# HOW TO WRITE A BUSINESS CASE

**A practical guide for daunted beginners**

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# How to write a Business Case

You want to get the go-ahead for a new idea or project and your boss says 'You need to write a business case' - but you've never done one before, you're not even too sure what one is, and don't know where to start, let alone how you're going to convince a Board or other stakeholders to approve the funding and resources. Well this guide looks at what a business case is, why you need to write one and how you put it together.

One definition of a Business case (BC) is 'A proposal that identifies and compares alternatives for pursuing an idea or objective and recommends the best course of action having considered a number of options'[1].  It gives all the relevant information needed so that a decision can be made whether or not to invest and which option is the best given the circumstances and requirements.

The key is to gather all the relevant information so that you have a strong case, the decision has been thoroughly thought through and your company or organisation demonstrates good governance and accountability.  Starting with a good BC is also crucial to the success of managing the implementation project once you have the go-ahead.

**What information do you need to include?**

The trick to including everything you need is to start by thinking about **what questions the reader would need answering** to be able to approve the investment, and then in the BC **give the answers to those Who? What? Why? When? Where? Which? and How? questions**.  The general **questions to ask and answer** in a BC would include:

- What exactly is the idea? (proposed investment)
- Why do we need it? (the problem to be solved, how it fits with strategy)
- How would it benefit us? For example save time and money, enable us to comply with legislation, make statutory returns easier to complete, implement our strategy?
- What options are there?  What happens if we do nothing?
- How much will it cost?  Not just in terms of the initial investment, but time spent project managing, implementing, training etc
- What does 'good' look like? (What are our success or evaluation criteria?)  For example ease of use, cost, reliability, functionality and add-ons
- Of all the options which is the best one and why?
- How and when will we see a return on the investment?
- What are the risks of doing this/not doing this?
- What else does the reader need to know? For example Equality impact assessment, staffing issues, how it links to strategic priorities

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[1] 'Developing a Business case', Harvard Pocket Mentor series 2011, Harvard Business School

**Using a template**

Your organisation may have a standard template for business cases, in which case do use it, but it's sometimes very daunting and technical looking and it's not always obvious what to put in each box or section. The headings might be slightly different, but if you take a step by step approach along the lines in this guide you will be able to fill in the blank boxes with relevant information.

**Logical order of information if you don't use a template**

If you don't have a template, present information in a report format as you think best, under the general headings shown below:

- Summary (write last but place at top of document)
- Define the opportunity (may be called something like Definition or Goal or Opportunity statement in templates)
  - Define the business need and what drives it
- A brief background section
- How it fits to strategy and priorities
- Set out the scope, assumptions and constraints
- Assign metrics or evaluation or success criteria
- Review options
  - Pros and cons
  - Cost benefit analysis
  - Rationale for any non-viable options dropped
- Financial section
  - Costs
  - Metrics such as ROI
  - Sensitivity analysis
- Preferred recommendation and deciding factors
- Risks and how to mitigate them
  - Impact assessments
- Implementation plan
  - Planned approach
  - Governance
  - Reporting, deliverables etc

This might look long and complicated but it needn't be; for small projects it could be as little as short as say 3-5 pages. For bigger more expensive projects much more detail would be needed.

**The process for putting a case together**

To summarise, the process or crucial steps for putting together a BC are:

1.  Begin by defining the proposed opportunity or desired outcome you want to achieve and giving brief background information.  Note this is not the same as starting with a particular solution and justifying it – see below.

2.  Define the Success criteria that you will use to evaluate options.

3.  Identify the alternatives, including a 'do nothing' (stay as you are) option.

4.  Research and gather the supporting information you need for each option.

5.  Analyse and compare the alternatives based on your Success criteria.

6.  Choose a preferred option and recommend it, showing your thought processes and assess the associated risks, showing how they could be mitigated.

7.  Write a short Summary including your recommendation, to help the decision makers and guide them through the details.

Now let's look at these stages in turn and in more detail.  All business cases follow much the same format, though how detailed they need to be largely depends on the magnitude of the investment.  Putting together a BC for say building a new airport could take years, whereas in this guide we're assuming more modest budgets and cases.

**Step 1  Getting started - the purpose or objective – why are you doing this?**

The first part of a BC is to define the opportunity.  The starting point is to think about what you want to achieve **in an ideal situation**, which defines your objective or purpose and what questions the readers will have.

You're probably writing a business case because there is a problem and you want to invest in a solution. But before you leap in and start getting and comparing quotes, stop and think.

There may be a number of ways of solving the problem so you need to be seen to be open-minded at this stage and not jump straight to one conclusion.  Likewise there may be even better, simpler ways of achieving the same outcome when you start digging around.  If you start to think in terms of **what benefits you want in an ideal world** you will get a more creative solution than just solving the initial problems.

Even if solving a problem, the opportunity needs to be worded positively, neutrally and with an open mind, which might seem strange as you are trying to persuade someone to invest in your idea.  It is not a means to justify a desired course of action or a decision already made so it is important to be objective throughout so people can't accuse you of bias.

For example, if 'the problem' is that you've reached the stage that your current manual paper and spreadsheet based HR management system is not fit for purpose and you are thinking of buying a computerised digital solution, think in terms of the ultimate benefits.

What you're really trying to achieve is an efficient HR tracking system to replace paper records that is actually useful for the various stakeholders including managers.  Two ways of writing the purpose or objective are:

✓ Good          To examine the case for investing in a new digital HR Information System and present a best option
✗ Flawed        To propose the purchase of the XYZ HRIM system

The second statement is 'flawed' because you are assuming even at the beginning that there is only one solution and that is to buy this particular system.  In this case there is also an option to carry on as you are doing currently in other words to 'do nothing', to contract out the HR admin or re-organise the process or buy any one of dozens of different competing products.  You need to look at the pros and cons of each option and whether it will give you what you need before recommending a particular purchase.

Or say if you were thinking about outsourcing a function, think first about what the ideal situation would be and what you are trying to achieve in terms of benefits, rather than just jumping to the 'source the best provider' stage.  This is probably how so many companies outsourced their customer services functions abroad only to bring them back again when customers encountered communication problems.  If they had thought 'how can we make our customer services better?' instead of 'how can we cut costs?' they would have got different answers.

> If you see the situation as an opportunity instead of a problem, you will think about the bigger picture, perhaps how to streamline the process or even start again from scratch with fresh thinking about what you actually want.

There is the famous, perhaps apocryphal, story of how NASA spent millions of dollars inventing a pen that would work in space.  The Russians gave their cosmonauts pencils.

As well as setting out the purpose of the BC, write a short background section.  In this you can include briefly what has led to the current situation, what the **drivers for change are** and what you want to achieve.

The person writing the BC (you) is often known as the 'Project sponsor' and/or Author.

**Step 2  Decide your evaluation metrics (also known as 'Success criteria' or benefits)**

Normally in a BC you define metrics or measurements that you will use to make a choice between options and also demonstrate that there will be a 'payback', that is a return on investment (ROI).  It helps to think about **'how will we know if we have succeeded?'.**

The metrics could be say, costs saved, sales and profits generated, increased employee engagement or customer satisfaction scores, reduced faults or errors etc, reduced sickness absence or attrition etc.  These are often called KPIs (Key Performance Indicators) and your organisation may already be tracking them as part of its strategic objectives, which helps you put the case together.

The trick is to think about how the proposal would impact on these figures.  It helps to think about who you've got to convince and what they think is important.  A Finance Director might be more interested in cutting costs whereas other stakeholders would be thinking about value added, increasing market share or engagement.

Some organisations call them 'Success criteria', others just refer to benefits or effect on KPIs. Generate a list of benefits that will ideally be achieved for the organisation.   You want to make sure whatever solution you go for is most likely to achieve these benefits.

You will use these benefits or Success criteria later when comparing alternatives, so you may also need to think about weighting the factors.  For instance, is one particular factor, such as ease of use, arguably more important than lowest cost?

**Step 3  Come up with alternatives**

You will have already started dong this at the thinking and planning stage.  Steps 3 and 4 overlap because they both involve gathering information, which can be part desk and internet research but you also need to start talking to other people who may potentially be involved as they have a stake in the project's success.  Ask for ideas, fix up meetings and brainstorming sessions.  Set yourself Who What Why When Where and How questions eg:

- Who do I need to talk to?
- What do I need to know?
- What questions do I need to find the answers to?
- What good ideas do people have?
- If it's contentious, what objections do people have?

Think widely or 'out of the box' to coin a cliché.  To coin another, there's more than one way to crack a nut.  **Remember to include the status quo or 'do nothing' option**.  The purpose of this stage is to show that you have considered alternatives and are not just pushing for one option or pet project.  Brainstorm or generate a list and then narrow it down to the few most viable options.  Give reasons why certain options are ruled out as not viable.

Be clear about your Scope: what's included and what isn't and any assumptions you use to compare alternatives.

### Step 4  Do your research

Information can come from so many sources and you may have to dig around for it.

While you are doing your research, think about what information you will need to compare options with your metrics.  For example, going back to the HR system, you will obviously need prices, but if in your Success criteria you are looking for the most user-friendly option, or one that can be scaled according to needs if the company expands or changes then find those answers too.  Make a list of what answers you need before you start.

- Speak to the users and stakeholders to make sure you understand exactly what they want and what the system needs to be able to do. You will also learn what they value most.  If you get any negativity or criticism listen to it and use it; whatever people are trying to tell you is useful feedback.

- Contact people who have already bought this product or similar to get their feedback and recommendations

- Read reviews on the internet or trade magazines

- Ask people in your professional network for ideas (for example asking for ideas on Linkedin discussion groups)

- Get several quotes from different suppliers, ask for demonstrations.  Remember they are experienced salespeople too so be assertive, make it clear you are only at research stage.  Prepare your questions in advance and be prepared to challenge.

All this research will generate volumes of information.  Keep track of it by writing notes on everything and everyone you talk to and when so you can remember where you got that information from.

When estimating the impact on metrics make sure you are realistic: will it really increase profits tenfold in year two as the salesperson might claim?

Pre-empt possible objections and be prepared to answer any other questions you might get asked and counter-arguments thrown at you when you present your business case, such as:

- Have you thought about X?
- Do we really need to buy this?
- What is the delivery/lead/implementation time?
- Details on costings, ROI and payback times

**Step 5  Analyse and compare the alternatives based on your success criteria**

A simple choice might just need a list of pros and cons, but that could also be like comparing apples and oranges: how do you choose?  Well it comes back to what your Success criteria are and you need to compare each option against them.  To continue the analogy, if ease of eating is the most important factor, the apple probably wins, but if it's amount of vitamin C that's important, the orange wins.

It's often useful to have a comparison table such as the one below, and/or a pros and cons table, where you can compare all the different factors for each option. (Like for example when you are buying a new gadget and the options are reviewed for say cost, ease of use, durability, functionality etc and in the end they recommend a Best Buy by adding up the points).  Rarely is going for the lowest cost the only factor in the decision.

|  | Benefit 1 | Benefit 2 | Benefit 3 | Benefit 4 | Cost | Total points |
|---|---|---|---|---|---|---|
| Option 1 |  |  |  |  |  |  |
| Option 2 |  |  |  |  |  |  |
| Option 3 |  |  |  |  |  |  |

A word of caution. If some factors are more important than others you will need to weight them.  We are looking here at a relatively straightforward BC for a one-off procurement. In a more complicated BC you would do a more detailed benefit mapping exercise and separate out different costs in another section.  You may need help from a finance expert with the number crunching aspects.  For example you may need to estimate the impact of an option on sales or cashflow, or estimate complicated costings.

**Checklist** for analysing costs and benefits of each option:

- List the benefits/metrics/KPIs/Success criteria.

- Estimate the impact of each option on them

- Mention any benefits that are difficult to quantify but will be important on a strategic level, such as Impact on Corporate Social Responsibility (CSR) or charitable involvement.  These are sometimes known as Qualitative benefits.  They can often be as important and persuasive as financial aspects.

- Identify when you expect to see the benefits realised

- List all the costs, upfront as well as consequent.  Think also how each metric will be affected.

- Note any cost savings that will be made.  For example will fewer staff be needed, or can the job be done in a shorter time?
- For projects that will reap a financial return in terms of increased sales, dividends etc, calculate some financial ratios, cash flow and What if? Sensitivity analysis.

**Some financial ratios you may need to know about as decision-makers ask about them**:

Return on Investment (ROI) = profit-costs/costs.
Net Present Value (NPV) = Discounted value of earnings
Break-even point = the time after when you should start to see a profit or stop making a loss
Payback time = the time needed to recoup the investment

**Step 6  Choose and propose the 'best' option and identify any associated risks**

Choosing the best option is not an exact science, though assigning points for different factors helps.  You'll need to use a bit of intuition based on the information you got from talking to people.  Make sure you have the answers to all the questions you had at the planning stage and then make the best decision based on the information you have to hand. You may decide to eliminate the option which is least favoured or has most objections as that will make the change or implementation more difficult.  Likewise rule an option out if it is very complicated and you are in a risk averse culture, as it is more likely that it can go wrong.

The final recommendation has to be based on evidence and linked to the Success criteria. For example if one of your key criteria was for a system to be bespoke there would be no point going for the cheapest option but that couldn't be adapted to your needs.  Be clear about your recommendation and explain the rationale for your decision.  You don't leave it to the decision-making panel to figure out the best option from the mass of information you've given them, you need to do that for them.

Tips to help you choose the best option:

- Review all the alternatives and compare them against the metrics you chose as your success criteria.  If necessary, review the metrics and decide if they need to weighted because some are more important than others.

- Narrow choices down to two then one.  Ask yourself 'if I have to remove one what will it be?'

- If several seem similar in terms of expected benefits, think about which has the best strategic fit

- Outline your rationale for making the decision in a form easy to understand so that you can easily explain it.

- If you have made any assumptions eg cost of raw materials is stable, the market will grow by x%, document your assumptions to be used in conjunction with your recommendation.

- You might find after all this thinking that a hybrid solution is best, or a pilot or phased programme to test and give you feedback before implementing the solution company-wide, or for very complicated decisions that a sub-committee be set up to gather information and make a final recommendation.

- List the possible risks of going ahead and show how you could mitigate them.

**Risks and mitigating them**

Forewarned is forearmed: think about what could go wrong which could mean the project doesn't deliver as promised. Typical risks could be:

- What happens if you don't have sufficient resources to hit deadlines and see the project to completion, eg enough staff
- Whether contingency reserves were needed
- Legal challenges
- Political changes affecting strategy
- Economic or currency shocks
- Compatibility issues
- Whether there might be any knock-on effects of changing something
- Whether in the fast pace of technological change the proposed solution could become obsolete quickly
- What will happen if it doesn't deliver what you have predicted?

You might do a PESTLE (Political, Economic, Social, Technological, Legal, Environmental) or SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis.

**A sensitivity analysis** shows what will happen if the aimed for target isn't achieved. For example if instead of a predicted sales increase by 5% you only get 1% (worst case scenario) or 10% (best case scenario). This can be done in Microsoft Excel ™ as Scenarios.
For every risk you identify, show how it can be mitigated and minimised. For example you might consult an expert in the subject, or an experienced project manager or negotiator.

> Note    Find out how risks are normally presented in your organisation, particularly if you have a standard template. Sometimes they are part of the decision-making criteria, in others you only show the detailed risks for the final recommendation.

**A note about 'Impact assessments'**

Many templates, especially those used in the NHS and public sector ask what impact the proposal will have on things like Equality and diversity, Community and environment.  Think hard about the benefits and also any potential drawbacks.   The process is similar to thinking about potential risks and how to mitigate them.  Be particularly careful about proposing any change that might discriminate or impact less favourably on some people more than others and seek advice from experts if unsure.

**Outline an implementation plan**

It's worth giving some thought to how the decision might be implemented if it gets the go-ahead.  The decision-makers and possibly key stakeholders will want to know about the likely implementation plan for if it does go ahead.  At very least they will want to know:

- Key phases and milestones, and any deliverables
- Who will be responsible and accountable?
- When they will get progress reports
- Contingency plans (linked to the risk you have identified)

This is now getting into the realms of project management techniques which is another skill you will find useful for implementing solutions, but beyond the scope of this guide to writing a BC.

**Step 7  Write an Executive Summary**

To round it all up, bring together and summarise all the key points for the busy reader.  It will also make sure all your reasoning is correct.  Keep it clear, concise and make it lively and interesting using Plain English techniques.  Make sure you turn Features into Advantages and Benefits so the reader can visualise them.  Copywriters use the mnemonic AIDA (Get their Attention, create Interest, arouse their Desire and get them to Action.

The summary should recap on all the main points and indicate where more detail can be found.  For example it could say 'Four alternatives were considered (for details see pages x-y) and the recommended action is X for the following reasons:' then recap and reiterate the main benefits and costs or where they can be found.  Think of this as a sales pitch or 'Elevator pitch' where you outline all your key points in two minutes.  Think about your reader and get the WIIFM? (What's In It For Me?) angle that will appeal to them.

You might also put together a presentation which outlines the main points to back up the written document.  That has the advantage of being able to answer questions and overcome objections.

**Pitfalls to avoid when writing a BC**

- Assuming there is one best solution from the start and pushing it to justify it
- Trying to do everything yourself rather than talking and listening to others
- Missing vital information
- Trying to decide between options if you haven't set evaluation or success criteria
- Getting in a muddle with the financial aspects
- Writing over-formally
- Writing too much – answer the questions clearly and concisely

**The financial aspects are the most complicated part of putting a BC together. For anything other than a simple BC find out more and get help from financial modelling experts.**

**Business cases for government departments**

Government departments often use a particular format called the 'Five cases model'. The principles are similar to those we have discussed above, but look at more rationales or cases. You can find more details at https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent

**Project management success or failure**

Research has found the top reasons projects fail are:

- A weak business case, especially on the financial aspects
- Ineffective top management involvement and support
- Poor project planning and management

The first reason can be overcome by following the advice in this guide, and a well written case will help with the management buy-in. Using the BC as a working document will also help when implementing the chosen option when it can form the basis of a PID (Project Initiation Document).

**Final checklist**

Before submitting your business case, make sure that you have:

- Made it interesting and outlined the benefits to be gained
- Considered and ruled out other options before recommending the best one
- Been objective, used evidence and been unbiased when making the recommendation
- Checked any numbers and assumptions used – are they accurate or at least reasonable?
- Thought about the risks and repercussions and how they might be mitigated
- Kept it all simple, short and sweet, writing in Plain English
- Given the decision makers all the information they need to know by anticipating what questions they will need the answer to

**For more information**

This guide has been put together based on the knowledge and experience I've picked up over the years from working with many different organisations including private companies, the NHS, local government councils and emergency services. I've seen many good cases but also some stinkers. I've delivered training, and helped people write real-life reports and business cases, so I understand the difficulties involved, where things go wrong and how to get it right. I hope you have enjoyed reading it and that it has been useful. I'd welcome your comments and feedback.

For training or more advice on putting together a report or business case contact me Teresa Cook on (0113) 268 0487 or mob 07702 046645 or email info@reportwritingtraining.co.uk

There are also blogs and free resources on the website www.reportwritingtraining.co.uk and you can sign up for monthly free tips on writing and other communication skills.