

How to develop a killer business case



A special report

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Making a business case: How to become a thought leader and influence decisions

“As soon as questions of will or decision or reason or choice of action arise, human science is at a loss.”

– *Noam Chomsky*

Managing an organization means making decisions on a daily basis. Some of these decisions are in response to arising opportunities, business challenges, or new regulatory requirements. What is the best way to respond to the last competitor’s move? Where should we locate the new call center? How can we improve our customers’ experience? How can we meet the new tax reporting requirements at a minimal cost?

Decision-making has been a popular topic of academic research and best-selling business books, due, perhaps, to an apparently fascinating fact: seemingly intelligent people are perfectly capable of making blatantly stupid decisions. It’s a complex subject which, I have to admit, I am passionate about.

As an IT leader, you are often expected to contribute your ideas and recommendations to the decision making process. Here’s where it gets interesting, if the experience of my clients is any indication. There seems to be a lot of difficulty among even the most senior IT staffers in communicating their thoughts clearly.

As far as I can tell, the issue lies in the inability to present a clear and compelling business case, structured in the way it can be understood by others. At the same time, this is a critical skill that can dramatically advance the career of any IT leader.

Rational decision making model

Malcolm Gladwell noted in one of his brilliant books that “Truly successful decision making relies on a balance between deliberate and instinctive thinking.” While highly developed intuition coupled with the willingness to apply it is somewhat part of the decision

maker’s character, the deliberate part relies on the information received from humane and inanimate sources alike. The quality of this information can be greatly improved if it’s structured appropriately.

1. Objectives

Decisions are made to address one or more objectives. Sometimes they’re conspicuous, and other times, they’re concealed, either deliberately, or through a false belief that their clarity is not important, or because of the decision maker’s inability to properly identify causal relationships between known facts. Sometimes, we fail to treat the root cause but treat symptoms instead.

Before everything else, the objectives need to be clearly understood.

2. Alternatives

There are usually several ways of meeting the stated objectives, of which status quo is often one. You should strive to explore as many alternatives as possible and isolate three or four for serious consideration.



3. Selection

Which one of the available alternatives is the most appropriate?

The set of decision criteria is like a sieve which is typically comprised of the following layers (constraints):

- **Corporate Vision, Mission and Values.** Is the alternative congruent with them?
- **Strategy and ongoing projects.** Does this alternative fit our strategy? Does it dovetail with the rest of the project portfolio?
- **Costs and Benefits.** Every alternative solution comes with its unique set of benefits and costs, both quantitative and qualitative.
- **Risks.** Often overlooked, the risk profile of each alternative should be considered.

To be most efficient, the recommender needs to be aware of the criteria applied by the decision makers. This necessitates knowledge of the company's business, awareness of the current economic conditions and other elements of business alignment.

4. Preferred Alternative

Once the decision criteria are applied to the set of alternatives, a preferred alternative will emerge. It represents the best course of action available.

How to use this model

Picture yourself responding to a challenge of providing a recommendation on how to deal with a problem or seize an opportunity. The former governor of the Federal Reserve, Alan Greenspan, used to ask his officers, in his usual quiet voice: "Please give me your best thinking on this topic." They tried their best, as you can imagine.

Now, follow this sequence:

- Restate the objectives to make sure everyone knows you understand them.
- Speak about available alternatives, their pros and cons, benefits and risks.
- Identify the preferred solution. If the attention span of the audience is short, it often makes sense to do so in the beginning of the message.
- Explain why this solution is preferred by discussing the selection criteria.

You should end up with a crisp and compelling message which will showcase your best thinking.

There are several considerations that are fundamental to a successful case, as I have learned through my consulting work.

Here are the top five:

1. Always ensure you understand the objectives. Try to get them directly from the person who sets them.
2. Always strive to understand the real driver behind the stated objectives. What's the ultimate goal?
3. Do an exceptional job in developing a set of viable alternatives. When it comes time to choose the preferred one, it's too late to develop more of them. Besides, you don't want additional alternatives foisted on you as you make your recommendation.
4. Understand the real decision criteria well, so that your recommendation resonates with the decision makers as a reasonable, intelligent choice.
5. Always identify the preferred alternative. This is your opportunity to shine.

Building a killer business case for your project

Take a look at that beat up old aluminum bookshelf in the disused conference room, or in the remote corner of the CIO's or CFO's bookcase, and you'll likely find a dusty binder or two containing a long-forgotten business case. After hours of sweating through minutiae to complete the document and heated exchanges over its finer points, too often business cases end up nestled between volumes like *Getting the Most from MS-DOS 3.0* and *Punchcards: The Future is Now* on a neglected shelf. Not only is this a wasted effort, but the business case just may be one of the most important, yet often neglected components of an IT project.

Most people are familiar with the use of the business case to justify a project. Essentially the business case presents the cost and benefits of a proposed project, and is used as a tool to "sell" the project to the organization. While this is an important function, it's not the most critical aspect of a business case. Rather than solely being used to sell the project, the business case should serve as a frame of reference for all critical project decisions on an ongoing basis.

A good business case offers a vision of the future of the organization as a result of some intervention (the project being proposed), and should be used as a tool to see if the project is actually marching towards that vision of the future. As we become mired in the operational aspects of completing a project, it's all too easy to make expedient decisions in the moment, and gradually wander away from the original intent of the project.

These tiny changes in direction usually go unnoticed until after months or years of hard effort and expense, a project is delivered that does not meet the needs of the requestor. The work may have been successfully completed, but the wrong objectives were met, causing the project to fail. This is where the business case becomes an invaluable tool. If the project appears to be deviating from the course specified in the business case, a critical question must be asked: has the vision of the future changed, or is the project in need of a course correction?



Developing the business case: Here's how to start

A decade ago, a friend described to me to a “business” concept he called “a big hairy monkey.” Imagine that you’re in a meeting, and an issue is brought up that needs to be dealt with, but it’s conveniently ignored and when the meeting is over and everyone leaves the room, you turn your head and there is this big hairy monkey sitting there on the boardroom table staring at you. And until it’s taken care of, it will just sit there and stare, and drive you crazy.

Developing a business case may prove to be a big hairy monkey too if you’re not sure how to deal with it, but fear not! Here’s how to get started in no time, whether you’re going to write it up or present it in a conversation.

Right off the bat, you need to cover two things.

1. You need to establish what kind of a decision the case is needed for.
2. You need to determine who the decision makers are. Once you know the answer to both, you’ll be in a position to start putting together a convincing argument.

What’s on the table?

The impetus for a business case usually comes from one of the following two scenarios:

1. Known opportunity or need, such as:
 - a. A mandatory requirement, such as new legislation, industry regulation, new tax reporting requirement, and so on. Most memorable examples include Sarbanes-Oxley and Basel, but there are scores of smaller mandatory changes that companies have to deal with all the time.
 - b. A problem of any size that needs correcting, such as weak revenue, inefficient distribution chain, poor customer service, slow application, or leaking roof.
 - c. A business opportunity, such as a generation of additional revenue, entry into new markets, launching new products or services, improvements to business

processes, cost savings, or efficient leveraging of technology.

2. Known solution, unclear application. These include all sorts of bright ideas generated internally or externally, which if implemented, intuitively, would produce some value, but the exact mode of application and other pertinent considerations are not yet clear.

If you’re coming up with a solution to an opportunity or need (Scenario 1), then your next steps are as follows:

1. **Understand the issue well.** What is it and what is the business impact? How did it come about? Has it been dealt with in the past?
2. **Develop solution alternatives.** How can it be addressed? Look for diverse solutions that are not necessarily all



technologically exciting. The best ones are often blazingly simple. Come up with a few good options.

3. **Identify the preferred alternative.** Which one do you recommend? To do so effectively, your selection criteria should be congruent [with the one that the decision makers will use](#). In short, you will look at such attributes as costs and benefits, strategic value, fit with the company's vision, and so on.

Who will make the call?

"Know your audience" is not just a bromide. Different people make decisions differently, according to their beliefs and values determined by education, experience, background, priorities and biases. Outsiders will usually require more background information to appreciate the problem and the solution fully, than insiders. A CFO may pay a lot of attention to financial projections, and the CEO to the strategic fit. Someone with prior experience in project management may pay a lot of attention to implementation planning.

Consider for instance the following example: You're writing a business case that advocates entry into a new market. If an internal marketing guru is the decision maker, she would want to know a lot about your market and consumer trend analysis, why you think the product is right and why now. The CFO will probe your assumptions on future earnings, accuracy of projected costs, and other such things. If you're seeking financing for this project from a third party, you will have to tell them a whole lot more about the state of your company today, what's been done in the past and what's happening in the marketplace.

Know your audience. Once you know who makes the call, you'll know what to tell them, in what language and at what level of detail.

To sum up, here are some key considerations:

- Decision makers outside of the company may require more background information than insiders, in the way of financial information, historical perspective, industry review, and so on. You have to find out how much they need.
- Some people operate on a high level of concepts, while others tend to pay attention to minute details.
- Be aware that the jargon and acronyms, while perfectly understood within your department or organization may be confusing to outsiders. Sometimes, even such simple terms as "worksheet," "client," "workload," or "revenue" may have completely different meaning to those not familiar with your terminology and processes.
- Try to learn as much as possible about the decision makers and their real concerns, priorities, habits and so on, to structure the argument accordingly. Try to put yourself in their shoes. What argument would convince you? What information do you require to make the decision?
- If possible, test the waters early. Try to bounce a couple of ideas off the decision makers and watch the reaction.
- Make the audience own the supporting data. For instance, if the CFO is in the audience, involve her people in the economic analysis or get them to provide you some base numbers for the model. This way, it would be difficult for her to question your projections (assuming they are done right).

Three critical areas every business case should cover

Before delving too deeply into the use of a business case as a project's "sanity check," it's worth reviewing the basic components of a business case. There is a great deal of detailed information that has been written about what should be in a business case, and rather than cover old ground, let's review the three critical areas every business case should cover, and how they relate to the success or failure of the project as a whole.

Every business case should cover:

1. The Pitch (business benefits)
2. Objectives and Measures (what does success look like?)
3. Failure Criteria (when to hold or fold)

Not only should each section serve some function in determining if the company should proceed with the project, but more critically, the business case should provide the top-level measurement of a project's success. The business case serves as an overall barometer of a project's health once the work is underway.

The pitch

The pitch is what most people think of when they consider a business case. This section provides the detailing of what monetary benefits are expected from the project over its lifecycle, and what the associated costs are for committing to implement the project. Often, this section serves as a tool to gain acceptance for a project in dollars and cents. In the best of times it contains rigorous financial analysis jointly developed with IT and finance, which could be the VP of a business unit requesting an IT project or perhaps the CFO. (And in the worst of times, contains fudged numbers from vendors or idle speculation.)

The best pitches are largely developed with IT serving as advisor, rather than being the primary party responsible for producing the pitch. For example, if the company is considering a new CRM system, rather than IT attempting to tease numbers out of sales and marketing and calculating returns, IT should ask pointed questions of these business units to get a better understanding of the project's expected benefit to the company, then ask

the business to determine the financial benefit of each item. With benefits in hand, IT and the requesting organization can determine the costs of the project, with IT covering the technical piece and the business covering sensitive areas like change management and organizational design. Some sample questions to start these discussions include:

- How will your organization be different as a result of this project?
- How will this project impact products/competitors/markets/customers?
- What personnel will be freed from administrative or low-level tasks?
- When will each benefit be realized?

While these are only a few examples, the key to these types of discussions is getting the conversation to move beyond the technology, and focus on how the organization will be in a better state due to the project. Once you have an understanding of that improved state, you can put savings behind each element. Just like a well-done advertisement, the pitch briefly reviews the current state of affairs, provides a vision of the future with its associated financial and organizational benefits, then lays out the cost.

Objectives and measures

Many business cases struggle when it comes time to lay out the benefits of a project, and how they can be measured. We often rush into complex machinations to determine ROI and present cash values when the starting point is vastly more simple: asking the question "What does success look like?" Every project under the sun, be it a new IT system or a new design for an airliner will change the current state of affairs.

Rather than trying to attack this new state of affairs from the detailed level, start with your vision of what success will look like and work to the details from there. This discussion also ensures all stakeholders in the project under discussion have the same understanding and vision of success. While the second point may

sound obvious, many a project has delivered a system or series of processes successfully, but what was delivered did not align with all stakeholders' vision of success, rendering the project an overall failure.

With a vision of success firmly in mind and agreed to, metrics can be established around that vision. If a shiny new sales automation tool is under consideration, one element to the vision of success might be a more rapid acknowledgement of an order from the back office. Take this element of the vision of success and put measurable terms around it.

Should orders be confirmed in two days? Two hours? What are the cost savings or "new money" that might be generated by the different outcomes? What are the best and worst case scenarios? Flush each element of your vision of success down to an objective with associated measures and you now have an understanding of the project's scope, expected outcomes, financial benefits and quantifiable results, something many projects miss right out of the gate. The objectives and measures are the starting point for the next section of a well-formed business case: failure criteria.

Failure criteria

While it may seem overly somber to begin contemplating failure before a project even starts, counter intuitively this is the absolute best time to do so. Recall a failed project you have participated in, and it was likely a woeful tale of long nights debating the merits of cancelling, weighing investing "just a few more dollars" in the project, or heated exchanges over whether the scope should expand, contract, or move in a completely different direction. Contemplating failure criteria before a project even

begins takes the pain out of the process; no money has yet been invested in the project, no adversarial positions have been established, and no careers are at stake. Debating what might cause the project to fail is academic at this point.

Should the project hit a bump in the road, the business case becomes the bellwether as to whether the project should be cancelled. Rather than late-night shouting matches, stakeholders can look to the business case for independent guidance as to whether they should hold, fold or double-down. Failure criteria also can be invoked before a project reaches a state where cancellation is a frequent topic of discussion. Every stakeholder meeting should briefly regard the failure criteria for the project and see if any should become a focus of concern.

Failure criteria should target two areas: project and environmental. Project-level failure criteria are derived from the objectives and measures set out in the previous section. Ask your team what objectives are critical, and at what point they jeopardize the success of the project and require immediate and large-scale response.

Environmental failure criteria are those whose occurrence is independent of the project, but whose occurrence impacts the project. These might be anything from a change in market conditions, to a merger or acquisition, to the failure of a key implementation partner or vendor. Most IT shops are now going through a painful process of trimming some projects and abandoning others, work that could have been made vastly easier if some consideration had been given to environmental failure criteria during business case development.



The business case: It's alive

A well-crafted business case covering the three dimensions we have discussed clearly spells out what a project should accomplish, what success will look like and how it will be measured, and what circumstances might prompt a reconsideration of the project. With this information, “selling” a project is a much easier task, but this is not the most important function of the business case. The business case is the glue between an organization’s IT project portfolio and the day-to-day management of a project.

Every change to a project can be validated through the lens of the business case, and each decision affecting the outcome of the project vetted against the objectives and measures, or evaluated to ensure it does not trigger any of the documented failure criteria. In this role, the business case becomes an impartial judge and jury. If there is a valid change to a project that does not work within the confines of the business case as it stands, update the business case.

Rather than remaining a static document relegated to a dusty shelf, this use of the business case as a “living document” allows stakeholders to know exactly where the project stands at all times, and allows the business case to remain a key decision-making tool even as the project organically grows and changes direction.

The key consideration to remember is that the business case is not only a vehicle to “sell” a project, but also a critical tool to evaluate and guide a project, tying its ongoing activity back to the company’s strategic and tactical objectives.

The six essential elements of a business case document

There is a fallacy that a business case document is a thick tedious manuscript, written by professional consultants in an incomprehensible language. It's printed on high-quality paper stock and placed onto the top shelf of an executive's office to be used as a breeding ground for dust bunnies.

This is not a business case; this is a disaster.

The sole role of a business case is that of a communication tool, composed in a language that the target audience understands and with enough detail to facilitate decision making on his or her part. There's no magic formula when it comes to the size of a business case. The size is irrelevant. What is relevant is that the business case provides all the necessary information to make the job of the decision maker possible. Brevity is always a virtue.

As a matter of fact, a business case does not have to be a written document at all. It could be in the form of a verbal message, but the structure and the content is, nevertheless, the same as if it were written up.

Think about it, you present and hear business cases all the time, with your children, parents, significant others, friends, and colleagues. Did your teenage daughter convince you that she can't possibly survive without an iPod? ("I can listen to class notes and presentations and will improve my grades.") How on Earth did you agree to go on that Mediterranean cruise with your in-laws? ("It will make me happy, dear. Besides, Dad naps all the time anyway.")

This is it, no mystery, just a communication tool.

Structure

The best structure for a business case consists of the six sections I will describe here, and you'll find that it is quite flexible. Nothing is really set in stone, including the headings. This is an important point, because flexibility is what you need to put a truly convincing case together. A business case is not a government form in which you check boxes as you answer a gazillion questions; it's a medium for your brilliant business thinking.

Executive Summary

Always written last, the Executive Summary presents the essence of the business case, in a condensed format. Pick the most important points that allow for a coherent picture, but strive to keep it concise: it should not be longer than one or two pages. Certainly include objectives, proposed solution, benefits and costs, risks, and key dates.



Objectives

Describe why this case has come about. Typically, the reason is one of the following:

- An opportunity that generates revenue, cuts costs, or delivers some other benefit
- A mandatory change, something that needs to be complied with.
- A correction of a wrong

This section can be structured in a few ways. The first approach is appropriate for cases that deal with correcting a wrong.

Describe the current situation and explain what the adverse impact is, be it of a financial nature or otherwise.

The second approach, more suitable for cases that deal with new opportunities or mandatory changes, where the status quo is not necessarily deficient, is to use the following structure:

1. Current state. Describe how the world is today.
2. Future state. Describe how the world will look tomorrow, when the proposed change is implemented.

The third approach, most appropriate for new opportunities, is to state what the case is proposing and describe why it is being considered. Why now?

Use the structure that works for your situation.

Project alternatives

List several alternatives you considered, complete with benefits and costs, and risk assessment. Show how they align with such considerations as corporate and business unit strategy, vision, current priorities and other factors.

How many should you list? Three is a good number, five is too many, but never just one.

You should use your judgment and include the appropriate amount of detail so not to overwhelm the reader and yet provide enough information for effective decision making. This is the old “know your audience” maxim, and it rings especially true here.

Preferred alternative

Always state what the preferred option is and explain why it is preferred.

Implementation plan

It's usually appropriate to provide some ideas on how the implementation of the preferred solution should proceed, to show that you're presenting not a pipe dream but a carefully thought

out solution. Rarely is it necessary to create an exhaustive plan, unless specifically required by the decision makers.

Appendices

Include all supporting information, such as cost benefit analyses, reference materials, calculations, and charts.

The case for business cases

The importance of a business case to its author is enormous. Present a solid business case, and you have positioned yourself as knowledgeable thinker and innovator. If noted by the decision makers, a promotion is certainly possible. In a case of a consultant, there will be repeat business. On the other hand, a weak business case is a career-limiting move. Sadly, a lot of business cases are not worth the paper they're written on, and it's easy to wonder how many careers are cut short as a result. This should happen in this day and age, when excellent resources, and coaching, are available.

From the perspective of the organizations, the stakes are equally high. A solid business case leads to well-informed decisions that are most appropriate in a given business setting, while the one that fails to provide adequate level of detail, or disregards relevant data, or makes incorrect inferences, or does any number of other things wrong, leads to suboptimal decisions that are very expensive to any organization, in terms of the time, money and lost opportunities.

I'm convinced that the vast majority of unsuccessful projects fail not because of poor project management, but because of poor decisions with respect to the choice of projects. A good business case helps to make right decisions and avoid horrible waste.

Business case document guide

Project: Project Name

Project Overview: Brief high-level overview. No more than one paragraph. Think of this area as the project's 30-second commercial.

Project Detail: Present as much justification detail as possible and include the goals of the project. Some questions to guide your project detail description:

1. What do you hope to achieve? What are the goals?
2. What does the end state look like? Once the system is in place, how do you see it being used and its use being extended?
3. How is this project aligned with the organizational strategy? What strategic goal(s) does it support?
4. What is the potential revenue gain/cost reduction/productivity gain that is expected? What is the business benefit? Provide assumptions.
5. Using the following criteria, how would you classify this project and why?
 - a. **Infrastructure:** These investments provide a shared and standardized base of capability for the enterprise and lead to greater business flexibility and integration. Think of these as base technologies such as Network or System type projects that provide a base to build on in the future.
 - b. **Transactional:** These IT initiatives process and automate the basic transactions of a company. They are intended to reduce costs and boost productivity and boast an average internal rate of return of 25 percent to 40 percent. Think of these projects in terms of automating or streamlining transactional process such as selling concessions or processing individual customer requests.
 - c. **Informational:** These systems provide information for managing a company. Their payoff comes from shorter time-to-market, superior quality and the ability to set premium prices. Think of these projects as providing information or data that the company can act on to achieve new capabilities or achieve business goals. Analytics systems, data capture systems and similar systems are examples.
 - d. **Strategic:** These investments, almost always external-facing systems, pay off in sales growth, competitive advantage and stronger market positioning. Think of these projects in terms of doing something totally new in order to position the company for either changing strategic direction or something a company may be betting a portion of their future on. CRM is a typical example of a strategic project.
6. How would you classify the type of project using the following criteria and why?
 - a. **Type 1:** Mission-Critical: Yes; Differentiating: Yes. Type 1 processes are mission-critical and they differentiate a company within the marketplace. This means performing these functions is essential for the company to remain in business. They also help facilitate a unique service or product that the company needs to remain competitive. Product research and development is one example of this type of process.
 - b. **Type 2:** Mission-Critical: Yes; Differentiating: No. Type 2 processes are mission-critical. They have to be done well or the business is at risk. They do not differentiate a company within the marketplace, however. Examples of these types of

processes include billing, shipping products and maintaining finances. These are all necessary for the company's success, but investing heavily in inventive ways to generate invoices or balance the company finances will not gain customers or increase market share, even though both of those tasks are indeed vital.

- c. **Type 3:** Mission-Critical: No; Differentiating: Yes. Type 3 processes are not essential, but they can provide competitive advantage by differentiating the company. Such projects include partnerships or collaborations where each company focuses on its core strength, yet the combined result is more than either could accomplish individually.
 - d. **Type 4:** Mission-Critical: No; Differentiating: No. Type 4 processes are the least critical to the business. They can be important, but if interrupted somehow, the business would survive. These processes, such as cleaning and maintaining office space, typically do not benefit from IT investments.
7. Describe specific requirements (example): The system will need to be accessed via the Internet and is expected to process n-number of transactions over an x-hour timeframe. This is a system that we will house in our data center (versus a hosted solution). There will be a need for y-hours of professional services to get the system installed and configured. It is anticipated that the professional services will be performed by the vendor/partner. A database and connectivity to that database is required. The CRM system will need to pull the data generated by the system for analysis. Reporting is not required. Attach any specifications or documentation.
8. Estimated Direct Costs: Attach quotes or break out by system, professional services, etc.
9. Vendor Selection: How was the vendor selected? Was it compared to other vendors with similar products? Was IT involved in the vendor selection process? Was vendor viability taken into consideration (will the vendor still be in business in 3 years?)? How mature is the product (version 1.0 or 11.0)? Etc.
10. What are the success criteria? When do we know the project has met its goals? What metrics are we going to use to measure success (be specific)? Example: Increase Smarty Steve customer acquisition via the web channel by 10% by 12/31/2010

Project ID: Assigned by Steering Committee (SC)

Estimated IT costs: Supplied by IT prior to evaluation

Start Date: Assigned by SC

Due Date: When do you need this system by?

Current Completion Status: 0.0% (updated by project manager)

Project Est. Completion: (Updated by project manager)

Entered By: Your name here

Classification:

Type:

Business Problem Being Solved: Provide a statement describing specific problems the project will address.

Executive Sponsor:

Request Received Date:

Business Sponsor:

Project Approved Date:

IT Sponsor: TBD

Steering Committee Date:



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