

# Business Case

## The Dilbert Rule....





# Discussion Points...

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- Why a Business Case?
- Tips for Building a Business Case
- Challenges
- Lessons Learned



# What is a Business Case?

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**...Basis upon which senior management decides whether to invest corporate resources**

- A shared vision – an articulation of goals
  - Why do this? (survival, legal, strategic, financial)
- Increases probability of success
  - Signoff from management stakeholders
  - Quantifies benefits from
    - Process changes
    - Tangible / Intangible assets
  - Analyzes organization effects
  - Identifies benefits, risks and costs
  - Develops a plan to manage change
  - Ties metrics to benefits for reporting after deployment



# Why a Business Case?

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- Projects receiving more scrutiny
- PM responsibilities are increasing
- Increased emphasis on metrics
- Requirement for explicit and consistent expectations
- Need to document benefits of intangible assets
  - *More than 25% of the value of enterprises is now based on intangible assets, such as brand image and market share*



# Elements of a Business Case

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## **Executive Summary**

- Project Background
- Scope/Approach
- Analysis (high level costs and benefits)

## ■ **Primary Recommendations**

- How will improvements derive value?

## ■ **Benefits**

## ■ **Costs**

- Including Resource Requirements, Process changes, Technology

## ■ **Financial Analysis** (Time Horizon)

- Intangible and Tangible Benefits
- Intangible and Tangible Costs
- Profitability Analysis

## ■ **High Level Implementation Plan** (Major Milestones)

## ■ **Risks** (financial, operational, cultural, market)

## ■ **Other Alternatives** including doing nothing

## ■ **Next Steps**

## ■ **Appendices** (including Assumptions, Dependencies)



# Plan the Business Case

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- Is focus financial, operational or hybrid?
- Does vendor or customer produce the business case (directive or coaching role)?
- What financial measures should be used?
  - ROI, NPV, Payback, IRR
- Is it based on quantitative or qualitative justifications?
- Who are the stakeholders?



# Challenges

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- Soft benefits not easily measured
- PMs often get involved after the fact
- Fear of measuring the intangibles
- Revenue based benefits often overstated
  - Difficult to tie hard benefits back to delivered function
  - Many contributors to revenue attainment
  - Cost savings are often binary
    - E.g. Sunset apps never come back



# Lessons Learned

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- Reference skills needed to implement project
- Document specific mgt. decisions that are requested, not just project approvals.
- Compile samples of business cases that were approved and rejected.
  - Different samples based on project complexity
- Identify additional infrastructure costs for lifecycle/steady state.
- Assess soft benefits as valid results
  - Intangibles are a large part of the business worth



# Lessons Learned

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- Know your audience.
  - Hide the technical details.
  - Develop a compelling story to sell your message.
- Relate project with business strategy
- Contain benefits to time horizon
- Identify how benefits will be enforced to build confidence in the case.
  - Metrics and controls
  - Executive ownership and review
  - Operational plans



# Business Case Checklist

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- What is Opportunity / Problem You Are Trying to Solve?
- What is the Desired Result You Are Looking For?
- What is the Nature of the Improvement?
- What Must be Invested to Get the Desired Result?
  - Upfront, operational, fixed
- What are the New In Production Operational Costs?
- What are the Spending Reduction or Revenue / Profit Improvements?
- What are the Qualitative Benefits
  - i.e., Customer Sat, Strategic Value, Cycle Time, etc.
- Are there Concerns or Risk?
- What is the Exit Strategy if an Project is Not Returning Benefit?



# Questions

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- When would you not need a business case?
- List of intangible assets?



# Deliverables

## Making a Project Business Case

Govt. of Tasmania Business Case Template

<[www.projectmanagement.tas.gov.au/pm\\_templates/pm002\\_menu.htm](http://www.projectmanagement.tas.gov.au/pm_templates/pm002_menu.htm)>

Treasury Board of Canada: Business Case Guidelines

<[www.cio-dpi.gc.ca/emf-cag/business/business\\_e.asp](http://www.cio-dpi.gc.ca/emf-cag/business/business_e.asp)>

Association for Project Management Body of Knowledge

<[www.apm.org.uk/pub/bok.htm](http://www.apm.org.uk/pub/bok.htm)>

See Section 4 for Business Case information

Western Australia Government: Dept. of Commerce & Trade: Office of Information & Communications Business Case Guidelines

<[www.ecommercecentre.online.wa.gov.au/download/BusGuide.pdf](http://www.ecommercecentre.online.wa.gov.au/download/BusGuide.pdf)>

Government of Alberta, Canada: Office of the CIO Business Case Tools

<[www3.gov.ab.ca/cio/costbenefit/tools.htm](http://www3.gov.ab.ca/cio/costbenefit/tools.htm)>

North Carolina, United States: Electronic Commerce Working Group Business Case Methodology

<[irmc.state.nc.us/ecwg/keydocs/bizcase.pdf](http://irmc.state.nc.us/ecwg/keydocs/bizcase.pdf)>