



SIP/2004-WP9
Business case

Special Implementation Project

Introduction to Business Case

**(Presented by Chaouki Mustapha
Economist, ICAO)**

**Workshop on the development of business case for the
implementation of CNS/ATM systems
Cairo, 6–9 September 2004**

What is a business case?

Definitions

- A tool supporting planning and decision-making that can be used by public as well as private entities
- For a public entity, a business case is a substantiated argument for a public project, a policy or a program proposal requiring a resource allocation and/or investment, often including a financial commitment;
- For a private entity, a business case can be developed to assist decisions on capital investment, product/service development, changes to business processes, contracts, special pricing, partnerships, etc.

Other definitions

- **“A 'business case' is a form of advice to executive decision-makers. It is a substantiated argument for a project, policy or program proposal requiring a resource investment, often including a financial commitment.”¹**

¹ The Government of New South Wales, Australia, “Business case guidelines”, 2000

Other definitions

- “A management tool that supports planning and decision-making for an investment by positioning the investment decision in the context of business objectives. The business case is a proposal and provides an analysis of all the costs, benefits and risks associated with the proposed investment and offers reasonable alternatives.”¹
- “Before making a final decision to proceed with project, management needs to satisfy itself that three basic questions have been properly answered:
 - Why are we doing this?
 - What will it cost?
 - What business value do we expect to achieve?”¹

¹The Government of Alberta, Canada, “A cost benefit assessment framework for information technology projects”

Other definitions

- “A multi-purpose document that generates the support and participation needed to turn an idea into reality.”¹
- “It explains what the idea, problem, or opportunity is about, how and who it will impact, what others are doing, each of the alternatives, the associated impacts, risks and cost/benefit of each alternative, and makes recommendations.”¹

¹ The Government of Alberta, Canada, “Business case usage guidelines”, July 2002

Other definitions

- “A decision support and planning tool that projects the likely financial results and other business consequences of an action”

Marty J. Schmidt, “The business case guide”, Second edition, 2002

Other definitions

➤ “A document that defines the proposal, lays out its objectives, deliverables, estimated cost and effort, and scope”¹

- **Deliverable:** any measurable, tangible, verifiable outcome, result or event that must be produced to respond to a certain need.

- **Scope:** a description of the agreed on work to be completed during project execution. This description will specify the deliverables.

¹Tom Mochal, “Select and prioritize projects with a business case”

December 15, 2003

<http://techrepublic.com>

What's the difference between a business case and a business plan?

- **A business case is specific to a project, a policy or a program proposal;**
- **It covers the lifecycle of the proposal;**
- **A business plan normally covers an entire organization or enterprise and is limited in time (typically 3 to 5 years)**

A business case is not:

- **a non-value adding external requirement,**
- **a routine chore, or**
- **a means to validate an idea at all costs.**

**Who is the target audience of a
business case?**

Target audience

- **Decision makers**
 - **Government (national, local, etc.)**
 - **Leadership, management and shareholders of public or private enterprises**
 - **Funding sources including financial institutions**
- **Partners and stakeholders: organizations and/or individuals that are either involved, provide input, or have an interest in or expectations from the proposal.**
- **The public**

What are their needs and concerns?

➤ Decision makers

- Need for and/or opportunity of the proposal
- Alignment with general policy, objectives and strategy
- Priority in the allocation of limited resources
- Effectiveness and efficiency

➤ Partners and stakeholders

- That they are consulted on any proposal that might affect them
- That the proposal does not unduly affect them negatively
- That they are compensated for any effect

What are their needs and concerns? (cont'd)

➤ The public

- Level and quality of service provided**
- Community benefits**
- Health**
- Safety**
- Security**
- Environment**

Why do we need a business case?

- **To convince the target audience:**
 - **of the need for the proposal**
 - **of the feasibility of the proposal**
 - **that the proposal is cost effective and beneficial**
 - **that the proposal is financially viable**
 - **that the risks involved are manageable**
- **To be able to prioritize proposals**

Other uses of a business case

- **Helps determine the strengths and weaknesses of a proposal in a systematic and objective manner;**
- **Serves as a tool to test the validity of an idea before putting the case to others.**

When do we need a business case?

- For every project, policy or program proposal, except when the project has to be implemented at any cost and regardless of the risks involved
- Particularly needed when:
 - reluctance to the proposal is foreseen;
 - the proposal is expected to have a significant impact on either internal infrastructure arrangements or the delivery of services;
 - the proposal brings substantial change in the way things are done and/or will require a significant allocation or reallocation of resources.

When do we need a business case? (cont'd)

- **The business case is a dynamic document**
- **As time passes, situations change and new information is available**
- **The business case needs to be updated**
- **The regular update may last for the lifecycle of the project proposal**

Business case complexity and resources required

- **The complexity of a business case and time needed to develop it varies with the nature of the proposal;**
- **In some cases, the business case may take several months to develop;**
- **It may even be necessary to initiate a trial or pilot project to test the feasibility of the proposal**

Business case model outline

- Executive summary
- The need
- The proposed project
 - Project scope:
 - Project purpose
 - Planned outcome(s)/deliverable(s)
 - Project description
 - Proposed timeframe and milestones

Model outline (cont'd)

- **Implementation plan**
 - **Project management arrangements**
 - **Internal change management and training**
 - **External communications and issues management strategy**
 - **Marketing**
 - **Quality management**
 - **Procurement strategy**
 - **Benefits realization**
 - **Post-project management**
 - **Project evaluation and post-implementation review**
- **External funding arrangements**

Model outline (cont'd)

- **Assessment of options**
 - **Identification of options**
 - **Economic appraisal**
 - **Cost-benefit analysis**
 - **Net Present Value approach**
 - **Snapshot approach**
 - **Cost benefit ratio**
 - **Cost effectiveness analysis**
 - **Least cost analysis**
 - **Pay-off period approach**

Model outline (cont'd)

- **Financial appraisal**
 - **Return On Investment (ROI)**
 - **Net Present Value (Discounted Cash Flow)**
- **Sensitivity analysis**
- **Risk analysis and risk management**

Robust business case

Impediments to a robust business case

- **Insufficient or unconvincing argument for the proposal;**
- **Ambiguous or unacceptable option assessment methodology;**
- **Unreliable input data;**
- **Other priorities take precedence.**

Advice for a robust business case

- **Thorough research**
- **Objectivity, rigor and logical argument**
- **Clarity**
- **Completeness**

Project classification

- Replacement projects
- Cost reduction projects
- Safety and environmental projects
- Expansion projects

Examples of projects

- **Infrastructure projects (roads, bridges, airports, factories);**
- **Information technology and telecommunication projects;**
- **Major policy reform proposals.**

Examples of business cases

- **Project proposal**
- **Funding submission**
- **Feasibility study**
- **Value management study**

