Stakeholder-led business case development [1, 2]

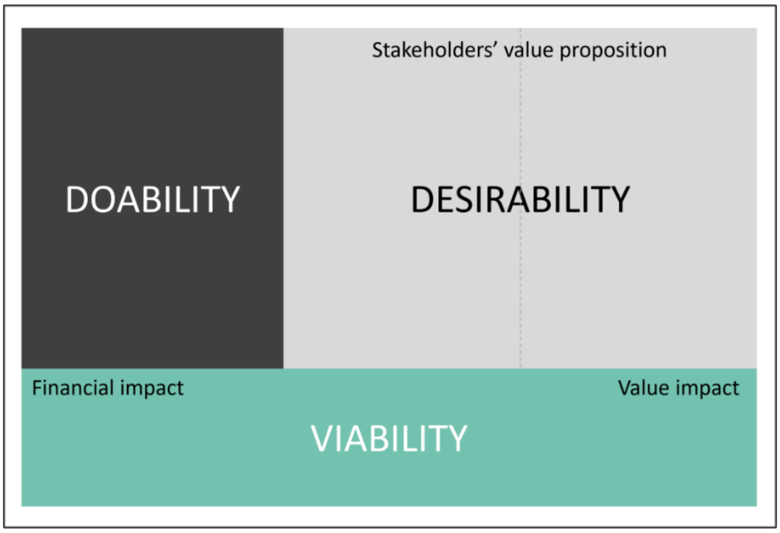
Louise Worsley

I keep thinking that the penny has finally dropped – it's the stakeholders that count! People in projects now at least talk about stakeholders, even the project management associations talk about stakeholders, yet when you listen carefully, you start to wonder. Are the 'why' and 'how' of stakeholder engagement really understood?

One area you'd think was undeniably a stakeholder intensive process is the development of the business case. Surely this is critical to the stakeholders and the investors in the project? But no! Look around, business cases are often written by specialists in writing business cases, or worse, the project manager, and often in parallel or even after the project has started.

One relatively recent improvement is that you find a section entitled 'Stakeholders' in a good business case. Yes, an entire section! But often, the content and purpose are problematic. It's supposed to provide evidence in support of the three functions of any business case, but instead it's a list or where a stakeholder analysis is written up.

The three purposes of a business case



The first purpose is to demonstrate that the project is worth doing.

The second is to prove that it is more worth doing than some of the competing projects.

The third is to provide the framework for all future business decision-making about the project.

To achieve these, the business leaders and investors in the project need to be convinced about:

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[1] This article is based on a presentation by the author during the Project Management South Africa (PMSA) 2021 National Project Management Conference held virtually in November 2021. The PMWJ was a media partner for that event. To learn more about PMSA and their events, visit https://www.projectmanagement.org.za/. For more on the subject of this article, see the author profile at the end of this article and contact the author directly.

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- Desirability – is there evidence that the project is worth doing, and just as importantly, who thinks so? Are there legitimate stakeholders backing the project?
- Do-ability – is there a feasible case for delivering the outputs and outcomes? Planning is necessary before do-ability can be proven. Still, even at this stage, options can be assessed.
- Viability – combining desirability and do-ability leads to an assessment of how viable the project is. Are the benefits risks and cost risks commensurate with the risk appetite of the critical stakeholders and the organisation?

If the business case is to deliver on its promises, you need to know, “Who wants what?” “How badly do they want it?” And “How committed are they?” Oh, and it’s helpful to know how widely held the view is that this is an important and necessary expenditure.

With that in mind, let’s unpack the contents in the Stakeholder section.

Stakeholders and the business case

I find it helpful to group the stakeholders into four groups.

Group 1: The accountable stakeholders

All projects need “somebody who cares”. An accountable stakeholder is a leader who cares enough that they are prepared to be held accountable for delivering the benefits and the return on investment for this project.

This group of stakeholders really matter as these leaders are prepared to put their names against the case for action.

They are signing off on the desirability of the business case and their understanding of the risks associated with value achievement. They have established to their satisfaction that the return on the investment is acceptable or better.

The Stakeholder section must convince us that these stakeholders exist and have the necessary commitment. The most compelling way to do that is for the project sponsor to write and then present the motivation for the business case to their peers.

Bent Flyvbjerg, recently published research on what he calls ‘the fallacy of cost-benefit analyses’. He also emphasises how important it is that accountable stakeholders have some ‘skin in the game’. In discussing the endemic problem of under-estimated costs and over-estimated benefits in public-spend projects, he recounts an example of criminal charges being brought against a sponsor who signed off an obviously non-viable business case and urges other governments to follow suit.

Group 2: Consulted stakeholders

The second group is the individuals consulted during the development of the business case. Why? Because they form part of the evidence as to why the business case is framed the way it is. I recently reviewed a project governance process for a large pharma company. What I found fascinating was the focus on who signed off, who had been involved in the approvals, and when. The whole process was transparent and traceable and undoubtedly impacted the organisation's culture. It engendered a rather cautious approach, though being risk-averse is not necessarily a good thing in a research-based company!

Knowing the sources are crucial to all three functions of the business cases. Has appropriate expertise been considered? Can biases be detected that reflect stakeholder agendas? Put simply – has the business case consultation been robust enough – have the risks to achieving the benefits as opposed to the gains been properly aired?

Group 3: The role-based stakeholders

The third group of stakeholders is those individuals who will be involved in the governance of the project.

Not all of these will be known, as often some are still to be appointed; the solution has not been agreed upon yet. But there will be some idea about the resource areas (specific resources and types of resources) and what technologies are likely to be involved.

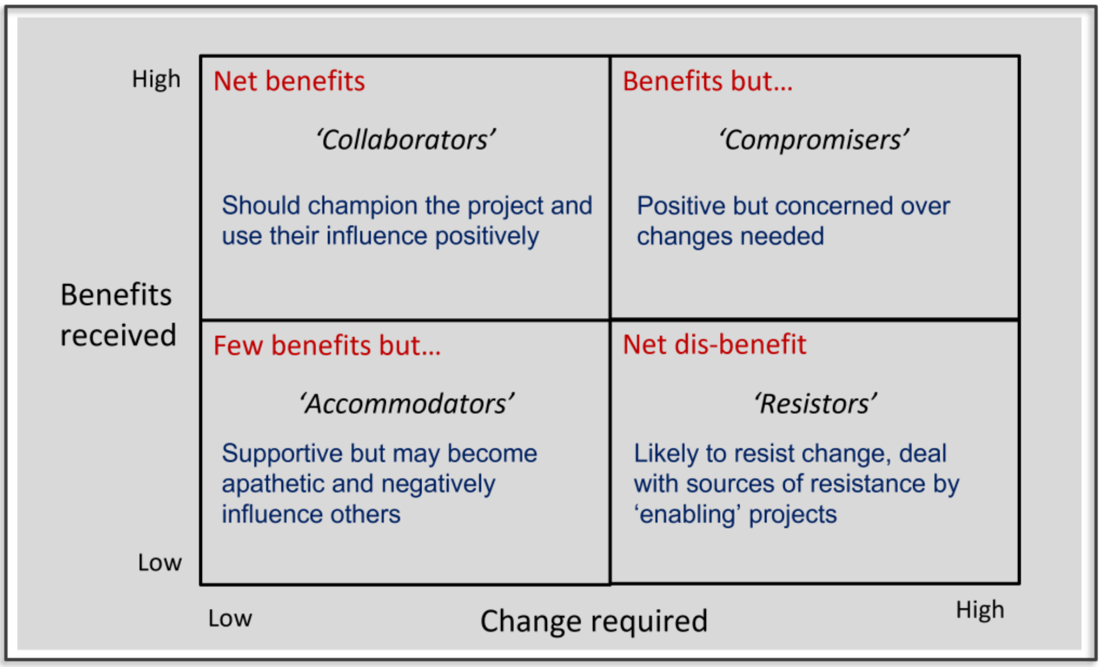
Why does that matter in the business case? Well, even at the business case stage, bottlenecks and constraints on resources can be identified. When fulfilling the functions of the business case, non-feasible solutions need to be eliminated without limiting the viable options.

I hope you noticed how I slipped in there that the business case is *not* a vehicle for documenting the solution. It is where options are laid out and recommendations made. Too often, a commitment is made to a solution – in which case it's not a business case you are reading – you are being coerced!

Group 4: The agenda-based stakeholders

Finally, we have the fourth group – the agenda-based stakeholders. These people may not have a role in the project's governance, but they have strong feelings about the project and can significantly impact its success.

Agenda-based stakeholders are difficult to find sometimes, not least because they tend to hide until the most inconvenient moment! But it's worth the effort. One place to start is to look at net winners and losers from the project's outcomes – not just the benefits.



Who are the antagonists? Who are the supporters?

You need to include this group, not with a detailed stakeholder analysis because that is a planning process, but as an aid to understanding how viable the project is. The business case should capture the potential levels of antagonism and support towards the project. Too many stakeholders with opposing views can quickly push the project into the non-viable category.

Never mind the numbers – it's the stakeholder commitment that counts!

Some of you are probably thinking that you don't do anything like this, and it doesn't really matter because a business case can be boiled down to a spreadsheet of numbers. Costs on one side, benefits, particularly financial benefits on the other – and once you juggled with them enough, the answer lies in plain sight.

If only that were so!

In a series of studies going back to 2003 and as recently as 2021, Flyvbjerg et al. have shown that in publicly funded projects:

… estimates used decision-making are highly, systematically, and significantly misleading. Forecasts are consistently and significantly inflated…
…decision-makers are well advised to take any forecasts that do not explicitly consider the risk of being very wrong with a grain of salt.

It's not because publicly funded projects are poor or worse than commercial and industrial projects; it's because the numbers are freely available for analysis.

In 2021, Flyvbjerg & Bester published their research into 2,062 public investment projects and reported that:

We found a fallacy at the heart of conventional cost-benefit analysis: forecasters, policymakers, and scholars tend to assume that cost-benefit forecasts are more or less accurate, when in fact, they are highly inaccurate and biased, at an overwhelmingly high level of statistical significance.

So, if you can't trust the numbers, what can you do? You do what every business has always done, trust in the rational judgement of its leaders, experts, and advisors. And how do you get rational judgements?

- Ensure there are accountable stakeholders, with skin-in-the-game– my stakeholder group 1
- Adapt cost-benefit forecasting so that it counts what is valued and how valuable it is to the business and its customers – my stakeholder groups 2 and 4

You then determine how possible it is to achieve that value using an agreed-upon approach by informed and interested parties you trust. You make pretty sure you've considered the potential downsides, and then gain commitment from the individuals charged with delivery.

Oh wait! I've just described a business case, but one that puts stakeholders in pride of place. Not a business case that uses numbers to fallaciously describe the future, but one that makes the stakeholders the focal point of the document. A business case that makes it clear that their contributions form the basis upon which the decision to go or not is made.

References

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