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# FIVE KEY ELEMENTS TO INCLUDE IN A COMPELLING IT BUSINESS CASE

**Taking your business from “Good” to “Great.”**

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## FIVE KEY ELEMENTS TO INCLUDE IN A COMPELLING IT BUSINESS CASE

What makes a good Business Case, a “**Great Business Case.**”

*By Colin Rice, Marketing Manager & EVC Consultant, Glomark-Governan*

Jim Collins’ *Good to Great* teaches how companies can transition from the ranks of a “Good” business to the heralded status of a “Great” company. Similar to the principles taught in this book, it is imperative for IT managers and executives to know what separates a good business case from a Great Business Case. While there are many factors that contribute to the validity and acceptance of a given business case, there are a few key elements that will speak directly to C-level decision makers. “Knowing these elements is critical for justifying a particular solution or initiative,” says Todd Whittier, U.S. Regional Director of Glomark-Governan ([www.glomark.com](http://www.glomark.com)). Whittier offers the following key elements that any great business case should include:

### 1. Objective Scenario Analyses

When working to build a Great Business Case (i.e. one that is respected, objective, and compelling), research must be conducted and some reasonable, educated assumptions must be defined in order to clearly present the anticipated benefits associated with the project or initiative your case is meant to evaluate. While factual, real data may be known (number of employees, quantities manufactured, production costs per item, shipping costs, etc.), allowances must be made for potential variation. Sensitivity to these possible variances can enable you to more thoroughly analyze the possible results of the project or initiative. This awareness of not only the “most likely” results, but the “best-case” and “worst-case” scenarios as well, is a crucial element in creating a Great Business Case. With this information, CEOs can more easily determine whether the entire solution (or even a single component) is worth the full investment; even if all worst-case scenarios are realized. Not accounting for the worst-case scenarios can leave companies with substantial losses, and questioning how a project with a great projected ROI (return-on-investment) failed to meet expectations.

### 2. Clearly Link Each Benefit “Cause” to an “Effect;” in Detail

Failure to clearly link and explain how each feature or characteristic of the project contributes to a specific operational effect can potentially sabotage what otherwise could have been a Great Business Case.

Within the context of a Great Business Case, the term “Benefit,” and all that it represents must be defined. The resultant impact of any solution, project, or initiative is termed a benefit when that impact is generally recognized as being positive for the company’s business operations; and ultimately the organization’s bottom-line. A Great Business Case will include details supporting each benefit (factual data, educated and reasonable assumptions, Key Performance Indicators, timeframes, etc.), and will relate each of these elements within an algebraic formula to arrive at the anticipated financial impact (typically dollars per year).

If a CEO questions the purpose or inclusion of a particular benefit, the business case builder must be able to quickly justify its impact on the company’s bottom line. Without a clear explanation of each cause-and-effect relationship, key benefits can often be omitted, greatly affecting the outcome of the proposed solution.

### **3. Clearly Identify the KPI for Each Benefit**

The Key Performance Indicator (KPI) is that factor in any given Benefit whose delta ultimately demonstrates the resultant impact of any potential solution, project, or initiative. There are several key factors that are used to construct a specific benefit formula; and without detail and clear definition, the KPI can quickly become lost in the assumptions used in the formula of any one benefit. Identifying which factor measures the success of a particular benefit is crucial to the understanding and acceptance of a business case.

For example, adopting a new desktop virtualization system will drastically reduce the staff needed to maintain your current IT infrastructure. But what is the KPI? It could be the number of hours IT staff spent maintaining the current server annually, or the average number of incidents requiring IT support. Without clearly identified KPIs, CEOs will not have the ability to determine the validity of a specific benefit, or measure the progress of an implemented initiative.

### **4. Risk of No Investment**

Often overlooked, but just as critical in developing a Great Business Case, is the “Risk of No Investment” outcome. If the investment is not made, what could happen to the company’s bottom line? Could the company lose customers? Or market share? Could some future costs be avoided if the investment is made today?

To clearly explain all the potential risks associated with any given solution, project, or initiative, a Great Business Case must not only include the possible risks of moving forward, but also the economic risks of not investing. These risks can include a lost opportunity to gain a competitive advantage over your nearest competitor, resultant fines from a failure to comply with new regulations, and increased IT or operational and maintenance costs.

### **5. Alignment with the Company’s Strategic Goals**

A good business case provides a simple justification of a particular initiative or solution, often resulting in a positive return-on-investment. However, if the proposed solution does not align with the company’s strategic goals, the ROI becomes irrelevant. In order for a potential solution, project or initiative to be deemed “viable” by a CEO, it must be aligned with the company’s strategic IT goals, as well as their strategic business goals. For example, a proposed solution may considerably improve your IT operations, but at the same time, could confuse and derail current company operations.

A Great Business Cases goes beyond ROI—it clearly explains how a solution is aligned with both the Technology Strategies and the Business Strategies of a business unit or internal organization. Demonstrating and ensuring this alignment will further the entire company’s ability to attain short and long-term business goals.