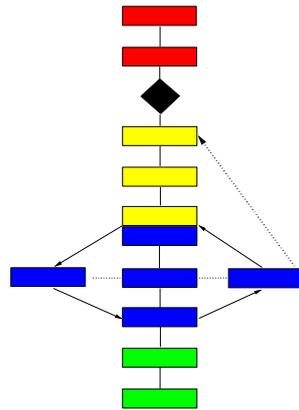


Project Endorsement Guide

MITP
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This edition applies to Version C5.0 of Managing the Implementation of the Total Project (MITP), and to all subsequent releases and modifications until otherwise indicated in new editions.

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PREFACE About This Document

This document describes how to endorse the project.

For information about the MITP life cycle, the key techniques, and the support techniques, see the MITP Handbook. A glossary of terms may be found at the back of the MITP Handbook

Who Should Read This Document

The 'you' in this document is the Project Manager, but other people can read and extract useful information from it.

How to Use This Document

The table of contents provides a clear roadmap to the topics discussed in this document.

ISO9000 Control Information

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1 Project Endorsement

Project Endorsement comes after Project Identification. Project Endorsement represents a formal milestone approval by the Project Review Board of the outline scope of the project. It is very often vague and unstructured but in many ways is key to the whole project cycle as it matches the outline business requirement with an outline solution. The endorsement of the scope of the project brings with it all the expectations of delivery, costs, funding and commitment without the detail necessary to be certain.

Subtopics

- 1.1 Objective
- 1.2 Project Endorsement Workshop
- 1.3 Feasibility Study Document

1.1 Objective

Project Endorsement is a necessary prerequisite to the project in order to get it formally approved and funded before starting the Project Definition Workshop.

1.1.1 Project Organization Responsibility and Resources

The organizational structure of the project involved during Project Endorsement may include:

- Project Sponsor
- Project Manager
- Project Review Board if the size of the project warrants it
- Project Office for control and communication internal and external to the project
- Quality Management to ensure the quality of the project deliverables.

Whether or not a solution will be delivered by an outside supplier, during the development and implementation of the project, the business organization will need resources for detailed requirements, solution acceptance, and training during the various phases of the project. This must be recognized at this stage and an outline structure of the project organization with the respective costs will be a useful starting point.

Although it may seem a little early to be doing this, the costs must be assessed in order to avoid unplanned escalating costs coming later in the project cycle.

1.2 Project Endorsement Workshop

The Project Endorsement Workshop (PEW), or at least a formal progress meeting, brings a structure to endorsement so that all of those people involved can understand what needs to be done.

You cannot set the agenda of this PEW because it will depend on the status of the project within the endorsement process. Remember, however, that the objective is to get the project in shape for a successful Project Definition Workshop when the Project Sponsor, outline solution, resources, and funding are in place and committed.

1.3 Feasibility Study Document

This document contains the choice of project solutions with the relevant resources required, together with the attendant costs and timescales and a business case for each.

The costs used must be as accurate as possible and it is advisable to reserve a substantial contingency as benefits are often overstated and costs understated at this stage. One of the fundamental mistakes often made here is that costs are "managed down" for political acceptability reasons, only to escalate later in the project.

Selecting the most appropriate solution to meet the business need can be difficult but obviously critical to success of the project. Often one or more suppliers are involved

with the solution and this can add to the complication of the process, requiring supplier vetting and eventually back-to-back contracts. From a potential supplier point of view this is known as the proposal with the business as the potential client.

From a supplier point of view the project can be covered by a contract and the contract is in effect the solution to meet the business need.

1.3.1 Project Funding and Business Case

You must get the project funded when the solution has been chosen and the costs to the business assessed. How you do this varies between organizations and according to the size of the project. Gaining approval for funding will require a business case based on the benefits identified with the change and associated costings of the chosen solution including the project organization costs.

Once the project funding has been committed, you can assign the project team and draft the suppliers' contracts. The sponsor will be ready for the Project Definition Workshop. This starts project definition described in the Project Definition Guide.

2 Business Case Guidance

The following examines the background and purpose of the business case, how it is structured and developed, and what are some of the considerations when preparing one.

It is intended for anyone who has to prepare or contribute to the preparation of a business case. It does not assume that you have specialist knowledge of business finance, but does assume a general understanding of project and business management.

Subtopics:

- 2.1 What Is a Business Case?
- 2.2 Why Produce a Business Case?
- 2.3 Who Will Benefit From the Business Case?
- 2.4 When to Produce a Business Case
- 2.5 How to Produce a Business Case
- 2.6 Business Case Checklist

2.1 What Is a Business Case?

In MITP, a business case is:

A formal, detailed, and documented justification for the commitment of financial, human, or physical resources to a proposed business activity.

It is important to recognize that, while all business cases need to have a similar structure and general contents, they may need to address very different business environments.

In MITP, the business case is one of the deliverables of project endorsement, and provides the foundation for project definition, with the subsequent project plans directed towards ensuring the fulfilment of the business objectives. In a few situations some specific project planning is done in parallel with, and providing input to, the development of the business.

Business cases are not only prepared for the justification of one complete project. They can also be prepared for individual phases of a project or for specific elements, such as the acquisition of specific goods, facilities or services.

2.1.1 Basic Elements

While the specific content of individual business cases may vary considerably depending on the proposals for which they are prepared, all business cases need to address the following topics:

- Proposed solution description
- Underlying business need
- Why this solution
- Implications of doing nothing
- Other solution options
- Corporate supporters
- Benefits analysis
- Financial analysis
- Benefit management plan
- Risk analysis
- Decisions required.

2.2 Why Produce a Business Case?

Projects are undertaken for a variety of reasons and motivations, but share the following characteristics:

- Change from the status quo will result.
- Costs will be generated to effect the change.
- Expectations of benefits to the business will be created.

All too often the outcome of a project is criticized for failing to meet its business objectives. Equally often, examination reveals that the supposed business objectives were neither clearly defined nor specifically agreed.

However, the business case addresses the following questions, which will be taken into consideration by an executive making a decision about whether or not to fund a project:

- Is the proposal clearly and unambiguously stated?
- Is the business need genuine, or contrived to address someone's 'pet' scheme?
- Have alternatives been properly evaluated and described?
- Is the proposed solution the most favorable in terms of:
 - Addressing the need?
 - Cost benefit?
- How much risk is there? Is it understood and what is the likelihood of success?

Leaving out or disguising relevant information from the business case is more common than might be at first thought and, once discovered, can destroy or seriously weaken the credibility of the business case.

2.3 Who Will Benefit From the Business Case?

Business cases are primarily prepared for executives who have the authority and responsibility to approve and make decisions about the specific proposals under consideration. The business case provides a clearly defined statement on which business decisions may responsibly be made.

Note: It also provides a frame of reference for the subsequent measurement of achievement.

Business cases are also valuable to those managers and professionals involved in promoting the activity the business case addresses by requiring them to justify proposals. It forces a careful evaluation and, in so doing, can identify potential fundamental flaws and weaknesses at an early stage.

2.4 When to Produce a Business Case

The business case is produced after the Project Identification Workshop, using material collected from discussions in the workshop.

2.5 How to Produce a Business Case

The following looks at the various aspects of producing a business case for a project.

2.5.1 Origination and Sponsorship

Be certain that the foundation for the business case is solid in terms of a general business need that, if addressed effectively, will bring benefit to the business.

Find a manager with the seniority, experience, personality, and credibility to be the sponsor of the project. Often the ideal sponsor either has most to gain by the project being a success or most to lose if it goes wrong.

2.5.2 Attitude

Treat the preparation of the business case as a (small) project.

Make sure you know the scope of the business case. Make sure you know who is going to be responsible for every task and that you have an agreed timetable.

2.5.3 Contributors

It may be more appropriate to have a number of people prepare individual sections or items within the business case, particularly where the subject is complex and there is a need for specialist input.

Advisors might be better employed to write up their own subject in the business case - against a clear brief.

2.5.4 Specialist Advisors

Don't try to do it all yourself. If you have no experience of preparing a business case, find someone who has and who can offer guidance and support.

When considering alternative solutions, or ways of presenting proposals, analysis or conclusions, find people with whom you can share your ideas.

Note: The objective is to produce a credible business case that gets accepted, not to prove your personal intellectual prowess.

If aspects of your business case involve technicalities or specialist information, get people with the necessary expertise.

In all cases where you are seeking advice, make sure to explain the background fully and ensure that the person from whom you are asking for help clearly understands what you are expecting of them.

If you are going to write up the content from information supplied by others, review your draft with them to ensure you've got it right.

2.5.5 Evaluating Business Benefits

There are a number of ways in which business benefits can be categorized and evaluated, including:

- Financial
- Operational
- Tangible
- Intangible.

These are not covered in detail here. However, you are advised to ensure that the potential business benefits of the project have been identified and agreed, as success against them may well form one of the measurements of the success of the project.

2.5.6 Evaluating Business Risk

Adapt the MITP risk management technique to the context of business risk. For details, see the Risk Management Guide.

2.5.7 Decision Criteria

Establish the decision criteria for the approval of the business case.

2.5.8 Documentation

Business cases must always be fully documented and should include all the information necessary for a business decision to be made objectively.

The document should be complete in itself and should only contain reference to other material where necessary. Such material should always be provided with the business case document.

Where documentation standards exist these should be followed, including ISO9000 standards.

2.5.9 Progress Reviews (Phase 1)

Review progress as well as content. Business cases may be required at different stages of a project. Therefore, do not assume that a single business case, prepared at the very earliest point in the life cycle of the project, will cover everything. Indeed, at the beginning there may be very little hard information on which to build a full business case. There may be an assumptive business case that is used to establish the basic need for the project. This may justify a feasibility study which, in turn, is used to build the business case for the major work of the project, and so on.

Once you have a feel for the size and shape of the business case there is nothing wrong with giving senior management an indication of what to expect. This can often be helpful in identifying potential objections or other problems before you get to the final presentation.

If a number of people have prepared material to be incorporated directly into the business case, this should be carefully reviewed and modified where appropriate to ensure as much uniformity of style as possible. A document written in a number of clearly different styles can be irritating and distract the reader from the content.

2.5.10 Outline Structure of Business Case

The business case document should broadly be structured under the following headings:

Preface Document control information

Management overview A one-page synopsis, including a background summary

Business need The requirement, situation or condition that needs to be addressed

Proposed solution Description of what is being proposed

Justification Why this solution is the most favoured option and why this is the best way of meeting the business need

State who else is supporting this - who wants the solution

Options Descriptions of the alternatives, comparing relative strengths, weaknesses, and costs. Contrast with the implications of doing nothing

Benefits An analysis of the benefits, stating what they are, and their value where this is quantifiable in terms of financial, logistical, tangible, and intangible benefits

Describe the relative benefits of the rejected options similarly, to show how they compare

Financial analysis The costs involved in implementing the proposed solution and comparisons with the rejected options

Benefits management How the benefits will be enforced

Measurements and controls

Building into tactical and operational plans

Fixing financial, personnel, logistical, and operational targets

Executive ownership and review

Risk An analysis of the identified major (high impact, high probability) risks associated with the proposed solution

Decisions A clear statement of the executive decisions required if the proposal is accepted

2.5.11 Presenting the Business Case

The business case may be presented in a variety of ways. Choosing the one appropriate for a specific project is a question of judgement. Options include the following:

- Distribute the document to the decision makers and wait for a response.
- Distribute the document to the decision makers with a review date agreed.

- Present the contents to the decision makers as a group, using a visual presentation backed up with the full document for them to take away.
- Agree a review date with the sponsor and a decision date, if that needs to be separate.
- Review with the sponsor first to identify final amendments and then follow up one of the other options, with the sponsor giving the presentation.

2.5.12 Progress Reviews (Phases 2-4)

Once the business case has been accepted and implemented as a project, it is important to make sure that progress against the business objectives is tracked and measured so as to measure achievement and success.

- The form of progress reporting should be agreed in advance.
- If it becomes apparent that the project is significantly deviating from the agreed business case, it is important that this is not just ignored. Appropriate actions include:
 - Evaluating the cause of the deviation to understand the true cause.
 - Recommending corrective action within the project.
 - Reassessing the business case to ensure its continued validity or to propose changes to it.
 - Briefing the Project Sponsor and the decision makers, as appropriate, to enable them to make considered business decisions about the continuance of the project.
- At the end of the project, achievement against the business objectives should be evaluated and documented, either within the project completion report or separately or both.

For detailed information on tracking and reporting, see the Progress Tracking Guide.

2.5.13 Change Management

Do not assume that a business case will not change during the life of the project. Unforeseen difficulties, changes in the business environment or new information can all contribute to changing the validity of a business case. It is therefore important that you should understand such possibilities in advance so that the need to re-evaluate a business case once the project is in progress becomes an acceptable option.

Changes to business cases should follow the general principles of change management. For more information on change management, see the Exceptions Management Guide.

2.6 Business Case Checklist

The following provides a reminder of the key points related to the business case of a project in terms of the project phase.

2.6.1 Identifying and Establishing the Project

Most of the work on the business case is and should be done in phases 1 and 2 of the project.



Ensure you do the following:

1. Does the Project Sponsor accept ownership of the business case? Is he or she at the right level? Has the Project Sponsor the right commitment to the success or failure of the project?
2. Is the Project Sponsor clear about the business reasons for implementing the project?
3. Is the Project Sponsor clear about how far the benefits can be measured - are they tangible? Can they be quantified?
4. Does a business case already exist? Are the criteria still valid?
5. Is there a business case manager? What are his or her responsibilities?
6. Who is writing the business case? Has it been divided up into manageable pieces of work, with resource allocated, a realistic timescale and reviews of progress? Will it be reviewed for clarity and uniformity of style?
7. Are there expert advisors or contributors who can assist with the business case?
8. What review process is in place? Are the right people involved at the right level?
9. How will the business case be presented?
10. Have you identified any potential objectors and responded to the objections?
11. Have you defined what decisions need to be made in order to gain acceptance of the business case? Have these been communicated to the people who will take the decisions? Are they empowered to make these decisions?
12. Have you established a process and a timescale for acceptance and formal sign-off of the business case?

2.6.1.1 Elements of the Business Case

1. Why this solution?
 - What is proposed?
 - Why is this the best way of addressing the business needs?
 - Why do you need it now?
 - Are you doing this for competitive reasons - can you remain competitive, hold your market share, avoid a predatory takeover?
 - Are there legal or regulatory requirements that must be implemented? Changes in working practices?
 - Does this solution contribute to corporate goals and strategies?
 - Does it improve the infrastructure or establish a platform for future plans?
 - Is the purpose of this solution mainly to improve the financial status of this enterprise?
2. Implications of doing nothing
 - Could you survive? Would it affect your ability to operate?
 - What penalties would be incurred?
 - Would you lose market share? Would you place yourselves at a serious competitive disadvantage?
 - How soon would you be forced to act anyway?
3. Other solution options
 - What other solutions have been considered? What are the relative strengths and weaknesses of these solutions? How have these been considered in relation to the proposed solution?
 - Was there an ideal solution? If so, why was it discounted?
 - Was there an easier solution? If so, why was it discounted?



4. Corporate supporters

- The higher the level at which someone is driving this solution and the greater the concurrence and support in the organization, the greater the chance of success:
- Who is driving for the success of this project? At how high a level are they? Do you understand the objectives?
- Are the supporters motivated by genuine business needs or by emotional or political impulses?
- What is the breadth of support across the company?

5. What are the benefits?

The basic input to the financial comparison is a statement of costs and benefits. Identifying, understanding and quantifying the benefits requires imagination, debate and negotiation. The time required for this is often underestimated.

Essentially, the agreed benefits should be classified into at least two categories:

- Tangible or 'above-the-line' benefits, such as:
 - Increase in revenue
 - Direct cost savings.
- Other considerations:
 - Headcount avoidance
 - Space saving.

What is above the line will be determined by the practice of the enterprise concerned. The strength of the financial case will be demonstrated by the degree of independence from 'below-the-line' items.

Ensure you address the following questions:

- Have the benefits been adequately defined?
- How do they compare with alternative solutions?
- Have they been classified appropriately, for example, quantitative (increase in revenue) or qualitative (improved efficiency and morale).

6. Financial analysis

- What are the costs of the project? Have you identified both project costs (one-off) and operational costs (running, maintenance)? Are all supplier costs included?
- How do the alternative solutions compare financially?
- Is there a requirement to produce analysis of
 - Impact on profit and loss
 - Impact on cash flow
 - Impact on balance sheet (assets and liabilities).

If so, do you have access to the appropriate financial skills to provide this?

- How sensitive is the case to timescale and assumptions? Do relatively small adjustments of scale have relatively little impact on costs and benefits, or do they radically change the business case? For example, if salaries increase by 5% instead of the assumed 3%, does this make any difference to the benefits - does it eliminate them?
- Can the project be phased to deliver early benefit and/or defer costs?

7. How will the benefits be measured?



Confidence in the business case is considerably increased if it is clear how benefits will be monitored. This may be done as follows:

- Establishing measurements and controls
- Building into tactical or operational plans
- Fixing budgets, headcounts, revenue targets, commission plans and so on.

To achieve this, address the following questions:

- Can they be measured by the project? Does the Project Sponsor understand and accept whether or not they can be measured?
- Has the 'pay back' period been determined? Will it exceed the life of the project and, if so, how will the benefits be measured after project completion?
- What criteria are being used to judge the success of the project?
- Does the financial management plan for the project include the appropriate cost and benefit tracking so that the benefits are measured?
- Are current systems for corporate data and accounting capable of taking the measurements you require? Have you gained agreement for the appropriate departments to do this?
- Will new systems be required? Can these be created in house or do you need to recruit outside expertise? Have such costs been included in the business case?
- Who will be responsible for these measurements? The financial department? The Project Office? A separate benefits subproject?
- Do you have a plan to evaluate benefits that cannot be quantified?
- Do operating plans need to be amended to ensure benefits are fully realized?
- What targets have you fixed? Do these cover, for example, budgets, headcount, revenue targets and commission plans?
- How will performance against business case be reviewed?

8. Risk analysis

- Have you included an analysis of the major risks of the project?
- What are the avoidance and containment action costs? Are they included in the project costs? Do they have an impact on the benefits?

9. Decisions required

- Do you have a clear statement of what decisions are required by whom?

2.6.2 Managing the Project

1. Address the following questions:
2. Are you tracking costs and benefits on a regular basis?
3. Are these figures being used to review performance against business case on a regular basis? Are significant deviations being reported and corrective actions taken?
4. Do you review the continued validity of the business case?
5. Are any changes to the business case subject to the formal project change control procedure?
6. Do changes to the project during its life require separate, additional business cases?

2.6.3 Ending the Project

- Is there a business case section in the Project Completion Report? Are benefits being used to prove the success of the project? Has all the data to evaluate achievements been assembled?
- If the benefits are still in the process of being realized, even though the formal project is ending, is there a plan in place to continue benefits measurement? Is ownership of this plan at the right level?



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Readers Comments

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Overall, how satisfied are you with the information in this book?

Legend:

- 1 Very satisfied
- 2 Satisfied
- 3 Neutral
- 4 Dissatisfied
- 5 Very dissatisfied

	1	2	3	4	5
Overall satisfaction					

How satisfied are you about the information this book contains:

	1	2	3	4	5
Accurate					
Complete					
Easy to find					
Easy to understand					
Well organized					
Applicable to your task					

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