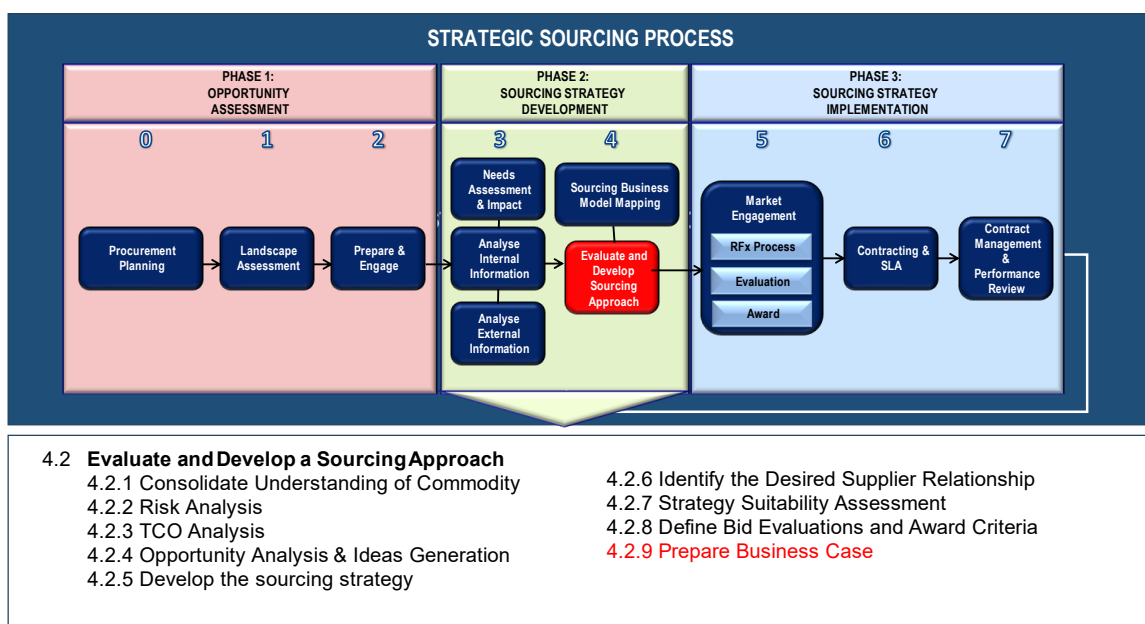


Using this guide

This guide accompanies the National Treasury's Strategic Procurement Framework (SPF) for Strategic Sourcing in the Public Sector. For more information, visit the National Treasury website at <http://ocpo.treasury.gov.za/>
The SPF can be found here:
http://ocpo.treasury.gov.za/Resource_Centre/Documents/1A.%20Strategic%20Procurement%20Framework.pdf

PREPARE THE BUSINESS CASE



1.0 Introduction

- i. Every sourcing strategy requires a business case. The scope of the business case depends on the complexity of the procurement.
- ii. The following good practice guides and templates apply to this stage of preparing the business case:
 - a. Why a business case
 - b. Compiling a business case
 - c. Obtain approval for implementing the business case
 - d. Business case structure (template)

1.1 The objective

- i. To document the information needed to decide whether to support a proposed sourcing strategy before significant resources are committed.
- ii. To obtain approval for proceeding with the implementation of the sourcing strategy.

1.2 Output

- i. Business case

2.0 Good practice guides

2.1 Why a business case

- i. A business case:
 - a. Provides an audit trail of your decision-making process;
 - b. Documents the scope of factors impacting the sourcing strategy; and
 - c. Provides a template against which a sourcing strategy outcome can be monitored.

2.1.1 When is a business case needed?

- i. Every sourcing strategy requires a business case, although the scope of the business case depends on the complexity of the procurement.
- ii. For example:
 - a. A simple, low-risk, low-value purchase may only need a description of the business need and price.
 - b. A procurement activity with a clear business need, a well-understood, competitive market and a standardised good or service may require a few paragraphs on a procurement approval template.
 - c. A highly complex procurement where the business need is less understood, with diverse levels of market capability and capacity, and varied options for goods and services, would need more in-depth

documentation to justify the need and to present a range of detailed implementation options.

2.2 Compiling a business case

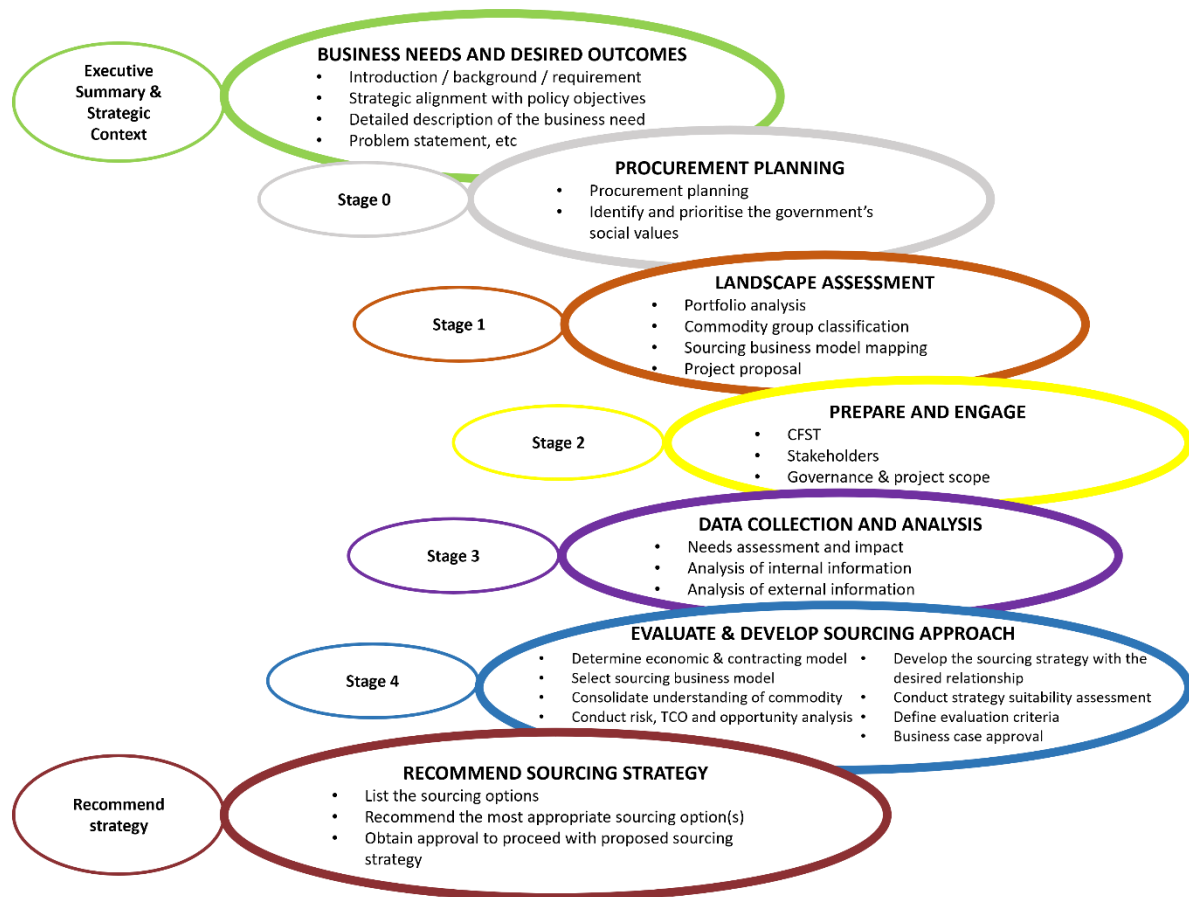


Figure 1: Compiling a business case

2.3 Obtain approval for implementing the business case

- The sourcing strategy options are documented in the business case and it is supported with factual information from the research and analysis that was done.
- The business case must make recommendations as to how the market must be approached and which sourcing options would result in the best outcome.

- iii. It must motivate the purchase and give evidence of estimated savings as well as operational process improvements.
- iv. During Stage 2, you have done a stakeholder map and established a governance structure at which the business case must be presented for approval. It may have to go through various approval processes, e.g.:
 - a. Cross-Functional Sourcing Team (CFST): to have a final look at their work and ensure that everybody agrees with the recommendations
 - b. Bid Specification Committee: to ensure that the CFST recommendations are sound and that they can be recommended to the BAC for continuation.
 - c. BAC and AO/AA: The final approval of the strategy and proposed market approach vests with the BAC and AO/AA.
- v. The departmental internal governance structures will determine the approval process that has to be followed.

3.0 Template

3.1 Business case structure

BUSINESS CASE STRUCTURE

- i. The following table lists a range of factors that may be relevant in preparing the business case, to justify going to the market, allocating resources and committing funds.
- ii. Not all factors are relevant in all cases as it depends on the complexity of your procurement activity.

Contents
Executive Summary <ul style="list-style-type: none">○ Brief introduction/background/requirement○ Problem Statement○ Preferred option○ Assumptions and constraints○ High-level analysis of the proposal○ Market engagement strategy○ Estimated value of the contract○ Estimated period of the contract○ Estimated savings○ Project Ownership
Strategic Context <ul style="list-style-type: none">○ Project background○ Project Objectives○ Business Need○ Key benefits○ Department strategy alignment○ Government policy objective alignment○ Output/outcome success factors
PHASE 1: OPPORTUNITY ASSESSMENT
Stage 0: Procurement planning <ul style="list-style-type: none">○ 0.1 Procurement planning

- 0.2 Identify and prioritise the government's social values

Stage 1: Landscape Assessment

- 1.1 Portfolio analysis, commodity positioning & prioritization
- 1.2 Commodity group classification
- 1.3 Sourcing business model mapping (SBMM)
- 1.4 Project Proposal & Approval

Stage 2: Prepare & Engage

- 2.1 Establish a cross-functional project team
- 2.2 Stakeholder identification and mapping, governance structure & communication plan
- 2.3 Project scope
- 2.4 Project plan & project charter

PHASE 2: SOURCING STRATEGY DEVELOPMENT

Stage 3: Information Gathering

Stage 3.1: Needs Assessment and Impact

- 3.1.1 Preparing for Stakeholder Engagements
- 3.1.2 Identify business needs and requirements
- 3.1.3 Obtain and review existing sourcing plans and contracts
- 3.1.4 Collect, document and review technical specifications

Stage 3.2: Internal Information Analysis

- 3.2.1 Spend Analysis
- 3.2.2 Demand Planning
- 3.2.3 Value Chain Analysis

Stage 3.3: External Information Analysis

- 3.3.1 Supply Chain Analysis
- 3.3.2 Supply Market Analysis
- 3.3.3 Supplier Differentiation Assessment
- 3.3.4 Identify Potential Suppliers
- 3.3.5 Supplier's Pricing Approach

Stage 4.1: Sourcing business model mapping

- 4.1.1 Determine the economic and contracting model
- 4.1.2 Select sourcing business model

Stage 4.2: Evaluate and develop the Sourcing Approach

- 4.2.1 Consolidate Understanding of Commodity
- 4.2.2 Risk Analysis
- 4.2.3 TCO Analysis
- 4.2.4 Opportunity Analysis & Ideas Generation
- 4.2.5 Develop the sourcing strategy
- 4.2.6 Identify the Desired Supplier Relationship
- 4.2.7 Strategy Suitability Assessment
- 4.2.8 Define Bid Evaluations and Award Criteria
- 4.2.9 Prepare Business Case

PHASE 3: SOURCING STRATEGY IMPLEMENTATION

Stage 5: Market Engagement, Evaluate & Award

- 5.1 Plan approach to the market
- 5.2 Evaluation model
- 5.3(a) RFx User Guide
- 5.3(b) Developing an Offer Template
- 5.4 Market approach process and timelines
- 5.5 Market approach & contracting strategy
- 5.6 Bid Evaluation, negotiate and Award

Stage 6: Contracting and Service Level Agreement

- 6.1 Develop inception report
- 6.2 Develop transition plan
- 6.3 Develop KPI's
- 6.4 Draft SLA

Stage 7: Contract Management & Performance Review

- 7.1 Contract and Lifecycle Management
- 7.2 Supplier Performance Assessment
- 7.3 Benefits Tracking

○ 7.4 Review Sourcing Strategy
CLOSURE
Recommendations and Approvals <ul style="list-style-type: none">○ Outcome and Output objectives○ Recommendations○ Approval process

Table 1: Business Case Structure

Depending on the complexity, some businesses may require all of the above and some may require less, the processes undertaken and the information gathered will assist in compiling the business case information.