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## The IT Business Case: It's Not War and Peace

Written proposals for new IT investments need to be short and credible.

News Story by [Alan S. Horowitz](#)

MARCH 29, 2004 ([COMPUTERWORLD](#)) - Virtually all IT projects have one thing in common: They started off as a written proposal that sold the endeavor to upper management. Poorly written proposals usually result in unsupported projects, while a well-written plan can make the life of the CIO much easier.

To make your proposals compelling sales pieces, first presell the proposal, recommends Gerry McCartney, CIO at the University of Pennsylvania's Wharton School. That includes having conversations about the project with other senior executives to gauge their reactions and hear their concerns. "Once you put things down in writing, it's hard for people to change their positions. They can more easily change during conversations," he says.

"At the beginning of the process, ask [your business units], 'How much are you willing to pay for this?' " recommends Ken Hill, CIO at defense contractor General Dynamics Corp. in Falls Church, Va. Without this understanding, business units may say they're interested initially, only to back out when the cost analysis is done, leaving you to start again. "If I know what people have in mind, I can avoid multiple rounds [of proposal writing]," Hill says.

Preselling also includes creating a strong partnership with the business units involved, says Bob Yale, an IT principal for institutional retirement plan services at The Vanguard Group Inc. in Valley Forge, Pa. The mutual fund company's IT department goes so far as to call itself a "solutions provider" to the business units, to emphasize its willingness to partner.

Credibility is an essential ingredient for selling the proposal. "The credibility of your sales pitch has a lot to do with the process you went through," Hill says. "You want to say 'I looked at five different software packages and demoed this or that' or 'I spent a day or two to get this answer,' vs. 'I spoke to this vendor.' " It's also important to get feedback from the right group of users -- the ones whom management trusts, he adds.

And keep the proposal focused on business. "I have never seen a proposal refused because it had too little technology content, but I've seen proposals refused because they had too much technology and not

enough business," says Jack Keen, president of The Deciding Factor Inc., a consulting firm in Basking Ridge, N.J.

For senior executives, keep the big picture in mind. Don't say, "If we do this, someone in accounting will have an easier time reconciling financials," says Rick Schoenhals, senior director of IT for the NFL's Denver Broncos. "It has to be tied to the organization's mission and not just somebody's job function."

The key is to identify management's current hot buttons. McCartney says that right now, managers are interested in legal compliance issues because of recent corporate scandals; five years ago, compliance was of little interest. "Of course, [managers] always want to know how to make more money, but what are we about right now? A good CIO will be sensitive to that," he says.

Keen agrees, noting that IT people often take a narrow view. "If it's a CRM system, they say it saves salespeople 30 minutes a day," he says. "That's fine, but you need to go beyond the value to the immediate user. Why should manufacturing care? Why should HR care? Articulate the value in terms of the entire enterprise."

### **The Proposal Template**

Although proposals differ, nearly all contain certain information. They start with the executive summary. "You have to explain, quick, in one paragraph, why you are asking for the money, what you will do with it and what's the benefit to the company," says Douglas Lewis, senior partner at Edge Consulting Group LLC in Atlanta.

Think of this as the "elevator pitch," recommends Keen, the one you can give your CEO during an elevator ride. The summary gets 10 times more visibility than the proposal itself, he says, adding, "Human beings want things summarized."

The executive summary is followed by a more detailed explanation of what you plan to do and how you plan to do it. "The senior executives normally won't read this, but their subordinates will, and it gives the upper execs a warm, fuzzy feeling that you know what you're doing," Lewis says.

But don't get overly caught up in details. "The less complicated it is, the less detailed it is, the more likely it is to go through," says Lewis. "The more padding it has, the more it makes people suspect."

How long is too long? Keen says that for a million-dollar project, eight to 10 pages (plus appendices) is sufficient, whereas a \$10,000 project needs only two or three pages.

"If you have to spend more than 10 pages explaining a project, you probably haven't fully thought through the project," says Rebecca Wettemann, an analyst at Nucleus Research Inc. in Wellesley, Mass.

Edward Setar, director of IT at the Project Management Institute (PMI) in Newtown Square, Pa., says key points of the business case should include the following:

- Organizational impacts, such as change in business processes or the number of job reductions.
- Time frame, which is always very important to executives.

- Costs, including initial investment, one-time costs and ongoing operational costs once the technology is implemented.
- Payback metrics, which might include return on investment, net present value or internal rate of return.

### Careful Metrics

The business proposal will need some metrics, but be careful. Use data from vendors or consultants sparingly. "Say something like, 'The vendor tells me we'll get 10% improvement in efficiency, but I spoke to two users who got 5%, so I'll assume 3%.' This creates credibility," Wettemann says.

"Understand what metrics your CFO is looking for, such as ROI, net present value and the like," Wettemann continues. She warns against building a business case on IT-oriented metrics such as total economic impact, return on opportunity and cumulative ROI.

And if you can't quantify something, don't ignore it -- something IT people often do. Give best-case and worst-case scenarios.

"There's always an investment before a payoff, and a lot of times people focus on the payoff and not the investment, which is the cost of the project's implementation," says Marcy Wintrub, vice president of technology infrastructure services at State Street Corp., a financial services company in Boston. Pay attention to the costs of transitioning from the old to the new, including the cost and risk of doing nothing, she adds.

Finally, establish an exit strategy from the beginning, recommends General Dynamics' Hill. If you don't, you could be deep into the project and find that it's in trouble, and you'll have to fight to get the project completed. You can't be objective about an exit strategy under those circumstances, he says.

And if the proposal is shot down? You can still come out ahead if the proposal was credible. "Even if turned down, what IT gains is that it's taken a leadership role and identified to executive leadership there are opportunities available," PMI's Setar says. "IT is not just waiting to be told what to do."

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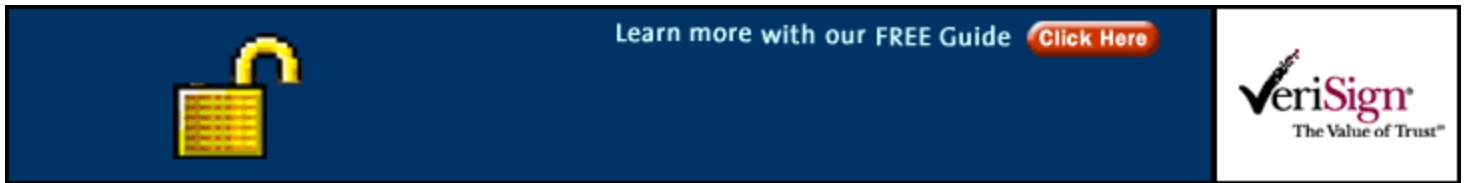
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