# Evaluation and the business case

Evaluation is the process of determining the merit, worth or significance of something. The role of evaluation in a business case is twofold, firstly the business case itself must be evaluated and a decision made whether to accept it or not. Secondly there must be a plan to monitor and evaluate the project proposed in the business case. This is required to provide evidence for accountability and continuous improvement. These roles for evaluation span the continuum of evaluation over which the life cycle of a business case is spread.

Should we fund it? Is it on track? What did it deliver? What improvements are implied from the experience of delivery for this or other similar projects?

Evaluation and ‘evaluative thinking’ (or asking, ‘what makes this a good idea?’) are relevant across the life cycle of a business case.

## Evaluation and the business case

A business case is at its heart a proposition about the value of a course of action. Its central purpose is to make a claim along the lines of ‘if the project is funded it will deliver X’.

A good business case will provide compelling reasons, or evidence, to support the claim and warrant its acceptance and funding. In some cases, the business case may seek to demonstrate why it is a preferred solution (e.g. more effective or more efficient) compared to other ways of achieving the outcome. This is the reason why a business case will often include an ex-ante economic analysis that compares projected cost and benefits (or outcomes) anticipated by the business case with other options or against a counterfactual of business as usual.

Evaluation provides a means by which the claim or proposition made in a business cases can be tested. Evaluative thinking is useful in the development of a business case, value proposition, program or minimally viable product (MVP). It should be required to justify the acceptance and funding of a business case. This is evaluation ‘ex ante’. Evaluation is also necessary for monitoring or reporting back on the actual success of what was proposed in the business case ‘post hoc’. And it is useful, often in the form of performance monitoring, for providing feedback for continuous improvement ‘ex-itenarie’ or ‘along the way’.

The evidence required for these types of evaluation will vary depending on the stage of a business case in its life-cycle, from unfunded to fully paid. But the crucial point is that at every step of the way it is the same essential claim or value proposition that is being tested –just looked at from different perspectives and providing evidence for difference audiences and purposes at different times points.

Tools for displaying the logic that underpins a business case are very useful for consistent and coherent evaluation. They can provide a powerful means to look inside any ‘black box’ analyses that often figure in business cases where the assumptions are not easy to scrutinise or the ‘leaps of faith’ made explicit.

## Using program Design logic

Program logic is a common tool used by evaluators. There are many forms. The most powerful set out the logic of an intervention. However, many simply provide a list of outputs and anticipated short, medium, and long-term outcomes that are hoped for down the track. These formats do not interrogate the inherent logic of the course of action. They are not useful for testing the underlying logic of the business case before it is funded[[1]](#footnote-1).

A form of program logic called Program Design Logic (PDL) has all the benefits of traditional approaches to program logic in setting out anticipated outputs and outcomes (referred to in PDL as conditions), but in addition, provides a basis for prospective evaluation that tests the validity of the claims being made during the business case stage.

PDL treats a business case as an argument in the form of a proposition about the value of a course of action. A sound or logical business case is one that is valid ‘in principle’ and when actually implemented, turns out to be well grounded ‘in fact’. That is, the business case should make sense ‘on paper’ and before we determine whether it makes sense ‘in reality’ after it is funded and delivered.

### Key terms in PDL

Here are some key terms used in PDL.

*Condition:* a preposition with a subject and a predicate in the form of ‘who/what is in what condition’.

*Sufficient condition*: the condition (sometimes referred to as an outcome).that we think all our actions will be sufficient for achieving – in combination with any assumptions that we are making.

*Necessary condition*: the results of our actions that we think are each necessary (sometimes referred to as outputs).and collectively sufficient for bringing about the sufficient condition

*Contributory condition*: the ultimate condition (sometimes referred to as impacts) to which our actions are aimed even though our actions are unlikely, on their own, to be sufficient for bringing it about due to the influence of external factors.

*Assumptions* conditions on which the program is relying to be in place, but about which we are not 100% sure if they will be in place when the actions are delivered.

*External factors* conditions outside the control of the program, but which will almost certainly moderate the extent to which the sufficient condition has an effect on the contributory condition.

A PDL is tool that can be used to determine the validity of a business case. It simply checks whether there is good reason to think that the results of the proposed actions, or the necessary conditions + assumptions = a sufficient condition.

## Ten steps to Preparing a Program Design Logic for a business case

There are 10 steps in preparing a PDL that are most relevant to the business case stage of a proposed program.

1. Write down the problem condition as specifically as possible – write this at the bottom of the page.
2. Write down the contributory condition that program is intended to contribute towards – write it at the top of the page. This may be thought of as the ultimate long term intended outcome. This will often be the mirror image of the problem condition. In most cases your program will not be sufficient for bringing about this condition.
3. Write down the sufficient condition that the course of action must be sufficient for achieving – not what you hope it will contribute towards, but what it must achieve to be considered successful. Write this in the top third of the page – leaving space to link to the contributory condition/ ultimate intended outcome.
4. Write down the pertinent external factors that will, in addition to your sufficient condition, mediate the extent to which the ultimate intended outcome is achieved. Obtain the views of Subject Matter Experts (SMEs) and ask, if we achieve this condition, what else will determine how much we contribute to this ultimate intended impact? Write the important ones down in a box marked ‘external factors’.
5. Now consider all the actions that are being suggested for your course of action – make the assumption that each action is perfect, now right down the outcome of each action in the form of a ‘necessary condition’. Keep going until all the key actions have been described.
6. Write down any assumptions you are making that are necessary in addition to your necessary conditions for the sufficient condition to be brought about. Assumptions do not include theories that your program are based upon – these theories will come later and must provide reasons to think that your actions will lead to the ‘perfect’ condition statements drafted in step 5.
7. Consider the order in which necessary conditions and assumptions are needed – there may be a hierarchy in the form of ‘if not this condition/ assumption, then not this next condition’ – place those conditions or assumption that must be achieved/ in place earlier at the bottom of the page (above the problem condition) and those that come later towards the middle of the page but below the sufficient condition.

You have now drafted a PDL – but is it a sound PDL and does it provide a strong business case?

1. Review the logic displayed in the diagram with SMEs
   1. Does the condition your actions will be sufficient for achieving align with the ultimate intended outcomes – i.e. is there a logical link or clear line of sight (acknowledging the external factors will also moderate the relation of sufficient and contributory conditions) between what your action will be sufficient for and the ultimate intended outcomes. If the line is not clear, reconsider the description of your sufficient condition so it does align – while ensuring it is something that your actions and the conditions they create, will be feasible for achieving.
   2. Consider whether the necessary conditions, if all achieved and the assumptions if they all hold, would lead to the sufficient condition with near certainty. What reason or evidence can be provided to suggest that the necessary conditions and assumptions will lead to the sufficient condition? If not – there are two options. The first is to edit and possibly downgrade the sufficient condition to something that is more realistic and achievable. The second is to design more actions (and you will have to add the cost of these to the business case) and write these down in form of conditions as per step 5.
2. Now dig deeper into each of the actions and provide evidence as to why each action will in fact lead to each condition, and why the necessary conditions plus assumptions will lead to the sufficient condition. Consider the evidence or reasons you have to suspect to conclude in 8a) and 8b) that the actions will lead to necessary conditions. This is the first time that theory, as well as past experience, or common sense will provide reasons for inferring that an action will lead to a condition. What are the reasons or warrants that we can infer if we complete a certain action that the condition will be achieved? What evidence is that that assumptions will hold?
3. Continually review the validity of the proposition or argument. ‘If we achieve all these conditions and the assumptions hold – will this be sufficient for bringing about the sufficient condition?’ What reasons do we have? When the answer is yes and the reasons appear strong you may conclude you have a valid PDL.

## Conclusion

Evaluation is crucial for good public policy. Evaluation is critical to decision making about the funding of a business case, as well as for accountability and continuous improvement of what is funded.

Evaluation and ‘evaluative thinking’ should be a continuous process. It may begin with initial deliberations about the value of a proposed course of action, continue as a formal process for selecting business cases, and provides a means of generating feedback for adaptive management, and determining the worth of what was funded for accountability and continuous improvement.

This brief is concerned with evaluation during the business case stage. It is focused on determining whether a proposed course of action provides a strong business case. It does this through the use of PDL as a tool for facilitating discussions about the adequacy of the proposed business case and guiding decision making in the funding of business cases.

PDL sets out the logic that underpins a proposed course of action. As a result, it remains relevant throughout the life cycle of a business case. It can provide the foundations for a comprehensive monitoring, evaluation and reporting framework over the life of the business case to generate evidence and insight for different audiences and purposes.

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1. In some cases a ‘theory of change’ (ToC) may provide a substantive social science theory justifying the core ‘causal power’ of a program. However, it is quite easy to invoke a particular theory without actually describing the logistics of how it will be leveraged in practice. How the theory will be applied in a way that deals with the realities of an often ‘messy’ program context. A ToC may be useful, or it may provide a rhetorical device that suggests an ill thought-out program will be effective. A ToC is not sufficient evidence for accepting a business case unless it provides evidence as to why the program will work in the specific context being proposed. [↑](#footnote-ref-1)