

A ROBUST AND QUANTATIVE BUSINESS CASE

Bringing in GIS (2)

Senior management with sufficient buying power and influence will only support IT programmes that directly and demonstrably add value to the organisation; a share in the budget must be aggressively competed for. The department with the most robust, articulate and proven business case or 'game plan' will get the largest share. The authors provide insight into building such a business case.

This is the second in a series of three articles. The first promoted a top-down approach to effecting change within an organisation, rather than pushing from the bottom up with a technology-driven solution. A three-step approach was outlined: (1) mobilisation, (2) diagnosis and (3) visioning. Next month's article will focus on building a robust benefits model that not only illustrates the potential value of a GIS programme but also allows on-going tracking and management of the delivered benefits.

An outline of costs and time-scales of a business case cannot be produced without first understanding organisational structure. Managers will often focus on their existing constraints and compose a team from the same resources and reporting structures that they had before. However, to give the programme the best mix of skills and experience requires creativity and considering a different mix of buy vs. build vs. a hybrid combination of internal and external resources. A good start is to examine current in-house capability. Gauging the readiness of the organisation and identifying gaps can be realised using a Project Governance Capability Maturity Model. This visually communicates gaps in capability on a scale from Entrant?Developing?Committed?Best Practice.

Cost Factors

A geospatial programme is technical in nature and skills are often niche ones; the technology is innovative and sometimes groundbreaking. But treating such a programme as a technical initiative is a recipe for failure. Instead, questions should be asked such as: How reliable are internal delivery units such as IT support? How will demand for resource vary through the project lifecycle? How can I make sure staff with specialised skills in obscure geospatial technologies are motivated to stick with the project? Who will support the technology after the initial implementation stages?

Do not reinvent the wheel. GIS technology skills are often hard to find and it may be wise to leverage and glean experience from a certain vendor if he has proven expertise in delivering a solution component. Although the use of vendors may be appropriate to supplement in-house capabilities, the management of the relationship must be carefully defined and contractual agreements reflect the understanding of both parties. Ensure that risk is shared by buying outcomes from vendors, not bodies. Equally, it is not uncommon to define Service Level Agreements (SLAs) between internal departments supplying essential services. No matter what the delivery model, the roles and responsibilities of each player has to be defined and agreed. If just one is the driving force, you should ensure that this party is seen as the facilitator and that responsibility is shared between several parties. Consideration has to be given to who owns systems and the data within them, who provides the maintenance/support budget, those involved in decision making, and how changes in scope are to be managed. Crucial is the setting up of a steering committee representing all key stakeholders, with the visibility and control to direct the programme.

Quantification

Given you have taken an approach that has engaged stakeholders and proposed a vision that addressed their concerns and needs, a consensus will emerge in favour of attaining that vision and its benefits for your organisation. But how important is this case as compared to others? What aspects of it will deliver the most value, and when? And how much money should be assigned, over what period? Only by consolidating an evidence-based summary of cost budget and benefits is it possible to answer these questions. It is not feasible to be 100% precise at this stage; the objective is to deliver a true reflection of the total cost and benefit of the programme, one that will stand up to executive and finance department scrutiny.

Cost Budgeting

IT managers regularly profile the expected costs of a project. However, a robust business case also needs to link a picture of costs, including external ones, with the expected value returned from them. The following tips should be considered.

- Use your finance department. Not only can they help with the calculation of more complex calculations, such as labour capitalisation or depreciation, but they can also save work when constructing annual budgets.
- Deconstruct the programme into discrete initiatives and ensure all costs are aligned with them: by providing a modular view of your programme you can prepare for budget cuts and what-if scenarios.
- Ensure costs are divided between capital or operational expenditure according to company policy; the different rules for items that add to the balance sheet may help identify the true value of a programme.
- Include fully burdened costs; expenses and the value of internal resources need to be considered.

- Reuse as much data as possible; identify cost items from completed projects and use these as estimates.
- Leverage 'expert witnesses', people who have 'been there and done that'.
- Consider re-planning activities to avoid too much contiguous expense, to minimise impact on cash flow.

The process of cost budgeting is likely to be iterative. However, the output should be a detailed budget stretching into the support phases of the programme.

Benefits

Investigating and describing benefits derived from a GIS programme is a more involved effort than cost analysis, and this will be the focus of next month's article. Understanding how GIS can support and advance the business requires a good understanding of multifaceted technology and business needs. Treat the benefits investigation as a project unto itself, and use expert resources and subject matter experts to execute it. The approach will consider the definition of benefits, value of a GIS programme over the basic case, and consider aspects such as confidence in what can be achieved. One of the major outputs of this investigation (see next month) will include a benefits roadmap. This maps out when value can realistically be achieved and by how much, and may be used as a first step towards creating a programme plan.

Metrics

Simplistically speaking, the value of a GIS programme equals Benefit minus Cost. However, organisations may prefer metrics such as Return on Investment (ROI), Net Present Value (NPV) or Internal Rate of Return (IRR). Team up with your finance department to ensure that the calculation methods for these are in line with the principles embraced by your organisation. Triple-check all final figures before presenting them. Be conservative, but if value calculations don't add up, don't fudge them. Instead review the costs and benefits and look for ways of reducing costs or including benefits that may have been missed. These will be the yardsticks by which the programme is measured.

Deliver on Promises

Creating a robust and quantitative business case is only the first hurdle. The second and more difficult one is successfully delivering the benefits. Do not fall into the trap of viewing the business case as a means to an end; to lay hands on budget, rather than as a means to build consensus and buy-in across the organisation and ensure commitment to success at all levels.

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