Strengthen The Case

For Your Web Initiative

A CFO's Perspective On
"How To" Get Your Project Approved

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The Challenge

Let's face it. The toughest challenge encountered by many web initiatives is getting the approval to launch the effort in the first place. Having an innovative and elegant technical solution to address a company need is a great starting point, but to get your web initiative implemented, you need funding, resources and management support. Winning this support isn't always easy. Even in the best of times, companies have many more potential initiatives than they can fund and support. Like it or not, your proposed project will compete against other possible initiatives from within IT and from other business areas. In tight economic times, the competition for selection is even tougher: resources are more limited and proposals receive greater scrutiny.

The goal of this paper is to help you make stronger, more business-oriented cases to justify and win approval for your web projects.

To evaluate the disparate project opportunities before them, companies typically rely on an approval process that reviews project business cases to identify the most promising use of resources. Business cases help evaluators assess an initiative's fit within corporate objectives, measure its projected benefits against investment requirements, uncover potential risks, and identify alternatives. By focusing on business rather than technology outcomes, this approach allows evaluators to compare very different types of projects, enabling them to select the initiatives that offer the company the greatest value for their investment. In this approval process, the project that makes the best and most credible case wins.

Few situations are more frustrating than seeing a lessor project win approval as a result of evaluators not fully appreciating the merits of your initiative. Typical shortcomings that hurt web initiative proposals include: relying too heavily on technology benefits to sell the project, not tying technology advantages to specific business outcomes and providing vague or overly subjective answers to business case justification questions. Facts and quantitative support are essential for credibility when estimating investment needs and anticipated project benefits. Failing to make the best possible business case can put an otherwise worthy web initiative on the sidelines.

The goal of this paper is to help you make stronger, more business-oriented cases to justify and win approval for your web projects. To support this objective, the paper examines the key questions that Chief Financial Officers (CFOs) use to evaluate projects and provides a CFO's perspective on how to answer those questions to your best advantage. It illustrates its points with real life examples that share OmniTI's experience in delivering successful web initiatives for our clients.

A CFO's Perspective

Why consider your CFO's perspective when proposing a web initiative? As the executive responsible for overseeing your company's finances, your CFO is typically the executive owner of the project approval process and has ultimate authority for signing off on proposed investments. Even if your project isn't large enough to reach your CFO personally, his or her policies and perspectives will shape how it is evaluated.

CFOs have responsibility for ensuring that company assets are used to their best advantage. Given this role, CFOs represent and balance resources across all business organizations, relying on a broad understanding of the company's short and long-term business objectives and strategies to make their decisions. When evaluating projects, CFOs seek answers to the following five questions:

QUESTIONS

CFO's Evaluation Objectives

1 ***How*** **does the project support key strategic initiatives?**	*Evaluates whether the project will help the company meet important short- and long-term goals. Will this project advance those goals or will it be a distraction?*
2 ***What*** **is the project's financial rate of return?**	*Determines whether the project provides sufficient return to justify its investment. How does the project compare against other investment options?*
3 ***What*** **resources are needed to accomplish the project?**	*Assesses the level of financial and people resources required to implement the project. Are these resources appropriate and available? Will they impact other initiatives?*
4 ***What*** **are the major risks to successfully implementing the project?**	*Highlights factors that could cause the project to miss its objectives as well as their likelihood of occurring. Can the risks be avoided or mitigated?*
5 ***What*** **are the alternatives?**	*Considers if cheaper, faster, and/or less risky alternatives to the proposed solution are available. What are their tradeoffs?*

The remainder of this paper will examine how to answer each question in detail.

Answering these questions should be a team effort. While your CFO may be the ultimate evaluator of your project's business case, his or her finance organization can be your ally in its creation. Finance departments often have staff members dedicated to supporting IT and the business area(s) that will fund and benefit from the project. These individuals are familiar with business case development and can provide financial advice, models and data. They can also review assumptions and projections for accuracy and conformance to financial standards. Likewise, involve the business area personnel who will benefit from the project. Their knowledge is invaluable for identifying and quantifying the project's objectives, costs, benefits and risks in business terms.

1 Strategic Fit

How does the project support the company's key strategic initiatives?

Keeping business and IT objectives in alignment is a perpetual challenge for most companies. Especially in tight times, companies seek to avoid technology for technology's sake. Thus, web initiatives that provide obvious and quantifiable benefit to one or more business areas are more likely to be approved than more technically oriented projects.

When evaluating project proposals, your CFO looks for IT initiatives that make meaningful contributions toward meeting corporate and business area objectives. Strategic efforts that contribute to long term goals such as revenue enhancement take precedence over more tactical (but likely still necessary) efforts such as upgrading to the latest version of a software product. Likewise, if budgets are tight, "nice to have" projects will be deferred in favor of "must have" projects that need to be implemented to reach a critical goal.

CASE STUDY: Must Have Project

[The Situation]

A Sports Entertainment Site/Store was poised for considerable growth but was inhibited by an off-the-shelf content management system that did not accommodate their internal workflow, and lacked the features and scalability to respond to new business opportunities. Lengthy loading times for interactive content from customers and field producers detracted from the potential excitement of the company's live events, rendering them flat and uninteresting to users. The company's first business priority was to allow customer contributors to post content on the fly from the field, but this goal was unachievable with the existing system.

To address the company's "must have" needs, OmniTI architected a more intelligent system that used complex, custom templating and role-based permissions to provide complete administrative control over how the site was rendered. Tailored to the company's internal processes, the system gave different users access to specific content and look and feel based upon their role. To ensure performance and scalability, the content management architecture was completed before implementing the system's front-end.

[Business Results]

The new system eliminated an inhibiter to growth by providing the scalability and aligning internal workflow priorities with customer satisfaction. Content that once took three hours now can be published in minutes from live events and customers can interact in real-time. Automation increases productivity and enables users to quickly create pages and configure new verticals. Contextually tying store content to published data increases upselling opportunities and revenue.

The table below shows some examples *of web projects performed by OmniTI and how those projects tied to important business goals within the client company. Again we need to put in quantifiable metrics wherever we can. Not everyone can, but the majority should.*

When building the business case, consider the factors that can put your project into the strategic and "must have" categories. Work with business and finance personnel to identify business objectives that your project directly or indirectly supports. Think broadly when considering those impacts. For example, a web infrastructure upgrade that increases throughput and improves stability can directly support growth, customer satisfaction and brand image objectives. Incorporating metrics that show increases in speed and throughput compared to growth rates will help sell the project. Presenting that project strictly as a technical enhancement may place it in the "nice to have" category, but illustrating its necessity to support critical business objectives moves it into "must have" consideration.

Project	Corporate Objectives/Initiatives Supported
Replatform web apps to Open Source database	*Reduce company operating expenses, Enable growth without requiring additional investment in staff and software licensing fees*
Corporate web site "facelift"	*Improve brand recognition, unify and standardize brand presentation, Capitalize on social networking opportunities, Enhance customer acquisition/retention efforts, Increase sponsorship and advertising revenues*
Enhance web infrastructure to support higher traffic volume	*Grow user base by 300%, Expand business into new vertical market segments, Increase sponsorship and advertising revenues*
Implement web content management	*Enable rapid growth by removing scaling inhibitors, Increase customer engagement and interactions, Accelerate response to new business opportunities*
Improve data management capabilities	*Enhance responsiveness to customers to increase satisfaction and retention, Provide better intelligence to guide corporate strategy, Increase customer acquisition through leaner, more agile and better targeted marketing campaigns*

2 Projected Business Benefits

What is the financial rate of return?

From a CFO's perspective, every project is a potential investment opportunity that can be compared against other proposals based on its financial rate of return. The financial rate of return represents the positive contribution of the project's business benefits over its cost of implementation and operation. To be approved, a project must provide a positive return to the company.

The first step in determining a web initiative's rate of return is identifying the specific benefits the project will deliver. The highest and fastest financial returns come from projects that support business-driven initiatives and generate quantifiable returns in areas such as cutting costs, increasing productivity and generating revenue. Most projects provide multiple benefits whose contributions can be combined to strengthen your business case. Work with the business area(s) involved in the project to build a list of potentially quantifiable benefits. In this exercise, take a broad view of your initiative to uncover benefits that might otherwise go unnoticed as well as look for opportunities to modify your project to add or increase the benefits it delivers.

Beware of focusing too heavily on cost savings. Cost savings are a very valid benefit; they are tangible, easy to measure and relatively risk free to quantify, but including other benefits such as productivity and revenue enhancement can significantly increase the overall value of your project, thereby enhancing its likelihood of approval. This point is clearly demonstrated in the case study below. Cost savings are just part of a package of benefits that also includes better branding, higher visitor traffic and increased revenue.

CASE STUDY: Multiple Benefits

[The Situation]

A well-established scientific, educational and global conservation site/store needed to revamp its existing web site to improve brand standardization, incorporate more social networking features and handle higher first-time and recurring visitor traffic. The company wanted to aggregate its brands to create a single online experience for users that not only adhered to strict corporate branding guidelines, but also increased opportunities for sponsorship and advertising revenue. The existing IT infrastructure was obsolete and incapable of handling site growth; current site traffic required more manual labor and used more servers than necessary.

The company engaged OmniTI to handle an end-to-end revamp that enhanced the site's infrastructure and scalability, improved content management and added sophisticated web applications and elegant user interfaces. During the project, OmniTI reengineered and compacted the site's architecture to reduce human and machine resource requirements. A custom content management system (CMS) eased the publication of new content and enabled user-generated content and social features, such as user ratings and comments. Using granular 2-level caching for both static and dynamic content, the new CMS decreased page load times even during traffic spikes.

[Business Results]

This project delivered the company multiple synergistic business benefits including:

- Stronger brand support and enhanced user experience
- Higher visitor traffic with an overall increase of 500% and growing
- Revenues increased from new and expanded sponsorship and advertising deals based upon increased traffic numbers
- Reduced operational costs from using fewer servers and requiring less staff involvement
- Scalability to handle growth and significant traffic spikes of more than 1,000% through visitors from MSN, Digg and social networking sites
- High customer satisfaction encouraging heavy and growing repeat use

Once the project's benefits are identified, the next step is to quantify their value. This effort involves collecting data and making assumptions to estimate benefit timing and value. The key to a credible business case is backing your assumptions and estimates with metrics and facts. Work with representatives from your finance organization to calculate your estimates and document their underlying assumptions. Factors that influence the quantification of benefits include:

- **Substance** – *is the benefit tangible, such as cost savings from cancelling a software license, or intangible, such as morale improvements? While intangible benefits are often unquantifiable, they can strengthen a business case as supplements to tangible benefits.*
- **Potential** – *how large is the benefit and how quickly will it be received?*
- **Certainty** – *how likely is the benefit to be received?*

The final step is calculating the rate of return. Potential projects must meet or exceed set benefit thresholds to merit consideration. Depending upon the capital available, and the quantity and quality of projects and other investment opportunities in the pipeline, this minimum rate of return can run from 20% to 30% or higher. Work with your finance team to understand your company's thresholds and standards as well as to handle the intricacies, such as depreciation, discount rates, and taxation, which may affect your business case. Most companies use discounted cash flow to calculate rate of return. This method assumes a dollar today is worth more than a dollar returned at a later date and uses Net Present Value to assess the current value of a future return. Payback Period is used to determine the time before the company's investment in the project is returned. These methods put a premium on web initiatives that can provide rapid quantifiable benefits.

When resource constraints are an issue, using an external service provider such as OmniTI can strengthen a business case by providing the resources with the right skills...

3 Resource Requirements

What resources are needed to accomplish the project?

Every project draws management attention and requires investments of human and financial resources. Financial investments include costs such as hardware purchases, software licenses, burdened internal staff charges and consulting fees. On the human resources side, each initiative needs a sufficient number of team members, armed with the right skills, and available at the right time to deliver the project.

Since corporate resources are shared and must be balanced across multiple initiatives, your CFO needs to understand the scope and time commitment of resources required. These resource needs must be quantified across the entire project lifecycle. Web initiative proposals tend to adequately cover the initial investment for the design, implementation and deployment of the project, but often forget to include peripheral costs, such as business user training, and ongoing operational costs such as site maintenance and service fees in their analysis. Your CFO needs the full costs to understand the project's total cost of ownership (TCO), accurately determine the project's financial return and ensure budget is available for ongoing expenses.

Another consideration is opportunity cost. Using internal resources for one effort makes them unavailable for other initiatives, and your CFO must balance the benefit of using those resources on your project against the "lost" opportunity of applying those resources elsewhere. When resource constraints are an issue, using an external service provider such as OmniTI can strengthen a business case by providing the resources with the right skills to accelerate project implementation while freeing internal staff for other opportunities and contractually controlling costs. External experts bring the experience to reduce technical and delivery risks and their ability to focus on a project without other internal distractions enables initiatives to be delivered more quickly allowing their benefits to accrue sooner.

4 Risks

What are the major risks to successfully implementing the project?

All projects face risks from factors such as technology failures, schedule and cost overruns, personnel turnover, and poor vendor performance. If encountered, these risks increase project costs, delay implementation, reduce anticipated benefits or even result in the total loss of the company's investment if the project fails completely. Needless to say, your CFO will want to understand all significant risks before agreeing to fund your initiative. As with other investments, your company will expect a higher return from projects with greater risks.

Work with technical and business area personnel to document potential project risks. Your CFO will expect the project's largest and most likely-to-occur risks to be identified and quantified within your business case. Use "what if" scenarios to identify possible risks. For each risk identified:

- **Assess the impact if the risk materializes** – *How large is the risk and how will it affect the project and the company if it occurs?*
- **Calculate the probability of occurrence** – *What is the likelihood the project will encounter the risk? For example, a project using beta technology is more likely to encounter software defects than one using a proven product.*
- **Determine if the risk can be avoided** – *Can a risk be eliminated by changing some aspects of the project? For instance, purchasing required hardware at the start of a project avoids the risk of it not being available when needed.*
- **Develop mitigation strategies to prevent or reduce the likelihood of encountering the risk** – *For example, investing more time upfront to create better requirements may eliminate the risk of missing features later.*
- **Identify contingencies for acceptable risks** – *Not all risks can be avoided, but contingency plans can reduce their cost and disruption. For instance a project that incorporates beta technology may have a fallback strategy to use an off-the-shelf product if too many technical issues are encountered.*

Once the project risks are understood, work with your finance team to quantify risk impacts and model risk scenarios. Using the probability of risk occurrence, these scenarios help business case evaluators understand best, worst and most likely impacts on project success.

CASE STUDY: Mitigating a Project Risk

[The Situation]

A Shopping Mall company needed to increase its web site's registered user and subscriber base to meet its goals for increasing sponsorship revenue. Issues with the company's existing web site such as a lengthy registration process, unintuitive navigation and layout, poor SEO and a "look and feel" that failed to support the company's high-end shopping brand image directly inhibited meeting this objective.

The company had conceptual designs for upgrading their website, however, these designs were created without technical input resulting in significant risks for missing project budget, schedule and functionality goals. The design introduced security risks and circumvented the content management system which would have resulted in higher maintenance costs. OmniTI reviewed concepts and completed web design, identified and corrected potential security and scalability issues, and crafted an alternate solution to stay within vision but mitigate risk by utilizing client's current system without sacrificing desired features. The resulting system contained a feature set that fit the budget and achieved major goals while providing flexibility for future growth.

[Business Results]

Risk mitigation resulted in a successful project. Better technology and improved user experience increased registered users and subscribers providing immediate ROI on reaching sponsorship goals. Additional business benefits included enhanced customer service and labor savings through greater automation.

5 Alternatives

What are the alternatives?

As much as we would like our CFOs to approve our recommendations as presented, every project has alternatives. One function of the business case is to present these alternatives along with their pros and cons to enable evaluators to choose the approach that best suits company needs. For example, not doing the project (maintaining status quo) is always an alternative. This option has no costs, but provides no benefits and may have its own risks such as falling behind competitors. Other examples of project alternatives include:

- **Build** *a web application yourself or purchase it as a managed service*
- **Reface** *an existing web site or replace it entirely*
- **Implement a lesser version** *of the proposed project*
- **Implement a project in phases** *rather than all at once*

When creating your initiative's business case, you will need to present credible alternatives for comparison while making the case for selecting the recommended (preferred) approach. The list of possible alternatives can be endless, so focus on the top, or most likely, options.
To prepare your alternatives analysis, use the questions from the previous four sections of the paper – strategic fit, benefits, resource requirements and risks – as the basis for comparison. Provide an honest assessment/comparison of the benefits and tradeoffs for each alternative. Resist the urge to oversell your approach or undersell its alternatives. Remember, the goal is to get the best final result for your company and your CFO. Business evaluators can usually spot analyses that are overly biased to the proposed solution. Strong performance by your preferred approach in an honest assessment greatly enhances its attractiveness to evaluators and increases likelihood of selection. Even if an alternative is chosen, it is better than no project at all.

Conclusion

When seeking approval for web initiatives, it's your job to help your CFO and other project evaluators understand the costs, risks and rewards for each project you champion. Knowing how your CFO evaluates potential projects will help you build business cases that show your web initiatives to their best advantage. This paper provides insights into how CFOs consider projects, but it is worth contacting your finance organization and learning your company's approval process nuances as you create your own business cases. The exercise of understanding your project from a business point of view will lead to a stronger project that is more likely to be approved, has a higher chance of success and delivers greater value to your company.

Founded in 1997, OmniTI's think tank focuses on solving the world's most difficult technical challenges in managing and monetizing data associated with hundreds of millions of users in time-critical operations. A consultancy in practice and an incubator of new companies, OmniTI designs, builds and operates Internet-centric solutions from web site design through custom applications development, to the ongoing support and management of large-scale internet databases and operations for B2C companies looking for stable, scalable mission-critical infrastructures.

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Business Driven Design and User Experience

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