

Headquarters U.S. Air Force

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Business Case Analysis Overview



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Agenda and Presenters

- **Introduction and Closing – Mr. Teran Judd, SAF IEI**
- **Introduction to Business Case Analyses (BCAs) – Mr. James Walewander, SAF/FMCEE**
- **AFCP Decision Support Analysis – Mr. Joseph “Colt” Murphy, SAF/FMCEE**



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Brownbag Feedback

We want to hear your feedback on what brownbags we should have next!

Please complete a short survey after the brownbag:

<https://www.surveymonkey.com/r/77CDKFK>

(Please copy and paste the link into your browser)



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What is a BCA?

- **A decision support document that identifies alternatives and presents business, economic, risk, and technical arguments for selecting an alternative to achieve organizational or functional missions or goals**
- **Multi-objective framework for defining and assessing investment opportunities**
- **Mechanism to monitor project status and accountability ... post-implementation review**

BCAs are support documents that compare the status quo to alternatives, informing decisions



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Why Are BCAs Needed?

- To support decision making by AF leadership
- To meet legal requirements – e.g.: Enhanced Use Lease (EUL) Fair Market Value (FMV)
- To provide historical documentation
- To support all resource decisions such as:
 - Facility construction/renovation
 - Lease vs. buy
 - Investment decisions
 - Program changes

BCAs enable and document efficient decision making

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BCA Requirements

- **Inter-Governmental Support Agreement (IGSA) Approval Package**
- **Economic Analyses (EAs) required for >\$2M MILCON projects**
- **BCAs require SAF/FMC coordination:**
 - **Delivered to AF Top 4 (SECAF, CSAF, USECAF, VCSAF)**
 - **Shared outside of the AF (i.e.: OSD, Congress)**
 - **Requested by Senior leadership**
- **Other requirements**



Standard AFCP Framework

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Component	Description
Bottom Line Up Front (BLUF)	Provides conclusions and recommendations, including the financial implications
Objective	Explains the purpose and goal of the analysis
Background	Provides any background information that will help clarify the results of the analysis
Partnership Summary	Describes the partnership and what each party would be giving and receiving
Assumptions	Defines what is true of a current or future state
Alternatives	Explains the Status Quo and non-Status Quo Courses of Action (COAs)
Cost Analysis	Assess incremental costs over the full life cycle of the project for each alternative
Benefit Analysis	Assesses non-monetary factors impacted by alternatives (e.g. mission readiness, safety, security, morale)
Sensitivity/Risk Analysis	Explains the risks, impacts, and potential mitigating strategies for the proposed plan of action
Comparison of Alternatives and Recommendation	Explains the recommended alternative and how and why it will meet the objective
Implementation/Action Plan	Interprets the recommendation into required actions/path forward
Appendix	Includes any and all source documents used to generate the analysis

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Common Issues with BCAs

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Component	Description of issues
Bottom Line Up Front (BLUF)	No recommendation – leaves choice up to leadership
Objective	General Snuffy says we should do it so...(Pre-determined solution)
Background	Jargon and acronym filled descriptions copied directly from a technical manual
Partnership Summary	Key stakeholders not identified or fully described
Assumptions	Numerous unidentified assumptions -- Period of analysis -- Price escalation (growth) rates
Alternatives	Down selecting alternatives too early -- High cost is not a reason to deem one alternative infeasible before analysis



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Common Issues with BCAs (Cont)

Component	Description of issues
Cost Analysis	Numbers in the Create model lack backup (original sources) Confuses cost savings with cost avoidance Cost calculations and methodologies insufficiently explained Incorrect use of inflation indices
Benefit Analysis	Questionable methodologies -- Obvious bias where one alternative scores 100% and another scores 0% -- Use of qualitative metrics when quantitative metrics are available -- Dubious subject matter experts
Sensitivity/Risk Analysis	Confuses sensitivity and risk Assumes there is no risk involved in the program, Hint – there is always some risk
Comparison of Alternatives and Recommendation	No recommendation – leaves choice up to leadership Poorly described method for combining cost, benefits, and risk analyses
Implementation/Action Plan	Minimal thought involved like “just sign the contract”
Appendix	Lack of linkage between references in the main body with supporting material in the appendices



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Frequently Asked Questions

- **AF Data Collection:**
 - **What can the AF do to collect the best partnership data?**
 - **How can the AF help the community identify and submit the appropriate data?**
 - **Original sources (e.g.: contract or program actual cost data)**
 - **Clear alignment between the data and the cost elements**
- **What is Net Present Value (NPV)?**
- **Why do we use NPV?**
- **How do you calculate NPV?**
- **What is the difference between discounting and inflation?**

PV is THE financial metric for comparative analyses

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AFCP BCA Contents

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Contents/Attachments	Description
Package length	The BCA should be limited to a maximum size of 20-40 pages (excluding attachments). Depending on the scope, a top level BCA of only 3-5 pages is appropriate while in other cases a more extensive study is required. The main body of the BCA should be succinct enough to allow decision makers to fully grasp the issues without becoming overwhelmed by details.
Provide information to recreate the partnership	Include all relevant detail and information required so that reviewers can recreate the partnership using only the data provided in the analysis.
Data and data sources	All source documents should be included in the Appendix and referenced throughout the main body. If the source document is too large or can't be included then include document name, point of contact, and office where document is housed. For SME opinions, include a list/table of all of the participants and contact information.
Cost derivation methodology	Include the cost estimates in an embedded or attached Excel file. Calculations should be easy to follow and trace to the main body of the BCA.
Change management details	Discuss any cultural changes required, shared visions between stakeholders, what necessitates the change, expected stakeholder resistances, leadership buy-in, communication strategies, possible infrastructure changes, and required actions/path forward.



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References

■ **References**

- **AFI 65-501, Economic Analysis**
- **AFMAN 65-506, Economic Analysis**
- **AFI 65-509, Business Case Analysis**
- **AFMAN 65-510, Business Case Analysis Procedures**
- **DoDI 4000.19**
- **AFCP Quick Reference Guide**



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Summary

- **BCAs are only as good as the effort put into building them**
- **BCAs are decision support documents not decisions**
- **BCAs assist leadership in choosing between alternatives**
 - **Provides a framework to compare alternatives**
 - **Documents costs and benefits**
 - **Accounts for time value of money**
 - **Incorporates risk and uncertainty**



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Backup

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Directions for AFCP SharePoint Account

How to Register:

The process of establishing an account consists of two steps:

1. Create an APAN account:

- To register for an account, go to <https://wss.apan.org/s/airforcepartnerships> or www.airforcepartnerships.org (for use outside the AF firewall only)
- In the upper right hand corner of the site, click the green "Create an Account" button
- Enter your e-mail address as requested
- A validation e-mail will be sent to you from APAN Support. Follow the instructions provided in the e-mail to set up your account

2. Register on the site as a user:

- Proceed to <https://wss.apan.org/s/airforcepartnerships> or www.airforcepartnerships.org (for use outside the AF firewall only)
- Register under First Time Users on the main page to be added as a user. Until you request access, you will only have limited access to content on the Welcome page. You will receive access within one business day



Hosted on All Partners Access Network (APAN), a web-based, non .mil collaboration platform developed to foster information and knowledge sharing between DOD and non-DOD entities

For any technical issues or questions, please contact: Marta Dunn, Knowledge Manager, SAF/IEI, Ctr; E-mail: dunn_marta@bah.com; Phone: 703.622.5581