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Business Case Theme – Exercise 1 – Sample Answer

Please compare your Business Case with the sample Business Case below:

Business Case for the POSS project

Executive Summary

Three options have been considered when addressing the problems arising from inefficient working practices. The recommended option is to develop a software and hardware solution that can be used by engineer to order parts. The key benefits of the proposed solution are cost savings of £280k per year.

Reasons

The company faces a number of problems which increase the costs to the company. These are: the amount of paperwork to be processed when ordering parts, the high number of errors made when ordering parts, and the fact that engineers often arrive at customer's premises with the wrong parts. Altogether, these problems cost the company £280,000 per year.

Business Options

1. Do nothing and continue with the existing ways of working. This option will result in costs of £280,000 per year due to the inefficient working practices.
2. Buy a software package to run on handheld devices which 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 reduce costs by £280,000 per year. The costs involved in developing the software solution, purchasing hardware would be £190,000. Costs of introducing new working practices would be £30,000. Annual support costs would be £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 lead to cost savings of £10,000 per year. It could also reduce the number of rescheduled appointments leading to further cost savings of £60,000 per year. However, this option would not reduce the amount of paperwork. The initial costs of such a training programme would be £20,000 plus a further £5,000 per year.

Overall, the second option is the best option because it gives the best return on investment of the three options. The first option will not realize any benefits, and will only incur costs. The second option will deliver benefits that will exceed costs during the first year. The third option will deliver fewer benefits than the second option and the company will continue to incur significant costs each year. Therefore, the best return on investment is option two.

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Business Case for the POSS project (continued)

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.

Timescale

- 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.

Costs

- Project costs:
 - Hardware cost: £40k
 - Software cost: £150k
 - New working practices: £30k
- Operational costs:
 - Support: £20k per year

Investment appraisal

	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

Major risks

H.E. 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 realized from the project.