



## An inside view: how to build a business case

*New initiatives for federal IT investments face a rigorous process of planning and justification to obtain approval by the Office of Management and Budget. Here are some steps for making the case to OMB for funding for a "ground zero" project, from Jim Kendrick, president of the P2C2 Group Inc. of Kensington, Md., based on his experience in helping agencies prepare Exhibit 300 business cases.*

**START WITH THE AGENCY'S PERFORMANCE GOALS.** Your IT project needs to solve a big agency problem or achieve dramatic program results.

**DEFINE YOUR STRATEGY FOR BUSINESS CASE DEVELOPMENT** Typically, the business case for a new project will require between three and eight months of preparation. Your strategy for developing the Exhibit 300 and supporting business-

case documents should address all of the requirements of the Office of Management and Budget's Circular A-II, Section 300.

**IDENTIFY AND INVOLVE STAKEHOLDERS.** A major new initiative generally requires broad support and a change management strategy. Involve line managers wherever appropriate, identify other stakeholders, and determine a way to keep them involved or informed. Keep your briefings well-structured. Establish credibility by conducting professional-quality background research and planning.

**DOCUMENT YOUR BASELINES.** You will need to document your current business requirements, workflow, problems, risks, costs and performance metrics. Such a baseline will be used to estimate how much of an improvement your proposed initiative is likely to achieve.

### **IDENTIFY PROJECT RESULTS AND REQUIREMENTS.**

A high-level requirements document should specify general business and IT capabilities necessary to meet agency and stakeholders' requirements. But the specifications should not be so narrow that they rule out potentially attractive alternatives.

▶ "If you want to get to success, [you need input from] your contracting people, your budget people and your management people so you don't trip up somewhere along the way." —JIM KENDRICK

### **EXPLORE OUTSIDE-THE-BOX SOLUTIONS.**

The best option for a new investment could be to redefine your project or to outsource the project to another agency or to a commercial source. Don't simply think about updating your legacy solution to a new version of the same system.

### **START EARLY ON SECURITY AND PRIVACY ISSUES.**

You want to be able to state specific dates for your privacy impact assessment, project risk management plan and system security plan. You also will need to assess information-security requirements in sufficient detail to estimate costs for security, including technical and other controls, the certification and accreditation process, and ongoing security management.

### **CONSIDER OMB'S SCORING SYSTEM.**

You must fully address IO criteria and OMB will score your project on each one. See Circular A-II.

### **USE THE PROJECT TO ADVANCE YOUR ENTERPRISE ARCHITECTURE.**

Integrating IT capital planning with enterprise architecture and program performance management will be central to long-term success. Each new major investment should strengthen your enterprise architecture and its alignment with the Federal Enterprise Architecture.

**CONSIDER RISKS.** A new project should give full consideration to risks, costs of risks and realistic means for mitigating risks.

**DEVELOP EARLY PROTOTYPES OF SOLUTIONS AND DOCUMENTS.** Develop “trial balloon” documents early in the planning process, including perhaps a high-level requirements document to see if stakeholders are in agreement about what the project needs to accomplish.

**ESTABLISH A QUANTITATIVE MODEL.** Use a spreadsheet including cost analysis of the current (or baseline) business processes; a risk assessment that yields risk-adjusted costs; detailed pricing and analysis for each alternative over the multiyear lifecycle; comparative analysis by alternative, phase and fiscal year; financial benefits; return on investment and a detailed budget format required by the Exhibit 300 by fiscal year.

**INVESTIGATE YOUR ALTERNATIVES IN DETAIL.** This would include discussions with other agencies that have implemented similar systems, best practices, and assessment of vendors and contractors.

**FULLY DEVELOP YOUR FINAL THREE ALTERNATIVES.** For whatever reasons—changing technology or an evolving enterprise architecture, for example—it’s useful to have viable alternatives to implement if your first choice doesn’t work, the Exhibit 300 notwithstanding.

**RECOMMEND AND GAIN APPROVAL FOR AN ALTERNATIVE PROJECT.** After you evaluate alternatives, recommend one and gain support of it from your stakeholders, integrated project team, budget officer, CIO and other decision-makers.

**FINALIZE YOUR DOCUMENTATION AND BUSINESS CASE.** Fully prepare your detailed documentation for the business case. Generally, an Exhibit 300 will be 20 to 60 pages in length. But the supporting documentation for the overall business case will often be 300 pages to 800 pages for a large IT investment.

**POLISH, POLISH, POLISH.** Once you have a draft, get people who know how OMB scores to review the document. You want them to find all the weaknesses so you can strengthen your Exhibit 300 before it goes to OMB.

**AND LAST BUT NOT LEAST.** After your Exhibit 300 goes to OMB, you will probably have to work on it during the “passback” season, usually December. OMB typically will score it and provide brief comments about your project, and you will need to make final improvements for resubmission in January. ■