

Tutorial Tuesdays

How to Make a Solid Business Case

(AKA How to Design a Successful Project)

- 1 Problem(s)
- 2 Solution(s)
- 3 Final Thought(s)
- 4 Questions and Answers

Most of the projects we work on are good:

“Our product, which used to be a best-seller, has been underperforming lately. We need to learn what the market wants now and adapt the product to suit.”

“This process currently takes 20 days to complete. It should take 90 minutes. We need to fix it.”

“Our technology is decrepit. The entire business runs on an old PC Junior in the CTO’s garage. We need to modernize, so we can do... anything really.”

But not all projects:

“We need a fancier website and are willing to throw \$1.3 million at the problem to make it go away.”

“A customer mentioned a conversation she had with the customer service department, and the high-powered salesperson was embarrassed that he didn’t know about it. So, we’re going to build a new CRM system.”

“The CTO is also a customer, and he doesn’t like the layout of our client web portal, so we have to change it.”

(By the way, if your CTO tells you to change the layout of your web portal, just do it.)

Okay, those were bad rationales to run the projects.

We don't fix the **real** business problems.

We waste money.

We waste time.

Even worse:

Some of our best people get tired of spinning their wheels, and they **leave** us.

Those of us who stay are totally **demoralized** by this situation.

What do we do about this?

How do we make our projects truly successful?

Three solutions:

- 1 Develop business cases
- 2 Make the business cases critically sound
- 3 Sell your business case by agitating the problem



1 Develop business cases

- A business case is simply a detailed proposal to run a project (after reviewing many different options)
- A good business case says that we can execute some strategy of the firm in a financially sound way
- At its core is a cost-benefit analysis
- Divide the project's benefits by its costs, and subtract one. That's the ROI. The higher the ROI, the more financially sound the project

New CRM System				ROI Summary		
				<i>Cum. Costs</i>	<i>Cum. Benefits</i>	<i>ROI</i>
			Year 0	\$ 508,580.00	\$ -	-100%
			Year 1	\$ 652,580.00	\$ 216,000.00	-67%
			Year 2	\$ 796,580.00	\$ 792,000.00	-1%
			Year 3 (break-even)	\$ 940,580.00	\$ 1,368,000.00	45%
Costs						
<i>People</i>	<i>Monthly</i>	<i>Months</i>	<i>Year-0 Total</i>	<i>Year-1 Total</i>	<i>Year-2 Total</i>	<i>Year-3 Total</i>
Project Manager	\$ 9,000.00	12	\$ 108,000.00	\$ -	\$ -	\$ -
Business Analyst	\$ 8,000.00	9	\$ 72,000.00	\$ -	\$ -	\$ -
Development Lead	\$ 8,000.00	12	\$ 96,000.00	\$ -	\$ -	\$ -
Developers (3)	\$ 21,000.00	10	\$ 210,000.00	\$ -	\$ -	\$ -
Support (3)	\$ 12,000.00	N/A	\$ -	\$ 144,000.00	\$ 144,000.00	\$ 144,000.00
<i>Software</i>	<i>Initial</i>	<i>Ongoing</i>	<i>Year-0 Total</i>	<i>Year-1 Total</i>	<i>Year-2 Total</i>	<i>Year-3 Total</i>
UI Widget Library	\$ 900.00	\$ -	\$ 900.00	\$ -	\$ -	\$ -
MS Outlook 2016 (80)	\$ 16,000.00	\$ -	\$ 16,000.00	\$ -	\$ -	\$ 0
<i>Hardware/Infra</i>	<i>Initial</i>	<i>Ongoing</i>	<i>Year-0 Total</i>	<i>Year-1 Total</i>	<i>Year-2 Total</i>	<i>Year-3 Total</i>
Dell Rack Server (4)	\$ 5,680.00	\$ -	\$ 5,680.00	\$ -	\$ -	\$ -
TOTAL			\$ 508,580.00	\$ 144,000.00	\$ 144,000.00	\$ 144,000.00
Benefits						
Increased Revenues			\$ -	\$ 120,000.00	\$ 480,000.00	\$ 480,000.00
Cancellation of XYZ Software	\$ 8,000.00	N/A	\$ -	\$ 96,000.00	\$ 96,000.00	\$ 96,000.00
TOTAL			\$ -	\$ 216,000.00	\$ 576,000.00	\$ 576,000.00
TOTAL			\$ (508,580.00)	\$ 72,000.00	\$ 432,000.00	\$ 432,000.00

2 Make the business case critically sound

- Often, business cases are biased arguments in favor of a project an executive wants to run. That's bad
- To prevent these scenarios, we brainstorm lots of different solutions and choose the best one
- And to do *that*, we identify the assumptions, risks, issues, costs, and benefits of each option

Solution Brainstorming Worksheet

Problem: Our website isn't generating enough sales.

Idea	Solves the Problem?	Assumptions/ Risks/Issues	Rough Cost Estimate	Solution Bucket
Improve the quality of both new and existing content	Partially	Assumption is that better content will bring better sales. Assumption: Marketing hires copywriters at \$500/article * 50 pieces	\$25,000 project	Low Budget
Introduce chat feature	Partially	Assumption is that chatting will form a bond with customer, inducing them to do business with us. Technology cost: \$10,000 Ongoing support: 1 person at \$50K/yr	\$10,000 project \$50,000 annually	Medium Budget
Better content + chat	Partially	Just combing the two ideas	\$35,000 project \$50,000 annually	High Budget
Redesign the entire website	Completely	Assumption is that long wish list of marketing items will increase sales when implemented.	\$1,000,000 project	No Constraints
Slowly improving the quality of content	Partially	Assumption is that better content will bring better sales.	\$0	No Budget

3 To sell the best option, we agitate the problem

- Agitating the problem is a copywriting technique, where we spell out what an absolute disaster we're in, if we don't run the project
- We don't lie. We don't exaggerate. We just spell it out; we paint the picture.
- In other words, we don't stop with describing the project. We also agitate it

Bad Summary

The purpose of this project is to maximize sales effectiveness by developing a CRM system.

(kinda) Good Summary

Today, our salespeople have no idea when their clients have interactions with our firm. If a client has a bad interaction with a department and then calls the salesperson, they need to know this, so they can fix the situation and retain the client (and their revenues). To solve this, we need CRM.

Even though the business case is the
responsibility of the sponsor,
it will be up to us to drive the analysis...

important

And it's the **analysis** that will make
the project successful... or **not**.

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