



DEPARTMENT OF THE NAVY
COMMANDER
NAVAL EDUCATION AND TRAINING COMMAND
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NETC INSTRUCTION 1510.3

From: Commander, Naval Education and Training Command

Subj: BUSINESS CASE ANALYSIS POLICY

Ref: (a) NAVEDTRA 130

Encl: (1) Business Case Analysis Template

1. Purpose. To establish Naval Education and Training Command (NETC) policy for use of the Business Case Analysis (BCA) process per reference (a).

2. Background. NETC has implemented the BCA as the structured methodology to facilitate its decision making process. The BCA is a continuous process from conception of an alternative or solution to implementation. The process must assure decisions are consistent, valid, defensible, and documented. The BCA provides a structured, consistent methodology that presents all the benefits and costs, both quantitative and qualitative, of each planned action over time. The successful BCA is objective and unbiased, assumptions and constraints are realistic and reasonable, and conclusions and recommendations are based on the analysis. The results of the BCA support the decision whether or not to proceed with proposed actions.

3. Policy. NETC personnel shall use the format in enclosure (1) to complete a BCA.


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Lists I through IV

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**PROGRAM PROPOSAL
BUSINESS CASE ANALYSIS**

Project Sponsor

Lead Action Officer

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1.0 Executive Summary

Purpose of an Executive Summary

The reason for writing an Executive Summary is to provide a concise summary of the key highlights of the business case. The reader should be able to understand what the project is about, the role of the project in the department's business plan/direction, and the business justification of the project. The reader should understand how the project improves the overall efficiency and/or effectiveness of the government.

1.1 Summary Components

While the Executive Summary appears at the beginning of a business case, it is written last.

The Executive Summary will describe the objective of the project, the current state of the problem and the resulting opportunity. It outlines the scope of the project in general terms, and briefly describes the competitive environment (i.e., what other government jurisdictions and/or corporations are doing). The Executive Summary also provides a brief description of the business impact, and the risks of undertaking the project. Finally, it concludes with recommendations and the financial impact of the project. This summary should also be written with the media in mind, as this is often the only part of a report that the media reads. The Executive Summary is also often used to prepare a press release.

The summary should be no more than two pages in length. It should contain the subject, scope, method of analysis, major results, and list or table of financial metrics from the analysis.

Checklist for Executive Summary:

1. Will the reader get a clear understanding of the reasons for the project and its outcome by outlining the "why, what, when, who, and how" of the initiative?
2. Does it contain any information that is not contained in the body of the business case? (Should not)
3. Is the Executive Summary less than two pages?
4. Can the Executive Summary be treated as a stand-alone document?

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2.0 Background

Purpose of the Background Section

The reason for writing the Background section is to provide the reader with an introduction to the subject of the business case. This section describes the history and current state of affairs giving rise to or relating to the general business problem or process improvement opportunity that is the subject of the business case.

2.1 Problem/Process Improvement Opportunity

Provide a brief description of the business problem or opportunity that the project is trying to address.

2.2 Current Situation

This section provides a synopsis of what is happening currently within the Navy and, if applicable, what has led to the current situation and what is likely to happen if the current situation is maintained. The current situation can be defined in terms of relevant legislative requirements, organization structures and responsibilities, human resources, processes, and technology.

Checklist for Background Section:

1. Is the business problem or opportunity clearly defined in general terms?
2. What factors have led to this situation (i.e., changes in policy, programs, legislation, platform requirements or other concerns)?
3. What metrics or goals are used by the current process to determine level of performance/success? If no metrics exist, how was the problem or issue identified?
4. Provide any additional amplifying data or information.

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3.0 Initiative Description

Purpose of the Initiative Description Section

The reason for writing the Initiative Description section is to provide the reader with a clear definition of what the initiative will accomplish (objective), what the initiative will and will not include (scope), what are the expected results (outcomes) and who are the players (stakeholders).

3.1 Initiative Description

Provides a clear description of how the proposal will address the problem, issue or opportunity identified in the Background section.

- How will this project address the issues discussed above?
- What are the major milestones and timeline for this project?
- Will the proposed solution introduce additional occupational and/or high-risk training safety criteria or concerns (i.e., additional hazards, processes, actions, effluents or circumstances otherwise comprising additional risk)?

3.2 Objectives

Outlines what the initiative will accomplish in clear and measurable terms within a specified time frame. These objectives will be used in a post-implementation review to review and assess the success of the project. The objectives should be formulated broadly enough so that meaningful alternatives are not ruled out and narrowly enough so that only relevant alternatives are considered and that costs and benefits can be formulated. Objectives should be focused on goals, not operations, and on outputs, not production.

Examples of objectives include:

- Reduce number of permanent change of station (PCS) moves by 10 percent at 18 months after implementation.
- Increase the number of Sailors reenlisting at the first retention milestone by 5 percent at 18 months after implementation.
- What are the objectives/expected outcomes of this proposal?

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3.3 Scope

Defines parameters of the project. The scope is the range of coverage encompassed by the case along with several dimensions. Boundaries define the scope precisely (i.e., what data belongs and what data does not belong). Specifically, it describes the timeframe, department/organization, function and technology.

Timeframe: Explains specific details about when the project will start and end.

Department/Organization: Details the specific locations/sites, if applicable, and departments or group of departments who will be involved in the project.

Function: Describes what functions of the department/organization the project involves.

Technology: Defines the boundaries within which the project must work, i.e., use of existing systems, compliance with established standards.

3.4 Out of Scope

This section includes items that are specifically excluded from the project.

3.5 Projected Outcomes

This section lists the specific and measurable deliverables on the initiative. Each outcome includes an estimated time frame of when the outcome/deliverable will be completed.

Outcome/Deliverable	Estimated Completion
Detailed Business Requirements Document	3 Weeks
Project Design Document	6 Weeks

3.6 Stakeholders

Identify all organizations and commands (both internal (Navy) and external (DOD)) that may be impacted by this proposal. Provide a summary of any unique requirements each stakeholder has regarding this proposal.

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Stakeholders	Summary of Requirements
Primary - Internal	
Stakeholder 1	Requirement 1 Requirement 2 ...
Stakeholder 2	Requirement 1 Requirement 2 ...
Primary - External	
Stakeholder 1	Requirement 1 Requirement 2 ...
Secondary - Internal	
Stakeholder 1	Requirement 1 Requirement 2 ...
Stakeholder 2	Requirement 1 Requirement 2 ...
Secondary - External	
Stakeholder 1	Requirement 1 Requirement 2 ...
Stakeholder 2	Requirement 1 Requirement 2 ...

Checklist for Initiative Section:

1. Is it clear what the initiative will accomplish?
2. Is it clear what is not included in the initiative and what it will not accomplish?
3. Will the reader know all parties that will be impacted by the initiative?
4. Are the general requirements of each stakeholder clearly laid out?
5. Are the timelines of the initiative clearly outlined?
6. Does the business case mention consultation that has taken place with stakeholders?

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4.0 Strategic Alignment

Purpose of the Strategic Alignment Section

The reason for writing the Strategic Alignment section is to provide the reader with an understanding of how the initiative aligns with the overall business plan of the Navy and how it may impact other initiatives.

4.1 Description

Review the business plans of all related initiatives and identify specific goals that the initiative will help achieve. Identify the level of impact the initiative has on achieving the various initiatives' goals by scoring the impact high, medium, or low, using the following guidelines:

High: Indicates that the initiative is critical to the achievement of the goal.

Medium: Indicates that the initiative directly impacts the goal but it is not critical to its attainment.

Low: Indicates an indirect impact to the achievement of the goal.

Goal from Initiatives	Level of Impact	Explanation (if required)

Checklist for Strategic Alignment:

1. For goals that have been assigned a high level of impact, is the initiative truly critical to achieving the goal?
2. Does the explanation support the evaluation of how the initiative impacts the goal?
3. Does the initiative align with the overall Navy goals?
4. Are you able to forecast unintended or unplanned consequences? If so, include those in Section 9.

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5.0 ANALYSIS OF ALTERNATIVES

Purpose of the Alternatives Section

The reason for writing the Analysis of Alternatives section is to provide the reader with an outline of the realm of possibilities that are available to address the problem or opportunity. It provides the reader with rationale to why some have been eliminated as viable alternatives. Finally, it provides a detailed description of viable options that will address the business initiative problem or opportunity. A viable option usually includes a "do nothing" option (status quo) and should be discussed.

5.1 Description

List all possible solutions that may meet the business problem or opportunity. Based on a practical and common sense analysis, narrow the list to include only viable alternatives and state the reason for excluding an alternative. Valid alternatives should not be simply excluded due to funding constraints. Only the viable alternatives will be further detailed and carried forward into following sections of the business case.

For each viable alternative, explain the key parameters including people, processes, and systems. Discuss how each viable option addresses the business problems and meets the objectives of the project within the outlined scope as stated in Section 3.

Each alternative must be defined in sufficient detail to enable identification of specific impacts (Section 7 - Business & Operational Impacts), project risks (Section 8 - Initiative Risk Assessment), and benefit and costs (Section 9 - Cost Benefit Analysis). Include partnership and shared service opportunities that may enhance the business outcome of an alternative. This section should conclude with a clear summary of the reasons why the proposed solution was selected from among the identified alternatives.

Include any detailed requirements analysis in an Appendix.

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Key Parameter	Proposed Solution	Alternative #1	Alternative #2	Alternative #3
Costs				
Benefits				
Risk				
Business/ Operational Impact				
Other				

Checklist for Alternatives:

1. Have all possible solutions been identified?
2. Have all viable alternatives been determined? Is there sufficient reason for the exclusion of possible solutions?
3. Are the alternatives truly distinguishable?
4. Are the viable alternatives defined at a sufficient level of detail to define costs and benefits?
5. Where possible, do alternatives take advantage of partnerships and shared service opportunities?
6. Have any critical success factors been highlighted for each alternative?
7. Have all constraints for each alternative been identified?

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6.0 Business and Operational Impacts

Purpose of the Business and Operational Impacts Section

The reason for writing the Business and Operational Impacts section is to provide the reader with a list of all business and operational impacts for each stakeholder. Each impact is described and analyzed for each viable alternative.

6.1 Description

For each stakeholder (outlined in Section 3) identify all business (strategic, longer term focused) and operational (procedural, detailed focused) impacts that may arise from the project.

An example of business impact might be a change in the Navy PCS policy.

An example of operational impact might be staff training required (Detailers, ECMS).

For each impact identify the magnitude of impact (high, medium, low, or none) for each alternative using the following guidelines:

High: Indicates that the magnitude of impact is significant and stakeholder support and preparation are critical to the alternative's success.

Medium: Indicates that there is a manageable impact to the stakeholder.

Low: Indicates the alternative will have a minor impact to the stakeholder.

None: Indicates that the stakeholder will not be impacted by the alternative.

If necessary, document the rationale for the evaluation.

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Impact & Description	Alternative 1	Alternative 2	Alternative 3
Stakeholder 1:			
Impact 1 - Description of impact 1	High	Medium	High
Impact 2 - Description of impact 2	Medium	Medium	Medium
...			
Stakeholder 2:			
...			
...			

Checklist for Business and Operational Impacts:

1. For each stakeholder, have all business and operational impacts been identified?
2. Has the magnitude of impact been accurately evaluated for each alternative?
3. Have all stakeholders been considered?
4. Have risks that specifically relate to each alternative been included?

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7.0 Risk Assessment

Purpose of the Risk Assessment Section

The reason for writing the Risk Assessment section is to provide the reader with an understanding of the risks that are related to the initiative and how these risks may vary by viable alternative. A risk assessment must be performed as a component of the Business Case Analysis (BCA). The risk assessment assigns an estimate of the risk to likely outcomes of alternatives. This section includes a risk mitigation strategy for each risk.

7.1 Risk of Initiative and Viable Alternatives

Risks are factors that may jeopardize/prevent the proposal from achieving anticipated benefits or result in increased costs. In this section, list all anticipated risks, assess the probability of each risk occurring and its potential impact on the proposal, and briefly discuss potential mitigation strategies to manage each risk.

Use the following guidelines to assign a probability and impact factor for each risk identified:

Probability of risk:

- High indicates that the event is highly likely to occur.
- Medium indicates that the event is likely to occur.
- Low indicates that the event is not likely to occur.

Impact of risk:

- High indicates that the event has a significant impact to the project.
- Medium indicates that the event will impact the project.
- Low indicates that the impact is relatively minor to the project.

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- None indicates that the risk will not impact the project.

If necessary, document the rationale for the evaluation.

Initiative Risk Assessment	Viable Alternative 1		Viable Alternative 2		Viable Alternative 3	
	Probability	Impact	Probability	Impact	Probability	Impact
Risk 1 - Description of risk 1	High	Medium	Low	Low	Medium	Low
<i>Risk 1 General Mitigation Strategy</i>	<i>Specific Strategy</i>		<i>Specific Strategy</i>		<i>Specific Strategy</i>	
...						
Risk 2 - Description of risk 2	Low	Medium	Medium	Low	Medium	Medium
<i>Risk 2 General Mitigation Strategy</i>	<i>Specific Strategy</i>		<i>Specific Strategy</i>		<i>Specific Strategy</i>	
...						

7.2 Risk of Not Proceeding with Initiative

Initiative Risk Assessment	Status Quo	
	Probability	Impact
Risk 1 - Description of risk 1	High	Medium
<i>Risk 1 General Mitigation Strategy</i>	<i>Specific Strategy</i>	
...		
Risk 2 - Description of risk 2	Low	Medium
<i>Risk 2 General Mitigation Strategy</i>	<i>Specific Strategy</i>	
...		

Checklist for Initiative Risk Assessment:

1. Have all general risks been identified?
2. Have all risks specific to each alternative been identified?
3. For each risk have the specifics of each alternative been taken into consideration when evaluating the probability and impact?

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3. For each risk have the specifics of each alternative been taken into consideration when evaluating the probability and impact?

4. Has a risk mitigation strategy been identified for unacceptable levels of risk?

5. Have the risks related to status quo been identified?

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8.0 COST/BENEFIT ANALYSIS

Purpose of the Cost/Benefit Analysis Section

The reason for writing the Cost/Benefit Analysis section is to provide the reader with an evaluation of the costs and benefits associated with each viable alternative. The reader can easily understand and compare the initial and ongoing expenditures to the expected financial and non-financial benefits for each viable alternative.

Benefits may include both tangible and intangible elements. Tangible benefits are those that can be quantified and measured directly in dollars, such as reduced costs, faster service delivery (of equal or better services), or improved productivity. Intangible benefits are those that can only be quantified and measured indirectly, such as improvements in mission performance, decision making, and employee morale. Intangible benefits are generally not quantifiable or measurable in dollar units.

8.1 Financial Cost and Benefit

Full Cost Analysis: Where possible all costs and expected benefits resulting from this opportunity should be analyzed for each viable alternative (including the costs and benefits of status quo). This methodology provides the reader with a total cost picture and is much more informative than an incremental approach. Any detailed worksheets should be attached as an appendix.

Incremental Cost Analysis: If it is not possible or practical to fully analyze the entire cost or where the incremental initiative costs are relatively small to the entire cost, an incremental approach may be used. This methodology involves identifying the changes or differences between each alternative, using the projected benefits/costs of the status quo alternative as a basis.

Timeframe: Identify an appropriate Initiative timeframe over which both the cost and benefits will be analyzed. The timeframe should be appropriate to the expected lifecycle of the initiative, from incurring costs to achieving the anticipated benefits.

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Costs:

Identify all relevant costs incurred by all stakeholders over the chosen project timeframe:

- Direct costs
- Indirect costs
- Initial costs
- Ongoing costs
- Capital costs

Consideration should be given to:

- When the costs will be incurred (before, during, and after (BDA))
- Who will incur the costs
- Certainty of costs

Expected Benefits:

Identify all quantifiable benefits expected to be achieved during the timeframe of the proposal. Quantitative benefits can be measured in terms of dollars, general savings, or cost avoidance.

Consideration should be given for all benefits related to all stakeholders, over the chosen project timeframe:

- When the benefits will be achieved
- Who will be the recipient of the benefits
- Certainty of benefits

Sample Summary Cost Benefit Template:

Summary of Quantitative Cost/Benefit	Viable Alternative 1	Viable Alternative 2	Viable Alternative 3
Present Value of Total Benefits:	\$	\$	\$
Present Value of Total Costs:	\$	\$	\$
Net Present Value of Initiative:	\$	\$	\$

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Sample Costing Template for each Viable Alternative:

Quantitative Analysis - Viable Alternative 1	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Benefits:						
Revenue	\$	\$	\$	\$	\$	\$
Costs:						
Analysis	\$	\$	\$	\$	\$	\$
Design	\$	\$	\$	\$	\$	\$
Implementation	\$	\$	\$	\$	\$	\$
Ongoing Operational Costs:						
Human Resources	\$	\$	\$	\$	\$	\$
Administration	\$	\$	\$	\$	\$	\$
Net benefit or cost of viable alternative 1	\$	\$	\$	\$	\$	\$
Net present value (XX% discount rate)	\$					

Analysis:

A "Net Present Value" calculation is used to account for the fact that \$1 today is not worth the same as \$1 five years from now due to inflation and interest rates. The use of a "Net Present Value" calculation should be used to take into account the time value of money, regardless of whether the full or incremental cost approach is used.

If there are some assumptions that have a significant impact on the cost or benefit, a sensitivity analysis should be presented. Contingency allowances or interest rate premiums should be used to account for differences in certainty/risk. The cost/benefit analysis should be reviewed for reasonableness through the use of benchmarks, other organizations' experience, industry data, etc. This would include the use of a public sector comparator for public/private partnership projects.

8.2 Non-Financial Cost and Benefit

Some of the costs and benefits may not be quantifiable (difficult to attach a dollar value). For example, non-quantifiable benefits may be increased customer satisfaction or increased staff morale. Non-quantifiable costs may be reduced corporate image or adverse public perception. Where reasonable,

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these should be translated into quantifiable benefits, i.e., increased staff morale may lead to high productivity, which may lead to less overtime. However, the non-quantifiable costs/benefits that cannot be translated into quantifiable costs/benefits should be summarized in the following manner:

Viable Alternative 1:

Qualitative Summary	Description	Stakeholder(s) Impacted
Benefits:		
Benefit 1	Description of benefit 1	
Benefit 2	Description of benefit 2	
Costs:		
Cost 1	Description of cost 1	
Cost 2	Description of cost 2	

8.3 Assumptions

All assumptions used to determine both quantitative and qualitative costs and benefits should be clearly documented. This would include general assumptions as well as assumptions specific to each alternative.

Each assumption is described in this section. Assumptions are explicit statements used to describe the present and future environment upon which the cost/benefit analysis is based. Assumptions simplify the analysis, define and clarify differences among the alternatives, or make predictions about the future.

There are three rules for making assumptions:

- Make assumptions only when there is a need to bridge information gaps.
- Ensure assumptions are realistic.
- Verify assumptions are relevant to the analysis.

Checklist for Cost/Benefit Analysis Section:

1. Have all quantitative costs and benefits been identified?
2. Have all qualitative costs and benefits been identified?
3. Is the timeframe appropriate considering the expected life span of the project?

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4. Can any of the non-financial items be converted to financial items?
5. Are all assumptions clearly identified?
6. Have all common/general assumptions been applied consistently to each alternative?
7. Have assumptions been reviewed to identify the sensitivity of their estimate on the impact of the results?
8. Have benchmarks, other organizations' experience, industry data been used to validate costs and benefits?

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9.0 CONCLUSIONS AND RECOMMENDATIONS

Purpose of the Conclusion and Recommendation Section

The reason for writing the Conclusion and Recommendation section is to provide the reader with a selected alternative based on an overall evaluation of the alternatives in terms of impact, risk, and cost/benefit. Specific recommendations for moving the project forward are also presented.

9.1 Conclusions

This section will recap each of the alternatives based on their business and operational impact, project risk assessment, and cost/benefit analysis. Based on these results, a conclusion on which alternative should be chosen would be made.

Alternative	Business and Operational Impact	Project Risk Assessment	Cost/Benefit Analysis
Alternative 1	Describe overall assessment	Describe overall assessment	Describe overall assessment
Alternative 2	Describe overall assessment	Describe overall assessment	Describe overall assessment
Alternative 3	Describe overall assessment	Describe overall assessment	Describe overall assessment

Choose the recommended alternative based on the above recap, selecting the alternative that maximizes the effectiveness and efficiency while minimizing risk and cost.

9.2 Unplanned Consequences

This section will address any unplanned "gotchas" or unintended results.

9.3 Recommendations

This section will make specific recommendations on proceeding with the initiative.

The extent of the recommendation may range from recommending approval for full project implementation to recommending a more detailed requirements analysis be done to validate some key business case components.

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9.4 Project Responsibility

Recommend who should be the Action Officer and, as such, have responsibility for managing the implementation.

9.5 Project Accountability

Recommend who should be the Initiative Champion and, as such, have overall accountability to ensure the initiative is completed.

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10.0 IMPLEMENTATION STRATEGY

Purpose of the Implementation Strategy Section

The reason for writing the Implementation Strategy Conclusion and Recommendation section is to ensure that those approving the business case understand the resources they must allocate (people, dollars, time) to complete the recommended next steps of the initiative.

10.1 Description

Outline the proposed implementation plan for the recommended next steps at a high level. Enough detail should be provided so that those approving the business case understand the resources they must allocate (people, dollars, time) to complete the recommended next steps of the initiative.

10.2 The strategy should include:

- Major phases
- High-level work plan, deliverables, and target dates for completion
- Costs (\$) required to carry out the implementation plan
- Personnel (organization roles) required
- Assign responsibility for implementing and monitoring the risk mitigation strategies

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11.0 REVIEW AND APPROVAL PROCESS

Purpose of the Review and Approval Process Section

The reason for writing the Review and Approval section is to clearly present the reader with whom and how the business case has been reviewed and approved. This section will also contain the final outcome of the business case. If the business case is approved the evidence of the approval should be included. If the business case is not approved, the business decision behind either rejecting the initiative or deferring it should be documented.

11.1 Review Process

Who will review the business case?

11.2 Approval Process

What is the approval process and who is involved?

11.3 Business Case Signoff

The business case should be signed and dated by the approving person(s), indicating whether or not the business case is approved. If applicable, approval conditions should be identified. If the business case is not approved, reasons for the decision should be documented.