



Addressing the Business Case

Bowker Comm 390

A Business Case

- ▶ “A business case captures the reasoning for initiating a project or task.” (Wikipedia)
- ▶ Considers a broad range of options to address that problem
- ▶ Builds the case in favour of one best option
- ▶ Provides an argument that justifies the expense, the risk and the resources necessary
- ▶ As well as any potential benefits for, or risk to, reputation



Purpose

- ▶ Aids in effective decision making and prioritization of options
- ▶ Provides an opportunity to consider a broad range of solutions rather than just the obvious ones
 - ▶ Provides an alternative to business as usual
- ▶ Determines if a project is worth the cost and the risk
- ▶ Usually has an emphasis on budget, but also considers other factors
- ▶ Generally precedes a feasibility study



Needs Assessment

▶ The Issue

- ▶ What is it?
- ▶ Why does it exist?
- ▶ Who is affected?
- ▶ What is the extent of the problem?
- ▶ What is the damage (liability) if the problem is not fixed?

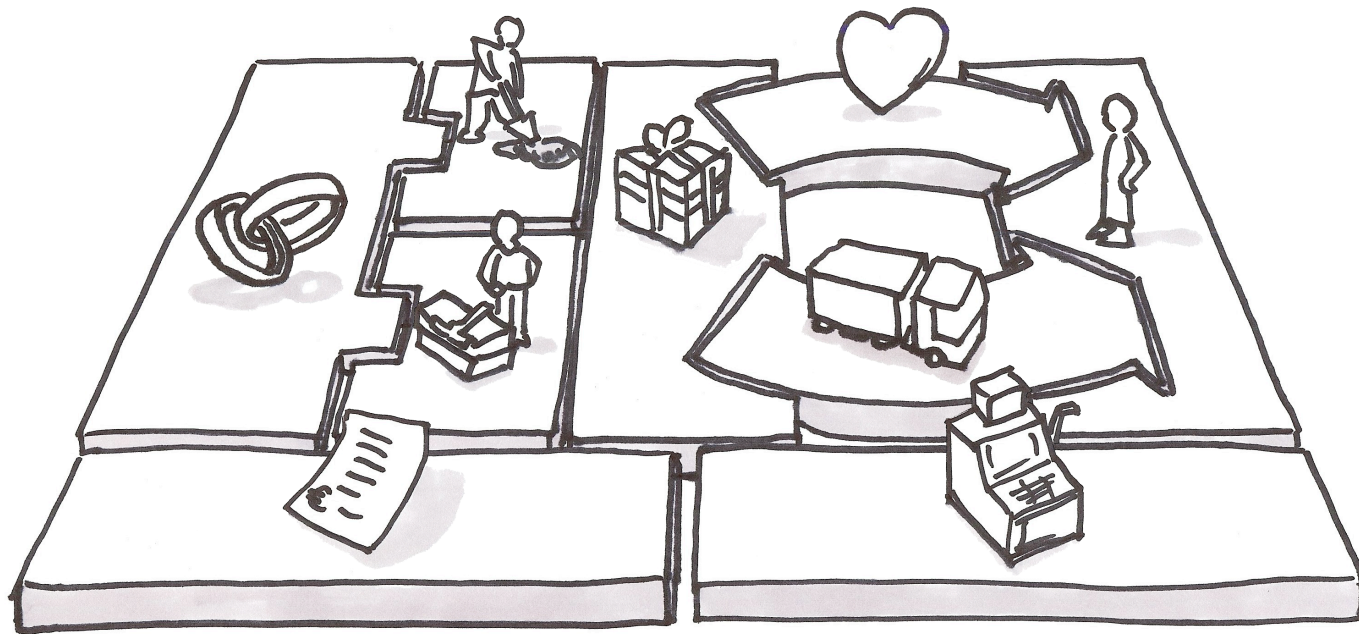
▶ Benefits from Correcting the Issue?

- ▶ Financial: Added Returns, Cost Savings
- ▶ Reputational
- ▶ Brand



Business Model

- ▶ Identify the business model and current strategy
 - ▶ You are not making strategic changes, you are working within the existing strategy



The Comm 390 Task

- ▶ You have chosen a company and identified an issue it is facing.
- ▶ The important task is to develop a best solution to address that issue.
- ▶ The solution will cost money and you must demonstrate that the expense is worthwhile.
- ▶ To do so you are writing a *Business Case*.



Project Goals

- ▶ Be sure that you stay focused on the right goal & stay focused throughout
- ▶ Rather than “get more customers” or “make money”
 - ▶ Increase sales through:
 - ▶ New customers
 - ▶ Repeat customers
 - ▶ Increase purchase per visit
 - ▶ Reduce costs through:
 - ▶ Decreased shrinkage
 - ▶ Improved productivity times
 - ▶ Improve sustainability through:
 - ▶ Diverse hiring
 - ▶ Inner city procurement program
 - ▶ Improved accessibility for persons with disabilities



Project Assumptions

- ▶ You will make estimates about sales, vacancies, efficiencies and other business factors
- ▶ Make an educated guess with justification
- ▶ You may compare it to other similar companies for which you can find information

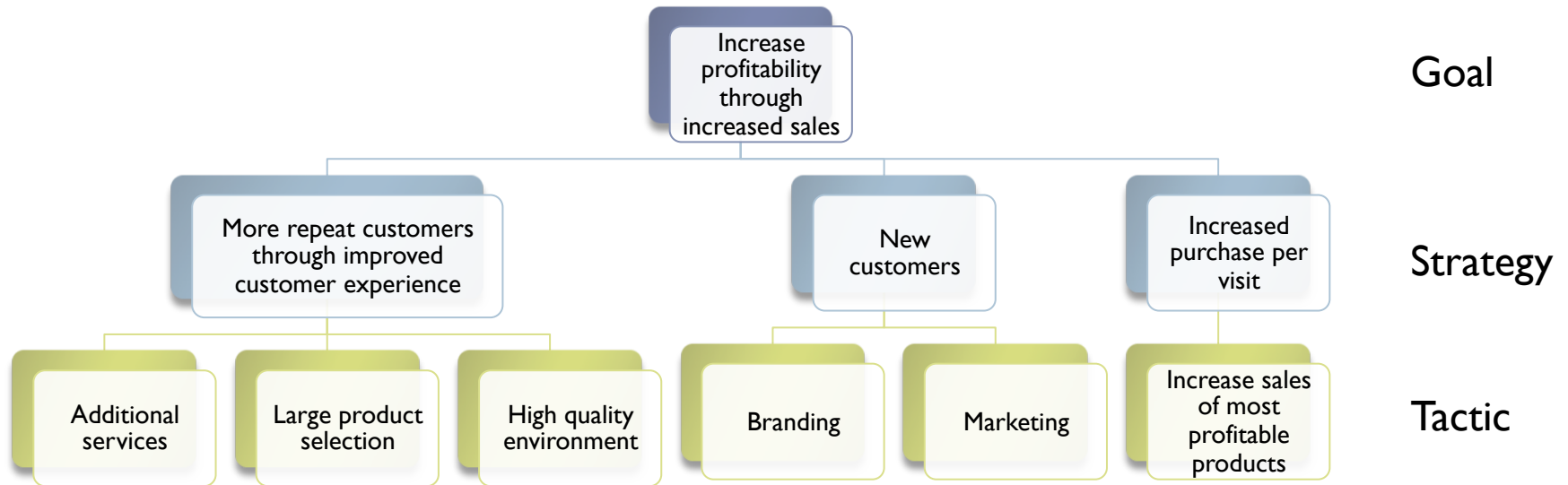


Project Constraints

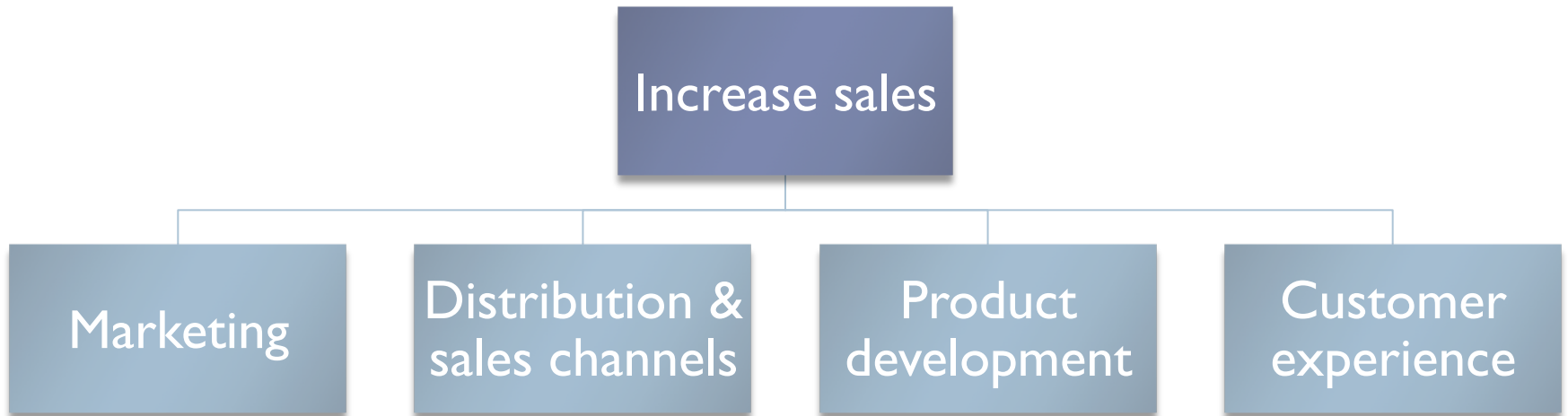
- ▶ What will limit the success of the business project?
- ▶ E.g. lack of money, size of the business, strength of competitors



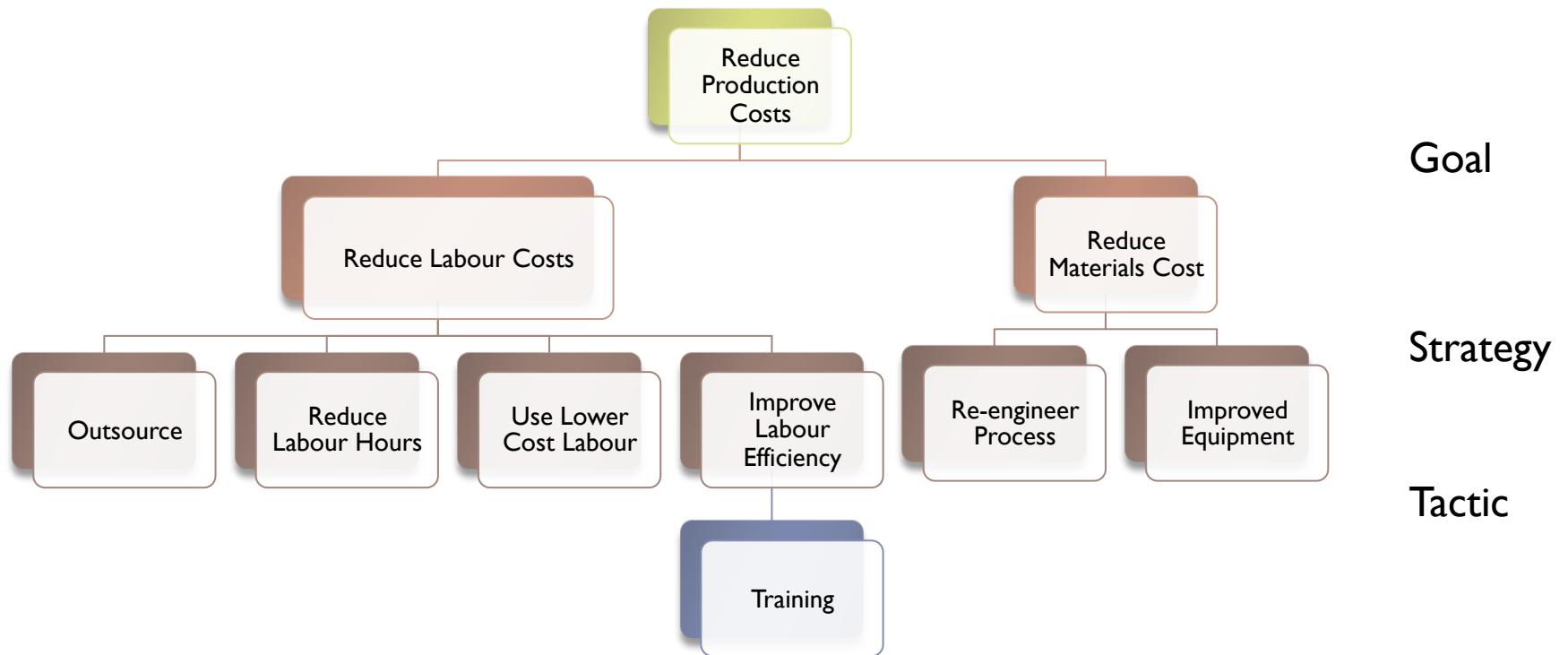
Business Case Decision Tree



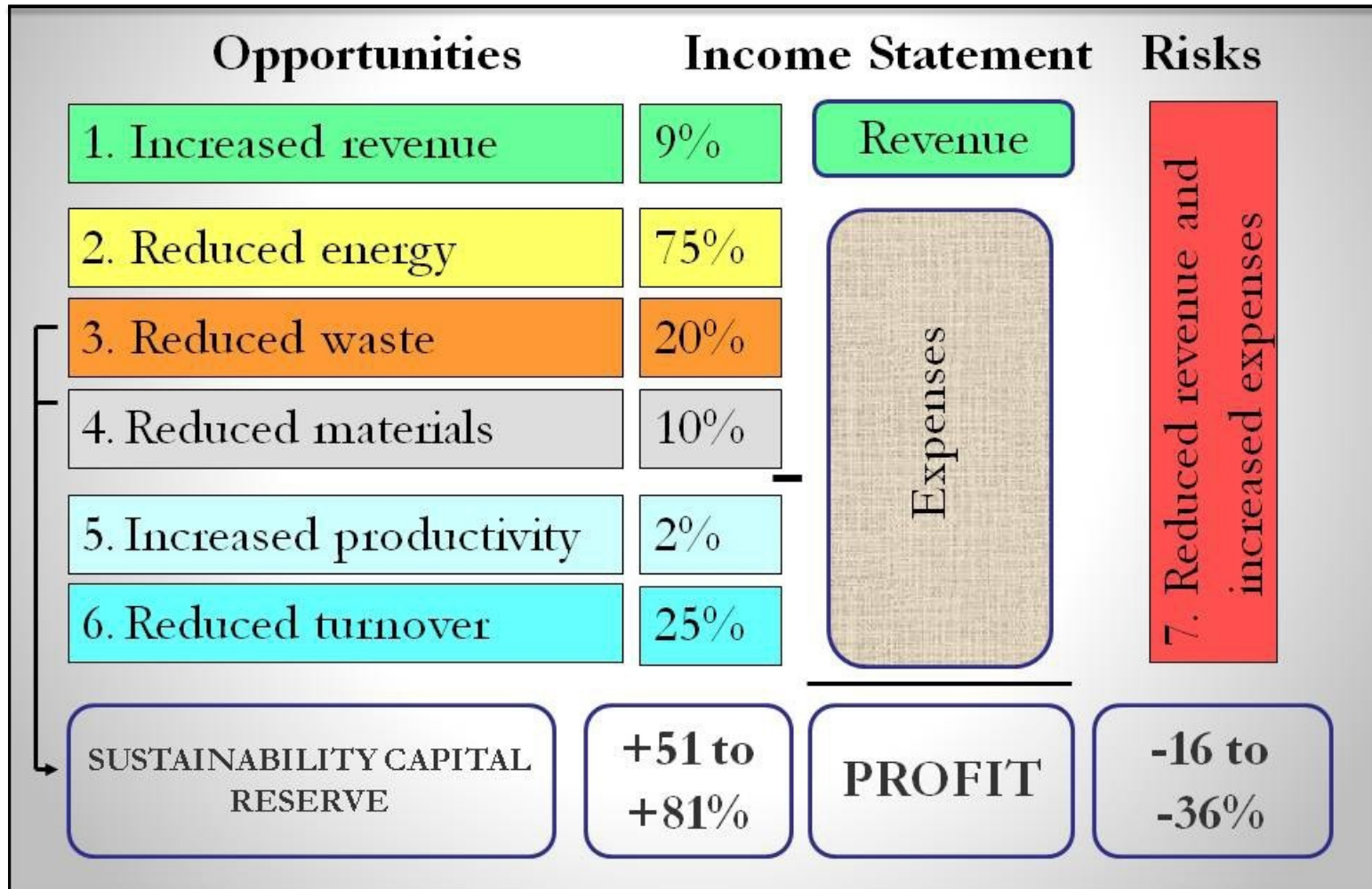
Increase Sales Example



Business Case Decision Tree



Sustainability Business Case



Development of Options

- ▶ Think as broadly as possible
- ▶ Evaluate each option using the same measures
- ▶ Always include the status quo or do nothing



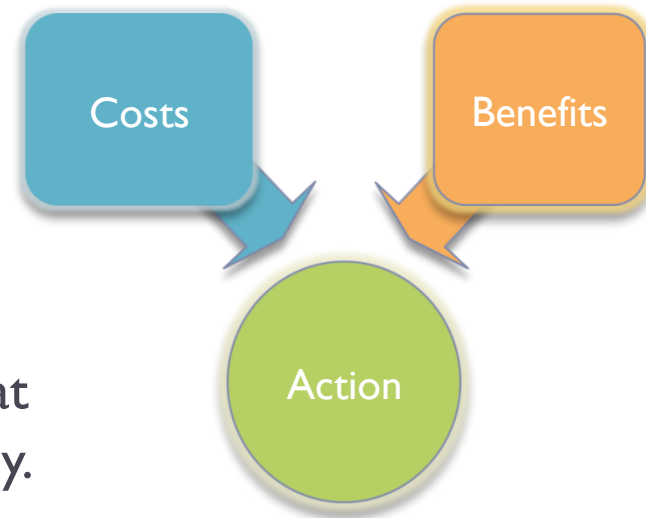
Comparables

- ▶ You will look to competitors and similarities in other industries to determine what might work and how you might apply it to the business you choose.



Cost Benefit Analysis

- ▶ A Business Case must provide a thorough analysis of the costs and benefits for each option.
- ▶ Requires guessing how much something will cost before it is purchased or implemented.
 - ▶ assumptions must be based on something that is comparable, and must be stated very clearly.
- ▶ Analyzing costs and benefits also requires attributing benefits to things that are difficult or impossible to measure, such as customer satisfaction or culture.



Consideration of Risk

- ▶ What risks are likely given this option?
- ▶ You will be less detailed in this document than you would in a full Risk Assessment
- ▶ Justify or explain your assessment of the risk



Choosing Alternatives

- ▶ A table is one way to compare alternatives
- ▶ It requires some detail
- ▶ The assignment sheets says *at least 4 plus do nothing* (which is 5), the email said *about 7*

	Cost in \$*	Non-monetary Cost	Benefits in \$ (or ROI)	Other Benefits	Risk	Other	Other
Option 1							
Option 2							
Option 3							
Option 4							
Option 5							
Option 6							
Option 7							

* nearest \$10K or \$100K with justification (e.g. comparable or high level budget)

Alternatives Analysis

- ▶ You need more information than ✓s and ✗s
- ▶ For each option include detail in the table and/or below in the text
- ▶ For rejected options provide a rationale
- ▶ For better options include more thorough information
- ▶ You may recommend a combination of options
- ▶ For your recommended option provide:
 - ▶ Thorough justification for why it is recommended
 - ▶ Performance Measures (a.k.a. KPIs)
 - ▶ Methodology
 - ▶ Brief Implementation Plan



Financial Analysis

- ▶ Identify how the budget was derived
 - ▶ E.g. Comparables, previous experience
- ▶ Funding sources
- ▶ Operating and use projections
- ▶ Payback period
- ▶ Revenue opportunities
- ▶ Sensitivity Analysis
 - ▶ How likely are costs to change?



Cost

- ▶ Low = less than \$10,000
- ▶ Medium = \$10,000 to \$50,000
- ▶ High – greater than \$50,000
- ▶ May require a justification. E.g. this is a low cost option because we can lease instead of purchase, and it enables us to control operating costs by...



Performance Indicators

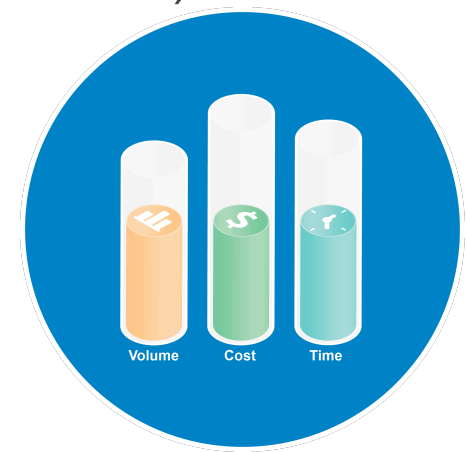
How will we know when we are successful? Examples:

- ▶ Customer satisfaction measures
- ▶ Employee satisfaction measures
- ▶ Efficiency measures
 - ▶ Waste reduction
 - ▶ Employee productivity
 - ▶ Inventory turnover
- ▶ Profitability measures
 - ▶ Market share
 - ▶ Profit margin



Methodology

- ▶ “Identify what specifically the company will do to determine and then implement the most appropriate option.”
- ▶ How will we ensure that the alternative we pick is the going to be successful or that we meet our performance measures? Examples:
 - ▶ Survey (e.g. customer satisfaction, brand awareness)
 - ▶ Feasibility study
 - ▶ Pilot project
 - ▶ Focus group
 - ▶ Efficiency modeling
 - ▶ Scenario planning



Volume, Cost, Time



Definition

- ▶ A methodology is usually a guideline system for solving a problem, with specific components such as phases, tasks, methods, techniques and tools. (Wikipedia)
- ▶ It shows your reader how you addressed the problem and provides them with an understanding of how you arrived at your conclusion.
- ▶ It also gives them confidence in your findings.



Comparison

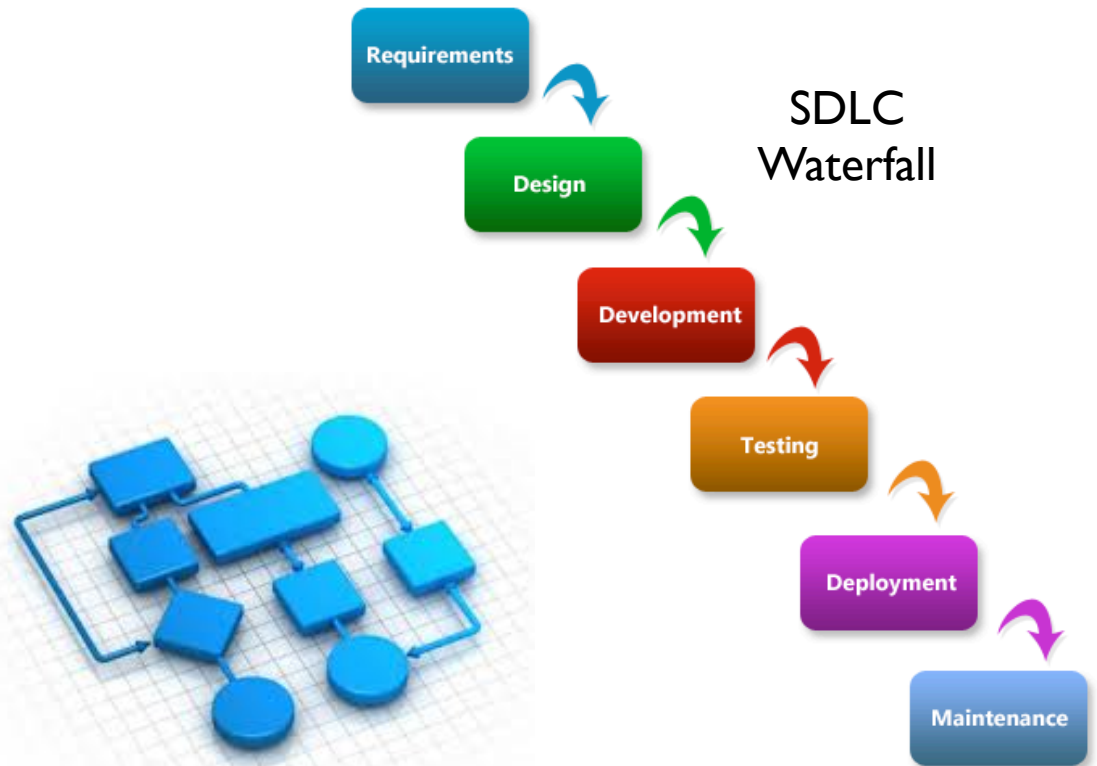


Continuous Improvement



Sample Methodologies

- ▶ Summary of research – primary & secondary
- ▶ Survey
- ▶ Interview
- ▶ Consultation
- ▶ Benchmarking
- ▶ Options evaluation
- ▶ Scenario Planning
- ▶ Mapping
- ▶ Modeling
- ▶ Simulations
- ▶ Case Studies
- ▶ Ratios



Flow Chart

Finally....



Recommended Best Option

- ▶ Provide a thorough justification why this option and not the others
- ▶ Include implementation process and timeline



End

It is important to have a closing slide. It might say, “End” or “Questions.”

