

Department of the Navy Standard Business Case Analysis Template

User Guidance

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DEPARTMENT OF THE NAVY
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Executive Summary

The *Department of the Navy (DON) Standard Business Case Analysis (BCA) Template User Guidance* provides amplifying information to assist those using the *DON Standard BCA Template* to justify information technology (IT) projects, acquisitions, or investments. This guide was developed to explain why, when, and how the DON standard BCA template should be used. It includes a general discussion on the roles and responsibilities of key participants within the BCA process, describes the content required by the BCA template, and identifies the challenges associated with developing cost estimates and economic viability measures. The overall objective of this guidance is to ensure a consistent understanding and use of the template in order to best support decision authorities in their IT investment decision making.

A business case presents fact-based information and a logical argument for pursuing a recommended course of action that satisfies valid mission needs. Generally, an effective business case clearly presents a problem statement and the best potential solution to address the need identified. To support the recommended solution, it should detail and quantify the value, address the funding approach, and document an implementation plan and schedule. The DON standard BCA template is structured to include this critical information.

The use of business cases to support information technology (IT) investments in the Department of Defense (DoD) is largely attributed to the Clinger-Cohen Act of 1996, though the Government Accountability Office (GAO) has noted the Department of Defense (DoD) has not used business cases consistently.

In 2010, the DON Chief Information Officer (CIO) developed a standard BCA template to be used by Integrated Product Teams (IPTs) chartered to identify IT efficiencies within specific focus areas. The IPTs use BCAs to justify their IT efficiency recommendations to the Information Enterprise Governance Board (IGB), which provides oversight for Information Management (IM), Information Technology (IT)/cyberspace and Information Resource Management (IRM) matters. In a DON CIO memorandum of 30 June 2011, the requirement to use the DON standard BCA template was expanded to include all DON IT-related initiatives and projects requiring DON, Functional Area Manager, or Echelon II enterprise-level board consideration and all IT investments valued at more than \$1 million. The intent of mandating a standard template was to:

- Enforce the use of BCAs across the DON;
- Promote the rigorous analysis necessary to identify the root cause of a valid need;
- Provide useful information for BCA developers and simplify the development process;
- Create greater awareness and understanding of initiative costs and ways to fund them;
- Give decision makers better information for evaluating and comparing various alternatives;
- Improve IT project performance and outcomes; and
- Provide a resource for development of future business cases.

This *DON Standard BCA Template User Guidance* and the *DON Standard BCA Template* are available in the repository for IGB documentation located at: <https://www.intelink.gov/go/3OozcF>.

NOTE: This guidance pertains to the handling of unclassified and For Official Use Only (FOUO) documents only. Additional safeguards associated with classified document handling are not addressed within.

Department of the Navy Standard Business Case Analysis Template User Guidance

1. Purpose

This *DON Standard Business Case Analysis (BCA) Template User Guidance* is to be used in conjunction with the *DON Standard BCA Template*. The guide was developed to:

- Explain the purpose of a business case;
- Provide background regarding the use of business cases;
- Explain under what circumstances the DON BCA standard template is to be used and by whom;
- Ensure a consistent understanding of how to fill out the DON standard BCA template to support decision authorities;
- Prepare BCA developers for the challenges associated with developing cost estimates and economic viability measures; and
- Explain DON BCA classification marking requirements.

Business cases have not always had the rigor needed for today's economic environment to adequately support a proposed course of action and effectively manage resources. The Department seeks to improve its information technology (IT) investment decisions by requiring greater attention to the thoroughness and quality of future business cases and has chosen to adopt a standard template to:

- Enforce the use of BCAs across the DON;
- Promote the rigorous analysis necessary to identify the root cause of a valid need;
- Provide useful information for BCA developers and simplify the development process;
- Create greater awareness and understanding of initiative costs and ways to fund them;
- Give decision makers better information for evaluating and comparing various alternatives;
- Improve IT project performance and outcomes; and
- Provide a resource for development of future business cases.

2. Background

A business case presents fact-based information and a logical argument for pursuing a recommended course of action that satisfies valid mission needs. A business case should:

- Define the valid need and the potential solution set to address it;
- Detail and quantify the value of addressing the described need;
- Recommend a solution;
- Outline the approach that will be taken to fund the solution; and
- Document the implementation plan and schedule for the recommended solution.

The use of business cases to support investment decisions has long been an accepted practice in industry. However, it was the Clinger-Cohen Act of 1996, reference (a), which directed federal agency CIOs to improve IT investment decision processes by comparing and prioritizing alternatives to maximize value and minimize risk, that made the business case a requirement in the DoD. However, the

Government Accountability Office has noted in various audits that the services are not consistent in their use of BCAs and are not always able to provide documentation substantiating their analyses.¹

The Under Secretary of the Navy (UNSECNAV) directed the DON CIO, per reference (b), to implement IT efficiencies in the Department and establish an executive oversight body, chartered as the Information Enterprise Governance Board (IGB), to function as the single, senior DON governance forum for Information management (IM), IT/cyberspace and Information Resource Management (IRM) matters. The IGB reviews and approves or disapproves recommendations based on fully justified BCAs. To execute the UNSECNAV's intent, the DON CIO established Integrated Product Teams (IPTs) for specific IT efficiency focus areas per reference (c). The IGB and eight initial IPTs were officially chartered on 1 March 2011 and 10 May 2011 by references (d) and (e), respectively.

To support the IGB in its role of reviewing IPT recommendations, the DON developed a standard BCA Template based on business case proposals used in industry and across the Federal Government. The DON added special formats for cost, savings, risk and operational benefits summaries to make it easier for the decision authority to compare and evaluate different alternatives. The IPTs were directed by reference (f) to use this template and the first business case was submitted to the IGB for review in June 2011. Subsequently, per reference (g), the DON CIO expanded the requirement to use the DON standard BCA template for all DON IT-related initiatives and projects requiring DON, Functional Area Manager, or Echelon II enterprise-level board consideration and all IT investments valued at more than \$1 million.

References

- (a) Clinger-Cohen Act of 1996, Title 40 U.S. Code 40 U.S.C. 1401 et seq. Public Law 104-106, formerly the Information Technology Management Reform Act of 1996 (ITMRA),
- (b) UNSECNAV memo of 03 Dec 2010, Subj: DON IT Cyberspace Efficiency Initiatives and Realignment
- (c) DON CIO memo of 20 Dec 2010, Subj: DON IT/Cyberspace Efficiency Initiatives and Realignment Tasking
- (d) UNSECNAV memo of 01 Mar 2011, Subj: DON Information Enterprise Governance Board Charter
- (e) DON CIO memo of 10 May 2011, Subj: Charter for DON IT/Cyberspace Efficiency Integrated Product Teams
- (f) DON CIO memo of 15 April 2011, Subj: DON Enterprise Information Technology Standard Business Case Analysis Template
- (g) DON CIO memo of 30 June 2011, Subj: Required Use of DON Enterprise IT Standard BCA Template

3. Scope/Applicability

The BCA standard template shall be used for all unclassified and For Official Use Only (FOUO) DON IT-related initiatives and projects requiring DON, Functional Area Manager, or Echelon II enterprise-level board consideration and all IT investments valued at more than \$1 million. A well developed BCA provides the decision authority with enough information to make an informed decision whether to approve a recommended course of action. It describes high level materiel and non-materiel requirements, but it does not fulfill all acquisition, project management or system engineering requirements needed to acquire or manage a project after initial approval.

¹ GAO report number GAO-09-41 entitled 'Defense Logistics: Improved Analysis and Cost Data Needed to Evaluate the Cost-effectiveness of Performance Based Logistics' which was released on December 22, 2008

Decision authorities may direct that the BCA template be tailored to meet their specific needs. For example, program executive officers, investment review boards and other acquisition authorities may require that the acquisition approach and testing requirements be added to satisfy their oversight responsibilities. If a BCA has already been created using a different format that accurately captures the scope of the project, incorporates an approved costing methodology to determine net present value, break-even point, and other economic viability measures, and includes performance measures (baseline, target and goal), the decision authority may authorize its use on an exception basis. Utilization of this template does not excuse users from complying with applicable statutes and regulations.

4. Roles and Responsibilities

Key participant roles and responsibilities are summarized generically below.

Decision Authority: The resource sponsor, acquisition official, or other authority who has responsibility and authority to approve IT business and enterprise acquisitions, modernizations, and new investments. This person is expected to have a clear understanding of the enterprise's strategic goals and objectives and to ensure that all investment approval decisions support valid needs.

Functional and Subject Matter Experts (SMEs): Personnel with knowledge of compliance, functional and technical requirements, organizational environments, acquisition and costing practices, etc., who support those tasked to write the BCA by contributing their expertise. They are required to stay engaged in the project throughout its lifecycle (planning throughout execution) to refine requirements and monitor BCA changes to ensure what is delivered satisfies actual needs, which may change over time.

BCA Developers: The team of government and/or contractor personnel who actually gather information and perform the analysis required for the business case.

Governance Body Members and Advisors: The designated personnel who provide recommendations and advice to the decision authority regarding investment decisions.

Program Office and/or Project Management Personnel: The personnel tasked to execute the approved alternative within approved guidelines, funding and schedule.

5. Template Construct

The information in the BCA template goes from **high level** and **general** to **detailed** and **specific**. This structure supports iterative reviews and decisions by the decision authority and takes into account that all information is not known at the start of a project. It provides the decision authority with enough information to authorize the project start, while additional detail can be added over time. Regular reviews of the project are required by the functional and decision authorities prior to major milestones, or when there are significant program changes to ensure it continues to reflect the business need's current status, the needs are still valid, the solution is still appropriate, desired results are still expected to be realized, and the program/project can still continue to be executed within the established cost, schedule and performance parameters.

The actual template includes detailed instructions for completing each section; general instructions are provided below.

Executive Summary: The Executive Summary provides an overview of the entire business case. It summarizes the problem statement, benefits of addressing it, and the materiel and non-materiel requirements needed to address it. It is limited to one or two pages and should include all key elements supporting the BCA recommendation. It should be well written and succinct with key facts and high impact measures (particularly cost savings), as it may be the only section of the business case that an

executive reads. This section should be written last to ensure that the final recommendation is supported by the actual analysis.

Chapter 1 – Overview: This section establishes a high level understanding of the valid need that is not being met (the problem to be addressed), the root causes, general context, the benefits of addressing it (or the impact of not addressing it), the capabilities required, and a summary of the project, acquisition or new investment that will deliver these capabilities. Sufficient rigor must be put into this portion of the analysis to ensure that: a business need or problem actually exists; the root causes of the problem are identified; and that the business need or problem is scoped and understood sufficiently so that it can be solved. It is critical that the governance body and project/program execution personnel agree on the information in this section before proceeding or completing the rest of the BCA.

Chapter 2 – Requirements: This section defines the materiel and non-materiel requirements necessary to achieve desired outcomes. Content in this section, should be based on information from key stakeholders, functional and technical experts and actual users² who possess the expertise to perform or validate requirements generated by the DOTMLPF Analysis³. If previous lean six sigma analyses were done and are still relevant, they should be used to ensure that defined requirements address root cause problems. Initially, this section should include enough detail for the decision authority to make an initial “go/no” decision; it is not expected to include all detail that will be eventually needed. It should answer questions such as: What outcomes and performance are expected from the entire process? What functionality is the material solution expected to have? What compliancy requirements must be satisfied? What policy changes and/or process improvements are required? Are new organizational structures necessary? Will personnel with unique skills or training be required? How will organizational resistance be addressed? What materiel or non-materiel requirements are needed to reduce risk?

Chapter 3 – Assumptions, Constraints, Evaluation Methodologies: This section provides insight into the analytic approach used by the business case developer. If the approach, logic and assumptions are weak, then the rest of the analysis will be suspect. This section can be very dry and often requires tables, mathematical formulas and significant data. The writer should limit this section to the key assumptions and constraints and move additional detail into one or more appendices. This information may be refined over time.

Chapter 4 – Alternatives Considered: This section identifies each of the alternatives being considered and the reasons for selection. It is recommended that no more than three alternatives be identified due to the level of effort required to do the analyses. The alternatives should represent a range of options. If a particular course of action has already been decided and the BCA is being written “after the fact” to document the baseline and refine requirements, there is still an opportunity to identify different approaches/timelines and compare them to refine the current approach. In many cases, one of the alternatives will be the “as-is” situation or a variation of it. Regardless, the “as-is” cost will be used to establish the “cost baseline” and all alternative costs will be compared to it to generate financial measures such as net present value, break-even point, and benefit-cost ratio. These measures shall be developed using an approved valuation methodology such as the Economic Viability (EV) Tool⁴. The template includes standard formats to display cost, savings/cost avoidance, economic viability, ability to

² Establishing a User/Stakeholder group is recommended. Performing an initial stakeholder analysis can help ensure the right personnel are included.

³ CJCSI 3170.01G Joint Capabilities Integration and Development System of 7 Mar 2011 requires, military planners to perform an analysis of needs associated with doctrine, organizational changes, training, materiel requirements, leadership and education, personnel and/or facilities – referred to as a DOTMLPF analysis -- before authorizing a new course of action. The results of this analysis are reflected throughout this business case particularly in the: scope, requirements, operational impacts, risks, key enablers, project plan, deliverables and costs.

⁴ The EV Tool is a Department of Defense tool developed by Teracore, Inc. The Business Mission Area has mandated use of the EV Tool since 2005 for business systems requiring Investment Review Board certification per 10 United States Code (U.S.C.), section 2222. While its original purpose was to value business system investments, it can also be used to value other types of investments.

satisfy requirements, operational impacts and risk information. No direct comparisons between the alternatives are made in this chapter.

Chapter 5 – Analysis of Alternatives: In this section, the alternatives are compared to each other via narrative and in table formats that show side-by-side comparisons for: cost, savings/cost avoidance, economic viability, ability to satisfy requirements, operational impacts and risk. The narrative interprets and summarizes the data in the tables and should explain erroneous or misleading results as appropriate.

Chapter 6 – Conclusions and Recommendation: In this section, the “best alternative” is identified. All previous information is considered including: cost, savings, economic viability, requirements satisfaction, and operational benefits. The final recommendation may or may not be a clear front-runner. Regardless, the rationale for making this recommendation is explained. This section also includes some high level execution-related information such as: a project plan, performance measures, key “enabler” leadership actions/requirements, and funding/ reprogramming actions. Some of this information may be incomplete at the time of the initial approval, but it can be updated and appended to the BCA after approval is given.

Appendices: Various appendices will be added to the BCA as required to keep the core document streamlined with the essential facts and to make it more readable. Each appendix should be referenced in the body of the document, and then appended to the back of the document in the order it was first referenced. Ideally, the core document will not change after initial approval, and changes/updates will be limited to the appendices. Any appendices in the template that are not relevant or not used may be deleted or kept as placeholders for future content. (NOTE: The EV Tool instructions in the template should be deleted before submittal.) Below is a list of typical appendices that are included in the BCA template.

- Appendix A – Glossary
- Appendix B – Requirements Detail
- Appendix C – Baseline Costs and Costing Assumptions Detail
- Appendix D – Reprogramming Actions Detail
- Appendix E – Project Plan
- Appendix F – Performance Measures
- Appendix G – EV Tool Supplemental Guidance
- Other appendices as required (e.g., Acquisition Approach, Test Plan, etc.)

6. Template Use

The template may be tailored as appropriate based on the nature and scope of the project and decision authority guidance. Within the template there are: (1) instructions for completing the template, (2) standard formats for presenting requirements, cost, risk, and operational impact information, (3) boilerplate text with “fill-in the blank” elements, and (4) directions for using the EV Tool (which should be deleted in the final version).

The template should be copied in its entirety and filled out per the instructions. As each section is completed, the directions (preceded by << and ended with >>) should be deleted. Information in italic type may be used and tailored as appropriate.

Prior to submission, BCA developers should verify that:

- All instructions, including those for the EV Tool, have been deleted,
- All “boilerplate” text has been appropriately updated/tailored and converted from italic to regular font,
- All brackets “[]” have been removed,

- All appendices have been identified and explained in the body of the text,
- The appendices are listed in the order they were mentioned in the text; and
- Complex and lengthy details have been placed into appendices vs. the body of the BCA.

To minimize future restructuring of the document, appendices may be included as “place holders” for content that will be added later after initial approval.

7. Cost Estimates and Economic Viability

The foundation of the business case is the financial analysis. Fiscal reality is that budgets are declining and significant savings in IT expenditures must be achieved. Anyone proposing a new IT initiative, project and/or acquisition should find a way to pay for it -- either by eliminating something else or by generating savings that can be recouped via reprogramming or logical budget marks.

When preparing the BCA, a lot of effort will be invested (and many spreadsheets created) to arrive at summary-level values to determine “as-is” costs, which establish the baseline against which various alternatives will be compared. The summary estimated costs are used to calculate economic viability measures for the various alternatives. In theory, alternatives with strong financial measures are “financially viable” and those with the strongest measures are the most viable. However, this assumes that the summary values were reasonably accurate, that the financial measure results are not extremely “sensitive” if the cost estimates change, and that all proposed alternatives at least minimally satisfy the documented “need.”

Developing cost estimates is an art and a science. For centrally funded programs, it is relatively easy to gather “as-is” baseline cost information, but designated funding lines may not be fully inclusive of all costs (such as government labor), or may be overstated because the program actually “subsidizes” other activities. For IT expenditures that are not centrally funded, gathering accurate summary costs can be very difficult.

As challenging as it may be to determine baseline costs, developing cost estimates of future scenarios using new processes, people and technology is even more challenging. To derive these estimates, data is collected from various sources such as: queries of financial and acquisition systems or IT repositories, manual data calls, interviews with subject matter experts, industry standards modified for a DoD environment, and benchmark estimates based on costs incurred by other comparable organizations. This data, plus some costing assumptions, is used to develop project alternative estimated costs. To do this correctly, the estimator must fully understand the project/initiative’s scope and what materiel and non-materiel requirements are to be included. Often non-materiel costs are omitted because there is a general assumption they can be absorbed using existing resources. This should not be assumed; rather, it should be evaluated by examining the process reengineering and DOTMLPF analyses for cost impacts.

Decision makers will want to understand the methodology used and costing assumptions made before selecting any alternative. If their confidence in the financial estimates and economic viability is low, they will probably require non-financial benefits to be extremely compelling. They may also be more comfortable with making the decision if there has already been a successful proof of concept. Making investment decisions based on economic viability, cost savings and operational benefits is not new, but this template and guidance provide an opportunity to put more rigor and consistency into DON’s practices.

8. Classification

The front and back covers of the BCA should be marked with the appropriate classification: “Unclassified” or “For Official Use Only” (FOUO). The FOUO designation applies to unclassified information sensitive in nature and exempt from public release under the Freedom of Information Act.

If a BCA includes the following information⁵ it will probably require FOUO designation:

- Information such as trade secrets and commercial or financial information obtained from a company on a privileged or confidential basis that, if released, would result in competitive harm to the company, impair the government's ability to obtain like information in the future, or protect the government's interest in compliance with program effectiveness.
- Inter-agency memoranda that are deliberative in nature; this exemption is appropriate for internal documents that are part of the decision making process and contain subjective evaluations, opinions and recommendations.

FOUO documents shall be marked as follows:

- "FOR OFFICIAL USE ONLY" at the bottom of the front cover, the title page, the first page, and the outside of the back cover.
- Pages of the document that contain FOUO information shall be marked "FOR OFFICIAL USE ONLY" at the bottom.

Classified BCAs should be marked as such, with appropriate handling and storage procedures followed.

9. Submission and Decision Process

Once the BCA is completed, it is submitted to the appropriate decision authority for review, feedback and an approval decision. This process is defined by the decision authority. The IGB has documented its process in the *"IGB BCA Process Guidance"* dated 15 July 2011, which addresses submission, review, staffing, approval and change control procedures. That guidance, which also includes version and file naming conventions, can easily be adapted to satisfy other decision authorities' requirements.

10. Template User Guidance Updates

This *DON Standard BCA User Guidance* will be versioned and dated. Major changes will be approved by the DON CIO and briefed to the IGB members. Minor and administrative changes may be made by the Office of the DON CIO as required. A current version of the document will be maintained in the repository for IGB-related documents.

⁵ Title 5 of the United States Code, section 552, and DoD 5200.1-R, Information Security Program, January 1997, Appendix 3, list nine exemptions to the Freedom of Information Act that qualify for FOUO designation. However, these two reasons are the most likely to apply to BCAs.