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The Outsourcing project has completed the Starting up a Project process and is now in the initiation stage. Because of the strategic importance of the project, the MFH Chief Executive Officer has taken the role of Executive. A PRINCE2-experienced Project Manager has been appointed from within MFH. Staff within the business functions being outsourced will work with the external consultants who conducted the feasibility study to define the detailed designs.

Which 2 statements should be recorded under the Major risks heading?

- A. Due to market conditions a suitable service provider may not be found, possibly leading to premature closure of the project.
- B. Owing to employment contract changes staff may resist outsourcing, which would make it difficult to transfer staff to the selected service provider.
- C. MFH's operations may be reduced and the 1a-year contract may not achieve its estimated value of £20m, which would reduce the service provider's profit.
- D. The initial estimates, taken from the feasibility study report, indicate that the project will take two years to complete, which means that the business problems would remain for this period.
- E. The management stages recommended by the consultants may not be appropriate, resulting in confusion in planning.

Correct Answer: BD

QUESTION 17

HOTSPOT

Scenario

Additional Information

During the initiation stage the Project Manager met with the Marketing Director to find out more about the requirements of the promotional calendar and recorded the following notes:

There has been a reduction in the order numbers at the MNO Manufacturing due in part to the increased marketing activities of its competitors. 10% of customers have not re-ordered in this financial year and staff morale is poor. A number of skilled staff have left as a result and replacement staff have not been recruited due to the reduced operation. If the project is successful, a recruitment campaign will be required to fill the existing staff vacancies and there may be a requirement for additional staff. Operational costs are likely to increase because skilled staff are expensive and difficult to find.

In financial terms, there were a total of 1,500 orders in the last financial year, each with an average profit of £2k. The Marketing department believes that sending a promotional calendar to our current and prospective customers would increase orders by at least 10% with a minimum of 10 further orders from the list of prospective customers within 12 months from the date of distribution.

The Marketing Director will be funding the project from the business marketing budget. She believes that the effect of a good company image portrayed by a successful calendar would last into a second year. She has forecast the same increase in orders for a second year and predicts that the annual employee satisfaction survey will show a measurable improvement in staff morale.

A number of alternatives were explored, including:

- 20% discount for all repeat customers - not cost-effective and very short term
- A promotional calendar as a free Christmas gift - would target current and prospective customers and the benefits would last into a second year
- A series of television and press advertisements - was too expensive
- A direct mail shot to all customers - benefit would be short term
- Creation of an internet website - would not suit all customers

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The calendar is seen as the favored option, as long as the company's competitors do not increase their marketing activity. Whilst the Marketing department wants a very high quality, glossy product, the project management team must be aware of the cost this will incur.

Using the Project Scenario and the additional Information provided for this question In the Scenario Booklet, answer the following question.

Lines A to E in the table below consist of an assertion statement and a reason statement. For each line identify the appropriate option, from options A to E, that applies. Each option can be used once, more than once or not at all.

	Assertion	True / False	Reason	
A	If the calendar solution is changed there should be a review of, and possible changes to, the Business Case.	True / False	The Business Case includes options for the delivery of the chosen solution.	True / False
B	The Business Case will no longer be viable if the prepared calendar pack is only available for printing in the first week of December.	True / False	The Business Case is no longer viable if stage tolerances are exceeded during project.	True / False
C	The fact that the project's aim is to try to counter the fall in orders should be documented in the project Brief.	True / False	The outline Business Case contains the reasons why the project is needed and forms part of the Project Brief.	True / False
D	The Benefits Review Plan should include an assessment in 12 months time of the increase in orders.	True / False	The Benefits Review Plan contains details of benefits reviews to be conducted during the project	True / False
E	The expected improvement in staff morale should NOT be recorded as a benefit in the Business Case.	True / False	Only those benefits that can be measured in financial terms should be defined in the Business Case.	True / False

Correct Answer:

	Assertion	True / False	Reason	
A	If the calendar solution is changed there should be a review of, and possible changes to, the Business Case.	True / False	The Business Case includes options for the delivery of the chosen solution.	True / False
B	The Business Case will no longer be viable if the prepared calendar pack is only available for printing in the first week of December.	True / False	The Business Case is no longer viable if stage tolerances are exceeded during project.	True / False
C	The fact that the project's aim is to try to counter the fall in orders should be documented in the project Brief.	True / False	The outline Business Case contains the reasons why the project is needed and forms part of the Project Brief.	True / False
D	The Benefits Review Plan should include an assessment in 12 months time of the increase in orders.	True / False	The Benefits Review Plan contains details of benefits reviews to be conducted during the project	True / False
E	The expected improvement in staff morale should NOT be recorded as a benefit in the Business Case.	True / False	Only those benefits that can be measured in financial terms should be defined in the Business Case.	True / False

QUESTION 18

Scenario

A central government department, the Ministry of Food Hygiene (MFH), faces increasing pressure to cut costs, better manage suppliers' performance and reduce the confusion caused by inadequate internal controls, outdated standards and outdated technology. External consultants were employed to conduct a feasibility study to identify options to address the problems, and the likely costs and benefits. The following options were considered:

Do nothing.

Re-engineer selected business functions.

Outsource selected business functions.

The feasibility study concluded that there was a case for outsourcing the MFH Information Technology Division and the Facilities Division (maintenance of buildings and grounds). The recommendations were:

One service provider should be contracted to provide the services currently provided by the Information Technology Division and the Facilities Division.

A 10-year service contract should be agreed with the selected service provider.

The feasibility study developed high-level designs of the current organization, processes, systems and operating models, plus an outline Business Case for the required project. The external consultants also made the following recommendations for the management of the project:

Use PRINCE2.

Set up the project with 4 management stages:

Stage 1. Standard PRINCE2 initiation activities.

Stage 2. Create detailed designs (future organization, processes, systems and operating models) and the service level agreement between MFH and the future service provider.

Stage 3. Request and evaluate proposals, select service provider and agree contract.

Stage 4. Transfer equipment and staff, transfer responsibility for service provision and run trial period.

Initial estimates indicated that the project would cost £2.5m and take two years to complete.

MFH senior management agreed that there was a case for outsourcing, and accepted the recommendations as a basis for the project. There is an expected saving of £20m over 10 years.

The Outsourcing project has completed the Starting up a Project process and is now in the initiation stage. Because of the strategic importance of the project, the MFH Chief Executive Officer has taken the role of Executive. A PRINCE2-experienced Project Manager has been appointed from within MFH. Staff within the business functions being outsourced will work with the external consultants who conducted the feasibility study to define the detailed designs.

Which 2 statements should be recorded under the Expected benefits heading?

- A. The 10-year outsourcing contract, at current prices, will be worth £80m.
- B. Outsourcing would allow MFH to take advantage of the best services the outsourcing industry has to offer.
- C. The total expected savings over 10 years, at current prices, is £20m.
- D. The 10-year outsourcing contract will enable MFH to stabilize costs at agreed levels.
- E. The confirmed cost of the Outsourcing project is ?5m, but with considerable savings over 10 years.

Correct Answer: CD

Explanation:

<http://www.whatisprince2.net/prince2-theme-business-case.php>

QUESTION 19

Scenario

Additional Information

During the initiation stage the Project Manager met with the Marketing Director to find out more about the requirements of the promotional calendar and recorded the following notes:

There has been a reduction in the order numbers at the MNO Manufacturing due in part to the increased marketing activities of its competitors. 10% of customers have not re-ordered in this financial year and staff morale is poor. A number of skilled staff have left as a result and replacement staff have not been recruited due to the reduced operation. If the project is successful, a recruitment campaign will be required to fill the existing staff vacancies and there may be a requirement for additional staff. Operational costs are likely to increase because skilled staff are expensive and difficult to find.

In financial terms, there were a total of 1,500 orders in the last financial year, each with an average profit of £2k. The Marketing department believes that sending a promotional calendar to our current and prospective customers would increase orders by at least 10% with a minimum of 10 further orders from the list of prospective customers within 12 months from the date of distribution.

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The calendar is seen as the favored option, as long as the company's competitors do not increase their marketing activity. Whilst the Marketing department wants a very high quality, glossy product, the project management team must be aware of the cost this will incur.

Which 2 statements should be recorded under the Expected benefits heading?

- A. Increase orders by at least 10% with a minimum of 10 further orders from the list of prospective customers within 12 months.
- B. It will be similar to calendars sent out in previous years
- C. The Marketing department believes that the benefits of a good company image, as portrayed by a successful calendar, will last into a second year and bring the same increase in orders.
- D. The calendar will contain photos of both staff and company products.
- E. The Marketing department want a very high quality, glossy product as they believe this will be more appealing to customers.

Correct Answer: AC

QUESTION 20

Scenario

A central government department, the Ministry of Food Hygiene (MFH), faces increasing pressure to cut costs, better manage suppliers' performance and reduce the confusion caused by inadequate internal controls, outdated standards and outdated technology. External consultants were employed to conduct a feasibility study to identify options to address the problems, and the likely costs and benefits. The following options were considered:

Do nothing.
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Outsource selected business functions.

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Which 2 statements should be recorded under the Reasons heading?

- A. The lack of up-to-date technology in MFH means a re-engineering of existing services will not necessarily deliver the performance improvements required.
- B. Providing re-engineered services in-house will remove the need to transfer staff to a service provider.
- C. The Ministry of Food Hygiene (MFH) needs to deal with the increasing pressure to cut costs and better manage supplier's performance.
- D. Relocating staff to the selected service provider's premises will mean that no property transfer is