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Better Business Cases

Better Business Cases Certification

White Paper

Ensure investments have the best chance of success

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Introduction

Public sector bodies around the world invest vast sums of money each year on new or replacement assets such as buildings, equipment and facilities. With so much demand for capital investment it is essential that we make the right choices and demonstrate value for money.

A vital activity is the scrutiny, via business cases, of what is proposed to ensure that it is the right sort of investment, affordable, and offers value for money for shareholders and/or customers. Business case preparation is a complex and often costly task, where organizations find themselves reinventing the wheel despite the range of guidance widely available.

If we consider the United Kingdom as an example, there are over 900 public sector organizations, typically each planning and procuring around 10 key investments each year. This equates to a total of over 27,000 business cases, which at an average cost of £50k to produce (taking account of internal and external resources) equates to a conservative cost of over £1.35 billion spent on business cases within the UK public sector each year.

The Better Business Cases guidance aims to considerably reduce the associated in-house and external consultancy costs of producing business cases to the required standards. Consequently, through the use of this guidance and its supporting templates, savings are envisaged of at least 15 to 25% or, using the UK public sector example, between £200-330 million per year.

A good business case provides the evidence to support decision-making and assurance to all stakeholders of responsible action. Although they tend to be associated in some people's minds with large-scale investments or service redesigns, business cases are equally relevant – and just as important – to smaller projects or developments. The common factor linking them is the business case process must involve close scrutiny of all relevant financial and non-financial aspects of a proposed project to ensure that the best possible solution is selected for a given set of circumstances.

The Case for a Business Case

The percentage of projects that fail is legendary. Like all good legends, the details vary, but, depending which research you consult, the failure rate can be as little as 20% and as high as 80%.

Gartner studies suggest that 75% of projects are considered to be failures by those responsible for initiating them. But what do they mean by failure?

They mean the solutions fundamentally did not do what was agreed. Or they missed deadlines and/or came in over budget. Indeed half of projects exceeded budget by 200%!

A Standish Group study found that 31% of projects were cancelled outright and that the performance of 53% of all projects was so worrying that they were challenged.

Some questions that need to be answered in assessing whether a project is fundamentally a success or failure:

- Has the project satisfied the business requirements of the primary stakeholders?
- Were the deliverables produced on time and within budget (or as amended by agreed change control)?
- Do the business owners perceive the project to be successful?
- Has the project delivered the business value promised in the original case for doing it?

Putting the right foot forward

The "start" is not the beginning of the project itself but its point of conception and can be traced back to how the business case for the proposed project is approached. A research article entitled Building Better Business Cases for Investments focused on how business cases were developed for investments and how those practices related to successful outcomes across 100 European organizations.

The research revealed that while constructing a business case prior to investment is the norm, there are significant problems with the quality of the business cases and the process used to create them. Despite it being common practice, 65% of respondents said their organizations were not satisfied with their ability to identify all the available benefits, with 69% reporting that they do not adequately quantify and place a 'value' on the benefits for inclusion in the business case.

Although implementation issues frequently reduce or eliminate the achievement of the intended benefits, research suggests that the benefits described in the business case were often never achievable in the first place. These benefits are often either exaggerated, to obtain funding, or there was insufficient understanding of the business changes needed to achieve the benefits.

Garry Miller, a professional teaching fellow for the Department of Civil and Environmental Engineering at the University of Auckland says that business cases should explore whether the right project is being proposed in the first place.

"When we look at project management, we look at success in terms of delivering on time, to cost, to quality and those kind of things, and then we ask if we delivered to stakeholder outcomes. That's all very good for the project delivery stage, but you've got to get the right project in the first place. It is about being effective with the right project – that's absolutely vital."

In a separate blog post *Designed to Fail? Better Business Cases Are Key to Investment Success* Joe Peppard says, "I was recently asked whether there was one thing that organizations could do to improve the success rates of their investments, and thus projects. For me, the answer is clear – build better business cases. I don't just mean to improve the quality of the business case itself and what it contains, but also to improve the quality of the process used to build the case."

Empirical evidence

This sentiment is confirmed in Peppard, Ward and Daniel's research survey where they compare the successful projects that met the expected benefits (43% of the sample group) with the less successful (57%). They say the results show there are marked differences in the approaches taken to developing and managing business cases in the two groups, so they can identify the practices associated with higher levels of success.

"Our survey confirmed that more successful organizations include a wider range of benefits in their business cases than the less successful, especially benefits associated with innovation and improved co-operation, both internally and with trading partners. Although such benefits are more difficult, but not impossible, to quantify, they provide a more complete view of the business value that many investments produce".

Less successful organizations tend to limit the benefits included in the business case to those associated with efficiency improvements and cost savings. While senior managers are often only interested in the financial benefits, many other stakeholders, such as customers and staff within the organization, are often more interested in the 'softer' or more subjective benefits. It is these benefits, rather than financial ones, that are likely to lead to greater commitment from those stakeholders to making the investment successful," the research trio concludes.

The Five Case Model

The British Government has implemented a Better Business Cases framework for creating successful business cases which it has been using for around 25 years. In New Zealand, the Treasury has created a concise version of the British framework, combined with parts of the Investment Logic Mapping framework used by Australia's department of Treasury and Finance for the State Government of Victoria.

Rodney Barber, The Treasury's lead of the programme for New Zealand and a member of the Standards Board based in the UK recently spoke at a project management seminar. He explained the tool as "a thinking process and a stakeholder engagement process".

"It is not a writing process," he explains emphatically. "It takes you as far as the investment decision so that there is clear agreement between the sponsor and the decision maker on what the scope is and what the best value for money option is and who is going to pay for it. The approach won't inform policy or strategy, in fact the first thing it will do is test strategy."

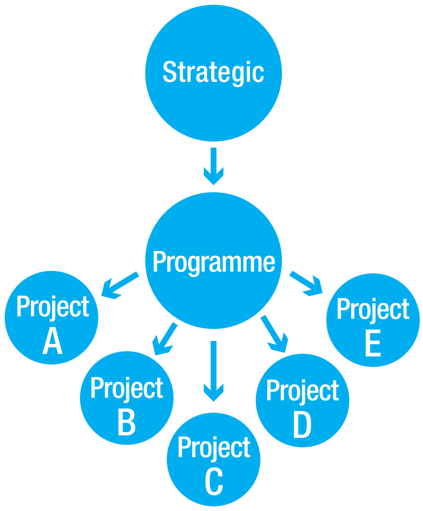
"The heart of it is the Five Case Model," Rodney continues. "There are only ever five questions that any governing body or decision maker is going to want the answer to if they are going to invest in a programme". Those questions are:

- The **strategic case**: Is there a compelling case for change?
- The **economic case**: Does the preferred investment option optimize value for money?
- The **commercial case**: Is the proposed deal commercially viable?
- The **financial case**: Is the spending proposal affordable?
- The **management case**: How can the proposal be delivered successfully?

These questions are articulated in the **Five Case Model** which covers the five key elements of best practice business cases. Further to the Five Case Model is the pathway of the Better Business Cases process, which can be used to select which type of business case best delivers the required decision. Large-scale and/or high-risk projects require a more in-depth business case than smaller projects.

As much as anything, the framework is a common language that everyone can use when working on a business case. According to Barber it is about "bringing transparency to the trade-offs and giving the key stakeholders visibility to your thinking. The delivery risk is not part of the approach and it will not manage the project past the investment decision – you need good project and programme management to deliver the project once you have got the money," he explains.

The whole point of the Better Business Cases approach is to help you make the right decision in the first place so that, as long as you have good project management along the way, the likelihood of the project meeting expectations will be greatly increased.



The Five Case Model provides the framework and tools to enable effective decision-making when scoping and planning spending proposals in a robust and thorough manner and can be used at strategic, programme and individual project levels. Its use should always be proportionate to the level at which it is being applied as well as the cost and risk associated with the investment.

The programme level business case or Strategic Outline Programme (SOP) should clearly set the parameters for the programme, the funding envelope, the key work streams or projects which constitute the programme and their critical path for delivery.

Large, complex proposals at the project level are developed in 3 iterations through:

- The **Strategic Outline Case (SOC)** – which makes the case for change and refines the long lit options into a shortlist
- The **Outline Business Case (OBC)** – developing the SOC to confirm the solution which offers optimal value for money
- The **Full Business Case (FBC**) – expanding the OBC, taking the chosen option through procurement, putting in place delivery plans and providing the final detailed costing of the scheme

Smaller, less complex proposals can be developed with one iteration using the Business Justification Case (BJC). Whether developing a BJC, or a SOC-OBC-FBC, it is important to be pragmatic – the breadth of evidence across the 5 elements is key to scoping, planning and justifying any investment; the depth of evidence required should be proportionate to the risk and value of the proposed investment.

Business Assurance Programme and Project Assurance

Business Assurance – 'doing the right things at the right time' – is the process of scoping, planning and procuring investment programmes and projects; carrying out options appraisal to identify an optimal solution; to allocate and commit appropriate resources and provide assurance to the Accounting Officer responsible for the spend of public funds.

Each of these stages represent a break point at which the developing proposal can be stopped if it no longer fits strategically, is found not to offer value for money, or is unaffordable or undeliverable. The Five Case Model and the processes of reviewing business cases at the key stages of development are the key 'business assurance' tools.

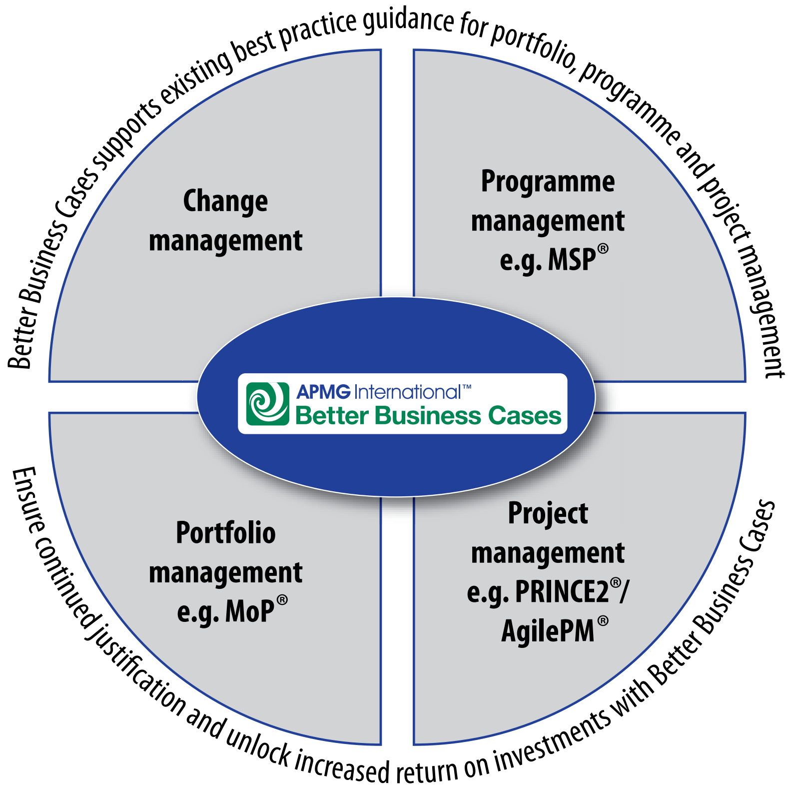
Programme and Project Management Assurance (PPM) – 'doing things right' – is the process of delivering programmes and projects and providing assurance to the Senior Responsible Owner (SRO) leading the delivery of the scheme. Best practice PPM assurance tools include Managing Successful Programmes (MSP), PRINCE2 and Agile for project delivery and Gateway Reviews and health checks for programme and project.

High quality Business Assurance and PPM Assurance are both essential to deliver optimal value for money.

The policies, strategies, programmes and projects within an organization should be in alignment and the 'critical path' for deliverables and delivery timescales understood and documented by qualified practitioners using a recognized PPM method tools and techniques.

This requires:

1. Clear, concise and detailed policy statements
2. Detailed implementation strategies for the internal management and control of published business strategies and business plans
3. A recognized method for the delivery of the portfolio of programmes within the published business strategy. The recommended standard for use in the UK public sector is **'Management of Portfolios' (MoP)**.
4. A recognized method for the delivery of the programmes within the portfolio. The recommended standard for use in the UK public sector is **Managing Successful Programmes (MSP)**. This provides the blue print required to support the Programme Business Case, which is akin to the Strategic Outline Programme (SOP).
5. A business case prepared in accordance with the Five Case Model.
6. A recognized method for the delivery of the project or scheme. The recommended standard for use in the UK public sector is PRojects IN a Controlled Environment **(PRINCE2)**. Note: the PRINCE2 business case is for initiating and approving the creation of the project rather than scoping, planning and financial justification of the solution. The two should not be confused.



Links with Recognized Portfolio, Programme and Project Management Methodologies

The UK best practice guidance in portfolio, programme and project management all recognize the fundamental importance of a robust business case and are dependent upon appropriate application of the business case development process defined within Better Business Cases.

The Management of Portfolios **(MoP)** best practice framework ensures the effective and consistent use of a business change lifecycle, which provides a review of the continued viability and business value of initiatives via reporting, stage/phase gates and portfolio-level reviews. In this way it clearly highlights which programmes and projects are not adding value to strategic objectives and makes clear recommendations to the relevant decision-making body.

The Managing Successful Programmes **(MSP)** best practice framework defines programme management as the action of carrying out the coordinated organization, direction and implementation of a dossier and transformation activities to achieve outcomes and realize benefits of strategic importance to the business. The MSP principles, governance themes and a transformational flow all emphasize the need for stakeholder engagement and benefit realization management.

The **PRINCE2** best practice framework states continued business justification as a key principle for project success. For every project, PRINCE2 requires that:

- There is a justifiable reason to start the project;
- The justification should remain valid throughout the life of the project;
- The justification is documented and approved.

As a project is inextricably linked to its business justification, it drives the decision-making processes to ensure that the project remains aligned to the business objectives and benefits being sought.

Organizations that lack rigor in developing business cases may find that some projects proceed even where there are few real benefits or where a project has only tentative associations with corporate strategy. Poor alignment with corporate strategies can also result in organizations having a portfolio of projects that have mutually inconsistent or duplicated objectives.

Even projects that are compulsory (for example, to comply with new legislation) require justification of the option chosen, as there may be several options available that yield different costs, benefits and risks.

Although the justification should remain valid, it may change. It is therefore important that the project and evolving justification remain consistent. If, for whatever reason, the project can no longer be justified, the project should be stopped. Stopping a project in these circumstances is a positive contribution to an organization as its funds and resources can be reinvested in other more worthwhile projects.

Better Business Cases Training and Certification

Level	Course overview	Exam
Foundation	The Foundation course takes you through the fundamentals of the Five Case Model. Passing the exam demonstrates that you understand the model and are able to recognize and advise on its requirements.	Multiple-choice 40 minute duration 50% to pass
Practitioner	The Practitioner course enables you to demonstrate your ability to apply the Five Case Model to business scenarios, scrutinizing a proposed investment for affordability, value for money and deliverability.	Complex multiple-choice 2.5 hour duration 50% to pass

Accredited Training

Approved training is available via our international network of Accredited Training Organizations (ATOs). Full details are available on our website at:
www.APMG-International.com/AccreditedProviders.

Our ATOs provide a variety of learning options from traditional, tutor-led classroom courses to fully online, distance-learning solutions.

Conclusion

Based on objective worldwide research, the business case was found to be the greatest destroyer of value. If a project has the wrong scope, poor requirements and the wrong target, its business case will not maximize the project's value.

The business case development process discussed in this paper will assist all investing organizations to produce meaningful business cases. It will, if used properly, help cut project costs and improve project outcomes.

More importantly, the guidance will help anyone involved with, or overseeing, a project to understand the work that is necessary to prove a case for investment. This will enable a business case to become what it should be – not a bureaucratic necessity in order to obtain approvals, but a document demonstrating evidence-based decision-making.

Courses will benefit all key personnel involved in the development of a business case/proposal, including:

- **Senior Responsible Owners (SROs), Programme Directors and Project Managers, with responsibility for the successful delivery of projects/initiatives.**
- **Directors of Finance, Procurement and Planning, with responsibility for the forward planning of operational aspects of schemes.**
- **Members of the Management Board (Chairperson, non-executives, the CEO and other directors), with strategic responsibility for approving the scheme through the life span of its development and delivery.**

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