The Business Case Guide: Using Val IT™ 2.0

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ISACA
3701 Algonquin Road, Suite 1010
Rolling Meadows, IL 60008 USA
Phone: +1.847.253.1545
Fax: +1.847.253.1443
E-mail: *info@isaca.org*
Web site: *www.isaca.org*

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ISACA wishes to recognise:

Development Team
Steven De Haes, Ph.D., University of Antwerp Management School, Belgium, Co-chair
Peter Harrison, CGEIT, FCPA, IBM Australia Ltd., Australia, Co-chair
George Ataya, CISA, CISM, CGEIT, CISSP, ICT Control SA-NV, Belgium
Kris Budnik, ITIL, Deloitte & Touche, South Africa
John Thorp, CMC, I.S.P., The Thorp Network, Canada
Ragnar van der Valk, CGEIT, PricewaterhouseCoopers, The Netherlands
Paul A. Williams, CITP, FCA, MBCS, Paul Williams Consulting, UK

Expert Reviewers
George Ataya, CISA, CISM, CGEIT, CISSP, ICT Control SA-NV, Belgium
Dirk Bruyndonckx, CISA, CISM, CGEIT, MCA, KPMG Advisory, Belgium
Sushil Chatterji, CGEIT, Edutech, Singapore
Peter de Bruyne, CISA, CGEIT, ITIL, ING, Belgium
Dirk Gemke, SPL/AI, The Netherlands
John W. Lainhart IV, CISA, CISM, CGEIT, IBM Global Consulting Services, USA
Bjarne Lonberg, CISSP, A.P. Moller–Maersk, Denmark
Debra Mallette, CISA, CGEIT, CSSBB, Kaiser Permanente, USA
John Mitchell, Ph.D., CISA, CGEIT, CFE, FBCS, LHS Business Control, UK
Roger Southgate, CISA, CISM, FCCA, UK
Jurgen Van De Sompel, CGEIT, Boostit Partners, Belgium
Wim Van Grembergen, Ph.D., University of Antwerp Management School, Belgium
Wouter Haasloop Werner, Maxeda, The Netherlands

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1. Introduction

Purpose of This Guide

In almost all enterprises, business cases are used in varying degrees to support decision making regarding new investments in information technology (IT) and IT-enabled change. So why is another guide needed on the 'why', 'what' and 'how' of using business cases in practice?

The seeds of success or failure are sown in the business case. Recent research from the University of Antwerp Management School (UAMS)[1] clearly positioned the entire portfolio management process, including business case development, as one of the key practices for achieving better alignment between business and IT and, by extension, business value. However, enterprises generally are not good at developing or using complete and comprehensive business cases. A 2006 Cranfield University School of Management study[2] found that while 96 percent of respondents develop business cases for most investments involving IT, 69 percent are not satisfied with the effectiveness of the practice. More specifically:
- 69 percent were not satisfied with the business case development process.
- 68 percent were not satisfied with the identification and structuring of benefits.
- 81 percent were not satisfied with the evaluation and review of results.
- 38 percent admitted that benefits claims were exaggerated to get the business cases approved.

The intention of this publication is to position the business case as a valuable management tool—an operational tool—and to provide an easy-to-follow guide, based on the Val IT 2.0 framework, to create, maintain and use the business case. As such, this publication builds on and enhances the earlier version of this guide issued by ISACA in 2006: *Enterprise Value: Governance of IT Investments, The Business Case*. This new publication is now fully aligned with Val IT 2.0. It provides 'how to do it' tips, maturity models, examples and references to other materials for using and implementing the business case processes as powerful operational tools.

It should also be noted that although this publication is focussed on business cases for IT-enabled investments, its content is applicable to all types of investment in business change.

Intended Audience

This document is applicable and scalable to all enterprises, regardless of industry sector or size, and their status as public or private, for profit or not for profit. Understanding the relevance of business cases is of primary importance to all management levels across both the business and IT parts of the enterprise—from the chief executive officer (CEO) and the C-suite to those directly involved in and responsible for the selection, procurement, development, implementation, deployment and benefits realisation processes.

This publication is intended to provide business and IT executives and organisational leaders, business sponsors and programme managers with an easy-to-follow guide on getting from 'why' through 'what' to 'how' in creating, maintaining and using the business case as an operational tool. The purpose is to enable them to understand what information they need to identify, gather and analyse to assess the viability of their proposed investments. This information covers the process during initial selection, implementation and ongoing operation of assets resulting from the investment to retirement. It discusses all elements of how to keep the business case up to date in support of stage-gate and other reviews.

[1] De Haes, Steven; Wim Van Grembergen; 'An Exploratory Study Into the Design of an IT Governance Minimum Baseline Through Delphi Research', *Communications of the Association of Information Systems*, vol. 22, 2008

[2] Ward, John; 'Delivering Value From Information Systems and Technology Investments: Learning From Success', *Forum* (monthly newsletter of Cranfield School of Management, UK), August 2006

The Val IT Framework

The business case does not operate in a vacuum. It is an integral part—a fundamental building block—of the Val IT framework, which is a comprehensive and pragmatic organising framework that enables the creation of business value from IT-enabled investments.

The ISACA CobiT framework organises IT governance management and control objectives and good practices by IT domains and processes, and links them to business requirements. The ISACA Val IT and Risk IT frameworks align with, and complement, the CobiT framework. Val IT explains how to extract optimal value from IT-enabled investments. Risk IT fills the gap between generic risk management frameworks and detailed (primarily security-related) IT risk management frameworks.

Val IT integrates a set of practical and proven governance principles, processes, practices and supporting guidelines that help boards, executive management teams and other enterprise leaders optimise the realisation of value from IT-enabled investments. Used with considerable success by leading enterprises for many years, the proven processes and practices within Val IT are presented as a single integrated governance framework that provides business and IT decision makers with a comprehensive, consistent and coherent approach to creating concrete and measurable business value.

This document is consistent in approach and terminology with, and complements, *Enterprise Value: Governance of IT Investments: Val IT™ Framework 2.0* and its companion document, *Enterprise Value: Getting Started With Value Management*. It provides a framework that will enable business cases to be consistently prepared by enterprises using Val IT, and thus facilitates trend analysis and quantitative benchmarking of results across those enterprises.

Val IT contains essential guidance for any executive interested in establishing a more effective approach to value management and describes the fundamental role of the business case within the domain of Investment Management (IM). It contains practical advice on how to translate 'knowing' into 'doing', i.e., how to close the 'knowing-doing' gap[3].

Structure of This Guide

This guide for developing business cases for IT-enabled investment programmes is composed of five chapters. Chapter 1 provides introductory information.

Chapter 2 covers what Val IT suggests should be contained in the business case and how it should be managed and used.

Chapter 3 describes, at a high level, the Val IT business case process and how it should be tailored/customised for different situations.

Chapter 4 presents how an organisation can use the Val IT business case maturity model to determine where it wants to be and where and how to get started on improving its business case process.

Chapter 5 provides business case process details for specific key management practices (KMPs) in Val IT that are related to creating, maintaining and closing the business case. For each KMP identified, detailed guidance is provided on how to apply these practices in an enterprise (see **figure 1**). First, the KMP under review is shown. Next, specific information on 'what to do' is retained, as defined in Val IT Responsible, Accountable, Consulted and Informed (RACI) charts, and linked to key accountabilities and responsibilities. 'What to do' information is then translated into more detailed 'tips for how to do it'. This detailed guidance is supplemented (when applicable) with references to typical techniques, tools and templates that are used in practice (and are mostly available in the public domain).

[3] Pfeffer, Jeffrey; Robert Sutton; *The Knowing-doing Gap*, Harvard Business School Press, USA, 2000

Appendix B includes a business case template and a fully elaborated business case example.

Figure 1—Structure of Val IT Business Case Guidance		
Val IT Key Management Practice		
	By Whom	
What to do	**Accountability**	**Primary Responsibility**
• List of steps derived from RACI charts in Val IT 2.0		
Tips for How To Do It		
• Detailed steps helping how to apply the 'what to do' in practice		
Typical Techniques, Tools and Templates to Do It		
• Cross-references to typical techniques, tools and templates used to apply the practices		

2. The Business Case as an Operational Tool

In most enterprises today, the business case is generally seen as a necessary evil or a bureaucratic hurdle to get over to obtain required financial and other resources. The focus is on the technology project, and the costs of the technology, with only a cursory discussion of benefits or changes that the business might need to make to create or sustain value from use of the technology. Business cases are also all too often treated as 'one-off' documents that are rarely looked at again once the required resources have been obtained—other than, possibly, at a post-implementation review.

This approach to business cases can cause challenges down the road. A well-developed and intelligently used business case for a business change programme is actually one of the most valuable tools available to management—the quality of the business case and the processes involved in its creation and use throughout the economic life cycle of an investment has an enormous impact on creating and sustaining value. It describes a proposed journey from initial ideas to realising expected outcomes for beneficiaries (i.e., those whose money is being invested and for whom the return should be secured) and other affected stakeholders.

The business case is not a one-time, static document. It is an operational tool that must be continually updated to reflect the current reality so as to provide the basis for informed decision making—not just for initial commitment of resources, but for managing the investment through its full economic life cycle. In so doing, the business case must include answers to the following questions[4]—answers based on relevant, current and accurate business-focussed information:
- **Are we doing the right things?**—What is proposed? For what business outcome? How do the projects within the programme contribute?
- **Are we doing them the right way?**—How will it be done? What is being done to ensure that it will fit with other current or future capabilities?
- **Are we getting them done well?**—What is the plan for doing the work? What resources and funds are needed?
- **Are we getting the benefits?**—How will the benefits be delivered? What is the value of the programme?

In summary, a business case must be:
- At the business programme level
- Complete and comprehensive, including the full scope of change required in achieving the desired outcomes
- A 'living', operational document that is kept up to date
- Used to manage the programme through its full economic life cycle

Development of a Business Case

The business case should be developed from a strategic perspective—from the top down—starting with a clear understanding of the desired business outcomes, the full scope of effort required to achieve the outcomes, key roles and responsibilities, and details of critical tasks and milestones.

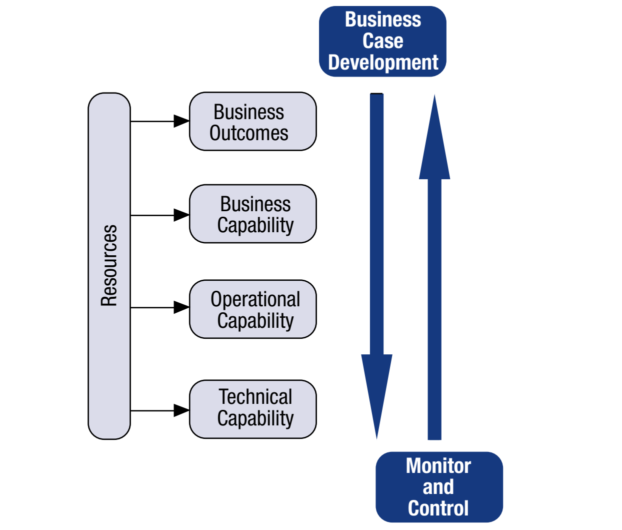
Resources should be identified for each of the three work streams driving the outcome (see **figure 2**). These work streams include delivering:
- **Business capabilities**—For example, enabling and supporting cross-selling
- **Operational capabilities**—For example, providing access to complete customer information
- **Technical capabilities**—For example, acquiring/developing and implementing a customer relationship management (CRM) application

[4] Based on the 'Four Ares' as described by John Thorp in his book, *The Information Paradox—Realizing the Business Benefits of Information Technology*, written jointly with Fujitsu, first published in 1998 and revised in 2003, McGraw-Hill, Canada

Resource requirements should be identified for the full economic life cycle of each capability, including: acquire/build, implement, operate and retire.

Each of these work streams needs to be documented with data to support the investment decision and ongoing management of the investment and resulting capabilities, including:
- Outcomes (end outcomes and intermediate outcomes)
- Initiatives (with their expected contribution to the outcomes)
- Costs
- Risks
- Assumptions
- Metrics (lag metrics that measure achievement of the outcome and lead metrics that measure progress towards the outcome)

Figure 2—Components and Tasks Central to any Business Case



Fundamental Aspects of a Business Case

The full life cycle of the business case encompasses three fundamental aspects:

1. Obtain complete, comprehensive and accurate information at an appropriate level of detail.

The business case should provide a complete and shared understanding of the expected business outcomes (intermediate lead and end lag outcomes) of an investment. It should describe the assumptions taken, how the business outcomes and the validity of the assumptions will be measured, and the full scope of initiatives required in achieving the expected outcomes.

These initiatives should include any required changes to the nature of the enterprise's business model, business processes, people skills and competencies, enabling technology, and organisational structure required to achieve outcomes. This means not only investments in technology and business capital expenditures (CAPEX), but also operational and technology expenditures (OPEX) for realising and completing the business transformation—for example, cleaning up legacy systems, changing business processes via training on the job, adding new hires and implementing new processes.

Key risks to the successful completion of individual initiatives (i.e., delivery risks) and the achievement of the desired outcomes (i.e., benefit risks) also need to be identified and documented, together with mitigation actions.

The business case should contain all of the information needed for analysing the strategic alignment and financial and non-financial benefits and risks of the investment and for determining its relative value. It should be derived within the context of best- and worst-case scenarios, where appropriate.

At minimum, the business case should include the following:
- **The reason for the investment**—The opportunity or problem that the investment is intended to address
- **The recommended solution/approach**—Include alternatives considered and proposed timetable
- **The business benefits targeted**—The alignment with business strategy, how they will be measured and who in the business functions will be responsible for securing them

- **The initial investment and ongoing costs**—Both the IT and business costs of operating in the changed way
- **The business changes**—Needed to create and realise sustained additional value and the investments needed to make the changes
- **The risks inherent in the approach**—Including delivery risk (the risk of not being able to deliver required capabilities) and benefit risk (the risk of the organisation not being able to make and sustain the changes required to use the capabilities to create and sustain value)
- **The governance approach for the investment**—How the investment and value creation will be monitored throughout the economic life cycle, the metrics to be used and who will be ultimately accountable for the successful creation of optimal value

The business case should, as appropriate, include high-level summaries of and links to:
- The detailed programme plan (including individual project plans)
- The resourcing plan
- The financial plan
- The benefits realisation plan (including the benefits register)
- The (organisational) change management plan
- The risk management plan (including the risk register)

The information in the business case should be validated by appropriate plausibility checks. These should include the appraisal of the logic behind the claimed contribution of initiatives (and intermediate outcomes), the outcomes and associated benefits. The appraisal is best supported by empirical evidence (derived from evaluation of previous investments), especially concerning the logic of contribution and assumptions.

2. **Continually update the business case as (internal/external) events occur that (could) influence the business case.** Forecasting future effects of IT-enabled investments involves making assumptions about internal and external conditions. Even with the best of processes, a business case is still no more than a snapshot or best guess at a point in time. The business case process involves much more than providing that initial snapshot to determine whether to proceed with an investment. It involves updating the business case as circumstances change or more information is available so that the business case can be used as an operational tool to manage the investment.

   Any investment should be managed by taking into account that there always are risks and those risks should be monitored and controlled throughout the life cycle of the investment by an iterative process of risk identification, risk assessment and risk treatment. Personnel should be encouraged to anticipate, identify and report risks. Risk management and response plans should be maintained and ready for use. Reports on project risk monitoring should be part of progress evaluations and, hence, updates of the business case.

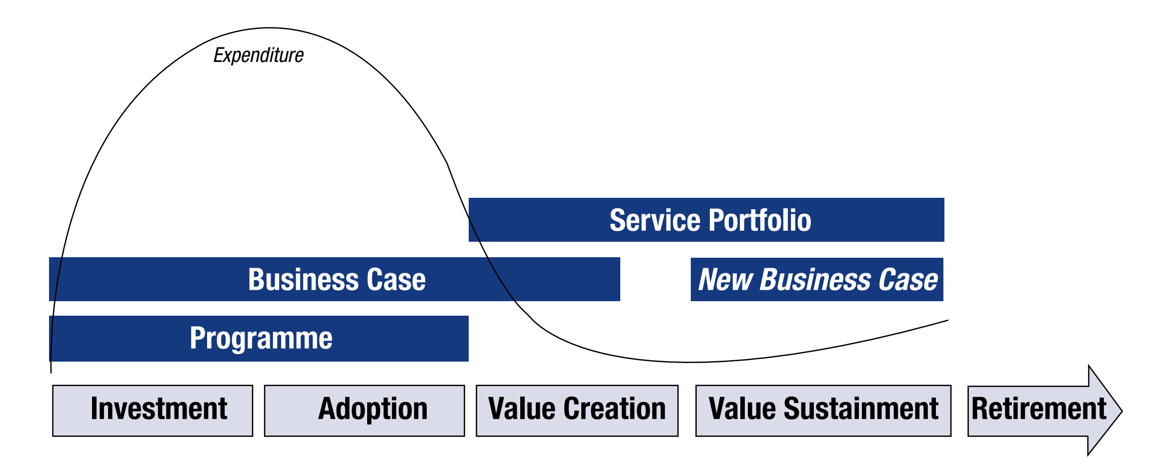
   The business case should be continually updated as the projected costs or benefits of the investments change, when risks change, or in preparation for regular reviews.
3. **Use the business case as a management tool to support informed decision making throughout the full economic life cycle of the investment (decision).**
   Once an investment is approved, the business case is the primary tool to monitor and manage the delivery of the required capabilities and the desired outcomes through the full economic life cycle of the investment.

As an integrated part of the enterprise portfolio, the investment should be actively managed. If the investment is not performing as expected, or business requirements have changed, the approach or desired outcomes may need to be adjusted or the investment may have to be cancelled. Post-mortem analysis of all major investments must be done to learn from success and failure and to continuously improve the portfolio quality.

This ongoing management through the full economic life cycle is where most enterprises cut corners. In most cases, the programme will be considered closed after completing the activities in the programme plan and delivering the required business and IT capabilities (see **figure 2**). In general, the benefits and the expected value, as set in the business case, will not be realised until some later time, long after the delivery of IT and business capabilities. It is only then that the programme and, subsequently, the business case have proven that they delivered the expected benefits. While the timing of programme and business case closure—which likely will not be the same—may vary in different organisations and for different types of investment, it is important to understand that the full economic life cycle of an investment decision includes the following, as illustrated in **figure 3**:

- **Investment phase**—Developing the necessary capabilities
- **Adoption phase**—Implementing the capabilities
- **Value creation phase**—Achieving the expected level of performance and moving the delivered capabilities into the active service portfolio
- **Value sustainment phase**—Assuring that the assets resulting from the investment continue to create value, which may well include additional investments required to sustain value
- **Retirement phase**—Decommissioning the resulting assets

Figure 3—Full Economic Life Cycle of an Investment



Conditions for Success

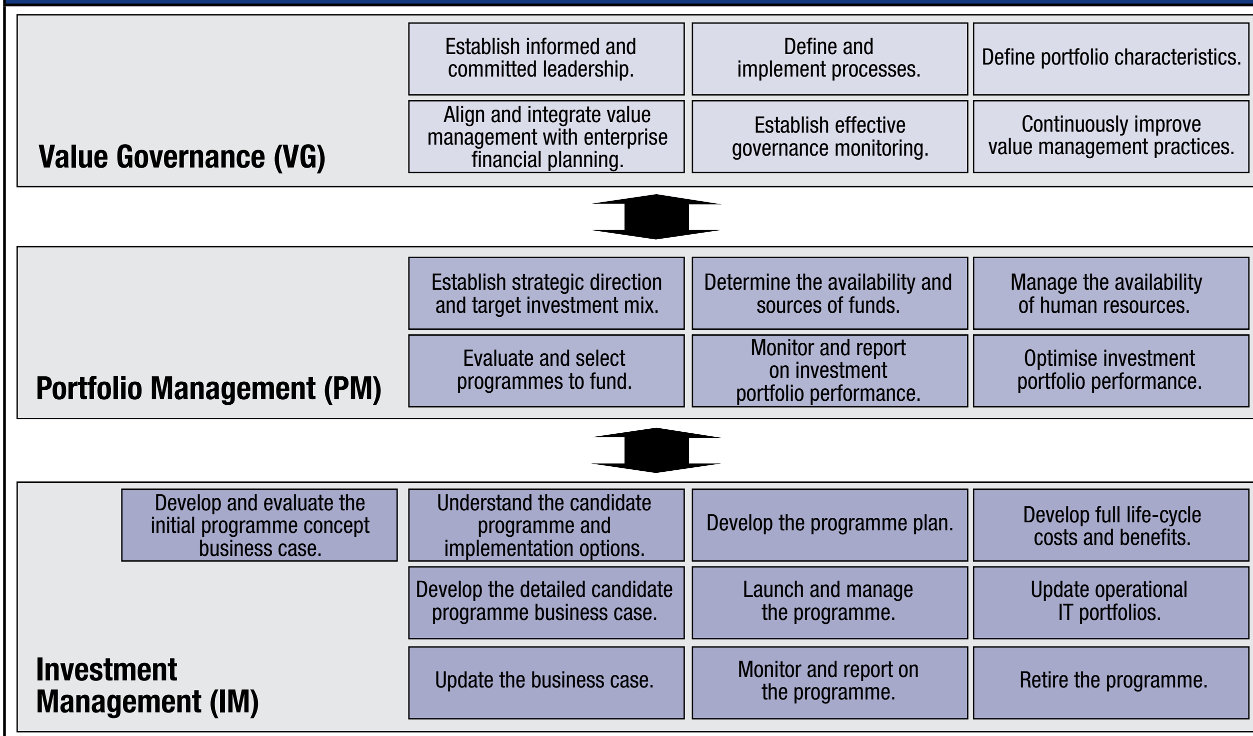
All of the previously mentioned elements constitute conditions to achieve success and realise satisfactory benefits from the business case. The risk exists that parts of these conditions are skipped or wrongly assessed in the last minutes of an extensive approval process. Therefore, it is recommended to continuously cross-check each new business case development process against some key success factors. Based on the previous discussion, typical success factors (to be tailored to the organisation) are shown in **figure 4**.

Figure 4—Success Factors for Business Case Development Process
• Clarity of the business benefits • Alignment of the business strategy and process to the requirements as stated in the business case • Involvement of business senior management • Availability of appropriate resources and skills • A dynamic partnership championed by the business sponsor • Clear definition of roles and responsibilities • Shared programme development methodology • Shared fixed deadline for the programme delivery • Early and continuous involvement of end users

3. The Business Case Development Process According to Val IT 2.0

Val IT consists of three domains: Value Governance (VG), Portfolio Management (PM) and Investment Management (IM), which include 22 processes, as illustrated in **figure 5**.

Figure 5—Val IT Domains and Processes

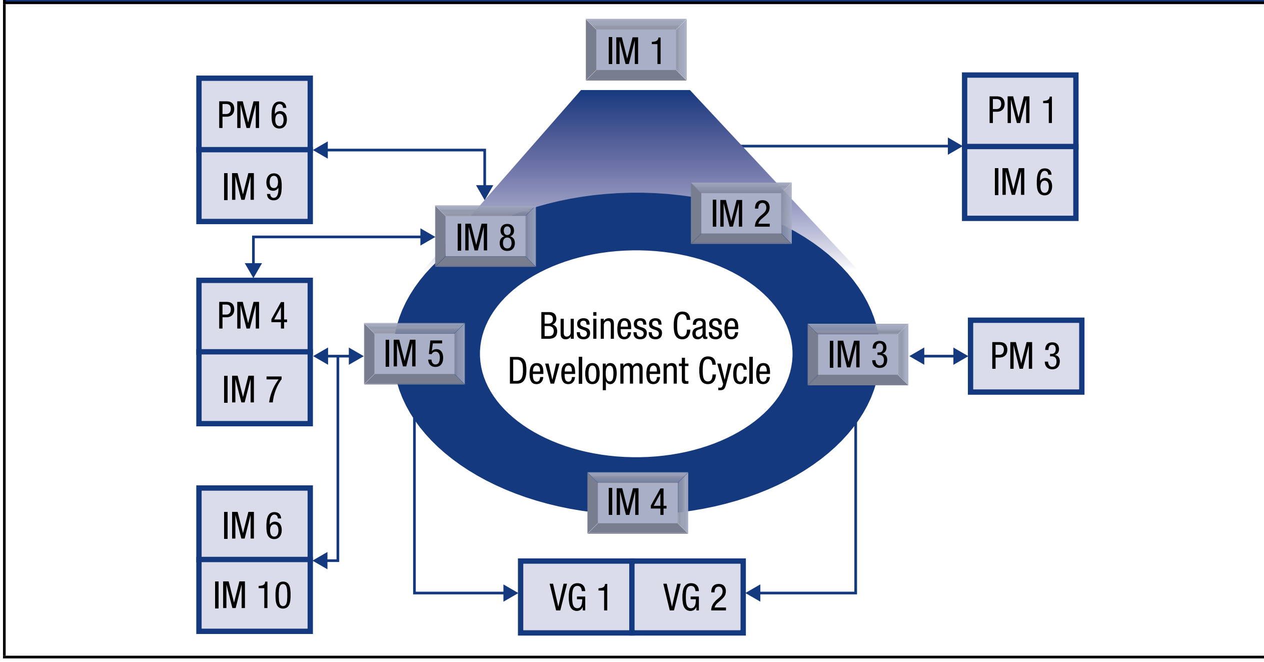


Source: Val IT framework 2.0, figure 9

This guide addresses the full life cycle of developing and maintaining business cases, which is fully addressed in the Val IT IM domain. More specifically, the following IM processes are involved in developing and maintaining business cases (see **figure 6**):
- IM1 Develop and evaluate initial programme concept business case.
- IM2 Understand the candidate programme and implementation options.
- IM3 Develop the programme plan.
- IM4 Develop full life-cyle costs and benefits.
- IM5 Develop the detailed candidate programme business case.
- IM8 Update the business case.

It should be noted that these processes are presented here in a sequential and structured way. In practice, many of these activities can be organised in parallel or in a way suitable and workable to the organisation's structure and culture.

Figure 6—Business Case Development Cycle



Development of Business Cases (IM1 to IM5)

The first five processes in investment management are about the emergence of new investment opportunities in the organisation (IM1) and the development of detailed business cases (IM5) for the approved opportunities, including analyses of alternative courses of actions (IM2), definition of a detailed programme plan (IM3) and full cost-benefit analysis (IM4). Based on this analysis, full business cases are delivered (IM5), including all the aspects delivered in the previous steps (IM1 to IM4).

Keeping the Business Case Up to Date (IM8)

Once investment programmes are selected, the business case should be kept up to date throughout the entire life cycle of the investment (IM8).This should be done in preparation for stage-gate reviews or whenever there is any material change that affects the projected costs and/or benefits of the programme, including when assumptions or risks change due to changes to business strategy, or the way the enterprise functions or is organised, or due to the external environment.

As shown in **figure 6**, the central business case development processes do not operate in a vacuum. The business case development cycle is highly dependent on the input and outcomes of other value management processes such as PM1 *Establish strategic direction and target investment mix* and provides input to processes such as PM4 *Evaluate and select programmes to fund*. Also, inputs and outputs to the CobiT- and Risk IT-related processes should be taken into account. These are not shown in **figure 6**, but the relationships between Val IT, Risk IT and CobiT are extensively addressed in the Val IT 2.0 and Risk IT frameworks.

One Size Does Not Fit All—Tailoring the Approach to Different Investment Scenarios

This guide aims to provide a complete and comprehensive approach to the development of a business case for investments in IT or IT-enabled change. While the approach could, and indeed should, be followed for all or most of such investments, there will be differences in emphasis, rigour of analysis and level of detail in different scenarios. These differences will be largely driven by one of (or a combination of) the following characteristics:

1. Culture of the enterprise
   – Geographic location
   – Industry
   – Leadership style
2. Nature of the enterprise
   – Private sector
   – Public/not-for-profit sector
3. Size of the enterprise
   – Large
   – Small to medium enterprise (SME)
4. Nature of the investment
   – Degree of freedom
     · Discretionary
     · Non-discretionary
   – Type
     · Transactional
     · Informational
     · Transformational
     · Infrastructure

Each of these characteristics can help define what approach and level of rigour may be appropriate for business case development. Characteristic 1, culture, is both very specific to geographic location, industry and leadership style, and very broad in terms of impact. There will be different tolerances in terms of the rigour of analysis to support decision making, the level of detail of documentation and the subsequent analysis of performance. While the objective of improving business case processes may be to change the culture, the challenge should not be underestimated. Realistic and achievable objectives should be set, supported by a pragmatic and practical approach.

In **figure 7**, characteristics 2, 3 and 4 are discussed against a number of dimensions of the business case, including value emphasis (benefits, costs, risks), value considerations (financial, non-financial, strategic alignment, cost), rigour of analysis (high, medium or low) and level of detail of documentation (high, medium or low). The purpose of this discussion is to illustrate the need to tailor the business case development approach according to the specific situation and context. Therefore, the following information is to be regarded as a starting point (and not a strict model) to position the enterprise-specific situation.

The nature of the enterprise (private/public) will influence the emphasis and considerations regarding value within the business case. While private-sector enterprises will typically focus more on financial benefits and outcomes, public and not-for-profit enterprises tend to be oriented more towards non-financial and service delivery outcomes. These non-financial, and often more intangible, aspects within public-sector investments heavily increase their complexity, requiring a stronger rigour of analysis and documentation.

In terms of size, it can be expected that small and medium-sized enterprises (SMEs) will likely need less rigour in documentation because communication and obtaining commitment tends to be less complex in smaller enterprises, and fewer resources are available to develop and maintain highly detailed business cases. The strong linkage to long-term strategic outcomes in large enterprises demands a high rigour of analysis, to ensure that clear and achievable benefits realisations plans are developed in support of achieving those long-term goals.

The nature of the investment impacts the degree of freedom in decision making. For non-discretionary investments, less rigour is needed for documentation since these investments are to be done for compliance reasons. Of course, consideration could be given to identifying additional benefits, if this can be done without introducing excessive costs. For discretionary investments, the calculation of the relative value is important to enable a value-optimising selection; therefore, they need a high rigour of analysis.

Within the group of discretionary investments, different types of investments exist:
- **Transactional investments**—Typically focus on reducing costs and improving efficiency (automation), often require fewer business change programmes and, therefore, need less rigour for documentation
- **Informational investments**—Typically focus on building applications providing information for managing and controlling the enterprise (e.g., decision support systems)
- **Transformational investments**—Need a clear definition of the desired business outcomes and all of the business initiatives required to achieve this outcome, which implies a high need for rigour of analysis and documentation
- **Infrastructure investments**—In most cases, it is very difficult to demonstrate the direct business benefits; therefore, the business case of this type of investment typically focusses on costs and risks, and needs a high level of analysis and documentation to demonstrate how the investment will contribute to creating or sustaining value in existing or planned services and to evaluate the risk of doing nothing.

Figure 7—Scenarios for Applying the Characteristics

Characteristic	Value Emphasis	Value Considerations	Rigour of Analysis (H, M, L)	Rigour of Documentation (H, M, L)
Nature of the enterprise				
Private sector	Benefits	Financial and non-financial outcomes	M	M
Public and not-for-profit sector	Risks	Many outcomes will be non-financial policy and service delivery outcomes.	H - M	H - M
Size of the enterprise				
Large	Benefits	Strong linkage to strategic outcomes	H	M
Small to medium	Benefits	Strong linkage to key stakeholder outcomes	M	L
Nature of the investment				
Discretionary	Benefits	Relative value is an important issue in terms of selection.	H	M
Non-discretionary	Costs	Consideration could/should be given to identifying additional benefits, if this can be done without introducing excessive costs or risks.	M	L
Investment type				
Transactional	Costs	The focus is on reducing costs and improving organisational efficiency in terms of speed and quality of the information produced.	M	L
Informational	Benefits	The key question is how the information will be used to create or sustain value.	M	M
Transformational	Benefits	The important thing is to get clarity of the desired outcomes and of all the business initiatives (changes to: the business model, processes, people competencies, the reward system and organisational structures, etc.) required to achieve the outcomes.	H	H
Infrastructure	Costs/ Risks	The key questions are: • How will the investment contribute to creating or sustaining value in existing or planned services? • What is the risk of doing nothing?	H	H

4. Getting Started—How to Use This Guide to Improve a Business Case Process

As explained previously, the focus of this guide is targeted at six processes of the Val IT 2.0 framework: IM 1, 2, 3, 4, 5 and 8. These Val IT processes cover 13 key management practices:

- **IM1 Develop and evaluate the initial programme concept business case.**
  - IM1.1 Recognise investment opportunities.
  - IM1.2 Develop the initial programme concept business case.
  - IM1.3 Evaluate the initial programme concept business case.
- **IM2 Understand the candidate programme and implementation options.**
  - IM2.1 Develop a clear and complete understanding of the candidate programme.
  - IM2.2 Perform analysis of the alternatives.
- **IM3 Develop the programme plan.**
  - IM3.1 Develop the programme plan.
- **IM4 Develop full life-cycle costs and benefits.**
  - IM4.1 Identify full life-cycle costs and benefits.
  - IM4.2 Develop a benefits realisation plan.
  - IM4.3 Perform appropriate reviews and obtain sign-offs.
- **IM5 Develop the detailed candidate programme business case.**
  - IM5.1 Develop the detailed programme business case.
  - IM5.2 Assign clear accountability and ownership.
  - IM5.3 Perform appropriate reviews and obtain sign-offs.
- **IM8 Update the business case.**
  - IM8.1 Update the business case.

Chapter 5 provides detailed guidance on how to apply these practices in an enterprise. As enterprises will be at different starting points and have different priorities for the business case process, the following section provides guidance to help enterprises determine which processes and practices are important to them and which may need improvement.

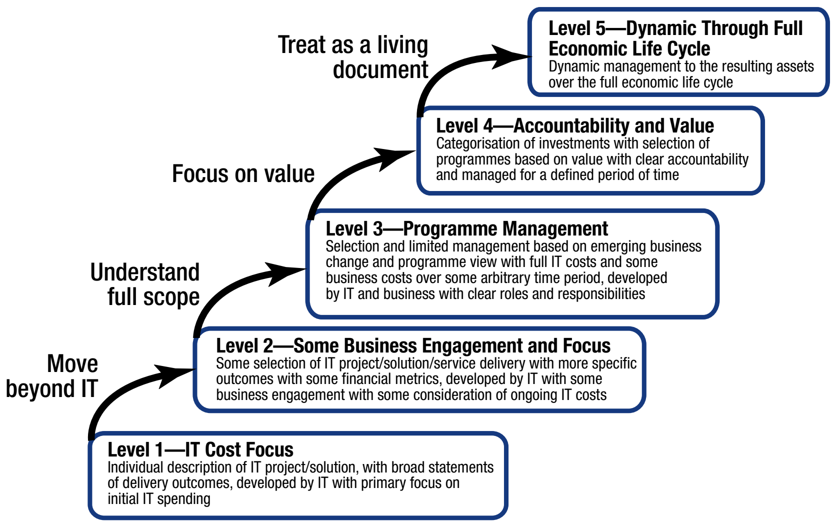
Improving the business case process is itself a programme of change. As such, it is important to understand the current state of the process and the desired future state. A helpful technique involves using a maturity model. **Figure 8** illustrates a high-level maturity model for the business case process. (A more detailed model is included in appendix C.)

Completion of this self-assessment requires responses from key stakeholders within the business and IT functions. They are—or should be—the ones directly involved in owning, developing, evaluating, managing and administering business cases.

This quick assessment provides the enterprise and its stakeholders with initial insight into:
- Current levels of understanding, awareness and commitment to the business case process
- The gaps amongst these attitudes and practices and the desired future state

Once there is agreement on the current state and the desired future state, the maturity model in **figure 8** indicates which Val IT 2.0 processes and practices need to be implemented or improved in an enterprise, and an action plan can be developed to build the necessary capabilities.

Figure 8—Business Case Maturity Levels 1 to 5



Level 1	Level 2	Level 3	Level 4	Level 5
IM1.1	IM1.2, IM2.1	IM3.1	IM4.1, IM4.2, IM4.3, IM5.1, IM5.2, IM5.3	IM8.1
Applicability of Val IT Framework 2.0 Key Management Practices				

Introducing or improving value management practices within an enterprise, such as business cases, is not an easy task and takes time. It may require significant change in terms of executive thinking and action around decision making, value and accountability. Enterprises must balance achieving the longer-term vision with realising near-term value by taking an incremental approach within the context of the vision and an overall plan.

5. Business Case Process Detail

For each of the key management practices identified previously, this section provides detailed guidance on how to apply these practices in an enterprise. First, the key management practice under review is shown. Next, specific information on 'what to do' is retained, as defined in the Val IT 2.0 RACI charts, and linked to key accountabilities and responsibilities. 'What to do' information is then translated into more detailed 'tips for how to do it'. This detailed guidance is supplemented (when applicable) with reference to typical techniques that are used in practice.

IM1 Develop and evaluate the initial programme concept business case.

IM1.1 Recognise investment opportunities.

Recognise investment opportunities to create value in support of the business strategy and to address operational and compliance issues. Classify each opportunity with respect to the investment portfolio categories. Clarify expected business outcome(s) and identify, at a high level, business, process, people, technology and organisational initiatives required to achieve the expected outcomes. These requirements must be owned by business managers acting as business sponsors for the overall opportunity, including the necessary IT projects.

What To Do	By Whom	
	Accountability	Primary Responsibility
• Create an environment that fosters and generates new ideas and acknowledges their champions.	CEO	CEO
• Suggest new opportunities.	CEO	Business management

Tips for How To Do It

- Define a business process to solicit and record new ideas—if possible, connected to the business budgeting process to ensure a regular interval. Consider an 'innovation committee' at a senior management level that proactively encourages and engages business and IT people to identify potential opportunities.
- Pre-define a template to ensure that opportunities are recorded in a standard way and cover a minimal number of attributes such as alignment to the business strategy, high-level risk and expected benefits. The template should encourage the development of ideas that are not based on the cost, but on the business metric on which the business idea will have impact. (Emphasis should be on 'what' and 'why' questions instead of on 'how' questions.) Make sure that the terminology used in the template stays recognisble for senior management.
- Make sure that the target investment mix is clear so that opportunities are identified in the appropriate domains.
- Communicate the importance of idea generation to the employees, including the channel that employees should use to contribute their ideas. Clarify the strategic intent and optimal investment mix to enable people to think out of the box while keeping focus on the organisation's strategy and value.
- Make sure that the champions of ideas receive constructive feedback in a timely manner.
- Create an innovative environment by, for example, reserving dedicated working hours or meetings on out-of-the-box thinking and brainstorming sessions (using techniques such as the value chain model; the competitive forces model; strengths, weaknesses, opportunities and threats [SWOT] analysis). Consider guidance by external parties (e.g., consultants, auditors and academics) on innovation creation, to bring the outside view into the organisation.

IM1 Develop and evaluate the initial programme concept business case. *(cont.)*

IM1.1 Recognise investment opportunities. *(cont.)*

Typical Techniques, Tools and Templates To Do It

- Brainstorming meetings
- Online suggestion boxes
- Value chain model and competitive forces model (Porter)
- SWOT analysis
- IT trends monitoring (based on market research)
- Reward systems
- Mind mapping—free mind
- Strategy maps (Kaplan and Norton)
- Template for capturing opportunities
- Cost-benefit-risk register

What To Do	By Whom: Accountability	By Whom: Primary Responsibility
• Categorise and prioritise the opportunities according to the investment portfolio categories. Clarify expected business outcomes and identify the impact (at a high level) on business processes, people, technology and organisational initiatives required to achieve the expected outcomes.	Business management	Value Management Office (VMO)
• Determine which opportunities to pursue further or examine in more depth and identify and assign a business sponsor for each opportunity to be pursued.	Business management	Business management

Tips for How To Do It

- Invite the contributor of the opportunities to explain the idea behind the opportunity in more detail.
- Based on the initial opportunity and background given by the contributor, further refine the expected outcomes, costs and risks to the organisation, technology, business, processes and people.
- Categorise the identified opportunities into the selected and weighted target investment portfolio mix (Val IT 2.0 VG3 and PM1), e.g., opportunities categorised as ‘mandatory’, ‘continuity’ and ‘discretionary’ (strategic, transformational and transactional).
- Per category, perform a high-level cost-benefit-risk estimate, e.g., by plotting the opportunities into a cost-benefit-risk quadrant, leading to an identification of the quick wins, nice to haves, don’t dos and must haves.
- Consult investment and services board (ISB) and chief information officer (CIO) on the appropriateness and risks of the opportunities.
- Analyse for synergies across business units. In case of synergy, identify a champion who can work across the business units.
- Select opportunities to pursue further.
- Based on cost-benefit-risk estimates, find appropriate business sponsor and verify ownership for pursuing the opportunity further.
- Provide feedback to the champions for the status of the ideas.

Typical Techniques, Tools and Templates To Do It

- Interview techniques
- Workshop sessions
- Template cost-benefit-risk quadrant
- Cost-benefit-risk register

IM1 Develop and evaluate the initial programme concept business case. *(cont.)*

IM1.2 Develop the initial programme concept business case.

Develop the initial programme concept business case to describe the business outcome(s) to which the potential programme will contribute, the nature of the programme's contribution and how that contribution will be measured. High-level benefits, both financial and non-financial, and expenditures for the full economic life cycle of the programme should be estimated. Key assumptions should be stated and key risks should be identified, along with their potential impact and mitigation strategies.

What To Do	By Whom: Accountability	By Whom: Primary Responsibility
• Describe the business outcome(s) to which the potential programme will contribute, the nature of the programme's contribution and how the contribution will be measured.	Business sponsor	Business management
• Estimate the high-level benefits, both financial and non-financial, and the costs for the full economic life cycle of the programme.	Business sponsor	Programme manager
• State any key assumptions and identify key risks, along with their potential impact on current and future business operations, and mitigation strategies.	Business sponsor	Business management
• Document the initial programme concept business case with information obtained.	Business sponsor	Programme manager

Tips for How To Do It

- Make resources available and ensure that they are responsible for developing the initial programme concept business case.
- Draft initial programme concept business case content, starting with defining the context of the selected opportunity, including an overview of business and IT projects required to execute the programme.
- Identify the potential involved parties (internal and external) for executing the defined projects within the investment programme.
- Discuss and define with the involved parties the initial estimates of the full life-cycle costs, benefits and risks to the organisation, technology, business, processes and people.
- State key prerequisites, assumptions and critical success factors.
- Define for each identified benefit its assumptions and risks. Each assumption and risk is translated into impact on strategies and, consequently, into mitigation actions.
- Define a set of key metrics that could measure the expected business outcomes after completion of the programme (if necessary, consult the VMO for help on measurement of the outcomes).
- Finalise and document the initial programme concept business case.

Typical Techniques, Tools and Templates To Do It

- Interview techniques
- Workshop sessions
- Balanced scorecard (BSC) methodology
- Risk management techniques
- Template for capturing opportunities
- Cost-benefit-risk register

IM1 Develop and evaluate the initial programme concept business case. *(cont.)*

IM1.3 Evaluate the initial programme concept business case.

Perform an initial triage of the programme concept business case looking at strategic alignment; benefits, both financial and non-financial; expenditures required; resources needed and contention for them; risks; and fit with the overall investment portfolio. Determine whether the programme concept has sufficient potential to justify proceeding to full programme definition and evaluation. If the decision is to proceed, the CIO should sign off on the technical aspects of the programme and the business sponsor should approve and sign off on the initial programme concept business case.

What To Do	By Whom	
	Accountability	Primary Responsibility
• Review and evaluate the initial programme concept business case.	Business sponsor	Business management
• Determine whether the programme should proceed to full programme definition and evaluation.	Business sponsor	Business management

Tips for How To Do It

- Review the initial programme concept business case with the business sponsor and business management and validate the business outcomes, costs, risks and expenditures of the individual programme.
- If required, make adjustments to the initial programme concept business case.
- Obtain CIO approval and sign-off on the technical aspects of the initial programme concept business case.
- Obtain business sponsor approval and sign-off on overall initial programme concept business case.
- Revisit the position of the initial programme concept business case in the selected and weighted target investment portfolio mix.
- Revisit the cost-benefit-risk analysis, leading to an identification of candidate programmes per investment category.
- Confirm the selection of the initial programme concept business case.
- Provide feedback to the champions for the status of the ideas.
- Send approved initial programme concept business case to VMO.
- If an initial programme concept business case does not have full potential, document background and lessons learned for the future.

IM2 Understand the candidate programme and implementation options.

IM2.1 Develop a clear and complete understanding of the candidate programme.

Utilise appropriate methods and techniques, involving all key stakeholders, to develop and document a complete and shared understanding of the expected business outcomes (both intermediate [lead] and end [lag] outcomes) of the candidate programmes, how they will be measured, and the full scope of initiatives required to achieve the expected outcomes. These initiatives should include all changes required to the nature of the enterprise's business, business processes, people skills and competencies, enabling technology and organisational structure. The nature of each initiative's contribution, how that contribution will be measured and all key assumptions should be identified. Relevant metrics or similar indicators to monitor the validity of these assumptions should be identified. Key risks, to both the successful completion of individual initiatives and the achievement of the desired outcomes, should also be identified and, where possible, mitigating actions should be included.

What To Do	By Whom	
	Accountability	Primary Responsibility
• Develop and document a complete and shared understanding of the expected business outcomes of the candidate programme, how they will be measured, and the full scope of initiatives required to achieve expected outcomes.	Business sponsor	Programme manager
• Identify the nature of the initiative's contribution, how that contribution will be measured, and all key assumptions and relevant metrics or similar indicators to monitor validity of these assumptions.	Business sponsor	Programme manager
• Identify key risks, both to the successful completion of individual initiatives and to achievement of the desired outcomes.	Business sponsor	Programme manager

Tips for How To Do It

- Identify and engage a (potential) programme manager for the candidate programme.
- Discuss and create mutual understanding between the business sponsor and programme manager of the objectives, assumptions, risks and scope of the candidate programme.
- Define all of the initial business and IT initiatives required for achieving the (candidate) programme objectives, expected outcomes, risks and scope of the candidate programme.
- Identify all cause-and-effect relationships between the initiatives by defining intermediate outcomes and end outcomes by using, e.g., a Results Chain (i.e., in achieving higher customer satisfaction, a customer relationship management [CRM] application could contribute to knowing the customer better and finally higher customer satisfaction).
- Per initiative and relationship between the initiatives, the following aspects should, at least, be covered:
  - – Scope
  - – Objectives and metrics (intermediate [lead] indicators for the benefits towards ultimate benefits [lag] indicators)
  - – Cost estimates
  - – Key assumptions
  - – Key risks

Typical Techniques, Tools and Templates To Do It

- Results Chain™
- Business-IT goals cascade (COBIT 4.1)
- Template for capturing opportunities
- Cost-benefit-risk register

Results Chain is a trademark of Fujitsu Consulting.

IM2 Understand the candidate programme and implementation options. *(cont.)*

IM2.2 Perform analysis of the alternatives.

Identify alternative courses of action to achieve the desired business outcomes. Assess the relative benefits, costs, risks and timing for each identified course of action. Select the course of action that has the highest potential rate of return and value, at an affordable cost and with an acceptable level of risk. Document the criteria (which must be common for all options) for selecting and the rationale for recommending the selected course of action. Business management should assess the current and future business impact of the alternative courses of action, and the IT function should assess the technical impact.

What To Do	By Whom	
	Accountability	Primary Responsibility
• Identify alternative courses of action to achieve the desired business outcomes.	Business sponsor	Programme manager
• Assess the relative benefits, costs, risks and timing for each identified course of action.	Business sponsor	Programme manager
• Select the course of action that has the highest potential value, at an affordable cost and with an acceptable level of risk.	Business sponsor	Programme manager

Tips for How To Do It

- Use defined key assumptions and key risks to address potential alternative courses of action for achieving the defined objectives and metrics. For example:
  - In achieving higher customer satisfaction, a CRM application could contribute to better knowing the customer and, finally, higher customer satisfaction.
  - The initial initiative was to select a common off-the-shelf CRM application and adjust organisational processes.
  - An alternative course of action could be to develop a custom-made CRM application aligned with current organisational processes.
  - Both initiatives have the same intermediate benefit(s), but involve different costs, risks and potential value.
- Assess the impact of the alternative course of action on the complete Results Chain, to ensure that all initiatives, alternative or original, will still contribute to the end outcome.
- Select the course of action that has the highest potential value, at an affordable cost and with an acceptable level of risk.
- Adjust the Results Chain based on the selected course of action.
- Confirm with the business sponsor the understanding of the complete candidate programme document, including the changes required by the programme and the contribution, measurement, metrics/indicators to monitor.

Typical Techniques, Tools and Templates To Do It

- Results Chain
- Business-IT goals cascade (CobiT 4.1)
- Impact analysis of the alternative course of action
- Template for capturing opportunities
- Cost-benefit-risk register

IM3 Develop the programme plan.

IM3.1 Develop the programme plan.

Define and document all projects, including those that are needed to bring about changes to the business; its image, products and services; business processes; people skills and numbers; relationships with stakeholders, customers, suppliers and others; technology needs; and organisational restructuring projects that are required to achieve the programme's expected business outcomes. Specify required resources, including project managers and project teams as well as business resources. Specify funding, timing and interdependencies of multiple projects. Specify the basis for acquiring and assigning competent staff members and/or contractors to the projects.

What To Do	By Whom: Accountability	By Whom: Primary Responsibility
• Define and document all projects—including business, business process, people, technology and organisational projects—required to achieve the programme's expected business outcomes.	Business sponsor	Programme manager
• Specify required resources—including project managers, project teams and business resources—where applicable.	Business sponsor	Programme manager
• Specify funding, timing and interdependencies of multiple projects.	Business sponsor	Programme manager

Tips for How To Do It

- Identify required resources for further developing the projects required to execute all initiatives. This could potentially be the final programme manager or intermediate resourcing, and either internal or external resources.
- Ensure mutual understanding between the programme manager and the (intermediate) project manager of the objectives, assumptions, risks and scope of the programme and projects. Discuss and define the required business and IT projects with the involved parties for each initiative.
- For each of those identified projects, estimate the costs (resources), benefits and risks to the organisation, technology, business, processes and people.
- State key prerequisites, assumptions and critical success factors and interdependencies within the programme between the projects.
- Define and document all of the project plans required for executing all initiatives within the programme.
- Specify all human resources, with a special focus on key resources, and financial resources needed to execute all projects.
- Based on human and financial resources, specify the basis for acquiring and assigning competent staff members and/or contractors to projects.
- Integrate all project plans into an overall programme plan, including all interdependencies.

Typical Techniques, Tools and Templates To Do It

- Project initiation document (PID)
- Gantt chart
- Cost-benefit-risk register

IM4 Develop full life-cycle costs and benefits.

IM4.1 Identify full life-cycle costs and benefits.

Prepare a programme budget that reflects the full economic life-cycle costs and the associated financial and non-financial benefits.

What To Do	By Whom	
	Accountability	Primary Responsibility
• Prepare a programme budget that reflects the full economic life-cycle costs and financial and non-financial benefits.	Business sponsor	Programme manager

Tips for How To Do It

- Based on the available Results Chain (initiatives, intermediate results and ultimate benefits) and the organisation's financial practices (e.g., International Financial Reporting Standards [IFRS], opportunity costing, and operational costing such as depreciation rules and tax regulation), further detail the business outcomes and how the benefits (qualitative and quantitative), assumptions, metrics and other indicators will be measured regarding realising the benefits.
- Define an overall cost view of the technical, operational and business capabilities (current and future—CAPEX and OPEX).
  - Assets (e.g., hardware, software)
  - Development costs
  - Workload/implementation costs (design, build, test, integration, training, go-live)
  - Business change costs (training, business process re-engineering [BPR], communication, structure adjustments)
  - Workload for business and IT operations (e.g., running costs) for getting the benefits
- Document costs and benefits over the full life cycle (including cash flow out and cash flow in).

Typical Techniques, Tools and Templates To Do It

- Business BSC
- Return on investment (ROI) (e.g., net present value)
- Total cost of ownership (TCO) definitions
- Cost-risk-benefit register

IM4 Develop full life-cycle costs and benefits. *(cont.)*

IM4.2 Develop a benefits realisation plan.

For each key outcome, identify and document the current baseline and target performance to be achieved; the method for measuring each key outcome; identified and accepted accountability for achieving the outcome; the expected delivery schedule; and the monitoring process, which should include a detailed benefits register, along with an explanation of the risks that may threaten the achievement of each key outcome and how those risks will be mitigated.

What To Do	By Whom	
	Accountability	Primary Responsibility
• Determine the method for measuring each key outcome.	Business sponsor	Programme manager
• Identify and document the current baseline and target performance to be achieved for each outcome.	Business sponsor	Programme manager
• Identify accountabilities for achieving outcomes, the expected delivery schedule, and the monitoring process, including a detailed benefits register.	Business sponsor	Programme manager
• Identify risks that may threaten the achievement of each key outcome and how those risks will be mitigated.	Business sponsor	Programme manager

Tips for How To Do It

- Extract from the Results Chain all of the key intermediate outcomes leading to the final business benefit, e.g., customer satisfaction (current score of 7.1) as an intermediate outcome.
- Translate each of the outcomes and business benefits into specific, measurable, achievable, relevant and time-bound (SMART) key goal indicators (KGIs), e.g., customer satisfaction index (target score of 7.5 in one year) as a KGI for customer satisfaction.
- Define the metrics per intermediate outcome and final business benefit for calculating the KGI, e.g., customer satisfaction as a survey with X questions.
- Identify potential risks per outcome and agree on how to mitigate or accept each of those risks.
- Define key risk indicators and metrics to enable continuous monitoring of the defined risks.
- Determine realistic time lines to achieve intermediate outcomes and final business benefits. Ensure that the final business benefit can be achieved in an acceptable time frame and the intermediate outcomes are key milestones in indicating success of the road map towards benefits realisation.
- Obtain ownership of the business sponsor and business management for each of the key performance indicators (KPIs) and corresponding metrics.

IM4 Develop full life-cycle costs and benefits. *(cont.)*

IM4.3 Perform appropriate reviews and obtain sign-offs.

Consult all stakeholders and obtain their agreement on the costs and benefits for which they will accept responsibility. Aggregate the findings and check for consistency and coherence. Submit costs, benefits and the benefits realisation plan for review, refinement and sign-off by the business sponsor.

What To Do	By Whom	
	Accountability	**Primary Responsibility**
• Submit a budget and benefits realisation plan for review, refinement, approval and sign-off by the business sponsor.	Business sponsor	Programme manager

Tips for How To Do It

- Submit programme benefits realisation plan to the business sponsor and business management.
- If needed, refine the benefits realisation plan based on feedback from the business sponsor and business management.
- Obtain ownership of the business sponsor and business management for the programme benefits realisation plan and, thus, for corresponding business consequences (if the programme gets accepted within the portfolio).

Typical Techniques, Tools and Templates To Do It

- Results Chain

IM5 Develop the detailed candidate programme business case.

IM5.1 Develop the detailed programme business case.

Develop a complete and comprehensive business case for the programme. The business case should include an executive summary; a description of the programme's purpose, objectives, approach and scope; programme dependencies, risks and milestones; organisational change impact of the programme; a relative value assessment; and a programme plan. The programme value assessment should include full economic life-cycle costs and benefits, both financial and non-financial; the value to be created and the envisaged rate of return; strategic alignment; delivery and benefits risks; programme relative score as assessed by the business sponsor; and key assumptions. The programme plan should include component project plans, a benefits realisation plan, the approach to risk and change management, and the programme governance structure and controls.

What To Do	By Whom	
	Accountability	Primary Responsibility
• Confirm that all elements of the business case have been prepared in the appropriate format, and are consistent and complete, and take appropriate actions when more information is required.	Business sponsor	Programme manager
• Document a business case for the programme.	Business sponsor	Programme management office
• Undertake the final reasonability review focussing on benefits, costs and risks, and assess the programme relative score.	Business sponsor	Programme manager

Tips for How To Do It

- Check whether all inputs are received according to the business case template requirements (completeness check).
- Verify consistent quality of all elements of the business case, e.g., whether cost estimates across the different business case components are comparable and made in a consistent matter.
- Perform sensitivity analysis on the business case (e.g., check assumptions).
- Verify whether the information presented in the business case is specific and relevant for the presented programme.
- Consider, where appropriate, benchmarks, peer reviews, and second opinions to reassurance on the quality of the business case.
- Verify the business case quality with the business sponsor.

Typical Techniques, Tools and Templates To Do It

- Benchmarking and peer reviews
- Business case template

IM5 Develop the detailed candidate programme business case. *(cont.)*

IM5.2 Assign clear accountability and ownership.		
Accountability for achieving the benefits, controlling the costs, managing the risks, and co-ordinating the activities and interdependencies of multiple projects should be clearly and unambiguously assigned and monitored. Where accountability is assigned, such accountability must be accepted; there must be a clear mandate and scope; and the person accountable must have sufficient authority and latitude to act, requisite competence, commensurate resources, clear lines of accountability, an understanding of rights and obligations, and relevant performance measures.		
	By Whom	
What To Do	**Accountability**	**Primary Responsibility**
• Confirm appropriateness of the accountabilities assigned.	Business sponsor	Business management
Tips for How To Do It		
• Ensure that the programme owners for benefits, costs, risks and interdependencies are at the appropriate level in the organisation, i.e., at least budget ownership level. • For all of the costs and benefits defined in the programme, assign specific functions and names. • To realise cost ownership, if appropriate, consider a charge-back process, so that ownership for costs is clearly managed. • To support benefits realisation ownership activities, clarify their impact on business targets and clarify metrics that would occur when the programme is realised (so that the business sponsor can be held accountable for achieving these targets in a transparent way). • To be able to manage for uncertainty, make sure that ownership for risks is clearly assigned and accepted. Acknowledge that the higher the risks, the higher the level of skills and management experience that are required.		
Typical Techniques, Tools and Templates To Do It		
• Charge back and invoicing		

IM8 Update the business case.

IM5.3 Perform appropriate reviews and obtain sign-offs.

When the business case has been completed and accountability and ownership have been accepted, the CIO should approve the technical aspects of the programme. The business sponsor should approve the business case and submit it to the ISB.

What To Do	By Whom: Accountability	By Whom: Primary Responsibility
• Secure technical and business sign-offs.	Business sponsor	Programme manager

Tips for How To Do It

- Obtain, if appropriate, a third-party review.
- Obtain sign-off of all involved parties from business and IT areas.
- Create a final version of the detailed business case, which will be sent to the ISB.

IM8.1 Update the business case.

Update the business case throughout the full economic life cycle of the programme to reflect the current status of the programme. This should be done in preparation for stage-gate reviews or whenever there is any material change that affects the projected costs and/or benefits of the programme, including when assumptions or risks change due to changes to business strategy or the way the enterprise functions or is organised, or due to the external environment.

What To Do	By Whom: Accountability	By Whom: Primary Responsibility
• Update the business case to reflect the current status of the programme.	Business sponsor	Programme manager

Tips for How To Do It

- Ensure that the active programme business case will be updated for each pre-defined stage-gate in the portfolio management process.
- Independent of the regular stage-gates:
  – Incorporate deviations from the initial programme planning, costs, risks and benefits realisation into an updated business case.
  – Monitor and, if applicable, adjust the business case based on changed internal (e.g., strategic changes) and external (e.g.. competition) environments.
- Maintain ownership of the programme business case after each adjustment.
- Verify proactively the impact of the updates on the overall portfolio (if needed, escalate to the ISB).
- Capture lessons learned for further professionalising the investment and portfolio management.

Appendix A—Terminology

Amortisation—The process of cost allocation that assigns the original cost of an intangible asset to the periods benefited; calculated in the same way as depreciation

Architecture—Description of the fundamental underlying design of the components of the business system or of one element of the business system (e.g., technology), the relationships amongst them and the manner in which they support the organisation's objectives

Balanced scorecard (BSC)—Developed by Robert S. Kaplan and David P. Norton; a coherent set of performance measures organised into four categories, including traditional financial measures, but adding customer, internal business process, and learning and growth perspectives

Benchmarking—A systematic approach to comparing an organisation's performance against peers and competitors in an effort to learn the best ways of conducting business (e.g., benchmarking of quality, logistical efficiency and various other metrics)

Benefit—In business, an outcome whose nature and value (expressed in various ways) are considered advantageous by an organisation

Business case—Documentation of the rationale for making a business investment, used to support a business decision on whether or not to proceed with the investment and as an operational tool to support management of the investment through its full economic life cycle

Business process—An interrelated set of cross-functional activities or events that results in the delivery of a specific product or service to a customer

Business sponsor—The individual accountable for delivering the benefits and value of an IT-enabled business investment programme to the organisation

Capital expense (CAPEX)—An expenditure that is recorded as an asset because it is expected to benefit more than the current period. The asset is then depreciated or amortised over the expected useful life of the asset.

Change management—A holistic and proactive approach to managing the transition from a current to a desired organisational state, focussing specifically on the critical human or 'soft' elements of change. It includes activities such as culture change (values, beliefs and attitudes), development of reward systems (measures and appropriate incentives), organisational design, stakeholder management, human resource policies and procedures, executive coaching, change leadership training, team building and communications planning and execution.

Charge back—The redistribution of expenditures (costs) to the units within an enterprise that gave rise to them. Without such a policy, misleading views may be given as to the real profitability of a product or service since certain key costs will be ignored or calculated according to an arbitrary formula.

Control Objectives for Information and related Technology (CobiT)—An internationally accepted process framework for IT. A set of tools that executives at all enterprises can use to ensure that their IT is helping them achieve their goals and objectives. CobiT was developed and is maintained by ISACA.

Economic Value Added (EVA)—Technique developed by G. Bennett Stewart III (and registered by the consulting firm of Stern, Stewart) where the performance of the corporate capital base, including depreciated investments (such as training, research and development) as well as more traditional capital investments (such as physical property and equipment) are measured against what shareholders could earn elsewhere

Full economic life cycle—The period of time during which material business benefits are expected to arise from and/or material expenditures (including investments, running and retirement costs) are expected to be incurred by an investment programme

Hurdle rate—Required rate of return, above which an investment makes sense and below which it does not. Often based on the cost of capital, plus or minus a risk premium, and also often varied based upon prevailing economic conditions. Also known as required rate of return.

Internal rate of return (percent) (IRR)—The discount rate that equates an investment cost with its projected earnings. When discounted at the IRR, the present value of the cash outflow will equal the present value of the cash inflow. The IRR and NPV are measures of the expected profitability of an investment project.

Life cycle—A series of stages that characterise the course of existence of an organisational investment (e.g., product, project, programme)

Modelling—Developing a simplified representation of a system or phenomenon. Such representations may be static or dynamic, in which case behaviour of the system or phenomenon under different conditions can be simulated.

Net present value (in currency) (NPV)—Calculated by using an after-tax discount rate and a series of expected incremental cash outflows (the initial investment and operational costs) and cash inflows (cost savings or revenues) that occur at regular periods during the life cycle of the investment. Cash inflows accrued by the business up to about five years after project deployment should be taken into account to arrive at a fair NPV calculation.

Operational expenditure (OPEX)—Ongoing cost for running a product, business or system

Payback period (in months)—The length of time needed to recoup the cost of a capital investment. Financial amounts in the payback formula are not discounted. Note that the payback period does not take into account cash flows after the payback period and is, therefore, not a measure of the profitability of an investment project. The scope of the IRR, NPV and payback period is the useful economic life of the project up to a maximum of five years.

Portfolio—A grouping of objects of interest (investment programmes, IT services, IT projects, other IT assets or resources) managed and monitored to optimise business value

Project and programme—In this document, a differentiation is made between the traditional use of the terms ‘project’ and ‘programme’, which is increasingly gaining wider acceptance. While it is recognised that enterprises may choose to use different terms, or have different definitions of those terms, in the interests of clarity the following definitions are used in this publication:
- **Project**—A structured set of activities concerned with delivering a defined capability (that is necessary, but NOT sufficient, to achieve a required business outcome) to the enterprise based on an agreed-on schedule and budget
- **Programme**—A structured grouping of interdependent projects that is both necessary and sufficient to achieve a desired business outcome and create value. These projects could include, but need not be limited to, changes in the nature of the business, business processes, the work performed by people as well as the competencies required to carry out the work, enabling technology, and organisational structure.

Return on investment (ROI)—A measure of operating performance and efficiency, computed in its simplest form by dividing net income by the total investment over the period being considered

Stage-gate—A point in time when a programme is reviewed and a decision is made to commit expenditures (funds) to the next set of activities on a programme or project, to stop the work altogether, or to put a hold on execution of further work

Total cost of ownership (TCO)—Includes original cost of the computer and software, hardware and software upgrades, maintenance, technical support, training and certain activities performed by users

Val IT—The standard framework for organisations to select and manage IT-related business investments and IT assets by means of investment programmes such that they deliver the optimal value to the organisation. Val IT is based on COBIT.

Value—The relative worth or importance of an investment for an organisation, as perceived by its key stakeholders, expressed as total life cycle benefits net of related costs, adjusted for risk and (in the case of financial value) the time value of money

APPENDIX B—BUSINESS CASE

Template

The investment, category size, the impact if not successful, and position in the economic life cycle are factors that determine which components of the business case require greater attention and what level of detail is required. The following example illustrates an overall structure and content of a business case:

- **Cover sheet**
  - Programme name
  - Business sponsor
  - Programme manager
  - Revision notes
  - Validation signatures
  - Approval signature
- **Executive summary**
  - Programme context
    - Name
    - Business sponsor
    - Track record of management team
    - Category of investment
    - Programme description/profile
  - Synopsis of business case assessment
    - Programme contribution (value)
    - Programme plan and timing (schedule)
    - Change implications
    - Key risks
    - Comparative value summary
- **Introduction/background**
  - Opportunity and problem definition
    - Problem to be addressed
    - Purpose
    - Strategic contribution
  - Recommended solution
    - Scope
    - Business impact
    - Approach
    - Alternatives
  - Value impact (attractiveness)
  - Financial and non-financial benefits
    - Description
    - Measures
    - Accountabilities
  - Costs (full economic life-cycle and full IT and business costs—best case, worst case, most likely case)
  - Organisational change implications (feasibility)
    - Breadth and depth of change
    - Organisational capability and readiness

  - Risks and assumptions and their mitigation (feasibility)
    - Delivery risks
    - Benefit risks
- **Implementation approach**
  - Programme plan, milestones and time frame
  - Programme dependencies
  - Enterprise architecture compliance
  - Security policy compliance
  - Critical success factors
  - Stage-gate funding requests
  - Resourcing requirements
  - Governance arrangements
- **Appendices**
  - The Results Chain (or equivalent)
  - The detailed programme plan (including individual project plans)
  - The resourcing plan
  - The financial plan
  - The benefits realisation plan (including the benefits register)
  - The (organisational) change management plan
  - The risk management plan (including the risk register)

The template table of contents could be summarised to contain:
- Executive summary
- Introduction
- Recommendations
- Business attractiveness
- Feasibility
- Approach
- Appendices

Example

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Purpose of This Customer Relationship Management (CRM) Business Case Example

This example CRM business case is an abridged version of a business case used by a large Internet/telecom service provider. The business case was created for the introduction of new customer care processes by providing the necessary technical and business operational capabilities to deliver the expected business capabilities and, ultimately, the desired business outcomes.

The business case described here is altered for the purpose of being illustrative and to provide assistance to those who are looking for practical guidance in developing and maintaining business cases. It uses the concepts and principles of Val IT, specifically using the *The Business Case Guide: Using Val IT 2.0*. The intention of this business case example is to show that the business case is a valuable management tool—an operational tool—and to provide an overview of the content of a good practice business case based on Val IT 2.0.

Intended Audience

This business case is applicable and scalable to all enterprises, regardless of industry sector or size and whether the enterprises are public or private, for profit or not for profit. This publication is intended to provide business and IT executives, organisational leaders, business sponsors and programme managers with an easy-to-follow example for getting from 'why?' through 'what?' to 'how?' with an illustrative example business case—a customer relationship management case.

Reference to *The Business Case Guide: Using Val IT 2.0*

This example addresses the full life cycle of developing and maintaining a business case, which is fully addressed in the Val IT Investment Management (IM) domain, as explained in *The Business Case Guide: Using Val IT 2.0*. More specifically, the following IM processes are covered in the example business case:
- IM1 Develop and evaluate the initial programme concept business case. (See section 2.1.)
- IM2 Understand the candidate programme and implementation options. (See section 2.3.)
- IM3 Develop the programme plan. (See chapter 3.)
- IM4 Develop full life-cycle costs and benefits. (See sections 2.4, 2.5, 2.6 and 2.7.)
- IM5 Develop the detailed candidate programme business case. (See chapter 2 and appendices.)
- IM8 Update the business case. (See section 3.7.)

The Seven Principles of Val IT

Val IT supports the enterprise goal of creating optimal value from IT-enabled investments at an affordable cost and with an acceptable level of risk. As such, Val IT is guided by a set of seven principles—applied in the value management processes—that are enabled by key management practices and measured by performance against goals and metrics. These principles underpin the business case thinking and content.

These Val IT principles are detailed as follows (with related exhibits).

IT-enabled investments will:
- Be managed as a portfolio of investments (illustrated in section 2.1).
- Include the full scope of activities required to achieve business value (illustrated in sections 2.1 and 2.3).
- Be managed through their full economic life cycle (illustrated in sections 2.3, 2.5 and 4.5).

Value-delivery practices will:
- Recognise that there are different categories of investments that will be evaluated and managed differently.
- Define and monitor key metrics and respond quickly to any changes or deviations (illustrated in section 4.5).
- Engage all stakeholders and assign appropriate accountability for the delivery of capabilities and the realisation of business benefits (illustrated in sections 3.7 and 4.5).
- Be continually monitored, evaluated and improved (illustrated in sections 3.7 and 4.5).

Business Case Example: 123 Service Provider (123SP) Programme Customer Connect!

Document name: 123SP Programme CC Business Case
Release : C1
Date: 02-09-2009

Author(s)	Programme Manager CC, COO 123SP
Business owner	COO 123SP
Programme manager	Programme Manager CC

Document Approval Record

Approvers

Name	Role/Title	Date	Signature
CEO 123SP	CEO 123SP	28 August 2009	
COO 123SP	COO 123SP, board member responsible for retail	28 August 2009	
Head of Retail 123SP	Head of Retail	28 August 2009	

Reviewers

Name	Role/Title	Date	Section Reviewed
Strategist 123SP	GM, Group Strategy Director		ALL
Finance 123SP	GM, Consumer Finance		ALL
CIO 123SP	CIO		ALL

Revision History

Version	Revision date	Summary of Changes	Author
Draft 1	7 August 2009	Initial setup from template, integrating business case and programme plan into project initiation document	Programme Manager CC, COO 123SP
C1	6 September 2009	Some small textual changes, functional scope synchronised with assumptions, business case updates based on workshop results	Programme Manager CC, COO 123SP

Distribution List

Name	Date of Issue	Version
CEO 123SP, CFO 123SP, COO 123SP, Value Management Office 123SP, Programme Management Office 123SP	9 June 2009	C1

1 Executive Summary

1.1 Programme Context

Programme Customer Connect! (Programme CC) is one of four defined programmes within the enterprise business transformation portfolio established to build a new, lower-cost retail business model that will differentiate itself through superior products and customer experience.

Programme CC is directed at improving customer contact in order to cross-sell new products delivered by the overall transformation programme and to deliver self-service functionality. This strategic investment touches both the way the organisation acts as well as the tools that the organisation uses to keep track of its customers. The programme is conducted under the supervision of the director of the business transformation portfolio and under the responsibility of the COO 123SP and his team.

1.2 Synopsis of Business Case Assessment

Programme CC has recently passed its feasibility phase, the results of which are described in this business case. The programme is expected to be delivered between 1 September 2009 and 15 February 2011. The seven-year net present value (NPV) for the covering programme is €24.5M positive.

The 123SP drivers for taking action are:
• Increase competitive pressure in the domestic intellectual property (IP) market.
• Access potential high market share of the new IP telecom market.
• Improve customer retention average revenue per user (ARPUs).
• Fulfil the need for new products.

Programme CC drives the organisation to boost the commercial potential of the new Triple Play functionality. With the enabling of customer information to the sales force and the provision of self-service for customers, the programme increases the revenue per customer. Beyond the significant software investment, the organisation should undergo a mindset change: expanding services to include 'farming' current customers, which will become more important than 'hunting' for new customers.

Four key risks are identified and mitigation is described in this document:
• Delivery of the benefits of Programme CC later than competitors, potentially caused by a delay in the regulatory liberalisation of the 'copper last mile', i.e., the final connection to the end user.
• Cost exposure of the large information system (IS) integration
• Time slippage caused by interdependency and/or integration challenge
• CRM software delivery method different from method used by competitors

1.3 Recommendation

This programme is identified as critical to securing the long-term profitability of 123SP. Not executing Programme CC results in a non-competitive ability to cross-sell products, while (administrative) process costs are relatively high in comparison to those of competitors. In this scenario, the very existence of 123SP could be threatened. Alternatives result in the cutting back of 123SP's retail activities and are considered undesirable.

2 Scope and Value Justification

2.1 Opportunity and Problem Definition

123SP decided in the fourth quarter of 2008 to undertake a transformation to stay a top-three communications provider in a market that has become increasingly competitive. A number of programmes were defined as the business transformation portfolio, together aiming for a next-generation retail business model delivering:

- A new, lower-cost operating model
- Comprehensive Triple Play services to customers
- Differentiation on customer experience
- Superior product aggregation (bundling) capability
- Residential gateway (RGW)-based 'call and surf' offers

Programme CC has been defined as one of the programmes of the business transformation portfolio. The goal of Programme CC is to deliver an improved customer service strategy to 123SP that supports the brand, business priorities and its culture, each enabling the company to cross-sell its future Triple Play products. This undertaking requires tight integration of information available in all customer-facing business units to give the customer a feeling of enjoying a unified service from 123SP.

At the same time, customer self-service facilities will be created to empower the customer in the administrative processes of 123SP. This lowers the cost base of the company as self-service will improve the revenue per minute of personal interaction of sales staff with the customer.

The purpose of this document is to describe the business case for Programme CC, by providing details about:

- The business justification, business outcomes and financials that support the Programme CC business case
- The drawdown of the €14.7M for completion of Programme CC, bringing total approved funding for the transformation portfolio to €104M

2.2 Strategic Contribution

The Programme CC business case contributes to four strategic drivers of 123SP, which can be defined as follows:

- Increased competitive pressure in the domestic IP market
- Potential high market share of the new IP telecom market
- Pressure on customer retention (ARPUs)
- Need for new products

2.3 Recommended Solution

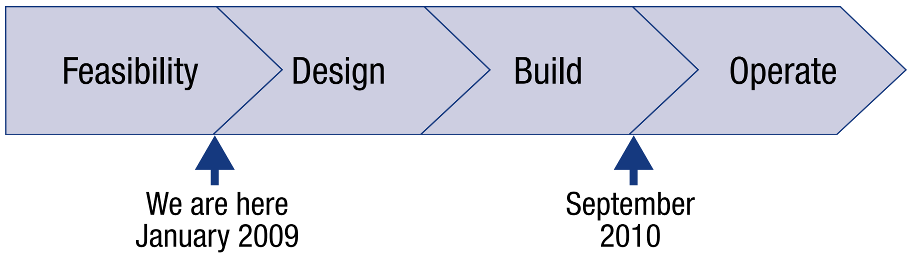
Programme CC is directed at implementing and embedding a customer care strategy in 123SP. The recommended programme solution has two parts:

- **Delivery of technical capabilities**—New, enabling CRM technology solutions and capabilities, including information management
- **Delivery of operation capabilitie**s—To optimise customer service in the organisation via streamlining customer-facing processes, motivating and empowering staff, and developing new products and focussed sales campaigns

Programme CC Approach

Programme CC commenced in late 2008 and has been progressed to the high-level plan shown in **figure 9**.

Figure 9—Business Case Phases



Currently, Programme CC has to start the design phase. The outcomes and deliverables for each phase of the overall Programme CC programme are shown in **figure 10**.

Figure 10—Business Case Phase Outcomes and Deliverables

Phase	Outcomes	Deliverables
Feasibility	• Results of the requirements analysis performed • Stakeholders aligned regarding goals of CRM implementation • Vendor selection of business and technology components to implement the customer care strategy	• Detailed requirements documents for the CRM tooling • Business case and funding request for subsequent phases • Sourcing party selected • Organisational change implications
Design	• New processes of customer-facing part of the organisation • Organisational change planned • Design and initial configuration of CRM tooling of the vendor as selected earlier	• Target operational model (TOM) • Implementation approach
Build	• Construction, installation and configuration of business and technology components to implement the customer care strategy • Future business components tested by customers and employees to ensure that they operate as desired • Training of employees for new business processes and tooling	IT and operational capabilities: • Physical and logical infrastructure required to launch and operate the CRM system • Prototype of the system • Customer testing, business testing • Training for retail business operators • Initial prospect database • Operational business processes and infrastructure
Operate	• Continued development and enhancement of business components (i.e., offers, products, channels, processes, systems) • Active cross-selling of products using holistic customer view • Ongoing acquisition of customers • Delivery of financial returns to investors	Business capabilities: • Satisfied customers • Product usage • Cash to shareholders

Alternatives

Figure 11 presents the alternative options that were considered in developing Programme CC in conjunction with group strategy, group technology and the executive managing the delivery risk.

Figure 11—Planning Alternatives in Developing Programme CC	
Option Considered	**Rationale for Deciding Against the Option**
Strategic Options	
Exit retail	Retail plays a key role in de-risking network assets.
Do not transform retail	Seven-year NPV is significantly (€1bn+) below transformation scenarios, even with aggressive cost management.
Options around customer 'push' vs. 'pull'	'Push'-based scenarios are less value-creating since significant discounts or customer incentives are required.
Architecture Options	
Options around Programme CC architecture	The proposed solution optimises: • Retail flexibility, synergies between other operating units • Cost to build and operate, and future road map flexibility
Delivery Options	
Alternatives around release planning	Proposed release plan of Programme CC represents an optimised view based on consideration of all delivery options.

2.4 Value Impact (Attractiveness)

For this business case, the appraisal has been made regarding the benefits on one hand, and the costs and potential risks on the other. Based on this trade-off, we recommend investing in Programme CC for the following strategic reasons:

- Programme CC is necessary to deliver a more customer-focussed organisation and to cross-sell products to existing customers. Programme CC supports the overall transformation and reduces costs by enabling customer self-service functionality.
- Programme CC is widely supported within 123SP at all organisational levels. Management and staff of the organisation are aware of the need to change the customer engagement strategy.
- Customers are asking for better service (with fewer hand-offs) and new products.

2.5 Outcomes and Benefits

This business case presents the specific impacts, outcomes and benefits that are expected to arise from Programme CC. It provides the justification for the programme investment. These outcomes are of three types:

- **Technology capabilities**—The enabling technology will deliver to 123SP new technology hardware, software and information management capabilities that will include:
  - Providing the ability to have a consistent, single view of the customer
  - Increasing quality, accuracy and availability (in real time) of customer information
- **Business operational capabilities**—Leveraging the new technology capabilities, the Programme CC change initiatives will deliver new business operational capabilities to 123SP. They lead (or contribute) to the desired business outcomes (or benefits). These expected outcomes include:
  - Streamlining the customer care processes
  - Creating a transformed, satisfied, fully empowered workforce that is focussed on performance and customers
  - Increasing the empowerment by customers and citizens to engage with 123SP service delivery

  – Increasing staff satisfaction
  – Increasing staff capability to deliver customer services
  – Increasing quality of delivery in 123SP services to customers
  – Decreasing call handling time
  – Increasing first point of contact handling
- **Business outcomes (the benefits)**—For Programme CC, the expected 123SP benefits include:
  – Increasing customer satisfaction as a result of better contact experience
  – Decreasing operational cost
  – Increasing Triple Play products revenue and market share
  – Increasing profitability

The business outcomes with financial implications form part of the NPV calculations of this business case. Outcome owners are identified as part of the benefits realisation plan process.

Figure 12 presents key selected non-financial and financial benefits.

Figure 12—Key Selected Non-financial and Financial Benefits

Outcome and Measure	Rationale
Increased customer satisfaction • Programme CC offers an improved service experience over the core consumer experience, which is measured by customer retention and loyalty.	Investment in products, systems and process automation will have the following direct customer benefits: • Fewer errors/greater accuracy • Customer self-service • Improved customer experience, which is essential to maintaining ARPU and market share
Increased market share • Maintain a disproportionate share of the retail market value. • Achieve >50% of market share by volume by 2015. • Attract and retain above-average ARPUs from launch.	• Retail will be able to target higher-value customers where it can deliver higher profitability and long-term sustainability through added-value service offerings to raise or maintain ARPU. • Retail's brand positioning and product offers can be tailored to attract the highest value customer.
Increased retail profitability • Achieve sustainable profitability for retail. Maintain above-average ARPUs from launch. • Improve product profitability throughout the product life cycle. • Reduce unit cost to serve from €115 per customer to €87 per customer for fiscal year 2014-2015.	• Programme CC will reduce the cost of business through simplification and automation of processes and by enabling customer self-service, reducing headcount required for customer support and business functions.

2.6 Financial Summary

Programme CC aims at a stand-alone seven-year NPV of €24.5M positive. The NPV analysis in **figure 13** is based on a seven-year NPV to 2017. It takes into account the programme-derived cost reductions and revenues, OPEX and CAPEX. It excludes savings or value derived from the existing retail business.

Figure 13—Programme CC NPV Analysis

All values in €000s	**Excluding Retained Revenue**
NPV (7 years)	24.5 million
Discounted payback year	Year 7
IRR %	31%
WACC %	9.9%

Revenue & Operating Costs	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	TOTAL
Revenue (total)	0	0	14,850	152,655	388,907	632,419	854,702	10,863,874	12,907,407
Revenue (incremental)	0	0	14,850	152,655	388,907	632,419	854,702	10,863,874	12,907,407
Revenue (retained)	0	0	0	0	0	0	0	0	0
Operating expenditure	0	0	52,312-	227,563-	390,620-	582,473-	750,770-	9,478,584-	11,482,322-
Summary									
EBITDA	0	0	37,462-	74,907-	1,713-	49,947	103,932	1,385,290	1,425,085
EBIT	0	8,643-	54,570-	100,065-	33,784-	11,867	62,492	1,333,420	1,210,717
ROIC	0	0	0	1-	0	0	1	6	
EVA	1,418-	10,994-	46,628-	80,399-	34,358-	1,388-	35,871	916,927	777,614
Investment Required									
Capital expenditure	27,260-	49,196-	43,566-	35,720-	28,364-	22,259-	22,259-	236,288-	464,912-

EBITDA = earnings before interest, taxes, depreciation and amortization; EBIT = earnings before interest and taxes; ROIC = return on invested capital; EVA = economic value added

Key Assumptions

The following are some key assumptions used in performing the financial modelling in **figure 13**.

Capital Investment

- WACC of 9.9 percent, in accordance with group finance, has been used.
- Ongoing capital investment in the retail division for incremental product, platform and process development and maintenance is €21.9M per post-build.

Revenue Forecasts

- Other product and capability development programmes as part of the transformation portfolio are delivered on time and to the expected standard that allows the retail division to easily integrate and launch end-user offers.

Operating Costs Forecasts

- Cost of sales:
  - Wholesale product inputs have been included at regulated prices.
  - The managed infrastructure product input costs have been treated as a product input cost and estimated to have an eight-year useful life.
- Cost to serve:
  - Unit cost to serve is projected to be high initially due to up-front investment and operating costs associated with technology platforms.
  - Channel costs forecasts include the assumption that 75 percent of contact centre volumes are handled by offshore contact centres, which are significantly cheaper than onshore contact centres.

Terminal Value Estimation

- Terminal value has been included as a capital inflow in 2016 for the purposes of financial modelling.

2.7 Costs

The costs of the stages of Programme CC amount to almost €14.8M (most likely situation). **Figure 14** shows the costs in most likely, worst-case and best-case situations. For the purpose of this analysis, the costs for the build and operate stages only are presented in detail.

Figure 14—Most Likely, Worst-case and Best-case Situations

Costs of Complete Programme Customer Connect			
Stage	**Most Likely**	**Worst-case**	**Best-case**
Feasibility	€570,660	€741,858	€485,061
Design	€885,799	€1,151,538	€752,929
Total Feasibility and Design	**€1,456,459**	**€1,893,396**	**€1,237,990**
Detailed build and operate			
IS labour supplier	€2,798,908	€3,638,580	€2,379,072
Software	1,095,348	1,423,953	931,046
Hardware	906,100	1,177930	770,185
Subtotal—IS	**€4,800,356**	**€6,240,463**	**€4,080,303**
Product aggregation:			
Supplier	€229,633	€298,523	€195,188
Vendor and suppliers	912,500	1,186,250	775,625
Subtotal—Product aggregation	**€1,142,133**	**€1,484,773**	**€970,813**
Business build:			
123SP business resources	€1,430,837	€1,717,004	€1,287,753
Supplier labour	1,146,256	1,850,221	704,052
Travel and accommodation	510,380	663,493	433,823
External consultants	2,072,699	3,294,509	2,761,794
Marketing communications and research	414,227	678,495	282,092
Other	366,898	476,967	311,863
Subtotal—Business build and operate	**€5,941,297**	**€8,680,689**	**€5,781,377**
Capital interest	€256,852	€333,097	€218,324
Contingency	€1,188,259	€1,392,737	€898,725
Subtotal—Capital Interest and Contingency	**€1,445,111**	**€1,725,834**	**€1,117,049**
Total Detailed Build and Operate	**€13,328,897**	**€18,131,759**	**€11,949,542**
Total Feasibility and Design	**€1,456,459**	**€1,893,396**	**€1,237,990**
Total Detailed Build and Operate	**€13,328,897**	**€18,131,759**	**€11,949,542**
Grand total	**€14,785,356**	**€20,025,155**	**€13,187,532**

2.8 Organisational Change and Customer Implications

This business case recognises that without the successful undertaking of organisational change necessitated by the Programme CC initiatives, there can be no expectation as to the realisation of the expected outcomes and benefits.

During the feasibility phase, an assessment of the organisational change implications has been performed. Key findings of this assessment were that Programme CC:
- Requires substantial business change as processes will be changed
- Will impact sales representatives within all retail units of 123SP
- Will impact how customers engage with 123SP

Specifically, the organisational change implications include those involving impact on 123SP's staff and customers:
- Staff:
  - Communication concerning the purpose, impact and plan of the programme
  - Re-skilling of sales representatives and sales support staff in the new customer engagement processes and technologies
  - Changes to the sales representative remuneration structure
  - Out-placement of staff displaced by the programme
- Business processes:
  - New business processes around customer engagement and service
- Organisational structure:
  - Restructuring of sales delivery and support functions within 123SP as a consequence of the new business model for customer care
- 123SP's engagement with its customers:
  - Programme CC is a significant customer-facing change. The perception and reaction of the customer will be important to the realisation of the expected benefits. During the programme execution, effort will be focussed on understanding and improving the customer experience—specifically concerning requirements, testing and, ultimately, the operation of the new customer care model and strategy. Key initiatives have been identified and funded regarding communications with customers on the changes of how 123SP will engage with them as a consequence of Programme CC.

A formal organisational change management plan (refer to 4.6) has been completed to address and co-ordinate the actions needed to successfully address Programme CC organisational change.

2.9 Risks and Assumptions and Their Mitigation (Feasibility)

Currently, there are 27 open risks in Programme CC's risk register. The most critical risks, treatment options for these risks and status of risk treatment will be reported as part of routine programme reporting. A quarterly independent risk review will be carried out, reporting to the CEO. For our treatment of risk, we differentiate between benefit and delivery risks. At the highest level, a sample of significant risks that are identified are shown in **figure 15**.

Figure 15—Sample of Significant Risks

Risk	Risk Type	Mitigation
Delivery of the benefits of Programme CC later than competitors, potentially caused by delay in regulatory liberalisation of 'copper last mile'	Benefit risk	• Economics of competition under separation provide a structural hedge. • Retail prepares for 'best efforts' as well as a high-quality primary voice.
Methodology of CRM software delivery (Programme CC's method differs from that of others)	Delivery risk	• Comprehensive communications and stakeholder management plan is in place. • The iterative release approach allows effective issue treatment.

(A more detailed list of the high-impact risks is not included for the purpose of this document.)

3 Implementation Approach

3.1 Programme Plan, Milestones and Time Frame

Programme CC was initiated in the fourth quarter of 2008. The high-level programme planning is represented in the Gantt chart in **figure 16**.

Figure 16—High-level Programme Planning Gantt Chart

ID	Task Name	Start Date	Finish Date
1	**Feasibility**	**3-11-2008**	**1-9-2009**
2	Pain management, strategic business/CRM link	3-11-2008	27-2-2009
3	Program sponsorship and resource mobilisation	3-11-2008	27-2-2009
4	Workshop	27-2-2009	1-4-2009
5	Phasing, priority and objective consensus	1-4-2009	1-5-2009
6	Definition of business case	1-5-2009	1-9-2009
7	Definition of business processes and metrics	1-5-2009	1-9-2009
8	Definition of legacy environment	1-5-2009	1-9-2009
9	Definition of requirements	1-5-2009	1-9-2009
10	Vendor selection	1-5-2009	1-9-2009
11	**Design/Build**	**1-9-2009**	**31-5-2010**
12	CRM system configuration	1-9-2009	31-5-2010
13	Release 1.1	1-9-2009	30-10-2009
14	Release 1.2	30-10-2009	27-1-2010
15	Release 1.3	27-1-2010	10-3-2010
16	Release 1.4	10-3-2010	31-5-2010
17	Business change	1-9-2009	1-4-2010
18	Workshops	1-2-2010	1-4-2010
19	Security and control	1-2-2010	30-4-2010
20	Setup of support infrastructure	1-2-2010	30-4-2010
21	**Operate**	**3-5-2010**	**15-2-2011**
22	Execution of pilot	3-5-2010	1-7-2010
23	Evaluation of pilot and modifications	1-7-2010	13-8-2010
24	Rollout	16-8-2010	31-12-2010
25	Assessment of results	3-1-2011	15-2-2011

3.2 Programme Dependencies

Two categories of dependencies are defined for Programme CC: within and outside 123SP. Examples include:

- Dependencies within the organisation:
  - Programme CC is dependent on the progress of the overall transformation portfolio, which incudes enterprise systems, revenue assurance, billing and the technical programmes.
- Dependencies outside the organisation:
  - Programme CC is dependent on the liberalisation of the telecom market. In 2010, the 'last mile' between the network and customers is expected to be liberalised (estimate first quarter of 2010). This programme is dependent on the promulgation of that regulation.

3.3 Enterprise Architecture Compliance

This section presents the reviews and authorisations performed in accordance with the company's technology authority processes, covering the enterprise, information and technical architecture processes. *(For the purpose of this example business case, the enterprise architecture compliance is not further detailed).*

3.4 Security Policy Compliance

123SP has recently documented a security policy (v2.3) describing requirements for access rights and security protocols. During the security and control activity (see 3.1), the identity and access management functionality is configured for all new CRM-related applications in the IS landscape of 123SP. The security audit activities will include a security check for the new environment.

3.5 Stage-gate Funding Requests

This business case specifically requested release of €14.7M by the CEO to deliver Programme CC. Subsequent draw-down business cases expected are:

- Programme CC design phase—Approximately €885,000 requested now
- Programme CC build and operate phases—Approximately €13.3M requested in the fourth quarter of 2009

In addition to the funding of Programme CC, additional investments may be required to integrate Programme CC with related product development (e.g., new mobile phone offerings). These will be detailed in the future since this business case is directed at the design phase and because the funding requirements for additional investments will not be known until after the design phase is completed.

3.6 Resources Required

The resources required are defined for Programme CC in accordance with the programme phases as follows:

- Design:
  - Senior management
  - Stakeholder representatives
  - Programme manager
  - Programme team (123SP and external consultant)
  - Requirement engineers (external)
- Build:
  - Senior management
  - Stakeholder representatives
  - Programme manager(s)
  - Programme team (123SP and external consultant)
  - Time of most important stakeholders in customer process (change process)
  - Technical programmers/configuration experts (external)
  - Change consultants
  - Test consultants

3.7 Governance Arrangements

The head of retail and the portfolio manager of the business transformation portfolio will conform to the integrated governance model that has been proposed for high-level governance and resolution of major business issues.

The overall business owner for retail is the 123SP COO. Day-to-day decision making is delegated to the portfolio manager of the business transformation portfolio. Programme CC is managed by the programme manager for CC.

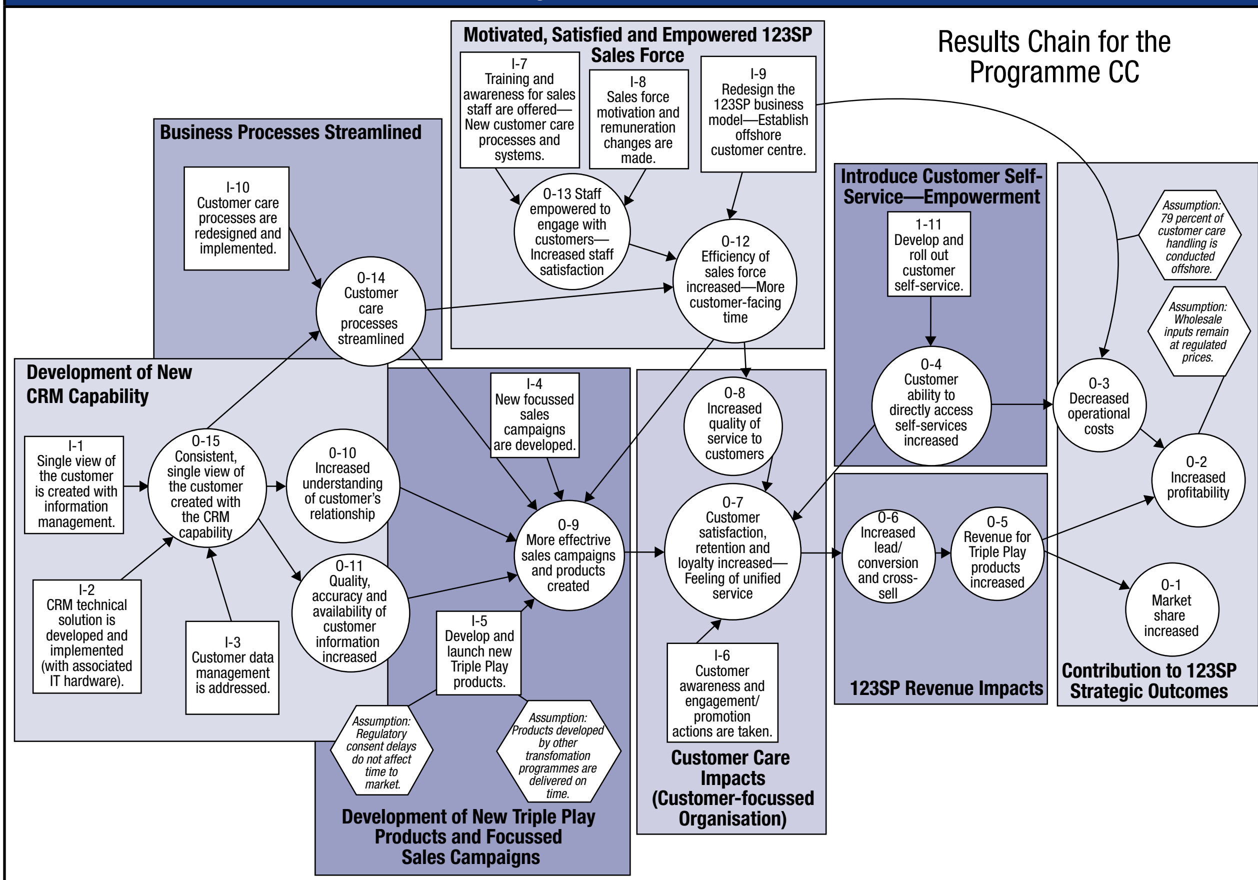
The programme will follow the internal programme office reporting and management policies. According to these portfolio governance arrangements and in compliance with 123SP programme management methodology, each programme within the business transformation portfolio will be governed based on the programme planning; delivered and expected milestones; and cost, expenditures and (intermediate) outcomes related to the business case. An update of the Programme CC business case to reflect the current status will be provided at each delivery phase and whenever there is any change that significantly affects the projected costs, benefits, opportunities or risks.

4 Appendices

4.1 The Results Chain

In developing the overall understanding of scope of initiatives and their contribution to the outcomes for Programme CC, the Results Chain in **figure 17** was constructed. This provides a road map to understand the linkage of the technical capabilities and the business operational capabilities to the business outcomes.

Figure 17—Results Chain



Note: Numbers are for identification purposes only and do not imply sequence or importance: I-x for Initiatives, 0-x for outcomes.

4.2 Detailed Programme Plan

The table of contents of the programme plan is structured as follows and will cover:
- Scope of programme
- Programme milestones
- Outline of projects and key initiatives
- Programme methods
- Programme schedule
- Programme owners/managers/stakeholders
- Programme management structure

4.3 Resourcing Plan

Precise planning details will be reviewed every three months.

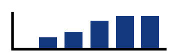
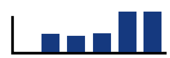
4.4 Financial Plan

The financial implication of this business case is described in sections 2.6 and 2.7.

4.5 Benefits Realisation Plan

Based on the parameters included in the Results Chain (section 4.1), a detailed benefits realisation plan has been defined. The plan is presented in **figure 18** (simplified sample only) and details the targeted outcome, metrics and targets to be monitored—these will guide and manage the business benefits realisation of Programme CC. Performance against target metrics should also drive necessary corrective action.

Figure 18—Benefits Realisation Plan

Outcome and Results (Chain ID)	Metric	Target and Profile	Accountability
Increased customer satisfaction (0-7)	Retention/loyalty, measured as part of customer satisfaction (CSAT) surveys	Current: xx%; 2016 target yy% 	Head of Retail
Increased Triple Play revenue (0-5)	Total new product sales, extracted from general ledger	2016 target (€M) 	Head of Retail

4.6 Organisational Change Management Plan

Programme CC, as a major transformation investment within 123SP, will necessitate close executive attention to the people/process/organisation issues. A formal plan must be in place.

The change management plan is designed to identify and actively manage the issues of change related to Programme CC. It is required to:
- Define the structure for change management and change leadership.
- Build the change management programme.
- Develop a detailed change management plan.

The table of contents for the change management plan will be structured as follows and will cover:
- Key change requirements
- Approach to change
- Change obstacles
- Stakeholders and their management
- Change management team role and composition
- Communications approach
- Change planning and activities

4.7 Risk Management Plan

The key areas of risk that need to be considered as part of the business case process include:
- Risks that impact the level of certainty of project delivery of the agreed-on scope at the agreed-on level of quality within the agreed-on time and cost parameters
- Risks that will impact the effectiveness of delivery of the overall planned business benefits or degree of alignment of the benefits delivered with the agreed-on business strategy
- Environmental and stakeholder risks external to Programme CC that may reduce programme effectiveness or otherwise diminish the value of the programme

A formal risk register has been established to manage the risk management plan.

4.8 Glossary of Terms

123SP—Leading communications provider of a G20 country

ARPU—Average revenue per user

CAPEX and OPEX—CAPEX (capital expenditures) refers to the cost of developing a product or system and OPEX (operating expenditures) refers to the ongoing costs for running a product or system[5].

Customer Relationship Management (CRM)—Way to identify, acquire and retain customers. CRM is also an industry term for software solutions that help an organisation manage customer relationships in an organised manner.

Programme CC—Programme Customer Connect! is the programme of IT-enabled business change for customer care. It is the investment programme being requested for enabling technology and organisational change that 123SP will use to drive the engagement, servicing and satisfaction of customers.

Results Chain™—Reasoning model that illustrates how specific outcomes can be associated with one or more initiatives and how their realisation is possible in a specific organisational context. It graphically represents, as a logical map, the shared understanding of the business change journey and the benefits realisation process.

The model reflects the scope and impact of change and can be used to guide programme/project design and planning as well as to map programme/project portfolios to the organisational strategic objectives.

The Results Chain term is trademarked by Fujitsu Consulting. For more information, refer to ISACA's publication on *Getting Started With Value Management* (appendix C)[6].

Triple Play products—Communications industry term for the provisioning over a single broadband connection of two bandwidth-intensive services[7].

Weighted Average Cost of Capital (WACC)—Used in finance to measure a firm's cost of capital. This has been used by many firms in the past as a discount rate for financed projects since the cost of financing (capital) is regarded by some as a logical discount rate (required rate of return) to use. WACC is the return a firm must earn on existing assets to keep its stock price constant and satisfy its creditors and owners[8].

[5] Source: The Free Dictionary by Farlex, *www.thefreedictionary.com*
[6] ISACA, *Enterprise Value: Governance of IT Investment: Getting Started With Value Management*, USA, 2008
[7] Source: Telecommunications Industry Association (TIA), *http://www.tiaonline.org*
[8] Source: The Free Dictionary by Farlex, *www.thefreedictionary.com*

Appendix C—Detailed Maturity Model

Business Case Maturity						
	Maturity Level, Title and Description					
	0 Non-existent	1 Initial/*Ad Hoc*	2 Repeatable but Intuitive	3 Defined	4 Managed and Measurable	5 Optimised
		IT cost focus—Individual description of IT project/solution with broad statements of delivery outcomes, developed by IT with primary focus on initial IT spending	**Some business engagement and focus**—Some selection of IT project/solution/service delivery with more specific outcomes with some financial metrics, developed by IT with some business engagement with some consideration of ongoing IT costs	**Programme management**—Selection and limited management based on emerging business change and programme view with full IT costs and some business costs over some arbitrary time period, developed by IT and business with clear roles and responsibilities	**Accountability and value**—Categorisation of investments with selection of programmes based on value with clear accountability and managed for a defined period of time	**Dynamic through the full economic life cycle**—Dynamic management of the resulting assets over the full economic life cycle
Aspect of Maturity						
(a) Clarity of outcomes	Limited application and no consistency for any of these attributes in compilation of business cases	Broad statements as to the delivery outcomes and limited metrics, mainly around financials	More specific outcomes, although largely delivery-based; some metrics, but mostly financial	All delivery outcomes and more complete benefits outcomes, although mainly financial metrics; limited use of lead metrics for journey outcomes	All outcomes (delivery and benefits) described, with financial metrics and limited non-financial metrics; some contribution of journey outcomes to end benefits	All outcomes clearly and unambiguously described, with relevant financial and non-financial metrics; complete understanding of how journey outcomes contribute to strategic outcomes

Business Case Maturity *(cont.)*						
	Maturity Level, Title and Description					
	0 Non-existent	1 Initial/*Ad Hoc*	2 Repeatable but Intuitive	3 Defined	4 Managed and Measurable	5 Optimised
Aspect of Maturity *(cont.)*						
(b) Focus	Limited application and no consistency for any of these attributes in compilation of business cases	Focus primarily on IT cost	Primary focus on IT costs with some consideration for financial worth and risk	Primary focus on costs (IT and some business costs) with some rigour around business worth and with basic risk understanding	Focus on value, including strategic alignment, total costs (IT and business), business worth (primarily financial) and adjusted for both benefits and delivery risk; used for managing the programme.	Focus on value, including strategic alignment, total cost (IT and business), business worth (both financial and non-financial) and adjusted for both benefits and delivery risk; treated as a living document and reacting to changes
(c) Scope (depth)		Primarily IT project/ solution delivery	IT project/solution and service delivery	IT solution and service delivery with some recognition of business change and some recognition of programme view	IT solution and service delivery with some business change included; programme view adopted	Scope is IT solution and service delivery, and all associated business change as a programme.
(d) Life cycle (length)		Covers initial spending	Covers initial spending and some ongoing service costs	Covers initial spending and ongoing service costs for an arbitrary time period	Covers initial spending and ongoing service costs at customised time frames for different types of investments	Covers total spending and value through the full economic life cycle
(e) Accountability		IT-developed and owned; limited business involvement	IT-developed and owned, with increasing business input; unclear roles and responsibilities	Business and IT have clear responsibilities for development of business case and accountability for approval is established.	Clear accountability for outcomes by business; IT has clear accountability for technology delivery.	Business owns, developed in partnership with IT; accountability accepted (cascaded) through the organisation through the full economic life cycle.
(f) Use		Individual description	Individual description and selection	Selection and limited management	Selection and management	Selection and full economic life-cycle management

Business Case Maturity *(cont.)*

	Maturity Level, Title and Description					
	0 Non-existent	**1 Initial/*Ad Hoc***	**2 Repeatable but Intuitive**	**3 Defined**	**4 Managed and Measurable**	**5 Optimised**
Value of this level		Business case provides information to manage IT scope and initial costs of the investment.	Business case provides some business outcomes information to enable assessment of business value (although incomplete).	Business case with a programme view provides decision making with a full scope of costs, business engagement and an understanding of the business change and value.	Business case supports programme stakeholders in decision-making and review processes, with cost, risk, change and most value aspects addressed.	Dynamic business case allows stakeholders to identify non-delivery of value and to reallocate funding from programmes where value is no longer going to be achieved to other more valuable programmes in the portfolio.
Risk of staying at this level		Decisions made with almost no perspective of business value—seen as IT cost decision	Decisions made with partial understanding and perspective of business value—still primarily seen as IT cost authorisation	Decisions are based on static information of cost and value, and not updated once approved—seen as once-off use for decision making	Limited capability to sense and respond to changes in the programme delivery and value during its life cycle—so opportunities to correct and optimise value are lost.	N/A

Business Case Maturity *(cont.)*						
	Maturity Level, Title and Description					
	0 Non-existent	1 Initial/*Ad Hoc*	2 Repeatable but Intuitive	3 Defined	4 Managed and Measurable	5 Optimised
Positives at this level		Initial IT costs for stakeholders and decision makers are understood.	Business engagement provides some perspectives of business outcomes; includes more complete IT costs.	Business engagement and acceptance of accountabilities and responsibilities—moved beyond only IT; contains business value information that informs decision making.	Stakeholders have a reasonably complete understanding and picture of the cost/risk/value perspective of the programme. This enables them to: • Manage scope. • Manage the realisation of the business outcomes. • Have IT and the rest of the business mostly on 'the same page'. Decision makers have reasonably complete information needed for informed decision making. Enterprise has ability to pick the winners and reduce value leakage.	Stakeholders have a complete and current understanding and picture of the cost/risk/value perspectives of the programme. This enables them to: • Manage scope and make better choices during the life cycle of the programme. • More effectively manage the realisation of the outcomes. • Ensure IT and the rest of the business are always on 'the same page'. Decision makers have complete and current information needed for informed decision making and to be able to revisit those decisions. This will strengthen the enterprise's ability to pick the winners and to reduce value leakage.

Business Case Maturity *(cont.)*						
	Maturity Level, Title and Description					
	0 Non-existent	**1 Initial/*Ad Hoc***	**2 Repeatable but Intuitive**	**3 Defined**	**4 Managed and Measurable**	**5 Optimised**
Negatives at this level		Limited ability to make meaningful decisions based on value Seen as decision making, only for IT	Still seen as enabling IT project cost authorisation	Limited by focus on financial metrics and absence of understanding and measuring success of the journey; still some 'miracle thinking'	Limited capability to change the portfolio mix or priority order as a consequence of having up-to-date information during the programme life cycle—so opportunity to optimise the portfolio value is lost.	

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