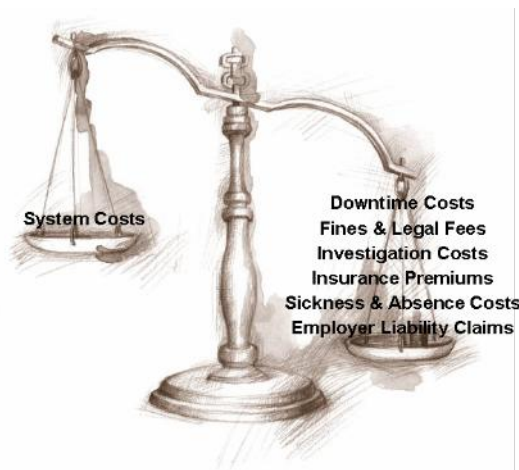


Building the business case for health and safety management software

Introduction

To a health and safety professional the need for a health and safety management system may seem obvious but often this need will have to be quantified and communicated to the decision makers within an organisation. A business case is often used as the tool for communicating that need and comparing various competing requests for funding.

A business case should compare the costs of a project with the benefits that it provides. The business case must show that the benefits outweigh the costs.



Although financial information is important a business case is more than just a financial justification for a project. It is a business justification. The business case should show that the project will help the organisation meet its goals.

The business case is your internal sales pitch.

The Process

The following process may help you identify the logical steps in producing your business case.

- Identify the business need
- Define the business opportunity
- Identify & involve stakeholders
- Investigate & evaluate alternatives
- Define & scope the project
- Prepare & present the business case

The business need may be easy to identify, especially if you currently use a paper based system that relies on information being stored in lever-arch files. You may already have issues about where these files are stored and how your staff gain access to them. You may employ a large number of employees or your employees could be located over a large geographical area.

Once these issues have been identified it should be easy to identify how a web based health and safety management system could help address these issues. The table below may help in identifying some common business needs and the opportunity to resolve them using a computerised health and safety management system

Business Need	Opportunity
Staff access to policies & procedures	Available from every desktop
Keeping policies & procedures up to date	Updated centrally using simple editor
Communicating updates to staff	Staff automatically access most current version
Accessing records out of hours	Make records available from company server
Accessing records from off site	Make record available over company intranet/internet
Benchmarking performance within the organisation	Database storage of records allows comprehensive reporting at the touch of a button
Need to complete risk assessments in an efficient manner	Provide web based form which steps the user through the process
Need to perform Safety Inspections and demonstrate performance	Record inspections using standard template and record results in database
Need to report/investigate accidents and incidents	Report incidents using a web interface
Need to implement recommendations from risk assessments, inspections & accident investigations & track completion	Use system to assign actions to individuals and track progress towards completion. Use reporting to manage process

It is important to identify and involve stakeholders at an early opportunity. Your stakeholders may include

- Directors/Company Secretariat
- Human Resources
- Finance & Accounting
- IT

The Company Secretary will have a responsibility for corporate governance and as such may be concerned that the company is effectively discharging its health and safety responsibilities. You may also have a board level director who is responsible for health and safety.

In many organisations Health and Safety is considered an HR function, even if it is not it still has many issues which are HR concerns, such as staff absenteeism.

Finance and accounting should be able to help you identify the costs of various health and safety issues, such as absenteeism, production downtime etc. They may also be able to help you identify the costs of insurance premiums and employers' liability claims. Once these costs have been identified they should help you determine how these affect the bottom line costs, i.e. straight out of profit.

IT will want to know that any proposed system is compliant with existing IT standards, especially operating system and database standards. They will want assurances about how the system is to be supported. IT may also have additional costs to add to the business case. They may wish to appoint a project manager or analyst to run the implementation and will need to consider backup, sever and network technicalities and possibly integration with other systems. In some companies IT will also be responsible for user training.

Typical contents

Typical business case contents may include

- Executive Summary
- Business Opportunity
- Option appraisal
- Cost/Benefit Analysis
- Financial Analysis
- Critical Assumptions
- Constraints
- Market Analysis
- Organisational Considerations
- Sensitivity Analysis
- Project Description
- Implementation Plan
- Recommendations

Your business case need not include all of these sections, but they make a good checklist – ask your finance department.

The *executive summary* highlights the key points in the business case. These include important benefits and perhaps a summary of the financial justification.

The *business opportunity* describes options for business improvement. The business opportunity includes a definition, a statement of scope and a discussion of objectives for the project.

The *option appraisal* section should demonstrate that alternative solutions have been considered. This may be as simple as comparing an online solution with an alternative paper based system. It may consider the differences between different solution providers. As a baseline it should contain a do nothing option.

The *cost/benefit analysis* should define the costs and benefits of the project. These costs may be tangible costs such as, equipment and infrastructure (purchase and maintenance) as well as labour costs (training and operation), which should be compared against benefits of the system which may include reduced operating costs, lower insurance premiums, reduced sickness and absence costs, and avoidance of fines and legal costs. There may also be intangible benefits such as improved morale. It may also be worthwhile considering these costs and benefits in terms of Commercial, Legal, Social and Moral costs or benefits.

Example cost/benefit analysis for a do nothing option and an implementation option are given below.

The Do Nothing Option

Costs	Benefits
<i>Commercial</i> Personnel costs of completing manual forms	Tried and tested system. May not be perfect but you know what you've got
<i>Legal</i> Harder to demonstrate compliance Increased risk of non-compliance Increased risk of fines	Paper copies with signatures legally more robust, even if harder to find
<i>Social</i> Organisation viewed as socially irresponsible	None
<i>Moral</i> Reduced morale as organisation is seen not to be investing in staff welfare	Saving your money for something else

The Implementation Option

Costs	Benefits
Commercial Purchase of Software Purchase of Support Possible need for server	Increased efficiency Increased effectiveness Easier to Audit
Legal Commitment to User Licence	Better placed to defend Employers Liability Claims Easier to demonstrate compliance to HSE
Social None	Seen to be investing in Health & Safety Supports Corporate Social Responsibility
Moral None	Effort to comply reduced Easier to find information Form filling much easier

Financial analysis compares benefits to costs and analyses the value of a project as an investment. The analysis may include a cash flow statement, and a calculation of payback period or return on investment (NPV or IRR). The financial analysis should consider the costs of accidents. This is often very hard to quantify, however the HSE and the Association of British Insurers provide some useful information. These sources are listed at the end of this paper.

It should be remembered that the cost of an accident or case of work related ill health is a cost off the bottom line, therefore an accident with a cost of £600, an average cost suggested by the ABI, would mean that a company with a net profit margin of 15% would need to increase turnover by £4,000 just make up for that one accident! It may be worth calculating the possible cost of accidents for your size of organisation and the turnover required by your business to cover this cost.

This is a specialised Finance section and it is often best to involve your Finance department to help in the analysis.

Critical assumptions are events that a business assumes will happen. For example a business case might assume a future tightening of legislative requirements.

Constraints are schedule, resource, budget, staffing, technical and other limitations that may impact on the success of a project. For example a project might require that all employees have access to a central database.

Market analysis examines changes in the business environment that impact the success of a project such as technological innovations and shifts in customer demographics.

Organisational considerations examine how a project impacts on an organisation. A project's success might depend on management support and employee acceptance.

Sensitivity analysis evaluates the probability that a project can be implemented successfully and the risks involved in undertaking the project. Risks may also result from not undertaking the project.

The *project description* should provide enough information that the people who must approve the business case can decide whether the project is both viable and worth doing.

Don't neglect the *implementation plan*. The rest of the business case is meaningless if the project cannot be implemented successfully. If you have an IT department, they are the best source of advice for this section.

The *recommendations* summarise the main points of the business case and offer suggestions on how to proceed with the project.

Useful Resources

HSE Better Business Website
www.betterbusiness.hse.gov.uk

HSE Revitalising Health & Safety, Ready Reckoner Homepage
<http://www.hse.gov.uk/costs/index.asp>

HSE Enforcement Homepage
<http://www.hse.gov.uk/enforce/>

Association of British Insurers, Getting Back to Work, A Rehabilitation Discussion Paper
www.abi.org.uk/Display/File/213/Getting_Back_to_Work_130602.pdf



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