Business Case template

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# Executive summary

The executive summary should be a brief synopsis of the business concept that gives the reader a clear initial understanding of your business and its validity.

It is not an abstract, introduction, preface or random collection of highlights.

It is the business case in miniature, and as such should be able to stand alone as an initial business description.

It helps you to

1. crystallise your thoughts,
2. set priorities, and
3. provide the foundation of the full plan. Once you have written this summary, it makes writing the rest of the business case much easier.

If done right, it captures the attention of readers, makes them want to read more, and conveys a flavour about the rest of the plan. The business case should show how the technology can lead to enhanced value or improved service.

# Value proposition

This is the business context in which this project fits. The assessment of value is determined by the extent to which it serves to enhance or contribute to a company goal, or relaxes a constraint that obstructs the accomplishment of that goal.

By adopting effective value management techniques, you will increase the credibility of Exxaro. You need to indicate and show a clear understanding of how the business value is created and measured, how this value can be improved, and how the value can be effectively communicated. The complete value management framework will include

1. efficiency,
2. measurable numbers and service levels,
3. effectiveness,
4. impact on business improvement and innovations, and
5. the hidden rewards.

# Opportunity

Ensure that the opportunity is linked to the business strategic plan in terms of the aspects as set out below.

1. Context: What is going on externally/internally about the business, both currently and over the projected lifecycle of the business case target?
2. Strategy: What action items the business is undertaking to achieve its mission and vision? Ideally, this should be documented as many business objectives, each with many measurable goals and major milestones.

Here, you need to present convincing evidence that your business is likely to meet with success in the marketplace. This section will detail the market as you see it for your business, using numbers derived from the research you have done in developing your business idea.

Try to identify as precisely as possible the prospective buyers of your product or service and to quantify the benefits and the amount of money made or saved. How long will that money pay for your product or service?

## Size of industry

What do you estimate the total market in terms of total number of prospective customers and Rands to be for your product or service?

## Size of target market

If your business can be broken down into different categories, list the total market for each of these categories.

## Exxaro included in the market?

If your business can be broken down into different categories, list the total market for each of these categories. *Specifically look to see if Exxaro is part of that target market, as this determines whether it becomes ED or SD.*

## Global trends and drivers

Has the market continued to grow over the past year or so? What support do you have for your conclusion?

You can state the growth as a percentage or in total rand volume. What do you estimate the potential for future growth for your business to be? Are there any demographic trends that support your business concept? Were there any shifts in the economy that will likely make your business prosper?

# Beneficiary needs

State the problem in such a way that you clearly define the circumstances leading to the consideration of the investment. This step is important because it identifies the questions that must be resolved by the analysis and the boundaries of the investigation. The problem statement identifies the need to be satisfied, the problem to be solved, or the opportunity to be exploited.

You should address

1. the programme goals and other objectives of the department that are affected by the proposed investment, and
2. the problem, need or opportunity, and give a general indication of the range of possible actions.

## What needs will be satisfied

Outline clearly what is it that needs to be satisfied. Be brief and direct to the point. This can be documented as a number of business objectives, each with a number of measurable goals and major milestones.

## Why is the potential currently not reached?

Having done your study on the needs of the beneficiary, you need to give details as to why the potential is not yet reached or filled. Identify the factors that currently hinder the potential from being realised.

## Case studies of success globally

Detail the global/international successes of similar business cases.

## Case studies of success locally

Detail the local successes of similar business cases.

# Competitors

## Value proposition

What is the value proposition of the competition?

## Success case studies

Detail the successes of the competitors.

## Threats

How do the successes of the competition affect the client?

## Partnerships

Are there any competitor partnerships that are currently happening or that are in the pipeline? Any BEE/SMME involvement foreseen or planned?

# Key success factors

## Political

Politically, how does this business case benefit the client?

## Economical

What are the measurable economic successes of the project/business case?

## Social

What are the measurable social impacts that the project/business case will yield?

## Financial

What are the measurable financial impacts that the project/business case will yield?

# SWOT of players (buyers and sellers)

This is the first step in examining the environment and is most critical for an emerging opportunity. A clear review of the internal or external factors of the opportunity is needed. The analysis should include not only the external factors most likely to occur and have serious impact on the company, but also the internal factors most likely to affect the implementation of present and future strategic decisions. By focusing on this analysis, an emerging opportunity can proceed through the other steps of initiation and planning, control and execution, closeout and feedback. One purpose of identifying strengths, weaknesses, opportunities and threats is to help you find organisational strengths and match it to environmental opportunities; preferably in areas where competitors do not have a similar match.

1. List the opportunities and threats.
2. Measure the strength and weaknesses of Exxaro/the client against opportunities and threats.

# Risks, assumptions and alternatives

Most investments face risk in their implementation. The better these risks are understood before deciding to proceed, the better the chances for success.

Assess the risks facing an investment proposal by

1. identifying risks,
2. characterising risks, and
3. prioritising risks.

Devise an approach to manage risks, choosing a response type that is appropriate to the priority of the risk, and a strategy that is appropriate to the type of risk. This will help to identify the risk area, the type of risk, the type of response and the response strategy, enabling the project team to develop a risk management strategy. List all assumptions that are made, and provide a proposal for the best solution and reasons why.

# Prospects of sustainable growth

Once the options are identified and its costs, benefits and risks examined, what remains is the choice of one to recommend. This section identifies criteria that will help you to decide which option to recommend. You should identify and select the most beneficial investments, using an institution-wide strategic planning process that is based on the business case approach. Project approval will be based on a business case analysis that relates each investment directly to the business function, and demonstrates the benefits of the investment to the department or to the company.

# Financials

1. Use a sound financial return measurement methodthat considers both once-off and ongoing costs over the useful projected lifecycle of the project, and which should also consider the financial implications of not proceeding with the proposed investment to demonstrate the viability of this opportunity. Best practices here include
	1. EVA (economic value add),
	2. NPV (net present value),
	3. ROI/A/E (return on investment/assets/equity), and
	4. IRR (internal rate of return).
2. Financial implications must be very clear in the business case and should include various types of investment costs, for example
	1. direct up-front costs,
	2. direct ongoing costs, and
	3. indirect costs.
3. Other important financial information:
	1. budget: capital or operational expense;
	2. operational expense: cost centre and fin. code of budget;
	3. capital expenditure: cost centre to carry depreciation;
	4. will the funds be recoverable from the client through a SLA; and
	5. recovering confirmed by account managers.
4. Describe your pricing strategy, taking the questions listed below into account:
	1. What do you anticipate your gross profit margins to be for business? (A gross profit margin is the price you get for your product or service, less the cost of producing it.)
	2. What aspect of your business will make it unique?
	3. Is pricing going to make your business special?
	4. How do your expected prices stack up against the competition?
	5. How price-sensitive is your target market?
5. You should have three types of financial statements covering your history and projections:
	1. **Cash flow**: Cash flow is really a record of cash that is available at different points in time. It helps to highlight the differences between when a sale is made, when cash comes in, and when bills are paid.
	2. **The income statement: profit and loss**: This is the proverbial bottom line; revenues less expenses. For small companies, it is important to differentiate from cash flow. It is possible to run out of cash early in a quarter, even though you are heading toward profitability at the end of the quarter. (Show a sample income statement.)
	3. **The balance sheet**: This is the financial statement bankers like to focus on because they believe it offers the most revealing clues about basic business health. It shows assets and liabilities. It is most useful in evaluating product businesses, where assets that are easily identifiable and can be appraised. It is less useful for service businesses. (Show a sample balance sheet.)

# High-level project plan

Include a high-level work-plan.

1. Abbreviations and definitions
	1. Abbreviations

List the abbreviations in alphabetical order.

|  |  |
| --- | --- |
| BEE | black economic empowerment |
| CBA | cost/benefit analysis |
| EVA | economic value add |
| IRR | internal rate of return |
| NPV | net present value |
| PERT/CPM | programme evaluation and review technique/critical path method |
| ROI/A/E | return on investment/assets/equity |
| SLA | service level agreement |
| SMME | small, medium and micro enterprise |
| SWOT | strength, weakness, opportunity, threat |
|  |  |

* 1. Definitions

List the terms and definitions in alphabetical order.

|  |  |
| --- | --- |
| **Term** | **Definition** |
| Term 1 | Definition 1 |
| Term 2 | Definition 2 |

1. Risk analysis framework

1. Attach Documents Required