

CRCWSC Research Synthesis

Strategies for preparing robust business cases | CRC for Water Sensitive Cities

# STRATEGIES FOR PREPARING ROBUST BUSINESS CASES

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CRC for  
Water Sensitive Cities



Australian Government  
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**Business**  
Cooperative Research  
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## Preface

Industry Partners Workshops are intense, two-day workshops designed to share ideas from the Cooperative Research Centre for Water Sensitive Cities (CRCWSC) research program, together with contemporary experiences and perspectives from our industry partners.

The March 2014 workshop involving 135 presenters and participants across the two days, covering the full range of research programs, sectors of industry, and geographic interests.

All of the presentations and discussions over these two days were linked by a common theme: what is the business case for a water sensitive city? This is a particularly relevant topic in 2014 when the water, local government, and development sectors across Australia are all facing pressure to balance the need to deliver affordable housing and essential services with communities' simultaneous demand for more liveable cities.

Now more than ever, there is a need for a strong and compelling business case for a water sensitive city, to demonstrate that such investments are an effective way to address challenges facing our cities and towns.

## Acknowledgement

This synthesis report is the outcome of the Industry Partners Workshop held in March 2014 in Coogee, Sydney. We are grateful to all participants for their valuable contributions. The ideas in this report are a summary of the presentations and discussions at the workshop. Although the ideas have generally not been attributed, the contribution made by the researchers and industry participants is acknowledged.





**Professor Tony Wong**  
*CEO, CRC for Water Sensitive Cities*

## Foreword

This is the third in the CRCWSC series of synthesis reports, and the first that integrates the CRCWSC research to address a “wicked” policy problem (previous synthesis reports have interpreted the research in the context of spacial illustration of ideas that are integrated into the urban design of case study sites).

The report is the output of the CRCWSC March 2014 Industry Partners Workshop held in Coogee, NSW, and thus reflects the collective thinking of the 135 researchers and industry partners who attended this workshop.

The topic responds to a need to demonstrate the social and economic benefits of a water sensitive city. Importantly, this exercise demonstrated that having a well-documented business case is not enough. It is equally important to promote and advocate the business case to decision makers. As the workshop discussions highlighted time and again, success depends on our ability to articulate these benefits in terms that are relevant and important to our stakeholders.

## How to use this document

This document is a guide for those who need to obtain approval for initiatives and policies that will contribute to a water sensitive city.

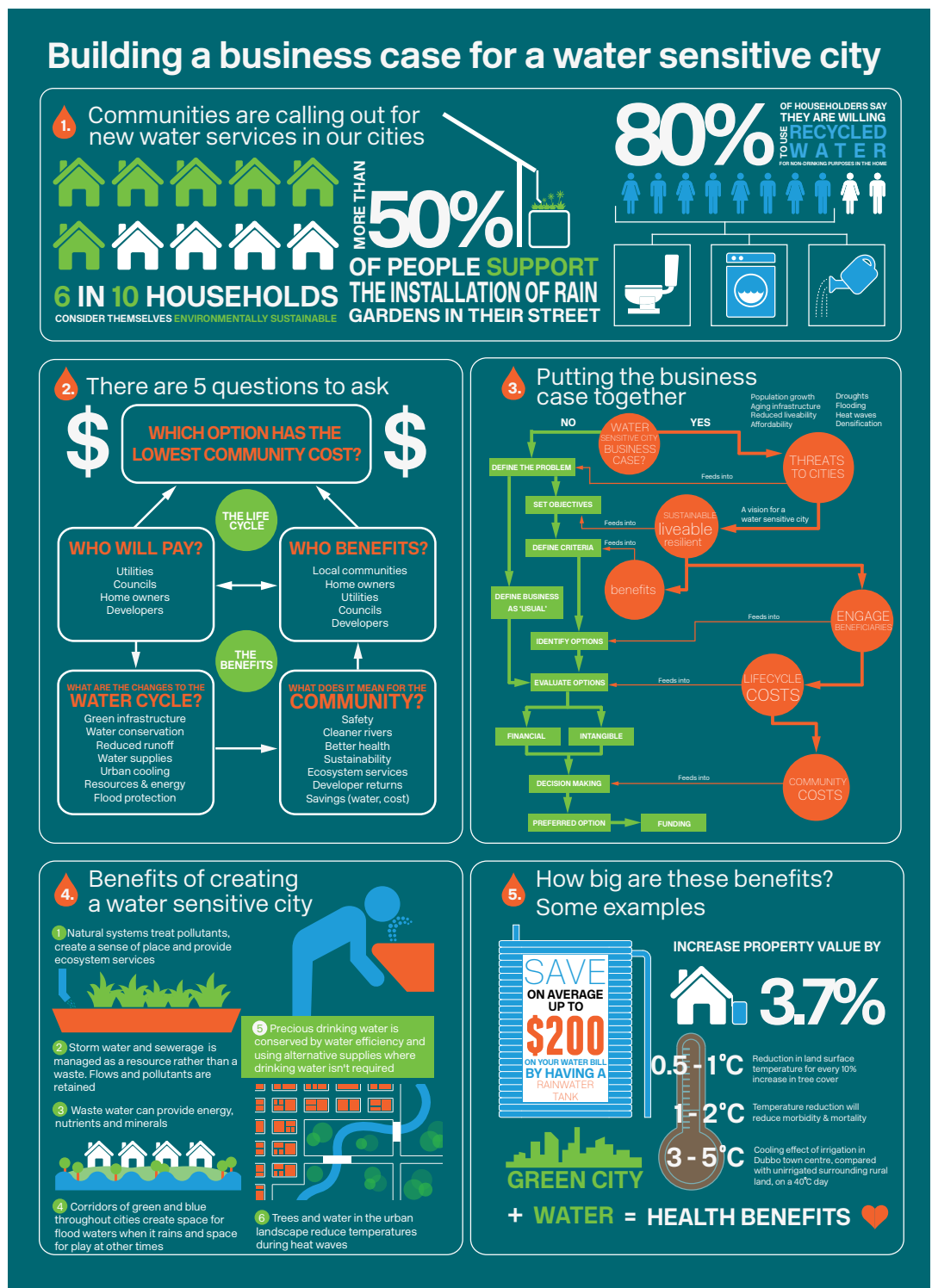
In today's decision-making environment it is important to present a compelling proposition and to enlist a stakeholder alliance that supports this as a priority. These strategies assist in achieving both of these outcomes.

The document is not a guide for the analysis of investment options (there are existing resources to assist with this). Instead, it helps users to frame and build support for their preferred option. Based on the expertise and experience of the CRCWSC partners, it is a guide to making a business case succeed.

The insights we offer are based on specific examples from research and practices across Australia, generalised here for communication purposes. This document is intended to be read in conjunction with the Infographic that was also developed at the March 2014 Industry Partners Workshop.



Figure 1: Building a business case for a water sensitive city



## What is a business case?

A business case is a justification for a project.

This justification is a tool to help decision makers allocate limited resources in the best way to meet organisational or community needs.

To do this, a business case outlines the reasons a particular project, policy, strategy, or design is needed – and why the proposed solution should be approved or funded. It ultimately addresses the question of whether the benefits of the project exceed the costs or risks of implementing it.

## What distinguishes a water sensitive city business case from others?

A business case for a water sensitive initiative or project is really no different from any other business case. It needs to demonstrate that a project is worthwhile, typically in either a financial or reputational sense.

However, water sensitive initiatives face a number of challenges that distinguish them from more traditional approaches to water management.

**Three challenges** First, the problem being solved is often based on the combined effects of multiple future scenarios for cities and towns (for example, regarding a changing climate and public health trends), with associated uncertainty surrounding the impacts. If there is no agreement on the problems and opportunities, there can be no business case.

Second, such business cases are multi-dimensional and provide several benefits. A water sensitive city is based on a systems approach rather than focusing on the optimal solution to a specific problem. This foundation creates community-wide benefits; however, these can be difficult to describe, measure, and value, raising questions about who should pay.

Third, the costs are short-term but the benefits are long-term. A water sensitive city creates benefits that are the sum of many incremental actions and projects. This means that there can be a lag between investment in an individual project and the realisation of these benefits, particularly if the benefits relate to infrequent events such as floods or droughts. The challenge lies in framing today's expenditure as an investment in the future rather than as an inefficiency.

## From challenges to strategies: preparing a robust business case

The Industry Partners Workshop translated these challenges into three key risks to a business case and identified strategies in response, as shown in Table 1. The ten strategic considerations are dealt with in detail below.

*Table 1: Three risks and ten strategies for business cases*

Risks to a business case	Strategic consideration
The problem has no urgency (or: the business case isn't addressing the real problem)	<ol style="list-style-type: none"> <li>1. Know the real decision maker</li> <li>2. Frame your business case within a broader context</li> <li>3. A political and community-engagement strategy</li> </ol>
The case for change isn't compelling – status quo approaches appear effective at dealing with the problem	<ol style="list-style-type: none"> <li>4. Build a team of advocates for your project</li> <li>5. Let the basic case paint a picture of the likely future, not a picture of today</li> <li>6. Scale: tell the story of local and system-wide benefits</li> </ol>
Those who are paying don't see the benefits	<ol style="list-style-type: none"> <li>7. Valuing costs and benefits</li> <li>8. Distributed impacts: who benefits and who pays?</li> <li>9. Address the counter-argument</li> <li>10. Funding base</li> </ol>

## 1. Know the real decision maker

**Key message** The business case is not written for you. Understand the audience that you are pitching to, and what will influence their decision.

**What?** Clarify who the business case is for, and what their needs are. To succeed, you will need to demonstrate the project's relevance to them. Be aware that their understanding of what a water sensitive city is may differ from your own; you need to understand their criteria when assessing a business case.

Consider whether the following are the decision makers for your business case:

- Local government
- Utilities
- Developers
- Regulators
- Politicians
- Policy makers
- Existing landholders
- Treasury
- Future home owners

**How?** Identify the decision maker by establishing who has the power to deliver what you need.

- For this group, map your understanding of their drivers, values, and beliefs; and incorporate these needs in your business case.
- Similarly, understand who has an influence on these decision makers. Understand that some will be more influential than others.





## 2. Frame your business case within a broader context, to make the drivers for change more compelling

**Key message** Each city needs to establish its own context for the business case. This will be based on its issues, drivers, and position on the water sensitive city transition spectrum (see Table 2). Communicating how the project fits within a larger context will link it to external drivers for change which are more likely to resonate with a wider audience.

**What?** Link your project to an outcome that others need to deliver. This will build support for your project. Your aim is to show that this project can help others to deliver the outcomes they are accountable for.

This may include framing your issue within a broader water agenda, or framing water issues within the broader context of the challenges facing cities and towns.

Examples include connecting your project, and the problem you want to solve, to:

- broader amenity
- liveability
- city greening benefits
- helping people feel better
- economic issues
- change agendas

**How?**

- Your city should define its own context for change, based on what the popular issues are. This helps you to understand what the next step is.
- Link the business case to your organisation's policy and strategy initiatives. Ask yourself: "What benefits and contributions can this project deliver in terms of meeting these policies and strategies?"

Identify which stage of transition your city is in and adopt a change strategy that is appropriate for that stage (see Table 2). The language that is commonly being used is an effective indicator—different stages can be characterised by an "advocating" or a "contesting" narrative that you may recognise from discussions amongst stakeholders (Brown et al, 2013).

Table 2: Examples of stages on the transition to a water sensitive city

Stage	Advocating narrative	Contesting narrative
Issue emergence stage	There is a problem.	There is no problem.
Issue definition stage (problem has been narrowed)	This is the cause of the problem.	The science is biased.
Shared understanding and agreement stage	We have a solution for you.	It doesn't work.
Knowledge dissemination stage	Who is responsible? We have a shared responsibility.	It is too expensive.
Policy and practice diffusion stage	There can be multiple benefits.	It is not feasible within the existing institutional arrangements.
Embedding new practice stage	The problem is a broad one that can be analysed in familiar economic terms.	The problem's definition is too narrow.

When describing the benefits of your project, use language that is consistent with the broader objectives, policies, and narratives that you have identified.

- Link your project to existing management tools and frameworks for legitimacy. Show that it is delivering these initiatives. Or do this by showing that your project offers consistency of benefits outweighing costs, from policy level through to project level.
- If you don't have a strong local policy or framework, link your business case to national or state policy to demonstrate relevance.

Example: A business case was expressed in terms of new corporate responsibilities that had been allocated to a NSW council. The business case articulated the new agenda, and explained the council's broader need for new skills and knowledge to successfully update its existing business models.

### 3. Have a political and community-engagement strategy

**Key message** Decision makers will ask who supports the business case and will heed the opinion of those they trust. Develop a political and community engagement strategy to build this support.

- What?**
- A successful business case also garners support of political leaders, community groups, and media.
  - A political or community strategy will convey the key messages from your business case.
  - The aim is to build a common vision in collaboration with these stakeholders. A common vision is one that ensures a common orientation for different portfolio areas.

**How?** Ask yourself:

- “What is the common vision?”
- “What are the key messages around this vision and this project?”
- “Who needs to understand them?”

Determine how you will engage these stakeholders, and whether you need their input early to help shape the messages. Visualise the positive changes of your proposal and communicate them to identified beneficiaries.

- Make your messages relevant to ministers, councillors, and executives and managers outside your portfolio area. Ensure that at all levels of the organisation the messages you provide are consistent – concerning the base case, the benefits of the project, and details of the project itself.
- Messages work best when they are simple and help people build their own mental model of the benefits. For example, your language could create a mental “before and after” image of a development, or illustrate what water bills will be like in the future.

A water sensitive city is a complex proposition. Urban communities may be familiar with concepts of sustainability and behaviours that protect water quality; but there is less understanding of how the underlying water systems work.

- Use plain English explanations of key concepts and the types of assets that you are proposing.
- Explain how the systems work now and what will be different in the future.

The majority of householders think of themselves as being environmentally sustainable (this is how we think of ourselves (Fielding and Ramkissoon, 2014);

- Use this “identity” to build buy-in, by showing the community how they can turn their values into simple actions.

## 4. Build a team of advocates for your project

**Key message** A good business case is evidence-based and has strong stakeholder support. Getting buy-in can be time consuming, but is worthwhile.

**What?** Decision makers are more inclined to support a business case that is jointly proposed by an alliance of stakeholders, particularly those who will be instrumental in delivering the project.

Similarly, decision makers will be more supportive if they can see that there is input from others in the community, or from other areas of government and business.

- How?**
- Frame your project within the broader government objectives.
  - Understand the barriers to buy-in. These might include the power of vested interests against change or elite opinion. To understand their preferences, engage those who will have to pay (such as developers)

## 5. Let the base case paint a picture of the likely future, not a picture of today

**Key message** All business cases need a “business-as-usual” scenario as a comparison for the proposed project. But as your benchmark, think about the future result of business-as-usual.

**What?** The long-term nature of the investment means that your base case should compare future A with future B, not future A with today.

**How?** Paint a picture of the city in 20 or 50 years’ time if current policies and practices were continued, including the good and the bad. Use this future state as your point of reference to articulate and evaluate the benefits of your proposal; identify the additional (not total) benefits or reduction in impact that your project will provide beyond this business-as-usual scenario.

Example: It is understood that water sensitive approaches can reduce the demand for drinking water. However, it is likely that per capita demand will reduce anyway through efficiency behaviours, along with use of efficient domestic appliances and new garden designs as houses and buildings are replaced. This trend should be built into your base case.

## 6. Scale: tell the story of the local and the system-wide benefits

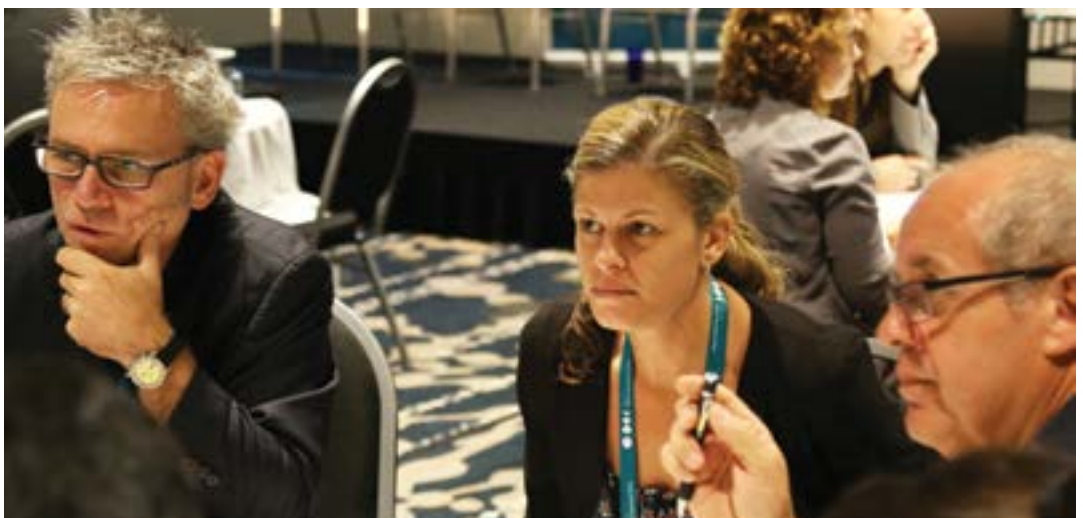
**Key message** Make the business case relevant for local communities – both in the immediate vicinity and for other communities across the city if these initiatives are replicated.

**What?** A successful business case is one that clearly identifies tangible, local benefits. Be aware, however, that the needs, benefits, and impacts may be far-reaching: either long-term or widely distributed.

For example, waterways are landscape-scale systems, and actions in one part of the landscape can produce significant benefits downstream. This is in contrast to traditional business cases for urban water management, which typically focus on a single scale.

**How?**

- Work at city and catchment scale when describing the base case, to project a systems-thinking approach.
- Craft your messages about benefits at the neighbourhood scale, by relating the project to better local environments.
- Bring the scale of the problem back to a local level and make it about people's own neighbourhood experiences.



## 7. Valuing costs and benefits

**Key message** A business case will present costs and benefits not just to your organisation, but also to the broader community – across a broad range of outcomes.

- What?**
- All business cases will include an assessment of the size of costs and benefits of a project. This is fundamental to the decision whether to approve or reject the project.
  - Valuation is the exercise of determining how important the expected changes are. Monetary valuation is most usual, but other approaches may assist in developing conclusions about importance of different benefits.
  - Valuation will focus on the elements of your proposal that vary across the options, ignoring elements that are common. One aim is to differentiate or rank options for decision makers.
  - Identify and assess the benefits from the perspective of end users (refer to strategies 1, 2, and 4 in this document).

**How? Identifying the benefits**

- Understanding community aspirations for their local neighbourhood will drive identification and valuation of benefits and identify direct beneficiaries.
- Consider how your target audience would decide whether an investment in a water sensitive city is worthwhile. Can you explain these criteria? Does this project meet these criteria?
- Decide which benefits to include by engaging with your community and your decision maker. This makes the valuation activity a two-step process of first agreeing which benefits to include and secondly describing their importance.

Example: a Victorian precinct-scale alternative water project considered several different supply options, including the option of “no alternative supply”. Developers were asked for their opinion, and expressed willingness for an alternate water source based on market research with their own customers.

### Approaches to valuation

- A water sensitive city delivers a range of tangible and intangible costs and benefits (see Table 3 for some examples).
- It is acceptable to use qualitative assessment where benefits cannot be reliably expressed in dollars. It is often more important to include the material effects than it is to have them precisely quantified.
- Multi-criteria assessment is one example of a qualitative assessment. Be aware that this approach can be subject to bias (and open to criticism as a result). This reinforces the importance of engaging with stakeholders and understanding their motivations for the project so that a multi-criteria assessment is better informed.

Table 3: Categorising tangible and intangible costs and benefits

	Costs	Benefits
<b>Tangible</b>	<p>New technology is expensive.</p> <p>Operating costs may be more expensive with decentralised assets.</p>	<p>Savings from reduced reliance on centralised systems.</p> <p>Deferring upgrades of centralised systems.</p> <p>Reduced bills for residents.</p> <p>Freedom from water restrictions.</p>
<b>Intangible</b>	<p>Governance, ownership, complex roles and responsibilities may create inefficiencies.</p> <p>Uncertainty with long-term impacts on receiving environments.</p>	<p>Enhanced liveability – greener spaces, mitigating heat.</p> <p>Reduction in polluting stormwater runoff – ecologically healthy waterways.</p>

#### A robust evaluation

- Identify and quantify the important performance objectives, which should be based on the drivers for the business case.
- If your project will lead to behaviour change (such as community installation of rainwater tanks) be conservative in estimating how readily adoption will occur (it is typically over-estimated in business cases).
- Determine what time lags there may be before changes are seen (for implementation and also realisation of long-term benefits).
- Don't double-count the benefits; seek advice from an economist who will be able to identify double-counting flaws.

#### What distinguishes a water sensitive city business case from others?

- It is best not to simplify the problem to a single dimension.
- Monetary cost is only one factor, and the primary objective is one objective among many. Rather than narrowly pursuing the cheapest way to achieve any single objective, find the option that yields the best overall outcome.
- Assess:

whole-of-life-cycle costs: include all of the operation and maintenance costs over the life of assets, including the different stakeholders who will pay for them.

intangible costs: costs or benefits that are important to communities but are difficult to put a dollar value on.

the value of having choices in the future: when there is a lot of uncertainty, the best option might be to enable changes in strategy to be made in the future by ensuring that important options are not permanently taken off the table.

## 8. Distributed impacts: who benefits and who pays?

**Key message** It is likely that the project will include a mixture of benefits that are short- and long-term, as well as a mix of stakeholders, some of whom will pay while others will benefit. A business case based on community-level assessment can reconcile these aspects.

**What?** Many of the benefits of a water sensitive city are long-term — they are based on projection of our cities' needs into the future. In contrast, most costs are short-term. The business case needs to address the question of who pays or takes the risk for these long-term community benefits.

- How?**
- Identify who bears the risk and who has to pay if a solution is not right the first time, and include them as an audience for the business case.
  - Present a business case that considers whole-of-community cost rather than a single-agency cost (acknowledging that individual businesses still need to understand a business case from their own perspective — but the community-level case may also be compelling).
  - A business case is often targeted at those who pay the development costs, but equally important are those who inherit the assets and risk: the long-term effects or benefits. For example, the developer is the decision maker and initial funder in new developments but council will inherit and maintain the asset. Both are therefore the audience of the business case.
  - This sequence of who pays and who benefits can be mapped (see Table 4).

Table 4: A hypothetical example of who pays and who benefits, at various times

	At the start (installation costs, etc.)	Continuing (maintenance costs, etc.)	Long-term
Who pays	The developer The utility landowner	Local government Decentralised system operator	Ratepayers State government
Who benefits	The developer	Landowners and residents (cheaper water bills) Habitat and ecosystem	Neighbouring and local residents



## 9. Address the counter-argument

- Key message** Ensure that you understand – and can respond to – any argument that your project is not needed.
- What?** It is likely that there is a popular counter-argument (often quite rational) against the change or project that you are suggesting. Such arguments are likely to align to the map of contesting language and narrative in your city or organisation (see Table 2).
- Examples** “It has rained and the drought is over, therefore the water challenge is fixed.”  
 “Affordability is the issue, so why spend again so soon after investments in desalination?”
- How?**
- Anticipate, identify, and navigate these counter-arguments.
  - Approaches to address them will be informed by strategies such as 2, 3 and 4 identified in this document.
  - Develop a business case that is flexible enough to respond to changing agendas; don't lock yourself into a position; be ready to reframe your message into a new narrative.

## 10. Funding base

- Key message** Link your business case – fully or in part – to an agreed funding source.
- What?** A business case that is linked to a funding commitment is more likely to be approved.
- How?**
- Identify organisations that can commit (even a small amount of) core funding as a base for action.
  - Make links to sustainable funding sources within your organisation so that the change becomes core business.

## References

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