

# Making the Compelling Business Case

Course Handbook V1.0

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This course points out how to formulate and present a professional judgment on corporate investments based on the elements of cost, benefit, risk, and strategic flexibility. Your learnings can be applied in the management consulting and corporate environment all the way from market expansion scenarios, marketing campaigns, information technology investments, and also sales situations.

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## 1. About the Course

Maximizing value for the enterprise, for its shareholders, and for its customers is at the core of corporate governance. And making this happen by extracting value from investments is what management is all about.

The course on “Making the Compelling Business Case” explains the fundamentals for building sound business cases. The business case is viewed both as a document and as a process. It increases your capability to formulate a professional judgement by exploring the underlying financial concepts, examining cost categories, quantification of business benefits, risks, and strategic flexibility options. It has been designed to provide a practical framework and increase your skills of writing and presenting compelling business case reports for management approval. Your learnings can be applied in the management consulting and corporate environment all the way from market expansion scenarios, marketing campaigns, information technology investments, and also sales scenarios.

The approach to the topics has been designed to be academically rigorous and practical at the same time using content-driven lectures, examples, and spreadsheet exercises.

## 2. Course Objectives

The aims of this course are to help you:

- To learn how to build sound business cases.
- To understand key financial concepts to value investments.

## Introduction

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Corporate managers often make decisions on projects that result in failed initiatives, missed delivery goals, and over-running costs. A business case (as a document) can help to provide a top-down justification for a rational decision and the business case (as a process) simultaneously builds a consensus among stakeholders. This course shows how to formulate and present a professional judgment on corporate investments based on the elements of cost, benefit, risk, and strategic flexibility.

- To quantify intangible business benefits, risks, and future strategic flexibility options.
- To be able to perform business case calculations using a spreadsheet.
- To present the business case as a compelling document.
- To appreciate the importance of stakeholder alignment and learn how to (and what to) communicate to senior management.

### 3. Cases Discussed

Apple, City of Philadelphia, London 2012 Olympics, Merck, Microsoft, and others.

### 4. Evaluation

There will be three assessment components:

- |   |     |
|---|-----|
| • Group project assignment + group presentation | 50% |
| • Oral exam                                     | 40% |
| • Classroom participation                       | 10% |

#### *Group Project Assignment + Group Presentation*

This is a group project with 3 students. Details on the group project will be discussed in the first session.

Select an upcoming or past investment in a corporation and write a business case report for presentation to senior management. Alternatively, you may also identify a sales scenario and write a business case driven sales proposition. Or you have a business idea of your own in mind for which you want to develop a business case. If you are really short of ideas, here are some examples that always work:

- Starting a coffee shop on campus
- Opening a fitness studio in a shopping mall
- Starting a walk-your-city tour organizer (e.g. [www.bangalorewalks.com](http://www.bangalorewalks.com))

Your report should broadly cover the following steps or factors:

1. Preface (the one-sentence business case)
2. Executive briefing
3. Introduction
4. Analysis
  - a. Assumptions
  - b. Cash flow statement
  - c. Costs
  - d. Benefits
  - e. Risk assessment
  - f. Future strategic options
  - g. Opportunity costs

5. Conclusion, recommendation, next steps
6. Appendix: Resources utilized/references, footnotes, bibliography

You are expected to make adequate use of quality tools and techniques as taught in this module. The report should not exceed 2,000 words, not including figures, diagrams, and appendices. Please remember that this is a business report and not an academic essay or reflection paper; you are writing it for a busy and intelligent manager. An oral group presentation using slides is required towards the end of the course; the presentation should not exceed 10 minutes, followed by opening the floor for questions and feedback from other students and the instructor.

The research question for this project should be prepared in consultation with the course instructor.

### *Oral Exam*

Individual assessment is via an oral exam at the end of the course. Each student's examination session will be for 20 minutes and the focus is on testing a student's business appreciation of the concepts taught in class.

### *Classroom Participation*

Students are expected to be prepared for each class and have revised the contents of the previous class using the module textbook, lecture slides, and recommended additional reading material. Some classes require students to be familiar with case study material. Classroom participation will be evaluated based on knowledge of concepts discussed in previous classes as well as the quality of contribution to new topics, examples, spreadsheet exercises, and case studies.

## *5. Session Details*

### Session 1

Topic	<b>Corporate Strategy and Financial Management</b>
Content	Corporate strategy and financial goals. What is an investment decision? Why do investment decisions go wrong? Difference business plan and business case. Introduction to group project assignment.
Readings	1) (Messner, 2013) – Ch 1.1 to 1.2 2) (Brealey, Myers, Allen, & Mohanty, 2007) – Ch 29.2 3) (Rumelt, 2011)

Session 2

Topic **Introduction to Business Cases**

Content Types of investments. Business case concept and process. Consensus and stakeholder management. Business case filter in R&D management.

- Readings
- 1) (Messner, 2013) – Ch 1.3 - 1.8 – 1.10
  - 2) (Paton, Clegg, Hsuan, & Pilkington, 2011) – Ch 3
  - 3) (Aurentz, Kirschbaum, & Thunecke, 2010)

Session 3

Topic **Key Financial Concepts I**

Content Time value of money. Net present value (NPV) concept. Calculating NPV with a spreadsheet.

Hands-on exercise to build an NPV spreadsheet.

- Readings
- 1) (Messner, 2013) – Ch 2.1, 2.2

Session 4

Topic **Key Financial Concepts II**

Content Alternatives to the NPV concept, e.g. payback method, return on investment (ROI), internal rate of return (IRR). Advantage of using NPV for business cases. Hands-on exercises examining spreadsheets as available at [www.thebusinesscase.info](http://www.thebusinesscase.info) (download)

- Readings
- 1) (Messner, 2013) – Ch 2.3 to 2.

Session 5

Topic **Costs**

Content Cost stages. Estimating costs. RfP process. Economies of Scale. Taxes. Leasing.

- Readings
- 1) (Messner, 2013) – Ch 3
  - 2) (Messner, 2013) – Ch 5

Session 6

Topic **Tutoring Session on Project Assignment**

Content Review of cost categories to be included in the project assignment.

Readings n.a.

Session 7

Topic **Benefits I**

Content Benefit taxonomy. Identifying benefits: strategic benefit identification map, value panel, benefit discovery chart. Managing and converting non-monetary benefits. Ensuring benefit completeness.

- Readings
- 1) (Messner, 2013) – Ch 4.1 to 4.5, 4.7
  - 2) (Kaplan & Norton, 2004)

Session 8

Topic	<b>Example: Identification of benefits for RFID application</b>
Content	Interactive session to revise concepts.
Readings	Students are required to go through the session's readings before class. 1) (Baars, Gille, & Strüker, 2009) 2) (Thiesse, Al-Kassab, & Fleisch, 2009)

Session 9

Topic	<b>Special Topics on the NPV Business Case</b>
Content	Continuous cash flows. Terminal value. Time horizons. Capital rationing. Inflation.
Readings	(Messner, 2013) – Ch 5

Session 10

Topic	<b>Example: Unified Office Communication</b>
Content	Revision of concepts along case study. Critique of a published business case (readings 2).
Readings	1) (Messner, 2013) – Ch 5.7 2) (Microsoft, 2010)

Session 11

Topic	<b>Benefits II</b>
Content	Customer profit contribution. How to use 'customer value for the company' as a benefit measure in the business case. Model a cohort-based customer value calculation in a spreadsheet.
Readings	1) (Messner, 2013) – Ch 4.6

Session 12

Topic	<b>Risk I: Introduction</b>
Content	Definition of risk. Types of risks. Risk preferences of decision makers. Role of assumptions in a business case. Measuring the level of risk built into the value of variables in the business case (standard deviation, distribution curves).
Readings	1) (Messner, 2013) – Ch 6.1- 6.5

Session 13

Topic	<b>Risk II: Sensitivity and Scenario Analysis</b>
Content	Understand how the business case responds to a change in parameters; conduct a sensitivity analysis with a spreadsheet. Constructing scenarios. Forecasting a factor's range of values. Calculating the expected net present value (ENPV).
Readings	1) (Messner, 2013) – Ch 6.6- 6.7

Session 14

Topic	<b>Tutoring Session on Project Assignment</b>
Content	Discussion of how to project risk in the project assignment.
Readings	n.a.

Session 15

Topic **Business Case Presentation**

Content How do executives make decisions in real life? Ideal structure of a business case report. Art of storytelling. Importance of consensus management (revisited).

Readings  
1) (Messner, 2013) – Ch 8  
2) (Keen & Digrius, 2003) – Ch 6, 9

Session 16

Topic **Risk III: Stochastic Models**

Content Difference deterministic vs. stochastic model. Business case simulation using the Monte Carlo approach. Using a spreadsheet for a simple simulation. Generating random numbers in a spreadsheet. Confidence intervals. Binning technology to build histograms.

Readings  
1) (Messner, 2013) – Ch 6.8

Session 17

Topic **Risk IV: Probability and decision trees**

Content Laying out events in a systematic way. Assigning probabilities. Calculating the expected net present value (ENPV) in a probability tree. Taking dynamic decisions and their mapping in decision trees.

Empirical validation to test business case assumptions.

Readings  
1) (Messner, 2013) – Ch 6.10 – 6.11  
2) (Magee, 1964)  
3) (Collins & Hansen, 2011) – Ch 4

Session 18

Topic **Risk V: Haircut Approach**

Content Certainty equivalents and haircut approach to risk. Risk of international business and contracts. Volatility of currency exchange rates. Estimating country risk and building it into the business case.

Readings  
1) (Messner, 2013) – Ch 6.12 – 6.13

Session 19

Topic **Strategic Flexibility**

Content Strategic real-options analysis. Black-Scholes formula and calculation in a spreadsheet. Importance of industry volatility for valuing strategic flexibility. Real option management.

Readings  
3) (Messner, 2013) – Ch 7  
4) (Coy, 1999)

Session 20

Topic **Tutoring Session on Project Assignment**

Content Review of material for project presentations.

Readings  
n.a.

Session 21

Topic	<b>Bottom-up Business Case &amp; Value Oriented Selling</b>
Content	Using the business case as a project management and controlling framework (bottom-up approach) to check the course of the implementation. Turning selling around by providing business cases in a sales pitch.
Readings	1) (Messner, 2013) – Ch 9 – 10 2) (Charan, 2007) 3) (Keen & Digrius, 2003) – Ch 12

Session 22

Topic	<b>PROJECT PRESENTATIONS</b>
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Session 23

Topic	<b>INDIVIDUAL ORAL EXAMS</b>
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## 6. Readings

### Main Text Book

Messner, W. (2013). *Making the Compelling Business Case. Decision-Making Techniques for Successful Business Growth*. Houndmills: Palgrave Macmillan.  
Book companion website: [www.thebusinesscase.info](http://www.thebusinesscase.info)

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