A Structured Approach to Developing a Business Case for New Enterprise Information Systems

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INTRODUCTION

The term business case is used to describe both a process and a document. A business case exploits an initiative. Exploiting the initiative from awareness to implementation encompasses a process, referred to in the diffusion of innovation parlance, as the innovation-decision process. The development of a business case concerns this innovation-decision process. The individuals or the decision-making units pass through the innovation-decision process, gaining knowledge of a new idea, forming an attitude toward it, and deciding whether to adopt or reject it (Rogers, 2003, p 20). Gaining the knowledge triggers the awareness or enforces it. Then, it leads to setting the agenda. After the agenda-setting stage is the examination of the available options. Attributes of competing options are matched together, enabling attitude formation in favour or against a particular option. This results in the creation of a shortlist of two or three options. A decision is generally reached at this point. The decision is, therefore, part of the matching stage. However, this is not always true in an organisational setting. There is a third stage after the matching stage. It is the decision (aka, business case) stage. Organisations generally demand rigour in making the decision. A business case document embodies the rigour in the business case development. Consequently, the decision stage culminates with a completed business case document and the decision that results from it: to adopt or reject the innovation. The three stages, agenda setting, matching, and decision stages, compose the initiation phase. If the decision favours adoption, then the implementation phase proceeds. In the context of implementing the new enterprise information systems, the stages in the implementation phase consists of pre-production, production, post-production (that is, maintenance), and confirmation stages. In summary, the business case development is a means, and its end is a business case document.

A complete business case is a formal written argument and a detailed "point by point" analysis (Cannon, 2006, p 4; Carruth, 2001). It purports to justify the adoption or rejection of investing and thereby, implementing the new enterprise information systems. The analysis takes into consideration the stakeholders (Ministry of Health, March 2005), especially the decision-makers and the end-users. Consequently, a business case document is formal, detailed, and complex.

Using the parlance of "diffusion of innovations" (DOI) theory (Rogers, 1962, 2003), a business case document is a communication tool used to diffuse the new enterprise information systems, and to justify their adoption and implementation. Diffusion refers to the process by which the executive sponsor, who owns the innovation-decision process of the new enterprise information systems, communicates to the upper managers to get their approval of the project and funding.

Diffusion via a business case document for a technological product, such as an enterprise information system, must be directed at a single target audience to be effective. The upper managers represent a chasm that needs to be bridged (Moore, 1991). A completed business case document, containing relevant information for the managers, can serve as that bridge.

In addition to its relevance, a business case must also be responsible and credible. Therefore, the business case must bring relevance, reputation, and responsibility (the 3 Rs) into a number of issues and challenges during its development.

This chapter proposes a business case structure, with the 3Rs underlying it. It continues from the big picture of business case development in the article, *The Role of Business Case Development in the Diffusion of Innovations Theory for EISs* (hereinafter referred to as *The Role of Business Case Development...*). The structure, suggested in Table 2, delineates the context to the new enterprise information systems. However, prior to that, certain issues must be addressed:

- What is the purpose of a business case?
- What should a business case document contain?
- How should the business case be structured? How should it be written?

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THE PURPOSE OF A BUSINESS CASE

A good business case must have a purpose that is clear, specific, and relevant to the organisation and the upper managers. *The Role of Business Case Development...* mentions "growth and sustainability" as a strategic goal. That term is too broad to be useful in a business case. A similar ambiguous construct is sustainable competitive advantage (Hammer, 1996; Monczka, Carter, Petersen, & McDowell, 2006, p 213). A single detailed statement is far more relevant to the organization than several broad statements. An actual case study reveals one objective of selecting and implementing a proven, up-to-date enterprise financial system. The chosen systems must have the capacity to meet likely future financial-related requirements and growth. This vague objective can be made clearer by citing sustainable competitive advantages that are strategically valuable to the organisation, taking into consideration certain guiding principles (Table 1).

Enterprise information systems are the enabling technologies that foster sustainable competitive advantages under certain guiding principles. Table 1 helps to develop the business case backward from the purpose, and includes ALL the planning activities, resources, and metrics that are critical to the goal (Ministry of Health, 2005, p 9). Recent research indicates that most successful organisations have a crystal clear notion of the organisation's strategy, and how deploying information technologies can help actualise that strategy.

A Business Case Is a Two-Sided Coin

The purpose of a business case is to reflect the rigour of planning relative to the level of investment being undertaken (Ministry of Health, 2005, p 3). This is one side of the coin. The other side relates to justifying the innovation discussed. On one side, there are sustainable competitive advantages or other reasons to justify the implementation of the innovation. On the other side is the purpose of the business case. Justifying the implementation and matching the best fit pertain to the what and the why questions. Thinking about the innovation-decision process and substantiating the process with the necessary rigour concern the how (and why) questions. In the context of the new enterprise information systems, the specific sustainable competitive advantage represents the primary goals. The enterprise information systems enable seamless integration (Table 1) of information across the whole organisation and its extended social systems. The systems empower the internal people in the organisation to provide the best performance with shared information systems. The systems help to identify and develop centres of excellence with resources and expertise prior to outsourcing. The systems also maximise return on information systems investment across the organisation, maximise the exploitation of opportunities, and minimise the risk associated with the new implementation. All these technological advantages are about the innovation. However, that is not the purpose of the business case, which is a reflection of the rigour on the innovation-decision process.

WHAT SHOULD A BUSINESS CASE DOCUMENT CONTAIN?

The Scope and Content of Business Cases Vary

Not only must the business case contain the justification of the innovation (what and why) and the rigour of the process

Table 1. Guiding principles and sustainable competitive advantages

Guiding principles	Sustainable competitive advantages
• E-business supply chain • Economic value-added focus • Globalisation • Satisfaction of the needs of customers • Total value management • Value/supply chain integration, productivity, and collaboration (operational excellence and process redesign)	• Seamless integration • Best performance: Quality, price, delivery, technology, cycle time (velocity, responsiveness, service), safety • Enhanced EVA (increase revenue by broadening the offerings and improving customer value, reduce internal and external cost structure, reduce assets, and improve asset utilization) • Enhanced EBIT, ROI, cash flows • Perceived highest customer value • Revenue generation • Time-to-market/breakeven

Adopted from Carruth (2001); Hammer (1996); Ministry of Health (2005), Monczka et al. (2006)

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