Business Case Template

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Note: Ideally this template should be developed using the framework of the 8 Step Problem Solving Process at: <http://www.juliantalbot.com/templates>

Table of Contents

Executive Summary 3

Background 3

The Strategy 3

Objectives 3

Scope 4

Options Considered 4

Proposed Solution 4

Benefits Model 5

Current Situation 5

Intangible Benefits 5

Tangible Benefits 5

Implementation 10

Timing/Key Milestones 10

Personnel 10

Risk Management 10

Strategy 11

Metrics 11

Communication Strategy 11

Indicative Budget 11

Recommendation 11

# Executive Summary

The Executive Summary should be developed after the rest of the document has been completed. It is the part of the document that most people will read first, and for some readers, the only part they will read. As such it should summarize the document and be able to stand alone as a logical, clear and concise summary of the proposed project. It should be written with a hard analytical edge whilst drawing out the benefits to the business and highlight the key issues that the reader should be aware of. It must succinctly state a compelling case to go ahead with the project.

* Reason for business case
* Work scope title
* Estimated cost
* How does the expenditure contribute to meeting the organizations objectives?
* How does the business case link to organizational and strategic business plans?
* What will the expenditure achieve?
* What will be the outcome?
* No ‘technical waffle’ in this section please
* Keep it simple - remember the 4A’s and 4C’s
* The strategy
* Current situation
* Options considered
* Recommendation
* Implementation plan

# Background

* Reasons behind the proposal and a brief history of the events leading up to the business case proposal.
* Details of the situation the expenditure is expected to address. What is the **business** problem that the business case will solve?
* Why is it a problem?
* What causes the problem?
* Use the information you gathered in the eight step process outlined in Section **Error! Reference source not found.** on 19.
* Background, history, industrial relations, technology issues, performance with current measures, relationship(s) with contractors, etc
* Status of process (e.g. have preliminary technical or budgetary figures been sought).
* Is this part of an approved long-term strategy for the relevant project(s)/assets?
* Is the process constrained for any reason – e.g. schedule

# The Strategy

## Objectives

* Brief definition of objectives and work scope (including any uncertainties and exclusions)
* Alignment with organizational goals (be specific: which goals and how does this proposal support them)

## Scope

* Scope definition in relation to the total cost of ownership
* Show that consideration has been given to relevant organizational goals and policies, and that the proposal supports or is consistent with them. This will be in addition to any direct rationale for undertaking the project covered under the “Objective”.
* Consider other initiatives or opportunities for a shared approach. These may provide advantages in terms of cost saving, faster development, shared investment, optimized service delivery etc. They may be planned, current or completed projects elsewhere within the organization, or they may simply relate to a business need that has not yet been acted upon.

## Options Considered

* List the alternatives considered, their costs and their advantages and disadvantages.   
  I.e. What are the possible fixes?
* Provide a brief description of each option. It should include at least the recommended option and a “base case” which is the minimum necessary to meet the business need or solve the problem. In some cases a “do nothing” option can be the base case, for instance where an opportunity to enhance a service is not taken up. In other circumstances the “do nothing” approach may not be a legitimate option, for instance when responding to a legislative change.
* Outline the various options/alternatives available. I.e. what are the different ways of achieving the same objectives?
* Why have the above alternatives been rejected?
* Qualitative selection criteria used e.g. experience with projects of this type, quality of goods, qualifications of key personnel, alignment with organizational objectives
* Value for money considerations e.g. whole of life costings, maintenance costs, warranty coverage.
* Briefly outline the impact of not proceeding with or deferring the project, in terms of business operations, business plans, legal or political considerations, financial considerations and service delivery.
* Have other projects/contracts (where possible) been considered to obtain maximum leverage?

# Proposed Solution

The proposed action is the subject of the case: what the case is about. Two good analysts can work independently on the same subject and arrive at different business case results, but they should be very similar results if the subject has been defined fully, concretely, and precisely. If the subject is defined incompletely, vaguely, or imprecisely, they may arrive at conflicting results. To a certain extent these results are determined (but not yet visible) when the subject is stated properly:

* What is the best fix?
* What are our “ideal”, “ok” and “fall-back” positions?
* Does it directly address the problem so carefully defined above?
* Will it alleviate or remove the symptoms of the problem?
* Does it represent good value for money and/or does it address other intangible benefits (e.g. support for organizational objectives)?
* How it leads to correction or removal of the cause/s you identified above?
* What pricing structure will be adopted?
* What metrics will be used?
* What type of specification (e.g. performance/detailed/functional) will be utilized?
* What terms and conditions will be utilized?
* Is there a need for a bank guarantee?
* Is there a need for parent company guarantees?
* Explain the reasons for duration of the contract and/or the options

|  |  |
| --- | --- |
| STRENGTHS | WEAKNESSES |
| OPPORTUNITIES | THREATS |

# Benefits Model

## Current Situation

Table : Known costs and benefits (for selecte time period)

|  |  |
| --- | --- |
|  | $ |
|  | $ |
|  | $ |
| **TOTAL:** | **$** |

## Intangible Benefits

* What do we think the outcome will be?
* What are the non-financial benefits?
* Can they be quantified?
* Related contracts and the relationship to other work programs.
* What is the consequent impact on competitiveness for our organization?
* Incentive mechanisms. value adding initiatives, etc

## Tangible Benefits

* Return on Investment, ROI, NPV, IRR, etc
* Funds availability/internal loan  
  Cost Codes, budgets and approvals of the proposed scope of work
* Pricing process undertaken – quotes, tenders, market assessment
* Analysis of lease versus buy including Net Present Value (NPV) analysis
* Total Cost of Ownership: Whole of life costing including purchase price, maintenance costs, service costs, residual value and disposal costs
* Spend and cost estimates
* Breakdown of Estimated Ceiling
* How will value for money be assured and measured? (e.g. benchmarking versus history)
* Do we have any cost leverage (e.g. volumes, duration, competition, alternatives, etc)?
* Volume discounts



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Business Case - CASHFLOW Analysis** | | | | | | | | |
| **Analysis Period** | | 5 Years | | | **Author:** | | Julian Talbot | |
| **Hurdle/Discount Rate:** | | 9% | | | **Date:** | | 21-Jul-17 | |
| **Project Summary:** | | *Installation of ICT system and associated reduction in labor costs.* | | | | | | |
|  |  | |  |  | |  |  |  |
| **NPV of Project:** | **$1,094,787** | |  | **Total Costs:** | | **$1,485,000** |  |  |
|  |  | |  | **Benefits:** | | **$3,065,080** |  |  |
| ***Project Costs*** |  | |  |  | |  |  |  |
| **CAPEX** | **Year 1** | | **Year 2** | **Year 3** | | **Year 4** | **Year 5** | **Totals** |
| Hardware | $100,000 | | $0 | $0 | | $0 | $0 | **$100,000** |
| IT Stuff | $85,000 | | $0 | $0 | | $0 | $0 | **$85,000** |
| Guardhouse | $125,000 | | $0 | $0 | | $0 | $0 | **$125,000** |
| **TOTAL CAPEX** | **$310,000** | | **$0** | **$0** | | **$0** | **$0** | **$310,000** |
|  |  | |  |  | |  |  |  |
| **OPEX** |  | |  |  | |  |  |  |
| Project Costs | $50,000 | | $0 | $0 | | $0 | $0 | **$50,000** |
| Software | $45,000 | | $5,000 | $5,000 | | $5,000 | $5,000 | **$65,000** |
| Wages | $200,000 | | $150,000 | $0 | | $0 | $0 | **$350,000** |
| Rent | $100,000 | | $100,000 | $100,000 | | $100,000 | $100,000 | **$500,000** |
| Misc | $20,000 | | $0 | $0 | | $0 | $0 | **$20,000** |
| Depreciation | $150,000 | | $0 | $0 | | $0 | $0 | **$150,000** |
| Training | $40,000 | | $0 | $0 | | $0 | $0 | **$40,000** |
| **TOTAL OPEX** | **$605,000** | | **$255,000** | **$105,000** | | **$105,000** | **$105,000** | **$1,175,000** |
|  |  | |  |  | |  |  |  |
| **TOTAL COSTS** | **$915,000** | | **$255,000** | **$105,000** | | **$105,000** | **$105,000** | **$1,485,000** |
|  |  | |  |  | |  |  |  |
| ***Project Benefits*** |  | |  |  | |  |  |  |
| **CAPEX** |  | |  |  | |  |  |  |
| Sale of Existing Equip. | $400,000 | | $0 | $0 | | $0 | $0 | **$400,000** |
| TBA | $0 | | $0 | $0 | | $0 | $0 | **$0** |
| **TOTAL CAPEX** | **$400,000** | | **$0** | **$0** | | **$0** | **$0** | **$400,000** |
|  |  | |  |  | |  |  |  |
| **OPEX** |  | |  |  | |  |  |  |
| Reduced NPL | $80 | | $150,000 | $150,000 | | $150,000 | $150,000 | **$600,080** |
| Reduced Labour Costs | $120,000 | | $400,000 | $400,000 | | $400,000 | $400,000 | **$1,720,000** |
| Reduced Travel Costs | $25,000 | | $80,000 | $80,000 | | $80,000 | $80,000 | **$345,000** |
| **TOTAL OPEX** | **$145,080** | | **$630,000** | **$630,000** | | **$630,000** | **$630,000** | **$2,665,080** |
|  |  | |  |  | |  |  |  |
| **TOTAL BENEFITS** | **$545,080** | | **$630,000** | **$630,000** | | **$630,000** | **$630,000** | **$3,065,080** |
|  |  | |  |  | |  |  |  |
| ***Project Summary*** |  | |  |  | |  |  |  |
| **CAPEX CASHFLOW** | **$90,000** | | **$0** | **$0** | | **$0** | **$0** | **$90,000** |
| **OPEX CASHFLOW** | **-$459,920** | | **$375,000** | **$525,000** | | **$525,000** | **$525,000** | **$1,490,080** |
| **NET CASHFLOW** | **-$369,920** | | **$375,000** | **$525,000** | | **$525,000** | **$525,000** | **$1,580,080** |
|  |  | |  |  | |  |  |  |
| **Sensitivity Analysis** | 5% | | 7% | 9% | | 11% | 13% | 16% |
|  | $1,284,616 | | $1,185,214 | $1,094,787 | | $1,004,533 | $922,850 | $848,768 |
|  |  | |  |  | |  |  |  |
| ***Key Assumptions and Critical Success Factors*** | | | |  | |  |  |  |
|  |  | |  |  | |  |  |  |
|  |  | |  |  | |  |  |  |
|  |  | |  |  | |  |  |  |
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|  |  | |  |  | |  |  |  |

# Implementation

This section should include further details such as:

* Project Schedules
* Contract Plans
* Project Approvals
* Expiry of existing contracts/systems/processes
* Who   
  - Control structures, steering committee, program office etc  
  - Key people  
  - Roles
* What will happen
* When will it happen
* It might include project timelines, procurement cycles or specific details about tendering processes as in the following example:

## Timing/Key Milestones

|  |  |
| --- | --- |
| Extend current contract | : |
| Develop functional specification | : |
| Request for Tender | : |
| Selection | : |
| Award of contract | : |
| Project Initiation | : |
| Practical Completion | : |
| Evaluation / Acceptance | : |

## Personnel

|  |  |  |
| --- | --- | --- |
| **Titles** | **Names** | **% Allocated to this project** |
| Project Sponsor |  |  |
| Project Manager |  |  |
| Project Team |  |  |
| Contractors and Suppliers |  |  |

## Risk Management

* Identify and assess significant risks to this specific business case. Ie. The risks that are introduced by this project and the risks that could affect the implementation or outcomes of the proposed risk treatment. (e.g. technical, commercial, schedule, capacity capability, content, interfaces, health, safety and environment, industrial relations, exchange rates) associated with this scope of work
* How will we negotiate our way through any perceived risks, issues, etc
* Risk management plan for how the project will manage/address these risks?
* Describe the key risks associated with implementing the business case. Ie. The risks associated with proposed works/services and how it is proposed to manage those risks through the project life cycle
* Are there any lessons learnt from closeout reviews of similar projects? If yes, what are they and what steps have been taken to ensure the lessons learnt from those have been addressed?

## Strategy

* Strategies to deliver anticipated cost savings
* Detail the negotiation and evaluation team, evaluation criteria, negotiating plan and strategy or tender evaluation strategy and methodology.
* What measures will be put in place to manage performance and residual risk during the lifetime of the solution/contract?
* Who will be appointed to which role?
* Vendor management schedule including frequency of meetings of stakeholders and contract performance reviews

## Metrics

* What measures will be used to define the benefits and costs?
* Are these the best metrics? How do we know that?
* Ongoing benchmarking
* What metrics and KPI’s are to be incorporated, including performance levels, frequency of measurement, methodology of reporting and relationship to original objectives?
* How many metrics need to be tracked? If this is a large number (it usually is), what kind of system are you planning to use to track them?
* Are the metrics standardized so that they can be benchmarked against performance in other organizations?

## Communication Strategy

* Stakeholders
* Methods (Eg: Email, presentations, committees, newsletter, training, etc)

## Indicative Budget

* What will it cost?
* How many phases?
* Staged payments?

# Recommendation

* Recommended action(s). If your recommendation involves several activities, you should include them as bullet points. As a general rule however, you should have no more than 3 bullet points. Keep it short and simple. Make it clear EXACTLY what you are recommending and what resources you need in order to make it happen. For example: “It is recommended that the Board approve expenditure of $x,xxx,xxx on implementation of” <insert name of proposed activity/project>.