



FINANCIAL TRAINING AUSTRALIA

## **Business Case Template for Approval of a Project**

**<Title of Proposal>**



***How To Write a Winning Business Case***  
*Business Case Template for Approval of a Project*



## TABLE OF CONTENTS

|   |           |
|---|-----------|
| <b>TABLE OF CONTENTS .....</b>  | <b>3</b>  |
| <b>1. EXECUTIVE SUMMARY .....</b>   | <b>4</b>  |
| Introduction (outline of the proposal and the business concept), showing: ..... | 4         |
| Analysis of the Proposal, with:.....  | 4         |
| Recommended Option, including: .....  | 4         |
| <b>2. PROJECT OVERVIEW .....</b>  | <b>5</b>  |
| Business Needs .....  | 5         |
| Project Background .....  | 5         |
| Project Purpose and Objectives .....  | 5         |
| Performance Measurement .....   | 5         |
| Project Scope .....   | 5         |
| Reasons for Proposing the Project Now.....                                      | 5         |
| Proposed Timing .....   | 5         |
| Impact if the Project is Not Approved .....                                     | 5         |
| Project Assumptions.....  | 5         |
| <b>3. NEEDS OR OPPORTUNITY ANALYSIS .....</b>                                   | <b>6</b>  |
| Overview .....  | 6         |
| Market Analysis .....   | 6         |
| Situation Analysis .....  | 6         |
| Competitor Analysis .....   | 6         |
| Environmental Analysis .....  | 6         |
| Output Analysis .....   | 7         |
| <b>4. STAKEHOLDER MANAGEMENT AND CONSULTATION .....</b>                         | <b>8</b>  |
| Stakeholder Identification .....  | 8         |
| <b>5. FINANCIAL ANALYSIS AND INVESTMENT APPRAISAL .....</b>                     | <b>9</b>  |
| Investment Appraisal .....  | 10        |
| Budget Funding .....  | 10        |
| <b>6. RISK ASSESSMENT AND MANAGEMENT .....</b>                                  | <b>11</b> |
| Risk Analysis .....   | 11        |
| <b>7. OPTIONS ANALYSIS .....</b>  | <b>13</b> |
| <b>8. IMPLEMENTATION STRATEGY .....</b>   | <b>15</b> |
| Alternate Summary Timescale .....   | 15        |
| <b>9. GOVERNANCE, MANAGEMENT AND LEGAL .....</b>                                | <b>16</b> |
| Legal Structure .....   | 16        |
| Intellectual Property.....  | 16        |
| Compliance Obligations .....  | 16        |
| Project Management Method .....   | 16        |
| Audit of Project.....   | 17        |
| Procurement Requirements.....   | 17        |
| <b>10. CONCLUSIONS.....</b>   | <b>18</b> |
| Summary of the Case.....  | 18        |
| Recommendations and Next Steps .....  | 18        |
| Next Steps - Example.....   | 18        |

## 1. EXECUTIVE SUMMARY

In this section, provide a concise overview of what you are proposing and why it should be supported. This should address the following:

**Introduction** (outline of the proposal and the business concept), showing:

- The objective of the proposal, including links to your organisation's strategic objectives (or government policy)
- the scope of the project
- Key concepts and strategies (service need, key stakeholders and clients)
- An outline of the process used to develop the business case.

**Analysis of the Proposal**, with:

- An outline of the options or alternatives, including the 'do nothing' option
- the economic, financial, social and environmental analysis of options
- the risk evaluation, including key assumptions, risks and the sensitivity analysis
- a budget analysis and the funding strategy.

**Recommended Option**, including:

- Identifying the recommended option
- Identifying performance measures to be used for the preferred option
- Key implementation issues, including risk management.

You should reference key supporting documentation in the table of contents, the executive summary or the body of the report. If not appended to the business case, it should be readily available from the project sponsor.

## 2. PROJECT OVERVIEW

This section should provide an outline of the proposal including the background to the project, what is to be done and how it is to be achieved.

It is likely to include the following:

### ***Business Needs***

Insert Business Needs as identified in your organisation (An overview in this section – expanded in next section).

### ***Project Background***

The project background needs to capture the project's history, current governance structure, prior decisions and considerations.

### ***Project Purpose and Objectives***

List in dot point format the overall purpose and then split it into specific objectives for this project

What are the tangible outcomes/benefits that will be produced by this project?

Link back to the Strategic Objectives of the organisation where possible.

### ***Performance Measurement***

How will the performance of the project be measured/what are the critical success factors?

What will need to happen for the project to be successful?

### ***Project Scope***

Project Scope should define the project constraints and limitations.

### ***Reasons for Proposing the Project Now***

What are reasons for developing the Business Case at this particular time? Provide a brief explanation as to why the project has been identified as a priority.

### ***Proposed Timing***

When will the benefits be realised and what is the overall timing of the project?

### ***Impact if the Project is Not Approved***

What will be the consequences if this project is not approved?

### ***Project Assumptions***

Key assumptions or preconditions that should be taken into account when assessing the business case should be summarised in this section. Detailed calculations, reasoning and supporting documentation should be set out in the Financial Analysis section.

### 3. NEEDS OR OPPORTUNITY ANALYSIS

Outline in detail the current situation in which the project need or opportunity has arisen. A situational analysis is a description of the 'present state' or situation of a range of factors as it exists at the moment. It is an attempt to describe and summarise all the factors that have contributed to the need or opportunity for this project. It requires thought and the collection of information or data on a range of variables. The degree of detail provided in this step is key to the justification of the project's need and hence its approval.

The aim of a Needs Analysis is to identify whether there is demand for the outputs of the project (e.g. goods or services) in a specific market or community. It aims to establish whether people want, and therefore will pay, for the good or service. The Needs Analysis may include an evaluation of the market for a service or customer needs. The aim of the analysis is to prove that there is demand for the particular project you are proposing to deliver. This will help to reduce the possibility of a failure of the project, or the project not producing the results anticipated, leading to a loss on investment and/or possible damage to the reputation of the organisation.

Below is an example of the types of issues you should address in undertaking an analysis of a market for the sale of goods or services. Delete any categories you do not think are relevant.

#### **Overview**

Provide a clear overview of the method you have used to analyse the need for the product and the conclusions you have drawn that are supported by your analysis.

#### **Market Analysis**

This section should address the following:

- Is there a market for the proposed project or is there demand for the particular type of goods or services you are proposing to provide?
- Will participation in this market contribute to a strengthening of the organisation's reputation? Does it align with how the organisation wants to be seen with its customers or clients within its communities?

#### **Situation Analysis**

This section should address the following:

- What is the size of the market (volume and \$)?
- What is the state of the market (slowing down, growing, increasing competition)?
- What is the structure of the market?
- Who is buying (geographic, socio-economic, demographic profiles)?

#### **Competitor Analysis**

This section should address the following:

- Are there any competitors?
- What is their size, goal, market share, product quality and other characteristics needed to understand their intentions and behaviour?
- How does your project compare with competitor activities?

#### **Environmental Analysis**

This section should address the following:

- What are the broad environmental trends that will impact on the project's future (e.g. demographic, economic, technological, political/legal, socio-cultural trends)?

### ***Output Analysis***

This section should address the following:

- You should be able to say whether the market in general is attractive and why
- If so, what segments you might target and how your project could be positioned
- You should have a solid understanding of where your project fits into the competitive landscape in the short term

Throughout this section ensure you refer back to the Strategic Objectives of your organisation.

## 4. STAKEHOLDER MANAGEMENT AND CONSULTATION

List key stakeholders, their possible concerns and proposed mitigation action, as well as detailing the consultation that has taken place.

### *Stakeholder Identification*

The first part is to set out the key stakeholders in your project.

In preparing the materials for this section, ensure that you have considered each of the

|   |  |       |
|---|--|-------|
| <b>Project Sponsor</b>                      | Name of the sponsor for the project                          |       |
| <b>Project Director</b>                     | Name of the project director                                 |       |
| <b>Steering Group</b><br>(where applicable) | Names of Steering Group members, note who is the chair       | Title |
|   |  |       |
| <b>Project Manager</b>                      | Name of the Project Manager who will be managing the project |       |
| <b>Project Team</b>                         | Names of Project Team members and their roles.               |       |

following types of stakeholder:

- **Approval Stakeholders:** those that have the power to stop the project and whose approval is needed for the project to proceed to completion.
- **Implementing stakeholders:** those whose support is required to implement
- **Essential stakeholders:** those affected by the project and who have the potential to delay the project
- **Interested stakeholders:** those who have an interest in the project or elements of the project

Having identified the stakeholders, this section should explain the process of consultation that was implemented in bringing this proposal forward and the consultative structures for the ongoing management of the project.



## 5. FINANCIAL ANALYSIS AND INVESTMENT APPRAISAL

The financial analysis (also known as a Cost/Benefit Analysis) sets out the financial costs to the organisation to participate in the project and the anticipated benefits. You should address the following issues:

- What amount of investment is required - specify both \$ and over what period?
- What are the projected income and expenditures for the next 3 - 5 years or the life of the project? Any capital expenditure?
- Identify all major assumptions.
- What financial benefits are expected e.g. Cost Savings, Increased Revenue?
- If part of the organisation, have indirect costs been included?

**Financial Analysis – Total financial costs and benefits for the life of the project** (Note that these are expected Cash Flows)

| Total Costs and Benefits | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------|------|------|------|------|------|
| <b>Benefits</b>          |      |      |      |      |      |
| Revenue                  |      |      |      |      |      |
| Cost Savings             |      |      |      |      |      |
| Residual Asset Value     |      |      |      |      |      |
| <b>Total Benefits</b>    |      |      |      |      |      |
| <b>Costs</b>             |      |      |      |      |      |
| <b>Capital</b>           |      |      |      |      |      |
|                          |      |      |      |      |      |
| <b>Operating</b>         |      |      |      |      |      |
| Employee Costs           |      |      |      |      |      |
|                          |      |      |      |      |      |
| <b>Total Costs</b>       |      |      |      |      |      |
| <b>Net Cost/Benefit</b>  |      |      |      |      |      |

## Investment Appraisal

### Payback Period

1) What is the Payback Period for this Project?

Project Payback Period =    Years

### Net Present Value

2) Sum of Cash Inflows – Cash Outflows

$1 + \text{Discount Rate}^t$  (t = # of years since initial investment)

| NPV of Costs and Benefits      | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------------|------|------|------|------|------|
| Discount Rate                  |      |      |      |      |      |
| <b>Benefits</b>                |      |      |      |      |      |
| Revenue                        |      |      |      |      |      |
| Cost Savings                   |      |      |      |      |      |
| Residual Asset Value           |      |      |      |      |      |
| <b>Total Benefits</b>          |      |      |      |      |      |
| <b>Costs</b>                   |      |      |      |      |      |
| Capital                        |      |      |      |      |      |
|                                |      |      |      |      |      |
| <b>Operating</b>               |      |      |      |      |      |
| Employee Costs                 |      |      |      |      |      |
| <b>Total Costs</b>             |      |      |      |      |      |
| <b>Net Cash Flow</b>           |      |      |      |      |      |
| <b>NPV of Net Cost/Benefit</b> |      |      |      |      |      |

The NPV for the project is = \$

### Internal Rate of Return

3) Based on the above data, the IRR for this Project is calculated to be    %

## Budget Funding

What are the proposed funding sources?

| Breakeven Point   | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------|------|------|------|------|------|
| Funding Sources 1 |      |      |      |      |      |
| Funding Sources 2 |      |      |      |      |      |

## 6. RISK ASSESSMENT AND MANAGEMENT

Risk assessment and management involves the identification, monitoring and mitigation of the factors that can reduce the success of the commercial project. Risks can result in a number of consequences, including:

- Benefits are delayed or reduced,
- Timeframes are extended,
- Outlays are advanced or increased,
- Output quality (fitness for purpose) is reduced, and/or
- Additional costs are incurred
- The reputation of the organisation is impaired.

Risks can be analysed and evaluated according to the likelihood they will be realised and the level of seriousness/impact they will have if they do occur. That is, risks are ranked according to whether there is a rare, unlikely, possible, likely or almost certain likelihood they will occur, and according to whether their level of consequence will be insignificant, minor, moderate, major or catastrophic if they happen.

The aim of the section is to address the following issues:

- What are the risks (including corruption or probity risks)?
- Can we manage them?
- Do the potential opportunities outweigh the potential risks?
- Are the risks insurable?
- Does everyone accept the risks?

### *Risk Analysis*

Risk assessment allows for the assessment of any potential negative outcomes that may arise as a result of the project.

The following table outlines the major risks and opportunities that have been identified for this project/initiative. This is one possible approach which adopts the format of a Risk Register.

### Insert name of Proposed New Venture Risk Management Report

| Ref | Risk                     |  | Impact | Causes | Rating         |               |          | Proposed Risk Management Strategies |
|-----|--------------------------|--|--------|--------|----------------|---------------|----------|-------------------------------------|
|     | Category                 | Description  |        |        | Likelihood     | Severity      | Risk     |                                     |
| 1   | Socio-Political          | Economic downturn  |        |        | Possible       | Minor         | Medium   |                                     |
| 2   | Socio-Political          | Occurrence of a natural / man-made disaster in the area of operation |        |        | Unlikely       | Major         | Medium   |                                     |
| 3   | Socio-Political          | Corrupt business environment / practices                             |        |        | Unlikely       | Major         | Medium   |                                     |
| 4   | Financial                | Adverse interest rate movements                                      |        |        | Almost Certain | Insignificant | Medium   |                                     |
| 5   | Human Resources          | Occupational health and safety concerns                              |        |        | Possible       | Minor         | Medium   |                                     |
| 6   | Technological            | Lack of compatibility with existing IT systems                       |        |        | Almost Certain | Catastrophic  | Critical |                                     |
| 7   | Teaching & Research      | Inadequate facilities to conduct quality teaching and research       |        |        |                |               |          |                                     |
| 8   | Project Specific & Other | Inadequate market demand   |        |        |                |               |          |                                     |

If this approach is not useful then a more generic approach can be taken:

E.g.

| Type of Risk Identified | Likelihood | Mitigation Strategy |
|-------------------------|------------|---------------------|
| 1.                      | •          | •                   |
| 2.                      | •          | •                   |

## 7. OPTIONS ANALYSIS

This section needs to demonstrate that each option has been thoroughly analysed, considered and evaluated. One approach to this is provided by the following table which provides an outline of the alternative actions that may be taken to address the business need identified. Details of the preferred option, and the reasons why, are provided following this table.

Each option should be rated against its ability to satisfy the following criteria/project objectives

Eg:

- Strategic: strategic objectives
- Operational: fit with the organisation's operations
- Financial: capital and recurring costs, potential revenues – financial evaluation
- Risk Assessment: risks involved in each option
- Other: timing of project delivery, environmental benefits, critical success factors, non-financial benefits or 'soft' benefits

Please rate the following using the scale (1-5) where 1 is not well satisfied by the project and 5 is very well satisfied by the project.

| Options Summary                       | Strategic | Operational | Financial | Risk Assessment | Other | Overall Recom. |
|---------------------------------------|-----------|-------------|-----------|-----------------|-------|----------------|
| Option 1 (Not proceed with project)   |           |             |           |                 |       |                |
| Option 2 (Project as specified)       |           |             |           |                 |       |                |
| Option 3 (Alternate project proposal) |           |             |           |                 |       |                |

Based on the above table, option **XXX** is recommended.



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Whilst subjective, this allows reviewers to follow your reasoning as to which option is the recommended one. Note that the first option considered is to not proceed i.e. To do nothing.

## 8. IMPLEMENTATION STRATEGY

In this section you need to include a high level time frame outlining main milestones, timing issues, benefits realisation, and costing.

Only a high level timescale is usually required. An example format might be as follows:-

| Activity   | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| <b>Establish project governance</b><br>• Project Manager<br>• Advisory Board<br>• Project staffing | █   |     | █   | █   | █   | █   | █   | █   | █   | █   |     |     |
| <b>Test industry support</b><br>• Business development   | █   | █   | █   | █   |     | █   | █   | █   | █   | █   | █   | █   |
| <b>Develop research business plans</b>   | █   | █   | █   | █   |     |     |     |     |     |     |     |     |
| <b>Negotiate JV agreement</b><br>• Set up ABC India  |     | █   | █   | █   | █   | █   |     |     |     |     |     |     |
| <b>Commence operations</b>   |     |     |     |     |     |     | █   | █   | █   | █   | █   | █   |
| <b>Project Hurdle Decisions</b>  | ▲   |     |     | ▲   |     |     |     |     |     |     |     |     |

Detail potential competing priorities, skills capabilities and availability of staff and resourcing implications – where applicable.

Does this project impact on other projects that are planned or are in operation if so how?  
Provide evidence of how this project has been verified by a number of different areas - E.g. an analysis has been completed and found that...

Ensure that all reporting timelines are included.

### *Alternate Summary Timescale*

| Phase       | Date for Commencement | Date for Completion | Responsibility |
|-------------|-----------------------|---------------------|----------------|
| Initiating  |                       |                     |                |
| Planning    |                       |                     |                |
| Executing   |                       |                     |                |
| Controlling |                       |                     |                |
| Closing     |                       |                     |                |

## 9. GOVERNANCE, MANAGEMENT AND LEGAL

In this section you need to set out the specific legal and governance arrangements for the project and why you are proposing these arrangements.

### *Legal Structure*

Identify the legal structure proposed (company, agreement, association, joint venture etc) and describe why this structure is appropriate for the management of this type of project.

The issues you should consider are as follows:

- Is the legal framework appropriate to this type of project?
- Does it support the effective management of the risks to the organisation?
- Does it provide the flexibility to meet outcome expectations?
- Does it allow the project to be managed effectively?
- Will I meet all my compliance responsibilities?

### *Intellectual Property*

- Are there any issues regarding the creation of or use of Intellectual Property?
- Have all ownership issues in this regard been covered?
- Should patents be applied to protect your organisation's rights?
- Are there opportunities for licencing?

### *Compliance Obligations*

Identify each of the legal and related obligations in Australia and overseas (if applicable) and indicate what management strategies are in place to ensure these are managed effectively at all times.

| Compliance Obligations          | Management Strategy  |
|---------------------------------|----------------------|
| E.g. Equal Opportunity Act 2010 | Monitor and Evaluate |
|                                 |                      |
|                                 |                      |

### *Project Management Method*

How will the project be managed to ensure it is successful?

Outline the proposed project management method and how the project will be monitored and managed. E.g. who is responsible, project team meetings, use of Microsoft Project, Prince 2 etc.

Where applicable, provide evidence of how the proposed project management methodology has been used successfully in other circumstances, ideally with previous successful projects.



### ***Audit of Project***

Prior to submitting the project, you must identify auditing requirements for the project – if applicable.

### ***Procurement Requirements***

Outline the external procurement that will be required to complete this project.

Provide evidence of the completion of consultation with your Strategic Procurement/Purchasing Department in line with stated procurement policy including relevant quotation/tendering requirements.

## 10. CONCLUSIONS

Ensure that the end of the Business ends on a high note.  
Remember you are in selling mode!

This section summarises the problem and the solution, referring back to points made in the body of the document. The conclusion states that spending \$X will generate \$Y in cost savings or new revenue. It reinforces that this is an urgent (or at least important) problem and that you know the answer. It ends with a call to action: adopt your proposal.

### **Summary of the Case**

Gather the key points of the case and produce a mainly text-based outline leading the reader to see how the report has demonstrated the value of the business case. Be brief, use bullet points and don't go over one page.

To make the writing process easier and potentially more accurate, pick the key phrases out of each section and use 'copy and paste' to move them into the conclusion. Review the text when you have completed this and add a few words to introduce or link the content together.

### **Recommendations and Next Steps**

You may have already set out your recommendations under the Options Analysis but it will be good to repeat them here and make reference to the detail contained in that section. More specifically your recommendations may be equivalent to a Call to Action – Next Steps. Provide a listing of the specific recommendations made in order to ensure the timely approval and implementation of the solution.

Example recommendations include:

- That the recommended option be approved immediately
- That the timescales for implementation are approved immediately
- That the 'next steps' (as defined below) are approved immediately for execution
- That the required budget is allocated immediately in order to undertake an initial scope
- That the project manager is allocated immediately in order to undertake the next stage
- That the required resources are allocated immediately in order to undertake the next stage

### **Next Steps - Example**

Once the way ahead is agreed and established based on the information contained in this document, a Project Manager must be appointed (if not already in place) and a Project Scope is required to be created.

Ensure that you make it quite clear what next action is required.

*Again, end on a positive note and call to action.*



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