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to stay ahead

Fresh look

Business Case Management

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Introduction

Welcome to our article on the touchy subject of business cases, touchy because so many project and programmes fail to deliver to their aspirations, with Gartner estimating 75% of projects fail to achieve expectations.

The business case is supposed to provide the business justification for investing in a certain course of action, which is the result of analysing a number of options, the costs of each and the benefits that will be delivered.

The problem is the perception of success can be very different depending on the stakeholder view of the world. The traditional measures of success, namely time, cost and quality would condemn Wembley Stadium; O2 Arena and the Channel Tunnel as massive failures.

Equally, Heathrow Terminal 5 was initially perceived as a massive failure due to the operational capacity issues, when in fact it was a huge success in terms of time, cost and quality.

It is tempting to declare success or accept failure too early as most large investments take time to mature and as such it is important this is recognised in the organisation's business case process.

Fresh Look

Is a series of articles that take a look at common topics and try to come up with some new ideas and insight into problems that seem to repeat themselves across many organisations.

In the UK public sector alone, it is estimated that £1.35bn is spent just on **writing** business cases alone.

Why have a business case?

Firstly, it is more than a budget, it is the justification for spending the money. Most organisations have a defined approach to managing investments and it is fair to say some are better than others.

Here are five good reasons for organisations having business cases, they provide:

1. A consistent format against which to compare investment options and the value they offer across the business investment portfolio
2. A verifiable set of criteria against which the success or failure of the investment can be assessed
3. Analysis of the options around how the investment objectives can be achieved and structured analysis of each
4. Expectations of what can be achieved and insight of the costs that enable budgets to be set and financial management to be monitored
5. Driving of the right behaviours to ensure clarity of objectives, and through its implementation, drives ways of working, encourages collaboration and shapes decision making.

Business case content

The content differs for every organisation and can range from one to 500 pages, however, there are some key topics that every business case should cover:

1. **Strategic justification:** the compelling argument as to why change or investment is needed.
2. **Options appraisal:** there should be a balanced analysis of the options identified and analysed. The important aspect of this heading is that it drives the right behaviours insofar

as it ensures there is investigation and comparison of options so the business case does not become a ritualistic approach to justifying a prejudiced decision

3. **Budget:** there are many different categories of costs and the way they may be funded, the key areas to be considered under this heading are:
 - a. Capital costs
 - b. Support costs
 - c. Change costs
 - d. Where the money will come from
4. **Benefits:** this is a large topic in its own right but, in summary these are the positive impacts and value that you are planning to achieve. These come in many different guises and in many cases, where the investment is to avoid bad things happening rather than actually improving things, they can generally be summarised as:
 - a. **Efficiencies** – doing more with the same resources or doing the same with less
 - b. **Effectiveness** – doing things do a higher level of quality
 - c. **Economic** – better use of money

‘One third of major government projects due for delivery in the next 5 years currently rated in doubt or unachievable’

Source: National Audit Office

Green Book five case model

The most public example of good practice, recognised around the world, is the UK Treasury Green Book which represents genuine best practice proven over many years. It is commonly known as the Five Case Model and provides a comprehensive approach to managing complex business cases in a wide range of environments. Training on the Five Case Model is accredited by the APM Group and offered by Aspire Europe Limited.

We are not suggesting this is right for everyone by any means but it does cover all the possible areas a business case could include.

Case	Demonstrates	Common topic areas
Strategic case	<p>Strategic fit – how the proposal fits with wider public-sector policy and furthers more immediate objectives</p> <p>A Robust Case for Change – a clear rationale for intervention</p>	<ul style="list-style-type: none"> • Strategic context • Case for change • Main benefits • Main risks • Constraints and dependencies
Economic case	<p>Choice – a wide range of options has been considered</p> <p>The preferred option delivers value for money and represents the best balance of costs, benefits, dis-benefits and risks</p>	<ul style="list-style-type: none"> • Options analysis long to short list using the options framework • Examining the costs and benefits to society of alternative short list options through Cost Benefit Analysis • Including optimism bias and identification and costing of risks • Analysis of distributional effects – winners and losers – where relevant

Commercial case	<p>Procurement – supply side can deliver requirements on an efficient market basis</p> <p>Potential Deal – contractual arrangements for specified goods and services</p>	<ul style="list-style-type: none"> • Procurement strategy • Scope and related services • Risk transfer • Charging/payment mechanisms • Key contractual clauses & length • Personnel implications (TUPE) • Supplier’s implementation time-scale • Accountancy treatment (FRS 5)
Financial case	<p>Affordability – realistic capital and revenue costs and savings over life span of investment</p> <p>Funding – agreed sources of funding and support</p>	<ul style="list-style-type: none"> • Financial statements for all projects • Capital and revenue requirements • Net effect on prices • Impact on balance sheet • Impact on income and expenditure account • Overall funding and affordability
Management case	<p>Delivery – governance structures, plans and resources are in place for successful implementation and post evaluation</p> <p>Robust approach – agreed systems and processes are based on proven best practice</p>	<ul style="list-style-type: none"> • Programme and project management arrangements • Use of special advisers • Contract & change management • Benefits realisation • Risk management • PPM assurance arrangements • Post evaluation arrangements (PIR/PPR/PER) • Contingency plans

Five Principles of a good business case management

There are many good practices around business cases, so these are not intended to be the only good practices but we hope they will be a good starting point. These are not in any particular order of importance.

- 1. Aligns to organisations’ strategic objectives** – a key element of any business case is clarifying the context to the organisation’s strategic objectives. When the isolated investment in a single business case cannot be justified it may make greater sense as part of a wider investment.
- 2. Stakeholder commitment** – it is no coincidence that projects and programmes deliver more effectively with stable leadership in a stable environment. This is often outside of the scope of control but the business case likelihood of success can be improved by maximising stakeholder commitment during the development of the business case and its ongoing management. It may not remove opposition but if there is a guiding coalition of commitment to the

In 2013 NAO examined over-optimism in 140 major projects and found:

- *The underestimating of resources*
- *The overestimating of benefits*
- *The downplaying of risks*
- *Poor challenge, scrutiny and oversight*

“cause”, the amount of skirmishing and distracting challenges can be reduced. Ensuring there is a clear approval process will significantly help.

3. **Moderation and validation of estimates** – this is often referred to as optimism bias but the reality is that as enthusiasm for a scheme gains momentum people become more and more optimistic, it is often the role of independent assurance to challenge the basis of estimates.
4. **Scale and appropriate content** – the aim is to produce a succinct and honest document that is fact driven and enables people who are making the approvals understand what they are approving. When there are large and complex templates the focus moves to completing the template rather than the thinking/activities/research. Organisations should focus on the business case process not a business case template.
5. **Monitoring ongoing viability** – for too many organisations the development and sign-off of the business case is management ritual but once it has been approved there is little focus on ongoing viability as the attention moves to the next business case for approval. The reality is most failed business cases had early warning indicators of problems that were not actioned long before the reality of failure came to light. At this point there is a major panic and heroic interventions to enable recovery, so it’s cheaper to intervene early. The actual reasons for failure may be nothing to do with the project as the environment was not being monitored.

Top 10 tips to avoid failure

To conclude our article, we would like to offer the following Top 10 tips on how to avoid the failure of your business case development and delivery.

1. **Not knowing Who** - Know your audience and what the business case can do for them to unify around a common understanding of why and what. Project management is naturally complicated, but it can be disastrous if you don’t have sufficient buy-in from the right stakeholders. Writing a good business case can set the conditions for success.
2. **Beware of pet projects** – many projects are pet projects of senior managers who have a personal mission. In this situation you may not be in a position to change the mission, but you shouldn’t lose track of what it is and the Options Appraisal should be used to illustrate the value.
3. **Starting without the ‘end in mind’** – too often the definition of success is not clear at the start, or even worse, it starts with a solution in mind rather than the end, e.g. we need to electrify a train route rather than we need to reduce journey times. The business case is critical to align the project with strategic intent. It explains, why, what, when, how.
4. **Not budgeting for change** - not identifying the level of business change required to deliver the benefits is a very common cause of failure
5. **Documenting investment rationale** - the business case provides the underpinning rationale of why but also how much it will cost and how the cost-benefit analysis will be monitored and adapted to changing circumstances.
6. **Starting without a credible template** - understand and have access to best practice – e.g. the Treasury Green Book and Orange Book are key reference guides for the Five Case Model approach in the public sector. However, beware of the template taking control of the process, ensure the information being gathered is proportionate.
7. **Misunderstanding Value** - Ensure a good understanding of ‘value’ and ‘value for money’. This is rarely understood fully and good guides are available. This clarity will help differentiate between outputs/outcomes/benefits.
8. **Believing the business case is separate from the benefits realisation** - the business case and benefits are ‘joined at the hip’. One is irrelevant without the other, so a business case without benefits can only ever be a budget.
9. **Trying to maximising valuations.** Aiming for maximum benefits or minimum costs rather than optimal solution will normally lead to the wrong decision being made.

10. **Avoid duplicating data.** A lot of time is wasted putting the same information into different documents, for example, detailed information around objectives and controls often appears in business cases and project definition documentation – make sure documents compliment, not duplicate each other.

A finance director at a portfolio board meeting made a telling comment: ‘How come we seem to spend months getting to the point where I sign the business case, then we hear nothing from the project for 18 months, at which point I’m told it is 18 months behind schedule and about to go over budget?’

This sums up the approach of many organizations to their business case management.

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Rod has been a pioneer of Managing Successful Programmes (MSP®), having been involved since the launch in 1999 he was appointed lead author by the OGC for the 2007 version and 2011 refresh. He is also the Cabinet Office P3M3 lead author. Rod as subsequently written survival guides for the business change managers, senior responsible owners and programme managers as well as having numerous articles published in his expert field. We would like to thank the following for their support, advice and contributions.

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