creating and sustaining value from investments.

All these principles are important, however, the most important is the proper integration of the benefits realisation management into existing processes in an organisation. Although the effectiveness of the benefits realisation management is depending on the principles described above, these are not explicitly walked through and analysed in detail in this thesis, but rather embedded into discussion of benefits realisation management and process.

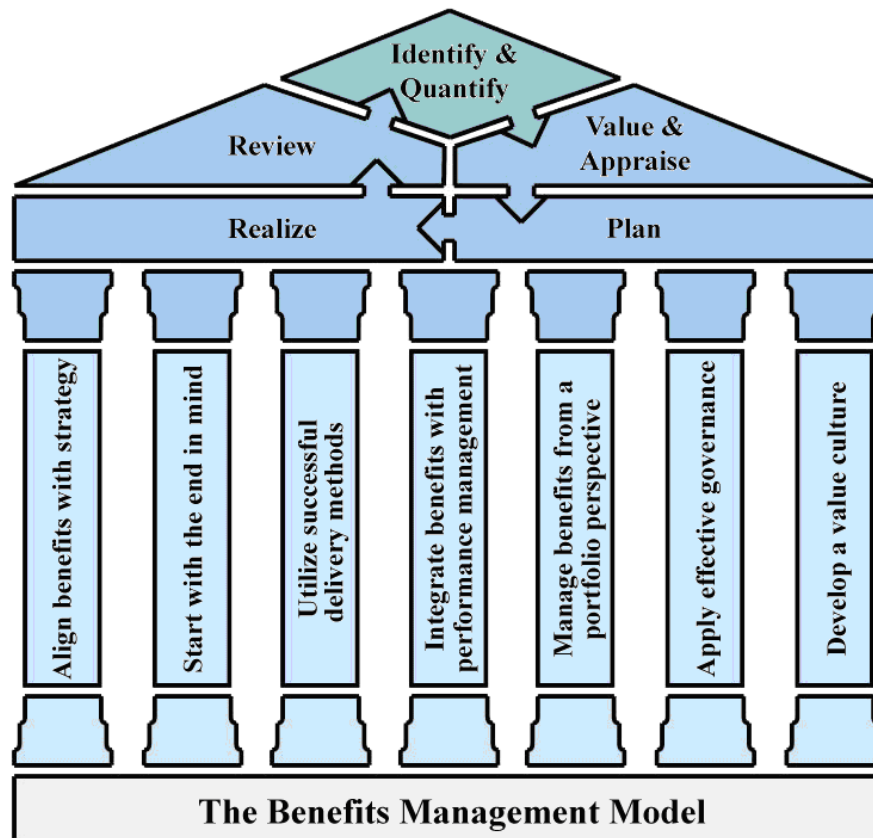


Figure 1. The Benefits Management Model (Jenner 2012: 25).

In the project world, the benefits realisation management is something that should be defined within the benefits management strategy, which is typically set on the portfolio level. It should cover the whole lifecycle of a project, and beyond, from a pre-project stage by defining the benefits in the first version of the business case until post project state, when majority of the benefits are actually being realised. Benefit realisation management is considered as central and is tightly connected with all other recognised disciplines connected with change (see Figure 2) (Bradley 2010: 32):

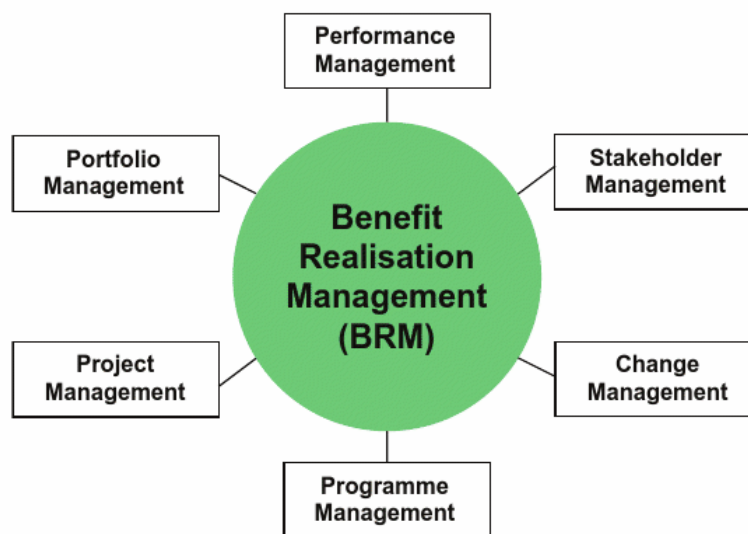


Figure 2. The relationship between benefits realisation management and other management disciplines (Bradley 2010: 32)

- Performance management is about ensuring that an organisation (groups, individuals) meets its goals in effective and efficient manner. Monitoring of benefit achievement from change portfolio should be embedded with organisations financial planning and performance management cycles (Bradley 2010: 341). Forecasted benefits should be compared to actual benefits and this linked to company’s performance management to ensure that forecasts are accurate.
- Stakeholder management includes techniques to engage individuals, groups or the whole organisation who are affected by a change initiative (programme,

project, activity, etc.) in order to build commitment to realisation of the desired benefits (Jenner 2012: 116-117)

- Change management is about managing changes in the business operations enabling close cooperation between the change initiative and actual business requirements, and preparing business operations to be able to realise benefits from the change initiative (Ward et al. 2012: 12).
- Programme management is about coordinating the implementation of a set of projects in order to realise the expected benefits related to the business (Jenner 2012: 16).
- Project management is about managing a single project to achieve its objectives within expected targets, including benefits (Jenner 2012: 16). Ideally, all projects should be benefits driven in order to optimise the project outcomes.
- Portfolio management is about coordinating strategic processes and decisions in order to enable effective balance between change and business operations. Change activities are prioritised in line with strategic objectives and business priorities, and are regularly reviewed, including the review of the benefits and strategic contribution. (Jenner 2012: 16)

All these management disciplines are very much relevant for the realisation of benefits from a project or programme. Similarly to the foundation principles described by Jenner (see Figure 1), the links between benefits realisation management and other change management disciplines are not explicitly analysed in this thesis, but are rather taken into account while analysing the benefits realisation management and process methods provided by the literature, and analysing the existing benefits realisation processes in Statoil Fuel & Retail.

As explained, different authors describe the benefits realisation management practice slightly differently, however, the main purpose and objectives of it are the same. The term ‘management’ emphasises that the benefits will be realised only from changes made by individuals or groups, and these changes must be managed successfully (Peppard et al 2007: 3). No matter how well defined or thorough the benefits realisation process is, in order to actually realise the benefits, there must always be someone in the organisation who is accountable for the actual realisation of any given benefit.

Typically, the ultimate accountability lies with the sponsor of the change. However, as the deliveries might involve several business areas and processes, the responsibility for benefits is likely to spread across a number of individuals, many of them being responsible for a single benefit. These individuals would in this case be called Benefit Owners. A Benefits Owner can also be a manager of an operational unit of a company where a number of related changes should occur. (Bradley 2010:25) Again, the actual distribution of responsibilities within the process is dependent on the size and the nature of the given change, and the size and culture of the organisation.

In addition to clear ownership of the realisation of specific benefits, the whole process must be actively implemented, governed, coordinated and followed up. The responsibility of approving the benefits realisation management framework should lie on the same governance body, where the decisions about the prioritisation and starting of change or investment initiatives are made. This is dependent on the organisational structure, but could be, for example, a portfolio management group, or investment committee (Jenner 2012: 219). The framework itself should be developed and maintained by a group or individual(s) having clear responsibility of following up and maintaining the overview of the benefits on the portfolio or organisational level. This could be a defined role of Portfolio Benefits Manager or any other relevant role in the organisation having a clear responsibility on developing and maintaining the organisations benefits realisation management process, and ensuring that a consistent approach of benefits realisation management is applied across the organisation optimising the realisation of benefits from the organisation's change portfolio (Jenner 2012: 220). In essence, there must be clarity on who is responsible and accountable for what in relation to the change portfolio, based on what the decisions are made, and how the benefits realisation is managed. The actual title and the location in the organisation structure has little significance, important is that responsibility for benefits realisation management is clearly defined and assigned to a certain role.

Project management discipline sets clear responsibilities for the project organisation, but has little interest on what happens in the organisation after the project deliveries have been completed. A typical project management guide would suggest building the project scope according to business needs and then focus on project deliveries (Project

Management Institute... 2008: 77; Roberts 2007: 132). And even if the benefits realisation is part of the methodology, it comes after project closure being part of the assessment of project deliveries (Roberts 2007: 222). This approach makes it difficult to adjust the project, or the whole project portfolio, according to any emergent business needs. However, benefits realisation management has received increasing attention in the past few years (researches made by Ward et al. (2007: 4) show that in 2006 the adoption of benefits realisation management had more than doubled compared to 1996 within European organisations – from 12 to 25 per cent) and is sometimes even seen as central to project, programme and portfolio management. (Breese 2012: 341) It is even suggested that ‘Benefits realisation management is the glue that binds together all the other management techniques’ (Bradley 2010: 32). But although the only way to be sure that the change has worked is to measure the delivery of benefits, this is seldom the real life practice. As an example, an IT project could deliver on time, scope and plan, but if nobody uses the solution delivered by the project, it has not given any benefit to the company. Benefits realisation management should be an integral part of project and change management to close the gap between management theory and practice, and increase the successful delivery of quantifiable and meaningful business benefits.

A major problem among majority of projects, especially information technology projects, is that they tend to be focusing on identifying the benefits (a wish list) which the project team expects the implemented system will deliver, while the focus should be on understanding of how these desired outcomes will be realised (Doherty et al 2008: 84). A survey made by the Project Management Institute Inc. (PMI) among 400 global project management practitioners in April 2012 found that organisations primarily determine project success through performance against budget, schedule and scope and only just over third said they have a formal benefits realisation process. At the same time the survey reveals that only about half of projects meet their original budget and schedule as well as contribute to the strategic objectives (The Power of... 2012:16-17). Furthermore, several researches done over last couple of decades among IT projects have shown significant level of failure on delivering anticipated benefits – only 10-20 per cent of projects achieved their intended benefits (Doherty et al 2008: 83; Bradley 2010: 37-38). This is a remarkably frightening result, which would at first suggest even tighter focus on following cost, time and scope. However, the PMI survey reveals an

interesting phenomenon: 65% of the organisations, which are measuring benefits realisation and have mature benefits realisation process in place, meet original budget and schedule. Moreover, 80% of the organisations having mature benefits realisation process reported they met their original goals and business content (The Power of... 2012:16-17).

According to traditional economic approach, the high rate of failure is simply caused by the unavoidable result of companies taking rational risks, and in long run, gains from few successes will outweigh the losses from many failures. This, however, is not true, and the failure rate is rather a consequence of management decisions made based on the delusional optimism rather than on a rational weighting of gains, losses and probabilities leading to overestimate benefits and underestimate costs (Lovallo et al. 2003: 57). Without a clear link between deliveries and end benefits, often the projects are extended as things need to be redone, and this extends the project period making it more expensive (Swanson 2011: 54). From the other hand, taking rational decisions based on realistic probabilities, the project can be completed ahead of schedule, leading to not only expected benefits but there can be significant funds saved as well. This clearly states the importance of a mechanism for proactively managing organisational impacts of a project through an explicit benefits realisation programme to ensure that it delivers the expected value (Doherty et al 2008: 83). Organisations are experiencing growing understanding that the lack or inadequate use of benefits realisation and management can lead to failure, and many of them are therefore in the process of adopting the benefits management practices (Ashurst et al 2010: 226; Yates et al 2009: 223).

Although the ultimate goals for the benefits realisation management are known and mainly leading to gaining positive effects with as little expense of time and resources as possible, there is no one true way to effective benefits realisation management. Practices should therefore be tailored to the local circumstances, reflecting factors such as the organisation's strategic objectives; scale of investment in change initiatives; the complexity of those initiatives; existing strategic planning, project and programme, financial, performance and risk management processes; experience and track record in terms of benefits realisation; governance structure; and culture (Jenner 2012:8).

There exist several, in principle similar benefits realisation management process descriptions, some describing four steps (e.g. Ashurst et al. 2010: 222), some five process stages (e.g. Jenner 2012: 57 (see also Figure 1); Ward et al. 2012: 219), or even more (e.g. Yates et al 2009: 229; Bradley 2010: 39). The more phases described, the more detailed the process is. However, the main process stages could be grouped into the following five distinct process stages (see also Figure 3):

- 1) Identify – it is the identification of a benefit;
- 2) Value – it is about giving a measurable value to the identified benefit;
- 3) Plan – it is about planning of the realisation of benefit;
- 4) Realise – it is the actual realisation of the benefit according to the benefit realisation plan;
- 5) Review – it is about reviewing and evaluating the benefit and the realisation outcome.

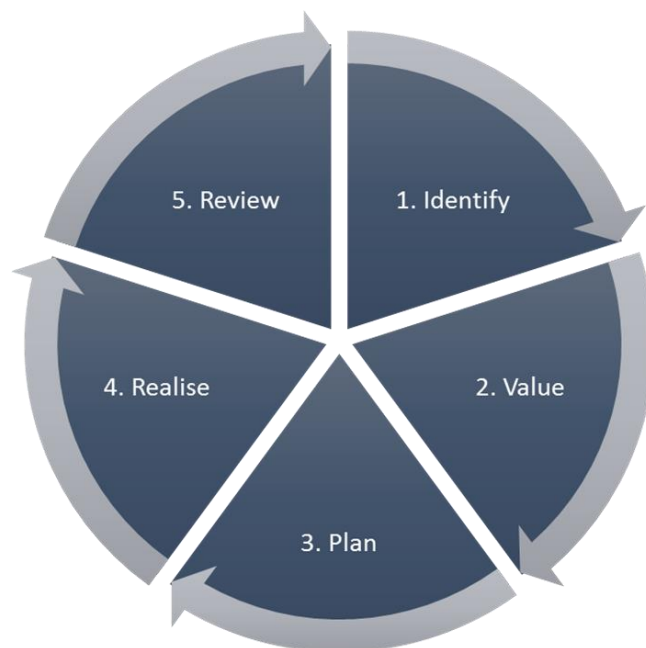


Figure 3. Benefits realisation management as cyclical process (Author’s figure).

Although the process is commonly described using process stages, it should not be used as a clear step-wise process, where each phase follows previous after its completion, but rather iterative, where process stages can overlap. As a review of benefit realisation might indicate needs or opportunities for further benefits, the process should be

described as cyclical. In the further review of benefits realisation management practices and methods, the author of this thesis follows these process stages and principles of benefits realisation cycle to analyse current practices.

In summary, several researches show that the majority of organisations struggle with realising forecast benefits from their investment and change portfolio, they are facing the fact that a number of initiatives fail to deliver what was promised, which, in an increasingly competitive global economy, is not something organisations can afford any more. Due to increasingly higher focus on efficient use of limited resources, the expectations for the realisation of benefits are increasing. The benefits realisation management is a rather new discipline, but has already proved its relevance and beneficence among a number of organisations, resulting constant increase of the focus and implementation of such practices.

The benefits realisation management is not a generic process, which could be simply implemented in an organisation. It requires alignment with existing processes and needs to have proper change related processes in place. The main process stages within benefits realisation management process are identification, valuing, planning, realising and review of benefits realisation (see also Figure 3). The next paragraph is following these phases discussing the principles, purpose and effects of each of those based on the practices and methods provided by the literature.

1.2. Benefits realisation process methods, approaches and advantages of related practices

The majority of organisations have defined processes implemented to perform certain tasks in an aligned and efficient way. Similarly, the process of benefits realisation should be developed and implemented to ensure a well-organised realisation of a benefit in order to achieve maximised effect with as little waste as possible. Such process should take into account also the realisation of multiple benefits simultaneously and ensure the optimised effects realisation for the organisation. The process would normally start utilising the business case of an investment or change, thus the quality of the business case builds the basis for the realisation. The business case should be

therefore a critical thinking and communication document, not simply being something, which is used to get through bureaucratic hurdle to get through the organisation's investment approval process. Quality in the business cases plays significant role ensuring the most valuable change programs get needed resources, thus enhancing the likelihood of realising benefits in the end (Franken et al 2009: 55).

No matter how the process of benefits realisation is defined, the identification of benefits is clearly one of the most critical practices in the benefits realisation process (although pictured as cyclical, this would be normally the first step in the process). The outcome effects of any investment or change are ultimately the rationale for spending resources on such an activity. It is not always easy to understand what has been realised, and opinions tend to be subjective, therefore, related measures and responsibilities for each benefit should be assigned. Benefits and related metrics should be identified prior to any project approval and it is important to also identify 'soft' benefits, as these might be the real trigger for future volume and revenue gains. As stated in the PMBOK guide (Project Management Institute... 2008: 77), part of the project initiation is to define 'measurable project objectives and related success criteria'. Potential benefits should be important part of selecting and prioritising organisation's change portfolio. Organisations, which are good at prioritisation, have relatively small number of active change programs which are clearly linked to strategy enabling them to better allocate resources and manage transition, hence ensuring faster delivery and have higher rate of realising the intended benefits (Franken et al 2009: 54). In IT related projects, the total set of benefits, their location within an organisation and needed changes must be considered prior to any application development (Dhillon 2005: 511). Although the benefits are too often identified when the initiative is already ongoing, this phase should start as early as possible. In ideal case 'starting with the end in mind' principle should be followed, meaning the activities or solution to reach the forecasted benefits should be based on the forecasted benefits, not the other way as it is unfortunately often the case. Identified benefits should be used for the investment appraisal, portfolio prioritisation and management of benefits realisation at a later stage. Even the best-planned programmes and portfolios require continues review and reprioritisation due to the dynamics of the organisation and the business environment where it operates in (Fanken et al 2009: 56). Sufficient time should be put on identifying the benefits, and avoid

rushing into project planning phase with business case having meaningless numbers (Swanson 2011: 54). Proposed benefits must link into the business objectives describing critical success factors and needed changes in the business including relevant metrics, if this is not done there is a significant risk that the project will be off-target, although the direct project deliveries could still be on plan (Dhillon 2005: 504).

There is no golden rule of how the proper identification of benefits should be made. The range of projects can be wide, covering both capital and revenue spend, across several business process spheres. There are different methods described by a number authors, but the common recommendation is to use several, or combine several into a method which fits with the specific organisation (culture, existing ways of working, etc.). Bradley (2010: 105) explains his practice to normally combine up to three different approaches to complete each other to identify a comprehensive set of benefits. It is also relevant to share and align the defined benefits management strategy and the set of benefits to the wider stakeholder group (Yates et al 2009: 230). As at the beginning of the project or programme, the stakeholder group might be unclear and a little fluid, the process of identifying them must be iterative and lasting throughout the complete lifecycle of a change (Sapountzis et al 2008: 5).

One of the common methods to identify benefits mentioned by several authors (e.g. Jenner 2012: 59; Bradley 2010: 105) is to run benefits discovery workshop in order to identify the strategic drivers, investment objectives, sound benefits from an initiative, but also required business changes, and build stakeholder commitment to the benefits realisation. In short, the first step should be about clarifying what the problem is which is being solved, or what the possible opportunity is. The main outcomes of this workshop is a draft benefits map containing all potential benefits which are possibly also categorised based in its nature, and clearly stated next steps. The number of these workshops is dependent on the size of the problem or opportunity and can vary from one to a series of meetings. The negative part of this is that if done properly, it requires significant amount of time and effort.

The second method is benefits mapping. There are several approaches (e.g. results chain, benefits dependency map or network, benefits or investment logic map, etc.) on this which typically have either logic change approach (how the initiative will result in

benefits, which will contribute to strategic objectives), or business change approaches (how enabling and business changes can be combined to deliver benefits) (Jenner 2012: 61-62). Ultimately, the map describes all defined benefits and how to reach from the current state into them including enablers, business changes and dependencies. It might be easy to identify the way to a clear financial benefit, however, changes for enabling success of a programme or to contribute to the strategic needs of the organisation, are not that clear to identify. Roberts (2007: 241-242) describes how this could be done utilising, for example, the benefits dependency network. The essence of this is to demonstrate the link between the project deliveries and strategic goal(s). The link between the project and strategic objectives is delivered by an enabler – a feature that facilitates achieving a change in the way business works. The benefits dependency network is probably the best of the benefits realisation tools as it is useful for critically evaluating the route to achieve anticipated benefits including clear link between all the means by which these will be achieved, it also helps to engage project stakeholders and keep the focus on actual benefits instead of solution (Doherty et al 2008: 87). For the full picture, all related intermediate or end disbenefits should be included in the benefits map as well. Ignoring them could potentially be damaging to the benefits realisation.

From the author's opinion, the mapping of benefits might seem as an exhaustive method to identify benefits, but it is doubtlessly important to properly identify all expected benefits, and not only the benefits, but also to identify required changes, enablers and dependencies which are required for the effects realisation. This would identify any mismatch between the wished benefits and the actual possibility to realise these.

The majority of initiatives have more than one benefit, and while looking at the whole change portfolio within an organisation, the number is even higher. For clarity purposes and to better understand the nature of all these benefits, to aid analysis and to improve communication, it is recommended to classify or categorise benefits using the same principles throughout the organisation (Bradley 2010: 105; Jenner 2012: 170; Ward et al 2012: 133-134). Benefits could be labelled or categorised in several ways, for example by stakeholder, general category (e.g. cost reduction, revenue generation, risk reduction, staff satisfaction, etc.), business impact, value type, or change type (Bradley 2010: 105-113; Ward et al 2012: 134).

In essence, the identification is not only building up a wish list, but also thinking through of what is possible to achieve. The mapping of benefits is probably the best way to clearly indicate the route from current state to the wished realisation of expected benefits. Although there are several mapping methods, many of them being very thorough and complex fitting mainly into large organisations and projects, they all come down into three main elements (see also Figure 4):

- 1) What is the problem to be solved or the opportunity to be exploited? In other words what is the business objective, the ultimate purpose for the change?
- 2) What would be the benefits if problem would be solved or opportunity exploited?
- 3) How to solve the problem or exploit the opportunity? This is the change initiative, an enabler or capacity. It should be emphasised that it is only the final step in this simplified description to define relevant enablers and needed changes. In real life, it unfortunately often tends to start the other way.

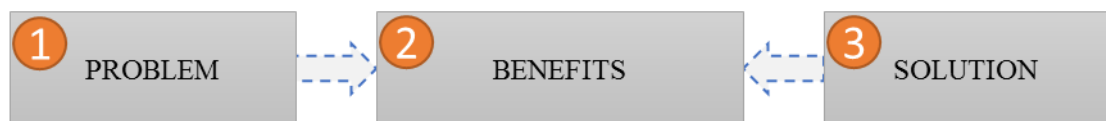


Figure 4. Benefits mapping (Author's figure)

The process (see Figure 4) is deliberately illustrated showing the benefits in the central position to emphasize the importance of the correct order of addressing this. In most cases, the need for change or investment is driven by a certain problem to be solved or opportunity to be used. Of course, it is the solution which leads to benefits, and in practice, most commonly, the next step is to identify what could be done to solve the problem, or how to exploit the opportunity, and only after this the possible benefits will be defined. However, for the most proficient way to realise benefits, the definition of the endgame should be defined, and only then, the possible solution(s) to reach from today's state to the expected benefits should be identified.

When all relevant benefits are identified (and classified, if relevant) these should also be valued – which is the second process phase of the benefits realisation management framework. If the resources are limited, and they often are, the number of measurable

benefits should be limited, it is not important to measure all benefits, rather the ones being truly important to the organisation's strategic objectives (Greenwalt 2007: 87-88). There is no correct answer of how many measurable outputs a project or programme should have, there should, however, be a balance between the bureaucracy and ability to recognise and measure main benefits (Breese 2012: 350). The quantification of benefits should be done with care and standing on conservative grounds. In many cases, benefits tend to be overstated, which is partly caused by the organisations having little understanding at this stage, how much they in fact can control the benefits realisation and tend to overstate, what they can achieve (Breese 2012: 349). Jenner (2012: 67-68) refers to several researches finding that cause for the failure to realise benefits can usually be tracked back to the business case, which are too optimistic on benefits and underestimate costs leaving no room for possible mistakes. One way, this error can occur due to inevitable optimism, but more serious is the possible organisational pressure, where figures (especially benefits) are manipulated in the business case in order to get the investment approved. Ward et al. (2007: 5) reveals a survey, where 38% of respondents admitted to overstate benefits with an aim to get the funding approved. The approval process in this case is often seen just as an obstacle that must be overcome before the project can be initiated. Overoptimistic and false forecasts not only distort all further analysis, but will also raise the odds that the projects chosen are the ones with most overestimated forecasts and therefore have the highest probability to fail (Lovallo et al 2003: 59). For most of the people, the tendency toward optimism is unavoidable, admitting this would help to recognise this issue and use the outside view by comparing the estimates with a class of similar projects resulting much more accurate forecasts (Lovallo et al. 2003: 60).

An initial assessment of potential benefits is needed to determine whether the project has any rationale to be funded and initiated. If that is the case, further work should be carried out to develop the full business case and prove how the benefits can be expressed and measured in financial terms wherever relevant. The objective of valuing benefits in monetary terms is to ensure that initiatives represent the best value for money. This also enables the possibility to easily compare and prioritise initiatives. However, the question is, shall, and can, all benefits be valued financially?

Cashable benefits, like increased income or cost saving, are usually easy to value in monetary terms. There is, however, one financial benefit, which requires careful consideration - cost avoidance. Improving internal system reliability reduces the downtime and related workload related to it, this could be quantified as financial benefit in case the headcount is reduced or time saved is proved to use somewhere else. But it can be questionable if reduction of a failure risk of a particular system relating to potential future costs could be determined as a financial cost saving (unless such a cost is already booked into budgets). Cost avoidance related directly to project options (e.g. choosing an IT system with less implementation or future maintenance costs) should not be included into business case. Similar questions can be identified when the investment is related to retain the business, to secure the revenue. It can be argued that if a system upgrade or business change is not executed, the existing revenue forecasts will have to be revised downwards, but it must be carefully assessed and confirmed that this will indeed happen in a near future and can truly be avoided in the most cost-efficient way by investing into this particular change. (Jenner 2012: 79-80)

While valuing the direct financial benefits is common and rather straightforward, methods of valuing the non-financial benefits differ. In addition, values tend to depend on the views of the stakeholders receiving these, and are not necessarily something that is experienced only in financial terms. As perceived values from benefits can be seen different and do not always hold in 'the real world', hidden tensions between stakeholders might even lead to conflicts (Breese 2012: 348-349). Bradley (2012: 119) defines the value as a numerical measure, indicating the magnitude of the improvement associated with the benefit. This means the financial end value is only one side of possible success measurements. Value can be any defined target at which the subsequent success can be confirmed. Surprisingly, the research made in early 1990s (Bradley 2011; 111) shows that for most change initiatives, about 90 per cent of the benefits were non-financial. Despite that, most organisations are seeking for value all benefits financially, regardless the actual cash generation aspect. This is mainly done because using common currency is by far the simplest way to compare and rank benefits, and to justify the investment, especially when the portfolio prioritisation is determined using financial criteria (e.g. NPV, IRR, ROI, etc.). There is a sense that unless the investment cannot be expressed in monetary terms, management will stop

funding these initiatives – even though some of the non-financial benefits might be self-evident (Fickenscher et al 2011: 70). Conversion to money is common practice as non-financial benefits are often perceived as vague and inferior, and in several cases, projects would arrive at a negative NPV by only considering truly cashable benefits. To be able to justify the investment to senior management or investment board, it is typically expected an investment case to have a solid financial outcome.

Efficiency gains are often given financial value despite of not giving any direct financial effect, however, it might lead to increased income or reduced cost. It could, therefore, be considered to financially value the use of the freed up time, but on the other hand, as there is no direct link to financial benefits, measuring the success is rather difficult (unless some of the staff is let go to reduce the actual cost base), and there is a significant risk of overstating these benefits. The author of this master thesis strongly supports to avoid giving artificial financial values to benefits, which cannot be directly linked to financial effects. Although giving monetary values to as many benefits as possible (or sensible) allows appraising the business case in monetary terms, which should give sufficient basis for an investment board or similar committee to assess the case and prioritise among other proposals, this is unnecessary and often misleading, being often very unhelpful practice. In fact, it can even be argued that giving financial value to a non-financial benefit is effectively committing fraud to secure funding. (Jenner 2012: 81-82; Bradley 119-121, 313, 321)

Other, clearly non-financial benefits, such as customer satisfaction and perception, staff morale or engagement, should not be converted into direct monetary terms. Although these could theoretically be converted using agreed techniques (for example addressing a value to behaviour or estimate the willingness to pay), these are all uncertain, require significant effort which increases the need for resources, and potentially undermine the trustworthiness of a business case as the monetary values in this case are not ‘real’ cashable benefits. Therefore, those benefits should be quantified in non-financial expressions. It could be considered to convert such non-financial benefits into financial terms in the public sector or when dealing with project where the social values or customer perception are the main benefits. (Jenner 2012: 82)

In addition, there can be cases with negative financial impact to meet legal or regulatory requirements, maintain business-critical operations, where the rationale is to avoid consequences, to continue operations, i.e. 'licence to operate'. As these initiatives will proceed no matter the financial return, it can be claimed that the business case and benefits realisation management approach is obsolete. This is not the case, a clear cost and benefits management should be used to identify the most cost efficient way to achieve the goal, to avoid investing into add-on activities, which have little to do with the particular issue, and make sure the mandate is valid throughout the project lifecycle. It should be also considered to evaluate if the case is worth of investing by assessing of what is more costly – cost of the impact and consequences, and the probability of such occasion over time, or investing into change. (Jenner 2012: 90-91)

All identified and valued benefits must be validated, making sure that the forecasted benefits are realistic and can be realised in the organisation, and in the given time frame. As organisations are never running a single project at the time, and in addition to projects, there is always a number of other activities aiming to improve the performance. This makes it difficult to single out and substantiate cause and effect of a single project creating a traceability concern. The benefits claimed by a project may also be partly the result of other organisational activities. (Heerkens 2012: 75). Therefore checking possible overlaps and dependencies across other initiatives in the given organisation is important. As earlier mentioned, the benefits often have the risk of being too optimistic and overestimated, therefore it is important to validate and anchor each benefit (regardless of financial or non-financial) with the relevant benefit recipient with clear accountability.

In order to understand the needed actions and dependencies for each of the identified benefits (or disbenefits in that matter) and for successful managing of the benefits realisation a well described benefits profile could be created, including dependencies, stakeholders, measurements, targets, dependencies, needed enablers and changes, and risks. These descriptions of all related benefits should be collected into a benefits realisation plan, which is the document describing how and when all the benefits, for a particular change initiative, are expected to be realised. Most importantly, in addition to benefits profile description, such plan should include clear accountabilities and

responsibilities naming specific individuals, including sign-offs confirming acceptance of responsibility for specific benefits (Bradley 2010:26-27). Planning of the benefits realisation is the third phase in the benefits realisation management process. An important part of this is to carry through the opportunity analysis to identify how much the organisation is able to deliver. The partnership between the project owner and the benefit owner (typically an operational executive) is crucial to gain understanding of the desired deliveries. (Greenwalt 2007: 88-90; Ward et al 2010: 74). Dhillon (2005: 513) emphasises that in the interest of achieving success, the organisational context – especially roles and responsibilities of all stakeholders must be included in the benefits realisation plan. In author's opinion creating a benefits realisation plan would be especially critical for change projects, as most of the benefits are typically realised after the project has been officially completed and the project team dismissed. A proper benefits realisation plan and hand over of responsibilities are required to ensure the realisation of expected benefits.

Projects typically have more than one benefit, which might create a need for prioritisation due to capacity restrictions of a given organisation (Breese 2012: 350). In addition, due to constant changes within organisations and in the business environment surrounding it, the whole change portfolio should be continuously evaluated and prioritised. When relevant, initiatives should be stopped. The research done by Franken et al (2009: 58-59) reveals that one of the key elements on succeeding to achieve successful strategy execution is to abort 'ill-conceived change programs' during their execution. Although the option to decide at any decision point to whether to go further or discontinue a project is written into the basics of many project management guides (Project Management Institute 2008: 44; Managing Successful... 2009: 21), this is seldom the real practice.

The second reason for the need for prioritisation is pragmatic - the cost for measuring and monitoring the benefits should never exceed the gain from these benefits. Although it is important to identify all potential benefits and measurements, the resources tend to be restricted, making reasonable number of benefits to be included in the benefits realisation plan limited. Therefore, the realisation follow-through activities should be concentrated on the most significant benefits. Each benefit to be tracked should be a

deliberate decision, as clear indicators help to improve measurement, comparability and credibility of the initiative (Fickenscher 2011: 74). There are several methods available to prioritise benefits:

- One of the options to rank benefits is to use the benefits classification known as the Sigma Grid, which is based on the Boston Matrix. It shows the business impact of benefits classifying benefits into strategic (supporting future business opportunities), key operational (critical improvements to today's operations), supporting (quick wins or "nice to have" benefits) and speculative (benefits with high achievement risk). (Bradley 2010: 109-110)
- Somewhat similar to the previous method and relatively simple is to consider what the primary objective of the investment is, and identify the most important benefits accordingly. The following four generic investment objectives can be used: a) increase sales or exploit business opportunity; b) save costs and increase efficiency; c) meet regulatory requirement or maintain business; d) contribute to achievement of a strategic objective. The most important benefits would be these contributing to the appropriate objective. (Jenner 2012: 105-106; Ward et al. 2012: 90)
- The third method is to use benefits mapping to identify benefits that have the greatest strategic contribution. This allows to only focus on few benefits giving most of the value. (Jenner 2012: 105)
- The fourth method is similar to the previously described, but requires more effort and is based on the earlier created benefits map showing each benefit's link to strategic objectives, problems or opportunities, where for each benefit an appropriate weight or score is being assigned. Adding a certain value for each benefit enables to identify the most important benefits and focusing only on these giving the highest value. The score value and relevance is based on the contribution to the end objective. The best practice is to determine appropriate scoring at the workshop including stakeholders with appropriate seniority who understand the issues (Jenner 2012: 105; Bradley 2010: 122-123).

The selected prioritisation method should be aligned with the complexity and size of the organisation and utilising the defined benefits realisation tools wherever possible.

However, regardless of the magnitude of this practice, it should take into account both, the financial and strategic aspects in order to ensure relevant criteria for financial and non-financial benefits.

All identified, valued and prioritised benefits appropriate measurements should be agreed upon. The main purpose for the measurement is to drive actions and easily identify what state is considered as success. It should be thoroughly thought through of what is important to measure and focus on these, even if these are more difficult to measure. Easily measurable, but unimportant or partial benefits might not actually reflect the underlying reality of benefits realisation and give therefore little value or even undermine the actual end goal. Agreed measurements are fundamental for the monitoring, which allows to enable timely corrective actions and provides the basis for accountability. Measuring just for the information purposes gives no value, the measurement should always influence decisions and lead to actions. Knowing that benefits are tracked and evaluated will effectively make the benefits owner more likely to ensure that benefits claimed are reasonable and appropriate plans are in place for the realisation. In brief, measurements should be: a) efficient by utilising existing key performance indicators used in the given organisation wherever possible; b) effective by using the right level key performance indicators to drive and motivate the required performance; c) sufficient by providing assurance to relevant stakeholders that underlying benefits have been realised. (Jenner 2012: 107-110; Bradley 2010: 132, 136-137)

In certain cases (especially for non-financial benefits) more than one measurement should be applied to a single benefit. The actual number of measures can vary and depend on the nature of the benefit, needs of the stakeholders, available measurement sources and the need for balancing the measures (to complement or oppose) to avoid distorted or unbalanced emphasis. (Bradley 2010: 139-140) Ideally, measurements already used in the organisation could be utilised. When there is a need to define new measurements, and it is apparent that the same measurements can potentially support the course correction of other business events or performance, these should be promoted (Fickenscher 2011: 71).

As already discussed, the main goal of the benefit measurement is not to reach the set quantified goals, but to drive the performance and engage stakeholders, however, to be able to assess when the investment has been a success, baselines and targets or expected values and time-scales for each benefit should be set. It is important that stakeholders are aligned, engaged and understand the targets to encourage desired behaviours. The accuracy of targets depends on the nature of each benefit. Accurate targets should be set to where the value can be predicted with confidence and certainty (e.g. reduced cost or reduced steps in a process). For measures, where the value can be predicted on the experience or historic trends (e.g. increased sales), the target should still be expected, but with a knowledge that it may not be fully reached or the target might have to be revised over time. Setting targets for softer benefits (e.g. customer satisfaction), where benefits can be logically anticipated, is difficult, so it should be considered whether to set the targets at all. However, it would still be important to track these to follow the realisation and create learning for the possible future target setting. (Bradley 2010: 112, 142)

All organisations have limited resources, and although constant benefit tracking and measuring could be valuable, this is not possible. Therefore, in addition to the expected end goal date, reasonable measurement checkpoints in time should be applied for certain intermediate goals. At each of these checkpoints appropriate actions can be agreed to either get back on track or improve the benefits. This is visualised on Figure 5, where two possible benefit realisation development tracks are envisaged (Actual A and Actual B) in comparison with the target trajectory. A corrective action in case of Actual B at T3 brings benefits back on target trajectory by T4, and additional opportunities increase actual benefits above target benefits from T2 in case of Actual A.

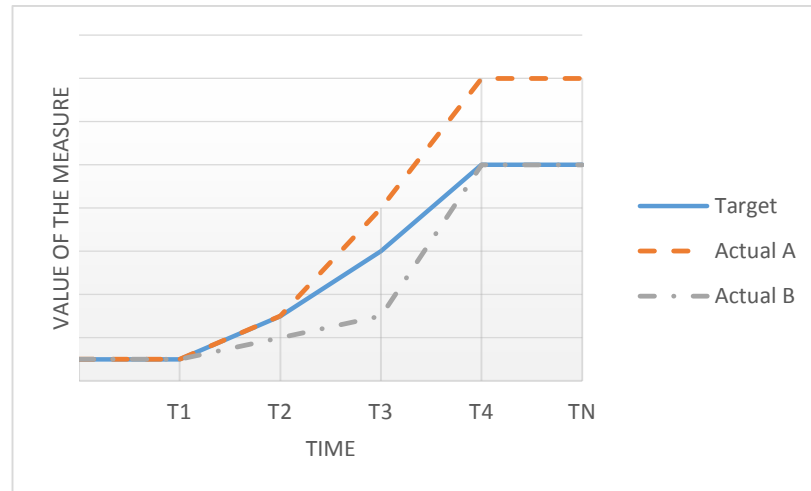


Figure 5: Benefit measure predictions and the effect of corrective actions (Author’s figure)

Most benefits depend on the series of changes, which can be either enablers - something that needs to be developed/built/acquired/etc., or changes within the operational environment. Both types require activities to make them happen, which take time and require resources. Often the enablers are within the scope of the project or a change and therefore it is managed and executed accordingly. But too often the business changes are not managed properly which may result that many benefits are never realised (Bradley 2010: 149-150). Both, required enablers and business changes and dependencies should be identified and managed. There are several options for this – for example use of the benefits map, brainstorming, any structured requirement process, etc. The appropriate process would depend on the particular project or investment (size, complexity), and business environment. However, to clearly map required enablers and changes to specific benefits, a benefits map should be used for this practice. If such a map was already created as a result of identifying of benefits, this should be updated during benefits realisation planning phase in detail. Literature provides few options of how the benefits map or benefits dependency map should be structured, but in essence, in addition to identified benefits and objective(s), such map includes required enablers and changes (see Figure 6 and Figure 7 for examples), which are clearly interlinked to each other and to related benefits. All benefits are clearly linked to organisation’s strategic goals (which are the investment objectives or drivers). The benefits dependency map is not something that would be created at a certain point in time and then left as is – it should be a live document with constant evolvement through an

ongoing process of refinement and growing understanding of the potential involving both, project team and stakeholders (Doherty et al 2008: 87). Peppard et al (2007: 7) states that when an organisation should find it not possible to complete such dependency map, this may indicate that the expected benefits are not achievable.

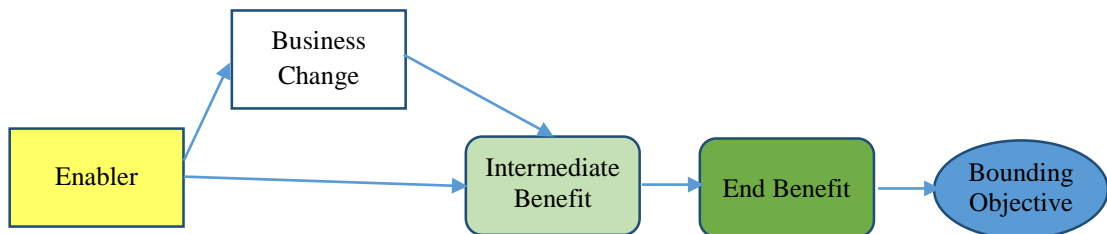


Figure 6: Simplified Benefit Dependency Map (BDM) (Bradley 2010: 151, author's composition).

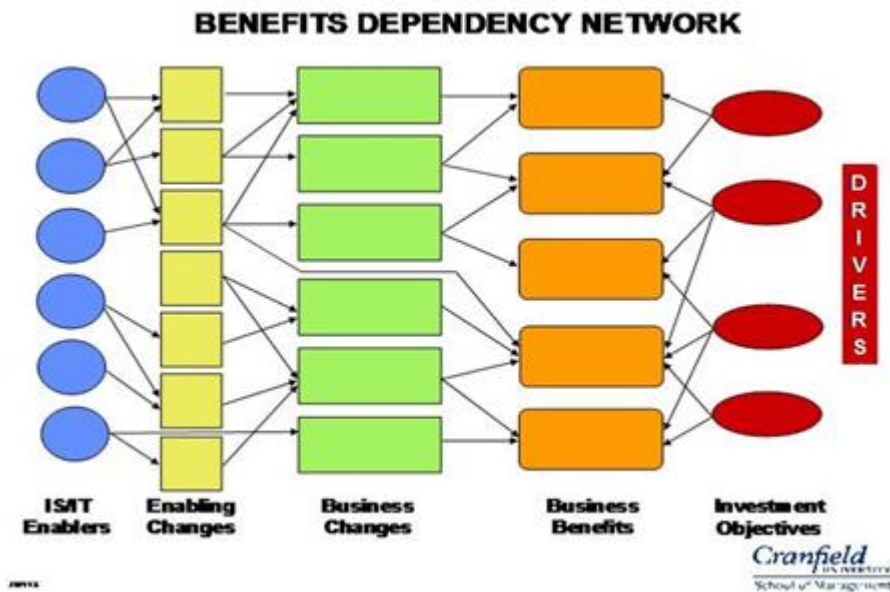


Figure 7: The benefits dependency network (Ward et al. 2012: 96).

The benefits map shows the logical way from identifying the benefits, ways to solve it and means to enable required changes. However, the map can be, in certain cases, completed using backwards logic. For example when a new technology appears, relevant investment can be done in order to utilise the opportunities to create an advantage. Such investments need to focus on the potential business opportunities taking into account the capabilities of the new technology and required business changes to exploit these capabilities. (Peppard et al 2007: 9).

From the author's opinion, although thoroughly mapping each benefits and creating relevant benefit maps might seem exhausting and bureaucratic, it would still be beneficial to visualise the path from current state to the expected benefits and strategic objectives to ensure focus on only relevant benefits and activities. Although the emphasis should be on the planning rather than plans, the documentation is still important to ensure common understanding by all stakeholders, and to define activities and baselines against which the progress can be assessed. The result of the planning phase should therefore be benefit documentation clearly identifying what the expected benefits are, how they are managed and who is responsible for the realisation. There are typically many stakeholders being interested in the realisation of benefits setting their requirements. This can result in several different documents with unclear purposes having several overlaps. The same documentation should be sufficient for all parties requesting the input, therefore, the focus should be on keeping the documentation to minimum while still securing the actual realisation of expected benefits.

The benefits realisation plan supports also the business case – the business case will only be realised in case all benefits are realised. It is therefore recommended to produce and update the benefits realisation plan at the same time when the business case is updated. The business case approval should be dependent on the approval of the benefits realisation plan by accountable benefits owner. (Jenner 2012: 119-121; Bradley 2010: 127, 211-212). The benefits realisation plan should be one of the main mechanisms supporting the judgement of whether the change initiative is desirable and achievable, and should continue (Managing Successful... 2009: 21).

Throughout the valuing and planning phases, it should always be asked whether there are any additional benefits, which have not been identified and included. Research shows that up to 25% of potential benefits are ignored or not identified in the business case (Simms 2011: 28). It should also be taken into account that the more ambiguous and uncertain the predicted benefits are, the more focus and attention should be allocated to support the actual realisation of these (Breese 2012: 350).

The fourth phase within benefits realisation management process deals with the actual realisation of benefits. Although the proper identification, valuing and planning are very important to ensure the efficient realisation, benefits do not emerge themselves, they are

realised when people are willing to do things differently, when they change the way they work. The real value in creating a benefits realisation plan is measuring against that plan to identify possible variances, learn and apply this learning into next investment initiatives to continuously improve organisations ability to deliver (Greenwalt 2007: 90). The benefits realisation phase includes ensuring that enablers and required changes are integrated into business operations, optimising and taking corrective actions wherever needed, tracking and reporting the progress of benefits realisation, but also careful communication and engagement of stakeholders to achieve required behaviours. Stakeholder management is especially important to prepare the business for the needed changes and eliminate any possible resistance.

The benefits realisation should be monitored including both quantitative and qualitative measures to ensure the complete picture of realisation progress. Tracking also includes checking that benefits are booked into budget baselines and realised accordingly, and proving that the effect was driven by given change. Using measures, improvement targets and success criteria defined in the benefits realisation plan, the tracking can be initiated and reported to relevant stakeholders. (Bradley 2010: 189-190)

Projects are often closed down and, although the project deliveries might include also the benefits realisation plan, any further assessment of the benefits realisation is not done. Many organisations suffer common belief that capability will automatically lead to benefits, research shows that only 35 per cent of organisations track the expected benefits (Bradley 2010: 196). There are several reasons for that, main ones being related to belief that this practice is unnecessary, bureaucratic, time consuming, costly, and does not give enough value. Too often the traditional viewpoint is to implement the solution and then measure data to determine the impact of it (Fickenscher 2011: 71). However, understanding what actually causes the performance enables to identify timely need for corrective actions (See also Figure 5), and to recognise any emergent benefits. Thus, organisations must have focus on making the required changes that will realise the planned benefits (Ashurst et al 2010: 227). It also gives the opportunity to learn what works, and use this knowledge in the future change activities. Knowing that results are being followed-up, has usually effect on people to be more motivated to perform better (Bradley 2010: 195).

Although implementation is project's responsibility, it should be verified within benefits realisation phase that all relevant enablers and changes being in scope of the project's deliveries are employed. While the project execution is on-going, a benefit oriented prototyping practice could be applied by regularly reviewing the project intermediate outcomes with relevant stakeholders, so that requirements could be tested and refined as needed (Doherty et al 2008: 89). After transition, the focus is on reviewing progress, measuring performance, adapting to change and properly addressing any unanticipated problems. Roberts (2007; 223) recommends to split the project completion into two phases. Firstly, the formal close down of the project according to steering group's decision focusing on direct project performance assessing to what extent the project met its expected time, cost and quality targets. Secondly, the post-project phase of benefits realisation, process where the promised benefits are monitored, measured, and, if possible, controlled until they finally outweigh the investment. On the opinion of the author of the master thesis, this split is quite logical, however, it includes certain risk of not meeting the expected benefits. Describing this phase as a part of project process might cause misunderstandings of who should be responsible for the required deliveries in this phase. The project accountability should end with formal handover of the responsibility and documentation to relevant operational function. In case the realisation requires significant change in the organisation, it is recommended to appoint a business change manager (for IT projects, typically a business project manager is appointed (Ward et al 2012: 75)) who follows-through the required changes and, with closely working with benefit owners, makes sure all benefits are successfully realised.

The benefits realisation monitoring is typically based on the earlier defined benefits, their measures and dependencies. However, changes to the policy or organisation can happen during project life, implying that the final outcomes might not match the initial vision, meaning following the original planned benefits might not be relevant. For meaningful monitoring the defined benefits and realisation plan should be adjusted during the project life cycle (sometimes the whole investment justification may need to be reappraised to decide whether the project should continue) (Sapountzis et al 2008: 2; Ward et al 2012: 75-76). The goal should always be realistic and motivational, meaning there should be less backward-looking approach to measure against outdated targets, and more forward-looking perspective. Often the benefits realisation management is

focused on holding people accountable for targets as originally forecast, which are not relevant any more. This could lead to culture where the attention shifts to manipulating to show that initiative is succeeding even if it actually is not. To avoid this, the realisation should be measured against up to date and realistic forecasts. This would ensure continues benefits realisation and potentially exceeding the plan (Jenner 2012: 134). There is, though, one problem with this approach – knowing that actual accountability would be based on the updated forecast, and not on the targets set at the investment decision might lead to increased (manipulative) optimism in the business case. Therefore, the author's opinion is that when the benefits forecast is updated during the realisation, there should always be record for the initial estimates, this to ensure understanding of failing to provide correct estimates and to be able to apply this learning to future initiatives. Any deviations from the assumptions set at the time of investment decision should be clearly reasoned and documented. It should be noted that there is nothing wrong with reasonable amount of optimism, as it generates much more enthusiasm than realism by enabling people to more easily confront difficult situations or challenges. Therefore, companies should, to certain extent, promote optimism to keep employees motivate and focused (Lovallo at al. 2003: 63).

Roberts (2007: 238) emphasises that in addition to monitoring, measuring and controlling the benefits, related emerging operating and any other costs including data and metrics should also be followed up the same way. This is an important note, as, ultimately, it is the difference between costs and benefits that matters.

To manage the benefits realisation effectively, similarly to regular project update report, a regular (e.g. monthly or quarterly, or even yearly – depending on the change) benefit tracking report should be issued. Such a report should include the status of realisation focusing on the variances and corrective actions, as well as recommendations on how the realisation should continue (Roberts 2007: 243-244). The benefits realisation report should give overview of the actual status of various identified measures against the target values for the reported period.

It can be argued that to implement the requirement in the organisation to track and report on benefits realisation is just additional bureaucracy, which would rarely give any actual value. However, adopting more realistic planning along with more active

approach to benefits realisation, including ongoing participative approach to stakeholder management, would give no reason why the expected benefits should not be met or even exceeded.

The final phase within benefits realisation management – the benefit realisation review - should be carried through for two reasons (Ward et al. 2012: 79):

- To determine which planned (and non-planned) (dis)benefits have been achieved and which not, and decide if any further actions should be undertaken in order to maximise the business value;
- To understand the reasons why certain benefits were or were not achieved, and how to improve the benefits realisation management process in the organisation.

Applying the learnings into organisation is the key. It should be emphasised that although it is important to analyse the reasons for failure, the success should be assessed as well. Learnings can be retrieved from both and must be applied to the organisation to improve future investment outcomes. While it is important to understand the failures, the review process should not be about finding whom to blame, this gives little value to the organisation. This process must be gone through with future improvements in mind including honest appraisal and constructive critique. If this process would be seen as a negative one, it will be undermined over time and eventually not carried out (Ward et al. 2012: 79).

Although the benefits review is more often referred to as the post-investment review, the phase of the review runs throughout the whole life cycle of a change until the closure and integration into business as usual. One of the drivers for this approach is to enable the possibility to assess the planned benefits to take corrective actions to improve or optimise benefits, but also to include the termination as one of the options to avoid wasting investments. It should be decided to proceed with the initiative considering only the future benefits and future costs (Bradley 2010: 207). In both cases, the principle to seek improvements or rationale to continue is being assessed. The number of reviews depends on the duration and complexity of the initiative. While Bradley (2010: 207) recommends having at least one review at each phase gate, Jenner (2012: 157) suggests to include reviews at least for the investment decision phase gates. Ultimately, the idea

is the same – whenever a judgement is to be made on further deliveries, the benefits realisation plan should be revised to support such decision.

First benefit review should already be performed at start-up to ensure the transition from strategy to the established change initiative is justified. It reviews all benefits and assesses whether the solution is the most cost-efficient way to achieve the desired investment objectives and benefits, that the scope is fully understood, and the solution is necessary and sufficient (in other words, is it complete) for the successful realisation (Jenner 2012: 157). Such benefits should be performed until the final decision of investment is made, when the final and full business case is approved (Bradley 2010: 209).

Further benefit reviews should be performed at the end of each part of the project or programme to assess and measure the specific benefit(s) related to this delivery, and evaluate the whole benefits realisation plan to ensure that the rest of planned benefits remain achievable. The effectiveness of the benefits realisation management could be also reviewed to assess whether the process has the desired influence on the behaviour, and to learn in order to improve processes within the organisation. (Jenner 2012: 159)

However, the most important are the post-implementation reviews undertaken at project closure and beyond at agreed intervals or events to determine whether the benefits are being realised according to forecast, and if any actions would be required to improve. The review should also identify if and why any unexpected benefits and disbenefits have arisen – this might give valuable input to improve the first stage of future projects (Ward et al. 2012: 79). The analysis should also identify any lessons to be learned which could be utilised to further improve the delivery and benefits realisation in the future. This goes for the investment effects but also for the benefits realisation process in the organisation – how effective and efficient it is and how this could be improved. Deep dive reviews could be performed after some time after the project closure or change initiative completion in order to be able to reach to final conclusions. While the reviews performed at project completion and later are the responsibility of the accountable benefits owner, the deep-dives should be initiated and led by the portfolio management or investment committee (Jenner 2012: 160-162), or by any other role or group seen as independent and without political affiliations to avoid lack of objectivity

(Heerkens 2012: 75). Therefore the benefits review should be taken independently of the initiative to avoid too optimistic forecasts and overconfidence to influence the assessment.

The process of benefits management is described as cyclical and this logic comes into picture especially at the post-project benefits review. As often the main focus is on identifying the reasons for success and failure, it is equally important to seek for any further improvements. These identified potential benefits could be the starting point for a new opportunity, which completes the process circle to the first benefits realisation phase of identifying the benefits. It should, however, be noted that any emergent benefits could be identified at any time. In order to gain maximum value from the investments, the benefit identification should be a continuous process from which various change initiatives and projects are defined (Ward et al. 2012: 80). Recognising new benefits should be a creative process including stakeholders who may be able to contribute using the additional information provided by the benefits review. If this is not done, organisation may overlook a number of benefits.

In summary, a successful benefits realisation management requires a clear process including well defined mandates and roles. The process contains of a set of overlapping phases to carry through the realisation of expected benefits. These phases are identify, value, plan, realise and review of benefits, and all these are crucial to execute, however, the most important are the identification and planning of benefits. Identification is important as it deals with properly identifying reachable benefits and required changes and enablers in order to achieve these benefits. Planning phase analyses and specifies in detail all relevant capabilities, enablers, required changes and dependencies to reach the expected benefits. The outcome of a planning phase is the benefits realisation plan, which sets the basis for the benefits realisation follow through, making it possible to track benefits in order to take any corrective actions or exploit new opportunities. However, for effective benefits realisation, it is crucial to use all phases of the benefits realisation management process to successfully realise all expected benefits. Although the main elements of the benefits realisation management are set, there is no defined process fitting all organisations, it needs to be carefully developed and implemented

taking into account the existing processes and the size, complexity, nature and culture of a given organisation.

The next paragraph deals with identifying opportunities as well as main problems hindering the benefits realisation management in the organisation as well as explaining possible issues within the implementation of such process.

1.3. Problems and opportunities of implementing and sustaining the benefits realisation management

Benefit realisation does not happen automatically, a successful implementation of project deliveries does not mean the effects are realised. The majority of benefits are realised after project close down, and although the benefit realisation practice might seem as common sense, it is unfortunately seldom a common practice. However good the developed practice is, it does not realise the effects unless it is used. Therefore implementing the benefits realisation management process within an organisation requires change of mind-set and understanding that it needs time and resources to make it happen. The benefits realisation management can result in very positive return, but it requires it to be within the thinking, practices and culture of the organisation.

There is no one distinct method of benefits realisation management, which could be applied to all organisations. It must be carefully aligned with the existing processes, size, complexity and culture. Too exhaustive process for a small organisation would potentially outweigh the actual benefits realised from the change portfolio, in addition, there could be problems with identifying relevant resources for filling in the roles defined by the process. On the other hand, in large and complex organisations, a 'light' version of benefits realisation management might not be sufficient to gain the needed management attention and cross-organisation acknowledgement in order to identify and follow through all emergent benefits. Finding the right benefits realisation management process requires analysing the organisation and existing change related processes within to establish and implement a tailor made process suitable for the given organisation.

In addition to initiative level benefits realisation management, most effective organisations ensure that benefits are managed also on collective level. This practice helps to ensure that all initiatives are aligned with the organisation's strategic objectives and performance management system. The portfolio level benefits realisation management would apply a consistent approach being valid for all change initiatives making sure that organisation invests into right things within the constraints of the best use of available resources and acceptable level of risk (Jenner 2012: 167). Portfolio level benefits realisation management practice enables to understand the interdependencies between multiple projects ensuring that all expected benefits are delivered and realised in the dependency order where successful delivery of any benefit is a prerequisite for another (Ward et al 2012: 298). This consolidated view is also useful to find any duplicated benefits, and to identify if benefits from combination of changes by more than one project can be cumulative (Ward et al 2012: 281). Prerequisite for across portfolio benefits management is a governing body within the organisation to own the holistic view and regulations of benefits management ensuring that portfolio progress is constantly monitored and any issues resolved, but also that consistent approach to benefits management is implemented across organisation. To be able to implement benefits management across portfolio requires a framework including rules and guidelines by which benefits shall be managed.

Defining the right process for the organisation itself is not a 'silver bullet', there are a number of elements besides defining the actual process, which might hinder the expected effect of the benefits realisation management. Naturally, the defined process needs to be implemented, good practice itself does not realise the benefits. It is important to keep in mind that the benefits realisation management practice is not a stand-alone process but requires careful interfacing with existing management processes, overlooking this would create additional bureaucracy requiring more resources and time to maintain than it should be necessary, and in addition, it could potentially create resistance from the organisation.

The way to implement benefits management in the organisation depends on the existing management practices and culture - if the senior management is aligned and committed, top-down approaches are applied, and project and programme management is stable,

this could be done relatively quickly using a so called big bang approach. If organisation does not have proper project management process in place, it should be considered to implement one prior to expecting greater success from benefits realisation management. In organisations, where proper management processes are in place, but the commitment of senior management and other key stakeholders is mixed, including some supporters, but many unconvinced, the progress should start on areas of the greatest priority demonstrating the value of the benefits management approach. (Ward et al. 2012: 231) Bradley (2010: 304) recommends to pilot the benefits realisation process through applying the practice to one or two specific programmes or projects. This approach could be used to prove the concept of the benefits realisation management in order to get the buy-in from the key stakeholders, but potentially also from the organisation. Demonstrating the value of following through the realisation of benefits reduces any possible disbelief stakeholders might have. Where senior management shows little interest and understanding, the practice could be proved by applying it to a new initiative, or to the one having difficulties, to demonstrate the value (Jenner 2012: 183-184). The goal is to identify and realise any quick wins as soon as possible showing instant positive effects of the applied process.

Implementation of a benefits realisation management might take significant amount of time – from few months to three years (Ward et al. 2012: 199) or even longer, depending on the appropriate process and the state of the organisation. It needs dedicated commitment from key stakeholders and it needs to be acknowledged by the senior management that it has a cost and need for resources. Research shows (Ward et al. 2012: 301-302) that although the adoption of a benefits management approach results higher additional management time and cost, realisation of benefits in projects utilising benefits management process is more successful than those carried out without such practice. In addition, by investing into creating a robust benefits plan early helps to identify scope elements (or whole projects) delivering little or no value, which would significantly reduce or waste limited resources. As the implementation of benefits realisation management might take significant amount of time and resources, Bradley (2010: 302) suggests to treat the implementation of benefits realisation management as a programme or a project having a clear sponsor, manager, team, budget and timescale. Of course the benefit management approach being implemented applies to the

programme itself. Objectives of such programme are to create and maintain an optimum portfolio, increase project ROIs and to create a benefit-focused culture. However, from author's opinion, depending on the existing project and portfolio processes, it might take too long time to get such project started and executed, therefore, this approach should be probably taken within companies having large project or change portfolio. No matter how the implementation of benefits realisation management is done, the effect of the employment of the benefits realisation process and effects should be measured to prove the benefits-led influence and follow the maturity development of the practice in the organisation (Jenner 2012: 188).

Proper identification of relevant implementation approach and stakeholders is important to avoid misunderstandings and any undermining activities within the organisation. Without agreement and common understanding of all stakeholders, the benefits realisation management may become another add-on process, which will subsequently fail to achieve its full potential (Yates et al 2009: 230). All relevant roles in the organisation must be trained, this involves project and benefits owners, but also the whole project portfolio organisation and those being responsible for the investment follow-up. Proper training of relevant personnel would eliminate any waste in the process, and ensures that a coherent way of managing benefits realisation can be implemented across the organisation's change portfolio. It should be noted that in a smaller organisation, there might be too few people to ensure the segregation of duties principle, making it difficult to distribute and apply relevant competences to existing roles. Project owners and benefits owners tend to be the same individuals, hindering potentially the unbiased follow-up of the realisation and focusing not necessarily on what is the most beneficial for the company.

In addition to training and briefing main stakeholders and the senior management, the whole organisation should be aware of the benefits of the benefits realisation process. This to increase awareness of the benefits realisation management explaining what it is, why it is so important and what it will provide for the organisation. The goal for this activity is to get the buy-in from the whole organisation to avoid any possible resistance or side-processes, which might have undermining effect on the benefits realisation management.

To sustain the benefits realisation management throughout the organisation requires constant and effective governance to be in place to maintain focus and demonstrate that benefits realisation is taken with seriousness it deserves. To give support to the organisation, a central role or group should be established, who ensures clear ownership, monitors and challenges all benefits, gives recommendations for corrective actions, and ensures the existence of careful sufficient stakeholder management (Jenner 2012: 127-129). Ongoing stakeholder engagement is crucial in the implementation and sustainability of the benefits management and should focus on senior management, operational managers (being responsible for the benefits realisation), project and programme managers (being responsible for delivery), and the ones being responsible for the business change (Jenner 2012: 188). There are several ways for effective stakeholder engagement, important is that it is done on ongoing basis and not forgotten after implementation.

Similarly to the need of continuous stakeholder management to effectively sustain the benefits realisation management, continuous training and development to share the understanding of good practices throughout the organisation among all involved in the benefits realisation management life cycle is equally important. Organisations tend to change and people move to other roles taking the knowledge and experience with them. It is important to constantly make sure that the key stakeholders and especially the ones performing the realisation are properly trained and follow the implemented governing principles. Improper use of practices due to the lack of knowledge can lead to disbelief, which would have undesirable effect on the process. In addition to the improper use of the practices provided by the benefits realisation management framework due to the lack of training and knowledge, there can be deliberate hindering of the process or practices to support investments which otherwise would not be approved, or cover up the underperforming benefits realisation from an initiative. Again, solution for this is the effective governance and management of the benefits realisation process across the organisation.

The benefits realisation management introduces an additional process to the organisation and although utilising as much as possible existing elements relevant for the process (key performance indicators, change processes, etc.) it still requires certain

amount of resources. To reduce the manual labour, it could be evaluated to identify suitable software to support the process. An appropriate use of software could help to save time and resources, mainly for benefits mapping, generating consistent documentation, collecting data and performing analysis, and data storage and sharing Jenner (2012: 188). However, the IT tools can only support the practice and governance, not replace it. With or without supporting software tools, the key is to apply the process to the whole organisation consistently and ensure appropriate governance methods to keep this alive.

In summary, implementing a benefits realisation management is important and clearly supports optimising and maximising the benefits from a project or a change. Active benefits realisation management engages the stakeholders keeping the benefits firmly in the agenda, building the understanding of the gap between project deliveries and expected benefits, and making sure the anticipated end benefits supporting organisation's strategic goals are ultimately realised. But no matter how the implementation of the benefits management is done, it is not an easy task and requires significant amount of time and change in the mind-set from the whole organisation. There are number of potential threats, which could hinder the implementation and sustainability of the benefits realisation management within an organisation, most significantly the mind-set of the key stakeholders and senior management, but also the additional need for resources to execute on the process.

Whichever method is used to implement the benefits management practice, the key to sustain the success is to have the senior management commitment. Introducing the new processes, tools and techniques is only the first step and has little to do with the actual utilisation of the practice. The progress can, for example, be hindered by political issues preventing the further implementation of benefits realisation management. Continuous structured, systematic processes are required to ensure that the thinking and culture throughout the organisation are supportive and sustainable. Clear focus on stakeholder identification, buy-in, and attention on maintaining the practice will ensure successful implementation and sustainability of the process. Depending on the current state of the organisation's view on the benefits management practice, there are several enablers and supporting activities, which might be relevant to apply to support the transition to

business as usual. To sustain the process, constant support and training of new staff, and good communication about the process and progress are vital.

The theoretical paragraph of this thesis has dealt with identifying aspects having effect on the optimised realisation of benefits from an organisation's change portfolio by analysing the suggested practices and methods on this theme from several acknowledged authors. The aim of this work is to understand the reasons for success and failure of the realisation of benefits within an organisation, and to provide sufficient grounds for recommendations in the empirical part of the thesis. According to several researches described in the literature, properly applied benefits realisation process has clearly very positive effect on an organisation's ability to deliver. The outcome from the literature identifies that a successful benefits realisation management requires a clear process including well-defined mandates and roles. Although it requires additional resources, the effects clearly outweigh the extra effort.

The benefits realisation process itself, as explained in this thesis, is not a typical stage process but rather a set of overlapping phases and all these steps are important to be carried through to ensure the realisation of expected benefits. All five elements of the process (identify, value, plan, realise and review) for following through the realisation of benefits from the identification until the fully realised effects are crucial to execute, however, the most important are the identification and planning of benefits. Identification deals with properly identifying the reachable benefits and what changes are required in the organisation to reach to these benefits. The planning practice analyses and specifies in detail the capabilities, enablers, required changes and dependencies to reach the expected benefits. The benefits realisation plan created during the planning phase sets the basis for the benefits realisation follow through, making it able to track benefits in order to take any corrective actions or exploit new opportunities. However, as mentioned, for effective benefits realisation, it is essential to use all phases of the benefits realisation management process to successfully realise all forecast benefits. So, the process should be treated as a scalable one, and particular tools, techniques and work load for each phase may depend on the size and nature of a particular project or change, and naturally the culture in the given organisation. It must be acknowledged that the described process itself has little effect and careful

implementation and focus on the sustainability of the process must be ensured. The process must be applied to the whole change portfolio using the same principles, only then it would be possible to properly manage the cross-organisation dependencies in order to optimise the realisation of all forecast benefits.

The following chapter contains analysis of the company's current situation and the existing benefits realisation management practices in order to determine if there is a need for addressing the possible issues with the current practices (or lack of such practices). According to the outcome of the analysis, further section of the next chapter will provide recommendations for the updated benefits realisation management practice within the company.

2. BENEFITS REALISATION MANAGEMENT PROCESS ANALYSIS AND IMPROVEMENT SUGGESTIONS IN STATOIL FUEL & RETAIL

2.1. Introduction of the company

The empirical chapter deals with the introduction of the company being investigated, and presentation and analysis of the benefits realisation management in Statoil Fuel & Retail. Using the interpretation of the theoretical literature stated in the theoretical chapter, author provides recommendation for possible improvements addressing problems identified in the research.

Statoil Fuel & Retail is a fuel retail company with over 100 years' experience in Scandinavia and more than 20 years in Central and Eastern Europe. The company has approximately 2300 full-service (fuel and convenience) or automated (fuel only, unmanned) stations across Scandinavia (Norway, Sweden, Denmark), Poland, the Baltic countries, and Russia. In addition to road transportation fuel, Statoil Fuel & Retail's other products include stationary energy, marine fuel, aviation fuel, lubricants and chemicals. Operations include 12 key terminals and 38 depots in eight countries. Aviation fuel is being delivered at 85 airports in ten countries and 750 different lubricant products are produced and sold in more than 20. Statoil Fuel & Retail employs approximately 18,500 employees including own sites, Statoil branded franchise stations, headquarters, terminals and depots. The company is the market leader in Scandinavia and in the Baltic countries. Statoil Fuel & Retail is a wholly-owned indirect subsidiary of Alimentation Couche-Tard, Inc. and part of a network of more than 8,100 stations and employing 70,000 employees having approximately 30 million visitors every week. (TouchPoint 2012: 6; About us... 2012)

The company has defined its strategic platform for future development focusing on sales, innovation and simplification, but also on company's value, efficiency and people:

- Grow the Statoil Fuel & Retail business and optimise shareholder value
- Be recognised by our customers as an innovative, European fuel retailer
- Become a leading European retailer within Sales
- Create a culture of simplification, lean operations and cost efficiency
- Improve capital efficiency
- Attract, retain and develop passionate fuel and retail professionals

The company was established in 1920 with the first of many fuel retail sites in Norway launched by the Norsk Brændsolje A/S. The expansion outside Norway started in the mid-1980s purchasing ExxonMobil's Esso fuel station network in Sweden and Denmark. Further expansion into Central and Eastern Europe took place in 1990s, starting with establishment of Estonian operation in 1991 which was the first company in Estonia wholly owned by foreign investors. Business in Latvia was founded in 1992 and in 1993 Lithuania, Poland and Russia were added to the portfolio. Today, the Russian headquarters in St. Petersburg operates stations across North-West Russia, lubricant products are sold across the entire country. In 2002 the Shell station network in the Baltic countries was bought and added to the Statoil network. The automated fuel station network was strengthened in 2009 in Sweden and Denmark by acquisition of a network of automated stations under Jet brand from ConocoPhillips (TouchPoint 2012: 6).

Until 2010, the company was part of the Statoil group. Statoil ASA is a public limited company organised under the laws of Norway. Statoil was founded by the decision of the Norwegian parliament in 1972 under the name of Den norske stats oljeselskap a.s. wholly owned by the Norwegian State. The company's role was to be the government's commercial instrument in the development of the oil and gas industry in Norway. Fuel service stations were added to the operations by acquiring the Esso stations in Sweden and Denmark. In 2001, the company became a public limited company listed on the Oslo and New York stock exchanges, and it changed its name to Statoil ASA. The Norwegian state remained as the major shareholder holding 67% of shares. Today,

Statoil ASA is one of the world's largest suppliers of oil and gas operating in 36 countries with approximately 21,000 employees worldwide (Our history 2012).

Statoil ASA's upstream oil and refining businesses are significantly different from the retail and wholesale business of Statoil Fuel & Retail, both technologically and commercially. Following a period of sustained growth in the energy and retail business, the two companies came to the conclusion that the future development of Statoil Fuel & Retail could be best achieved by separating two companies and establishing Statoil Fuel & Retail as an independent entity primarily dedicated to the retail fuel industry. This would allow this new company to focus solely on the retail operations and have improved strategic and operational flexibility as well as direct access to the capital markets (TouchPoint 2011: 8). Statoil Fuel & Retail ASA was established on 18 May 2010 as a separate legal entity within the Statoil group. Starting from 1 October 2010 it became a standalone company, completely separate from Statoil, however still fully owned by the Statoil ASA. On 22 October it was listed on the Oslo Børs (the Stock Exchange in Oslo, Norway, OSE), Statoil ASA remained as the majority shareholder keeping 54% of the shares until 19 June 2012, when the sale of these shares was completed and Statoil Fuel & Retail became a part of Alimentation Couche-Tard Inc. (ACT) group of companies (see Figure 8). The Statoil Fuel & Retail share was formally delisted from the Oslo stock exchange on 12 July 2012 (About us 2012). Prior to selling out the Statoil Fuel & Retail, the group had over 30,000 permanent employees, of this total, one third were employees of the Statoil Fuel & Retail ASA group. At the same time, the total revenues of Statoil Fuel & Retail were approximately 12% of Statoil ASA's total revenue of NOK 530 billion, non-current assets 3% within NOK 400 billion and net income an insignificant 1,7% within NOK 137 billion (Statoil, Statutory Report 2010 2011: 5, 48).

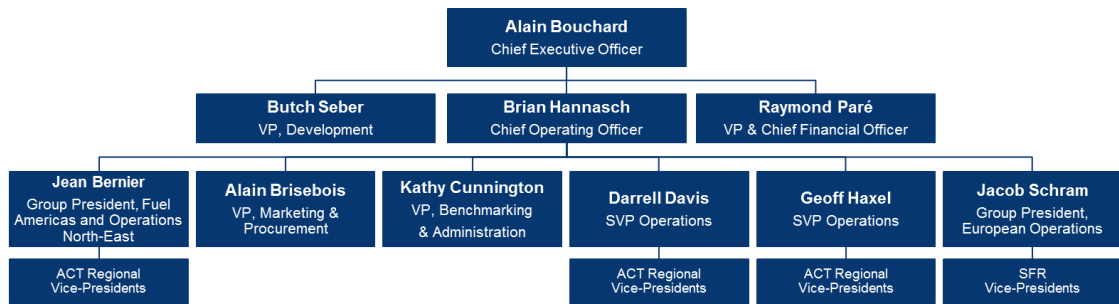


Figure 8. Statoil Fuel & Retail as part of the Alimentation Couche-Tard group.
(Statoil Fuel & Retail general presentation 2012: 17)

ACT is the largest operator in North America in terms of a number of company-operated stores, and now also number one in Scandinavia. It has well-recognised banners including Couche-Tard, Circle K, Mac's and now also Statoil. ACT has proven record of accomplishment of growth and profitability with history of successful acquisitions. It has decentralised operating model allowing each of its business units to operate within its own way within the given mandates. It is a stock listed company (listed in the Toronto Stock Exchange), however, the management owns approximately 23% of the company. Statoil Fuel Retail is a significant part of the ACT group giving approximately 40% of the total EBITDA (Alimentation Couche-Tard announces... 2012: 3, 12-13).

Following a number of changes in the ownership, the structure of Statoil Fuel & Retail's organisation has been in almost constant change, but has retained its high level matrix structure which it introduced while becoming a separate company (see Figure 9). The matrix consists of three business areas having direct profit and loss responsibility. Business areas are in charge for business operations such as terminal and station operations, sales and the customer meeting. Sales include a range of products such as road transportation fuel, convenience products and services, aviation fuel, lubricants, and other products such as stationary energy and marine fuels, as well as non-product sales such as leasing, card operations and maintenance. Business areas are (TouchPoint 2012: 14-15):

- 1) Scandinavia, which consists of following business units: Norway, Sweden, Denmark and Automats network in Sweden and Denmark;

- 2) Central & Eastern Europe, which consists of following business units: Estonia, Latvia, Lithuania, Poland and Russia;
- 3) Special Products, which consists of following business units: Lubricants and Aviation.

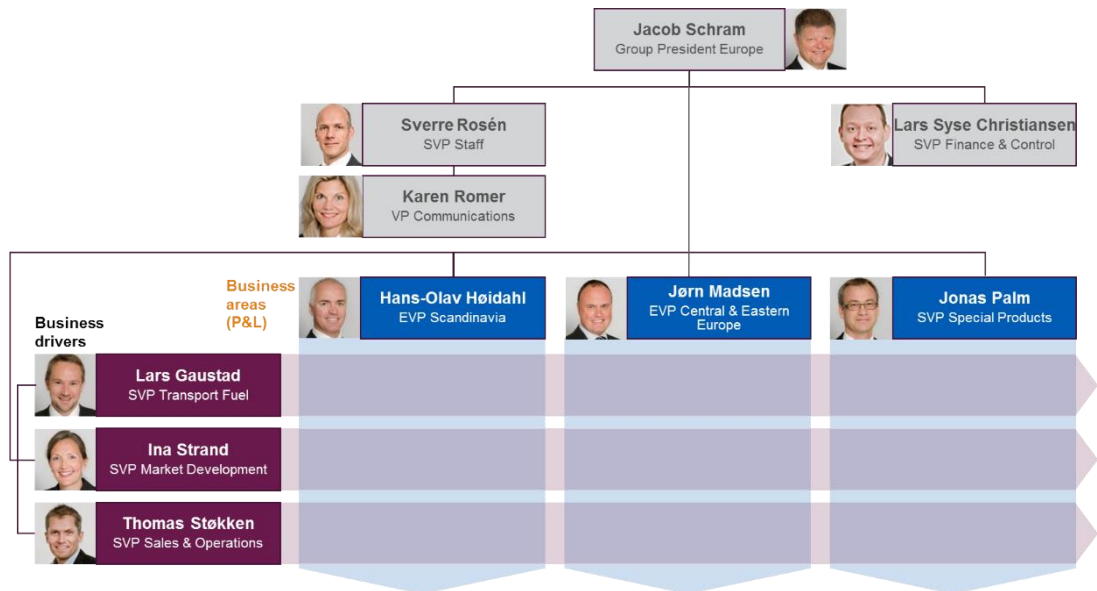


Figure 9: The matrix organisation of Statoil Fuel & Retail (TouchPoint 2012: 11; About us 2012).

The other direction of the matrix is built up with three functional organisation units called ‘business drivers’ being expert groups, each with networks enabling mobilisation, best practice sharing and learning. The responsibilities of business drivers include: establishing and maintaining lean work processes based on internal and external best practice; selecting and developing the necessary tools and IT applications; establishing requirements for competence; facilitating strategic competence development and recommending people deployment; and enhancing our performance culture by establishing common key performance indicators, performance management tools and monitoring activities. Business drivers are (TouchPoint 2012: 15-16):

- 1) Transport Fuel - the objective is to drive improvements in fuel margins and volumes to maximise the value of our road transportation fuel business, this function is responsible for the fuel value chain, from sourcing to the pumps on our station forecourts;

- 2) Market Development is responsible for the convenience value chain, including sourcing and convenience product category management, but also for innovation, marketing, retail brand development, loyalty schemes, shop concept development and site optimisation.
- 3) Sales & Operations is responsible for defining best practice and driving improvements in Statoil Fuel & Retail's two fuel sales channels: retail and business-to-business (B2B).

In addition to matrix organisation, the company has corporate functions consisting of staff and finance & control functions. Staff functions include information technology, human resources, facility management, HSE (health, safety and environment), communications and business centre offering services across the business units of Statoil Fuel & Retail.

The main purpose of the Finance & Control (F&C) function, according to the internal governing document (FC... 2010: 4-5), is to define the corporate policies, requirements and evaluate the overall efficiency of 'Ambition to action'. F&C is responsible for providing reliable, relevant and sufficient financial information related to the group's business according to the corporate accounting principles and reporting requirements. The function is responsible for ensuring high-quality financial risk management and sufficient financial capacity and flexibility supporting Statoil Fuel & Retail's strategy. The Finance & Control organisation is described on Figure 10.

There are three corporate work processes within F&C (Ibid.: 4): Accounting and control (A&C), Treasury and payments (TRP), and Financial compliance (FIC). The function requirement contains in addition to Ambition to action, accounting, tax, finance, allocation of costs and indirect tax, also investment decisions.

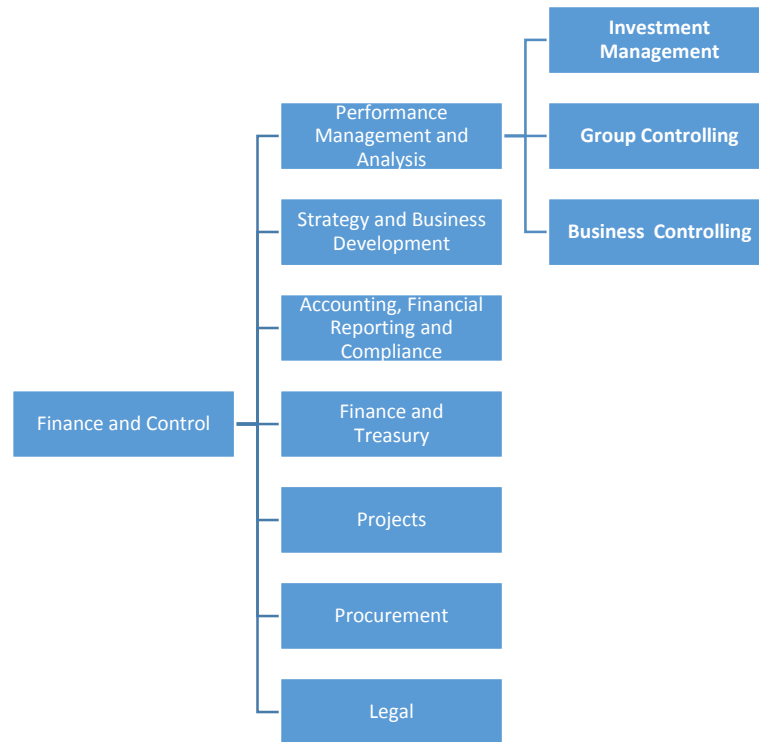


Figure 10: Statoil Fuel & Retail's Finance and Control organisation and Performance Management and Analysis organisation (Statoil Fuel & Retail intranet, combined by author 2012)

As an integrated part of the corporate management system, the controller function will ensure a critical follow-up of the total commercial activity at all levels in the organisation. The controller shall be part of the relevant management group. The controller's role is described in The Statoil Fuel & Retail Book and is attended to by a hierarchy headed by the leader of Finance and Control Performance Management and Analysis (F&C PMA). All activities related to financial operations are managed and controlled at central level by Finance and Control units. (FC... 2010: 4-5) The controller's main responsibilities are (Statoil Fuel & Retail Book 2010: 50-51):

- Initiate and coordinate target-setting, planning and follow-up processes;
- Challenge and support management in the Ambition to Action process and in business decisions;
- Oversee financial reporting and ensure quality in reporting and forecasting;
- Commercial quality control and independent assessment of business decisions.

To fulfil the main objectives set for the function, the Performance Management and Analysis organisation under Finance and Control consists of (see also Figure 10):

- 1) Group controlling being mainly responsible for management reporting, ambition to action process, business reviews, financial model and cost allocations;
- 2) Business controlling being mainly responsible for business performance and facilitating group processes on business area and business unit level;
- 3) Investment management being responsible for controller assessment of business cases, develop and maintain investment tools, calculate cost of capital, Capex planning and reporting, and benefits realisation.

In more detail, the responsibilities of the Investment Management function are (Investment management and... 2012):

- Investments and divestments:
 - Evaluation and controller assessment of new stations, mergers and acquisitions, and other investments and divestments;
 - Support business in mergers and acquisitions processes, investment decision, business cases, funding and other financial issues;
 - Owner of the Statoil Fuel & Retail Investment Manual, including policy, process, tools, and templates;
 - Facilitation of the investment committee;
 - Facilitation of the capital allocation process.
- Projects:
 - QA of projects' financial assumptions and business cases as part of the Capital Value Process (CVP);
 - Owner of the non-station business case model.
- Benefits realisation:
 - Project benefits realisation plans and project reviews;
 - Station reappraisal process, tools and reporting;
 - Value Creation Programme – facilitation, follow-up and reporting of cross company cost saving programme with an ambition to cut annual operational costs by NOK 1 billion and release capital by NOK 1.5 billion.

The Finance and Control organisation comprises also the Projects organisation (see Figure 10), which has the responsibility for the project portfolio management and project management, including tools, templates and practices (except business case and investment decision). The Project Portfolio Management function has the responsibility of coordinating the Project Arena meetings, which is the governing body for the company's European level project portfolio.

This master thesis researches the benefits realisation practices in the Statoil Fuel & Retail. According to the defined roles and responsibilities in the governing documentation of Statoil Fuel & Retail, the Investment Management function within Statoil Fuel & Retail European organisation has the key role in defining, managing, and coordinating the benefits realisation management practices, being the governing body, facilitator and source for all related regulations, guidelines, and tools.

2.2. Analysis of current practices of benefits realisation in Statoil Fuel & Retail

2.2.1. Investment and project management in Statoil Fuel & Retail

The practical research of the company is based on variety of resources collected from real life and can be grouped into two:

- Company documentation (regulations, guidelines, internal (meeting) memos, presentations, annual reports, company website, etc.).
- The knowledge of the company (observations done by the author, opinions, meetings and interviews with key stakeholders, see Appendix 1 for details).

Several statements in this paragraph are supported by the interviews held with various key stakeholders of the current investment and project and portfolio process. The same individuals are considered also as the major stakeholders for the possible revitalisation and implementation of the benefits realisation process within the company. The interviews were held in an open discussion method having set of guiding questions as the leading frame. The advantage of this method is to get the honest opinions including any supporting statements, which might be useful to understand the thoughts, feelings,

and needs. It also allows to discuss the possible topics not directly included in the questionnaire, which still can be valid for the given theme. A disadvantage is the effort required to set up the meetings and small number of actual interviewees.

The author's involvement in the setup of current benefits realisation process and experience within the company is an advantage of this research, which allows to use the accurate information, and provides access to relevant data, additional interviews or any other research activities.

The activity level in Statoil Fuel & Retail supports the requirements set by the regulations and organisation structure, and requires a centrally located governance function to analyse and follow-up all projects and investments having significant financial or non-financial impact on the company. This governance is vital to ensure efficient utilisation of limited financial resources. Investment management function in Statoil Fuel & Retail has the role to set-up the governance related to capital allocation and investments across the company, as well as to benefits realisation management.

As already described, before the stock listing, the Statoil Fuel & Retail was a small business unit with non-significant value within a large corporation having different main business focus. Being a small part with non-core angle led to also somewhat limited funds compared to other business areas, but from the other hand also limited interest in the development and outcome of these investments. Meaning that in many cases the outcome of allocated funds had very little attention and concern. In addition, historically the outcome of investments has not been notably good, although there is very little information whatsoever on these outcomes. After becoming a stand-alone company through stock listing, the availability of funds and the record of accomplishment has a completely different focus. The only way to invest has been to either use very limited own funds or request money from financial markets – and to do this, a company needs to have good credibility and track record of good performance. Today, after the acquisition, Statoil Fuel & Retail delivers approximately 40% of EBITDA within ACT group, the focus throughout the corporation is 100% on retail and every invested million has high expectation on return. Moreover, the payback ratio is one of the key basis for future capital allocations.

The governing document for Statoil Fuel & Retail finance and control processes sets rather specific main requirements for the investments specifying even of what respective decision memos should contain (FC... 2010: 8); at the same time, there is no description of how the post-investment follow-up should be performed. There is, however, a reference to the Statoil Fuel & Retail Investment Manual which describes methodology and guidelines applicable for all investment analysis and commercial arrangements (Ibid.: 7).

The Investment Manual of Statoil Fuel & Retail is currently (as of April 2013) under development as it waits for the new financial mandate structure from the board of directors of ACT. However, the main principles are valid regardless of the mandates. The investment management is a part of a Capital Value Process (CVP) valid throughout Statoil Fuel & Retail. The framework is defined in the Statoil Fuel & Retail Book, where it is stated that the CVP is a structured decision process designed to achieve predictable and competitive investment by integrating all functions into one effective process, where an investment project is developed from a business opportunity into the most profitable operation for the total value chain in accordance with the corporate requirements (Statoil Fuel & Retail Book 2010, 34).

Although the Statoil Fuel & Retail Book sets the ground rules for the company, the content is rather outdated. Being a retail company requires the business sometimes to evolve in a different pace compared to governing documents update. At the demerger from Statoil ASA, the majority of governing documents relevant for business of the new company were, in large extent, copied as is and are not fully representing the approach of a true retail company. Therefore, some elements in the Statoil Fuel & Retail Book have been revised and set to motion without yet updating the Statoil Fuel & Retail Book itself. One of these elements is the Capital Value Process (CVP), which was revised in early 2012 and updated by the Statoil Fuel & Retail's executive committee decision on April 16, 2012 (Projects and... 2012: 4). Among other significant changes, one of the key updates was to introduce a clear and consistent methodology on benefit realisation. The rationale for this add-on was the need to be better in monitoring benefits from investments to increase performance of current investments, and learn from past investment decisions to make better future investments decisions and reduce risk of

making wrong decisions. The updated framework of the CVP is shown on Figure 11 and consists of three main processes (Projects and... 2012: 17-22):

- Business development investments and divestments - A decision gate process, ensuring predictable and high quality decisions within the given mandate structure. Process is generic and scalable, and valid for all business development investments and divestments in the company. The process is governed by the Investment Management function.
- Development and implementation – A decision gate process for maturing projects. A generic framework enabling to incorporate different kinds of projects as well as different methodical approaches to delivering projects, such as iterative or waterfall oriented. The purpose is to provide a high-level delivery model with a corresponding set of requirements in order to secure a coherent way of delivering projects within Statoil Fuel & Retail. The process is supported by specific tools, guidelines and quality assurance activities (applied at each decision gate). Projects can be configured differently to the process, to ensure a focused and relevant approach to the realisation of each project. This sub-process is governed by the Project portfolio management function within Finance and Control Projects Europe unit.
- Benefits realisation – the process includes identification, planning, evaluation, realisation and review of benefits from a station investment, business change, business improvement project or any other investment. Benefits review includes the monitoring of realisation, which is done in order to make sure that the line organisation obtains the expected benefits defined in a business case, and that the learning into new investment decisions and strategies is incorporated. This process is governed by the Investment management function.

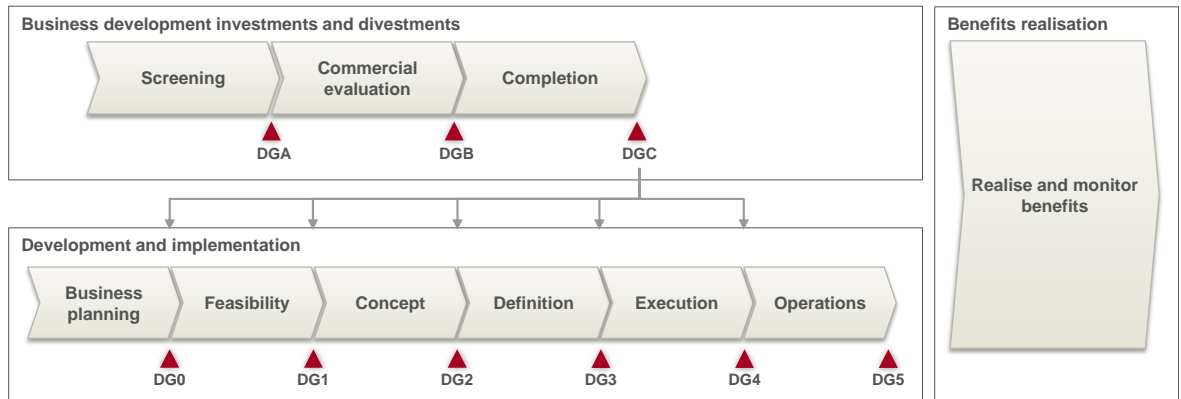


Figure 11: Capital Value Process framework in Statoil Fuel & Retail (Projects and... 2012: 9)

In addition to introducing the project process, the other major change for the projects was the clarification the role and mandate of the governing body called Project Arena, which was first introduced with the establishment of the CVP process in April 2011. The update was done with an aim to provide quality and consistency across the organisation (Projects and... 2012: 4). One of the most important changes in terms of projects was to establish the portfolio management function being the governing body for projects across all process areas. Prior, the corporate portfolio consisted projects being solely IT projects or having majority of its nature IT related. Project Arena consists of mainly the company's executive committee members and is led by the senior vice president (SVP) Finance and Control. This group governs projects with significant importance to the company, tentative limit for projects being part of this portfolio is NOK 2 million in external cost. The financial magnitude of the project portfolio in Statoil Fuel & Retail can be very different at any given time and contains both operational and capital expenditures, and includes both internal and external resources (both hired in consultants and external partners), therefore it is rather difficult to apply any concrete financial magnitude figure for the project or portfolio. It depends on the total activity level within the company, size of ongoing projects and available resources, but on average during last five years' time, the portfolio has contained 15-20 ongoing corporate projects. Project Arena gives its recommendation for the project start-up, funding and high level scope of all change initiatives falling into its government. Ultimately, Project Arena has the mandate to stop or postpone any project in the portfolio. Project Arena meetings are coordinated by the Project portfolio management

function within Finance and Control Projects Europe unit. This group is responsible for gathering, initiating and following-up corporate projects, ensuring the availability of resources and dependencies cross projects and other initiatives.

Although one of the main governance elements of the Investment Management function is to coordinate the capital investments, all projects being part of the Project Arena project portfolio are subject for quality assessment in terms of investment and operational cost expenditure as well as strategic fit and expected benefits.

As described, the CVP model describes two distinguished and different development processes for investments and projects, and the benefits realisation process, which is shown as a generic process containing realisation and monitoring of benefits. However, the actual benefits realisation processes defined for each development processes are slightly distinguished and therefore analysed separately in the next two paragraphs.

2.2.2. Analysis of benefits realisation management in capital investments

The majority of capital investment cases within Statoil Fuel & Retail are new service stations across all its business units. Increasing the station network by investing into building new or acquiring existing competitor stations is vital for sustainable growth, which is one of the strategic goals of the company ('Grow the Statoil Fuel & Retail business and optimise shareholder value') (TouchPoint 2012: 8). However, available resources are always limited, and having a vast yearly amount required for keeping the as-is business - maintenance of the existing network (approximately NOK 600-700 million annually including stations, terminals and other equipment) - leaves limited possibilities for business development. Including other maintenance, non-station investments, and new service stations, the annual capital expenditures are in the ballpark of approximately NOK 1.5 billion (~€200 million) annually (TouchPoint 2012: 1).

Although the significant capital investment required for the majority of new service stations, Statoil Fuel & Retail has historically not been particularly good at following up stations (and other investments) after opening or completion. This follows the common practice revealed in the described researches in the theoretical part of this thesis that the majority of organisations do not track benefits realisation. When assessing new

investment opportunities, the quality of key assumptions have rarely been questioned, which has potentially led to the lack of accountability, learning, corrective actions, additional benefits and changes.

The significance of station investment follow-up increased naturally after separation from Statoil ASA, however, after being acquired by ACT, this has seen even higher interest throughout the organisation. One of the main reasons for this is the limited capital, and the simple principle of ACT to allocate funds where the return is the highest. One of the key financial strategic measurements used in ACT group is the return on capital employed (ROCE). The ROCE (before tax) of ACT on April 19, 2012, before acquiring the Statoil Fuel & Retail, was 19.0% before tax. And this is considered as very good return within retail industry. After adding the whole Statoil Fuel & Retail into the portfolio, the ROCE reduction was significant – on October 14, 2012, the ROCE was down to 12,1%. The goal for the company is of course to increase this performance indicator back to competitive level (Alimentation Couche-Tard announces... 2012: 9).

It should be noted, that Statoil Fuel & Retail had in fact come a long way increasing its ROCE prior to the stock listing and acquiring: from 2.3% of ROCE (before tax) in 2007 to 14.3% in 2011. (TouchPoint 2012: 4). The drop at the acquiring was caused by the fact that the book value of total non-current assets of the Statoil Fuel & Retail just before the acquiring process was NOK 11.6 million (Financial Statements and review. 2nd quarter and...2012:7) while the total cash consideration for the 100% shares of Statoil Fuel & Retail was NOK 15.36 million. This resulted the post-acquiring ROCE for Statoil Fuel & Retail to drop to 5-7% according to market value (Alimentation Couche-Tard announces... 2012: 2).

Based on the obvious importance of investing into expanding and optimising the station network, one of the main tasks for the Investment Management European function is to govern the capital expenditure including new service station investments. The establishment of a new service station is financially more expensive and the outcome and risks are more solid than typical business project deliveries, the requirements in terms of business case documentation and argumentation for such an investment are therefore more demanding. The process must ensure that Statoil Fuel & Retail does not

make any external commitments before sufficient commercial evaluation and decision are done at the right level. The investment decision process for a new service station investment is typically initiated by a specific business unit, which comes up with the request to build or acquire a new service station. They prepare the investment proposal including analysis of financials, market outlook, network impact, key assets, etc. and submit this documentation to Investment Management function in Europe, which performs the quality control for the case and gives the recommendation on behalf of Finance and Control Performance Management and Analysis (F&C PMA) to the relevant Business Area management. If one agrees with the investment, according to investment mandate structure within ACT group, all new station investments must be submitted for approval to the Group President for the final approval (Authority Delegation Policy 2012: 6).

As mentioned, similarly to the majority of other organisations, Statoil Fuel & Retail has not been focusing on the benefits realisation of investments. Fortunately, due to increased focus on the actual outcome of the service station investments, one of the key deliverables for the Investment Management function in 2012 was to establish a common process and tool for tracking new service stations. As a starting point, all stations opened in 2011 were included in the tool and followed up from January 1 2012. The process was tested for a period and introduced to Statoil Fuel & Retail Finance and Control management group in September 2012 and first findings presented in the same group in November 2012 (Station reappraisals and key findings... 2012). This presentation anchored the importance of such practice and the station reappraisal reports has been part of the Statoil Fuel & Retail business reviews (ACT and Statoil Fuel & Retail management follow up of business units, business areas and Statoil Fuel & Retail as a whole) since the third quarter of 2012.

After opening a new service station, it is a subject for the benefits realisation monitoring coordinated by the Investment Management European function. The process of monitoring new service stations' development starts from the opening of it and business case assumptions are compared quarterly to the actual performance up to first three years of the station being in operation. Three years is used, as on average this is the period where a station should reach its full potential. This procedure is done using the

business case as the baseline. According to the literature, utilising the baseline targets for the realisation monitoring purposes might not be the best practice, as the assumptions on which the business case was developed, might have changed in time. This has, in certain cases, proven to be true, especially when the period between the investment decision and actual opening of a station is rather long. This issue is, however, already identified in the course of station reappraisals so far and a new requirement to revise the business case prior to actual build is needed in case of long lead time between an investment decision and actual investment. It could be argued that the baseline figures might also need to be revised after opening the station. However, any further revision of the business case or the baseline figures during the three year monitoring period has not proven to be necessary, as the surroundings and conditions of a certain service station do not normally change radically in this period of time, or such changes have been foreseen and taken into account in the investment proposal. The active station reappraisal process is used as a basis for any corrective actions for specific station to improve its performance, but also as a learning element for any future station investments. The station reappraisal reports are used in the business reviews within Business Areas and Statoil Fuel & Retail, but also with ACT to assess the performance of the whole Statoil Fuel & Retail.

In case of acquisition of a group or chain of existing service stations from a competitor, Finance and Control Strategy and Business Development Europe department is responsible for seeking the opportunities and propose investment cases to the executive committee. Finance and Control Investment Management is involved in quality assurance of the investment case. Similar to single station investment, post-investment follow-up is performed to compare the actual performance to the business case assumptions. (M&A Process Statoil Fuel & Retail 2011: 2)

One of the problems identified so far is the non-alignment of the use of business case templates, historical business case files are different, and have had diverse principles, collecting the needed data has, therefore, been cumbersome. According to the literature, for coherent benefits realisation process, the principles, tools etc. should be applied throughout the organisation. However, this issue is also already addressed, and today, the standardised investment case model is used in all business units throughout the

organisation. The retrieval of the actual service station performance data will be aligned and standardised within the implementation of the new ERP (Enterprise Resource Planning) system in the near future. Currently the process requires certain amount of manual work and takes therefore a significant amount of workload. Implementing the business warehouse solution alongside the new ERP allows implementing the reappraisal into the performance management tools enabling an easy and constant follow-up possibility. In addition, analysing the root causes for the success or failure would be easier as all sales data is available directly from the report.

According to literature, the frequency of the benefits reviews should be according to the nature of each initiative. There are different opinions in the Statoil Fuel & Retail of how often this practice should be done for service station investments. To be able to take timely corrective actions, it is argued that it should be done monthly, at the same time, to review the investment in correlation with the earnings, and performing any corrective actions from this perspective does not require that frequent measurements – quarterly or even yearly thorough reviews would be probably enough. However, in lower detail level performance (e.g. sales figures only) follow-up of relevant stations could be done with higher frequency to ensure continuous performance in order to take any emergent actions to boost sales.

The reappraisal of new service station openings has been carried through for a year now, and although none of the investment objects included currently in the process have been followed up for the whole monitoring period, the effects on the business, however, are already visible. The implemented process of station reappraisals is driving the corrective actions to improve station profitability. It has also proven to be working as a disciplining factor, improving the quality of new station investment decisions, helping to understand criteria for success and failure. The outcomes of the station reappraisal have also been taken into account in the capital allocation process (Station reappraisals in Statoil Fuel & Retail... 2013).

In summary, the station investment benefits realisation – the station reappraisal – process has proven to be very useful practice and has been recognised as an important tool for performance follow-up and management decisions. Although the benefits realisation of the stations investment was not the topic for the interviews carried out in

the research with the key stakeholders within the organisation, some of the interviewees supported the positive effects mentioned above. As pointed out, there are still a few issues and clearly room for automation and simplification, but as the process is considered implemented in the organisation and due to its repetitive nature, the benefits and measures are relatively easy to identify and follow-up. Therefore, in this context there will be no further analysis nor recommendations done in this master thesis in terms of service station investment cases.

2.2.3. Analysis of benefits realisation management in projects

Statoil Fuel & Retail has always had a valid project methodology and portfolio management function, but as the record of accomplishment of project success in terms of generating value for the company is non-existent, it is difficult to assess whether projects have historically been delivering as expected. There is even little evidence on the success rate in terms of succeeding on time, cost and scope. An analysis made of organisation's project portfolio from the period of 2007-2009 revealed that approximately 40% of the projects did end over budget and time, and among these, 17% significantly over budget. Although slightly better, it is still in line with the outcome from researches presented in the theoretical part of this thesis, which revealed that only about half of the organisations not having benefits realisation management practices in place meet their original budget and schedule. Qualitative assessment of project performance shows that most of the projects had good or at least acceptable deliveries and that despite the noticed fact that many projects from that period needed a post-project phase to fulfil the business needs, which were not met by the projects' original scope. (Project Execution... 2009: 3-4, 6) Naturally, the main recommendation for improvements were related to strengthening the control of projects. The benefit realisation was not mentioned in any of the improvement suggestions. Although there are no direct proofs, the aforementioned indicators of significant cost overruns in terms of cost and time, and the additional post-project phase issue indicate clear mismatch between project deliveries and actual business needs. However, any further conclusions cannot be made, as supplementary analysis of project portfolio performance and realisation of benefits does not exist.

While analysing the few governing documents and guidelines available in Statoil Fuel & Retail in this matter, an interesting phenomena can be seen. The internal investment guidelines recommend to continue with the project after the investment decision ‘no matter what’, which is justified by the following: ‘The likelihood of reversing an investment decision will be substantially reduced as investment liabilities are incurred. Typically, every project has a critical point after which it is no longer profitable to change the decision to implement the project.’ (CVP Investment Management, Guideline...: 16). This contradicts principles provided in the literature, where the decision on proceeding should be looked solely on the future events and cash flows without taken into consideration already sunk cost. There is, however, a possibility described to stop the project if ‘it becomes apparent that the economic foundations for a project have changed significantly in a negative direction’ (CVP Investment Management, Guideline...: 16).

The same guideline recommends to reappraise all development projects one year after the start-up of the operations covering the experience from the execution, as well as reappraisal of all financial key performance indicators established during the project’s decision process. It is explained that the primary purpose of this exercise is to gain learning, as there are fewer opportunities to influence the project itself. It is understandable that at the end of, or after the project, there is little effect on the project, however, according to the literature, the main purpose of the reappraisal is not only the learning factor, but to optimise and maximise the benefits realisation. It should be noted, that this particular guideline is a former governing document inherited from Statoil ASA, which has never been updated since, and should therefore today not be taken as the true guideline for the business operations.

According to the formal project methodology (CVP) requirements, all projects are requested to present a business case, which shall be updated while the project proceeds and goes through project phase gates. Although the benefits realisation plan is a mandatory part of the business case document, looking at the decision memo template for addressing strategic project decisions to the company’s executive committee, the focus is on the cost and financial evaluation (IRR, Payback, NPV). There is no interest of how the effects would be realised or if the organisation is able to realise these effects.

This introduces two significant risks. Firstly, it forces to value all benefits in monetary values to become to an acceptable financial payback level, which, according to literature, could end up with incorrect business case with unreachable benefits. Secondly, it increases the probability of individuals or groups manipulating with the forecast cost and benefits to increase the chances to be approved among other investment proposals potentially resulting executing initiatives, which do not achieve forecast benefits and do not have the highest value for the organisation.

The project process in Statoil Fuel & Retail is somewhat following fit-for-purpose principle, meaning certain project methodology requirements can be adjusted according to the nature of a particular project. For example, certain projects are given approval for deviations for business case and/or benefits realisation. These are typically the ‘must do’ or ‘licence to operate’ projects being critical for the organisation. A good example of this is the programme for carving Statoil Fuel & Retail out from the solutions and services of the previous owner (Statoil ASA), where in addition to exiting from number of services and IT solutions, it has been decided to go for another ERP system than used to date. Being tied up with the ERP system across the majority of business processes, this is not an easy task. The related project takes its significant part of resources, both financial and manning wise. The whole programme is executed having approval for deviation from the CVP process including lack of requirements for business case and benefits realisation plan. This project was mentioned by some of the interviewees and according to this, the project is, however, to a certain degree focusing on the benefits realisation by ensuring through training of business, that the solution will be utilised as effectively and efficiently as possible. Although this, historically probably the largest project in Statoil Fuel & Retail’s history, comes to an end in relatively near future, there always are and will be projects having the ‘must do’ nature. According to the current practice, none of these projects is required to present a business case, and only the transparent and detailed cost forecast and budget follow-up must be in place. While the cost follow-up is rather sensible practice, unfortunately the benefits realisation plan is also commonly excluded from the requirements. However, according to the literature, it should still be very much valid to follow the benefits realisation of this type of projects to make sure they fulfil legal, compliance, or business critical requirements as cost

efficiently as possible, and to make sure that any additional non-project goal related elements are not added to the project's scope.

Although there are at all times certain projects which must be executed (due to compliancy or business critical operations related requirements), there is always certain capacity in the organisation to execute business development projects, which also take their part in the organisation's change portfolio. The number of project proposals tends to be larger than the organisation's capacity to execute, therefore there is a need to select the most relevant ones. In order to be able to prioritise among project proposals, attempts have been made in Statoil Fuel & Retail to implement project scoring and prioritisation models, but so far without success. A good practice would be to prioritise initiatives according to potential benefits, including strategic contribution, and taking into account the organisation's ability to realise these. However, today, there is no good project prioritisation process and the prioritisation is largely done using the subjective importance towards strategic goals, but also politics. In addition to being tide with the organisation's culture, some of the challenges are also related to the matrix organisation, where the business drivers develop new solutions and tools, but do not have clear profit and loss responsibility, meaning they lack strong enough interest on following through the actual implementation of the solutions, and realisation of the benefits.

As described earlier, the requirement of benefits realisation management was set in force by approval of the CVP and project process in Statoil Fuel & Retail in April 2011, by this update, the Benefits realisation plan was required as one of the mandatory documents in the project documentation. This process was updated and reinforced by the updated CVP process in April 2012 and today contains the following four process stages (Projects and... 2012: 4, 21) (see also Figure 12):

- Identify benefit - this includes a high-level description of benefits in the business case and project proposal, in what areas these benefits are foreseen and how complex the benefits realisation potentially would be;
- Plan benefits realisation - including securing the benefits ownership, defining the measures, and further planning of when the benefits will appear and what is required in the organisation to be able to realise described benefits;

- Realise benefits – this is the follow-through of the realisation of benefits starting from project go-live and continues after project closure;
- Benefits realisation review – periodical reviews of benefits realisation performed up to three years after project closure in order to ensure the sustainability of benefits, to define any new actions to improve benefits, and to identify any emergent benefits.



Figure 12. Benefits realisation for projects in Statoil Fuel & Retail. (Source: Projects and... 2012: 21).

As it is not possible to do one-to-one match between these benefits realisation process steps and the project process, a guideline has been prepared of how the benefits realisation process should be applied to the project development process (see Figure 13).

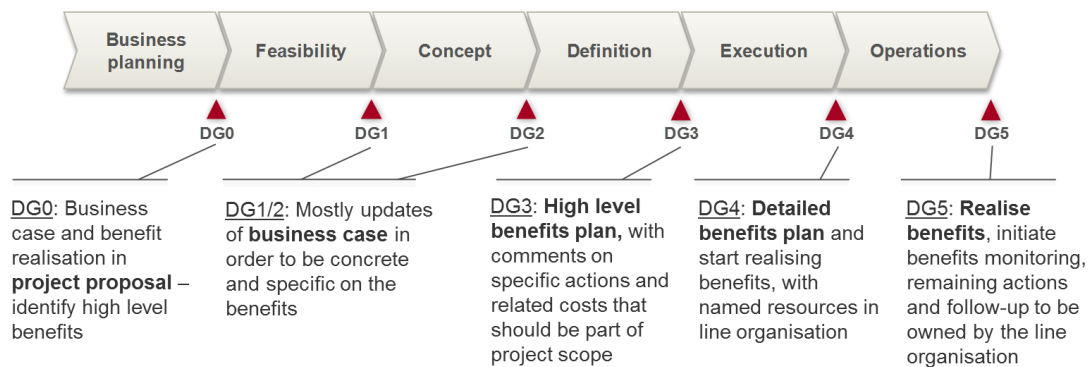


Figure 13. Benefits realisation process applied to project development process in Statoil Fuel & Retail (Statoil Fuel & Retail Benefits realization process for projects 2012: 4).

According to this guideline, the identification of benefits should be done during the Business planning phase while identifying the potential change initiatives to improve the business operations. The Project Proposal template includes a requirement for short description of the project’s targets and success criteria where the expected explanation should contain an overview of the results and how to measure that this initiative is a success. At the approval point of the project start (Decision Gate one (DG1) in the

project development process), a high-level business case including benefits should be defined. However, the observations and feedback from interviews on the practice in Statoil Fuel & Retail so far are commonly revealing that the business case and benefits realisation plan is in many cases treated rather as a bureaucratic obstacle (as it is in many other organisations according to the number of researches described in the theoretical part of the thesis), which must somehow get crossed on the way getting the project approved and started. It should be emphasised that based on the current practice there is no requirement to identify at this stage how any of the identified high-level benefits should be realised. According to literature, the proper identification of benefits including the required changes and enablers for the realisation is vital to understand the capabilities and possibilities for the realisation of forecast benefits. Not having this practice in Statoil Fuel & Retail is possibly one of the main reasons why benefits tend to be overstated and indicates existence of delusional optimism, as often the presented benefits are enormous and double counted (benefits are taken out by other initiative(s)), and will be reduced significantly as the project progresses. In addition, time savings are included as full financial saving, and although this is a common practice among other organisations, it should be avoided unless there is an actual financial gain – for example the actual headcount will be reduced. Alternatively, the possible benefits gained from efficiency (for example additional sales revenue), are heavily overstated. This is another reason for projects not achieving full benefits forecasted, as majority of benefits within many organisations tend to be not directly financial.

Clear non-financial benefits are normally not a part of the business cases and therefore not quantified – one way it is good, as this avoids possible manipulation of the financial values, from the other hand, it does not reveal the full picture of a certain project or investment.

Ultimately, the business case is the accountability of the Project Owner, however, in majority of the cases it is in fact the project manager who prepares the business case. For him/her the approval of the business case is just one of many approvals required to get the work started. Although it should be the Project Owner to build the business case including the benefits realisation plan, it should also be in the mind-set of the project

manager to optimise the scope based on the expected project benefits in order to potentially adjust the project deliveries to optimise benefits realisation.

According to the benefits realisation process valid in the organisation today, there is no phase for valuing benefits. However, the valuing practice is something that could be incorporated into the identification phase to properly value all benefits (either financially or non-financially) and align these with relevant benefits recipients. Unfortunately, this is not a common practice today in the company being investigated.

Any possible disbenefits, except direct increased operational cost, are typically not included in the business cases in the organisation being analysed. One of the other problems identified from the interviews is that there are issues with challenging business cases – there is little to no competence to challenge the benefit cases (e.g. very difficult to assess whether it is correct that ‘a new concept would increase customer loyalty by 5%’). There are, however, initiatives within the company, which already acknowledge the unknown factor and the practice of prototyping or piloting is used more actively. In this case, the further implementation is done based on the assessment of the pilot outcomes.

As described, projects are initiated based on the presented cost, available resources and optimistic potential benefits without assessing whether there is actually capacity, and more importantly, motivation to realise predicted benefits. So far this has worked, as the execution ability has been pushed down due to large amount of ‘must-do’ projects (such as the exit process from Statoil ASA) and the number of projects has been relatively low. However, there is an urgent need to revise this practice and to change the mind-set of those presenting and approving the project opportunities.

In the project development model used in Statoil Fuel & Retail, the Decision Gate 3 (DG3) is the decision to start the actual development and implementation. The final business case is presented to Project Arena supporting the decision to execute the project, this is the final decision prior to project investment, and this final business case version will be the basis for later benefits realisation monitoring. The realisation of the benefits driven by the initiative will be responsibility of a business function where given benefits should be realised. As mentioned, the DG3 is the final approval of the project

scope, in other words by this time, it should be clear what the changes and deliveries of the given project are. The benefits realisation process guidelines require having at this stage, however, only high level benefits realisation plan available. This contradicts one of the main principles in benefits realisation management – all investments should start with the end in mind, meaning the defined end benefits should be the basis for the activities, not the other way.

One of the most important elements in the benefits realisation process is to secure the benefits ownership, yet this is not required to be done even at the decision to start the project execution phase. This reveals other serious problem for the benefits realisation process in Statoil Fuel & Retail - the lack of ownership and accountability for the benefits. According to the benefits realisation management principles, all benefits should have dedicated owners, who must secure the realisation of the effects. While the project is more concrete 'life form' with specified governance, team, deliveries and support, the realisation of benefits often includes several stakeholders in many parts of the organisation being responsible for the realisation. For the project, a defined role, Project Owner, is defined – there can not be any project without the Project Owner and there is typically only one Project Owner. And although there is a defined role of Benefit Owner, this role is often not that clear and benefits are in many cases left to be realised itself. There is a clear lack of concrete hand-shake between the project and benefits recipient. This indicates similar issue with many other organisations where there is a common belief that capabilities will automatically lead to benefits, while in fact, in most cases they do not.

While there is a strong focus on the project cost and any cost increase must be approved within Project Arena, there are no sanctions on reducing benefits. There are no assessments done on the project profitability after cost increase, or in obvious negative business case, the project is simply reclassified to 'strategic', meaning it does not have to be financially beneficial. Moreover, although the 'strategic' should mean that the initiative should clearly be linked to one or more strategic objectives, this link is not always obvious.

Although the establishment of the benefits realisation plan is one of the strict requirements for the project, current obligation to complete this is not before than at

project's go-live decision at decision gate four (DG4). Only then, the benefits realisation plan is demanded to be completed, containing detailed realisation plan including measurements and responsibilities for each of the benefits. This is clearly too late in the project process and obviously not being related to the investment decision. Typically, from the point of going live with the project's deliveries, the realisation of the benefits starts, but even at this stage in many cases the realisation plan is still on a high level; there is no clear interest of how, when and by whom the benefits should be realised. The benefits tend to still be rather optimistic and not aligned and validated with stakeholders (or attempt to do that is made too late in the project life cycle). One of the reasons for this is possibly the little information available about each benefit. According to literature, it is suggested to create a benefit profile for each of the benefits, which would contain detailed information on each benefit, and what the required changes, enablers, dependencies are. Aligning this with benefit recipients would avoid unrealistic benefit forecasts.

While the outcomes of strategic projects are a part of the business plans in the company being analysed, the benefits from 'normal' projects are usually not reflected in the plans or it is done vaguely, and there are little consequences of not meeting the expected effects. Similarly, even if the project deliveries are a part of the people performance process, there are no significant consequences of not realising the expected project benefits. This is unfortunate, as the good practice described in the theoretical part of this thesis is to book benefits into budgets, business plans, strategies, and in performance plans to ensure personal accountability. One of the causes for having little focus on the actual benefits realisation from projects, is the lack of management interest in the deliveries from a single project investment. Although the performance of business units is closely followed up, there has been little effort on assessing how single projects have contributed to the EBIT or ROI of relevant business unit. People do not feel responsible for actually delivering on the business cases.

The realisation of benefits continues after project closure, and relevant benefits owners should follow-through the realisation. At project closure (decision gate five (DG5) in project methodology), the benefits realisation is a subject of benefits monitoring. Although this process has been implemented some time ago, there is no common way to

follow-up the realisation of benefits from project initiatives. In addition, no post-project benefit reviews have been performed. Therefore, there is little knowledge of how projects are meeting their predicted benefits. After project completion, there is little focus on the effects realisation, and instead the effort is put on starting up new initiatives and proceeding with business-as-usual.

The current benefits realisation process does not follow one of the main principles of benefits realisation management described in the literature discussed in the theoretical part of this thesis – there must be a clear link between the anticipated benefits and the current state of organisation. In other words, there must be a clear benefits realisation plan including distinct responsibilities in place early in a project's lifecycle. Without this practice, the list of anticipated benefits could be deliberated rather as a wish list and not real reachable effects. According to the current practice in Statoil Fuel & Retail, the anchoring of benefits is clearly done too late in the project process.

Although the current practice is not supporting the coherent realisation of the benefits, there are few positive examples where the benefits are followed-through and realised. One of the clear success factors seen has been the early stakeholder engagement. Ensuring the availability of resources and having clear motivation of carry through the changes ensures efficient delivery of project deliveries, and, more importantly, fast and successful realisation of benefits.

The analyses are based on the available documentation and the author's observation, but are also largely supported by the interviews performed as a part of the research for this thesis. All the interviewees admit that the organisation does not have sufficient benefits realisation practice in place, and there is too little effort put into ensuring the benefits from change projects are actually realised. However, there are slight signs of improvements in the benefits realisation management in Statoil Fuel & Retail - there is widening acknowledgement of the need for the strict follow-up of the actual realisation of the promised benefits. The benefits realisation process and monitoring procedure has been established in Statoil Fuel & Retail, however, the actual follow-through so far has been down prioritised due to high attention on other deliveries. There is a risk that without dedicating additional resources and/or funds for the proper implementation of the benefits realisation, this might be even further delayed. Fortunately, the benefits

realisation management is becoming one of the key areas in the project portfolio management and is already a part of the stakeholder communication and a part of the ‘on-boarding sessions’ for all new project managers within the company. The work done so far by introducing the formal process of benefits realisation and enforcing the benefits realisation plan to be part of the business case has given effects in terms of awareness of benefits and thinking of how these should be realised. The effects of the station reappraisal process on improving the quality of investment cases and understanding the outcomes give expectation for increased quality and realism also for the project business cases, after the sufficient benefits realisation and monitoring process have been established and implemented. In addition to simple understanding the magnitude of contribution to the company’s revenue, cost reductions, or strategic objectives, it would also enable possibility to further analyse success and failure factors for implemented changes.

In summary, the main issues regarding benefits realisation management in Statoil Fuel & Retail can be grouped into three main areas:

- Governing issues, cultural mind-set, ownership – this includes facts, that there has been no focus on the benefits realisation management historically, benefits realisation is not taken into account while prioritising and approving initiatives, benefits realisation management governance (including clear mandates, regulations, etc.) is not in place. The last aspect is especially important as due to matrix organisation, there is a need to clearly understand and anchor which role is responsible for what. There is no clear ownership of benefits and the realisation, the forecast benefits tend to be overestimated and reducing the forecast benefits at later stage have no consequences.
- Process, requirements – there are several issues with the current benefits realisation process, mainly stating the benefits realisation plan to be aligned and committed too late in the process, as well as the forecast benefits are not taken into account at the project definition process. The ownership of benefits and the realisation of these is required too late in the project lifecycle. There is no good follow-through process and there is a lack of ownership of the benefits after project closure. There are also several relatively smaller issues like non-financial benefits are not included in the business case from the project start, ‘must do’

projects are not required to follow the benefits realisation process, and often disbenefits (especially non-financial) are excluded from business cases.

- Learning, improving – there is no constant and transparent follow-up of the benefits realisation process, and learnings from completed projects and realisations are not systematically fed back to the organisation.

Interviews held with the stakeholders within Statoil Fuel & Retail contained in addition to assessing current situation also topics on possible needs and requirements for the future benefits realisation management. The following section of this chapter is a summary of these statements.

Feedback from the interviews with key stakeholders confirms that the benefits realisation management is an important practice to, in addition to financial target setting and follow-up process, enable the understanding of success factors and really get into details on possibilities to assess further improvement possibilities. It also allows to confirm the possible success of a new strategy – for example, there are a number of factors which all can have effect on sales revenue, but to understand whether certain growth was driven by the success of a new strategy, or factors of market conditions, is often unclear.

The common expectation is that there is a lot of potential in following up the business case if enough resources are devoted to it. It was even suggested to have relevant role in each of the business units which has this responsibility within. However, currently, there is no time or resources available to actually perform the measurements and follow-up of the business cases, it is clearly not prioritised highly enough. It seems that although the process of benefits realisation management is wanted, it is not fully clear on what level and how this should be done in the organisation.

There is a strong belief that in order to increase interest and effort on benefits realisation, benefits agreements should be related to the personal performance. It would be important not to only tie the benefits realisation to the direct responsible ones, but, more importantly, to these, being accountable for the effect realisation. Establishing a form of ‘benefits agreements’ to be signed before the business case is agreed at the decision committee would improve the realism and quality in the business cases

significantly. The responsibility to define and assign the realisation of each benefit should be one of the first things to be addressed within the organisation, and there is currently clearly some accountability in terms of benefits missing in the organisation. The status of realisation from various investments should be a part of the business reviews in order to assess, what has been achieved, what is not, and why; and what could be done to improve the outcome. Clearly, more hands-on follow-up is required.

Within the project process methodology used in Statoil Fuel & Retail, the benefits should be 'locked' similarly to the budget at DG3. Benefit recipients must be involved in the benefits definition and alignment process much earlier to be aligned and agree with the benefits as such, but more importantly, to be able to assess the realism in the realisation. As already addressed, the business cases developed in the organisation tend to be too optimistic leading to potentially wrong investment decisions. However, the available funds are limited and should not be wasted on unrealistic investment cases. The only way to increase the quality of the investment decision would be to have realistic cost and benefit assessment. To achieve this, both the business as the receiver of the benefits to challenge and agree on the realisation, and the project team to provide realistic needs for the investments for optimised solution based on the realisation potential, need to be involved.

Although there is a clear need for the early benefits realisation plan, there is no need to present this to the decision committee in addition to business case, rather, the alignment of all benefits should be the pre-requisite for presenting an investment case for seeking the required funds and approval. However, the outcome of the post-project benefits realisation reviews should be presented regularly including the reasons and analysis for success and failure.

One more important factor noted during one of the interviews was a consideration of not to confuse the benefits realisation process to daily performance follow-up. Although established measurements and key performance indicator follow-ups are recommended to use whenever possible to assess benefits realisation, the realisation itself cannot be the basis for assessing company's performance. The benefits reviews (i.e. measurements and comparison to expectations) should be performed not more often than quarterly – or after the realisation process has proven to be effective - even yearly basis. Monitoring

the benefits realisation should not be limited to only questioning if we have met the targets, but rather focusing on why the investment has resulted as it did.

Common response from interviews acknowledged that there is a need for some sort of central follow-up and coordination of the benefits realisation management, the actual measurement, however, should take place as close as possible to where it happens – the ownership of the follow-up should be on the respective benefit owner. For the indicated central role, there is probably no need for a dedicated position, rather the responsibility should be embedded in the controlling or project portfolio function. Although it is important to hold the top management informed of the realisation, the operational follow-up should not be done on that high level.

As described, some clear suggestions for improving the benefits realisation were brought up during the interviews, which will be taken into account in the next paragraph where the author presents his suggestions for process improvements. In summary, the main suggestions from the interviews included:

- Clarify the government, roles and responsibilities – the central role for the follow-up and coordinating of the benefits realisation management, possibly a role in each business unit for following up the benefits realisation, but the actual responsibility of the realisation as close to where it happens as possible;
- The benefits realisation should be related to personal performance to increase accountability;
- Adjust the benefits realisation process within project process to align benefits with benefits recipients early in the project stage and 'lock' benefits at DG3 similar to project budget;
- Establish learning process from benefits realisation and reviews.

It is good to note that the project portfolio function in the organisation is currently already in the process of reviewing the project model, where one of the main principle changes is the increased importance of how the business case and benefits are treated in terms of project deliveries. However, the most critical is the change of culture, the mind-set – instead of 'selling' and 'politics', people need to feel responsible for actually delivering on what has been promised in the business cases. Only after the 'correct'

behaviour is there, further optimisation of the benefits realisation management process can be done. There is no rationale in discussing of how much effort should be put into monitoring, or how to treat non-financial benefits unless the basics are not in place.

2.3. Suggestions for benefits realisation management improvements

According to the research carried through as a part of this master thesis, there are, similarly to the majority of other organisations, weaknesses and clear issues in the process within Statoil Fuel & Retail for gaining benefits from the investments. Two slightly distinguished processes for benefits realisation are defined, one for capital investments and one for projects. According to the analysis performed, within capital investment projects (mainly being new service station investments), the recently implemented benefits realisation (station reappraisal) process has given good results in terms of making it visible of what the actual outcome of a single investment case is. It has also given great learning in terms of possible flaws in the business cases. Such learnings have already been taken into account and applied to all future investments. In addition, most importantly, the realisation process and monitoring are among the drivers in terms of taking relevant corrective actions to improve investment outcomes. Due to relatively short period of this practice, the actual effects on the possible improved return are yet to be expected.

It should, however, be noted that the current benefits realisation process for capital investments is far from being complete and perfect, there are improvement possibilities in terms of investment case content and details, and in the actual decision making process. Although radically improved, continuous follow-up should be done to ensure aligned way of implementing and using measures throughout the company. In terms of realisation process and monitoring, a clarification is required – in what form, by involvement of whom, and in what forum the reviews should be performed, what the inputs and clear outputs, follow-up mechanisms, etc. are. And finally, currently the process is rather manual, so naturally the automatisisation of the monitoring process and defining standard key performance indicators would be expected improvement areas. It could be discussed to include the realisation of benefits from investments also into the

personal performance appraisals to ensure continuous high focus on seeking for the optimisation and maximising benefits realisation.

It can be concluded that the station investment benefits realisation process has had a good start and needed improvements are already identified in the organisation and due to high focus, will most probably be implemented shortly.

There are, however, more serious problems within benefits realisation from business development projects. The analysis has indicated several issues starting with the cultural mind-set including follow-through and ownership of benefits realisation, and the way initiatives are prioritised and approved. Relevant cultural mind-set should be the first thing to address and highly prioritised in the possible improvement process. This must be in place before any further implementation of benefits realisation management techniques can be applied. Fortunately the business culture of the owner company of Statoil Fuel & Retail (ACT) is already driving the rapid cultural mind-set change in terms of focusing getting return from investments, which has potentially significant support on implementing sufficient benefits realisation management practice in the organisation. As mentioned, one of the major issues is the ownership of forecast benefits and benefits realisation, but also late identification of how identified benefits would be realised in the project process. The current benefits realisation process in Statoil Fuel & Retail consists of four steps and enforces the development and alignment of benefits at the late stages of project process. The literature discussed in the theoretical paragraph of this master thesis, as well as the analysis of current practises in the organisation have proven that this process is not sufficient. Although before defining any specific detailed processes, tools and techniques, an intensive work must be done on the mind-set of stakeholders, the author of this thesis makes a preliminary recommendation to change the existing framework and introduce the following benefits realisation process containing five stages (see Figure 14):

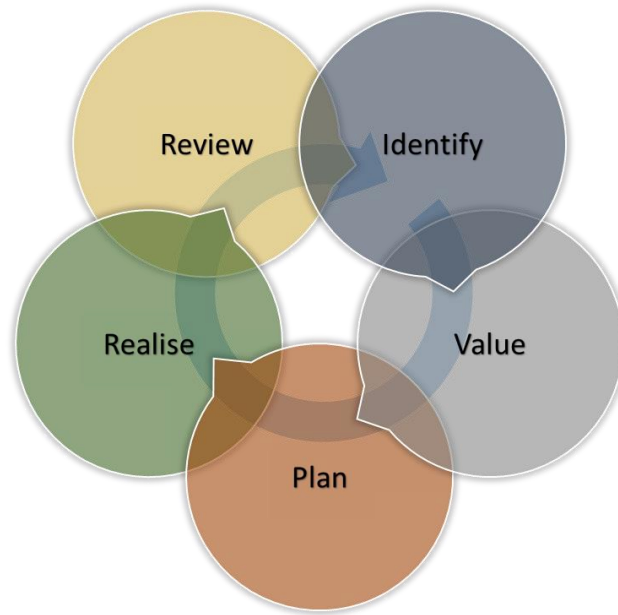


Figure 14. Proposed Benefits Realisation Management process for Statoil Fuel & Retail (Author's figure)

The proposed benefits realisation process should not be interpreted as a clear step-wise process, but rather a process containing five overlapping stages, where:

- Identify is the identification of expected benefits according to investment objectives (problem, opportunity) linked to strategic goal(s). This also includes identifying needed changes, enablers and stakeholders in order to realise this benefit.
- Value is about assigning a value (monetary or otherwise) for each identified benefit. These values are used in the creation and update of a business case. Important task for the phase is to validate the benefits with benefit recipients.
- Plan is about consolidating all defined benefits to identify any cross-dependencies, and assessing, how much the organisation would be able to deliver, when, by whom, and at what cost. For all defined benefits there must be a clear owner, who will be responsible for the realisation of specific benefit.
- Realisation is the actual realisation focusing on tracking the result and taking any corrective actions (including stopping further realisation) whenever relevant.
- Review is the assessment of the realisation, identifying variances and reasons for these, and apply any learnings to the benefits realisation management process and to the organisation.

The main reason for this change is to be specific on what are the tasks needed for benefits identification, planning and further realisation. Earlier ‘benefits identification’ and ‘benefits realisation plan’ steps are divided into three distinct phases to clearly define the identification, valuing and the actual planning of these benefits. This change would address one of the issues identified regarding overestimating benefits, as it is more explicit on valuing the benefits. The other key change is also the definition of the business case preparation, where the actual business case for the investment decision should be based on identified benefits including the way how these benefits are to be realised.

Another important consideration regarding defining the process is that it should not end up with being a passive monitoring against target or forecast – it is crucial for the sake of effective benefits realisation that the realisation tracking is active with an ultimate aim to take effective intervention whenever the realisation is out of track. In addition, it should be recognised, that the benefits realisation management does not come without a ‘price tag’, meaning it takes additional time and resources to manage and perform. However, in case properly applied, the benefits of a benefits realisation management are potentially far bigger than the extra cost. In addition, having clear focus on benefits from the start among throughout the whole change portfolio would require less effort to realise benefits.

While defining and implementing a benefits realisation management, it is important to avoid creating a parallel process, which treats the benefits realisation management as a separate discipline. This would be impractical, costly and would require too much effort and resources to perform. The benefits realisation management should be a coordinated and integrated part of strategic planning, project portfolio, and performance management system. Relevant relations and required inputs would be:

- Strategic planning – all benefits should be linked to strategic objectives, so relevant contribution to these can be identified.
- Operational performance management – benefits measures should be linked to the existing key performance indicators, in the business area and business unit plans, performance and budget targets, but also linked to people performance

appraisal reflecting responsibility for concrete benefits' realisation in individuals' performance targets.

- Project portfolio – benefits should be clearly and consistently articulated to provide clear grounds for portfolio prioritisation, but also incorporated into assessments of return and achievability. Benefits-led change practice should be utilised.
- Financial controlling and accounting should define investment case requirements, rules for valuing benefits and booking benefits in budgets.
- Business as usual – owners for benefits should be identified, required changes scheduled and implemented; all planned and emergent benefits should be realised, and any disbenefits effectively managed.

One of the main problems identified in the analysis is the lack of clear definition and the plan for the realisation of forecast benefits in the early business cases. Knowing that investment decisions are made based on the business cases (unless the project belongs to a 'must do' category), the quality of business cases is one of the main reasons for benefits realisation failure or success. Therefore, more effort should be put into overcoming problems like over-optimism, or overstating the benefits and underestimating the costs due to decision-pressure issues. The business case document should be a critical thinking and communication instrument, rather than a plain request for overcoming the bureaucratic hurdle to be approved in the investment approval process. A business case must demonstrate how the change initiative contributes to the achievement of relevant strategic goals. It must include clear definitions of all benefits that the project will deliver including all necessary organisational changes, requirements, enablers, cost information and time-scales. Moreover, it must define roles and individuals who will be responsible for the implementation and realisation of these benefits. The main questions to be asked before preparing a business case should be:

- What improvements are necessary or possible to achieve? (These would be the investment objectives.)
- What benefits will be realised if the investment objectives are achieved?
- How these benefits will be measured?
- Who owns each benefit and is responsible for the realisation?

Only after these questions have the answers, the appropriate path from current state to the expected end result should be sought after:

- What are the required changes to achieve each benefit?
- Who will make sure these changes are made?
- How and when can these changes be made?

Answers to these questions will create a benefits realisation plan which gives a solid basis for the honest and realistic business case. Ideally, the benefits realisation plan describing the way from current state to the expected realised benefits should be combined with the business case, and be a common basis for the investment decision, as well as prioritisation among other initiatives.

Although the project methodology is a separate practice and not an object for this thesis, following recommendations should be considered to increase the focus on benefits and therefore success of the realisation. The actual project planning should be done based on the aligned benefits realisation plan, identifying the most efficient way to enable the realisation of benefits. Before project execution, all benefits and dependencies must be confirmed by benefit owners – one way to do this could be to implement a form of ‘benefit agreement’. There should be an agreement on milestones for obtaining benefits, strategic decision points and review points. Following the high focus of the benefits, regular project reporting should, in addition to other status indicators, contain a meter for benefits realisation (or an indicator for readiness for the benefits realisation). Enabling this would make it evident if further development is efficient or relevant – it might be that with 60% of completed project deliveries the 80% of predicted benefits would already be realised, should in this case project spend time and resources for the remaining 40% to achieve the final 20%? Most probably the answer is it should not.

As mentioned, the benefits realisation process would be useless unless the cultural mind-set towards benefits realisation is changed. Therefore, the main recommendation would be to start to adjust the mind-set of main stakeholders ensuring that all predicted benefits are realistic and realisable, and have clear ownership, which is assigned to an individual having a distinct business role. This would help to overcome the lack of ownership and follow-through of benefits realisation, but also to improve the quality of

business cases by helping to overcome the delusional optimism. Secondly, the culture should be changed from delivery-centric culture to benefits-led value-centric culture. It is not the activity which creates the value, but the outcome of such activity that ultimately gives the effect, which, therefore, should be the leading factor.

Including the involvement and alignment of key stakeholders, the main steps in order to drive the organisation towards benefits-led culture should be:

- Establishment of governance to ensure focus and demonstrate management attention.
- Active and ongoing engagement of selected key stakeholders in the developing of benefits realisation management practice.
- Monitoring the benefits realisation management effects, to prove the benefits-led influence. A central repository should be created for following-up the realisation.
- Alignment and ensuring ‘booking’ of benefits in budgets, business plans and employee rewards system.
- Implementing relevant training for all stakeholders and communication throughout the organisation. Ensuring sharing of good practice and experiences.

The benefits realisation is not something that happens itself, it needs active management, and acknowledgement of such need would be the first step in changing the mind-set. The mind-set is not something that can just be ‘fixed’, there is a need for high level attention and management communication. Addressing such mentality change should start with the following core stakeholder groups:

- Senior management;
- Operational managers (the ones being responsible for benefits realisation);
- Project managers responsible for delivery;
- Business people being responsible for business change.

In summary, according to the identified problems in the organisation, and following the main elements of benefits realisation management identified from the literature, the main suggestions from the author of this master thesis are:

Firstly, implement certain practices and requirements to immediately increase the focus on the benefits realisation. These practices and requirements are:

- Implement requirement for all business cases to include clear benefits realisation plan from the early phases of project development. This requirement would force project initiators and those being responsible to think through how and if certain benefits could be realised and how this realisation could be done in the most efficient approach avoiding any waste of time and resources on the way.
- Ensure benefits alignment and ownership in early project phase. This would increase the certainty that the organisation has the willingness and capacity to realise the expected benefits. It would also help to increase the trustworthiness of the magnitude of forecast benefits in the business cases.
- Carry out monitoring of benefits realisation of all recent most important (or potentially most beneficial) completed projects to ensure the actual realisation of forecast benefits. In addition to the effect of potentially realising more benefits than it would be otherwise, this would also increase the organisation's awareness of the monitoring practice and helps to build a benefits led mind-set.
- Review the benefits realisation plans for all projects in the current project portfolio. This would help to identify any possible flaws and mismatches between project deliveries, forecast benefits and the organisation's capacity to realise predicted benefits.

Secondly, the valid benefits realisation management process should be updated using the cyclical process suggested by the author of this thesis (see Figure 14). This process would clearly increase the clarity on the identification, valuing and planning of the benefits, as well as setting the benefits realisation plan focus to a much earlier phase of the project process by enforcing the benefits realisation plan to be the basis for the business cases. Such process update should be supported and approved by the appropriate management level. The update should be thorough, including updating relevant governing documents, mandate structure, and include training of the whole organisation starting from the main stakeholders. Only this way the mind-set on the benefits realisation can be changed.

Thirdly, according to the updated and approved benefits realisation management process, the investment and project documentation templates and tools should be updated following the principles of the updated benefits realisation management. The author would recommend to start with the business case model update (this includes also the benefits realisation plan), which should have significant update in terms of benefits realisation plan by introducing the requirement to include clear path from as-is situation to the expected 'end-game', and alignment with all relevant benefit owners at each investment decision phase gate. Similarly, all non-financial benefits (and any disbenefits) should be identified and included in the benefits realisation plan at an early stage. This practice would increase the project's focus to identify the most efficient way to provide solution(s) for the optimised effects realisation and exclude any elements from the project's scope, which do not contribute to the anticipated benefits. This would reduce waste and save time and resources both within the project organisation and in the business operations realising the effects.

The benefits realisation plans and dependencies should be taken into account also on the portfolio prioritisation. Although today the majority of the portfolio contains mandatory projects, there are a number of business development projects, which are prioritised according to the available organisational capacity and capital, and in many cases politics. Adding into the prioritisation the element of benefits realisation would enable better understanding of the dependencies between benefits from possible project initiatives, and potentially increase the effects from all projects through optimising the benefits realisation across the whole change portfolio. To increase clarity and simplify the prioritisation, benefits could be categorised by defining a coherent basic cross-organisation categories.

Finally, the author of the master thesis recommends implementing a clear learning procedure from the realisation of benefits. This should include clear communication to grasp and feed back to the organisation the learnings of success and failure criteria from the past benefits realisations. This practice would increase the organisation's awareness of the realisation capacity, as well as understanding of what it takes to realise forecast benefits. Feeding the learning back to the organisation will, in long term, increase the

projects' and organisation's ability and skills to successfully deliver according to expectations.

All projects result in a change – it can be changes to processes, systems, procedures, or operations of the business. The people element in this change process tends to be too often overlooked, the needed effort to manage the change underestimated, and the change not given the level of support it needs as the key stakeholders are often focused on their day-to-day business activities. Business operations cannot expect to achieve the benefits outlined in the original business cases unless there are processes to follow-through the realisation of these benefits. Although the work needed to implement the benefits realisation management including changing the organisation's mind-set would potentially face some difficulties as it requires significant effort and dedication of time and resources, the benefits of the outcome would potentially largely outweigh the effort of implementing this change. Securing the main stakeholders' and senior management's attention on the importance and effects of the proper benefits realisation practice would secure the needed attention for the successful realisation of the benefits from the benefits realisation management. The proper and across-organisation acknowledged and implemented benefits realisation management is the key for the efficient development of the whole organisation. Following this principle, and other recommendations provided by the author, there should be no reason why Statoil Fuel & Retail would not improve significantly in terms of achieving forecast benefits from investments, projects and other change initiatives.

CONCLUSION

According to the outcomes of a number of researches presented by the practitioners in their works, the majority of organisations across the globe are struggling to realise forecast benefits from investments and change portfolios. In addition, several initiatives fail to deliver not only the benefits but also complete deliveries on schedule and budget. Due to stricter investment policies, and the need to ensure optimised realisation of investment outcomes, the focus is shifting from deliveries to benefits realisation related practices. Similarly, the same indicators are visible in the company being investigated in this master thesis, making the goal (to provide for Statoil Fuel & Retail a comprehensive suggestion for improved benefits realisation management, including the detailed management process, practices and tools that would minimise the required workforce by maximising the value of this exercise) of this master thesis very relevant. To achieve this goal, the thesis is based on the analysis of existing theoretical and practical knowledge.

The theoretical part of this thesis explains the meaning and concept of the benefits realisation management, as well as analyses benefits realisation management practices for realisation of benefits from investments or changes provided in the literature with an aim to understand the reasons for success and failure of such process. According to several researches, a properly applied benefits realisation process has clearly very positive effect on organisation's ability to deliver. However, the implementation of such process is not a straight-forward exercise, as one of the key findings from the theoretical part is the need for tailor made benefits realisation process suitable for a given organisation taking into account its size, complexity, organisational structure, existing processes and culture. The benefits realisation management is a management discipline closely interfaced with other change processes focusing on the actual realisation of benefits from any investment, change or project, by following through the whole

lifecycle of a benefit from identification until complete realisation (or until the gain will exceed the investment). It contains five main process stages:

- Identification – deals with properly identifying the reachable benefits linked to organisation’s strategic goals, and what changes are required in the organisation to realise these benefits. This is one of the most important phases in the process, as the identification of benefits is the basis for the prioritisation and planning of the realisation of expected benefits, setting the stage for change activities needed in the organisation to reach those benefits. This phase is not only about setting up a list of all possible benefits, but also identifying of what is possible to achieve by indicating a route from current state to the wished realisation of expected benefits. Findings indicate that the majority of organisations struggle to properly identify the benefits focusing more on the deliveries (solutions, enablers, etc.) and identify possible benefits accordingly, rather to specify the expected end-game and identify required changes and enablers to efficiently reach these benefits.
- Valuing is about assigning a value (monetary or otherwise) for each identified benefit, which could be used for the business case creation, but, from benefits realisation perspective, even more importantly to track and measure the realisation of planned benefits. One of the findings is that organisations have different practices of treating non-financial benefits (e.g. efficiency gains, customer satisfaction) – some put effort on assigning monetary values to all benefits in order to more easily compare change initiatives. However, this might result in self-delusion, as in many cases these forecast financial benefits will not be actually cashed in. Researches show that the majority of organisations do not achieve the forecast benefits, and that one of the main reasons for this is the over-optimism on valuing and forecasting benefits in business cases giving benefits non-reachable estimates. One of the possible solutions for avoiding this overestimation is to validate all forecast benefits with the actual recipients of the benefits.
- Planning consolidates all defined benefits into common benefits realisation plan, analyses and specifies in detail the capabilities, enablers, required changes and dependencies to assess how much the organisation is able to deliver and realise,

and by whom, when and at what cost. A benefits mapping method could be used to visualise in detail the route to the achievement of benefits including all relevant enablers, changes, benefits and investment objectives. In case of high number of forecast benefits, prioritisation exercise should be applied to keep the realisable and/or measurable benefits in the level the organisation can manage. Knowing that benefits are monitored would make the organisation to more likely ensure that the realisation plan is in fact realisable. One of the key findings is that benefits will not happen itself and require active follow-up to ensure effective realisation, all defined benefits and the plan to reach those benefits must therefore be aligned and committed to relevant stakeholders.

- Realising is the actual realisation of the forecast benefits ensuring that enablers and required changes are integrated into business operations, the phase focuses on tracking the realisation and taking corrective or supportive actions whenever relevant. To ensure the organisation's interest on realisation, the realisation plan could be adjusted according to any changes occurred to keep the forecast realistic and motivational. One of the consideration for corrective action must always be an option to stop the initiative in case further realisation would not give sufficient benefits. Findings indicate that not many companies are monitoring the realisation believing this to be unnecessary practice, however, this leads to unrealised benefits and delusions of realisation, while in fact there is no knowledge of what is actually realised and at what cost.
- Review is the practice of assessing the realisation to identify variances and reasons for these, but also to apply any learnings to the benefits realisation management process in the organisation. Post-project benefits reviews are important to ensure focus on the realisation. One of the outcomes from this phase is also any new possible benefits, which could be the rationale for a new change initiative. Findings indicate that to avoid manipulation and lack of objectivity, these reviews should be performed by a group or individuals in the organisation not having direct interest on the specific project outcomes or benefits, but rather having focus on what is best for the whole company without any political affiliations.

Although the benefits realisation process contains of distinct key practices, which are required in order to realise forecast benefits, there is no clear single method suitable for all organisations. The development of a suitable benefits realisation management framework for an organisation is relevant, but only defining one has little effect. One of the key findings is that although it is important to define a suitable benefits realisation process for the organisation, before it would be possible to properly implement one, it must be acknowledged that processes and practices, no matter how well they are designed, are not a ‘silver bullet’, and cannot compensate the cultural mind-set towards benefits realisation and lack of management commitment. The implementation of benefits realisation management process might take significant amount of time, and requires careful interfacing with existing change and management processes to avoid creating additional bureaucracy or any resistance from the organisation. Implementation and sustaining of the process requires dedicated commitment from key stakeholders. A central role or group should be established (or responsibility should be clearly assigned to a certain existing role or group) to ensure clear ownership of the benefits realisation management and who would also take care of the sufficient stakeholder management.

The empirical research of the thesis deals with introducing and analysing of benefits realisation practices in Statoil Fuel & Retail. Findings from the theoretical research have been compared and taken into account while analysing similar practices within the company being investigated. The main findings reveal that there are two slightly distinguished benefits realisation processes, one dedicated to capital investments (mainly new service stations) and the other one to projects. The analysis exposes that the current process for capital investments is sufficient and does not require exhaustive update, but rather fine-tuning in order to further optimise the process.

However, the findings from analysing benefits realisation practices related to projects are worrying and reveal that, similar to majority of other organisations, there are a number of problems hindering the realisation of expected benefits from current change portfolio. Although the process is developed, it is not sufficient and is not properly implemented and aligned with project an portfolio management processes. The requirements of the benefits realisation plan and benefit owners commitment are clearly demanded too late in the process and are treated rather as a bureaucratic obstacle, which

must somehow get crossed to get the project approved. Projects are initiated based on the estimated costs, available resources and optimistic potential benefits, which are not challenged properly. The business case focuses only on cost and financial evaluation having no interest of how the forecast effects would be realised or if the organisation is able to realise these effects. That leads to delusional optimism in terms of forecasting benefits, but also project and operating cost in the business cases resulting often having enormous positive forecast effect, which unfortunately will not be achieved. In addition, benefits related to efficiency gains are often included in the business cases in financial terms without having actual financial effect for the company. The benefits realisation plan is not followed through during the realisation of benefits and the realisation eliminating any possible corrective actions or identification of emergent additional gains or benefits. There is no follow-up of the benefits realisation process, learning from completed projects and realisations are not systematically fed back to the organisation eliminating any improvements based on the experience gained on past realisations.

The most critical finding was the lack of benefits ownership. The organisation does not have any incentives to truly follow-through benefits realisation from a single initiative in order to not only optimise the realisation of expected effect but to realise any benefits whatsoever. People do not feel responsible for actually delivering on the business cases. However, according to the theoretical part of the thesis, the cultural mind-set of the organisation in terms of the benefits realisation and the ownership of benefits is the key for successful realisation of benefits.

The author of this master thesis came into conclusion that a benefits realisation management process is clearly something that should be one of the key practices within an organisation and Statoil Fuel & Retail is no different in this matter. Based on the theoretical and practical research, the author of this master thesis recommends to update benefits realisation framework in Statoil Fuel & Retail in order to increase the focus on the actual realisation of benefits from the projects portfolio. In order to accomplish this, the main changes should be:

- Implement relevant practices and requirements to immediately increase focus on the benefits realisation. This would comprise mainly requirements to base the business cases on the benefits realisation plan, ensure business operations

commitment to forecast benefits, and establish systematic monitoring of benefits realisation.

- Update the formal benefits realisation management framework including updated process, government and communication.
- Revise all investment and project documentation templates and tools in order to update these with the benefits realisation focus principle.
- Implement learning procedure from the realisation of benefits in order to grasp learning from success and failure criteria.

However, before defining and implementing a benefits realisation management process, there is an urgent need to address mind-set issues related to the forecasting and committing to benefits of expected effects from the company's project portfolio. Only after managers and key stakeholders acknowledge the issue and dedicate time and resources to address this, the benefits realisation management process can be fully implemented and utilised. Although several issues in the current practices of benefits realisation in the organisation were identified during the analysis for this master thesis, the situation today is already changing and the author is confident that all future investment and change project funding decisions are following the main principles of taking into account the actual benefits realisation, not only the deliveries.

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APPENDICES

Appendix 1. Research sources

Interviews

The interviews were held during the period of February to April 2013. All the roles of the interviewees are according to the roles they had at the time of the interview. The interviews were held in an open discussion form having set of guiding questions available to lead the conversation. All interviews were documented in the written form by the author.

Name	Role	Time of the interview
Claus Bak	Head of Project Portfolio Management, F&C Projects Europe	22.02.2013 13:00-14:00
Poul-Tonny Kjær	Head of Project Portfolio, F&C Projects, PPM Europe	19.02.2013 08:00-09:00
Andreas Krona	Head of Investment Management, F&C PMA Europe	07.03.2013 08:30-09:30
Anne-Britt Hedestrøm Røvik	Sjef Controlling & Strategiske Prosjekter, SFR BASR Norway, F&C	07.03.2013 10:30-11:30
Marcin Matyija	Head of Project Quality Assurance, F&C Projects Europe	18.03.2013 11:00-11:45
Vegar Bøthun	VP Information Technology, CSO IT	04.04.2013 13:00-13:45
Kjetil Aamot	Senior Director Value Chain, TF Value Chain Europe (Previously Head of CVP and Projects, F&C Europe)	09.04.2013 08:45-09:45

Observations

A large part of the analysis in this thesis is done according to the observations of the author. The observations are done in the period of 2009 to 2013. The observations are supported by the roles, responsibilities and experience the author has had in the organisation. This starts from the responsibility of coordinating the IT project portfolio having the IT Projects Portfolio Manager role, but also supporting the definition, implementation and updates of the Capital Value Process (CVP) within the organisation, including the establishment of Project Arena. In the current role as Investment Analyst within the Investment Management department, the author had the responsibility to define the existing benefits realisation processes for projects and capital investments. This includes the processes, tools, templates and follow-up of the benefits realisation.

Applicable meetings relevant for the observations are a number of IT management meetings, Project Arena and Project Coordination meetings, but also executive management meetings, project competence network meetings as well as a number of other internal meetings held and participated during the observation period.

Appendix 2. Interview questions

The following questions were used as guiding questions to lead the interview with selected stakeholders (see Appendix 1 for details) within Statoil Fuel & Retail:

1. What are your views on the Benefits realisation management (BRM)?
2. The importance of BRM in terms of realising organisation's strategic goals?
3. Do you believe our organisation is doing enough to ensure sufficient benefits realisation from its investments in change?
 - a. If 'no' - What are the main reasons for this and what are the main barriers/obstacles that need to be overcome?
 - b. If 'yes' what more is required to ensure optimum realisation of benefits?
4. What are the key learnings identified in the development of benefits management in our organisation so far?
5. Please specify any benefits realisation management techniques (such as benefits dependency mapping) or tools that you have used, and indicate their effectiveness.
6. How much effort should be put into the BRM?
7. Should benefits be challenged while they've set up?
8. Should we put effort on valuing all benefits financially? (efficiency, cost avoidance)
9. Does Project Arena have potentially active interest in benefits realisation across the project portfolio on an on-going basis?
10. Should Project Arena approve explicitly the benefits realisation plan, when approving the project and its business case and scope?
11. Should we revise our project and change management practices to be benefit driven (instead of activity driven)?
12. Who should have the responsibility to manage BRM in the organisation (level, department and role)?

RESÜMEE

KASU REALISEERIMISE JUHTIMISE JA PROTSESSI ARENDAMINE STATOIL FUEL & RETAIL AS NÄITEL

Andre Soomere

Ettevõtted erinevatest tööstusharudest üle kogu maailma investeerivad suuri summasid parandamaks ettevõtte tulemuslikkust ning läbi selle suurendamaks kasumit ning ettevõtte väärtust. Mitmeid väiksemaid ja suuremaid projekte viiakse ellu eesmärgiga midagi muuta, parandada, optimeerida, jne. Kahjuks lõpetakse projektid sageli liiga vara ja ei keskenduta tegelikule kasu realiseerimisele, seda seetõttu, kuna inimesed püüavad pidevalt alustada midagi uut, liikuda edasi oma järgmise rolli juurde - lõppude lõpuks, kavandatud töö on ju tehtud, miks peaks sellele veel täiendavalt vaeva pühendama?

Ülemaailmne finantskriis mõjutas paljusid organisatsioone sundides neid vähendama oma projektide ja investeeringute portfelle. Sellest tulenevalt on vajalikum kui ei kunagi varem tagada, et olemasolevaid vabu vahendeid kasutatakse vaid kõige tõhusamal viisil. Seetõttu on kasu realiseerimisest lähtuv investeeringute juhtimine isegi veelgi olulisem kui see oli enne buumi aastaid. Kasu realiseerimise juhtimine tegeleb organisatsiooni muutustest, projektidest ja investeeringutest loodetud tulemuste realiseerimise optimeerimisega. Vaatamata suurenenud fookusele kulude eelarvestamisel, ärimudelite koostamisel ja finantseerimisel ning muudel organisatsiooni arengut puudutavates protsessides, ei suuda paljud organisatsioonid endiselt realiseerida kogu projektidest ja investeeringutest loodetud kasu või isegi mõista, millist kasumit konkreetsed initsiatiivid teenivad. Loodetud tulemus saavutatakse harva, veelgi harvemad on olukorrad, kus aktiivne kasu realiseerimine on põhjustanud oodatavate tulemuste ületamise. Sarnased, eelnimetatud sümptomid on magistritöö autori poolt täheldatud ka analüüsitavas ettevõttes. Sellel võib olla mitmeid põhjuseid, kuid ilma kasu realiseerimise juhtimiseta on kasu realiseerimise juhtimine igas ettevõttes tõenäoliselt

raskendatud. Kasu realiseerimise eesmärk on kindlustada oodatud tulemuse realiseerimine. Seetõttu on selle magistritöö eesmärgiks pakkuda ettevõttele Statoil Fuel & Retail kõikehõlmav ettepanek parendamaks kasu realiseerimise juhtimist, sealhulgas protsessi, tavasid ja tööriistu, mis võiksid minimiseerida kvalifitseeritud tööjõu vajadust ja samas maksimeerida selle praktika väärtust. Magistritöö peamise eesmärgi saavutamiseks on autor töös seadnud järgmised ülesanded:

- Anda teoreetiline ülevaade kasu realiseerimise juhtimisest, protsessist ja meetoditest.
- Anda ülevaade kasu realiseerimise juhtimise praktikate võimalustest ja ohtudest lähtudes teoreetilistest käsitlustest ja praktilistest uuringutest.
- Kaardistada ettevõtte praegune kasu realiseerimise protsess (või sarnased protsessid) ja tuua välja selle positiivseid ja negatiivseid aspekte.
- Pakkude kasu realiseerimise juhtimise ja protsessi parendamise soovitusi eesmärgiga saada rohkem kasu investeeringutelt.

Et saavutada eespool nimetatud eesmärk, analüüsib magistritöö autor peamiselt olemasolevaid kasu realiseerimise juhtimise teoreetilisi ja praktilisi käsitlusi ning projekti- ja projektiportfelli juhtimist käsitlevat kirjandust. Eesmärgiks on tutvustada kasu realiseerimise juhtimise võimalusi ja mõjusid, aga ka protsessi rakendamise ja järjepidevuse säilitamisega seotut. Töö presenteerib mitmete praktikute arvamusi, kogemusi ja uuringuid viimasest kahest aastakümnest. Vaatamata küllalt arvukale viidatud kirjandusele, on töö autor teiste seas peamiselt toetunud Stephen Jenner'i, Gerald Bradley', John Ward'i ja Elizabeth Daniel'i viimastele publikatsioonidele. Jenner avaldas hiljuti oma põhjaliku käsitluse investeeringutest saadava kasu optimeerimise teemal, kus ta annab põhjaliku ülevaate kasu realiseerimise juhtimisest ja selle võimalustest, mida toetavad mitmed uuringud. Ta on analüüsinud ka edu kriteeriumeid ja võimalikke probleeme, mis võivad kasu realiseerimise juhtimise protsessi rakendamise jooksul tekkida. Bradley, Ward ja Daniel pööravad, lisaks teoreetilistele käsitlustele, suuremat tähelepanu praktilistele suunistele protsessi juurutamiseks projektide ja projektiportfelli juhtimisele ning kuidas ühildada kasu realiseerimise juhtimist teiste muutuste juhtimise protsessidega.

Lähtudes mitmete praktikute poolt esitatud uuringute tulemustele, on enamik organisatsioone üle maailma hädas loodetud kasu saavutamise ja eelarves läbiviimisega. Tänu üha rangematele ettevõttesisestele investeerimispoliitikatele ning vajadusele tagada optimeeritud kasu realiseerimine, on fookus nihkumas initsiatiivide väljunditelt tegelikule kasu realiseerimisele. Sarnaseid nähte võib täheldada ka antud magistritöös analüüsitava ettevõttes, muutes seega magistritöö eesmärgi väga oluliseks. Eesmärgi saavutamiseks põhineb magistritöö olemasolevate teoreetiliste ja praktiliste teadmiste analüüsil.

Teoreetiline osa selgitab kasu realiseerimise juhtimise tähendust ja mõistet, samuti analüüsitakse kasu realiseerimise tavasid eesmärgiga mõista edu ja ebaedu põhjuseid. Vastavalt mitmetele uuringutele, annab rakendatud kasu realiseerimise protsess selgelt väga positiivse mõju organisatsiooni võimele efektiivselt kasu realiseerida. Kuid sellise protsessi rakendamine ei ole lihtne ülesanne, üks peamisi järeldusi teoreetilisest osast on vajadus defineerida konkreetsest ettevõttest lähtuv kasu realiseerimise protsess arvestades selle suurust, keerukust, organisatsioonilist struktuuri, olemasolevaid protsesse ja organisatsiooni kultuuri. Kasu realiseerimise juhtimine on tihedalt seotud teiste muudatuste protsesside juhtimisega keskendudes tegelikule investeeringutest, muudatustest või projektidest lähtuva kasu realiseerimisele, pidades silmas tervet kasu elutsüklit selle identifitseerimisest kuni täieliku realiseerimiseni (või kuni saadav kasu ületab tehtud investeeringu). Kasu realiseerimise protsessi viis põhietappi on järgnevad:

- Identifitseerimine - tegeleb saavutatava kasu identifitseerimisega ning tuvastab, milliseid muudatusi on vaja läbi viia kasu realiseerimiseks. See on üks tähtsamaid praktikaid kasu realiseerimise protsessis, kuna identifitseerimine on aluseks initsiatiivide prioritseerimisele ja planeerimisele. See etapp ei keskendu ainult kõigi võimalike kasude loetlemisele, vaid tuvastab lisaks, mida on võimalik realiseerida tuues välja teekonna tänasest olukorrast kuni realiseeritud kasuni. Praktiliste uuringute tulemused näitavad, et organisatsioonid näevad vaeva oodatava kasu identifitseerimisel ja keskenduvad paraku peamiselt vaid muudatuste elluviimisele, selle asemel, et tuvastada oodatud lõpp-olukord ja kindlaks teha vajalikud muudatused ja lahendused nende kasude efektiivseks realiseerimiseks.

- Väärtuse andmine on rahalise või muu kvantifitseeritava väärtuse andmine igale identifitseeritud kasule. Neid väärtusi kasutatakse äriplaani loomisel ja mis veelgi olulisem, loodetud kasu realiseerimise mõõtmiseks ja jälgimiseks. Üks peamisi järeldusi on, et praktikas kasutavad organisatsioonid erinevad meetodeid mitte-rahalistele kasudele väärtuse andmisel – muuhulgas on levinud ka praktika määrata rahaline väärtus igale mitte-rahalisele kasule, mis võimaldab hõlpsasti võrrelda ja prioritseerida erinevaid initsiatiive. Kuid see võib põhjustada ka enesepettust, sest paljudel juhtudel rahaline prognoos tegelikult ei realiseeru. Uuringud näitavad, et paljud organisatsioonid ei realiseeri oodatud kasu ning et selle üheks peamiseks põhjuseks on liigne optimism väärtuse andmisel ja loodetava kasu prognoosimisel. Üks võimalusi selle ärahoidmiseks on valideerida kõik oodatud kasud tegelike kasu saajatega.
- Planeerimine koondab kõik defineeritud kasud ühisesse realiseerimise plaani, analüüsib ja identifitseerib üksikasjalikult võimalusi, vajalikke muudatusi ja sõltuvusi hindamaks, kui palju organisatsioon realselt suudab ellu viia ja realiseerida, ning kelle poolt, millal ja millise hinnaga. Kasude kaardistamise meetodi kasutamine on moodus visualiseerimaks teekonda kasu realiseerimiseni, mis sisaldab endas kõiki vajalikke lahendusi, muudatusi, kasusid ja investeeringute objekte. Kui oodatavaid kasusid on palju, tuleks võtta kasutusele kasude prioritseerimine hoidmaks realiseeritavate/monitooritavate kasude arv mõistlikul tasemel. Teadmine, et kasu realiseerimist monitooritakse soodustab organisatsiooni veendumat, et äriplaani oodatav kasu on ka tegelikult realiseeritav. Üks peamisi järeldusi on, et kasu ei teki iseenesest, vaid vajab meetmete rakendamist tagamaks tõhusat realiseerimist, kõik määratud kasud ja realiseerimise plaan peab olema kooskõlastatud ja kõigil sellest tulenevatel tegevustel ja ülesannetel on konkreetne vastutaja.
- Realiseerimine on kasu tegelik realiseerimine, mis kindlustab et vajalikud lahendused ja muudatused on organisatsiooni integreeritud. See protsessi etapp keskendub realiseerimise jälgimisele ja identifitseerib vajalikke muutusi või toetavaid tegevusi kasu edukaks realiseerimiseks. Kindlustamaks organisatsiooni motivatsiooni ja fookust kasu realiseerimisel, tuleks vajadusel kaaluda kasu realiseerimise plaani kohandamist lähtuvalt võimalikest tekkinud muudatustest.

Üheks võimaluseks peab alati olema võimalus initsiatiiv peatada, juhul kui jätkuv realiseerimine ei anna piisavalt täiendavat kasu. Uuringud näitavad, et paljud ettevõtted ei tegele kasu realiseerimine monitoorimisega pidades seda ebavajalikuks praktikaks, kuid see võib põhjustada kasu mitterealiseerimist ja võib tekitada arvamuse, et tulemus realiseeritakse, kuid tegelikult puudub arusaam, mida reaalselt on realiseeritud ja millise hinnaga.

- Hindamine on kasu realiseerimise läbivaatamine tuvastamiseks plaanist kõrvalekaldeid ja selle põhjused, aga ka saadud kogemuste rakendamine. Projektijärgse kasu realiseerimise hindamine on oluline saavutamaks täielik kasu realiseerimine. Selle tegevuse üheks tulemuseks võib olla lisaks vajalike muudatuste rakendamisele ka uute võimalike kasude identifitseerimine, mis omakorda võivad olla aluseks uute projektide algatamisele. Selleks et vältida manipuleerimist ja vähest objektiivsust, peaks järelduste kohaselt hindamist läbi viima grupp või üksikisik, kellel ei ole otsest isiklikku poliitilist või majanduslikku huvi konkreetse projekti tulemuste või kasu osas ning kelle huvi oleks keskenduda sellele, mis on parim kogu ettevõttele.

Kuigi kasu realiseerimise protsess sisaldab kindlaid praktikaid, mis on vajalikud prognoositud kasu realiseerimiseks, ei ole siiski olemas kindlat meetodit, mis sobiks kõikidele organisatsioonidele. Sobiva kasu realiseerimise juhtimise raamistiku loomine organisatsioon jaoks on kindlasti asjakohane, aga üksi selle defineerimisest on vähe abi. Üks olulisemaid järeldusi on, et kuigi on oluline defineerida organisatsiooni jaoks sobiv kasu realiseerimise protsess, siis enne selle rakendamist tuleb aru saada, et ükskõik kui hästi see on defineeritud, ei ole see „hõbekuul“ ning vaid protsess ei kompenseeri organisatsiooni ja juhtkonna puudulikku meeletatust kasu realiseerimise suhtes. Kasu realiseerimise protsessi juurutamine võib võtta palju aega ning see nõuab hoolikat integreerimist olemasolevate muudatuste ja juhtimise protsessidega vältimaks täiendava bürokraatia loomist ja organisatsiooni vastupanu. Protsessi juurutamine ja järjepidevuse tagamine nõuavad peamiste sidusrühmade pühendumist. Selle hõlbustamiseks tuleks luua organisatsioonis keskne roll või rühm (või vastutus peaks olema selgelt määratud teatavale olemasolevale rollile või rühmale), kellele oleks määratud kasu realiseerimise juhtimise vastutus ning sidusrühmadega tegelemise kohustus.

Magistritöö empiiriline uuring tutvustab ja analüüsib ettevõtte Statoil Fuel & Retail kasu realiseerimise tavasid. Lähtuvalt teoreetilistest käsitlustest tehtud järeldustest analüüsitakse sarnaseid praktikaid uuritavas ettevõttes. Peamised järeldused näitavad, et ettevõttes on kaks veidi erinevat kasu realiseerimise protsessi, millest üks on pühendatud investeeringutele (peamiselt uued teenindusjaamad) ja teine projektidele. Analüüs paljastab, et praegune investeeringutele suunatud protsess on piisav ja ei vaja põhjalikku uuendamist, vaid pigem täiustamist, et veelgi protsessi optimeerida.

Projektidele suunatud kasu realiseerimise protsessi analüüsi järeldused aga on murettekitavad ja näitavad, et sarnaselt enamiku teiste organisatsioonidega on ettevõttes mitmeid probleeme, mis takistavad oodatava kasu täielikku realiseerimisest. Kuigi protsess on ettevõttes välja töötatud, ei ole see piisav ning ei ole ka korralikult kasutusele võetud ning ei ole kooskõlas projekti ja projektiportfelli juhtimise protsessidega. Praegune protsess nõuab kasu realiseerimise plaani ja kasu omanike vastutuse rakendamist selgelt liiga hilises etapis ning seda nõuet koheldakse pigem bürookraatliku takistusena projekti kinnitamisel. Projekte algatatakse võttes aluseks hinnangulised kulud, olemasolevad vabad ressursid ja teoreetiline optimistlik võimalik kasu. Keskendutakse ainult äriplaani finantsilisele hindamisele ning ei olda huvitatud, kuidas ja kas prognoositavad tulud ka realselt on võimalik ellu viia. Selle tulemuseks on nii üle-optimistlikud kasu realiseerimise prognoosid, aga ka valed hinnangud projekti ja projektijärgsete organisatsiooni püsikuludele, mis omakorda annavad tulemuseks üliposiitvise prognoosi, mis kahjuks ei realiseeru. Lisaks on äriplaani sageli kaasatud finantsilises mõõtmes ajaefektiivsuse kasud, mis tegelikult ei pruugi rahalist efekti omada. Projekti tulemuste realiseerimist ei monitoorita ega ei järgita kasu realiseerimise plaani, mille tõttu ei ole võimalik tuvastada võimalikke parandusmeetmed või identifitseerida lisakasusid. Kasutusel ei ole kasu realiseerimise hindamist, puudub õppimisprotsess möödunud kasu realiseerimistest.

Kõige kriitilisem avastus uuritavas organisatsioonis oli kasu ja selle realiseerimise vastutuse puudumine. Ettevõttel puudub motivatsioon jälgida kasu realiseerimist, mistõttu mitte ainult ei ole võimalik optimeerida realiseerimise eeldatavat mõju, vaid ei ole selge, kas üldse mingit kasu realiseeritakse. Inimesed ei tunne äriplaanide tegeliku realiseerimise eest vastutust. Samas, vastavalt magistritöö teoreetilise osa järeldustele,

on ettevõtte meelestatus kasu realiseerimise protsessi suhtes üheks peamiseks võtmeks edukaks kasu realiseerimiseks.

Käesoleva magistritöö autor tuli järeldusele, et kasu realiseerimise juhtimise protsess on selgelt midagi, mis peaks olema üks peamistest protsessidest igas organisatsioonis ja Statoil Fuel & Retail ei erine selles osas. Tuginedes teoreetilise ja praktilise uuringute ja analüüsi järeldustele, soovitab käesoleva magistritöö autor uuendada kasu realiseerimine raamistiku ettevõttes, tagamaks suuremat tähelepanu projektidest saadava tegeliku kasu realiseerimisele. Selleks, et seda ülesannet täita, peaksid peamised muutused olema järgmised:

- Rakendada esimesel võimalusel asjakohased tavad ja nõuded keskendumaks enam kasu tegelikule realiseerimisele. See hõlmab peamiselt nõudeid võtta projekti äriplaani koostamisel aluseks kasu realiseerimise plaan, tagada kasu saajate kaasatus kasu prognooside loomise juures ning rakendada süstemaatiline kasu realiseerimise monitoorimine.
- Uuendada ametlikku kasu realiseerimise juhtimise raamistikku, sealhulgas kasu realiseerimise protsessi, regulatsioone ja kommunikatsiooni.
- Vaadata üle kõik investeeringuid ja projekte puudutavad dokumentatsioonivormid ja tööriistad, et ajakohastada neid lähtuvalt kasu realiseerimise põhimõtetest.
- Rakendada protsess kasu realiseerimisest saadud kogemustest õppimiseks, et paremini mõista eduka ja ebaeduka kasu realiseerimise kriteeriume.

Kuid enne kasu realiseerimise juhtimise protsessi defineerimist ja rakendamist on vaja tegeleda ettevõtte meelestatusega seotud probleemidega seoses kasu realiseerimise prognoosimise ja vastutusega. Alles pärast seda kui juhtkond ja peamised sidusrühmad tunnistavad antud probleemi ja pühendavad aega ja ressursse sellega tegelemiseks, on võimalik kasu realiseerimise juhtimise protsessi täielikult rakendada ja kasutada. Kuigi analüüs tuvastas ettevõttes mitmeid probleeme seoses praeguste kasu realiseerimise protsessidega, on olukord ettevõttes juba muutumas ning magistritöö autor on veendunud, et kõigi tulevaste investeeringute ja projektide rahastamisega seoses tehtavad otsused võtavad arvesse ka tegeliku kasu realiseerimise põhimõtteid.

Lihtlitsents lõputöö reprodutseerimiseks ja lõputöö üldsusele kättesaadavaks tegemiseks

Mina, Andre Soomere
(sünnikuupäev: 25.03.1980)

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