Online PM Courses

Guide to the Project Business Case

Why and How to Create a Robust Project Business Case

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Guide to the Project Business Case

Mike Clayton

A Project Business Case sets out why you should start your project. It gives an

> **'analysis of the benefits and costs of making a change to the way things are done'.**
> *Decode the Jargon of Project Management*

Your Project Business Case is therefore a tool for senior people to make an informed decision. It is a vital part of your project governance.

Mike

Dr Mike Clayton
Founder: OnlinePMCourses

About The Author

Dr Mike Clayton

Online**PM**Courses is the creation of Dr Mike Clayton - one of the most successful and in-demand project management trainers in the UK. He is a prolific blogger, contributor to ProjectManager.com and Project (the journal of the Association for Project Management - APM), and author of 13 best-selling books, including five about project management. Mike was a successful project leader, as a consulting Senior Manager with the London office of Deloitte.

Mike Says**...**

When I was starting my career, I wanted to get an opportunity to manage my first project. But my boss told me I couldn't do that until I had some training. But being a small company, there was no training on offer. I found myself in a Catch 22 situation.

At the time, I would have paid good money for a proper introduction to project management.

And, as I progressed, I needed more knowledge in specialist areas, like risk management and stakeholder engagement. But all there was were heavy textbooks or lightweight magazine articles. What I wanted was more of the practical lessons from the trainers I'd had.

So that, in a nutshell, is why I built Online**PM**Courses.

I hope it helps you build the project management career you want.

Why not take the first step now?

Great Big Guide to the Project Business Case

Dr Mike Clayton

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> **'analysis of the benefits and costs of making a change to the way things are done'.**
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Why do You Need a Project Business Case?

A project business case is a part of the overall set of project definition documents; sometimes know as:

- PMP: The Project Master Plan
- ToR: The Project Terms of Reference
- PID: The Project Initiation Document

This document (for a small project), or suite of documents (for a large project) needs to answer three questions:

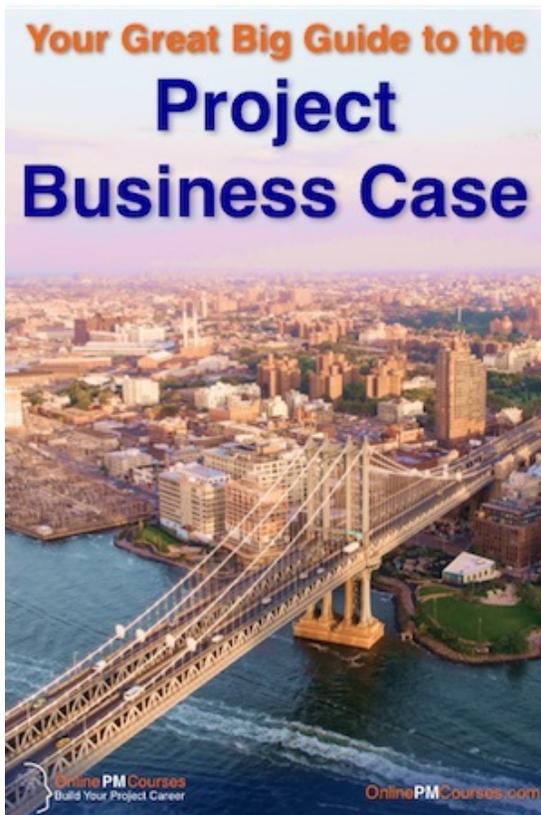1. **What will the Project achieve?**
   This is answered by the specifications and standards
2. **How will we achieve the Project**
   Which the plans and controls will address.
3. **Why should we undertake the Project?**
   This is the role of the Business Case and Investment Appraisal.

Project Business Case

So you need a Project Business Case to set out the purpose of and justification for the project. It acts as the basis for the Go/No-go decision to invest or not in your project.

Quite simply: it puts the case.

You therefore need to compile your business case rigorously. So first gather information and data, and compile the costs, benefits, and risks. And then you must use an acceptable methodology for conducting the analysis. And finally, present your conclusions clearly and objectively.

Additional Reasons for Creating a Project Business Case

Making a decision, and then justifying it, are clearly the primary purposes of your Project Business Case. But there are many other reasons why your organization should consider them to be a necessary part of Project Management and Governance.

1. Your Business Case is a **communication tool**.
   It will help you to win the commitment of your project stakeholders
2. **Good governance** requires transparency, accountability, due diligence, and

auditability. These can each be internal and external to your organization.

All big words and vital practices. But your business case will support you in meeting each of these needs.

3. Your Business Case will set out a clear **definition of success**.

   It therefore gives you one valuable foundation for all future evaluation of your project.

4. Perhaps most of all, never underestimate the value of structuring and documenting your **thought processes**.

   It will help with the rigor and objectivity of your own project evaluation.

The Role of a Project Business Case in Project Governance

Principally, your business case must answer the questions the decision-makers will (and should) ask. These include:

- How does this project align with our organization's mission, vision, and strategy?
- What are the benefits, and how confident can we be that the project will achieve them?
- What are the costs? And how confident are we that the business case includes every cost?
- What are the risks to our organization if we do this project? And if we don't?
- How much can we manage, reduce, or avoid the risks?
- Does the business case consider a suitable range of viable options? And does it consider the 'do nothing' or 'do minimum' option?
- How will the organization fund and resource the project?
- What roles will the project require decision-makers and other senior executives to take? And are they committed to those roles?
- Does this project represent a better use of limited funds and resources than competing projects?

The secondary governance role of your Project Business Case is to evaluate project success. This will happen at the end of the project, and during it. External assessors, like a Gateway Review team, or Project Auditors, will use your Business Case to consider whether you are delivering the benefits you projected. And also, how well you are keeping to your budget, so the net benefit meets your plans.

Roles and Responsibilities for the Project Business Case

When was there ever a 'typical project'? But on a typical project:

The *Project Manager* is responsible for compiling the Project Business Case

A *Project Board* has responsibility for approving (or rejecting) the Project Business Case

Your *Project Sponsor* is accountable for delivery of the benefits that the business case projects, and controlling the costs within the budget in the business case.

The *Project Manager* is responsible for maintaining the Project Business Case as a live, controlled document. You will do this in consultation with yor Project Sponsor. This means that, if there are any significant changes, the team will need to update the business case. And if those changes are substantial, it would need to go back to the decision-making group.

Do you have a Gateway Review (or Stage Gate) process? If so, then the *Gateway Review Team* will use the Project Business Case as part of the basis for their assessment.

What your Project Business Case Should Contain

The questions we saw in the section above need to dictate the contents of your Project Business Case. So too should its target audience. As well as your decision-makers, this includes:

- **Decision-influencers**
  The stakeholders who can influence or persuade your decision-makers.
- **Project Team**
  The people who will implement the project plans and deliver the benefits.

So, here is the content list from our Project Business Case Template.

Executive Summary

Your Executive Summary must cover the key issues and conclusions from your Project Business Case. This is valuable to decision-makers, because they will want a quick overview, to help them understand what they will be reading.

Sections are likely to include:

- Why undertake the project: the issue to resolve or the opportunity available
- The outcomes offered by the project
- Recommendations of this business case
- Headline reasons to justify the recommendations

Rationale

At the heart of your business case is the answer to the question: *'why do this project?'* So the information you need will include:

- Strategic context of the project
  ...and maybe the organization
- Drivers for change
- Goals and objectives for the project
- External comparisons
  Other projects and organizations - maybe including formal benchmarking data.
- Options you consider within the Business Case
  ...and maybe any options you have rejected, and why
- Proposed Solution

Analysis

Here is your Evaluation of the Pros and Cons of each option. This section gets to the nub of the case for your project. It sets out the value for money that each option represents. You will document:

- Financial and non-financial benefits of the options
- How to realise and measure the benefits
  Benefits realization is a vital part of modern project management. We no longer simply dump deliverables on the organization in the hope that they will generate the revenue, service, or savings benefits we set out in our original Project Business Case.
- Financial and non-financial costs
- Affordability and achievability
  It is not enough to say that a project has a net financial benefit. We also need to answer the question of where the funding will come from.
- Risks and issues, dependencies and constraints
- Impact analysis
  We need to explore what impact the project will have on our organization, its day-to-day activities, and any other projects it has committed to.

- Investment Appraisal
  This is the formal financial evaluation of your project. Most organizations have a methodology that they approve (or even mandate) for assessing the net financial cost or benefit. For larger projects, which will take more than a year, many organizations require you to use a discounted cash flow methodology. They set either Net Present Value (NPV) or Internal Rate of Return (IRR) levels that your project must achieve. We explain these terms fully in our Project Manager's Immersion Program; our premium core coure.

Business Case Approval Process

This section is where you set out the governance process around the approval and maintenance of your Project Business Case. So, you will need:

- How and by whom the business case is to be approved
- Document control information
  The Project Business Case will be a 'Controlled Document' and subject to strict version control
- Approval status
  This is the status (draft, under review, approved, rejected, etc) of the current document

Appendices

Other things that you may want to include:

- Procurement options and selection
- Governance and expenditure authorization processes
- Relevant policy and strategy papers
- Cross reference project definition and planning documents
- Change control (for the project and for the business case)
- Business case author and development team
- The project team

How to Create and Use Your Project Business Case

A simple process for building and using a robust Project Business Case consists of six steps.

Step 1: Stakeholder Engagement

The purpose of this step is to develop a prioritized list of project requirements:

1. Understand the organizational context
2. Identify your stakeholders
3. Gather requirements from your stakeholders
4. Make estimates of the costs and benefits of the different requirements
5. Work with stakeholders to prioritise your requirements
   Take a look at our article 'How to Define Your Project Scope'

Step 2: Document Your Project

Now you will take what you have learned and use the Project Business case structure to document it:

1. Create a definition in terms of Goal and Objectives
2. Set out the range of requirements (your potential project Scope)
3. Document the scope priorities, and the dissenting views
4. Create a short list of project options
   Include a 'Do Nothing' or 'Do Minimum' option

Step 3: Carry out Your Investment Appraisal

Use the options to create a formal evaluation of each one, so your decision-makers will be able to compare them on a like-for-like basis.

1. Allocate costs and benefits against each option
2. Apply your Investment Appraisal methodology
   This is a method of calculating a net cost or benefit for each option. Most organizations have a preferred or required approach. You may need to call on the support of an accountant or other suitably skilled colleague.
3. Subject your investment appraisal to rigorous checking
   ...or even an audit by a 'red team'
4. Document the principle non-financial costs and benefits
5. Document the principal risks
   ... and evaluate the scale of each in terms of likelihood and impact

Step 4: Draft Your Business Case Document

You have done the hard work, now pull together your Project Business Case document. Our Project Management Template Kit contains a useful template.

Step 5: Seek a Go/No-go Decision

If you do not have a procedure for placing a Project Business Case before decision-makers in your organization, you'll need to create one. When you get a decision, be sure to document it. I favor a process that not only has decision-makers signing-off your business case, but also has them, and other senior executives who need to contribute to your project, signing a printed copy of the business case that they approved. This is a great way to focus minds on accountability and the role each has in delivering the project benefits.

Step 6: Ongoing Maintenance of Your Project Business Case

Once the decision-makers have approved your Project Business Case, it will become a live document. Therefore, you need to:

1. Monitor your project against it
2. Report expenditure and benefits realization against it
3. And finally... Keep it updated, and under strict version control

Do you have experience of creating and using a Project Business Case

If you do, we'd love to see your experience or thoughts about this article. Put them in the comments below.

Are You Ready for the Project Management Career You Deserve?

Our courses provide you the training you need, to kick-start your project management career.

And if you are a manager who doesn't want a project management career, but does need to deliver your next project with confidence, then our courses will give you everything you need.

Check out our courses now.