The Case for the Business Case

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Questions

- What problem are we solving or what opportunity are we exploiting with the proposed project?

- Does the project align with our current strategic thrust?

- How will we implement?

- For whom?

- Who else has a stake in the project?

- What is the expected outcome?

- What benefits will we derive?

- Are there competing projects?

- Is this a priority project?

- What are the risks of pursuing or not pursuing the project?

No Business Case?

- Problems that can arise if a project is undertaken without a business case:-

    – Resource wastage on wrong projects or projects with low returns.

    – The organization has no clear basis to prioritise projects.

    – Stakeholders are disappointed as expectations may not be realistic and therefore are not met.

    – Subsequent plans and activities are misinformed.

The Case for the Business Case #1

- 'The classical definition of project success centers on achieving results on time, on budget, and producing the agreed deliverables: the triple constraints of time, cost, and scope.

- Yet, over the past decade there has been a growing recognition that creating the requested deliverables does not ensure "success."

- An increased emphasis on results has brought businesses—and non-commercial organizations—to focus on the **"value"** projects bring to the organizations that commission them.'

  Herman, B. & Siegelaub, J. M. (2009). *'Is this really worth the effort? The need for a business case'*.

The Case for the Business Case [2]

- 'Poor decision-making has been at the root of more than one failed project. And as companies strive to more closely **link projects with strategy**, business cases can provide the information and analysis that organizations need to make the right call on whether to go ahead—or not.

- Business cases aren't just an exercise, but a **decision-making tool.**'

  Jedd, M. (2006). '*On the case*'. PM Network, 20(11), 56–61.

What then is a Business Case? - APM

- The business case provides **justification** for undertaking a project or program.

- It evaluates the **benefit, cost and risk** of alternative options and provides a rationale for the preferred solution.

  www.apm.org.uk

What then is a Business Case? – Method 123

- A Business Case **justifies** the start-up of a project. It includes a description of the business problem or opportunity, the costs and benefits of each alternative solution, and the recommended solution **for approval**.

- The Business Case is **referred to frequently** during the project, to determine whether it is currently on track

- And at the end of the project, success is measured against the ability to meet the objectives defined in the Business Case.

- **So the completion of a Business Case is critical to the success of the project.**

  www.method123.com

What is a Business Case? - PMI

- The project business case is a documented **economic feasibility study** used to establish the validity of the **benefits** of a selected **component lacking sufficient definition** and that is used as a basis for the **authorisation of further project management activities.**

- Used throughout the project life cycle - iterative.

- **May result in go/no-go decision.**
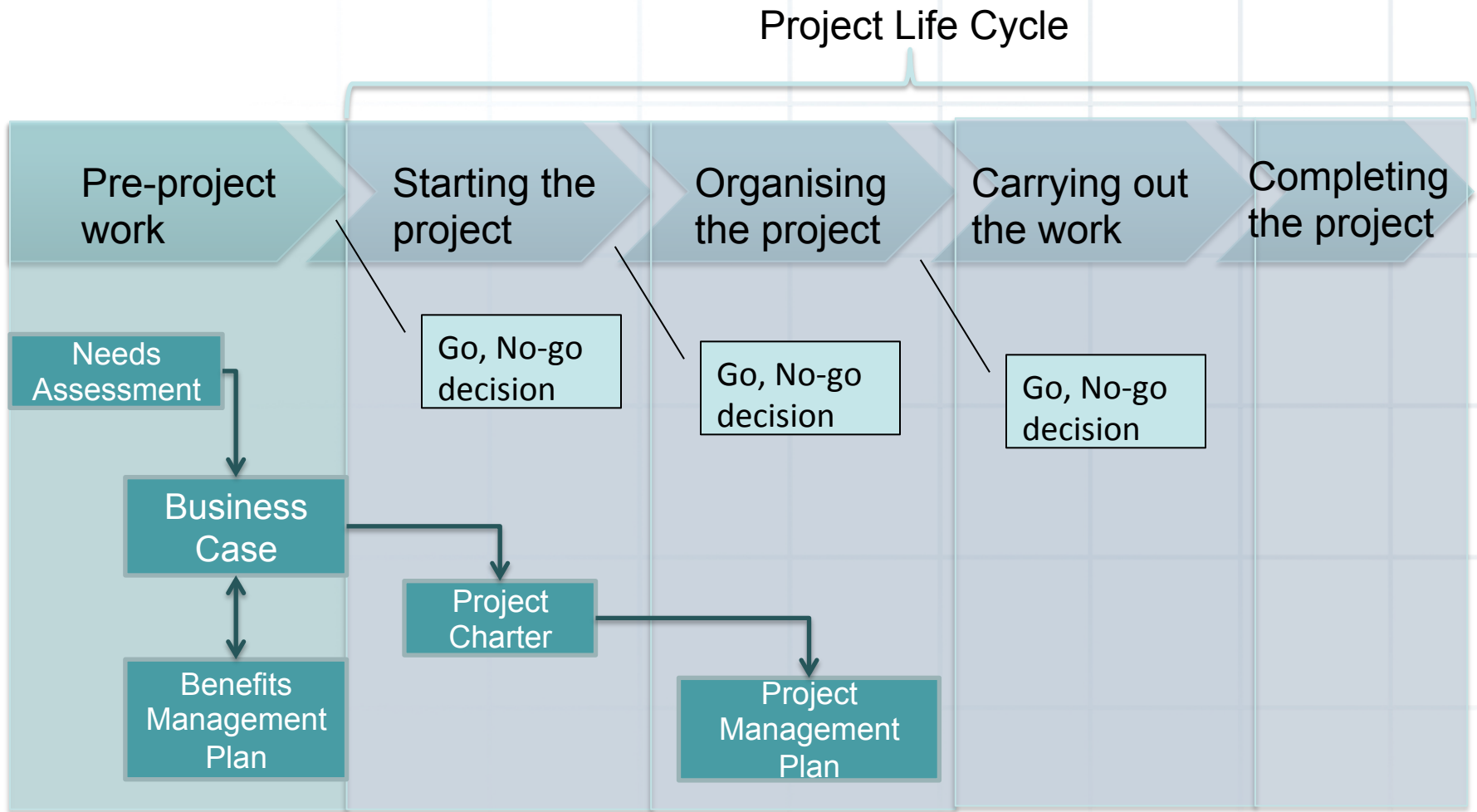
   PMBOK 6th Edition

Triggers of a Business Case - examples

- **Market demand** – installation of solar power due to power cuts

- **Organisational need** – disaster recovery

- **Customer request** – service enhancements

- **Technological advance** – digital transformation

- **Legal requirement** – compliance to new legal requirements e.g. city bylaws.

- **Ecological impact** – reduction of toxic waste

- **Social need** – NGO building solar boreholes in rural areas.

  (see PMBOK 6th Edition)

Who is responsible for the business case in the organization

- Senior Management accountability - Sponsor/Product owner

- Project Manager is responsible for project documents alignment – business case, charter, benefits management plan, project management plan.

- Actioned by Enterprise Business Analyst or any other role tasked with requirements elicitation and needs assessment in the organization

- All stakeholders consulted

Critical Business/Project Documents

Project Life Cycle

| Pre-project work | Starting the project | Organising the project | Carrying out the work | Completing the project |

Needs Assessment → **Business Case** ↔ **Benefits Management Plan**

Go, No-go decision

Go, No-go decision

Go, No-go decision

Project Charter

Project Management Plan

Needs Assessment

Identify business problem or opportunity

Assess current state

Determine future state

Determine viable options and make recommendations

Assemble business case

Support Project Charter development

PMI Guide to Business Analysis – PMI ©2017

Benefits Management Process

Benefits Identification

Benefits Analysis and Planning

Benefits Delivery

Benefits Transition

Benefits Sustainment

Components of a Business Case: example

Executive summary

Business Problem

Available Options

Option evaluation using Cost-benefit analysis

- *Benefits*
- *Costs*
- *Feasibility*
- *Risks*
- *Issues*
- *Assumptions*

Recommendations

Implementation plan.

Example from Method 123

Executive Summary

- Summarize each of the sections in the Business Case concisely by outlining the:
    - Problem or opportunity
    - Solution alternatives
    - Recommended Solution
    - Implementation Approach.

Business Problem [1]

- **Environmental Analysis**

- Outline the core aspects of the business environment which have derived the need for this project to take place. Tools may include:

  - SWOT

  - PESTLE

  - Potters 5 Forces

  - VMOST

- Provide any facts or evidence to support the conclusions drawn above.

Business Problem [2]

Problem Analysis

- Outline the fundamental **business problem** or **opportunity** which the resulting project will directly address.

Business Problem

- Provide a summary of the core business problem, including:
  - A generic description of the core issue to hand
  - The reasons why the problem exists
  - The elements which create it (e.g. human, process, technology)
  - The impact it is having on the business (e.g. financial, cultural, operational)
  - The timeframes within which it must be resolved.

Business Problem [3]

Business Opportunity

- Outline the **business opportunity** which has been identified, including:
  - A summary of the generic opportunity
  - Any supporting evidence to prove that the opportunity is real
  - A timeframe within which the opportunity will likely exist
  - The positive impact that realisation of the opportunity will have on the business.

Available Options

- Provide a full listing of all solution options, their benefits, costs, feasibility, risks and issues.

- Options suggested may include
  - *doing nothing,*
  - *doing something that will achieve a similar result,* or
  - *doing something that will achieve a better result* than current performance.

- Try to minimize the number of options available by conducting a detailed **Feasibility Study** beforehand.

Option Evaluation

- Provide the following information for each option:-

- **Option – *[Option Name]***
  - *Description*
  - *Benefits*
  - *Costs*
  - *Feasibility*
  - *Risks*
  - *Issues*
  - *Assumptions*

Option 1 – *[Option Name]*

Description

- Provide a summarised description of the option identified.

- This will include the general approach to be taken and a summary of the core elements of the solution (e.g. people, process, organization, technology).

Benefits Table

Category	Benefit	Value
Financial	• New revenue generated • Reduction in costs • Increased profit margin	*$ x* *$ x* *$ x*
Operational	• Improved operational efficiency • Reduction in product time to market • Enhanced quality of product / service	*x %* *x hrs* *x %*
Market	• Increased market awareness • Greater market share • Additional competitive advantage	*x %* *x %* *Describe*
Customer	• Improved customer satisfaction • Increased customer retention • Greater customer loyalty	*x %* *x %* *Describe*
Staff	• Increased staff satisfaction • Improved organizational culture • Longer staff retention	*x %* *Describe* *x %*

Costs Table

Category	Cost	Value	Budgeted
People	• Salaries of project staff • Contractors / outsourced parties • Training courses	*$ x* *$ x* *$ x*	*YES* *NO* *YES*
Physical	• Building premises for project team • Equipment and materials • Tools (computers, phones…)	*$ x* *$ x* *$ x*	*NO* *NO* *NO*
Marketing	• Advertising / branding • Promotional materials • PR and communications	*$ x* *$ x* *$ x*	*YES* *NO* *NO*
Organizational	• Operational down-time • Short-term loss in productivity • Cultural change	*$ x* *$ x* *Describe*	*NO* *NO* *NO*

Feasibility Table

Component	Rating (1-10)	Method Used to Determine Feasibility
New Technology	5	A technology Prototype was created to assess the solution
New People	8	A survey was completed to identify skill-set availability
New Processes	3	Processes within similar organizations were reviewed
New Assets	9	Physical assets were inspected

Risk Table

Description	Likelihood	Impact	Mitigating Actions
Inability to recruit skilled resource	Low	Very High	Outsource project to a company with proven industry experience and appropriately skilled staff
Technology solution is unable to deliver required results	Medium	High	Complete a pilot project to prove the technology solution will deliver the required results
Additional capital expenditure may be required in addition to that approved	Medium	Medium	Maintain strict cost management processes during the project

Issues Table

Description	Priority	Resolution Actions
Required capital expenditure funds have not been budgeted	High	Request funding approval as part of this proposal
Required computer software is only at 'beta' phase and has not yet been released live	Medium	Design solution based on current software version and adapt changes to solution once the final version of the software has been released
Regulatory approval must be sought to implement the final solution	Low	Initiate the Regulatory approval process early so that it does not delay the final roll-out process.

Option 1 - Assumptions

- List the major assumptions associated with the adoption of this option. Examples include:
  - There will be no legislative, business strategy or policy changes during this project
  - Prices of raw materials will not increase during the course of this project
  - Additional human resource will be available from the business to support this project.
  - The cost of electric power will not increase during the course of the project.
  - Anticipated fuel increases

Options Ranking Table

Criteria	Option 1	Option 2	Option 3
Benefits • Increased revenue • Reduced expenditure • Improved efficiency • Enhanced quality • Other	*[1-10 Rating]*	*[1-10 Rating]*	*[1-10 Rating]*
Costs • People • Physical • Marketing • Organizational • Other			
Feasibility • Technology components • People components • Process components • Asset components • Other			
Risks • Resourcing • Technology • Organizational • Other			
Total Score			

Option Recommended

- Based primarily on the highest Total Score achieved above in the Option Ranking Table, list the 'Recommended Option' for Business Case approval.

- Summarize the primary reasons why this option was chosen over the other options previously identified.

Implementation Approach

- Provide an **overview** of the general approach undertaken to deliver the preferred solution option and derive the resultant business benefits.
  - Project Initiation
  - Project Planning
  - Project Execution
  - Project Closure.
  - Project Management

Project Management

- Describe **in brief** how the following aspects of the project will be managed:
    - Scope Management
    - Schedule Management
    - Cost Management
    - Quality Management
    - Change Management
    - Risk Management
    - Issue Management
    - Procurement Management
    - Communications Management
    - Acceptance Management.
    - Other artifacts as appropriate for the business case.

Supporting Documentation

- Attach any documentation you believe is relevant to the Business Case. For example:
  – Problem / Opportunity research materials
  – Feasibility Study research materials
  – External quotes or tenders
  – Detailed cost / benefit spreadsheets
  – System requirements (if known)
  – Other relevant information or correspondence.

The Case for the Business Case Summary [1]

- The Business Case is a critical document in the pre-initiation phase of every project.

- The project sponsor is accountable for putting forward the project business case and obtaining authorisation i.e. go/no-go decision.

- Project Manager is responsible for project documents alignment

- Enterprise Business Analyst assists with requirements elicitation and needs assessment.

The Case for the Business Case Summary 2

- The approved business case is a key input to the project charter, the project management plan and implementatioin thereof.

- The business case helps to track the delivery of 'value' in project implementaion.

- Business Case compilation and presentation is a business competency that every project manager is advised to acquire.

The End

- Questions and discussion