

# SUCCESSFUL PROJECT SPONSORSHIP

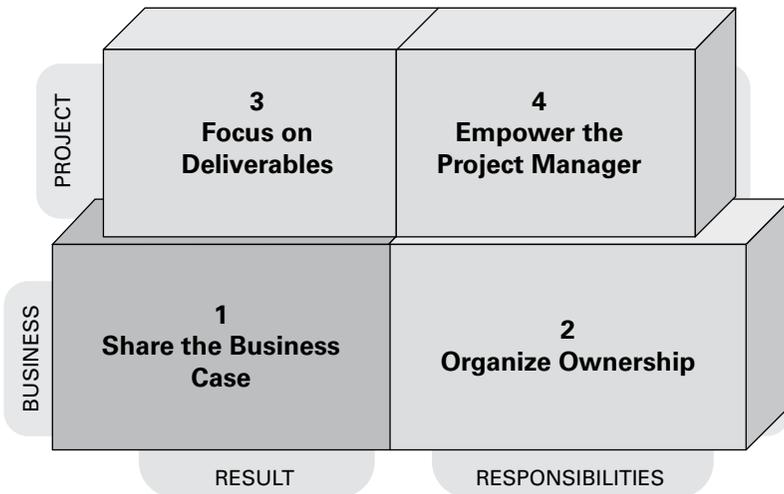
**A TIME-SAVER FOR  
THE BUSY EXECUTIVE**

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# The first principle: share the business case

**FIGURE 1.1** The first principle



## It's the business result that counts

We used to say: a project is a success when it delivers the planned project result, with the agreed quality, on time and within budget. But in the present increasingly dynamic world it is not enough any

more to deliver at the end of the project what we had agreed at the beginning. It is normal that, in the course of the project, changes in the project environment force us to change our plan. Exceptions have become the rule, and project management has developed into aiming at moving targets. That is why we now say: a project is an investment, so it is only successful when it contributes to the objectives of the sponsoring organization. This principle is about the ‘why’ of the project.

## Focus

Stephen Covey says: ‘Begin with the end in mind’ (Covey, 1989). In a project this is the role of the business case: an explanation of how the envisaged project will contribute to corporate objectives, taking into account costs, benefits and risks. It is the reason why the sponsoring organization starts the project in the first place, and you can use it to create focus in what people do. The more the stakeholders feel engaged with the business case of a project, the less you are dependent on subjective preferences, because you have a common frame of reference for decision-making, about the start of the project as well as later go/no-go decisions and changes. And the less likely it is that the project will take on a life of its own as a so-called construction project or ICT project (that is, perceived as mainly in the hands of a supplier) instead of a business project (with clear business ownership). In the end, each project is a business project.

### A project sponsor says...

A CEO of an energy company, when confronted with the first principle (*share the business case*) in a project sponsorship workshop noted:

‘But this is in contradiction with our culture.’ When asked to explain more, he added: ‘This would bring transparency into our decision-making.’



Project direction based on a business case indeed is not a matter of methodology. It may require a radical change of culture to put this into practice.

## Basis for communication

Not only formal decision-making benefits from a clear business case. Also at operational level there is a great need for a shared vision. John Kotter pointed out the enormous value of a vision (Kotter, 1996). It provides guidance for and thus simplifies numerous more detailed decisions. It motivates people to move in the right direction and helps to overcome resistance, and it helps to efficiently coordinate the actions of large numbers of different people. A good business case articulates the vision behind the project and is guiding and motivating. Therefore you should use the business case not only as a frame of reference for formal decision-making, but also as a basis for all communication with stakeholders. This requires you to be able to summarize the business case briefly and powerfully.

## One-liner

In order to get a project budget in a large organization, often all possible benefits of a project are enumerated, quantitative as well as qualitative ones, essential ones as well as nice-to-haves. What arises is a multiple business case, with various benefits such as shorter delivery times, improved efficiency, enhanced quality and improved image, and where possible quantified and added. This will serve well to underpin the budget request, but at the same time it may lead to confusion about the project's essence and will hinder effective communication with stakeholders: you always need a long story to explain the project and most likely everyone will tell the story in a different way. Therefore, the business case should not only enumerate all benefits, but should also clearly explain why you are undertaking the project. The core of a strong business case, suitable for daily communication, is a one-liner supported by the stakeholders. A clear business case fits on a beer mat.

## The value of a clear business case <sup>1</sup>

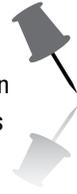
A packaging company is working on a logistic improvement project. In the first phase of the project, the project sponsor invites the members of the steering group for a start-up meeting to lay a solid foundation for successful project direction. One of the first items on the agenda is an inventory of what, in the eyes of the participants, are the main bottlenecks in the project. One of the user representatives in the steering group sees as the main bottleneck the growing flow of issues that in this early phase of the project is already overwhelming her: 'The issues and change requests come in faster than we can decide on them. The list of open issues is only getting longer. We are drowning in it.'

The next item on the agenda is the business case. The business case document defines three benefits:

- reduced delivery times;
- increased flexibility for customers;
- reduced stock levels, hence cost reduction through reduced use of capital.

According to most steering group members the cost reduction through reduced stock levels is the main reason why the project started. After some discussion, however, the project sponsor states that in the end it's about service. As 80 per cent of the company's turnover comes from a small group of large customers, at corporate level the strategic choice had been made to align all business processes to the needs of these large customers in order to tighten the relationship with them and sustainably retain and develop their business. This is what the reduced delivery times and increased flexibility are needed for. The cost reduction appears to be an important additional benefit that enables the justification of the project to those who primarily look at the direct financial effect. But the main reason behind the project is to retain the best customers with the best service. The steering group comes to a summary of the business case in a one-liner: 'Tailor-made logistics in order to sustainably develop the business with our largest customers.'

Now that the essence of the business case is clear, they need to check if this helps to manage the increasing flow of issues. The steering group member who mentioned this bottleneck is asked to give an example of an annoying small issue that leads to a disproportionate discussion. 'For



example a proposal to add one extra field on a computer screen', she explains. 'It is one of the screens our customers work with. We have been fighting over this for three weeks already.' The next question is what the issue would look like if it was looked at from the perspective of the essence of the business case: tailor-made logistics in order to sustainably retain the company's largest customers. 'Well, then it would be obvious', the member says. 'This single field is useful to manage exceptions. These exceptions are only relevant for our smaller customers, for which we use slightly different processes. Our larger customers don't need this field and for them it will only be confusing.'

Based on the essence of the business case, she draws the logical conclusion not to include this extra field. She looks at the project sponsor to check if there are any objections to applying the business case in this way. The project sponsor thinks it makes perfect sense: 'We are not going to optimize our processes to the wishes of smaller customers, they should be optimized for the large customers.'

Apparently, as soon as the business case was clarified, the issue was solved. Had the business case been clear from the beginning, the issue probably wouldn't even have been raised. Lack of clarity of the business case is a lack of leadership.

When communicating the business case to users, suppliers and other stakeholders, in the first place use this one-liner and keep repeating it. This is what you want everyone to remember. When necessary, use the full business case document to underpin the one-liner and to nuance it.

#### Tip for the PRINCE2 environment

PRINCE2 contains a detailed layout of a business case document. The risk of this is that developing a business case document becomes a specialist job. However, a brief and imperfect business case document developed with (and hence truly understood and supported by) the principle stakeholders might be of more value than a complete and theoretically perfect business case document written by a project manager or controller.



### Tip for agile projects

Most agile approaches pay little or no attention to the business case of a project as such. Instead, the business focus is maintained through prioritization and, when necessary, reprioritization of work items in the product backlog.



In agile projects, however, an explicitly shared business case is still relevant:

- to generate support among stakeholders;
- as a foundation for investment decisions;
- to give guidance for setting priorities in the product backlog, especially if you don't perform the product-owner role yourself;
- as a frame of reference for the development team that is empowered to make design decisions.

## Business case categories

A business case does not necessarily have to be of a financial nature. Based on their business cases, projects can be divided into four groups:

- **Mandatory or unavoidable projects.** You undertake these because without them the organization cannot continue. In most cases they are driven by a legal obligation. Although it is hard to determine the financial value of the result, the business cases of these projects are cast iron: in reality the success rate of the projects based on them is nearly 100 per cent.
- **Continuity projects.** You undertake these to prevent too many breakdowns, or maintenance costs rising too high, or in order to mitigate other increasing risks. The basis for the investment decision is usually a risk assessment. If there is a large chance of limited damage occurring (like in the case of a continuity project aiming to reduce a steadily growing number of failures in a production process), then the business case can well be underpinned financially. If there is a very small chance of a serious disaster occurring, it is harder to come to an objective

justification. In that case the decision will probably be more political, to be made at the highest level of the organization.

- **Enabler projects.** These are not directly focused on benefits, but you undertake them – sometimes as part of a programme – to enable other projects that do deliver benefits. If you wouldn't undertake these other projects, the enabler project has no value and therefore no justification. There is a business case, but it lies at a higher level and refers to a combination of projects.
- **Benefit-driven projects.** These projects focus directly on matters such as saving cost, increasing market share or improving health or safety. A strong business case is one that explicitly aligns with the organization's strategic objectives. If the main objective of an organization is financial, then financial arguments will be the strongest. When an organization (also) pursues other objectives, other arguments can be decisive. Strive for quantification of benefits, including when they are non-financial, to make success of the project measurable and to allow alternative solutions to be compared.

### Leadership

Creating a shared business case is the essence of the leadership of the project sponsor. This means: taking care that everyone understands why the project is being realized. It is a precondition for grass-roots support, stakeholder engagement and joint focus.



## The business case is not a document

It is a common pitfall – supported by numerous templates and checklists that circulate over the internet – to confuse the development of a business case with the creation of a business case document. Developing a business case is developing support for an investment decision, and the business case is the reason to invest. This reason exists regardless if you put it into writing, though of course it is advisable to

have the result of this process recorded in a business case document. Chapter 10 explains how to check a business case document.

## How does a business case come about?

As a project sponsor, in most cases you don't have hierarchic power over all the stakeholders and you cannot achieve a joint focus with one-way communication. By involving stakeholders in formulating the business case you offer them the opportunity to connect with and buy in to the project. This might require a process of giving and taking: you might prefer an agreement on a business case that supports 80 per cent of your interests to a conflict about a business case that supports 100 per cent of your interests.

Be clear about why you want to start the project, what most essential benefits you want to achieve (financial or non-financial) and what aspects are absolutely non-negotiable. If you delegate the rest of the process of the business case development to a project manager, ensure that they involve the right stakeholders, internal (managers from departments involved, internal suppliers, risk specialists and controllers) as well as external (customers, partner organizations and suppliers).

Elaborating the technical aspects of a business case, such as return on investment (ROI) analysis, and drafting a business case document can be delegated to the project manager or a business case specialist, after having stated your key assumptions and constraints.

## Stage transitions and changes

A clear business case provides a solid basis for setting priorities. Use the business case as a foundation for decision-making, not only at the start of the project, but also at stage transitions and change requests. In decision-making on a running project, don't use the original business case, but the most up-to-date one. What counts is that you come to a trade-off between costs still to be made (that is, excluding 'sunk costs') and benefits to be realized, taking into account current risks and the potential costs of premature closure of the project. When

evaluating a change request the question is: which solution contributes most to the realization of the business case?

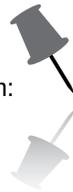
## How is the business case maintained?

At the end of each project stage, before you give permission to proceed to the next stage, check if the business case is still valid. Market developments, changes in legislation, technological developments or growing insight within the project team can all be triggers to adjust the business case and redefine priorities. When changing the business case, in order to maintain stakeholder engagement, carefully consider engaging the same stakeholders who were involved in developing it. Of course, after having spent part of the budget on the past stage, there should be a new estimate of the costs still to be made.

Also, check the business case in the event of calamities and when evaluating change requests. Based on a current understanding of the business case and risk you might decide to continue the project without changes, to adjust it or to close it.

### What to do if not everything runs according to plan?

Even the most successful projects often do not run according to plan: they are successful precisely because in changing circumstances the plan is adjusted in a timely and appropriate way. Yet most project plans focus almost exclusively on 'what to do if everything runs according to plan' and pay little attention to 'what to do if *not everything* runs according to plan'. The pre-eminent foundation for efficient and effective project direction, in case not everything runs according to plan, is a clear and shared business case.



## Yardstick for success

After completion of a project the sponsoring organization should learn from it. An important consideration is whether the planned results have been delivered to stated quality standards and within the cost and time

agreed. Answers to this question may lead to conclusions regarding the capabilities of the project manager or supplier. An even more relevant yardstick, however, is an assessment based on the business case: to what extent has the project contributed to corporate objectives? Often this can only be determined after the project has been completed for some time and the first benefits have become visible.

### Quality of business cases influenced by context

The way that an organization deals with business cases can be highly influenced by budget policies, and the extent to which project sponsors are held accountable for the realization of their business cases.

For example, a telecom provider annually approved only the strongest business cases based on a high standard for return on investment. The business cases submitted by the project sponsors were always extremely optimistic in order to get the budget, because they knew they were never held accountable for actually achieving their business case.

A public sector organization used to translate the expected financial savings mentioned in business cases directly into budget cuts for the next year. In order to avoid this, most project sponsors left the financial aspects of the business cases of their projects as vague as possible, referring to the social objectives of the organization.



## Benefits realization

Of course you don't leave the realization of benefits to chance. Who feels responsible to realize the proposed benefits? Do they consider the realization of these benefits to be achievable with the aid of the products to be delivered by the project? These are important questions to ask during the development of a business case. After all, as long as these questions are not adequately met, a business case is non-binding and may be based on wishful thinking rather than the determination to achieve improvements. More on this can be read in Chapter 2 on the second principle: *organize ownership*.

## Summary

The first principle, *share the business case*, gives direction to the efforts of all involved and helps them to connect with the project. It contributes to:

- strengthening the sponsorship of senior management;
- better support among stakeholders and hence more cooperation;
- therefore less problems with the supply of resources;
- less room for conflicts of interests between stakeholders;
- a continued focus on the intended business results instead of only the project results, so that the project will not take on a life of its own;
- fewer spurious debates about details arising because stakeholders have different views of the ‘why’;
- efficient use of resources through a clear focus, hence less waste;
- good anticipation of the project manager of steering group decision-making, enabling him or her to propose changes that reinforce the business case and to refrain from proposing changes that do not, thus improving the efficiency of steering group decision-making;
- at all levels: better decision-making on details based on a motivated trade-off between user and business interests.

In short, very little contributes as much to achieving positive business results as a clear and shared business case. The time you spend working with stakeholders on creating it will be more than worth it and most of the benefits mentioned above will save you a lot of time.

## Note

- 1 Translated from ‘Waarom doen we dit eigenlijk? De businesscase als succesfactor van projecten’ (Why are we doing this? The business case as project success factor) (Van der Molen, 2013).

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