

HOW TO BUILD A COMPELLING BUSINESS CASE

implementconsultinggroup.com

By Jesper Krøyer Lind,
jli@implement.dk
Implement Consulting Group

Focusing on realisation of effects through high credibility and reduced complexity

One of the major pitfalls of working with a business case is that it becomes too complex, and it is unclear who owns the effects of the project. Fundamentally, focus has to shift from calculations to conditions for calculations – what assumptions have we made in order to create the basis for decision-making?

Today, nobody pays much attention to how the calculations were made (often because it is unclear how data have arisen), or if it in fact makes any sense at all to calculate all costs and effects.

It seems as if figures in a calculation model have more value, simply because they are there – not because the conditions and assumptions are in order. In

consequence, organisations typically face three overall challenges:

- unclear ownership of the business case and its effects
- challenges in relation to identifying the right potential
- lack of realisation of effects.

Our approach

This article will present an approach to the business case, which is based on few and clear conditions to which a steering committee/decision-maker can relate. The method ensures an answer to the very important question “why this project?”, and, furthermore, it ensures that we are able to quantify and follow up

on the results of the business case in a meaningful way.

This may sound trivial, however, the point is that the business case in itself is not the goal – it is the completion of the best possible project, and by using a simple method we can give the project manager and the project organisation space to “deliver the goods” in the project and at the same time focus on the realisation of effects. The method also involves an increase in the credibility of the contents, as the conditions and clarifications as for the calculations are qualified during the development of the business case.

Thus, the business case has to provide an answer to whether we believe that change can be implemented with impact. This demands strong involvement of leaders and key employees in the development of the business case, and the roles as project owner and project manager are essential.

The trust that has to exist between the project owner and the project manager is of great importance to a compelling business case, and in the long run it will make the involvement, and later the ownership of the business case effects, much easier.

In short, a “dynamic duo” must be formed between project manager and project owner – which turns into a trio when the effect owner is included (the person who ensures a reliable solution when the project has been completed).

Therefore, our approach is to ensure a solid project foundation through the establishment of a compelling business case. We use a number of qualitative methods with a simple design which are based on the necessary dialogue about the main elements of the project completion.



“The larger the spreadsheets, the more confident an organization is in its process. All those numbers, all those analyses, feel scientific, and in the modern world, ‘scientific’ equals ‘good’.”

– Roger Martin, HBR, 2012

Implement Consulting Group’s business case method is based on the principles of reduced complexity and clear roles in the project. Often, the key to this is strong involvement of stakeholders, experts, leaders etc. In order to create ownership, all involved parts of an organisation need to be able to see the value of the planned change. The organisation has to see the “what is in it for me?” perspective, which means that the business case should also contain elements of risk analysis and stakeholder analysis, where particularly the concept of trust is essential.

An involving method creating anchored business cases without using additional resources

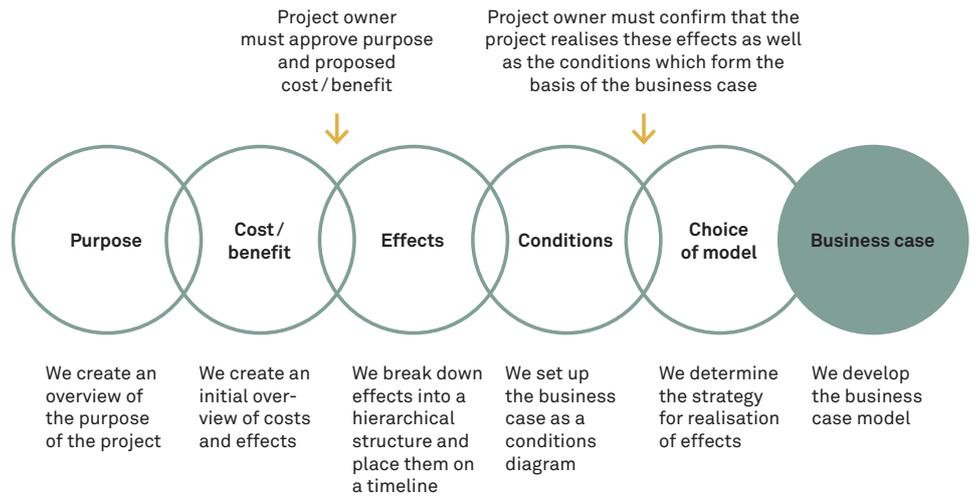
By adding involving methods and tools to a scientific process, project groups become better equipped for developing the right business cases with high success rates.

Step 1 – The purpose of the project

When we create an overview of the purpose of the project, we break down goals and establish a goal hierarchy. The goal

hierarchy provides an overview of purposes and related success criteria which the project is to realise over time. The success criteria measure backwards on the success of the project, while effects point forward by being realised over time in an operational situation. Therefore, it is important to create a clear connection between the success criteria of the project and the effects which the business has to realise after project completion.

Figure 1



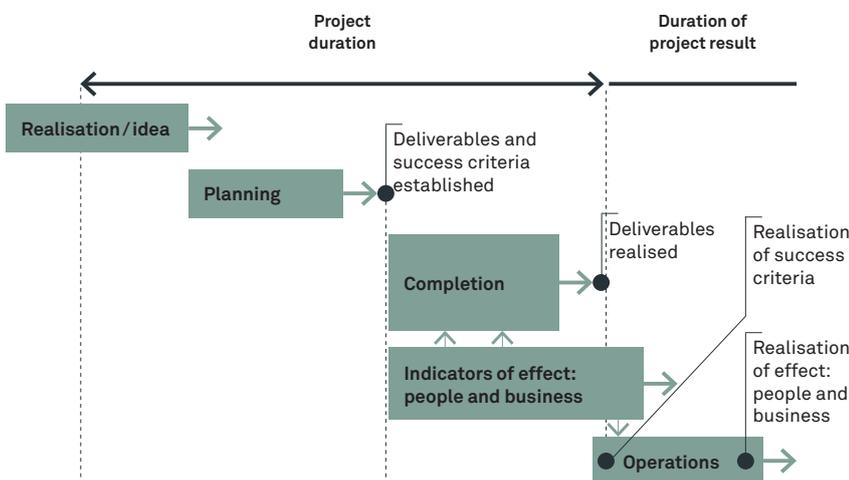
Step 2 – Proposed costs and effects

When we create an initial overview of costs and effects, we use a very simple method which is based on the principle of challenging opportunities rather than possible challenges. By using a simple approach, we make the first estimate of the costs that are included in the project and the effects which we would like to realise through the project. We recommend working with “the grid” method on posters or Post-its on the wall of the project room. When we use “the grid” method, we work with three classic types of costs and effects: non-recurrent costs/effects, recurrent costs/effects and non-financial costs/effects.

Steps of the method:

- Each participant writes possible project costs on Post-its.
- The costs are put up on a wall or poster and sorted according to type of cost.
- The group makes a joint review, and any additional costs are put up on the poster/wall.
- Each participant writes suggestions for possible effects of the project on Post-its.
- The effects are put up on a wall or poster and sorted according to type of effect.
- The group makes a joint review, and any additional effects are put up on the poster/wall.
- Joint acceptance of the total costs and effects.

Figure 2



Step 3 – Breakdown of effects

When we break down effects into a hierarchical structure, the aim is to break down effects into measurable units. The breakdown is based on the effects which were identified in “the grid”. It is important to involve experts from the project group as well as people from the business who will later realise the effects of the breakdown in order to ensure the correct structural connections and at the same time support the ownership of the achieved effects.

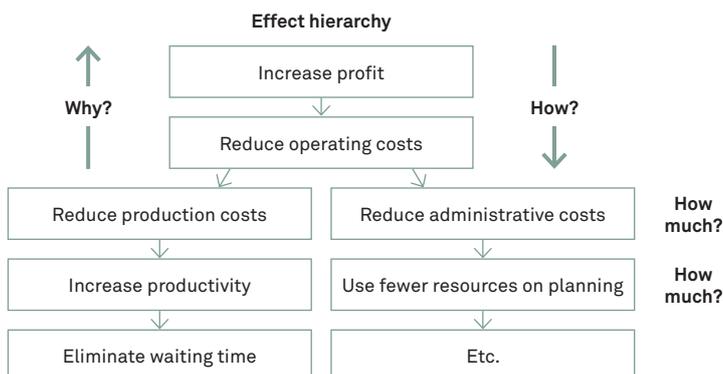
- Choose one of the effects from “the grid” which is relatively easy to break down and put it up on the wall.
 - Ask the question “how do we achieve this effect?” and write the answers on separate Post-its. State your answers using “by...”
 - The answers are put up under the effect which they break down, thus creating a tree structure.
 - We will continue to ask “how do we achieve this effect?” until we achieve an effect that will help answer the question “how much do we achieve?”. Now we are at a level where the effect has been broken down into a measurable unit.
 - Continue this process until all effects from “the grid” have been broken down into measurable units.
- Once the effects have been broken down into measurable units, we place them on a timeline to get an overview of when we expect each individual effect to be realised. We set a date for when we expect each effect to be realised, and, subsequently, we plan when we want the effects to be realised – we call this timing. When we have timed and dated the effects, it is important to focus on and identify the early indicators of effect. Early indicators are the first signs that we are moving in the right direction in relation to being able to realise the effect. Often, these are effects that can be detected as changed behaviour of the employees who later realise the desired business effect.

Figure 3
Figure 4

Cost	Effect (benefit)
Non-recurrent costs (DKK) e.g. various project costs: • •	Non-recurrent benefits (DKK) e.g. giving up expensive operating costs: • •
Recurrent costs (DKK) e.g. operating and maintenance costs: • •	Recurrent benefits (DKK) e.g. increased annual sales: • •
Non-monetary costs e.g. non-cooperative business partners: • •	Non-monetary benefits e.g. satisfied clients or improved image: • •



TIP
Take a picture of “the grid” to document the work – for communication purposes as well as the continued work with effects and conditions.



Typical examples of business effects are:

- Improved efficiency (e.g. turnover, costs)
- Improved productivity (e.g. capacity utilisation)
- Strengthened employee-related factors (e.g. employee retention)

Typical behavioural effects are:

- Improved work processes and practices (e.g. quality and service)
- Improved knowledge and competences (e.g. management of new work areas)
- Improved relations and teamwork (e.g. clear roles and responsibilities)

Step 4 – Conditions diagram

Now we are ready to set up the business case as a conditions diagram. It is a question of “turning” the breakdown of effects into a horizontal level and breaking down cost types into measurable units. The conditions diagram is a type of “reading instruction” for the business case, and through the specified methods we ensure that the conditions of the business case are made clear to the reader. This provides

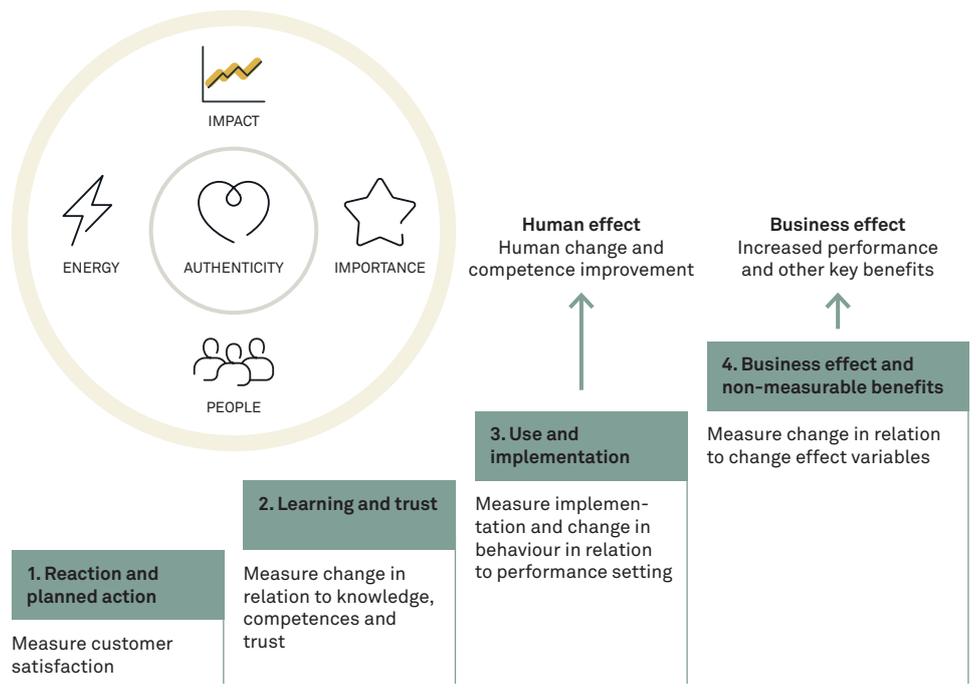
an overview of the conditions, which can then be challenged in the steering committee before the final calculation model is established.

Our experience is that this particular process and breakdown into tree structures provide an overview as well as ownership because we accept the structure during the process. It may also be a good idea to involve experts from the project group as well as people from the business or management for final quality assurance of the conditions for the business case.

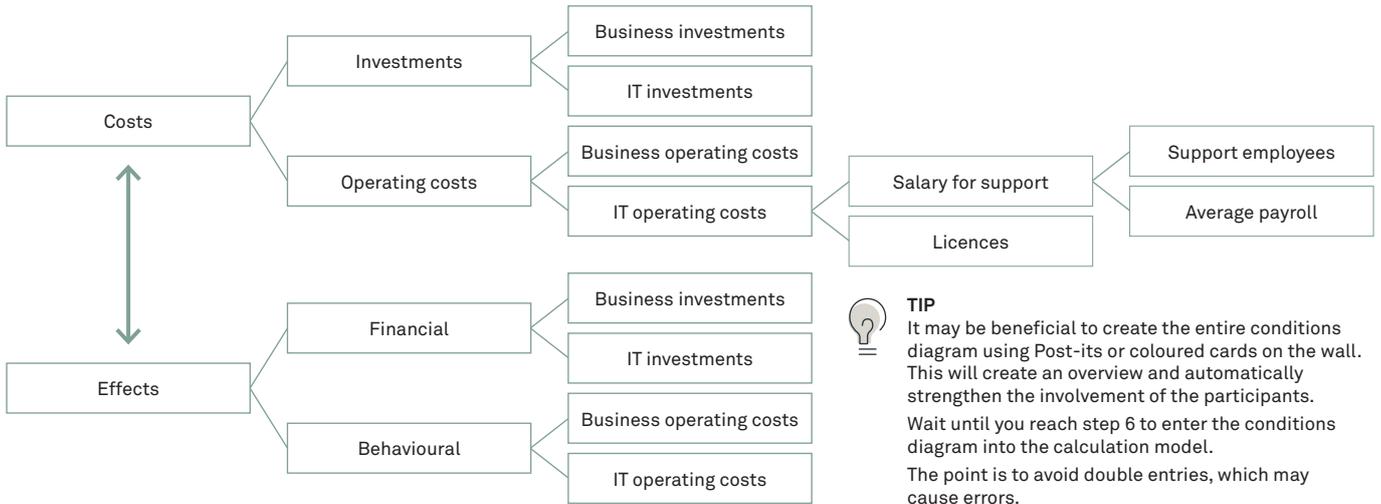
Step 5 – What we need to include in the calculation model

We determine the strategy for realisation of effects by identifying the quantifiability of the effects in relation to their traceability to the project. Quantifiability indicates the degree to which we can put actual figures on the effect. Traceability indicates to what extent we can trace the realisation of each effect back to the concrete project. Effects with a low level of quantifiability and traceability are placed in the area that we call “Mickey Mouse”.

Figure 5



How to build a compelling business case



TIP
 It may be beneficial to create the entire conditions diagram using Post-its or coloured cards on the wall. This will create an overview and automatically strengthen the involvement of the participants. Wait until you reach step 6 to enter the conditions diagram into the calculation model. The point is to avoid double entries, which may cause errors.

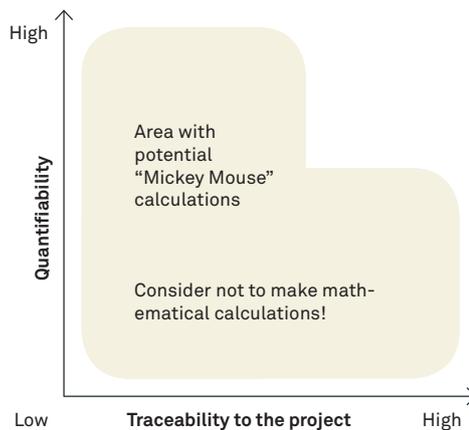
Figure 6

Generally, we do not include effects from the Mickey Mouse area in the business case calculation model, which is chosen in step 6.

Instead, we suggest that these effects are included in the business case as non-financial effects, and thus are described in text rather than figures. The purpose of this exercise is to strengthen the credibility of the business case. If the value of effects is included but not

well-documented, there is a great risk that key stakeholders will perceive data as unreliable, and thus it will be more difficult to establish ownership and support from these stakeholders (including the business that is to realise the effects) for the business case. Should it later turn out that it is possible to quantify these effects, they should of course be included in the updated business case during the course of the project. This is easily done because the structure of the business case has already been documented in the conditions diagram, and, therefore, the connection between each individual effect is easy to trace.

Figure 7



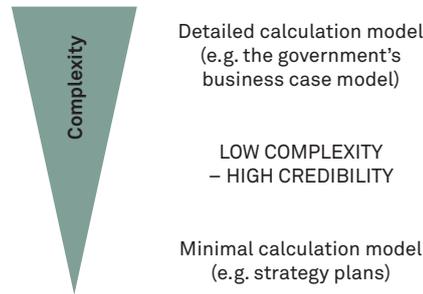
TIP
 Take a look at the breakdown you made for effects in step 3 when you need to assess the quantifiability. The places where you could not clearly answer the question “how much?” are often effects with low quantifiability.

Step 6 – Developing the business case

Finally, we develop the business case with a calculation model and text. The calculation model contains costs and business effects, while the text version contains a summary (graphs and tables) of the calculation model and a description of the behavioural effects (and non-financial effects). When we develop the business case, it is important to consider the choice of calculation model in relation to the need for documentation of calculations.

Generally, the rule is that if one wishes to document all levels of the conditions diagram, a detailed calculation model should be chosen which can handle this

Figure 8



level of complexity (such as the government's business case model). If, on the other hand, one wishes to show overall results and trends, a textual business case should be chosen in which relevant results from the calculation model can be presented.

As a main rule, the choice of a detailed calculation model will increase the level of complexity of the business case work, and it requires involvement of several experts and more in-depth business case knowledge for those employees who are to work with the business case in the project. Often, a calculation model with a medium level of complexity, in which the main conditions have been calculated and documented in the conditions diagram combined with a textual description, is the preferred solution.

Strong involvement and ownership

The appropriate anchoring is a must for the realisation of effects. Anchoring is

best created through involvement where key stakeholders are involved in the business case work. One of the main points is to include the right people in the initial phase of the project. Basically, one should remember to involve the people who are to own the effects. In the business case work, we work with three concrete roles which we call a "dynamic trio": The project owner, the project manager and the product owner.

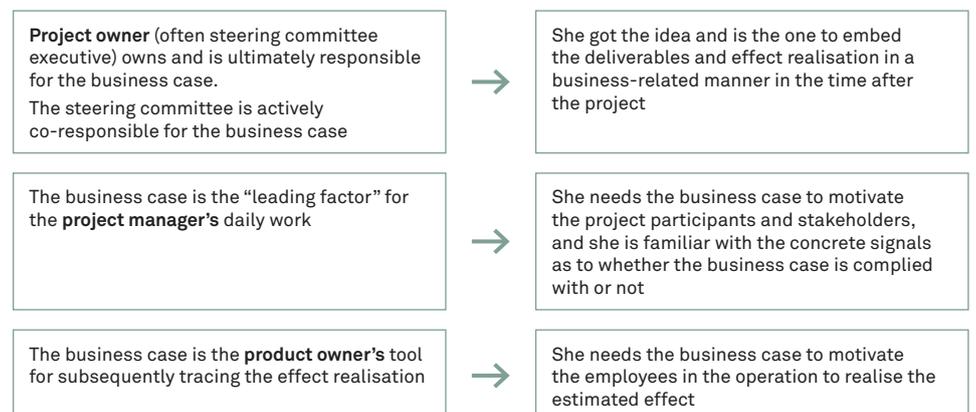
By focusing specifically on these three roles, we gain a better understanding of the project, its deliverables and effects.



“The key to a successful business case is that you have a business unit sponsor who is willing to champion the business case and to influence the key decision makers and is the person who is effectively stumping the table saying that they desperately need this investment in order to satisfy their strategic plan for their part of the business.”

– Kaylene O’Brien, Technology Partner, Deloitte Consulting

Figure 9



As it appears from the method, one of the keys to succeeding with a compelling business case is to involve the right people in the project. Our methods provide an opportunity to observe, who actually has something to contribute with, and who is there for more “political” reasons. Using the involving methods, it becomes clear who can clearly answer the question “what is in it for me?”, and who has more strategic input to the business case. This allows the project manager to focus on those stakeholders who are to own the effects and leave the political clarification to the steering committee executive – which is the point of the dynamic trio. Conversely, this requires the relation between the three roles to be close, open and based on trust.



TIP
Strong involvement early on in the process is the foundation of creating quality and clear ownership of the business case.

FAST FACTS ABOUT IMPLEMENT

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Number of employees: 800
Headquarters: Copenhagen
Offices: Aarhus, Stockholm, Malmo, Oslo, Zurich and Munich
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