

Realizing Your Business Case

How to materialize those calculated savings



Does your organization experience difficulties achieving the calculated savings of large scale improvement projects? You're not the only one. BearingPoint estimates over 80% of all business cases realize none or only part of the calculated benefits. In this whitepaper BearingPoint shows what steps to take to ensure those calculated benefits are actually realized.

In this White Paper:

- Why business cases are not realized
- Five aspects of a successful business case
- Choose a realization strategy that suits the circumstances
- A call for action

A major pitfall is to consider the business case as a one-time exercise with a fixed result.

Company X started a large-scale project to consolidate customer service activities and -tools. The business case showed savings of several millions due to renegotiated contracts and reduction of overall workload. Additional benefits were the improvement of customer service and quality of reporting. Management looked back at the project three years later. The investments took place according to plan, and benefit tracking showed indeed an increase of customer satisfaction and quality of reporting. However, the service contracts were never renegotiated. And when looking at current FTE numbers, no significant decrease could be found. Net result: the project did not lead to millions of savings, but to an increase of non-quantifiable benefits at high costs.

Does this story sound familiar? BearingPoint found that approximately 80% of all benefit cases suffer this fate. In this whitepaper, we discuss why benefit cases are not realized, and more importantly how this can be prevented.

Why business cases are not realized

After studying in detail the reasons given by companies for not realizing their business cases, BearingPoint recognized the following four recurring issues.

No Ownership. Often, a business case is initiated and prepared at C-level, supported by internal or external advisors. This means people building the case are not involved in its realization. In many cases, the rationale for the savings is not communicated in detail; this is especially the case with FTE reductions as they are considered politically risky. This means middle managers get unclear directions and are simply not aware of the steps they should be taking to realize the benefits. Since they were not asked to contribute and do not get the

materials to understand the underlying assumptions, risk of (quiet) disagreement is high. This lack of ownership at operational level is a significant threat for realization of the business case.

No Shared Sense of Urgency. When a business case is approved, this is done because the benefits are important to the company as a whole. It is important that this sense of urgency is also conveyed to the operational managers who are involved in the realization of the improvements.

If communication of the benefits and the necessity of change is not done or is not successful, operational managers will not see the actions as a priority, and consequently will not perform them in time or not at all.

No Clear Steps & Details Defined. The business case, designed holistically and therefore focusing on total cost savings, is often too high-level. The focus is justification of an investment and not so much the operational detail of execution. Translating the case to a step-by-step planning to realization is however a key element of success. Especially in the case of fragmented work reduction over many FTEs, organizations often fail to realize overall savings that were calculated in the business case. E.g. a hundred times 10% workload reduction does not immediately equal 10 FTE. Without defining detailed steps, no action will be taken or actions of different business units will be uncoordinated.

Another risk of not determining clear steps and details is that monitoring progress is impossible. For management it's clear when overall benefits are not realized, but it has no indication of the reasons why. Obstacles during the process are not visible and therefore cannot be managed.

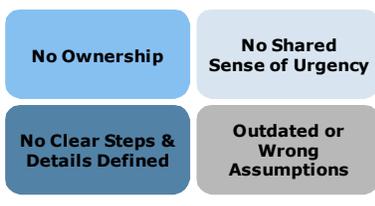


Figure 1: Reasons for not realizing a business case

Outdated or Wrong Assumptions. Business cases often span multiple years. In this time, a lot can and will change in business reality. It means the drivers on which the business case were built, will change as well. A major pitfall is therefore to consider the business case as a one-time exercise with a fixed result. This way the business case will be regarded within the organization as outdated or plainly wrong, which jeopardizes buy-in, ownership and thus realization.

Five aspects of a successful business case

As discussed, there are four major reasons why business cases are not realized. BearingPoint will now discuss how to overcome these hurdles. By taking the following five aspects into account, the success rate of realizing the benefits will be strongly enhanced.

Transparent Assumptions. The people preparing the high-level business case are usually not the same people responsible for the realization. Therefore it is very important to make the assumptions underlying the business case clear and transparent. In BearingPoint's view, it is even better to involve middle management in the creation of the business case. This way, discussion of assumptions is promoted and middle managers will understand the importance of their actions in the overall realization of savings.

A practical framework to create this transparency is shown in figure 2. For each assumption, it should be clear whether it is based on an actual figure, estimate or assumption and who or what was the source of this input. Next, the chain of logic leading to a certain benefit should be shown. Are factors multiplied, are they added, are they in any way altered to lead to the overall estimations? This buildup makes sure anyone in the organization responsible for realization will understand and agree

with the business case, which is vital for its realization.

Flexible Design. As the realization of business cases often takes multiple years, a successful business case should be flexible enough to accommodate changes to it. The least it should be able to do is recalculate outcomes based on variables such as estimated sales, and exchange-, interest- and inflation rates. Depending on the industry, it can be important to include variables such as fluctuating production, workloads, market prices, or other specific variables.

When the business case is flexible and the output values change, this can lead to important decisions to change the action plan or order of realization. Shifts in sales per region can for instance lead to an adaptation of the implementation order so that high impact regions are done first.

Clear Action Path. A business case tends to focus on the end result after all benefits are realized. However, savings will not be realized spontaneously, especially FTE reductions will only occur when managed tightly. A third important aspect of a successful business case is therefore the translation of the overall benefits to a detailed level of actions to be taken. Based on project milestones, the impact of the improvements should be linked to the involved departments and to the expected time when savings start showing.

When a business case depends heavily on FTE reductions, 'earmarking' should happen as early in the process as possible. Which tasks at which locations will decrease and how many FTEs will be made redundant by reworking function profiles? How will this redundancy be managed, which people can be 'earmarked', is there natural attrition to take into account?

Five Aspects of a Successful Business case:

1. Transparent Assumptions
2. Flexible Design
3. Clear Action Path
4. Assigned Responsibilities
5. Fit for Monitoring

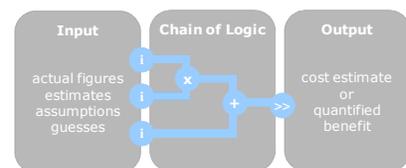


Figure 2: Transparent Assumptions

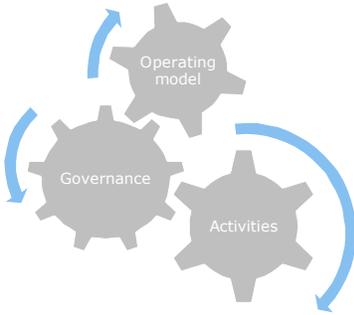


Figure 3: Assigned Responsibilities

Benefit realization should be monitored on a regular basis, so that timely interventions are possible.

Following the example of company X, the savings based on renegotiation of contracts will be depending on the order of implementation. When will the renegotiation start? How will it be phased? When can we start realizing the benefits?

Assigned Responsibilities.

Realization of business cases means finishing a set of interconnected actions, often with limited time and various countries involved. This is why responsibilities should be very clear. Responsibility needs to be assigned on different levels, from owners of complete work streams to operational managers of specific departments. Handover moments and early involvement are critical. It is important that owners stay responsible also after the realization of changes. This way, lasting change and the safeguarding of knowledge acquired during the process can be ensured.

Fit for Monitoring. As a last point to make your business case successful, it should function as a tool for monitoring progress. This creates the opportunity to easily see whether benefit realization is on track. These results should be monitored on a regular basis, so that timely interventions are possible.

For the best monitoring result, one should consider the related variables outside the business case that give relevant information as well. A good example is FTE monitoring. There is the risk of FTE reduction at a department leading to increases in other departments, in temporary employees or in extra time. By monitoring these aspects as well, management can see whether the FTE reduction is truly realized.

When developing the business case for monitoring purposes, use reports and data that are readily available from IT systems. This process should be ‘lean’ and ‘mean’, as the monitoring activity itself should not be an extra burden. By using existing

reporting structures, the additional work can be minimized.

Choose a realization strategy that suits the circumstances

An organization should select a business case realization strategy that suits its situation.

One approach is to **first improve and then realize the savings.** In rare cases it will be necessary to implement a new system or new way of working first, before any benefits can be gained. However, the risk of never realizing the savings because of the reasons given before is very high. Therefore, organizations should think twice before choosing this approach.

The most radical approach is to **first take out the cost and then realize the improvement.** This approach can be seen especially in times of economic downturn, when cash is needed immediately. However, the risk of loss of performance and quality is high.

The third approach is to **realize improvements and savings at the same time.** Based on BearingPoint’s experience “hand in hand improving and saving” is possible and most preferable.

This approach gives the organization time to test new ways of working, which reduces risk of quality loss. However, the productivity improvement will not show before costs are taken out, which puts pressure on the realization of the actual savings as well.

This approach helps show the total potential of the project. Success early on in the process has a strong reinforcing power and will create a longer-lasting effect on the organization.

A call for action

Are you questioning the ability of realizing your business case? Then ask yourself the following five questions. Your answers will help you determine which areas might need improvement.

Q1: Do you know which detailed actions are defined to realize the business case?

Is the business case split down in sufficient detail? Is the business case linked to project milestone moments?

Q2: Do you know who's responsible for which part of the realization actions?

Are all actions assigned to an owner? Is this person empowered and equipped for the task? Is there clear communication about these responsibilities?

Q3: Is your Business Case adapted to the most recent business circumstances?

Are the used assumptions still valid? Has the business changed since the moment the business case was defined?

Q4: Can you get a real-time status update on the execution of the Business case?

Can anyone access this information? Can you use existing reports / information? Can you easily speed up the frequency of monitoring the status?

Q5: Are all people involved aware and aligned about the underlying assumptions of the Business case?

Is everyone still 'on board'? Did the business case help to create a common "case for change"?

If you had to answer many questions with a "no" and you would like to know more on how to act effectively in realizing those calculated savings, do not hesitate to contact BearingPoint. Whether it is building of a new business case according to our rules of success, or making sure a business case half-way through realization will achieve all the benefits, we know what to do.

Helping our clients get sustainable, measurable results

BearingPoint is a leading European management and technology consulting company serving commercial, financial and public services clients. Our more than 3,250 passionate, experienced consultants help organizations solve their most pressing challenges, day in and day out. Through our collaborative and flexible approach, we help our clients get practical, sustainable, measurable results, make the right strategic decisions and implement the right solutions. We are BearingPoint, management and technology consultants.

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