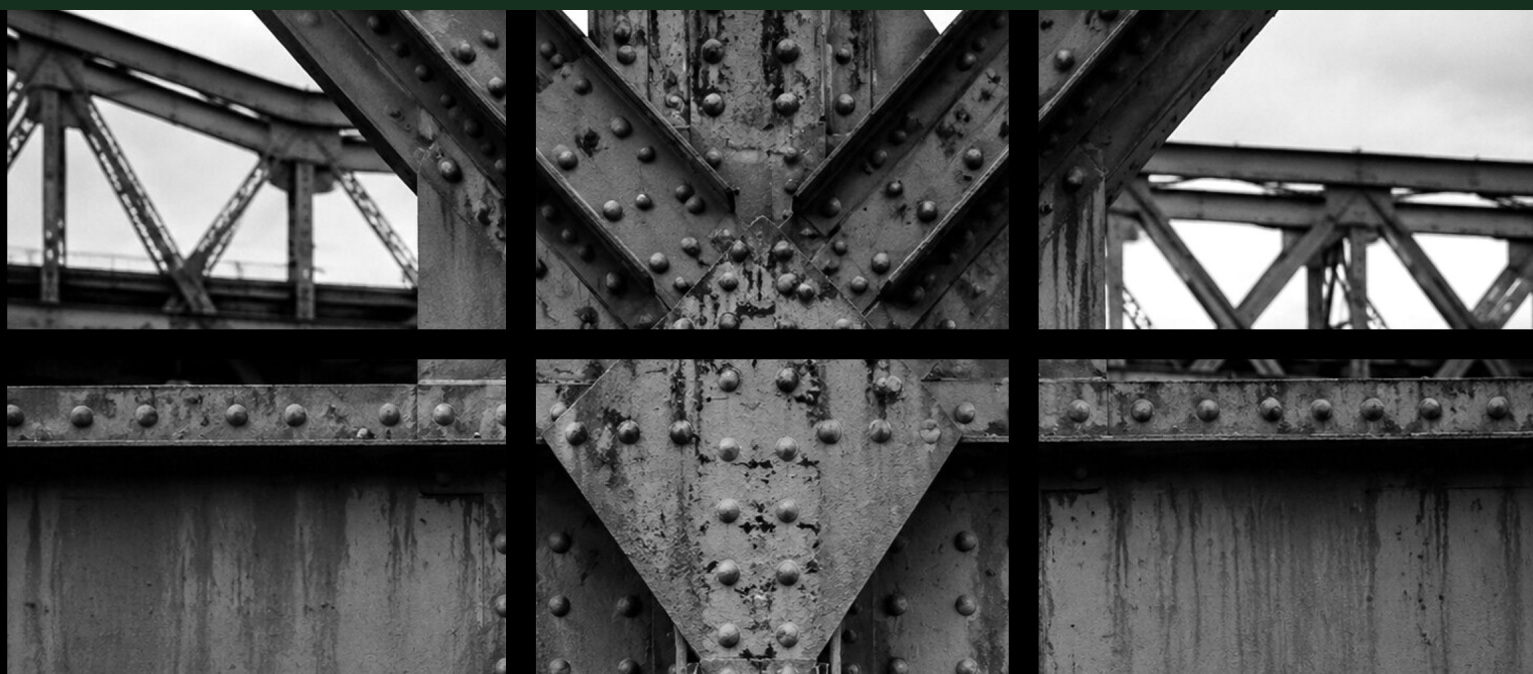


BEYOND THE SPREADSHEET

When Benefits Are Political — The Numbers That Get the Project Approved

A Practitioner's Perspective on How Investment Governance Incentivises Benefit Inflation



Giovanni Leonardi

January 2007

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Programme · No. 71

Originally written January 2007 | Re-edited and re-rendered for the WhereBeyond Edition, 2025

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1. Executive Summary

Benefit projections in programme business cases are rarely neutral estimates. They are political artefacts – shaped by the dynamics of capital competition, the incentive structures of sponsorship, and the governance rituals that organisations mistake for rigour. This essay examines the mechanisms by which benefit numbers become inflated, the institutional pressures that sustain this inflation, and the consequences for organisational decision-making. It argues that the problem is not dishonesty but system design: the rules of the investment game reward optimism and penalise caution, and until those rules change, benefit numbers will continue to serve as instruments of persuasion rather than tools of accountability.

2. The Investment Game

In most large organisations, programme funding is allocated through a competitive process. Business units, directorates, or functional areas put forward proposals for change – each accompanied by a business case that quantifies the expected costs and benefits. A governance body – an investment board, a portfolio committee, or an executive team – reviews these proposals and allocates the available capital.

The process is designed to be rational: proposals compete on merit, the strongest cases win, and capital flows to the initiatives that promise the greatest return. In practice, the dynamics are considerably more complex. Sponsors quickly learn that the proposals which secure funding are those that present the most compelling narrative of value. This creates a quiet but powerful incentive to optimise the business case not for accuracy but for persuasiveness.

The optimisation takes several familiar forms. Costs are phased to minimise the apparent upfront investment. Timelines are compressed to bring forward the point at which benefits begin to flow. And benefits themselves are stated in the most expansive terms the governance framework will tolerate – large enough to justify the investment, vague enough to resist precise measurement, and distributed across enough categories to create the impression of broad organisational impact.

None of this requires conscious dishonesty. It requires only a set of incentives that reward optimism and a governance process that lacks the mechanisms to challenge it effectively.

3. The Anatomy of Inflation

Benefit inflation operates through several distinct mechanisms, each of which is well established in practice and rarely confronted directly.

The first is double-counting. Large organisations typically run multiple programmes concurrently, and the operational improvements that any one programme can claim are often shared with — or dependent upon — the outputs of others. A new customer relationship management system claims improved sales conversion; a parallel process re-engineering programme claims the same improvement; and a third programme, focused on data quality, also attributes a portion of the gain to its own outputs. Each business case is constructed in isolation, and the portfolio function rarely has the visibility or the analytical capability to identify the overlaps.

The second mechanism is baseline manipulation. The value of a benefit is measured against a baseline — the current state before the programme intervenes. But baselines are not fixed. They can be defined at different points in time, measured using different methodologies, or scoped to include or exclude different elements. A programme that defines its baseline at a particularly poor moment in operational performance can claim a larger improvement than one that measures from a more representative period. The choice of baseline is rarely scrutinised with the rigour it deserves.

The third is category expansion. When the direct, measurable benefits of a programme are insufficient to justify its cost, the business case expands to include indirect and intangible benefits — improved staff engagement, enhanced organisational agility, better alignment with strategic priorities. These benefits are real in the sense that they describe genuinely desirable outcomes. They are problematic in the sense that they cannot be meaningfully measured, cannot be attributed to any single programme, and — crucially — cannot be disproved.

The most effective inflation is not the number that is fabricated but the number that is constructed from reasonable assumptions, each of which is individually defensible and collectively implausible.

The fourth mechanism is temporal displacement. Benefits that will take years to materialise are stated in the business case as though they are certain. The further into the future a benefit is projected, the less reliable the estimate — yet future benefits are routinely presented with the same apparent precision as near-term ones. A five-year net present value calculation that depends on benefit projections in years four and five is, in most cases, an exercise in speculative arithmetic presented in the language of financial analysis.

4. Why Governance Fails to Correct

The governance structures that surround investment decisions are, in principle, designed to prevent exactly this kind of inflation. Investment boards exist to challenge proposals, to test assumptions, and to ensure that capital is allocated to initiatives that will deliver genuine value. In practice, these structures are systematically unable to perform this function.

The first reason is information asymmetry. The programme sponsor and their team have spent weeks or months constructing the business case. They understand the assumptions, the dependencies, and the sensitivities in detail. The investment board reviews the proposal in a fraction of that time, typically alongside several other proposals competing for the same meeting slot. The board is structurally unable to match the sponsor's depth of knowledge, and the sponsor has no incentive to make the board's task easier.

The second reason is political context. Investment decisions are never purely analytical. They take place within a web of organisational relationships, strategic commitments, and political alliances. A proposal sponsored by a powerful executive, aligned with a declared strategic priority, or linked to an external regulatory requirement carries political weight that the governance process is ill-equipped to discount. Board members who challenge such proposals risk political cost without corresponding reward.

The third reason is the absence of feedback loops. In most organisations, investment boards approve programmes but do not systematically track whether the approved benefits materialise. Without this feedback, the board has no empirical basis for calibrating its scrutiny. It cannot say the last five programmes from this business unit over-claimed their benefits by an average of forty per cent because it has never collected the data. Each proposal is assessed in isolation, and the pattern of systematic over-claiming remains invisible.

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5. The Sponsor's Calculus

It is tempting to cast programme sponsors as the villains of this story, but the reality is more nuanced. Sponsors operate within a system that presents them with a straightforward calculation: the programme they believe in — the change they are convinced the organisation needs — will only be funded if the business case is sufficiently compelling. The governance process does not reward honest uncertainty. It rewards confident projection.

A sponsor who presents a business case with conservative benefit estimates, wide confidence intervals, and explicit acknowledgement of what cannot be measured is, in most investment environments, a sponsor whose programme does not get funded. The capital goes instead to the proposal with the larger numbers, the cleaner narrative, and the more confident projection — regardless of whether those numbers are more likely to be realised.

This is not a failure of individual integrity. It is a failure of system design. The investment process selects for optimism, and the sponsors who succeed within it are those who have learned — consciously or otherwise — to calibrate their projections to the expectations of the governance body rather than to the likely reality of post-implementation outcomes.

Over time, this creates a ratchet effect. As benefit projections inflate, the threshold for what constitutes a compelling case rises. Sponsors must project ever-larger benefits to

clear the bar, governance bodies become accustomed to ever-larger numbers, and the gap between projection and reality widens with each investment cycle.

6. The Role of the Finance Function

The finance function occupies an ambiguous position in this dynamic. In principle, it serves as the organisation's analytical conscience — the function best equipped to challenge assumptions, test sensitivities, and enforce disciplined estimation. In practice, finance teams are often marginalised in the business case development process.

There are several reasons for this. Finance is typically brought in late — after the narrative has been constructed and the key numbers have been established. The team is asked to review and validate rather than to co-author. The operational assumptions that underpin the benefit projections — we will reduce processing time by thirty per cent, customer retention will improve by five percentage points — are outside finance's domain expertise, and challenging them requires operational knowledge that the finance team does not possess.

More fundamentally, the finance function faces the same political pressures as the governance board. A finance director who consistently challenges the benefit projections of senior sponsors risks being seen as obstructive rather than rigorous. The organisational reward for enabling investment is typically greater than the reward for preventing bad investment, not least because the consequences of bad investment take years to become apparent while the consequences of blocked investment are immediate and visible.

Mechanism	How It Works	Why It Persists
Double-counting	Multiple programmes claim the same operational improvement	Portfolio-level benefit aggregation is rarely performed
Baseline manipulation	The starting point is chosen to maximise apparent improvement	Baseline methodology is not standardised or audited
Category expansion	Intangible and indirect benefits are added to close the gap	Governance frameworks accept qualitative benefits without measurement criteria
Temporal displacement	Distant future benefits are stated with near-term precision	NPV calculations obscure the uncertainty of long-horizon projections

7. The Consequences of Systematic Inflation

The consequences of persistent benefit inflation extend well beyond the individual programme. At the portfolio level, an organisation that consistently over-estimates benefits is an organisation that systematically over-invests in transformation and under-invests in other priorities. The capital that flows to programmes with inflated benefit projections is capital that does not flow to operational improvement, capability building, or the maintenance of existing systems and infrastructure.

At the institutional level, systematic inflation erodes the credibility of the transformation function. When programme after programme fails to deliver its projected benefits — and when this failure is neither measured nor acknowledged — a quiet cynicism takes hold. Operational leaders, who are expected to realise the benefits that programmes have promised on their behalf, learn to discount the business case as a governance fiction. The investment process continues to function, but it functions as a ritual rather than as a genuine mechanism for value-based decision-making.

Perhaps most damagingly, benefit inflation undermines the organisation's capacity for learning. If projections are never tested against outcomes, the organisation cannot distinguish between programmes that delivered genuine value and programmes that did not. It cannot identify which types of benefit are consistently over-estimated, which estimation methodologies are most reliable, or which categories of programme represent good investments. The feedback loop that would enable continuous improvement in investment decision-making simply does not exist.

8. What an Honest System Would Require

An investment governance system that genuinely resisted benefit inflation would need to be designed around several principles that most organisations have not yet embraced.

It would require mandatory post-implementation review — not as an optional exercise conducted by the programme team itself, but as an independent assessment, conducted at a defined interval after programme closure, against the specific projections made in the original business case. The results would need to be reported to the same governance body that approved the original investment.

It would require portfolio-level benefit reconciliation — a discipline of aggregating benefit claims across all active programmes and testing them for overlaps, double-counts, and mutual dependencies. This is analytically demanding but not conceptually difficult; what it requires above all is the organisational will to make visible a problem that the current system is designed to obscure.

It would require honest treatment of uncertainty — business cases that present benefit projections as ranges rather than point estimates, that distinguish between benefits that can be measured and those that cannot, and that are explicit about the assumptions on which projections depend. Governance bodies would need to be comfortable with ambiguity and resist the false confidence that precise-looking numbers provide.

The solution to political benefits is not better spreadsheets. It is a governance system that values accuracy over advocacy, and that is willing to fund programmes whose honest projections are less impressive than their competitors' optimistic ones.

And it would require a fundamental shift in the incentive structure of sponsorship. So long as sponsors are rewarded for securing funding and not held accountable for delivering benefits, the system will continue to select for optimism. Accountability for benefit realisation — real accountability, embedded in performance frameworks and visible at the executive level — is the single most powerful lever available, and the one that organisations have been most reluctant to pull.

9. The Practitioner's Responsibility

For the programme practitioner — the person who constructs the business case, who presents the numbers, who knows which assumptions are robust and which are hopeful — the politics of benefits present a daily ethical negotiation. The system does not reward candour, and the individual cost of challenging the prevailing culture of optimism can be significant.

And yet the practitioner who participates uncritically in benefit inflation is participating in a process that degrades the quality of organisational decision-making. Every inflated projection that goes unchallenged makes the next one easier. Every business case that is approved on the strength of numbers that will never be tested reinforces the fiction that the investment process is working.

The practitioner's responsibility is not to refuse to play the game — that is rarely a viable option — but to be clear-eyed about what the game is, to push for the structural reforms that would change its rules, and to maintain, in their own work, a standard of estimation that they can defend not only to the investment board but to themselves.

This is difficult, often thankless work. But it is the work on which the credibility of the profession ultimately depends. An investment process that is known to produce unreliable numbers is an investment process that has lost its purpose — and a profession that tolerates this has lost something more important still.