
Phase I – ABC System

Business Case

| ABC Corp | Client Services|

Document Version:

Date:

Issued by:

Table of Contents

1	EXECUTIVE SUMMARY	4
1.1	OVERVIEW	4
1.2	ABC CORP CURRENT SITUATION	4
1.3	PROPOSED SOLUTION	5
1.4	BENEFITS	5
1.5	FINANCIAL ANALYSIS	6
1.6	RECOMMENDATION	6
2	XXX - PROJECT OVERVIEW	8
2.1	PHASES	8
2.2	CURRENT BUSINESS RISKS.....	ERROR! BOOKMARK NOT DEFINED.
2.3	OPPORTUNITIES	ERROR! BOOKMARK NOT DEFINED.
2.4	ABC SYSTEM DESCRIPTION.....	ERROR! BOOKMARK NOT DEFINED.
3	PHASE I - SOLUTION SCOPE.....	ERROR! BOOKMARK NOT DEFINED.
3.1	SCOPE.....	ERROR! BOOKMARK NOT DEFINED.
3.2	PROJECT APPROACH.....	ERROR! BOOKMARK NOT DEFINED.
3.3	PROJECT RISKS.....	ERROR! BOOKMARK NOT DEFINED.
3.4	TIMELINE	ERROR! BOOKMARK NOT DEFINED.
4	FINANCIALS	ERROR! BOOKMARK NOT DEFINED.
4.1	PROJECT COST.....	ERROR! BOOKMARK NOT DEFINED.
4.2	FINANCIAL BENEFITS.....	ERROR! BOOKMARK NOT DEFINED.

Approval & Authorisation

Signatories listed below acknowledge reading this Project brief and agree that these requirements listed in the document are the requirements for the business.

	NAME	SIGNATURE	
Project Owner			/ 06 / 200
Project Sponsor			/ 06/ 200
			/ 06/ 200

1 Executive Summary

1.1 Overview

ABC Corp commenced a review of the lease origination process in February 2003. The purpose of the review was to streamline the process commencing from the time a customer or dealer contacts ABC Corp to request credit approval through until the deal has been settled and a valid lease agreement has been completed with the customer. This process has been referred to as “New Business Acquisition” (NBA). The overall objective of the NBA process review is to maintain ABC Corp’s competitive advantage in speed, simplicity and convenience of rental approval for dealers.

The NBA project encompasses a large and complex number of processes spanning many departments. As such, the NBA project team has decided to implement the revised NBA process in at least two phases. This paper seeks to obtain the capital funding necessary to complete phase 1 of the NBA process.

Phase 1 will predominantly focus on the Credit Approval component of the overall NBA process. The revised Credit Approval sub-process will aim to deliver significant benefits to ABC Corp, its dealers and its customers. The revised Credit Approval process will encompass organisational change as well as the deployment of new credit decision technology. After a thorough review of the products available on the market and ABC Corp’s existing capability it is recommended that the business purchase and implement XYZ Corp’s New Business Process application.

1.2 ABC Corp Current Situation

Currently the credit approval process in the ABC Corp call centre requires a credit officer to collect the customer’s details and manually assess whether or not the customer represents an unacceptable risk to ABC Corp. While the customer data capture is facilitated by ABC Corp’s existing technology the current application is awkward to navigate and no longer reflects ABC Corp’s credit policy.

This has a negative impact on the credit approval process resulting in the following inefficiencies:

- increased application processing time;
- variance in approval standards amongst individual credit officers;
- inability to review credit decisions in order to ascertain whether the credit policy is effective;
- difficulty in implementing changes to the credit policy;
- conservative approach to staffing requiring credit officers in the call centre verses sales staff;
- lack of audit trails regarding the credit approval process.

These deficiencies in the current credit approval process are having a negative impact on the cost of approving leases, the application approval rate, customer service standards and risk management.

1.3 Proposed Solution

It is proposed that ABC Corp purchase and implement XYZ Corp's Credit Management software application to enable more robust, scalable and predictable credit approvals. XYZ Corp's Credit Management application will enable the business to disaggregate the credit decision from front-end application processing thereby enabling the call centre to reduce the number of credit officers required. The removal of the credit approval decision from front-end application processing will also enable the business to utilise sales staff verses credit officers when handling inbound lease inquiries. This will represent a significant cultural change to ABC Corp leading to a more competitive call centre capability focussed on revenue generation verses credit approvals. Furthermore, this is a necessary first step in creating a single call centre at ABC Corp verses the three disparate groups that exist today.

In addition, the XYZ Corp's Credit Management application will enable a substantial number of credit decisions to be fully automated without the need for any human intervention. This is achieved by the use of ABC Corp specific score cards and automating credit policy rules so that they are applied by the XYZ Corp's Credit Management application. Those applications that do not get automatically accepted or declined by the XYZ Corp's Credit Management application will be referred to a credit officer via the system's work flow tool. This enables the sales agent on the phone with the customer, to receive a rapid credit decision in most instances. On occasion the sales agent may be required to transfer the customer to a credit officer should further information be required to enable a credit decision to be reached.

XYZ Corp's Credit Management's database structure will enable accurate reporting on all credit decisions as well as providing a thorough audit trail for each application. The database will enable ABC Corp to review its credit policy by analysing the actual performance of accounts as compared to what the scorecard predicted at the time of the application. This information can be used to further "tune" the scorecard and credit policy in order to maximise approvals without negatively impacting bad debt levels.

The project is scheduled to be completed by 29th September.

1.4 Benefits

By implementing the revised credit approval process, supported by the XYZ Corp's Credit Management application, ABC Corp will achieve significant business benefits. Firstly, the shift toward a sales focussed culture will enable ABC Corp to derive additional revenues both from increasing application conversion rates as well as achieving a higher penetration of value added services such as Product A and Product B. Through the reduction of credit officers ABC Corp will also realise substantial cost savings as sales agents will be less costly to employ than the current credit officers.

In moving toward an analytical credit decision strategy ABC Corp will ensure that it is managing risk on a consistent basis and be able to better audit the adherence of staff to the credit policy. As the scorecard improves through ongoing analysis of credit decisions, the approvals rate will increase resulting in more settlements from the same volume of applications. This will not only increase revenues, but it will likely yield higher dealer satisfaction as approval rates are a key driver of dealer satisfaction. Given the robust and highly analytical nature of the XYZ Corp's Credit Management

application ABC Corp’s funding partners should react favourably towards the proposed changes to the credit decision process.

XYZ Corp’s Credit Management’s easy user interface and interoperability with external databases, such as ASIC and XYZ Corp credit bureau, will reduce the time taken to process an application. This will yield further savings as well as improving customer and dealer satisfaction. The automation of many credit decisions will also reduce overall application processing times and reduce costs.

Future changes in the credit policy will be easy to implement utilising XYZ Corp’s Credit Management application. This will make it possible for ABC Corp to update its credit policy on a more regular basis enabling better risk management. In addition, any changes to the credit policy can be analysed prior to implementation through “what-if” functionality giving the business greater confidence that a change to the credit policy will not have deleterious effect on write-offs.

Finally, XYZ Corp’s Credit Management application is a modern, robust and highly functional credit decision support tool. It has the capacity to meet ABC Corp’s requirements over at least the next 5 years. The product can support a range of additional financial products giving ABC Corp a reliable platform form which to expand into new businesses should an opportunity present itself.

1.5 Financial Analysis

The estimated cost of the XYZ Corp’s Credit Management system including all hardware, software and external resources is estimated to be \$505,000 plus 10% contingency (\$555,500).

The following financial benefits will be realised from the implementation of New Business Process and concurrent organisational changes:

1. Reduction in credit officers	\$200K per annum
2. Reduction in application processing time	\$120K per annum
3. Increase in approval rates	\$1,274K gross margin
<hr/>	
Total	<u>\$1,594K per annum</u>

The above cost and revenue benefits total \$1,594,000 annually. These are the estimated financial benefits that can be directly attributed to the credit decision project. All figures are based on conservative estimates. Assuming a transition period of 3 months post project completion until the benefits begin to be realised the pay back period for the investment will be approximately 7 months.

A more detailed discussion of the financials and project benefits is contained in other sections of this document.

1.6 Recommendation

ABC Corp’s current credit processes and technology platforms will struggle to cope with ongoing business growth. By implementing the new credit decision process and XYZ Corp’s Credit Management application, ABC Corp will realise significant strategic benefits as well as a relatively quick payback on the initial investment in just 7 months.

The Business Review Team recommends that the Board of Directors approve the implementation of the revised credit decision process and allocate capital funds of \$555,500 to meet the estimated costs of the project.

2 NBA - Project Overview

ABC Corp commenced a review of the lease origination process in February 2003. The purpose of the review was to streamline the process commencing from the time a customer or dealer contacts ABC Corp to request credit approval through until the deal has been settled and a valid lease agreement has been completed with the customer. This process has been referred to as “New Business Approval” (NBA). The overall objective of the NBA process review is to maintain ABC Corp’s competitive advantage in speed, simplicity and convenience of rental approval for dealers.

The NBA project encompasses a large and complex number of processes spanning and impacting many departments. As such, the NBA project team has decided to implement the revised Credit process in at least two phases.

2.1 Phases

2.1.1 Phase I

Phase 1 will predominantly focus on the Credit Approval component of the NBA process. The revised Credit Approval sub-process will aim to deliver significant benefits to ABC Corp, its dealers and its customers. The revised Credit Approval process will encompass organisational change as well as the deployment of new credit decision technology. After a thorough review of the products available on the market and ABC Corp’s existing capability it is recommended that the business purchase and implement XYZ Corp’s Credit Management application.

To support this implementation interfaces between XYZ Corp’s Credit Management application and **NBA Express** will be developed. This phase will NOT include full re-engineering of the overall **NBA** process. It will include the access of some data from **NBA Express** for display in the XYZ Corp’s Credit Management application.

3 Executive Summary

3.1 Overview

ABC Corp commenced a review of the lease origination process in February 200. The purpose of the review was to streamline the process commencing from the time a customer or dealer contacts ABC Corp to request credit approval through until the deal has been settled and a valid lease agreement has been completed with the customer. This process has been referred to as “XXX” (XXX). The overall objective of the XXX process review is to maintain ABC Corp’s competitive advantage in speed, simplicity and convenience of rental approval for dealers.

The NBA project encompasses a large and complex number of processes spanning many departments. As such, the NBA project team has decided to implement the revised NBA process in at least two phases. This paper seeks to obtain the capital funding necessary to complete phase 1 of the NBA process.

Phase 1 will predominantly focus on the Credit Approval component of the overall NBA process. The revised Credit Approval sub-process will aim to deliver significant benefits to ABC Corp, its dealers and its customers. The revised Credit Approval process will encompass organisational change as well as the deployment of new credit decision technology. After a thorough review of the products available on the market and ABC Corp’s existing capability it is recommended that the business purchase and implement XYZ Corp’s New Business Process application.

3.2 ABC Corp Current Situation

Currently the credit approval process in the ABC Corp call centre requires a credit officer to collect the customer’s details and manually assess whether or not the customer represents an unacceptable risk to ABC Corp. While the customer data capture is facilitated by ABC Corp’s existing technology the current application is awkward to navigate and no longer reflects ABC Corp’s credit policy.

This has a negative impact on the credit approval process resulting in the following inefficiencies:

- increased application processing time;
- variance in approval standards amongst individual credit officers;
- inability to review credit decisions in order to ascertain whether the credit policy is effective;
- difficulty in implementing changes to the credit policy;
- conservative approach to staffing requiring credit officers in the call centre verses sales staff;
- lack of audit trails regarding the credit approval process.

These deficiencies in the current credit approval process are having a negative impact on the cost of approving leases, the application approval rate, customer service standards and risk management.

3.3 Proposed Solution

It is proposed that ABC Corp purchase and implement XYZ Corp's Credit Management software application to enable more robust, scalable and predictable credit approvals. XYZ Corp's Credit Management application will enable the business to disaggregate the credit decision from front-end application processing thereby enabling the call centre to reduce the number of credit officers required. The removal of the credit approval decision from front-end application processing will also enable the business to utilise sales staff verses credit officers when handling inbound lease inquiries. This will represent a significant cultural change to ABC Corp leading to a more competitive call centre capability focussed on revenue generation verses credit approvals. Furthermore, this is a necessary first step in creating a single call centre at ABC Corp verses the three disparate groups that exist today.

In addition, the XYZ Corp's Credit Management application will enable a substantial number of credit decisions to be fully automated without the need for any human intervention. This is achieved by the use of ABC Corp specific score cards and automating credit policy rules so that they are applied by the XYZ Corp's Credit Management application. Those applications that do not get automatically accepted or declined by the XYZ Corp's Credit Management application will be referred to a credit officer via the system's work flow tool. This enables the sales agent on the phone with the customer, to receive a rapid credit decision in most instances. On occasion the sales agent may be required to transfer the customer to a credit officer should further information be required to enable a credit decision to be reached.

XYZ Corp's Credit Management's database structure will enable accurate reporting on all credit decisions as well as providing a thorough audit trail for each application. The database will enable ABC Corp to review its credit policy by analysing the actual performance of accounts as compared to what the scorecard predicted at the time of the application. This information can be used to further "tune" the scorecard and credit policy in order to maximise approvals without negatively impacting bad debt levels.

The project is scheduled to be completed by 29th September, 200.

3.4 Benefits

By implementing the revised credit approval process, supported by the XYZ Corp's Credit Management application, ABC Corp will achieve significant business benefits. Firstly, the shift toward a sales focussed culture will enable ABC Corp to derive additional revenues both from increasing application conversion rates as well as achieving a higher penetration of value added services such as Product A and Product B. Through the reduction of credit officers ABC Corp will also realise substantial cost savings as sales agents will be less costly to employ than the current credit officers.

In moving toward an analytical credit decision strategy ABC Corp will ensure that it is managing risk on a consistent basis and be able to better audit the adherence of staff to the credit policy. As the scorecard improves through ongoing analysis of credit decisions, the approvals rate will increase resulting in more settlements from the same volume of applications. This will not only increase revenues, but it will likely yield higher dealer satisfaction as approval rates are a key driver of dealer satisfaction. Given the robust and highly analytical nature of the XYZ Corp's Credit Management

application ABC Corp’s funding partners should react favourably towards the proposed changes to the credit decision process.

XYZ Corp’s Credit Management’s easy user interface and interoperability with external databases, such as ASIC and XYZ Corp credit bureau, will reduce the time taken to process an application. This will yield further savings as well as improving customer and dealer satisfaction. The automation of many credit decisions will also reduce overall application processing times and reduce costs.

Future changes in the credit policy will be easy to implement utilising XYZ Corp’s Credit Management application. This will make it possible for ABC Corp to update its credit policy on a more regular basis enabling better risk management. In addition, any changes to the credit policy can be analysed prior to implementation through “what-if” functionality giving the business greater confidence that a change to the credit policy will not have deleterious effect on write-offs.

Finally, XYZ Corp’s Credit Management application is a modern, robust and highly functional credit decision support tool. It has the capacity to meet ABC Corp’s requirements over at least the next 5 years. The product can support a range of additional financial products giving ABC Corp a reliable platform form which to expand into new businesses should an opportunity present itself.

3.5 Financial Analysis

The estimated cost of the XYZ Corp’s Credit Management system including all hardware, software and external resources is estimated to be \$505,000 plus 10% contingency (\$555,500).

The following financial benefits will be realised from the implementation of New Business Process and concurrent organisational changes:

4. Reduction in credit officers	\$200K per annum
5. Reduction in application processing time	\$120K per annum
6. Increase in approval rates	\$1,274K gross margin
Total	<u>\$1,594K per annum</u>

The above cost and revenue benefits total \$1,594,000 annually. These are the estimated financial benefits that can be directly attributed to the credit decision project. All figures are based on conservative estimates. Assuming a transition period of 3 months post project completion until the benefits begin to be realised the pay back period for the investment will be approximately 7 months.

A more detailed discussion of the financials and project benefits is contained in other sections of this document.

3.6 Recommendation

ABC Corp’s current credit processes and technology platforms will struggle to cope with ongoing business growth. By implementing the new credit decision process and XYZ Corp’s Credit Management application, ABC Corp will realise significant strategic benefits as well as a relatively quick payback on the initial investment in just 7 months.

The Business Review Team recommends that the Board of Directors approve the implementation of the revised credit decision process and allocate capital funds of \$555,500 to meet the estimated costs of the project.

4 NBA - Project Overview

ABC Corp commenced a review of the lease origination process in February 200. The purpose of the review was to streamline the process commencing from the time a customer or dealer contacts ABC Corp to request credit approval through until the deal has been settled and a valid lease agreement has been completed with the customer. This process has been referred to as “New Business Approval” (NBA). The overall objective of the NBA process review is to maintain ABC Corp’s competitive advantage in speed, simplicity and convenience of rental approval for dealers.

The NBA project encompasses a large and complex number of processes spanning and impacting many departments. As such, the NBA project team has decided to implement the revised Credit process in at least two phases.

4.1 Phases

4.1.1 Phase I

Phase I will predominantly focus on the Credit Approval component of the NBA process. The revised Credit Approval sub-process will aim to deliver significant benefits to ABC Corp, its dealers and its customers. The revised Credit Approval process will encompass organisational change as well as the deployment of new credit decision technology. After a thorough review of the products available on the market and ABC Corp’s existing capability it is recommended that the business purchase and implement XYZ Corp’s Credit Management application.

To support this implementation interfaces between XYZ Corp’s Credit Management application and NBA Express will be developed. This phase will NOT include full re-engineering of the overall NBA process. It will include the access of some data from Business Review Team for display in the NBA Process.

4.1.2 Phase II

In parallel with the delivery of Phase I, the specification of the Business Requirements for Phase II will be conducted. This phase of the project will include a re-engineering of the overall NBA process along with a review of the current support systems including Express, Checklist, Pipeline, NBA and current reporting and data enquiry functionality. This is in line with the output from the NBA workshops conducted over the past 3 months.

As part of Phase I a project structure will be developed to support the definition, development, implementation and support of the complete NBA project.

4.2 Current Business Risks

ABC Corp is operating in an increasingly competitive environment. The current credit decision making process restricts the ability of the call centre, and as a result the business, to be responsive to the demands of this environment. This limitation represents a substantial risk to the maintenance and growth of the customer base.

The current credit policy is unwieldy and designed to manage applications by inclusion and exception, there is no formal scoring used and little analysis done to inform the validity of decisions made. In this environment the risk at best is that there is no development and improvement of the policy over time. At worst the business risks signing increasingly high numbers of bad deals while turning away good deals, potentially alienating the valued dealer channel and producing sub-optimal growth.

To ensure ABC Corp's competitive advantage there is an increasing need to instil a sales culture within the call centre environment. The current dealer channel, particularly the independents, are already pushing for this cultural shift and are increasingly being lured by competitors that are offering this approach to leasing. The absence of automated decision making severely limits the ability of the call centre to shift from a credit to a sales culture.

The current credit process is onerous to manage. To create some consistency and to put in place checks on lending decisions requires intense micro management. This combined with the current lengthy and complex training cycle limits the scalability of the call centre service. As a result the centre cannot be reactive to market demands and any attempts to increase capacity come at an unacceptably high cost and are risky to manage.

At present the application of the credit policy by individual credit officers is highly subjective. The result of this is inconsistent service provision to both dealers and customers. This also increases risk profiles on lending decisions and potentially limits the ability of ABC Corp to secure funding guarantees. In the current funding environment there is an increasing need to be able to demonstrate consistency in lending and clear analytics that inform the formation and development of credit policy.

The implementation of automated decision making removes a number of barriers to the development of call centre services in ABC Corp. It allows the development of a sales culture, creates a consistency in service delivery, ensures the call centre can be responsive to market demands and guarantees consistency in lending which directly impacts funding availability. Without a change to the current environment these risks remain real and potentially unmanageable.

4.3 Opportunities

The implementation of the XYZ Corp's Credit Management application product represents a number of opportunities for the development and enhancement of the services provided by the call centre. It will enable the call centre to evolve in line with the demands of the business and the market.

Historically the call centre has been managed as three distinct business units. In order to obtain economies of scale and achieve required service levels at a manageable cost this structure needs to be revisited. The introduction of an automated decision making tool in the credit area removes the barriers to creating universal agents within these historically discreet units. This will deliver considerable business benefits and cost reductions and allow the call centre to develop into a sales focused environment ensuring that all opportunities delivered through the dealer channel are maximised.

The XYZ Corp's Credit Management application product intrinsically ensures consistency in credit decisions. In turn this provides ABC Corp with the opportunity to

increase its current approval rates while guaranteeing the maintenance of acceptable bad debt levels. Through analytics the opportunity to validate and develop the credit policy is realised and discipline in risk management strategy is assured. This represents a substantial enhancement to a system that is currently limiting and unwieldy.

ABC Corp's current competitive advantage cannot be guaranteed in the absence of a call centre that is responsive to business and market dictates. The XYZ Corp's Credit Management application product removes the primary barrier to the development of scalable and responsive service provision. It ensures that the call centre has the ability to develop into a highly malleable and sales driven business unit.

Without quantifiable data on historical credit decisions it is not possible to proactively track the effectiveness of lending decisions. The creation of automated decision making and the use of valid scorecards will allow ABC Corp to develop the ability to closely link lending decisions with customer performance post settlement. The development of a closer relationship between collection activity and lending decisions ensures bad debts can be prudently managed and reduced over time. In addition, the XYZ Corp's Credit Management application will enable ABC Corp to avail itself of more sophisticated fraud prevention measures thereby reducing exposure to an increasingly harmful lending risk.

While the opportunities delivered by the implementation of XYZ Corp's Credit Management application are not limitless and do need to be managed effectively with other changes to the call centre environment it should be clearly understood that they are substantial. In essence XYZ Corp's Credit Management application implementation removes primary barriers to the evolution of the call centre into an effective and responsive business unit, creating substantial business opportunities for ABC Corp.

4.4 ABC System Description

ABC System is a leading edge, parameter driven credit decision solution. Specific features of the ABC System application are:

- Flexible parameters driving all credit processes (lower cost to adjust and maintain lending rules and processes on an ongoing basis) including the rapid deployment of scoring models
- User control over all lending policy, underwriting standards, product rules and the decision process
- The ability to implement decisions for multiple product portfolios within the one decision engine
- Graphical 'workflow' type parameter management
- Architecture based on Windows servers, and SQL Server (ABC Corp platform)

ABC System is a three-tier application processor designed to deliver all the benefits of automated application processing in a modern and flexible architecture to support multiple business models. This includes the use of different introduction channels for credit applications for a variety of lending products.

The rules which dictate the credit acceptance function, including the use of credit

scorecards are managed and controlled via a graphical parameter management tool XYZ System 'Builder'. XYZ System 'Builder' will allow ABC Corp to make policy changes quickly and easily as their business models and processing requirements change, with no expensive and time-consuming coding or development. User defined and managed parameters implemented using XYZ System 'Builder' includes the automated accessing of credit bureaus and third party data sources as part of the credit checking process.

5 Phase I - Solution Scope

5.1 Scope

5.1.1 In Scope

The project scope for Phase I is defined by the following activities: -

1. Customization and implementation of the XYZ Corp's Credit Management application.
2. Validation of Generic scorecards and customisation for ABC Corp. This will involve the extract of data from the existing lease management system and subsequent processing by XYZ.
3. Interfaces between NBA Express and XYZ Corp's Credit Management application to provide data flow between the two systems to support the credit decision process.
4. Minimal modification of NBA Express. This will support data entry sequencing to enable data to be captured at appropriate times to support the system interfaces. This will involve changes to screens, and code changes.
5. Extract of applicant's historical data (held in XYZ Corp's Credit Management application). The NBA Express application will perform this data access in a real time mode and pass information to XYZ Corp's Credit Management application for display.

5.1.2 Out of Scope

Although this document focuses on Phase I it is important to highlight those areas that will be addressed as being in scope for Phase II of the project.

Out of Scope for Phase I – In Scope for Phase II

1. Overall Business Re-engineering of the full NBA process including the introduction of 'voice signature' functionality.
2. Major modifications to NBA Express.
3. Modification of the other applications to support required business functionality. This is expected to encompass the following systems: -
 - 3.1. XXX
 - 3.2. XXX
 - 3.3. XXX
 - 3.4. XXX
4. Additional system reports to monitor and measure performance.

Out of Scope – Both Phases

1. Upgrade to the DRP.
2. Provision of redundancy to provide system recovery in the event of any hardware failure.

5.2 Project Approach

A project management structure will be established to ensure that appropriate control and direction is maintained throughout the project lifecycle. It is essential to a successful and timely outcome that the Business and IT are engaged effectively and work as a team towards known and agreed objectives.

The project Team model being proposed is comprised of the following key groups: -

- Steering Committee
- Core Team
- IT Project Team

The Core Team is comprised of key personnel who will be responsible for planning and monitoring all phases of the projects. These resources are sourced from both the Business and IT. They will make and implement strategic decisions and follow direction as defined by the Steering Committee. The management of project risks and issues will be a key activity of this group. The Project Manager will lead this group.

The Steering Committee will give support to the Core Team by providing project commitment and support. Weekly Core Team meetings will be held with the Steering Committee forming on a bi-weekly basis. The Project Sponsor will lead this group.

The IT Project Team will be engaged by the Core Team to perform necessary tasks and provide deliverables required for a successful and timely implementation.

The Core Team will give particular focus to the following areas: -

- Risk and Issue Management
- Vendor management
- Development and sign off of Business Requirements
- Development of System Testing plans with scripts and expected results
- Development of Business Acceptance Testing Plans with scripts and expected results
- Operational Implementation and Support
- Scope and Change Management.

5.3 Project Risks

Following is a table of the risks to the project’s successful implementation.

The description of each risk contains the following: -

- A risk description
- The likelihood of occurrence of the risk (Low, Medium, High)
- A measure of the capability to manage the risk (Low, Medium, High)
- The impact of the event to the project (Low, Medium, High)
- Mitigation strategy

Risk Description	Likelihood	Manage	Impact	Mitigation
<p><i>Completeness of Statement of Works (SOW) from XYZ</i> An incomplete or inaccurate SOW may result in poor quality requirements or at worst an ineffective delivery of ABC System.</p>	Medium	High	High	The Statement of Works need to be validated to ensure that all Phase I requirements have been captured and the suggested solution meets ABC Corp’s requirements.

<i>Inadequate Testing Procedures</i> There are no testing procedures and methodology in the environment.	High	High	High	Formal Test methodology and strategy need to be applied to both IT and the Business.
<i>Availability of Key Resources</i> In the 'busy' period in June, resources from both IT and business will be stretched and shared with other projects. This will impact the tight deliverable release date.	Medium	Medium	High	Key resources from both IT and business will need to be assigned to this project to meet tight time frames.
<i>Impact of other concurrent IT and Business Projects</i> There is competition for limited IT resources from other projects. Other projects are imposed on IT by the business with short notice but with critical impact if not delivered ("surprises").	Medium	Medium	Medium	Raise the profile of this project within ABC Corp. Develop a detailed plan and obtain commitment of nominated resources to this project. Publish this commitment to ABC Corp.
<i>Inadequate IT Resources</i> There are only two IT development resources available.	Medium	High	High	Develop resource plan and confirm resources. Use external resources if required.
<i>UAT manager</i> A resource needs to be assigned to perform this function. The current environment in ABC Corp does not have formal testing layout. UAT does not involve end-users in testing and acceptance.	Low	High	High	UAT environment need to be established, and test scenarios & scripts need to be formalized. The UAT team testing group needs to be formed and trained in the UAT.
<i>NBA Express Application</i> The integrity and robustness of NBA Express to withstand change has been questioned based on recent software releases.	Medium	High	Medium	Get an external resource to document NBA Express's functionality, integrity and robustness in order to fully understand the system.

5.4 Timeline

The target Go Live date for Phase I is Monday, September 29th.

To meet this timeframe the following major milestones have been established.

Milestone	Completion Date
Phase I Approved by Board	18 th June
Vendor Statement of Works	27 th June
XYZ Contracts in Place	27 th June
NBA Requirements Finalized	17 th July
Business Requirements Finalized	17 th July
Validated Scorecards	4 th August
Customized XYZ Corp's Credit Management application delivered to ABC Corp	28 th August
ABC Corp Development Completed	28 th August
System Testing Completed	11 th September
Business Acceptance Testing Completed.	25 th September
Training Completed	25 th September
SYSTEM LIVE	29 th September

6 Financials

6.1 Project Cost

Project Costs For Phase I (XXX)

The estimated project costs for Phase I follow. These will be revisited when business requirement for Phase I have been defined and agreed.

Item	Cost	Total
Database & Hardware		
System Testing Server (Use Existing Hardware & Software)	\$0	
UAT Server	\$15,000	
UAT Software Licences	\$5,000	
Production Server (Use existing Hardware & Software)	\$0	
		<i>\$20,000</i>
XYZ System		
- License for 3 portfolios	\$200,000	
- Installation & Training	\$20,000	
- Customisation	\$80,000 - \$100,000	
- Scorecard Validation	\$45,000	
		<i>\$365,000</i>
External Resources (see Notes)		
External Project Manager	\$52,000	
External Business Analyst	\$28,000	
External Developers	\$30,000	
		<i>\$110,000</i>
Vendor Expenses (see Notes)		
Travel & Accommodation	\$10,000	<i>\$10,000</i>
Contingency		
10% Contingency	\$50,500	<i>\$50,500</i>
Total One-off Costs		\$555,500

Notes:

1. External Project manager.

32 days Full Time till end July	32 x \$1,000	
20 days Part Time Aug and Sep	20 x \$1,000	\$52,000

2. External Business Analyst

32 days Full Time till end July	32 x \$640	
12 days Part Time Aug and Sep	12 x \$640	\$28,000

3. External Developers

25 days August	25 x \$1,200	\$30,000
----------------	--------------	----------

4. Vendor Expenses

Travel, accommodation and per diems	10 x \$1,000	\$10,000
-------------------------------------	--------------	----------

6.2 Financial Benefits

This section outlines the quantifiable savings and revenue increases achievable as a result of implementing XYZ Corp's Credit Management application for Phase 1. Estimates are conservative and exclude unquantifiable savings and benefits, which are outlined in the project overview. All figures quoted are expressed annually and benchmarked against available data for the previous 12 months. Cost savings and revenue increases will not be actualised until 3 months after the implementation of Phase 1. All volumes quoted are stagnant and do not include any allowance for business growth.

Quantifiable savings are in 3 distinct areas.

6.2.1 Reduction in annual salary costs

The implementation of automated decision making will allow the profile of credit staff to be changed. The transition from credit staff to sales staff will allow for a reduction in the remuneration amount paid to the majority of credit staff. The savings quoted do not include expected reductions in management costs resulting from the elimination of subjective decision making.

Reduction in credit officer salary costs		
Quantity	Current average	Current Cost
25	\$50K	1,250,000
	Total Current	1,250,000
Proposed Quantity	Proposed Average	Proposed Cost
20	\$40K	800,000
5	\$50K	250,000
	Total Proposed	1,050,000
Actual cost reduction salary		200,000

6.2.2 *Reduction in operating costs by reduced AHT*

The implementation of automated decision making will streamline the call process for all acquisition calls. Credit applications that fall outside policy guidelines will be identified earlier in the call and automated decision making will eliminate the current time taken by credit staff to analyse applications for credit worthiness. It is anticipated that on average the duration of credit calls will be reduced by 1.5 minutes. This reduction will allow the call centre to decrease the number of staff used to manage acquisition calls, thus reducing operating costs.

Reduction in operating costs by reduced AHT		
Current AHT	Proposed AHT	Reduction AHT
10 minutes	8.5 minutes	15%
Actual Staff	Proposed reduction	Reduced Requirement
20 @ 40k	3 @ 40k	17 @ 40k
Actual operating cost reduction		120,000

6.2.3 *Increased revenue resulting from higher approval rates (not increasing risk profiles)*

Experience dictates that the implementation of XYZ Corp's Credit Management application results in increased approval rates. The use of scorecards and credit analytics results in the identification of clearer risk profiles and allows an increase in approval rates without effecting bad debt ratios. It is assumed that approval rates will increase by a minimum of 5% and that this will result in a minimum increase of 3% for settled deals. This represents a substantial annual increase in written business.

Increased revenue by 5% increase in approval rate		
Current Approval Rate	Proposed Approval Rate	
xx%	xx%	
Monthly Approval	Monthly Increase settled	Gross Margin
xxxxxxx	xxxxx	xx%
Increased revenue (Gross Margin)		1,274,000

In summary the implementation of XYZ Corp’s Credit Management application will result in reductions to operating costs and increased revenues in the form of written business. A summary of the cost and revenue outcomes is below.

Summary Financials	
Total Cost Reduction	320,000
Total Revenue Increase	1,274,000
Total	\$1,594,000

6.2.4 *Phase II*

In parallel with the delivery of Phase I, the specification of the Business Requirements for Phase II will be conducted. This phase of the project will include a re-engineering of the overall NBA process along with a review of the current support systems and current reporting and data enquiry functionality. This is in line with the output from the NBA workshops conducted over the past 3 months.

As part of Phase I a project structure will be developed to support the definition, development, implementation and support of the complete NBA project.