

## **Making a Decision to Buy**

The first step in any purchase is making the decision to buy. There are a number of things to consider when making that decision:

1. Can we make the good or provide the service in house? What will that cost?  
The answer to this question is key to understanding any alternatives to the purchase.
2. Is there a business case for the purchase? I.e. is the purchase justified? Does it serve UO's mission
3. Who needs to participate in the purchase? Who are the stakeholders? Whose input is essential?

The purpose of this first step in the procurement process, the buy decision, is to answer these questions to determine if moving forward with the purchase is the right decision.

## **HOW TO CREATE A BUSINESS CASE FOR YOUR PROJECT**

**What is a Business Case?** A Business Case is a document which outlines the justification for the start-up of a project. The Business Case is an essential document for the project success since it sets the basis for managing the delivery of the project on time, within the budget and to agreed quality standards.

Preparing the Business Case involves an assessment of:

- business problem or opportunity
- benefits
- risk
- costs including investment appraisal
- likely technical solutions
- time schedule
- impact on operations
- organizational capability to deliver the project outcomes

These project issues are an important part of the business case. They express the problems with the current situation and demonstrate the benefits of the new business vision. The business case brings together the benefits, disadvantages, costs, and risks of the current situation and future vision so that executive management can decide if the project should go ahead.

**How to Write a Business Case:** The purpose of the business case is to outline the rationale for undertaking the project, and to define the parameters and management

factors involved in the project itself. It provides the project manager with a tool to guide the design, management and evaluation of the project. When writing a business case keep the following in mind:

- the document should be brief and convey only the bare essentials
- make it interesting, clear and concise
- eliminate conjecture and minimize jargon
- describe your vision of the future
- demonstrate the value and benefits the project brings to the business
- keep the number of authors to a minimum to ensure consistent style and readability.

## **CONTENTS OF THE BUSINESS CASE**

**1. The Executive Summary:** The executive summary is the first section of the business case and the last written. It is a short summary of the entire business case. It succinctly conveys vital information about the project and communicates the entire story to the reader. The Executive Summary outlines:

- Problem or opportunity
- Solution alternatives
- Recommended Solution
- Implementation Approach

**2. The Finance Section:** The finance section of an effective business case is primarily for those who approve funding. When you prepare the financial appraisal seek advice on content and presentation from the finance function. In the case of capital developments consult subject matter experts. The purpose of a financial appraisal is to:

- identify the financial implications for the project,
- allow comparison of project costs against the forecast benefits,
- ensure the project is affordable and feasible; ensure every cost associated with the project is considered,
- assess value for money,
- predict cash flow, and
- **assess risk:** strategic, environmental, financial, operational, technical, industrial, legal, customer related. Grade risks from low, medium, high, to very high. Identify mitigating actions e.g., short term contract, pilot program, strict cost management.

**3. The Project Definition:** The purpose of this section is to give a clear introduction to the business case and project. It should contain a brief overview of the reasons **why** the project or business change has come about: the problem, opportunity or change of circumstances.

**A. Business Objective:**

- What is your goal?
- What is needed to overcome the problem?
- How will the project support business strategy?

**B. Business Analysis:** Outline the core aspects of the business environment which have derived the need for the project:

- Business Vision, Strategy or Objectives
- Business processes or technologies which are not operating efficiently
- New Competitor products or processes which have been identified
- New technology trends (or opportunities resulting from new technologies introduced)
- Commercial or operational trends which are driving changes in the business
- Changes to Statutory, legislative or other environmental requirements

**C. Benefits and Limitations:** The benefits and limitations section describes the financial and non-financial benefits in turn. The purpose is to explain why you need a project.

For instance, to:

- improve quality
- save costs through efficiencies
- reduce working capital — the difference between current assets and current liabilities
- generate revenue
- remain competitive
- improve customer service or to align with University policies or strategy.

The business case should also include any limitations since these present potential risk to the project.

**D. Option Identification and Selection:** Identify the potential solutions to the problem and describe them in enough detail for the reader to understand. For instance, if the business case and proposed solution makes use of technology make sure explain how the technology is used and define the terms used in a glossary. Since most problems have multiple solutions an option appraisal is often needed. This will explore the potential solutions and recommend the best option. **For each option:**

- Describe the option
- Determine the tangible and intangible benefits.
- Cost and Funding Plan
- Feasibility
- Risk
- Interdependencies
- Other issues

**4. Project Organization:** This section of the business case shows the reader how the project is structured and the different levels of decision-making.

**A. Project Governance:**

- Identify Stakeholders
- Identify Beneficiaries
- Identify roles and responsibilities in the project (the project team and stakeholders)
- Identify the project tolerances
- Identify any standards that the project should take into account
- Identify review points
- Identify how decisions are made

**B. Project Management and Reporting:** The business case should define how project progress is recorded and updated. Usually, a project manager is identified to prepare progress reports at regular intervals.

**TEAM BUILDING**

**What Does a Procurement/Contracting Team Do?** A Procurement or Contracting team should build and develop the necessary tools and materials to support Procurement/Contracting processes. Common elements of the Team's function include:

- identification of business needs
- determining stakeholders and beneficiaries
- profiling of risks
- specification of requirements
- planning the approach to market and analyzing the market (to identify potential suppliers)
- identification of procurement/contract process
- evaluation of vendor proposals
- negotiation and managing the relationship with vendors.

**Who Should be Members of the Team?** A procurement/contracting team structure refers to a composition of roles, duties and responsibilities of the team members. It identifies the key positions that provide successful purchasing management process:

- Project Director/Manager
- Key Stakeholders
- Key Beneficiaries
- Subject Matter Experts might include those with:
  - Technical Expertise
  - Financial Expertise
  - Market Expertise
  - Implementation Expertise
  - HR Expertise
  - Insurance Expertise
- Procurement/Contract Professional