

# Better Business Cases

## Guide to Developing the Strategic Assessment

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**THE TREASURY**  
Kaitohutohu Kaupapa Rawa

**New Zealand Government**

## Acknowledgements

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The Five Case Model is the best practice standard recommended by the HM Treasury for the preparation of business cases. The New Zealand Treasury wishes to acknowledge that the following documents were used and adapted for the purpose of creating this guidance:

- 'Making Sense of Public Sector investments' (2001) by Courtney A Smith and Joe Flanagan;
- the Green Book at [www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government](http://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government); and
- 'Delivering Public Value from Spending Proposals: Green Book Guidance on Public Sector Business Cases using the Five Case Model' at [wales.gov.uk/funding/wiipindex/5cmodel/?lang=en](http://wales.gov.uk/funding/wiipindex/5cmodel/?lang=en).

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## About this Guidance

This guidance is intended to assist developers and reviewers to build better business cases using the Five Case Model, the New Zealand Government's accepted good practice standard.

This guidance document provides an overview of how to develop a Strategic Assessment. This document has been written as part of the suite of Better Business Case guidance. It is part of a comprehensive and structured tool-kit of guides and templates to assist you at every stage of the business case development. This guidance can assist you whether you are considering an investment in change at the portfolio, programme or project level in either the public or the private sectors.

This guidance also provides a useful reference for business managers, project or programme managers, and other stakeholders who can either influence investment decisions or have an interest in the successful delivery of change.

The guidance outlined in this document applies until this document is updated or replaced.

## What this Guidance is Not

This guidance is not intended to comprehensively cover all the related aspects of business case development (although the guidance describes where other relevant guidance fits). These may include regulatory impact, economic assessment, procurement, risk management, Public Private Partnership (PPP), Treaty, programme/project management or assurance processes. You should refer to any relevant policies, rules, expectations and practices that apply to your specific organisation or sector.

## Key Changes to this Guidance from the Previous Version

The key changes to this guidance from the version dated 28 February 2014 are:

- being clearer on what's expected and the suggested evidence
- bringing a principle based approach to the use of methods and tools in gathering the evidence needed to develop the business case
- giving greater clarity of the relationship between strategy, policy and programmes
- showing different ways of designing and delivering programmes and projects, in conjunction with the GCIO
- providing greater clarity on how each type of business case supports what types of decisions in the Governments annual budget process
- incorporating recent changes to the NZ Government Procurement guidance, including early market engagement, and
- replacing multiple scoping documents into one point of entry form to agree the business case approach.

## Questions and Feedback

General enquiries about the information contained in this guidance, not addressed in this guidance, can be directed to [betterbusinesscases@treasury.govt.nz](mailto:betterbusinesscases@treasury.govt.nz).

For Government agencies, any agency-specific questions should be addressed to your Treasury Vote team.

Any comments as to how we could improve this guidance can be directed to [guidance@treasury.govt.nz](mailto:guidance@treasury.govt.nz).

## Further Information

This document is part of the Better Business Cases suite of guidance available at the Treasury website <http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc>

# The Investment Management Lifecycle

Government's investment life cycle is made up of four phases: think, plan, do and review. Together these create an ongoing dynamic as ideas are tested, refined and adopted or discarded within an agency and across government. Each phase has different implications for agencies and decision makers.



The Plan phase examines how to translate the Think to the Do. A business case is the vehicle to demonstrate that a proposed investment is strategically aligned, represents value for money, and is achievable. A business case turns an idea (think) into a proposal (plan). It enables decision makers to invest with confidence knowing that they have the best information available at a point in time. It is also a reference point during the “Do” phase to support delivery, and used in the “Review” phase to determine whether the benefits in the business case were realised. For more guidance on managing benefits from programmes and projects please see [Managing Benefits from Projects and Programmes: Guide for Practitioners \(384 KB\)](#)

## BBC should be used in a fit for purpose way

BBC has been developed so it can be used in a fit for purpose way no matter the nature of programme or project and the associated scale, risk and uncertainty. Eddie Obeng was one of the first to provide a useful way to look at managing projects that had differing degrees of uncertainty and ambiguity. In essence there are two axes to be considered. How much do I know about **what** I am trying to? And How much do I know about **how** I am trying to do it?



## The differences between Programme and Project Business Cases

### *Programme Business Cases*

Major investments that comprise of a set of related projects and activities will typically require a programme business case. Programmes are about managing change with a strategic vision and a roadmap of how to get there. They are able to deal with uncertainty and complex inter-relationships in a dynamic environment by being flexible.

Programmes typically comprise a number of related projects and activities that will be completed in several tranches over an extended period to achieve outcomes that are greater than sum of the parts. Examples of different types of change may be delivered by a programme are:

- Policy change focussed on changes and improvements in society, driven by desired outcomes but likely to be ambiguous and complex to define in terms of what it involves.
- Fundamentally changing the way an organisation works – led by a vision of the outcomes and the benefits; typically some uncertainty about the change but clear delivery approaches can be used.
- A highly complex, lengthy project that is best broken down into a series of related projects and managed as a programme.

### *Project Business Cases*

In contrast to a programme, a project is a set of interrelated tasks to be executed over a fixed period to achieve a set of objectives.

For significant projects, there are two key stages in the evolution of a project business case being the indicative business case and the detailed business case. For smaller and/or lower risk investments typically a single stage business case (which combines the indicative and detailed business cases) is used.

## The Business Case Framework

The primary objective of BBC is to enable smart investment decisions for public value. If applied appropriately BBC can also help to:

- reduce the costs of developing business cases
- reduce the time it takes to develop business cases, and
- meet recognised good practice.

BBC is a common language and provides a systematic way for stakeholders to think and work together to give decision makers the information they need to invest with confidence.

Further information about the BBC framework is available on the Treasury's investment management website, at:

<http://www.treasury.govt.nz/statesector/investmentmanagement/plan>

We support senior responsible owners (ie, sponsors), business case developers and reviewers by providing:

- BBC Guidance
- Methods (and tools) to develop business cases
- Access to BBC Training
- Access to Endorsed BBC Experts
- BBC Clinics for Investment Intensive Agencies

We encourage organisations to further build their business case capability by accessing training and using endorsed BBC Experts.

We suggest the senior responsible owner (ie, sponsor), use the Point of entry document to agree the approach, including the methods (and tools) and effort with the reviewer. In the State Sector, investment intensive agencies can engage with the Corporate Centre to secure this agreement through business case clinics.

To ensure we are achieving our objectives we regularly evaluate the BBC approach to identify improvements. A summary of the most recent business case evaluation is available on our website.

# The Strategic Assessment

## Purpose of the Strategic Assessment

The Strategic Assessment outlines the initial justification for the need to invest in change and is used to support a recommendation to proceed to further business case development. It is the first step in the business case framework.

The Strategic Assessment is intended to provide decision makers with a high degree of confidence that the investment they are considering aligns with strategic intentions and responds to a true business need ie, the Think phase of the investment management lifecycle.

The Strategic Assessment can be developed at either a programme or project level and:

- identifies the strategic context and fit of the proposed investment (either at programme or project level)
- outlines the case for change and consider the need for investment
- provides an early opportunity for decision makers and other key stakeholders to influence the direction and structure of the proposed programme or project, and
- avoids too much effort being put into developing proposals that should not proceed to the development of a business case.

The key questions that are answered as part of the Strategic Assessment are:<sup>1</sup>

- How does the proposal further the objectives of the organisation and fit within the wider strategic context in which the organisation operates?
- Who are the main stakeholders and do we have their support?
- What are the drivers that are causing the organisation to consider an investment in change?

## Strategic Assessment Steps and Actions

A strategic assessment, the first step of the business case framework, is developed using Action 1 – The case for change.

Developing the Strategic Assessment starts to develop the Strategic Case by outlining the case for change. It is the first action to develop a programme or project business case. Please refer to Annex One for the thirty four business case development actions.

The remainder of this guidance is structured around each action by the applicable Case. The purpose of each action is described together with what is expected and the suggested evidence should be provided. It also contains tips and examples to assist business case developers.

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<sup>1</sup> Refer to Appendix One of this guide for a more detailed set of reviewer questions.

A typical process for developing the Strategic Assessment for either a potential project or programme is as follows:

1. Initiate the investment proposal and appoint the Senior Responsible Owner to take the leadership role in the development of the Strategic Assessment.
2. Identify key stakeholders, analyse their interest and influence and complete a stakeholder management plan<sup>2</sup>. This will inform the choice of attendees for the initial stakeholder workshops required to identify investment drivers.
3. Describe the proposal and draft the strategic context<sup>3</sup>. Use this as the basis for briefing workshop attendees.
4. Arrange facilitated workshops with key stakeholders to identify and agree investment drivers (problems/opportunities).
5. Finalise the workshop outputs and draft the Strategic Assessment document.
6. Present the final draft Strategic Assessment (and any supporting documentation required) for review, including Gateway review panel where required. Incorporate feedback.
7. Finalise the Strategic Assessment, seek final sign-off from the Senior Responsible Officer and submit for approval to proceed to further business case development.

In many cases, it may be possible to reuse materials that have been prepared as part of the initiation of the project or programme as part of the organisation's portfolio management process.

State sector organisations should consider whether Ministerial or Cabinet engagement is required for their Strategic Assessment. For assessments where there is a high level of national change or a very high level of expected investment it may be appropriate to give Ministers or Cabinet visibility of the assessment to raise their awareness.

## Suggested methods and tools

There are a variety of methods and tools that can be used in the development of the business case. When considering the approach to be used, developers should consider the methods (and tools) that they will use. Reviewers will consider whether the methods (and tools) are suitable, proven, inclusive, and capability should exist to apply it.

Some suggested methods (and tools) can be found at <http://www.treasury.govt.nz/statesector/investmentmanagement/plan>

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<sup>2</sup> Refer to Appendix Two of this guide for stakeholder analysis tools.

<sup>3</sup> The Strategic Assessment template is available at <http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc/guidance>

# Strategic Case – Making the Case for Change

## Action 1: The Case for Change

The purpose of this action is commence the development of the Strategic Case and outline the alignment with strategy intentions together with the need to invest.

### Alignment with Strategic Intentions

#### Purpose

The purpose of this step is outline alignment of the proposed investment with agreed strategies and priorities.

#### What's expected

##### *Provide an organisational overview*

Provide a brief profile of the organisation, together with a statement of what it is seeking to achieve and evidence of the nature and level of resources currently at its disposal.

An organisation for the purposes of BBC can either be a single agency or it can encompass multiple agencies, business units or groups of people structured and managed to meet a need or to achieve common goals.

The key areas of focus include:

- Main outcomes, impacts and objectives that the organisation is trying to achieve
- The nature and scope of the organisations activities and services (outputs), key stakeholders and customers
- The current environment in which the organisation operates, including how it intends to respond to changes and possible risks. This summary should consider external drivers for considering the investment proposal.

##### *Demonstrate strategic alignment*

Demonstrate how the proposed programme or project supports agreed priorities and strategy including:

- Government priorities and policy decisions
- Organisational, sectoral, and regional priorities and goals
- Organisational, sectoral, and regional strategies
- Other projects or programmes planned or underway

Where the proposed programme or project is intended to contribute to shared outcomes across multiple organisations, or where expected outcomes contribute to other related projects or programmes, these linkages and inter-dependencies should be clearly demonstrated.

## Suggested evidence

Provide a linkage to the Think phase of the Investment Management Lifecycle by referencing strategic planning documents such as the latest Statement of Intent, the latest Four year plan and the Long term investment plan as well as relevant government priorities and policies.

The expectation is that a brief summary is provided rather than repeating the content of readily available documents.

## Outline the Need for Investment

### Purpose

Having demonstrated the strategic context for the investment proposal, the next step is to determine if there is a compelling need to invest in change by outlining the:

- Key drivers for considering an investment in change
- Potential gains of successful change

### What's expected?

Describe the key investment drivers and the likely improved outcomes (to the organisation, users and/or the wider society) of investing in change.

An investment driver is a rationale for changing some aspect of the organisation or what it does. The proposed change can be:

- vision-led – because the organisation wants to change direction
- emergent – because the organisation needs to improve its performance, and/or
- compliance-based – because the organisation has to change to comply with legislative or regulatory requirements.

Drivers for change can be statements of problems or opportunities for change. They can result from changing political priorities or regulatory requirements, new technologies and work practices, increasing competition, changing trends for the demand for goods and services or limited access to resources or inputs.

Drivers for change can be both external and internal. External drivers can arise from existing or expected opportunities or threats. Sources can be political, economic, social/demographic, technological, legislative, environmental or commercial.

Internal drivers may be strengths or weaknesses, both existing or expected. Strengths provide opportunities for leverage. Weaknesses may have to be addressed.

Consider whether the net benefits to stakeholders (as there are likely to be both winners and losers) from investing in change should be significant enough to warrant the costs and risks of investing in change. Early estimates of the costs and risks of not investing should be considered, and should be supported by available evidence.

## Suggested evidence

Demonstration that the proposal a good idea and strong evidence of support from key stakeholders.

## Methods and tools to gather the evidence

### *Using a facilitated workshop approach*

A facilitated workshop process can be used to engage early with key stakeholders to identify and agree the investment drivers and to develop a shared view of the need for investment. A facilitated workshop process can enable:

- early engagement with key stakeholders and encourages them to be active participants in the decision-making process
- participants to think about and agree the investment drivers, rather than focussing on detailed solutions too early, and
- the development of a collective agreement and shared understanding of the need for the investment.

These initial facilitated workshops are more effective if:

- an experienced and expert facilitator is employed to help extract the investment story
- the sponsor (investor) attends as a key participant to provide direction and shape the proposal
- a focussed group (say 12 or less) of key stakeholders with authority to act are invited
- the duration of the workshop is limited (say to two hours) to both obtain commitment from senior people and enable a focussed and strategic discussion, and
- a structured process is used that helps to ensure a successful outcome.

### *Other methods and tools*

Other methods and tools including investment logic mapping (ILM) and strategic planning tools can be found at <http://www.treasury.govt.nz/statesector/investmentmanagement/plan>

## References

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# Annex One: The Thirty Four Actions

