Feasibility study report sample

Technology, Development

Introduction

This is a feasibility study on the proposed Xanadu contract management system. This study aims to prove or disprove the financial prudence of creating and implementing the said system. The proposed contract management system will be responsible for handling outsourced system development contracts.

This feasibility study was commissioned by Sr. Vice president of the Xanadu Bellevue Branch, Ann Casey, with authority from the corporate headquarters in George Town, Cayman. The investigation has been executed by the Alpha group whose members include John Tyrion, Grace Stark, Alex Snow, and Arya White.

The new system is aimed at processing invoice data, as well as accrued expenses. It is also integrated with a vendor interface to facilitate interaction with the vendors. The key advantage of the new system is reduction or elimination of manual labor and paper work required for the monitoring of contractual payments, which are all prone to human error. This gives the Bank of Xanadu a competitive advantage.

Systems Request Summary

The bank of Xanadu has recently decided to outsource all its programming work to outside development firms. The proposed system will be responsible for controlling the payments to these development firms. The scope of the project is discussed below.

The system should be capable of accepting, processing, and storing the inputting of contractual information as soon as it is received. This

information will include invoicing data and accrued expenses. It should also have a vendor interface to provide information to the vendor's queries. The system will be equipped with internet capability. This will enable the vendors to access it remotely. It will track the bill incurred on the contracts, compare the invoicing to the contract schedule, and record the work performed for the purposes of comparing it to the scope of the system being developed under the contract. It should store all this information on a database to enable the branches and to prepare monthly reports on the expenditure on programming contracts.

The system will not be responsible for handling contracts outside those of programming nature. It will not have centralized databases as each of the banking centers are responsible for managing their own expenses. The system will also not be responsible for conducting feasibility studies before the contracts are signed, although the reports it generates can be used to plan for future contracts.

The system will reduce the amount of workforce put aside to monitor contractual payments. This will reduce the wage expense for the entire Xanadu group. The employees will also appreciate the ease of recording invoices and producing reports. This will increase their motivation.

The Bank of Xanadu will gain competitive advantage as a result of implementing this new system. This is because it will reduce the cost me accounting for contracts. It will also gain from the ease of obtaining information to use in strategic decision making. An example is a situation where the managers at the banking centers or at the headquarters would

use the information from the generated reports to compare between bidding contractors.

Background

Founded in Bellevue, Washington, the Bank of Xanadu has risen from a small bank with three branches in Washington to a global banking group with 2000 branches located all over the continents. It started as a savings and loans bank and spread all over the United States before penetrating the world market using mergers and takeovers. The most recent takeover was in 2012. In the takeover, Xanadu Bank acquired Utopia National Bank. This progress has been made in duration of 30 years due to a culture of always placing the customer's interests in front of the company's. Its 100000 employee strive to conform to banking ethics when dealing with its over 10 million customers worldwide.

Beginning 2010, the headquarters of the bank were relocated to George Town, Cayman. This was due to the absence of direct taxation in the islands. Small branches in the United States report to banking centers, which in turn report to the headquarters in the Caymans. The international banking centers have the independence to operate in their separate countries. They also, however, report to the headquarters on their operations. The banking centers have the freedom to create their own structure. The human resource includes accountants, contract personnel, loan supervisors, retail, and information system personnel. They are responsible for keeping their own accounts and tracking their expenses, except those involving the whole group, which are handled by the headquarters.

The new system has been found necessary for integrating all departments,

thus making it easier and efficient to track financial details. The new system is also aimed at reducing the number of unnecessary workers, thus maximizing the profits.

Recommendation for Action

The system will be developed using the Structured Systems Analysis and Design method (SSADM). Computed below are the Net Present Value and Return on investment of the proposed system. The feasibility study will look at the value of outsourcing the Contract management system. This will be compared to retaining the programming employees to develop an in-house system.

Net Present Value (NPV)

The net present value compares the future returns on a given investment to the cost that will be incurred investing in the project. In this case, the returns will be the savings made by reducing the salary and the benefits that would be due to the redeployed employees.

The Net Present Value in this case is comparing the total savings adjusted to the 8% discount rate to the Development cost that would be involved in developing the system. This is a positive net present value of over $8. 9 million. This means that it would be a good financial investment to replace the in-house programmers with outsourced labor to develop Xanadu systems.

Return on Investment

The ROI will calculate the percentage return on an investment. The formula for calculating ROI is (Return-Investment/Investment * 100).

The ROI is 291. 6% which is more than enough to justify outsourcing programming services to develop Xanadu's system. The NPV also recommends the development of the system as is it positive.

Assumptions

The expenditure used to calculate the Net present value, and the Return on investment has not put into place the fees in training the workers of the new systems.

The Feasibility study has assumed that there are no legal fees to be incurred in case of a contractual breach.

The discounting figure used (8%) has been assumed to be constant throughout the period under consideration.

In calculating the Costs and Benefits of the redeployed employees, the effects of inflation have not been factored

- Issues for the user to consider

Will the redeployed employees seed legal redress for perceived unlawful termination?

Who are the persons who will be authorized to access the data recorded and stored on the new system?

Will the company's already existing hardware be able to handle the running of the new system?

Are there better System development methodologies that will ensure the success of the contract management system?

Will the outsource programmers understand and meet the ethical standards that are the culture of Xanadu Group?