Debate: We need to be honest about the validity and purpose of business cases in public services

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Introduction

In recent years, academics have recognized the growing role of 'projectification' in both the private and public sectors (Flyvbjerg, 2014; Maylor & Turkulainen, 2019; Hodgson et al., 2019). This involves organizations shifting away from overseeing 'business as usual' and, instead, focusing on shorter-term initiatives with more defined goals. As Fred (2020) argues, this has become so endemic that a 'project logic' now shapes decision-making in many public bodies, as managers seek to inculcate principles of rationality, planning and control into organizational activities. Such projects tend to be underpinned by 'business cases', which purport to set out the costs and benefits of specific initiatives and clarify why the organization should pursue them. Business cases are not new of course, but we suspect that growing projectification—perhaps coupled with post-Covid budgetary pressures—could increase their prevalence in public services.

In this short article, we highlight two key problems with business cases, and suggest that policy-makers and academics should be much more honest about these shortcomings:

•First, organizations that seek to create public value cannot predict and measure the costs and benefits of specific projects accurately, and therefore the validity of business cases will always be questionable.

•Second, decision-making and resource allocation in public services is inherently political, and therefore we need to recognize that business cases are unlikely to be objective. Instead, they are often constructed to serve political purposes.

The validity of business cases

We cannot know, predict or manage all eventualities, risks and potential problems that a specific initiative may encounter, particularly in complex and fragmented public services. Brexit and Covid are just two recent examples of external shocks that led to public organizations shifting their priorities suddenly and substantially, with significant implications for ongoing and planned projects. Generally speaking, the bigger the initiative, the harder it is to control, the more unpredictable it will be, and the more likely that it will overrun, cost more than predicted and not deliver its expected benefits (Flyvbjerg, 2014). Indeed, one study suggested that 30% of large-scale IT projects 'failed completely' and a further 60% ended up requiring 'significantly more time, resources, and effort than planned' (Gauld & Goldfinch, 2006).

More importantly for public services, even if we were able to predict and control the progress of an individual project and incorporate opportunity costs and the costs of inaction into our *a priori* analysis, we cannot quantify most costs and (particularly) benefits in cash terms. It is therefore very difficult to weigh up whether a specific initiative would be worthwhile based on a financial business case. If we agree that public organizations exist to help create public value (Moore, 1995), then it is impossible to quantify this value in a spreadsheet. Most of humanity's greatest achievements cannot be measured in this way and it would have been impossible to develop financial business cases for them: examples include the pyramids, cathedrals, public art, the moon landings, and the internet. Even if we are able to identify what the public values, we cannot put a price on it.

By the same token, quantifying any post-project benefits (or drawbacks) in financial terms is highly problematic, and the likelihood of external variables influencing progress makes it difficult to attribute such outcomes directly to the initiative (Lowe, 2013). Perhaps partly because of these problems, such evaluations are extremely rare anyway—and when they do occur, any variation from the expected costs and benefits can easily be explained by a range of unanticipated events that occurred during the project lifecycle.

The purpose of business cases

With this mind, it is worth reflecting on what business cases actually set out to achieve. In most instances, the case for pursuing a particular initiative in the public services is not based on a financial calculation. Instead, it emerges from political events and policy-making processes, such as elections and negotiations, and through implementation and enforcement mechanisms that seek to control or direct the behaviour of public servants (for example inspections). The potential costs and benefits of any such initiative will doubtless play a role in these discussions, but the inherently political nature of policy-making means that they will not (and, we would argue, should not) determine a particular course of action.

Indeed, given that 'evidence' in policy-making is inherently politicized (Cairney, 2016), we cannot expect the 'evidence' that feeds into business cases to be objective. Particularly in smaller organizations, the uncertainty that surrounds the anticipated costs and benefits of any specific project enables powerful actors to re-purpose business cases for their own political ends (Eckersley & Lakoma, 2022). In addition, business case authors often suspect what policy-makers want to do before they undertake any analysis, and this could shape the underlying argument (the 'case') that they seek to make. In such situations, the author's job becomes writing a retrospective document for the audit trail, rather than presenting a prospective case for a new initiative. This raises questions about how senior public servants should (and want to) spend their time: filling in templates to tick a box, or working with politicians to pilot new initiatives with a genuine curiosity to find out what works, and why?

Projects and business cases claim to be objective and technical, but decisions around the allocation of public resources are always political (Hodgson et al., 2019). By ignoring this reality, business cases obscure the fact that powerful individuals decide what public bodies should focus on. The business case acts merely as a pseudo-scientific justification for (often pre-defined) political preferences.

Conclusions

Inspired by Lord Darlington's famous phrase in Oscar Wilde's *Lady Windermere's Fan*, it has become something of a cliché that accountants know the cost of everything and the value of nothing. However, the first round of austerity led to an increased focus on 'financial conformance' at the expense of 'operational performance' in English local government (Ferry and Eckersley, 2015), and there is a risk that we will see a repeat of this during post-Covid 'austerity 2.0'. Concentrating too much on input costs could lead to public managers taking their eye off the ball of what public services exist to deliver—namely value to citizens. This value cannot be captured in business cases.

Of course, public officials should consider the potential costs and benefits of different options before they decide on a course of action. But we need to be honest with the public, and hold politicians to account for what they (want to) do, not what an accountant or spreadsheet says a project should deliver. In public organizations, decision-makers agree to new projects for political reasons. They might expect projects to deliver financial benefits, particularly with austerity 2.0 looming, but in almost every case there will be many other reasons why they opt for a particular course of action. Any decision around the allocation of public resources is essentially political and we should treat it as such. Pretending that it is based on financial calculations, and using a business case to provide a veneer of objective justification for a political decision, is dishonest.

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