

# Managing Information and Records



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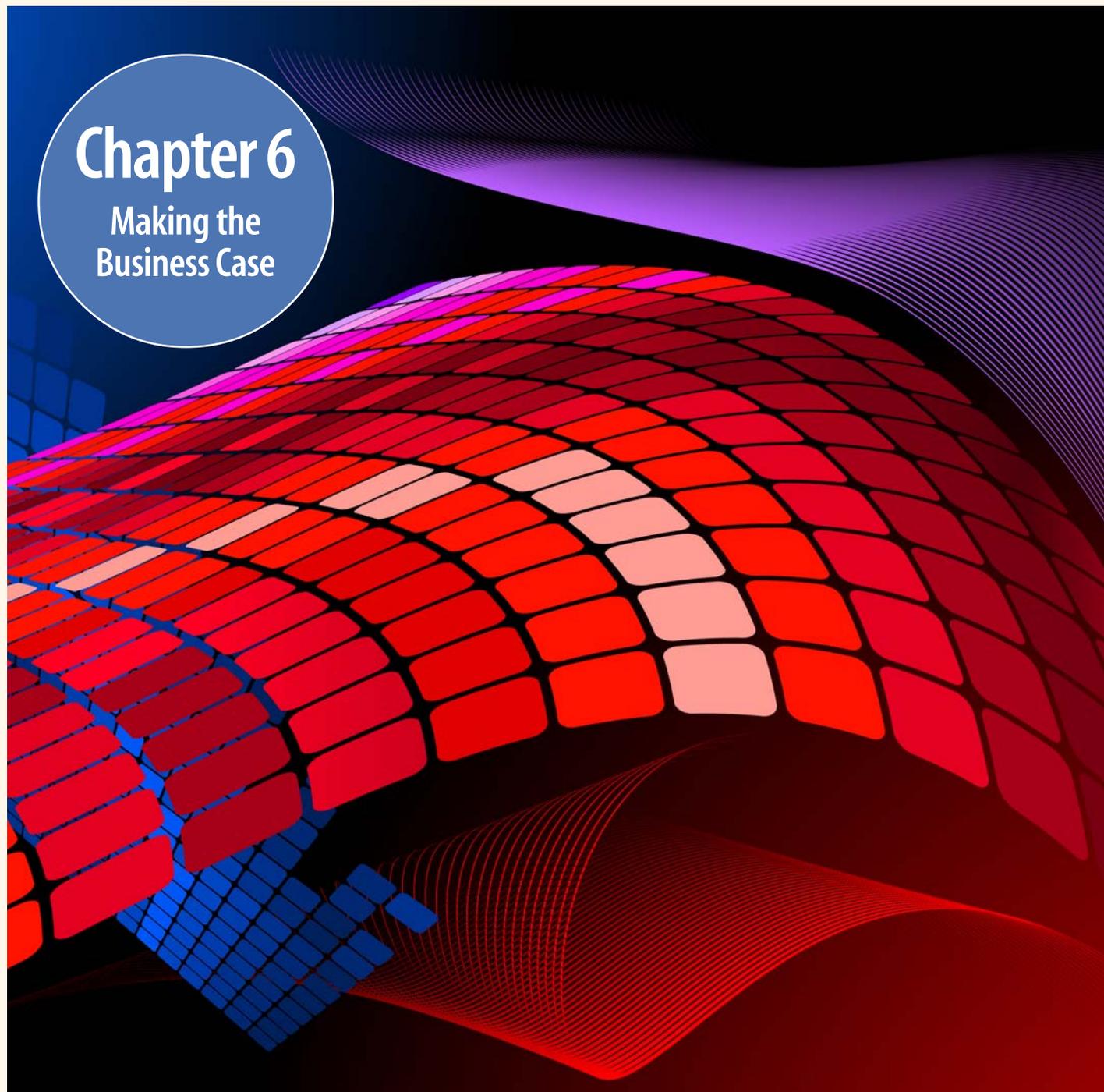


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The definitive guide—2012 Edition

## Chapter 6

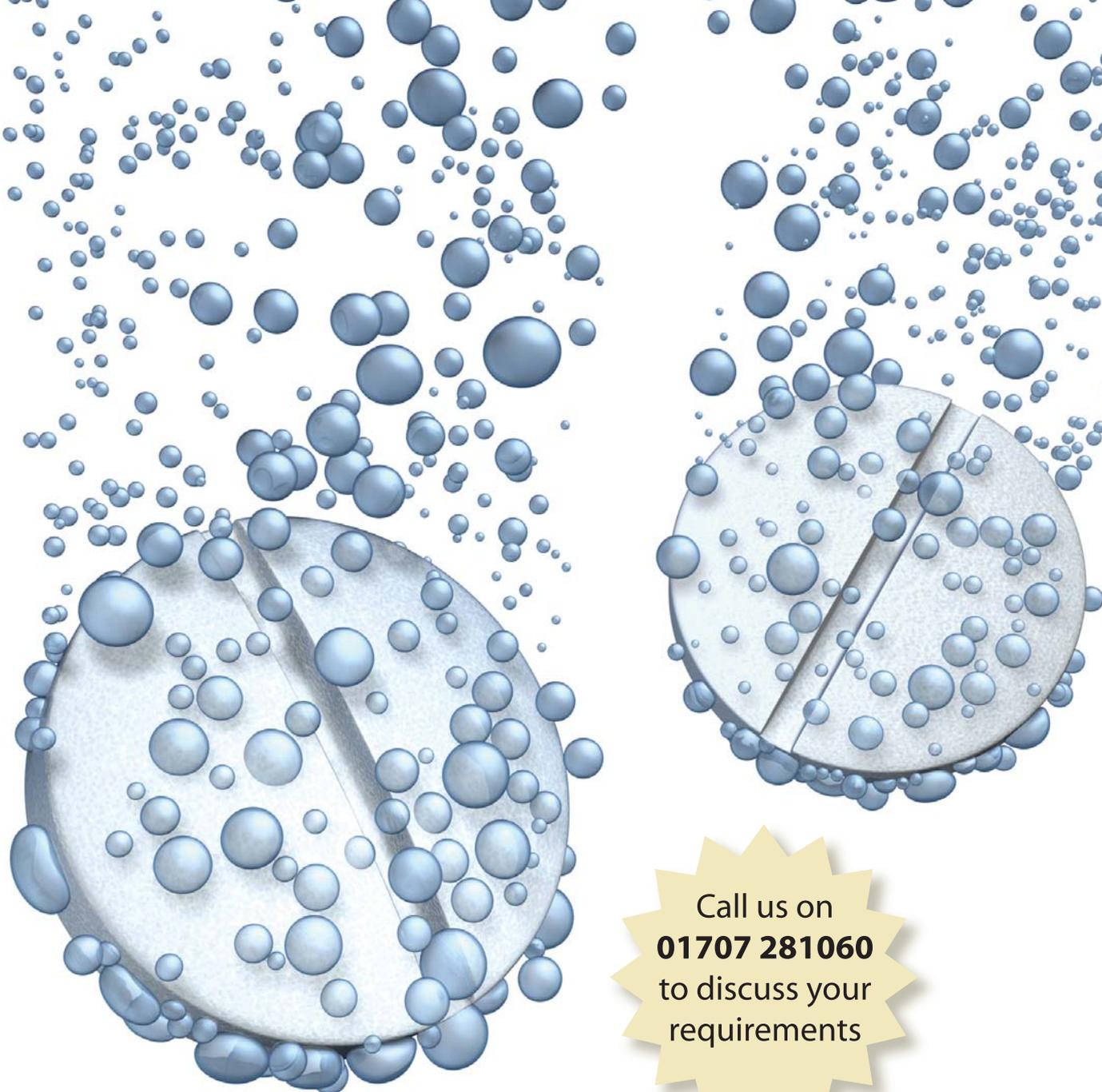
Making the  
Business Case



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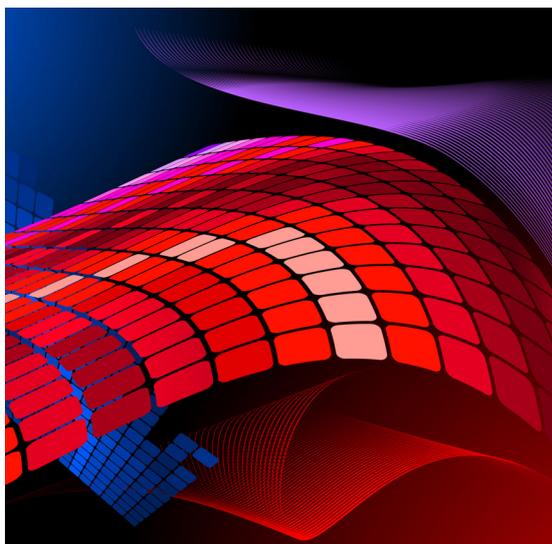
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## **The Cimtech Directory**

Classified listings of information and records  
management products and services.

Available online at  
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## Chapter 6

# Making The Business Case

THE project management methodology described in Chapter 5, Stage 5 involves making the business case for the preferred solution. It is a vital stage as, without a strong business case, projects may not be approved. This will be particularly true in 2012 as organisations will be reviewing budgets very closely.

In this chapter we look at how to make the business case for the preferred solution to improving information and records management. The key steps involved in making a business case are essentially the same whether you have decided to run a records management programme and use existing tools or opt to implement a full ECM solution. You need to establish the benefits, the costs and the risks and conduct a cost-benefit analysis.

The key to making a successful business case is detailed preparation and planning (Fig. 6.1). Prior to writing the business case for the preferred solution as part of the JISC methodology you need to have completed some or all of the following tasks:

- define your business objectives
- carry out information gathering
- benchmark your procedures/systems against best practice and business objectives
- identify areas for improvement
- review options and agree the preferred solution

These are all covered in earlier stages of the ten-stage methodology. If Stages 1–4 have been conducted, it is possible to quantify and value information assets and to identify the areas where improvements are needed in order to comply with best practice and meet business objectives. Organisations will then be well equipped to prioritise them for investment.

Stage 4 involves carrying out a detailed feasibility study to determine what the options are for moving forward and achieving objectives, and where the best potential business case exists and, hence, the preferred solution. Stages 3 and 4 give an insight into the problems with existing procedures and systems and the impact they are having on the organisation. A cost can then be put on these. If improved information and records management procedures and a move to an ECM solution will solve those problems and eliminate those costs, then this will help make the business case.

The feasibility study will also identify the key business benefits that can be obtained by improving those processes. Some of the main benefits that can be achieved by improving IRM and/or a move to ECM include:

- improving staff productivity
- reducing costs



**Fig. 6.1**  
*Detailed preparation and planning are the key to a successful business case*

- expanding market reach
- generating visibility
- offering new services
- e-commerce and conducting business 24 x 7
- improving customer service and responsiveness
- improving customer retention
- truncating processes and hence gaining competitive advantage

If the feasibility study indicates that these benefits can be achieved only if the organisation invests in an ECM solution then there is the basis for a strong business case to invest in such a solution. Additional benefits that can be achieved include:

- improved knowledge management
- regulatory compliance
- disaster recovery
- space savings
- improved staff morale
- improved team working and collaboration
- more efficient exploitation of corporate information assets.

If the organisation has budget and/or resource constraints and decides that it will aim to improve information and records management using only existing tools then many of the above benefits also apply.

The key data needed to make a business case include:

- the tactical or tangible benefits that will be achieved
- the strategic or intangible benefits that will be achieved
- the real costs of investing in the preferred solution
- an assessment of the risks

Stage 5 involves reviewing the business case and comprises the following steps:

- reviewing the tangible benefits the solution will bring
- reviewing the strategic benefits the solution will bring



and, in some cases, to show that it is not possible today to achieve the desired business objectives without using these technologies. If business process analysis indicates the organisation is at risk of failing to comply with legislative requirements, that it cannot provide up-to-date, accurate sets of the records required by industry inspectorates or a major customer, then one of the key strategic benefits could be survival itself.

A key corporate objective may be to improve customer service and the answer may be to implement a contact centre that can provide a single point of contact between you and your customers. The process analysis exercise may confirm that there are problems managing customer data and documents and controlling customer transactions. Unless organisations also invest in a new internet-based customer administration system, a content management system and WFM software, the investment in a contact centre will not necessarily improve customer service levels.

The websites of the leading ECM suppliers listed in *The Cimtech Directory* contain many case studies and white papers describing the benefits achieved by customers who have implemented these systems.

### 6.3 Stage 5, Step 3—Reviewing the Costs

The real costs (Fig. 6.3) of investing in information and records management policies, tools and procedures and in implementing an ECM solution or in using existing tools more effectively will include some or all of the following:

- project management
- information gathering and analysis
- records management tool development
- specialised hardware
- standard software
- development
- integration with applications
- business process redesign
- IT infrastructure upgrade
- implementation core services
- contingency
- change management/training

The costs should be quantified and divided into one-time system implementation costs and ongoing costs. The one-time costs go into the model as initial system costs. The ongoing costs balance against ongoing savings to arrive at an overall figure for ongoing savings.

The project management costs include third-party consultancy support plus internal project team costs.

The software costs may vary as different suppliers have different pricing policies. There may also be separate costs for different modules including WCM, ERM, collaborative software and BPM.

It should be possible to obtain fixed costs for all of the above items as a result of the tendering process.

The development costs can be more difficult to pin down. If the implementation plan advocated in Stage



**Fig. 6.3**  
Review the costs of investing in policies and solutions

4 is followed, you should expect to obtain a fixed price to provide Phases 1–3 (specification, model office and pilot). Once a project moves into Phases 4–6 (roll-out and corporate applications) it is less realistic to expect a fixed price but you should obtain indicative costs based on a set of assumptions. Support costs can be defined and agreed at contract stage.

Training costs can be significant if there are large numbers of users. Options here include paying the supplier to train the administrators, operators and a small number of users who are then given the task of training the other users. This approach is referred to as ‘train the trainers’.

Training, change management and communication costs should not be reduced as these are vital areas to win users over to the solution. Most large projects that do not succeed cite user resistance as one of the main reasons. If the users are not involved early through user groups, awareness briefings, etc., and if they are not fully supported through implementation, then there will be a significant risk of user resistance.

### 6.4 Stage 5, Step 4—Cost Benefit Analysis

To make a tight financial case the project figures must be accepted. Ideally, the organisation will follow a standard methodology for measuring the finance case for an investment in new procedures and/or new technology. If it does, they should be followed. If not, make a strong case and follow good practice, and your methodology could become the corporate model in future.

Use terms and measurements that are widely accepted in the financial world and use the organisation’s internal standards for project lifetime and internal rate of return. The business case should ideally include all or most of the points listed below:

- why the organisation should invest in the preferred solution
- what the solution will cost to implement (broken down into components)
- when the organisation will start to see a payback on the investment
- the savings that will result over the project life
- the additional strategic benefits that will result from the investment

- optimistic and pessimistic sensitivity analyses
- a review of the risks and how they will be mitigated

In addition, and where appropriate, obtain firm initial system implementation costs and running costs from suppliers or consultants with experience of implementing such systems. In order to put a firm value on staff and space savings and improved cash flow, it will be necessary to obtain agreed figures from the finance department. These will include salary costs, space costs, overhead costs, inflation rates, projected business and head-count growth, the corporate tax rate and other key financial figures.

Deciding on the project life can be complex. Too long a period and the ongoing costs associated with replacing hardware and software will have to be factored in. Too short a period and the case may appear marginal.

You can then present:

- the cost of doing nothing
- the cost of investing in the solution
- the period before you reach the discounted project payback
- the payback you will receive from the solution over the agreed project life

The expected return on investment can then be presented and compared with the return the organisation would get from investing the money. If the project life is three years, the objective should be a discounted project payback of less than twenty-four months. If the project life is five years the payback may stretch out to three years. The value of the savings should be presented as a net present value—the value today of the money received over the agreed period using an agreed interest rate.

Finally, because very few projects come in under budget, as many risks as possible should be factored in using optimistic and pessimistic sensitivity analysis techniques. A good business case will stand a pessimistic view.

If there is a strong business case after the cost-benefits analysis, the tactical benefits will provide a good return on investment and the strategic benefits can be regarded as a very valuable bonus that should make a compelling case for investment.

If the case is marginal, the project will need strong senior management backing to help prove that the strategic benefits have a value greater than the costs of achieving them.