

Developing a Business Case

Figures don't lie but liars figure.

Attributed to Mark Twain and others



The business case document is a formal, written argument intended to convince a decision maker to approve a project or a program. A well-crafted business case is ‘business oriented’, and explores all feasible approaches to a given problem to enable the business owners or decision makers to select the option that best serves the organisation; it is typically created as a result of one or more of the following:

- Market demand or trading opportunity,
- Organizational need,
- Customer request,
- Technological advance,
- Legal requirement,
- Ecological or environmental impacts (eg, carbon footprint reduction), or
- Social need.

A well structured Business Case describes the business problem / opportunity to be addressed by the proposed project (or program), the motivations driving the project, and the alternative solutions available. The potential costs and benefits associated with each alternative solution are also defined to the extent they are known. It provides an economic feasibility study for an option (or options with recommendations) that can be used as a basis for selection, and if selected the authorisation of further activity.

When approved, the Business Case becomes the foundation for the project (or programme) as it fully documents the reasons for creating the project (the needs or requirements¹), the key benefits to be delivered and the associated risks, assumptions and constraints. Once produced, the Business Case should be formally endorsed by the Project Sponsor, before the project is Chartered² and funding allocated.

Successful Project Managers need to do more than ‘deliver projects on time and under budget’. They also need to contribute to the delivery of outcomes that will help achieve the business benefits expected by the customer³. Only business managers can actually manage the business to realise the value/benefits but the PM can help by making sure the project delivers the right outputs in the right way. In many cases this is defined in the business case and a project may be scoped to develop or refine the business case before starting development work.

The Purpose of a Business Case

The purpose of a Business Case is to justify the expenditure on the project by identifying the business benefits the projects outcomes are going to deliver. To create a Business Case you should:

¹ For more on **requirements** see: https://www.mosaicprojects.com.au/WhitePapers/WP1071_Requirements.pdf

² See WP 1019 Defining the **Project Charter**. https://www.mosaicprojects.com.au/WhitePapers/WP1019_Charter.pdf

³ For more on **goals and objectives** see: https://www.mosaicprojects.com.au/WhitePapers/WP1042_Outputs_Outcomes_Benefits.pdf

- **Identify the Business Problem or opportunity.** The Business Case should describe what the ‘need⁴’ is, how it’s come about and the time frames in which it needs to be addressed. The first question you need to answer when it comes to creating a business case for your project is who is behind this project and what are their motives for wanting the work done - these may include all sorts of intangible factors such as prestige, knowledge acquisition and/or risk mitigation. You need to have a clear understanding of why this project is being undertaken and who will be receiving value (both tangible and intangible) from the completion and implementation of the project. This knowledge is critical to understand the purpose of the project and the time frames for delivery.
- **Define how the project supports the Organisation’s Strategic Objectives.** Every organisation should have a strategic plan that defines the current set of strategic objectives⁵. Examples of these may be that the company wants to move into a new market, release a new product, or introduce new and ground-breaking technology. It’s much easier to justify the existence of a project if you can show how this project helps achieve one or more of those strategic objectives (in fact, if the project does not support the organisation’s strategy what is the point of doing the work?).
- **Identify the Alternative Solutions.** This can be done by:
 - Identifying how similar projects were done in the past
 - Documenting the alternative solutions⁶.
 - Quantifying the benefits of implementing each solution Forecasting the costs of implementing each solution
 - Assessing the feasibility of implementing each solution⁷
 - Identifying the risks and issues associated with each solution
- **Recommend a Preferred Solution.** First ensure the solutions are feasible, reject any that are not. Then rank the remaining solutions by the application of an appropriate scoring model - lowest cost is rarely the only factor to consider. Document the process in the Business Case.
- **Calculate the Return on Investment (ROI) for the preferred option.** The ROI this project will generate is a critically important part of establishing a business case. With the exception of regulatory / mandated projects, there should be a positive return on the investment. Defining ROI can take on a number of different forms. It may be dollars that are invested, manpower, or even opportunity costs that are incurred because of not working on some other project. Where possible, include references to previous similar projects and their overall performance, this validates the business case and provides confidence the proposal is viable.
- **Describe the Implementation Approach.** Document the steps needed to implement the solution for the client⁸.
- **Obtain Agreement from the Project Sponsors, PMO or other authority.** Obtain consensus on the decision to move forward, as well as on the methods used and the conclusions specified in the analysis.

⁴ The **need** (opportunity, requirements, gap, etc.) may be identified in a separate ‘needs analysis’ undertaken prior to the development of the business case or the ‘needs analysis’ may form part of the work undertaken to develop the business case.

⁵ For more on **strategic alignment** see: https://www.mosaicprojects.com.au/WhitePapers/WP1006_Strategic_Alignment.pdf

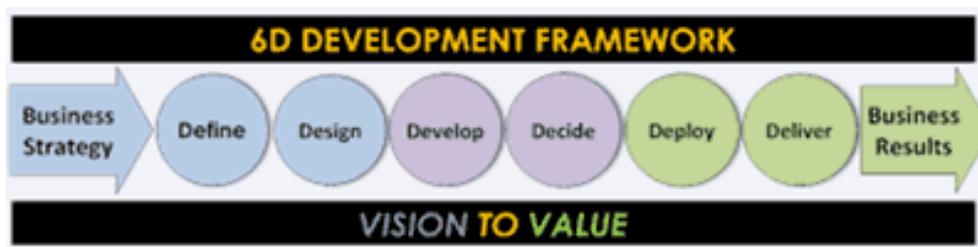
⁶ For more on **data gathering and brainstorming** see: https://www.mosaicprojects.com.au/WhitePapers/WP1068_Data_Gathering.pdf

⁷ See WP1027 **Feasibility Studies**: https://www.mosaicprojects.com.au/WhitePapers/WP1027_Feasibility_Studies.pdf

⁸ For more on setting the **project strategy** see: https://www.mosaicprojects.com.au/WhitePapers/WP1038_Strategy.pdf



The 6D Framework

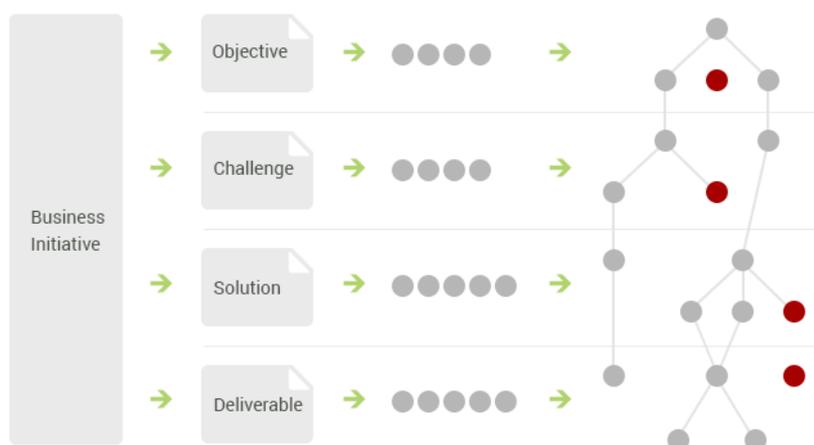


The 6D approach to organisational transformation has been around for some time. Within the 6D model, the first three elements of the model refer to the business case development, the ‘Decide’ step is portfolio selection⁹ and the ‘deploy and deliver’¹⁰ are project management and change management functions. Business case assumptions are by definition statements about future events or conditions that involve some degree of uncertainty. Only when the author communicates clearly the case definition, case design elements and the basis of important case assumptions, can everyone else see for themselves exactly where the results come from, and as a consequence make informed investment decisions. It is only with this kind of transparency can everyone besides the author judge for themselves whether results are objective or biased¹¹.

Define the Business Case: The business case is not defined until the business objectives addressed by the proposed project are described. The benefits should be measured as progress towards the business objectives the project is intended to support.

Design the Business Case: The design phase sets rules for including or excluding specific costs and benefits in the ‘case’, and for measuring and valuing them. The case scope and boundaries, case cost model, and case benefits rationale are central design elements for expressing these rules.

Develop the Business Case: Business case assumptions are by definition statements about future events or conditions that come with some degree of uncertainty. The business case results depend on many kinds of assumptions made during the develop phase, including the author’s assumptions about such things as prices, labour time requirements, competitor’s actions, and market trends.



Source: Value Miner

⁹ For more on **portfolio selection** see: https://www.mosaicprojects.com.au/WhitePapers/WP1017_Portfolios.pdf

¹⁰ For more on **organisational change management** see: https://www.mosaicprojects.com.au/WhitePapers/WP1078_Change_Management.pdf

¹¹ For more on **bias** see: https://www.mosaicprojects.com.au/WhitePapers/WP1069_Bias.pdf

The business case should capture expectations, reduce uncertainty and provide transparency of the complete scope¹². A simple narrative (column 2 above) contains a number of specific items in each section of the document (column 3). These should logically map through from the objective to the deliverables, the red dots in column 4 show where requirements or concepts that need removing, clarifying or connecting, to produce a logical business case with minimum ambiguity. This is a similar process to requirements traceability¹³ focused on ensuring the 'case' for the project is reliably and realistic.

Elements of a Business Case

Depending on the degree of knowledge available at the time of preparation, a business case may contain the following:

- The business objectives and reasons for the project or program, based on defining the present problem or improvement opportunity; and, eliciting and prioritising the requirements of key stakeholders and subject matter experts
- Background information, including the 'current state' of the business and the desired 'future state', including:
 - Identification of the organisation's drivers and where improvement is required,
 - Identification of the organisation's stakeholders and how they are affected
- Documenting how the project, program, or initiative will add value to the organization, including:
 - Identification and classification of the expected benefits of the project, including significant non-financial impacts, and how these will be measured,
 - Identification and classification of the expected disbenefits of the project, including significant non-financial impacts, and how these will be measured,
 - Planning for benefits realisation¹⁴, including identifying the specific 'benefit owners' responsible for realising the value. The 'benefits management plan' may be part of the business case or it may be developed as a separate document¹⁵
- Assessment metrics such as:
 - Financial ratios, IIR, ROI, NPV, BCR, etc.
 - Effects on organisational cash flows over time
 - Total cost of ownership (TCO) / lifecycle costing
 - Opportunity costs
 - Payback period

¹² *Value Miner* is one tool that helps with visualising and ensuring logical consistency in the business case:
<https://www.valueminor.eu>

¹³ For more on **requirements traceability** see:
https://www.mosaicprojects.com.au/WhitePapers/WP1029_Requirements_Traceability_Matrix.pdf

¹⁴ Creating, or preserving, value through the **realisation of benefits** is the primary reason for approving an investment in a project or program, see: https://www.mosaicprojects.com.au/WhitePapers/WP1023_Benefits_and_Value.pdf

¹⁵ A **benefits management plan** should include for each of the benefits identified in the business case:

- A concise description of the benefit (for both tangible and intangible benefits)
- How the benefit contributes to the organisations strategy (strategic alignment)
- The benefit owner responsible for realising the intended benefit (after the project is complete)
- Metrics to measure the realisation of the benefit, including the timeframe for realisation
- Risks, assumptions and constraints that may affect the organisations ability to achieve the intended benefit.

- A summary of the project, including:
 - An assessment of the alternative solutions that were considered
 - The costs -v- the benefits of the proposed initiative
 - The project's budget and cash flow
 - The required timescale of the project
 - An analysis of the risks to completing 100% of the project's goals, and any proposed mitigation
 - The quality criteria for the project's product
 - The key people that are involved in the proposed project and the skills needed to implement the proposed change
- Validation of the data and the assumptions that the projected improvements are based upon, including calculating the level of confidence that can be placed upon the conclusions that are reached
- Formal recommendations for action, including accountabilities and commitments for:
 - the delivery of benefits, and
 - the management of costs.

Summary

Documenting the Business Case is one of the most critical steps in the Project Life Cycle. Only with a clearly defined Business Case will you ensure your project delivers the capability to achieve the business benefits expected by your customer.

As the project progresses it is important to monitor and report on how the actual progress of the work compares and supports the business case, through to the ultimate completion and realisation of benefits.



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