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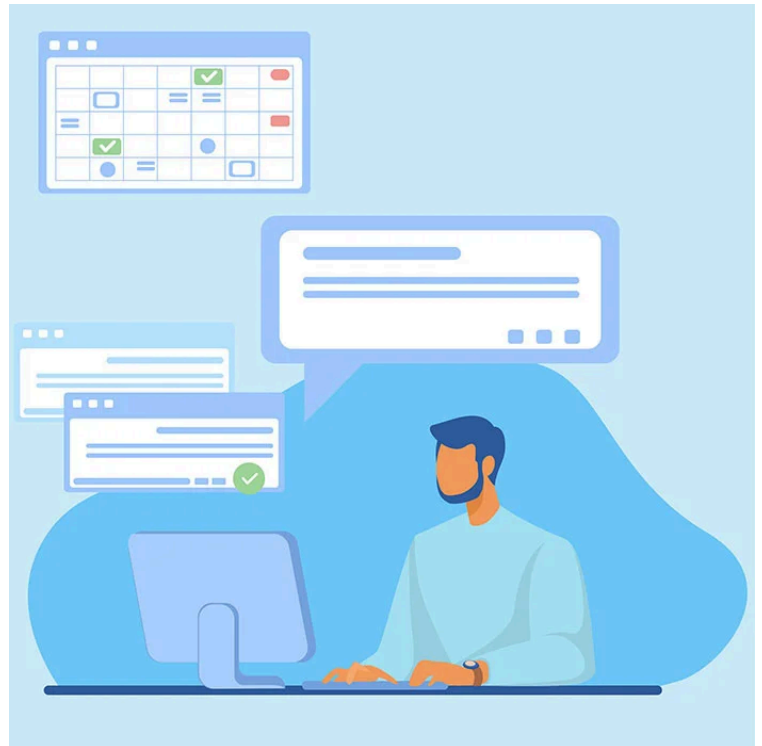Aug 27, 2020

Business Requirements vs Functional Requirements

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When it comes to world of software development, objectives are often defined through requirements. These are the decisions we impose on the implementation process.

Whether these refer to the business goal, or systematic implementations, knowing how to categorize requirements will help you get a better understanding of what needs to be done.

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The two terms, that get mixed up quite
often, describe the "what", "why", and "how"
of a particular business objective. We will
discuss their main differences, how to
categorize requirements properly, and tips
you need to remember when writing them
down.

Business requirements vs Functional requirements

Before we compare the two terms, we
need to define what each requirement
stands for. In the following chapters we will
briefly talk about the function of each
requirement, and illustrate our point with
examples.

Business requirements

Business requirements refer to a task (or
number of tasks) that a company needs to
fulfil in order to achieve a high-level

fully remote, a business requirement may look as follows:

"Implement a system that will track work hours and current timezone of remote employees, in order to plan their shifts effectively"

The more specific a business requirement is, the easier it will be to define the best way to reach the target (functional requirements).

For example, If a company's business requirement is to create a remote employee tracking system, functional requirements will delve into issues like:

- The approximate number of employees that the system needs to track

- How many hours the employees need to work on a weekly/monthly basis

- How the system determines work shifts based on timezone differences

- What steps employees need to follow to register in the new system

- How the interface needs to be structured and presented to the users (e.g.

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The following video gives a useful, in-depth explanation of functional requirements and how they differ from solutions in the context of software development.

What Is a Functional Requirement?

Understanding the differences

The difference between the two types of requirements lies in the question they answer. Business requirements define what

company will achieve it.

Business Requirements

- Explain "What" the final result of a business goal should look like and "Why" it is worth pursuing.

- Never offer or propose a solution - they only define the task at hand.

- Include short and long-term goals, the company's vision, and the scope of a business problem.

- Are objective in nature and less prone to adjustments.

Functional Requirements

- Define "How" a system needs to operate to achieve a business goal.

- Propose solutions that are subjective to the company's strengths and limitations.

- Include all the different specifications of system requirements.

- Are best presented with a use case.

Categorizing requirements

In most cases it is easy to differentiate business requirements from functional requirements. However, this is not always the case. In some instances, an activity can be both a business and functional requirement, or none of the two.

For example, if the company needs to calculate Value Added Tax for a purchase, and the task is done through a computer system, then one could argue that "Calculate Value Added Tax" is primarily a business requirement but also a functional requirement.

On the other hand, if a requirement is defined as "Choose a date to host annual employee retreat", and the task needs to be done without the involvement of any

Categorizing by source of requirements

The way we define tasks is not limited to business requirements vs functional requirements. Categorization is, in fact, very broad and depends on the objective of a business. To narrow down into a more specific requirements, we can add adjectives describing their source. For example:

• **Business requirements** - are generated by the company and describe the objectives that need to be attained, including the need to resolve bottlenecks and using existing opportunities.

• **Legal requirements** - are set by existing laws that govern operations of a specific business type. Companies need to comply with them unless they want to risk fines or problems with legal authorities.

• **Regulatory requirements** - come from institutions that regulate particular industries and set rules regarding the business conduct of companies. While they are not

lawsuits, etc.)

There are many more types of requirements that fit in this list and the options mentioned above simply act as popular examples.

Categorizing by attributes and characteristics

Apart from dividing at the source level, it is also possible to categorize based on attributes or unique characteristics. For example, you can compare functional requirements vs non-functional requirements.

- Functional requirements require an action to be taken by a person, system, or process (e.g. create monthly overview of work shifts on Excel).

- Non-functional requirements define attributes or characteristics that the final solution needs to have (e.g. Excel sheet needs to have one tab per employee). Non-

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- ○ Performance-related requirements

- ○ Security-related requirements

- ○ Scalability-related requirements

- ○ And more…

As aforementioned, requirements can belong to more than one categories. For example, a legal requirement (source) can also be labelled as a non-functional requirement (attributes) and vice versa. Also note that the examples are made as simplistic as possible to illustrate the point in a clear way. In the context of software development, requirements can look a lot more complex.

Functional specifications

Finally, we should give a brief introduction to functional specifications. These specifications describe how the solution would implement the functional requirements. You can list these specifications in the following documents:

something will function, and the behavioural expectations of a given system should have (refers to functional requirements).

- Supplemental Specification Document - a document that introduces the system requirements that are not presented in the use-case model (refers to the non-functional requirements).

Note that these types of documents are mostly utilized when writing software requirement specifications (SRS). The following chapter will introduce some practises to make this process more effective.

Writing effective requirements

Well-defined requirements exhibit some important characteristics:

- Complete - the description of the requirement much contain all the

- **Precise** - the requirement has to be accurate and shouldn't conflict with other requirements. This can be verified through a review process with all involved stakeholders.

- **Important** - the requirement must be necessary, meaning that it has to directly relate to the business objective.

- **Realistic** - there are no technical limitations that make the implementation impossible. The team is able to handle the task.

- **Testable** - the requirement can be validated through testing.

- **Clear** - misinterpretations are not possible since the requirement is described in a simple way.

- **Prioritized** - the requirement has its own degree of importance in relation to the other concurrent requirements.

Conclusion

that affect the nature of a requirement. If you read this far, you should now know how to differentiate business requirements vs functional requirements.

The main takeaways of this post can be summarizes as follows:

- Business requirements define "what" needs to be done (goal) and "why" it is important.

- Functional requirements define "how" the system/person/process needs to behave in order to achieve the goal.

- Requirements can be divided in multiple categories depending on their source, attributes, or execution process.

The information provided in this article should act as a foundation to help you define and manage requirements effectively. If any questions remain, make sure to let us know, so we can update the content of the post.

If you wish to get a better understanding with regards to business requirements and functional requirements, take a look at the Q&A section below:

What are functional business requirements?

Functional business requirements are simply functional requirements that aim to tackle business processes, and are therefore labeled as such. They may also be labeled in different ways, and refer to the exact same type of requirements. Note that you may also see the term non-functional business requirements come up, as the addition of the word "business" is only meant to further target the direction of these requirements.

Who is responsible for a business functional requirements?

As mentioned above, all types of functional requirements should be handled by a team

automated software, or a process that has been built for this exact reason. The exact person can only be defined within an organization when the exact functional requirement is identified.

Functional requirements vs non functional requirements - Which is more important?

In order to ensure that the requirement will be handled correctly, both functional and non-functional requirements play an important role in the process. The first indicates the overall task that needs to be done, while the latter discusses the specifications of the execution process to ensure its success. Let us give a functional requirements example to illustrate our point: An employee may be tasked to create a list of all the software tools that a company needs to subscribe to (functional requirement). The attributes and characteristics of this list (e.g. a different tab for each product) are known as non-functional requirements.

functional requirements?

Let's describe how this works by looking at software development. Functional requirements are developed based on the needs of a business, and are filtered based on functionality and user expectations. These requirements will lead to the development of software. Technical requirements, in this case, contain the step by step process that needs to be followed in order to fulfill the functional requirement.

What about people that compare business vs functional requirements?

Generally speaking, business requirements and functional requirements are related, but not the same. A business may have needs in many different areas of operation, both technical and non-technical. Functional requirements are built upon the foundation of business needs. Therefore, one could say that it's possible to translate (part of) business requirements to functional

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