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Building Brilliant Business Cases

Contents

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Foreword

Controlling costs is still a major business pressure. But cost cutting alone doesn't foster growth, energize employees or attract new customers. Investments do—if they're well-conceived, solid and deliver results. Brilliant business cases can facilitate that.

Most business cases fall far short of brilliant and are shelved once approved. CIOs can help business colleagues build brilliant business cases by avoiding common shortfalls and focusing on results.

This report answers the question, *How can CIOs help their colleagues build brilliant business cases?* It is for CIOs, their teams and business colleagues involved in business case development and execution. Chuck Tucker and Roger Woolfe led the research.

Many individuals from around the world contributed to this work, including:

Executive summary

Businesses need to invest to grow. So it's important to choose the right investments and to make sure they deliver. Brilliant business cases can help. They significantly improve the odds of project success because they generate stakeholder commitment (not just support), because they are credible, and because they guide the work to ensure that expected benefits are realized.

Investment decisions are only as good as the business case process

The first step in the five-step portfolio management process is to define the business initiative well enough so that decision makers can make informed choices (see September 2002 Gartner EXP Premier Report, *Getting Priorities Straight)*.

Business cases do this by helping management understand the business value of the investments, and decide whether to fund them.

Brilliant business cases go much further. They both justify the investments and guide the subsequent work. In short, they drive results (not just promise them) because they're used to make sure the project and the benefits are delivered.

Each business case is a critical input to the following IT management processes:

- Three components of the Gartner IT financial management model: funding and investment appraisal, operational control and coordination, and benefits realization
- The IT investment and prioritization domain of the IT governance process (see figure below)

Flawed business cases seriously reduce the effectiveness of these processes.

Business cases are critical inputs to IT management processes

Portfolio management process

Define initiatives → Evaluate initiatives → Prioritize and balance → Match resources → Manage portfolio

Business case

Also known as:
Cost/benefit analysis
ROI study
Feasibility study
Project proposal
Capital expenditure request
Case for action
Project funding request

IT financial management model

Budgeting and resource allocation

Funding and investment appraisal

Operational control and coordination

Benefits realization

Costing and chargeback

IT governance model

Portfolio management

IT governance

Project management

Most companies use a tiered investment appraisal process. This is usually tied to the size of the investment, its contribution to the project portfolio and its type (such as strategic or infrastructure). Business cases differ by tier. Those for endeavors—large investments for a series of related programs and projects—are extensive. Cases for individual projects are simpler. The governance bodies can also differ. But the investment appraisal process usually follows a similar pattern. In this report, we refer to all sizes of investments as "projects."

Brilliant business cases avoid common shortfalls

Senior management is often asked to approve large capital investments based on flimsy business cases that:

- Have little or no involvement or ongoing commitment from stakeholders

- Focus on technology, rather than on the needed changes in business processes and people that will achieve the benefits

- Don't quantify all potential benefits, who will achieve them and how they will be measured

- Aren't aligned with corporate plans, objectives and strategies

- Ignore major risks or how they will be mitigated

- Aren't documented clearly and credibly

- Aren't used to guide the projects from analysis through implementation

- Aren't used to institutionalize new ways of working and the resulting benefits

Business cases are also generally viewed only as documents for gaining funding. Once approved, they are put away. Many organizations track project costs against the business case estimates. But few seriously track the business benefits the projects actually achieve.

CIOs are often blamed for weak business cases and projects that don't deliver. Brilliant business cases address all the shortcomings.

CIOs can help build brilliant business cases and leverage their use

To answer the question, *How can CIOs help their colleagues build brilliant business cases?* Gartner EXP researchers reviewed 15 excellent business cases, then interviewed developers of seven that have the characteristics of brilliant business cases. These seven are presented in this report. Most of the seven projects are complete or nearly so, and the results are meeting or exceeding expectations.

The report is written for CIOs, their teams and business colleagues involved in business case development and execution. It looks first at the *process* used to develop brilliant business cases. It next examines the contents of brilliant business case *documents*. It then discusses the *use* of brilliant business cases during and after project execution.

For an explanation of governance issues, see the January 2003 Gartner EXP Premier Report, *Effective IT Governance. By Design,* and the October 2003 Gartner EXP Club Report, *Tailor IT Governance to Your Enterprise.*

Section 1: Develop brilliant business cases collaboratively

Brilliant business cases are developed using a business-driven, inclusive process that avoids three common shortfalls by:

• Involving all stakeholders to ensure approval and ongoing support

• Focusing on how the business will achieve changes related to both processes and people

• Identifying all potential benefits and who will achieve them

Section 2: Fully document brilliant business cases

Brilliant business cases clearly present the information decision makers need, and avoid three other common shortfalls by:

• Linking the business case to business plans

• Describing the major risks and how they will be mitigated

• Packaging the business case well, boosting its credibility

Section 3: Leverage brilliant business cases after approval

Brilliant business cases add value throughout the entire project life cycle. They are used for:

• Guiding and assessing project execution

• Tracking how well process and people changes are being institutionalized, and the realization of benefits

Develop brilliant business cases collaboratively

1

Brilliant business cases are developed by a business-led process that involves the right stakeholders at the right time. The process focuses on changes to business processes and people because these changes drive the benefits. Technology is secondary. The process also quantifies benefits and identifies who is accountable for achieving them.

Brilliant business cases are different

Business cases describe investment opportunities so that decision makers can make informed choices about whether to fund them. Then they're conveniently forgotten. Project outcomes can often be disappointing.

Brilliant business cases are different. They're developed with a different focus, one that produces a credible document designed to drive results throughout the project life cycle.

Brilliant business case definition

A business case describes an investment opportunity. It is used to help management understand the business value of the investment and decide, in a rational way, whether to proceed. Most business cases are used only for justifying the investment.

A *brilliant* business case is much more. Its development process is more inclusive and results in a more credible and useful document. It avoids the common shortfalls. It both justifies the investment and guides the subsequent work to realize the benefits. In short, it is used throughout the project to drive results.

The brilliant business case development process is business-driven

Developing brilliant business cases requires a process that gains buy-in, ongoing support and commitment. The process is business-driven, not IT-driven. IT can take the lead on infrastructure projects, but the business must lead projects that require major business changes. Brilliant business case teams involve the business, finance and IT, led by a business manager.

Many enterprises follow a standard business case development process (see figure opposite).

Typical business case development process

Get ready
- Establish a joint business/IS/finance team
- Define roles/responsibilities/deliverables/plan
- Solidify executive sponsorship

Gather the data
- Develop the vision and objectives
- Understand the business opportunity/problem
- Define high-level solution alternatives

Perform the analysis
- Evaluate solution alternatives and select
- Develop scenarios: best, worst, most likely
- Perform detailed cost/benefit/risk analyses
- Define implementation approach/timeline
- Develop supporting data to substantiate claims
- Document linkage with company goals/plans
- Define "as is" and "to be" states and analyze gaps
- Develop RFP(s) and select vendor(s)

Package and communicate the results
- Finalize financials
- Design story line and graphics
- Assemble business case document
- Review with stakeholders
- Ask for approval

But too often, the process is inadequate or not followed (see box below). Three common shortfalls are:

• Not understanding stakeholder issues and therefore not gaining their buy-in and ongoing support

• Paying insufficient attention to needed process and people changes

• Not enforcing benefits estimation and commitment

All stakeholders are engaged in developing a brilliant business case

Different stakeholders play different roles in developing a business case (see figure opposite). Often a project's influential stakeholders are overlooked, or their real interests or concerns are not understood, until it's too late.

Brilliant business cases contain the best thinking of all stakeholders. A thorough process involves the right people, uncovers all their concerns and issues and then addresses them. Messages to stakeholders are clear and consistent. That's why developing a brilliant business case can take months.

Shortfalls in the business case development process

• The process is not used to understand stakeholder issues and gain buy-in and support.
• The focus is on technology, not the process and people changes that deliver the benefits.
• The benefits estimation and commitment processes are not rigorously enforced.
• Business leaders and senior management are not engaged in the process.
• The business case development team doesn't have balanced membership.
• Key assumptions and financial analyses are not independently validated.
• Not enough time is allotted to perform all the steps well.

When the process is thorough, presenting the case to the decision-making body becomes a formality because people already support it. The questions they might ask are already answered.

Managing Your Stakeholders, the October 2002 Gartner EXP Club Report, suggests techniques for strengthening buy-in and winning over or neutralizing opponents.

Different stakeholders play different roles in business case development	
Stakeholder	**Involvement with the business case development process**
Chief financial officer (CFO)	Checks the basis of the financial analysis, along with the numbers and the assumptions on which they are based
Executive sponsor	Is intimately involved with the preparation of the business case and its approval and identified as responsible for benefits delivery
Project manager	Leads the development of the business case, which becomes a key reference document for the project
Portfolio management committee	Endorses the case in the context of overall fit with the project portfolio
Investment committee	Ensures that the case meets the enterprise's formal requirements and formally approves the case
Business unit managers	Take full responsibility for all the business components, including benefit estimates, business process and people changes, and benefits realization
Chief information officer (CIO)	Takes full responsibility for the IT components, including IT cost and time estimates, IT resourcing and IT risks
Chief technical officer (CTO)	Oversees the integrity of the technical solution, security and architectural compliance

The South African Revenue Service process engages all stakeholders

South African (SA) Revenue Service recently approved a multimillion-dollar business case for Single View, a system enabling its tax advisors and call center agents to easily access the full taxation status of customers. Single View should save SA Revenue Service millions of dollars a month on tax equalization benefits, repaying its investment in weeks.

The key executive committee members—effectively the board of senior executive managers—were involved in formulating the Single View business case. They knew the issues, and their questions were answered before their approval was requested.

"Getting stakeholders involved and supportive during the preparation of the business case is critical to success," says Andre van der Post, who manages strategy, architecture, innovation and research in the technical services division. "In preparing the business case, I spent 90 percent of my time working with the committee members to understand their requirements and concerns, and just 10 percent actually writing the document and putting it together.

"To gain the support of the stakeholders, you need to understand the delivery expectations of each individual. It's critical to get the support of senior executives, of course. But keep that at a general, strategic level. There's no need to involve them in the nitty-gritty, or they'll get bogged down.

"Involvement at the detail level should be reserved for those who will be concerned with the system day-to-day. So distinguish strategic from tactical support. Understanding your stakeholders well enough to know the level of detail they want and need is a critical success factor in business case preparation."

South African Revenue Service plans quick payback from a strategic system enhancement

Business case at a glance

Project name:
 Single View

Project theme:
 Providing the existing unintegrated legacy systems with a single view of a customer

Project investment:
 Several million dollars

Project length:
 Six months

Financial measures used:
 Payback period

Justification:
 Increase the tax take by presenting the administrators with better access to critical taxpayer information through a single interface—payback in less than two months.

Business case success factors:

• Understanding the stakeholders well enough to know, in detail, what they want from the business case

• Getting full support from the key stakeholders before formally presenting the business case

• Committing only to what was practical in the business case—and over-promising nothing

South African Revenue Service provides a broad-based tax collection service on behalf of the South African government. Employing 15,000 people, it collects revenues worth more than US$38 billion annually from multiple tax products: chiefly earned income tax (South Africa has a working population of more than 20 million), corporation tax, value added tax (VAT) and import/export tax. IT services are provided by its technical services division, with 450 staff.

Single View is a system that shows tax administrators and call center agents a customer's overall taxation status. In September 2003 the business case to fund Single View was approved by the Revenue Service executive committee, after first being formally accepted by the transformation and governance committee, a subset of the executive committee responsible for all strategic projects and their budgets. The executive committee comprises the general managers of the nine main business divisions, under the chairmanship of South Africa's commissioner of inland revenue.

By aggregating separate customer records from the different line-of-business legacy systems, Single View is a huge step forward.

The business case emphasizes fast, phased implementation and quick payback

Based mainly on standard software, Single View is a system enhancement designed for rapid rollout and minimal change to existing processes. It's based largely on Siebel software, working with a relational customer master file. The file was initially created using data in the legacy systems, then maintained in parallel. Flexible and scalable, Single View's design approach was selected after evaluating the risks, costs and deployment times of alternative approaches.

Single View was set for implementation in two main phases over six months. Later phases, yet undefined, are sure to follow. Phase 1 began with a four-week pilot trial among 200 users. That was followed by a staged, full-scale rollout across the nation, again in just a few weeks. Phase 2 added some additional tax products and functionality to the four main tax products of Phase 1—income, VAT, pay as you earn (PAYE) and customs. ▸**16**

Case Study (continued):

South African Revenue Service plans quick payback from a strategic system enhancement

◂**15** Formal progress checking took place weekly with all of the key stakeholders: the three key system vendors (Accenture, Siebel and IBM) and the managers of the Revenue Service's six operational divisions.

Risks associated with the project were categorized as high, medium and low, after each was rated by the probability of occurrence and potential impact. Mitigating actions have been identified for each of the high risks. For instance, "limited time for testing" is rated as a high risk. "Deploying automated testing tools" is the corresponding mitigating action.

A wide range of prospective benefits has been identified. For the first two phases alone, benefits include more accurate tax liability assessment, fewer data-entry errors and faster handling of queries. Quantifying the value of such benefits has been handled by estimating and scaling from sample data in the line-of-business systems. Take VAT refunds: Just a 1 percent offset against other taxes—a conservative assumption—would yield

millions of dollars a month. A 5 percent offset, a more likely assumption, would yield five times as much. The Single View system tracks the offset achieved, to calculate the actual return on investment.

The cost of the whole project, including hardware and software and associated business costs such as staff training, is estimated to be in the millions of dollars. Even on the conservative assumption of only a 1 percent offset of VAT against other taxes, the project would return its investment in less than two months.

Responsibility for achieving the expected benefits went to named individuals in the business. The impact of the system on the business at rollout was limited to minor process adjustments and staff retraining.

Based on an interview with (and material from) Andre van der Post, manager of strategy, architecture, innovation and research, South African Revenue Service technical services, September 2003.

Brilliant business cases focus on how the business needs to change

Too many business cases overemphasize technology. Technology is only the means to an end. Benefits come from business changes. A brilliant business case addresses how people and processes will change. It documents the "as is" and "to be" states, describing the changes needed to bridge the gap (see figure below).

The measures used to document these states are clearly defined. And baseline values are included where appropriate, to track progress.

Focus on people and process changes, not just technology		
	"As is"	**"To be"**
People	Disparate groups of employees who work independently with numerous handoffs between groups	Strategically networked multidisciplinary teams working in unison toward a clearly stated goal
Process	Complex set of error-prone, codependent processes with no perfomance metrics	Streamlined process that flows clearly from beginning to natural conclusion; automatic reporting of cycle times and errors
Technology	Batch processing and nonintegrated PC-based networked systems	Wireless connectivity between mobile computing devices such as laptops, PDAs and mobile phones, and fully integrated, real-time systems

Yorkshire Water focuses on changes in processes and people

Yorkshire Water, a large utility in the north of England, has invested US$45 million in ICOM, its integrated customer and operations management system. ICOM is the largest single component of a transformational program aimed at raising the regulated monopoly supplier from the bottom of the official customer service league, to the top.

"In a project the scale of ICOM, it's essential that the whole business understands the rationale for change," emphasizes Duncan Bennett, ICOM program manager. "And it was crucial to examine in advance how the ICOM investment would change what people do," adds Alan Harrison, CIO.

Today, customer requests are handled by a contact center that is fully integrated with work management in the field. Consider a customer who calls to report low water pressure. Call center agents can see where the relevant field engineering work is taking place. They can keep the customer informed of progress. And they can predict the work's likely completion time. ICOM has also been extended beyond Yorkshire Water to electronically link contractors working in the field.

The first step of the project was for the business to analyze its main processes—to see where interprocess boundaries could be removed, and process elements redesigned and integrated, to make work faster and more efficient. The next step was to determine how people's roles would change. Yorkshire Water realized that ICOM would require a significant cultural shift.

The utility assembled a change team of more than 100 at its height, comprising both internal and external staff. The team planned the development and changeover in detail. It held more than 250 internal briefings and delivered 8,000 days of role-based training.

Following ICOM's implementation, the change team's internal members were reassigned to their line roles, forming a network of local specialists to help manage the change and promote best practices.

Case Study:

Yorkshire Water focuses on business changes needed to reap business benefits

Business case at a glance

Project name:
Integrated customer and operations management (ICOM)

Project theme:
An integrated customer contact center and work management system that features records of all previous customer contacts, access to the billing system and near-real-time electronic links to engineers working in the field

Project investment:
US$45 million

Project length:
Four years from inception to full implementation

Justification:
Enhance customer service and boost the business to the top of the U.K. water regulator's official customer service league, from its earlier position at the bottom.

Business case success factors:

- Gaining and retaining support and commitment from the stakeholders—and from those responsible for delivering the benefits
- Pre-assessing how the system will change what people in the business do
- Ensuring that the whole business understands the rationale for change
- Focusing on benefit metrics and how benefits are to be realized

Yorkshire Water is the world's ninth largest water utility. Privatized in 1989, it is a regulated monopoly that supplies and then collects, treats and disposes of more than a billion liters of water a day. Revenues exceed US$940 million, and there are more than 2,000 employees. Located in the north of England, Yorkshire Water has more than 2 million separately addressed billing customers on its books. The IS department's headcount exceeds 250.

Yorkshire Water's integrated customer and operations management (ICOM) project was conceived in the late 1990s. Performing poorly, the company faced rising customer expectations and growing competitive threats. It was rated at the bottom of the water regulator's customer service league in the U.K. "We were on the edge of a precipice," says Alan Harrison, CIO.

The board's ambitious survival strategy, to become the best water company in the U.K., led to a major change program—and a total investment of US$65 million. Part of the investment was for back-office systems to enhance financial management and supply-chain performance; part was for systems to improve asset management. (Yorkshire Water spends US$1.5 million a day on capital programs.)

The bulk of the investment—US$45 million—was to improve customer service. The details were set out in a weighty business case document that gained board approval early in 1999. ICOM began phased implementation in 2001, finishing in 2002.

The business case focused on business issues and benefits

Rather than technology, the business case focused on business issues: the link with company objectives, the rationale for change, the need for customer focus and a commercial culture, and the benefits that would accrue. Risks were clearly tabulated, showing the impact, the likelihood of occurrence, a risk score and an overall risk rating.

An extensive customer survey quantified benefits and service targets for the business case. All have been achieved or exceeded.

1

Yorkshire Water focuses on business changes needed to reap business benefits

◂**19** One of the benefits is "first call resolution." With a clear view of a calling customer's contact and billing history, and with field engineers' incident reports, call center agents are now well equipped to resolve or close an issue swiftly. More than 70 percent of calls are now closed on first contact, and 99 percent of callbacks occur within 30 minutes.

Another benefit is appointment scheduling. Formerly, customer appointments could be at best scheduled only for mornings or afternoons within a 37-hour week. Now agents can schedule field-engineer visits within a customer-defined two-hour window over an 85-hour week, including evenings and weekends. Of all appointments, 99 percent are handled within the window at no extra cost to the business.

Field service optimization is a third benefit. Work status is now updated and new assignments identified through engineers' mobile devices connected to the work management center. Time wastage is reduced because engineers are now directed optimally from job to job. Unnecessary field jobs are down by 40 percent.

Such benefits have already propelled Yorkshire Water into second place in its league. And operational savings amount to more than US$14 million a year—through staff reductions due to higher productivity.

Leadership has driven benefits realization

A key success factor in preparing and executing the ICOM business case was the company's insistence on strong executive leadership throughout the program. A steering group of senior managers from across the business was established at the outset, chaired by Duncan Bennett, ICOM program manager.

The steering group remains in place today, though it's slimmer and meets less frequently than before. It still uses the original business case document for reference. Though the document remains unchanged, some of the service targets have been raised—such as extending engineers' coverage to the current 85 hours. "Squeezing further benefits from ICOM is a continuing process," says Bennett.

The crucial responsibility of day-to-day benefits realization rests with Pearl Murphy, IT program office manager. "ICOM has led us to really sharpen up on the benefits tracking process," she says. "Benefits have to be quantified, including the intangible ones. You need metrics and key performance indicators. The benefits-realization process has to be clear and visible. It has to link back to the business plans, and it has to reflect the operational benefits that justified the investment in the first place. Responsibilities for realizing the benefits have to be sharply defined."

Based on interviews with (and material from) Duncan Bennett, ICOM program manager; Alan Harrison, CIO; and Pearl Murphy, IT program office manager, Yorkshire Water, October 2003.

Identify potential benefits and executives responsible

Many business cases are never presented—or are not approved—because they lack sufficient financial justification. Non-obvious benefits have not been uncovered. Brilliant business cases identify and quantify all benefits because their development includes an exhaustive search for benefits (see figure below).

Here are some techniques to find and quantify non-obvious benefits:

- Interview people close to the problems.
- Hold benefits-discovery brainstorming sessions with the business and IT.
- Use benefits checklists to ensure no benefit is overlooked.
- Use consultants, trade associations and vendors to leverage the benefits experience of other companies.

- Use value frameworks, such as the Gartner Total Value of Opportunity and the Five Pillars of Benefits Realization.
- Establish processes to encourage workgroups to propose further changes and benefits once the new ways of working are implemented.

Intangible or soft benefits, such as improved customer satisfaction, are important but difficult to quantify. Typical examples include:

- Customer satisfaction
- Brand enhancement
- Employee morale
- Risk reduction
- Competitive advantage
- Alignment
- Better decision making

Search exhaustively for potential benefits			
Typical sources of benefits			
People	**Process**	**Technology**	**Business**
• Reduce headcount • Reduce salary costs • Increase span of control • Develop process experts • Centralize customer service	• Reduce transaction processing times • Eliminate non-value-added tasks • Minimize errors/rework • Standardize processes • Implement self-service • Implement best practices	• Increase reliability and quality • Reduce complexity • Lower future development costs • Reduce software purchase prices and license fees • Reduce ongoing support costs	• Improve brand image • Create new revenue sources • Shorten product development • Enable premium pricing • React faster to business change
Infrastructure			
• Increase future scalability, flexibility and agility • Enable incremental change at lower cost • Decrease facilities and management costs			

Such soft benefits often are not considered in business case evaluations. But they should be—if they can be turned into tangible benefits. For instance, increased customer satisfaction can be quantified, using the following logic: Satisfied customers are less likely to leave, reducing the need to replace them with new customers; if the cost of acquiring a new customer is $X, and we can reduce customer attrition by Y percent, then we can save $Z year, a very tangible benefit.

But identifying and quantifying benefits are not enough. Unless business unit executives commit to achieving them—and have the tools to measure them—realizing the benefits is unlikely. A brilliant business case process engages business unit executives in developing benefit estimates so they are comfortable with the goals, the underlying assumptions and how and when the benefits will be measured.

Brilliant business cases include public commitments by business unit executives to realize the benefits. This might include signing the business case and presenting to the investment committee the section of the case that describes how their organization will benefit.

Commerce Bank emphasizes quantifying benefits and gaining commitment to them

Commerce Bank is in the final stages of implementing a $10 million check imaging system. The business case for the project locked in benefits in three ways.

First, the sources of expected benefits are identified in the business case. "Instead of 'Reduce personnel expense,' the business case states 'Eliminate a specific cost center starting in March,'" notes C. Tom Cook, senior vice president and CIO.

Second, the leaders of the affected business units publicly stated their commitment to achieving the promised benefits. First, they had to quantify the benefits they would receive. Next, they presented to the executive management committee how the project supported their business objectives. Then they committed to the benefits numbers.

Third, the bank uses the business case to measure progress. "Stating the benefits so precisely makes it much easier to track whether we are capturing the promised benefits," says Cook. Costs and benefits are tracked monthly, reported to the project steering committee and summarized for senior management.

Case Study:

Commerce Bank emphasizes benefits realization

Business case at a glance

Project name:
Check Imaging

Project theme:
Delivering on customer expectations

Project investment:
$10 million

Project length:
2.5 years

Financial measures used:
Internal rate of return, payback period, impact on earnings per share over five years

Justification:
Modest financial payback with strong strategic alignment

Business case success factors:
- All affected functions are involved early in the business case process.
- Business unit and senior management provide strong support.
- Business unit executives publicly commit to realizing the benefits.

Commerce Bank is the principal subsidiary of Missouri-based Commerce Bancshares Inc., a $13.4 billion regulated bank holding company with 5,000 employees. Commerce Bank provides a diversified line of financial services, including business and personal banking, wealth management and estate planning, and investments through its affiliated companies. It operates in three states with more than 350 locations.

In May 2001, Commerce Bank's executive management committee (EMC) was presented a comprehensive business case to approve and fund a $10 million investment in a check imaging system. The check imaging team spent 12 months preparing it.

First, the team had to understand the capabilities of check imaging vendors. Second, the business units impacted by this system had to quantify and commit to the benefits. Third, the team developed a detailed project plan to budget the costs and revenue on a monthly basis. Fourth, the reasonableness of the assumptions was reviewed. Fifth, the business case was presented to the IT steering committee. Sixth, the check imaging team briefed top management on long-term strategic implications.

The team held positioning discussions at three EMC meetings prior to the executive sponsor presenting the business case for approval. Business unit executives presented how the project supported their business objectives and committed to achieving the benefits.

The business case used the bank's standard methodology

The case followed the bank's usual methodology, using a standard corporate financial model and requiring the key assumptions that drive the model to be listed. The model calculates internal rate of return, payback period and earnings per share impact over a five-year period.

The main sections of the business case were:

- Executive Summary
- Operational Highlights
- Information Technology
- Business Unit Highlights
- Financial Review
- Other Discussion Points (which focused on business risks and mitigation)

The strategic implications of a new check imaging system, and its alignment with business

Case Study (continued):

Commerce Bank emphasizes benefits realization

‹**23** objectives, were covered in the Executive Summary and Business Unit Highlights sections to provide stronger justification than the financials alone.

A chart showing competitors' use of check imaging strengthened the case for action. A simple demonstration helped EMC members understand the project's risks and its future impact on employees and customers.

Risks were enumerated, along with mitigation strategies. Operational disruptions were likely. "We made it clear to the users and the EMC that the transition would limit the ability of operations to undertake any other major project during the time frame," says Mike Spafford, senior vice president, project office, bank operations. "By the time the business case was presented to the EMC, it was well understood because everyone was familiar with the subject and many had contributed to its contents."

Six factors contributed to successful business case development

According to Senior Vice President and CIO C. Tom Cook, six factors played a crucial role in getting the business case prepared and the project approved:

1. A methodical approach to developing a complete and credible business case— in line with the bank's methodology

2. Engagement of the right people across the entire organization early in the process, using a project steering committee that included the business unit executives

3. Frequent communications across functions and business units

4. Public support and commitments to achieving the benefits by the business unit leaders

5. Keeping senior management informed of the project's value proposition and strategic necessity through a series of presentations

6. Developing management understanding and support for undertaking the risk mitigation steps

The results match the plan

The business case has not been modified since approval so that it could serve as the baseline throughout the entire project. But there have been changes to the project's scope and schedule. In fact, a mid-project decision by the project steering committee to add local site disaster recovery and to terminate an outsourced contract required incremental funding. These additional costs are tracked separately from the baseline costs defined in the business case.

With the project in its final implementation phase, costs and benefits are tracking closely with the business case estimates.

Based on interviews with (and material from) C. Tom Cook, SVP and CIO, Commerce Bank, and Mike Spafford, SVP, project office, bank operations, September 2003.

Assess the comprehensiveness of your business case development process

Review your process for developing business cases. How well does it compare to the criteria listed in the self-assessment below?

Use the scoring key at the bottom of the figure to determine how comprehensive your business case development process is and how you could improve it.

The development process results in a business case document. What's needed in that document is described in the next section.

Business case development process self-assessment					
How comprehensive is your business case development process?	**Done poorly/ not at all**	**Done somewhat poorly**	**Done somewhat well**	**Done well/ completely**	**Score**
We use a team with the right mix and levels of experience, weighting business participation more heavily	0	1	2	3	
We ensure we have adequate executive sponsorship, and senior management involvement and ongoing commitment	0	1	2	3	
We use the process not just to gather the data for the business case, but also to gain buy-in and support	0	1	2	3	
The team focuses on process reengineering and people changes as much as technology changes	0	1	2	3	
We define the metrics to measure the success of the new processes along with their measurement frequency, baseline and expected value, and people responsible for measurement and tracking	0	1	2	3	
We use checklists to ensure we have examined all possible sources of benefits, and convert intangible benefits to tangible ones	0	1	2	3	
We have a process that requires business unit leaders to publicly commit to achieving the benefits	0	1	2	3	

17 - 21 points Excellent; your process is brilliant 12 - 16 points Not bad; focus on areas that scored less than 2 7 - 11 points You still have a lot of process improvements to make 6 or less Very weak process, unlikely to produce valid business case	**Total**

Fully document brilliant business cases

2

Brilliant business cases give decision makers the information they need to make sound investment decisions. They focus on closely linking the investment to business plans, and identifying the major risks and how they will be mitigated. They present the information clearly and credibly.

Brilliant business cases summarize all the needed information

Many organizations use a standard business case template to ensure that the information is complete and consistent. Once familiar with the format, decision makers can easily find the information they want—or compare cases. The figure opposite describes the main sections of a business case.

Despite the use of templates, most business case documents have shortfalls. The box below spells out the most common ones. The three most widespread shortfalls are:

• Links to business objectives are not explicit.

• Risk analyses are inadequate.

• The business cases are difficult for decision makers to understand.

Shortfalls in the business case documenting process

Technology-focused rather than business-focused
• Links to business goals, strategies and plans are not explicit.
• Project objectives are vague and not translated into business impact.
• Degree of business agreement, support and commitment is unclear.

Incomplete decision-making information
• Major risks are not thoroughly analyzed or presented.
• Alternatives are not evaluated, such as the cost of not undertaking the project.
• Key assumptions are not stated.

Inappropriate format and packaging
• Credibility of the data is weak and unclear.
• Nonstandard format makes finding and comparing information difficult.
• Length is intimidating, and language is technical.
• Level of detail is inappropriate for decision makers.

Brilliant business cases give decision makers all the information they need	
Business case section	**Content description**
Executive summary	Summarizes the opportunity, recommendation and business impact
Introduction and background	Sets the scene by tracing the key events leading up to the business case and builds credibility by summarizing the due diligence performed
Opportunity or problem definition	Describes the opportunity to be seized or problem to be solved in business terms, either linked to business objectives or pain points
Recommended solution and alternatives	Recommends a specific solution and gives the rationale for its selection from the alternatives considered
Benefits estimates and assumptions	Presents underlying assumptions and quantifies major sources and types of expected benefits, how they will be measured and who is responsible for them
Cost estimates and assumptions	Quantifies expected costs and the assumptions upon which they are based, usually with scenarios for the range of costs
Risk factors and mitigation	Quantifies the major risks that could impact project success and provides mitigation strategies for each
Financial analysis	Presents the standard financial measures, e.g., ROI, NPV, IRR, used to evaluate other capital investments
Implementation approach/ timeline	Provides estimated timing of major tasks and phases so that financial analyses based on the timing of expenditures and benefits can be completed
Appendices	Presents detailed supporting data, such as financial models

Brilliant business cases link to business plans

Brilliant business cases describe projects in the context of business goals, strategies and plans, and the enterprise's existing and planned portfolio of projects. One approach uses a table to show how the business case links with weighted business objectives. That's possible only when the project's business objectives and its intended business impact are stated explicitly.

Alternatively, business cases can reflect business or IT "pain points," where things are not working properly. This approach is particularly useful when making the case for IT infrastructure enhancements.

Ingersoll-Rand Security and Safety Americas' business cases follow from business planning

The Security and Safety Americas (SSA) group of Ingersoll-Rand links its business cases to corporate strategy. Once strategy is set, IT partners with the appropriate business units to develop business cases to carry it out.

Not long ago, during the strategy planning process, SSA's business units realized that their systems and processes couldn't support their planned growth. "That realization was a breakthrough," notes Paul Fitterer, SSA's vice president of information technology.

"IT doesn't drive the planning process, but we do use it to educate business unit management on the opportunities we can provide," he says. "You have to understand the 'biorhythms' of the business and move IT into the same rhythm. Otherwise, IT is viewed as a third wheel and is given extra scrutiny because it is outside the normal business cycle. Business cases, properly delivered to the right audience and marketed as an integrated part of the business strategy, will be successful where there is a level of trust between the business and IT."

Fitterer is satisfied with this new business case process. In fact, going forward he'd like to replicate it at lower levels in the organization by having his leadership team use the process at the business unit and department levels. Doing so would further link cases to strategy. He believes that developing business cases is a process, that projects are just milestones along the way.

Case Study:

Ingersoll-Rand Security and Safety Americas' business cases are part of the business planning process

Business case at a glance

Project name:
Security and Safety Americas
Legacy Replacement

Project theme:
Supporting dramatic growth, lean
manufacturing and one-face-to-the-customer
initiatives

Project investment:
$20 million

Project length:
Five years for five phases

Financial measures used:
Net present value and internal rate of return

Justification:
Build an IT platform to support planned
growth and business strategies; improve
productivity and quality.

Business case success factors:
- IT involvement in business strategy prior to
partnering with business units to develop
business cases
- Joint presentation of business cases by the
business sponsor, finance and IT
- "Pay by the drink" investing to reduce risk

*Ingersoll-Rand's Security and Safety Americas
sector manufactures and markets architectural
hardware products, mechanical locks, and
electronic and biometric access-control
technologies. The sector's annual revenues are
more than $1.5 billion.*

Not long ago, Ingersoll-Rand Security and Safety
Americas (SSA) implemented a new business
process for business planning to drive IT planning.
IT participates in developing business strategy
before partnering with SSA's business units to
develop business cases.

New planning process uncovers the need to replace legacy systems

Paul Fitterer, vice president of IT at SSA,
believes this new process is why the finance
committee of the board approved a $20 million
business case to replace the legacy systems for
all 12 SSA business units. The strategy planning
process uncovered the fact that the units could
not meet their goals with their existing systems.
Preparation of the legacy replacement business
case took six months.

The business case was developed solely by
internal resources. Fitterer cautions against
including information in the business case from
any third parties that have a perceived vested
interest in the project. "That's a red flag for many
business executives. They may view the business
case as not being totally objective because it
represents potential revenue for the system
integrators or consultants involved. This can hurt
business case credibility rather than help it."

Fitterer presented the five-year plan for the
project to the finance committee. The business
sponsor presented the business requirements
for Phase 1 along with his commitment to
achieve the estimated benefits. SSA's controller
presented the financial justification for the
project using net present value and internal rate
of return, the standard metrics at Ingersoll-Rand.
These three presentations demonstrated the
integrated approach and mutual commitment to
the business case. ▸**32**

2

Ingersoll-Rand Security and Safety Americas' business cases are part of the business planning process

‹31 The business case focuses on project rationale and initial phase

The first section of the business case profiles the current business systems environment. A matrix depicts how nine financial and material requirements planning legacy systems support 12 macroprocesses across the 12 business units and brands. The second section describes the shortcomings of this fragmented systems environment, both internally and from the customers' point of view.

The third section contains a high-level timeline showing the five planned implementation phases; and a five-year investment and return table shows the annual cost and benefit cash flows.

The final section summarizes the Phase 1 business case, including its financial metrics.

Project portfolio analysis and vendor qualification are handled by corporate, not the sectors. Sector CIOs coordinate their efforts through the corporate CIO, using a combination of monthly conference calls and quarterly face-to-face meetings. Corporate IT establishes the guidelines for approved vendors and contract pricing. And the sectors set their own implementation pace, based on their financial situation and their ability to absorb the change.

"Pay by the drink" investing aims to reduce risk

Once the finance committee approved the entire five-year project in concept, the business case for Phase 1 was presented to the head of the two business units affected, to ensure that their budgets for the coming year included the appropriate costs.

In December 2002 the Phase 1 project funding request for $1.7 million was submitted to SSA's senior leadership. The phase-by-phase, or "by the drink," request for funding reduced SSA's risk. Only a small part of the entire project receives the go-ahead at a time, giving SSA management the opportunity to reassess its strategy within the current business environment after each phase. If the two are out of alignment, the business strategy can be changed, leading to changes in the follow-on project phases as well.

The two business units included in Phase 1 were selected because they have the greatest need for the new platform. As smaller business units, they also served as low-risk pilots for stabilizing the system prior to implementing it in larger business units. Each of the five planned phases will require a project funding request. It's too early to judge the success of this business case because Phase 1 has just started. But the case has been successful in getting support, approval and funding for this major investment.

Based on an interview with (and material from) Paul Fitterer, vice president of information technology, Ingersoll-Rand Security and Safety Americas, September 2003.

Brilliant business cases describe major risks and how they will be managed

Many business cases fall into disrepute when foreseeable problems occur during project execution. Brilliant business cases use a simple framework to identify and categorize potential risks (see figure below).

Many strategies are available for mitigating risks:

- Divide the initiative into phases, and fund one phase at a time.
- Increase funding for change management.
- Create a contingency fund for unplanned expenses.
- Use a third party to independently measure risks and recommend mitigation steps.
- Assign more experienced staff to key project roles.

- Augment project staff with experienced consultants.
- Increase training for users of new processes and systems.
- Freeze new system requirements and the old systems being replaced.

A matrix is one way to present the risk analysis (see figure on page 34). Each risk is positioned on the matrix according to its probability of occurrence and importance (impact). The most important mitigation strategies are the ones to reduce risks in the top right quadrant. See the July 2003 Gartner EXP Premier Report, *Managing the New IT Risks*, for further ideas on risk management.

The purpose of presenting risks is not to dissuade decision makers from funding the initiative. It is to improve the chances for success by showing how risks will be reduced ahead of time. Ignoring risks hurts credibility.

| Major project risk categories	
Type of risk	**Definition**
Business/economic	Risk that business changes sufficiently so that planned benefits are not attained or the project cannot be used
Organizational	Risk that organizational changes preclude the full use of, and benefit from, the project
Technological	Risk that the technology selected does not live up to expectations or is not well-suited for its intended use
Execution/implementation	Risk that the organization cannot implement the project on time and within budget, or that the project fails to develop a workable solution
Complexity	Risk of failure, due to the magnitude of the complexity involved because of the project's scale, the degree of change required or the number of parties involved
Operational	Risk that the operating costs of the new system grow to be uneconomical

Hydro-Québec Distribution's business case emphasizes risk assessment and mitigation

Hydro-Québec Distribution, the energy distribution division of Hydro-Québec, put together a comprehensive business case for a customer information system to replace 200 disjointed systems. After Hydro-Québec's board approved it, the regulatory oversight body—the energy board—also had to approve the case.

To cover all the bases, the project team asked a leading professor for help in performing a comprehensive risk assessment of the US$240 million project. But the Hydro-Québec board was still uncomfortable with the business case and asked for a third-party assessment.

Gartner Consulting performed this assessment. Its report to the board stated that the project approach was valid and followed best practices. But to improve the chances of success, the report recommended shortening the project timeline by two years.

Analyze the major risks and how they will be mitigated
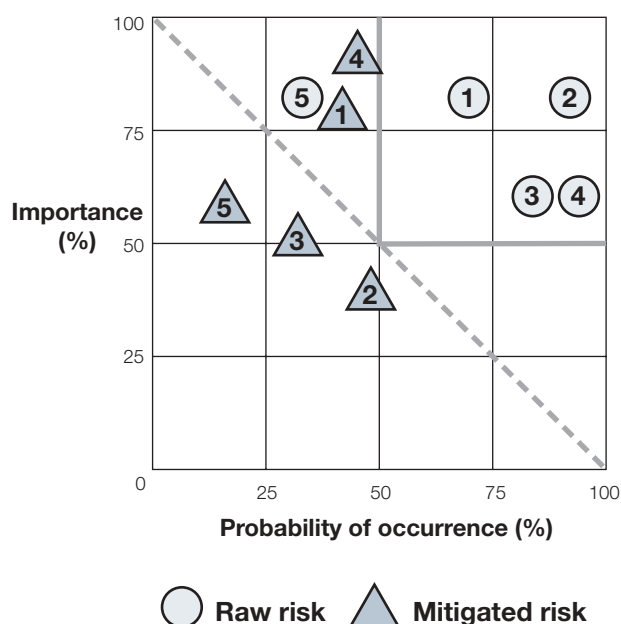
#	Risk	Risk mitigation
1	Inability to manage solution complexity	Phased implementation; additional parallel testing; custom training program
2	Inability to maintain project schedule	Third-party independent validation and verification program; best project managers assigned
3	Inability to capture estimated benefits	Audit group involvement; baseline metrics and incremental benefit targets tracked by phase
4	Employee resistance to change	Formal change management and communication programs
5	System doesn't meet performance requirements	Performance guarantees from vendors; redundant configurations

Raw risk ◯   Mitigated risk △

Source: Adapted from Hydro-Québec Distribution business case.

Case Study:

Hydro-Québec Distribution's well-orchestrated process obtained business case approval

Business case at a glance

Project name:
Customer Information System

Project theme:
Improving service quality and the efficiency and effectiveness of operations by adopting best practices in customer service

Project investment:
US$240 million

Project length:
Four years for all four phases

Financial measures used:
Net present value and payback period; impact on financial statements and electricity rates

Justification:
Streamline existing customer service and sales business processes and replace the 200 aging, nonintegrated information systems with off-the-shelf software.

Business case success factors:
- A comprehensive process to develop a complete business case
- Clear communications to all stakeholders, including regulators
- A business case that addresses all foreseeable issues
- Use of a credible, independent third party to estimate risks and propose mitigation strategies

Hydro-Québec is a major producer, transmission provider and distributor of electricity, headquartered in Montréal, Canada. Its Distribution group employs 7,500 people and provides 2.8 million customers with a constant supply of reliable electricity. Distribution revenues were US$6 billion in 2002.

Preparing the business case and vendor selection for Hydro-Québec Distribution's new customer information system took three years—and then another six months to obtain the multiple approvals required. Obtaining approval from Hydro-Québec's board and from the oversight regulatory body—the energy board—required complete information. The Hydro-Québec board required completed vendor negotiations (except for contract signing) before considering the business case, so it would know the final costs and terms.

Moreover, timing was critical. The Hydro-Québec board, which only meets quarterly, required advanced notice of the business case's pending submittal. Missing a meeting would mean a six-month delay.

Getting the right people involved started early

Beginning work in mid-2000, the project team planned to present the business case to Hydro-Québec's board in June 2002 and to the energy board soon after.

As the business case was being prepared, the project team identified the key executives who could make or influence the project decision. To inform these 20 executives about the project and the business case, and to understand and respond to their concerns, the team scheduled one-on-one briefings. The president of Distribution and the vice president of sales and client services (the executive sponsor) were instrumental in this outreach.

Requirements definition and vendor selection were rigorous

The new system was to replace 200 nonintegrated systems used to store and process customer information. The team documented the ▸**36**

Case Study (continued):

Hydro-Québec Distribution's well-orchestrated process obtained business case approval

◂**35** current business processes, developed an understanding of Distribution's business strategy, gathered customer requirements and mapped current systems' functionality to those requirements. "Our analysis showed that our current systems could fulfill only 31 percent of the requirements. That was a major justification for replacing them," says Karl Malenfant, chief of development.

The team used much of this information to prepare the request for proposal, which ran to 1,500 pages and covered 1,820 functions desired in the new system. Prequalified vendors received the RFP in April 2001 and then attended a one-day briefing about the project's scope and the requirements for answering the RFP.

Fifty employees, who represented all the affected business processes, including IT and finance, evaluated the seven bids received in September 2001, in a three-stage process.

Stage 1: The proposals were reviewed against 2,830 criteria, reducing the field to three.

Stage 2: The three providers made two-day presentations, leaving two finalists.

Stage 3: The two finalists provided scripted demonstrations over five to seven days, producing a winner.

Even with all the thoroughness, the unexpected still occurred.

The business case was to be presented at the Hydro-Québec board meeting in June 2002. But two days before the meeting, the board asked for an independent risk assessment and evaluation by a third party, delaying the presentation by three months.

The third party submitted its report, with only one major recommendation: Shorten the project from six years to four. In December, both the Hydro-Québec board and the energy board approved the business case. The contracts were signed before Christmas.

Hydro-Québec Distribution's president, who has career experience in all the company's divisions, summed up the magnitude of the challenge and the effort as follows: "I've never seen a project so difficult to sell to the board, even though all the homework was done."

Results to date are encouraging

Indications from the first nine months are that the project is going well. It's on schedule and within budget—and the solutions meet the needs. The project steering committee, which includes all the process owners, is functioning well and taking a proactive role. The risk assessment framework presented in the business case is being used to measure risk regularly. Action plans are being generated to mitigate risk at every step of the way.

Based on interviews with (and material from) Yves Legris, project director, and Karl Malenfant, chief of development, Hydro-Québec Distribution, September 2003.

The project director, Yves Legris, recommends that project managers use a comprehensive checklist that covers every facet of constructing a business case—from getting buy-in to finance department signoff—and ensure that every item is completed and documented.

"I can't overemphasize the need to do all your homework and leave no stone unturned," says Legris.

Brilliant business cases are clear and credible

Many business cases are not easy for business readers to understand. It's essential that the information be carefully geared to busy decision makers:

- Executive summary in 2–3 pages

- Body of business case in 15–20 pages, covering all key points at a high level

- Financials in the enterprise's standard format

- Appendices for supporting detail

- Sufficient evidence to support key points

- Business language, not technical terms

- Graphics to convey complex information clearly and concisely

Credibility is extremely important in gaining funding, especially for large, risky investments. The personal credibility of the executive sponsor, the business unit leaders who promise to capture the benefits and the CIO carry a lot of weight with most investment committees. But the way the business case is packaged can also increase credibility:

- Provide context to show due diligence and the level of stakeholder involvement.

- Document key assumptions and ensure that they're considered reasonable.

- Identify sources of all data and estimates.

- Have an independent group, such as finance or audit, prepare the financial analyses.

- Provide ranges of estimates rather than single points (use scenarios, such as best, worst and most likely cases).

- Clearly define each benefit in terms of the process affected, with before-and-after performance metrics.

- Identify the executive accountable for realizing each benefit stream.

- Demonstrate that the benefits can be audited.

- Don't imply false precision of estimates; for example, don't specify "$1,124,761.37" in benefits.

2

**Russell Investment Group tailors its business cases
to its audience**

Russell Investment Group is a global investment services organization based in Tacoma, Washington, U.S.A. Offering a wide range of financial products and services, the company pioneered pension fund consulting and is the global leader in multimanager investing.

The business case document for its Clean Slate program reflects the nature of the company, which is strongly quantitative and numbers-oriented. Clean Slate is a $10 million multiproject IT initiative that redefined the company's infrastructure, delivery and support. For a program of this magnitude, the business case had to be detailed and highly quantitative. "Its format differs from the conventional," says John Stingl, CTO. "There's not much narrative. There's a lot of quantitative analysis and business terms, which is what our people at Russell are used to."

Each of Clean Slate's 12 projects appears separately with its own set of analysis, quantitative spreadsheets and business-focused supporting explanation. The spreadsheets show resulting capabilities, assumptions, costs, benefits, risks and so forth. The numbers are presented in successive levels of detail. The cost projections, for instance, include different assumption-based market circumstances, business conditions and future technologies.

"You can drill down to get the level of detail you want," says Stingl. "Many of the numbers can't be stated in absolute terms. They depend on the underlying assumptions. So each appears in best-case, most-likely and worst-case form." Other sections present aggregations and summaries. The overall justification of Clean Slate comes from the combined synergy of the individual projects.

Case Study:

Russell Investment Group focuses on making its business case credible

Business case at a glance

Program name:
Clean Slate

Program theme:
A multiproject IT initiative that redefines the company's infrastructure environment, delivery and ongoing support

Program investment:
$10 million

Program length:
18 months

Financial measures used:
Cost efficiency: lower overall cost to deliver and support client computing and application desktop support; a 60 percent or better penetration ratio of Citrix Terminal Services users; reduced headcount requirements for distributed desktop support function; improved deployment of new applications and upgrades, faster time to market and more predictable support cost; lower software licensing costs, down from 900 to 200 standardized applications; and lower desktop hardware acquisition costs

Justification:
To better manage and reduce the cost of infrastructure support, to enable new applications and services and to renew the infrastructure for cost-effective outsourcing

Business case success factors:
- Pre-selling key stakeholders ahead of decision-making meetings
- Balancing the technologists on the team with other specialists, including people with financial expertise
- Improving IT's credibility through years of hard work
- Providing ongoing progress reports against stated results

Russell Investment Group, a global investment services organization based in Tacoma, Washington, U.S.A., offers a wide range of financial products and services to more than 1,100 clients in 35 countries. It pioneered pension fund consulting and is the global leader in multimanager investing. With $85 billion in assets under management and only 1,300 staff, Russell operates as a virtual services company. For instance, most back-office operations are outsourced along with related IS processing. IS is largely centralized in Tacoma, with 80 staff, down from 140 in 2002.

Clean Slate, at $10 million, is the largest single IT investment program on record in Russell's history—indeed, the largest single investment, period. Implemented early in 2003, it will upgrade the company's extensive desktop-related infrastructure to manage it better, cut support costs, improve service and pave the way for future enhancements.

Clean Slate deployed MS Windows XPPro to 2,000 desktops and integrated several hundred applications using standard client-server computing and networking technologies—all scalable to accommodate future growth.

One of the drivers behind Clean Slate: Russell's desire to outsource its infrastructure services. "We elected to clean up the IT operating environment and get the costs in order beforehand," says Rick Len, director of the IT program management office. "As anticipated, the payoff period is looking like two and a half to three years." Russell's IT support headcount is now down by 30–35, and the outsource vendor estimates a cost reduction of 20 percent to 25 percent. ▸**40**

Case Study (continued):

Russell Investment Group focuses on making its business case credible

‹39 The business case is quantitative, just like the culture

The business case for the Clean Slate program was put together in late 2001 by a team of six, three technologists and three IT financial specialists.

Highly complex, the program comprised 12 separate projects. The IT governance group wanted a high level of assurance but details were lacking in parts of the initial business case. Extensive work by the team over the next two months led to a revised business case, presented and approved in February 2002.

The document reflects the company, strongly numbers-oriented. "The case's format differs from the conventional," says John Stingl, Russell's CTO. "There's not much narrative. There's a lot of quantitative analysis and business terms, which is what our people at Russell are used to."

Each of the 12 projects appears separately with its own set of spreadsheets and brief explanation. The spreadsheets show assumptions, costs, benefits, risks and so forth, with numbers in successive levels of detail. The cost projections, for instance, include different assumption-based market circumstances, business conditions and future technologies.

"You can drill down to get the level of detail you want," says Stingl. "Many of the numbers can't be stated in absolute terms. They depend on the underlying assumptions. So each appears in best-case, most-likely and worst-case form." The overall justification of Clean Slate comes from the synergy of all the individual projects.

Use of the business case continues after implementation

For IT, winning approval for Clean Slate was a real achievement. Because Clean Slate fell into the budget for ongoing IT services, it had to compete for its $10 million funding against application development by the business and other non-IT business-based initiatives.

The IT governance group, a subset of the company's executive committee, meets monthly to ensure that projections are not exceeded and that promised benefits are actually achieved. Business case documents still guide the meetings and are periodically referenced.

Success comes from three factors

What factors have proved to be critical to the success of the Clean Slate business case? Len and Stingl agree on three. The first is improving IT's credibility through years of hard work—a factor particularly relevant for large technology programs. The other two are pre-selling key stakeholders and balancing the makeup of the case-preparation team between technologists and other specialists, including people with financial expertise.

Looking to the future, Len notes: "The economic downturn focused our attention on improved cost management. It's paid off. The market is improving, and we're ahead of the field."

Based on interviews with (and material from) Rick Len, director of the IT program management office, and John Stingl, CTO, Russell Investment Group, October 2003.

Assess your business case document—Is it brilliant?

Take a few minutes to review your most recent business case document. How well does it compare with the criteria listed in the self-assessment below?

Use the scoring key at the bottom of the figure to determine how well you're doing and what areas need more work.

Developing a business case is the beginning of the process, not the end. Once the case is approved, it can play an important role as the project progresses, the subject of the next section.

Business case document self-assessment					
How good is your business case document?	**Done poorly/ not at all**	**Done somewhat poorly**	**Done somewhat well**	**Done well/ completely**	**Score**
We use a standard business case format to ensure completeness and to avoid common shortfalls	0	1	2	3	
Benefits estimates are specific, how they were calculated is clear, and business unit leaders have validated them and accept benefits delivery as part of their performance objectives	0	1	2	3	
Major risks and planned strategies for managing them are described	0	1	2	3	
Project objectives are clearly linked to enterprise or business unit plans, objectives and strategies	0	1	2	3	
Alternatives have been evaluated and a summary of that evaluation and reason for recommendation or rejection is included in the business case	0	1	2	3	
All the information needed for informed decision making is presented clearly, credibly and concisely	0	1	2	3	

15 - 18 points	Excellent; your document is brilliant	
11 - 14 points	Not bad; focus on areas that scored less than 2	**Total**
6 - 10 points	A start, but you still have a lot of improvements to make	
5 or less	Business case is insufficient for informed decision making	

Leverage brilliant business cases after approval

3

Most business cases are never referred to after approval. Brilliant business cases focus everyone on results throughout the project life cycle. They guide project execution, institutionalize changes in processes and people, and track the realization of benefits.

3

Brilliant business cases add value throughout the project life cycle

Think of a brilliant business case as a living document that serves multiple purposes throughout the project's life. The top figure opposite illustrates three main phases of a project, and how the business case is involved in each.

Using a business case to get an initiative approved in the first phase is just the beginning. It's a mistake to shelve the case at that point. A brilliant business case can go a long way toward guiding project execution and institutionalizing the benefits.

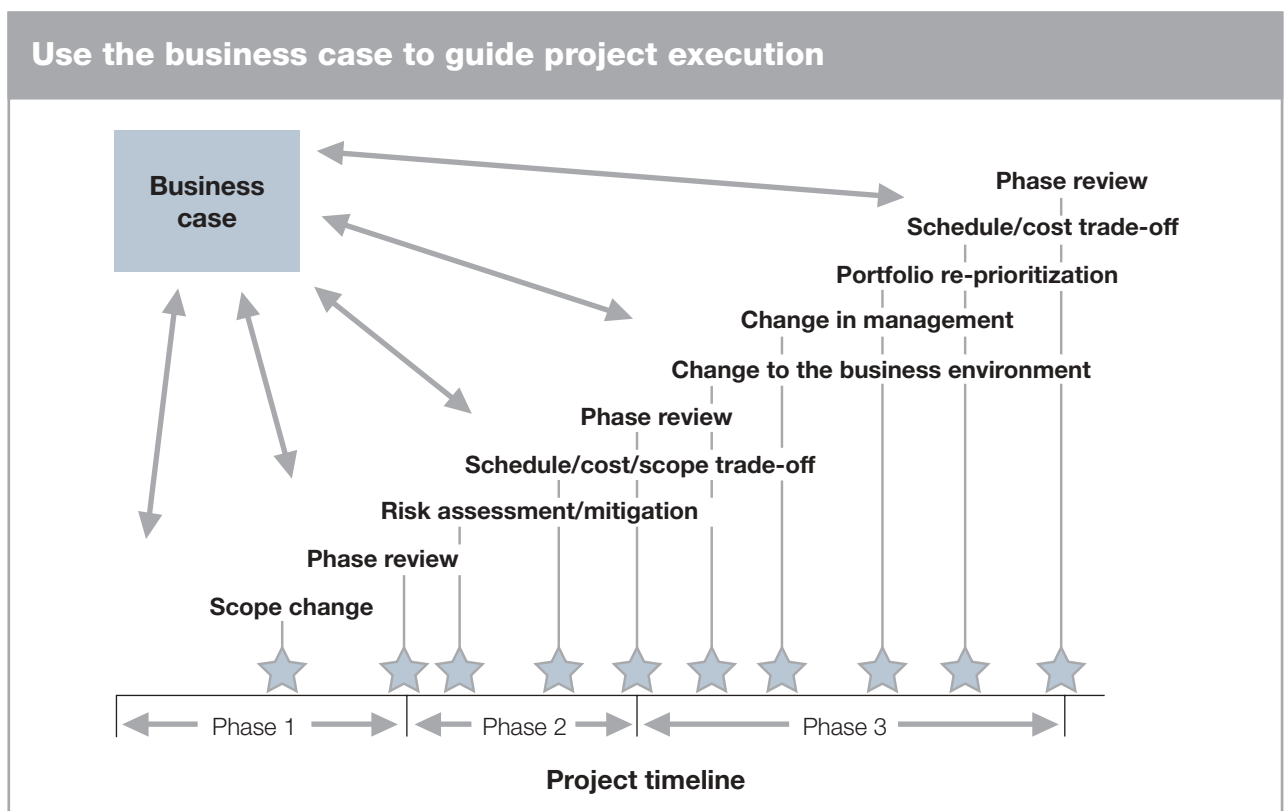## Brilliant business cases guide project execution

To deliver promised benefits, project decisions need to be made in the context of the business case. For example, requests to adjust project scope can reduce the enterprise's ability to deliver the intended benefits. Without reference to the business case, the decision makers may lose sight of this impact. The longer the project duration, the greater the need to use the business case as the project guide. You can use a brilliant business case to add value in many ways during project execution:

- Incorporate the business case into scope and technical decisions by asking, *What will this decision do to our ability to achieve the business benefits?* Reject options that place the benefits at risk.

- Communicate the business case so that everyone knows how high the business bar is set. Secrecy reduces trust and denies people the understanding of why they are building the system.

- Introduce new executives to the project using the business case to present its intent and rationale for being approved. New managers often want to make changes. A well-crafted business case can keep the work on track.

- Review the business case at the signoff of every phase to ensure continuing alignment with business objectives and intended benefits. These reviews give senior executives time to revisit the project's rationale and rejuvenate their involvement.

- Use the business case as the primary mechanism for raising issues and reporting the status of executive and governance processes. Use business impact, rather than technical issues, as the language of governance.

• Discuss new options within the context of the business case. Being closed to change can limit projects. There are usually several ways to get a business benefit. Sometimes the best option is to redesign. But such decisions need to be made within the framework of the business case.

The bottom figure below presents situations when it's useful to use the business case document to keep the work on track.

Brilliant business cases add value throughout the project life cycle

	Investment appraisal	Project execution	Benefits harvesting
Business case objective	Get project buy-in, approval and funding	Keep project on track	Achieve project payoff
Business case role	To inform and convince; to develop collective ownership	Baseline reference for scope decisions	Measurement yardstick for auditing
Key persons and groups involved	Executive sponsor, project owner, investment committee	Project manager, project steering committee	Business unit management, auditors

Use the business case to guide project execution

Business case

Phase review
Schedule/cost trade-off
Portfolio re-prioritization
Change in management
Change to the business environment
Phase review
Schedule/cost/scope trade-off
Risk assessment/mitigation
Phase review
Scope change

Phase 1   Phase 2   Phase 3

Project timeline

3

Hydro-Québec Distribution uses the risk analysis framework in its business case to re-measure the risk level at major checkpoints during project execution and take action when risks have increased. Using this approach, the utility has lowered its risks to acceptable levels throughout project development and implementation.

The British Columbia Automobile Association uses its business case to guide implementation

The British Columbia Automobile Association (BCAA) has strategically shifted from being product-oriented to being customer-centric. Major elements of that change are to redesign its business processes and implement new customer relationship management (CRM) tools.

Preparation of the business case for this US$4 million project involved all the stakeholders, including BCAA's board. Once approved, the case was not set aside. It has been used to guide implementation, partly because it is so intimately tied to BCAA's business strategy.

"The business case has remained a living, breathing document throughout the life of the project," says Jane Whittam, director of customer management and CRM project manager. "Our COO has brought the wonderful discipline, as painful as it can be sometimes, of comparing how well we are doing versus what we committed to do in the business case." Variance analysis is performed and reported to the steering committee. Corrective action is taken where needed.

Costs are tracked against annual budgets and the business case. The business case is not revised to reflect changes, but its budget is updated. For example, changes in the schedule have moved costs from one fiscal year to the next.

The business case is also referred to in discussions of changes in direction. "The business case helps us limit scope creep and keep the project focused on the value drivers that yield the expected return," says Whittam. BCAA is also using the case to renew enthusiasm and support for the project in its later stages.

British Columbia Automobile Association's strategic business case guides project execution

Business case at a glance

Project name:
Customer Relationship Management Tools and Customer-Centric Business Processes

Project theme:
Become a customer-centric organization

Project investment:
US$4 million

Project length:
2+ years

Financial measures used:
Return on investment, net present value, internal rate of return, payback period, impact on company revenue and expenses

Justification:
Financial payback plus strong support of specific business objectives; greater customer and employee satisfaction

Business case success factors:
- All affected functions were involved early and continually.
- Business unit and senior management committed to garnering the benefits.
- The business case focused on changing processes and people, not just technology.
- The business units provided the resources to change the business processes.

The British Columbia Automobile Association (BCAA) is a membership service organization with more than 715,000 subscribers in British Columbia and the Yukon, Canada. It maintains 23 sales centers, two call centers (including 24-hour emergency roadside assistance) and a full-service travel and insurance agency.

After consolidating its customer data in 1999, management decided that BCAA had to become more customer-centric to remain competitive and to grow.

That meant improving sales, marketing and customer service. And that required new customer relationship management (CRM) tools and major changes in business processes and people.

Top executives helped build a strong business case

IBM consultants helped BCAA develop the business case. The four-month effort resulted in identification of the key drivers that would increase revenue and productivity, and agreement among all stakeholders to promote the vision. Those drivers were then mapped to BCAA's business strategy.

BCAA senior executives were involved in developing the vision and the business case. As a prerequisite to requesting board approval, the president required BCAA senior executives to formally commit to providing the necessary resources and to capturing the benefits.

Before the business case was presented to BCAA's board, its members were briefed on why the company needed to move from being product-oriented to being customer-centric— and on what the move would mean. When the business case was presented for approval by the chief operating officer (the project's executive sponsor and chair of the CRM steering committee) and the vice president of marketing (the CRM strategist on the committee), there were no surprises.

Business case development involved other stakeholders as well

All stakeholders—including customers, sales agents who contact customers, and business partners who would use the system—helped

Case Study (continued):

British Columbia Automobile Association's strategic business case guides project execution

‹47 determine the requirements and supported the changes.

The business case documented "as is" and "to be" processes. Specific, quantifiable benefits were identified in such areas as lower attrition, greater cross-selling and up-selling, better lead management and campaign management, and higher call center efficiency. The accountabilities for achieving these desired changes and the benefits were also part of the business case.

Cost estimates for implementation were detailed—for hardware, software, internal and external resources, training, maintenance fees, modeling and research.

Financial justification was developed using the finance department's models to calculate net present value, return on investment, internal rate of return and cash payback. Five approaches were examined, including "Do nothing."

The business case projected the financial impact of a two-year, three-phase implementation of CRM tools and processes on BCAA's revenues and expenses. It also projected five years of annual revenues and expenses and compared them with the status quo.

The team used the standard business case template to present all this information. The case also documented how the project linked to business goals and strategies, a list of risks and contingencies, and an estimate of the chance of project success. The business case is so thorough and so intimately tied to BCAA's strategic direction, that it is being used to guide the project's execution.

Success results from four factors

BCAA has met or exceeded all its goals—not just financial measures (revenue improvements and reduced operational costs) but also balanced scorecard measures (customer satisfaction, customer wallet share and employee satisfaction). The team continues to measure realized benefits and fine-tune processes.

The four main factors responsible for the project's success:

- Continual senior management advocacy, accountability and support, starting at the highest level

- Involving all stakeholders to determine requirements and garner support for the changes; deliberately causing all stakeholders to be touched, as a first step in change management

- Paying close attention to planning for changing processes and people, not just technology, including funding for incentives, training and communications

- Linking the business case to the corporate plan. As a result, the CRM tools and process changes are widely viewed—and supported—as part of BCAA's transformation from a product-oriented to a customer-centric organization.

"Looking back, there's not much that I'd do differently," says Jane Whittam, director of customer management and CRM project manager.

Based on an interview with (and material from) Jane Whittam, director of customer management and CRM project manager, British Columbia Automobile Association, October 2003.

Brilliant business cases drive new ways of working and their benefits into the business

Brilliant business cases drive new ways of working. The project team, users and business managers need to understand the expectations to institutionalize them and their benefits. Here's how brilliant business cases can help:

- Require business managers to assume responsibility for the business benefits. Track their participation and the resources they contribute to avoid the "blame game" that can occur at completion. When a department is not participating or meeting its agreements, make the situation known because that's an important warning sign.

- Describe the project in terms of the business changes, how people will work differently and the expected benefits. Explain how the "to be" state is different and brings benefits to the business.

- Incorporate the financial and headcount impact of business changes into future budgets by working with business managers and the CFO.

- Update business performance metrics and targets, job evaluation criteria for managers and job descriptions to match the new capabilities—otherwise the business will manage to the old criteria and miss the benefits.

- Audit and track post-implementation business performance to see how well the new capabilities work and to identify additional changes to deliver the intended business results.

- Name the project for the intended business outcome. By not naming it for the vendor software package, you avoid emphasizing the software, which will become the wrong focus when things get tough.

A completed project represents potential business benefits, not bankable benefits. So the business executives must prepare their operations to use new capabilities to deliver the results. Brilliant business cases include these required business-preparedness projects.

At Commerce Bank one area was not achieving the benefits it committed to in the business case. The responsible business unit executive launched a formal program to increase revenues using the new capabilities. Six initiatives are now under way to bring the benefits up to the promised level.

Increasingly, due partly to tough economic times, CFOs are insisting that promised benefits be included in budgets, to lock them in. Tying the accomplishment of specific performance objectives to incentive compensation payouts can also foster benefits realization.

Holding post-implementation audits is another way to objectively measure cost, schedule and benefit outcomes. A small team of business and IT representatives, led by an independent party, such as internal audit, compares actual costs and benefits with the business case estimates. Its report should recommend ways to maximize benefits from the new ways of working. The analysis can also suggest ways to improve the management process for future initiatives. But the lessons must be fed back to the governance bodies to have the greatest effect.

3

Assess how well you use your business cases

Review how you use business cases. How well does your use compare with the criteria listed in the self-assessment below?

Use the scoring key at the bottom of the figure to determine whether you are getting full value from your business cases and how you might extend their usefulness.

Improving the business case development process, contents and subsequent use along the lines recommended in this report can lead to brilliant results.

Business case use self-assessment

How well do you leverage your business case throughout the project life cycle?	Done poorly/ not at all	Done somewhat poorly	Done somewhat well	Done well/ completely	Score
The business case is visible and communicated across the project team and business leadership	0	1	2	3	
We use the business case during project execution when there are issues about scope, direction, schedule or other trade-offs	0	1	2	3	
We use estimated costs, benefits and timeline as the baseline for measuring and reporting progress at major project milestones	0	1	2	3	
At phase completion we measure actual benefits achieved against business case commitments and take corrective action as needed	0	1	2	3	
Managers are held responsible for achieving the new performance targets outlined in the business case	0	1	2	3	
We update the business case risk analysis framework during project execution to reassess and mitigate risks on an ongoing basis	0	1	2	3	

15 - 18 points	Excellent; you are leveraging the business case brilliantly	
11 - 14 points	Not bad; focus on areas that scored less than 2	**Total**
6 - 10 points	A start, but you can get lots more value from your business cases	
5 or less	Completely rethink how you use business cases	

Further reading

Gartner EXP Reports

Broadbent, M. and Weill, P., *Effective IT Governance. By Design,* Gartner EXP Premier Report, January 2003

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Rowsell-Jones, A., Woolfe, R. and Hunter, R., *Managing Your Stakeholders,* Gartner EXP Club Report, October 2002

Tucker, C. and Rowsell-Jones, A., *Getting Priorities Straight,* Gartner EXP Premier Report, September 2002

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Apfel, A. and Smith, M., "TVO Methodology: Valuing IT Investments via the Gartner Business Performance Framework," Gartner Strategic Analysis Report R-19-1910, 3 March 2003
(TVO (total value of opportunity) is a Gartner methodology for determining the overall business value expected to be created from an IT-enabled business initiative.)

Kost, J. and Di Maio, A., "Creating a Business Case for a Government IT Project," Gartner Research Note DF-19-0249, 6 January 2003

Kun, M., "Focus on Benefits and Roles for Securing the Value of IT," Gartner Research Note TG-20-0698, 28 May 2003

Murphy, T., "Focusing Purely on Finance Is Bad for Your Financials," Gartner Research Note RPT-0902-0157, September 2002

Pol, G., "Management Update: Build a Solid Sourcing Business Case," Gartner Research Note IGG-07302003-01, 30 July 2003

Books

Keen, J. M. and Digrius, B., *Making Technology Investments Profitable: ROI Roadmap to Better Business Cases,* Hoboken, N.J.: John Wiley & Sons, 2003
(A how-to book that delivers practical tools, techniques, tips and case study examples on how to achieve greater business value from IT investments)

Murphy, T., *Achieving Business Value From Technology: A Practical Guide for Today's Executive,* Hoboken, N.J.: John Wiley & Sons, 2002
(Provides executives with the Five Pillars of Benefits Realization framework of practical and effective guidelines for managing IT investments to ensure that anticipated business benefits are achieved)

Thorp, J. and Fujitsu Consulting's Center for Strategic Leadership, *The Information Paradox: Realizing the Business Benefits of IT,* Toronto: McGraw-Hill Ryerson, 2003
(Provides a detailed description of Fujitsu Consulting's Benefits Realization Approach, including client case studies)

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Emerging Interbusiness Processes
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E-Government: Revolution in Progress
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Sourcing—From Remedy to Strategy
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Keep Your Balance: The 2002 CIO Agenda
March 2002

September 11: Business Continuity Lessons
May 2002

IT Architecture Matters
July 2002

Getting Priorities Straight
September 2002

Leading High Performance IS Teams
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Effective IT Governance. By Design
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The Reality of IS Lite
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Geosourcing IS: Is It Right for You?
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