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PIM – building the business case for project success
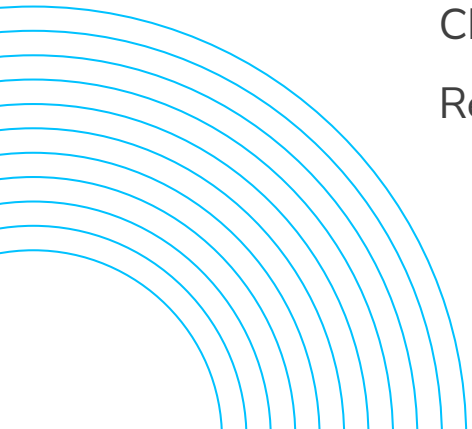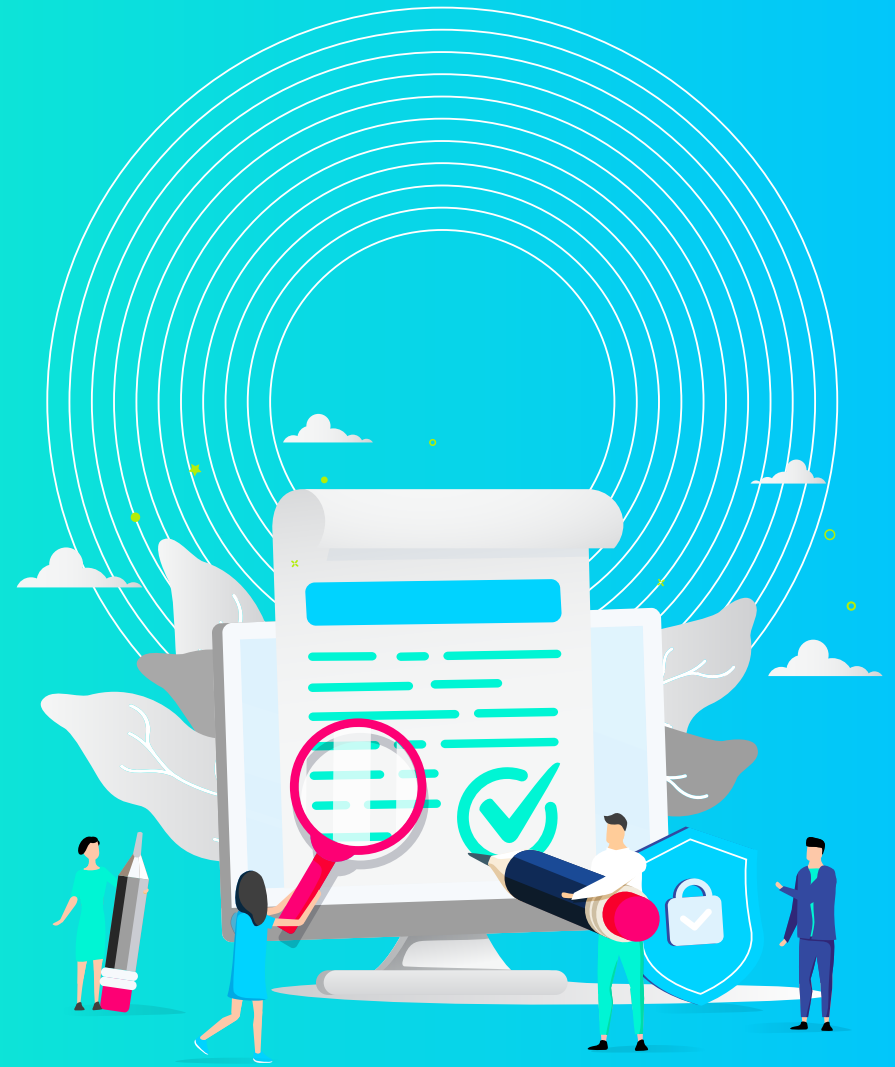
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What is a business case?

A business case is a written document, verbal agreement or presentation that justifies the initiation or continuation of a project, significant product development or feature enhancement. It is intended to convince key stakeholders of some kind of action, whether that is to accept, cancel, revise or defer the project.

According to Project Management Institute, a well-established project management association, business cases list down the value of an intended project, rather than the traditional benefits of time (whether the project was able to achieve the proposed results at the time allocated), cost (whether the project was within budget) and scope (whether the project could produce the agreed deliverables).

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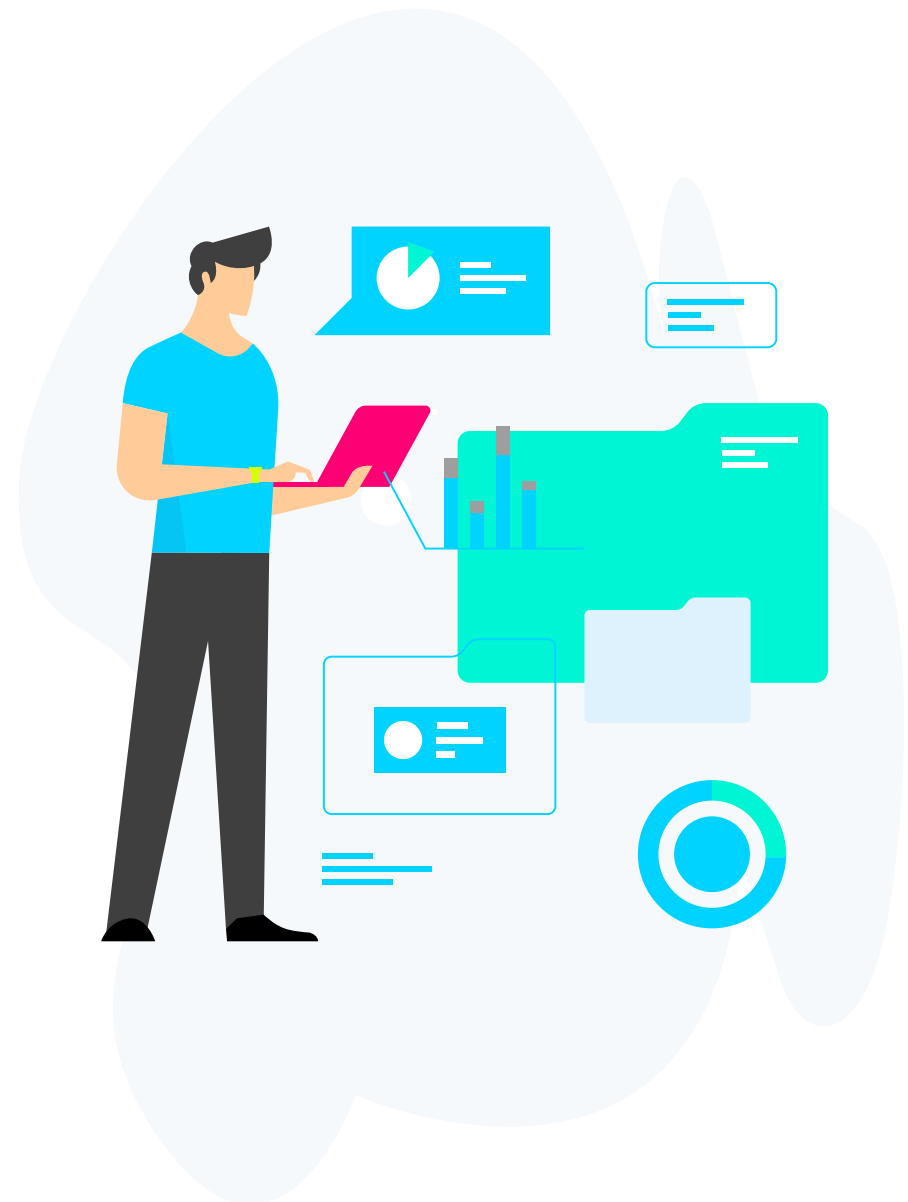
Business cases are able to clearly and succinctly describe how a project can benefit a company.

It does this by accurately presenting the risks, opportunities and threats involved in the particular investment required therein.

Why you need a business case

A business case helps your project stand out among competing priorities within the business.

It is essential that business cases convey the potential benefits of a project if and when it is finalized.

While these reasons may seem obvious to you (along with how to achieve them), it may not be so apparent to stakeholders and other decision makers.

Often, they are dealing with a myriad of different business units and objectives which need to be completed.

But before getting your feet wet, it's crucial that you consider the value that a project may or may not add to the business.

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Business cases offer a framework for your project's success.

It is focused on **how a project can deliver a solution to a business problem** rather than just creating the correct technical product or service to address it.

Five common problems that a strong business case can solve

1

Fewer resources

Starting an unnecessary project wastes valuable resources. Instead of contributing to a company's success, these superfluous projects waste resources that could have been spent on valuable initiatives.

2

Unclear objectives

Without a business case, there is no tangible way to determine which projects are important. One possible outcome of this is that companies may be starting projects that have no relationship with the organization's objectives. Business cases help companies determine a rational and effective means of allocating resources.

3

High risk of disappointment

A business case provides the motivations behind a proposed project. Without one, there is likely to be disappointment post completion. Stakeholders may wonder why the project is not giving the results they expected—a direct result of companies not managing their expectations through a solid business case possibly leading to mismatched expectations.

4

Undefined metrics

No goal is identified for why the project's deliverables are being created, other than just meeting technical specifications. Business cases emphasize value, rather than just numbers. Without a business case, there is a high likelihood that companies will become overly involved in technical details, consequently losing sight of the actual business objectives. When the project is completed, there is no clear way to determine whether the project delivered value.

5

No opportunity for growth

Business cases help determine how well the organization was able to efficiently use their resources to add value to the company's goals.

What you should consider when building a business case:

Be clear and concise

Use facts

Eliminate conjecture

Minimize jargon

Stay away from the technical solution and implementation
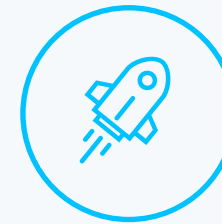
Focus on the business value

Convey the essentials

Business cases vs. business plans: What's the difference?

Business cases ask:

What will happen if we proceed with this investment decision?

The **business case** details the rationale to convince a decision maker to approve the recommended investment.

Business plans ask:
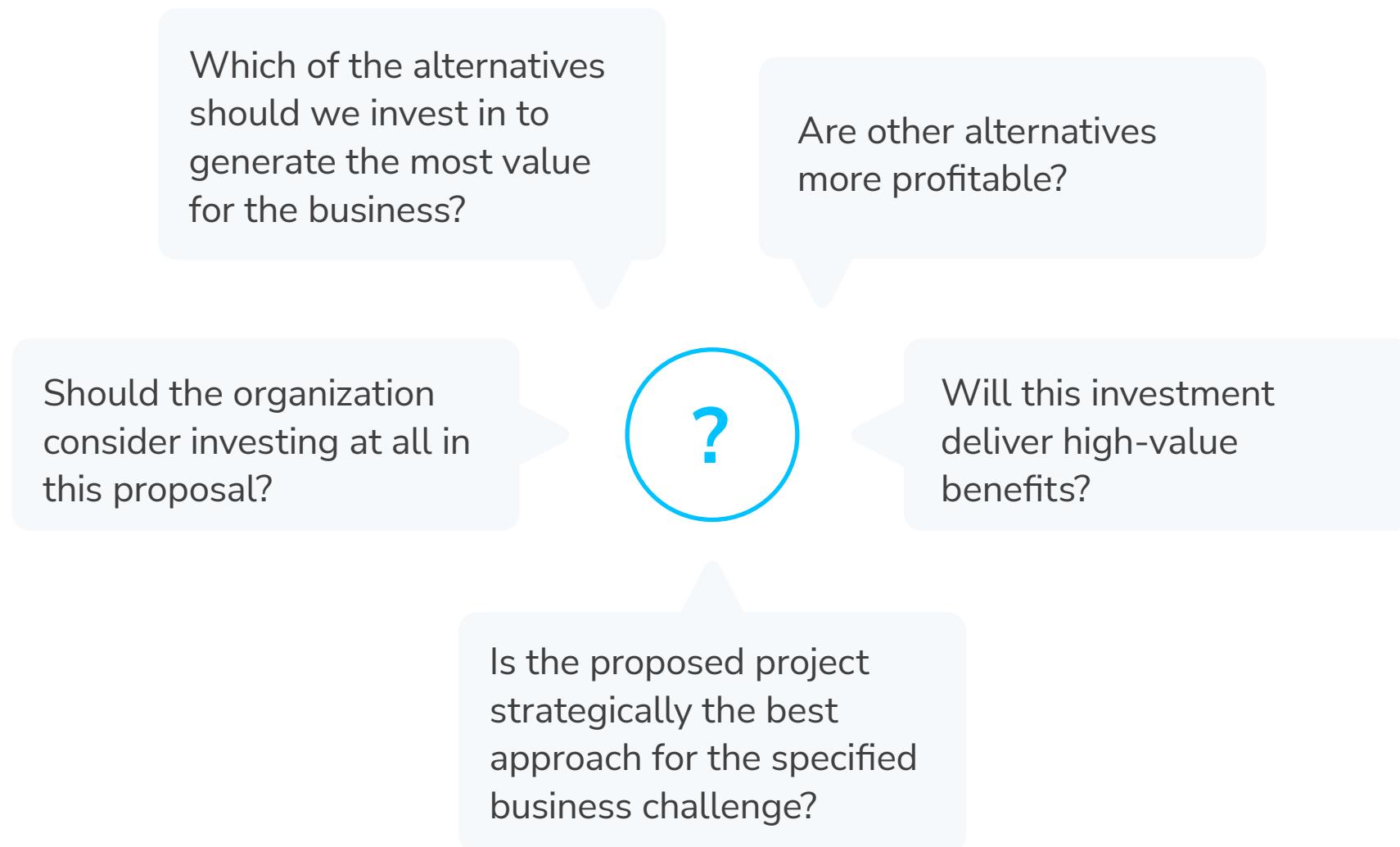
What are our business' goals, objectives and strategies for the next 3-5 years?

A **business plan** is a documented set of business goals, objectives and strategies that your business is aiming to achieve over the next few years. Business plans usually include market information, customer segmentation, products and services, sales forecasts, cost estimates and financial forecasts.

Fundamental questions to consider when developing a business case

Which of the alternatives should we invest in to generate the most value for the business?

Are other alternatives more profitable?

Should the organization consider investing at all in this proposal?

?

Will this investment deliver high-value benefits?

Is the proposed project strategically the best approach for the specified business challenge?

Four key steps to developing a great business case

Step 1

Confirm the opportunity

Here, you need to describe the current situation of your organization and the business opportunity that the proposal will impact—including the background of the project, investment logic and high-level business requirements.

This is where you will list down why the project should be considered in the first place—its context, in other words. Keep in mind that this section is normally very short.

Step 2

Analyze and develop shortlisted options

Identify the alternative approaches and choose three to four options to analyze. You will need to research on various alternatives, explain the options and build your shortlisted options.

Business cases are usually written for people who do not have detailed knowledge about the subject area. Keep your language as simple as possible.

Step 3

Evaluate the options

Evaluate options and detail how each can deliver on your business objectives. When talking about alternatives, make sure you take into account their strategic and financial value. Then, choose your preferred option.

It's a good idea to develop a sense of urgency. Make it clear that the business needs to make a decision as soon as possible—and why your proposed solution is the most ideal.

Step 4

Offer your recommendation

Confirm the recommended option and provide all relevant documents to support your reasoning.

Ensure your recommendations / proposed solutions align with the company's strategy. This adds greater weight to your business case.

Goal setting the SMART way

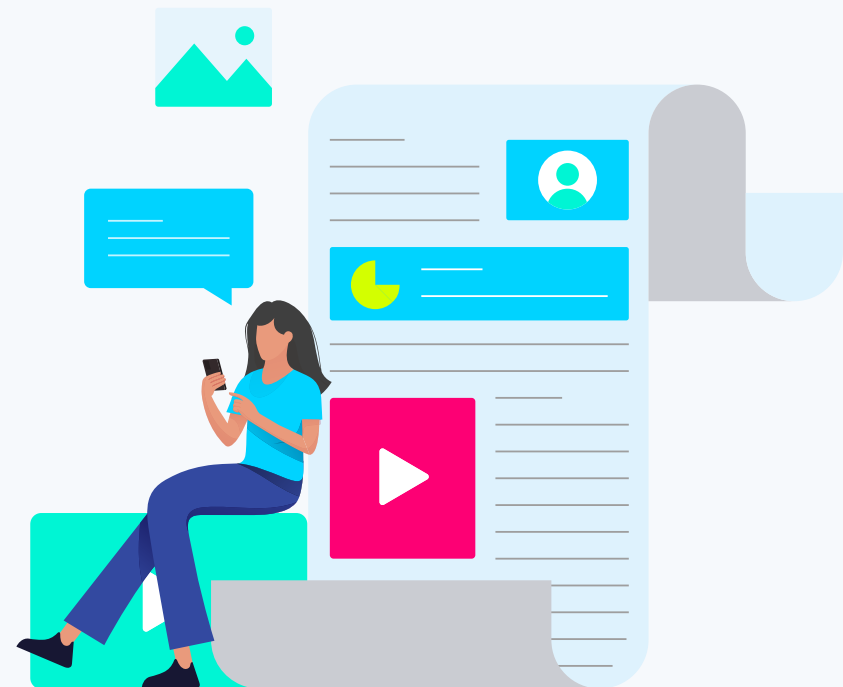When breaking down your business goals into smaller phases, ensure that each one is:

S pecific

M easurable

A chievable

R elevant

T ime-bound

!

**Keep referring back
to the business case.**

Remember that business cases are
not static documents.
Every change to the business should
be considered against, and, if ever,
incorporated in the document.

Build a good relationship with project stakeholders

A stakeholder is a person in your business that has a key interest in its success. Primary stakeholders in a typical corporation are usually its investors, employees, customers and suppliers.

Drafting a good business case is not only about identifying a problem and suggesting a solution, but also about communication. It is essential that you build, develop and maintain a great relationship with your stakeholders to ensure the project's success during the implementation phase.

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Stakeholders want to know the true state of the project, how it can impact the business and what they can do to address the problems.

It is imperative to communicate sincerely and honestly. You need to develop a sense of trust between you and each stakeholder.

Do not sweep anything under the rug: If your proposed project has inherent risks and challenges, be upfront about it.

Consider these tips:

Identify whom you think your stakeholders could be

Many projects get delayed or fail because project managers fail to identify and engage the correct stakeholders. Determine whom you should be speaking with. Concentrate your efforts on stakeholders who will be the most impacted by the project.

Engage stakeholders in a one-to-one conversation

Learn their pain points and their visions for the business. Remember that stakeholders are busy people, so keep your discussions short. Come prepared and let them know the purpose of your meeting.

Ensure regular progress reporting

Conduct a monthly steering committee presentation where you talk about the status of the project, the support you may need from the stakeholders, and how the initial assumptions included in the original business case need to be revisited.

Seven elements of a business case

Each business case varies depending on the organization in question. Nevertheless, all business cases have these critical elements:

1. Executive summary

2. Problem definition

3. Project overview

4. Key performance indicators (KPIs)

5. Implementation strategy

6. Conclusion and recommendations

7. Appendix (if necessary)

1. Executive summary

This section provides general information on the issues surrounding the business problem and the proposed project or initiative being presented to address it. Your executive summary should include:

- **The business problem**
  Briefly describe the business problem that the proposed project will address. Include the business' current situation and the potential risks of continuing status quo.

- **Anticipated outcomes**
  Include how the project will benefit the business. It is recommended to highlight potential challenges the project may have as well.

- **Recommendation**
  Summarize the approach for how the project will address the business problem. Highlight the desirability of the anticipated outcomes.

- **Justification**
  Write about why the recommended project should be implemented and chosen over alternatives. Wherever applicable, provide quantitative support for the project's implementation and the possible impact of not pursuing the plan.

2. Problem definition

Market assessment

Make the underlying business interests explicit. Detail a complete understanding of the marketplace in which your business operates.

A good starting point is the inclusion of a PESTLE (political, economic, sociological, technological, legal and environmental) analysis.

Example of a PESTLE analysis:

Political factors

- International relationship
- Government sanctions
- Subsidies

Economic factors

- Supply and demand for a specific product
- Taxes
- Interest rates
- Inflation

Sociological factors

- Consumer lifestyles
- Social classes
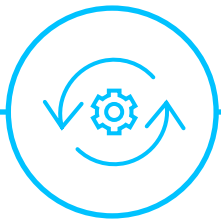- Family size

Technological factors

- Artificial intelligence
- Internet connectivity
- Digitization

Legal factors

- Consumer law
- The legalities of doing XYZ
- Import/export laws

Environmental factors

- Climate change
- Resource scarcity
- Pollution

Change management & operational impact

Change is inevitable when implementing a new solution. You need to describe how the proposed project will modify or affect the strategy of the business and its operational and people processes. You will also need to explain the creation of new roles or roles that will change, as a result of the project.

Technology migration

Provide a high-level overview of how the new technology will be implemented and how data from the legacy technology will be migrated, if ever. You should explain any outstanding technical requirements or challenges that would need to be addressed.

3. Project overview

This section of the business case consolidates all project-specific information, such as:

Cost-benefit analysis

To help you draft a more accurate cost-benefit analysis, assess all the anticipated benefits and the associated costs required to implement and maintain the project. The cost-benefit analysis will help the stakeholders decide whether or not to move forward with the project.

It is important to consider all the costs of the intended project (and the costs of not doing the project) when writing this section. While the time frame may vary, it is usually ideal to create an analysis for five years or more.

Seeking financial appraisal

Your cost-benefit analysis should also include financial estimates. The purpose of this is to:

- Identify the financial implications of the project
- Allow comparison of the project costs against the forecast benefits
- Ensure the project is affordable
- Assess value for money
- Predict cash flow
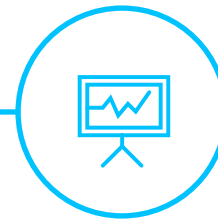
Sensitivity analysis

A sensitivity analysis looks at the potential risks of the project compared to **alternative futures** if the project is not implemented. In essence, a sensitivity analysis gives stakeholders an idea of the possible scenarios that may occur if the project is implemented or not.

Project assumptions

List down the preliminary assumptions for the proposed project. Some examples include:
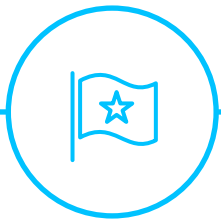
- Funding is available for training
- Project has executive-level support
- Department heads will provide necessary support for the successful implementation for the project
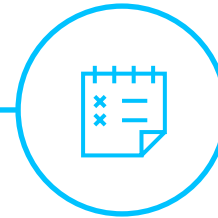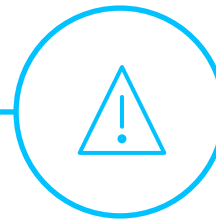
Project constraints

List down the possible preliminary constraints of the proposed project. Some examples include:

- Limited IT resources
- Limited hardware/software providers

Major project milestones

Include the major project milestones and their target completion dates.

Risk assessment and analysis

This section anticipates any risks that may unfold during the implementation process and after your project has started. In this section, you will need to detail all the potential risks, along with your recommendations on how to resolve them. This section is also where you will include any contingencies or dependencies.

As the project is approved and moves forward, each of these components will eventually expand to include a greater level of detail.

4. Key Performance Indicators (KPIs)

How would you know if your project is on track? It would be best if you had metrics before and after its implementation. These metrics are considered KPIs.

Key Performance Indicators are either qualitative or quantitative. Regardless, KPIs need to be precise and measurable to a high degree of accuracy to gauge your project's success.

Examples for Key Performance Indicators

KPIs can be:

- **Binary.**
  Most are "yes" or "no" measures. They indicate whether your project has reached its "desired" state of completion.

- **Comparative.**
  These are when you take the current situation and measure it against its anticipated state. Such examples include: comparing the costs, savings, efficiency gains against the actual budget or comparing a similar project against the known result for the organization.

- **Trend-based.**
  These KPIs present comparative information across a period of time. Some trend-based performance indicators include software maintenance backlog, systems performance, historical data, etc.

5. Implementation strategy

Stakeholders will want to see a high-level implementation plan of your project or initiative, including the necessary people, technology and resources. This plan should also include expected key milestones, to the extent it is possible at that time, such as major project phases, deliverables (including completion dates), required personnel (internal and external), project management and all associated costs.
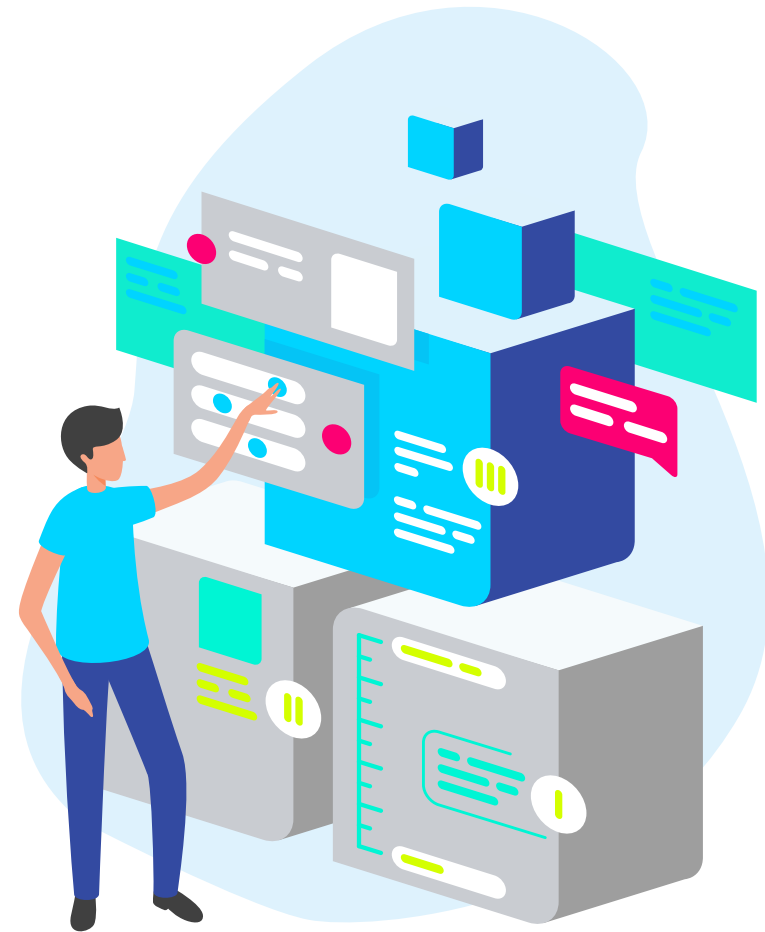
6. Conclusion and recommendations

Refer to the hypotheses, objectives or questions detailed in the executive summary and discuss how these would be addressed with the proposed project. Speculations should be reasonable, firmly justified and subject to test.

Conclusions should relate directly to the research questions or objectives. Take note that conclusions should contribute to the knowledge of your stakeholders. Meaning, whomever reads your business case should identify with the significance of the study.

End your business case with a series of recommendations. These should trace directly to the conclusions you offer.

7. Appendix

Include any documentation to support your business case in this section. The appendix is a good place for all supporting materials that you didn't want to include within the content of your business case—to keep it as simple as possible.

Some examples:

- Charts, graphs, or tables that supplement other sections of your business plan
- Marketing materials such as success stories from implementations
- Resumes for each of your executive team members
- Contracts and other supporting documents
- Detailed market studies
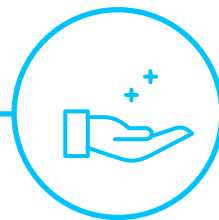
Why do some business cases fail?
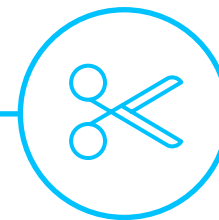
Common mistakes when writing a business case

Thinking it's all about finances

Not being honest

Underestimating "soft" benefits

Not engaging your stakeholders

Being unrealistic

Common mistakes when writing a business case

①

Thinking it's all about finances

You don't have to be a financial expert to build a business case. You do need to include a few financial metrics to communicate the urgency, necessity and potential of a project, but these are not the end-all, be-alls of a business case. Successful business cases are those that identify all the critical consequences of a proposed action, systematically and thoroughly.

②

Not being honest

Everyone wants to get their proposal accepted – but at what cost? Keep in mind that your stakeholders have a vested interest in ensuring your project's success, and this means understanding what the potential risks of implementing the proposed action could be. Never sugarcoat or leave out "unsavory" aspects of your proposal just so that your project pushes through.

③

Underestimating "soft" benefits

"Soft" benefits are those that cannot be measured in financial terms. Again, business cases are not all about financial metrics. It is a great idea to include all benefits your proposed project may have, including intangible ones such as customer satisfaction, branding, image, employee productivity, etc.

4

Not engaging
your stakeholders

If the people responsible for executing a strategy don't believe in what you want to do, your project will not push through.

5

Being unrealistic

Ensure that the team understands the company's strategy and the original assumptions behind the business case for alignment.

Checklist

Four key steps to sucess

- Confirm the opportunity
- Analyze and develop shortlisted options
- Evaluate the options
- Offer your recommendations

Set SMART business goals

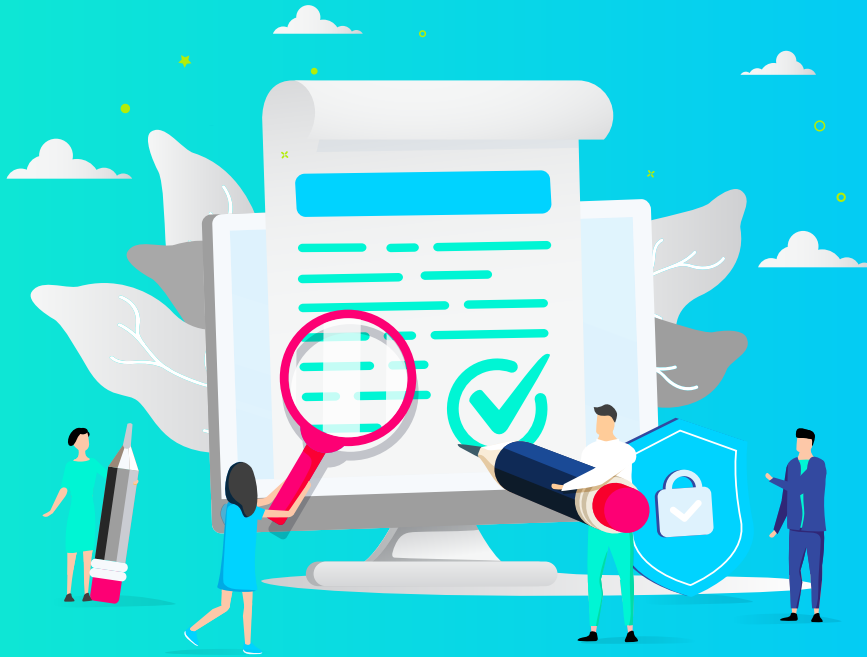**Build a good relationship with stakeholders**

Avoid common mistakes that can often lead to failure.

Seven elements of a business case

1. Executive summary
2. Problem definition
3. Project overview
4. Key performance indicators (KPIs)
5. Implementation strategy
6. Conclusion and recommendations
7. Appendix (if necessary)

Do you need help building out your next business case for a PIM or PXM solution?

Contentserv can help guide you to success.

Contact us

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