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?

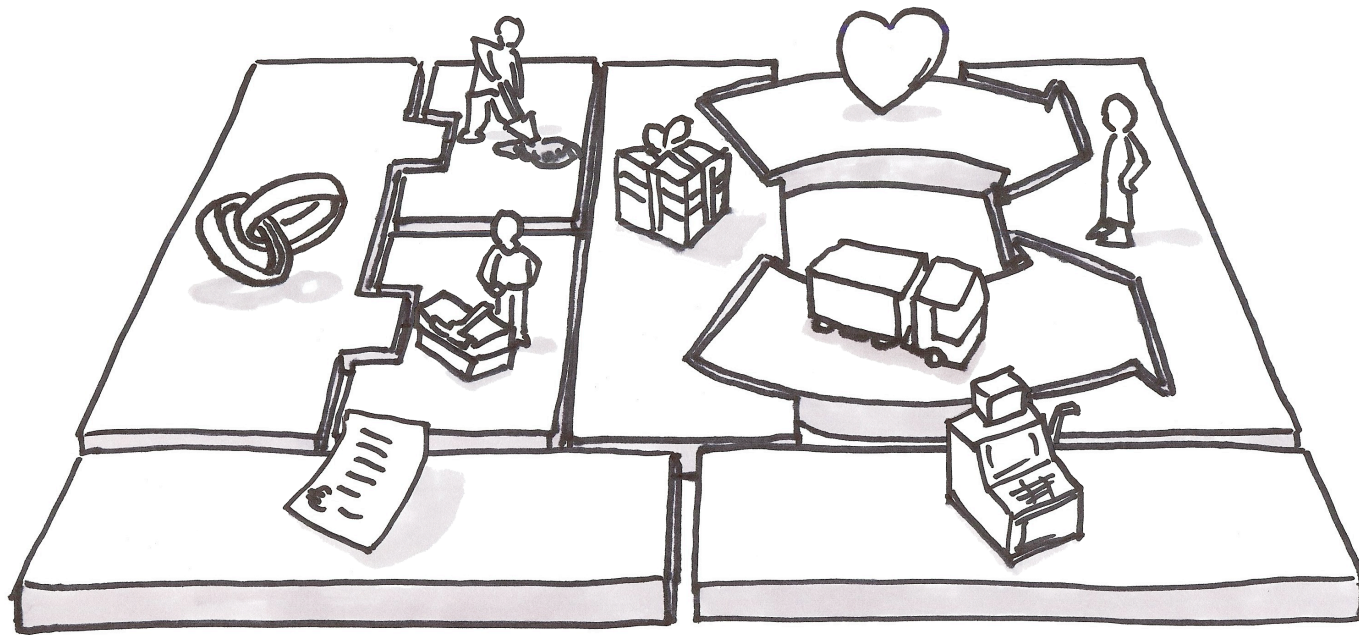 ▸ What is the damage (liability) if the problem is not fixed?

▸ 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

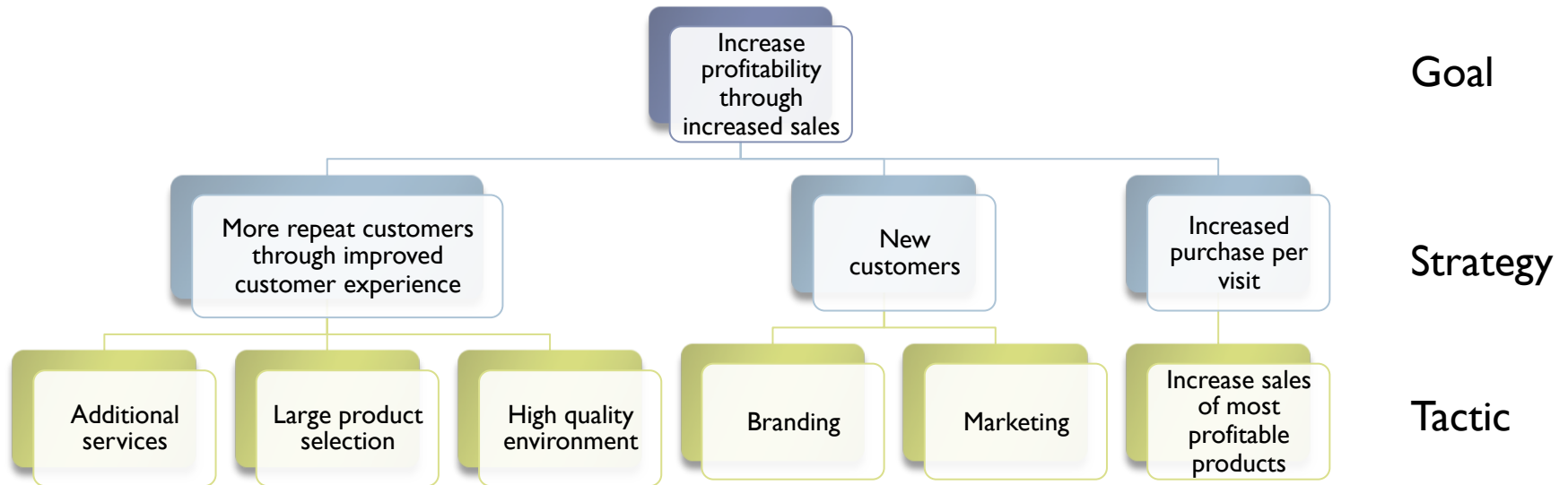- You may compare it to other similar companies for which you can find information
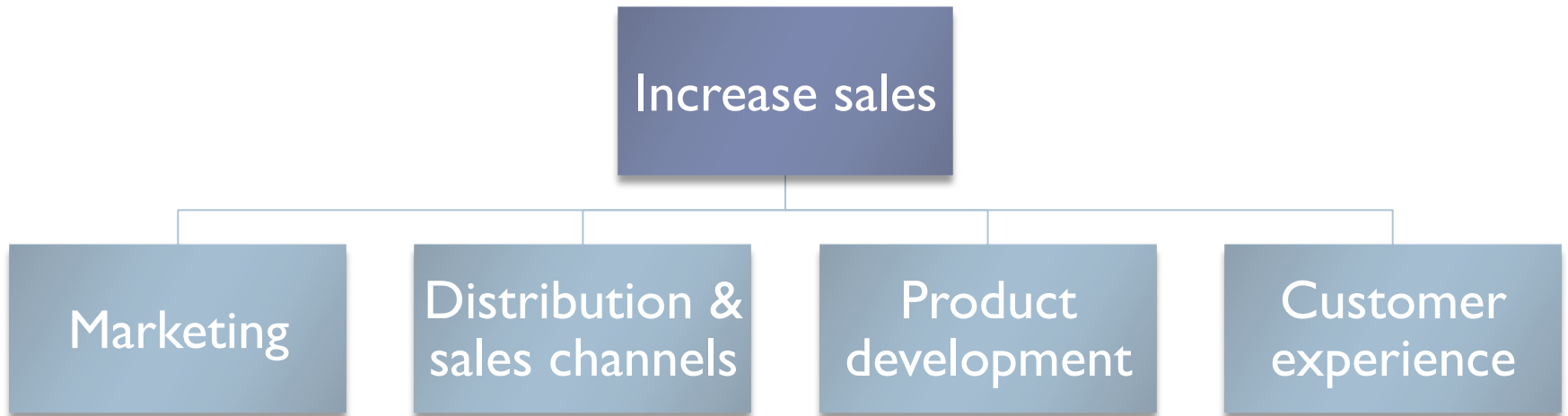

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Project Constraints

‣ 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 profitability through increased sales

Goal

More repeat customers through improved customer experience

New customers

Increased purchase per visit

Strategy

Additional services

Large product selection

High quality environment

Branding

Marketing

Increase sales of most profitable products

Tactic

Increase Sales Example

```
                    ┌──────────────────┐
                    │  Increase sales  │
                    └──────────────────┘
         ┌─────────────┬──────────┴──────────┬─────────────┐
┌───────────────┐ ┌───────────────┐ ┌───────────────┐ ┌───────────────┐
│   Marketing   │ │ Distribution &│ │    Product    │ │   Customer    │
│               │ │ sales channels│ │  development  │ │  experience   │
└───────────────┘ └───────────────┘ └───────────────┘ └───────────────┘
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Business Case Decision Tree

Reduce Production Costs

Reduce Labour Costs

Reduce Materials Cost

Outsource

Reduce Labour Hours

Use Lower Cost Labour

Improve Labour Efficiency

Re-engineer Process

Improved Equipment

Training

Goal

Strategy

Tactic

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.

Criteria

What criteria will you use to evaluate your options.
Examples:

▸ Is this alternative operationally and financially feasible?

▸ Is the risk associated relatively low?

▸ Is the cost justifiable? (ROI)

▸ Is the impact of the alternative large enough?

▸ Is the alternative aligned with the brand?

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.
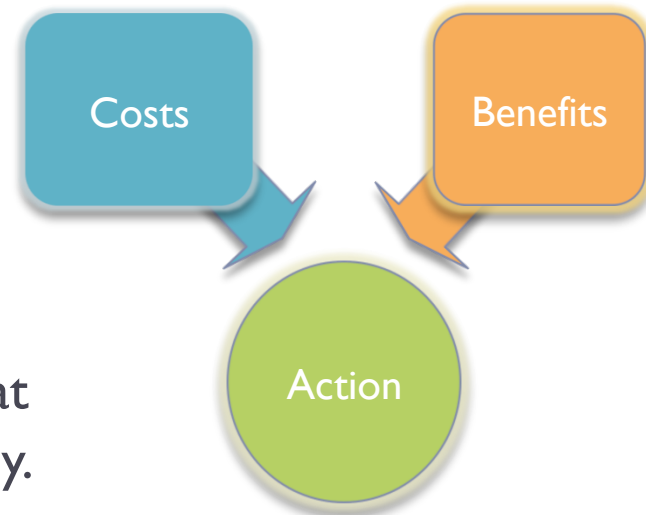
Consideration of Risk

▸ 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)

Cost Benefit Analysis Measures

▶ Identify values that you will use to determine the costs and the benefits of each alternatives E.g.:

- ▶ Dollar value

- ▶ Revenue generation or cost savings

- ▶ Risks

- ▶ Impact on stakeholders

Cost in $*	Non-monetary Cost	Benefits in $ (or ROI)	Other Benefits	Risk	Other	Other

Caution

▸ What problems does each solution introduce?

▸ E.g. if we reduce idle time, does this impact crew morale and then productivity?

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…

Financial Measures

- Operating and use projections
  - By volume
  - By operating hour
  - By labour hour
  - Annually
- Payback period
- Sensitivity Analysis
  - How likely are costs to change?
- Revenue projections
- Subject to externalities such the price of oil

Logic *and* Intuition

▸ Don't rely on data so much that you ignore your intuition

▸ If something *feels* right or wrong to you pay attention.

▸ If it doesn't smell right, figure out why.

▸ Consider a different option if necessary.

▸ Does the option you chose using logic match what you *want* to do? If not, why not?

Key Performance Indicators

▸ **Measure of performance**
- Quantitative
- Financial
- Sustainability
- Personal Satisfaction
- Customer Satisfaction

▸ **Employee Measures**
- Quality of Performance
- Productivity
- Satisfaction or Engagement
- Contribution to Team
- Adherence to Policy
- Peer Appraisal

| Traffic lights	Dots	Dots & Marks	Shapes	Marks	Balls

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
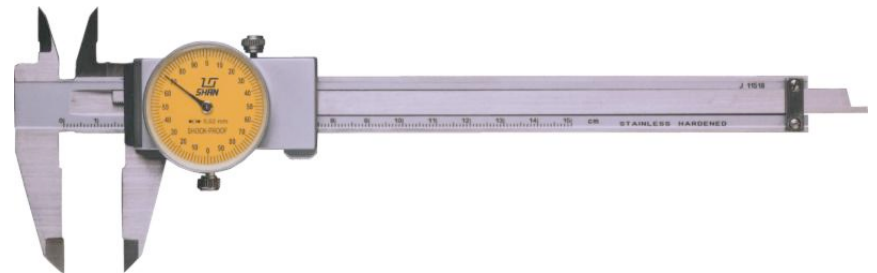
Methodology

- "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
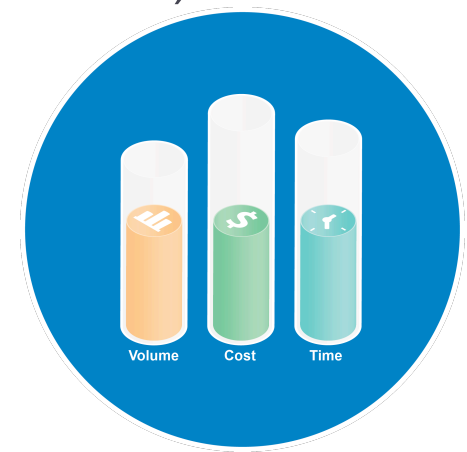
Volume, Cost, Time

Definition

▸ A methodology is usually a guideline <u>system</u> 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.
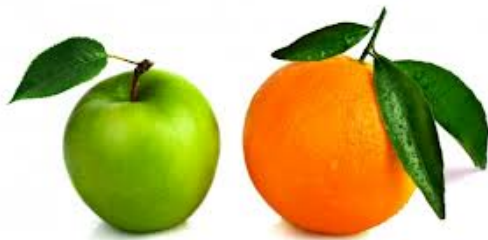
Comparison

Continuous Improvement

Define Goal

Strategy

Measure

Imple-ment

Review

Make Changes

Sample Methodologies

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

SDLC
Waterfall
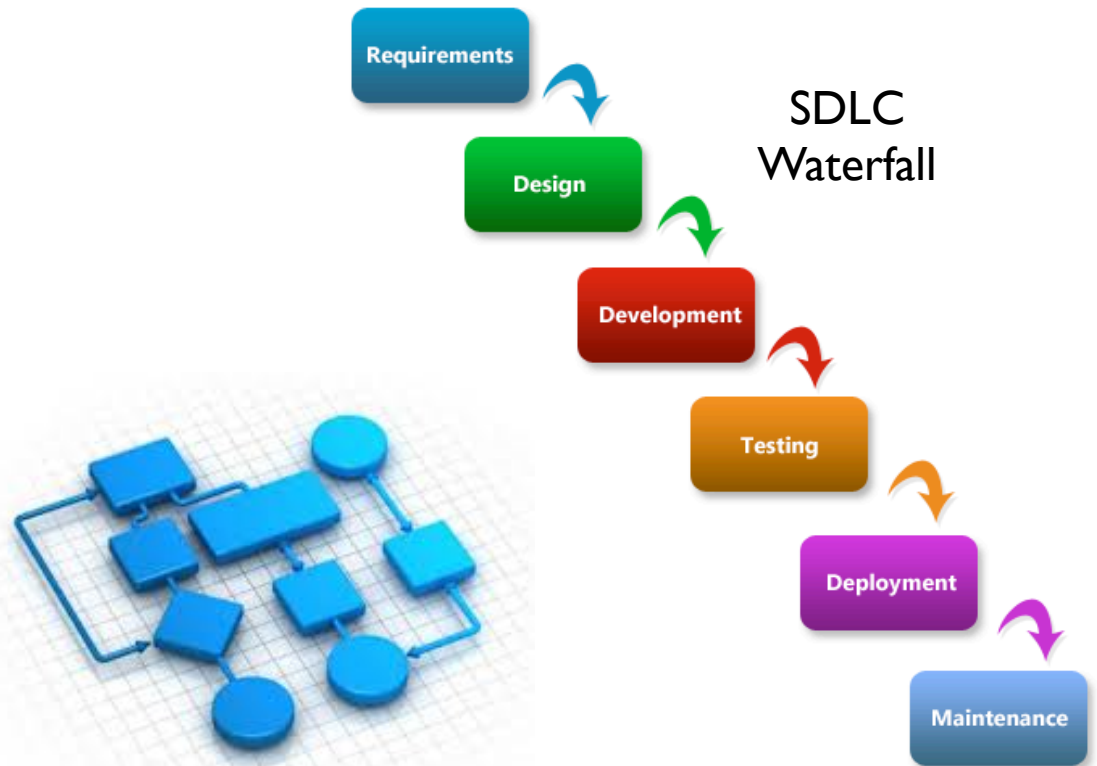
Flow Chart

Finally….

Recommended Best Option

▸ Provide a thorough justification why this option and not the others

▸ Include implementation process and timeline

End