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A Case for the Business Case

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Attention all agency leaders: the Office of Management and Budget (OMB) has set its sights on your project.

In recent years, OMB has refined the regulatory and reporting framework to identify, investigate and evaluate federal projects and programs. The result is a revised Exhibit 300 business case format with more information and reporting requirements for acquisition and IT investments than ever before. OMB leadership wants to be able to identify problems earlier in the acquisition lifecycle, in order to be able to effect changes that can improve and even save the investment. Their approach is consistent with the Government Accountability Office (GAO), which continuously promotes the idea that the “first and perhaps best opportunity” to reduce risk on a project is early in the planning stages (GAO-10-374T).

In 2008, GAO reported that more than 48 percent of all major IT projects were rebaselined, and in many cases more than once. GAO reported: “The most commonly cited reason for rebaselining was changes in project requirements, objectives, or scope—55 percent” (GAO-08-925). Considering that one out of every two major IT projects is rebaselined, agencies would be wise to rethink their approach to the business case.

At the heart of every project is an idea—a new approach to solving a problem, a better way to make the most of an opportunity. Ideas fuel projects, but all too often these ideas are not clearly formulated and the expected results are not adequately quantified. In today’s federal environment, where terms like “transparency” and “accountability” can be used as weapons, agency leaders require a strong foundation for projects. The business case provides such a foundation for large, medium and small projects and programs. It is an essential component to understanding a singular investment in the context of all other agency priorities.

Nearly all federal agencies have established basic processes for business case development. Yet, business cases are not always developed consistently within agencies. Often, a good business case depends upon the individuals assigned to it, rather than a strong process. As the primary document defining the investment of people, dollars, and focus by an organization, it is critical that agencies adopt a higher standard for the development, evaluation and disposition of business cases. With governance practices on the rise, and agencies dabbling in enterprise project and program management, the smart money is on the business case to become an essential document for successful projects. In short, a business case:

1. Provides the earliest and best chance of “getting it right” the first time.
2. Affords the least expensive path to scope changes.
3. Allows government to select the best contract type.
4. Reduces risk of acquisition protests or rebaselining.

On one hand, there is the science of business case development. The team needs to fully analyze the lifecycle costs, expected returns, risk adjusted investment schedule, and other items to fully document the path ahead. Teams should use OMB Circular A-94 and other such materials to ensure that the methodology is sound.

On the other hand, there is the art of a well-designed business case. This side speaks to an agency’s approach to fully exploring the costs and benefits of an investment. The process needs to be open, free of influence, and delivered in such a way as to promote vigorous debate. Consider that an agency must commit to more than just completing a document. Agencies that have embraced the business case have invested in the entire front-end business case evaluation mechanism. Adopting such an approach drives value to the project or program by creating a critical review approach that allows only the highest priority investments through. A well-executed business case process:

ensures that only high-priority investments make it to fruition;
provides a common medium for debate around the use of the agency’s scarce resources; and

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articulates the benefits associated with the project—and when those benefits will be realized.

While every agency must complete business cases, agency leaders need to ensure that the process is executed well. Agencies are increasingly accountable for their results, as evidenced by the Exhibit 300 requirement for major acquisitions. As OMB's and GAO's tool set continues to evolve, agency leaders will need the robust business case processes to efficiently evaluate investments. The business case is a great starting place and should be adopted at all levels of the organization.

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