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Creating Strategic Value through Business Cases

A case study in the manufacturing
industry

Master of Science Thesis

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Executive Summary

Increasing manufacturing expenses and stagnating sales are accompanied by a volatile world economy. This creates pressure on making the right decisions that efficiently realize strategic values. When organizations are focusing on innovative opportunities, many choose to develop a *business case* to justify the required investments and provide support for important decisions. Although organizations seem to understand the value of business cases, few seem to be able to create a process that supports all stages of a business case - from defining an existing business need to realizing strategic business benefits. Such a business change requires management that supports the fulfillment of the business case and considers all different dimensions necessary.

The purpose of this thesis is to investigate how business cases can be used in order to create strategic value in complex organizations. This was achieved by investigating how business case processes are performed in the manufacturing industry and identifying difficulties of realization. Recommendations based on the findings are developed and presented for the case company SKF in order to improve their current business case process.

Directing focus on three main parts that form a business case: *initiation, realization and evaluation*, areas for improvement could be found. The thesis shows that to some level all involved organizations already benefit from using business cases to promote strategic value through existing methodologies. The management structure has been found to play a vital role when assuring that the business case process is performed successfully, also taking into consideration the importance of correlation towards project management. Five main areas of improvement have been identified including: *strategy realization, change management, communication, roles and responsibilities and continuous improvement*.

Recommendations were designed providing a main process and a supporting process that will allow promotion respectively prioritization of business cases. The recommendations contain methods and templates should be operationalized throughout the business case process in order to promote efficient outcomes. The recommendations are approved and adopted by the case company while also adaptable to other organizations in varying degrees.

Key words: *Business Case, Business Benefits, Strategy, Strategic Value, Strategy Realization, Manufacturing Industry, Decision Support*.

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1 Introduction

An increasing pressure and competitiveness among organizations has turned into an imperative; a change of focus from creating shareholder value to stakeholder value (Denning, 2015). Manufacturing is a recognized process for achieving competitive advantage, thus connecting the process to organizational strategy is vital (Skinner, 1969). On the journey towards optimal value creation organizations and scholars have increasingly been identifying business cases as an important tool. Many organizations consider business cases being a fundamental tool in justification and evaluation of investment (Maes et al. 2014). As a business case can support decision making an adoption of such that assures *stakeholder* satisfaction is decisive, but also requires new approaches (Harvard Business Press, 2001). Organizations face the need to be innovative on a daily basis to cope with the increasing demands, but with growing R&D costs that overtake increase in sales it is however a difficulty for larger organizations to initiate and find the right innovation opportunities (Schilling, 2010). As firms strive to achieve their strategic goals through innovation they face the natural problem of operationalizing intentions and assuring the right investments to be made. If managed properly a business case process can become a vital tool in heading an organization the “*right*” direction by increasing communication and knowledge sharing (Gambles, 2009). Thus also facilitating the fundamentality in the Nobel Prize winner Jacobs views on innovation consisting of old work and old innovations (Jacobs, 1969).

Creating strategic value depends on innovation; with innovation being supported by business cases a possibility exists to create alignment - ultimately connecting all investments to innovative solutions that create value according to the strategic needs. The hurdles towards such an approach are many and are poorly covered in research where focus is usually put on different elements of business cases but not how the whole process can support organizations strategically. Considering business cases as process requires an execution form that works parallel with the case. Projects are in industry reports mentioned as a structured way of implementing business changes among practitioners (The Economist, 2009). Still few organizations have a well working project management process which directly is affecting the business case that set the base for the project itself. Ultimately the alignment between project management and business cases is decisive and project success is necessary for creating successful strategic value (Serra & Kunc, 2015). This study has therefore aimed providing clarification on how the overall business case process can be utilized to support strategically relevant innovation for the organizations.

1.1 Prior research

Business cases have gained increasing attention in a variety of industries, contexts and types of investments as shown in Figure 1 (Maes et al. 2014).



Figure 1 - Article distribution on relevant articles in business case research (Maes et al., 2014)

A study conducted by AMR research, ASUG and SAP showed that organizations consider business cases a vital part of realizing value from investments and ensuring strategic relevance (Swanton & Draper, 2010). Historically IT has been an environment in which much research has been conducted, probably due to the importance of the need for decision support in a fast changing environment. The application area for business cases is wide; Nelson et al. (2010) brings forwards the definition within amongst others the insurance and fashion industry while Ballantine et al. (1998) showed that organizations of all sizes are using business cases, ranging from small enterprises to global corporations and governments.

Maes et al. (2014) who has conducted a thorough literature review on the usage of business cases find that business cases are a combination of several parts and lack a general definition and holistic research approach. Instead, research on the subject could be divided into six dimensions: *process*, *content*, *application area*, *risk factors*, *stakeholders* and *goals*. Research has been conducted by scholars from many different areas, but a noticeable absence of *financial scholars* is particularly remarkable, considering how a large part of the handling is directly related to or handled by the finance organization in industry and commerce (Smith et al. 2010). However being an emerging field with high interest the area has seen an increase in academic and practitioner journal articles which continuously explore also the financial part. This however raises a highly relevant aspect on current

research as business cases can be seen consisting of different research areas that currently are considered integral discussing the business case definition (Maes et al. 2014).

Another trend in research shows that business cases drift towards becoming a symbol for a more holistic approach that includes strategic values and not purely financial characteristics. Ward et al. (2008) found that combining monetary qualifications with qualitative offers a more complete picture of the investment. The usefulness of business cases are thereby also multiple and Smith et al. (2010) show how they can help to achieve clear *roles* and *responsibilities*. Peppard & Ward (2005) bring forward the importance of business cases as a communication tool and “*commitment builders*”. It is also useful for evaluation and realization of the intended investment goals (Ward et al, 2008). Further Maes et al. (2014) concludes all *goals* of business cases by dividing them into several useful parts before, *during* and *after* implementation of a business case.

A trend in research is the transformation from considering business cases as a document towards a *process thinking* that includes activities from *definition (initiation)*, through *realization to evaluation* (Maes et al. 2014). This means that there is focus on parts of the investment that are beyond the business case development when speaking of *realization (also known as realization management or benefits realization management)* and evaluation (*e.g.* Ashurst & Doherty, 2003; Flynn et al. 2009). Different dimensions of a business case process have also been studied independently and showed particular difficulties. De Haes (2011) has discussed the investment part of the business case process more extensively, formulating the need for a business case outline that is separated from the final business case. According to Franken et al. (2009) the investment process can be supported by a business case in terms of assistance to monitor performance during and after business case realization.

1.2 Problem analysis

While the application of business case models has evolved significantly over the last three decades, our perception of managing it has not equally evolved (Thorp, 2003). A lot of research is still concentrated to business case development in the initiation phase while the parts consisting of realization- and evaluation management have not been equally investigated (Maes et al. 2014).

Albeit many organizations today may make use of business cases with qualitative benefits to ascertain growth and strategic alignment to their operational context, only a few seem to be able to successfully implement a system that measures and evaluates the business case (Oliveira, 2013). It is both in the content of the business case as well as in the process where problems that hinder measurement and evaluation occur. Smithson & Hirschheim (1998) argue how merely using quantifiable benefits for investments will have insufficient

strategic alignment. Urbach et al. (2010) further criticizes business cases built solely on monetary measures as they are questionable in terms of their narrow scope for the overall business case.

A simple and effective evaluation method for business cases has in many different organizational settings been the use of Return on Investment (ROI), however this is a purely financial measurement and does not assess the essential understanding of all benefits that a particular investment can deliver over time (Thorp, 2003). Thorp (2003) further argues that measuring values such as ROI are simply too limited to permit consistent comparison of large number of business cases. It therefore becomes essential to include a wider context, of both tangible and intangible benefits, into a business case so that optimal *understanding* and *evaluation* of investments can be attained (Ward and Daniel, 2006).

By assessing the contribution of a business case to the wider context of organizational outcomes, it promotes to align the initiatives with the organization's strategy (Swanton & Draper, 2010). There is an interest, which explicitly has been expressed by the case company, but also within an industrial context, to gain understanding on how business cases can be used to successfully support an innovative organization and its strategy using a *process* approach. Thus this will require a focus on the whole business case process and not only the business case initiation. Managing the business case and its practices correctly provides insights and understanding on how to provide organizational value (Ward et al. 2007).

The case company SKF Group bases its business case fulfillments through project management and more specifically the advised project management system GPM2 (Group Project Management 2). Business cases, usually directly relatable to projects during the realization, are generally considered as "*off-line*" work that is not disturbing the current processes of the organization; instead they are supposed to add value through organizational change when implemented which raises difficulties in effective alignment to the line organization (Melton et al, 2008). If there is not a well-established procedure for fulfilling the business case and evaluating it, as a consequence financial difficulties and poor resource efficiency are probable. A contribution of poorly established procedures gives poor investment objectives that usually are not aligned to the current business strategy and finally risking not acknowledging case performance through bad or nonexistent evaluation.

1.3 Purpose

This thesis will investigate how business cases can be used to create strategic value in large to medium sized industrial organizations. The objective of the study is twofold; (i) to analyze the general industrial *difficulties* of using business cases as a process tool for strategic value and (ii) secondly to suggest managerial *recommendations* and improve the business case methodology at the case company.

1.4 Scope and limitations

A business case is a vague concept that organizations interpret differently (Smith, 1998). This study has used a definition of a business case that consists of three dimensions; *benefits*, *risks* and *costs*. Benefits are naturally the most important for strategic value creation. There will not be any concentrated focus towards risk management and cost or financial management even though they are integral parts of business cases since they are complex disciplines and will only be approached where there is a connection to strategic value creation. The study will however take all three dimensions into consideration in order to promote an efficient business case process, as they are highly interdependent. There will be a process approach towards business cases, thereby not only the development of the document itself but also the *management* (also known as realization, see e.g. Ashurst & Doherty, 2003) and *evaluation* (see e.g. Maes et al. 2014). The recommendations presented are not fully applicable or transferable directly to organizations without some adjustments to the proposed business case process, but will instead focus on providing a supportive framework and insights for improvement.

1.5 Thesis outline

In Figure 2 the thesis outline is illustrated and with the finalization of this chapter the introduction is presented firstly. Chapter two provides the framework from the literature study with a clarification on what strategic value and business case is followed by a description on the relation between the two from a process perspective. Chapter three provides a description on what research method that has been used; including research strategy, process and the quality of research. Chapter four presents the empirical results that have been researched starting with a general description of the industry situation followed by more in-depth outline of individual organizations and the case company. The results are presented according to the process perspective set forth in the framework. Chapter five analyzes the results based on five improvement areas identified from the results, ultimately being put into context to the theoretical framework. The last chapter, seven, finalizes the thesis and consists of a short discussion followed by reached conclusions.

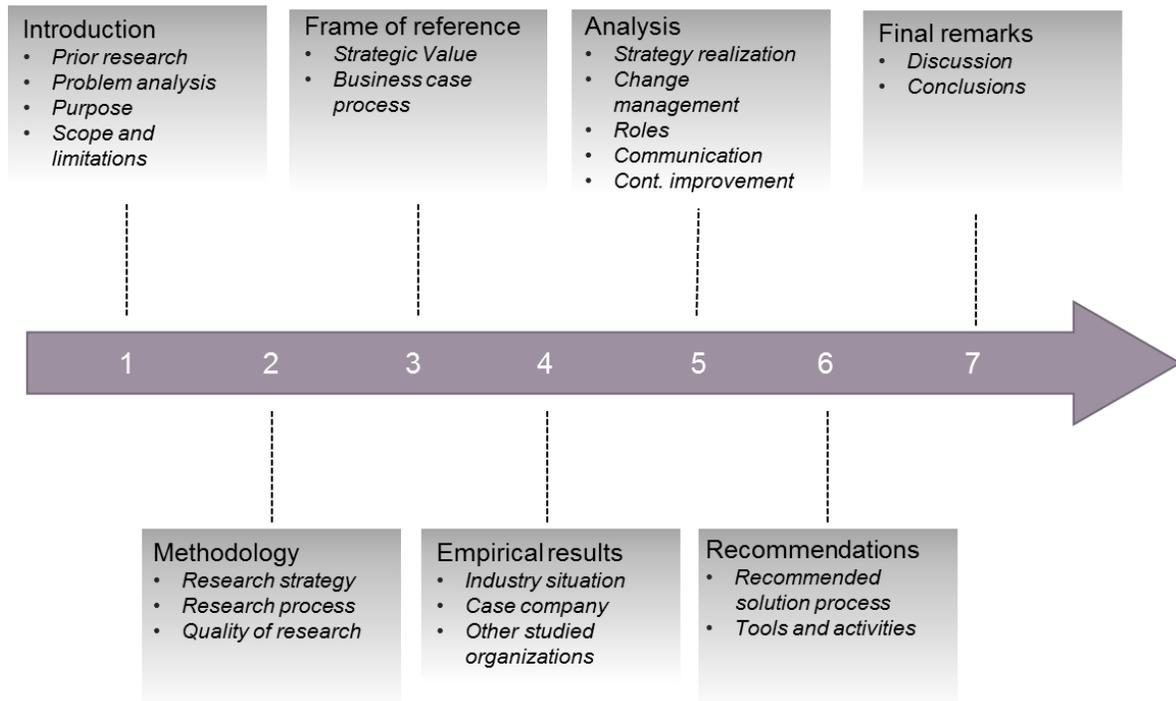


Figure 2 - Thesis outline

2 Frame of reference for business cases

This chapter will provide the necessary theoretical framework on major concepts within the area of business cases. It introduces the concepts of strategic value, change management and business benefits. Finally the application of business case initiation, realization and evaluation is described and discussed. Together the stages form a structured path of how scholars and practitioners recommend business cases to be managed from a strategic perspective.

2.1 Creating strategic value and managing necessary changes

Since the 1960s strategy has been a major subject in business studies, and in an effort to combine all theory Strannegård & Styhre (2013) defined that: “*strategy theory consists of groups of theories which all aim to explain or describe performance variation in some form, over time or across a group of organizations.*” Strategic work is the application of such theories; Skärvad & Olsson (2006) explain how the central idea of such work is to understand how the organization in question is to *create, use and maintain competitive advantages*. Yarger (2006) correlates strategic theory to organizational value by stating that it promotes an open mind to all possibilities and forces at play, prompting to consider the cost and risks of strategic decisions and weigh the consequences. Manufacturing has for a long period been a tool for acquiring competitive advantage, but also requires correlation to the strategy and a structured way of assuring it to be successful (Skinner, 1969).

In order to continuously grow and challenge the market, organizations face an increasing need for directing the company more focused - resulting in 15-20 strategic goals in today's situation compared to 3-4 during the 1960s (Marmgren & Ragnarsson, 2014). This is a result of organizations striving to be more *effective*, however at the same time they need to adapt in a fast changing environment which demands *flexibility*. Overcoming this issue requires well working *change management*.

A generally accepted definition of change management has been defined as “*the process of continually renewing an organization's direction, structure, and capabilities to serve the ever-changing needs of external and internal customers*” by Moran & Brightman (2001). Burnes (2004) further explains how change is ever-present both at a strategic and operational level. Coetsee (1999) focused on the importance of change:

"Organizational change can develop skepticism and resistance in employees, making it sometimes difficult or impossible to implement organizational improvements.

Management's ability to gain maximum benefits from change depends in part on how effectively they create and maintain a climate that minimizes resistant behavior of people and encourages acceptance and support"

In order for a strategy to be implemented it must be *supported* by all employees; they must be *motivated* to achieve it and have the *resources* to execute it (Merchant & Van der Stede, 2007). From a strategic perspective business cases thereby play a vital role in how to implement the strategic direction that the organization wants to move toward. Thus the business cases are a tool for implementing strategic change.

2.2 Adopting process thinking

With some exceptions scholars in general consider a business case in terms of the *cost*, *benefits* and *risks* (three dimensions) impact of an investment within an organization. They also state the importance of having a vision for the investment but also regarding necessary changes that must be with taken as a consequence (Krell and Matook 2009; Ward and Daniel 2006; Gambles, 2009; Harvard Business Press, 2001). In this study the definition by Maes et al. (2014) will be adopted and thereby regarded as the definition for a business case: *“A business case is a formal investment document with a structured overview of relevant information that provides a rationale and justification of an investment with the intent to enable well-founded investment decision-making.”* Note however that a document can be “living” and continuously used or re-evaluated.

More importantly therefore the business case should not only be recognized itself, a process perspective is vital to consider in which the business case plays a role during the whole process; from initiated until evaluated, as shown by e.g. Ward et al. (2008) - in this thesis presented as: *initiation*, *realization* and *evaluation* as presented in Figure 3 with the three case dimensions.

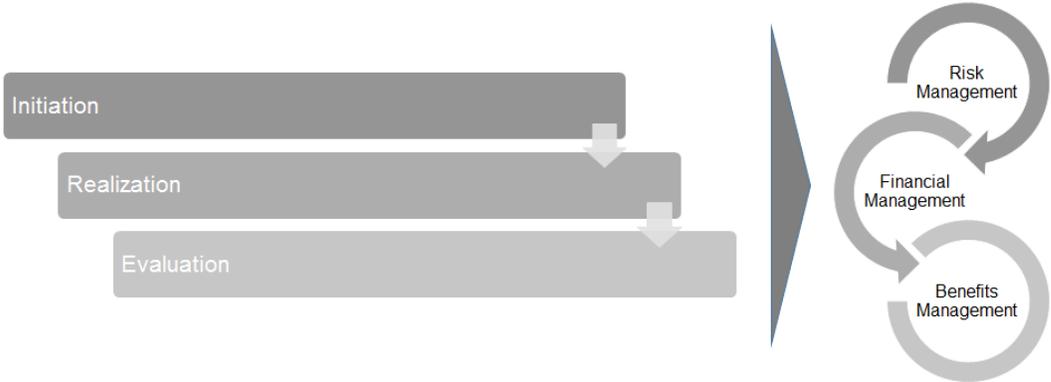


Figure 3 - Describing the three parts of a business case

There are several advantages of a business case, the aggregated basis for all of them is however only one: to jointly support decision making (Gambles, 2009; Thorp, 2007). This does not diminish or become less because a process is adopted; instead it acts as decision support the whole time. Most organizations adopt business case in order to promote

reasoning of cases and to justify the requirements of resources that are necessary (Schmidt, 2002). Literature on the area mostly suggests the need for a business case to include information “*on the investments vision and objectives, the changes required to realize the scope, the anticipated benefits and costs, and associated risks*” (Maes et al. 2014). As *change management* and *vision* can be seen as integral parts of business case process it is possible to divide a case into three relevant parts.

Albeit a business case plays a highly decisive role in the early stages of an investment with its defining and supporting rationale; it can also promote commitment throughout the whole project process to manage and achieve intended benefits. In fact Ward et al. (2008) considers this one of the most important factors. However, according to Thorp (2007) some organizations tend to not manage the business case along the way appropriately due to pressure of meeting delivery dates and budget targets, to basically get things done or when the business case gets too overwhelmed by the challenge of too many choices chasing too few resources.

2.2.1 Business benefits

During the 20th century shareholder value was the central concept in most of performed activities within organizations; the 21st century is however increasingly showing the importance of addressing stakeholders instead (Denning, 2015; Wheeler & Sillanpaa, 1998). This study uses primary stakeholders as the definition when addressing stakeholders, it is these that the organization cannot successfully operate without (Clarkson, 1995; Hillman & Gerald, 2001).

Ward and Daniel (2006) defines business benefits as an advantage on behalf of stakeholders and is only successfully realized when the stakeholders value the business case positively. Business benefits are the single most important part of the business case process when addressing strategic value creation. A comprehensive business case with clearly defined benefits can contribute to satisfying the strategic relevance and secure stakeholder commitment. Benefits thereby also provide an important foundation for developing *relational* interactions rather than *transactional*, ultimately offering competitive advantage as relational interactions are difficult to replace by competitors (Hillman & Gerald, 2001).

Murphy & Simon (2001) further state that business benefits can be seen as either *tangible* which can be quantified or *intangible* which can be identified but not quantified. Every business benefit can be on an operational, managerial or strategic level. There should always be an attempt at quantifying business benefits, however if not they should still be presented in the business case to communicate its strategic value (Gambles, 2009; Kippenberger, 2000). Benefits should be used in a way that focuses on both tangible and intangible or complex advantages - some of which are typically difficult to monetize and

requires higher involvement of stakeholders to be properly defined and used. Thus creating resources based on relational interactions that offer competitive advantage (Hillman & Gerald, 2001).

A study from the healthcare industry around the business case for quality improvements showed that benefits are more an augmentation to the financial part of the business case than a supporting framework. Thus, the benefits can provide financial support but are not monetized (Leatherman et al. 2003). Still there exist controversies on to what degree benefits should be monetized as optimal application depends on the context of the organization (Gambles, 2009). Realistic options as presented by Murphy & Simon (2001) as well is to simply divide benefits into tangible or intangible and only quantify the tangible benefits (Kippenberger, 2000).

It is important to also interpret the disadvantages, something objectionable, which makes a situation or factor in a business case unfavorable or have an undesirable effect of an investment. This is refereed by Ward, Taylor and Bond (1996) as potential *dis-benefits* of an investment and should be considered and defined as their adverse impact on the investment. It is not always possible to measure or evaluate the contribution of each factor directly and Gambles (2009) even argues that dis-benefits could not always be quantified. Instead it is possible to use dis-benefits as a form of contingency thinking that possibly could be offset towards benefits but anyhow be regarded as supportive thinking during the case process. To quote the former US defense Secretary Donald Rumsfeld (United States Department of Defense news briefing, 12 February 2002):

“As we know, there are known knowns. There are things we know we know. We also know there are known unknowns. That is to say we know there are some things we do not know. But there are also unknown unknowns, the ones we don't know we don't know.”

Thus contingency is not only relevant for the business benefits of the case, but very much for the whole case itself, whereas it is vital to maintain critical thinking and include it actively throughout the business case. As we stated earlier, business cases are an integral part of change management and Graetz (2000) interestingly explains how the management of contingency and ever-present changes that occur is probably the most important feature in management research:

“Against a backdrop of increasing globalization, deregulation, the rapid pace of technological innovation, a growing knowledge workforce, and shifting social and demographic trends, few would dispute that the primary task for management today is the leadership of organizational change.”

2.3 Initiation

This phase initiates and defines the business case where benefits are identified and aspects of application are considered. These objectives can be seen as a foundation for promoting an efficient business case process.

A business case starts with a problem statement or opportunity (Gambles, 2009; Harvard Business Press, 2011; Lester, 2007). In an industrial context a case initiation may look highly different with either a senior manager giving a verbal briefing, an email declaring the urgency of a problem or a board meeting that expects a business case. Thus the urgency is seldom a priority while uncertainty is almost always present. Therefore a business case must define exactly what needs to be done and the expected benefits it will provide. (Gambles, 2009; Harvard Business Press, 2011). Lester (2007) show how *requirements management* discussing *why* and *what* needs to be brought forward at early stages and how the sponsor or receiver of the case should be accountable for the result of this stage. The traditional business case approach normally includes a definition and forecast of business benefits. However, Thorp (2003) argues that this is only for the sake of justifying business case work for the stakeholders and assumes drastic oversimplification of reality; where benefits can simply be turned on and presented once the case is completed. Lester (2007) argues that such unclarity combined with lack of accountability early in the business case may cause *scope-creep* and hinder evaluation. Naturally, benefits also flow in over time, referred to as a *benefit stream*. Consequently it needs to be measured and evaluated systematically. However this does not correlate to scope change, but instead stems from unexpected advantages that come from operations intended originally.

Thorp (2003) further assesses the business case process based on three underlying premises; (i) benefits do not just automatically happen when the project is delivered, instead a benefits stream flows and evolves over time as people learn to use it; (ii) benefits rarely happen according to forecasted plan and early estimations and are unlikely to turn out as expected or according to assumed corporate earnings. Instead organizations should aim to establish an efficient business case process in order to measure, evaluate and follow the predicted and satisfying goals; (iii) realization is a continuous process of implementing, envisioning and checking intermediate and dynamically adjusting the path leading from investments to business results.

2.3.1 Application

For a business case process to be successful, its application to the organizational structure and procedures must first be understood and acceptable from all involved stakeholders. According to Reed (2001) the meaning of business case is not a generic argument that is the right strategy of choice for all organizations in all situations, but rather something that

needs to be applied and developed carefully towards specific circumstances of organizations operating in unique positions within diverse industries. An efficient business case process is only achievable by looking at the full program of activities involved, and managing the investment program as a whole, with full knowledge of *reach*, *linkage*, *people* and *time* issues involved (Thorp, 2003). Any planned application or improvement should be aligned and tightly linked to the business strategy promoting benefits and strengthening the organizational strategic value. The following so called BTOPP (business, technology, organization, process and people) business system framework shown in Figure 4 presented by Morton (1991) provides a view of how to visualize an organization's business system in order to improve the odds of establishing an efficient and satisfying business case process.

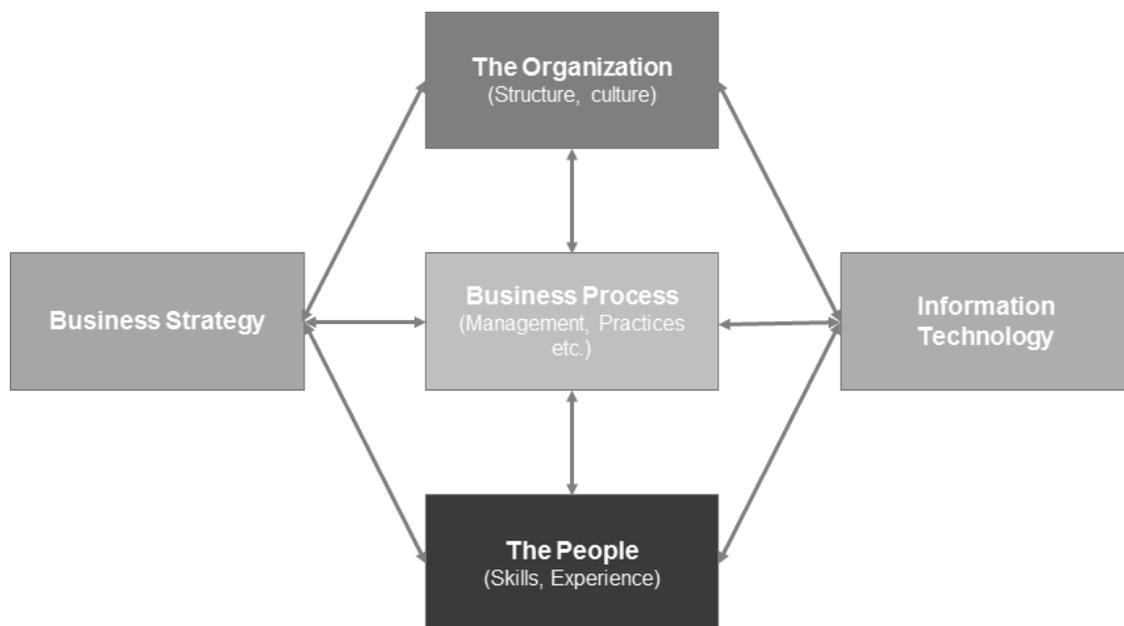


Figure 4 - BTOPP business system framework (Morton, 1991)

Each aspect should be aligned with the business case process and continuously updated to reflect changing conditions to ensure work efficiency and high availability. In order to execute the operational part of business cases organizations decide upon some type of realization form to practically execute the business case. Literature is fairly consistent on the intense relation towards project management (see e.g. Maes et al. 2014). Another option is naturally that less project oriented organizations, intentionally or unintentionally, do not recognize project management as the primary form of business case realization. Instead they could be conducting business cases by a combination of different procedures such as resource-, quality-, time management etc. that are not recognized as being a project.

However, as there is naturally no clear line of what exactly constitutes a project while scholars consistently create a connection between business cases and project management this becomes the application area of greatest relevance (Maes et al. 2014)

Project management and business cases

A study conducted by The Economist (2009) in cooperation with Oracle showed how almost 90% of questioned practitioners agreed on that project management is important for their operations. Still few of them actually have implemented structured processes for projects. For a business case to successfully be realized, project management needs to be aligned and well working. Marmgren & Ragnarsson (2014) discuss how particularly the last two decades different factions have increasingly developed more sophisticated models, process structures, standards and routines in order to support and guide their often large complex projects for the business case realization.

GPM2, which is widely used throughout the case company, related business cases strongly to project processes where each project gate has its activity list and relations to the process as shown in Table 1. Note however that *project goals*, which aim to fulfill the *business benefits* of a business case, do not respond to the same purpose. Instead project goals are supposed to be operationally achievable results that as a consequence provide desired benefits. This approach for managing projects through business cases practices one or more defined inputs in the project and turn them into deliverable defined outputs.

Table 1 - Business case process relations (SKF GPM2, 2010)

Process	Activity / project gate	Create	Review	Update	Approve
Starting up the Project	Prepare the outline Business Case	☑			
Starting up the Project	Select the approach and prepare the Charter		☑		
Commissioning a Project	Authorise initiation		☑		☑
Directing the Project	Authorise the project		☑		☑
Directing the Project	Authorise a Stage or Exception Plan		☑		
Directing the Project	Give ad-hoc direction		☑		
Directing the Project	Authorise project closure			☑	
Initiating the Project	Refine the Business Case			☑	
Controlling a Stage	Review the stage status		☑		
Controlling a Stage	Capture and examine issues and risks		☑		
Controlling a Stage	Escalate issues and risks		☑		
Managing a Stage Boundary	Update the Business Case			☑	

Salzmann et al. (2005) argue that business cases as a research topic related to project management is inherently linked to two uncertain factors, which also may further cause difficulties or prevent conclusive findings. The *complexity* of business case nature is usually contingent on a number of parameters (e.g. technology, regime, visibility) that can

vary between projects and different points in time. The business case may exist but may often be marginal in practice and/or difficult to detect depending on the organizational context or the type of projects, this phenomena is known as the *materiality* and can further contribute to difficulties when quantifying business benefits.

2.4 Realization

Business case process, realization (see Bradley, 2010) or value management (see Swanton & Draper, 2010) in literature, are the organizing activities that are with taken in order to achieve possible benefits that have been identified and defined in a business case (Peppard et al., 2007). Bradley (2010) makes use of the definition developed by UK consulting company sigma to explain benefits management; *“the process of organizing and managing, so that potential benefits, arising from investment in change, are actually achieved”*. The definition of business case realization is not as explicit. It naturally involves benefits management but also the two other business case dimensions, *risk-* and *financial* management. The three dimensions all however have one objective: to facilitate decision support in the realization of business benefits.

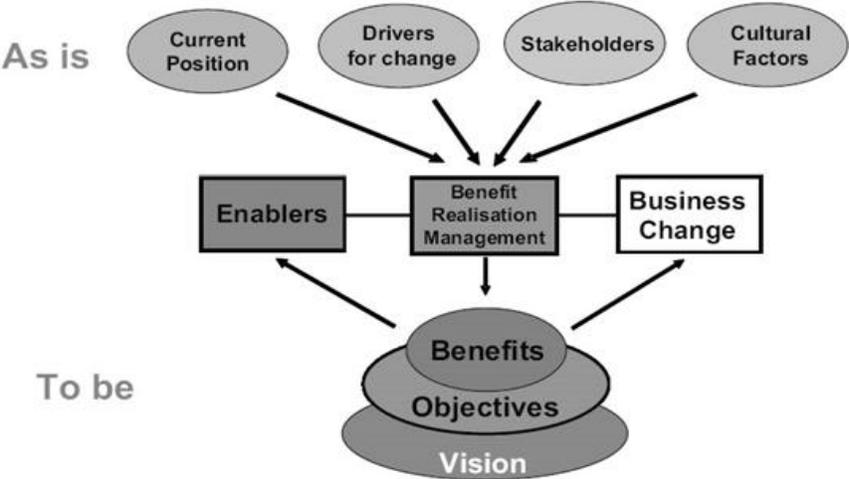


Figure 5- Description of benefits realization by Ward & Daniel (2006)

In order to achieve successful business case realization it is important that the benefits are strategically aligned and actively considered throughout the whole process. Figure 5 describes how realization management according to Ward & Daniel (2006) is dependent on several currently existing factors but the realization itself stems from a vision - or, as frequently mentioned, strategy. Failing to consider benefits in business cases can result in identifying mere 10-25% of all potential benefits; causing massive lack of resource efficiency and poor alignment towards organizational needs (Bradley, 2010).

Thorp (2003) produced a framework which shows the business case process by developing four questions as seen in Figure 6. All four questions are dependent on other activities and benefits management can naturally exploit other methodologies such as six sigma or lean to fulfill benefits.

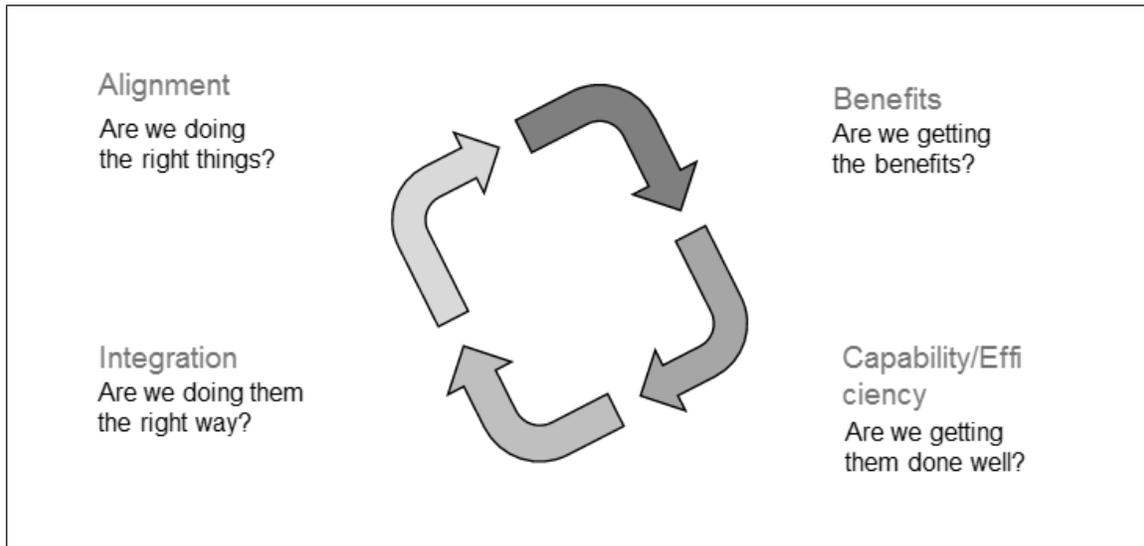


Figure 6 - Thorp (2003) explains the four fundamentals of a business case process

By applying the framework and focusing on correct execution of the different areas in the model, the organization will promote successful business case identification and definition. The model further corresponds to the methodology of benefits realization management, which Bennington and Baccharini (2004) have in their research about the process of benefits management. Ward & Daniel (2006) also show, as presented in 2.3 as well, how business case realization is interdependent with other procedures. The realization process is directly related to all other operations such as project management, risk management, quality management etc. but there is particularly a need to consider *resource-* and *change management*.

2.4.1 Responsibilities and roles

According to Remenyi and Sherwood-Smith (1998) the business case should establish the approach of continuous monitoring and evaluation, where active participation from the primary stakeholders as shown in Table 2, to be of decisive act during the whole lifespan of the business case realization. However, Hicks and Rowland (2013) argue that the development of the business case and input of specific information will require expertise from other members of the business case team, and in some cases require input from external specialists. Furthermore, in some cases these roles can be a part of realizing certain business benefits and be delegated responsibilities which directly affect the business case realization.

Table 2 - Main business case role and correlated responsibilities (Hicks and Rowland, 2013)

Business Case Role	Responsibilities
Sponsor	Ultimately accountable within the commissioning for the successful delivery of the project and will therefor own the business case while securing investment and ensuring the business case is monitored, reviewed regular and updated with more detailed information to ensure that the progress and development of the project remains aligned to the business case and evaluated after project closure.
Writer	Managing the project expenditure against the overall investment defined in the business case including preparing and updating the business case while ensuring actions to maximize the outcomes.
Commissioning	Supporting the business case in terms of validation and review ensuring the business case is strategically aligned while providing early warnings of any changed or new business drivers that might affect the business case.
Receiver	Profiling the business case and associated costs together with the business case writer and further ensuring operational stability in terms of collecting, evaluating and measurement data is maintained during project progression in order to secure business case realization.
Project Management Office (PMO)	Supporting the business case by providing compliance, maintaining information, facilitating reviews and aligning resources that can support business case realization.

In order to promote an efficient business case process, responsibility specification for realizing the business case is needed and must be aligned and agreed by the stakeholders involved (Ward & Griffiths, 1996). Thus including vital consideration from all stakeholders on what is possible and required for the business case realization (Remenyi & Sherwood-Smith, 1998). Research conducted by Leatherman et al. (2003) show how responsibilities directly reflect upon the outcome of a business case as certain stakeholders may not fully commit to the responsibilities that have been assigned or they may have difficult with the time of commitment needed since it is quite common that stakeholders have other responsibilities within the organization that collide with the business case. However, the business case cannot be static, meaning that it should be actively maintained throughout the realization, continually updated with new information on benefits, financials and risks (Hicks and Rowland, 2013). Which further indicated that the stakeholders must accordingly to the business case be continually involved and updated with new relevant information necessary regarding the realization process.

2.5 Evaluation

Business cases tend to differ in terms of the overall difficulties in evaluation of its outcomes. Bennington & Baccarini (2004) argue that the most common reason is that organizations do not delegate or focus the right resources on evaluation. With pressure from stakeholders to only deliver results management ultimately fails to put focus on evaluation and thereby, knowingly or unknowingly, constructs a negative evaluation culture. According to Farbey et al. (1992) the evaluation should focus on comparing expectations with the outcomes. This requires that the business case is measured at the beginning of the business case and once it has been in operation for some time. The evaluation according to Ward & Griffiths (1996) should involve all key stakeholders and have the purpose of i) maximizing the benefits of the business case, ii) identify if the business case has been realized and to further investigate reasons and acuties for deviation, iii) finally provide experience and lessons learned for future cases. OGC (2007) further states that the business case evaluation might also identify opportunities for realization of benefits that have not been revealed at the beginning of the business case. Such opportunities may arise at any time in during the realization and should be investigated further in order to bring new benefits within the scope and create a more efficient business case. Of course additional benefits should come from original operations and not be a result of scope creep.

While closing a business case it can be challenging to determine if the business case actually has achieved its purpose considering the difficulty to progress according to plans while ensuring resources alignment and alignment to strategic values. Hicks and Rowland (2013) argue that ensuring closure of the business case require knowledge and management focus on ensuring that procedures are followed, financial terms are met, adaptations and changes are made accordingly and finally that benefits are achieved within acceptable tolerance. A management style that regards both *monitoring* and *measurement* is necessary to achieve a sustainable evaluation system in regards of defined benefits.

2.5.1 Monitoring

Once each benefit has been defined, possibly quantified and profiled in the business case, a monitoring strategy should be constructed (Kippenberger, 2000). Monitoring the business case will enhance the evaluation possibilities and define how well the case both ended in terms of tolerances but also how it was realized (Bradley, 2010). To further assess if there is any disturbance or deviation occurring there should be an efficient monitoring plan incorporated to detect if any internal or external changes have occurred that will affect the delivery of outcomes (Ward & Griffiths, 1996). Ashurst and Doherty (2003) highlight that business case monitoring focuses on changes and actions necessary to facilitate and assure efficient business case process, rather than just project deliverables: *“The execution of the*

set of actions necessary to realize all of the benefits specified in the benefit plan” (Ashurst and Doherty, 2003).

2.5.2 Measurement

Once a business case have been justified and approved, its stakeholder identified, and benefits defined, a process of measurement toward the business case is needed. Thorp (2001, p.106) highlights the importance of measurement in business case management by the statement: *"If you can't measure it, you can't manage it"*. By quantifying a benefit whenever possible, managers can more accurately offset the necessary actions of achieving it and the business case can more easily be measured and evaluated (Kippenberger, 2000). In order to attain a financial perspective of the business case Florio et. al. (2008) suggest using benefit cost ratio (BCR) which express the present financial value of business benefits divided by the present financial value of cost investment by using the following formula:

$$BCR = PV(I)/PV(O)$$

The PV(I) express the present value for the business benefits inflows and the PV(O) express the present value for the investment costs outflows for the business case. If the BCR is greater than the value of 1, the business case is suitable because the benefits generate more inflows than the cost for the investment outflows. However, this ratio is independent of the size of the investment and does generate ambiguous business case in terms of neglecting other constraints applied; instead the value should be used to assess a business case overall tangible efficiency. Furthermore, the ratio is sensitive to the classification of the business case as benefits rather than cost and is only relatively common to have business case effect than can be treated both as benefits and as cost reductions and vice versa. Since the ratio promotes business cases with low cost, considering its positive effect as cost-reduction rather than promoting the total amount of net benefits and therefore the ranking can reward more business cases that contribute less to the overall increase of organizational advantages.

According to Thorp (2001) the fundamental concept of a business case is profound measurement and alignment of the proposed benefits in order to promote efficient evaluation. Bennington & Baccharini (2004) discuss the advantages of developing and including measurable benefits in the business case as: i) assist on business case justification and approval ii) show reasoning about linkages relating the business case to strategic values, iii) identifying the business case process measurement, iv) link responsibilities to the business case, v) draw conclusions and facilitate actions based upon evaluation, vi) enable stakeholders to easily assess whether business case have been realized and benefits achieved as expected.

3 Methodology

This section presents the methodology for the Master's thesis. First the methodology is formulated including the research focus. Secondly the thesis process is described consisting of four stages progressed throughout the study. Lastly the quality of the thesis is discussed.

3.1 Research strategy

Targeting difficult areas in business cases, a wide analysis was conducted involving an empirical investigation towards a specific case study organization, SKF, which further was accompanied by an extensive industry comparison. The research strategy approach was a combination of a qualitative and quantitative approach; a so called multi strategy approach (Bryman & Bell, 2007).

The qualitative approach is generally explorative and can in the beginning of a study offer wider understanding than a quantitative approach (Björklund & Paulsson, 2003). While a qualitative approach is suitable for inductive research, a quantitative approach is more for a deductive research and is supportive when a hypothesis is being tested. The first part of this study was of qualitative nature and consisted of an explorative study followed by a more quantitative research where data was gathered in terms of observations and interviews at the case company as well as interviews at other participating organizations in order to verify the hypothesis. Empirical data stemmed from three different approaches: *literature review, participatory observation and interviews*.

Through the multi strategy approach, case study conclusions were made and an implementation performed. The methodological layout shown in Figure 7 for the overall strategy of the study is based on the quality management tool DMAIC (Define, Measure, Analyze, Improve, Control), which is a part of the Six Sigma methodology (Bergman and Klefsjö, 2010). The tool was as a guide and a performance measurement system which contributed to a structured and efficient work process.

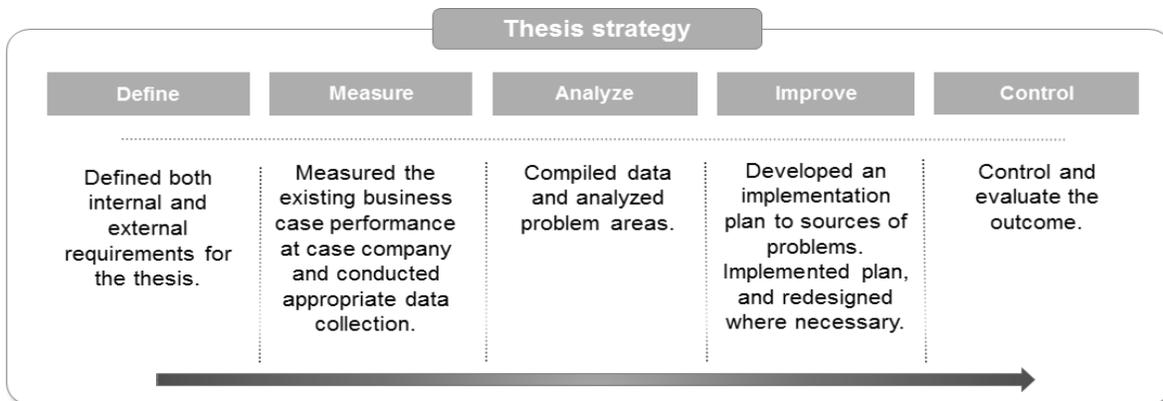


Figure 7 - Methodological thesis layout according to DMAIC

3.1.1 Research area

The focus of the thesis was divided into three aspects consisting of business case *initiation*, *realization* and *evaluation*, which are considered highly important for the purpose of the thesis and as well are established and supported in literature (Harvard Business Press, 2007). All three aspects are also based on the fundamental three dimensions of a business case. These aspects were developed further to be included in the questionnaire presented in Exhibit 1 and used for both the external and internal interviews conducted. The quantitative questionnaire structure corresponding to the research focus is shown in Table 3, which regarding business case practices was used in order to identify perceptions and qualitative variables on practices supported in literature.

Table 3 - Benefits practices in Business cases - research template and references

Research focus	Practice	Source
Business case initiation	Benefits strategy application to support benefits realization	<i>Bradley (2010), OGC (2007)</i>
	Benefits definition	<i>Bradley (2010), Melton et al. (2008), Buttrick (2002)</i>
Business case realization	Measurement frequently to ensure benefits expectation and alignment	<i>Bradley (2010), Melton et al. (2008)</i>
	Project outcomes monitoring to ensure benefits achievement	<i>Bradley (2010), Melton et al. (2008), OGC (2007)</i>
Business case evaluation	Identification and evaluation of benefits according to business case	<i>OGC (2007), Ward & Daniel (2006)</i>
	Efficient benefits management for better project outcomes	<i>Bradley (2010), Buttrick (2002)</i>

The questionnaire acted as a base for empirical data gathering and the results from each stakeholder group have been conducted in a *prioritization matrix* presented in Exhibit 2. The tool is a multi-dimensional decision matrix that provides a structured method to sort a diverse set of factors into an order of importance (Office of Quality Improvements, 2012). The tool provides a means for the thesis by ranking the business case criteria's and provide a clear view of which criteria are screened to be most unclear. The results from the matrix are later included in a *line chart* in order to visualize the different prioritization criteria for each stakeholder group. The line chart is a two-dimensional chart type designed to plot series of values over multiple common quantitative variables. The results are used to attain

a view of how stakeholders perceive the current business case management system and to further assess potential differentiation.

In order to identify the respondents' perceptions, each corresponding question was subjectively responded by a rating scale, which according to Iarossi (2006) is an effective method to evaluate answers such as opinions and perceptions. Furthermore, in order to rate how much the respondent agreed to a statement or a question, the rating scales were divided in five ranking scales, from "*strongly agree*" to "*strongly disagree*". By combining these two methods, the questionnaire promoted a higher probability of providing useful inputs for the evaluation of the current practices within the organizations (Peterson, 2000).

Since the practices are better understood when assessed by different perspectives (McLeod et al, 2012), the questionnaire was further elaborated by "explanatory questions", which focused more on discussion of perceptions, requirements and ideas of improvements of the current practices. The same overall interview strategy has been conducted on similar research about project success and has contributed to sound conclusions (Scott-Young & Samson, 2008).

3.2 Research process

Four different stages were accomplished during the research process with each stage having its one determined purpose, actions for accomplishment of purpose and deliverables from actions - as presented in Figure 8. The empirical data was gathered during the whole process where regular meetings were held with supervisors from both the case company and the university; enabling research focused progress on the applied deductive approach.

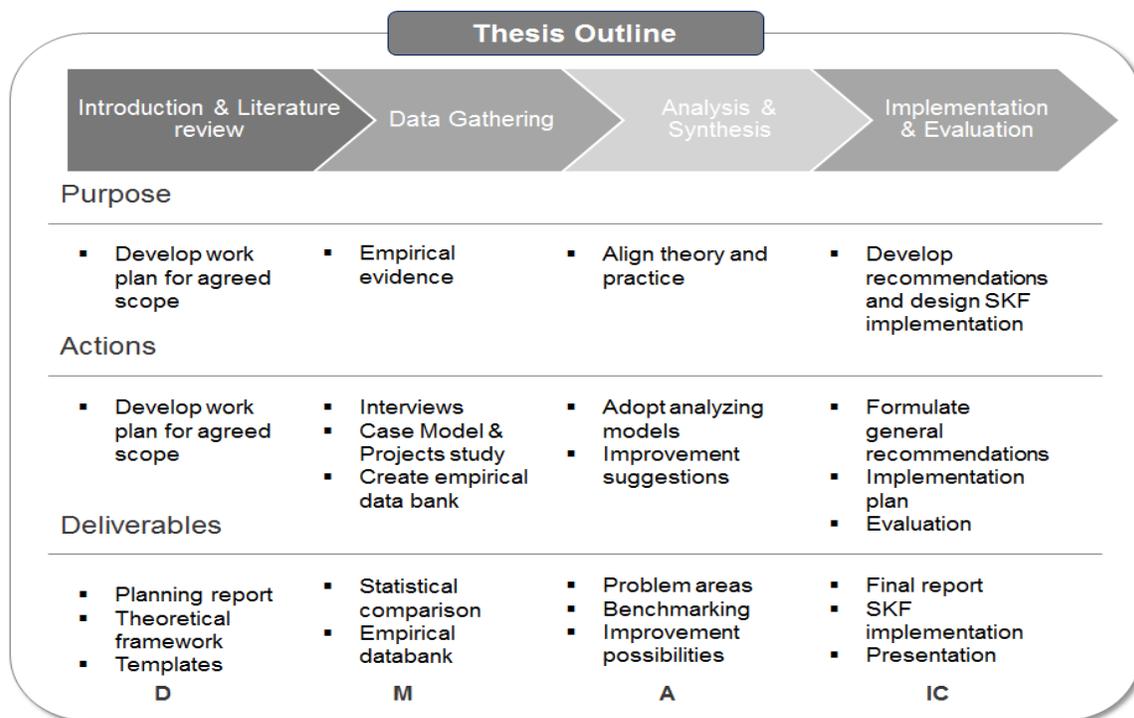


Figure 8 - Thesis process

3.2.1 Explorative study - introduction and literature review

The process started with an explorative study consisting of a literature review that was performed by approaching information gathering from several directions including “Summon” through Chalmers library, Google Scholar and literature lists from courses included in the International Project Management program at Chalmers University. The data found, consisting of academic papers, books and research articles has been used in form of a deductive approach, which according to Neville (2005) is a systematic and structured method to formulate more exact research areas after support of a wide initial research. The relevant information will in a second step be found, processed, grouped, compared and analyzed to promote the purpose of the thesis.

3.2.2 Empirical data gathering

Both the case company and other organizations in the same industry have been studied, however the other organizations have not had any in depth research, thus consisting of only one interview with a certain position role per organization. Other organizations, than the case company, have been assessed almost exclusively by interviews. This study has been performed in an industrial context with large to medium-sized Swedish organizations, including a wide case study including participation in daily work at the case company. Large to medium-sized organizations tend to have a higher organizational complexity,

mature working processes and defined roles making decision making more complex and differentiating the need for business cases compared to startups (Maes et al. 2014).

In order to obtain a constructive analysis, the data gathered consisted of a case study and was complemented with data from other large to medium-sized Swedish industrial organizations. The case study was of a *revelatory* nature, meaning that the researchers were enabled the possibility to conclude research in an environment that would not otherwise be accessible. Through the cooperation with the case company, access was granted to proprietary information and the research procedures were able to be conducted in the working environment. The outcome of the case study approach resulted in deeper understanding which contributed to advance the research in a methodologically efficient path for the specific purpose (Jonker & Pennink, 2010).

Documentation data collection

An extensive amount of documents from the case company were gathered and analyzed. The types consist of meeting reviews, process charts, correspondence, project reports, internal memos, instructions, IRE procedures (Investment Return Expectation), project handbooks, organizational learning material etc. Bryman & Bell (2011) highlights the importance of assuring the quality of each document in order to promote reliability of the research, why precautions have been considered when analyzing different types of documents. No conclusions have been based on a single handed document and instead always been related to other forms of findings.

Participatory observation

During the process of the thesis the researchers got the opportunity to participate in daily work at the case company. Thereby the researchers have been able to be a part of informal conversations and observe critical and difficult situations in business case processes. This research approach enabled studying and even taking part of operations in a *natural setting*, thus provided a general context that guidelines the case study (Kawulich, 2005).

Interviews

Interviews were arranged and conducted with employees of different roles both at the case company and at the other organizations. A total of 42 interviews were conducted, 36 internal and 6 external. The interviewees were given a clear understanding of the purpose and context of the study before the interview begun. The interviews conducted were a combination of a structured and semi-structured approach. It allowed the interviewers to conduct a comparison by analyzing the results on structured questions that were graded in the questionnaire while retrieving flexible answers with different views in the semi structured part (Bryman & Bell, 2003).

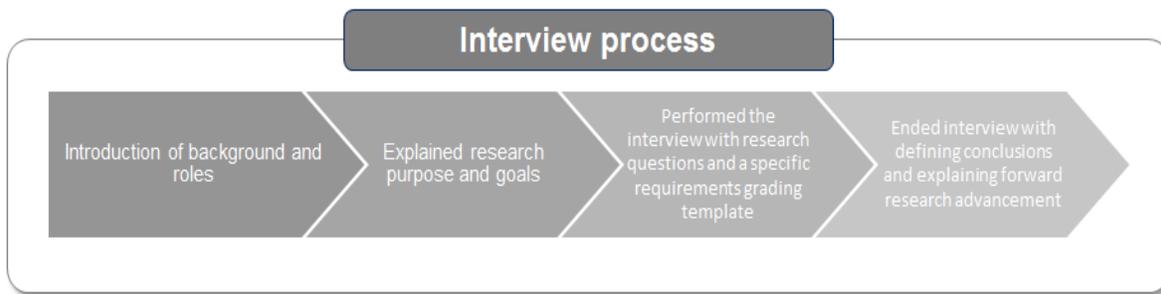


Figure 9 - Interview process outline

The interviewed participants consisted of individuals who have association to project- or investment management within their field of work and have contributed to creating a better understanding of how business cases are applied. The interviewees had different roles in different organizations which are presented later in the study.

Three academic interviews were performed at early stages to gain insight into the theoretical framework presented in the study. For the external interviews a person was chosen from each organization that had a business case oriented line of work and belonged to an organization with a level of complexity that required business case processes to effectively function. Internally interviewees were approached if they were considered to be a part of the line of work in business cases, as this aimed to create a deep understanding of current practices at the case company. Due to the importance of ensuring credibility of the thesis, interviews were performed with all organizational positions involved in the current business case procedure.

No preparation from the interviewees was required; hence the background of the thesis was first well-presented before the formal questions started. All interviews were aimed to be held in person as it gives the interviewers a better perception of the respondent's feelings and thoughts (Kylén, 2004). However, when the interview was not possible to be held in person due to practicality, telephone interviews were conducted instead.

3.2.3 Analysis and synthesis

In this segment the empirical data and literature review were analyzed and then merged into comprehensible conclusions on perceived problem areas. A holistic approach connected the wide data analyzed with the literature and empirical study into a synthesis; effectively finding “bottlenecks” in the gap between relevant theoretical frameworks and actual business case practices. No existing method was established as a frame for the development of the analysis. Instead the analysis was designed according to five identified areas in the results. This enabled a structured approach towards handling and connecting the gathered

empirical data to find potential improvement areas at the case company and to support development of recommendations.

3.2.4 Implementation and evaluation

Recommendations were developed specifically for SKF with regard to conclusions reached in the general empirical investigation. From a holistic approach the problems that were identified were conducted on different levels, organizational, administrative and operational. All recommendations were developed in accordance to the discussion with relevant employees at the case company. As the DMAIC tool was adopted it also ends at this stage, however due to time issues the control phase was not executed. SKF Gothenburg will continue the control phase and evaluate the implementations without the assistance of the authors to this study.

3.3 Quality of research

Generally the four elements of reliability, objectivity, internal- and external validity are used when quality assurance for case studies is discussed (Yin, 1994). Considering how the core of this study is to be recognized as qualitative, even though it has elements that are more of a quantitative nature; the traditional approach through validity and reliability are not fully applicable due to their focus on the adequacy of measures (Bryman & Bell, 2011). Instead trustworthiness brought forward by Lincoln and Guba (1985) has been used as criterion to analyze the quality. Its four elements have served as the assessment base:

Credibility: Can be compared to the traditional criterion internal validity and focuses on how valid “*cause-and-effects*” are drawn. By using an approach consisting of participative-, explorative- and literature study in the data collection the credibility is considered high by *triangulation*. The wide approach in the case study, interviewing many different organizational positions and individuals on the same position, further improved credibility and avoided conclusions based on subjectivity.

Transferability: Can be compared to the traditional criterion of external validity and focuses on if the research conducted can be generalized to fit in other contexts. This study has put a core focus on the case study, which is context specific and not transferable. The explorative study and the interviews conducted at Swedish based large to medium-sized industrial organizations are transferable to a larger extent. Therefor the general transferability of this study should be considered high only for large to medium-sized Swedish organizations. However, even the results and implementation plan from the case study is partly or largely relevant for other organizations with the same structure and processes.

Dependability: Can be compared to the traditional criterion of reliability and focuses on if the results can be produced over again. The research is well defined and clearly structured why repeatability should be easy to perform by other parties. A wide study was conducted both at the case company and in the industry to assure repeatability. Albeit only one person was contacted at each organization for the industry comparison the interview design was made to enhance objectivity. Regarding however the future state of dependability it is important to discuss the time frame as organizations involved in the study develop their processes and project management that may affect the areas studied. Thus it should also be recognized how the implementation plan that resulted from this study presumably changed the perception within the case company and would lead to other findings.

Conformability: Can be compared to the traditional criterion of objectivity and focuses on the possible subjectivity issues that may have influenced the results. During the study the researchers have thoroughly communicated potential subjective conclusions while supporting discussion with quantitative data and literature. Finally a continuous dialogue has been held with supervisors from within the research context, at the case company, and outside, at the university.

4 Empirical results

This chapter presents the findings and results from the empirical study. Firstly presenting the industrial situation, which generally is describing business case processes in the studied industrial context with large- to medium sized companies. Thereafter outtakes from different organizations are formulated to give an understanding for the outtakes from performed interviews. Lastly an in-depth investigation of existing business case process at the case company is presented.

4.1 Industry situation

Fundamentally business cases in all organizations have a common purpose to achieve business benefits that stem from a business need or requirement. Although adopted differently business cases fulfill the benefits by offering *decision support* in all phases. As we have learned a business case consists of three fundamental aspects: *risk-*, *financial-* and *benefits management*. The three business case aspects have been found to be decisive in different aspects for the successful process of business cases, as shown in Figure 10.

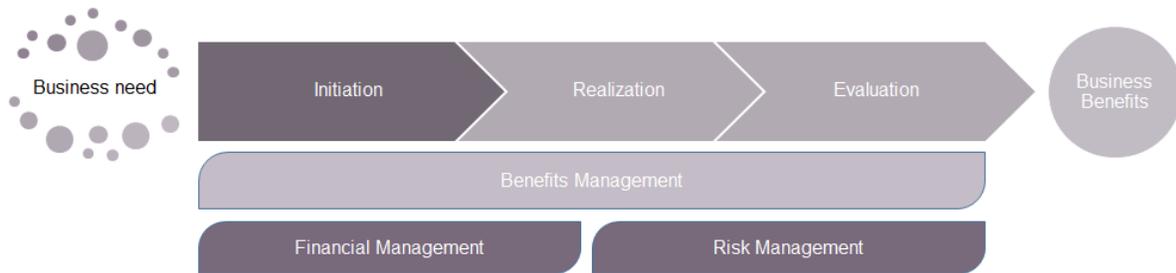


Figure 10 - Process illustration of the three dimensions and phases of a business case

Organizations have over time developed processes and roles that are suitable for their type of operations, but this also means that widely different types of ways exist also in the approach of business case process. The general perception among the interviewees was filled with the importance of business cases, but just as much there was a concern with how they were adapted to the organizational context. Regardless the overall business case, roles and procedures can in all studied organizations be transferred to generally recognized roles used by scholars as described in Figure 11. The process can most easily be described with the case writer receiving orders or needs from the organization to achieve, usually vaguely described, business benefits. Typically the case writer is a project manager at the organization but it can also be a department manager, specialist, researcher etc. When a business case is formulated by the writer, commissioning launches the realization phase and designates a relevant sponsor that in turn becomes responsible for assuring that the case realizes defined benefits. A sponsor is typically a person with overall result responsibility for operations for which the business case is directed to. Achieved business benefits then

get transferred to the receiver who depending on the type of case can be a number of roles e.g. production manager, HR, sales director etc. Note that the receiver and sponsor do not necessarily have to be different persons but can be the same. However, for the case writer and sponsor it is in all studied organizations required to separate the two as the goal of having a sponsor is to facilitate another perspective to the, more often, “*subject focused*” business case writer. The sponsor gives a strategic orientation and applies a more holistic perspective to the business case.

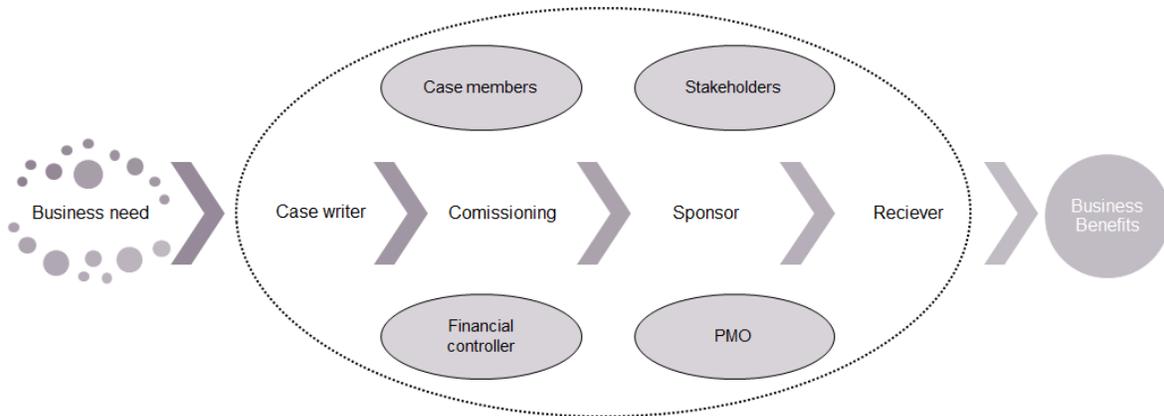


Figure 11 - Process illustration of the usual roles in the business case process

Besides the already mentioned roles the business case process also consists of actors who in different ways support the fulfillment; a controller that normally facilitates the financial part of the business case and some form of PMO that supports organization of resources, time and to some degree also financial parts. It is not necessary that the organization has a PMO explicitly, as this is rather formal and somewhat reflects a higher project maturity with clear project orientation. Instead some organizations, or parts of organizations, tend to be more flexible in the approach and assign a group of managers that correspond to the role of a PMO but do not necessarily put as much focus on projects or formality.

Discrepancy between a business case process and usual organizational processes is considered problematic among several interviewees. The reason for discrepancy can be related to poor adoption to the organizations current operations. Organizational layout and cultural values play a decisive role in how business cases will be adopted in the actual environment. The sponsor role illustrates the differences pedagogically; while some organizations value the role to the extent of creating a single handed organizational position for it, most others struggle with finding enough human resources to even fulfill qualified personnel to existing business cases. As a consequence many cases receive sponsors that are overscheduled or unprepared – not seldom both. *Sponsor training* by external or internal professionals is considered an important tool for many but at the same time the root cause is not fully managed by this approach. Educating or training sponsors in their roles

normally helps to raise awareness but cannot achieve practical implementation if not supported by everyone involved in the business case process.

Another aspect that is differentiating organizations and aggravates attempts of generalization is the different perspective on how to define a business case. While some organizations view a business case as a (i) process while others tend to strictly approach it as a document (ii) that ends when the case is *approved* by commissioning; the reality is instead typically a combination of both.

Lastly and most importantly differences occur not only between organizations but even more between different aspects of the business case process itself. These aspects then also become subject to differences between different roles in the organizations. An investigation has been performed as described in the methodology, consisting of a specific grade-scaled questionnaire shown in Exhibit 1. Figure 12 presents the result from the total of 42 questionnaires conducted at the organizations and acts as a base for comparison of perceptions towards current business case procedures among case members.

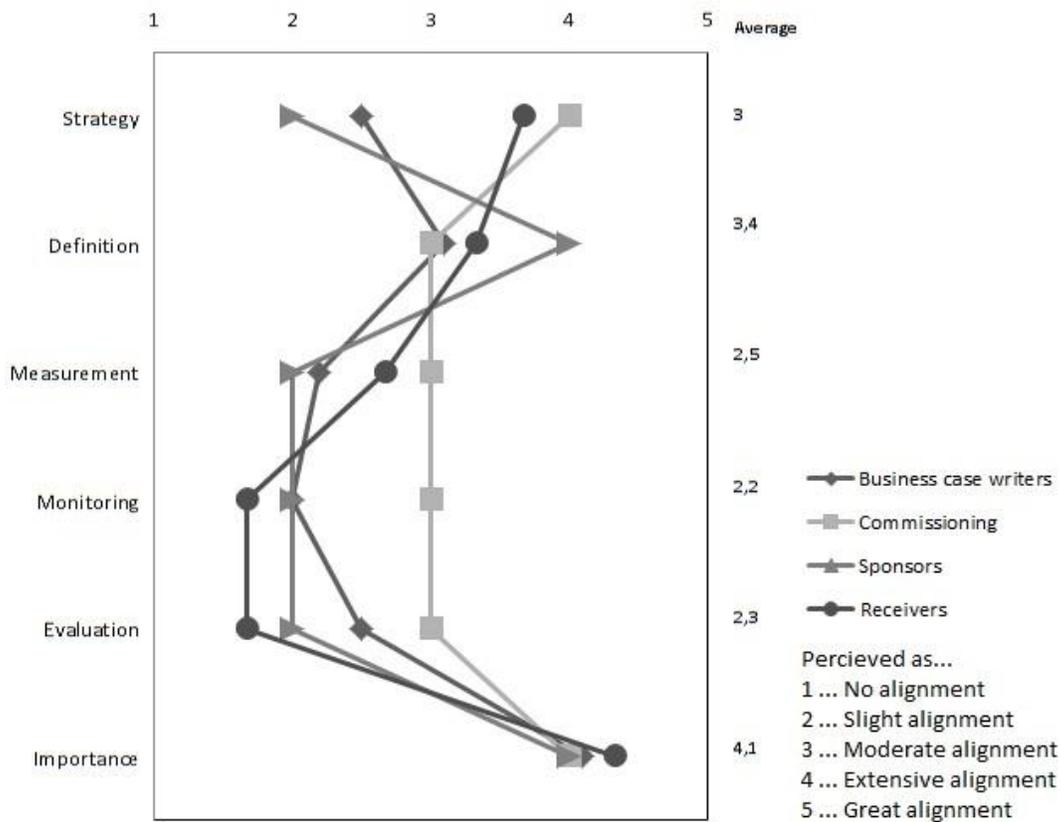


Figure 12 - Summarized result from questionnaire: Perceptions towards business case procedures

In a general context the respondents expressed a generally acceptable view on current procedures with some aspects being recognized as poorly adopted. The importance of business cases and the effective usage of it were however without exception expressed as vital. Although in regard to the other aspects clearly not enough effort is perceived to be put into promoting successful business case usage.

Among the respondents there was generally a clear understanding for the importance of using business cases to promote *strategic goals* and make sure focus is directed towards vital operations. However, the perceived alignment varied more than in any factor between commissioning and case writers. In general regard, commissioning expresses a more positive outlook on the alignment of different aspects. There is further a consistent acceptance and reasonable satisfaction with how well benefits are *defined* among all roles. For the *measurement, monitoring* and *evaluation* aspects an acceptable level of alignment is present while combined with an inherent knowledge that there is much potential for improvement and are perceived as the most difficult to perform and effectively maintain. However, these are mainly dependent on a structured and consistent business case strategy with clear guidelines.

4.2 Assessment of other organizations

Several other organizations were investigated and questioned according to defined criteria in the questionnaire. Defining different instances according to same measures offers a consistent way of evaluating organizations. Table 3 presents the external interview assessment.

Table 4 - Interview assessment of other organizations

Organization	Business Case Role	Company Role
SCA AB	Commissioning	PMO director
Volvo IT AB	Commissioning & Sponsor	Department manager
Vattenfall AB	Commissioning & Sponsor	PMO director
Göteborg Energi AB	Business Case Writer & Sponsor	Department Manager
Stora Enso AB	Commissioning & Sponsor	Department Manager
BillerudKorsnäs AB	Commissioning & Sponsor	Department Manager

Commitment to the usage, and efficiency, of business cases is consistent in all studied organizations. Equally consistent is however the agreement on the present dissatisfaction with current business case processes.

A frequently recurring theme in the interviews was *communication*. Business cases are seen as an important communication tool. As interviewees also feel that communication is a crucial step towards becoming more effective and reaching better results, they also understand the importance of business cases. Although not explicitly stated by any of the interviewees, all explained how using business cases improve *conflict management*. Then, as a commissioner at Stora Enso mentioned: “*communication is core in everything we do, how do we use business cases to improve it?*” Most interviewees independently and directly affirm that without alignment to operational needs no communication improvement can be caught. As a consequence it is instead likely to receive more administrative work that is consuming time while not delivering any valuable outcome. Several interviewees approach the danger of having a very standardized business case process that provide work nobody is requiring, or in need of. Bridging the many and difficult gaps between departments or people that normally arise in complex organizations, and in which business cases play a key role, is done most effectively through communication.

Lean initiatives have played a larger impact on mindsets of organizations. Participants in the study typically agree on how continuous improvement somehow is colliding with the concepts of standardization. Typically business cases must be standardized to a large extent, especially in larger organizations, whereas it would be natural if business case processes therefore were not a very welcome addition to already complex working environments. On the contrary, most interviewees still found it important to have business case process, particularly from a lean perspective. A department manager at Volvo IT, working regularly with business cases stated:

“Lean and other organizational improvement methods all focus on doing the right things; business cases support such thinking. They make sure right things are done and that they are communicated throughout the organization”.

Thereby the fundamental parts of a business case in acting as decision support and increasing communication are directly supporting many other improvement methodologies. Several other interviewees had similar comments: a sponsor at Stora Enso declared:

“Why should someone be frustrated if a business case is declined (in the IRE; writers edit), it just shows that the business case has not communicated the actual issue you want to solve well enough, or someone knows something you do not know”.

How to cope with several discrepancies is another relevant issue that needs to be taken into regard as well. A department manager at Göteborg Energi showed a concern for how business cases are a great tool for many reasons, but there is also large possibility for consequences if the business case is used wrong. The manager expressed a concern for how business cases can be used with its inherent nature of focusing on financial issues. *“Only looking at what profit that can be made is not realistic, you must have resources available to complete necessary tasks”*. This quote carries two fundamental issues that several interviewees in different ways brought forward; Firstly (i) many companies tend to differentiate between resource management and business cases, contributing to misalignment that usually results in overladen employees. Secondly (ii) there is a general perception among studied organization that finds how cultural circumstances have resulted in an overoptimistic relation towards financial issues. Business cases play a part in this deliberately positive overestimation, as writers consider it necessary to secure funding and cannot find any relevant way of doing this than by overestimating such issues. Both these issues are problems that have a root cause deeper than purely to business cases, several interviewees acknowledge. Rather they are consequences of an organizational culture that supports such behavior and consequences are channeled through the business cases. The perception by interviewees is that within their organizations people involved in business cases sometimes blame the tool, and not the underlying causes. A statement that clearly define the difficulty in separating business cases from a holistic perspective, in this case specifically resource management, was presented by a department manager at Göteborg Energi:

“The business case writers only focus on getting the investment approved - and when approved, they normally expect to have resources for the fulfillment - but this is not always possible”.

As perceived from the business case, when seen as a process, it could be divided into three different steps. These are now brought forward and related to the industry situation more directly from a process perspective.

Initiation

Generally there are two different approaches towards making a business case. The first (i) and the most common is that business case writers receive *desired benefits* and try to make a business case from these analyzing different solutions. The other (ii) option starts with the business case writer receiving instructions to make a business case for an already decided solution. The latter option involves a risk of not maximizing benefits according to strategy and failing to respect all innovations, but on the other hand may be necessary due to e.g. reactive market changes that would cause crucial damages to the organization if not executed urgently. No matter which option is chosen interviewees think that it is crucial

that the business case writer has all information necessary to take right decisions from the start, which means including all relevant stakeholders.

New changes that come from business cases nonetheless bring unease among individuals. Overcoming these natural barriers requires communication, but due to the inability of knowing *why*, *when* and *how much*, organizations generally fail to have effective communication channels for business cases.

- *Why* refers to the importance of constructing necessary communication channels. At the same time it is equally important to create *only necessary* channels. Too much information that is dispersed throughout the organization on a certain business case may cause more damage than benefits.
- *When* refers to the difficulty of attaching people to the operations of the business case at the right moment. Business case writers usually do not know if the case is approved or not until the moment where it is expected to start. Although this is a clear variability between organizations, the insecurity about case approval causes some business case writers to duck from involving stakeholders and participants too early as they have experience of building up commitment with others, finally being denied funding.
- *How much* communication refers to the amount of information being distributed. Not only can too much information on business cases, or anything else for that matter, construct a culture where information is not handled carefully but rather just shared without care. This would lead to bad visualization and a high risk for low consideration of important information.

A commissioner and sponsor at BillerudKorsnäs stated how “*communication is often forgotten or ignored early on, business cases should not be the result of one person but rather of the whole organization*”. The three aspects discussed above thereby become relevant to underline particularly during initiation, but naturally have to be respected in various degrees at all stages.

Most interviewees showed explicit need of involving people and gaining supportive insight from more experienced colleagues or experts. Several investigated organizations have a role called “*facilitator*” that aims to support the business case writer, either by external consulting or internal support. The facilitating role then proceeds to support the business case writer even as the business case is realized by becoming a *project*.

Realization

For the second part it is clear that there is a unified agreement among studied organizations that the *realization* stage is more important than currently recognized in operations. Almost equally unified is the understanding around how to handle the business case realization and its required procedures. Scope changes and scope creeps have been discussed earlier and are definitely relatable to the realization phase of business cases. Logically, measuring and handling business cases would be predictable if everything went according to plan. However, the reality is different. Instead the ability to handle changes and make sound judgments is decisive for the successful realization of the individual business case.

Managing scope changes thereby becomes important, and means involvement from top management to facilitate change management operationally must be present. When interviewees were asked about the degree of involvement from commissioning or top management it was usually “*too much*” or “*too little*”. Many experience difficulties in focusing on the right issues, as time is scarce naturally most feel the need to approach urgent issues in larger business cases. Level of involvement naturally depends on organizational context and general approach to management as a culture. Regardless of the level of involvement; equal for all organizations is the connection to project management in particularly the business case realization phase. All organizations adopt *stage gates* where the business case is reviewed according to the project. In less complex cases, project management is not present and the business case is less reviewed during realization, if reviewed at all. Same goes for smaller projects. The most dramatic consequence that results from the uneven distribution of commissioning and top management attention is creating a culture of *un-interest* for smaller, more often, operational projects or activities. In the long run this makes funding, resource deployment and acknowledgment unbalanced in favor for larger business cases.

Several other business case roles also have problematic relations due to varying reasons. *Sponsors*, typically having factory manager responsibilities or similar, already have a high workload and cannot fully contribute to business case realization activities. Same goes for *receivers*, who typically have line manager responsibilities. Although they are not commissioning or top management, they still play an important role for the successful realization of business cases. One company however approached the sponsor role totally differently in terms of having sponsors that worked full time on supporting business cases and working towards strategic goals of the organization. The appreciation from the business case writer obviously is clear; however in the end it is an organizational question that is dependent on the resources available. Regardless of what option is chosen the relationship between the sponsor and the business case writer is the most decisive for how well the case will be realized. Operating in a complex relationship that face new challenges regularly makes it difficult to standardize and most studied organizations have loose criteria for

defining the role between the sponsor and the writer. Although this promotes very effective relations in some cases, it also gives conflicting relations in others.

On the way top act as a continuous decision support during the realization phase for scope changes and involving the right individuals, communication becomes a core tool. The even distribution of top management is not the only level of necessary communication; rather it extends to every participant. Also continuous improvement is seen as a vital step in all operations by all participants. What several business case writers also expressed was the lack of understanding for strategic goals. During the business case realization much focus is put on the project plan and the operational issues that were proposed from the beginning in order to realize formulated business benefits. As a result strategic questions and actual business benefits do not become a topic of discussion at meetings of stakeholders and participants (naturally the exact level of this depends on the type of business case).

Evaluation

The last phase, evaluation, has been recognized to be of high importance but only receive limited acknowledgement in real operations. Still, “*without evaluation or follow up we lose knowledge. Most of all we lose insight in what really happened - how did we perform?*” a commissioner at Stora Enso stated. What can be seen is also that the most common denominator for improvement is the evaluation phase. Although interviewees agree on the need for improvement, little or no directions exist for business case writers or case participants to provide information or act upon any form of evaluation. Naturally, all initiatives from the operational participants in the business case is considered in vain if not put into some sort of standardized context that shares information and contributes to knowledge management. Participants therefore simply do not perform any evaluation more than necessary, what they themselves consider their best effort. The idea of performing work that will not be used effectively is deterrent.

Although the business cases themselves are usually poorly evaluated, it is quite usual to have a different kind of follow up - typically called *lessons learned*. The level of standardization and knowledge transfer to the organization from these sessions is varying heavily. Generally there is no exact procedure and the results are usually not available for the whole organization. Interviewees agreed when questioned about the lack of “*business case thinking*” during lessons learned. The reasons for these are mainly the fact that *commissioning and top management* do not ask for feedback and that it is a sensitive discussion where “people get blamed”.

A consensus exists between studied organizations that the negative outlook on lessons learned sessions partly stems from *changes* during the business case process. The changes affect the original business case and thereby listed benefits are not always possible to

realize as a consequence. These changes make it difficult to know when the business case ends. As proposed benefits fail to be fulfilled while costs escalate, it becomes a management question during the realization phase to finalize the case. No matter when finished, all interviewees agreed that it was important to make a comparison to the first business case and present an analysis on deviations based on risk, benefits and financial aspects.

The fundamental issue with evaluation is the difficulty in measuring outcomes that are not always quantifiable or practically measurable - with the natural changes that occur during the project the target values typically also become irrelevant. No organization studied had any direct “*business case realization measurement plan*”, instead measurement was done during evaluation as to best possibilities, if they were performed at all. The reason for the low evaluation focus among organizations, that was mentioned earlier in this subchapter, has its roots in the fact that case participants and stakeholders typically have an intense dialogue during the whole business case that gives everyone a “*gut feeling*” whether the job is well done or not. Performed informally it creates effective communication that however carries extensive risks. Firstly (i) all measurement cannot be performed easily but requires extensive preparations (e.g. market studies or machine lead times) which in turn require resources that cannot be gained informally through favors without affecting other organizational work. Secondly (ii) informal evaluation cannot cope effectively with misunderstandings, creating room for outdrawn conflicts that have no solid ground for clarification. Lastly (iii) knowledge is lost and organizational learning is nonexistent.

4.3 Assessment of case company

The case company is SKF, a leading global supplier of products, solutions, and services within rolling bearings, seals, mechatronics, services and lubrication systems. SKF business is divided into three main divisions: *industrial*, *automotive* and *service*, where each division serves its own global market with their respective customer segment. This thesis has been written within the industrial division at the Gothenburg Factory. The company has manufacturing operations in over 100 countries around the world and has its own sales departments in 70 countries. In 2013 SKF had net sales of approximately 64.000 MSEK and employed well over 48.000 people (SKF, 2014). SKF is headquartered in Gothenburg where it also has a factory complex at which production for bearings and bearing parts is taking place and this thesis will apply its operational recommendations to.

The Business case process has been approached for a long period of time at SKF. Increasing awareness of the importance of business cases and new research in the field has formalized the process extensively. The case company has over the recent decade also focused more on development and implementation of well-structured quality methodologies and processes into projects as shown in Figure 13.

This approach has been applied throughout the whole company and has led to a more structured work process and better project results, ultimately also business case results.



Figure 13 - Case company quality concepts towards business case realization in project form

SKF Business Excellence concept launched in 2010 was developed within the company from many quality improvement initiatives, such as six sigma, which have had a vital impact on the overall quality mindset within the company and can be described as shown in Figure 14 (SKF Annual Report, 2012).

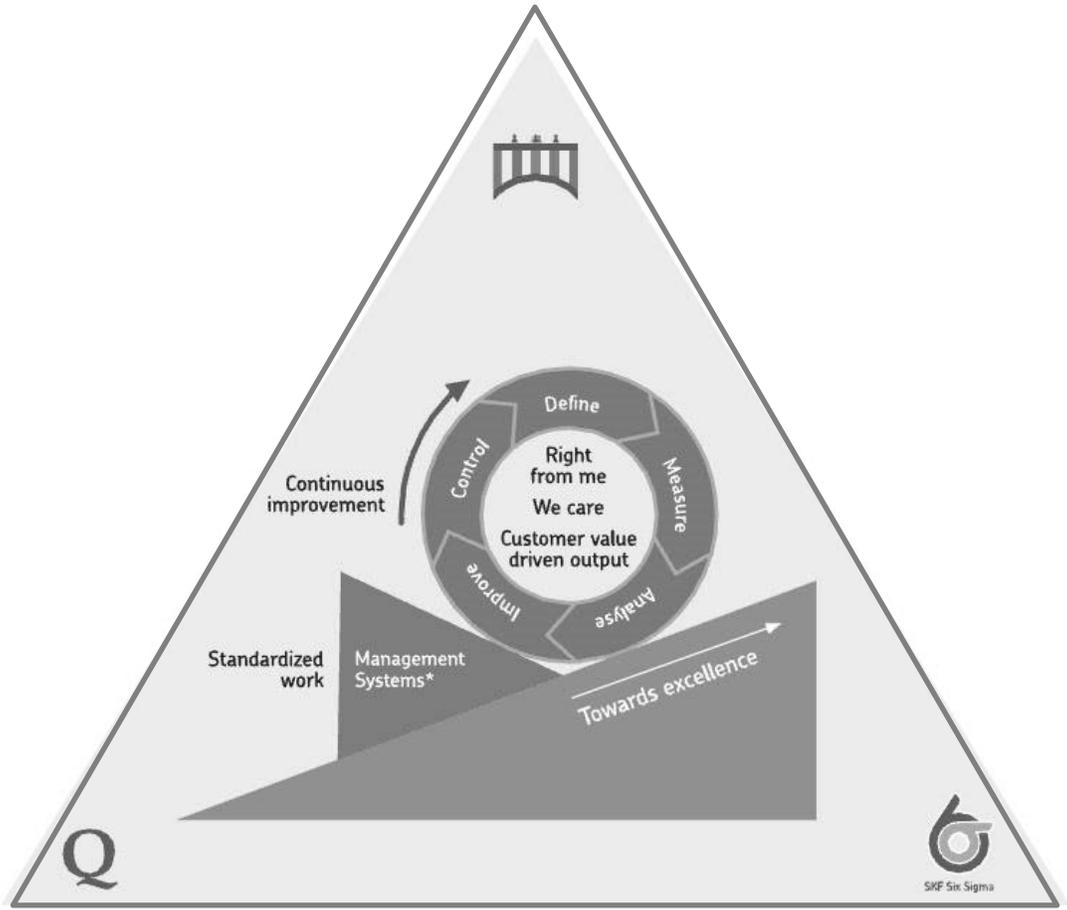


Figure 14 - Case company approach towards business excellence (SKF Annual Report, 2012)

While most standardization models entirely focus on improving processes and products; business excellence provides both a framework and a mindset of a holistic vision to improve quality processes within organizations, including business case processes. SKF internal educational document describes the need for defining business benefits in business cases in their directions for business excellence, however not always succeed in the full realization of this:

“Sometimes our customer says what he wants, but not necessarily what he needs or why he wants it. We should therefore start to define the needs of the customer before rushing to find a solution. This increases our chances of having our work valued and then getting the appropriate rewards out of it.”

While business excellence provides an overall vision of promoting quality for all processes within the company, the *GPM2* methodology focuses more on describing management of projects and programs. Thus it provides a framework for realizing business cases through project management. This approach has been used at SKF since 2011 and is built on the previous framework method GPM, which has its origins in the world-renowned project management method *PRINCE2 (Projects in a Controlled Environment)* and is adapted to the case company’s operations. The structure is designed to make sure that the requirements for project delivery are met in terms of i) aligning to company drivers ii) incorporate business excellence principles iii) incorporate company strategic values (SKF GPM2, 2010). What has been found at SKF, and is in no means organizationally specific, is the recurring misalignment between *project goals* and *business benefits*.

Furthermore, the case company has developed a project handbook, in its division level, called *EEM (Early Equipment Management)* with the purpose to standardize the process of investment projects, mainly for the business case writers but also for other stakeholders at the case company. The handbook is based on GPM2 and uses its principles and guidelines in order to simplify the project process and add more structure.

The projects at the case company are rated based on their scale, cost, risk, importance and company strategic value, consisting of three types where the simplest and smallest are called *simple projects*, followed by *typical projects* and lastly the largest *complex projects*. Each project type and its corresponding characteristics and application are described in the GPM2 concept (SKF GPM2, 2010). The projects can further be broken down into two separate categories consisting of *improvement projects* focusing on creating solutions to urgent current problems and *strategic projects* that tend to focus on promoting competitiveness for 3-5 years term.

Business case procedure

Each concept described above has its trace in how the business cases process is managed at the case company. The procedure can be described as shown in Figure 15 where the business case realization at SKF in Gothenburg has its foundation. Each stakeholder has their own responsibilities in the process and depending on how well they performed in their role the business case efficiency and outcome can vary.

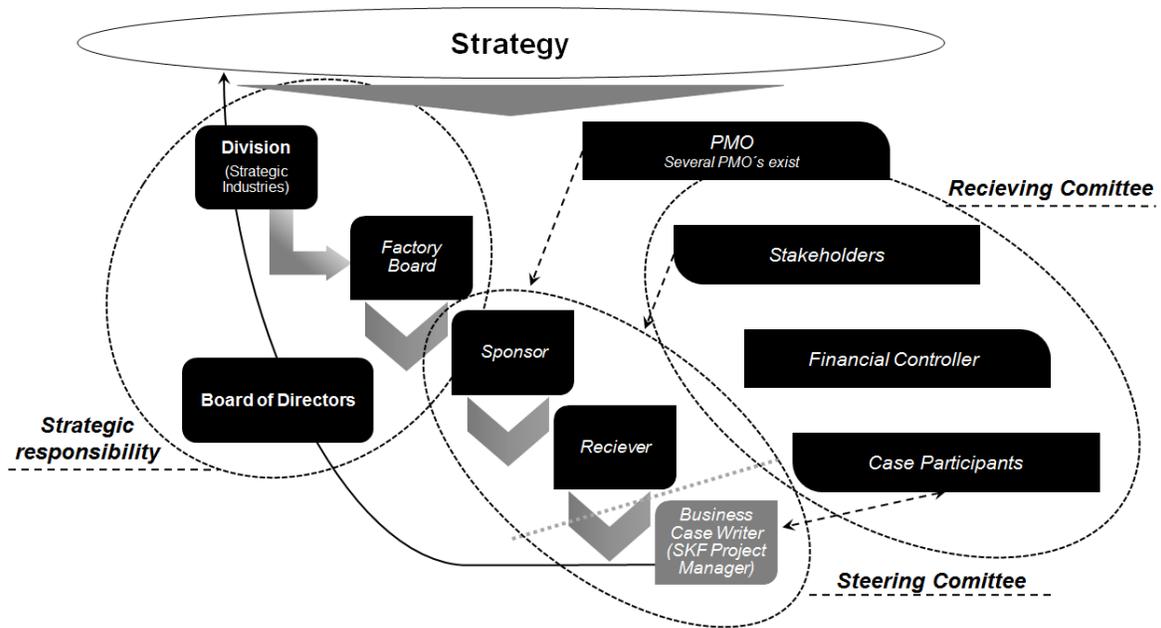


Figure 15 - Case company's strategy realization by a business case procedure

As described in 4.1 SKF's business case adoption is similar to the general process. Before an actual business case is developed there is a need or demand within the organization to perform a case in order to improve or develop existing operations. This is usually done when the need is formulated in a so called "requirements specification" consisting off what needs to be done and why. This is usually not very well connected to the current business case strategy at the company – sometimes resulting in "double messages" for business case writers where both the strategy and current needs have to be combined.

The PMO (Project Management Office) usually evaluates all relevant requirements and prioritize the cases that are most reasonable and then present these to commissioning. This prioritization process is formally focused where business cases are ranked according to certain criteria. The criteria however is not fully aligned to current strategy and lacks ranking according to amount of benefits reached that are not mentioned in the formal criteria.

The process itself, described in Figure 15, is designed with the first step being to identify and then define the business case, which usually the business case writer, sponsor and receiver perform together. The defined business case then gets evaluated by a financial controller that has the responsibility to ensure that the business case is aligned with the financial terms. The PMO evaluates the list of proposed business cases and selects the best suited depending on their scale, cost, risk, importance and makes sure that the set business case is aligned with the divisions and organization's strategic goals. The most suitable cases are then proposed for commissioning, beginning with factory board and proceeding according to a structured way. In the last stages of business case approval the case follows a formal investment procedure that, depending on the size of the case, involves several management positions where the biggest cases need to be approved by the board of directors.

4.3.1 Interview assessment

The interview assessment have been performed accordingly to the methodology described where each respondent have answered the questionnaire regarding the business case process within the company. The perceptions for the business case assessment have been collected from stakeholders with different roles within the organization presented in Table 5.

Table 5 - Business case interview layout: role and correlated responsibilities within the case company

Interviewees	Business Case Role	SKF Role	Objective
16	Business case writers	Project managers	Realize business case
6	Commissioning	Factory board >> Board of directors: depending on size	Strategic responsibility
4	Sponsors	Factory managers or department managers	Realize business benefits
4	Receiver	Production managers, logistics manager, department manager etc.	Support business benefits realization
2	Financial controller	Financial controller	Assist and approve business case writers work
4	Other business case participants	Technicians, technical leads, specialists, consultants etc.	Assist realization of business case

As stated in the industry situation, business cases can be divided into two different adaptations depending on the organizational structure and culture. From the observations made, the case company perceives the business case mainly as a *document* that needs to be conducted in order to attain project approval from the commissioning. Considering the guidelines from GPM2 and EEM, the business cases are usually well-structured with appropriate information and defined business benefits. However, there consists a tendency to diverge from the accuracy depending on the importance and size of the business case. Business cases that are considered “*lower-priority*” will usually have a less structured and defined business case that could lead to denied justification and approval from commissioning. This could further have a negative effect on the proposed business case, where in some situations the business case writer would have the tendency to alter an *overoptimistic relation* towards the business case in order to push the approval as described in the industrial situation. A business case writer suggested: “*in order to minimize overestimation there should be more focus and clarity on business benefits and the alignment of those towards the organizational strategic values*”. By attaining this approach towards business cases, the process of business case approval would become more efficient since it promotes alignment between the expected business benefits and organizational strategic values.

As perceived from the business case, when seen as a process, could be divided into three different steps. These are now brought forward and related to the case company more directly from a process perspective.

Initiation

Business cases are usually divided into two main directions; (i) where the business case is developed from *strategic values* and are indeed justified by the business benefits that will result from the case. However, some are not and need other types of justification; i.e. (ii) business cases that may not lead to any business benefits at all, but instead may be fully justified because their *prioritization for legal compliance* or directions from the company’s headquarters. As a business case writer stated: “*Too much focus on justification hinders you from thinking solely about business benefits, which can easily lead to confusion*”. Some interviewees still expressed concern surrounding the ability to actually focus on strategy when there is such a high cost focus. Although the organization's strategy should be connected to the business benefits, they do not have to. Several interviewees pointed out that purely focusing on cost savings might even get the business case approved before cases that are more strategically aligned.

Since there always is an uncertainty if the case will be approved, the time to establish a well-structured business case including is limited. This can contribute to an unstable business case which will become more sensitive to scope changes and scope creeps. This

could also further lead to variation with resource allocation and unstructured documentation. In order to prevent this, a receiver suggested that all business case is to be made well-structured including clear definition, explanation and plan for benefits realization. This can be done by establishing clear instructions on how to plan a business case and who needs to be included in the preparation work. Currently there exist no guidelines of how to define business benefits to promote the business case, as a business case writer stated “*the benefits are usually defined from a gut-feeling with some support*”. Thus, it is vital to establish and incorporate a clear structure and supportive guidelines where each benefit should be aligned towards the strategic needs. Furthermore, this also promotes the business case to become more stable throughout the process and prevent divergence from the business case plan.

Another issue considered by all respondents is the degree of efficient communication between stakeholders and other involved parties. One of the business case writers pointed out that “*communication is vital for the business case success*”, which all respondents did agreed upon considering that if the communication is lacking between stakeholder there could be difficulties maintaining the right progression course. The major consequence is that there could be inappropriate or misleading transactions of information contributing to ineffective progression and false accusations due to bad results. However, a sponsor also argued that too much irrelevant information could have the opposite effect and cause negligence of information.

Realization

The realization process has been found to vary between business cases depending on involved stakeholders and the complexity of the case. Difficulties and uncertainties hinder the creation of strategic value throughout the organization, especially in complex business cases where there is a tendency to focus on wrong objectives. Focusing on achieving project goals and delivering good results, there is a tendency that throughout the business case realization diverges from the strategic value focus that the business case provides and leaves the business benefits behind. All respondents agreed upon that in order to promote efficient business cases there should be a change from project goal oriented focus to business benefits focus, where the project goals are better aligned and developed towards the business benefits. This includes the importance of each stakeholder to understand and take responsibility for their part of the business case realization.

The biggest responsibilities for the alignment between resource management and business cases, a fundamental need for well working business case procedures, lies on different levels of management. It has been found how the level of commitment from management to facilitate proper resources to each business case naturally varies to some extent between organizations, but most of all a recognition of phase differentiation could be identified by

the in depth study at the case company. Before the initiation of the case realization there was a lack of resource management which contributed to unverified estimations and insufficient material for future planning. GPM2 states the need for alignment between operational work (e.g. project plan) and the business case plan; however interviewees explain how communication failure early on rarely gives a sufficient alignment (SKF GPM2, 2010). Thus, resulting in *strategic misalignment* and possible *misuse of organizational resources*.

During the realization, resource management was far more developed and designed to supply the case writer with necessary competence. Although the case writer not always receives what she considers necessary resources for fulfillment, management assigning the resources is aware of the need and are at the “negotiating table”. However due to the already misaligned initiation the case writer is left unaware of the actual needs of others in the organization of relevance to the business case. Furthermore, since the sponsor usually has other responsibilities than the business case, it contributed to inappropriate focus on the business case. Instead there exists a tendency to assume that its business benefits are something that only needs to be incorporated in the beginning of projects in order to attain business case justification and approval. Therefore some respondents stated there should be more “*pressure on sponsorship*”. Mainly from the factory board to deliver the right requirements and support for the business case realization throughout the whole project lifespan and acquire appropriate process. One of the business case writers stated that “*often there is a tendency to put all business case responsibility on the business case writer*”. The point is that the responsibility for realizing business benefits should not be put on business case writer to ensure that the whole perspective on the project and its correspondent business benefits are realized, instead business benefits should be linked towards the project in such a way that it supports the project process.

Evaluation

SKF Business excellence directions define the importance of evaluating: “*when we run an internal project, it is essential that we make sure the customer value is captured, documented and shared with the project requester*”. Still, most respondents agreed upon that there is no defined process structure of how to evaluate business cases and share conclusions achieved.

General perception among the project receivers was that there was no larger effort to evaluate the business case, instead there was a tendency to “*presume that the benefits were achieved to some extent*” as a project receiver stated. Depending on the business case importance there could in some cases be of interest to further assess these “residual points” in order to fully achieve the benefits proposed. Business case writers typically find it disturbing that the business case responsibility is largely “*put on them*”. As they lack

strategic perspective it is by them perceived somewhat odd to be responsible for that. The delegation however stem from the workload on sponsor, who formally is directly responsible for the business case, why it becomes easier to delegate responsibilities to business case writers - which is also allowed according to GPM2.

As perceived in the case company assessment and commented by all stakeholders, it could be said that there is a *nonexistent desire to perform business case evaluation* from different stakeholders within the company. Without this function acting as a founding desire within the company, an efficient business case management system is perceived difficult to establish. However, there consists an evaluation of the project performed after closure where *lessons learned* are discussed and documented for future projects to take useful outtakes from. The participants are usually all involved stakeholders, but from observations made this could be said to differ in terms of “personal commitment”. A business case writer suggested that business case evaluation could be incorporated into the lessons learned section as a project close out evaluation. However, also considering that this would only solve a small part of the business case evaluation issue since the case would continue after the project closure; the question how to incorporate a post-project business case evaluation still remains.

5 Analysis

This chapter analyzes the findings from the empirical results and relates them to literature. Firstly analyzing the overall assessment of business cases process and secondly an analysis of the business case aspects is made. Five identified areas of importance have been found and will be used to promote the thesis purpose. Each area is described and further analyzed relative objectives which have been considered important aspects for business cases as Figure 16 show.

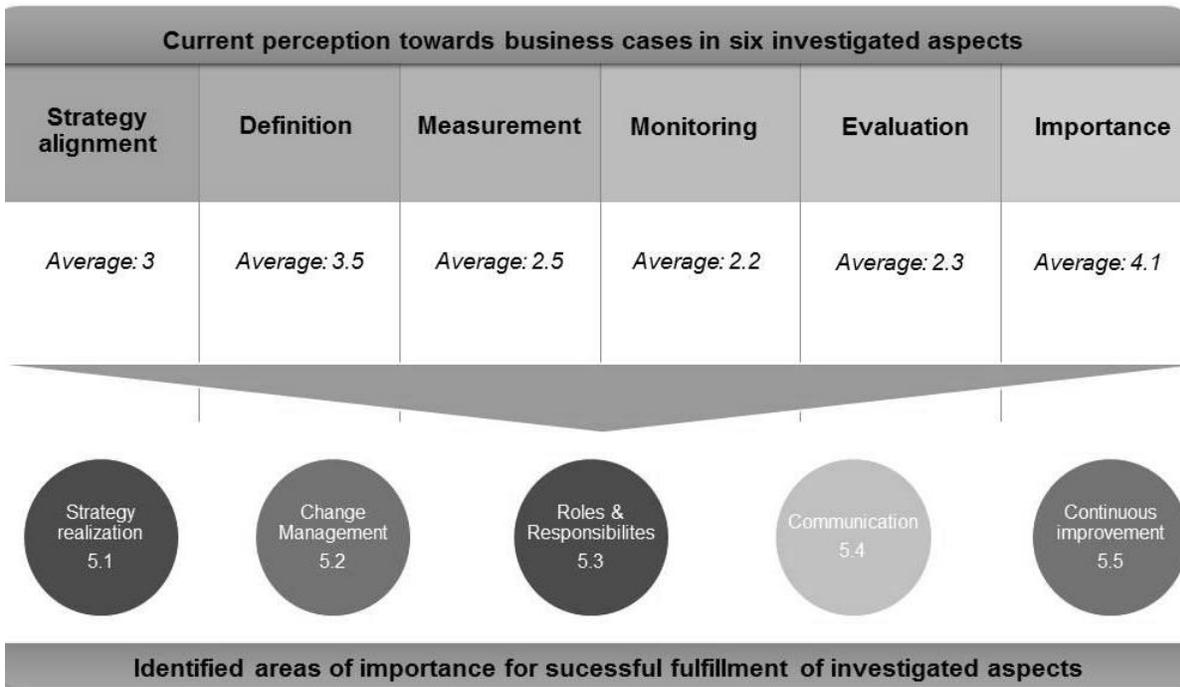


Figure 16 - Identified business case improvement areas

5.1 Strategy realization - Aligning cases to current and future needs

Among publicly traded organizations there was a consistent agreement on how strategic goals that are put forward are usually unrealistically optimistic or irrelevant - especially in times of global recession. Other organizations face the same problem, although to a lower degree. In the performed study the strategic values have shown to be unrealistic largely due to financial limitations. There is a cost focus that is limiting the understanding of business case value and its corresponding benefits. As Skärvad (2006) suggests it is important to take into consideration how each business case can promote strategic value contributing to the overall competitive advantage, by considering not only the cost but also risks and benefits of each business case towards strategic decisions (Yarger, 2006).

All studied organizations to some extent expressed concern on how to implement *strategy versus the financial situation*. Cases that are financially more competitive than other frequently get executed while strategically more relevant cases are put on hold or rejected. Such organizations tend to only look at the BCR. In some cases it is the other way around when the strategic value is the only prioritization and only such cases are executed - resulting in a dismissive approach to financial issues. Extreme versions of both scenarios are unrealistic, but nonetheless existing in organizations studied. Too much strategic focus will result in rejected business case proposals from commissioning due to unrealistic costs. Business case writers get confused and frustrated as a result of getting rejected even though fulfilling strategic objectives. On the other hand a too extreme version of BCR focus will result in attaining unnecessary benefits that are not aligned to the needs of the organization. Business case writers would once again be frustrated over getting rejected even though offering great potential. In order to promote strategic values and achieve good financial results an organization must consider both aspects as shown in Figure 17, considering the relation between received business benefits and total cost.

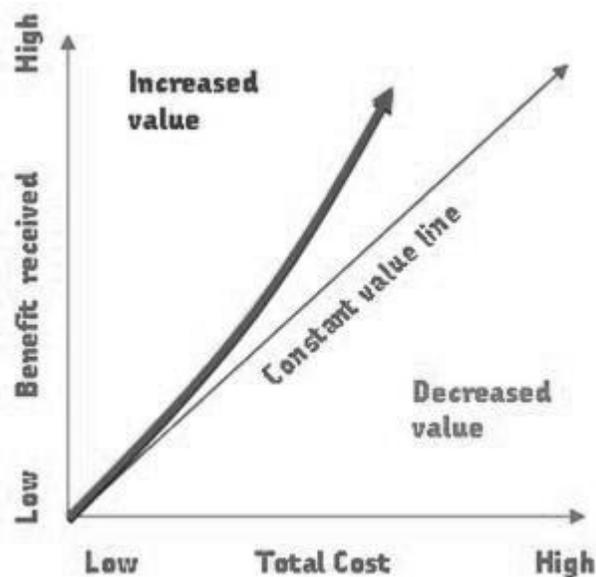


Figure 17 - Benefits received related to the total cost of realization (SKF internal document)

Although no organization is quite as extreme in any direction in reality, a good balance must be achieved in order to realize strategic goals in a financially realistic way. Strategic goals are formulated on different operational levels (depending on the organization) and stem from the overall strategy that is set up from top management. The problems of an irrelevant strategy do not become apparent until implementation. As we have learned, business cases play a decisive role in the implementation of strategic goals as it can facilitate handling motivation, understanding and resources (Merchant & Van der Stede, 2007). Still, most respondents did not find the business case itself as a problem but rather

the organizational structure surrounding it. Business cases are considered a good tool for the implementation, but when used in a stiff organization with long investment approval processes and consistently changing top management orders, there becomes big differences between the time the business case was written and when it is finished, that outcomes rarely match the actual current needs of the organization. If the strategy would remain more consistent outcomes would be better aligned to the intended goals even though the investment process is long or organization rigid.

Short term financial focus is not surprising when discussing publicly traded organizations, the fundamental principles of the stock market require continuous good financial results. As we have learned, scholars and executives have however emphasized the shift towards creating stakeholder value rather than focusing on shareholder value (Denning, 2015). Most organizations studied, including the case company, have with taken actions to promote stakeholder value.

Ultimately a scenario with only consistent long term strategic goals is rather difficult to achieve as operational activities are affected by so many factors that they require constant changes to be aligned to overall strategy. Continuous alignment of the business case to the changing conditions can be illustrated as Figure 18, while at the same time promoting strategic value through adaptive business case assessment.

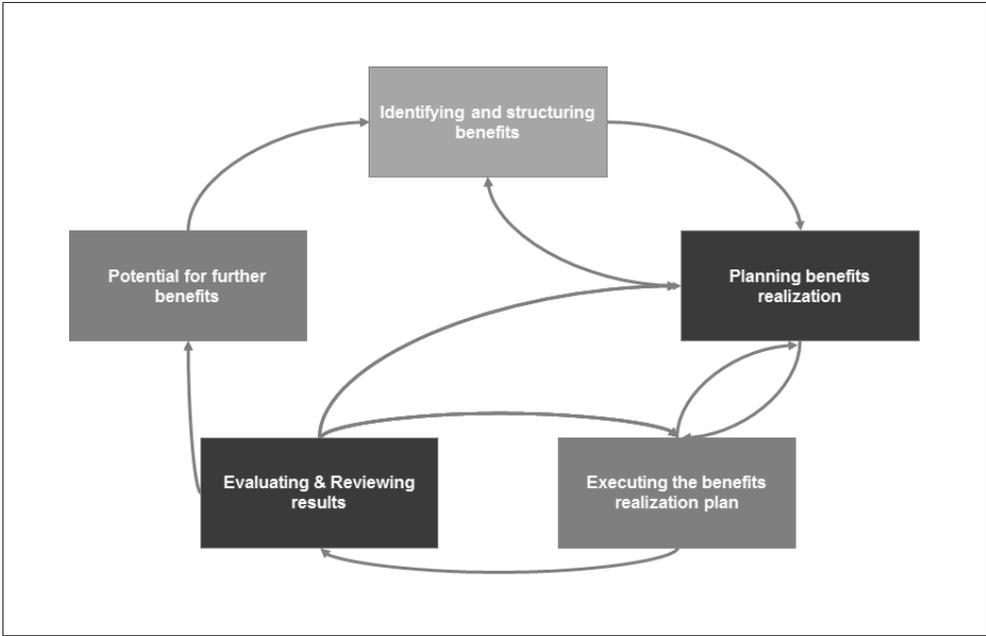


Figure 18 - Business case alignment and adaption to strategic changes (Ward & Griffiths, 1996)

However, it is vital to not only focus on simply satisfying shareholders, but also to create stakeholder value. For example, a factory producing a product with high demands initiates a business case aligned to their current strategy of increasing production volume. The overall strategy is to constantly satisfy customer needs. Due to the financial crisis there is not a need to increase volumes anymore to satisfy customers; but the case is already started. At the case company the problem is approached by redefining scope and setting new business benefits according to new strategy, e.g. cost focus. Other ways might include closing the business case. No matter which option is chosen, the overall strategy will require strategic volatility on operational level that needs to be managed within the business case.

5.2 Change Management - Flexibility or standardization

A fundamental baseline for many issues surrounding business cases is the ability to cope with scope *changes* and so called *creeps* within the business case. Without unexpected changes, there is a very high potential for realizing business cases effectively and without delays. However, in reality such perfect scenarios do not exist, instead real business cases are rather better described in the quote presented by Donald Rumsfeld earlier on - most often business case writers do not even know what they want to achieve in the beginning. In today's business organizations it is certain that changes and deviation from plans will occur. The list of uncertainties can be made long and the ability to properly handle unexpectedness is decisive for how well business cases will work in the actual organization.

Change management is an important part of the ability to achieve successful business cases. With quickly changing markets, organizations have found it necessary to create business cases that are both adaptable, but also effective. The combination of *standardization* and *flexibility* is a difficulty that studied organizations feel the need to continuously reevaluate. Although a combination of the two factors is necessary and present in all organizations, there is also a direct correlation between the increased degree of standardization and decreased flexibility. The contradiction between standardization versus flexibility plays a vital role when establishing an efficient and well-applied methodology, including a business case process. This provides the opportunity to objectify the business case as proposed structures from the different methodologies, but still have the flexibility to adjust towards best practice identified and adapt to changes. This is a sensitive and complex area which can be critical if misaligned with the structure of business cases within organization, more known as the "*complexity trap*" (Marmgren & Ragnarsson, 2014). This also further promotes the business case methodology to be applied to any kind of work practices, such as different kind of projects or also, very commonly in the case company, activities which are not perceived as projects.

While Sweet (2015) suggests that flexibility should be used in terms of adapting the business case to changes, respond to specific demands, agile structure and make adaptive decisions for the business cases - standardization would still be critical for work and information processes strictly declaring effects such as cost reduction, better quality and consistency across the organization. The debate on flexibility and standardization is well known and is showing consequences among the case companies as well. This discrepancy has been noticed in the case company considering the alignment between GPM2 and EEM. While the EEM provides a process oriented focus on how projects are to be executed, the GPM2 includes descriptions and templates on business case performance. This leads to the appearance of a gap of adjusted business case guidelines and support for real organizational projects that are used to support the stakeholders in their work process. Finally contributing to unclear structures of how a business case is used to support the project and often tend to be left out in terms of business case writers not perceiving its importance and applicability.

In order to establish an efficient combination, Sweet (2015) states that it is best to incorporate several instances of the processes and investigate the differences to further standardize where it is possible, but at the same time keep distinctions where different processes and approaches make sense for special requirements. Although this might seem obvious, most organizations find it very difficult to achieve the optimal position between the two factors. Naturally many aspects affect the optimal level and depending on the current market situation, CEO, culture etc. differences occur all the time. The current situation among investigated companies showed a clear connection between standardization and the state of the market. Before the global financial crisis of 2008 many studied organizations had a more flexible approach to both business cases as other processes while they are still struggling with perceived high standardization levels, in 2015.

It does not end at changes that come as a consequence from the discrepancy between flexibility and standardization. On the contrary, changes occur in all different types such as inflation, market conditions, strategic direction of the organization, customer requirements etc. Potential changes need to be considered when planning a business case and an important way to approach this has found to be preparing intervals for relevant factors where the organization must be able to handle “worst case” scenarios in order to approve cases.

5.3 Roles & Responsibilities - Aiming for mutual commitment

As learnt earlier the business case promotes motivation, understanding and resources for the strategy implementation (Merchant & Van der Stede, 2007; Thorp, 2007). The empirical results have shown how better alignment between resource management and the business case will create strategic fulfillment more effectively.

New strategic directions will be more easily managed when resources are distributed to where current needs are. The level of actual commitment from management to facilitate was

A common denominator for organizations studied has been the unbalanced responsibility within the business cases. This stems from the design and application of roles. While the sponsor is usually responsible for the business case, however the results have shown that practically there are, in most cases, no direct actions taken from the sponsor. Instead delegation is done towards the business case writer who typically lacks strategic perspective and a holistic vision. This will naturally contradict the true responsibilities of the business case writer and even affect the performance of delivering the right outcomes. Leatherman et al. 2003 discussed how this can hinder the process of realizing benefits, thus there is a demand for realizing benefits which makes it critically important to delegate responsibilities to the right resources.

As observed the sponsor does usually have a formal role and responsibilities outside the business case, which can affect the commitment towards the business case. For the business case to perform efficiently it's dependent on enough support and the right resources. Considering that the sponsor is vital for the business case success and must provide enough support could therefore not take on other responsibilities elsewhere which affects the performance in the current business case. As observed from one of the case studies where the sponsor only have the responsibility of acting as a sponsor for business cases would naturally cause increased commitment and eventually results in better outcomes and business benefits realization. However, this could not be possible to introduce directly into other organization because it would in such case contradict with its current culture. Instead as Thorp (2007) suggest this could be incorporated to some extent in terms of assuring resource relevancy by delegating the right responsibility to the right resources. Equally important in this procedure is also to streamline the organization, avoiding wasteful activities such as unnecessary meetings and the approval of decision making processes, which would in turn promote the strategic value of establishing a more effective business case system.

Commitment from stakeholders has been observed to vary and have a negative effect on the business case realization performance, where involved stakeholders do not fully commit to the business case. This has been noticed to have the possible underlying reason of business cases not being perceived as a part of the operational work. Incorporating more "precisely" delegated stakeholder responsibilities where each responsibility purpose directly affects the business case and its purpose would not only improve the outcome but would also promote the business case realization process in terms of more efficient knowledge sharing and precise progress measurement. However, Marmgren & Ragnarsson (2014) highlight the

importance of each stakeholder to thrive towards a common strategic direction, while promoting efficient planning, monitoring and evaluation. At the same time, the authors argue that uncertainty is a natural part of a complex business case and the level of each aspect should be applied accordingly. However, when the uncertainty increases; overview, communication and guidance become more important than governance and control.

5.4 Communication - Increasing the right knowledge

Tjosvold (2008) explains how being in an organization automatically is being in a conflict. In order not to fall into a negative spiral, it is important to have conflict management. As many interviewees expressed, a vital role of business cases is acting as a communication tool that shares knowledge and directs the organization jointly. While the responsibilities and actions of each stakeholder for the business case are vital for the success and for its alignment to the strategic needs of the organization, an efficient *communication structure* lays as a foundation for its realization throughout the whole business case process and is directly relevant for all stages in the *BTOPP business system* as Morton (1991) describes it. For the success of knowledge sharing Gambles (2009) suggests that there must be a clear connection of how each stakeholder will be affected and their connection to the business case, suggestively by establishing an easy and efficient approach of knowledge sharing. However, depending on how the stakeholders perceive the business case, its influence and efficiency can vary.

One of the most important issues recognized by this study in a process perspective is the lack of successful communication between key actors during the case initiation. The current process at several investigated organizations is that the business benefits become a consequence of a solution rather than the other way around. This happens due to insufficient communication on two levels. Commissioning (i) or/and top management fail to efficiently communicate the strategy; as discussed in 5.1 this directs case writers to follow non-prioritized or even wrong strategic goals. Then (ii) the organization that will use, adapt the business case and in some way has requested the initiation of the business case not rarely fail to define properly what the needs are. Instead a common *fix this* attitude is present and although this normally varies between and in organizations commitment very often tends to lack. It is not necessarily an issue of non interest or lack of desire to participate, but the communication channels and even culture indirectly is constructed to facilitate low interaction.

The increase in interaction between all key actors will be highly important to overcome in order to establish business cases that are insensitive to scope changes (since key actors are better aware of the original scenario and understand what changes will bring) and better aligned to the real needs of the organization as Figure 19 illustrates.



Figure 19 - Aligning strategy and needs in business cases

Morton (1991) suggests that only by looking at the business case itself as a whole complete system, with full knowledge of reach, linkage people involved and time tightly aligned to the business strategy, there could be a well working communication system promoting the business case process through transferring the right knowledge in the organization. However, if we fail to do so, documents and other informative communication means will be made without accomplishing their true purpose, to realize business benefits.

An interesting conclusion that could be drawn from the results was the perceived strategic alignment of business cases. While commissioning and top management believed there was a rather high alignment, business case writers perceived the opposite. Achieving business benefits is worth little if the benefits are not aligned to the organization's needs. There is a gap between the actual strategy enforcers, commissioning, and operators, case writers. The exact reasons for this are complex, but from a business case perspective it is important to create a more transparent communication channel for the strategy. However, as explained in the results, many case writers work hard to create strategically aligned cases that still get rejected from commissioning, usually due to poor financial situations and low competitiveness to other cases. That is however solely the responsibility of commissioning and top management. In order to avoid rejections on such cases, thereby avoiding spending resources on creating them as well, commissioning must communicate what strategic goals are currently prioritized and most importantly the demands they set on business cases to be approved. This is complicated due to the organizational complexity the case company and other studied organizations have. Long investment processes and many levels of approval, with different ideas and perceptions, must be passed. Many interviewees have discussed the importance of being *“politically skillful”* and handling different people and stages accordingly to achieve approval.

Rejecting a current business case is however not always negative. While considering the decision making process, in some cases as business cases in some situations are not always approved by someone in the organization and would further indicate that there has been some reason behind not approving the proposal. However, the reasoning and explanation for this must be clearly presented and communicated with no doubt or chance to be caused by misinterpretations or lack of information about the proposal. This issue could be avoided by taking actions as soon as a difficulty or uncertainty is noticed in the business case. Instead of pursuing approval obtainment, e.g. reporting business case uncertainties early on clarifying the business case issue and possibly providing recommendations to management, thereby avoiding problems where people work in the “dark” solving problems because they feel they have to. This could also be applied within the business case where responsible benefit owner respond to benefits issues.

Realizing the business benefits is of vital importance for the business case, which is assessed in the business case evaluation phase. Ward & Griffiths (1996) suggest that the evaluation should involve key stakeholders, however this has been observed to vary to the extent of commitment and desire to require business case evaluation. This matter could be avoided by implementing business case evaluation that it should be done likewise as the lessons learned section performed at the end of each project, involving concerned key stakeholder. However, there must be a clear understanding of the difference between those evaluations in the meaning of that the lessons learned is performed in accordance to project closure, while the business case evaluation will continue past this phase and be performed in the post project phase.

It is not just about developing a business case and maintaining a *reasonable* appliance, continuous appropriate usage of business cases and evaluation seems to facilitate eventually a higher success rate of the investment. However, there must be transcendence towards perceiving the business case methodology as a process, particularly from a lean perspective focusing on continuous improvement and alignment with organizational strategic values, increasing communication and sharing knowledge throughout the organization.

5.6 Continuous Improvement - Innovation for perfection

Schein (2010) states how many organizations fail to reinvent themselves regularly; instead employees are too comfortable and do not challenge established concepts. This is something that has been recognized in this study; business case writers rarely make any stronger connection or analysis of how to challenge current concepts according to current strategy but rather only “*try to make it relevant for our strategic goals*” as a business case writer expressed. Furthermore, Marmgren & Ragnarsson (2014) also discuss how organizations are facing increasing difficulties in a quickly changing environment as they wish to combine efficiency, usually through standardization with flexibility. However, this

could be considered useful in an organization when aligning new strategy to every business case and is further vital to maintain competitiveness through transformational learning. Therefore it is important to both consider and connect each aspect within the business case i.e. business benefits, project goals, solutions, enablers and necessary changes to the main strategic value and at the same time aim to thrive in the same direction when realizing the business case.

Improvements will in some cases be a form of new changes e.g. scope changes or procedures and will naturally cause concerns to some extent regarding added responsibilities and administration for stakeholders. However, in order to effectively incorporate and align improvements towards the current procedures there must be a clear understanding for their purpose and early involvement of concerned stakeholders in order to avoid late scope changes which usually can cause unbalance in business cases as observed in the case studies. Incorporating these mindsets and actions would further also promote the three business case evaluation improvements which Ward & Griffiths (1996) discuss. It will however also be of decisive importance to appropriately monitor the business case progress in order to detect if any deviations have occurred that will affect the realization of the business case.

Improvement culture requires evaluation and innovation when improving business case assessment within organizations. The process of business case justification should be promoted as Ashurst and Doherty (2003) suggest where focuses upon change management and actions necessary to facilitate business case realization and alignment to strategic needs, rather than just project deliverables as observed. However, project deliverables are not aspects that should be neglected but instead used to promote better alignment to the business case and overall strategic values. This will however require a better alignment to the organizational norms and commitment from each stakeholder to go from informal to formal evaluation where *managing conflicts*, *support organizational learning* and *effective knowledge sharing* become especially vital.

6 Recommendations

In this chapter recommendations for SKF are presented. The conclusions for the recommendations have been based upon analyzed results as presented in chapter 4 and 5 including other case companies. Although the recommendations are not directly applicable to other organizations the actions have been based on improvement areas that are common. The chapter is designed to first explain the connection between identified problem areas and the proposed business case process, based on the current situation, including a supporting process for case prioritization. Secondly recommended execution of activities required for implementation and adoption of the process are described. Finally a supporting process for case prioritization is recommended.

6.1 Identified solution process to analyzed areas of improvement

From the analytical identification into five areas of importance an identified solution process has been identified to be applicable at the case company. Developing the proposed process has resulted in a division of two part processes; firstly (i) a main process and secondly (ii) a supporting process as shown in Figure 20.

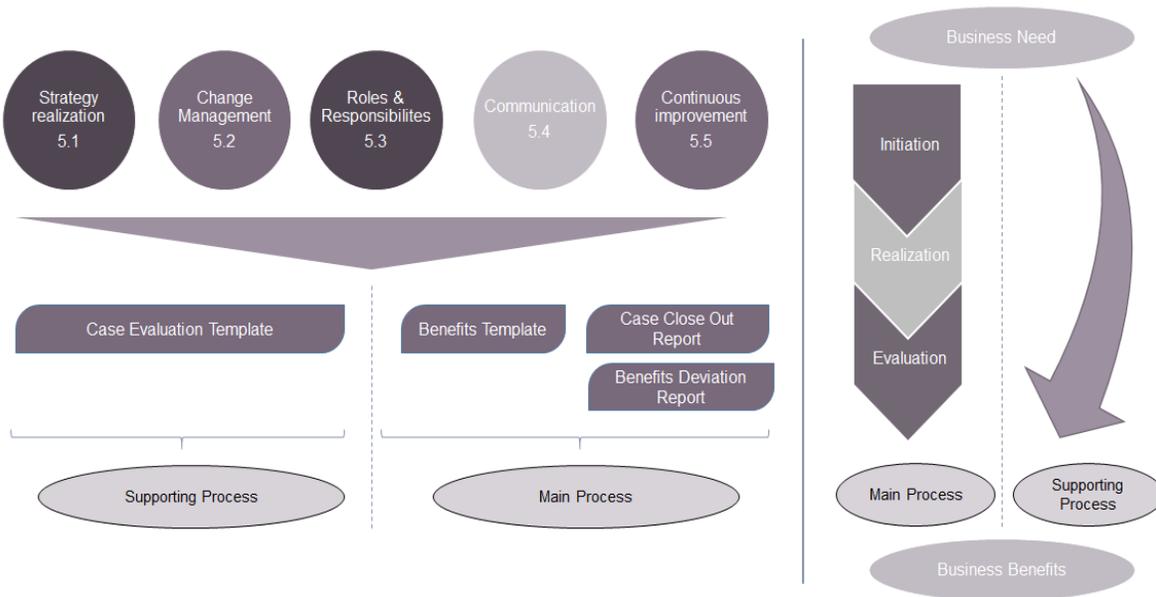


Figure 20 - The two recommended processes with relation to areas of importance and proposed documents (left) and relation to the general business case process (right).

Looking at the main process, it consists of three documents; a benefits template, case close out report and benefits deviation report. It is active in all stages of a business case and the application of these is described in 7.2-7.4. The supporting process is designed to help decision making for all business cases; thereby it has no direct relevance for the individual

business case, but instead helps relevant management personnel (at the case company: PMO's) measure, compare and evaluate all current and potential business cases. See chapter 7.5.

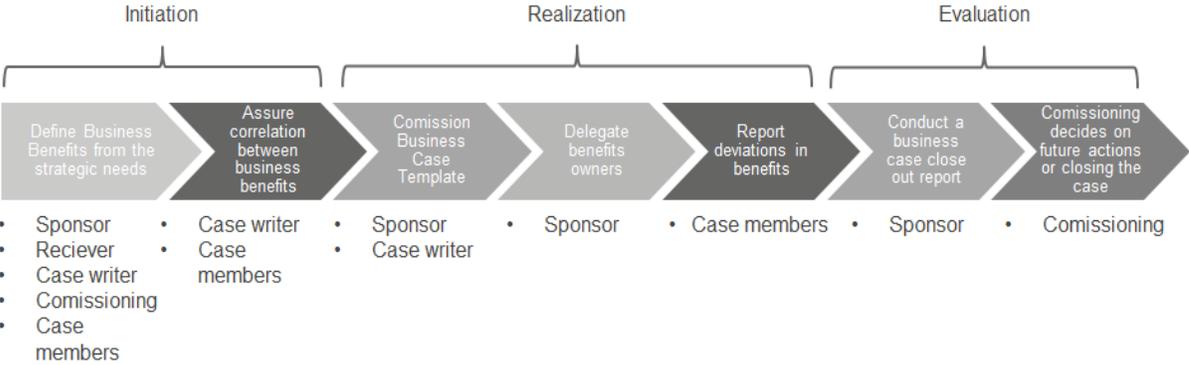


Figure 21 - Recommended main process for implementation at SKF

As Ward et al. (2008) suggest the business case should not be seen only as document in order to attain justification and approval of the business case, but instead as a *whole process* consisting of different progressions with the purpose of achieving the set business benefits; as proposed and illustrated in Figure 21. By incorporating this mindset into the organizational values, the business case process will become more efficient in terms of alignment towards organizational performance and thereby achieve better business case outcomes.

From the observations and assessments made in this thesis, supporting activities and tools have been developed in order to promote the business case realization process. The recommendations have been developed accordingly to support the case company's business excellence approach while considering quality methodologies such as DMAIC and PRINCE2. However, it is important to understand that the recommended actions and tools are not in any terms vital for the success of realizing the businesses case, rather acting as a support while implementing standardization with a high degree of flexibility.

6.2 Initiation

Since the case company already applies business cases and has applied it for a long period, the initiation phase has increasingly gone more towards starting with business benefits. Yet both the case company and other studied organizations show clear tendencies of losing focus on actual needs and instead becoming practically operationally focused on e.g. machine investments or upgrades. Thereby goals are put from a perspective of the potential a solution carries rather than the benefits that were intended to achieve from the start. The

reasons for such an approach are many but fundamentally are based on the fact that benefits are usually loosely defined. The business case writer does not know exactly what the demands are other than basic needs, and the approach to this has usually been constructing a solution that covers basic needs - not until the solution is chosen do business benefits become considered.

An adapted version of the *Cranfield method* (Peppard et al, 2007) has been adapted as shown in Figure 22 to enhance communication between the receiving organization, commissioning, top management and the case writer. The model provides connection between strategic goals and business benefits - ensuring relevant benefits realization. It is a necessity that top management provides a well-structured operational plan for the strategic goals. Not only do strategic goals need to be clearly defined but also explained in relation to what criteria are relevant for the organization. Should there be an effort towards a strategic goal by certain means this must be communicated, otherwise the organization is once again risking performing unwanted pre-studies and commissioning rejecting business cases.

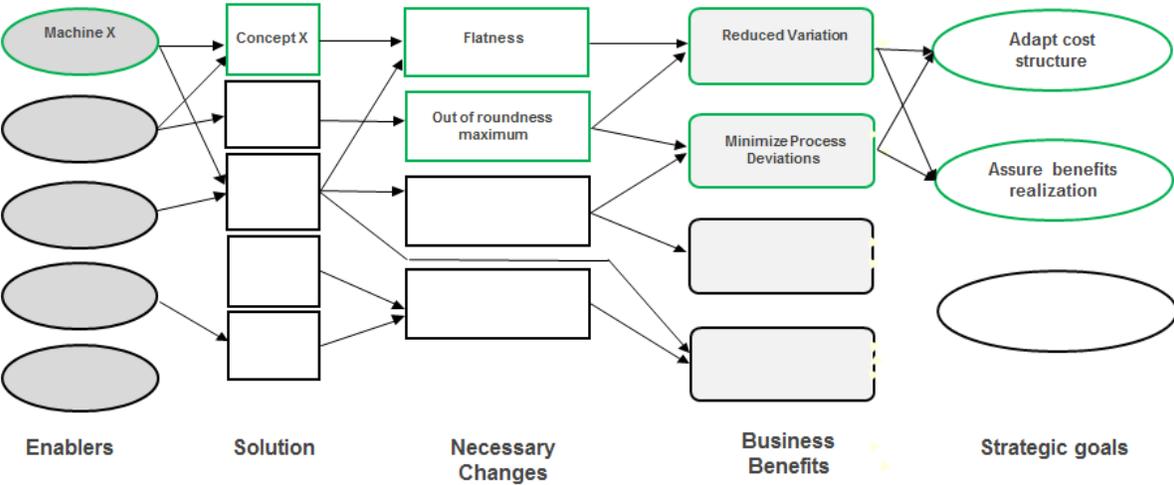


Figure 22 - showing the modified Cranfield model designed for the case company, with an example.

The most important role of the adapted Cranfield method is to act as a communication tool that helps to connect the strategy to the necessary investments. Thereby it shows a clear connection between the investment cost, time and resources, as presented in a separate pre study and financially legitimized in the IRE. Due to that the investment approval process tends to be outdrawn and involve many positions, the pre study and IRE thereby get supported and avoid miscommunications with the adopted model. As we have learned close downs during the approval process do not have to be negative, and in fact will not necessarily decrease by adopting the modified Cranfield process. Instead it will more openly communicate and explain the practical operations and their connection to strategy to

all involved in the approval process. The conducted analyze provided conclusions on the constructiveness in case rejections. In order to be constructive and contribute to organizational growth and learning decisions must be founded on solid basis. Considering how different positions in the approval process have different competencies and usually lack a holistic perspective, the new adopted method will support joint understanding for operations and clear miscommunication to a higher degree. Thus even though the business case investment rejection rate will not be lower due to this, instead it might even increase, the process will become better aligned to the strategic needs of the organization.

For the modified Cranfield method to fully be utilized the foundation is required to be appropriate - offering an extensive knowledge foundation early on that does not raise any question marks later on, both during the investment approval and the actual realization. In order for this to function first (i) the case writer needs to organize the pre study and promote involvement among relevant stakeholders and participators (future case members). Equally important is however (ii) individuals approached are motivated and given the possibility to support the business case. Once again we fall back on the importance of resource management; management on different levels should cooperate intensively to assure that business cases will receive the attention they need in order to be investigated and then initiated. Both before the actual business case is started and during the realization appropriate resources should be provided.

As identified in the conducted analysis there was a shortage of management attention for business cases that were not yet approved for realization. For there to be an optimal usage this stage should be prioritized. Before any business case is initiated for investigation of the possibility for realization, management must consider how this will affect all potential stakeholders and members that might get involved. Otherwise there is a risk for low commitment among possible case members due to other necessary, usually day-to-day operational, prioritizations. For the business case initiation to practically be improved, an approach has to be with taken that includes an organized meeting form where preferably the case writer invites relevant members to discuss the potential realization of benefits but also taking into consideration aspects from the two other business case dimensions.

Other from resource management, the two other parts of the business case, financial- and risk management are management areas of high importance in the initiation stage. By recognizing analyzed difficulties in benefits management both the financial- and risk management dimensions can be improved.

6.3 Realization

In order to establish efficient business case realization process that promotes successful and reliable outcomes it is vital, as Ward et al. (2007) suggests, to assure those activities and

procedures performed are well-aligned and updated according to the business case plan and are organized in such matters that they support their defined purpose. This is accomplished through conducting a structured and well-defined business case outline considering the business benefits and its corresponding assessments needed to secure realization. The recommended *business benefits template* which is used throughout the whole realization process will provide a foundation to support and assure that the *tangible (hard)* business benefits support and are aligned to the business case in terms of following aspects:

1. *Definition*, describing the benefit and its financial value
2. *Benefit assurance*, benefit owner with corresponding responsibilities
3. *Metrics*, defining the benefit measure type, measurement assessment and acceptable tolerances
4. *Dates*, from initiation to final realization
5. *Target performance*, measure that defines the benefit baseline, current and target performance
6. *Evaluation*, final achieved benefit measure after transition into operation and corresponding variance
7. *Deviation*, from the evaluation explain reason for variation and suggestion for corrective action

However, the hard business benefits are only related to the organizational strategic values and their corresponding assessments, which in turn leave out other *intangible (soft)* benefits which should not be taken into account for the business case financial value. Rather these benefits should be offset towards the business case anyhow in terms of other advantages for the organization, but not financially. Furthermore, the *dis-benefits* as Ward, Taylor and Bond (1996) discuss should present the disadvantages of realizing a business case and is therefore presented in the template with a financial value. Finally, the business case financial value i.e. BCR value, which is the ratio of the tangible business benefits relative to its cost (dis-benefits) is calculated from the business benefits and dis-benefits in the template. The calculated BCR value for the business case is further also incorporated in the *business case evaluation template* presented in chapter 7.1.

Considering the BCR value which can be of decisive matter when prioritizing business cases, it is therefore important to ensure that the business case and its corresponding benefits are correctly defined financially. Including support from a financial controller with the right competence would not only increase the business case financial precision, but as well provide support throughout the whole business case and provide input on how different assessment of benefits will affect the financial situation, which could lead to financial savings in terms of better orientation and financial alignment.

Considering the realization process, it is vital to establish a well organizing and managerial structure in order to ensure benefits realization. As Ward & Daniel (2006) suggest business case realization is interdependent with other procedures, particularly project management. Therefore, it is vital for the business case to be aligned to the other procedures in terms of providing support for risk, financial and benefits management while considering necessary assessment of resource and change management. This constitutes that it is appropriate to take up the business case progression at project and steering committee meetings in order to not lose strategic focus. However, it is equally important to understand the level of communication and what is communicated at all the meetings and interactions that take place in business cases.

As observed from the empirical investigation there exist a tendency to overwhelm or mislead information considering the business case, which can cause misunderstanding or a culture of neglecting information. This issue can be resolved by considering the importance and relevance of information shared to a group, as shown in Figure 23. This will also directly affect the delegation of responsibilities due to the fact that it will be of high importance for each stakeholder to understand their importance and commitment to perform their task accordingly to the business case.



Figure 23 - Promoting efficient communication through relevant information alignment

However, considerable delegation and assessment of responsibilities to the right role who would hold the right knowledge, precision and influence, will instead possibly lead to better performance since the responsibility directly reflects the outcome while ensures commitment to the task. In order for this to be effective Ward & Griffiths (1996) recommend that responsibility and task specification must be aligned and agreed by all stakeholders, otherwise there consists a risk of non-commitment for the delegated

responsibility. Leatherman et al. (2003) discussed how business case participants typically are involved in other operational work and therefore the business case risks getting in second hand. Observations made at the case company also showed there exists a tendency to delegate too much responsibility to one role in terms of business benefits, and in most cases it is not the most relevant to perform the actions needed to realize the business case. Therefore, all benefits should not be managed or delegated to one role - which is the current status. Instead the benefit ownership and corresponding responsibilities should be separately delegated depending on what kind of benefit it is to a suitable role within the company and thereby also in the case itself. Having the right knowledge and influence to perform necessary actions to secure business benefit realization supports a joint commitment better, creates better competency adaption to the real needs of the business case and also reliefs the work of the sponsor and business case writer.

In this way a clearer connection is also made in the alignment to strategy in current operations - effectively realizing the strategy and committing everyone involved to the right benefits (Merchant & Van der Stede, 2007). A proposed *deviation report* acts as a supportive tool to describe deviation for a particular benefit. The report is only to be written by the benefit owner and should be done so as soon as a deviation is identified which requires new actions which the benefit owner cannot handle. The deviation report is presented to the sponsor who in turn makes the decision of further actions to assess - or in vital matters consolidate with commissioning. The business case deviation report should be structured as following:

1. Description, short defined description of concerned benefit
2. Reason, explanation for the deviation and deviation measurement related to the performance target
3. Actions, what corrective actions have been with-taken so far to reduce deviation or prevent further expansion
4. Recommendation, what corrective actions are recommended to control deviation considering:
 - a. Time
 - b. Resources
 - c. Necessary purchases

However, if the business case is completed and the reason for deviation has been reported in another report, it is not necessary to repeat, but rather simply refer to other report. In this matter the deviation will be revealed and communicated to concerned stakeholders where corrective actions and decisions will be made to prevent further progress while deviations remain and promote more efficient outcomes.

6.4 Evaluation

As Bennington & Baccarini (2004) suggest an efficient evaluation process requires a *desire and formal demand* within the organization to perform well-structured evaluation. Consistency is equally important and presented the same throughout the different business cases. This requires that there must be a clear understanding for its purpose and benefited advantage as well as a structured process and supporting methods for evaluating the business case properly. The recommended purpose of actions should be as Ward & Griffiths (1996) recommend to mainly identify experience from the business case in order to align strategic decisions and priorities while ensuring following:

1. Maximize the benefits of the business case
2. Identify if business case benefits has been achieved and to further investigate reasons and acuties
3. Provide experience and recommendation for future business cases

However, OGC (2007) stated that the evaluation could in some cases identify other benefits that have not been revealed and create advance strategic opportunities; such a mindset is equally important to maintain. Opportunities might arise at any time during the business case realization and should be investigated further. Note however that this does not mean promoting scope changes, but rather only identifying already existing benefits and communicating them. For evaluation of the whole business case a final *close out report* has been designed with the purpose to summarize the whole business case and report suggestions for further actions (if the business case has not fulfilled the business benefits). The report is conducted only by the accountable sponsor for the business case and should present the evaluation and deviation section form from the business benefits template to attain an overview of the business case final measures and deviations (all deviation reports should also be attached at the end of the close out report), followed by a more explanatory section describing following:

1. Summary on the business case including:
 - a. Lessons learned of the business case (no project specific information)
 - b. Deviations summary
2. Recommended actions in general and rough description of necessary
 - a. Time
 - b. Resources
 - c. Required investments
3. Potential for new benefits, that has developed during the business case and can provide further advantages for the organization

When the close out report is conducted it should be presented to the commissioning who in turn decides depending on the outcomes how to proceed with the business case. The final close out report should mainly be based on the business case evaluation in terms of if the purpose and proposed business benefits are achieved. As Hicks and Rowland (2013) claim it is important to attain knowledge and right management to base the close out on ensuring following:

1. Procedures are followed throughout the business case
2. Benefits are achieved within acceptable tolerance
3. Financial terms are met
4. Adaptations and changes are made accordingly

When the close out is performed and all terms are agreed upon by the stakeholders involved, decisions should be made reflecting directly if the business case should be:

1. *Closed*, the business case has performed accordingly to plan and resource allocation and no further actions needs to be taken
2. *Remained*, actions necessary are planned, resources allocated and in some cases financial aid added in order to achieve the remaining deviations reported
3. *Renewed*, a new business case is created with the purpose to directly access a certain deviation

In order to successfully perform the close out with appropriate and aligned outcomes, a management style is required with the right acknowledgements and influences to perform the decisions made effectively. Issuing the right information throughout the organization in order to promote awareness for other relevant stakeholders is also important as discussed in 6.3. Involving the right stakeholders can be of critical importance regarding the extent successful output from the evaluation. The stakeholders should not only be a part of the evaluation, but must as well have been active or involved in their roles throughout the whole business case.

6.5 Supporting process

The supporting process will be active as a separated process from the business case; it will however be vital in promoting the business case process within the organization. From the observation made in the empirical investigation and literature this is usually done by the PMO within the organization that has the responsibilities of supporting the business case process. According to Hicks & Rowland (2013) this includes providing compliance, maintaining information, facilitating reviews and aligning resources to relevant areas.

In order to develop an efficient business case process within an organization it is vital to attain knowledge on how each business case is aligned towards current organizational strategic values. The process should be developed to include prioritization criteria that are selected for the organization according to its strategy. A recommendation has been developed to assure that the right business case is prioritized by using a *business case evaluation template*. It should be conducted presenting each relevant business case characteristic in terms of their *strategic value* and *BCR* as the chart presented in Exhibit 3 show. The template will promote overview of each business case by overall comparison and further separation in different sections depending of the current importance and focus of the characteristics. The templates also provide an overview and promote resource allocation, also management in terms of delegating resources and focus where it is needed and prioritized.

However, as we have learned it is important when considering and comparing the BCR value for the business cases that this ratio is put into relation to the amount of net benefits. Otherwise the organization risks having a cost focus that deprioritizes the benefits. With the addition of strategic value this becomes less apparent but still is problematic, as it does not remove the issue fully. Therefore the business case assessors when prioritizing within this supporting process must be aware of how large cases can have a low BCR but still be highly valuable for the organization as the net benefits might be extensive.

The PMO should further also interact with each business case in terms of collecting deviations reports and business case close out reports from the sponsor and consolidate what corrective actions and decisions should be made in order to proceed with the business case, as explained in previous chapters.

7 Final remarks

In the previous chapters, business case assessment difficulties and necessary foundations to promote efficient business cases are evaluated in organizations, after which recommendations for the case company is developed. This chapter provides final remarks of the study. The first section discusses the contribution of the study to theory and practice including limitations. Then the main conclusions of the study are presented. Finally, the chapter is ended with a discussion of validity and possibilities for further research.

7.1 Contributions and limitations

This study makes several important contributions to research stream on business cases. Although the application area for business cases is wide, the usual research areas of business case processes are performed within the IT-industry. This study is differentiated by contributing research to the industrial industry while focusing on large to medium sized organizations in Sweden. The study also makes several important practical contributions for business case practices at the case company while giving recommendations that are highly suitable for other organizations as well - although not directly applicable.

Firstly, an overview and comparison of all business case processes in different organizations is developed based on a systematic review of prior research. This compression brings together several common processes and identifies the overall and potential difficulties which are used to analyze connections in business case research and assessment for different contexts. Secondly, based on the previous findings and analysis, recommendations are presented for the case company in terms of developed processes, methods and tools. The recommendations can be used to improve the current practice of business cases at SKF. This is due to the active involvement and insight at the case company and its procedures, where only a few implementation steps have to be taken in order to include the recommendations in the daily operations. However, the recommendations could also be used at other organizations, but should first be modified towards present organizational principles and practices. The assessment of the recommendations at other organizations can however only become incorporated to organizations similar to the case company, but not for organizations that are smaller, in other industries, non-profitable etc. since they usually lack foundation for practical procedures and principles necessary.

7.2 Validity and further research

As discussed in the methodology chapter the overall thesis validity of this thesis is presented as the four elements of reliability, objectivity, internal- and external validity and used for thesis quality assurance. However, the business case process deployment for the case company is only newly developed and validating the deployment is important, because it is only worth using if it is likely that the recommendations will actually improve the current practices and solve difficulties identified in the study.

Since most empirical research on business case management focus on one procedure e.g. *initiation, realization, evaluation* or one dimension *risk-, financial- or benefits* management. This study investigates the whole business case process and corresponding activities. This study has been empirically tested within the case company in order to optimize its use in practice, the results confirm with the findings and perceptions made, but however a few noticed issues have been found. First, since the recommendations only have been tested at the case company to some extent, there is lacking evidence to prove the recommendations and findings wrong. Secondly, the issue of investigating other organizations, sizes and industries more in depth research remains. By conducting interviews with several organizations and roles a contribution to overall recommendations would improve the external validity.

7.3 Conclusion

The objective of this study was to firstly (i) analyze the general industrial *difficulties* of using business cases as a process tool for strategic value and (ii) secondly to suggest managerial *recommendations* and improve the business case methodology at the case company.

Literature shows that there has been an increasing interest in the area of business cases as a tool for creating strategic value both among academics and practitioners. Regardless of the industry, justification of investments is necessary and business cases contribute to the improvement of such processes. Within the studied industry context, large to medium sized industrial companies, there was a deep understanding for business cases and a consistent agreement among interviewees on the high importance of using business cases to create value for the organization. It was found that most organizations studied also viewed business cases only as documents that were typically sufficient or good enough in the *initiation*, but during the *realization* and *evaluation* phase there was generally less structured focus.

The results provided reinforced input on current literature where six factors were investigated. These factors were evaluated and showed how particularly *measurement*, *monitoring* and *evaluation* were regarded improperly managed - all related to the realization and evaluation phase of the business case process. Through an in depth study at the case company the functionality of the business case process was recognized to depend on, and thereby have improvement potential in several areas: including *change management*, *roles* and *responsibilities*, *strategy realization*, *communication* and *continuous improvement*.

By addressing the improvement areas into the specific context of the case company a new process was recommended for implementation, based on current quality principles and existing procedures at SKF Group. The process has been designed to consist of two stages, firstly (i) a main process that supports the operational users of business cases in all three stages. Secondly (ii) a supportive process with the main focus of business case prioritization taking in regard both strategic value and BCR. Together the part processes provide a general framework executed through project management at SKF but will require verification and customization for optimal performance.

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Appendices

Exhibit 1. Business case interview questionnaire

Business case practices questionnaire

Strategy. A project benefits management strategy is applied for each project and is well followed?
Applicant's answer:
Strongly agree — <input type="checkbox"/> — Strongly disagree

Definition. The business benefits are clearly defined?
Applicant's answer:
Strongly agree — <input type="checkbox"/> — Strongly disagree

Measurement. Business benefits are easy to measure throughout the project's whole lifespan?
Applicant's answer:
Strongly agree — <input type="checkbox"/> — Strongly disagree

Monitoring. After project closure the outcomes are monitored to ensure that all expected business benefits are achieved?
Applicant's answer:
Strongly agree — <input type="checkbox"/> — Strongly disagree

Evaluation. It is easy to identify and evaluate if the business benefits are achieved?
Applicant's answer:
Strongly agree — <input type="checkbox"/> — Strongly disagree

Importance. Efficient benefits management will contribute to better project results?
Applicant's answer:
Strongly agree — <input type="checkbox"/> — Strongly disagree

Business case process questionnaire

Introduction

What is your role within the organization?

How long have you worked at your position?

What kind of activities do you perform in your organization?

Project Handling

Can you explain the project structure?

How large are projects usually? Is it a cross functional organization?

Business Case (Value)

How do you define business case value and assure project relevancy for the organization? What aspects are important to have?

Who defines the business case? Who is responsible for it?

How do you manage and measure that business case value (business benefits)?

Is there any business case evaluation?

Do you have any improvement ideas for business case process?

Exhibit 2. Prioritization matrix for interview assessment

Selection criteria	Strategy	Definition	Measurement	Monitoring	Evaluation	Importance
Role						
Business Case Writers	2,5	3,1	2,2	2	2,5	4,1
Committee	4	3	3	3	3	4
Sponsors	2	4	2	2	2	4
Receivers	3,7	3,3	2,7	1,7	1,7	4,3
Average	3,0	3,4	2,5	2,2	2,3	4,1
% of Average Total	17%	19%	14%	12%	13%	24%

Exhibit 3. Chart presenting the strategic value related to BCR

