



## PRACTICES GUIDE

### BUSINESS CASE

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## Document Purpose

This Practices Guide is a brief document that provides an overview describing the best practices, activities, attributes, and related templates, tools, information, and key terminology of industry-leading project management practices and their accompanying project management templates.

## Background

The Department of Health and Human Services (HHS) Enterprise Performance Life Cycle (EPLC) is a framework to enhance Information Technology (IT) governance through rigorous application of sound investment and project management principles, and industry best practices. The EPLC provides the context for the governance process and describes interdependencies between its project management, investment management, and capital planning components. The EPLC framework establishes an environment in which HHS IT investments and projects consistently achieve successful outcomes that align with Department and Operating Division goals and objectives.

A Business Case assists organizational stakeholders in making decisions regarding the viability of a proposed investment/project (hereafter referred to as “project”) effort. Use of a Business Case is considered standard practice throughout private and public industry. In government there are also specific laws and regulations that mandate the use of Business Cases. For example, The Office of Management and Budget (OMB), Part 7, Section 300, Capital Asset Plan and Business Case, is required by the Office of Management and Budget (OMB) for all Major projects for all operating division at the Department of Health and Human Services (HHS). In addition, Capital Planning and Investment Control require regularly scheduled reviews that may require updates to the Business Case document. How often these reviews happen is dependent on the size and complexity of the project.

The HHS Enterprise Performance Life Cycle (EPLC) defines a Business Case as a documented, structured proposal for business improvement that is prepared to facilitate a selection decision for a proposed project by organizational decision makers. The Business Case describes the reasons and justification for the project in terms of business process performance, needs and/or problems, and expected benefits. It identifies the high-level requirements that are to be satisfied, an analysis of proposed alternative solutions (with reasons for rejecting or carrying forward each option), assumptions, constraints, a risk-adjusted cost-benefit analysis, and preliminary acquisition plan.

## Practice Overview

Prior to the development of a Business Case, a Business Needs Statement is required for the initial presentation of any new project concept and should provide sufficient information to justify a decision to move forward with the development of a full Business Case. The decision to move forward with the development of a full Business Case results from a review, and approval, of the Business Needs Statement by an appropriate governance body.

Once the Business Needs Statement has been completed, approved, and the development of a Business Case has been authorized, the much more detailed Business Case document must be developed. Information used as part of the Business Needs Statement should be used as a starting point to populate the Business Case document and expanded upon to meet any related requirements mandated by Capital Planning and Investment Control (CPIC), Office of Management and Budget (OMB), other related regulations, policies, processes and/or practices. Proposed projects should check with their CPIC Officer to understand these and other regulatory requirements.

The Business Case presents information regarding a proposed project to stakeholders responsible for making sponsorship decisions. It should identify and validate an opportunity to improve business accomplishments of the organization or to correct a deficiency related to a business need, and what business benefits can be expected by implementing this project. It assists with communicating to

prospective sponsors the rationale for a proposed project by presenting it in a way that it aligns with OPDIV and HHS target Enterprise Architecture (EA) and applicable EA segment transformation efforts and justifies, in non-technical business terms, reasons for initiating it.

The Business Case is used to document and present the variables and alternatives associated with making an investment decision. The document ensures that such variables have been thoroughly considered and documented, and that both the value and the risks associated with the project are understood by its stakeholders. A Business Case should demonstrate that the information contained within it has been carefully considered and analyzed to present the best possible solution that most closely aligns with the organizational goals and objectives. The level of detail contained within a Business Case is often dependant upon what's appropriate for the size, complexity, and cost of the proposed project. The greater the size, complexity, and/or cost, the more detail will be required. The Business Case should contain information outlining items such as:

- Background description of the business need/issue
- Explanation of the identified benefits of addressing that need
- Identification of significant assumptions and constraints related to relative solutions
- Alignment of project benefits with organizational objectives
- Justification for undertaking the project
- Description of performance goals and measures
- Definition of success for the proposed project
- Analysis of alternative solutions, including the possibility of staying as is, continuing with no change, identification of a preferred solution, and explanation of why the preferred solution is recommended
- Analysis of procurement sourcing options
- Identification of preferred recommended procurement source(s)
- Explanation of why the preferred procurement source(s) is recommended
- Estimation of required resources such as funding, labor, materials, etc for both the project and ongoing support and maintenance of any related or ongoing project efforts
- Description of how benefits of executing the project will be realized
- Estimation of return on investment, break-even point, operational/ongoing costs, etc.
- Explanation of project risks/issues and strategies to address them

The Business Case is often created early in the project life cycle. However, depending on the size and/or complexity of a project, the Business Case may sometimes be developed incrementally. For example, a preliminary Business Case, or strategic outline, may be used to confirm the overall strategic approach of the project. As more information becomes available preliminary data is leveraged to outline and then finalize a more complete Business Case. A similar approach may be taken if the project's development approach is iterative in nature. A higher-level Business Case may be used early in the project life cycle to justify the project. As the project progresses through its life cycle, and more information is obtained about the required work, the Business Case should be updated to reflect this as part of each iteration.

Regardless of which approach is used, the Business Case document needs to be presented to potential stakeholders in a form that easily communicates the pros and cons of sponsoring, and not sponsoring, the proposed project. Some basic elements of a typical Business Case include items such as:

- General information
- High-level business impact
- Alternatives analysis
- Identification and analysis of a preferred solution
- Financial considerations
- Work breakdown structure (WBS)
- Summary of spending
- Performance goals & measures
- Risk/Issues analysis
- Acquisition strategy
- Funding plan
- Enterprise architecture
- Policies, procedures, and regulations

Any information provided within the Business Case should be at a level of detail sufficient to familiarize readers with the background, issues, and opportunities that can be realized from the project. High-level analysis and preliminary risk assessment is performed to establish/support the Business Case. The business process is modeled and possible alternatives identified. High-level system requirements,

technical design concept/alternatives, and cost estimates are prepared. The overall strategy for acquisition is defined, including consideration of internal versus external acquisition, whether requests for information are necessary, how work will be divided, and expected contract types.

The EPLC states that the Project Manager is ultimately responsible for the development of the Business Case. However, this effort is often performed with a team of stakeholders providing input. Stakeholders typically involved in Business Case development may represent areas from project management, product development, finance, analysts to perform competitive analysis, critical partners, etc. Their input is used in the development of the Business Case which at a high-level may be accomplished by using the following strategy.

### 1. Assessing the Organization

Projects are typically undertaken to leverage an opportunity, improve something, or to address a particular need such as changes in business objectives, strategy, vision, environment, legislation, regulation, policies, competition, products, etc. Regardless of origination, understanding the organization, its goals, objectives, and resources, is vital to communicating value of the proposed project.

Based on the earlier developed Business Needs Statement, additional activities performed at this stage of Business Case development may include assessment of:

- Current, future, and potential stakeholder
- Key organizational strategies and objectives
- Critical success factors
- Key performance indicators that may eventually be used to measure project success
- Identification and modeling of business processes
- Success factor alignment with organizational goals and objectives
- Security considerations
- Organizations, components, or groups potentially impacted by this effort
- Influencing legislative/regulatory mandates/requirements

An important element of this step is an EA assessment, which is conducted to ensure that the Business Case is consistent with the OPDIV and HHS Enterprise Architecture and that it addresses the particular capability gap. HHS has adopted an approach defined in terms of segments of functionality within a common business area. Under this approach, the business areas are grouped as communities of interest according to similarities in mission, goals, objectives, and commonality of services and business processes<sup>1</sup>. Following development of segment architecture, information is further updated from associated processes including; strategic planning, Enterprise Performance Life Cycle, systems development, enterprise architecture, Capital Planning and Investment Control, security assessments, and records management.

These activities include, but are not limited to:

- Verification of the business need's alignment with the HHS Strategic Plan goals and objectives, cross-agency initiatives, HHS Business Areas, Federal Enterprise Architecture (FEA) Business Reference Model (BRM) and BRM sub-functions
  - Verification of the business need's traceability to the OPDIV strategic goals and objectives
- Verification of the business need's alignment with the segment transition plan;
- Verification of the proposed project against existing investments, business processes, and services to ensure that it will not create redundant capabilities
- Articulation of the alignment between project performance metrics, segment performance architecture, and FEA Performance Reference Model (PRM)
- Verification that the necessary performance metrics are in place
- Verification that the applicable data architecture constructs are adequately defined in terms of data structure, exchanges, storage, and quality
- Identification of the data, related to the proposed project, that is classified as Federal Records.
- Articulation of how the project will improve business and mission-related accomplishments based on analysis of business process inventory and models that constitute the EA segment

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<sup>1</sup> The HHS Architecture Development Methodology provides a detailed description of how development and analysis of EA segments is accomplished.

- Validation of sequencing of project-related activities against the segment transition plan
- Detailed analysis of the alternative solutions from the standpoint of existing and proposed investments supporting the EA segment
- Alignment to relevant technology and service profiles and the FEA Service Component Reference Model (SRM) and Technology Reference Model (TRM)
- Identification of project stakeholders

## 2. Identifying and Evaluating Alternative Solutions

After gaining a detailed understanding of the business need, identify and analyze potential alternative resolutions and identify one preferred solution. Research all options and show how each may address the business need. Alternatives analysis is a good project management practice and is a necessary for all projects. Potential alternatives may be obtained through brainstorming, market research, or solutions available or used in private sector and/or other federal, state, and local agencies. Some examples of alternatives to consider may include:

- Buy vs. build vs. lease vs. reuse of existing people, equipment, or processes
- Outsource vs. in-house development
- Commercial off the shelf (COTS) vs. Government off the shelf (GOTS)
- Mainframe vs. server-based vs. clustering
- Unix vs. Linux vs. Windows vs. MacOS

Include an analysis of items such as risk, cost, training, technology, resource availability, etc. Provide realistic estimates based on research and input from subject matter experts. Understand, test, and illustrate for stakeholders the impact of alternatives, as well as assumptions, on items such as project schedules, budgets, resources, etc. Anticipate potential stakeholder responses to each alternative and address them in the Business Case. Consider comparing the pros and cons of each alternative side-by-side in a table. Use this information to populate the appropriate section(s) of the Business Case document. To help ensure that the best potential solutions are selected consider the following steps:

- Identify the project's objective
- Identify as many viable alternative solutions as possible (a minimum of three)
- Include staying as is (status quo) as an alternative
- Identify and document any assumptions and/or constraints that may frame the analysis
- Qualify and quantify the pros and cons of implementing each alternative
- Forecast the potential costs, benefits, and business impact associated with implementing, or not implementation, each alternative
- Include analysis of both development and operational costs, resources, and other business impacts
- Assess the feasibility of implementing each alternative including security concerns
- Identify and analyze the risks and issues associated with implementing each alternative
- Evaluate risk adjusted costs as par of an overall cost/benefits analysis
- Prioritize alternatives in order of best fit for the organization based on time, scope, cost, and quality
- Recommend a preferred solution
- Document constraints and assumptions associated with each alternative and evaluation

## 3. Recommending a Preferred Solution

The intent of the Business Case is to provide Business Owner with the information necessary to make financial decisions regarding prioritizing enterprise expenditures based on the value of the proposed project versus other projects. Define a set of criteria (benefits, costs, feasibility, risks, return on investment, total cost of ownership, etc) to use for analyzing each alternative solution. Devise a standard mechanism for scoring each alternative based on the importance of each criterion and select the preferred solution based on this analysis. A recommended scoring would be based on a Best Value approach.

It is recommended to increase accuracy of the information presented by basing future estimates on historical data whenever possible. In the absence of historical data, consult with subject matter experts and estimate conservatively to provide realistic projections of future benefit. Provide an explanation of why the selected solution best addresses the business need when compared with other options. Keep the presentation of the selected project recommendation simple. Avoid complicating the presentation with technical jargon, acronyms, and ambiguous words. The goal is to present a concise solution to the

Business Owner and IT governance organization. If they cannot understand the Business Case it is unlikely that they will be inclined to sponsor or approve it.

#### 4. Describing the Implementation Approach

Quantify the benefits of the proposed preferred solution. Explain how the project will be initiated, planned, executed, monitored and controlled, and closed. The goal is to illustrate that the proposed project has been carefully considered, aligns with organizational goals and objectives, and will benefit the organization if executed. At a high-level, outline the steps involved in initiating the project and to plan project activities. This should also list high-level plans to monitor and control project resources, finances, quality, risks, suppliers, communications, etc. Include an analysis of how the implementation will affect business processes, technology, job functions, etc. Outline the approach that will be taken to create project deliverables and gain acceptance for each deliverable produced and identify activities required to hand over the final solution to project stakeholders..

## Best Practices

- **CPIC** - Consider CPIC and other policies, procedures, and regulatory requirements for both the proposed project and the Business Case document itself. Consider OMB's scoring system (OMB Circular A-11 for IT specific projects)
- **Start Early** - Incorporate information about security, accreditation, privacy, data center, etc
- **Leverage** - Look for ways to extend the benefits of the project beyond the immediate problem being addressed by the proposed project. Leveraging the work to resolve multiple needs may increase the likelihood of project sponsorship
- **Alternatives** - Identify at least three viable alternatives solutions
- **Best Value Approach – Use a best value approach in analyzing various alternatives.**
- **Soft Benefits** - Include soft benefits in alternatives analysis even if not directly quantifiable. Soft benefits may include influences on employee behavior, increased client satisfaction, etc
- **Vocabulary** - Present concepts in business terms limiting the use of technical jargon and acronyms
- **Review** - Present the completed Business Case document for final review, preferably to cross-functional team, prior to presenting to the prospective business sponsor and for the Stage Gate review to the IT governance Board.

## Practice Activities

- Contact the appropriate CPIC office(r) for assistance
- Contact the appropriate EA for assistance
- Contact the appropriate security for assistance
- Assess the organization
- Identify the agency's performance goals
- Define a strategy for Business Case development
- Identify and evaluate alternative solutions including prospective COTS/GOTS solutions
- Involve stakeholders in analyzing all prospective solutions
- Consider enterprise architecture, business processes, and security concerns
- Consider risks and issues
- Recommend a preferred solution using established criteria
- Outline the proposed implementation approach
- Finalize the Business Case document
- Present the Business Case document to the appropriate stakeholders for review prior to final presentation to prospective sponsor, Business Owner, and eventually governance process
- Update the Business Case during the CPIC review process to reflect changes/updates