Building the Business Case

Your Guide to Project Success

STIBO SYSTEMS
MASTER DATA MANAGEMENT

What is a business case?

A business case is justification for a proposed project that can take the form of a verbal discussion, presentation or a written document. The latter is most common; however, contrary to typical belief, a business case does not need to be hundreds of pages.

A business case should be compelling enough to facilitate decision making by presenting a perspective that is relevant to the person(s) you are trying to convince. Be clear as to why the organization should value and invest in your proposal. Creating the most compelling business case with the greatest return will increase your chances of the project being funded.

WARNING

A business case should be credible. Do not present your case based on assumptions, opinions, preferences or intuition. This will not only cause problems later on, but it could be a reason for your project to be rejected.

REMEMBER

Length is irrelevant; focus on targeting the right audience with relevant information.

Key steps in building your case

There are seven key steps to follow in order to build an effective business case.

1. **Avoid shortcuts.** Do not rush through building your case; it takes time. Gartner estimates that it could take up to 15 weeks or longer. Having a sound business case increases the chances of the proposed project, and everyone involved, being successful.

2. **Success depends on clarity and accuracy.** Your story needs to be clear and objective, and therefore, understandable. It will not be believable if no one understands it.

3. **Be in the know.** Keep a high-level overview of your project handy at all times. This way you always know the problems, value propositions, risks, key stakeholders, key performance indicators, key resources, etc.

4. **Engage and align teams.** Request buy-in from all teams and relevant groups and document them as attributed authors.

5. **Ensure project quality.** Track the project's progress in order to maintain control and achieve success.

6. **Communicate progress.** Update all sponsors and stakeholders on the progress of your project. This helps people feel like they are a part of the process and builds ongoing support.

7. **Execute your vision in phases.** Determine all major deliverables to achieve your project's objectives. Then break those deliverables down into phases and sub-phases until you feel that they are sufficiently detailed for planning and management purposes.

WARNING

Do not underestimate the time and resources needed for your project.

REMEMBER

If your project gets rejected, do not lose hope. There may be a possibility that it can be combined with another initiative that aligns better with the company's business model and strategic direction.

Stakeholder development

While identifying and maintaining stakeholder support and alignment can be a challenge, stakeholders are a crucial part in the success of your project. Therefore, you need to engage them from the very start.

Follow the seven-step process below to get started.

1

Identify who you think your stakeholders could be.

2

Interview them to find out their pain points, share your vision and determine how they can support you.

3

Define whether they are internal or external, primary or secondary, their role and the impact your project will have on them.

4

Confirm that you understand their concerns and validate that they are a fit.

5

Drive demand and ownership of your initiative.

6

Focus on key stakeholders to promote advocacy and gain commitment.

7

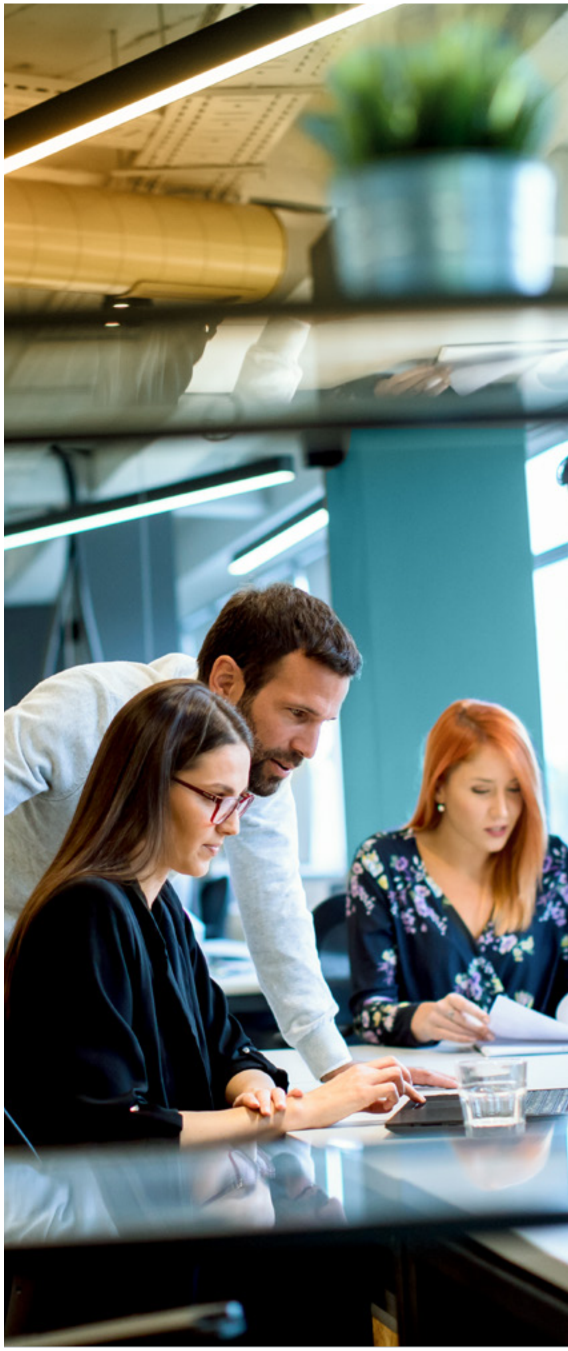
Track the progress of your stakeholders.

Critical elements of a business case

In addition to being compelling, relevant and credible, it is important for a business case to be well structured. Your case should possess a logical structure that guides stakeholders and decision makers through all of the critical elements of your proposal.

Key elements include:

Overview	Key Performance Indicators
Business Need	Risk Assessment & Analysis
Project Framework	Implementation Strategy
Business & Operational Impacts	Conclusion & Recommendations
Cost Benefit Analysis	Appendix



Overview

The first section of your business case will provide an overview of the project. Your audience will read this first, and keep in mind that some may only read this section.

The cover page should consist of a title, subtitle, author(s) and date submitted.

- A case title should briefly identify your proposed action: **"Business Impact Study of Implementing a Master Data Management Solution"**
- Add a subtitle (no more than two lines) for more clarity: **"Cost benefit analysis and projections for fiscal years 20XX – 20XX"**

Be sure to include who is responsible and who contributed (internally or externally) to the development of the business case. It is important to show that contributions came from individuals across many departments such as marketing, finance, IT or human resources.

Additionally, include the submission date on the cover page.

REMEMBER

Business cases can go through several iteration cycles. Always include the version number so it is easy to find the most current one.

Overview

Be sure to include an executive summary and introduction in your overview. An executive summary is a section that summarizes your proposal and contains a few key sentences from each subsequent section. It should clearly define the objective(s), proposed solution(s), benefits and costs, risks and key dates.

An introduction is an additional section (typically less than one page) that helps bring context, background or history to your business case. This may include objectives, needs or problems, other business considerations, related management plans, historical information and/or alternative actions.

WARNING

Do not use jargon. Your executive summary needs to be crystal clear in order to avoid misunderstandings or misinterpretations.

REMEMBER

An executive summary should make sense to the reader even if they have not read the entire report. Limit it to two pages and use headings, bullet points, graphics and short, concise paragraphs to enhance the reader's understanding.

Business need

The goal of this section is to describe the business needs or problems that the proposed project will address. You will need to describe your current situation and how it impacts the effectiveness and efficiency of the organization. Discuss what led to the current situation, the financial impact and what the risks are if it remains unchanged.

Examples of business needs or problems:

- Not meeting customer service level expectations
- Change in government regulations
- Escalating infrastructure costs

It is also important to add what the situation will look like in the future when the proposed change is implemented.

REMEMBER

Executive management is concerned with decreasing costs and increasing revenue.

Project framework

The third section of your business case needs to include the project's objective and scope, expected results, key stakeholders and what additional resources are needed.

Objectives should describe what you intend to accomplish and should strategically align to the overall vision and initiatives of your organization and key stakeholders.

WARNING

The objectives should be focused on results and achievements, not on operations or processes. This way they can be used to review the success of the project.

REMEMBER

Objectives should be **SMART**:

Specific

Measurable

Achievable

Realistic

Time-related

Project framework

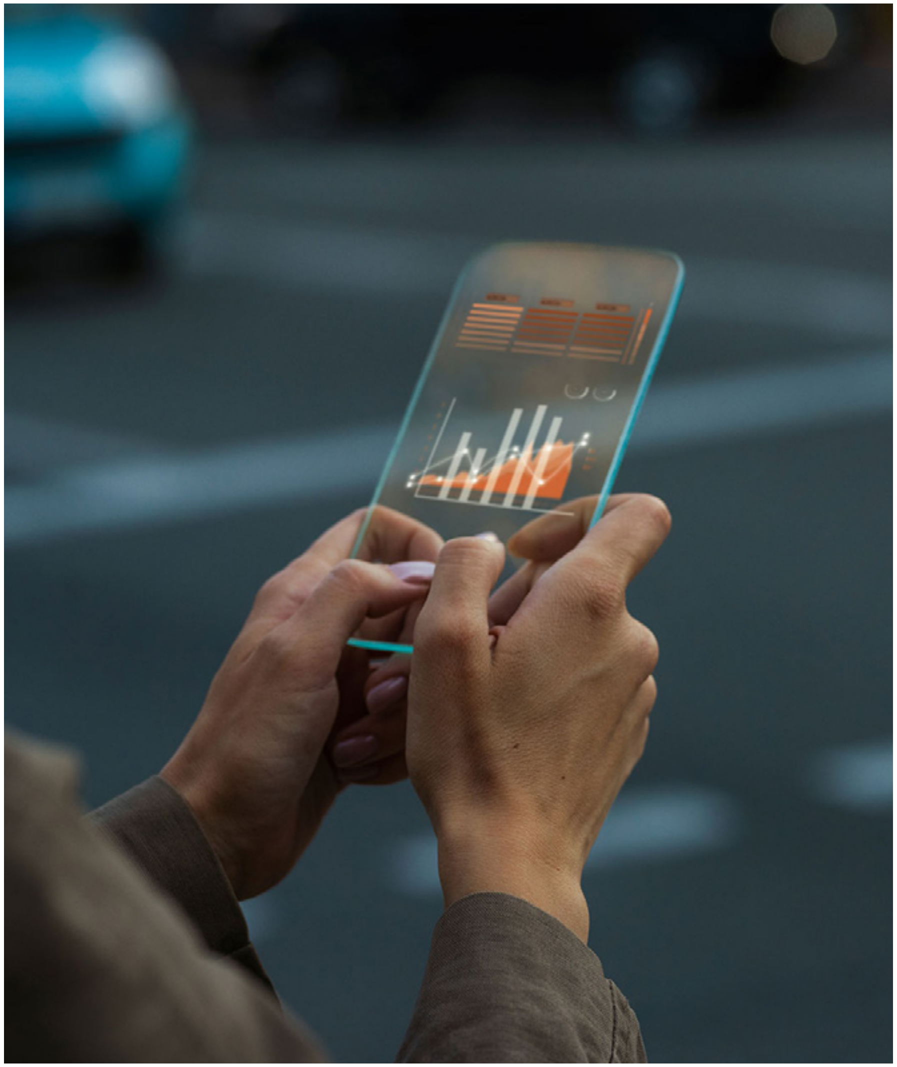
Be sure to include specific and measurable project deliverables, including an estimated time frame for completion from the start of the project.

Examples of objectives include:

- **Increase data quality by "X" % by June 20XX**
- **Reduce infrastructure costs by "X" dollars by December 20XX**
- **Reduce time to market from "X" months/weeks to "X" days/weeks by July 20XX**

It is very important to understand who your stakeholders are, and whether they may be impacted positively or negatively by your project.

Business and operational impacts



When implementing a new solution, it is critical that you understand that change management will occur. Therefore, it is imperative that you list the business and operational impacts the project will have on each of the stakeholders. Business impacts should be strategic and focused on the long term, whereas operational impacts should be procedural and focused on the details.

- Example of a business impact:
  "Change in direction of the department"
- Example of an operational impact:
  "Training required"

Next, identify the degree of impact — significant, manageable, minor or none — and color-code them for easy recognition.

Cost benefit analysis

Project terms vary. Therefore, it is best to conduct a cost benefit analysis (CBA). Quantify the costs and benefits of the project over a period of time by estimating the net present value, or NPV, of the decision by discounting the investment and returns.

Be sure to assess all anticipated benefits and the associated costs required to implement and maintain the project, and support for any changes resulting from it. The CBA should help you to decide whether or not to move forward with a project, develop key metrics and estimate any resources required.

It is important to consider all of the costs for the project (and the costs of not doing the project) or total cost of ownership (TCO), as it will have a direct impact on cash flow. The TCO model should be developed for periods of three to five years and be categorized as technology, personnel, or operations and processes.

REMEMBER

A CBA is not limited to monetary considerations only. However, in order to further the evaluation of your project's net value, it is best to focus on benefits that are quantitative.

Cost benefit analysis

There are three types of costs to consider:

Nonrecurring Costs

- Implementation costs
- Nonrecurring software licenses
- Infrastructure costs
- Hardware costs
- Nonrecurring services
- Training

Recurring Costs

- Personnel changes
- Recurring software licenses
- Maintenance
- Upgrades
- Recurring services

Unforeseen Costs

- Cost overruns
- Supplemental training
- Development fees

Cost benefit analysis

There are three financial measurements that should be included and analyzed in your business case. It's critical that you mention where the sources for your numbers came from, whether they are from historical company data, external sources or industry standard data.

Net present value

Net present value, also known as NPV, is the difference between the present value of cash inflows and the present value of cash outflows.

$$NPV = \sum_{t=1}^{N} \frac{C_t}{(1+r)^t} - C_0$$

Ct = net cash inflow during the period
Co = initial investment
r = discount rate
t = number of time periods

Internal rate of return

Internal rate of return (IRR) is the average annual return earned through the life of an investment. It measures as a percentage the discounted rate that results in an NPV of zero for a series of future cash flows. The higher a project's IRR, the more desirable it is to implement the project.

Payback period

The payback period measures the length of time (months or years) required to recover the cost of an investment. The shorter the payback period the better; longer payback periods are not desirable.

Payback Period = Cost of Project / Annual Cash Inflows

WARNING

NPV is used to analyze the profitability of an investment or project. If your NPV is above zero, the investment should be considered profitable; however, if it is less than zero, the investment is not profitable.

REMEMBER

Use charts and graphs for easier comprehension and put detailed financials in the appendix.

Key performance indicators

To measure the effectiveness of key business processes, metrics need to be measured before and after implementation. The key performance indicators, or KPIs, should align with the organization's business metrics, and they must be proposed and owned by the business.

There are three types of metrics that you need to set goals for:

Performance Metrics

These are metrics based on the corporate goals of an organization such as revenue, profit, market share and risk mitigation.

Strategic Metrics

These are metrics based on the effectiveness of operational goals such as customer satisfaction rates, time it takes to introduce products to market and customer service support.

Process-Level Metrics

These are metrics based on the processes of an organization, such as cross-sell and upsell conversion rates, ability to comply with regulatory requirements and industry mandates, employee productivity, etc.

Key performance indicators

Once you determine your metrics and goals, link them together to form a cause-and-effect relationship. Be sure to measure and record them on a regular basis to gauge success.

Example of linking metrics:

> *"If cross-sell and upsell conversion rates increase, then that leads to an increase in revenue."*

> *"If the company now has the ability to comply with regulatory requirements and industry mandates, then they have mitigated future risk."*

> *"If you are able to increase customer satisfaction rates, then you are able to increase market share."*

Risk assessment and analysis

When projecting future results, everything has risk and uncertainty. It is best to confront them head on by anticipating any objections. Include potential risks and your recommendations on how to resolve them. For clarity you can divide them into two groups: controllable and uncontrollable risks.

Focus on the risks that you can control and ones that will have the greatest impact. It is also important to include any contingencies and/or dependencies. This is a good reminder for everyone that just because a new software system is implemented does not mean that a goal will automatically be met. Summarize the implications in terms of what must be done, by whom and by when in order to achieve expected financial goals.

REMEMBER

Gain acknowledgment and understanding of the individual owners before the proposed action begins in order to ensure commitment.

Implementation strategy

To ensure that decision makers understand the resources needed to complete your entire project, a high-level project plan with estimates of when key milestones and key services are expected should be presented.

Other factors that should be included:

- Major project phases
- Deliverables and target completion dates
- Personnel required
- Proposed project structure
- Proposed project management
- Costs required

Conclusion and recommendations

The conclusion and recommendations section will address the issues that were raised in the overview section.

Effective conclusions will focus on the expected contribution to the business objectives in terms of the results and analyses that were developed in the other sections of the business case.

All important decision criteria should be presented and evaluated here. It is also the place to discuss any unexpected results or findings that could be misinterpreted.

Conclude your business case with a formal recommendation statement that identifies and justifies your project based upon your analyses. It should include approval for:

- Funding of your project
- Any budget increases needed
- Implementation start date of your project

Appendix

Always include any documentation that helps support your business case in the appendix and use it as a reference throughout the case.

Supporting documentation to include:

- Charts
- Calculations
- Cost benefit calculations
- Reference materials

BETTER DATA.
BETTER BUSINESS.
BETTER WORLD.