Reimagining Project Management for a New Era

The Business Case Is Not a Forecast. It Is a Bid.[1]

Antonio Nieto-Rodriguez [2]

In 2003 the British Treasury published a piece of guidance that deserves to be far better known in our profession.

It is called *Supplementary Green Book Guidance: Optimism Bias*, and it does something remarkable. It instructs government departments to take the capital costs in their own business cases and increase them, before anyone is allowed to decide.

The uplifts are published by project type. Standard buildings, 24 percent. Non-standard buildings, 51 percent. Standard civil engineering, 44 percent. Non-standard civil engineering, 66 percent.

And for equipment and development projects, the category holding information technology and software: 200 percent.[3]

Read that number slowly.

A finance ministry formally instructs its own departments to triple the cost estimate in the document in front of them. Not because the authors are dishonest. Because decades of evidence showed the number would be wrong by roughly that much.

And then, having tripled it, the system approves the project anyway.

I have thought about that guidance for years, and I keep arriving at the same conclusion.

A document that must be corrected by a factor of three before it can be trusted is not a forecast.

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[1] How to cite this work: Nieto-Rodriguez, A. (2026). The Business Case Is Not a Forecast. It Is a Bid; Reimagining Project Management for a New Era, series article 9, *PM World Journal*, Vol. XV, Issue IX, September.

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[3] HM Treasury, *Supplementary Green Book Guidance: Optimism Bias*, London, 2003, drawing on Mott MacDonald, *Review of Large Public Procurement in the UK*, 2002.

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It is a bid.

The Number Everyone Signed and Nobody Believed

In the spring of 2019 I spent a morning with the investment committee of a mid-sized European insurer.

The paper on the table was a business case for replacing the core policy administration platform. Four years. Three hundred and ten million euros of capital. Annual benefits of forty-seven million from year three onward, built from reduced handling time, lower run costs and fewer manual interventions.

I still have the pack. Sixty-one pages. The benefits get one of them.

The discussion lasted about forty minutes. The cost line was interrogated properly: contingency, resourcing assumptions, vendor terms, phasing of the spend. Serious questions, serious answers.

The benefit line took four minutes.

It was approved.

Walking out, the CFO said something to me in careful second-language English that I have quoted in workshops ever since. Nobody in that room believed the benefits number, he said, and everybody in that room needed it.

So I asked him who would be accountable for those benefits in year three, when they were supposed to appear.

He could not name a person. The program director would have rotated. The sponsor was close to retirement. The operating unit that would absorb the savings had not been in the room.

That is the moment the system revealed itself.

The costs had owners. The benefits had authors.

Survival of the Unfittest

There is a finding in Bent Flyvbjerg's work that deserves more attention than it gets, because it explains why this pattern is stable rather than accidental.

It is not the best projects that get approved, but the ones that look best on paper.

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And the projects that look best on paper are, by definition, the ones with the largest cost underestimates and the largest benefit overestimates. Which means the approval process actively selects for the projects most likely to disappoint. Flyvbjerg calls this "survival of the unfittest."[4]

The numbers behind it are uncomfortably precise. In rail projects, an average cost overrun of 44.7 percent sits alongside an average demand shortfall of 51.4 percent. The errors do not cancel out. Optimism deflates the cost and inflates the benefit at the same time, so they compound.[5]

In information technology the tail is worse. Around one in six large IT projects becomes a statistical outlier, and among those outliers the average overrun runs into the hundreds of percent.[6]

The most honest account of why came, unusually, from a politician. Writing in the *San Francisco Chronicle* in 2013 about a large overrun on a transit terminal, the former mayor Willie Brown observed that in civic projects "the first budget is really just a down payment." He explained the mechanism without embarrassment: if the real cost were known at the start nothing would be approved, so the objective is to start digging and make the hole large enough that funding it becomes the only option left.[7]

Very few people will say that in public, though almost anyone who has sat through a funding round has watched some version of it happen.

A Tool Built to Buy a Machine

It helps to remember where this document came from.

The modern business case descends from capital budgeting, and capital budgeting was largely shaped by one book: Joel Dean's *Capital Budgeting*, published by Columbia University Press in 1951. Dean proposed that a capital project could be evaluated by projecting its future cash flows, discounting them to present value, and comparing the result with the cost of the investment. Net present value entered corporate practice, and by the 1960s it was standard.[8]

What it was built to evaluate, though, was something quite different.

A machine. A production line. A plant extension. Investments where the output was physical, demand was reasonably known, and the cash flows genuinely could be projected. In that world the method was not optimistic; it was simply the right instrument for the question being asked.

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[4] Bent Flyvbjerg, "Survival of the Unfittest: Why the Worst Infrastructure Gets Built — and What We Can Do About It," *Oxford Review of Economic Policy*, Vol. 25, No. 3, 2009.
[5] Bent Flyvbjerg, "What You Should Know About Megaprojects and Why: An Overview," *Project Management Journal*, Vol. 45, No. 2, 2014.
[6] Bent Flyvbjerg and Alexander Budzier, "Why Your IT Project May Be Riskier Than You Think," *Harvard Business Review*, September 2011.
[7] Willie Brown, *San Francisco Chronicle*, July 2013, quoted in Flyvbjerg, "What You Should Know About Megaprojects and Why," 2014.
[8] Joel Dean, *Capital Budgeting*, Columbia University Press, New York, 1951.

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Seventy-five years later, we use the same instrument to decide whether to restructure a bank's operating model or replace a customer platform.

Neither of those behaves like a machine. The output is behavioral, the demand is a hypothesis, and the cash flows depend on how thousands of people respond to something that does not exist yet.

We did not adapt the tool as the nature of investment changed. We kept the tool and increased the confidence with which we filled it in.

Four Things a Business Case Requires You to Know

The traditional business case is not failing because people are careless with it. It is failing because of what it structurally demands, at the moment when the least is knowable.

1. The cost of work that has not been designed

Approval sits at the front of the funnel, before architecture, before discovery, before the first honest conversation with the vendor. We ask for a number accurate to two decimal places about work that exists only as an intention.

Precision here is not rigour. It is theatre with a spreadsheet.

This is what the Treasury's 200 percent uplift is really admitting. Not that estimators are careless, but that the number is being demanded at a point in the process where care cannot help.

2. The duration of a world that will not hold still

A four-year business case assumes four years of stable regulation, stable technology and stable strategy.

Nobody in the room believes that, and everybody signs it anyway.

3. Benefits that depend on behavior nobody has observed

Almost every benefit line in a corporate business case is, underneath, a prediction about human behavior. That advisors will use the system. That customers will switch channels. That a process will hold when the pressure comes.

We express those predictions as financial certainties because finance is the language in which money gets released.

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4. A comparison against options that were never priced

A business case is written to justify one course of action. It is rarely written against a serious alternative, and almost never against the option of doing nothing and keeping the capacity.

An investment case with one candidate on the page is closer to advocacy than to evaluation, whatever the discount rate says.

And Then Nobody Goes Back

Here is the part that still surprises me after twenty-five years in this field.

The business case is scrutinized intensely for six weeks, and in most organizations it is never opened again.

PMI's *Pulse of the Profession* research has consistently found that roughly 83 percent of organizations lack maturity in benefits realization. The same research found that organizations with high benefits realization maturity waste around 67 percent less of the money they invest.[9]

That second figure is the one that matters, and the difference it describes has nothing to do with delivery skill. It is simply whether anyone goes back and checks.

This is also where my own estimate comes from, and I state it as an estimate rather than a statistic. Based on years of portfolio reviews inside global organizations, I believe at least 20 percent of active projects should never have been launched. Not because they were badly run, but because the case that justified them would not survive being read again today, and nobody has been asked to read it again.

The document that opened the door is never asked whether the door should still be open.

The Living Investment Thesis

What replaces it is not a better business case. Another template, another set of mandatory fields, another maturity model. We have tried that for thirty years and the base rates have not moved.

What replaces it is a different instrument. I call it the living investment thesis.

Three things make it different.

Money arrives in tranches, against evidence. Venture investors do not fund a company once for four years on the strength of a plan. They fund a stage, read the evidence, then decide again.

[9] PMI, *Delivering Value: Focus on Benefits During Project Execution*, Pulse of the Profession in-depth report.

Corporate portfolios can work the same way, and those that have moved to staged funding stop weak initiatives far earlier than those approving the whole envelope on day one.

Someone owns the thesis, not the document. A named executive whose performance is connected to the benefit, who stays connected to it after go-live, and who has the standing to declare the thesis expired. Without that person, the benefits belong to nobody, which is another way of saying they belong to no one's calendar.

The thesis has an expiry date. Written into the approval. After twelve or eighteen months it lapses unless it is deliberately reconfirmed against current conditions. Reapproval becomes routine, which is the only reliable way I know to stop treating cancellation as a scandal.

One further practice comes straight from the research. Reference class forecasting, developed from Kahneman and Tversky's work and applied to projects by Flyvbjerg, replaces the inside view with the base rate: instead of asking what this project will cost, you ask what projects of this type actually cost. The UK Department for Transport adopted it, and Denmark and Switzerland followed.[10]

It is the discipline of looking outside the room before deciding inside it.

Five Questions for Reflection

- If we reread the business cases of our five largest active projects today, how many would we approve again?
- Who, by name, is accountable for the benefits promised in our largest approved investment?
- What percentage of our portfolio is funded in stages against evidence rather than approved once in full?
- When did we last stop a project because its thesis had expired rather than because it was failing to deliver?
- What base rate did we compare our latest estimate against, and where did that base rate come from?

Final Reflection: Permission or Prediction

The traditional business case has survived so long not despite being unreliable, but because reliability was never really its function.

Its function is permission. It converts ambition into a form a finance committee can approve, an auditor can file and a sponsor can point to when the questions start. Judged against that purpose it works extremely well, which is exactly why thirty years of criticism have not dislodged it.

[10] Reference class forecasting derives from Daniel Kahneman and Amos Tversky's work on prediction under uncertainty and was applied to projects by Bent Flyvbjerg; see Flyvbjerg, "What You Should Know About Megaprojects and Why," 2014.

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But permission is a governance product, and value is a business product. In the Project Economy, where an organization's future is built almost entirely through the initiatives it chooses to fund, we can no longer afford an approval instrument measured on how convincingly it opens doors.

We did not build business cases to make better decisions.

We built them to make decisions defensible.

Those are different skills. Only one of them creates value.

See you in October.

References

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Disclaimer: ChatGPT was used to support editing and formatting. All substantive content is the author's original work.

About the Author

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Antonio Nieto-Rodriguez, PMI Fellow, is one of the **world's leading experts in Project Management and Strategy Implementation**. He is the author of the "*Harvard Business Review Project Management Handbook* " (HBR 2021) and is the **most published author on project management matters in Harvard Business Review**. His upcoming book, *Powered by Projects: Leading Your Organization in the Transformation Age,* will be published by Harvard Business Review Press in early 2026.

Antonio has brought Project Management to the center of executive leadership, positioning it as a critical capability for transformation in the next decade. He is the creator of influential concepts such as the **Project Economy®**, the **Hierarchy of Purpose®**, and the **Project-Driven Organization™**, which argue that *projects have become the operating system of modern organizations—and the language of future careers*.

His global impact on management and leadership has been recognized by Thinkers50, where he is **the only project management thinker included twice in a row** in the ranking of the world's most influential management thinkers. He is also the recipient of the prestigious **Thinkers50 Ideas Into Practice Award** and a member of the **Marshall Goldsmith 100 Coaches** community.

He was the global Chairman of the Project Management Institute in 2016 and has been recognized as a Fellow of PMI for his contribution to the project management profession. He led the creation of the Brightline Initiative, founded Projects & Co, and co-founded the Strategy Implementation Institute.

His work focuses on advising senior leaders on prioritizing and implementing strategic initiatives and leading transformational change.

Antonio is also the author of "Lead Successful Projects" (Penguin, 2019), "The Project Revolution" (LID, 2019). and "The Focused Organization" (Taylor & Francis, 2014), and has contributed to seven other books. A pioneer and leading authority in teaching and coaching senior executives the art and science of strategy execution and project management. Currently visiting professor at Duke CE, Instituto de Empresa, Solvay, Vlerick, Ecole des Ponts, and Skolkovo.

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He is a much-in-demand speaker at events worldwide. Antonio has presented at more than 800 conferences around the world and is regularly ranked the best speaker. European Business Summit, Strategy Leaders Forum, Gartner Summit, TEDx, and EU Cohesion Policy Conference; are some of the events he has delivered inspirational keynotes.

He is former Sustainability Program Director and Head of Global Program Management Office at GlaxoSmithKline Vaccines. Previously he also served as Head of Project Portfolio Management at BNP Paribas Fortis and Head of Post-Merger Integration at Fortis Bank, leading the acquisition of ABN AMBRO, the largest in financial service history. He also worked for ten years at PricewaterhouseCoopers, becoming the global lead practitioner for project and change management.

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