

Development of a business case



According to Keen and Digrius (2002), a business case is a common practice to indicate, in a rational way, the real business value analysing and defining potential investments. Business case analysis describes business reasons why or why not specific investment options should be selected. The business case project ' Social Housing Assessment Transfer', carried out by Ministry of Social Development (MSD), seeks to obtain management commitment and approval for investment in order to choose the IT preferred solution for delivering the required services to support the transfer of social housing assessments functions from Housing New Zealand Corporation (HNZC) to Ministry of Social Development (MSD) organisation (Ministry of Social Development 2013, p. 2). This business case study is qualitative and constructive in essence. Relevant literature and exploratory case study has been conducted in order to compare and validate if best practices and key business case's components have been thoroughly considered and established on the business case project. Several articles and books have different ways to structure an ideal business case, therefore, after an extensive research, main recurrent key sections have been considered for analysis, being company's vision and goals; scope and boundaries; scenario analysis, benefits and results; available options and cost; risk and contingency strategy; and lastly, an estimated timescale.

A good business case has to be well aligned and work in conjunction with the company's vision and strategic goals. It requires to describe the business needs and its contribution to the organisation's business strategy. Myler's (2016 p. 1) article from Forbes magazine identifies alignment as one of the critical elements to allow companies to execute strategy process and grow

their businesses. MSD business case explains that the investment on adapting its core IT systems goes side by side with Government's objectives for the social housing sector in New Zealand, based on a preliminary report done by the Housing Shareholders Advisory Group (April 2010) (HSAG). This is a very relevant point as we know that a project with high gains on investments is great, but it is not a complete business case justification if the proposed solution does not align with the company's strategic targets. The chosen business case could extend the company's goals and, perhaps, add some more details on the appendix section in order for the decision-making executive to feel comfortable enough that the project is deemed as "viable" without jeopardizing his strategic business and technology goals.

Experienced project managers look for three elements as they and the team define, analyse, and document the assumptions, scope and constraints on their projects. According to Gambles (2009), stating the reason does not fix the scope and boundaries of the case. Scope is a range of considerations surrounded by the case along several dimensions. Boundaries define the scope precisely, providing rules for deciding which data belong in the case and which do not. Some boundaries and scope were established on the business case; one very clear was the time constraint where a solution should be available for customers by 14 April 2014. This constraint dictated that the best solution (option 1) could not be met due to its 12 to 18 months development time, diverting the preference towards an interim solution to meet the implementation timeframe. Another boundary was that MSD would not manage or execute any change or update on HNZA's current system. For the most part of the business case the author has pinpointed areas to be

worked on (scope) but he could have explored more assumptions and boundaries to make sure all aspects of the proposition have been covered, avoiding unexpected surprises throughout the project.

Has the business case clearly identified benefits and how they will be realised? Is it clear what will define a successful outcome? The answer for these, and many other, questions around the possible scenarios, direct benefits and results need to be available on a good business case. According to Gambles (2009), defining clear objectives for multiple scenarios with stakeholders including spatial and temporal boundaries is critical for organisations. To the extent that scenario analysis reinforce conclusions which can steer the company to sometimes undesired outcomes. By doing this, stakeholders have ownership of the process, the results are relevant to them, and they are more lenient to act on the results. MSD business case convey a “ as is” scenario and possible benefits when proposing an interim solution to connect both systems covering immediate requirements as well as delivering the solution on time. It shows the total amount of \$18. 733 million necessary to implement the interim solution plus the final setup to allow the function transfer and only one financial benefit was mentioned, the \$1. 8 million. Bringing more tangible benefits such as ROI numbers, saving percentages in terms of deb and fraud reduction (ie: benefit expected is to reduce 20% of fraud) would probably be a better approach when describing the expected benefits. As well as touching Intangible benefits such as goodwill and customer, employee, or vendor satisfaction Key performance indicators (KPIs) are also described as ‘ critical success factors’ but lacks in how they will measure them over time to make sure they’ve been met.

Options is usually one of the key areas that executives are looking for when they read a business case. They want to know what all of the available options are for solving the problem. According to the article (Strategic options analysis 2013, p. 1), for each strategic option, estimate the expected time to start realising the desired benefits and when you would expect all attributable benefits to be released. MSD business case conveys four different strategic options where each option describes how the IT system can be deployed and/or integrated as well as indication of the preferred option due to time constraints and expected objectives. In this business case, the option analysis of the IT system should present with more details of the potential benefits obtained in each option. It could have replaced option 4 with something different, thinking ‘outside the box’, for example using a 3rd party provider to speed the implementation process or perhaps exploring something that other government has implemented in the past that could be followed.

Cost estimation is key information on any business case analysis and it is often forgotten, misleading or over-exaggerated. It is probably one of the most difficult aspects of writing a business case as it requires subject matter experts to quantify tangible costs in financial terms. The golden rule is to add not too much or too less information but just enough data for the audience to understand the required investment and gain approval to move forward with the process. The importance of cost in this project involves a significant investment in the transfer of social housing functions to another institution which includes the cost of Information Technology (IT) that includes hardware, software licenses, integration, testing, network, cabling,

and system support costs for the system development life cycle. Also, there are costs associated with staff as well as payroll costs, redundancy payments and recruitment costs. According to Gambles (2009), some costs such as support costs quite often undergo value updates changing the project budget. As for any project, ongoing costs will always exist and this could be highlighted and explored a bit more. It mainly presents totals but could also have a high level breakdowns. For example, the KPMG report only confirms the robust estimation without giving any hint of what has been estimated. This could be represented on a very succinct way with charts and graphs for quick evaluation and understanding by executives.

A fair amount of business cases are based on premises and hypotheses as its purpose is to suggest and implement a future solution for an existing issue and a risk evaluation is paramount. As per Schmidt (2009) book emphasizes that the plan requires a very good examination around potential risk and subsequent contingencies in order to deliver expected outcomes regardless of variable factors such as execution delays when achieving milestones. The business case author demonstrate a good understanding of the need of a risk assessment providing the reader with an extensive risk register and contingency table in terms of extra cost but in my opinion it should also include other possible variations such as what tasks or modules could be postponed or deferred in order to meet the release deadline. Forgetting to include a risk analysis is one of the most common mistakes which is likely to lead stakeholders towards an unrealistic expectation for the project's cost, time, and benefits, setting the project up to underperform expectations (Journal of corporate accounting & finance 2015, pp. 4)

Timescale is crucial on a business case as it defines the period of which each project task will be finished and the period over which the benefits will be launched. In a good timeline, the tasks are shown step-by-step determining who is responsible for the task and the month of action for task assignment. The timeline should be looked after and reviewed along the project in order to gain better results. On MSD's business case, a timeline is available only for the preferred interim solution of creating a link between both systems but no roadmap for the final implementation. Final solution was estimated to be around 12 to 18 months and the author could have included a high level roadmap for this part of the project too. It is valid to emphasize that once the interim solution is released and the final implementation starts, the temporary solution will exist creating BAU (business as usual) tasks which need to be accounted for and robust timelines for them are imperative for the project's success (Schmidt 2009).

A great business case allows business owners and executives to make informed decisions, as well as secure funding and meeting compliance requirements. In general it is not a final business proposal or statement of work (SoW) but a pivotal tool to provide recommendations, guidance and most importantly keep the project delivery moving. It is also an opportunity to reinforce why the action is recommended, and often to remind the audience to pay attention to potential contingencies and dependencies within the suggested scope. Overall, 'Social Housing Assessment Transfer' business case was well written, has most of the sections expected on a study of this nature but is too long and repetitive. Several elements were duplicated without any further information to help the decision makers have

a broader picture of the suggested project, from a high level description (executive summary) to a more granular level of details. For example, a final table collating the effort and investment required for the interim solution, final implementation and contingency of the preferred option would be very useful. Perhaps, for a large business case such as the one chosen, a three stages approach would be more appropriated. This structure consists of a Preliminary Business Case to confirm strategic fit and business needs, normally in not more than 2 pages; an Outline Business Case describing assumptions to support the preferred solution and variable timelines depending on the size of the project; and lastly, a Full Business Case to validate the assumptions in order to support the investment decision. Another important aspect to be considered is that the business case is treating the project as a one-time exercise not taking into account that continuous tasks, processes and subsequent costs will always exists. Differences between projected and realized costs and benefits can be analysed, and gaps can be addressed. Failure to keep the business case open and to add adjustments as they occur results in a widening gap between the project as conceived and approved in the business case and the project as actually delivered.

References

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