SAMPE OUTLINE BUSINESS CASE

Below you will find an example of an outline Business Case in the format we need it. This example is only meant to give you a broad idea of the kind of information you may want to record in each of the boxes in the Business Case template.

The “idealised” fictitious project scenario in this Business Case is obviously different from the kind of projects PASMA would deliver. Being a non-for-profit organisation, most of our projects will not produce neat financial gains. Instead it is most likely that, with a few exceptions, we would be looking at projects that produce (mostly) non-financial benefits. This is of course perfectly acceptable. The only downside of that is that the decision whether a project would deliver value for money becomes more subjective, but that is again perfectly acceptable.

An outline Business Case is not meant to provide guarantees or predict the exact outcome of every project. Instead it’s there to give project ideas validity and make it possible to compare one project proposal with another. Even a very short and subjective outline Business Case is far better than having none at all.

OUTLINE BUSINES CASE

Project Title: New Purchasing System

Reasons

Heat Engineers (HE) faces a number of problems which increase cost. These are: the amount of paperwork to be processed when ordering parts and the high number of errors made when ordering parts, resulting in engineers often arriving at customers’ premises with the wrong parts. Altogether it is estimated that these problems cost the company around £280,000 per year. Furthermore, the delays caused by the failed appointments also cause a lot of damage to the company’s reputation.

Business Options

1. Do nothing and continue with the existing ways of working means the £280,000 per year due to the inefficient working practices remain and damage to the company’s reputation worsens.
2. Buy a software package to run on handheld devices which can be used by the engineers to order the parts without the intervention of the back office staff. This option would reduce paperwork, reduce the number of wrong orders and reduce the number of rescheduled appointments and customer contract cancellations. This option could solve the entire problem and thus save £280,000 per year. Based on a previous similar project the cost is estimated at roughly £220,000 initially followed by annual support costs in the region of £20,000.
3. Train the backroom staff about the different types of heaters and parts required, so they could more reliably order the parts required by the engineers. This option would reduce the number of wrong parts being ordered and could lead to cost savings of up to £10,000 per year. It could also reduce the number of rescheduled appointments leading to further cost savings of around £60,000 per year. However, this option would not reduce the amount of paperwork. Based on previous training the initial costs of such a training programme is estimated to be around £20,000 plus a further £5,000 per year.

Overall, the second option is the best option because it gives the biggest savings and improves customer satisfaction leading to improved reputation. It also provides the best return on investment.

Expected benefits

- Cost savings of £60k per year by reducing paperwork.
- Cost savings of £40k per year by reducing the number of wrong parts being ordered.
- Cost savings of £180k per year by reducing the number of rescheduled appointments and contract cancellations.

Expected dis-benefits

Lower morale amongst the back office staff because their overtime payments will be reduced.

Cost

The following costs are ballpark figures based on a previous similar project. These costs will be refined once the project plan is complete. It is the desire of senior management that the cost will not exceed £250,000 for the project and that ongoing support cost would stay below £30,000 per year.

- Project costs:
  Hardware cost: £40k
  Software cost: £150k
- Operational costs:
  Support: £20k per year

Timescales

The following timescales are a rough estimate, which will be refined once the project plan is complete. Because of the start of a major project in 15 months' time, senior management insists that this project is finished before then.

- Project time: 12 months
- The benefits (cost savings of reduced paperwork, reducing wrong orders and reducing rescheduled appointments) are to be measured annually (for two years), starting one year after the solution is delivered.

Major risks

- HE staff are inexperienced in specifying requirements in a software project. This could lead to the wrong software solution being delivered. This is likely to reduce the benefits realised from the project.

Investment appraisal and evaluation

Cost Benefit Forecast:

	Year 1	Year 2	Year 3
Project costs	£220k	£0k	£0k
Operational costs	£0k	£20k	£20k
Dis-benefits	£0k	£0k	£0k
Benefits	£0k	£280k	£280k
Net benefits	**-£220k**	**£260k**	**£260k**

The project is expected to pay itself back in less than two years after which the full savings will be achieved. The initial investment of £220 and ongoing £20,000 per year therefore represents good value for money. Furthermore, the benefits of the project are fully in line the company's strategic aims to reduce cost while maintaining its excellent reputation.