The first two chapters of this book have focused on the importance of investment decisions for the economic well-being of companies, appropriate mathematical methods of modeling the cash inflows and outflows associated with an investment, and how to identify investment opportunities, select the best alternative, and finally take decisions for business growth. However, the best processes and theoretically correct methods are of not much value if the information fed into them is of insufficient quality; the well-known principle of “garbage in, garbage out” applies to business cases as well. Hence this and the next chapter concentrate exclusively on the two basic types of input into a compelling business case and the investment justification process: costs in this Chapter and benefits in Chapter 4.

3.1 COST STAGES

During the deliberation, realization, and utilization of an investment, costs are incurred at five stages: pre-business case, pre-commissioning, commissioning, operation, and decommissioning (see Figure 3.1).

Pre-business case costs

Well before an investment idea comes to the table and its merits are analyzed with a business case, a company has typically
Figure 3.1 Cost stages