



BUSINESS CASE ANALYSIS PROCEDURES

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

ACCESSIBILITY: Publications and forms are available on the e-Publishing website at www.e-Publishing.af.mil (will convert to www.af.mil/e-publishing on AF Link)

RELEASABILITY: There are no releasability restrictions on this publication.

OPR: SAF/FMCEE

Certified by: SAF/FMC (Mr. Richard Hartley)

Pages: 30

This manual implements AFI 65-509, *Business Case Analysis*, by providing specific information on conducting Business Case Analyses (BCA) to support Air Force command, management, and financial decisions. This publication supersedes SAF/FM memo, Interim Guidance for Business Case Analysis, 18 March 2005. This manual implements the business case analysis (BCA) provisions of OMB Circular A-11, *Preparation and Submission, and Execution of the Budget*, DoD 7000.14R, Volume 2B, Chapter 18, *DoD Financial Management Regulation*, and AFPD 65-5, *Cost and Economics*. It applies to individuals at all levels who prepare, manage, review, certify, or approve BCAs including Air Force Reserve Command (AFRC) and Air National Guard (ANG) units, except where noted otherwise. This AFMAN may be supplemented at any level, but all supplements must be routed to SAF/FMCE and AF/A9 coordination prior to certification and approval. Refer recommended changes and questions about this publication to the Office of Primary Responsibility (OPR) using the AF Information Management Tool (IMT) 847, Recommendation for Change of Publication; route AF IMT 847s from the field through Major Command (MAJCOM) publications/forms managers. Ensure records created due to processes prescribed in this publication are maintained in accordance with AFMAN 33-363, *Management of Records*, and disposed of in accordance with the Air Force Records Disposition Schedule (RDS) located at <https://afirms.amc.af.mil/>. The use of the name or mark of any specific manufacturer, commercial product, commodity, or service in this publication does not imply Air Force endorsement.

Chapter 1— INTRODUCTION	3
1.1. Definition	3
1.2. Relationship to Economic Analysis.	3
1.3. Relationship to specific, unique program documents.	3
1.4. Decision making tool.	3
Chapter 2— BUSINESS CASE ANALYSIS CONTENT	4
2.1. Framework.	4

2.2. Sections.	4
Table 2.1. Communications Plan	15
Chapter 3— INFORMATION COLLECTION, RECORDS, AND FORMS	18
3.1. Information Collections	18
3.2. Records	18
3.3. Forms (Adopted and Prescribed).	18
Attachment 1— GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION	19
Attachment 2— REQUEST FOR WAIVER FROM A BUSINESS CASE ANALYSIS REQUIREMENT	24
Attachment 3— BUSINESS CASE ANALYSIS CHECKLIST	26

Chapter 1

INTRODUCTION

1.1. Definition : A business case analysis (BCA) is a decision support document that identifies alternatives and presents convincing business, economic, risk, and technical arguments for selection and implementation to achieve stated organizational objectives/imperatives. A BCA does not replace the judgment of a decision maker, but rather provides an analytic and uniform foundation upon which sound investment decisions can be made. The subject of a BCA may include any significant investment decision that leadership is contemplating. For example, a BCA may be used to substantiate the case to invest in a new weapons system; transform business operations; develop a web-based training curriculum; or retire an asset. In general, BCAs are designed to answer the following question: What are the likely financial and other business (non-financial) consequences if we execute this investment decision or this action?

1.2. Relationship to Economic Analysis. Although the terms “business case analysis” and “economic analysis” (EA) are sometimes used interchangeably, a BCA is considerably broader in scope. For example, an EA might examine whether it is more economical to buy or lease cargo aircraft. In contrast, a BCA would present a case as to why it makes sense to acquire aircraft at all, regardless of procurement method. In so doing, the BCA might examine other options to satisfy warfighting re-supply, e.g. pre-positioning assets or using land or sea-based assets in conjunction with the other Services. In that sense it is more encompassing. BCAs will focus on other aspects of a proposed investment decision such as: the plan for implementing the decision; identifying key stakeholders; and specifying performance indicators so that the impact of the decision can be tracked over time. A BCA should be viewed as a “living” document that helps substantiate the initial investment decisions and is then used to track the success of those decisions over time. In practice, this breadth of scope is typically absent in a traditional economic analysis.

1.3. Relationship to specific, unique program documents. Note that this AFMAN and AFI 65-509 provide a basic framework for the BCA process. Specific situations may require unique formats or modifications to the BCA outline presented herein. One specific example of a unique scenario is Enhanced Use Leasing (EUL). EUL is provided under the authority of Title 10 United States Code Section 2667, as amended. This authority allows for military installations to lease land and facilities to private or public entities in exchange for cash or in-kind consideration equal to the fair market value of the leasehold value of the underutilized asset. EUL BCAs focus on identifying the highest and best use for the fair market value of the asset and presenting the business, economic, and technical arguments in support of the EUL project. For specific guidance on this variation, consult Appendix G of the Enhanced Use Lease Handbook, found at the Air Force Real Property Agency (AFRPA) web site, <http://www.safie.hq.af.mil/afropa/eul/index.asp>. Other programs may also have variations from the basic format presented herein.

1.4. Decision making tool. A BCA can be an important tool to help an organization decide among multiple scenarios for future action. Thus the BCA presents a case for a choice of action. Similar analyses that are less robust than a BCA may consist of a simple comparison of cash flows, but a good BCA is considerably more than that. It considers all the expected effects of an action, not just the financial ones, across the entire organization and also assesses the likelihood that those effects will occur as anticipated (i.e., risk issues). In view of these considerations, the recommendation supported by a BCA might not necessarily be the one that has the highest financial benefits.

Chapter 2

BUSINESS CASE ANALYSIS CONTENT

2.1. Framework. This section provides the general framework for a BCA. The content described in each section needs to be included in the documentation for a BCA. Note also that a BCA is scaleable depending on the decision being contemplated. When deciding upon the depth of a BCA, preparers of BCAs should keep in mind the decision-making audience; the timeframe for the decision; and the implications of the proposed decision. In some cases, a top level, preliminary, BCA of only 3-5 pages, prepared within a very short time (e.g., a week), is appropriate while in other cases a more extensive study is required. However, in all cases, the main body of the BCA should be succinct enough to allow decision makers to fully grasp the issues without becoming overwhelmed by details. The BCA should be limited to a maximum size of 20-40 pages (excluding attachments) and should be commensurate in breadth and depth with the magnitude of resources involved. The ultimate objective is to provide an analysis that effectively supports a timely decision-making process.

2.2. Sections. The following sections are included in each documented BCA:

2.2.1. Executive Summary

2.2.2. Problem Statement

2.2.3. Assumptions

2.2.4. Current State Description – “Status Quo” or “As Is”

2.2.5. Future State Description – “To-Be”

2.2.6. Cost-Benefit Analysis

2.2.7. Recommendation

2.2.7.1. Funding

2.2.8. Sensitivity and Risk Analyses

2.2.9. Change Management Plan

2.2.9.1. Stakeholder Plan

2.2.9.2. Communications Plan

2.2.9.3. Training Plan

2.2.9.4. Implementation or Action Plan

2.2.9.5. Key Performance Measures and Outcomes

2.2.9.6. Appendix (used as a reference section for the supporting detail of the report)

(Note: Depending on the depth of the analysis, it may be appropriate to include appendices with detailed analytical support or background for many of these sections.)

2.2.10. Executive Summary: Provide a summary of the proposed investment decision. This section should focus on the key highlights that will then be expounded upon in the sections that follow the executive summary. Executive Summary section should be no more than three pages in length.

2.2.10.1. Provide a short narrative identifying the OPR that prepared the BCA, the recipient or customer, date, subject, project location, problem statement, project year and period of analysis. In addition, provide any background information or history that will aid the reader in understanding the results of the analysis.

2.2.10.2. Present the name of each feasible alternative, its total investment cost, key financial metrics (e.g. net present value (NPV), return on investment (ROI), Internal Rate of Return (IRR)), operational and combat metrics, benefits, constraints, and the risks. Constraints and risks that must be considered when determining costs include, for example: the need for legislation or military construction funding to make an alternative feasible; the need to possess or acquire technical data or licenses; the statutory requirements to analyze the impact on small businesses; the ability (and costs) to terminate existing contracts; the statutory requirement for a public-private competition if the work being performed by more than nine civilian employees will be converted to contract; and any legal prohibitions against elements of implementing a proposed alternative. In addition, provide the ranking of each alternative. Much of this information may be in a table format. See the glossary of terms in [Attachment 1](#) for definitions of the key financial metrics.

2.2.10.3. Summarize how the recommended course of action will bring value (benefit) to the implementing organization or describe the particular problem that the investment decision will solve. Value should be defined in general terms: how the particular investment enables the organization to achieve strategic goals. Value should also be defined in net quantitative benefits (e.g., monetary savings, ROI, payback period, improvement in operational and combat metrics) that the proposed investment is anticipated to generate.

2.2.10.4. Summarize the plan required for implementing the particular investment decision. Identify the key stakeholders and their responsibilities. Describe the implementation schedule. Summarize budget requirements.

2.2.10.5. Identify key assumptions upon which the analysis is based. Identify the analytical “trip points.” In other words, to what extent would key assumptions have to fail such that the business case no longer makes sense? How likely is this to happen? What measures will be taken to mitigate the risk of failure? This discussion is a form of risk analysis and sensitivity analysis. If applicable, explain if there is a sensitivity “break point” or “crossover point” at which the proposed alternative would no longer be the recommended option, but rather another alternative would arise as the preferred option. There are times when economic and non-economic variables are so sensitive that they may affect the rank ordered list of alternatives.

2.2.10.6. Describe any measures that will be used to track the progress of the decision once implemented.

2.2.11. **Problem Statement** : A well-developed business case always begins with a problem statement that clearly and concisely defines the problem, requirement or opportunity to be analyzed. What is the purpose of the analysis? What problem are you trying to solve? What is the scope of your analysis? Who is the decision maker? The problem statement helps define the framework of the analysis to be performed. Additionally, this statement should not assume a specific means of achieving the desired result, but rather what the desired end-state is in as objective terms as possible (i.e., not biased toward any one alternative). Bias or unfounded assumptions in the problem statement undermine the analytical purpose of the BCA by jumping to conclusions. Having a clear and well-defined problem statement gives you a reference point to go back to when you proceed through your analysis. After

reading this section, the decision maker should understand the purpose of the analysis and the framework of its conclusion. The problem statement should be limited to one page or less. If the problem statement does not accurately state the problem, then the whole BCA will be off on the wrong track and will address the wrong issue. If possible, drafts of a problem statement should be reviewed with the organization or senior leader requiring the BCA so that the intent of the analysis is clear up front. Such clarification can avoid unnecessary rework and make sure the analysis covers the assigned objective.

2.2.12. **Assumptions:** Assumptions are beliefs about what is true of a current or future state of affairs for a situation. Prior to formulating assumptions, what is known with certainty should be stated: facts, laws, defined criteria, ground rules, constraints, regulations, OSD or Air Force guidance, any factor known to be true that may affect the current or future business conditions under consideration in the analysis. After stating what is known, list the assumptions about what is not known, or about future states affecting business conditions. It is crucial to identify all key assumptions upon which the business case is based. Identifying assumptions is critical to conducting risk or sensitivity analysis (para 2.2.8.) on which alternative to recommend. Each major assumption should be evaluated for its impact on the business case should it be significantly changed. Assumptions are critical because not including a key assumption, or changing key assumptions can directly influence which alternative is recommended.

2.2.13. **Current State Description - “Status Quo” or “As Is”** : Each investment decision will impact an existing process whether the decision involves a material solution such as procuring a new piece of equipment, or a non-material solution such as changing a mode of operations. Each decision should be evaluated in the context of the current “Status Quo” process that exists prior to the implementation of the proposed investment decision or new way of doing business. A description of the “Status Quo” state of operations is thus, critical insofar as it establishes the foundation against which the proposed investment decision can be evaluated. For example, suppose a proposed investment will generate the production of 6 widgets per day. It is not possible to evaluate the value of this investment unless the “as-is” production state (e.g., 4 widgets per day) is known. Requirements for the current state description are amplified in the following subsections. “Status Quo” may also be thought of as the “as-is” state.

2.2.13.1. Describe the current process or state of operations that the particular investment decision will impact. Provide a narrative description of the key elements of the process (the inputs, processes and outputs), individuals or organizations performing the tasks, and the tools, systems, logistics or support functions, training, or other factors critical to the process. Include the customers and the requirement(s) that will be impacted by the decision. Where feasible, include process maps to the level of detail necessary to support this description.

2.2.13.2. Describe the users of the process output and why they value that output. Why is this output important to the implementing organization, its stakeholders, its customers or the Air Force in general?

2.2.13.3. Identify the key performance indicators (KPIs) for the current process. Describe the cost, effectiveness and efficiency of the current process. Cost might be addressed in terms of full time equivalents (FTEs) of personnel, hours of work, or other specific cost elements (i.e., supplies, contracts, travel, etc.). Describe the effectiveness of the process in terms of accuracy, rework, or other measures. Discuss efficiency of the current process in terms of units per period of time, cost, excess byproducts or waste, or other quantifiable measure. Use existing performance measures

where possible, and describe the source and confidence level of any metrics developed over the course of the “AS-IS” process mapping/analysis.

2.2.13.4. Provide a brief root cause analysis: Describe the root cause(s) of the problem or desired improvement that the investment decision is focused on. Describe the elements of the process (i.e., training, organization, equipment, personnel, etc.) that are the underlying root cause(s) of the process weakness or problem. At this point is important to point out that occasionally a status quo situation becomes unacceptable because it becomes contrary to new legislation or OSD or Air Force policy. In such cases the status quo should still be stated and its costs estimated as a baseline for calculating costs and potential savings, or additional funding needed for new alternatives. Also, an upgrade to the status quo may be one of the future alternatives to be considered.

2.2.14. **Future State Description - “To-be”** : For each alternative considered, describe the future state of operations that the proposed investment decision will help achieve. Future state may also be thought of as the “To-Be” state, as compared to the current state or status quo. There is a separate “To Be” section for each alternative to the “to be” state considered.

2.2.14.1. Briefly describe the alternative considered. If an alternative was considered but dismissed as infeasible, discuss reasons for considering it infeasible. Note: cost alone is usually not a valid reason for infeasibility. If cost is a reason for not selecting an alternative, the cost must be shown (in other words, such an alternative must be developed, costed, and proven to be prohibitive, not merely dismissed from the onset as being infeasible due to expense).

2.2.14.2. Follow the same outline as when describing the “as is” state (section 2.2.4.). Explain how this “to be” alternative operates, how it provides value to the organization, etc. But also compare it to the current “as is” method. What makes it better? How does this alternative relate to the other “to be” scenarios examined? Explain the alternative solutions considered and why the final submitted alternative is recommended over all the competing alternatives. Basically, for each alternative, include: a) a brief description of the alternative; b) estimated costs; c) estimated benefits; d) alternative pros; e) alternative cons; f) relative merits when compared to the other alternatives; and g) rationale for decision.

2.2.15. **Cost and Benefit Analysis** : Up to this point, a narrative of the different alternatives has been provided with some mention of costs and benefits. At this section, the narratives are translated into quantitative data. For each alternative, calculate the expected financial return on the initiative including NPV, payback period, uniform annual cost, IRR and ROI against which differing alternatives can be evaluated. Business case benefits and total costs to the Government should be developed over the full life cycle of the project (development, procurement, operation, support and disposal – AFMAN 65-506, *Economic Analysis*, Attachment 9) for each alternative. They should consider both tangible and intangible benefits and costs, as well as the strategic benefits to the Air Force from the investment decision. They should also address the consequences of doing nothing (Status Quo). For more detailed information on costs and benefits, including key concepts such as inflation, discounting and present value, and economic life of assets, see AFMAN 65-506, paragraphs 1.4 to 1.7 and Attachments 9-10, as well as AFI 65-502, *Inflation*.

2.2.15.1. **Methods for quantifying benefits** : Costs are by their very nature quantifiable. Benefits may present a problem. Some benefits such as an operational or combat metric (Not Mission Capable Rate, Circular Error Probability, etc) are easy to quantify. Others, such as “troop morale” or “customer satisfaction” may be more difficult. This can be overcome by using polling or a focus

group to generate scores. When trying to quantify areas that are not easily quantified, the important point to remember is to always be able to define the scores used. For example, morale could be rated as a 0 for does not improve morale, 1 for maintains current morale, or 2 for improves current morale. The larger the span of ratings, the greater the difficulty in explaining what improvements an alternative would need to move up a point in the ratings scale. Any number of potential scoring methodologies can be devised. However, an example of a situation to avoid is where one alternative is rated 18 out of 20 and another is rated 19 out of 20 without any accompanying definition showing what made one alternative one point above the other.

2.2.15.2. Methods for weighting benefits : Another concern is that not all benefits may be equally important to the decision maker. In addition to a rating scale, the analysis may need a weighting scale. For example, is the benefit of morale improvement equal to safety improvement? Is safety improvement equal to targeting accuracy? Just as in determining a rating scale, the weighting scale needs to be defined and not just be a random listing of numbers or percents. An example could be a 100% weight means the benefit is critical to success, a 75% weight indicates a benefit being above average in importance, while 50% shows moderate or importance, and 25% would mean the benefit below average importance.

2.2.15.3. Methods for combining costs and benefits : Now that costs and benefits are quantified, they need to be combined in a meaningful way. The easiest is to first examine the alternatives ranked by cost and then by benefit. If the costs are equal but the benefits are not, then the alternative with the highest benefit would be picked. If the benefits between the alternatives are equal, the lowest cost solution would be chosen. However, most to all decisions will not be so easy. The typical decision will involve a balancing of costs and benefits. At this point, the analyst has a total cost for each alternative and a weighted total for the sum of various quantifiable (processing error reduction, etc) and semi-quantifiable (morale scores based on surveys, etc) benefits. The simplest way to link costs and benefits at this point is to establish a ratio of costs to benefits. This allows the analyst to compare the amount of incremental benefit gained by each additional dollar spent on an alternative. If one alternative does not stand out at this point, the solution will be to examine the cost to benefit ratio by individual benefits. If the benefits examined across several alternatives are square foot work space area and reduction in processing errors, it may become apparent that errors are equally reduced across alternatives but one alternative provides a disproportionate amount of workspace for the dollars required (square feet per dollar) than the others. At the same time, the alternative with the greater square feet per dollar is the most expensive. The question becomes “is the added work space benefit worth spending the extra dollars?” There is no simple formula for arriving at a decision. Ultimately, at the end of the analysis, an alternative must be rank ordered higher than the others based upon a combination of the total cost, benefits, and (in some cases potentially) risks associated with that alternative. Risk is treated as a separate category for analysis starting in paragraph [2.2.8](#). While discussing costs, it is important to remember that the analysis must cover the lifecycle of the project. In other words, the costs must cover what is needed to implement the alternative (construction, acquisition, training, etc), as well as what is needed to sustain (utilities, annual maintenance, etc) the alternative and what is needed to dispose of the alternative (remove hazardous waste, etc), if there is a finite life to the alternative. More detail on this topic is provided in the paragraphs that follow.

2.2.15.4. Life-cycle costs : Life-cycle costs (LCCs) are all the anticipated costs to the Government associated with a project or program alternative throughout its life and includes the cost of research and development, investment in mission and support equipment (hardware and software),

initial inventories, training, data, facilities, etc., and the operating, support, and, where applicable, demilitarization, detoxification, long term waste storage, and disposal costs. All relevant resources required to achieve the stated objective throughout the alternative's useful life are to be shown in the analysis. Costs of each alternative which are required to meet the objective should be exhaustive. Costs should be carefully analyzed to determine whether or not they are included under the scope of the objective. Closely associated costs which do not contribute to an objective may be excluded. The DoD position is that all costs of each alternative should be identified. In practice it has been found that failing to identify all costs can easily lead to decisions being made on what in reality is incomplete and partial information. If particular costs in a BCA are judged to be very small and difficult to measure due to lack of data, then a discussion of such costs should be included in narrative format so that decision makers and reviewers will be aware of them. The specific measure of life-cycle cost is the annual cost of the alternative discounted to its present value and summed over the entire economic life of that alternative; or, in other words, the present value of the total cost stream. Life-cycle costing provides logical and comprehensive information on programs and projects; its focus is on the total resource implications of program decisions, implicitly considering the timing of expenditures. Compute life-cycle costs for each alternative:

2.2.15.4.1. **Pilot costs** : Those costs of developing a prototype solution and implementing it at one or more sites for testing. These costs may include:

2.2.15.4.1.1. Development, installation and modification of the system or process

2.2.15.4.1.2. Training and lost productivity during learning

2.2.15.4.1.3. Maintaining two separate systems during the pilot

2.2.15.4.1.4. Program management to include oversight and measurement of desired changes

2.2.15.4.1.5. Reversion to the old process if the pilot is unsuccessful

2.2.15.4.2. Implementation costs: Implementation costs include all investment costs required to implement the alternative, which may include some or all of the following:

2.2.15.4.2.1. Hardware, software, installation and integration with legacy systems

2.2.15.4.2.2. Process development and modifications not discovered during the pilot

2.2.15.4.2.3. Project management including evaluating staffing the new process

2.2.15.4.2.4. Training, including lost productivity during learning

2.2.15.4.2.5. Internal marketing to foster acceptance

2.2.15.4.2.6. Acquisition of data (technical data) and licenses. This element needs to be considered as certain types of technical data (software code documentation, schematics, etc) are needed to ensure a competitive lifecycle support environment. If the USAF does not possess technical data, lifecycle support is, by default, limited to what the vendor provides.

2.2.15.4.2.7. Management of effects on human resources (e.g., hiring, relocation, retraining to other capabilities, reduction-in-force)

2.2.15.4.2.8. Termination of existing contracts

2.2.15.4.3. Operational, maintenance, and sustainment costs: These costs represent the ongoing costs to operate the system or process and may include some or all of the following:

- 2.2.15.4.3.1. Operations and maintenance
- 2.2.15.4.3.2. Staffing and consultants
- 2.2.15.4.3.3. On-going staff training
- 2.2.15.4.3.4. Trouble-shooting and modifications as required
- 2.2.15.4.3.5. Customer service and other transactions
- 2.2.15.4.3.6. System upgrades and replacements over the life cycle

2.2.15.5. **Life Cycle Benefits** : Benefits may fall into one of several categories and may be monetary or non-monetary. If costs exceed monetary benefits, other benefits must be clearly defined and describe why the proposal is worth the additional cost to the Air Force. All benefits should be defined for the entire life of the solution. When benefits cannot be quantified, include a narrative description of benefits. The various types of benefits may include:

2.2.15.5.1. Cost savings should have an identifiable dollar value. That value may or may not translate into budget terms and should be so identified in the business case. All calculations, assumptions, and methodology used to identify the savings should be included. When addressing manpower, use Air Force manpower standards as the baseline. Manpower and other cost data should be taken from AFI 65-503, *Cost and Planning Factors*, when possible. Savings fall into one of four categories:

2.2.15.5.1.1. Budget savings include those funds, manpower or other resources that could be removed from the organization (or retained as an incentive) with no adverse impact on mission. These savings relate directly to a budget line or a historical expenditure rate that will cost less because of the new process or activity.

2.2.15.5.1.2. Cost avoidance savings are benefits from actions that reduce or eliminate the need for an increase in manpower or cost and would be necessary if present management practices continued. These include such things as price increases, replacement of aging or obsolete equipment, overtime pay due to increased workload resulting from poorly functioning processes or equipment, etc.

2.2.15.5.1.3. Opportunity cost is the cost of pursuing one alternative versus another. Opportunity cost can include, for example, the cost imposed by one activity on another by diverting an existing asset from the latter to the former. If use of an existing asset would result in a cash outlay for some other project or activity, a cost which the government would not have otherwise incurred, that value should be included in the analysis as the cost of using that asset. Another example, if the Air Force decides to build a hospital on vacant land that it owns, the opportunity cost is another purpose, such as locating a different function's facility on that same parcel of land with construction funds instead. In building the hospital, the Air Force has forgone the ability to build an office building or hangar that was being planned, on that land.

2.2.15.5.1.4. Productivity gains will allow fuller use of personnel or capital assets to achieve higher value with the same or reduced resources. This form of savings may, for example, result in fewer overtime hours that may or may not translate into actual budget

savings. In some cases, funds or manpower may be redirected to other activities or reduced work hours.

2.2.15.5.2. Strategic organizational benefits may be more difficult to quantify or may be unquantifiable/intangible in some situations, but are often very critical when developing a business case. These benefits may be very important to the organization because of law, policy, or strategic objectives that direct the result or because of other organizational goals. Some examples of strategic benefits include:

2.2.15.5.2.1. Attainment of the President's Management Agenda, or most recent President's, SECDEF's, SECAF's, CSAF's, or Commander's initiatives

2.2.15.5.2.2. Furtherance of the Air Force transformation goals

2.2.15.5.2.3. Improving the effectiveness of operations resulting in higher customer satisfaction ratings

2.2.15.5.2.4. A compression of average process cycle time by a factor of 4

2.2.15.5.2.5. Work processes and workload that enable our people to accomplish routine organizational missions within a 40-50 hour workweek

2.2.15.5.2.6. Empowerment of personnel and enrichment of job functions

2.2.15.5.2.7. Increased morale

2.2.15.5.2.8. A 20% shift in business operations dollars and people to war fighting operations and new or modern war fighting systems

2.2.15.5.2.9. Progress on organizational strategic objectives

2.2.15.5.2.10. Development of strategic partnerships

2.2.15.5.2.11. Having a competitive support environment between several support contractors and organic capability

2.2.15.5.3. Intangible Benefits: Tangible but non-financial benefits may have the least cost visibility, but may nonetheless be very important to the organization and need to be addressed. They may include:

2.2.15.5.3.1. Improved customer service

2.2.15.5.3.2. Improved internal and external communications

2.2.15.5.3.3. Improved management information

2.2.15.5.3.4. Improved operational information

2.2.15.5.3.5. Improved quality and accuracy of documents (reduced errors)

2.2.15.5.3.6. Reduced cycle time (improved effectiveness)

2.2.16. **Recommendation:** Explain the recommended alternative solution, and why it is recommended over all the competing alternatives. Make reference to each rejected alternative and how it compares to the recommended alternative in costs and benefits, pros and cons, relative merits. Give a rationale for the recommended alternative. Tasks within your explanation of the rationale for the recommendation include:

2.2.16.1. Describe the proposed solution. Discuss the problem the initiative will solve and why this is considered a good solution, related to the discussion of the current process in paragraph 2.2.4. Discuss whether this is a final solution, or if follow-on projects are necessary to achieve full benefits.

2.2.16.2. Describe the approach. Summarize how you went about solving or making progress on the problem. Did you use simulation, analytic models, prototype construction, or analysis of field data for an actual product? What was the extent of your analysis effort (did you look at one application program or a hundred programs in twenty different programming languages)? What important variables did you control, ignore, or measure?

2.2.16.3. Summarize best practices research and conclusions. Usually recommended alternatives should reflect the best practices available in the business world or the government. Summarize your best practice research, the best practices observed in other governmental or commercial organizations and why they are better than the current process. Explain if there are any limitations on the Air Force implementing the best practice available due to laws, regulations or DoD policy. Include performance measures such as cost, effectiveness and efficiency to support your case. Compare the current Air Force process to these best practices and describe the amount of change required to match or exceed a logically selected benchmark practice, industry, or organization.

2.2.16.4. Describe the users of the transformed process output and why they value that output. Highlight the key functionalities, requirements and benefits to each user or customer. Why is this output better for the implementing organization, its stakeholders, its customers, or the Air Force in general? Does the transformed process offer better decision support to commanders? Do all users derive the same benefits, or are there variations? Compare and contrast the transformed process with the “as-is” or status quo.

2.2.16.5. Describe how the new process will work, including process maps at the level of detail necessary to support this explanation. Explain the differences in this process from the “as-is” process.

2.2.16.6. Describe the personnel resources required at each stage of implementation and sustainment, as well as any organizational changes that may be required. If support will be by contract, describe the type of support and estimate the cost and type of contract. If any of the work will be performed by contract, discuss the risk of strikes that may disrupt performance and a contingency plan for continuity of operations during a short or extended strike.

2.2.16.7. **Funding** : Identify the amount of funding required for each phase of the recommended alternative (pilot, implement, and sustainment), identify the source for these funds, and current funding status. Be sure you know, and account for, any restrictions associated with these funding sources. Your funding totals should reconcile to the cost estimate. The cost estimate provided the “price” of the alternative. This section merely breaks that resource need out by budget appropriation. Explain briefly the initiative’s funding strategy. Include:

2.2.16.7.1. What is the amount of funding from existing or previously submitted budgets for the existing operation that could be used for the new proposed operation?

2.2.16.7.2. What is the amount of new funding, if any, needed to be requested, by appropriation or major budget account?

2.2.16.7.3. What is the rationale for requesting funds from these sources?

2.2.16.7.4. What are any limitations on these funding sources?

2.2.16.7.5. Will proposed funding require other existing or planned efforts or programs to go unfunded or have budgeted amounts reduced?

2.2.16.7.6. What is the effect of funding impacts on organizations other than the OPR for the function or the organization proposing the new way of doing business?

2.2.16.7.7. What is the risk of availability of funding source(s)?

2.2.17. **Sensitivity Analysis and Risk Assessment:** It is important to identify and analyze risks to determine which risks present the greatest threat to the initiative's successful outcome and inform senior leaders of risks to the proposed course of action as part of the decision making process. Identify the risks, impacts, and potential mitigating strategies for the proposed plan of action. This should include an analysis on the impact to the business case if key assumptions do not hold. Risks may include technology that does not become available as predicted, lack of funding or other resources, lack of a workforce with requisite skills, etc. For each risk, assess the likelihood of that risk occurring, the potential impact on the project and an approach to overcome or lessen the impact of the risk should it occur. Also, key variables should be analyzed to see how sensitive the recommended alternative is to changes in these key variables. Key variables to analyze include discount rate, inflation rate, prices, labor costs, and any variable the OPR judges to be a key player in the operation of the proposed alternative. Consult AFMAN 65-506, para 1.8, for additional guidance on sensitivity analysis. For each identified risk, address the following:

2.2.17.1. Were all phases and aspects of the initiative taken into account during the risk identification process?

2.2.17.2. Has the likelihood of changes to key variables been assessed and variables changed in the analysis so that the sensitivity of the decision to changes in key variables is clear?

2.2.17.3. Has the exposure of each identified risk been evaluated?

2.2.17.4. Has a mitigation strategy been identified for each identified risk?

2.2.17.5. Has a contingency strategy been defined for each identified risk?

2.2.17.6. Has a trigger been established for each contingency strategy?

2.2.17.7. Does the proposed initiative include tasks for active monitoring for risks?

2.2.17.8. Is there a process for tracking and reporting on risks?

2.2.18. **Change Management Plan :** For the recommended alternative only, provide a change management plan. A Change Management Plan is developed to manage the organizational change that is associated with implementing a new initiative. A well drafted change management plan should discuss any cultural changes required, shared visions between stakeholders, what necessitates the change, expected stakeholder resistances, leadership buy-in, communication strategies, and possible infrastructure changes. The plan is based on effective marketing of the project and the building of a partnership between the project management team and the user community. The plan should contain the following major elements:

2.2.18.1. **Stakeholder Action Plan :** Most proposed actions involve stakeholders, those who have an interest in a requirement or the means of achieving it. For the proposed alternative only, provide a stakeholder action plan. If the investment decision impacts stakeholders, address how

the stakeholders will be informed, involved, convinced or otherwise engaged in the new process to gain their support. It is important to remember that, depending on the process being changed, immediate stakeholders may be the Air Force Reserve Command (AFRC) and Air National Guard (ANG). If ANG and AFRC personnel rely on a process or automated system operated by active duty forces, they may very well be a stakeholder and the impact to their organization must be considered. In addition, changing business processes affecting civilian personnel administration may require added analysis considering the union as a stakeholder. The critical point to keep in mind is to not overlook potential stakeholders in the process being changed. For each stakeholder, address the following:

- 2.2.18.1.1. What are their interests in the action plan?
- 2.2.18.1.2. Why should they be involved or to what extent?
- 2.2.18.1.3. Do they concur on the recommended alternative for the new way of business operation?
- 2.2.18.1.4. What are any concerns they may have about the proposed alternative?
- 2.2.18.1.5. Were they represented in the development of the business case? If yes, how? If no, why not?
- 2.2.18.1.6. What might this stakeholder contribute to the implementation or planning process?

2.2.18.2. **Communications plan:** Communication is a major component of any successful project. Without effective communication, key stakeholders in a project may miss out on vital information and may not understand why change is needed. Customers might not be aware of the plans for a new way of doing business, and may raise concerns about how the proposed alternative would meet their needs. The other military services, DFAS, or the Joint Staff may need to be informed of the new way of doing business. Also, oversight groups such as OSD, OMB, or Congressional staff may need to be informed of the new way of doing business, through the budget formulation process if not by any other means. In some cases OSD or Joint Staff coordination or approval may be needed before adopting the new way of business, or Congressional Committees or Subcommittees may need to approve it. The best way to approach communication is to develop a clearly planned approach or strategy. For the proposed alternative only, provide a communications plan. Address the means, methods and messages, including who will issue messages, along with a schedule for delivery, to explain the initiative to stakeholders and other parties impacted by the proposed new way of doing business ([Table 2.1](#)).

Table 2.1. Communications Plan

Target Audience/ Stakeholder Group	Objective	Communication Tools	Who to Action?	By When?	Costs?
Identify the Target Audience by considering the following: <ul style="list-style-type: none"> • Who will benefit from the project? • Who are the Key Stakeholders? • Who are the stakeholder groups and the target audience within them? 	What do you intend to communicate to the stakeholder(s) groups? What are the key points stakeholder(s) groups need to understand and act upon?	What communication methods/tools are most appropriate for the stakeholder(s) groups? e.g. electronic, verbal written.	Who will be responsible for implementing each action?	When must the action be implemented?	What are the costs associated with each action?

2.2.18.3. **Training Plan.** Provide a training plan for the proposed alternative only. The Training Plan describes the strategies, activities and tasks necessary to provide the individuals or organizations that will implement the new way of doing business the skills necessary to perform the new initiative successfully. The training plan helps to ensure that project outcomes are successfully achieved. The key to effective training and successful project implementation is to start the planning process early. If training needs are not considered until late in the implementation process, there may not be enough time to effectively prepare staff to implement the new process, or to budget or contract for needed training. The training plan includes the following:

- 2.2.18.3.1. A description of the scope of the training.
- 2.2.18.3.2. A description of the training objectives.
- 2.2.18.3.3. The training strategy.
- 2.2.18.3.4. Background information such as a description of the desired skills outcome and a high-level overview of the curriculum.
- 2.2.18.3.5. The training requirements such as the required skills, the audience(s), individuals or positions needing specific training, and the required time frame.
- 2.2.18.3.6. The training roles and responsibilities.
- 2.2.18.3.7. A method for evaluating the training.
- 2.2.18.3.8. Existing sources for training.
- 2.2.18.3.9. Training resources: any additional or future resources that may be a source for training.
- 2.2.18.3.10. Costs of training (also should be included in rollup cost of Section 2.2.6.1).
- 2.2.18.3.11. Any constraints or limitations affecting the training.
- 2.2.18.3.12. A description of the training environment.
- 2.2.18.3.13. A description of the training materials.

2.2.18.3.14. A course outline.

2.2.18.3.15. A log for keeping track of who has received training.

2.2.18.3.16. A process for updating the training materials.

2.2.18.3.17. A recommendation on whether training should be accomplished in-house or by contractors.

2.2.18.3.18. Any budget implications of the proposed training.

2.2.18.4. **Implementation or Action Plan** : Provide an implementation or action plan for the recommended alternative only. With a well thought out, high level implementation or action plan, the project manager will be able to communicate and coordinate the tasks necessary for a successful transition throughout pilot, implementation and sustainment phases. Implementation plans should have specific events tied to specific, achievable milestones that factor in technological, cost, and schedule risk. Identify the type of approach to implementing the preferred alternative, for example one large project, a number of smaller projects or a combination of both. The breakdown of the projects within this strategy can also be included where the 'manageable chunks' or phases for each project have been identified. Deployment of complex projects or systems in modular units may reduce the risk of the failure of the new way of doing business. OMB has directed this approach for large information technology systems. Holding a walkthrough of the implementation or action plan with all stakeholders is a good way to verify that all necessary tasks are accounted for, are in their proper sequence, and are assigned to appropriate organizations or individuals. BCA preparers must make sure the implementation plan is consistent with scheduled costs and budgets elsewhere in the BCA. When developing the implementation or action plan, consider the following:

2.2.18.4.1. Have dates been applied to all tasks?

2.2.18.4.2. Are the sequencing and timing of all the tasks correct?

2.2.18.4.3. Is there an assigned person or organization responsible for completing each task?

2.2.18.4.4. Have dependencies between tasks been identified and communicated to the resources affected by the dependency?

2.2.18.4.5. Has the plan been reviewed with all impacted stakeholders and resources assigned to the implementation or action tasks?

2.2.18.4.6. Has the initiative schedule been reviewed and updated based on the tasks and timeframes identified in the implementation plan?

2.2.18.4.7. Is the implementation plan congruent with the funding profile developed in para [2.2.16.7](#)?

2.2.18.4.8. Have other ongoing projects or processes been reviewed for possible changes based on the contents of this implementation plan?

2.2.18.5. **Key Performance Measures and Outcomes**: A key aspect of any initiative is the ability to track results of the initiative over time. Determining performance measures and outcomes (metrics) at the beginning of an initiative helps assure that the initiative stays true to the initial purpose and priorities. Defining the desired outcomes or acceptance criteria at the beginning of the initiative also clarifies the initiative's scope. For the recommended alternative only, provide Key

Performance Measures and Outcomes. Using performance measures establishes whether the initiative did indeed succeed, and provides a starting point for developing future lessons learned. If the business process will change dramatically due to the initiative, then it's especially important to choose a basis of comparison that won't change. Some common measures to consider are program cost savings (requires baseline), business process time savings (requires baseline) amount of use that project outputs get (number of website hits, etc), change in number of customer complaints (requires baseline), and nature of customer feedback (may require a survey, both before and after implementation). Each proposed metric should address the following:

- 2.2.18.5.1. Do the performance measures directly target an initiative's objective?
- 2.2.18.5.2. If the objective of a business operation has several parts, do the performance measures cover all parts of the objective?
- 2.2.18.5.3. Does the measure use data that's readily available?
- 2.2.18.5.4. If the measure uses data not readily available, what must be done to arrange to develop or receive the data, and is preparing to receive it feasible and manageable?
- 2.2.18.5.5. How long will it take for changes to come about or to be able to capture meaningful data?
- 2.2.18.5.6. Has baseline data been captured (necessary if changes are to be measured)?
- 2.2.18.5.7. Is the basis for comparison consistent? (is it comparing apples to apples?)
- 2.2.18.5.8. Have timeframes been considered?
- 2.2.18.5.9. Are possible seasonal variations in data accounted for in the timeframe or reporting periods?

Chapter 3

INFORMATION COLLECTION, RECORDS, AND FORMS

3.1. Information Collections : No information collections are created by this publication.

3.2. Records : The program records created as a result of the processes prescribed in this publication are maintained in accordance with AFMAN 37-123 (will convert to AFMAN 33-363) and disposed of in accordance with the AFRIMS RDS located at https://afrims.amc.af.mil/rds_series.cfm.

3.3. Forms (Adopted and Prescribed).

3.3.1. Adopted Forms : AF Information Management Tool (IMT) 847, **Recommendation for Change of Publication.**

3.3.2. Prescribed Forms : No prescribed forms are implemented in this publication.

JOHN H. GIBSON, II,
Assistant Secretary of the Air Force
(Financial Management and Comptroller)

Attachment 1**GLOSSARY OF REFERENCES AND SUPPORTING INFORMATION*****References***

- AFMAN 32-1089 – *Air Force Military Construction and Family Housing Economic Analysis Guide*, 1 August 1996
- AFI 33-103 – *Requirements Development and Processing*, 18 March 1999
- AFI 63-107 – *Integrated Product Support Planning and Assessment*, 10 November 2004
- AFI 65-501 – *Economic Analysis*, 10 November 2004
- AFI 65-502 – *Inflation*, 21 January 1994
- AFI 65-503 – *Cost and Planning Factors*, 4 February 1994
- AFMAN 65-506 – *Economic Analysis*, 10 November 2004
- AFI 65-509 – *Business Case Analysis*, 7 December 2007
- AFMAN 37-123, Management of Records (will become AFMAN 33-363), 31 August 1994
- AFRIMS RDS, https://afirms.amc.af.mil/rds_series.cfm
- Clinger-Cohen Act of 1996 (40 U.S.C. 1401(3)) – *Information Technology Management Reform Act*, 1996
- DOD Directive 5000.1 – *The Defense Acquisition System*, 12 May 2003
- DOD Instruction 5000.2 – *Operation of the Defense Acquisition System*, 12 May 2003
- DOD Directive 5000.4M – *Cost Analysis Guidance and Procedures*, December 1992
- DOD Instruction 7041.3 – *Economic Analysis for Decision Making*, 18 October 1972
- Office of Aerospace Studies Analysis Handbook – *A Guide for Performing Analysis Studies: For Analysis of Alternatives or Functional Solution Analyses*, July 2004
- OMB Circular A-11 Section 300 – *Planning, Budgeting, Acquisition, and Management of Capital Assets*, 2 July 2007
- OMB Circular A-76 – *Performance of Commercial Activities*, 29 May 2003
- OMB Circular A-94 – *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*, 29 Oct 1992
- The President's Management Agenda, Fiscal Year 2002

Abbreviations and Acronyms

- AFRC**—Air Force Reserve Command
- AFRPA**—Air Force Real Property Agency
- ANG**—Air National Guard

BCA—Business Case Analysis

CIO—Chief Information Officer

EA—Economic Analysis

EUL—Enhanced Use Lease

FSO—Financial Services Office

FTE—Full Time Equivalent

IRR—Internal Rate of Return

IT—Information Technology

LCC—Life Cycle Cost

NPV—Net Present Value

OMB—Office of Management and Budget

ROI—Return on Investment

Terms

Alternative—An approach or program that is another possible way of fulfilling an objective, mission, or requirement. The status quo, or an upgrade to the status quo, is usually an alternative to a proposed course of action.

Benefits—Objective measures of an alternative's value to the United States. When a dollar value cannot be placed on comparable program or project benefits, other objective measures may be available and useful for comparing alternatives. Monetary benefits are receipts of the United States due, e.g., to sale of physical assets, or reductions in costs of other programs due to the action of the program under analysis.

Benefits Analysis—Analysis to identify, measure and evaluate the benefits for each proposed alternative.

Business Case Analysis—A business decision document that identifies alternatives and presents convincing economic and technical arguments for implementing alternatives to achieve stated organizational objective/imperative(s).

Capital project (investment)—means the acquisition of a capital asset and the management of that asset through its life-cycle after the initial acquisition. Capital projects (investments) may consist of several useful segments.

Commercial or Industrial Activities—Activities that provide products or services obtainable (or obtained) from a commercial source. Commercial activities are operated by Air Force military or civilian personnel, or by contractor personnel.

Constant Dollar Value or Costs or Benefits—Value, cost, or benefits measured based on constant purchasing power of the dollar. That is, constant dollar analyses are done from the perspective of a constant general price level, though relative prices may vary.

Constraints—Limitations of any kind to be considered in planning, programming, scheduling, implementing or evaluating programs.

Cost-Benefit Analysis or Cost-Effectiveness Analysis.—See Economic Analysis.

Cost-Effective Alternative—That alternative, which, when compared to all other alternatives: a) Maximizes benefits when costs for each alternative are equal, or b) Minimizes costs when benefits are equal for each alternative.

Current Dollar Value or Costs or Benefits—Value, cost, or benefit measures which include estimates of all expected future price changes. In current dollar analyses prices, costs, and other dollar-denominated measures are increased based both on anticipated year-to-year changes in the general price level and on anticipated changes in relative prices.

Discount Rate—The parameter used to translate future costs or benefits into present worth (see "Present Value" below). It is a measure of the time value of money.

Discounting—The process of using the discount rate to determine the present value of costs and benefits. (Elements of cost and benefit streams are multiplied by their corresponding discount factors to yield discounted costs and benefits.)

Economic Analysis—A systematic approach to the problem of choosing how to use scarce resources. It reveals the present value of the monetary costs and benefits associated with all alternatives under consideration, and provides as accurate and complete a picture as possible of nonmonetary costs and benefits.

Economic Life—The period of time over which the benefits to be gained from a project may reasonably be expected to accrue to the DOD. It is the shortest of physical, technological or mission life.

Effectiveness—Ability of a project to meet objectives.

Efficiency—The amount of output per unit of input. Alternatively, it is the quality whereby one alternative uses less input per unit of output than other alternatives.

Expected Annual Cost—The expected annual dollar value of resources, goods, and services required to establish and carry out a program or project.

Feasibility Study—A study of the applicability or practicability of a proposed action or plan.

Full-Time Equivalent (FTE)—The staffing of federal civilian employee positions, expressed in terms of annual productive work hours, 1,776. FTEs may reflect civilian positions that are not necessarily staffed at the time of public announcement, and staffing of FTE positions may fluctuate during a streamlined or standard competition. FTEs do not include military personnel, uniformed services, or contract support.

Historical Cost—The cost of any item, based on actual dollar (or equivalent) outlay, ascertained after the fact.

Imputed Value—The value assigned to actions or transactions that are not explicitly priced (e.g., transfers of assets between government programs). Estimates of the dollar value of imputed costs can be obtained from estimating the undepreciated (i.e., remaining) value of assets, if those assets have an alternate use.

Induced Costs—Those costs that execution of a given project or program alternative impose on another Air Force or government program. For example, if a proposal to move an activity into facilities currently occupied by a second activity causes expenditures by the second activity for real property acquisition or improvement, then those expenditures are induced costs that should be taken into account in the decision to move the first activity.

Internal Rate of Return (IRR)—The interest rate at which you could borrow money to finance a capital investment which generates savings such that the dollars invested in the project break even with the dollars generated in savings. The strict technical definition is the discount rate which causes the net present value (NPV) of all investments in a project to equal the NPV of all savings generated by that same project.

Investment Costs—Costs required to introduce a new project, program, or capability into operational use, or to provide major modifications to an existing project, program, or capability. For cost analysis purposes investment costs may cross budget accounts and are not necessarily limited to acquisition accounts such as 3010, 3020, etc.; rather they include any expenditure required to bring a project, program, or capability to a situation of readiness to operate. Investment costs may include RDT&E, for example.

Life-Cycle Cost—The total cost to the government for a system over its full life, including the cost of development, procurement, operation, support, and disposal.

Mission Life—The time period of program use or operation.

Net Present Value (NPV)—the future stream of benefits and costs converted into equivalent values today. This is done by assigning monetary values to benefits and costs, discounting future benefits and costs using an appropriate discount rate, and subtracting the sum total of discounted costs from the sum total of discounted benefits.

Objective Statement—A statement of what is ultimately to be accomplished. In economic analysis objectives are stated such that there is no bias toward a particular alternative.

Opportunity Cost—The cost of a resource, measured in terms of its value in the highest alternate use.

Output—Goods and services produced or mission accomplished.

Physical Life—The estimated time that a machine, piece of equipment, or building can be used in the function for which it was procured or constructed. An initial estimate of physical life may require adjustment if significant alterations or conversions are subsequently proposed or effected.

The President's Management Agenda—An aggressive strategy to achieve the Administration's policy and program goals through reform of federal management and improved program performance.

Present Value—The net value of a flow of funds, expressed as a single sum of dollars; effectively, the sum of money equivalent to all current and future flows. Calculated by multiplying the net cost figure for each year by the corresponding discount factor, and summing the results.

Program Evaluation—Analysis of ongoing actions to determine how well the stated objectives are being accomplished. Program evaluation studies entail a comparison of actual with intended performance.

Real Property—Land, buildings, structures, utility systems, improvements, and appurtenances thereto. Includes equipment attached to and made part of buildings and structures (such as heating systems) but not movable equipment (such as plant equipment).

Recurring Costs—Expenses for personnel, material consumed in use, overhead support services, and other items incurred on a repeating basis.

Residual Value—The expected value of an asset at any point in time before the end of its economic life.

Return on Investment (ROI)—A figure or measure of merit used to help make capital investment decisions. ROI is calculated by considering the annual benefit divided by the investment amount.

Risk—The likelihood that some assumption or estimate is wrong. Sometimes used synonymously with "uncertainty," though uncertainty can be described by a probability distribution.

Sensitivity Analysis—Examination of the effects obtained by changing the direction and magnitude of assumptions embodied in an analysis or key variables or factors in an analysis.

Sunk Cost—The sum of past expenditures or irrevocably committed funds related to a project. Such costs are generally not relevant to decision making as they reflect previous rather than present choices.

Technological Life—The estimated number of years before technology will make the existing or proposed equipment or facilities obsolete.

Terminal Value—The expected value of assets at the end of their economic life.

Uniform Annual Cost—The average cost per year for a given alternative. It is calculated by dividing the total net present cost (for the full-time life cycle) by the sum of the discount factors of the years in which benefits accrue (economic life).

Attachment 2

REQUEST FOR WAIVER FROM A BUSINESS CASE ANALYSIS REQUIREMENT

Though required by _____, a business case analysis was not prepared for this project for the following reasons:

____ a. Project cost or benefits to be derived do not warrant the level of effort required to prepare a full and complete analysis. The factors supporting this decision are attached.

____ b. There is only one method possible to accomplish the objective. Documentation of this condition is attached.

____ c. The project and the method to accomplish it was directed by _____ as shown in the attached documentation.

____ d. Project results from specially directed legislation which directs the method of accomplishment, as documented in the attachment.

____ e. The project corrects problems or violations involving health, safety, fire protection, pollution, or security which are serious, urgent and hazardous.

____ f. Other (List specific reasons why analysis was not prepared).

Coordination at base/installation level:

Base Level Financial Analysis: (Signature)
(Name/Office Symbol/DSN/Date)

Concurrence by Base Functional Office: (Signature)
(Name/Office Symbol/DSN/Date)

Concurrence by other Base Level Office: (Signature)
(As Applicable) (Name/Office Symbol/DSN/Date)

Concurrence by Base Level FM:

(Signature)
(Name/Office Symbol/DSN/Date)

Coordination at MAJCOM Levels:

MAJCOM Financial Analysis Office:

(Signature)
(Name/Office Symbol/DSN/Date)

MAJCOM Functional Office

(Signature)
(Name/Office Symbol/DSN/Date)

/

Other MAJCOM Office

(As Applicable)

(Signature)
(Name/Office Symbol/DSN/Date)

Attachment 3**BUSINESS CASE ANALYSIS CHECKLIST**

A4.1. This attachment provides a guide for those responsible for preparing or reviewing business case analyses. All resource requirements in the Air Force compete for available resources. For priority ranking of competing requirements, consistency in evaluation is necessary. This checklist is designed to enhance consistency in BCA products.

1. Executive Summary:

- a. Does the executive summary adequately state the problem, study objective, and significant criteria, assumptions and constraints?
- b. Are the feasible alternatives clearly identified and differences explained?
- c. Is the recommended alternative adequately supported without reference to detail study content?

2. Objective or Problem Statement:

- a. Is the objective clear and specific?
- b. Is the objective realistic?
- c. Are any feasible alternative solutions excluded due to a bias in the objective statement?

3. Assumptions:

- a. Are all assumptions recognized and identified?
- b. Are the assumptions realistic and properly supported?
- c. Are assumptions used only when actual facts are unavailable?
- d. Are assumptions unnecessarily restrictive thereby preventing consideration of feasible alternatives?
- e. Do assumptions include economic life and future changes in operations requirements?
- f. Are key facts, ground rules, laws, DoD or Air Force policies, and other constraints stated?

4. Alternatives:

- a. Are all feasible alternatives considered?
- b. Were alternatives rejected before a full analysis was adequately documented?
- c. Are the alternatives significantly different as opposed to superficial restructuring of a single course of action?
- d. Was the status quo used as the baseline for alternative evaluation?

e. Were other government agencies' capabilities to provide a product or service considered, where applicable?

f. Were contracting alternatives considered (including public-private competition under OMB Circular A-76 or termination and consolidation of existing contracts)?

5. Cost Analysis:

a. Are all government direct and indirect costs included for each alternative?

b. Do investment costs include transportation, installation, support, and training costs incurred before operational and building occupancy dates, etc.?

c. Are personnel costs all inclusive; that is, specific skill levels, fringe benefits, overtime and shift differentials, etc.? Are personnel costs broken out by rank/grade, number of employees in each category, etc.?

d. Are future equipment replacement costs included as investments as opposed to operations costs?

e. Are available asset values considered and are such values adequately documented?

f. Are cost collection and aggregation methods correct?

g. Are estimating relationships and procedures identified and properly supported?

h. Are program or project costs expressed in constant dollars?

i. Where inflation or cost escalation is used, have the factors been identified and validated?

j. Are cash flows discounted at the proper discount rate?

k. Are cost and savings schedules realistic?

6. Benefit Analysis:

a. Have all project results, outputs, benefits, or yields been included?

b. Are the benefits identified in measurable terms where possible?

c. Are benefit measuring techniques properly defined and supported?

d. Is benefit priority or ranking criteria clearly stated and used in the evaluation? Is any weighting scale consistently and reasonably applied?

e. Are negative results or outputs identified and adequately evaluated?

f. Are secondary benefits (not related to the objective) identified?

g. Do the benefits relate to the program and project objective?

h. Are all cost savings represented as a negative cost rather than as a benefit?

i. Are the benefits suitably tabulated, graphed, etc.?

7. Comparison Selection Evaluation:

- a. Were alternative selection criteria applied consistently?
- b. Are cost and benefit data suitably displayed to accurately depict relationships?
- c. Were benefits quantified in support of the recommendation, and, if so, was it presented in the executive summary? (not always possible to quantify benefits)
- d. Are the alternatives compared to a common baseline (minimum requirements level)?
- e. Were alternative comparison techniques suitable for the program project being evaluated; that is, present value, payback period, uniform annual cost, etc.?
- f. Was a specific course of action recommended?
- g. Does analysis data clearly support the recommendation?
- h. Are significant differences between the recommended and other alternatives clearly identified?

8. Risk and Sensitivity Analyses:

- a. Were the effects of possible changes to the objective requirements evaluated?
- b. Would the recommended alternative remain the same if key assumptions or criteria were varied within a feasible range?
- c. Was the project schedule evaluated for both operational and cost impacts (slippages, advancements)?

9. Change Management Plan

- a. Does the change management plan detail all the steps that must be taken to move from the as-is business situation to the proposed to-be business situation?
- b. Do the plans for change management address all areas of change that could have a significant impact on adopting the new business plan?
- c. Do the planned changes take into account planned changes in other parts of Air Force operations that would affect the proposed business plan?

10. Stakeholders Action Plan:

- a. Have the views of all stakeholders in the business operation been considered?
- b. Have all potential stakeholders been identified and considered to include the AFRC, ANG, Union, other services (if selected alternative impacts joint operations), and local foreign nationals (if selected alternative impacts status of forces agreement)?
- c. Are there any actions needed by the various stakeholders in the business operation that have not been included?

11. Communication Plan:

a. Does the communication plan show a reasonable plan for spreading the word about the proposed business process to all affected parties?

12. Training Plan

a. Have all the types of training needed to prepare the workforce or the customer population for the new way of doing business been identified?

b. Have the objectives of each type of training been identified?

c. Have sources of training been identified?

d. Are any usual sources of training missing?

e. Has the timeline for development and delivery of training been identified?

f. Has funding for training been included, if needed, in the funding plan?

13. Implementation or Action Plan

a. Is there an implementation plan that spells out in sufficient detail the actions different offices or organizations must take to implement the new way of doing business?

b. Does the plan include reasonable steps that are sequenced in proper order to get from the “as-is” to the “to-be” state of business?

c. Do steps in the action plan acknowledge any barriers to implementation and allow time and a reasonable plan of action to overcome implementation barriers?

14. Key Performance Measures and Outcomes

a. Have performance measures and outcomes been identified which are appropriate for monitoring the business performance under the proposed new business plan?

15. Documentation:

a. Are the costs thoroughly document in appendixes so an independent reviewer may replicate it? A key element of a good BCA is sufficient documentation of methods and sources used so that a reader not familiar with the analysis could arrive at essentially the same result. Without documentation, the BCA’s appeal for acceptance is based on faith in the authority of the issuing agency.

b. Is it possible to trace costs to their basic inputs, units of measure, sources derived from (web site, OPR, etc), and as of date for any special rates or factors?

c. If costs, assumptions, or other input to the estimate is based upon expert opinion, does the supporting documentation include the individual's office symbol, email address, and phone number?

16. Coordination:

- a. Has coordination of all participating offices and organizations been obtained?