



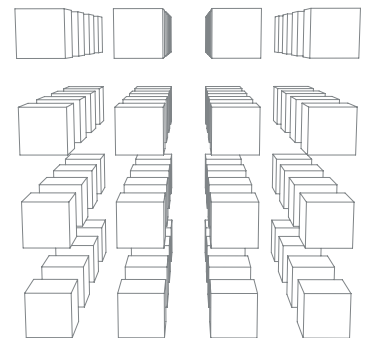
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Soft Benefits in a Hard Business Case

Legitimacy and Value for Difficult Benefits

Marty J. Schmidt, MBA, PhD

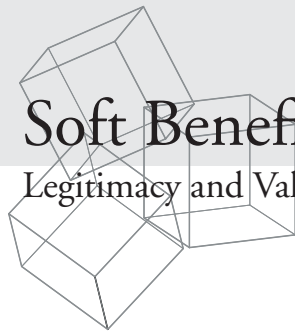


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Soft Benefits in a Hard Business Case

Legitimacy and Value for Difficult Benefits

by Marty J. Schmidt, MBA, PhD

The Problem With Soft Benefits

Everyone agrees that “cost savings” is a “hard” benefit.

Several years ago I met with a colonel in the US Army Medical Service Corps who was building a business case to support a funding request for a new training facility. He was trying to justify the new building entirely in terms of cost savings: the old site was costly to maintain and it was too small. The army was currently renting expensive classroom and clinical space off base in order to meet high volume training needs. A new building designed specifically for the purpose should be less expensive to run and it would do away with the need for outside rentals.

Unfortunately, the colonel’s estimated savings fell short of the new building costs, even when projected across thirty years. The new building promised other benefits, of course, but the colonel was not sure how to put them into a business case that would survive scrutiny as it moved up the chain of command. The last thing he wanted was to be hit with a charge of “soft” benefits. So he focused on what everyone agrees is a “hard” benefit: cost savings.

Benefits Come from Meeting Objectives

I had to ask him: “Do you mean to say that the entire mission of the US Army Medical Service Corps is to save money?”

“Of course not!!!” (The question may have touched a nerve.)
Our mission is to provide highly skilled and dedicated leaders who support the Army with a world class health care system. Our mission is to maintain the highest levels of medical readiness ...” and so on through a long list of impressive mission statements.

“Will the new facility help you do these things better?”

“Of course!”

“Can you prove that?”

“Certainly.” And the colonel explained in concrete terms how the training cycle for several specialties could be shortened, how staff

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A tangible contribution to an important objective is a “hard” benefit.

could collaborate more effectively, how shortages of critical support skills could be reduced, and how it would be easier to recruit high quality civilian staff with a new facility. In other words, he could prove with tangible evidence that the new building would contribute to reaching the organization’s most important business objectives.

There is no better definition of “hard” business case benefit than that. Still, the Colonel had questions: How do I translate those benefits into hard cash estimates? How do I make them acceptable to the hard-nosed critics who will review this case?

What’s it Worth in Real Money?

The business case stands or falls on the strength of its logical structure and its credibility, not its financial math. Assigning financial value to benefits should be the last piece added to the structure, not the first. Start building with business objectives: if you can show in tangible terms that your proposal contributes to a business objective, the benefit is real. If management agrees that reaching the objective has value, then the benefit has value. That much of the structure is now solid.

Before trying to estimate the benefit’s value, work with your colleagues and your management to decide on the value of reaching the objective itself. The colonel’s superiors were surprisingly willing and able to discuss and agree on the financial worth of reducing shortages, shortening training cycles, and improving staff recruiting and retention. Then there was only one question remaining: what percentage of that value should be credited to the new building? The figure they agreed on was not 100%, but it was not 0% either. That was more than enough to make the case.

“Soft” Benefits: What’s in a Name?

A senior engineering manager in one of our two-day case-building seminars had this to say about handling benefits:

“I always put two ‘Benefits’ sections in my business case reports, one for ‘hard’ benefits and one for ‘soft’ benefits. That way, those who want to pay attention only to ‘hard’ dollars can do so.”

“Soft benefit” usually means intangible benefit, unlikely benefit, or difficult to measure in financial terms.

I encouraged him to take a different approach. Business people generally do not take seriously benefits that are labeled “soft.” That is unfortunate, because they may be overlooking real contributions to important business objectives that deserve to be taken seriously.

Labeling a benefit “soft” doesn’t do anything positive for its image. Ask anyone in business what “soft benefit” means, and you’ll hear terms like, “intangible benefit,” “unlikely benefit” or “can’t be measured in financial terms.” Soft benefits are second class citizens on the list of business case results—not the kind of evidence that persuades a conservative CFO to fund a proposal or a skeptical customer to buy.