Strategies and Considerations for Building a Business Case

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National Institute of
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and Skin Diseases

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" Trust yourself. You know more than you think you do."

- Benjamin Spock

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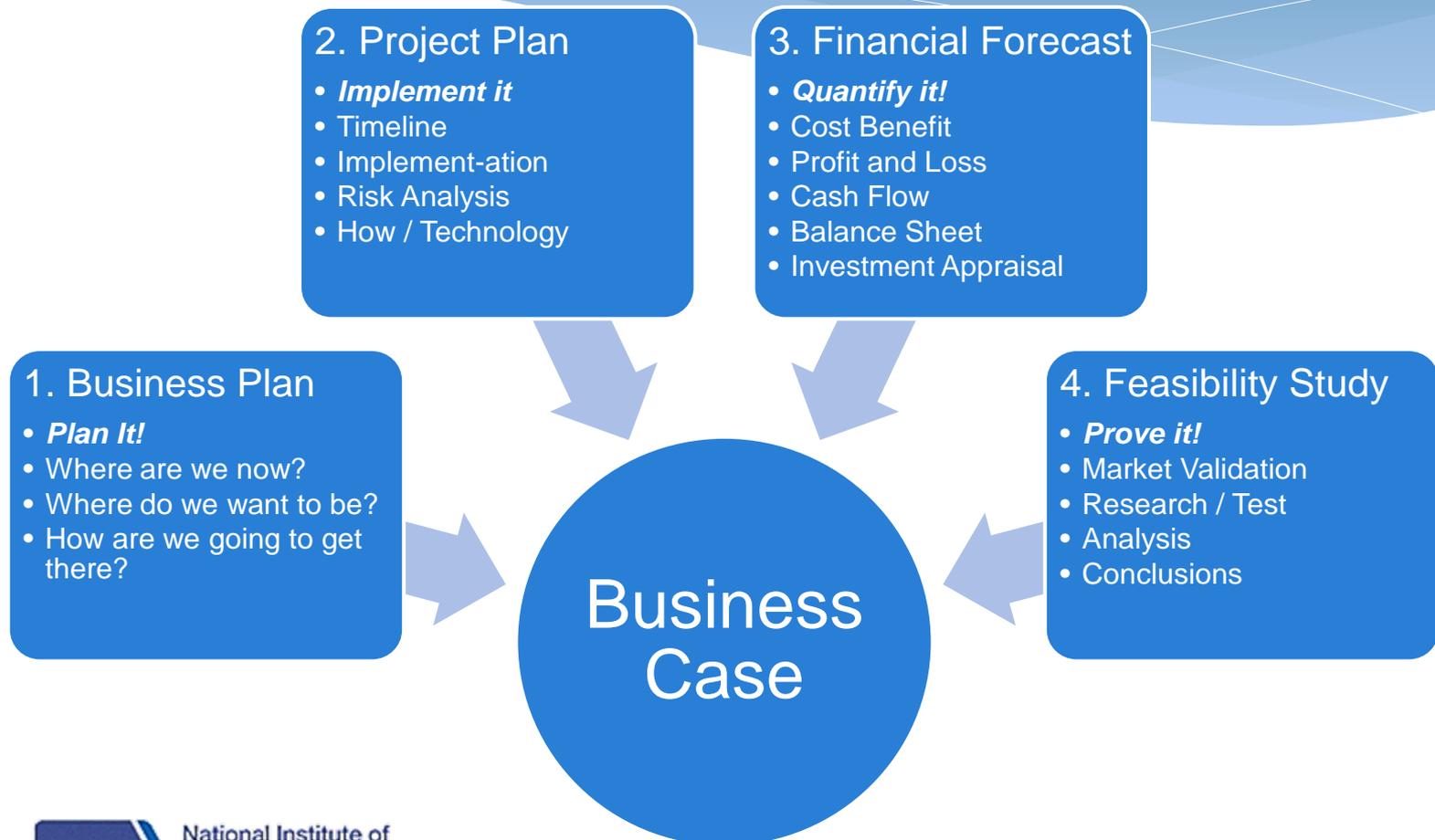
Purpose of This Briefing

Provide an overview describing the What, Why, When, Who, How, and Where as it relates to developing a sound Business Case using best practices as directed by DHHS and NIH Enterprise Performance Life Cycle (EPLC) policies.

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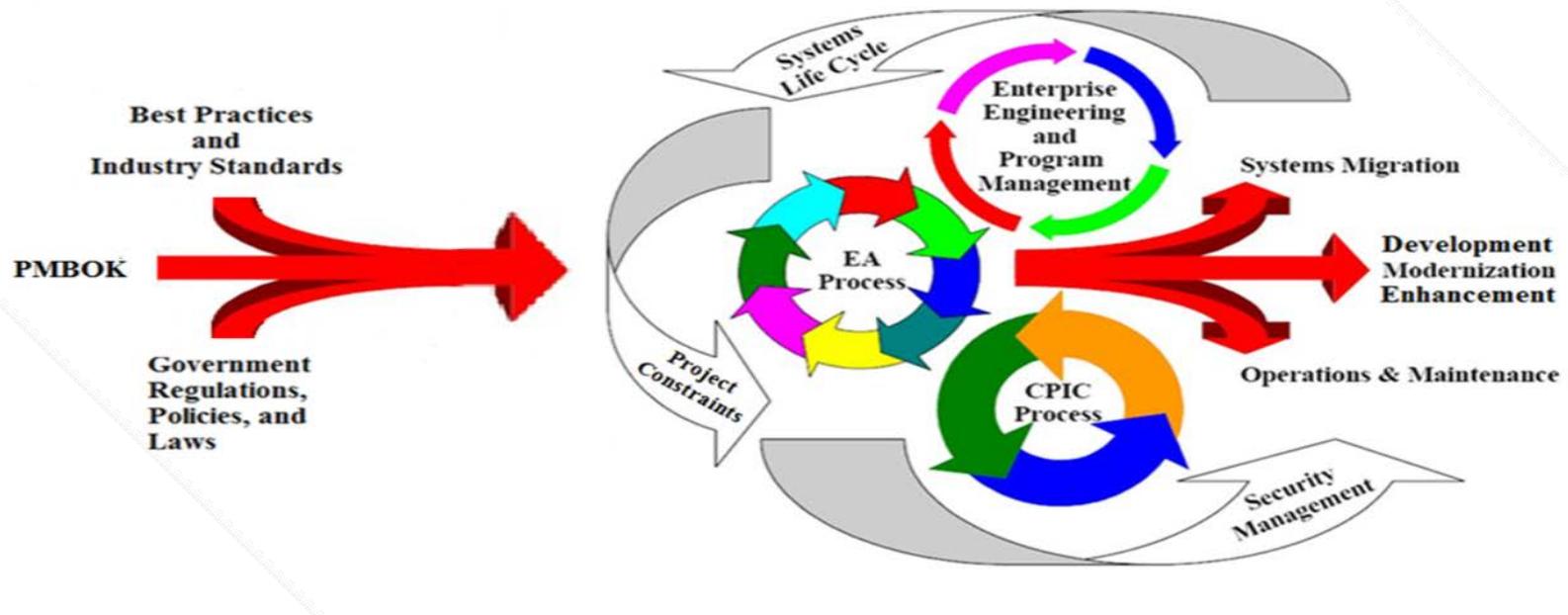
What is a Business Case? Inputs

2. Project Plan
- *Implement it*
- Timeline
- Implement-ation
- Risk Analysis
- How / Technology

3. Financial Forecast
- *Quantify it!*
- Cost Benefit
- Profit and Loss
- Cash Flow
- Balance Sheet
- Investment Appraisal

1. Business Plan
- *Plan It!*
- Where are we now?
- Where do we want to be?
- How are we going to get there?

4. Feasibility Study
- *Prove it!*
- Market Validation
- Research / Test
- Analysis
- Conclusions

Business Case

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What Is a Business Case? Considerations

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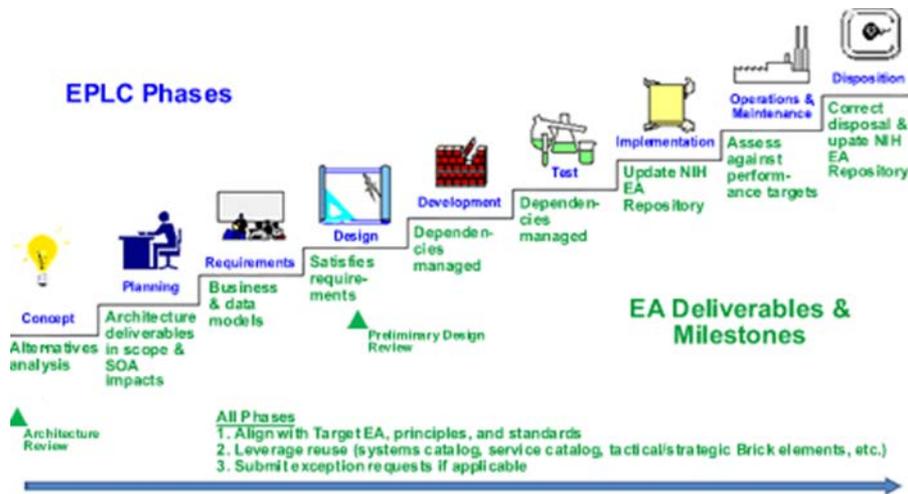Arthritis and Musculoskeletal
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What Is a Business Case?
Using the EPLC Methodology

Enterprise Performance Life Cycle
For DHHS ➡ NIH ➡ NIAMS

What Is a Business Case? Definition

* The DHHS EPLC defines a Business Case as:
* a documented, structured <u>proposal</u> for business improvement
* that is prepared to <u>facilitate a selection decision</u> for a proposed project
* by organizational <u>decision makers</u>.

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Desired Qualities of a Good Business Case

A well-written business case should:

* Describe the reasons and justification for the project in terms of:
    - business process performance
    - needs and/or problems
    - expected benefits

  in a way that it aligns with NIH Enterprise Architecture (EA) efforts and the NIH mission and goals.

* Identify:
    - high-level requirements that are to be satisfied
    - analysis of proposed alternative solutions
    - assumptions and constraints
    - risk-adjusted cost-benefit analysis
    - preliminary acquisition plan

Desired Qualities of a Good Business Case

A well-written business case should also:

* Consider the audience – Present information in non-technical terms regarding a proposed project targeted towards the invested stakeholders responsible for making sponsorship decisions.

* Document and present the variables and alternatives associated with making an investment decision.

* Ensure that the value and the risks associated with the project are understood by its stakeholders.

* Present the best possible solution that most closely aligns with the organizational goals and objectives.

Topics Recap
Key Points

✓ **What is a Business Case?** (Proposal containing Business & Project Plans, Feasibility Study, Financial Forecast presented to the decision maker for approval.)

❑ Why Prepare a Business Case?

❑ When Should a Business Case be Created?

❑ Who Should Create a Business Case?

❑ How to Create a Business Case.

❑ Where to Find More Information on Business Cases.

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Why Prepare a Business Case?

Is an artifact of EPLC

Is a standard practice throughout private and public industry

Reduces the risk for project failure

Benefits the organization by providing invested stakeholders a mechanism to make sound decisions regarding the viability of a proposed investment or project effort and the allocation of time and cost in relation to scope

Mandated by specific laws and regulations in the Government:

Office of Management and Budget (OMB), Part 7, Section 300 – Capital Asset Plan and Business Case is required for all **Major projects[1]** for all operating divisions (such as NIH) at the Department of Health and Human Services (DHHS)

[1] The DHHS OCIO Policy for IT Capital Planning and Investment Control (CPIC), section 4.6 defines major IT investments as those which: have a total **planned outlay of $10M or more in the budget year**; are **used for financial management and obligate more than $500K annually**; or are designated by the DHHS CIO as critical to the agency mission or to the administration of agency programs, finances, property or other resources.

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Non-Major IT Projects Conditions that Warrant a Business Case [2]

* Multiple alternatives exists

* Technical risk is medium to high (ex: exploring cutting-edge/bleeding-edge technologies)

* Resources allocation needs to be justified

* Legal/regulatory problems are expected

Example: Exploring Cloud Computing solutions for government use: Amazon vs. Cisco Systems vs. Google vs. IBM vs. Microsoft vs. Verizon

[2] Pressman, R. : *Software Engineering, A Practitioner's Approach*; 3rh Ed.; McGraw-Hill; 1992; Page 148

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Factors that Influence the Need for a Business Case [3]

Market demand - example: authorizing a new project to manage Privately Owned Equipment (POE) in a government environment in response to a Bring Your Own Device (BYOD) policy

Organizational need - example: authorizing a new project to implement a Content Management System create an application to support collaborative publishing such as Drupal

Customer request - example: authorizing a new project to create an application to track and manage telework applications and renewals such as Telework Online

 Technological advance - example: authorizing a new project to implement a faster and cheaper solution to deliver voice communication and multimedia sessions over the Internet.

[3] Project Management Institute: *A Guide to the Project Management Body of Knowledge* ; 4th Ed.; PMI Pub.; 2008; Page 75-76

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Factors that Influence the Need for a Business Case [3]

Legal requirement - example: authorizing a new project to establish guidelines for authorizing stem cell lines.

Ecological impacts - example: authorizing a new project to create an application to lessen its environmental impact – Green Team initiatives.

Social need - example: authorizing a new project to create an outreach clinic to serve constituents within the inner city.

SITB topics research – Many of topics presented during the Power Hour should be considered as candidates for a Business Case once the Business Need is established. Example: authorizing a new project to implement a Change Management System.

[3] Project Management Institute: *A Guide to the Project Management Body of Knowledge* ; 4th Ed.; PMI Pub.; 2008; Page 75-76

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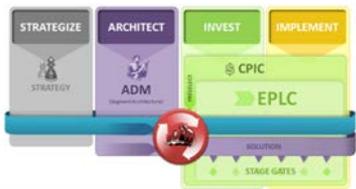Arthritis and Musculoskeletal
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Topics Recap
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✓ **Why Prepare a Business Case?** (Allows stakeholders to make a sound decision on a project's viability when technical risk, multiple alternatives, resource justification, or legal issues exist.)

❑ When Should a Business Case be Created?

❑ Who Should Create a Business Case?

❑ How to Create a Business Case.

❑ Where to Find More Information on Business Cases.

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When Should a Business Case Be Created?

Enterprise Performance Life Cycle Artifacts

	Artifacts
Initiation Phase	Business Needs Statement
Concept Phase	Business Case
	Project Charter
	Project Management Plan
	Risk Management Plan
	Risk Management Log
	Acquisitions Strategy
	Change Management Plan

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When Should a Business Case Be Created?

After the Business Needs Statement is approved:

Use information from the Business Needs Statement as a starting point to populate the Business Case document.

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Who Should Create a Business Case?

The DHHS EPLC states that the Project Manager is ultimately responsible for the development of the Business Case.

Varies from PMBOK which states that the customer or requesting organization is responsible for creating the Business Case (before the Project Manager is assigned). [3]

The DHHS EPLC further states that the Project Manager perform this effort with a team of invested stakeholders providing input from the following areas:

* Project Management (includes PM, CIO, and NIAMS Management as needed)
* Product Development (SITB and SMEs)
* Finance
* Analysts to perform competitive analysis (SMEs)
* Technical Proponent
* Other Critical Partners and Invested Stakeholders

[3] Project Management Institute: *A Guide to the Project Management Body of Knowledge* ; 4th Ed.; PMI Pub.; 2008; Page 75-76

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How to Create a Business Case

Problem
- What is the problem we are trying to solve? What is the business opportunity?

Solution
- How can we address the problem or take advantage of the business opportunity?

Approach
- What are the viable options available to implement the solution?
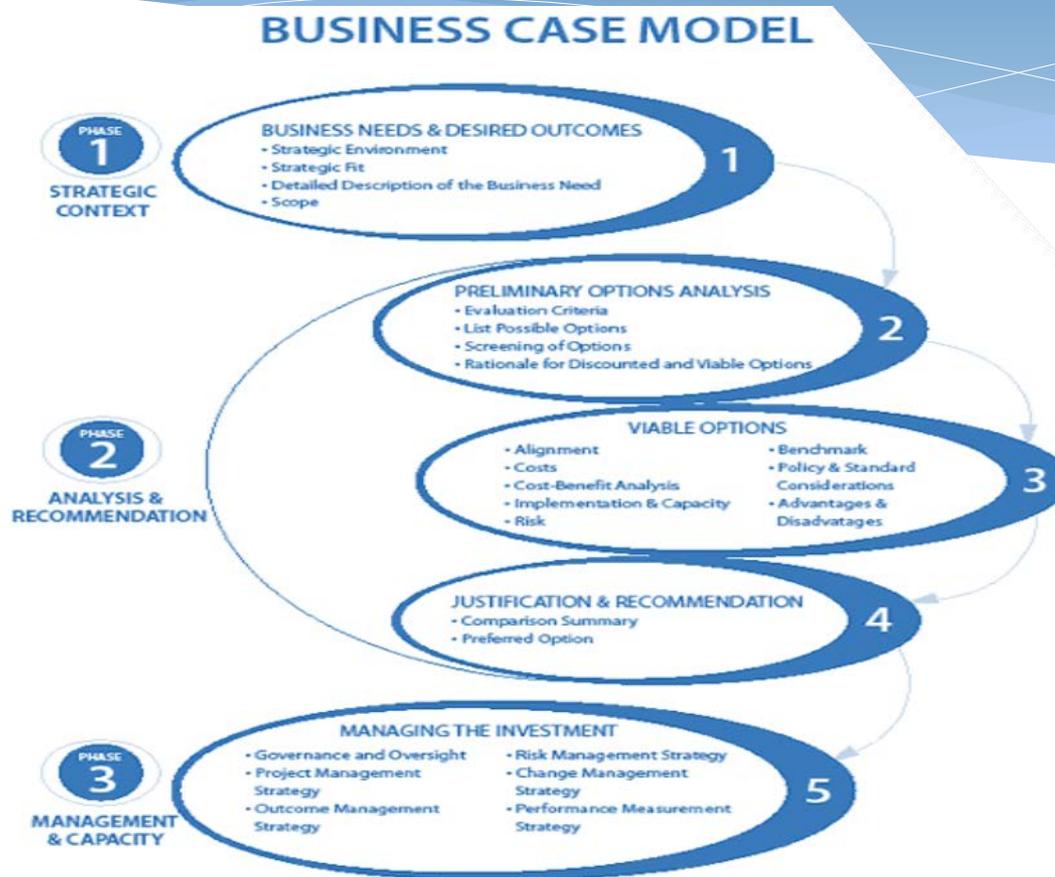
Risk Assessment
- What are the risks associated with each option? What is the risk of doing nothing?

Value Analysis
- What business value is generated from each option?

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How to Create a Business Case

BUSINESS CASE MODEL

PHASE 1 — STRATEGIC CONTEXT

1 — **BUSINESS NEEDS & DESIRED OUTCOMES**
- Strategic Environment
- Strategic Fit
- Detailed Description of the Business Need
- Scope

2 — **PRELIMINARY OPTIONS ANALYSIS**
- Evaluation Criteria
- List Possible Options
- Screening of Options
- Rationale for Discounted and Viable Options

PHASE 2 — ANALYSIS & RECOMMENDATION

3 — **VIABLE OPTIONS**
- Alignment
- Costs
- Cost-Benefit Analysis
- Implementation & Capacity
- Risk
- Benchmark
- Policy & Standard Considerations
- Advantages & Disadvatages

4 — **JUSTIFICATION & RECOMMENDATION**
- Comparison Summary
- Preferred Option

PHASE 3 — MANAGEMENT & CAPACITY

5 — **MANAGING THE INVESTMENT**
- Governance and Oversight
- Project Management Strategy
- Outcome Management Strategy
- Risk Management Strategy
- Change Management Strategy
- Performance Measurement Strategy

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How to Create a Business Case Goals

* Easily communicate the pros and cons of sponsoring or not sponsoring the proposed project to potential stakeholders.

* Provide information at a level of detail sufficient to familiarize the stakeholders with the background, issues, and opportunities that can be realized from the project so that a decision can be made:

  ▪ Level of detail is dependent upon what's appropriate for the size, complexity, and cost of the proposed project.

  ▪ The greater the size, complexity, and/or cost, the more detail is required.

  ▪ May take ~ 8 to 200 man-hours to complete.

  ▪ May be developed incrementally or iteratively.

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How to Create a Business Case Strategy Checklist

- ❑ Contact the OCIO CPIC office(r) for appropriate assistance as needed
- ❑ Contact the OCIO EA for appropriate assistance as needed
- ❑ Contact the NIAMS ISSO for appropriate security assistance as needed
- ❑ Assess the organization (understand it's goals, objectives and resources)
- ❑ Identify the agency's performance goals
- ❑ Define a strategy for Business Case development
- ❑ Identify and evaluate alternative solutions including prospective COTS/GOTS solutions
- ❑ Involve stakeholders in analyzing all prospective solutions

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How to Create a Business Case Strategy Checklist

- ❑ Consider enterprise architecture, business processes, and security concerns
- ❑ Consider risks and issues
- ❑ Recommend a preferred solution using established criteria
- ❑ Outline the proposed implementation approach
- ❑ Finalize the Business Case document
- ❑ Present the Business Case document to the appropriate stakeholders for review prior to final presentation to prospective sponsor, Business Owner, and eventually governance process
- ❑ Update the Business Case during the CPIC review process to reflect changes/updates

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How to Create a Business Case Basic Elements

1. **Executive Summary :**

- Provides a synopsis of the key points.
- Outlines what the project is about, what benefits it will provide, how it aligns with the goals and objectives of an organization.
- Includes a summary of estimated costs and time.

2. **Introduction –** Includes the Purpose of the Business Case. The intended audience is the project stakeholders such as the Business Owner and senior leadership.

3. **General Project Information** – Includes basic project information such as business owner and contact information, project name, and start date.

How to Create a Business Case Basic Elements

3.1 Project Description:

- **Business Need:**
  - Includes a detailed explanation of the business need/issue/problem that the requested project will address.
  - Includes any expected benefits from the investment of organizational resources into the project.

- **Goals/Scope:**
  - Includes a detailed description of the purpose, goals, and scope of the proposed project.
  - Details expected short-term, long-term, and operational goals and objectives.
  - Includes a detailed explanation of how the proposed project aligns with, or advances, organizational goals and objectives, and avoids duplication of any enterprise architecture components.

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How to Create a Business Case Basic Elements

- **Risk/Issues:**
  - Includes basic business and technical risks/issues of executing and/or not executing the project.
  - Examples of OMB risk areas include:
    - Schedule, Initial Costs, Life-cycle Costs, and Technical Obsolescence
    - Feasibility
    - Reliability of Systems, Dependencies/Interoperability, and Surety Considerations
    - Future Procurements
    - Project Management and Overall Project Failure,
    - Organizational/Change Management
    - Business and Data/Information
    - Technology and Strategic Issues
    - Security and Privacy
    - Project Resources

How to Create a Business Case Basic Elements

4. High Level Business Impact :

- Outlines at a high-level, what business functions/processes may be impacted; and how, by the project for it to be successfully implemented.

- Describes plans for addressing ongoing operations, future growth, and how this will be addressed and managed.

- Considers the requirements for additional hardware, software, building materials, and space and also where financial funding for these things will come from.

- Considers additional resource requirements, staffing, training, other expenditures, etc.

- Describes how investment performance will be measured.

- Identifies specific performance indicators that may be used to measure investment outcomes and its progress in addressing the particular business need.

How to Create a Business Case Basic Elements

5. Alternatives and Analysis:

- Identifies options and alternatives to the proposed project and the strategy used to identify and define them.
- Performs further analysis of these potential options to identify a preferred solution
- Includes a description of the approaches for the identification of alternatives and an outline/description of each alternative considered.
- Includes **at least three viable alternatives:**
  - One option may be to keep things "as-is" or to reuse existing people, equipment, or processes
  - Includes at least two additional options.
  - Identifies one as the preferred solution
- For each alternative, includes a detailed alternative analysis that contains:
  - Cost benefits analysis, Initial and ongoing costs, Payback period, and Return on Investment
  - Other financial considerations and Security considerations
  - Logistical footprint
  - Hardware, software, maintenance, and licensing costs
  - Personnel costs etc.

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How to Create a Business Case Basic Elements

6. Preferred Solution – Identifies Alternative selected and reasons why.

6.1 Financial Considerations:

- Identifies funding sources for all project component costs for the preferred solution.
- Includes consideration of items such as capital costs, operating costs, total cost of ownership, impact on other projects, funding requirements, etc.

6.2 Preliminary Acquisition Strategy Plan:

- Identifies acquisition sources for the preferred solution that includes all project supplies, services, and commercial items.
- The PM may not be directly involved in the procurement of supplies or services. Often the individual designated as the Procurement Officer acts as a liaison between the project team and the Procurement and Grants Office (PGO) to communicate project acquisition requirements.

How to Create a Business Case Basic Elements

6.3 Preliminary Work Breakdown Structure – Includes a Work Breakdown Structure (WBS) for the preferred solution. The WBS organizes and defines 100% of the scope of project work to be accomplished and displays it in a way that relates work elements to each other and to the project's goals.

6.4 Assumptions and Constraints – Includes a detailed explanation of any assumptions and/or constraints applied to the information documented within this business case.

Appendix A: Business Case Approval – Lists the invested stakeholders whose signatures are desired.

Appendix B: References – Includes the name, version number, description and link of any document referenced.

Appendix C: Key Terms – Provides definitions and explanations for terms and acronyms relevant to the content presented.

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✓ **How to Create a Business Case.** (Follow EPLC Practices Guide, Checklist, and Template document.)

❑ Where to Find More Information on Business Cases.

Where to Find More Information on Business Cases

* **HHS EPLC Business Case Practices:**
https://share.niams.nih.gov/od/SITB/DBAndAPPTeam/Shared%20Documents/HHS%20EPLC%20Business%20Case%20Practices%20Guide.pdf

* **HHS EPLC Business Case Checklist:**
https://share.niams.nih.gov/od/SITB/DBAndAPPTeam/Shared%20Documents/HHS%20EPLC%20%20Business%20Case%20Checklist.pdf

* **HHS EPLC Business Case Template:**
https://share.niams.nih.gov/od/SITB/DBAndAPPTeam/Shared%20Documents/HHS%20EPLC%20Business%20Case%20Template.doc

* **HHS OCIO CPIC:**
https://share.niams.nih.gov/od/SITB/DBAndAPPTeam/Shared%20Documents/HHS%20OCIO%20CPIC%2020050005001.doc

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Where to Find More Information on Business Cases

* **NIAMS CPIC Process:**
https://share.niams.nih.gov/od/SITB/DBAndAPPTeam/Shared%20Documents/NIAMS%20CPIC%20Process%20Dec%202006%20final.doc

* **Sample Business Case:**
https://share.niams.nih.gov/od/SITB/DBAndAPPTeam/Shared%20Documents/Sample%20NIAMS%20Business%20Case.docx

* **EPLC Peer Group SharePoint Site:**
https://sps.nihcio.nih.gov/sites/PMCoE/EPLC/PeerGroup/SitePages/Home.aspx

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✓ **Where to Find More Information on Business Cases.** (Go to the NIAMS DB&Apps SharePoint Site for the HHS EPLC Business Case documents.)

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Conclusion

- ❑ A Business Case is a documented, structured proposal for business improvement that is prepared by the Project Manager and the Stakeholders during the Concept Phase of EPLC to facilitate a selection decision for a proposed project by organizational decision makers.

- ❑ Is mandated for all Major Projects and should be used by the stakeholders to make a decision on a project's viability when:
  * More than one reasonable alternative exists
  * Technical risk is moderate to high
  * Economic justification is not obvious
  * Legal/regulatory issues or other factors are expected

- ❑ Use the template, sample, checklist, and guidance provided in the "Where to Find More Information …" slides.

Conclusion

For more information or any questions concerning Business Cases, please contact **Janet David** at: davidj@mail.nih.gov or 301-451-4022.

Thank you for your time!

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