The PMO Academy

Building Capability - Delivering Change

H2 GUIDES ©

BUILDING A PROJECT BUSINESS CASE

ABOUT OUR H2 GUIDES©

Here at the PMO Academy, we believe in sharing knowledge to grow capability.

We have developed these H2 Guides© to share some of our rich experience in managing projects across multiple markets, locations and cultures.

H2 defines our approach of showing "How To" manage projects in simple language, and also "Help To", meaning the support we give to project managers in developing their skills.

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- We love feedback – if you think we can improve this free resource, get in touch and let us know

For further information or guidance, please contact us, by email info@pmoacademy.com or by phone +852 3748 3750

and one of our project specialists will call you back as soon as possible

H2 GUIDES© – BUILDING A PROJECT BUSINESS CASE

1. Context

The Business Case is a critical tool in securing executive support and, ultimately, funding for a project or programme.

Owned by the Project Sponsor, the Business Case sets out the costs & expected benefits for a project, along with a summary of the background, scope, and proposed solution. A good business case should contain as a minimum

- A statement of the business requirements, and an outline of the proposed solution

- The investment case, including the cost profile, estimates and proposed phasing of project spend. The investment case, crucially, should contain a benefits analysis and a benefits realisation plan

- The high level project plan

The following *Business Case Template* is an example of the formal document summarising discussions between the Project Sponsor and project stakeholder regarding the project. The Project Sponsor is responsible for ensuring that all relevant parties have been consulted about the project, and, where necessary, their support for the project has been agreed.

The business case document itself should not be used as the primary tool to communicate the purpose of the project; instead, it should be used to present a summary of the discussions held and decisions reached by key stakeholders to senior management for final approval.

Whilst the Project Sponsor owns the Business Case, it is typically, the Project or Programme Manager's responsibility to manage the production of the business case, using appropriate resources from business operations, finance, IT and other functions to provide relevant content.

At the PMO Academy, we recommend that the written business case is kept to a relatively short, executive level document, supported by detail in the form of the financial analysis, project plan, and study outcomes as appropriate.

The business case should contain sufficient information, logically presented, to enable a senior management team to be confident in approving funds for the project.

Section content is described throughout the template in italics (don't forget to delete this guidance before publishing).

2. Document Approvals & Control

The business case is likely to go through several iterations, and it is important for approvers to be aware of relevant changes to versions. Use this or your internal version control standards for key documents.

Changes History

Version #	Date	Status	Version Author	Reason for Change

Authorisations

Identify who should approve the business case (normally members of the executive committee, key stakeholders and benefits owners). It is also important to specify which parts of the business case they are approving. For example, if the Chief Marketing Officer is signing off the statement of marketing requirements, and not the financials, this should be made clear. Note the commitment clause at the end!

Business Case Approval			
Title/Business Unit	**Name**	**Capacity in which business case approval given**	**Date**

Commitment:
The above signatories confirm that all stakeholders and benefit owners agree to deliver the business outcomes described in this business case summary and supporting documents. The project approach, along with organisational, customer, compliance & regulatory impact assessments have been completed, and the signatories are confident that the project is fit to progress. The Project Sponsor accepts full accountability for delivering this project in line with the business case.

Distribution List

Identify who the document has been circulated to and why. Remember to mark documents "restricted, internal" or "confidential" if appropriate, and consider protecting the document digitally if particularly sensitive content is included.

Name	Department	Reason for Distribution

3. Business Case Summary

This is a one or two page summary of the project, providing a high level description of the initiative, the funding profile, and target benefits. It should be concise and enable the approval committee to make an informed decision, based on value delivered to the organisation.

Project Name		Investment Category *1	
Project Sponsor		Start Date	
Project Manager		Must Complete By	
Sponsoring Department		Benefits Start	
Summary Description of initiative:			

*1 Strategic Initiative, Regulatory/Mandatory project, Run the Business or however projects are categorised in your organisation

Financial Profile*2	Year 1	Year 2	Year 3
(a) One off Revenue			
(b) Capital			
(c) On-going costs			
(a)+(b)+(c) Total Costs *3			
Tangible Benefits			
Net Costs			
Payback Period (years)		NPV *4	

*2 Remember to state the currency you are using throughout the business case. If you are working across multiple currencies, explain your FX rate assumptions - and seek guidance from your finance department

*3 Excluding depreciation/amortisation

*4 Net Present Value – NPV calculation is covered in a separate Project Finance How to Guide

Estimate Range*[5]	Optimistic	Realistic	Pessimistic
Costs			
Benefits			

*5 At this stage in the development of the business case, it is often difficult to provide accurate estimates, particularly in the case of multi year projects. The Estimate Range table allows the Project Sponsor to highlight the possible range of costs and benefits under different scenarios.

- "Optimistic" is the lowest possible cost/highest benefit achievement, and assumes that no contingency budget is required. If the project is well within the experience of the organisation, and internal metrics exist that demonstrate the validity of the estimating basis used, then the "Optimistic" cost may be the most likely

- "Pessimistic" represents the highest possible cost/lowest benefits achieved. Estimates will include a significant amount of contingency for identified risks, representing the cost of mitigation should the risks materialise. (For further advice on Risk Based Contingency, please get in touch)
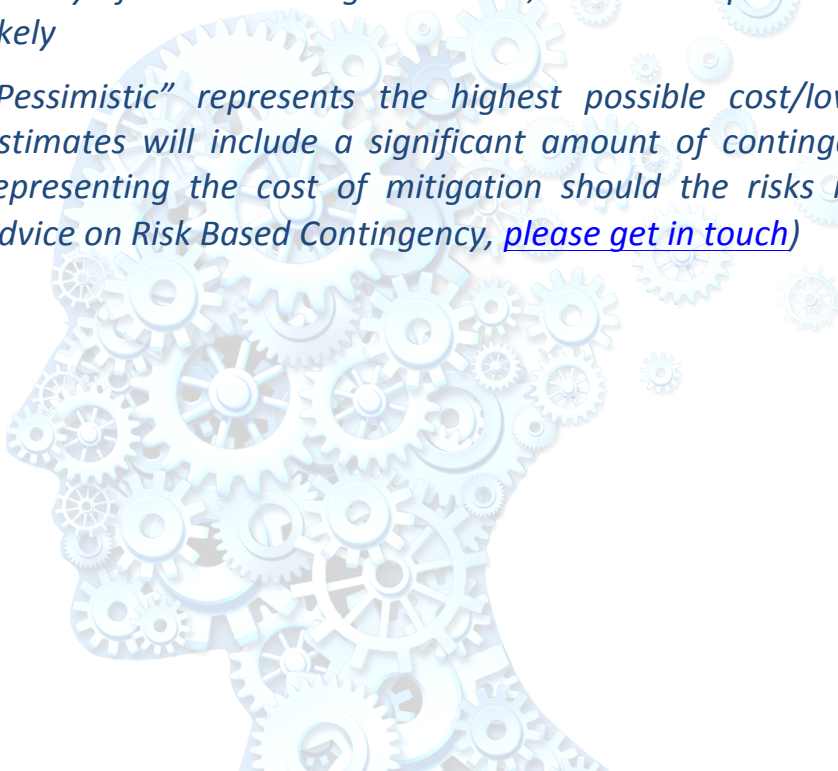
4. Business Case Description

In this section, the background to the business case, what the project expects to achieve and why this is of importance to the business is described. Remember that all key stakeholders should have been consulted and the impact of the project on their business areas already discussed by the time this document is formalised – hence it should be a summary rather than an extensive description. The business case will be supported by other project artefacts (Project Initiation Document; Feasibility Study outcomes; Project Plan; and, later, functional/non functional requirements specifications) that provide detailed descriptions and they need not be repeated here.

A suggested structure for the Business Case Description is shown in the headings below.

Background: Why does the business need this change?

Briefly explain the drivers for this project – do we need to meet a regulatory requirement, are we supporting the business in opening up new markets, are we responding to other competitive pressures? Show how the proposed project aligns with the organisation's strategic agenda and how it will contribute to desired business objectives.

Objectives: What will it achieve and how will you know when it is complete?

This should explain what outcomes the project will produce, why that is important, and when the project can be considered closed. Remember that a project is not complete until all claimed benefits have been delivered .

Benefits: What value will be delivered to the business as a result of this project?

A project needs to deliver value to the organisation, whether in the form of improved processes, increased revenue, or other tangible benefits. Benefits cases are notoriously difficult to establish, often because benefits claimed by the project are not accepted by the business owners.

In this section, we should summarise what benefits are being claimed by the project, when they will materialise, which departments or functions will be the recipients of those benefits, and whether the beneficiaries have agreed to include the benefits in their departmental and personal objectives. (see example table below). If the business owners will not sign off on the benefits case, it is unlikely that the project can proceed.

Business Outcomes	Benefit Owner	Measure	Target Value	Due Date
Reduction in claims operating cost	*Ms XXX, Chief Operating Officer*	*Annual Operating Cost reduced by 15% with no reduction in customer satisfaction scores*	*$200m p.a. over 3 years*	*xxx*

Approach: What needs to be done to achieve the results?

This section describes what the project will do – for example, will it create a new business operating model? If so, how will it do that (APPROACH). Will there be a technology component to the project? In the case of systems development, will this be developed in-house or will a product be purchased?

This is the section where it is important to keep the description at a level suitable for an executive audience, and not to get into too much technical detail. The project approach should be described in sufficient detail for the executive team to be able to confirm their approval – remembering that they will already have been consulted extensively before the business case is presented for approval.

Risks: What could go wrong?

Prior to submitting the Business Case for approval, a Risk Assessment should be conducted, appropriate to the scale of the investment. This section should then highlight the key risks that could threaten the success of the project, and what mitigation strategies have been considered. No project is without risk, and open disclosure at this stage in the Business Case is an important factor in its approval. Contact us if you want to learn more about Risk Assessment Workshops.

Assumptions: Where have we had to guess?

In preparing the Business Case, it is normal to have to make some key assumptions where factual information is not available. For example, we may have to make an assumption on the number of staff that will need to be relocated to a particular region, as the final headcount is not yet known. We may need to make an assumption about customer volumes for a new service line that we will need to support, and we only have a forecast at this stage in the product's development. In

these situations, it is important to identify key assumptions which, if proved incorrect, could impact the successful outcome of the project.

Change Impact: What is the impact on business operations?

Projects, particularly major transformation projects, will inevitably have an impact on business operations. Here we want to summarise the impact on customers, staff, and key operational processes. Is the impact positive or negative? How do we intend to minimise disruption to the business whilst delivering the project? For example, we may need to suspend on-line services for a period when moving across to a new system. How will we communicate this to our customers so as not to damage our relationship?

Imperative: What is the consequence of not doing this change?

Not all projects will obtain approval to proceed – no matter how good their business case. In making the decision on which projects to approve, the executive committee will need to understand the consequences of not doing a project.

This may include, for example, not being able to offer services in a new location, which impacts new business revenue. Or, failure to proceed with the project may result in fines or censures for not meeting regulatory requirements. This section should highlight the factual impact of not proceeding with this initiative.

Schedule: When will all of this happen? What is the delivery timeline?

In this section, we want to provide a high level plan – the detailed plan will come later. Typically we would show this as a Gantt chart, or a summary of key stages with their start & end date. Try to avoid using stage names that are not meaningful for a business audience, for example "inception" and "initiation" unless you know that your internal project management language is well understood at all levels. Try to show the major deliverables, and when they will be available to the business (note this is different to major milestones, which are project control tools).

Also important at this stage is identifying the critical path, so that stakeholders are aware of what activities and tasks are essential to delivering the project.

5. Finally….

In preparing for business case approval, we recommend that the Project Sponsor, Project Manager and key stakeholders/approvers consider the following questions before committing to the investment.

Particularly in organisations where multiple projects may be competing for resources (funds, project delivery teams), it is essential that the approvals committee can make an informed decision about which projects to support. Having a predefined Investment Criteria Checklist can help with objective assessment of each business case.

For further advice on project investment appraisal, please get in touch.

Investment Approval Criteria
Does this change contribute to our current strategic direction? Is this explicit in the Business Case?
Has a detailed risk assessment been undertaken? Do you we know what could go wrong and are we prepared to accept the consequences?
Are we confident in the cost and schedule estimates?
Do we fully understand on-going costs?
Has risk based contingency been included in project costs?
Are the stated critical success factors achievable?
Have the benefits claimed been agreed with Benefits Owners?
Are benefits incorporated directly into Benefits Owners performance plan?
Are similar benefits being claimed by other initiatives?
Have business requirements been signed off? If no, how much funding is required to complete business requirements?
Do we fully understand the impact on our business model?
Do we fully understand the impact on our technology?
Are we fully aware of dependencies, internal & external?
Have we identified & engaged all key stakeholders?
Do we have the technical ability & the resource capacity to deliver this change?
Are our suppliers committed?
Should we do this?
Should we do this now?