Objectives

- Know what a Business Case is and being able to do a basic Business Case Analysis
- Be able to calculate, use, understand and reason about measures (NPV, ROI, IRR etc.) used for investment calculations.
Structure

- Module 14: Introduction to Business Case Analysis
  - What is a business case?
  - Why is it important/useful?

- Module 15: Basic Concepts of Business Case Analysis
  - Principles of Business Case Analysis
  - Benefits
  - Time Value and NPV

- Module 16: Business Case Set Up – Step by Step
  - Selver Case Study
Structure

- Module 17: Basic Measurements for Business Case Analysis
  - Part 1
    - ROI, IRR, Payback Period
    - Sangar Case Study

- Module 18: Basic Measurements for Business Case Analysis
  - Part 2
    - Recap, Examples of cases
    - Presentation of your Assignments
    - Genzyme Case Study

- Module 19: Pricing, Funding and TCO
  - Pricing models for software (consumer perspective)
  - TCO
  - Funding IT
What is a Business Case?

A type of decision-making tool used to determine the effects a particular decision will have on profitability.

A business case should show how the decision will alter cash flows over a period of time, and how costs and revenue will change.

http://www.businessdictionary.com/definition/business-case.html
What is a Business Case?

A business case covers the **Information** needed for **decision makers** to show that an **idea** being considered makes **financial sense**.
Simple Example

- 15 minutes, in groups of 3-4 persons.

Scenario: You are the general manager of a software development company. Your company’s profit is decreasing due to ongoing recession.

1. How can you improve your profit? Give 3 suggestions on how this can be done.

2. How much would your profit improve with each of the 3 suggestions (make assumptions)?

3. How much would it cost to implement your suggestions?
Exercise

- Due to lack of financial means and resources, you can only implement one of the suggestions.

- Which one will you choose and why?

- How would you argue for your case?
Why is Business Case Analysis Important?

1. It costs money and takes people to make investments (in our setting, IT investments).

2. There is a limit to the availability of financial and human resources.

3. Therefore we need to choose wisely what we invest in.

4. Business Case Analysis gives us the information that will help us make more wise decisions and choices.

5. Measurements gives us an effective tool to compare different cases against each other.
Business Side of IT

- In a survey of 130 senior IT executives found that 80% say that lack of financial skills makes quantifying IT benefits difficult. (I.T. Staffs Lack Financial Chops For Project Analysis, 03/24/2003, By Eric Chabrow, InformationWeek)

- IT people and business people speak “different languages”.

- As an IT person, it is VERY beneficial to be able to communicate the benefits of what you are trying to achieve in a non-technical language so business people (decision makers) understand you and your case.

- Although not the typical IT metrics, they are what business people understands. Business side of IT is business.

- Business Case is the “medium” to sell the investment.