Is IT Worth It? Presenting the Public-Sector Business Case

In difficult economic times, successful IT initiatives can contribute much to government and the public. The challenge is to show how projects can deliver quantifiable value and benefits that help meet critical needs.

Governments throughout the United States are experiencing budget deficits brought on by the economic slowdown and by spending requirements that have arisen as a result of the Sept. 11 attacks. In this environment, all government spending must be carefully examined to ensure the efficient and effective funding of priority programs and projects. Technology spending is no exception. However, spending on technology can: 1) bring greater efficiencies to public-sector business processes, 2) speed up and improve the collection of government revenue, and 3) facilitate the essential exchange of information across the enterprise and with critical external stakeholders (e.g., citizens, vendors, the business community and other governments). As a result, many technology initiatives can have a positive impact on government budgets, and should be fully funded. To determine which technology projects deserve funding, initiatives should be assessed to gauge their immediate value to the bottom line or whether they efficiently meet the most-critical operational objective (see “Prioritizing E-Government Strategies,” DF-15-3135).

Elected officials and senior technology and budget managers should require that technology projects be justified through the completion and presentation of a business case. Broadly stated, a business case is a systematic identification, analysis and documentation of the relative attractiveness of multiple investment alternatives. For a specific project, the purpose of creating a business case is to outline tangible benefits that can be delivered by implementing the project and tracking it against these measurable goals. In other words, “How is this project going to improve the operating performance of our organization or business?” Even in the best of economic times, many technology projects suffer because costs are underbudgeted, benefits are overestimated and difficult to measure, and
implementation takes longer than expected. A business case can help government executives:

- Select and prioritize funding from among competing projects
- Select a vendor or consultant once the project is determined
- Track project milestones to confirm that the project is meeting expectations
- Confirm the final results

A business case analysis must be performed for each government IT initiative. Through 2005, 70 percent of government technology projects that are not supported by a well-developed business case will fail to obtain adequate funding or meet project objectives (0.8 probability).

Critical to the development of a business case is the need to ensure that the team developing the analysis includes members from the appropriate operating units and the financial operation as well as from the IS organization. The business case itself must be written in language that can be understood by the executive team, not in the “tech talk” of the IS lab. A communication gap typically exists between the IS group and senior management. The IS organization is usually a talented, highly technical team, while executives are more comfortable with operational and business policy (e.g., education, social services and public safety) and financial concepts. Bridging this gap through a well-written business case is the responsibility of the IS organization.

Creating a solid business case requires co-ownership by the IS organization, the budget/finance staff and the operating/policy side of the public-sector organization. The department or agency’s senior management team (the CIO, chief operating officer and chief financial officer) should be comfortable working as a team to increase enterprise strength through the strategic use of technology. It is, therefore, important to thoroughly involve business, technical and financial people in the analysis that will comprise the business case.

The team developing the business case must:

**Develop a problem statement.** A business case should begin with a problem statement that clearly defines the problem, need or opportunity to be addressed by the technology initiative. Be aware that technology initiatives will most likely solve a number of problems or issues. For example, a constituent relationship management initiative (see “E-Government and CRM: Slowly Moving Forward,” COM-14-2956) may ultimately reduce staff, decrease time spent on constituent calls, cut waiting time in
government offices and enable diversion of calls to Web self-service capabilities. A well-developed business case will include a brief analysis of the potential problem solutions provided by the IT initiative.

Describe how the initiative will have an impact on the future. The business case for a technology initiative should describe how the IT initiative will help solve the government organization’s problems. Make sure that the business case describes the operational impact of the project, rather than the technological impact.

Describe specific objectives of the initiative. Express the project’s goals in specific terms that will be understood by all critical stakeholders. Identify the key aims of your proposed project. Ensure that all project participants reach consensus on these aims.

Provide a description and rationale for the desired approach and explain why alternatives were discarded. The business case should describe how technology would solve the problem. Include the specific solution, the participants in the project, and its effect on constituents and critical stakeholders. Detail alternative approaches that were considered and explain why they were discarded.

Describe and quantify the benefits of the proposed initiative. The benefits of solving your problem are an integral part of the business case. People will want to know how your project will help them in their business and their community. During difficult economic times, government executives and budget offices prioritize projects that will result in direct cost savings for business operations.

Such cost savings can result from increased productivity (i.e., less required per worker, which will defer hiring or enable resource cutbacks), greater utilization of capital equipment (i.e., less monthly maintenance downtime), fewer errors based on higher quality (thus avoiding corrective costs), less product waste or more recovery, and administrative efficiencies (e.g., more-accurate pricing, fewer adjustments, prompt collection and less travel).

Project champions should sharpen their pencils and detail exactly where likely savings will show up (if direct savings are a basis for the project recommendation). Other projects may serve as moneymakers that enhance revenue by improving compliance, decreasing fraud, improving cash management and spurring economic development.
Cost savings or revenue enhancements are essential to a business case, yet they are not the only elements that determine a winning project. In fact, some projects may not have the desired cost-saving characteristics, but will instead have significant political or service delivery benefits. For example, a state criminal justice integration system can improve public safety by making more timely, accurate and complete information about offenders available statewide. It is important for the business case to clearly articulate the tangible (financial) and intangible (constituent value) benefits so informed decisions can be made about which projects to embrace or abandon.

**Quantify the business cost and identify the sources of funding.** The senior management team will insist on knowing the “fully loaded” costs of the IT project. Cost estimates should cover all elements of the project, including technology, consulting, human resources, training and space requirements. You must estimate indirect costs such as the cost of business disruption during a changeover (or the period of duplicate systems), the potential loss of staff, the amount of training required and other change-management oversight chores and expenses. IS organization members should assess these business expenses and add them to the raw application development effort, including such common costs as testing, installation, validation and ongoing maintenance support. To those costs, add the normal incremental IT investments in hardware (processors and storage), purchased software, ongoing help desk support staff, and required infrastructure capacity and support (e.g., network bandwidth). Every new application adds a burden to the base infrastructure that needs more support to continue delivering the expected reliability, speed of response and client support. If a discontinued application provides relief for infrastructure services, document the consequences. However, it’s more likely for the workload of other applications and databases to increase, not decrease, as new functions are added.

Funding for public-sector IT projects comes from a variety of sources. Once costs are determined, detail where the money will come from. If possible, provide a mix of potential funding sources (e.g., federal grants, tax levies, user fees and foundation grants). (See “Innovation Funds: A Model for E-Government,” SPA-12-9594; and “Innovative Government Funding Model,” CS-14-2771.)

**Perform a cost-benefit analysis.** Data on the costs and benefits of the project must be analyzed and compared to answer the question, “Is the project worth doing?” Where feasible, provide numbers in the form of return on investment (ROI), payback, present value of net cash flows, or economic-value added to reveal the real dollar impact and economic returns to be
generated by the technology investment (see “How to Economically Justify an IT Investment,” TU-14-1816). However, many public-sector projects do not lend themselves to a purely financial analysis. Various tools developed to help evaluate IT initiatives can help measure the true quantitative and qualitative value of an IT initiative. (See “Changing the View of ROI to VOI — Value on Investment,” SPA-14-7250; “E-Business: When ROI Obscures the Real Business Case,” COM-14-3317; and “Measuring SMB IT Investments: Show the Business Value,” COM-14-7701.)

**Specify performance measures.** People willing to lend their support will want to know that you are delivering on your promises. Provide your stakeholders with a concrete method to assess project performance and identify where improvements are needed. Performance measures include customer satisfaction, improved response time, time or money savings and enhanced revenue.

**Perform a risk assessment.** Every business case presentation must also acknowledge potential risks associated with the project. Project managers should assess the following risk areas and compare them to the norm. 1) *Business risk:* Is the business reasoning sound, independent of the IT content? 2) *Organizational risk:* Will users embrace the new system or resist it? 3) *Technological risk:* Is the technology likely to fade? 4) *Vendor risk:* Is the vendor a viable provider? 5) *Execution risk:* Will the project team be able to meet the schedule on budget and on time? 6) *Concentration risk:* Is there too much riding on this one critical project? Will failure produce extreme disadvantages and disruptions?

The greater the exposure to risks, the greater the economic returns of the project must be to offset the increased likelihood of failure (see “Identifying and Assessing E-Government Inhibitors,” DF-12-5688). Project managers should also indicate how they intend to mitigate the risks to help ensure project success.

**Key Facts:**

- In difficult economic times, many technology initiatives can have a positive impact on government budgets, and should be fully funded.
- Technology projects should be justified through the completion and presentation of a business case.
- The creation of a solid business case requires co-ownership by the IS organization, the budget/finance staff and the operating/policy side of the public-sector organization.
Bottom Line: Although senior public-sector executives have generally come to understand the role to be played by IT in transforming government services and operations, difficult economic times demand more justification for investments. CIOs must work with senior program executives to develop a business case for each IT initiative to obtain approval and funding, and develop performance criteria to confirm that the project is meeting expectations. Neglecting to develop a solid business case for public-sector IT initiatives will decrease the likelihood of funding and will make it more difficult to achieve the project’s measurable benefit objectives.