

BUSINESS CASE APPROACH GUIDANCE FOR 2018 RLTP REVIEWS

INTRODUCING INVESTMENT LOGIC AND BENEFIT MAPPING

MAY 2016

WHY DO WE RECOMMEND INVESTMENT LOGIC AND BENEFIT MAPPING?

The NZ Transport Agency has adopted the business case approach as the way that potential investments articulate and justify the case for an investment. The BCA is based on international best practice, and its introduction will help align investment management practice in the land transport sector with government and Treasury expectations for public investments. A key principle in this approach is the use of informed discussions to ensure that the problems and benefits associated with the investment are adequately understood.

In common practice, business case documents have a strong focus on the solution that is expected to be delivered. However, they often fail to adequately describe the problem, explore the strategic options or specify the benefits that the investment will produce.

The tool recommended by the Transport Agency to provide clarity regarding the problems and benefits is an investment logic map (ILM). The ILM is developed through informed discussion, and its purpose is to communicate the investment story on a single page using plain language. The practices involved in an ILM have been used extensively since 2004. They have been found to:

- shape investments that are more strategic and drive better outcomes
- establish the logic and key content of the business case
- reduce the time and cost taken to develop business cases
- improve the chances that an investment will be funded.

This practice is suitable for investments of any type or complexity, including regional land transport plans (RLTPs). Irrespective of the complexity the ILM will always follow the same 'line of enquiry' in order to develop the investment story.

What is produced from this process is an ILM that tells the story of what is being proposed in terms of:

- the current state
- the problem
- the future state
- the benefits.

Many potentially valuable investments are unsuccessful because:

- the core need for the investment was never really understood, or
- the people who were crucial to driving its success were not properly engaged.

Both of these issues are addressed in an ILM.

APPLYING INVESTMENT LOGIC AND BENEFIT MAPPING TO RLTP REVIEWS

This guidance may help you anticipate the number of workshops your investment might require and ensure a successful process.

What questions need to be answered?

1. What are the problems (or issues) relating to land transport that the region is facing?
2. Is there evidence to confirm both the cause and effect of the problems?
3. What benefits can the region expect to achieve in successfully responding to the problems?
4. How will the benefits be tracked and measured?

Who should be there?

It is important that early planning considers who should be involved in the workshops. Typically this will be done through a 'point of entry' discussion, which considers the high-level scope of the investment in question, who to involve, and the appropriate path for development.

There is no 'one size fits all' answer to identifying who should be involved, as the scope and range of investments is considerable. However, the following should be considered during the point of entry discussion to help identify the key participants:

- Who are the stakeholders that know the most about the problem/s?
- Which stakeholders will ultimately be responsible for delivery of the regional programme of investments?

- Will participants have the required level of authority to agree the problem and benefit statements, or will further sign-off be required?
- Which stakeholders can be expected to represent a wider range of views, for example as a representative of a larger organisation or agency?

Tools such as relationship mapping can also help to identify the 'right' people to involve, for example when considering the final bullet point above.

The ILM workshops should be led by an accredited facilitator. It is important that the workshops are informed discussions, led by a competent, experienced facilitator who is skilled at drawing out and challenging participants. For high risk, complex investments such as RLTPs it is important to use an ILM facilitator who has been accredited via the Investment Management Standard.

What is produced?

The output of the workshops will be a single-page depiction of the problems and the benefits and their relationship to one another, using plain English. This is in the form of a map: the ILM.

Additionally a benefit management plan is produced, which is another single page document that defines the pre-requisites for the delivery of each expected benefit. The benefit management plan considers how success will be measured, for example by identifying key performance indicators (KPIs), baselines and targets.

The benefit management plan will also form the foundation for identifying the objectives for land transport in the region, that are required under the Land Transport Management Act. It will also help to ensure that the objectives are SMART (ie specific, measureable, achievable, relevant and time-bound).

What else needs to be considered?

1. What evidence will be needed to demonstrate that the identified problems have been properly addressed?
2. What are the key performance indicators (KPIs)?
3. Against the KPIs, what measures will be used?
4. What is the current baseline, target values and timelines for these measures?
5. Who will be responsible for delivering the benefits?
6. How will the benefits be tracked and reported?

Who is available to do this work?

A list of the accredited facilitators can be found online at:

<http://www.dtf.vic.gov.au/Investment-Planning-and-Evaluation/Investment-professionals-toolkit/Book-an-investment-management-standard-facilitator>