

# Business Case Development and Submission Process

## Table of Contents:

Section 1.0 – Overview of the Business Case Process

Section 2.0 – How to Create a Sound Business Case

Section 3.0 - Legislative Budget Request Business Case Requirements

Section 4.0 - Outsourcing Contract Provisions

## **1.0 Overview of the Business Case Process**

A comprehensive business case is essential to provide a broad analysis and plan of the overall project, to facilitate early buy-in, and provide a verifiable basis for conducting an outsourcing initiative. The business case should clearly identify the current situation leading to the need or desirability for the proposed outsourcing project, the expectations of the project in terms of the key benefits to be achieved, estimated financial costs associated with the proposed project and a clear basis for the recommendation to outsource.

A business case should be drafted after a project has been conceptually designed and vetted. It is important to develop a business case within the context of an agency's core mission and other programs, functions or services. If the business case is for a project affecting more than one agency, it should be framed within the perspective of the state's policy and budget priorities. A business case should be a living document through the execution of a contract. The initial business case is a working document that may require updating as the project progresses. If key assumptions or methodologies change, or as additional information is made available, the business case should be updated. 30 days prior to execution of contract, the business case should be updated to reflect issues agreed upon in the contract and specific performance measures based on the broad success factors outlined in the initial business case. The resulting document will be known as your final business case.

Factors used to determine how the success of a contract would be measured should be provided in this document and shall serve as a non negotiable factor for the remainder of the project if implemented.

Specific goals of a robust business case shall be to:

- Communicate a clear business need.
- Obtains management commitment and approval for the project.
- Clearly present the rationale and documentation for investment.
- Justify the project in terms of benefits to be realized.
- Provide an audit trail for decisions to be made during the planning and implementation stages.
- Estimate costs, benefits and risks associated with the proposed project.
- Ensure that senior management and owners of the business case fully understand the implications and scope of the project.
- Provide transparent rationale for gaining support from the Governor and Legislature as

well as stakeholders.

- Demonstrate that the implementing agency is capable of implementing and managing the project.
- Provide a framework for decision-making in the planning and management of the project.
- Define a structure for further stages, i.e. procurement, selection, implementation and management.
- Serve as a management tool to achieve maximum value.
- Document the policy, budget and functional objectives.
- Identify key stakeholders and formulate the plan with their input to ensure buy-in on the front end and commitment to managing the changes required to successfully implement the program.

A comprehensive business case is essential to clearly demonstrate the value to the agency in outsourcing a particular service, to convey one consistent message to all stakeholders as to why the service is being contracted, and to provide instructive guidance for how the service is procured, implemented, and managed. A business case defines the expectations of the contract in terms of the key benefits and potential risks to the organization. In addition, a business case provides a detailed analysis of the financial costs of the contract and presents a clear basis for the recommendation to contract.

***SUMMARY REVIEW:***

- *A business case defines the expectations of the contract in terms of the key benefits to be achieved by contracting out services.*
- *The business case provides a detailed analysis of the financial costs, benefits, and risks of the contract.*
- *The business case presents a clear basis for the recommendation to contract out services.*

## 2.0 How to Create a Sound Business Case

Although the format and content of business cases may vary, depending on the nature of the services outsourced, your business case document must communicate to all stakeholders, a broad audience, the intent, benefits and risks of this project. In your document:

- Be clear and concise.
- Be persuasive.
- Provide a clear vision of the end result/benefits.
- Clearly demonstrate the need for the project.
- Prove that the agency is prepared and capable of implementing the project.
- Communicate why the timing is appropriate.
- Make it interesting.

The initial business case will not be inclusive of data available after the execution of a contract or reflect all changes or decision points that will arise during the implementation phase. Rather, it should be as comprehensive as possible and serve as a healthy exercise for the state in determining the potential of the project and make the case for statutory or budget authority if needed.

Do not lose the message in too many technical details. All data does not need to be provided in the business case itself; when possible, use truncated data to make a point and provide appendices to validate the data used or provide more detail for reference.

A good business case should be developed with the input of key stakeholders, both internal and external, and drafted by a team of people - subject matter experts, budget staff, legal staff, human resource and purchasing officers, experienced project managers, senior managers and seasoned technology managers where applicable, at a minimum. It is important that all of these stakeholders have the opportunity to provide input or feedback on the front end of a project as each will have a different perspective and will, at some point, be responsible for managing certain components of an initiative.

Key Components of a sound business case include:

- Scope
- Rationale
- Feasibility
- Strategy

The ultimate goal of a comprehensive business case is to outline the scope of the proposed project, describe the rationale for contracting out, demonstrate that the feasibility of such a project has been analyzed and outline the strategy for procuring, managing and implementing the project. The following describes the recommended structure and content for a business case.

### 2.1 Executive Summary (Scope)

The executive summary is a short narrative overview identifying the scope and purpose of the business case, including the current status of the service, areas of inefficiencies that need to be addressed and targeted by the proposed effort and the goal of the proposed contracting.

The executive summary summarizes the key points from the other sections of the business case and clearly communicates what benefit the agency expects to achieve by outsourcing the service. The executive summary is concluded by a clear and definitive statement of the recommended action and a description of the proposed next steps in the outsourcing process. Note: It may be useful to fully develop all other sections of the business case first.

Confirm the business need and scope:

- Define who the executive project sponsor is. This is the person in the organization whose support and approval is required for the project to start and continue.
- Summarize the priorities of the agencies associated with this effort.
- Describe why outsourcing is a consideration.
- Describe public policy, market conditions or technology drivers behind the business case, including a brief assessment of best practices in the area of concern, where appropriate.
- Document the key objectives to be realized by the proposed effort and the resulting benefits.
- Categorize the project's goal as Cost Reduction, Performance Enhancement, or Value Added.
- Make the case for a return on investment.
- Describe any executive or legislative action driving the need for change.

#### ***SUMMARY REVIEW:***

*In this section of your business case:*

- *Define who the executive project sponsor is.*
- *Describe the current status of the service or activity.*
- *Document the key objectives and benefits to be realized by this proposed service or activity.*
- *Define areas of inefficiencies that need to be addressed and targeted by the proposed effort.*
- *Summarize the key points from the other sections of the business case.*
- *Describe why outsourcing is a consideration and confirm the business need and scope.*
- *Summarize the priorities and goals of the agencies associated with this effort.*
- *Describe public policy behind the business case.*
- *Describe current market conditions.*
- *Describe any technology drivers behind the business case.*
- *Provide a brief assessment of best practices in the area of concern, where appropriate.*
- *Classify the project's goal as Cost Reduction, Performance Enhancement, or Value Added.*
- *Make the case for a return on investment (ROI).*
- *Describe any executive or legislative action driving the need for change.*
- *Conclude the executive summary with a clear and definitive statement of the recommended action, why this action is the best investment of state resources and a description of the proposed next steps in the outsourcing process.*

## **2.2 Provide the Benchmark: Describe Current Service, Program or Function (Scope)**

This area describes the program or service to be outsourced as it is currently conducted, including areas of needed improvement. This information is critical because it establishes the foundation or benchmark upon which findings and recommendations are built. By capturing this information and establishing a benchmark, the agency will be able to compare future outsourcing

activities with the benchmark data and determine successes and shortcomings. Further, comparing this data will determine whether or not the areas of inefficiencies that needed to be addressed and targeted by the proposed effort were done, and whether or not the goal of the proposed outsourcing was achieved. Finally, the agency will be able to report as to what benefit the state achieved by contracting for the service or function. It is imperative to establish good benchmark data in order to determine the project's success during all stages of the project. Baseline performance measures and information such as staffing, budget, and information technology resources are disclosed here.

Document the current status of the program or service, including inefficiencies and shortfalls that should be addressed. For service outsourcing, include:

- Specific Service Descriptions
- Statutory Authority
- Staffing Information
- Total Number of FTE
- Positions
- Salary & Benefits
- Length of Service
- Budget (prior state fiscal year, current state fiscal year, and projection for next state fiscal year)
- Performance Measures and Performance Data (last state fiscal year, current state fiscal year, next state fiscal year)
- Include any related benchmarking data such as customer satisfaction survey results
- Current Service Agreements, including any interagency agreements
- Technology Resources, including hardware, software, and licensing
- Identify all Internal and External Stakeholders
- Specify Number of Customers Served

All prior and current fiscal year information should be consistent with legislative appropriations from the General Appropriations Act. All "next fiscal year" information should be consistent with information in the agency's Legislative Budget Request (LBR) and/or Long Range Program Plan (LRPP). All other benchmark information should come from the previously referenced documents or other official state planning and budgeting documents.

***SUMMARY REVIEW:***

- *Describe current statutory authority.*
- *What is the current budget for this project? (prior state fiscal year, current state fiscal year, and projection for next state fiscal year)*
- *What are the current performance measures and performance data requirements? (last state fiscal year, current state fiscal year, next state fiscal year)*
- *Describe in detail the program or service to be outsourced as it is currently conducted.*
- *Describe all areas that need improvement i.e. current shortfalls and/or inefficiencies.*
- *Provide information on any employees who will be impacted by the proposed project including position title, number of FTE's, salary, benefits, length of service with organization.*
- *Include any related benchmarking data such as customer satisfaction survey results*

- *Address any current service agreements, including any interagency agreements, if applicable.*
- *What are the current technology resources, including hardware, software, and licensing?*
- *Identify all internal and external stakeholders.*
- *Specify number of customers served by this activity.*

### **2.3 Rationalize Basis for Introducing Competition into Service (Rationale)**

This section explains how the service is critical to the agency's mission, how it is aligned with the state's policy and budget priorities and identifies all objectives for changing the method of service delivery from the current process. The rationale for outsourcing should document specific performance, operational, and financial issues that need addressing to achieve improvements. It explains why the current process is not desirable and notes the drivers of change.

It is appropriate for this section to include other alternatives considered (i.e., make vs. buy) and the reasoning of why those options were rejected. Explain what the current service has been compared against; public-to-private, public-to-public or improvements in procedures and processes. Identify any best practices for the program available from other public or private sector entities not currently being utilized by the state.

Briefly document the recommended solution and prioritize the remaining alternatives in terms of feasibility; anticipated process or program improvements and benefits. Explain why alternatives other than outsourcing or contracting out were dismissed.

Different alternatives for meeting the goals and business objectives should have been researched and documented prior to drafting the business case. Ensure that all available and appropriate options have been considered. A Cost Benefit Analysis and Risk Analysis should have been conducted for each alternative so that comparisons and appropriate recommendations can be made.

Identify why the function or service could not be improved upon internally and describe all alternatives considered. These should include different levels of outsourcing, agency alternatives for improving service through in-house reengineering or increasing/decreasing the scope and/or requirements of the service being performed. Explain how this is a viable and beneficial project to potential contractors. If this has been done for other public sector entities, provide details. In the description of alternatives, document the following:

- Any assumptions unique to each alternative.
- The impact to the agency or program area for each alternative.
- The ease or difficulty of implementation for each alternative.
- Pros, cons and potential benefits, including soft organizational benefits for each alternative.
- Risks associated with each alternative.

#### ***SUMMARY REVIEW:***

- *Explain in detail how the service is critical to the agency's core mission and how it is aligned with the state's policy and budget priorities.*
- *Identify all objectives for changing the method of service delivery from the current process.*

- *Document specific performance, operational, and financial issues that need addressing to achieve improvements to service.*
- *Explain why the current process is not desirable and note the drivers of change.*
- *Describe other alternatives considered and the reasoning of why those options were rejected.*
- *For each alternative explain the impact to the agency for the alternative, any unique assumptions made, the ease or difficulty of implementation, the pros, cons and potential benefits, including soft organizational benefits, and all risks associated with that alternative.*
- *One alternative must include keeping services in-house. Identify why the function or service could not be improved upon internally and describe the alternatives considered.*
- *Document the recommended solution and prioritize the remaining alternatives in terms of feasibility, anticipated process or program improvements, risks and benefits.*
- *Explain what the current service has been compared against; public-to-private, public-to-public or improvements in procedures and processes.*
- *Explain how this is a viable and beneficial project to potential contractors. Provide detail if this service has been done for other public sector entities.*
- *Identify any best practices for the program available from other public or private sector entities not currently being utilized by the state.*

## **2.4 Describe Assumptions and Methodologies (Rationale)**

Business case recommendations are often based on assumptions associated with policy, legislation, strategic planning, market conditions, and other considerations that may change over time. This section should clearly articulate such assumptions and should be the basis for all business case rationale. It is important to detail these assumptions and identify how changes in key assumptions would impact the project and outcome because as they change, the business case will need updated accordingly. Also, readers of the business case need to know how the assumptions affected the business case rationale and conclusions.

List all assumptions considered when determining the necessity of performing this project. Organize assumptions into major categories such as those related to current policy directives, market and technology conditions and events, internal organizational changes, legislative changes, current cost or funding structure changes, and schedule mandates. It is important to detail the assumptions upon which the case is built not only because many of them may change, but because the wider audience to whom you are making the case may not have enough background to automatically make similar assumptions. You may also use this section to document how you arrived at certain data where no specific information may be available or to explain estimated figures used to arrive at a conclusion.

It is particularly important that this section document the methodologies used to derive the current and estimated contract cost of the services for the purpose of calculating cost savings or other financial benefits.

The methodology used to develop cost comparisons in the rationale for contracting a service to another entity (Section 2.3) should be detailed in this section, as it is often difficult to compare true cost allocation figures when financial models across sectors are different. The method used should aim to keep the process as simple as possible while ensuring a high degree of validity. Methodologies used for calculating any other variable figures should also be expressed in this

section as should methods used to assign costs or figures to resources associated with the project. Stakeholders need to understand how the agency arrived at costs and benefit figures.

**SUMMARY REVIEW:**

- *Explain all assumptions made regarding this project associated with policy, legislation, strategic planning, market conditions, and other considerations that may change over time.*
- *Indicate what assumptions directly affect the business case rationale and recommendation, if applicable.*
- *Identify how changes in key assumptions would impact the project and outcome because as they change, the business case will need updated accordingly.*
- *Organize assumptions into major categories.*
- *Document how you arrived at certain data where no specific information may be available.*
- *Document the methodologies used to determine the current and estimated contract cost of the services.*
- *Explain estimated figures used to arrive at a conclusion.*

## **2.5 Formulate and Detail the Recommended Solution (Feasibility)**

This is the heart of the business case. This section begins with a high-level narrative description of the proposed solution and the full scope of services. Outline how the project is achievable and explain how the lead agency is or will be able to manage the procurement and project as required to successfully implement the project. Identify the functionality requirements across the effort that must be addressed and delivered and provide a synopsis of what the residual role of the State would be and how the program area would eventually be reorganized due to the change in delivery of service.

This narrative should clearly communicate what the proposed project encompasses and the overall scope in terms of what responsibilities will remain within the agency and what is being shifted to the vendor. State how the project will contribute to the agency or State's core mission. In addition, if any statutory change or budgetary authority is needed, provide a description detailing what the changes are and how the agency plans to accomplish these changes (i.e., through the agency's Legislative Budget Request or via legislation to be proposed during the next Legislative session). Detail how stakeholder input was taken into consideration and how they will be involved in the development and implementation of the project.

The remainder of this section is dedicated to providing detailed information regarding the scope of the outsourced services and how the procurement is managed. This should include the fiscal impact of the project, associated changes in business processes, risks associated with this option, the timeline and milestones planned in pursuing the project and all other related areas necessary to demonstrate that the agency understands the complexity of the project, has done due diligence in researching the business requirements and risks and is prepared to manage all aspects of the project, if implemented. Any expected benefits and savings should be balanced with expected risks and up front costs to the State. Prove here that this balance has been weighed and that this project will provide value added to the State. Specific components to include, but are not limited to:

- **Business outcomes** – define what the desired outcome is and address all that apply i.e. reduced cost, cost avoidance, increase in services levels, etc. Describe what the expected



performance, service or program improvements will be (must be verifiable) and summarize the benefits to the state.

- Impact on agency - Describe what the impact will be on the organization (what division or unit of what agencies are impacted, what functions, what personnel)
- Identify functions – describe what functions/locations within the agency that are expected to be affected or created with high level requirements for each function and a brief description for each function.
- Scope - Identify all services, functions, programs and state assets to be transferred to the contractor. Identify processes, systems and employees within scope of project
- Identify funding – Identify the source and amount of funds available to proceed with the outsourcing, and how long funding is available to support the continuation of the contract if ongoing services are needed.
- Lay out the project timeline – Establish if the service is a short-term event (within one fiscal year), long-term commitment (multiple fiscal years) or a permanent effort (ongoing with no anticipated ending in demand for services).
- Provide a detailed cost/benefit analysis – The first part of this section focuses on detailing the cost of the current process and related outputs to document the level of efficiency of the current process. Current expense is the “as-is” cost and any associated system replacement costs, including current FTE counts. The second part of the analysis details the projected cost of the new process and what impact is expected for outputs and outcomes. Projected expense is the total outsourcing project costs for length of proposed contract (projected expense)
  - Subtotal for provider contract expense
  - Subtotal for residual organization cost
  - Subtotal for workforce transition cost
  - Subtotal for any third party monitoring cost
  - Subtotal for FTE reduction costs

The third part of the analysis details the expected verifiable cost savings over the length of proposed contract, projected annual cost savings and savings timeline. Does your cost benefit analysis validate and support the outsourcing of the proposed service or function? If no, then clearly define the rationale as to why the outsourcing should proceed.

Costs are not limited to the actual cost of the contract but include the cost of implementing the contract, the cost of monitoring and reporting contract performance, and any cost impacts to agency operations affected by the outsourced process. Costs are classified as either recurring or non-recurring in order to facilitate the estimation of costs over the entire contract term. In comparing costs, any change in revenue streams are considered in deriving total cost savings and fiscal impact. The published industry average or benchmark for service should be summarized and finally, the cost of

alternative solutions that were considered should be estimated and summarized for comparative purposes.

Tangible benefits should be quantified. This includes cost savings and possibly revenue impact. Total costs should be identified and organized, both project and operational. Return on Investment (ROI) should then be calculated and substantiated. Cost Benefit Analysis results should be documented for each alternative solution, including outsourcing versus not outsourcing. Identify benefits in a manner that can be tracked and measured through post-implementation operations. "Soft" benefits and costs should also be documented, such as increased satisfaction to those who use services, and opportunity costs associated with doing the project. Identify alternatives associated with increased/decreased requirements and scope and show costs or impact associated with the change in scope in an effort to provide an apples-to-apples comparison. If applicable, identify current/expected total resource costs associated with not conducting this project at all.

- Identify total budget by agency.
  - Show a cost-to-benefit analysis associated with each viable alternative identified.
    - Document increased revenue opportunity if applicable over anticipated life of outsourcing contract.
    - Document change in total resource costs to the state over life of outsourcing contract for this option. For option to source in-house, contract cost would be zero, and show change in total resource cost.
    - Document anticipated contract costs over the life of the contract for this option.
    - Calculate the ROI associated with each viable option.
  - Document funding methods, and list all constraints on funding sources.
  - List any federal requirements for funding.
  - Document a list of anticipated soft costs and/or benefits associated with each alternative.
- 
- Identify the procurement method – Identify which procurement method is recommended as most appropriate (ITB, RFP or ITN) and explain why that method was selected. Your agency purchasing staff will most likely assist program staff in making this determination. The procurement method greatly affects the project timeline, as different procurement methods involve vastly different timeframes to execute. Note: In the final business case provide a chart comparing the best and final offers (BAFO's) from interested bidders listing company name, annual cost, total cost and name of product or software application selected in conjunction with service, if applicable. Include the justification for award of contract to vendor and a summary of net change in cost position of the state. Note: more detailed information on the procurement method will be explained in Section 2.9.
  - Specific technology related requirements – Outsourced services may involve the development or integration of information technology products or they may affect existing agency technology applications. Describe the programs, services, functions or computer systems that will need to run in parallel upon initial implementation of the project. If applicable, describe the role of enhanced technology in the recommended solution and anticipated date old programs will be discontinued. Describe the ownership

and placement of hardware, software and intellectual property resulting from this outsourcing. It is recommended that you contact your agency's Information Technology office concerning required review and approval of concept prior to commencing with project.

- Identify agreement payment type – This decision greatly impacts the extent of monitoring that is conducted, both by the agency and the Department of Financial Services. Determine the most appropriate payment type and explain why that type was selected. The types are:
  - Fixed Price or Fixed Rate – Used when the cost of providing the service is certain and well documented in the solicitation document; the unit of the deliverable becomes the key determination for payment approval.
  - Cost Reimbursement – Used when there is less certainty concerning the actual cost of delivering the service and is a form of risk sharing with the contractor. This payment type requires extensive cost documentation by the contractor and a detailed protracted verification process by the contract manager.
- Identify the project management team - Be sure to identify a project manager (does not have to be by name, can be a title) and a project management team. Describe the roles and responsibilities of each member and ensure that the team selected has the appropriate level of experience for the project.
- Identify contract manager and contract operations manager – Detail how the project will be managed and monitored once implemented. Explain who in the agency will serve as contract manager and contract operations manager and the subsequent contract maintenance activities. These persons generally have a high level of expertise in the services being contracted. When or if the agency determines that the contract does not require the efforts of two persons, a single person may serve both roles.

**SUMMARY REVIEW:**

- *Provide a high-level narrative describing the proposed solution and the full scope of services. Describe how the project will contribute to the agency or state's core mission.*
- *Outline the business outcomes and/or improvements and how they are achievable.*
- *Explain how the lead agency is or will be able to manage the procurement and project as required to successfully implement the project.*
- *Identify the impact on the agency. Identify all services, functions, programs, assets, employees and systems that will be impacted.*
- *Define all associated changes in business processes, change management responsibilities and risks associated with these changes.*
- *Describe the fiscal impact of the project and explain the term of this project. Define if it is short term (one fiscal year), long-term (multiple fiscal years) or a permanent effort.*
- *Identify the funding source, amount required to proceed with project.*
- *Describe how long funding will be required to support the continuation of the project, if on-going services is needed.*
- *Identify the agreement payment type being proposed for this project.*
- *Provide a detailed cost/benefit analysis comparing all current costs, future costs, expected savings and timeline when those savings are expected to occur over life of project.*

- *Identify what responsibilities will remain within the agency and what is being shifted to the contractor. Provide a synopsis of what the residual role of the state will be and how the program area would eventually be reorganized due to the change in delivery of service.*
- *Explain if any statutory changes or budgetary authority is needed. Provide a description detailing what the changes are and how the agency plans to accomplish these changes.*
- *Detail how stakeholder input was taken into consideration and how they will be involved in the development and implementation of the project.*
- *Identify the project milestones.*
- *Outline the estimated project timeline of events for the project, from start to finish.*
- *Identify the procurement method and how the procurement will be managed.*
- *Address technology related issues associated with project.*
- *Identify the project management team, their qualification, roles and responsibilities.*
- *Identify the contract management team, their qualifications, roles and responsibilities.*
- *Detail all expected benefits and savings versus expected risks and up front costs to the state.*

## **2.6 Identify State and Agency Impact (Feasibility)**

It is important to describe how the recommended solution is expected to impact the agency, employees, customers and the business process.

This section should identify which agencies and divisions are impacted by the recommended change and specifically how current employees' jobs will change, as well as strategies for addressing those changes (i.e., additional training, job reclassification, etc.). This section should detail what business processes will be changed, if any, and what change management steps will be taken to accomplish this. Anticipated changes to the business process and impact on workload are to be explained and documented with updated process maps and workflow descriptions. If technology is involved, explain how the agency will avoid the expensive pitfall of over-customization of off-the-shelf software. Any changes affecting the method of service delivery to the customer are to be identified and explained.

A critical component of this section is documenting that a risk assessment and SWOT Analysis (strength, weaknesses, opportunities and threats) have been conducted and identify the contingency plans that have been formulated to address the adverse impact of realized risks.

In the risk assessment, the lead agency should identify and document key risks and craft a mitigation strategy. Document those opportunities for problems that could have a negative impact on the performance and success of the project. Also document risks associated with not performing the project and realizing the business objectives. For an outsourcing recommendation, risks and obstacles associated with outsourcing should also be identified and documented. Determine and document a mitigation approach for each risk identified. Based on the severity, the plan may be to accept the risk and do nothing, or spend money at the onset in preparation of having to mitigate a risk realized.

- First, list the current risks to the agency that are reduced or mitigated by outsourcing the service as described.
- Then list the potential risks of proceeding with the outsourcing of the service. These may include such things as contract timeline risk, funding risk, service level risk, schedule risk, changes in the industry, political risk, changes in technology, and vendor

performance and relationship risks. Each identified risk should be coupled with a contingency plan for what actions will be taken to mitigate the risk. Each identified risk is evaluated according to severity of impact (high, medium, or low) and the probability of occurrence. These are necessarily judgment calls but serve the purpose of prioritizing the agency's approach to risk mitigation.

When it is anticipated that by outsourcing the service, employees' jobs may be eliminated, the business case must include an outline of an employee transition plan. Component parts of the employee transition plan might include, but is not limited to:

- A communication plan for affected employees – This plan identifies all employees or employee classes impacted by the contract and identifies when and how the agency will communicate the status of contract implementation and the personal impact to each employee.
- Job placement policies for affected employees – Policies start with the agency's efforts to find displaced employees other positions within the agency, and includes contract provisions requiring the contractor to consider all adversely affected employees for positions within their company.
- A replacement and retraining assistance plan – A contingency placement strategy for employees not retained by the agency or employed by the contractor.
- A determination whether the contract contains severance compensation provisions requiring the contractor to establish an employee severance pay pool to compensate employees who are not reemployed with the state or offered employment with the contractor.

In the SWOT Analysis, the lead agency should analyze the state's strengths and weaknesses as well as the opportunities and threats associated with the solution being proposed. Describe how the agency will capitalize on its strengths while reducing the potential negative impact of its weaknesses. Detail opportunities available through the proposed solution and identify a plan of action for threats identified. Identify any constraints on the State to successfully implement the program.

Clarify residual roles and responsibilities on the state side and explain what the impact will be, if any, on the rest of the agency or State. If the project will require the agency reorganizing, describe the new organization and how the reorganization will be achieved.

Some outsourcing projects affect only the agency that is initiating them. However, many projects will impact several, if not all, agencies. Each agency expected to be affected should be identified, including the areas or functions most affected within each agency. List all agencies potentially impacted by the outsourcing project. Consider all processes that may change, all events causing possible disruption, and all functions that are expected to impact resource levels. Conduct an initial impact analysis session with representatives from each agency. Determine groups within each agency that may be impacted. Summarize change management needs for each agency. Analyze what the impact on the State would be if the project fails to reach full implementation and identify contingency plans for each major risk.

### **SUMMARY REVIEW:**

- *Identify which agencies and divisions are impacted by the recommended change.*
- *Describe in detail what change management steps will be taken to accomplish changes in current business processes.*
- *Explain how the changes will impact current workload and document proposed business process changes with updated process maps and workflow descriptions.*
- *If technology is involved, explain how the agency will avoid over-customization of software.*
- *Identify and explain any changes affecting the method of service delivery to the customer.*
- *Document that a risk assessment and SWOT Analysis (strength, weaknesses, opportunities and threats) have been conducted and identify the contingency plans that have been formulated to address the adverse impact of realized risks.*
- *Determine and document a mitigation approach for each risk identified.*
- *Document those opportunities for problems that could have a negative impact on the performance and success of the project.*
- *Document risks associated with not performing the project and realizing the business objectives.*
- *Describe how the agency will capitalize on its strengths while reducing the potential negative impact of its weaknesses.*
- *Detail opportunities available through the proposed solution and identify a plan of action for threats identified.*
- *Identify any constraints on the State to successfully implement the program.*
- *Identify specifically if any current employees' jobs will change or be eliminated, as well as strategies for addressing those changes (i.e., additional training, job reclassification, job placement, etc.), if applicable.*

## **2.7 Explain Employee Transition Management Process (Strategy)**

This section addresses communications, training and employee transition when state employee jobs are being eliminated as a result of an agency's decision to outsource or privatize an agency function. According to the State of Florida employee transition guide titled "Managing Change - A Guide to Employee Transition", a workforce transition team shall be created when state employee jobs are affected. The agency shall create a workforce transition team and outline a change management plan for employee transition. A transition team shall be created out of current resources composed of high level agency staff. This team shall be defined in the business case for each project. This team shall include, but not be limited to key leaders in the administration, human resources, communications and legal. The team should also consider involving work group employees and contractor representatives. The role of this team will be to identify and resolve issues throughout the life cycle of the outsourcing initiative. They shall provide clear pathways for affected employees to seek and obtain information or assistance. The transition team should also provide in-person informational sessions addressing the outsourcing initiative with affected employees, agency management and any external interested parties.

Outline a communications plan. This plan should identify all stakeholders and employee classes to be affected by the project. Identify when and how the agency and vendor will communicate the status of the project and the personal impact on each employee throughout the procurement and implementation stages.

Outline an employee transition plan. Address the data related to affected employees, identify specific positions to be outsourced if possible (if not, identify broad classes) and describe the feasibility and process of implementing the project with minimum impact to these employees. Include any contractual terms related to the transition of employees that will be required for the procurement to succeed. Refer again to the Employee Transition Guide to draft this portion of the business case.

Each agency shall develop job placement policies for employees affected by an outsourcing initiative. Policies shall include, but not be limited to, requiring that each impacted state employee be interviewed by the contractor and considered for job placement within the company.

Each agency shall develop a reemployment and retraining assistance plan for employees who are not retained by the agency or employed by the contractor.

Agencies shall consider incorporating severance compensation provisions into outsourcing contracts requiring the vendor to create an employee severance pay pool as part of the contract. Employees who are not offered employment with the state, the vendor, or another entity would be provided severance pay. If an agency feels that this measure is desirable, this provision should be outlined in the business case and be addressed during the procurement process. This option does not preclude an agency from negotiating or entering into a contract providing for other performance and compensation provisions.

In accordance with existing statutory authority, agencies can, within their approved budgets, offer critical employee retention salary increases in order to retain those individuals identified as critical to successful transition of the outsourced service to the contractor.

Outline a training plan for employees and customers. Summarize the requirements for training, a timeline for training prior to implementation of the project and include continued training for the transition phase.

Describe how the transition period of the state turning over a function or service to another entity will be managed. Identify programs, services, functions or computer systems that will need to run in parallel upon initial implementation of the project. Most services outsourced experience an initial decline in quality of service. Account for how this will be managed if it occurs and, if applicable, describe how customer service levels will be maintained during this period.

Briefly describe how the Project Management Team will transition into monitoring the contract and performance of the project.

***SUMMARY REVIEW:***

- *Identify specifically if any current employees' jobs will be eliminated, as well as strategies for addressing those changes (i.e., additional training, job reclassification, job placement, etc.), if applicable.*
- *If employee jobs are being eliminated include an outline of an employee transition plan,*

*which should include a communications plan for affected employees, job placement policies, replacement and retraining assistance plan and determination whether the contract will contain severance compensation provisions.*

## **2.8 Identify and Document Critical Success Factors (Strategy)**

Identify and document contract performance measures. Based on the current state of the agency and the business objectives identified, list what critical results, both outputs and outcomes that must be realized for the contract to be considered a success. Identify as many specific minimum performance measures that need included in the contract as possible. Identify which risks are most closely associated with the critical success factors, and re-address mitigation if necessary.

Identify how a return on investment shall be determined and document those characteristics of the project's end result that must be met at a minimum for the project to be considered a success. Critical success factors should be easily measurable at the end of a project and should be non-negotiable during the procurement of a contract. Examples include the elimination of a manual processing unit, reduced annual maintenance costs or higher quality service metrics. Provide a full description of business outcomes and service requirements necessary.

### ***SUMMARY REVIEW:***

- *Describe the business outcomes and service requirements.*
- *Identify contract performance measures.*
- *Based on current business objectives, list what critical results must be realized to deem project a success (outputs and inputs)*
- *Identify as many specific minimum performance measures that need included in the contract as possible.*
- *Identify which risks are most closely associated with the critical success factors and re-address mitigation, as necessary.*
- *Identify how a return on investment will be determined and document those characteristics of the project's end result that must be met at a minimum for the project to be considered a success. Examples may include the elimination of a manual processing unit, reduced annual maintenance costs, higher quality service metrics, specific dollar savings, etc.*

## **2.9 Outline the Proposed Procurement Process (Strategy)**

This portion of the business case should document the recommended procurement approach and the basis for it as well as the proposed evaluation method and the anticipated timeline for administering the procurement solicitation. This section should include but not be limited to:

- Proposed solicitation method
- Anticipated number of respondents
- Proposed evaluation method (i.e. best value to the state or best cost)
- Anticipated procurement timeline (i.e. bid launch date, commencement of contract negotiations, anticipated contract award, implementation, etc.)
- Anticipated procurement budget, if required
- Anticipated contract term



A procurement evaluation team should be identified in this section if known, otherwise in a subsequent business case update. At a minimum, it is recommended that the procurement evaluation team be comprised of the following key roles:

- Operational Manager – This senior level manager has overall responsibility for the management of the outsourced service and may ultimately serve in the capacity of either contract manager or contract operations manager once the contract is in place.
- Subject Matter Expert(s) – This role has extensive expertise in the subject matter or program area of the service to be procured.
- Business Expert – This person has a complete understanding of the business case and is responsible for ensuring that the procurement results in a contract that complies with the business model developed in the business case.
- Purchasing Expert – This person has expertise in state procurement laws and rules and agency purchasing practices. This person usually serves in an advisory role on the evaluation team.
- Legal Counsel – This person has the legal skills necessary to advise the team in administrative and contract law matters.

The procurement team is responsible for drafting the solicitation document, including establishing the evaluation criteria and scoring methodology. The evaluation team is responsible for reviewing and evaluating all responses to the solicitation and recommending a contract award. The procurement team is responsible for identifying key contractual terms such as duration, how to market the project to potential contractors and milestone deliveries. Briefly state how the procurement and project will be monitored. If a third party is recommended to serve as monitor, outline the procurement process for this contractor as well.

When preparing a business case make sure that there are adequate requirements defined for data security, digital rights, and the ownership of intellectual property within the contract between the agency and vendor. If the business case involves the transfer of health data, there are federal guidelines set forth in The Health Insurance Portability and Accountability Act of 1996 (HIPAA) 104-191 that must be adhered to and should be referenced in the contract between the agency and vendor. Currently, there is no Florida statutory prohibition against the offshoring of data management and state information in other countries. Due to the worldwide increase in this type of outsourcing, this issue should be addressed in your solicitation document and the subsequent contract.

***SUMMARY REVIEW:***

- *Document the proposed procurement method and why that option was chosen.*
- *Document the proposed evaluation method and criteria.*
- *Document the anticipated timeline for administering the solicitation.*
- *List the anticipated number of respondents.*
- *List the procurement budget, if applicable.*
- *Define the anticipated contract term with optional renewals.*
- *Identify the procurement evaluation team.*
- *Describe how the procurement and project will be monitored.*
- *Explain if a third party contractor is recommended to serve as monitor. If yes, outline the procurement process for this contractor and estimated cost to project for this additional service.*

- *Define requirements for data security, digital rights, and the ownership of intellectual property.*
- *Address the offshoring of data management and state information*

## 2.10 Greenhouse Gas Emissions

Another area that needs to be addressed in your business case is greenhouse gas emissions. On July 13, 2007, Governor Crist signed Executive Order No. 07-126 which requiring all business cases submitted to the Council on Efficient Government incorporate and report energy consumption and greenhouse gas emission performance criteria, as applicable to the proposed project.

### *SUMMARY REVIEW:*

- *Describe how energy consumption and greenhouse gas emission performance criteria will be incorporated into the proposed project, if applicable.*

## 2.11 Conclusion

The conclusion of the business case reiterates the key points made in the executive summary and the business need for the outsourced service is restated. This section explains why the recommended solution is the best value (its savings and benefits) for the state and communicates why initiating the project now is appropriate and beneficial to the state. In this section you may want to advise stakeholders what happens next by summarizing the anticipated timeframe and proposed work plan associated with the project.

A business case is a living document through the execution of a contract. The initial business case is a working document that carries the process through the procurement phase. If key assumptions or methodologies change, or as additional information is made available, the business case is updated. Although the initial business case may not be as complete or factual as updated versions, it is as comprehensive as possible and an important resource in justifying the decision to outsource and making the case for budget authority, if needed.

### *SUMMARY REVIEW:*

- *The conclusion of the business case reiterates the key points made in the executive summary and the business need for the outsourced service is restated.*
- *The conclusion explains why the recommended solution is the best value for the state and communicates why initiating the project now is appropriate and beneficial to the state.*
- *It is recommended that the writer of the business case advise all stakeholders on what happens next by re-stating the anticipated timeframe and proposed work plan associated with the project.*

## 2.11 Formatting Guidelines

General recommended style guidelines for business cases:

- All charts should be completed in Microsoft Excel
- All numbers are to be presented as positives
- Header should have agency name and business case title

- Pages should be numbered, with the number centered on the bottom of the page
- The Business Case should be completed in Microsoft Word
- Font Style - Times New Roman
- Font Size – 11 point or 12 point
- Include an index of the attachments and tables.

Recommended attachments to include, but not be limited to:

- Total budget for service by agency, category and fund
- Copy of any statutory, rule and federal authority to provide the service
- List of all constraints on the funding source of the service
- List of any federal requirements for the service or use of funds
- List of all potentially displaced FTE's associated with the proposed outsourcing with name, position title, years of service with the state, years of service with the agency and current salary
- List of potentially affected parties (internal and external)

#### **4.0 Legislative Budget Request Business Case Requirement**

It is critically important for planning purposes to remember that, in addition to the business cases required to be submitted as part of the Legislative Budget Request (LBR) process. This process necessarily requires much greater lead time than the timeframes presented in Section 3.0. The format and timelines for business cases required to be submitted as part of the LBR are provided annually as part of the on-line LBR instructions prepared by the Governor's Office of Planning and Budgeting and the forms are identified as the Schedule XII.

The LBR Schedule XII forms consist of the following:

- LBR Schedule XII LBR Schedule XII, Outsourcing/Privatization of a Service or Activity Business Case (primary business case document)
- LBR Schedule XIIA-1, Cost/Benefit Analysis - Projected Cost and Compensation
- LBR Schedule XIIA-2, Cost/Benefit Analysis - Benefits and Additional Costs
- LBR Schedule XIIA-3, Cost/Benefit Analysis – Assumptions
- LBR Schedule XIIB, Major Outsourcing/Privatization Initiatives Initially Undertaken in Last 5 Years
- LBR Schedule XIIB-2, 5Major Outsourcing/Privatization Initiatives Initially Undertaken in the Last 5 Years - Cost and Deliverables Data

The Schedule XII documents contain the below business case requirements:

- a. A detailed description of the service or activity for which the outsourcing is proposed.
- b. A description and analysis of the state agency's current performance based on existing performance measures if the state agency is currently performing the service or activity.

- c. The goals desired to be achieved through the proposed outsourcing and the rationale for such goals.
- d. A citation to the existing or proposed legal authority for outsourcing the service or activity.
- e. A description of available options for achieving the goals. If state employees are currently performing the service or activity, at least one option involving maintaining state provided services should be included.
- f. An analysis of the advantages and disadvantages of each option, including, at a minimum, potential performance improvements and risks.
- g. A description of the current market for the contractual services that are under consideration for outsourcing.
- h. A cost-benefit analysis documenting the direct and indirect baseline costs, savings, and qualitative and quantitative benefits involved in or resulting from the implementation of the recommended option or options. Such analysis must specify the schedule that, at a minimum, must be adhered to in order to achieve the estimated savings. All elements of cost must be clearly identified in the cost-benefit analysis, described in the business case, and supported by applicable records and reports. The state agency head shall attest that, based on the data and information underlying the business case, to the best of his or her knowledge, all projected costs, savings, and benefits are valid and achievable. As used in this section, the term “cost” means the reasonable, relevant, and verifiable cost, which may include, but is not limited to, elements such as personnel, materials and supplies, services, equipment, capital depreciation, rent, maintenance and repairs, utilities, insurance, personnel travel, overhead, and interim and final payments. The appropriate elements shall depend on the nature of the specific initiative. As used in this section, the term “savings” means the difference between the direct and indirect actual annual baseline costs compared to the projected cost for the outsourced services in any succeeding fiscal year during the term of the contract.
- i. A description of differences among current state agency policies and processes and, as appropriate, a discussion of options for a plan to standardize, consolidate, or revise current policies and processes, if any, to reduce the customization of any proposed solution that would otherwise be required.
- j. A description of the specific performance standards that must, at a minimum, be met to ensure adequate performance.
- k. The projected timeframe for key events from the beginning of the procurement process through the expiration of a contract.
- l. A plan to ensure compliance with the public-records law.
- m. A specific and feasible contingency plan addressing contractor nonperformance and a description of the tasks involved in and costs required for its implementation.

- n. A state agency's transition plan for addressing changes in the number of agency personnel, affected business processes, employee transition issues, and communication with affected stakeholders, such as agency clients and the public. The transition plan must contain a reemployment and retraining assistance plan for employees who are not retained by the state agency or employed by the contractor.
- o. A plan for ensuring access by persons with disabilities in compliance with applicable state and federal law.
- p. A description of legislative and budgetary actions necessary to accomplish the proposed outsourcing.

## **5.0 Outsourcing Contract Provisions**

In addition to a sound business case, an agency needs to ensure that a solid contract is created to support the outsourced service and to protect the interest of the state. Specific information that must be included in outsourcing related contracts and they are as follows:

- a. **Scope of Work** - A scope-of-work provision that clearly specifies each service or deliverable to be provided, including a description of each deliverable or activity that is quantifiable, measurable, and verifiable. This provision must include a clause that states if a particular service or deliverable is inadvertently omitted or not clearly specified but determined to be operationally necessary and verified to have been performed by the agency within the twelve months before the execution of the contract, such service or deliverable will be provided by the contractor through the identified contract-amendment process.
- b. **Service Level Agreement** - A service level agreement provision describing all services to be provided under the terms of the agreement, the state agency's service requirements and performance objectives, specific responsibilities of the agency and the contractor, and the process for amending any portion of the service level agreement. Each service-level agreement must contain an exclusivity clause that allows the state agency to retain the right to perform the service or activity, directly or with another contractor, if service levels are not being achieved.
- c. **Associated Costs** - A provision that identifies all associated costs, specific payment terms, and payment schedules, including provisions governing incentives and financial disincentives and criteria governing payment.
- d. **Transition Plan** - A provision that identifies a clear and specific transition plan that will be implemented in order to complete all required activities needed to transfer the service or activity from the state agency to the contractor and operate the service or activity successfully.
- e. **Performance Standards** - A performance standards provision that identifies all required performance standards, which must include, at a minimum:

- i. Detailed and measurable acceptance criteria for each deliverable and service to be provided to the state agency under the terms of the contract which document the required performance level.
  - ii. A method for monitoring and reporting progress in achieving specified performance standards and levels.
  - iii. The sanctions or disincentives that shall be imposed for nonperformance by the contractor or state agency.
- f. Accounting Records - A provision that requires the contractor and its subcontractors to maintain adequate accounting records that comply with all applicable federal and state laws and generally accepted accounting principles.
- g. Audits - A provision that authorizes the state agency to have access to and to audit all records related to the contract and subcontracts, or any responsibilities or functions under the contract and subcontracts, for purposes of legislative oversight, and a requirement for audits by a service organization in accordance with professional auditing standards, if appropriate.
- h. Displaced Workers - A provision that requires the contractor to interview and consider for employment with the contractor each displaced state employee who is interested in such employment.
- i. Contingency Plan - A contingency plan provision that describes the mechanism for continuing the operation of the service or activity, including transferring the service or activity back to the state agency or successor contractor if the contractor fails to perform and comply with the performance standards and levels of the contract and the contract is terminated.
- j. Public Records - A provision that requires the contractor and its subcontractors to comply with public records laws, specifically to:
  - i. Keep and maintain the public records that ordinarily and necessarily would be required by the state agency in order to perform the service or activity.
  - ii. Provide the public with access to such public records on the same terms and conditions that the state agency would provide the records and at a cost that does not exceed that provided in Chapter 119 (F.S.) or as otherwise provided by law.
  - iii. Ensure that records that are exempt or records that are confidential and exempt are not disclosed except as authorized by law.
  - iv. Meet all requirements for retaining records and transfer to the state agency, at no cost, all public records in possession of the contractor upon termination of the contract and destroy any duplicate public records that are exempt or confidential and exempt. All records stored electronically must be provided to the state agency

in a format that is compatible with the information technology systems of the state agency.

- k. Intellectual Property - A provision that addresses ownership of intellectual property. This paragraph does not provide the specific authority needed by an agency to obtain a copyright or trademark.
- l. Purchase of Assets - If applicable, a provision that allows the agency to purchase from the contractor, at its depreciated value, assets used by the contractor in the performance of the contract. If assets have not depreciated, the agency shall retain the right to negotiate to purchase at an agreed-upon cost.