A Structured Approach to Tracking and Realizing Shareholder Value
Too often, companies launch capital-intensive change programs—whether related to technology implementations, supply chain transformations, product innovations, or some other initiatives—and fail to capture the value originally targeted after the initial burst of attention and enthusiasm has faded.

A rigorous value realization methodology enables organizations to identify, measure and manage shareholder value in corporate initiatives—especially complex, long-term change efforts—to help ensure they deliver the benefits originally intended.

An organization can spend hundreds of thousands, millions, or even billions of dollars on globally integrated transformation programs. These programs take many shapes and advance a wide range of strategic initiatives. Some examples include the following:

- A multi-year overhaul of customer care and billing, including new technology platforms, a company reorganization, and global training.
- A global repair of supply chain management practices to boost product innovation and shorten time-to-market. Stakeholders are varied (including customers, suppliers, logistics partners and multiple internal departments) and the initiative also may include new technology deployments.
- The global launch of a new product, including local market research, global branding and marketing, and building out a sales infrastructure to support growth.

Implementations can range from less than a year to multiple years, and require participation and input from senior leadership, employees, suppliers, shareholders and the public. The goal of each, among other things, is long-term, sustainable value to the organization.

However, when embarking on these initiatives, companies face a critical challenge: ensuring that, beyond the first six to 12 months of dedicated attention, performance measurement and optimization; that the organization should continue to extract value from the initiative. Runners refer to this as a “second wind”—a sensation that overcomes a long-distance runner when they push through the feeling of fatigue and breathlessness in the early stages of a run, and feel a powerful surge of energy that helps them maintain a steady pace over a long period of time.
Organizations should put in place a methodology to help them hit that second wind after the initial burst of speed and enthusiasm characteristic of early-stage implementation. Our research from Accenture’s Institute for High Performance Business shows that most complex change programs fail to capture the highest possible levels of shareholder value over time. Consider, for example, large-scale IT initiatives: Only four percent of surveyed companies feel they achieve the full benefits of their IT transformation investments, and less than half reported attaining even a majority of targeted benefits (Figure 1).¹

Some organizations truly do not derive the promised benefits of an initiative; others are so involved in tracking short-term issues such as timelines and cost outlays, they do not track a program’s strategic benefits (and are unable to articulate whether the program achieved its objectives).

To find out whether an organization has the mindset and tools in place to proactively track shareholder value across the lifecycle of a complex change initiative, management should ask several key questions:

- Do project sponsors actively market shareholder value as a key way to drive stakeholder buy-in?
- Does this project promise to meet or exceed financial targets (e.g., ROI, NPV) over a long period of time? Is the organization set up to capture this information over time, particularly beyond the implementation phase?
- Will the organization be able to identify incremental opportunities before or after launch, and be flexible to leverage them?

In this paper, we offer tangible advice designed to help companies capture and maintain shareholder value across critical corporate initiatives regardless of size, scope or stakeholders involved.

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Figure 1. Accenture research—benefits realized in major IT implementations

| None of the targeted benefits realized | 2% |
| Small number of targeted benefits realized | 19% |
| About half of the targeted benefits realized | 38% |
| Majority of targeted benefits realized | 37% |
| All targeted benefits realized | 4% |

The Case for Shareholder Value in Complex Business Initiatives

The meaning of “shareholder value” has been argued by critics for a long time, most recently because some wonder whether it has become a proxy for short-term thinking. The term gets a bad rap because it is often linked to an over-focus on short-term share price rather than long-term value.

When we speak of building shareholder value, we combine the quantitative and qualitative benefits of a complex initiative that is designed to achieve a long-term, sustainable benefit (Figure 2). When deploying complex initiatives involving substantial change, organizations should be able to (a) track benefits over time, (b) adapt tactics based on macro-environmental and organizational pressures, and (c) maintain a steady pace toward a distant time horizon.

To identify shareholder value, executives should consider four main dimensions, the first of which is revenue enhancement: Does the project increase revenues, such as by retaining customers, attracting new customers, or boosting price?

The second dimension is cost containment, which is primarily concerned with operating costs (does the initiative lower operating costs, whether by increasing efficiency or offering greater operating flexibility?), risk control (does the project lower risk or increase the predictability of outcomes?), and time to market (does the undertaking reduce time-to-market or increase agility?).

Asset productivity, the third dimension, includes fixed capital reduction (does it decrease fixed capital costs, such as procurement costs?) and working capital reduction (does it reduce working capital outlay, such as reduced inventory?).

The fourth dimension involves less quantifiable or intangible benefits. For example, an investment may offer better access to skills and capabilities, increase innovation, differentiate an organization from competitors, or even support and fortify an organization’s culture.
All of these pressures should be actively managed over time, not just at the beginning stages of a project. High enthusiasm and short-term thinking (i.e., less than 18 months) in the ramp-up to a new initiative tends to obscure the problems that may surface after two or more years. Without some mechanism for monitoring and planning for course corrections, a project may be deemed as unsuccessful where there is still significant opportunity to extract value. Even worse, some projects may be deemed a success—based on on-time delivery or adhering to budget—while they fail to deliver on the promised, strategic value.

Instead, organizations should assume that a project will rarely—if ever—be defined perfectly in the early stages. Lifecycle pressures always exist, and so to capture promised benefits, management and project sponsors should explicitly monitor value.

Over the lifecycle of a large organizational initiative, external pressures erode the actual and perceived value of what is being delivered (Figure 3). For instance, organizational changes—such as shifts in key leadership, strategic direction or profitability—may shift attention away from the original goals of a given project, and there may be no method or will to make a needed course correction. Changes in the business climate also can affect value if leaders choose not to modify and optimize a project over time to account for macro-economic changes, fearing a loss of momentum. Delays in the implementation schedule can shift management’s focus away from value to concentrate on budget overruns, churning up even stronger headwinds, while cost overruns or mediocre project performance may dampen management’s commitment to the project. Finally, a company may encounter measurement challenges when they use performance metrics that are better suited to the implementation phase (i.e., task-oriented) than to managing project benefits over time.
A Methodology to Address the Shareholder Value Challenge

Organizations hoping to overcome the slow deflation of shareholder value need a formal and disciplined way to identify, assess and report the value an initiative is geared to deliver.

In identifying value, a company should explicitly pinpoint the set of shareholder values the initiative will support—such as reducing SG&A costs by 5 percent, increasing revenue by 1 percent, or improving average time to market by five days. To neutralize the pressure inflicted by “perceived value,” it should assess value over time by comparing actual and perceived value across quantitative inputs. Doing so would help the project avoid falling victim to poor alignment between internal stakeholders (i.e., those directly involved and “in the know”) and external stakeholders (i.e., organizational bystanders) by illuminating potential issues in a timely way and enabling the company to make changes where needed. And by continually reporting value—i.e., marketing to stakeholders how well the initiative is performing—the company helps maintain enthusiasm for and ongoing support of the project. Critical to reporting value is for management, at the early stages, to define how value will be communicated over time—through which channels and to which stakeholders.

In practice, such a value realization program unfolds over a series of four key steps, each of which comprises a set of critical activities (the tangible steps a company should take) that are designed to drive a specific set of outcomes. We highlight this process in Figure 4.

How does this methodology differ from other performance measurement programs? Most large-scale implementations programs include performance metrics related to timelines (for example, time to launch) and tracking cost overruns. Some also may measure buy-in. The shareholder value methodology is different in three material ways.

It measures long-term, strategic benefits over tactical wins. Too often program metrics focus on program-related, task-oriented successes rather than sustainable value drivers.

It uses metrics that will still be valid beyond the ramp-up and launch period. Instead of thinking, “Have we launched the project successfully?” we focus on “Has this project continually delivered or exceeded the value that we originally intended?”

And it addresses the perception gap: The success of an initiative is based in large part on how it is perceived among key stakeholders. The shareholder value methodology takes this into account, keeping track of stakeholder sentiments and signaling when enthusiasm or support appears to be waning. By continually reporting on a program, a team interacts with various stakeholders and has the ability to address their concerns and adapt accordingly if necessary.
Figure 4. Components of a value realization program

<table>
<thead>
<tr>
<th>Planning &amp; Mobilization</th>
<th>Define Value</th>
<th>Commit Value</th>
<th>Realize Value (ongoing)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Define the Value Realization (VR) approach for the business initiative, program and/or project</td>
<td>• Work with key stakeholders to define the value of the business initiative, program and/or projects</td>
<td>• Develop/update business cases (as required)</td>
<td>• Regularly track and document actual benefits</td>
</tr>
<tr>
<td>• Define VR reporting and governance process</td>
<td>• Map investment to project timelines</td>
<td>• Review business case with key stakeholders</td>
<td>• Update and publish VR scorecards per defined reporting process</td>
</tr>
<tr>
<td>• Review VR approach and reporting and governance processes with key stakeholders</td>
<td>• Map value levers to key metrics and project timelines</td>
<td>• Develop VR scorecards for reporting value</td>
<td>• Review VR scorecards with key stakeholders</td>
</tr>
<tr>
<td>• Establish VR team</td>
<td>• Select realistic and quantifiable metrics to track benefits</td>
<td>• Review project VR scorecard template with key stakeholders</td>
<td>• Create VR scorecards for any new projects by following the VR approach</td>
</tr>
<tr>
<td>• Review existing program/project business case (if it exists)</td>
<td>• Define success criteria for each metric</td>
<td>• Business case approved by key stakeholders</td>
<td>• Identify opportunities for creating additional stakeholder value</td>
</tr>
<tr>
<td>• Build or customize modelling tool (if needed)</td>
<td>• Review metrics &amp; success criteria with client stakeholders</td>
<td>• Value estimates approved by key stakeholders</td>
<td>• Clear, shared understanding of value delivered</td>
</tr>
<tr>
<td>• Collect metric data and quantity baseline</td>
<td>• Generate value estimates</td>
<td>• Customized modelling tool built (if needed)</td>
<td>• Scorecards created for new projects</td>
</tr>
<tr>
<td>• Generate value estimates</td>
<td>• Review value estimates with key stakeholders</td>
<td>• VR Scorecard approved by key stakeholders</td>
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<table>
<thead>
<tr>
<th><strong>Outcomes</strong></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>• VR approach approved by key stakeholders</td>
<td>• Metric baseline identified</td>
<td>• Business case approved by key stakeholders</td>
<td>• Clear, shared understanding of value delivered</td>
</tr>
<tr>
<td>• VR reporting and governance processes approved by key stakeholders</td>
<td>• Value estimates approved by key stakeholders</td>
<td>• VR Scorecard approved by key stakeholders</td>
<td>• Scorecards created for new projects</td>
</tr>
</tbody>
</table>
How Much Extra Effort Is Required?

For an executive chin-deep in project management minutiae, taking on another management dashboard may seem tedious. Consider the alternative: The typical default is to resolve short-term administrative issues rather than investing in the longer view. The project may begin as a sprint, signaling at first the appearance of success; but too often, we encounter organizations that become winded too quickly because they have not paced themselves for a long-distance run.

The critical problem we see is very simple: Losing track of what the project was intended to achieve. In the day-to-day focus on issues like timeline delays or cost overruns, many organizations lose sight of whether they are achieving long-term benefits. By defining and monitoring value drivers over a longer period of time, and ensuring there are mechanisms to optimize these drivers as conditions change, an organization is much more likely to achieve the full range of implementation benefits—and have the stamina to maintain shareholder value over time, even as conditions change.

Furthermore, most projects include opportunities to add significant incremental value along the way because as an organization embarks on a particular initiative, it learns and grows with it. To leverage these opportunities, management should be tracking the right metrics (i.e., not tactical metrics but strategic, value-building metrics) and be willing to optimize as the project unfolds and evolves. For larger programs or projects, we recommend a formal Value Creation Office (VCO)—a team put in place to monitor and drive shareholder value over time in relation to a single, complex implementation (see sidebar: Value Creation Office).

Organizations willing to consider a value realization program find the incremental effort and cost of tracking shareholder value is modest compared with the overall investment in implementation—and it pays dividends well beyond the investment of time. Rather than viewing the initiative as a big push in the ramp-up period, only to move on to another project, management should consider it as a long-distance run.

Figure 5. Timeline for capturing shareholder value

- **Point 1: Beginning of project**
  - Do all stakeholders have a “crystal clear” agreement on the project’s value?
  - Do we have a mutually defined success criteria and agreement on how we will measure it within the project?

- **Point 2: Several times during project**
  - Is target value being delivered according to plan? If no, how do we close the value gap?
  - Have the baseline and targets been consistently updated to consider any industry, market or other changes that would alter our assumptions and impact the value?

- **Point 3: At end of project**
  - Have we achieved the value we identified?
  - Is the value sustainable?

- **Point 4: 6 and 12 months post-project**
  - With the benefit of time, have we achieved the value we identified?
  - With the benefit of time, has the value achieved been sustainable?

Source: Accenture Methodology 2012
well-paced run. In fact, a shareholder value program is highly cyclical, requiring the team to revisit, monitor and optimize metrics long after the initial push to execute a new program (Figure 5).

Ultimately, the level of effort required to setup and monitor the value of an initiative varies based on several factors, including the scope of the initiative (does it comprise one project or six projects?), how often tracking and reporting is needed (daily, weekly, monthly?), and how many discrete data points should be monitored.
10 | A Structured Approach to Tracking and Realizing Shareholder Value
For larger, complex programs, it may be necessary to set up a formal Value Creation Office (VCO). To guide and monitor the benefits of a particularly large change management program or technology implementation, the organization assigns a formal team. While similar in concept to a program management office (PMO), a VCO functions very differently as noted below:

**Focuses on…**

<table>
<thead>
<tr>
<th>Program Management Office</th>
<th>Value Creation Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Status</td>
<td>• Value</td>
</tr>
<tr>
<td>• Administration/overhead</td>
<td>• Primary communication vehicle to all stakeholders</td>
</tr>
<tr>
<td>• Communication to a single &quot;owner&quot;</td>
<td>• Responsible for driving key decisions and resolving issues by aligning them to the greatest value</td>
</tr>
<tr>
<td>• Likely not involved in key decisions/issue resolution</td>
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</tbody>
</table>

To be truly effective, a VCO should adhere to specific best practices:

- **Maintain full transparency:** It should provide internal and external stakeholders with insights about the expected and actual value being delivered.
- **Be value-centric rather than task-centric:** It should maintain focus on the net present value of the initiative, rather than solely the cost.
- **Require formal, frequent sign-offs:** These drive stakeholder engagement and buy-in throughout the life of a program, and are particularly effective when a project requires participation from these individuals to deliver value.
- **Include project-level and team-level ROI analyses:** For larger projects, these analyses offer insights to management about success and areas to improve within a complex business initiative.

Source: Accenture “Defining the Value Creation Office” Presentation 2012
CASE STUDY

Identifying and Monitoring Value Drivers in a Multi-billion-dollar Implementation

A large telecommunications company provides a great illustration of how a value realization program works in practice and the benefits it can generate for an organization. This company embarked on a multi-year, multi-billion-dollar, globally integrated transformation program geared toward enhancing the organization’s customer care, billing, product innovation, marketing, IT and network capabilities.

Because the project was so large, scrutiny from shareholders and the media was very high. Management realized early that without a value realization program, such a complex endeavor could easily jump the rails, falling short of promised benefits or suffering from a perception of falling short given so many diverse and influential stakeholders.

Working with Accenture, the company attacked the challenge by first identifying the key stakeholders in the undertaking—both internal and external. The stakeholders included the company’s biggest clients, as well as the internal departments that would be most affected by the implementation.

Next, the organization explicitly defined value drivers. It developed a list of key performance indicators (KPIs) and their associated “levers” that drive revenue growth or cost reduction in each line of business. Then it mapped how the new functionality and capabilities from the implementation would likely affect those value levers and KPIs, and established a baseline for each.

Finally, the company defined a monitoring methodology. It created a VCO to help set monthly targets for each metric over three years and establish a working estimate for the overall value of the program (i.e., the expected quantitative benefit of the program over a period of time). The company also developed a scorecard for tracking and reporting results.

Because the company engaged in a very careful study of promised program value at the earliest stages of implementation, it was able to report results to the market on a regular basis, and do so quickly, accurately and consistently. This preparation boosted public and shareholder confidence in the undertaking. Furthermore, value estimates helped the team uncover additional opportunities for realizing value—opportunities that were not clear earlier in the process. The model is now used by the company for ad-hoc analysis and planning outside of the program.
Conclusion

For most global enterprises, the challenges of scaling resources, integrating new technologies, entering new global markets and optimizing global supply chains exact tremendous pressure on management decision making. Transformation initiatives—particularly those aimed at repairing or reinvigorating key drivers of growth or profitability—too often fatigue the team charged with implementation. During the planning stages, managers and stakeholders have a clear (yet untested) idea of what the initiative will deliver to support business strategy. The reality of implementation—from cost overruns to schedule delays and technology integration problems—pull attention away from long-term ambitions.

For this reason, it is critically important to not only articulate how an initiative will support shareholder value, but to put in place a methodology and structure that ensures the project tracks to this objective well beyond implementation has been completed.
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