



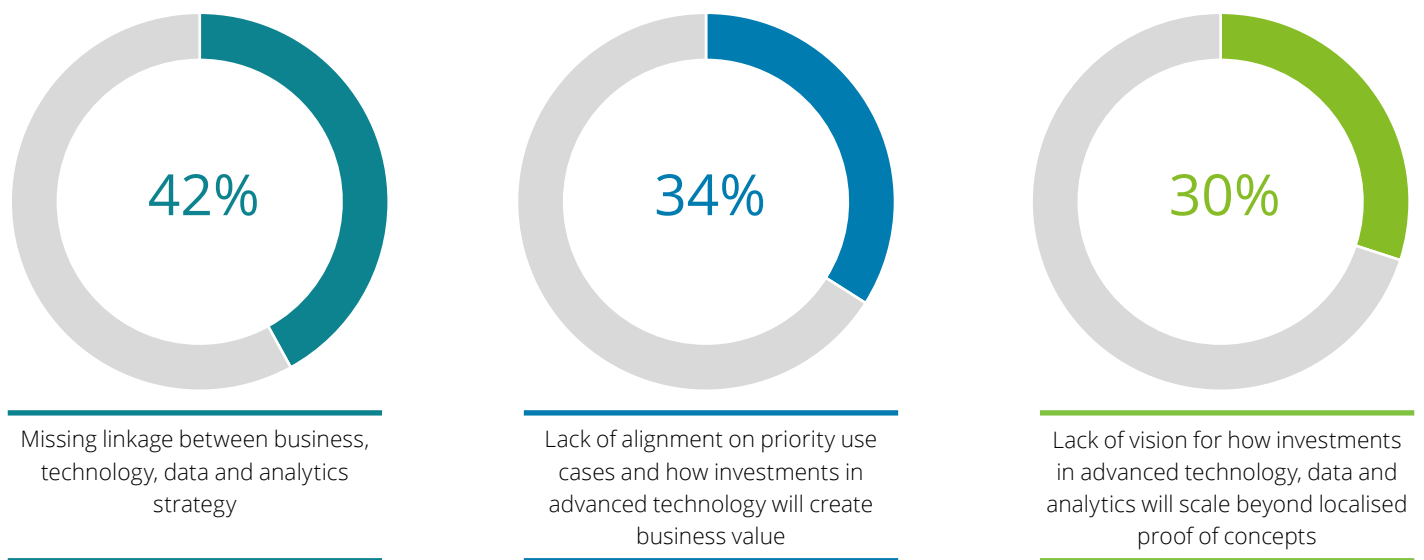
## Why a business case is critical to shaping technology driven transformations

Do you stand at the juncture of deciding on a new technology solution, while worrying that the initiative will be unable to deliver on expectations? At Deloitte we are often asked for advice on how to make well-informed investment decisions in environments characterised by uncertainty. All too often this arises when an organisation cannot put off an upgrade or replacement any longer – as the cost and risk of doing so is too high. This article aims to provide insight on how a business case help to determine the most effective way forward when evaluating alternative system solution options.

# Confirming the case for change – why you need a business case

Our 2022 Chief Strategy Officer (CSO) survey highlights the immediate term challenges many CSOs seek to overcome. This includes a disconnect between over-arching corporate and technology strategy, followed by a lack of alignment around the highest priority use cases and how investments in new technology can create business value.

**Fig. 1 (a): challenges in leveraging technology as a strategic enabler** (results from CSO survey into the top three challenges faced helping advance their firm's technology, data and analytics agenda as a strategic enabler and source of competitive advantage)



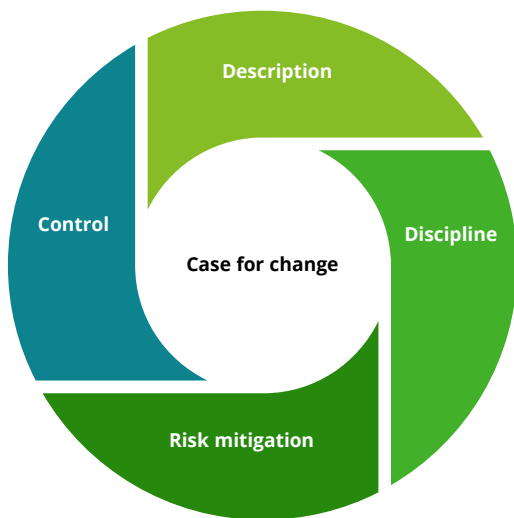
Many companies struggle to fully realise the benefits from new technology solutions. Limited levels of strategic alignment, lack of business sponsorship and end-user engagement are key reasons for initiatives being burdened with low success rates. A well informed and robust business case can serve as a useful yardstick and reference case to support decision making.

We have found that the recognition, level of focus and plans related to future growth and internal operational efficiency improvements varies significantly across different organisations. Although balance and pragmatism are often key considerations, we believe there are significant advantages to be gained from thinking ahead in a structured and measured way – often with reference to a series of appropriately tested assumptions and benefit drivers.

# The key purpose of a business case

Leaders often miss important opportunities related to new investments by failing to understand that a business case needs to do more than just quantify anticipated costs and benefits. A business case should go beyond IT savings to both align with and build upon broader strategic objectives and proposed technology solution. A successful case is often both about providing management with input to decision making, while also serving an additional and often equally important purposes - such as providing direction, creating discipline and minimising risk through enhanced control.

**Fig. 1 (b): key drivers for a robust business case**



## Direction

Clearly translate broader objectives into a tangible roadmap and set of follow up activities, while also highlighting the most critical dependencies and preconditions for a successful outcome. By prioritising the activities of greatest strategic importance, a business case can define and steer future direction and establish a realistic and clearly defined timeline for implementation.

## Discipline

Create discipline and ensure broader stakeholder buy-in to secure required support and sponsorship, while also creating a robust means of prioritising key activities and addressing trade-offs to avoid intransigence, uncertainty or costly delays.

## Control

Provide enhanced control by establishing a benchmark against which subsequent performance can be monitored and benefits tracked. Support governance by identifying and assessing key risks early on.

## Case for change

Outline most material impacts – business area and / or function specific – which also account for the most significant benefits related to operational efficiency or revenue growth opportunities.

## Risk mitigation

Identify and assess the most significant risks in line with anticipated probability and impact.

# Translating vision into a robust and meaningful case

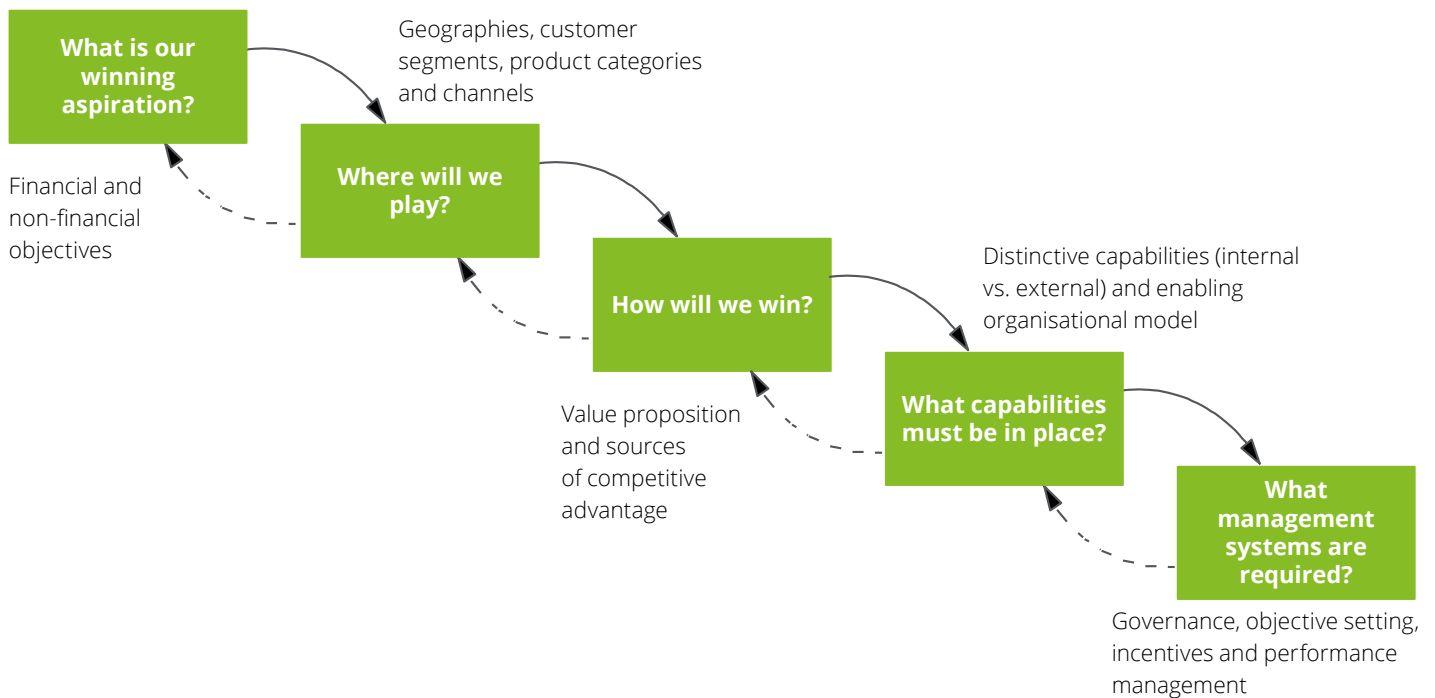
The top challenge typically associated with using technology as a strategic enabler tends to be the lack of clarity around how to articulate (and measure) objectives with new technology in a business driven context. An outline of the most impactful benefit drivers (and underlying system, organisational or process dependencies) can help to bridge this gap. Starting with the overarching strategic objectives (e.g. enhanced operational efficiency through greater automation or improved customer satisfaction through more personalised offerings) can help to establish meaningful objectives for new technology solution – which also link to broader ambition and winning aspiration. The Strategic Choice Cascade can be used as a framework to convert strategic objectives into a set of more tangible and business area or function specific choices. This can be used to quickly confirm broader implications from upstream choices and so support more coordinated decision making – particularly in advance of assessing and quantifying the most significant opportunities. These will in turn need to be underpinned by a coherent set of benefit drivers. The strategic choice cascade can also be applied in several cross-functional contexts to help ensure

interests are aligned and mitigate the risk of resistance to adopting new technology solution.

We recommend considering the following five steps during initial stage (sometimes referred to as exploration or pre-study phase):

- 1 | **Winning aspiration?** Overall purpose and targets (financial and non-financial) over the next 3-5 years
- 2 | **Where to play?** Customer focus, product and service proposition, geography, and delivery model (s)
- 3 | **How to win?** Sources of defensible advantage, role of technology and support for profit model
- 4 | **What capabilities do you need?** Split between foundational and differentiating capabilities, while also considering broader organisational and process implications from new system
- 5 | **What management systems do you need?** Establish how to measure success and which governance processes are required

**Fig. 2 (a): strategic choice cascade**



A company with high growth ambitions will typically require a scalable platform to support onboarding and integration of newly acquired companies, while another organisation may seek to modernise its supply chain operations, calling for a platform to support flow of internal and third-party data across a range of functional areas.

The benefits from a new system solution will typically manifest themselves through facilitation of new organisation, skills and ways of working.

# Prioritise and quantify

There will be a need to account for a range of different parameters when quantifying anticipated benefits and costs from identified opportunities – typically depending on whether related to future revenue growth or operational efficiency improvements.



**Revenue growth** opportunities will need to consider current and future market size, structure, degree of concentration, anticipated growth and competitor moves (including entry, further development or divestments).



**Operational efficiency** improvements typically relate to a reduction in certain costs (typically Cost of Goods Sold (COGS) or Sales, General & Administrative Expenses (SG&A)) or doing 'more with the same' capacity. The identification of an addressable cost base (linked to scope and anticipated impact from new system) will help to provide a useful reference point and input to more functional area specific organisation design activities.



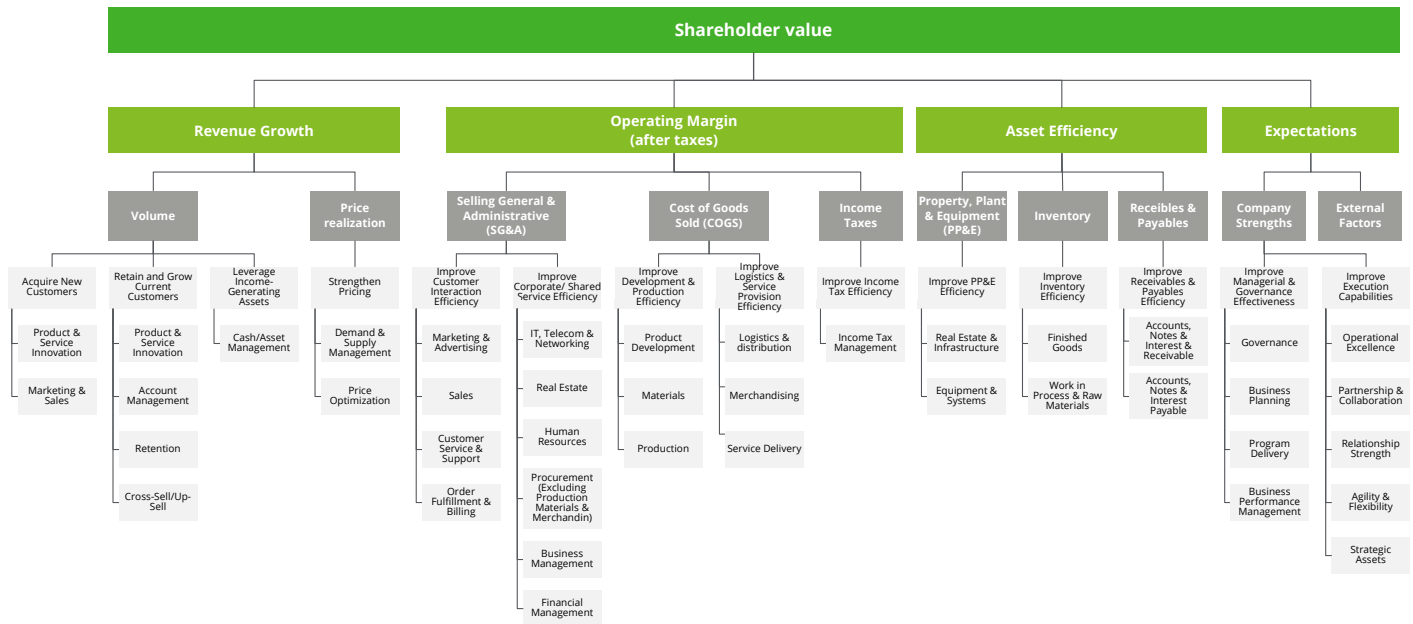
**On the cost side**, investment requirements will typically be driven by the design, development and configuration of underlying system infrastructure and functionality, while any operating cost uplift (in certain areas) may be driven by additional capability requirements.

Applying previous benchmarks and the use of a structured hypothesis driven approach can help to identify key areas requiring further focus or evaluation – where assumptions are thoroughly tested.

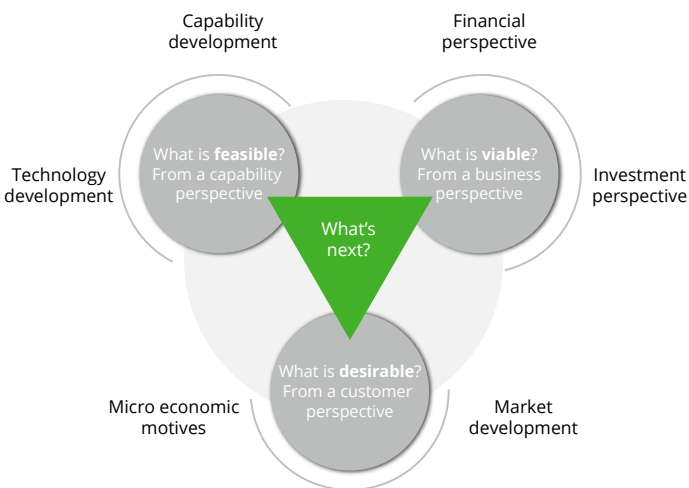
Future organisation, process and change management implications (including capability requirements) will typically require further investigation to ensure that identified benefits can reach their full potential.



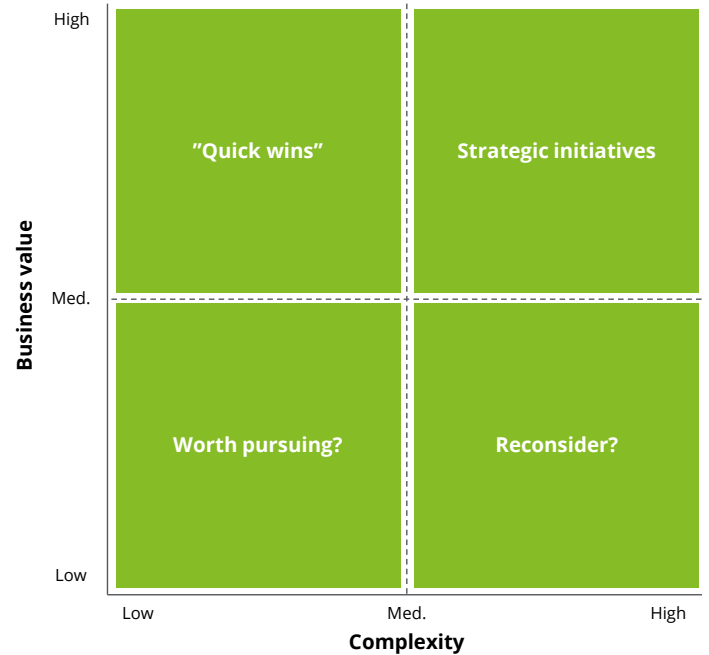
**Fig. 3 (a): Enterprise value map – to confirm focus and scope**



**Fig. 3 (b): key elements to consider when designing a value proposition**



**Fig. 3 (c): prioritisation matrix – business value vs. complexity**



# Putting into practice

After quantifying the anticipated benefits and costs (clearly linked to addressing operational and implementation requirements), initial findings will need to be tested and subsequently anchored in the organisation to ensure they are clearly understood and recognised.

A comprehensive business case should not only include a synthesis of findings, but also a mapping of capabilities needed to deliver on end state ambition along with a clear implementation roadmap (accounted for in budget planning). Agreeing relevant performance indicators to measure progress can help provide control and minimise risk. Together these efforts will help to define the transformation journey.



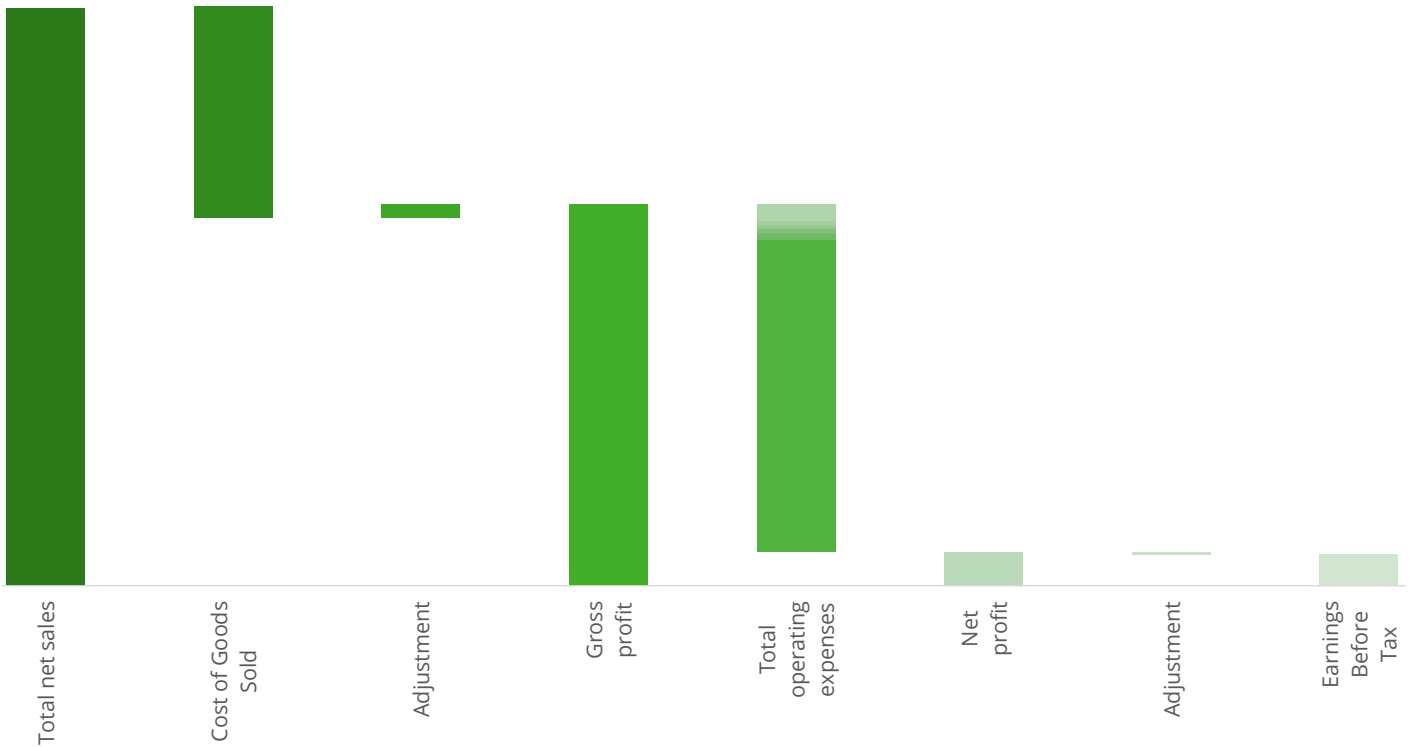


# Conclusion

The role and importance of a business case in helping to realise strategy and technology driven objectives should not be underestimated. Not only will it support more well-informed decision-making, but it will also increase the likelihood of success by clarifying broader organisational accountability and ensure approach and aims are realistic.

# Appendix

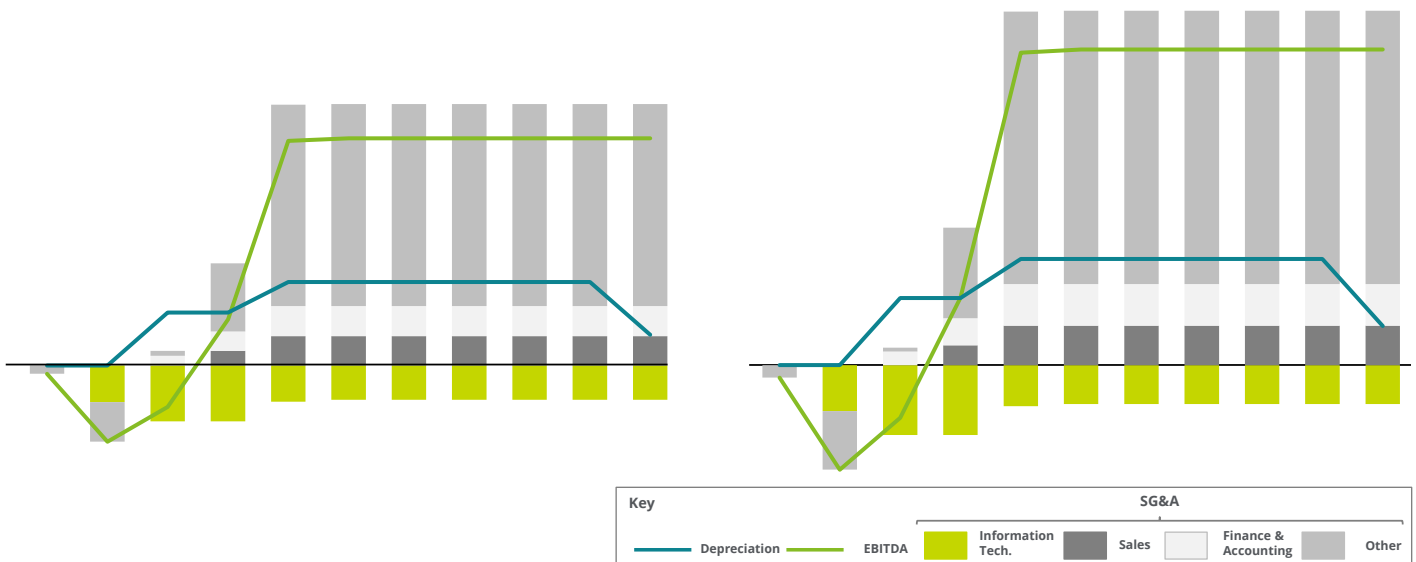
**Fig. 3 (d): financial baseline – addressable revenue and cost summary** (reference point from recent income statement, to guide subsequent functional area specific impact analysis)



**Fig. 3 (e): anticipated financial outcome – low and high scenario** (to confirm future payback period, net present value and return on investment)

Anticipated financial impact (low scenario)

Anticipated financial impact (high scenario)



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Strategy equals choice – Corporate and Business Unit Strategy, 2016 (Monitor Deloitte): [link](#)

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## Acknowledgements

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