
Business Case Usage Guidelines

NOTE TO READER:

This document has been developed in conjunction with and to support the use of the “Business Case Template”.

Business Case – Usage Guidelines

What is a Business Case?

An effective business case is a multi-purpose document that generates the support and participation needed to turn an idea into reality. It explains what the idea, problem, or opportunity is about, how and who it will impact, what others are doing, each of the alternatives, the associated impacts, risks and cost/benefit of each alternative, and makes recommendations.

The complexity of a business case and time taken to prepare it depends on the nature of the business initiative. For instance, the extent to which an initiative has some or all of the following characteristics:

- multi-functional;
- multi-departmental;
- affects many stakeholders (internal or external);
- involves substantial changes to service delivery processes;
- involves high risk or possible impacts;
- highly visible to senior management, legislature;
- significant in terms of funding, resources, stakeholders;
- multi-year costs and multi-year return on investment;
- multi-year realization of benefits;
- contingent on timeframe;

will determine whether the business case may be developed in a few hours or take many months to develop. It may even be necessary to initiate a trial or pilot projects to test the feasibility of a particular approach before the business case is completed. In this case a separate business case will be needed to support the pilot project.

A business case is related to a business initiative. The business initiative could spawn multiple projects (e.g. feasibility study, request for proposals, development/construction, implementation, transition), each one may warrant their own sub-business case, for funding/resource allocation.

When is a Business Case Required?

- When a business decision is being made
- To demonstrate that the “thinking” was carried out
- Typically required to gain funding

In general terms, any initiative that will have a significant impact on either internal processes or the delivery of services to clients, particularly if it requires significant allocation or reallocation of resources, should be justified by means of a business case. Each ministry should follow its own practice/guidelines, to establish when a business case is required.

When can a Business Case change?

The main business case is not a static document. Once an initiative has approval to proceed, the business case should be revised and updated at key decision points. Therefore, the business case is a dynamic document throughout the life of the initiative, until the business benefits are realized. The business case evolves as additional and more accurate information is gathered.

1. An initial business case will likely be high-level and based on “ball-park” estimates and initial judgments.
2. The high-level business case is adjusted/refined, as further facts and figures are obtained after a feasibility study and/or detailed needs assessment.

3. Again, the business case can be refined further after a design estimate or request for proposals.
4. Even at implementation stage, the final development costs will be known, the operational costs can be refined, the benefits can be refined and the specific operational risks and impacts can be anticipated.

The following table illustrates the dynamic nature of a business case:

Initiative Life Cycle		Business Case	Characteristics
Business Idea	→	Opportunity Statement	Brief one page description of idea
	↙		
Gain Support	→	High-level Business Case	Contains general alternatives, potential costs and benefits (usually a range), high-level impacts and risks, good environmental analysis
	↙		
Feasibility Study/Detailed Needs Assessment	→	Revised Business Case	Alternatives are refined based on needs, costs and benefits are revised
	↙		
Pilot	→	Revised Business Case	Impacts and Risks are fully explored, costs are more precise
	↙		
Implementation Plan	→	Revised Business Case	Specific alternative is defined and costs are known
	↙		
Implementation	→	Finalized Business Case	Costs are based on actual, benefits are finalized
	↙		
Review	→		Finalized Business Case is used to evaluate the success over the life span of the project

The business initiative and business case do not end when the implementation project ends, the business initiative usually has a schedule of benefits to realize over the coming months and years.

To benefit from the business case methodology, a rigorous, objective and honest attitude is required in applying it. To do otherwise is to risk making a poor investment on behalf of the business area and public.

How much time to spend on one?

- It could be very short – but contain all aspects (costs, benefits, risks, mitigation etc)
- It could be completed in a few hours – and contain all aspects (costs, benefits, risks, mitigation etc)
- It may required a comprehensive analysis which could take a few months to complete

Business case is scalable to the nature and impact of a decision, although the complete template (thinking) should be covered and documented. The number of pages of a business case varies, based on the subject matter of the case. It may be a brief 1-2 page document or an extensive evaluation that takes 75-100 pages. However, the length of the business case should be kept to a minimum, ensuring it stays on topic, presents relevant information in a clear and concise manner that is focused on supporting management in making decisions.

General Rule of thumb => Business case time = approximately 5-10% of anticipated implementation project time

e.g. An anticipated:

- 3 month project to implement the initiative = 9 days to put together an appropriately detailed business case
- 3 year project to implement the initiative = 3 months to put together a comprehensive business case
- 1 year project to implement the initiative = 1 – 1.5 months to put together a detailed business case
- 25 day project to implement the initiative = 2 days to put together a complete but straightforward and simple business case

This time should be allocated to the various business case sections, based on the nature of the initiative and project.

- A highly risky initiative with a number of potential impacts might warrant more time in the impact, risk and mitigation sections
- One that requires relatively significant funding from a number of areas, will require more effort for the costing areas in Cost/Benefit Analysis
- One that requires analysis into “what other jurisdictions did”, will require a larger balance of work in the Environment Analysis section
- One that has an important opportunity and/or impact for the department may require some extra time in the Strategic Alignment section

Why would a Business Case not be approved?

A business case is a request for support for an initiative, usually involving a resource investment and financial commitment. The final decision requires judgment and consideration of issues perhaps not contemplated in the business case. It is quite possible that the business case is well written and compelling, but other priorities will take precedence. It may also be that the decision making body is well informed by the business case but does not agree with the conclusions.

There are other common reasons a business case is not followed up on:

- An unconvincing argument – limited benefits
- Gaps in the evidence supporting the argument
- The methodology used to assess the options is not understood or accepted
- The costing lacks rigor
- The requirements set out in the business case template have not been met
- Other business priorities take precedence

When the recommendations of a business case are not followed, the reasons for departure should be documented. The explanation is necessary to ensure that the basis for the deviation can be understood, and that any deficiencies in the business case are recognized.

What are the characteristics of a good Business Case?

The aim in writing a business case is to:

- Outline all the relevant information
- Outline the argument for the recommended course of action
- Be clear, logical and comprehensive

The business case will be more convincing if the arguments are supported by hard data:

- If stakeholder views are cited, provide some evidence of the consultations
- For community or other benefits, provide evidence of the research conducted into the existing situation and expected improvements

- Provide the experience gained by other organizations in implementing the same kind of initiative – this provides a good reality check
- Accurate costing of alternatives and expected benefits, based on a thorough approach and using relevant assessment tools
- Reference material (articles, websites, libraries, books etc.) on alternatives

Business Case – Relationship to Other Documents

Business Case Sections	<i>Typical Project Related Documents</i>				
	<i>Project Charter</i>	<i>Standard Contract</i>	<i>Project Status Report</i>	<i>Post Implementation Review</i>	<i>Business Initiative Review</i>
Executive Summary	✓			✓	✓
Background	✓			✓	✓
Project Description	✓	✓		✓	✓
Strategic Alignment		✓		✓	✓
Environment Analysis					✓
Alternatives					
Business & Operation Impacts	✓		✓	✓	✓
Project Risk Assessment	✓		✓	✓	✓
Cost / Benefit Analysis		✓	✓	✓	✓
Conclusion & Recommendations	✓				
Implementation Strategy	✓		✓	✓	✓
Review & Approval Process	✓	✓	✓	✓	✓

Information and text from the Business Case Sections will naturally flow into other documents related to the associated project(s).

Information from the Executive Summary, Background, Project Description plus the Conclusions & Recommendations sections will form the project description(s) to be used in the Project Charter(s) and eventually the projects' Post Implementation Reviews. Further, this project information will be used in overall Business Initiative Review documents.

The Impacts and Risk information and fostering / mitigation strategies will be required as part of Project Charters, projects' Post Implementation Reviews and in overall Business Initiative Review documents.

The Costs and Benefits information will be used for monitoring performance. The Cost information will be part of Standard Contract sections and if benefits can be interpreted as service levels these may also be part of the Standard Contract. Costs and benefits will be reported against as part of Project Status Reports, project's Post Implementation Reviews and in overall Business Initiative Review documents.

The Review and Approval process may be used within: a) Standard Contract; b) Project Status report; and will be reviewed and assessed during the Post Implementation reviews.