



Business Case Guide



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About this Guide

Background

The catalyst for bringing more rigour to the development of business cases stems from a combination of several factors, including the Treasury Board Policy Suite Renewal and results outlined in Chapter 3 of the November 2006 Auditor General Report. Many consolidated efforts were undertaken to improve how investment decisions are made and supported and business results are measured in the Government of Canada (GC). The development of this guide benefited from directions set out by the *Management, Resources, and Results Structure Policy (MRRS)*, the *Policy on the Management of Projects*, the *Policy on Investment Planning—Assets and Acquired Services*, the *Standard for Project Complexity and Risk*, and the *Standard for Organizational Project Management Capacity*. Other materials that contributed to this guide include the Enhanced Management Framework (EMF), Management Accountability Framework (MAF), Business Transformation Enablement Program (BTEP), and Expenditure Management Sector (EMS) *Business Case Template*.

The GC, however, is not the only organization addressing how to optimize benefits from investments. Reference to the work of the following organizations can also be found in this document:

- ▶ Office of Government Commerce, UK
- ▶ Office of Management and Budget, US
- ▶ Australian Government Information Management Office
- ▶ New Zealand Ministry of Health
- ▶ MIT Sloan Management Review, McKinsey & Co., Inc.
- ▶ Project Management Institute

Feedback and Questions

To help maintain the currency of this document, feedback and questions are welcomed. Please contact:

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Purpose of this Guide

The purpose of this document is to support the development of a strong business case that links investments with program results and, ultimately, with the strategic outcomes of the organization. The primary audience for this reference tool are GC program managers seeking approval for an activity, initiative, or project. The guide is meant to be used throughout the entire life cycle of the investment, including the approval stage, to ensure meaningful dialogue between managers and the approval or funding authority from the earliest possible time. Furthermore, this document is intended to help clarify the purpose and structure of business cases across the GC.

Within a GC context, a project is considered a set of time-bound activities that changes the capability of a program to deliver outcomes and benefits. Throughout this document, the use of the word “project” is understood to mean all activities required to deliver the new capability, including change management, organizational change, legislative change, process change, training, communications activities, and so forth. This guide could therefore be used as a reference tool for a project, initiative, investment, recommendation, or other business event that would not commonly be considered a “project” in the federal public service.

Regardless of the complexity and risk of the proposed investment, and whether or not Treasury Board project approval is being sought, this document should be used to guide the development of the investment’s business case.

To develop the content for a business case, the organization will also have to consider, among others, aspects of project management, outcome management, risk management, capacity management, and investment management. Such considerations are necessary inputs for a successful business case.

Context for this Work

The key for developing a strong business case is a fundamental understanding of how each of its elements and concepts fit together. In addition, knowledge of the relevant policies, tools, and frameworks referenced throughout the guide can have a dramatic impact on the strategic positioning of the business case and the subsequent delivery of the project.

Embedded links to those supporting policies, tools, and frameworks and to additional sources of information are provided throughout the guide.

Much reference material on best practices was consulted during the development of the guide. Please refer to the Bibliography for the full listing.

Supporting Policies, Tools, and Frameworks

The *Business Case Guide* and *Business Case Template* have been developed to align with a variety of key instruments and policies. Knowledge and understanding of that underlying context will ensure development of a business case that is strategically well-positioned.

The guide has been structured around the Treasury Board *Policy on Investment Planning—Assets and Acquired Services* and the *Policy on the Management of Projects*. Though it is recommended that the policies be reviewed in full before developing the business case, a summary of the key relevant requirements under those policies follows.

Policy on Investment Planning—Assets and Acquired Services

- ▶ The objective of this policy is to contribute to the achievement of value-for-money and sound stewardship in government program delivery through effective investment planning. Effective investment planning should ensure diligent and rational resource allocation for both existing and new assets and for acquired services within existing departmental reference levels.
- ▶ An investment is the use of resources with the expectation of a future return, such as an increase in output, income, or assets or the acquisition of knowledge or capacity.
- ▶ A department's investment planning is aligned with the outcomes as set out in its MRRS.
- ▶ The departmental investment plan is developed within the existing reference levels and complies with the Treasury Board *Standard for Organizational Project Management Capacity* and *Standard for Project Complexity and Risk*.

Policy on the Management of Projects

- ▶ The objective of this policy is to ensure that the appropriate systems, processes, and controls for managing projects are in place at a departmental, horizontal, or government-wide level and support the achievement of project and program outcomes while limiting the risk to stakeholders and taxpayers.
- ▶ This policy applies to any GC project, which is defined as an activity or series of activities that has a beginning and an end, that has a clear schedule and resource plan, and that is required to produce defined outputs and realize specific outcomes in support of a public policy objective. A project is undertaken within specific time, cost, and performance parameters.
- ▶ **Standard for Organizational Project Management Capacity:** The Organizational Project Management Capacity Assessment (OPMCA) provides the basis for determining the level of organizational capacity needed to manage projects and helps identify areas of capacity that should be improved or maintained.

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- ▶ *Standard for Project Complexity and Risk*: The Project Complexity and Risk Assessment (PCRA) provides the basis for determining the level of a project's risk and complexity and helps identify areas of project risk and complexity warranting further assessment and active risk management.
 - ▶ Under the *Policy on the Management of Projects*, the department must obtain Treasury Board approval for a project when the assessed risk and complexity of the project exceeds the assessed level of capacity that the sponsoring minister can approve.

The results of both the OPMCA and the PCRA can be used throughout the planning, development, and execution phases of a project to inform its implementation and gauge its progress.

Outcome Management

Outcome management focuses on the processes needed to achieve the benefits of each initiative. As stated in *A Guide to Preparing Treasury Board Submissions*, “. . . in preparing Memoranda to Cabinet (MCs) and Treasury Board submissions, departments will now be required to clearly identify linkages between new and existing programs, set out clear objectives, expected results and outcomes, provide details about options/instrument choices, and include rigorous costing and performance measurement frameworks.”

The business case should clearly illustrate the desired outcomes that are to be realized, their alignment with the organization's MRRS (including strategic outcomes where applicable), and how each viable option will support attainment of those outcomes. Business outcomes should be clearly defined, measurable, and developed with stakeholder involvement. Either before or very early in the development of the business case, an outcome management exercise should be conducted in consultation with the stakeholders.

The *Outcome Management Guide and Tools* provides clear direction on how outcomes are identified and managed to realization.

Audience for this Guide

Assembling a business case should be a collaborative effort between stakeholders involved in project delivery and those affected by the outcome of the investment. These stakeholders will include business specialists who understand the business needs to be met and business specialists who understand the costs and risks to be assessed.

While there is no firm rule dictating who is responsible for producing a business case, the onus will most often be on project sponsors because they are the organization's senior officials responsible for the business function that the investment is intended to support.

Document History

An earlier version of this guide, *Creating and Using a Business Case for Information Technology Projects*, was the starting point for this update. The original was published in February 1998 by the Project Management Office of the Chief Information Officer Branch (CIOB) of the Treasury Board of Canada Secretariat (Secretariat). The original document was developed in response to numerous issues associated with major IT projects; principally, they either could not be completed within budget or they did not, when completed, deliver the desired business outcomes.

Since 1998, there has been a considerable amount of effort undertaken by organizations and industries worldwide to determine how to leverage investment in IT and non-IT projects into desired business outcomes while still delivering projects on time, on budget, and within scope. Throughout that decade, the GC set about renewing its policy framework with new policies, directives, standards, guides, and templates that encourage and support the sound management of projects.

With the advent of this new thinking around the delivery of projects, the Secretariat CIOB decided to renew and revise the original *Creating and Using a Business Case for Information Technology Projects*. In doing so, it was recognized that IT simply enables business projects by providing a capability and it is actually the project that can achieve results. Consequently, "Information Technology" was dropped from the title because any project, regardless of the end product, would follow the same principles, methodology, and due diligence.

Before You Begin

This section has been included to help users of this guide (users) formulate a business case. This section provides practical tips, advice, suggestions, and recommended courses of action to assist with the development of a business case. In addition to general information about the rationale for and structure of a business case, this section includes suggestions for recruiting a senior responsible officer for the project and for engaging an audience.

It is recommended that users read this section before crafting a business case.

How to Use this Guide

This guide can be used as both a source book and a road map for the development of a business case. The structure of the guide mirrors that of the *Business Case Template*, with each section referencing the minimal business case requirements found in the template.

The template contains a general range of assessment criteria that can be applied to most investments. Those assessment criteria are to be considered the minimal requirement when developing the business case. It is understood that each proposed investment is unique; therefore, additional criteria should be added to reflect the type of investment.

Throughout the business case development process, it is important to continuously review the analyses conducted and to revise the business case accordingly, thereby ensuring its soundness.

Notation Conventions Used in this Guide

Body text looks like this.

Best practices, hints, and strategies look like this.

References, notes, and annotated comments look like this.

Checklists look like this.

Business Case Essentials

This section takes the user through a strategic overview of a business case and is designed to assist users with creating a viable business case for a project, initiative, or other business development within the federal public service.

What Is a Business Case?

Within a GC context, a business case is typically a presentation or a proposal to an authority by an organization seeking funding, approval, or both for an activity, initiative, or project.

A business case puts a proposed investment decision into a strategic context and provides the information necessary to make an informed decision about whether to proceed with the investment and in what form. It is also the basis against which continued funding will be compared and evaluated.

The document provides the context for an investment decision, a description of viable options, analysis thereof, and a recommended decision. The recommendation describes the proposed investment and all of its characteristics, such as benefits, costs, risks, time frame, change requirements, impact on stakeholders, and so forth.

The importance of the business case in the decision-making process continues throughout the entire life cycle of an investment: from the initial decision to proceed to the decisions made at scheduled project gates to continue, modify, or terminate the investment. The business case would be used to review and revalidate the investment at each scheduled project gate and whenever there is a significant change to the context, project, or business function. The business case would be revisited and considered anew if the context changed materially during the course of the project.

Note that a business case is used to identify and explore options and then develop recommendations for the proposed investment, as described in this guide. It should not be used as a justification for a decision already made or for an option already selected as a foregone conclusion. That would not be true to the objective analysis or transparency required when preparing a robust business case.

Involve the Senior Responsible Officer and Engage the Audience

The business case is ready for consideration once it has been developed. It is important to note, however, that even the best analysis and documentation will be of limited use unless the decision makers support the business case and give the necessary approvals.

Find a senior responsible officer (SRO) who can galvanize support for the business case as well as for the subsequent implementation. The SRO should be a person in a senior management position; for example, very large projects should have an assistant deputy minister in this role. Avoid starting a project without an SRO. The business sponsor may make a good SRO, as might anyone involved in the investment's governance or the proposal process.

When developing the business case, its intended audience should be taken into consideration. Tailoring the business case for the decision makers will benefit its advancement.

Determine the best means for engaging the target audience and adapt the message to its needs and point of view. Considerations for properly engaging the audience include the following:

- ▶ Involvement, whenever possible, of the identified target audience throughout the development of a business case; and
- ▶ Engagement of the decision makers early in the process so that the business case can evolve and appropriately address any of their concerns during its development.

Allow for periodic feedback sessions and checkpoints to ensure that the target audience is kept up to date on the business case's progress.

Business Case Model

The business case model proposed here sees the development of the business case progressing through three phases and within those phases are key steps that will collectively make up a solid business case.

These three phases are:

- ▶ **Phase 1:** Strategic Context
- ▶ **Phase 2:** Analysis and Recommendation
- ▶ **Phase 3:** Management and Capacity

The five key steps within the business case's three phases are:

- ▶ **Step 1:** Business Needs and Desired Outcomes
- ▶ **Step 2:** Preliminary Options Analysis
- ▶ **Step 3:** Viable Options
- ▶ **Step 4:** Justification and Recommendation
- ▶ **Step 5:** Managing the Investment

Step 1 occurs during Phase 1.

Steps 2, 3, and 4 occur during Phase 2.

Step 5 occurs during Phase 3.

The flow of the overall process is as follows:

Phase 1

▶ Step 1: Business Needs and Desired Outcomes

- Establishes the case for change and clearly defines the need for the investment.

Phase 2

▶ Step 2: Preliminary Options Analysis

- Identification, analysis, and screening of a comprehensive list of options to demonstrate due diligence in the selection of choices.

▶ Step 3: Viable Options

- Builds upon the preliminary analysis of options, where each viable option is subjected to an increasing level of rigorous analysis.

▶ Step 4: Justification and Recommendation

- Full comparison of each viable option against the evaluation criteria identified in the preliminary analysis; and
- Recommendation of a preferred option based on the net advantages of the viable option over all others.

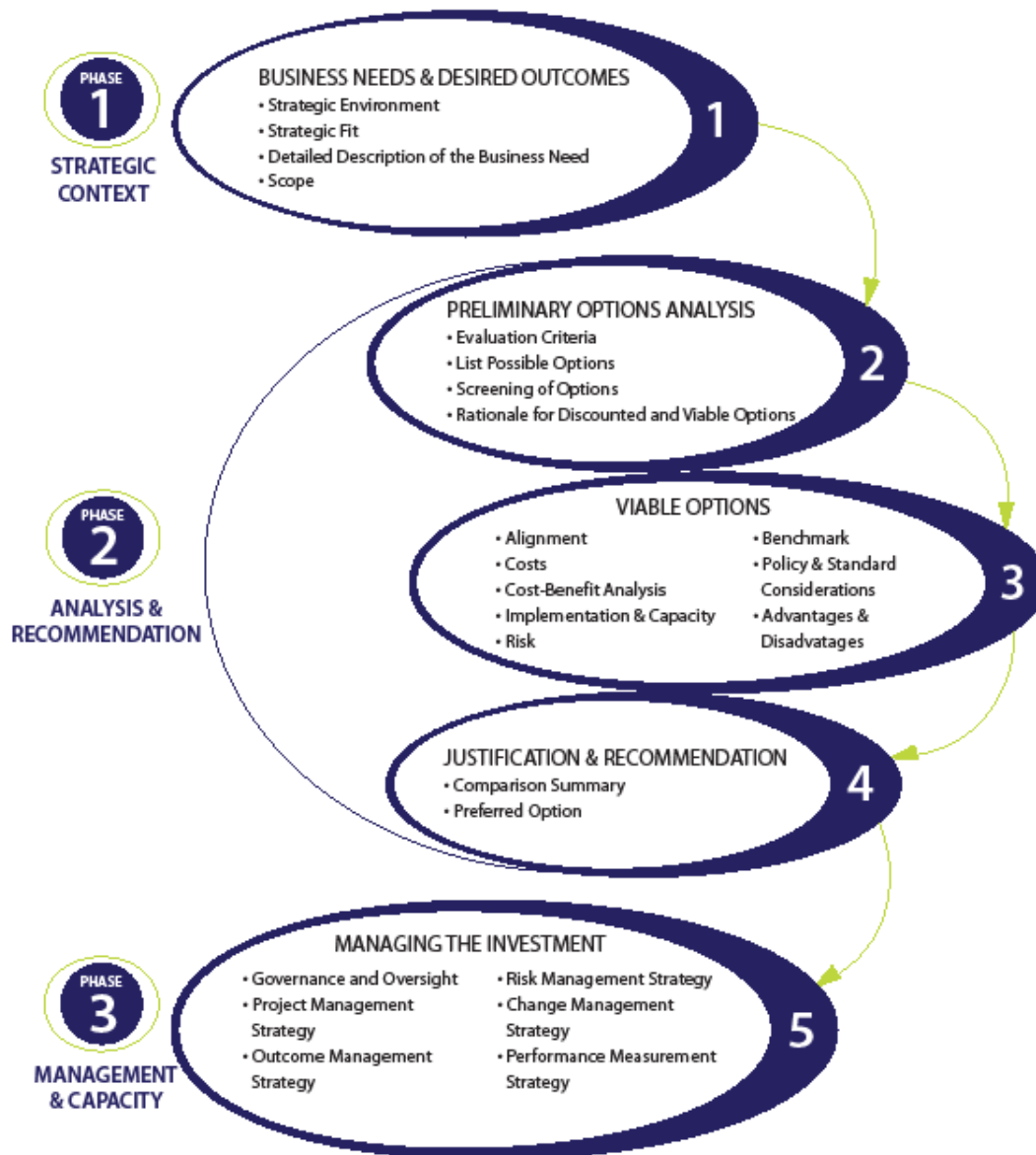
Phase 3

▶ Step 5: Managing the Investment

- Strategic considerations for how the investment will be managed.

A comprehensive graphic of the business case model has been included to show users the entire life cycle of a business case. This graphic is designed to provide a strategic overview of the phases and steps involved in the business case process and is not meant to be included in the actual business case.

BUSINESS CASE MODEL



Overview: Phases and Steps of a Business Case

Phase 1: Strategic Context

The purpose of the Strategic Context phase is to establish the case for change and clearly define the need for the investment. To do this effectively, the following key questions should be addressed at the outset of every business case:

Where are we now?	Describes the current business environment.
Where do we want to be?	Describes the business objectives.
What is the business need?	Describes the problem or opportunity facing the organization and the associated proposed investment.
What has triggered the need for change?	Describes the drivers for change.
What are we trying to achieve?	Describes the business' desired outcomes.
What is the strategic fit?	Describes how the proposed investment maps to the departmental framework, to its goals, priorities, outcomes, and policies, as well as to those of the government.

The focus of this phase is on the following:

► Step 1: Business Needs and Desired Outcomes

The first step in developing a business case is to identify the need (problem or opportunity) facing the sponsoring organization and the desired business outcomes. To do this effectively, due consideration should be given to the broader organizational context, which includes the current business environment, strategic business objectives, and drivers for change, along with an analysis of how the desired business outcomes align with the overall organizational objectives, structure, and policy framework. Relating the investment proposal to strategic considerations will help clearly define the business need and, ultimately, demonstrate the value of the investment to the organization.

Phase 2: Analysis and Recommendation

The Analysis and Recommendation phase is the point in the business case process where the following key questions should be answered:

How will we get there?	Presents the viable options and associated costs and benefits that will undergo detailed analysis and the evaluation criteria that ultimately will be used to determine an overall recommendation.
What is the best option?	This question could be answered by a financial appraisal to ascertain funding, affordability, and cost balancing in relation to benefits and risks.

While all phases of the business case development process are necessary, the Analysis and Recommendation phase is considered the heart of the business case.

The focus of this phase is on the following:

▶ **Step 2: Preliminary Options Analysis**

Having set the context and established a case for change, the next stage in the development of a business case focuses on the main options available for addressing the business need.

Although describing the preliminary range of options at this point does not require a detailed analysis, a comprehensive list of options—sometimes called a “long list”—should be produced and screened to demonstrate due diligence in the selection process. Once the screening is complete, details regarding the decision to either accept or reject an option for further analysis should be presented. The objective is to narrow the field of alternatives down to a reasonable number of viable options—sometimes called a “short list”—for rigorous analysis. It is considered a best practice to include a minimum of three viable options for analysis, with one being the status quo option.

▶ **Step 3: Viable Options**

The objective of Step 3 is to identify the preferred option from the short list of viable options that answer the investment need and the case for change.

A more rigorous analysis of the viable options is conducted at this point in the business case by building on the previous section’s analysis. The advantages and disadvantages (with supporting evidence) of each option should be fully explored and evaluated in terms of their costs (total or incremental) and risks.

▶ **Step 4: Justification and Recommendation**

Nothing in the business case will be questioned or scrutinized more than the justification supporting the recommendation to adopt the preferred option. With the detailed analysis of each viable option (including the status quo option) now complete, the goal of Step 4 is to identify a preferred option and demonstrate why the option is deemed preferable over all others.

This section leverages the Preliminary Options Analysis approach where the options are subjected to a comparative analysis. The evaluation criteria and the degree to which the key requirements of the business need are addressed will be measured alongside the findings of the viable options analysis conducted in Step 3.

Phase 3: Management and Capacity

This strategic-level phase should demonstrate to the business case’s reviewers that the investment will be managed effectively. The reviewers—and all the stakeholders—need assurance that all the appropriate project and outcome management strategies are in place and that they will be used to guide the project through a controlled and well-managed environment to achieve the desired business outcomes.

Phase 3 will produce the evidence required to strategically address the following key management issues:

Where and how will the investment fit within the organization’s broader governance and oversight structure?	Describes the governance and oversight structure for the investment.
How will the project be managed and reviewed throughout its life cycle?	Describes the project management strategy for the investment.
How will the business outcomes be realized?	Describes the outcome management strategy for the investment.
How will the business risks be mitigated and managed?	Describes the risk management strategy for the investment.
How will change be managed and implemented?	Describes the change management strategy for the investment.
How will performance be measured?	Describes the performance measurement strategy for the investment.

The focus of this phase is on the following:

▶ **Step 5: Managing the Investment**

The objective of Step 5, the important final step in the business case development process, is to describe—at a strategic level—how the investment, project, initiative, or event will be managed, while also demonstrating an acceptable level of due diligence. A secondary goal of Step 5 is to further reinforce the key messages of the business case, ensuring its soundness and conformity to commonly acknowledged best practices for business.

The following investment management elements should be described in terms of strategies and illustrate that such critical project management fundamentals as methodology and procedures are well thought out and in place before the launch of the project:

- ▶ Governance and oversight
- ▶ Project management strategy

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- ▶ Outcome management strategy
 - ▶ Risk management strategy
 - ▶ Change management strategy
 - ▶ Performance measurement strategy

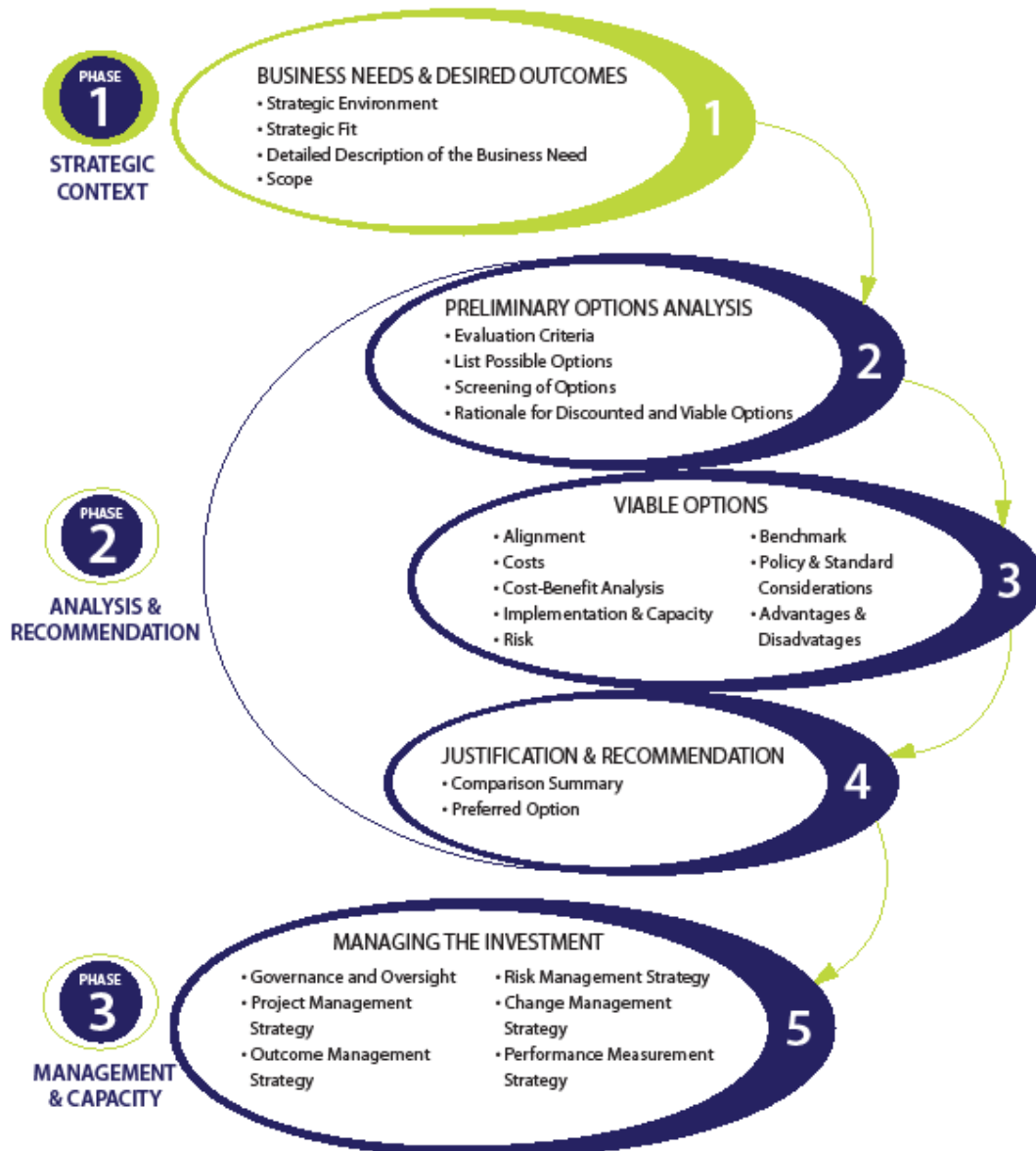
Creating a Business Case

Phase 1: Strategic Context

The purpose of the Strategic Context phase is to establish the case for change and clearly define the need for the investment. To do this effectively, the following key questions should be addressed at the outset of every business case:

Where are we now?	Describes the current business environment.
Where do we want to be?	Describes the business objectives.
What is the business need?	Describes the problem or opportunity facing the organization and the associated proposed investment.
What has triggered the need for change?	Describes the drivers for change.
What are we trying to achieve?	Describes the business' desired outcomes.
What is the strategic fit?	Describes how the proposed investment maps to the departmental framework, to its goals, priorities, outcomes, and policies, as well as to those of the government.

BUSINESS CASE MODEL



Phase 1 Step 1

1 Business Needs and Desired Outcomes

The first step in developing a business case is to identify the need (problem or opportunity) facing the sponsoring organization and the desired business outcomes. To do this effectively, due consideration should be given to the broader organizational context, which includes the current business environment, strategic business objectives, and drivers for change, along with an analysis of how the desired business outcomes align with the overall organizational objectives, structure, and policy framework. Relating the investment proposal to strategic considerations will help clearly define the business need and, ultimately, demonstrate the value of the investment to the organization.

1.1 Strategic Environment

1.1.1 Organizational Overview

To build a strong rationale for a proposed investment, the current business environment needs to be described. The Organizational Overview of the sponsoring department, agency, or entity should include:

- ▶ Mission
- ▶ Strategic vision, goals, and service objectives
- ▶ Current activities and services, including key stakeholders and clients
- ▶ Organizational structure (high level)
- ▶ Existing capacity—financial and human resources

1.1.2 Business Need

This subsection contains a clear articulation of the business need in the form of a well-structured statement that addresses the problem or opportunity. This statement should be no more than one or two sentences. The statement should be structured in a manner that first identifies the core issue, followed by the investment proposal (in general terms) required to address it.

This statement is the investment’s primary descriptor and will be referred to many times throughout the business case.

Best Practices:

Typically, the business need can be best articulated by identifying the gap between “Where we want to be” (as suggested by the business objectives), along with the associated desired business outcomes, and “Where we are now” (existing arrangements for services). This highlights the problems, difficulties, and inadequacies of the status quo.

1.1.3 Drivers for Change

This subsection identifies the drivers that have triggered the investment proposal. Both internal and external drivers of change should be identified and clearly linked to the business need. The following is a select, not exhaustive, list of typical drivers of change:

- ▶ Efficiency: Increase efficiency, effectiveness, or quality of a program;
- ▶ Competitiveness: Increase Canada's footing in the global marketplace;
- ▶ Policy: Change in a program's priority or mandate;
- ▶ Demographics: Change in the demand for a program;
- ▶ Resources: Change in technology or resources;
- ▶ Politics: Change in legislation or government term;
- ▶ Economics: Taxation issues, international trade and monetary issues, or industry factors;
- ▶ Society: Ethical issues, effects of population change, media coverage;
- ▶ Technology: Innovation potential, legislation related to technology, or technological upgrades and solutions;
- ▶ Law: Regulatory bodies, consumer protection, or employment law; and
- ▶ Environment: Ecological or global factors.

1.1.4 Business Outcomes

This subsection describes the business outcomes (high level). An output is a deliverable of the investment, such as a product or service, whereas a business outcome is the expected result or benefit that the organization is striving to achieve at the end of an intervention or change. Fundamentally, business outcomes are the reason for undertaking an activity, initiative, or project and are therefore critical to a successful business case. As such, defining outcomes at the outset will contribute significantly to demonstrating the business value to be derived from the investment.

At this point, a simple list of the desired outcomes linked to the business need is sufficient. One way to identify the business outcomes is through adoption of the outcome management (OM) approach to benefits realization.

OM is a strategic approach that ensures initiatives are designed around departmental and governmental outcomes and the investment's desired outcomes are achieved. The first stage of the OM approach involves the identification of desired outcomes.

For details on OM, please see *[Outcome Management Guide and Tools](#)* on the Secretariat website.

Best Practices:

Business outcomes should be clearly defined, measurable, and developed with stakeholder involvement.

1.2 Strategic Fit

To make a robust case for change, the business case should demonstrate how the proposed investment fits within the broader strategic context and contributes to organizational goals and objectives. This subsection maps the investment proposal to the organizational framework.

First, there should be reference to the legislative mandate that provides the sponsoring organization with the authority to address the current business need. In some cases, consideration of whether the scope of the investment fits within legislative boundaries may be required. If the proposed investment either impacts or has the potential to impact a piece of legislation, full details should be provided, including discussion of the processes necessary to address the effect. The requirements for new legislation (or amendments to existing legislation) are complex and need to be determined very early in the process.

Second, there is a need to ensure that the proposed investment is aligned with established departmental and governmental policies. As with legislation, any potential impact on policy should be identified and dealt with appropriately. The following constructs are integral to the GC's management principles:

- ▶ Management, Resources, and Results Structure (MRRS)
- ▶ Management Accountability Framework (MAF)
- ▶ Departmental Investment Planning

The business case and its proposed investments should be compliant with the principles laid out in these management constructs. For example, each investment should show evidence of alignment between the desired business outcomes of the activity, initiative, or project and those of the organization. Typically, this linkage will lie somewhere within a program area at the appropriate level of the organization's Program Activity Architecture (PAA) within the departmental MRRS.

Similarly, alignment with the departmental business architecture and existing or planned projects and programs should be demonstrated. Furthermore, how project management and oversight will be integrated with current governance structures should be identified.

Best Practices:

The business case should demonstrate alignment with the strategic objectives within the sponsoring organization's PAA.

1.3 Detailed Description of the Business Need

A detailed description of the business opportunity is composed of the following five core elements:

- ▶ Problem/opportunity statement
- ▶ Prioritized requirements (high level)
- ▶ Assumptions
- ▶ Constraints
- ▶ Dependencies

1.3.1 Problem/Opportunity Statement

The Business Need subsection above (see 1.1.2) explains how to formulate this statement. Along with the problem/opportunity statement, the following elements (sections 1.3.2 to 1.3.5) contribute to the detailed description of the business need.

1.3.2 Prioritized Requirements (High Level)

Once the problem/opportunity statement has been articulated, the next step is to specify the key requirements to fully address the business need. The requirements are simply an elaboration of the business need and should provide sufficient detail for options to be reasonably compared. The complexity and scope of the business need will dictate the amount of detail to provide; however, it is important that the problem/opportunity statement remain separate.

The requirements should be phrased in clear and concise language. Consider a work breakdown structure where the top level describes the investment—or, in this case, the problem/opportunity statement—and the next level provides further detail broken down by the type of requirements or particular characteristics of the business need.

While there are many ways to describe the requirements, it is important that the message be clear and fact based so that the intended audience can easily understand the concept.

While all the elements of a business case are important, there is no problem to solve or opportunity to be gained until a logical flow of information illustrating the current state of affairs, objectives, needs, and requirements is provided. The following table illustrates the sequential flow of key elements that define the business need for an investment.

Example: Investment Definition

Defining the Investment	
Business Environment	What the current state or status quo is.
Business Objectives and Outcomes	What we are seeking to achieve.
Business Need	The required changes to the current state.
Key Requirements	What to address in order to overcome the current state or status quo and achieve the investment objective.

The business need and requirements development process is a collaborative effort that can involve a wide variety of internal and external stakeholders. By the end of the requirements process, all parties should agree on the overall need and the actual requirements to address the business objective(s) fully. While the method employed to develop key requirements may vary from one organization to the next, it should nonetheless include the following three fundamentals:

1) Collaboration

Identify the appropriate types of resources and stakeholders to participate in defining the business need and requirements. Stakeholders should have significant involvement in the planning process, as their input is critical to establishing a clear understanding of their needs and those of organizations affected.

2) Elicitation

Support the stakeholder team by asking the right questions at the right time. Consideration may be given to employing a resource with strong engagement skills and experience, but external to the activity, initiative, or project so as to provide an objective viewpoint. Asking the right questions increases the likelihood of properly defining the business requirements.

3) Validation

Regardless of the approach used to define the business requirements, validation and approval of the requirements is the first major milestone in the development of a business case. It is where all parties agree on the overall need and the actual requirements to address the problem/opportunity statement fully. Furthermore, it signifies a unified project team all focussed on the same objective.

Before the business need is fully defined, it is good practice to prioritize, in consultation with the appropriate stakeholders, the requirements as follows:

- ▶ Core: “Must have” requirements
- ▶ Desirable: “Consider on a cost-benefit basis” requirements
- ▶ Optional: “Might accept if exceptionally low in cost” requirements

Example: Key Requirements

Key Requirements			
Number	Core	Desirable	Optional
Requirement 1			
Requirement 2			
Requirement 3			

Prioritizing the key requirements is an important step in business case development because the degree to which a specific option satisfies the requirements can be a deciding factor when identifying the preferred option.

The business case will be further enhanced if the business requirements are supported by documentary evidence, such as evaluations, feasibility studies, test cases, and interviews.

Regardless of the method employed to determine key requirements, it is important to demonstrate what the method was and describe how the requirements were developed. To withstand scrutiny, key requirements should be clear and concise and the underlying methodology for their identification should be solid.

1.3.3 Assumptions

To be able to identify the key requirements, a certain number of assumptions are necessary. List and describe all of those assumptions and the potential impact they could have on the investment if not addressed. By definition, an assumption is to be taken at face value without proof; therefore, the list of assumptions should be reasonable.

If possible, provide any supporting quantifiable information; however, at this point, do not include any quantitative data such as return on investment or cost estimations. These are key decision-making criteria used later in the business case’s rigorous option analysis and should be able to withstand scrutiny. Though not subject to the same level of scrutiny, assumptions should nevertheless be realistic and accurate, otherwise the overall credibility of the business case can be negatively affected.

The main focus of the business case is the evaluation of a proposed course of action based on a rigorous analysis of viable options to address the identified business need. A key element in the investment decision process is the availability and source of funding. Any assumptions related to funding should be clearly acknowledged, as this could have an influence on the actual investment decision.

All assumptions with the potential to significantly affect the investment (whether positively or negatively) as well as their direct impact (whether positive or negative) should be identified, as shown in the example table below.

It is recommended that each assumption be tested to assess its level of accuracy, reliability, and probability.

If the key requirements were developed based on assumptions that were not validated, the level of accuracy of the business case as a whole may be questioned.

Example: Assumptions

Assumptions Affecting Investment			
Number	It is assumed that:	Effects on investment:	Reliability Level: High/Medium/Low
Assumption 1			
Assumption 2			
Assumption 3			

1.3.4 Constraints

List and describe the specific constraints that place limits or conditions on the investment, especially those associated with, but not limited to, any of the following examples:

- ▶ Hard deadline
- ▶ Predetermined budget
- ▶ Subject matter expertise
- ▶ Contract provisions
- ▶ Privacy or security considerations

Because constraints can come from either external or internal factors, having the capacity to identify constraints therefore implies that an analysis of the proposed project environment has been conducted.

External factors can include, but are not limited to, the following:

- ▶ Social factors
- ▶ Environmental issues or concerns
- ▶ Political reasons
- ▶ Economic factors
- ▶ Technological issues

Internal factors can include, but are not limited to, the following:

- ▶ Resources
- ▶ Expertise
- ▶ Business requirements
- ▶ Legal requirements
- ▶ Facilities

Constraints should be classified by category as follows:

Example: Constraints

Constraints		
Number	Category:	Constraints:
Constraint 1		
Constraint 2		
Constraint 3		

1.3.5 Dependencies

Any dependencies identified at this point should be related to the overall business need, the requirements, or the solution and not to any specific option. The description of the dependency should highlight the manner in which a particular initiative or entity (internal or external) associated with the investment relies on a specific enabling action, as shown in the table.

Example: Dependencies

Dependencies		
Number	Element:	Is dependent upon [action] from [entity]:
Dependency 1		
Dependency 2		
Dependency 3		

It is important that a clear and consistent connection be made between assumptions, constraints, and dependencies in relation to risks and issues. This information is both useful in the planning stage and during the analysis.

Best Practices:

Caution should be taken not to use an assumption as a deciding factor when determining the preferred option.

1.4 Scope

Following the definition of the business need (problem or opportunity), the boundaries of the investment need to be defined. The scope of a business case further clarifies the business outcome by pinpointing an investment's characteristics and boundaries.

1.4.1 Boundaries

Boundaries explicitly identify what is to be included within the scope of the investment and what is to be excluded from the investment (see Boundaries table below).

Establishing the boundaries of the investment not only narrows the focus to what the investment entails but also serves to communicate and solidify stakeholder expectations.

Example: Boundaries

Boundaries		
Number	Included:	Excluded:
Boundary 1		
Boundary 2		
Boundary 3		

Best Practices:

When describing the limitations of the investment, provide a sufficient level of detail. Omitting information could result in a negative impact on either the investment or its stakeholders.

A clear understanding of the investment's constraints should be obtained when defining the project's scope. Any issues or risks associated with the project's timing and funding and uncertainty surrounding the mandate should be recognized at this point in the process.

1.4.2 Stakeholder Analysis

Stakeholders should be actively involved in the business case process. They should be fully engaged when defining the business requirements and the business outcomes. Whether internal or external, stakeholders have interests that may be positively or negatively affected by the implementation of the investment so their involvement is vital.

When describing the stakeholder environment, consider what types of stakeholders will be involved, what their roles will be, and what contributions they will bring to the realization of the investment.

Internal stakeholders are groups of resources from within the sponsoring organization that affect or are affected by the proposed investment.

Contributing stakeholders can be either primary or secondary stakeholders. Primary stakeholders either directly benefit from a project's efficiency, revenues, or competitive advantage or are those implementing the new project. Secondary stakeholders either have a dependent relationship with the primary stakeholders or are affected by their actions.

Other elements to consider within the stakeholder analysis include the following:

- ▶ The working relationship between various stakeholder groups and the nature and frequency of their involvement;
- ▶ Relevant agreements such as Memoranda of Understanding (MOU) and Service Level Agreements (SLA); and
- ▶ The mapping of business outcomes to specific stakeholder groups.

A well-executed stakeholder analysis demonstrates the specific contributions stakeholders will make to the project or the benefit to be received from their involvement. It also highlights specific areas of accountability and clearly communicates the expectations in a transparent manner. There should be no ambiguity regarding roles and responsibilities in the stakeholder analysis. This will also simplify the process of obtaining stakeholder sign-off in the Project Charter.

Milestone Achieved

Business needs and desired outcomes have been identified.

Summary

After completing Phase 1 of the business case, you should be able to answer the following questions:

- Where are we now?
- Where do we want to be?
- What is the business need?
- What has triggered the need for change?
- What are we trying to achieve?
- What is the strategic fit?

Phase 2: Analysis and Recommendation

The Analysis and Recommendation phase is the point in the business case process where the following key questions should be answered:

How will we get there?	Presents the viable options and associated costs and benefits that will undergo detailed analysis and the evaluation criteria that ultimately will be used to determine an overall recommendation.
What is the best option?	This question could be answered by a financial appraisal to ascertain funding, affordability, and cost balancing in relation to benefits and risks.

While all phases in the business case development process are necessary, the Analysis and Recommendation phase is considered the heart of the business case.

This focus of this phase is on the following:

▶ **Step 2: Preliminary Options Analysis**

- Identification, analysis, and screening of a comprehensive list of options to demonstrate due diligence in the selection process.

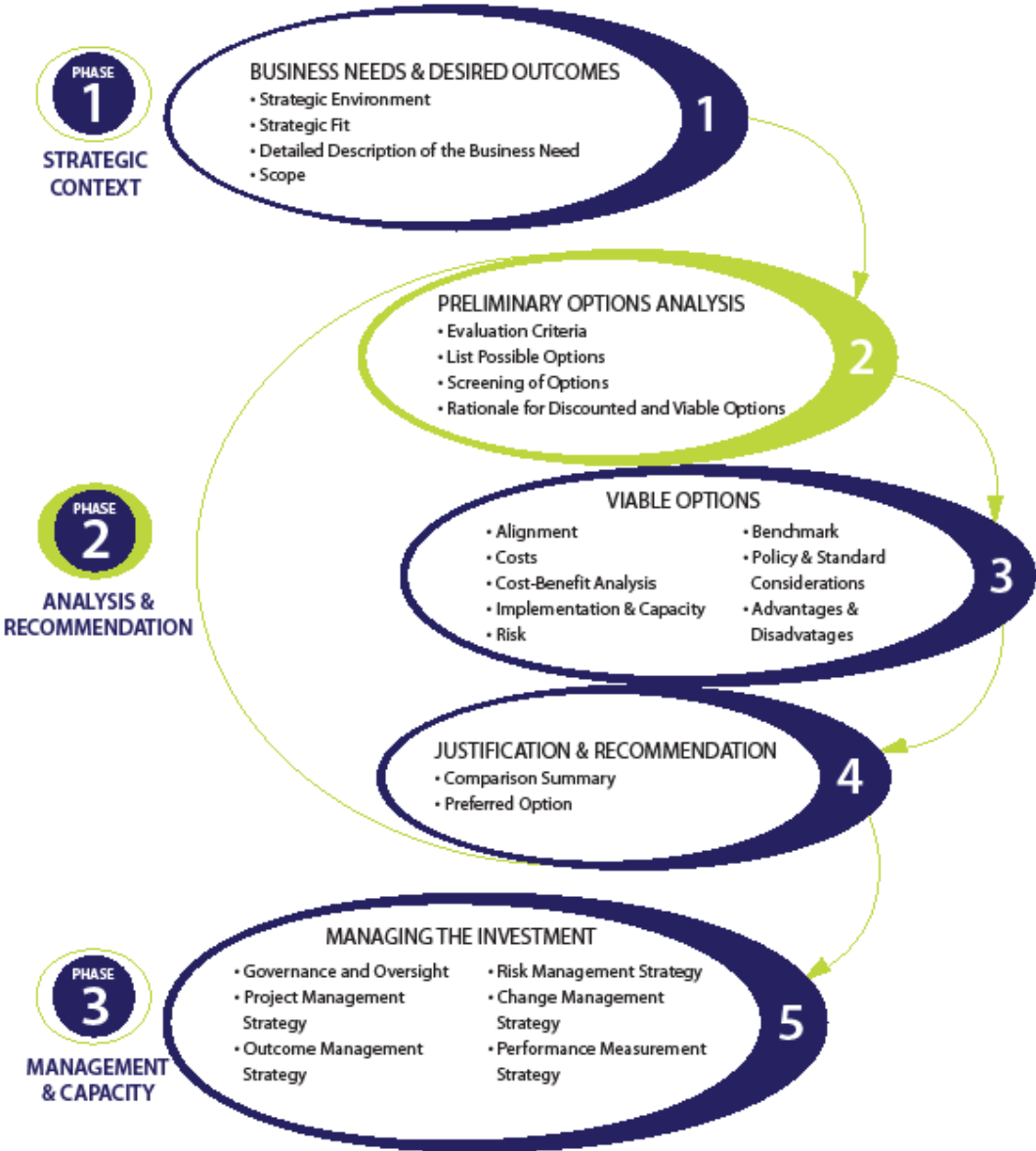
▶ **Step 3: Viable Options**

- Builds upon the preliminary analysis of options, where each viable option is subjected to an increasing level of rigorous analysis.

▶ **Step 4: Justification and Recommendation**

- Full comparison of each viable option against the evaluation criteria identified in the preliminary analysis; and
- Recommendation of a preferred option based on the net advantages of the viable option over all others.

BUSINESS CASE MODEL



Phase 2 Step 2

2 Preliminary Options Analysis

Having set the context and established a case for change, the next stage in the development of a business case focuses on the main options available for addressing the business need.

Although describing the preliminary range of options at this point does not require a detailed analysis, a comprehensive list of options—sometimes called a “long list”—should be produced and screened to demonstrate due diligence in the selection process. Once the screening is complete, details regarding the decision to either accept or reject an option for further analysis should be presented. The objective is to narrow the field of alternatives down to a reasonable number of viable options—sometimes called a “short list”—for rigorous analysis. It is considered a best practice to include a minimum of three viable options for analysis, with one being the status quo option.

The preliminary options analysis involves the following steps, which are covered in detail in the next sections of this guide:

- ▶ Evaluation criteria
- ▶ List of possible options
- ▶ Screening of options
- ▶ Rationale for discounted and viable options

2.1 Evaluation Criteria

Best Practices:

Define the evaluation criteria that will be used for screening and analysis of the options and will ultimately determine an overall recommendation.

To compare various options, evaluation criteria need to be identified and they should be strategically and contextually relevant. Evaluation criteria should be defined by the organization, and weighted if required, based on the business need and investment type. The evaluation criteria will invariably differ from investment to investment, both in content and relative importance. It is highly recommended that the evaluation criteria be developed in collaboration with the relevant stakeholders and senior management.

The following three types of evaluation criteria are to be used for options analysis throughout the business case:

1) Screening criteria (deal breakers):

- ▶ Are defined as required by the organization;
- ▶ Will be used in this section for screening of the options; and
- ▶ May be used for further analysis of viable options later in the business case.

The screening criteria used in this section function as “deal breakers.” A deal breaker is an option that does not adequately address specific criteria; it should be ruled out immediately. For an option to be considered viable, it must meet all of the screening criteria. The degree to which each criterion is met will ultimately prove to be a deciding factor in the selection of one viable option over another (which will be done during the comparative analysis in the Justification and Recommendation section later in the business case).

2) Essential evaluation criteria (minimum requirement):

- ▶ Are typically identified as alignment, costs, cost-benefit, implementation and capacity, risk, benchmark, and policy and standard considerations; and
- ▶ Are defined in the Viable Options section of the business case and will be used for further analysis of viable options later in the business case.

3) Desirable evaluation criteria (non-essential):

- ▶ Are defined as required by the organization; and
- ▶ Will subsequently be used for further analysis of viable options later in the business case.

The following table illustrates sample screening criteria to which investments could be subjected:

Example: Screening Criteria

Screening Criteria	Description
Strategic fit and business needs	<ul style="list-style-type: none">▶ Meets agreed-upon investment objectives, desired business outcomes, related business needs, and service requirements.▶ Is aligned with the organization, provides synergy, and supports other strategies, programs, and projects.

Screening Criteria	Description
Potential achievability	<ul style="list-style-type: none"> ▶ Is likely to be delivered in view of the organization's ability to assimilate, adapt, and respond to the required level of change. ▶ Matches the level of available skills that are required for successful delivery.
Potential affordability	<ul style="list-style-type: none"> ▶ Meets the sourcing policy of the organization and likely availability of funding. ▶ Matches other funding constraints.

2.2 List of Possible Options

Best Practices:

Identify, describe, and explore every possible option that can address the business need.

When determining the list of options, identify the widest possible range of options that could potentially meet the business needs described in the problem/opportunity statement. The options should have a clear relationship to the organization's true needs. At this point, a focus on specific products or methods might exclude potential options that could produce the same benefits at a lower cost or an increased set of benefits for the same cost.

Strategy:

Options should be generated by working groups (brainstorming exercises) composed of senior managers (business input), stakeholders and clients (user input), and other specialists as required (for example, technical input).

Opportunities can be addressed in different ways and to different extents. In many cases, there could be options that concentrate on service delivery, on leveraging existing processes or systems across the GC, or on altering current procedures. These options may require little or no new investment or may require extensive change. The preliminary options analysis should evaluate, where possible, every feasible method or process.

Options can come in many forms and it is important to explore all possible categories of options. Identify and list as many reasonable options as possible within each category. While the result may give a long list of options, it demonstrates due diligence in exploring possible options. The following table illustrates how feasible options may be determined by category:

Example: Possible Options

Category of Choice	Description
Status Quo	Shows how an organization would perform if it did not pursue the investment proposal or otherwise change its method of operation (also known as the base case).
Implementation	Explores various means of implementation, such as: <ul style="list-style-type: none">▶ Delay—implementing the investment at a future date rather than as soon as possible;▶ Full or Big Bang—implementing 100 per cent of the investment; and▶ Phased—implementing the investment over time based on success.
Service Delivery (Outsource)	Explores the option of the business need being addressed, in part or in whole, by an external service provider or through partnership.
Re-engineering	Explores the option of leveraging existing business processes or applications within the organization or those of other GC departments to address the business need. Details of how that option was discovered (i.e. environmental scan) should be included.
Build	Explores the option of building the asset, e.g. a laboratory, a building, or a system.
Buy	Explores the option of purchasing the asset or service outright and managing the product or service internally.
Lease/Rent	Explores the option of leasing or renting the solution or service.

It is important to note that a potential option may involve a combination of categories. For example, consider the outright purchase of a solution where business delivery remains with the GC but the technology to support it is outsourced.

2.2.1 The Status Quo

It is important to include the status quo option (also known as the base case) as it will act as the baseline for the upcoming analysis. The status quo option will show how an organization would perform if it did not pursue the investment proposal or otherwise change its method of operation. In some cases, it might be the only acceptable alternative.

The status quo option should predict the long-term costs and benefits of maintaining the current method of operation, taking into account the known external pressures for change, such as changes to legislation, service, budgets, staffing, or business direction.

2.2.2 Describing the Option

The description of each preliminary or potential option is to be kept at a high or cursory level. The characteristics used to describe each option should be consistent across options because the preliminary evaluation and screening will be conducted based on those

characteristics. It is best to limit the number of descriptive characteristics, providing the audience with only enough information to understand what each preliminary option entails.

The following table illustrates how to describe the options:

Example: Option Description

Option Description	
Option Number and Name	Example: Option 2—Implement regionally
Category of Choice	The type of option (status quo, implementation, service delivery, re-engineering, build, buy, or lease/rent)
Description	Brief summary of the option

2.3 Screening of Options

Best Practices:

Assess how well each option meets the screening criteria. Determine whether a particular option should be discounted immediately or considered for further analysis as a viable option.

There may be a large range of options that could be considered as potential solutions. This long list of options should be filtered down to a smaller list of viable options that are feasible to implement. A screening process will help to ensure that the analysis proceeds with only the most promising options identified. By its conclusion, the screening process should include the reasons for selecting or rejecting particular options.

Options should be ruled out if they do not meet the screening criteria (deal breakers) that have been identified by the organization, as described in 2.1 Evaluation Criteria.

Options may be ruled out on the basis that their success depends too heavily on unproven methodologies. Care should be taken not to confuse options that will not work with options that merely appear less desirable. Options that are simply undesirable will be discounted when the costs and benefits begin to be measured.

Consider presenting the screening summary in the table format shown below. The table provides a simple and straightforward approach for identifying the options, assessing a broad range of relevant options (the long list), and determining whether each option is “in” (meets the screening criteria) or “out” (does not meet the screening criteria). Be prepared to provide evidence to support the summary indicators.

Example: Screening Summary Table

Option Number and Name	Option 1: Status Quo	Option 2: Implement regionally	Option 3: Centralize	Option 4: Outsource
Screening criterion: Strategic fit and business needs	No	Yes	Yes	Yes
Screening criterion: Potential achievability	No	Yes	Yes	Yes
Screening criterion: Potential affordability	Yes	Yes	Yes	No
Summary	Retained as baseline	Viable	Viable	Discounted

2.4 Rationale for Discounted and Viable Options

Best Practices:

Develop the short list of viable options based on the assessment performed in the screening of options and provide the reasons for retaining or discarding each option.

Once the screening is complete and the options have either been ruled out or considered for further analysis, each decision is to be clearly explained—and justified—to demonstrate due diligence in the selection of viable options.

It is important to note that if too many options are considered viable, the effort needed to conduct a rigorous analysis may simply outweigh the available capacity to complete the business case. In this situation, introducing additional screening criteria may provide a means of filtering the list of viable options down to a reasonable number.

If no options are deemed viable, consideration should be given to the effect of maintaining the status quo or revisiting the business need and desired outcomes.

In the case where only one viable option is deemed viable aside from the status quo option, ensure that the supporting evidence discounting all other options is sound and can withstand scrutiny.

As shown in the Option Findings table below, the options considered viable should be clearly identified and few in number. If too many options are deemed viable, consideration should be given to strengthening the evaluation criteria. The status quo option (base case) must be retained as a viable option.

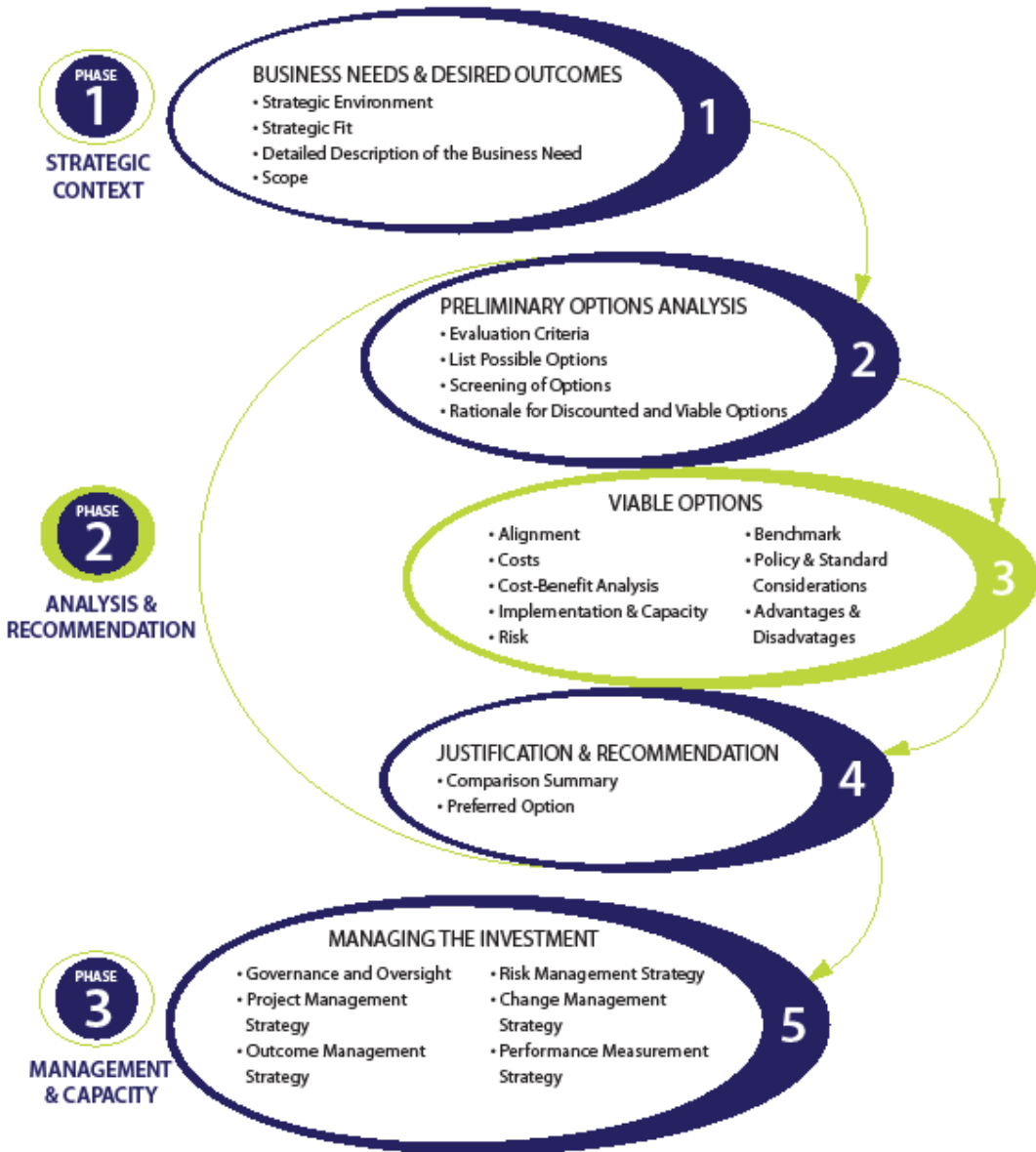
Example: Option Findings

Option Findings		
Options	Screening Summary	Rationale
Option 1: Status Quo	Retained as baseline	(Reasons for inclusion or exclusion of the option for the next stage)
Option 2: Implement regionally	Viable	
Option 3: Centralize	Viable	
Option 4: Outsource	Discounted	

At this point, the viable options should be evident and most likely will not differ too widely. The common elements among the viable options should be recognizable and will serve to set the stage for the preferred option (or types of options being considered), the realm of anticipated costs, and the likelihood and degree to which the evaluation criteria and investment objectives will be addressed.

Milestone Achieved Preliminary options analysis has been completed.

BUSINESS CASE MODEL



Phase 2 Step 3

3 Viable Options

The objective of Step 3 is to identify the preferred option from the short list of viable options that answer the investment need and the case for change.

A more rigorous analysis of the viable options is conducted at this point in the business case by building on the previous section's analysis. The advantages and disadvantages (with supporting evidence) of each option should be fully explored and evaluated in terms of their costs (total or incremental) and risks.

This section details how the preferred option will be selected based on the following:

- ▶ Ability to contribute toward and realize the desired business outcomes and benefits;
- ▶ Extent to which each of the evaluation criteria are addressed;
- ▶ Estimates of the full costs; and
- ▶ Risks associated with each option.

This guide presents a general range of assessment criteria that is applicable to most investments and is to be considered the minimal requirement. It is understood that each project and proposed investment is unique; additional criteria that are reflective of the type of project and investment under consideration should be included.

While every proposed option will have advantages, disadvantages, risks, and costs, there are instances where additional criteria will need to be included to accurately describe, assess, and compare an option. Ensure that the additional criteria is on point because a business case can quickly be derailed if a voluminous amount of irrelevant data and information obscures the key facts needed for a decision.

3.1 Alignment

Each viable option should, at a minimum, demonstrate alignment to both the desired business outcomes expected to accrue as a result of the investment and the anticipated contributions to broader organizational outcomes such as program area results. Beyond this, many decisions concern how well proposed investments align with other investments or with current operations. A number of alignment measures may therefore need to be considered and assessed.

3.1.1 Strategic Alignment

Strategic alignment refers to determining how the objectives of the investment either contribute to or counteract various strategic directions and priorities identified in, for example, an organization's PAA or Reports on Plans and Priorities (RPP), Speeches from

the Throne, the Main Estimates, or the federal budget. In particular, this section should describe how the option supports the organization's current business architecture and planned program results and strategic outcomes (if applicable).

3.1.2 Alignment with Desired Business Outcomes

How, and to what extent, an option addresses the desired business outcomes demonstrates the potential business value of the option in relation to the strategic context.

The initial analysis conducted in the Preliminary Options Analysis section focussed on whether the option could address the desired business outcomes. The next step is to determine:

- ▶ To **what** degree the business outcome is addressed; and
- ▶ **How** the business outcome will be realized.

Perform an option outcome analysis and present a summary of the findings for each business outcome. It may be preferable to organize the findings in a table format. At a minimum, include the following:

- ▶ Outcome—Brief description of the business outcome being analyzed.
- ▶ Alignment—Which strategic objective(s) does the business outcome support?
- ▶ Stakeholders—Which stakeholder is affected by each business outcome? While it is good practice to involve all stakeholders in defining the business outcomes, not all are equally affected.
- ▶ Target—Identifies performance targets to be achieved and timelines to be met.
- ▶ Assumptions—Is the option's ability to address the business outcome based on an existing or a new assumption?
- ▶ Dependency—What is necessary for the option to realize the business outcome?
- ▶ Risk—What are the key risks that may impact business outcome realization?
- ▶ Metric—How will progress in realizing the business outcome be tracked?
- ▶ Findings—To what degree does the option address the business outcome (possible, meets, or exceeds)?

Provide a brief summary of the option outcome analysis performed for each viable option, as shown below.

Example: Outcome Realization Analysis

Option 1: Outcome Realization Analysis	
Business Outcome	
Alignment	
Stakeholders	
Target	
Assumptions	
Dependency	
Risk	
Metric	
Findings	

3.2 Costs

Provide a complete description of the costs for each viable option. Projected costing estimates should be based on total cost of ownership, which includes ongoing costs over the course of the investment's life cycle as well as potential compliance costs for stakeholder groups. Assumptions about the implementation strategy (build, buy, outsource, and so forth) should be made clear. Costing should include a separate estimate for intangible costs.

Best Practices:

Identify key resources and subject matter experts and engage them early in the business case development process.

The cost estimates for all business cases and Treasury Board submissions should be prepared using the *Guide to Costing*, the official Secretariat reference on costing. This document should be used by financial officers and program managers for all costing exercises.

The *Guide to Costing* is based on generally accepted management accounting principles. It provides a logical, multi-step approach to costing and is adaptable for different levels of complexity and detail. It also provides detailed guidance and checklists for each of the steps.

Completing each step of the costing exercise by using the recommendations found in the checklists and furnishing supporting documentation describing the assumptions,

methodologies, and data sources used will demonstrate that due diligence was practiced in the costing process. As a result, departments will be able to answer any cost-related questions and justify their costing figures.

The level of costing detail required for the business case is determined by such factors as materiality, complexity, and specific departmental or agency needs.

Note:

Costing is not an exact science, which is why the judgment of financial officers with expertise in costing and of program managers who know the business is essential.

Because developing a business case is a collaborative effort, the involvement of key financial and management personnel from the sponsoring department throughout the process will help ensure a successful costing exercise.

When performing the business case's costing exercise, compliance with the *Guide to Costing* is considered a minimum requirement. Because the approach put forth in that guide is adaptable, departments and agencies may wish to tailor the process to meet their own needs, whether for approval, control, or reporting purposes.

Properly executed and documented costing exercises support decision making and performance monitoring. All financial proposals and decisions are strengthened when there is a clear and complete understanding of the implications on resources.

Results of the costing analysis from this section will be used to perform cost-benefit analysis, implementation and capacity analysis, and risk assessment of the viable options.

3.3 Cost-Benefit Analysis

Conduct a cost-benefit analysis for each of the viable options identified, also taking risks into account.

Identify the time frame of the cost-benefit analysis based on the expected life cycle of the project, i.e. from when costs begin to be incurred to when the benefits are expected to be achieved.

Express the data of the cost-benefit analysis in terms of revenue, income, or some other pertinent financial measurement. Assess the initial costs and ongoing expenses of the viable option against the financial measurement attributed to the business benefits, outcomes, or other results.

Net present value (NPV) is used in cost-benefit analysis to assess the potential profitability of an investment. NPV represents the difference between the total

investment (costs) and the present-day value of anticipated future annual cash flows (benefits). The risks identified for each viable option should also be assigned a value, which is then added to the costs. For example, one of the risks of the viable option is that insufficient training could lead to a loss of productivity, which has a very real, measurable value that increases the cost of that option.

Once the costs have been established for each viable option, the analysis of those costs in terms of benefits can now be performed.

The *Canadian Cost-Benefit Analysis Guide: Regulatory Proposals* is used by departments and agencies when performing cost-benefit analysis to support regulatory decisions. The guide provides guidance for conducting sound cost-benefit analysis. Though the focus of the current version¹ of the guide is on regulatory decisions, its methodology and guidelines for assessing benefits and costs and for preparing an accounting statement are relevant to the business case and particularly useful when conducting a cost-benefit analysis for each viable option.

The *Canadian Cost-Benefit Analysis Guide: Regulatory Proposals* provides information on **cost-effectiveness analysis (CEA)**, which is especially relevant to the business case's costing information. CEA is used when the benefits of a project are known but cannot be expressed in monetary terms or there are objections to monetizing them. CEA results in the identification of the least costly (per unit of benefit) option for implementing a project.

For example, imagine a hospital wanting to improve its services through the purchase of new equipment. A choice between competing technologies has to be made. Comparing the total cost of the equipment against the desired outcome (benefit), i.e. the number of lives saved, will determine the most cost-effective option. In this case, the equipment with the lowest cost-per-life saved would be the most cost-effective, as shown in the following example:

1. At the time of publication, the *Canadian Cost Benefit Analysis Guide: Regulatory Proposals* is being repositioned as a more general-purpose guide; therefore, guidance presented in this section of the *Business Case Guide* is subject to change.

Example: Cost-effectiveness of different medical upgrades

Medical Upgrade	Costs: Total cost ¹	Benefits: Number of lives saved	Cost-Effectiveness Analysis: Cost-per-life saved	Cost-Benefit Analysis: Monetized benefits ²	Cost-Benefit Analysis: Net benefits ³
Equipment A	\$125M	42	\$3.0M	\$252M	\$127M
Equipment B	\$90M	35	\$2.6M	\$210M	\$120M
Equipment C	\$50M	14	\$3.6M	\$84M	\$34M

1. The total cost includes the cost of purchasing and maintaining the equipment throughout its useful life.

2. Assuming a life has a statistical value of \$6M. Monetized benefits = number of lives saved * \$6M.

3. Net benefits = monetized benefits minus lifetime costs.

Note: The numbers are fictitious.

While none of the cost-per-life saved ratios tells us the monetary benefit per life saved, they do give an indication of the most cost-effective technology for achieving the desired business outcome. Based purely on the CEA, equipment B, being the least costly per life saved, would be chosen even though equipment C is the cheapest to purchase and maintain. Comparatively, if a full cost-benefit analysis were performed and a life was assumed to have a statistical value of \$6 million, equipment A would be chosen because it would result in the highest net benefit at \$127 million.

The *Canadian Cost-Benefit Analysis Guide: Regulatory Proposals* provides guidance for **preparing an accounting statement**, which is beneficial to the business case as it highlights the key components of the benefits and costs associated with policy and the total net outcome of the analysis. While the format and approach used to summarize and illustrate the cost-benefit analysis may differ slightly between organizations, the following tables offer suggestions:

- ▶ Example: Cost-Benefit Analysis Summary
 - Can be used to illustrate the annual estimates of benefits and costs but also the present value or annualized value of the net benefits over the investment period.
- ▶ Example: Cost-Benefit Probability and Risk Assessment
 - Can be used to illustrate the risk analysis results and the probability of other project risks as it is highly unlikely that the values of all key benefit and cost items will be known with certainty in the future.
- ▶ Example: Cost-Benefit Analysis and Stakeholder Impact
 - Can be used to illustrate the stakeholders affected and the impacts.

For current Government of Canada lending rates approved by the Department of Finance Canada, visit [the department's website](#).

Example: Cost-Benefit Analysis Summary (for each option)

Category	Year 1	Year 2	Year 3...	Total NPV	Annualized value
A. Cost-Benefit Analysis					
Monetized					
Benefits					
Costs					
Net Benefits					
Quantified but Un-monetized					
Benefits					
Costs					
Un-quantified					
Benefits Described				n/a	n/a
Costs Described				n/a	n/a
B. Cost-Effectiveness Analysis					n/a
Benefits (quantified but un-monetized)					n/a
Costs (monetized)					n/a
Cost-Effectiveness Ratio					n/a

Example: Cost-Benefit Probability and Risk Assessment

Category	Values of risk variable (range)	Type of probability distribution
Key Parameter: Risk Variable 1		
Key Parameter: Risk Variable 2		

Category	Results
Monte Carlo Simulation	

Values of risk variable (range)	Statistical value of the project outcome
Expected Value	
Range of the Outcome	
Variance	

Example: Cost-Benefit Analysis and Stakeholder Impact

Category	Year 1	Year 2	Year 3...	Total NPV	Annualized
Impacts on Business: Small Firms Medium-Sized Firms Large Firms					
Impacts on Consumers and Households					
Impacts on Governments: Federal Others					
Impacts on the Environment					
Impacts by Region					

3.4 Implementation and Capacity Considerations of Viable Options

The ability of the sponsoring organization to both deliver and manage the investment throughout its life cycle needs to be demonstrated once consideration has been given to a particular option's alignment and costing and the cost-benefit analysis has been

performed. An informed investment decision needs to take into account the short- and long-term effects on the sponsoring organization, including its investment and project management capacity. If the organization's existing capacity is insufficient, details of how that capacity will be secured and managed should be provided.

To demonstrate the soundness of the investment and instill confidence in its management, the implementation and capacity analysis should consider the following factors:

- ▶ Contracting and procurement—How will the investment be obtained?
- ▶ Schedule and approach—When and how will the business need be realized?
- ▶ Impact—Which areas within the stakeholders' organizations are most likely to be affected?
- ▶ Capacity—Does the organization possess the capacity to manage and deliver?

The information drawn from the implementation and capacity analysis establishes the strategic foundation upon which a detailed project can be developed after the investment decision is made and the project team is formed.

3.4.1 Contracting and Procurement

Hint:

Contracting and procurement helps users answer the following question: How will the investment be obtained?

Within the GC, a large variety of contracting and procurement vehicles exist—all designed to ensure that fair and reasoned practices support the expenditure process. Selection of an appropriate contracting mechanism for the investment is an essential step that should be made in consultation with procurement experts. Failure to select the proper contracting and procurement vehicle could result in significant delays, a lack of flexibility, or an inability to retain the necessary resources for the specified time frame.

Providing information on the procurement vehicle, and precisely how it will be utilized, demonstrates to the investment board that due diligence was thoroughly applied in the development of the business case. In addition to the selection process, the investment's management will likewise be scrutinized.

3.4.2 Schedule and Approach

Hint:

Schedule and approach helps users answer the following question: When and how will the business need be realized?

A detailed project plan is neither required nor recommended at this step. What is required is an accurate and strategic view of how the investment will be delivered and managed

over the course of its life span. Identifying the core work streams and associated milestones increases the ability to conduct an accurate assessment of the investment's potential impact on the organization and its capacity requirements.

3.4.3 Impact

Hint:

Impact assessment helps users answer the following question: Which areas within the stakeholders' organizations are most likely to be affected?

The delivery of an investment will have an impact on the sponsoring organization and on stakeholders. When assessing impacts, it is important to make a distinction between potential impacts and those that are certain. Potential impacts of any significance should be included within the risk assessment.

The impact assessment should be conducted from both internal and external perspectives:

- ▶ Internal—Describes the impact on the sponsoring organization and on stakeholders.
- ▶ External—Describes the impact on other jurisdictions, the private sector, and the general public.

If the impacts described are significant in scope, the probability of those impacts occurring and the subsequent response plans should be addressed in the Risk section of the business case.

The following table outlines some of the key factors, and their related characteristics, to consider during impact assessment:

Example: Impact Factors

Factor	Characteristics
Political	<ul style="list-style-type: none"> ▶ Government term and change ▶ Regulatory bodies and processes ▶ Current and future legislation
Economic	<ul style="list-style-type: none"> ▶ Fluctuating interest and exchange rates ▶ Current economic situation and trends ▶ Current and projected economic growth ▶ Unemployment and labour supply ▶ Labour costs ▶ Levels of disposable income and income distribution
Social	<ul style="list-style-type: none"> ▶ Resources, training, change management, and cultural impact ▶ Population growth rate and age profile ▶ Population health, education, social mobility, and attitudes toward these ▶ Population employment patterns, job market freedom, and attitudes toward work ▶ Employee engagement
Technological	<ul style="list-style-type: none"> ▶ Impact of emerging technologies ▶ Impact of Internet, reduction in communications costs, and increase in telework ▶ Research and development activity ▶ Impact of technology transfer ▶ Changes in mobile technology
Legal	<ul style="list-style-type: none"> ▶ Ownership of project assets* and copyright ▶ Employment laws ▶ Consumer protection ▶ Trade regulations and restrictions ▶ Privacy
Other Factors (e.g. Environmental, Security)	<ul style="list-style-type: none"> ▶ Other relevant characteristics

*Ownership of project assets: Regardless of the type of investment, asset ownership should be defined at the outset in collaboration with the organization's subject matter experts (that is, legal services). Projects requiring a simple commercial off-the-shelf (COTS) procurement exercise are more easily assessed in terms of ownership. Multi-stakeholder environments, contribution and use of intellectual property, leasing arrangements, and so forth require clear definition of rightful ownership. For each specific asset, details of the owner, including the duration of said ownership, should be included. Information concerning the discovery process (i.e. consultations with vendors, legal services) should also be provided. Ensure owners of project assets are defined in the stakeholder analysis.

Hint:

The strongest business case can easily be rejected or returned for clarification if any ambiguity surrounding ownership of project assets exists.

3.4.4 Capacity

Once the implementation considerations for each viable option have been addressed, examination of the sponsoring organization's capacity to successfully manage the investment is the next step. If available, a useful starting point for analyzing project and investment management capacity for each viable option is the organization's Treasury Board-approved Organizational Project Management Capacity class.²

Both project execution and the ability to manage the investment over its life cycle need to be assessed for every viable option. Because each option has unique management requirements, the description of the capabilities should relate to the type of option that is being appraised.

Best Practices:

Evidence illustrating the organization's performance history and current capacity for successfully managing similar projects or investments can be useful in determining the level of project approval authority.

Conducting an organizational capacity assessment is a large endeavour and the available guidance focuses solely on leveraging the most current organizational capacity to determine any gaps or shortfalls for meeting the requirements of a specific option. The key point here is not to limit the assessment only to current organizational capacity. If the organization is not in a current position to support a proposed option due to capacity constraints, details should be provided regarding how the organization plans to address the capacity gap and how it has historically addressed such gaps.

Larger investments such as transformative projects may require updated or targeted capacity assessment.

Organizational capacity assessment should be performed on the appropriate attributes of the option undergoing analysis, such as human resources needs and materials and infrastructure requirements.

2. Source: *Standard For Organizational Project Management Capacity*

Comparative Assessment

Compare the capacity requirements for each viable option and present a summary of the findings for each attribute or area assessed. Projects that exceed an organization's capacity are not to be ruled out without consideration and analysis of its planned capability, which should illustrate what is required to close the capacity gap and the feasibility of the organization doing so.

A sound comparative assessment should, at a minimum, address the following:

▶ **Criteria**

To ensure a fair and transparent capacity assessment, the comparison criteria should be identical across all options. The importance of comparing the specific attributes necessary to successfully manage the project against the existing capacity of the organization should not be understated. The criteria should focus on the following core areas:

- **Human Resources**—Addresses the skills, level of experience, and employees and professional services personnel required.
- **Materials and Infrastructure**—Addresses the tangible objects that a viable option requires to successfully implement, operationalize, and manage the investment, such as accommodations (e.g. a new call centre), specialized equipment, technological capacity (e.g. data storage), and so forth.

▶ **Option Requirement**

Establishes the threshold against which the existing organizational capacity or need is compared. Details should be expressed, as much as possible, in quantifiable terms.

▶ **Organizational Capacity: Available**

Available organizational capacity refers to the known capacity of the organization in relation to the option's requirements. The organization's existing capacity is presumed to be available; simply stating that an organization has a number of skilled resources is pointless if they are unavailable.

▶ **Organizational Capacity: Gap**

The capacity gap is the result of the comparison of the option's requirement against the available capacity for a given criterion. Illustrating the capacity shortfall is essential because it establishes the target capacity need to be addressed. The capacity gap should not be viewed as a deterrent or a deal breaker until additional analysis is conducted to outline the costs and effort required to eliminate the gap in a timely

fashion. It is important to highlight all capacity gaps and discuss the plan for addressing each one. Ensure option costing includes all capacity requirements.

► **Shortfall Resolution**

Shortfall resolution refers to the overall approach to resolve the gap. Though in some cases the requirements may dramatically outweigh the existing capacity, details on what it will take to address the gap should nevertheless be included. The business case should clearly define how the required capabilities will be achieved from a cost and resourcing perspective. Provide the strategic approach for attaining the necessary level of project management maturity and capability.

Presenting the findings of the comparative capacity assessment in the following table format is recommended:

Example: Option Capacity Assessment

Human Resources Criteria	Option Requirement	Current Organizational Capacity: Available	Current Organizational Capacity: Gap	Shortfall Resolution*
Skill and Expertise				
Level / Classification				
Number of Personnel				
Other as required				

Materials and Infrastructure Criteria	Option Requirement	Current Organizational Capacity: Available	Current Organizational Capacity: Gap	Shortfall Resolution*
Accommodations				
Equipment				
Data Storage				
Other as required				

Other Criteria	Option Requirement	Current Organizational Capacity: Available	Current Organizational Capacity: Gap	Shortfall Resolution*
To be defined by the organization				

*Any costs associated with the attainment of a level of capacity to support recommended implementation of a viable option should be detailed and referenced in the business case's costing.

New capacity requirements discovered late in the business case's development process are grounds for secondary and tertiary reviews of the comparative values for each option to ensure the recommendation is feasible and sound.

Viable options with management requirements exceeding those established in the *Organizational Project Management Capacity Assessment* will require Treasury Board approval if selected.

3.5 Risk

The federal government recognizes risk management as a key element of project management. It is therefore essential to understand the risks and opportunities involved in any potential investment and how they will be addressed before the investment can be approved. For purposes of this guide, the following two definitions, excerpted from the *Framework for the Management of Risk*, apply:

“**Risk** refers to the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives.”

“**Risk management** is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on, and communicating risk issues.”

Risk management is an ongoing process that continues throughout a project's duration. Risk management helps guide investment-related decision making. The risk management process commonly includes the following four functions:

- ▶ Risk identification
- ▶ Risk assessment (including measuring likelihood and impact)
- ▶ Risk response
- ▶ Monitoring and evaluation

The first decision when faced with an investment proposal is whether or not to proceed. The better the risks are understood and planned for, the more reliable decisions will be and the better the chances for overall project success.

Each viable option (including the status quo option) poses a set of risks with the potential to impact both the sponsoring organization and stakeholders. As such, risk identification and assessment should be conducted and a risk response developed for each option. The approach to risk management should follow the sponsoring organization's corporate integrated risk management methodologies, standards, and policies to ensure that:

- ▶ Key project risks and opportunities escalate appropriately to corporate risk profiling; and
- ▶ Key corporate risks are addressed by the project's risk management strategy.

Best Practices:

Involving the organization's key resources and subject matter experts in the risk management process can only strengthen a business case.

Hint:

Additional information on integrated risk management policies, guidelines, and tools is available online.

Risk management assessment should cover the entire life cycle of the investment and address two key types of risk:

- ▶ **Delivery (project) risk**—The risks associated with the project not being able to deliver the capability on time, on budget, and within scope, which include risks related to the maintenance of an acceptable, steady state of operations throughout the investment's life cycle.
- ▶ **Outcome (benefits) risk**—The risks associated with the project's expected outcomes not being realized.

The distinction between delivery (project) risk and outcome (benefits) risk is an important one. Delivery risk identifies those aspects of the project's "construction" that may lead to late delivery, budget overages, failure to deliver the intended capabilities, and so on. Outcome risk deals with unmet return on the investment despite the capabilities being delivered according to plan. In other words, "even if you build it, the benefits may not come."

Assumptions, Constraints, and Dependencies—Impacts

A rigorous risk assessment of the viable options takes the project's assumptions, constraints, and dependencies into consideration and gauges their impact on a proposed investment.

These factors may have a combined impact on the investment if proven to be false or unreliable.

A useful aid for assessing the risk and complexity of a project is the Treasury Board's Project Complexity and Risk Assessment Tool.

3.5.1 Option Risk Summary

Once the types of risks have been identified, the next step is to describe the various attributes of each risk. This would include the probability and impact of the risk, any mitigating actions against the risk, and the accountability for monitoring and managing the risk.

Here the risk register or risks identified during development of an outcome management plan (see 3.5.2) may prove helpful, as would additional information on the risk's origin, source, or trigger.

This information can be assembled into an option risk summary, which normally includes the following elements:

► Risk

This is a formal risk statement describing the risk's trigger and impact. Only cursory, need-to-know information should be provided. The following risk statement model is recommended:

- **Condition**—A single sentence briefly describing the key circumstances and situations causing concern, doubt, anxiety, or uncertainty.
- **Consequence**—A single sentence describing the principal, possible negative outcomes of the current conditions.

Hint:

A good risk statement is clear, concise, and limited to no more than two sentences.

▶ **Probability**

Probability ratings, which express the likelihood the risk will occur, can incorporate numerous levels. Given this is a summary of the major risks the option poses, it is advisable to limit the ratings to the following three:

- **Very Likely**—A greater than 65 per cent chance the risk will occur.
- **Likely**—A 35 to 65 per cent chance the risk will occur.
- **Unlikely**—A lower than 35 per cent chance the risk will occur.

▶ **Impact**

Impact refers to the effect on the project or the losses on the project should the risk occur. The descriptive levels should be kept to a reasonable number (e.g. Critical, Marginal, and Negligible or High, Medium, and Low).

▶ **Mitigation and Contingency**

In this guide, mitigation refers to an approach for managing risk proactively and includes the actions taken to reduce the likelihood or probability of a risk event occurring. Mitigating actions should be appropriate to the risk's priority and to the type of risk. Contingency involves the proposed actions for limiting the impact of the event once it has occurred. For the purposes of the business case, the focus is on mitigation. Contingency planning will be formulated later as part of the project management plan once the business case has been approved.

▶ **Outcome**

Here outcome refers to the relationship between each risk and the desired outcomes. The outcome management approach, and specifically the outcomes map, can be very helpful at this point. Identified risks can be assessed in terms of their relationship to the outcome and vice versa. While all risks can have an impact on the outcome to one degree or another, it is those risks that have a direct relationship to the outcome that are identified for monitoring in the outcome management risk register.

▶ **Tolerance**

As shown below, a tolerance rating classifies risks using the following three values: Acceptable, Unacceptable, and Unknown.

Example: Tolerance Levels

Tolerance Rating	Description
Acceptable	While a major risk to the investment, the probability assessment provides reasonable assurance that either the risk will not occur or will be mitigated effectively to reduce the impact to the investment and its outcomes.
Unacceptable	Having too significant an impact or probable impact on the investment, preventing any mitigation strategy from adequately addressing the risk.
Unknown	Identified risks whose impact and probability have yet to be assessed.

► Risk Assessment Summary Rating

This metric is used to summarize the option risk assessment. In the comparative analysis, it is the overall assessment result that is compared between the viable options. Depending on the level of variance between the risks, a numeric scoring system may be used in place of the tolerance rating previously described. Furthermore, depending on the target audience (e.g. Treasury Board Submission analyst, internal investment board), the detailed risk assessment summary should be in a form that can be shared if required, as shown in the following table.

Example: Risk Summary

Risk	Project Delivery	Project Outcomes
Probability		
Impact		
Mitigation*		
Outcome		
Tolerance		

Risk Assessment Summary Rating

*For any given risk identified in the table, it is possible to have more than one risk response as part of an overall mitigation strategy.

3.5.2 Risk Register

In the course of developing and implementing an outcome management plan for a given investment, a risk assessment is typically conducted. The results of that assessment and related information are captured in a risk register as part of the ongoing monitoring and reporting on the initiative or project's risk status. If an outcome management risk register has already been completed, its results can provide useful input to the Risk section of the business case under development.

The following table is a sample outcome management risk register:

Example: Risk Register

ID	Owner	Risk Statement	Response	Probability	Impact	Status	Action Item(s)
R-1	Project Manager	There is a risk that potential performance numbers for Phase III may not support client needs in a production environment.	Mitigate. Compare likely measures and determine gap.	Medium	High	2005-11-15: No further development in status.	Follow-up with DG. Assigned To: Director Due Date: 2005-12-12

ID: Unique identifier for the risk.

Owner: The name and title of the person responsible for mitigating the risk. Risk should be assigned to the party best able to manage it, not necessarily to the party accountable for the outcome.

Risk Statement: Briefly describes the risk and its impact on the environment.

Response: When providing the risk response strategy, start with one of the following keywords: Avoid, Control, Assume, Mitigate, Watch, Escalate, or Transfer. Then add a brief description.

Probability: Likelihood of occurrence (Low, Medium, or High).

Impact: Degree of impact on affected stakeholders (Low, Medium, or High).

Status: An ongoing history of the risk’s status, i.e. what is being done for the risk and changes in the risk. Include the date of the most recent update.

Action Item(s): Mitigating actions to reduce the likelihood of a risk occurring, including the name and title of the person assigned the responsibility and the due date.

3.6 Benchmark

An important element when conducting a rigorous analysis of the viable options is comparison of the options against industry-standard benchmarks. Benchmarking is a powerful management and investment tool as it overcomes the potential pitfall of thinking, “This is the best way because this is how we have always done it.”

Showing how a particular option compares to an industry standard provides valuable insight into what can be expected if a particular option is adopted. Benchmark information, however, will not always prove to be favourable or increase the chances of a particular option becoming the preferred option. The sponsoring organization's expectations may exceed those found acceptable in the benchmark case study or by industry-standard best practices.

It is also important to note that the availability of data on industry standards is directly related to the type of investment being proposed. It is quite possible that the options being explored to resolve a unique business issue simply have not been considered before. The unavailability of benchmarking information should be stated in the analysis, though in no way does it suggest a lack of due diligence.

In addition to benchmarking, case studies can also prove useful for gaining insight into the viability of an option. Their evaluation of business outcomes and results of similar projects undertaken by other organizations provides evidence of the likelihood of a successful investment. Like data on industry standards, case study data may not be available if the business need is unique or requires a unique approach for meeting it.

3.7 Policy and Standard Considerations

The next step in the assessment of the viable options involves an examination of the policies and standards that relate to the type of investment. Involving knowledgeable resources from within the sponsoring organization (e.g. corporate services) can help clarify which policies and standards are applicable.

Impact: Describe the impact, if any, of the option on the existing policies and standards within the sponsoring organization and relevant stakeholder environments.

Limitations: Describe any limitations imposed by the policies and standards and the known effect on the option.

The impact and the limitations identified should be further characterized as either an advantage or a disadvantage in subsequent sections of the business case. Furthermore, any additional costs incurred to address specific policy or standard requirements should be shown in the business case's costing summary.

The following table, which is provided as an example, lists some typical areas frequently affected by policy and standard considerations:

Example: Policy and Standard Considerations

Policy / Standard Area	Description
Security	<p>Considerations in this area include:</p> <ul style="list-style-type: none"> ▶ Physical security of the hardware and systems; ▶ Physical safety of people and information; ▶ Restrictions and authorizations of access to the information contained in the system; authentication and validation of users and their information; identity and access management; ▶ Protection from attacks from hackers or saboteurs; fail-safes and backup in case of system failure or blackout; impacts to departmental security operations; impacts to government-wide security operations; and ▶ Compliance with Management of Information Technology Security (MITS) to support the overall security posture of the government.
Privacy	<p>Considerations in this area include:</p> <ul style="list-style-type: none"> ▶ In what manner does the proposal or option provide the necessary privacy safeguards; ▶ Identification of any unauthorized release of information; ▶ Access to Information and Privacy (ATIP); ▶ Proactive disclosure; ▶ <i>Policy on Information Management</i>; ▶ Impact of the proposal or option on departmental privacy considerations; and ▶ Impact of the proposal or option on government-wide privacy legislation.
Accessibility	<p>An analysis of the proposed project's impact on Treasury Board policies, guidelines, and standards pertaining to the following subjects should also be completed and documented in the business case:</p> <ul style="list-style-type: none"> ▶ <i>Common Look and Feel for the Internet</i>; ▶ <i>Official Languages Act</i>; ▶ Access for users without a high-speed internet connection; and ▶ Security aspects of alternate access paths for people with disabilities.

Policy / Standard Area	Description
Information Management	<p>Considerations in this area include the requirements under and expected consequences of:</p> <ul style="list-style-type: none"> ▶ <i>Policy on Information Management</i>, ▶ Directives under this policy (e.g. <i>Directive on Information Management Roles and Responsibilities</i>); and ▶ Any applicable standards listed as mandatory requirements under these policy instruments. <p>For example:</p> <ul style="list-style-type: none"> ▶ Ensure information is shared within and across departments to the greatest extent possible, while respecting security and privacy requirements; and ▶ Ensure the relevance, authenticity, quality, and cost-effectiveness of the information for as long as it is required to meet operational needs and accountabilities.
Enterprise Architecture	<p>The business case should explain both how the proposed initiative supports the enterprise architecture standards of the Secretariat CIOB and how it will affect the sponsoring department's enterprise architecture.</p> <p>To address the proposed initiative's alignment with standards, explain how it supports:</p> <ul style="list-style-type: none"> ▶ Integration with established business practices and processes; ▶ Reuse of existing information sources; ▶ Reuse of common application components; ▶ Integration with existing technology infrastructure; and ▶ Compliance with Secretariat CIOB accepted standards. <p>To describe the proposed initiative's impact on the sponsoring department's enterprise architecture, provide context with the department's PAA. An explanation of how the initiative will fit within and complement the PAA will serve to strengthen any business case.</p>
Other	As defined by the type of investment.

3.8 Advantages and Disadvantages

At this point, the analysis of the viable options is nearly complete. What remains is to compile and summarize the results of the analysis and characterize them as either an advantage or a disadvantage, which provides a simplified yet effective approach for conducting the final comparative analysis.

To conduct a fair and transparent comparison and assessment between the viable options, the analysis needs to be interpreted in “pro” or “con” terms.

In the Advantages and Disadvantages section of the business case, all of the findings from the previous analyses are examined from two perspectives: financial and non-financial.

Financial

Financial benefits correspond to actual, measurable (in dollar terms) financial data, such as increased revenue, cost savings, cash flow, increased capital, and any other financial outcome resulting from the implementation of the project. Many financial benefits can be used in standard cost-benefit analyses as additional evaluative criteria, such as net present value, present value ratio, internal rate of return, and return on investment.

▶ **Net Present Value (NPV)**

NPV measures the positive or negative cash flows in terms of present value, after financing charges (called the discount rate) are accounted for. In other words, NPV represents the current value of future annual cash flows (benefits) minus the total investment (costs). This tool can be useful when predicting the net income and financial outcome for a proposed project. A positive NPV indicates the present value of the overall benefit of the project. An NPV of 0 indicates that the project's benefits and costs are of net equal present value. Finally, a negative NPV indicates that the project's costs will outweigh its benefits and should therefore not be undertaken, unless the non-financial benefits of the project indicate otherwise.

▶ **Present Value Ratio (PVR)**

Using the same projection premise as NPV, the PVR shows the ratio of present value of future cash flows to the present value of total cost. For example, if the present value of the projected cash flows is \$1,000 and the total cost of the project is \$500, the PVR is 2:1 (\$1,000 to \$500). In other words, for every dollar spent on the project, it will return two dollars. As a rule of thumb, any PVR value greater than 1 is valuable. By applying a relative ratio between benefits and costs, the PVR eliminates the bias that NPV holds toward large projects.

▶ **Internal Rate of Return (IRR)**

IRR is an indicator of the efficiency or quality of an investment, as opposed to the NPV, which indicates value or magnitude. The IRR is the annualized effective compounded return rate that can be earned on the invested capital, i.e. the yield on the investment. A project is a good investment proposition if its IRR is greater than the rate of return that could be earned by other investments (investing in other projects). The IRR should therefore be compared to alternative capital costs, including an appropriate risk premium. In general, if the IRR is greater than the project's capital cost, the project will add value for the organization.

► **Return on Investment (ROI)**

ROI is the ratio of money gained or lost (realized or unrealized) on an investment relative to the amount of money invested. The amount of money gained or lost may be referred to as interest, profit/loss, gain/loss, or net income/loss. The money invested may be referred to as the asset, capital, principal, or the cost basis of the investment. ROI is usually expressed as a percentage rather than a fraction.

Financial benefits provide valuable input to a cost-benefit analysis when the main purpose is to weigh benefits against costs and determine the financial outcome of the project. Examples of financial benefits include decreased purchasing costs, decreased delivery costs, decreased training time and costs, decreased printing and postage costs, decreased requirement for casual labour, increased utilization of capital assets, and increased generation of client fees. Consideration of such financial benefits can be extremely helpful when choosing between different proposed solution options.

The detailed financial analysis of each option is conducted in the costing section of the business case. Only a summary of that analysis, which highlights the financial benefits of each option, is presented in this section.

Non-Financial

Non-financial benefits are measured in non-dollar terms and generally refer to performance-related or efficiency-related behavioural, environmental, or perceptual changes. Non-financial benefits can be qualitative or quantitative, though with no direct financial benefit, and can sometimes be difficult to quantify accurately. Although these benefits possess no monetary value per se, they should be included in the business case to showcase the additional value gained by the investment.

Examples of non-financial benefits include increased availability of management information, increased client satisfaction, increased compliance with regulatory requirements, increased integration of government frameworks, increased morale in the workplace, and increased public confidence and improved public perception.

Determine whether the financial and non-financial benefits for each of the business case's categories represent an advantage or a disadvantage and summarize the findings in an Options Summary table. That table, which is shown after the Evaluation Criteria table below, should illustrate the following key areas to be addressed: Evaluation Criteria, Quantitative Data, Qualitative Data, and Narrative.

▶ Evaluation Criteria

The following table outlines the screening criteria and essential criteria (identified in previous sections of the business case) against which the options are measured:

Example: Evaluation Criteria

Evaluation Criteria	Description
Alignment	<ul style="list-style-type: none">▶ Does the option align with results identified in the organization's MRRS?▶ To what degree does the option satisfy the desired business outcomes?
Costs	<ul style="list-style-type: none">▶ What is the total cost?▶ What are the yearly incremental costs?
Cost Benefits	<ul style="list-style-type: none">▶ What are the cost benefits (IRR, NPV, ROI)?▶ Ensure the cost-benefits criteria are clearly identified as the yardstick for each option and are identical across all options.
Screening Criteria from the Preliminary Options Analysis	<ul style="list-style-type: none">▶ How well does the option meet the screening criteria from the preliminary screening of options? While evaluation criteria were initially used to conduct a preliminary screening of the long list of options, the options should once again be assessed because the degree to which each criterion is met could prove to be a deciding factor. Depending on the investment, a criterion could be relevant in both financial and non-financial subcategories.
Implementation and Capacity	<ul style="list-style-type: none">▶ Has the sponsoring organization adequately addressed its capacity to implement and manage the investment if a capacity gap exists?
Risk	<ul style="list-style-type: none">▶ Does the overall risk assessment provide a level of confidence that all risks will be successfully mitigated?▶ Is the option's risk profile acceptable? (Note: If the risk profile is not acceptable, the option should be discounted with sufficient justification.)
Benchmark	<ul style="list-style-type: none">▶ Is supporting information and data available on an investment of similar size and complexity that was successfully implemented elsewhere?
Policy and Standard Considerations	<ul style="list-style-type: none">▶ What is the impact, if any, of the option on the existing policies and standards? What are the limitations imposed by the policies and standards? Are they acceptable?

▶ Quantitative Data

The measurement attribute of a specific criterion.

▶ Qualitative Data

Non-numerical measurement describing the attributes that are indicative of progress (or lack thereof).

▶ **Narrative**

Describes the characteristics of each criterion. Once the evaluation criteria have been measured and assessed in quantitative and qualitative terms, this will provide the necessary context to describe the advantage or disadvantage of a given option. At this point in the assessment of the options, there should be little to no ambiguity left as to which option is the most viable.

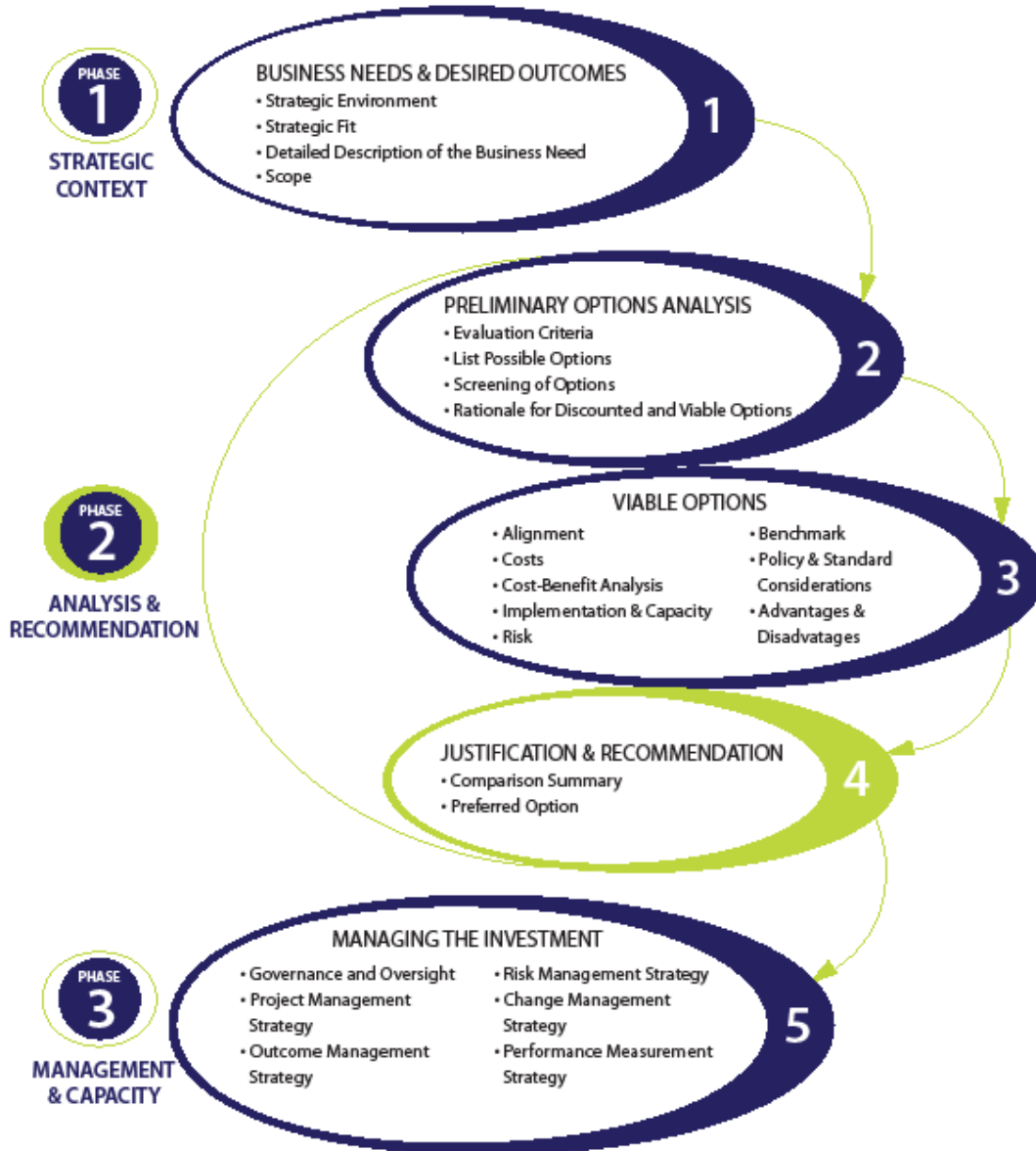
Example: Options Summary

Financial Evaluation Criteria	Quantitative Data	Qualitative Data	Narrative
Costs			
Cost Benefits			
Criterion 1			
Criterion 2			
Criterion 3			
Criterion 4			
Other Criteria			
Implementation and Capacity			
Risk			
Benchmark			
Policy and Standard Considerations			

Non-Financial Evaluation Criteria	Quantitative Data	Qualitative Data	Narrative
Alignment			
Criterion 1			
Criterion 2			
Criterion 3			
Criterion 4			
Other Criteria			
Implementation and Capacity			
Risk			
Benchmark			
Policy and Standard Considerations			

<p>Milestone Achieved The analysis of the viable options has been completed.</p>

BUSINESS CASE MODEL



Phase 2 Step 4

4 Justification and Recommendation

Nothing in the business case will be questioned or scrutinized more than the justification supporting the recommendation to adopt the preferred option. With the detailed analysis of each viable option (including the status quo option) now complete, the goal of Step 4 is to identify a preferred option and demonstrate why the option is deemed preferable over all others.

This section leverages the Preliminary Options Analysis approach where the options are subjected to a comparative analysis. The evaluation criteria and the degree to which the key requirements of the business need are addressed will be measured alongside the findings of the viable options analysis conducted in Step 3.

The evaluation criteria used in the preliminary analysis should be reused; new information discovered during the detailed analysis of the viable options may determine an option's ability to meet particular evaluation criteria. This could prove to be a deciding factor should the choice between options be too close to call.

4.1 Comparison Summary

To ensure that decisions made about a business case are fair and transparent, it is crucial that all of the identified viable options undergo the exact same analysis. The selection criteria and comparative values should be relevant to the type of investment and support an informed investment decision.

The viable options should be presented in a table format where each viable option is compared against a standardized set of criteria. It is important that the non-financial benefits and the financial benefits be weighed equally.

While there is no limit to the amount of criteria that can be used when comparing options, it is important that they be kept to a reasonable number and strictly relevant to the business need and objectives. Proper criteria will help differentiate the options and reveal which option will provide the most value at the most reasonable cost to the organization.

When comparing between options, represent each category of the viable options analysis as follows:

Alignment—Organization

Is it clear how the option contributes to the strategic vision and direction of the organization?

Indicator	Description
Yes	Demonstrates suitable alignment.
No	The option does not align with the organization; therefore, it can either be discounted immediately or re-appraised.

Alignment—Opportunities

If the core investment objectives are satisfied and there are opportunities for the option's reuse or it has strong potential to support other business areas, this should be clearly noted.

Indicator	Description
Yes	Provide evidence that there is strong potential for the option's reuse or that it can be leveraged to achieve or support another business imperative. Note: Do not describe or include any financial benefit. If the opportunity in question is a real initiative with senior management approval, it will require its own business case. To be included within the non-financial portion of the option comparison.
No	None identified.

Alignment—Business Outcomes

To what degree does the option address the desired business outcomes?

Indicator	Description
Full	Meets or exceeds all of the desired business outcomes.
Partial	Does not fully address the desired business outcomes.

Benchmark

Is there evidence that this option has been successfully implemented elsewhere to address a similar need or opportunity? If so, describe the advantage.

Indicator	Description
Yes	Advantage
No	Disadvantage
N/A	No data available

Policy and Standard Considerations

Will the option have an impact on the existing policies or standards? Will the option be limited by the existing policies or standards? Are the impact and limitations acceptable?

Indicator	Description
Acceptable	Impact or limitations are non-existent or negligible.
Unacceptable	Significant impact or limitations or uncertainty regarding the impact or limitations results in a rating of unacceptable; therefore, the option can either be discounted immediately or re-appraised.

Implementation and Capacity

Does the organization have the capacity to implement and manage the option?

Indicator	Description
Yes	The organization has the capacity (human resources, processes, knowledge, materials, and infrastructure) to successfully implement and manage the option within the environment.
Addressed	Capacity gap exists but plans have been formulated to address the shortfall.
No	Capacity does not exist; therefore, the option in question can either be discounted immediately or retained for further analysis.

Risk Assessment

Is the option's risk profile acceptable? When comparing the risks of each option, detail only the significant risks threatening the investment that were previously identified in the viable options analysis. While the types of risks vary from one project to another, only those risks that would concern a senior-level audience or that may impede success should be included. It is important to note that the objective is not to understate the risks; focus on the key risks that need to be brought to light to ensure an informed investment decision.

Indicator	Description
Acceptable	The risk assessment results in a rating of acceptable.
Unacceptable	At this point, uncertainty regarding an option's risk assessment results in a rating of unacceptable; therefore, the option can either be discounted immediately or re-appraised.

Requirements

To what degree does the option address the key requirements?

Note: The indicators below can and should be combined based on the assessment results.

Indicator	Description
Core	The “bare minimum” or “basic” requirement. Fully meets the core requirements.
Desirable	Consider on a cost-benefits basis.
Optional	Might accept if exceptionally low in cost.
No	Does not fully meet the core requirements; therefore, the option can either be discounted immediately or re-appraised.

Screening Criteria

How well does the option meet the screening criteria? Be sure to provide any new information discovered in the detailed analysis of the viable options that pertains to the option’s ability to meet particular evaluation criteria. Depending on the investment, a criterion could be relevant in both financial and non-financial subcategories.

Indicator	Description
To be determined by org	New information provided by the organization, if required.

Desirable Evaluation Criteria

Additional evaluation criteria added by the organization as required and reflective of the type of investment.

Indicator	Description
To be determined by org	Additional criteria identified by the organization, if required.

Costs * —Implementation

What is the total cost to address the capacity gap in implementing and managing the option?

Indicator	Description
\$ + Attribute	Expressed as a dollar value, with a specific attribute or qualitative indicator such as the period of time covering analysis.

Cost* —Total

What is the total cost of the option (over the course of its life cycle)?

Indicator	Description
\$ + Attribute	Expressed as a dollar value, with a specific attribute or qualitative indicator such as the period of time covering analysis.

Cost* —Benefits

What are the cost benefits? Express the cost-benefit analysis in terms of revenue, income, or some other financial measurement (IRR, NPV, ROI).

Indicator	Description
\$ + Attribute	Expressed as a dollar value, with a specific attribute or qualitative indicator such as the period of time covering analysis.

*Each cost-benefit criteria (ROI, NPV, IRR) should be isolated (one row each) in the comparison.

Limit the amount of comparison criteria in each of the core categories to only cursory, need-to-know information.

It is important to note that what was previously seen as a disadvantage in the analysis of the viable options may change when measured against the other viable options and the status quo option. What was initially perceived as a rather unfavourable disadvantage may—and often is—viewed as being less of a disadvantage when compared against the other options.

The final comparison of the options should be clear in terms of what is being compared, such as the indicators and criteria for each option. This ensures the comparison is conducted in a fair, open, and transparent manner.

An example of the Comparative Summary is shown below. For the non-financial criteria, the comparison should focus as much as possible on the quantitative data. Qualitative and narrative information can also be used.

Example: Comparative Summary

Indicators and Criteria	Option 1: Status Quo	Option 2: Implement regionally	Option 3: Centralize
Alignment—Organization	Yes	Yes	Yes
Alignment—Opportunities	No	Yes	Yes
Alignment—Business Outcomes	Partial	Full	Full
Benchmark	N/A	No	Yes
Policy and Standard Considerations	Unacceptable	Acceptable	Acceptable
Implementation and Capacity	No	Addressed	Yes
Risk Assessment	Unacceptable	Acceptable	Acceptable
Requirements	No	Core/Optional	Core/Desirable
Strategic Fit and Business Needs	To be determined by organization	To be determined by organization	To be determined by organization
Potential Achievability	To be determined by organization	To be determined by organization	To be determined by organization
Potential Affordability	To be determined by organization	To be determined by organization	To be determined by organization
Other Screening Criteria	To be determined by organization	To be determined by organization	To be determined by organization
Costs—Implementation	\$ expressed as a dollar value	\$ expressed as a dollar value	\$ expressed as a dollar value
Cost—Total*	\$ expressed as a dollar value	\$ expressed as a dollar value	\$ expressed as a dollar value
Cost Benefits—ROI	\$ expressed as a dollar value	\$ expressed as a dollar value	\$ expressed as a dollar value
Cost Benefits—IRR	\$ expressed as a dollar value	\$ expressed as a dollar value	\$ expressed as a dollar value
Cost Benefits—NPV	\$ expressed as a dollar value	\$ expressed as a dollar value	\$ expressed as a dollar value
Cost Benefits—Other as required	\$ expressed as a dollar value	\$ expressed as a dollar value	\$ expressed as a dollar value
Relevant Criteria	\$ expressed as a dollar value	\$ expressed as a dollar value	\$ expressed as a dollar value
Summary	Discounted	Discounted	Preferred

*A comparison of the accrual accounting-based indicative costs can also be provided. This additional information would allow decision makers to evaluate the cost to the government on the same fiscal basis that all budget decisions are taken (accrual basis). Accrual information would become particularly

important to the final investment decision if other criteria do not reveal a clearly superior option among the choices; decision makers could select the option that, while meeting all substantive business objectives and outcomes, has a lower accrual-based cost. The cash-based analyses discussed elsewhere in the business case would not need to change.

Note: If the comparison of options is too close to call, consider weighting each of the criteria or a cost-per-point approach.

Because the objectives of a project and those of an organization can vary widely, there is no strict set of values used to compare each option's ability to meet and address the dual objectives. When determining the comparative values (the indicators) in a business case, ensure that they are clear and to the point and leave little room for interpretation.

There is also no set limit to the amount of criteria to be compared. Each project and investment type is unique and comes with its own set of needs and requirements. The comparative criteria presented in this guide should allow for a fair and effective comparison for most projects; however, there will be some situations where specific and unique values require comparison and can be added to the analysis.

Best Practices:

When adding criteria, the user should provide just the right amount of information to avoid confusion and unnecessary complication.

4.2 The Preferred Option

The preferred option is used to support the executive summary of the business case. The preferred option, which is measurable and backed by strong analysis, should be expressed clearly and concisely.

Strategy:

Take the time needed and the care required to craft an executive summary that supports the business case.

The goal of this Preferred Option section is to put forth the option for ultimate approval and defend that decision with sufficient supporting evidence. Supporting evidence could include the deciding factor, strategy and approach, or risks and costs that led to the preferred option decision. Because each business case is unique, the supporting evidence will vary depending on the project, issue, initiative, or investment under consideration.

Additional details on what led to the preferred option decision, such considerations as benefits, interdependencies with other projects, and change management requirements, can be included.

4.2.1 Recommendation

The recommendation should be straightforward and presented plainly, clearly stating why the organization will benefit by focussing its investment on one particular option. The rationale for the recommendation is based on the detailed analysis conducted earlier in the business case. Further analysis is not required here, only the reason why an option is preferable over all others. It is very important to be as descriptive as possible so that an informed decision can be made by the investment board.

4.2.2 Deciding Factors

The deciding factors are what led to the identification of the preferred option and were instrumental in its selection. The information presented here should soundly answer the following question: What are the benefits, risks, and costs of the preferred option?

The following list, which is by no means exhaustive, presents some common and possible deciding factors, starting with those that are clearly financial and progressing to those that are more strategic:

- ▶ Cost-effectiveness—Demonstrates, in financial terms, improvements in performance or in service delivery; shows whether the benefits from the investment outweigh its costs.
- ▶ Displaced or avoided costs—Compares the proposed system's costs to those of the system it would displace or avoid; may justify the proposal on a least-cost basis if it can be assumed that the new system will have as many benefits as the current system.
- ▶ Work value / earned value—Predicts the cost savings as workers perform work of higher value; requires analysis of work patterns throughout the organization and of the ways the project would readjust the number and types of skills required. Assumes that additional work needs to be performed, that management allocates resources efficiently, and that workers allocate time efficiently.
- ▶ Benchmarks and similar initiatives—Industry-standard benchmarks or successfully implemented similar initiatives that support the recommendation.
- ▶ Other benefits—When adding additional detail to the benefits and outcomes that were previously described at a high level—either in the outcomes register or for an evaluation criterion—it is important to be as specific as possible. Quantify where possible whether it is a financial or non-financial benefit and integrate the benefits with the outcomes map (if applicable).

Hint:

If a number of criteria are found to be ineffective as major or influential comparison criteria, then strong consideration should be given to re-evaluating them and, if necessary, reassessing the analysis from the point where the long list of options was screened to where the appraisal of each viable option was performed.

Auditors can review any quantitative measure that is used, so verify its rigour and check the validity of the assumptions and the integrity of the conclusions.

4.2.3 Costs

Provide a brief summary of the preferred option's costing estimates and link them to the components of the work streams. It is important to limit detail to a high-level, summary view. No additional cost or cost-benefit analysis is required. Simply summarize the key elements the investment board will be focussing on.

Hint:

Consider including a brief narrative to outline or contextualize a particular cost item.

Recommendations that seek funding approval from the Treasury Board should present both the cash and accrual costs associated with the investment. The need to present detailed accrual information should be anticipated at the business case stage because preparation of an accrual profile within a time-sensitive decision process can lead to significant delays. Guidance on how to present accrual accounting-based costs is presented in the Treasury Board *Financial Information Strategy Accounting Manual* and the *Guide to Preparing Treasury Board Submissions*.

4.2.4 Risks

The risk information provided should illustrate why the identified risks are acceptable. Narrative may be included to provide additional context for the key factors supporting the overall risk assessment and description, such as impact, probability, outcomes, and so forth.

The investment's ability to deliver the desired business outcomes is directly related to how the risks to those desired outcomes are assessed, monitored, and managed throughout the investment's life cycle. Include the outcome risk assessment results and evidence of a strong mitigation plan for each controllable risk.

Assign ownership and accountability for each risk.

A useful aid for assessing the risk and complexity of a project is the Treasury Board's Project Complexity and Risk Assessment Tool.

4.2.5 Implementation Plan

Once the analysis has been completed and the recommended option has been identified, the next step in the business case involves outlining how the project will be implemented. When formulating an implementation plan, consider the following questions:

- ▶ What are the key elements needed for delivery of the project, such as phases, major work streams, risks, milestones, resource requirements, and review gates?
- ▶ Are there any interdependencies with other projects, initiatives, investments, or events?
- ▶ What actions will be taken if the project complexity and risk assessment rating of the preferred option exceeds existing organizational project management capacity?
- ▶ Has the contracting and procurement vehicle been identified and is ownership of the asset clearly defined?

At the time of business case submission, a detailed project work plan is not required. What is required is an implementation plan (strategic work plan) that outlines:

- ▶ The major streams of work to be completed, including phases (where applicable);
- ▶ The timing of the work streams and major milestones, including gates (where applicable);
- ▶ The level of effort required for each work stream;
- ▶ The requisite resource skills to successfully complete the work streams and any possible constraints related to availability;
- ▶ The dependencies and constraints of the proposed initiative; and
- ▶ The contracting and procurement vehicle to be used and ownership of the asset.

The implementation plan should provide enough detail to instill confidence in the decision makers that the proposed investment has been appropriately considered and that the presented estimates are within an acceptable degree of accuracy. The implementation plan does not replace the more detailed Project Charter or the Project Management Plan; however, it should align with them.

Milestone Achieved

Justification and recommendation has been completed.
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Summary

After completing Phase 2 Step 4 of the business case, you should be able to answer the following questions:

- How will we get there?
- What is the best option?

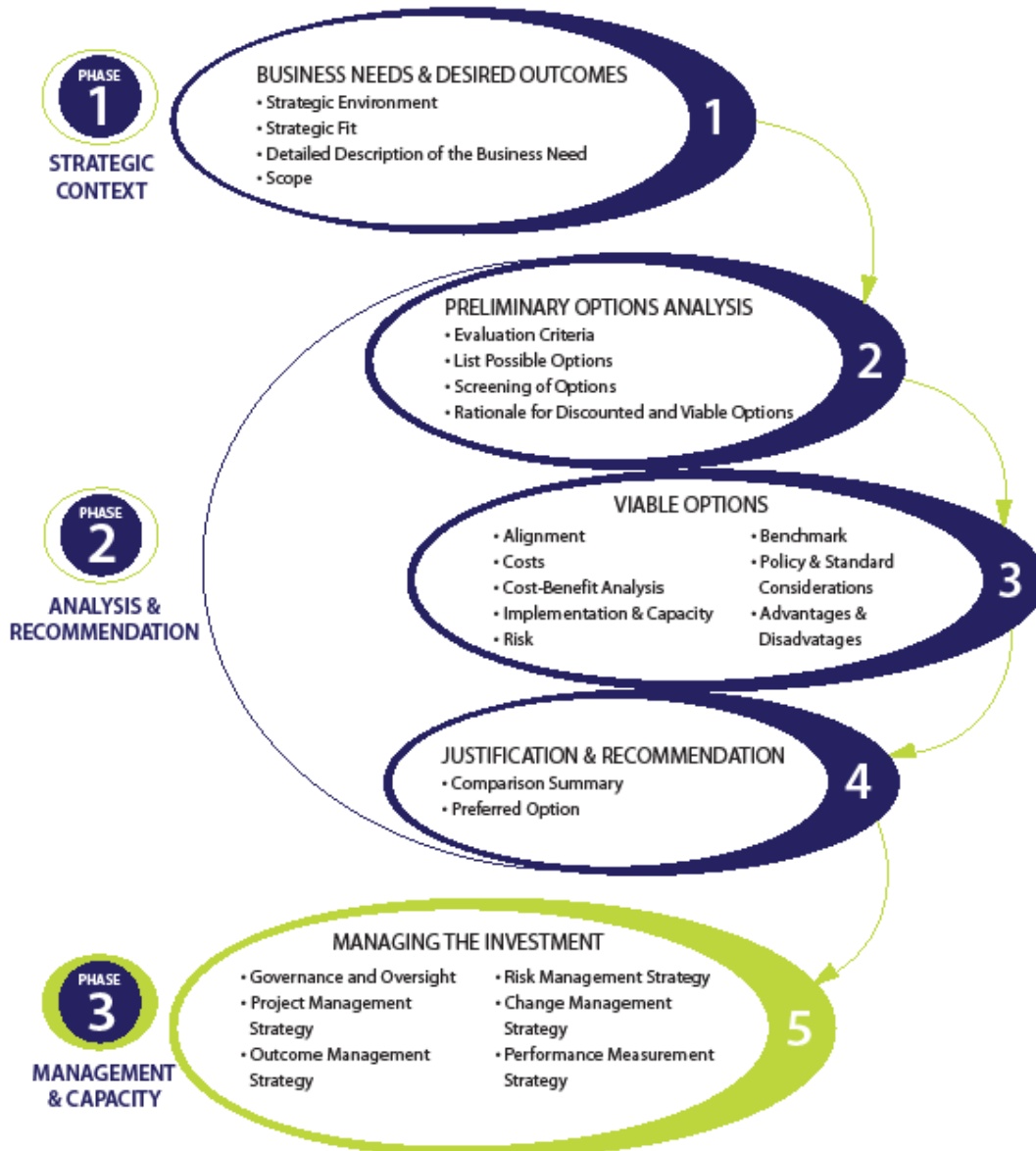
Phase 3: Management and Capacity

This strategic-level phase should demonstrate to the business case's reviewers that the investment will be managed effectively. The reviewers—and all the stakeholders—need assurance that all the appropriate project and outcome management strategies are in place and that they will be used to guide the project through a controlled and well-managed environment to achieve the desired business outcomes.

Phase 3 will produce the evidence required to strategically address the following key management issues:

Where and how will the investment fit within the organization's broader governance and oversight structure?	Describes the governance and oversight structure for the investment.
How will the project be managed and reviewed throughout its life cycle?	Describes the project management strategy for the investment.
How will the business outcomes be realized?	Describes the outcome management strategy for the investment.
How will the business risks be mitigated and managed?	Describes the risk management strategy for the investment.
How will change be managed and implemented?	Describes the change management strategy for the investment.
How will performance be measured?	Describes the performance measurement strategy for the investment.

BUSINESS CASE MODEL



Phase 3 Step 5

5 Managing the Investment

The objective of Step 5, the important final step in the business case development process, is to describe—at a strategic level—how the investment, project, initiative, or event will be managed, while also demonstrating an acceptable level of due diligence. A secondary goal of Step 5 is to further reinforce the key messages of the business case, ensuring its soundness and conformity to commonly acknowledged best practices for business.

Once approved, the business case will be supported by a Project Charter and a Project Management Plan that will address the organizational, tactical, and operational elements related to the management of the project, including project governance.

The following subsections provide guidance on how investment management should be described in terms of strategies and how to illustrate that critical project management fundamentals and methodologies have been well thought out and are in place before the launch of the project:

- ▶ Governance and Oversight
- ▶ Project Management Strategy
- ▶ Outcome Management Strategy
- ▶ Risk Management Strategy
- ▶ Change Management Strategy
- ▶ Performance Measurement Strategy

The rationale for certain of the above strategies' methods and procedures will require supporting evidence, which could include results of the project complexity and risk assessment or the Treasury Board-approved Organizational Project Management Capacity class. These assessments will be mandatory under the *Standard for Organizational Management Capacity* and the *Standard for Project Complexity and Risk*, which are related to the *Policy on the Management of Projects* that will be fully in effect across the GC in 2011.

5.1 Governance and Oversight

In accordance with the *Policy on the Management of Projects*, each department is required to have a department-wide governance and oversight mechanism in place. This mechanism is used to manage the initiation, planning, execution, control, and closing of projects. In addition, the mechanism ensures that opportunities are considered for integrating projects across the department and across the GC.

At the business case stage, a detailed governance structure for the specific investment proposal is not required; however, the business case should demonstrate where and how the proposed investment would fit within the organization's broader governance and oversight structure.

Once the business case has received internal approval, a project-specific governance and oversight structure would be developed as part of the Project Charter and further solidified in the Project Management Plan. Both the Charter and the Plan are required as part of good project management.

5.2 Project Management Strategy

When developing a project management strategy for the successful delivery of projects, most organizations embrace sound project management principles and adopt a project management methodology that conforms to widely accepted best-practice standards. Evidence that the organization possesses and will apply a sound methodology for managing the project during its life cycle and through post-implementation will only add to the overall strength of the business case.

5.2.1 Project Review Strategy

Project reviews and reports on its status should be appropriate to the project's level of complexity and risk. These activities should be planned up front in accordance with the oversight and governance structures.

The business case should provide an overview of the methods and processes that will be implemented to gauge the project's progress and of how that progress will be communicated to the project team, project sponsor, and other stakeholders.

For example, reporting on the project's status could include regular status reports to the oversight and governance structures and updates to an executive dashboard.

The decision process for continuing or cancelling a project, commonly referred to as gating, should be described in the business case. Gate reviews are generally conducted following execution of a major deliverable or conclusion of a project phase. Gates should be in place to review the work accomplished and the deliverables, which will determine whether performance is satisfactory, whether extra work is still required, or whether the phase should be closed.

Information on project management, program/portfolio management, governance structures, and project management offices can be found on the [Secretariat's website](#).

5.3 Outcome Management Strategy

A key factor for judging the success of the project is whether or not the desired business outcomes have been achieved. The project should therefore be managed in a manner that maximizes the probability of achieving outcomes. This will require an approach that goes beyond the scope of traditional project management principles (i.e. on time, on budget, and within scope). One such approach is outcome management.

The outcome management strategy involves activities that are focussed on the realization of intended benefits. The strategy should take into consideration how changes to the project's budget, schedule, issues, risks, and scope will affect whether the desired outcomes are achieved. Outcome management will help to ensure that the project delivers its anticipated benefits through the following:

- ▶ Outcome realization plans that have been defined and are ready for implementation;
- ▶ Approved investments are tracked and managed to ensure that business outcomes are achieved and those achievements are reported to the investment sponsors;
- ▶ Senior management is advised of issues and of their implications across projects to support their decision making; and
- ▶ Progress is reported to various stakeholders.

For the purposes of the business case, the outcome management strategy should address how the following components of the project will be managed:

- ▶ Which outcomes to track and how they will be tracked (e.g. project management plan, executive dashboard) over the course of the project's life cycle;
- ▶ Outcome owners engagement;
- ▶ Outcome target metrics and time frames; and
- ▶ Outcome reporting process.

For more detailed information on outcome management, please refer to the *Outcome Management Guide and Tools*.

5.4 Risk Management Strategy

With the business case nearing completion, discussion of risk management or a risk management strategy at this stage should demonstrate that the organization has a function in place to manage the risks of the project. From this point forward, assuming the project is approved and funding provided, the list of identified risks will be constantly changing. New risks will be discovered, others will be successfully mitigated, and some may need only to be monitored.

The risk management strategy will inform the risk management plan, which describes how risks will be proactively managed throughout the project’s life cycle. The plan should include the method for identifying risks, for determining how each risk will be described and managed, and for integrating risks within the project governance structure. Typically, the risk management plan and successful management of risks are the responsibility of the project manager and his or her team, whose roles and responsibilities should be fully described in the project management plan.

Additional information on risk management is available on the [Secretariat’s website](#).

5.5 Change Management Strategy

Most investments involve some degree of change. This can range from simple service improvement with a narrow scope to major multi-stakeholder transformational changes. The pace of change and the experience of change may also vary—from incremental to “big bang” in impact. In any case, a strategy is typically required to help transition the organization from the current state to the desired future state.

The primary aim of the change management strategy is to show how a proposed change’s potential impact on organizational culture, systems, and processes and the people working within and with the investing organizations will be managed in later stages of the project management process. This strategy will guide the development of the change management plan.

5.6 Performance Measurement Strategy

For the purposes of this guide, performance measurement is defined as follows:

“The process and systems of selection, development and on-going use of performance measures to guide decision-making.”³

While keeping this definition in mind, the business case should indicate that performance measurement will occur at two levels:

- 1) Project implementation
- 2) Benefits realization

Project implementation should be monitored and reported on in terms of whether the project is on time, on budget, within scope, and delivering the expected product or capability, which should be illustrated in both the business case’s implementation plan (see section 4.2.5) and the subsequent project management plan developed once the business case is approved.

3. Source: [Results-Based Management Lexicon](#)

Performance in terms of benefits realization will be addressed in the outcome management strategy (see section 5.3).

Milestone Achieved

Management strategies for the investment have been defined.

Summary

After completing Phase 3 of the business case, you should be able to answer the following questions:

- Where and how will the investment fit within the organization's broader governance and oversight structure?
- How will the project be managed and reviewed throughout its life cycle?
- How will the business outcomes be realized?
- How will the business risks be mitigated and managed?
- How will change be managed and implemented?
- How will performance be measured?

Glossary of Acronyms and Terms

This section provides the acronyms in full and defines some of the terms used in the *Business Case Guide*.

Acronym	In Full
BTEP	Business Transformation Enablement Program
CEA	Cost-Effectiveness Analysis
CIOB	Chief Information Officer Branch
DPR	Departmental Performance Report
EMF	Enhanced Management Framework
EMS	Expenditure Management Sector
GC	Government of Canada
IRR	Internal Rate of Return
MAF	Management Accountability Framework
MRRS	Management, Resources, and Results Structure
NPV	Net Present Value
OM	Outcome Management
OPMCA	Organizational Project Management Capacity Assessment
PAA	Program Activity Architecture
PCRA	Project Complexity and Risk Assessment
PVR	Present Value Ratio
RMAF	Results-Based Management Accountability Frameworks
ROI	Return on Investment
RPP	Reports on Plans and Priorities
Secretariat	Treasury Board of Canada Secretariat
SRO	Senior Responsible Officer

Term	Definition
Deliverable	Any unique and verifiable product, result, or capability to perform a service, which must be produced to complete a process, phase, or project. Often used more narrowly in reference to an external deliverable, this is a deliverable that is subject to approval by the project sponsor or customer.
Investment	The use of resources with the expectation of a future return, such as an increase in output, income, or assets or the acquisition of knowledge or capacity. (Source: <i>Policy on Investment Planning—Assets and Acquired Services</i>).
Outcome	An external consequence attributed, in part, to an organization, policy, program, or initiative. Outcomes are not within the control of a single organization, policy, program, or initiative; instead, they are within the area of the organization's influence. Outcomes are usually further qualified as expected, direct, or immediate, intermediate, or ultimate (final). (Source: <i>Results-Based Management Lexicon</i>)
Output	Direct products or services stemming from the activities of an organization, policy, program, or initiative and usually within the control of the organization itself (e.g. pamphlet, research study, water treatment plant, training session). (Source: <i>Results-Based Management Lexicon</i>)
Probability	The likelihood that a risk will occur.
Project	A temporary endeavour undertaken to create a unique product, service, or result.
Risk	Refers to the uncertainty that surrounds future events and outcomes.
Sponsor	The person or group that provides the financial resources, in cash or in kind, for the project.
Stakeholder	Person or organization (customer, business owner, program manager, performing organization, the public) that is actively involved in the project or whose interests may be positively or negatively affected by execution or completion of the project. A stakeholder may also exert influence over the project and its deliverables.

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