

BEYOND THE FORECAST

# The Business Case Ritual

A Practitioner's Perspective on Investment Decisions After the Crash



# The Business Case Ritual

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*“We have mistaken the thoroughness of the paperwork for the quality of the decision.”*

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## A Ritual in Search of a Number

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Something worth noticing is happening to the business case. In the wake of the last two years, the collapse of valuations that had seemed unshakeable, the corporate failures that turned out to rest on accounting fiction, the sudden scarcity of capital that followed, organisations have rediscovered financial discipline with the fervour of the newly converted. Every proposed investment must now arrive dressed in a full business case: a net present value calculated to the decimal, a discounted cash flow stretching five years out, a benefits schedule, a sensitivity analysis. This looks like rigour. In a great many organisations it has quietly become the opposite.

The paradox is easy to state. The more elaborate the business case has grown, the less it seems to predict. That is not a coincidence, and it is worth being sharp about why.

## Permission, Not Prediction

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The purpose of the document has shifted. A business case was meant to inform a decision, to help a serious group of people judge whether an investment was worth making. Post-crash, under a governance regime that now demands one for everything, it has become a device for obtaining permission. And a document written to obtain permission is written differently from one meant to find the truth. The numbers are not discovered; they are reverse-engineered towards the hurdle rate they must clear. Everyone in the approval room half-knows this, which is the quietly corrosive part.

You can see the ritual in its tells:

- Every business case, remarkably, clears the hurdle rate, because those that would not are quietly reworked until they do.
- The five-year benefit line rises in exactly the smooth, confident shape the investment committee likes to see.
- The person who builds the forecast is almost never the person later held to it, because by the time the benefits fall due the sponsor has moved on.
- Optimism is rewarded at the gate and never punished afterwards, because nobody returns to the business case once the money has been spent.

That last point is the heart of it. We have responded to the crash by adding rigour to the front of the investment process and none whatever to the back. The forecast has acquired another decimal place; the outcome remains entirely unexamined. We scrutinise the promise and ignore the result.

## The Wrong Lesson

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This is exactly the wrong lesson to have drawn. If the events of the past two years taught anything, it is that confident numbers on a page are not the same as reality, and that a spreadsheet can be made to say whatever its author needs it to say.

*The appropriate response to a crash is to trust forecasts a little less and to track outcomes a great deal more. We have done precisely the reverse: more elaborate promises at the front, and still no one checking the result at the back.*

The remedy, then, is not more analysis at the point of decision. It is the opposite. Loosen the front and harden the back. Ask for a shorter, honester business case, one that states its assumptions plainly and admits its uncertainty rather than burying it under precision it does not possess. Then, crucially, keep the document. Return to it eighteen months later and ask, without blame but without flinching, whether the benefits it promised actually arrived. An organisation that does this even a few times learns something no sensitivity analysis can teach it: which of its forecasters are worth believing, and which of its investment logics actually hold.

Until then, the business case will remain what the last two years have made it, a ritual performed to secure a signature rather than a tool used to make a better choice. We have mistaken the thoroughness of the paperwork for the quality of the decision. They are not the same thing, and the difference is measured, eventually, in capital that never earned its return.