STERLING COMMERCE WHITE PAPER

9 Steps to Building a Business Case for B2B Integration

Integration by the numbers: justify the initiative

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Putting together a business case does not rank high on most IT executives' list of favorite activities. But given the new emphasis on governance, the struggling economy and corporate decision-making, the ability to put together a compelling case is now a core competency.

Justifying a strategic B2B initiative that reaches beyond the organization's four walls is especially critical. It encompasses integration of your major information systems to give your company the secure foundation needed to collaborate effectively with customers, partners, and suppliers. With so much at stake, the business case will come under rigorous scrutiny from senior executives and business managers at your company. Fortunately, you can significantly increase your chances of approval if you follow these nine steps.

Step 1: Target your audience. Make sure your business case contains elements that appeal to each type of decision-maker.

Step 2: Consider the context. Be sure your project can meet the required rate of return, because you are competing for corporate resources against your business peers.

Step 3: Secure solid executive sponsorship. B2B collaboration is more strategic in nature. The executive sponsor will work to ensure tactical priorities do not drown the project's strategic aspects.

Step 4: Team up with a business partner. Business managers identify the proverbial "pain points" and articulate the value of seamlessly exchanging information with customers, partners, and suppliers.

Step 5: Frame the problem—and the solution—in business terms. The starting point must be a business problem, and the job of the business case is to connect the dots between the problem and the proposed B2B solution.

Step 6: Build a realistic cost-benefit picture. Categorize the project by type (tactical vs. strategic) and drill down into its anticipated benefits.

Step 7: Don't leave out the indirect benefits. Attempting to make a case for B2B collaboration projects without accounting for indirect benefits is a wasted effort. Some of the greatest potential can be found in indirect benefits, which are virtually limitless.

Step 8: Make the business "own" the benefits. Get the business leader to sign on to the business case and agree to do everything possible to help the company realize the benefits.

Step 9: Establish key vendor/solution selection criteria. Be sure to include key vendor and solution selection criteria as part of the business case.

Step 1: Target your audience

A B2B collaboration initiative can stretch across many different functional areas and departments. You may need to seek approval from a number of different departments and managerial levels. Do your homework. Know the different types of people you'll need to influence to secure the funding. Make sure your business case contains elements that appeal to each type of decision-maker.

For instance, chief operating officers look to cut costs and improve employee productivity. For this group, highlight the hard cost-savings to be gained by automating communication with partners, suppliers, and customers, that had previously been done by hand.

Marketing executives, on the other hand, struggle to establish more direct communication with customers, and provide customer-facing employees with access to richer and more reliable information. If you show that your B2B solution will open the lines of communication with, and provide additional services to, customers, you are likely to get the thumbs-up from this group.

Senior managers will focus primarily on strategic opportunity. Collaboration across the extended enterprise can be a source of business-process re-engineering, resulting in unforeseen innovation. The business case should show that you are thinking strategically while solving short-term tactical issues. Show the value of the solution now and over time. For senior management, you must build a strategic vision, a road map—which will guide and shape their thinking.

Step 2: Consider the context

No matter what the project, many IT managers plow ahead with the task of putting together a business case, without establishing how the project fits into their company's overall strategic plan, or making sure they can meet some basic financial requirements.

For example, most large companies have a "hurdle rate," or the rate of return required by the organization to fund a project. (A typical hurdle rate might be 13%. In other words, the project must show a return on investment, ROI, of 13% within a specific time frame or it will get the red light from management.) If your project can't clear this obstacle, you'll never get a chance to move to the substance of the business case. If you don't know what your company's hurdle rate is (or whether one even exists), ask. You are competing for corporate resources against your business unit peers, and you must be sure your project can pay the price of admission.

You will also need to figure out which other projects your proposed initiative is up against (both inside and outside IT) to figure out how to position it. For companies in manufacturing, for example, the financial value of the IT project must outweigh an investment in a new piece of equipment or a new plant, or it won't go ahead.

Within IT, there is the same competition for resources. Many large companies now take a "portfolio management" approach to funding IT projects. Portfolio management dictates that there is a mix of projects that will help run the business (the majority of approved projects fall into this category), those that aim to grow the business (a smaller percentage) and those that have the potential to transform the business (an even smaller percentage).

B2B collaboration projects fall into the third category (though its smaller components may fall into the second category as well). As such, they have enormous potential. But most companies spend the bulk of their IT budgets on projects that keep the business running, so they fund only one or two potentially transformative types of projects each year. Positioning is therefore crucial. You must identify the B2B collaboration project as being transformative in nature from the beginning.

One way to do that is to tell a story, sketch out a road map for where this project will take your company in the coming years. The map need not be all-encompassing or set in stone. Build a flexible framework that allows for the vision to change along with business conditions and new technology developments. The road map should not be longer than a page or two, and written in a compelling, conversational style. Senior management will be more interested in this big-picture view than the tactical pieces, so be sure to give it prominent placement.

Use scenarios to paint a picture of the possibilities. ("What if we could shut our warehouse because we could gauge supplier and customer demand in real time? What if we could channel customer feedback directly into R&D so future products met their needs better?")

With the road map complete, your next task is to divide the initiative up into smaller chunks that have immediate, tactical benefits (such as reduced paper or printing costs or improved service to your single best customer) and provide separate justification for each. Showing quick time to value via the smaller projects will go far toward getting your business partners on board.

Step 3: Secure solid executive sponsorship
Projects that do not have executive support are doomed to failure. For a B2B initiative, executive sponsorship is even more crucial than with more mundane IT projects, because B2B collaboration is more strategic in nature and will have broad-reaching impact across departments and organizations. The executive sponsor must make the case—both formally and informally—to the organization as a whole why the initiative is necessary and what will be gained. At the senior management level, the executive sponsor should be a cheerleader for the project, securing resources (and making sure they're not diverted to competing projects), touting successes, and responding to questions and problems.

Step 4: Team up with a business partner

In most cases IT executives shouldn't undertake technology projects without the active involvement of the business managers—after all, technology projects are justified only to the extent that they help the business meet its objectives. For large projects, it is a best practice to have an IT representative, a business representative and a project manager work together to build the business case.

Each party has a specific role. The IT professional lays out the technology alternatives to the problem, providing data on features, costs, and training and support implications. The business representative reviews the alternatives and determines which one makes the most sense and has the greatest potential benefit for the business. The project manager lays out the timeline, sets the scope, identifies milestones and analyses project resources.

Some IT managers have their business partner take the lead on presenting the case to the executive steering committee while they provide details about project costs and approach and answer technology-related questions. This strategy demonstrates that IT is aligned with business objectives. The CIO is cast as the trusted internal IT consultant, which cultivates trust and goes a long way toward avoiding rogue projects.

B2B collaboration will involve many different functional areas. The line of business managers must be involved in the business case from the earliest stages, identifying the proverbial "pain points" and articulating the value they would derive from seamlessly exchanging information with customers, partners and suppliers. The case will be much stronger if those who will benefit are the ones communicating the project's value.

Step 5: Frame the problem—and the solution—in business terms

Most IT business cases begin with a technology issue.

- "Our application vendor is eliminating support for out operating system, so we have to upgrade."
- "We need to add storage capacity."
- "It's time to renegotiate the lease on our desktop PCs".

That approach is death for a B2B project. Instead, the starting point must be a business problem or business problems.

- "Our competitors are beating us to market with new products. We need to speed up new product introductions."
- "Our customers are demanding to interact with us directly rather than going through the channel."
- "Last year's demand forecasts went so wrong we'll be sitting on product forever—unless we can unload it for less than cost."

The job of the person making the business case, then, is to connect the dots between the business problem and the proposed B2B solution, sketching out the road map for the strategic vision and then breaking up the project into manageable, quickly achievable chunks with tactical payoffs (Step 1).

For every aspect of the project (whether the road map or the discrete chucks), define the metrics for its success. At a high level, if your aim is to make it easier to do business with your company, define how that will be measured. On a tactical basis, if automated purchasing will free up three full-time equivalents, does success necessarily mean those three people must be laid off? Or may the FTEs be repurposed (who will make that call and how will it be accounted for)?

Work with the project manager to determine project scope, timelines, key milestones, project team roles and responsibilities and the project management plan.

Step 6: Build a realistic cost-benefit picture

In conjunction with your business partner, categorize the project by type (tactical vs. strategic) and drill down into its anticipated benefits. Benefits can be both tangible and easily measured (direct benefits such as cost savings, reduced head count or regulatory compliance), or difficult to quantify and measure (indirect benefits such as improved customer satisfaction, a more streamlined supply chain or risk reduction).

Be sure to include different scenarios to provide an element of risk assessment. If your ROI is riding on increasing sales, for example, you need to take into account the fact that the increase may be less than anticipated or may not occur at all. It is a best practice to create best-case, likely and worst-case scenarios, so decision-makers get a good idea of the range of possible outcomes.

Don't forget to account for risks related to human behavior. For example, if the initiative will involve adopting new business processes—as every B2B collaboration initiative will—there is always the risk of employee resistance. Build change of management issues into your worst-case scenarios and identify measures to overcome these potential pitfalls. In addition to risks associated with users' behavior you'll need to assess risks inherent in your industry and overall economic conditions.

The cost-benefit analysis for your B2B collaboration project should proceed in increments. It is best to start with a modest pilot project and build out from there. Include the details of the current iteration within the context of the broader road map, letting the reader mark your progress within the larger context. Senior management will be most interested in where you stand vis-à-vis the road map. Operational managers will be more interested in the details of execution. Budget will be allocated for each iteration of the larger roadmap. The days of the "big bang" IT project are long gone.

Step 7: Don't leave out the indirect benefits

One of the toughest business-case problems is quantifying indirect benefits such as improved communication, enhanced productivity and collaboration across the extended value chain. Many CIOs are tempted to leave indirect or soft benefits out of the business case altogether, as long as they can show hard benefits. This is a mistake. You can't know in advance what will sway the decision-makers.

Senior managers in particular are moved by stories—the art of the possible—much more than numbers. In any case, even if you do have numbers on your side, put the indirect benefits in as well. As long as you have outlined a phased approach, decision-makers will have the chance to shut down the project after the first or second stage if the benefits don't meet expectations.

Attempting to make a case for B2B collaboration projects without accounting for indirect benefits would be a wasted effort. Some of the greatest potential of B2B collaboration can be found in indirect benefits, which are virtually limitless.

Collaborating electronically with customers and suppliers frees you from daily firefighting, leaving the organization open to finding new ways to innovate. Greater supply chain visibility leads to discovery of fresh ways to meet customer demand. Supplier interaction is one of the last untapped sources of process optimization.

Integration of departmental information systems makes it possible for the first time to have a 360-degree view of the customer, laying the foundation for vastly improved service. Studies have shown that loyalty flows from implementing a single customer database, giving rise to up-selling and cross-selling opportunities.

Having better visibility into interactions with your partners and suppliers is another source of indirect benefits. By articulating your needs to partners and letting them know what metrics are being used to measuring those needs, you can improve your relationship with them. Forecasts become more accurate, and can even be synchronized among partners.

Creating an electronic commerce platform that can handle multiple protocols and transaction types allows that enterprise to focus on higher-level pursuits than making sure transactions adhere to a particular format. Companies that can cope with that heterogeneity are free to focus on real problems, rather than hiring more people to master mundane technicalities.

You might well save money by automating 100% of your direct materials spending with your suppliers, but your collaboration business case should attempt to quantify the indirect benefits, which generally are substantially larger than the direct ones.

Step 8: Make the business "own" the benefits

The CIO prepares an airtight business case for B2B collaboration, works with a business partner to determine the benefits that will result from the project, completes the project on time and on budget. Sounds like a success, right? Not necessarily.

Unless the business partners sign on to make sure the benefits (such as budget cuts or reduction in head count) happen, they won't. In that case, the CIO's hands are tied. As the head of IT, he or she does not have the ability to effect change within the business units. So the business partner must take formal responsibility for making the benefits happen.

Some companies go so far as to require the business partner to sign a separate agreement that he will do his part to help the company realize the benefit. The business executive needs to justify that those five full-time people who were supposed to be re-assigned to a core competency of the IT team are, indeed, re-assigned.

As CIO, you can oversee the installation of a cost-effective, integrated B2B collaboration environment, but you can't single-handedly generate the benefits (except for benefits to the IT organization itself). Your business case must reflect this basic fact by—at the very least—getting the business leader to sign the part of the case that discusses the benefits that will accrue to his department.

Step 9: Establish key vendor/solution selection criteria

There is a multitude of vendors in the market that provide B2B collaboration solutions. To winnow the pack, include key vendors and solution selection criteria as part of the business case.

On the short list of your B2B collaboration vendor-selection criteria, consider the following:

- The vendor should be able to help you build a multi-enterprise, comprehensive architecture to enable visibility across company boundaries and deliver end-to-end business collaboration with speed and accuracy.
- The solution should include tools to integrate heterogeneous applications and processes, support all B2B protocols and standards, automate business processes, provide analytical tools to enable intelligent decision-making and manage the exchange of data through dashboards and other easy-to-read reporting vehicles.
- The solution should be oriented around business processes as transactional views provide little business intelligence to customer-centric operations. Management of the entire process is critical to reach the perfect order.
- The solution should provide real-time visibility into business processes. Decisions are only as good as the information the feeds them. Accurate, real-time access to data within a business process is critical to making better decisions.
- The vendor should offer tools to measure success. B2B solutions must capture performance in order to measure key performance indicators such as revenue, profitability, perfect order, performance, forecast accuracy and inventory turns.
- The vendor should offer a variety of different deployment methods, as needs change over time. Factors like market turns, mergers and acquisitions and internal strategy shifts often dictate available resources for B2B projects. Based on these varying situations, B2B vendors should offer not only packaged solutions but software as a service or outsourced solutions as well.

- The solution should be easy enough to use that business-process owners can participate in their respective business processes. Business users must have visibility into their business processes and control over some of the configuration of those processes without having the technical knowledge of the solution. The solution must feature tools geared toward non-technical users in order to enable information to be processed by those who can put the data into proper business context.
- The vendor should offer additional services beyond software and hosted solutions to assist in managing the entire scope of a company's B2B needs. Education, professional services, industry experts, peer knowledge exchange and support services are critical to the success of a B2B project.

Measuring Indirect Returns

There is at least one way to translate indirect benefits into hard numbers (though the process may not be necessary if you can paint a compelling enough picture).

1. To convert soft benefits to hard benefits, start by estimating the amount of time you expect employees to save as a result of the B2B collaboration process. (For example, automating procurement will save 100 purchasing managers 10 hours per year, so that is potentially 1,000 hours saved.)

2. Since time saved does not translate directly to additional time worked, multiple the time saved by a correction factor of less than one and more than zero that related to the type of employee in question. (For instance, purchasing managers are on average not as highly motivated to work as employees who are paid on commission, so their correction factor might be 0.5 or below).

3. Multiplying the correction factor for the purchasing managers (0.5) by the total hours saved (1,000), the result in real time saved would be 500 hours.

4. Then multiply that result (500 hours) by the average purchasing manager's hourly salary to quantify the benefit to the company in dollars

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