

# Making the Business Case

**Maggie Weaver**

Shaftesbury Associates

# Statistics are not enough....

We will cover

- What is, and is in, a business case
- The role of supporters
- What sort of info you collect
- How to put together a convincing presentation

i.e. How to “make the case”

# Outline: The power of acronyms 😊

**WWW:** What, when, why

**CCC:** Champions, comparisons,  
competitors

**ABC:** Alternatives, benefits, costs

**ROI:** Financial analyses

**BME:** Beginning, middle, end

**XYZ:** The power of words

# WWW: What is a “business case”, anyway?

WWW

A management argument

supporting

CCC

an investment or procurement

ABC

judgment,

ROI

i.e. answering the question:

BME

**“What are the likely financial  
& other business consequences**

XYZ

**of the action or decision?”**

# WWW: When might I need to “make a case”?

WWW

- Attend a conference

CCC

- Purchase a new online service

ABC

- Join a consortium

- Upgrade the library software

ROI

- Retain a budget allocation

BME

- Defend a staff position

XYZ

- [ *Your reason goes here* ] . . . etc.

# WWW: What's in "a case"?

WWW

A business case typically details

- the ***benefits to management***

e.g. increased productivity, retention of staff, cost reduction.....

CCC

ABC

- ***statistics*** related to benefits and costs;

ROI

BME

- ***examples*** from organizations with successful similar programs.

XYZ

# Short-term value to you:

WWW

- Organize your thoughts

CCC

- Identify weaknesses, inconsistencies

ABC

- Ensure the project meets the needs of the organization

ROI

BME

- Support a consistent message to different audiences

XYZ

- Financial justification of effort / expense

# Long-term value: In one place . . .

WWW

- Why the effort is needed  
(issue, opportunity)

CCC

- How the effort will resolve the issue,  
or leverage the opportunity

ABC

- Recommended solution(s)

ROI

- The do-nothing scenario (risk)

BME

- Solution process & time-frame

XYZ

- How much money, people, time  
are needed to deliver the solution  
& realize the benefits

# CCC: Need for Champions

WWW

- Find a balance between effort and impact.

CCC

- There's a significant cost in increasing the quality / reducing the uncertainty (variance) of the cost & benefit measurements for each alternative scenario.

ABC

ROI

- Find someone “high up” to indicate hot buttons, priorities, expectations, admired organizations & experts, effort required, competition for \$\$

BME

XYZ

- Develop the case in an incremental and iterative process.
- Know when to stop.

# CCC: Tackle the Fear Factor

WWW

- Whom will the change will affect?

CCC

- What will be the specific effect for each?

ABC

- What will your proposal offer, to offset or mitigate those effects?

ROI

BME

- Find ALLIES, to tackle concerns early, and to suggest solutions

XYZ

# CCC: Management priorities DIALOG

## Time/Cost/Quality Tradeoffs Shape Alternatives

WWW

**Project Objectives**

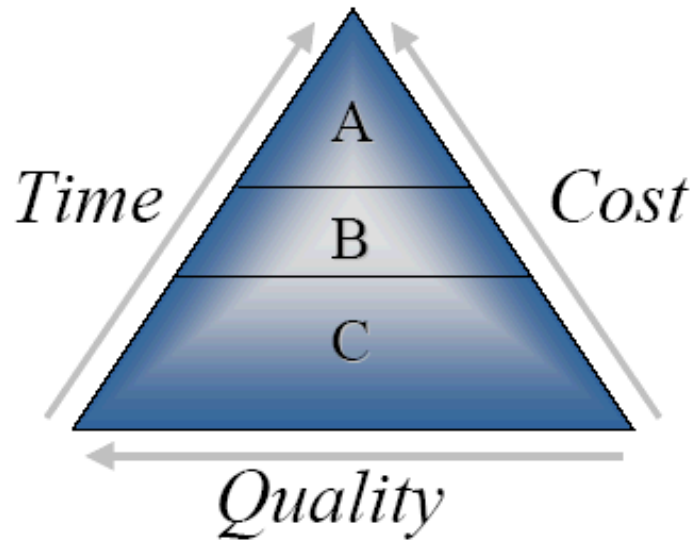
CCC

ABC

ROI

BME

XYZ



As this triangle shows, three factors work both together and against each other to create "zones" A, B, and C.

**Zone A** is the fastest, least expensive, lowest quality alternative.

**Zone B** of the triangle takes longer, costs a little more, but gets a higher quality result.

**Zone C** is the most costly, in time and money (soft and hard costs), but produces the highest quality result:

# CCC: Management priorities

WWW

CCC

ABC

ROI

BME

XYZ



# CCC: Management priorities IPSOS

## The Delight Response Curve



# CCC: Competitors

WWW

- Identify admired “competitors”

CCC

- Which ones have system / service like your proposal?

ABC

ROI

- Which ones have system / service like your status quo?

BME

XYZ

- Position yourself “in the top 1/3”

# CCC: Comparisons

WWW

- Benchmarks

CCC

- Examples

ABC

- Alternatives

ROI

- “Do nothing” case

BME

- Worst case

XYZ

# Your Influence Plan: 6 principles

WWW

- Reciprocity

- Give something first, or make a concession first

CCC

- Likeability

- Factors incl. familiarity, & association with positive

ABC

- Social proof

- Testimonials, industry research & benchmarks

ROI

- Authority

- Experts, & champions from senior management

BME

- Commitment & Consistency

- Agreement early on leads to commitment finally

XYZ

- Scarcity

- Time limits (urgency)

# ABC: What info do I need?

WWW

- Alternatives – enough to offer fair comparison, not so many to confuse

CCC

- Include worst case (speaks to “scarcity”), the do-nothing case, and best case (allows a concession)

ABC

- Benefits – to stakeholder

- Include tangible and intangible

ROI

- Costs – those most important to stakeholder

- Include direct, indirect & shared, one time & recurring

BME

- Which benefits and costs drive the organization’s financial model

XYZ

- focus on clarifying these critical cost or benefit drivers

# ABC: What info do I need?

WWW

- What parts of the case are unknown or uncertain?

CCC

- “decompose”

ABC

- Have those parts been quantified by others?

ROI

- Can you quantify your “observations”?

- How important are the numbers?

BME

- compared to uncertainty, break-even

XYZ

- What are the sources of error?

- How will I measure?

Douglas Hubbard

# ABC: Sourcing the info

WWW

CCC

ABC

ROI

BME

XYZ

- Champion
  - Key benefit & cost drivers
  - Indirect benefits
- Vendor
  - Best case scenario
  - Realistic alternative scenarios
  - Competitor results (anonymous)
- Operations
  - Status quo & worst case scenarios

# ABC: Collecting the info

WWW

CCC

ABC

ROI

BME

XYZ

- **Your “case” is not unique**
  - external research
- **You have more data than you think**
  - internal research
- **You need less data than you think**
  - eg small samples
- **There’s a useful measure that is simpler than you think**
  - measurement is iterative

**Management may be so “uncertain”  
that even the most basic numbers  
will reduce uncertainty**

**Douglas Hubbard**

# ABC: Samples

WWW

CCC

ABC

ROI

BME

XYZ

<b>“Mathless” 90% Confidence Interval</b> Douglas Hubbard		
<b>Sample size</b>	<b>N<sup>th</sup> smallest and largest</b>	<b>Actual confidence</b>
<b>5</b>	<b>1<sup>st</sup></b>	<b>93.8%</b>
<b>11</b>	<b>3<sup>rd</sup></b>	<b>93.5%</b>
<b>16</b>	<b>5<sup>th</sup></b>	<b>92.3%</b>
<b>23</b>	<b>8<sup>th</sup></b>	<b>90.7%</b>
<b>30</b>	<b>11<sup>th</sup></b>	<b>90.1%</b>

# ROI: Financial analyses

WWW

- Cost of ownership (COO)
  - Total cost of acquiring, installing, using, maintaining, changing & getting rid of something over a long time

(Need comparisons to show “benefits”)

CCC

ABC

- Return on Investment (ROI)
  - Incremental gain from an action as % of cost, over a specific period

ROI

BME

- Cost / Benefit (C/B)
  - Summary and weighing of positive & negative impacts, including intangible (non-quantifiable) costs and benefits

XYZ

# ROI: Rules of thumb

WWW

- **Breadth**

- The greater the number of people who will be helped by the application...

CCC

- **Repeatability**

- The more often an application is used...

ABC

- **Cost**

- The more costly the task...

ROI

- **Knowledge**

- The more you can reuse the information in the system...

BME

- **Collaboration**

- Communication between employees is costly, so the greater the collaboration component...

XYZ

...the greater the potential ROI

# ROI: Fuzzy areas

WWW

- **Lack of baseline**
  - Current info should be familiar

CCC

- **Short term, tangible costs vs long-term, intangible benefits**
  - Incl. unanticipated benefits

ABC

ROI

- **Divergent views on objectives & priorities**
  - Hidden agendas

BME

- **Financial measures vs broader outcomes**

XYZ

- **Complex links between cause & effect**

# ROI: Critical aspects

- WWW • Connect to a *financial* business need
- CCC • Use a *range* of return
- ABC • Include a measure of *accountability*
- ROI • Address *perception* as well as numbers
- BME
- XYZ • Meet *management expectations* for planning

# BME: How long?

WWW

CCC

ABC

ROI

**BME**

XYZ

- Have several versions
  - sound-bite
  - executive summary
  - 6-minute presentation
  - 30-minute read
- As succinct as possible
- Enough detail to tell the whole story
- Reference other documents for details
  - assumptions, financial calculations...

# BME: How long?

WWW

If you have 20 minutes to present:

CCC

- 1 minute introduction

ABC

- 1 minute overview

ROI

- 12 minutes content = 12 slides max

- 1 minute summary

**BME**

- 5 minutes for questions

XYZ

# BME: Outline – written or oral

WWW

- Brief overview

CCC

- Benefits – especially hot-buttons

ABC

- Costs – broadly, & bottom-line
- Financial return – clear, direct, vital

ROI

- Benchmarks

**BME**

- Schedule – milestones, not dates
- Team experience & capabilities

XYZ

- The “ask”

# **BME: Have a clear plan of action**

**www**

When they say “yes” right away:

**ccc**

- Description & experience of project team or vendor

**ABC**

- Total budget – hardware, software, people

**ROI**

**BME**

- Schedule showing major milestones

**XYZ**

- Plans for program evaluation

# **BME: 2 more buzzwords**

**WWW**

**CCC**

**ABC**

**ROI**

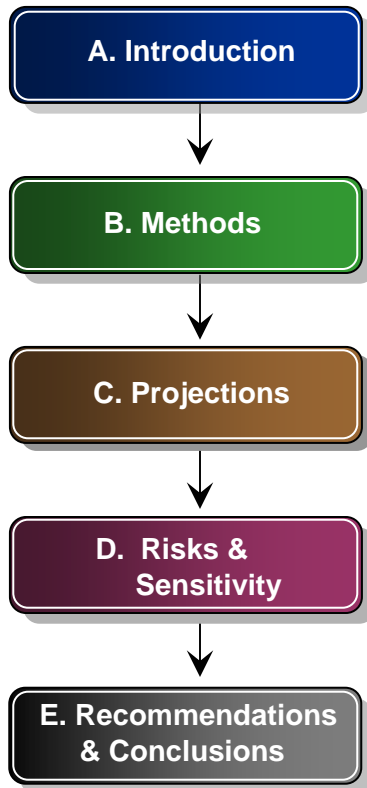
**BME**

**XYZ**

**Two more terms  
to use when discussing  
implementation:**

- **CSF – Critical Success Factors**
- **KPI – Key Performance Indicators**

# Presentation Overview



## A. Introduction

- Proposed action
- Business objectives and motivation
- Opportunities threats & constraints

## B. Business Case Method

- Scope and boundaries of the case
- Scenarios analyzed
- Major assumptions
- Cost model
- Rationale for benefits

## C. Cost and Benefit Projections, 2007-09

## D. Risk and Sensitivity Analysis

## E. Recommendations and Conclusions

# Case Subject: Proposed Action

- Purchase and implement DesignMax system, as proposed by Avanti Integrators, September 2005.
- Proposal includes:
  - 40 single-user licenses of the DesignMax module
  - Purchase of database module license
  - Training for design engineers
  - Purchase of installation and integration services
  - Additional hardware purchases during the second and third years of implementation.

# Cost Savings Example

## *DesignMax Impact on Change Costs*

	% of Total Changes Now	% Total Changes with DesignMax	Average \$ Per Change	Net Difference per Year
Concept Design Phase	41%	51%	\$ 200	(\$ 10,000)
Detailed Design Phase	30%	26%	\$1,200	\$ 54,000
Testing and Prototype Phase	19%	19%	\$ 9,600	0
After Start of Production	10%	4%	\$ 24,000	\$ 120,000

**Annual Savings: \$ 164,000**

# BME: Spell it out

<i><b>CHANGES during:</b></i>	<i><b>Current system</b></i>	<i><b>Proposed system</b></i>	<i><b>Cost per change</b></i>	<i><b>Savings per year</b></i>
<b>Concept design</b>	<b>41%</b>	<b>51%</b>	<b>\$200</b>	<b>(\$10,000)</b>
<b>Detailed design</b>	<b>30%</b>	<b>26%</b>	<b>\$1,200</b>	<b>\$54,000</b>
<b>Testing &amp; prototype</b>	<b>19%</b>	<b>19%</b>	<b>\$9,600</b>	<b>\$0</b>
<b>In production</b>	<b>10%</b>	<b>4%</b>	<b>\$24,000</b>	<b>\$120,000</b>
			<b>Annual savings:</b>	<b>\$164,000</b>

# Recommendations & Conclusions

*Based on the business case analysis  
presented here:*

We recommend that the Aerofirma Capital  
Review Committee vote to fund the  
DesignMax Proposal from Avanti  
Integrators

# BME: Test your presentation

WWW

- List the issues & goals you're trying to address

CCC

- Beside it, list the described elements of the solution

ABC

ROI

- Draw lines between issues/goals and solution elements

BME

- Are there any issues left unaddressed?

XYZ

- Are there solution elements that don't impact issues or goals?

# BME: Test your presentation

WWW

- Slow processing – Modular

CCC

- Staff-dependent – Open source

ABC

ROI

- Steep learning curve – Self-serve

**BME**

- Hard-copy manual – Intuitive interface

XYZ

- Inflexible – Many help screens

**Effective business cases clearly communicate  
the interrelationship  
between issues and proposed changes**

# XYZ: Plan your closing first

WWW

CCC

ABC

ROI

BME

XYZ

- Fixes your own goal in your mind
- Has most impact on the audience
- Leads to shorter presentations
- Avoids anticlimactic ending

# XYZ: Audience viewpoint

WWW

- Focus on the number one and two priorities – theirs, not yours

CCC

ABC

- Know and use the numbers

ROI

- Use “change” when talking to management, “direction” when talking to the Board

BME

XYZ

- Differentiate short-term (tactical) and long-term (strategic) benefits

# XYZ: The End

WWW

- Provide a picture or vision of the end state

CCC

- Identify value to organization, customer & bottom line

ABC

- Make it interesting

ROI

- Keep it clear and concise

BME

- Minimize library jargon & conjecture

XYZ

- Demonstrate you've done your homework

# The Grail

## Demonstrate value

- to the organization,
- to the customer, &
- to the bottom line

## Making the Business Case: References

- Customer Delight Principle  
IPSOS Loyalty  
<http://www.ipsosloyalty.com/us/customerdelight.cfm>
- Time/cost/quality trade-offs in the budget process  
Net Worth Consulting, Inc.  
Quantum2 White Paper 10.25.04  
[http://quantum.dialog.com/q2\\_resources/whitepapers/budget\\_process.pdf](http://quantum.dialog.com/q2_resources/whitepapers/budget_process.pdf)
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